

Effects of Multiple Taxation on the Performance of Small and Medium Scale Business Enterprises in Benue State

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Abstract

This study is on the effects of multiple taxation on the performance of small and medium scale enterprises (SMEs). Over the years, small and medium scale enterprises (SMEs) have been an avenue of job creation and the empowerment of Nigerian citizens, providing about 50% of all jobs in Nigeria and also for local capital formation. However, the mortality rate of these small firms is very high. Among the factors responsible for these untimely close-ups are tax related issues, ranging from multiple taxation to enormous tax burdens. The study therefore examines the effect of multiple taxation on SMEs survival. The study involves a survey research design with a population of 91. The researchers derived their sample size to arrive at 74 and a self-administered questionnaire was used to collect data. This data was quantitatively analyzed with simple percentages and the research hypotheses were tested with ANOVA. Findings revealed that multiple taxation has negative effect on SMEs' survival and the relationship between SMEs' size and its ability to pay taxes is significant. The research therefore, recommends that government should come up with uniform tax policies that will favour the development of SMEs in Nigeria and government should put into consideration the size of SMEs when formulating tax policies.

Key Words: Multiple Taxations, SMEs Performance, SMEs Mortality, Economic Growth

1.0 Introduction

In recent time the world economy has developed tremendously and this has been linked with activities of Small and Medium Scale Enterprises (SMEs), especially in developing countries. A Study carried out by the Federal Office of Statistics shows that in Nigeria, Small and Medium Scale Enterprises make up 97% of productive units of the economy (Ariyo, 2005). Although smaller in size, they are the most important enterprises in the economy due to the fact that when all the individual effects are aggregated, they surpass that of the larger companies. The

social and economic advantages of small and medium scale enterprises cannot be overstated. Panitchparkdi (2006) sees SMEs as a source of employment, competition, economic dynamism, and innovation which stimulates the entrepreneurial spirit and the diffusion of skills. Because they enjoy a wider geographical presence than big companies, SMEs also contribute to better income distribution. Over the years, small and medium scale enterprises have been an avenue for job creation and the empowerment of Nigeria's citizens providing about 50% of all jobs in Nigeria and also for local capital formation. Being highly innovative, they lead to the utilization of our natural resources which in turn translates to increasing the country's wealth through higher productivity. Small and medium scale enterprises have undoubtedly improved the standard of living of so many people especially those in the rural areas (Ariyo, 2005).

However, the mortality rate of these small firms is very high. According to the Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN), 80% of SMEs die before their 5th anniversary. Among the factors responsible for these untimely close-ups are tax related issues, ranging from multiple taxations to enormous tax burdens among other issues etc. In many government policies, small and medium scale enterprises are usually viewed and treated in the same light as large corporations. However, their size and nature make them unique. Therefore, in dealing with small and medium scale enterprises, these unique qualities need to be considered. In levying of taxes for these enterprises in particular, issues that need to be considered are how these tax policies can be designed to bolster the growth of SMEs and the most effective ways to administer them. The importance of SMEs as a mechanism of economic growth and development is often ignored.

They are perceived as minute establishments that have minimal effect on the state of the economy. However, if favorable environment is created for these SMEs to grow through proper regulation, the SMEs sector has the highest propensity to transform our economy. In the same light, taxes are important for the government as they are the major source of funds for government expenditure. Income obtained from taxation of individuals and businesses are used to run governments as well as provide infrastructure such as good roads, water supply, and electricity which are essential for the smooth running of these businesses that are mainly manufacturing companies and as such rely on these commodities to survive.

However, Holban (2007) posited that taxation can contribute to development and welfare through three sources; It must be able to generate sufficient funds for financing public services and social transfers at a high level of quality, it should offer incentive for more employment and for an efficient and lasting use of natural resources, finally it should be able to reallocate income. But in the case of SMEs, tax must be imposed in such a way that puts their income and need for survival into consideration. It is expedient that enough profit is allowed them for the purpose of expanding their businesses. The tax policy must be one that will not encourage SMEs to remain in the informal sector or to evade or avoid tax payments. More so, many small firms in Africa, including Nigeria, choose to remain in the informal sector because the perceived benefits outweigh the perceived costs. Firms rarely see their tax contributions at work and the

compliance costs are high, thus discouraging compliance. The government is also discouraged from collecting taxes from small firms, because the cost of monitoring and collecting taxes from small businesses by revenue authorities, whose resources are usually scarce, sometimes outweighs the revenues generated by small businesses (Stem and Barbour 2005).

The focus of this research, therefore, is to examine the effect of multiple taxations on the performance of (SMEs) and the importance of taxes to the Nigerian economy, to establish the relationship between tax policy and the growth of SMEs in Nigeria and to evaluate the factors that encourage non-compliance with tax obligation by SMEs,

1.2 Statement of the Problem

Although there is a general perception that tax is an important source of fund for development of the economy and provision of social services, the problems faced are in the area of negative relationship between taxes and the business' ability to sustain itself and to expand. SMES are faced with the problem of high tax rates, multiple taxation, complex tax regulations and lack of proper enlightenment or education about tax related issues. Not minding other challenges that SMEs are facing in other developing countries like Nigeria; inadequate capital, poor technical and managerial skills, environmental effects and government regulations which affect the operation of SMEs, in Nigeria especially this issue of multiple taxation which is a worm eating deeply and the large chunk of revenues generated by these SMEs for their growth and survival. These have led to increase in record of dearth of Small and Medium Scale Enterprise (SMEs).

1.3 Research Questions

To achieve the objectives of the study, the researcher was guided by the following set of questions;

- (i) What is the relationship between multiple taxation and SMEs survival in Benue State?
- (ii) Does the size and ability of SMEs to pay tax affect their survival?

1.4 Objectives of the Study

The general objective of the study is to examine the effect of multiple taxations on SMEs performance in Benue State.

- (i) To examine the relationship between multiple taxation and SMEs survival.
- (ii) To ascertain whether the size and ability of SMEs to pay taxes affect their survival.

1.5 Statement of Hypotheses

The following research hypotheses were developed in order to properly address the problems of the study. These hypotheses were stated in Null form as follows:

- (i) Ho₁: There is no significant relationship between multiple taxation and SMEs' survival.
- (ii) Ho₂: The relationship between SMEs' size and its ability to pay taxes does not significantly affect their survival.

2.0 Conceptual Issues

For some decades now, Nigeria has depended on oil for its major income and foreign exchange. Oil accounts for about 80 percent of federal government revenues, and 95 percent of foreign exchange earnings. The National Centre for Economic Management and Administration (NCEMA) reports that Nigeria, with a population of about 120 million, is Africa's most populous country and the continent's third largest economy yet it still remains one of the poorest oil producing countries. With a continuously declining per capita income, comparatively unfavorable social indicators, dynamic world economy and the fact that countries are looking into alternative sources of energy it is time to begin to look into alternative sources of income for sustenance in the long run when the demand for oil will dwindle to nothing. Therefore, it would not hurt to diversify the economy even before the demand for petroleum products finally diminishes. This means it is time to pay more attention to the other sectors of the economy.

This translates into looking at non-oil based sectors in Nigeria such as agriculture, manufacturing, commerce and tourism. These industries are primarily made up of SMEs as such it goes without saying that SMEs are important to the Nigerian economy. The country is blessed with fertile farmlands, vast mineral deposits and a wealth of human resource, making it a very favorable place for small and medium enterprises. These resources have placed Nigeria in a prominent position in Africa. For governments; however, large companies are a more attractive, more clear-cut and less complex set than SMEs. In designing public policies, particularly tax policies, governments have usually targeted the large companies (Holban, 2007). Therefore, there is a need to devise methods to encourage the growth and development of these enterprises so as to ensure that they reach their full potential. Subsequently, a favorable business and regulatory environment needs to be created for them to thrive. Thus, for this study, the focus will be on supporting SMEs growth through tax policy. Most large companies have their roots in small and medium enterprises; they started out as SMEs before expansion. This means that the future large corporations are the SMEs of today that should be nurtured to ensure their growth and transformation to large scale enterprises. Furthermore, they are generally perceived to be the seedbed for indigenous entrepreneurship and to generate all the many small investments, which would otherwise not have taken place (Aryeetey & Ahene, 2004). Therefore, Nigeria needs to encourage the development of its private sector by creating a friendly environment for the growth of SMEs, strengthening the factors that lead to business success, and addressing the problems threatening the existence and advancement of small and medium enterprises (Chu, Kara & Benzing, 2008) With the dismantling of trade and other barriers.

Consequently, SMEs in developing countries are struggling to survive under intense competitive environments both domestic and international. In developing countries like Nigeria, there is an urgent need to provide the required enabling environment for the development of SMEs, so that they could adequately play the role expected of them in economic transformation, Such

role includes mobilization of domestic savings for investment, appreciable contribution to gross domestic product, increased harnessing of local raw materials, employment generation, and significant contribution towards poverty reduction efforts through sustainable livelihoods and enhancement in personnel income, technological development and export diversification (Smatrakalev, 2006). It is for this reason that an ideal tax policy needs to be adopted in order to ensure economic growth and proper utilization of resources. However this is not the case because taxes are levied for regulating the investment behavior of the households and not for suffocating any entrepreneur initiative which seem to be a major constraint to the development of the SMEs they are out to cater for.

Olorunshola (2003), the concept of SMEs is relative and dynamic. The characteristics of SMEs are uncertainty, innovation and evolution. A firm understanding of SMEs would require a good knowledge of its features. In Nigeria, SMEs are usually small in size and lack large organizational structure and management culture while the urban SMEs are more structural, the rural ones are less structured. This represents one of the most important characteristic of SMEs in Nigeria. SMEs are in most cases a one man business or partnerships enterprise, although they may be registered as limited liability company, (Udechukay, 2003). Olorunshola (2003) affirmed that this ownership style has led small and main enterprise to have a simple management structure and make it easier to manage than that of large firms, and few numbers of staff and in some cases low level of education of some owners of SMEs. SMEs almost share the same characteristic with a sole proprietorship in that, there is no legal personality between the SMEs and their owners, which means that the life span of SMEs depends on the life of the owners; when the owner dies, the business dies alongside. Another feature of the SMEs sector in some countries is its heterogeneous nature, ranging from retail outlets to hugely paid professionals and substantially manufactured organisation small and medium enterprise are also likely to vary in organizational form, from sole proprietorship (one man business), scale corporations (public or private), professionals and partnerships.

Furthermore, the processes of production in SMEs setting are Labour intensive and manual because of the small capital and they always serve as supplier to the large manufacturing firms since their products are mostly raw materials output to the large firm (Hanefah, Ariff and Kasipfflai, 2002). Just like a one man business SMEs also require low startup capital than large companies (Akinsulise, 2010).

In addition, the contribution of SMEs to tax revenue is usually lower than its contributions to output and employment (International Tax Dialogue, 2007), that notwithstanding SMEs have not become competitive enough to increase their share of output even though they form three fifths of the number of manufacturing industries which are solely relied upon by large manufacturing companies for their supplies (products) (Hanafah *et al.* 2003).

Depending on the country's international standing at any point in time and the economic policies adopted by government, the importance of the various source of revenue varies from

time to time. Nigeria has mixed economy i.e., government undertakes commercial investment alongside the private sector with social oriented economic policies, government undertakes greater commercial investment. Though taxation may not be the most important source of revenues to government in term of the magnitude of revenue derivable from taxation, however, taxation is the most important source of revenue to the government, from the point of view of certainty, and consistency of taxation. In a social oriented economy, only a small percentage of revenue may be derived from taxation while in a capitalist oriented economy, a greater percentage of government revenue, is derivable from taxation (Osita, 2004). According to Eftekhari (2009), taxation has always been an issue for the government and taxpayer alike from the early years of civilization. The issue of taxation has generated a lot of controversy and several political conflicts over time. According to its importance, several economic systems have been proposed to run an effective system. Osita, (2004) sees taxation as a compulsory levy by government through its various agencies on the income, capital or consumption of its subjects. Tax is basically of three structures proportional, progressive and regressive. Proportional tax is defined as a type of tax in which tax payer is levied an amount in proportion to his earning, progressive tax levies are higher rate on higher income earners, while the regressive tax is the one that charges higher rate to person receiving lower income. Tax is classified into two broad categories as direct and indirect tax.

Multiple taxations in relation to a company or individual is a situation where the same profit or income respectively which is liable for tax in Nigeria has been subjected to tax by another tax authority in Nigeria or another country outside Nigeria (Osita, 2004). In such situations relief is usually granted to that tax payer for the earlier tax paid or to which he may be liable. Specific arrangements are made with a view to preventing such multiple taxes or to provide relief as is appropriate in the circumstance.

2.1 Challenges of SMEs

There are a lot of problems that bedevil SMEs and stunt their growth. Although there are some problems peculiar to a particular country, the challenges faced by SMEs in different countries and geopolitical divisions are basically the same. For instance, a survey of Turkish SMEs by Organization for Economic Co-operation and Development (OECD) in 2004 showed that they were suffering the consequences of policy inconsistency, poor access to finance, insufficient know-how and low level of technology, and so many others. The same problems were also registered by other authors concerning other regions like the Philippines, Malaysia and other European states and of course in Sub-Saharan Africa-Nigeria inclusive as shown by different authors on the issue. Uzor (2004) believes that the constraints faced by SMEs in developing countries are not only accentuated with ineffective policy design, but also by market failures in the region. Their lack of information technology and knowledge of automation is gradually being reduced given that they serve as contractors and or suppliers for larger firms particularly the foreign manufacturing firms. A major difficulty faced by SMEs is that of lack of access to short and long term capital. Publication of the Weekly Trust of Saturday, January 22, 2011 recognizes the fact that collateral based financing has become increasingly difficult for SMEs,

whether as existing businesses, in their expansion states or as startups hence more SMEs are resorting to viability lending in which case they obtain loans based on the viability of the business and health of cash flow, Banks are usually reluctant to lend to SMEs and this is because of problems such as the SMEs' inability to meet the bank's lending requirements, promoters' low education, management and entrepreneurial skills and poor and unreliable financial records which makes financial review difficult (Aderemi, 2003). There is also the problem of unsound accounting system and lack of full financial disclosure (Jan, n.d.). Areetey& Ahene, (2004) buttressed this assertion by listing lack of access to land, utility installation and services, and import procedures as constraints to SME growth. Summarily, these problems make SMEs a "high-risk" venture. The above named reasons are in and of themselves problems that impede SME growth because not only do they become obstacles in accessing financing, they are capable of hindering growth on their own. Moreso, in Nigeria, the problems faced by SMEs as posited by Oboh (2002); Okpara (2000); Wale-Awe (2000) and Chu, Kara & Benzing, (2008) include astronomically high operating costs; lack of transparency and corruption; and the lack of interest and lasting support for the SMEs sector by government authorities, dilapidated state of Infrastructural facilities, unreliable employees and Weak economy, unsafe location, undependable electricity supply are common phenomenon.

2.2 Empirical Issues

According to Tomlin (2008), economists argue that the resources smaller companies direct towards tax compliance are resources that could otherwise be used for reinvestment, facilitating future growth. Hence, there is a belief that taxes and a complex tax system put disproportionate pressure on smaller businesses. Small taxpayers under the regular system of taxation are discriminated against, since the compliance requirements, cost of compliance and tax rate are the same for both small and large enterprises. Reducing the compliance costs and tax rate increases the small enterprises profit margin. It also increases the Government's tax revenue, since the simplified provisions for a micro enterprise historically reduce the size of the shadow economy and the number of non complying registered taxpayers (Vasak, 2008). Furthermore, SMEs usually have to operate in an overbearing regulatory environment with the plethora of regulatory agencies, multiple taxes, cumbersome importation procedure and high port charges that constantly exert serious burden on their operations. Many SMEs have to deal with myriad of agencies at great cost as stated earlier; they are heterogeneous and these differences in size and structure may in turn carry differing obligations for record-keeping that affect the costs to the enterprises of complying with (and to the revenue authorities of administering) alternative possible tax obligations. Public corporations, for example, commonly have stronger accounting requirements than do sole proprietorships, and enterprises with employees may be subject to the full panoply of requirements associated with withholding labour income taxes and social contributions (International Tax Dialogue 2007).

An overly complex regulatory system and tax regime or one opaque in its administration and enforcement makes tax compliance unduly burdensome and often have a distortion effect on the development of SMEs as they are tempted to morph into forms that offer a lower tax

burden or no tax burden at all (Masato, 2009) and this results in a tax system that imposes high expenses on the society. A poorly executed tax system also leads to low efficiency, high collection charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources (Farzbod, 2000). Existing empirical evidence clearly indicates that small and medium sized businesses are affected disproportionately by these costs: when scaled by sales or assets, the compliance costs of SMEs are higher than for large businesses (Weichenrieder, 2007). Among the factors militating against SME tax compliance are: high tax rates, Low efficiency, high collection charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources (Farzbod, 2000). Others according to Yaobin, (2007) are double taxation, no professional tax consultancy, weak tax planning, high taxation cost.

Although there is certain policy measures geared towards SME growth in Nigeria, the support needs to be increased, standardized and systematic. Iwuji (2003) believes that it is the role of the government to provide an enabling environment and social services that support businesses and persons. This means enhancing the investment climate in Nigeria for increased economic growth and subsequent tax contribution from all citizens which is necessary because a good number of SMEs operate in the informal economy due to the fact that they deem the tax environment within which they operate unfavorable. These SMEs constitute untapped revenue potential and an even playing field in many countries (International Tax Dialogue, 2007) as such they need to be captured by the tax net. The legislation is a necessary regulator for protection of the business environment and security of the economic agents, for establishment of the necessary social security regulations but at the same time it hampers the business with additional expenditures and administrative obstacles, which place in different positions the SME. They can either share part of the staff or hire people to deal only with studying the legal requirements and complying with the new regulations, or contract some personal service firm (like E&Y, Deloitte and Touché, Price Waterhouse etc) to deal with their tax compliance, planning etc. For SME this is a great expense out of their abilities (Smatrakalev, 2006). Shahroodi, (2010) believes that for a tax system to be efficient the tax policy needs to be designed such that the tax rates are appropriate and rational, the exemptions are lower in amount, the tax authorities are more efficient, the tax burden of the indigent people should be lighter and the fight against corruption and tax evasion should be strengthened. Tax policies can be designed in such a way that they do not only directly affect SMEs but also indirectly push for their growth for example the practice in China where tax policy has been designed to encourage SME financing by granting exemptions from business tax for financial corporations that provide guarantee for loans to SMEs and granting tax deductions to market entities and venture capitalists that invest in high- tech SMEs the tune of 70% of the investment value. Another way is by designing tax policies that encourage human capital training. (Yaobin, 2007) declared that special tax regimes for SMEs may be appropriate policy instruments for minimizing the cost of collection, It is important to note that the awareness of the dangers of inadequate attention to the taxation of SMEs has grown. It can lead, for example, to distortions of competition as a result of uneven tax enforcement, with incentives created to limit growth

and to avoid tax through artificial splitting of enterprises (International Tax Dialogue, 2007). Furthermore, policy incentives such as tax rebate for SMEs with emphasis on local sourcing of raw materials, serious in adding value to commodities for exports and other business ethics, should be employed by government. Similarly, government could increase funding for the development of the sub-sector through direct budgetary allocations and enhance private sector investment opportunities that will focus on specific areas of capacity enhancement. Also, tax law should be simplified continuously, mainly for three reasons, namely to lower both compliance costs and administrative costs, to reduce uncertainty faced by taxpayers; and to improve the levels of voluntary compliance (Kasipilai, 2005). Pro-business (and Pro-SME) Tax regimes and enforcement should be simple, consistent and predictable.

2.3 Theoretical Framework

Theory of Business Growth

Various authors have postulated theories on business growth. The oldest and the most used theory according to Elhiraika and Nkurunziza (2006) is Gibrat's law of proportionate effect (LPE); (1931). Here, Gibrat stipulates that the rate of growth of a firm is independent of its initial size. By implication it would mean that large firms are preferable in context of private sector development given that they create more employment than small firms. Conversely, Jovanovich (1982) states in his learning model that younger firms learn over time, which helps them improve their performance as they accumulate market knowledge. According to this model, young firms grow faster than old ones. Moreover, given that younger firms are usually smaller than older ones (businesses) for the reasons discussed earlier; Jovanovich deduces that small firms grow faster than large ones. This is a convergence process where small firms will eventually become as large as any other longer firm in the same sector as time goes by.

Church and Lewis (1983) as cited in Olawale & Garire (2010) on the other hand claim that as a new small firm start and develops, it moves through some growth stages. He also identified the stages of growth as; existence, survival, success, take off and resource maturity. In each stage of development as different set of factors is critical to the firm's survival and success the Churchill Lewis model gives an insight into the dynamics of SMEs growth including the distinguishing characteristics, problems and requirement of growing SMEs and explains business growth process amongst SMEs, The precise moment in time in which a startup venture becomes a new business has not yet been theoretically determined. However, the ideal business survival could be equated with a firm that has fully completed the transaction to stage - two organizations in the five stages of small business growth.

3.0 Research Design

Since this study involves the collection of views, perspectives or opinions of respondents regarding a particular issue, the study employed a survey research method which involves questionnaire, personal interview with respondents and perusal of past records and publications. This choice was made due to the fact that the survey method is effective when it comes to getting opinions, attitudes and descriptions as well as getting cause and effect relationship. The population of the study is ninety one (91) Small and Medium Scale Enterprises

in Benue State as obtained from Benue State Ministry of Commerce and Industry. We derived our sample size statistically by using Yaro Yamani (Abdullahi, 2012) as follow:

$$n = \frac{N}{1 + n(e)^2}$$

Where n = Sample size

N = Population

e = Margin of error (0.05)

Thus, the sample size is:

$$n = \frac{91}{1 + 91(0.05)^2}$$

$$n = \frac{91}{1 + 91(0.0025)^2}$$

$$n = 74.1344$$

The sample size consists of seventy four (74) Small and Medium Scale Enterprises in Benue State. Five (5) copies of questionnaire were distributed to the management staff of each of the sampled Small and Medium Scale Enterprises in Benue State giving a total of 370 copies of questionnaire distributed.

Analysis of data refers to those techniques by which the investigator extracts from data or information that was not apparently there before and which would enable a summary description of the subject studied to be made. The information being referred to here is the information that enabled the study to test the research hypotheses. Also the statistical tool of frequency tables and percentages were used to present and analyze data collected and also tested the research hypotheses with the Analysis of Variance (ANOVA). The formula is as shown in the table below:

ANOVA TABLE

Source	SS	DF	MS	F- ratio	Remark
Between	SS _B	t – 1	SS _B /df _B	MS _B /MS _W	Accept or reject
Within	SS _W	N – t	SS _W /df _W		
Total	SS _T	N – 1			

Source: Adefila (2008).

Where: N = the total number of individual scores in all

Q = the grand total of all the data

t = Number of groups
n = Number of elements or cells in each group

SS_T = Sum of the square of each of the individual scores in all the groups, subtract Q^2/N

$$= \frac{(X_1^2 + X_2^2 + X_3^2 + \dots + Z_3^2 + Z_4^2 + Z_5^2) - Q^2/N}{n}$$

SS_B = Square of each group sum, divided by the corresponding group (n), then sum all these and subtract Q^2/N

$$= \frac{(XX^2 + YY^2 + ZZ^2 - Q^2)}{n \quad n \quad n \quad N}$$

SS_W = The outcome of SST less the outcome of SS_B

$SS_W = SS_T - SS_B$

df_B = degree of freedom for "variance between" = t-1

df_T = degree of freedom for total of all the data = N -1

df_W = degree of freedom for "variance within" = $df_T - df_B$ (N - t)

Ms = mean square for "variance between" and "variance within".

Decision Rule

The null hypothesis is rejected if the calculated value of F-ratio i.e. (MS_B/MS_W) is greater than the critical value of F. i.e. ($F_{t-1, N-t}$) as given in the F distribution table otherwise, it stands accepted.

- If $MS_B/MS_W > F_{t-1, N-t}$, then, reject the Null hypothesis
- If $MS_B/MS_W < F_{t-1, N-t}$ then, reject the Alternate hypothesis

The choice of ANOVA for this research is based on the fact that it determines the extent of variance in dependent variables that are caused by independent variables, also used in comparing the variation in more than two independent samples that are drawn just once from population with the same variance. More so, ANOVA reduces the type 1 error rate (rejecting null hypothesis instead of accepting) thus, the equality of several means can be tested in a single classification, where the relationship between one independent and one dependent variable is examined.

4.0 Data Presentation and Analysis

The data presented here are those collected from the field survey on the appraisal of the effect of multiple taxations on SMEs in Benue State. The data were collected in response to 370 copies of questionnaire distributed to the management staff of the businesses out of which 350 copies were fully completed and returned. This will be geared towards testing the research hypotheses leading to drawing conclusions and recommendations.

Table 4.1: Does your company pay tax?

Responses	Frequency	Percentage
All the time	181	51%
Most of the time	107	31%
Not in most time	56	16%

Not at all	6	2%
Total	350	100%

Source: Field Survey, 2014.

From table 4.1 above, 181 respondents representing 51% of the total sample size say their company pays tax all the time. 107 respondent representing 31% say most of the time, 56 respondents representing 16% say less of the time while only 6 of the respondents representing 2% of the sample size say not at all. From the score, we deduced that Small and Medium Scale Enterprises in Benue State pay tax all the time given the amount of respondents that stood for it.

Table 4.2: How many agencies do you pay taxes to?

Responses	Frequency	Percentage
Above three	79	23%
Not less than three	152	43%
Above two	74	21%
Not less than two	45	13%
Total	350	100%

Source: Field Survey, 2014.

The table above shows the response rate of how many agencies collects taxes, 79 respondents representing 23% of the sample size say above three, 152 respondents representing 43% say not less than three, 74 respondents representing 21% say above two, 45 respondents representing 13% say not less than two, From the score, we deduced that at least not less than three agencies collect taxes from small and medium scale enterprises in Benue State.

Table 4.3: Multiple Taxations Affects the Growth and Survival of SMEs Negatively in Nigeria

Responses	Frequency	Percentage
Strongly agree	90	26%
Agree	220	63%
Disagree	40	11%
Strongly disagree	0	0%
Total	350	100%

Source: Field Survey, 2014.

The score on table 4.3 above revealed that multiple taxations affect the growth and survival of SMEs in Nigeria. This is based on the opinion of respondents, at least 90 of them representing 26% strongly agree, 220 of the respondents representing 63% also agree while only 40 respondent representing 11% disagree with the statement. Meanwhile, no respondent strongly disagree with the statement.

Table 4.4: tax Collectors Consider Size of Business

Responses	Frequency	Percentage
Strongly agree	17	9%
Agree	40	11%
Disagree	220	60%
Strongly disagree	73	20%
Total	350	100%

Source: Field Survey, 2014.

From the result on table 4.4 above, 17 respondents representing 9% of the total sample size strongly agree that tax collector considers the size of business for collecting taxes. 40 respondents representing 11% also agree but, 220 respondents representing 60% disagree that tax collectors considers the size of business for collecting taxes while 73 respondents representing 20% strongly disagree. From the score, we deduced that tax collectors do not really look at the sizes of business for tax collection.

Table 4.5: A Relationship between SMEs Sizes and Ability to Pay Taxes

Responses	Frequency	Percentage
Strongly agree	90	26%
Agree	141	40%
Disagree	96	27%
Strongly disagree	23	7%
Total	350	100%

Source: Field Survey, 2014.

From table 4.5 above, 90 respondents representing 26% strongly agree that there is a relationship between SMEs sizes and their ability to pay taxes. 141 respondents representing 40% followed by agreeing to it while, 96 respondents representing 27% disagree and 23 respondents representing 7% strongly disagree with the relationship between the sizes of SMEs

and their ability to pay. From the result; we deduced that the ability of SMEs to pay all taxes depends on their sizes, volume of business and level of revenue generation.

4.1 Test of Hypotheses

This section involves the test of the research hypotheses using the analysis of variance (ANOVA). The test is based on the data collected from the field survey on the study. The data is drawn from table 4.1, 4.2, 4.3 for hypothesis 1: and 4.4, 4.5 for hypothesis 2; respectively.

Test of Hypothesis One:

Table 4.6 ANOVA Table

Source	SS	Df	MS	F _{CAL}
Between treatment	35938	C-1 = 4-1 =3	11979	
Within treatment	14515	N-C = 12-4 = 8	1814	
Total	50453	11		6.60

Source: Adopted from Questionnaire 2014

Decision Rule:

$F_{tab} = df$ under level of significance $F(V1, V2)$ under 5%, $F(3, 5)$ under 0.05, Standard or critical table value = 4.07 Compare $F_{cal} \alpha F_{tab}$, $6.60 \alpha 4.07$, $6.60 > 4.07$ Since the calculated F is greater than the critical table value of F which is 4.07, that is, $6.60 > 4.07$, we reject the null hypothesis and therefore accept the alternative hypothesis at 0.05 level of significance. This means that the relationship between multiple taxation and SMEs survival is significant. Hence, the continuous extortion of monies from SMEs is capable of crippling the survival and growth of SMEs in Nigeria.

Test of hypothesis two:

Table 4.7: Test of ANOVA Table.

Source	SS	Df	MS	F _{CAL}
Between treatment	15392	C-1= 4-1 =3	5131	
Within treatment	16702	N-C=12-4= 8	4176	
Total	32094	11		1.23

Source: Adopted from Questionnaire 2014

Decision Rule:

$F_{tab} = df$ under level of significance, $F(V1,V2)$ under 5%, $F(3,5)$ under 0.05, Standard or critical table value = 4.07 Compare $F_{cal} \alpha F_{tab}$, $1.23 < 4.07$

From the ANOVA test statistics above, F_{cal} is lesser than F_{tab} . That is, $1.23 < 4.07$. We therefore accept the null hypothesis (H_0) and therefore reject the alternative hypothesis (H_i) at 0.05 level of significance. The implication of this decision is that the relationship between the size of SMEs and ability to pay taxes does not significantly affect their survival. This means that despite the

continuous taxing of SMEs by tax agencies, SMEs continue to survive irrespective of the revenue generated by the SMEs.

5.0 Summary of Findings

Summary of findings for this research is based on the analysis of data collected through questionnaire and testing of hypotheses. These findings are:

- (i) That almost all the SMEs in Nigeria pay taxes to government all the time.
- (ii) That multiple taxation affects SMEs growth and survival negatively.
- (iii) That tax collectors do not consider the size of a particular business in tax collection.
- (iv) That the relationship between the size of SMEs and ability to pay taxes does not significantly affect their survival. This means that despite the continuous taxing of SMEs by tax agencies, SMEs continue to survive.

5.1 Conclusions

The study appraises the effect of multiple taxation on the performance of SMEs in Benue State. From all literatures reviewed, the researchers deduced that the development and operation of SMEs has economic impact on the nation. The researchers established relationships between SMEs' sizes and their ability to pay taxes; multiple taxations and SMEs survival. The researchers therefore conclude that multiple taxations affect the survival and growth of SMEs in Benue State.

5.2 Recommendations

The research recommends as follows:

- i. All SMEs should endeavor to pay their taxes as at when due. This should be done by Government providing enabling environment for them to operate and see it as one of the benefit accrued to such payment of taxes to the Government. Also Government should adequately create awareness on the need for SMEs to pay their taxes appropriately. Government should consider increasing tax incentives and exemptions as this will not only attract investors who are potential tax payers, it will encourage voluntary compliance and ultimately leads to expansion of existing business interests of the SMEs in Benue state as well as Nigeria as a whole. If these are done all SMEs will willingly pay their taxes as at when due.
- ii. Tax collection should be defined with respect to which government should collect certain taxes from SMEs. This will avoid the three tiers of government collecting taxes of the same type from the same particular organization. Government should also put a policy in place to avoid illegal taxes, such as community levy, boys or youth levy and as well as association or union levy. These levies exist among all the local governments in the state where most of these SMEs operate including the state capital. Government should ensure that SMEs are giving tax holidays as a way of encouragement for their smooth take off. Hence, government should discontinue the excessive taxes they collect from the SMEs so that they can continue to exist as an entity
- iii. Taxes should be collected in relation to the sizes and profit of SMEs considering all other factors that can constrain the progress of such SMEs as there is a relationship between SMEs sizes and their ability to pay taxes.

- iv. Despite the continued survival of SMEs irrespective of the numerous taxing by tax agencies, there is need for SMEs to be levied lower amount of taxes so that they will have enough funds for other activities that will lead to business growth. Furthermore it will help SMEs to get better equipped to survive in a competitive market. More also, policy incentives such as tax rebate for SMEs that put efforts on local sourcing of raw materials, serious adding value to commodities for exports and other business ethics, should be employed by Government. Similarly, Government could increase funding for the development of the sub-sector through direct budgetary allocations and enhance SMEs investment opportunities that will focus on specific areas of capacity enhancement.

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