

# Multiple Taxation and Growth of Business Enterprises in Ekiti State

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## Abstract

Multiple taxation has bedeviled the survival of many businesses in Nigeria. This is due to the fact that profits meant to be reinvested into businesses for expansion have been collected by tax authorities in multiple folds as taxes. This study examined the effect of multiple taxation on the growth of business enterprises in Ekiti state. Specifically, the study examined the effect of multiple taxation on the sustainability, survival and market shares of SMEs in Ekiti State. Multiple taxation being the independent variable was examined holistically while the growth of SMEs as the outcome variable was captured with sustainability, survival and market shares of SMEs. Considering the need to obtain information on multiple taxation practices in Ekiti State, this study adopted descriptive survey design and covered all the registered 928 SMEs in the state as reported by Ministry of Commerce and Trade, Ekiti state (2022). Using Taro Yamane model established in 1967, the sampled size covered 270 registered SMES in the state using multistate sampling technique. Data were gathered via the administered closed ended questionnaires to the targeted respondents. To analyze these datasets, simple linear regression analysis methods was adopted. From the analysis carried out, multiple taxation has a negative significant effect on sales volume of SMEs in Ekiti state with the values of -0.833 and  $0.001 < 0.05$ . Also, a negative in significant effect exist between multiple taxation and SMEs survival in Ekiti state to the tune of -0.612 ( $p=0.067 > 0.05$ ) while multiple taxation has a negative significant effect on market share of SMEs in Ekiti State with the coefficient and probability values of -0.433 and  $0.046 < 0.05$ . It was established from the findings of this study that multiple taxation statistically endangers the growth of SMEs in Ekiti State, Nigeria.

**Keywords:** Taxation, Multiple Taxation, Growth, Sustainability, Survival, Market Share.

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## 1.1 Introduction

In the contemporary ages, uninterrupted economic development is the basic objective of any government. Every government aims at improving the living standard of the populace. In most situations, this is made achievable as a result of the growth and development of the industrial sector of the economy. In Nigerian industrial economy, Adelaja (2018) disclosed that Small and Medium Scale enterprises hold a greater contribution to the sustainability of Nigerian economy. SMEs, according to Aliyu and Rosli (2019), do not have a single description, but it is segregated based on capital employed, number of employees and assets owned among others. In Nigeria, SMEs are scattered all over the States and are owned by private individuals. Personal observations show that there is a high influx of entrants into the business sector because of the low capital requirement and lack of stringent policies.

SME growth and development is closely monitored via its performance by industry stakeholders, including the government, because SMEs are thought to be linked to the economy's general growth and development. SME's Performance is the ability of SMEs to attain established goals in the business world (Mohammed, Ricardo & Harry, 2014). SME performance could be measured either financially or non-financially. This study focused on the non-financial performance measure which include employee satisfaction, employee commitment, business survival, market share and many more. However, several factors have been identified by scholars as obstructs to the growth and development. Among the factors, multiple taxation has been ranked as the giant of all.

Multiple taxation has been identified by many scholars as a treat to the survival of businesses most especially those at small and medium level. Segun and Osazee (2018) described multiple taxation as the payment of a single form of tax to different constituted authority. This forms of charges are paid on the same goods and services. Practically, taxes are charged on goods transported from one state to another by different authority without legal backing. The desire of the state to increase the revenue base has resulted in multiple taxation (Benjie & Olufemi, 2019). At all the level of Nigerian government, taxes are imposed on business enterprises. For instance, at the Federal level, Value added taxes are collected, at the state level, company income tax while at the local government level, charges and fees are collected. However, all these form of taxes appeared to have

been abused across the three tiers of government as many businesses are subjected to these taxes more than once at a given period of time on same goods and services.

Adewale (2019) disclosed that starting a business in Nigeria is lucrative but sustaining it is a big disaster in Nigeria. This is attributed to the fact that a higher percentage of the profits that are expected to be reinvested into the business are extorted by the government through multiple taxation. This stands to affect the development and sustainability of the business enterprises at the long run and might also discourage the new entrants into the industry. Understandably, government needs revenue to cater for her functionalities in the state, but the agencies charge with the collection of taxes practices high level of frauds due to inadequate check and balance practices from their superior.

Empirically, as a result of the common practices of multiple taxation across the Nation, several studies (Eunice & Chimaobi, 2016; Iliya, 2017; Okoh & Ishola, 2018; Agbor, 2018; Adeniyi & Imade, 2018; George, 2018; Sanusi, 2018; Ubani, Emelogu, Nwankwo & Aruocha, 2019; Bijukwabake, 2019; Godswill, Onwka & Obinwanne, 2019; Babatayo & Adegbe, 2021) have been carried out. However, few studies (Babatayo & Adegbe, 2021, Adewale, 2019) were carried out in Ekiti State. Also, previous studies on the subject matter failed to capture the growth and development of SME with sales volume, survival and market share. Based on these backdrops, this study examines multiple taxation and Small and Medium Scale Enterprises' Growth in Ekiti State.

## 1.2 Research Objectives

To proffer steady solution to problematic effects of multiple taxation of SMEs, this study specifically investigates the effect of multiple taxations on sustainability, survival and market shares of SMEs in Ekiti State.

## 2.0 Literature Review

### 2.1.1 Multiple Taxation

Taxes are obligatory payments to the constituted authority without visualizing direct return or benefit in return. The taxes collected by constituted authority are utilized in providing common returns or benefits to the populace in form of public services. In support of this, Dizarji (2012) agreed that taxes do not pledge any form of direct return or benefit for tax payers. Thus, it is not built on direct quid pro quo principle. Nwosu and Okafor (2014) added that the governments generate tax revenue by way of direct & indirect taxes. Benjie and Olufemi (2019) described multiple taxation as the illegal payment of similar taxes on a particular good and service to different tax authority. As generally acknowledge, governments need tax revenue to meet peoples' demand, however, the government failed to support multiple taxation, it is the agencies that instigate the practices of multiple taxation at the expense of business death.

### 2.1.2 SME performance

Performance is a common term in the research world. Different scholars have disclosed the contextual meaning of performance. Andrew (2021) defined performance as the productivity of a business firm. Every corporate firm established a long-term vision and mission before their fiscal years of operation, at the end of the year, the capability of the firm in achieving the established vision and mission is known as performance (Elmagrhu, 2016). According to Atuahene (2016), performance is the result obtainable after the utilization of available resources. Resources serve as the predictor of the existence of corporate firms. These resources comprise man, money, machine, machinery and land. Without these components, no firm can survive, as these resources are combined and utilized to achieve desired goals.

SMEs' Performance is an extremely vital criterion that relates to the success of cooperating firms. Ullah (2015) explained performance as the result of activities, that is, the actual result of a strategic management process which can be expressed in monetary terms or not. Results expressed in monetary terms are known as financial performance. Non-financial performance has been acknowledged by scholars as the survival of corporate firms as it determines the relevance of businesses (Andrew, 2021). According to Atuahene (2016), non-financial performance measurement instrument include, sales volume, market share and survival as discussed below.

#### 2.1.2.1 Sales Volume

Sales volume is simply the quantifiable element of sales in given period. Ali (2016) described sales volume as the quantity of goods sold to customers/consumers in a financial year. Record keeping for sales made could be on daily, weekly, annual or quarterly basis. For SMEs, sales records are kept on daily basis and most times, summaries on weekly basis. Solomon (2016) explained that comparing the summarized weekly sales records determines how such business is growing interms of its sales.

#### 2.1.2.2 Survival of SMEs

Business survival is simply the ability of the business enterprises to sustain in an unstable economic operation. For instance, Nigeria has been acknowledged to have a depressed economy, this is evidence in the recent economic crises in the nation such as scarcity of fuel and naira notes, insecurity, unemployment, insurgency and lots more. Due to this crises, many businesses have been swept beneath the carpet due to their inability to

manage the current situations.

### **2.1.2.3 Market share of SMEs**

Market share is the measure of the relevance of a business in a business industry (Sany, 2018). He further explained that it is the percentage that belongs to an enterprise out of the total purchases of a product by a customer. For instance, if a customer buys one hundred caps, and sixty of those caps belong to one enterprise, that enterprise holds 60% market share. Market shares are usually based on the level of patronage.

## **2.2. Theoretical Review**

### **2.2.1 Ability to Pay Theory**

This theory was propounded by Adam Smith in 1776. The theory is very straightforward in its assumption and states that taxpayers' compliance has a positive relationship with their ability to pay tax. This theory takes a moral view, in that it expects that nobody would willingly evade tax if they have enough money to pay the tax. Unfortunately, this assertion is untrue. This is because there are some people who have the ability to pay their tax but would prefer to evade them. However, it is safe to assume that most taxpayers in order to avoid problems with tax authority would pay their tax liability if they are able to do so. This theory postulated that taxpayers should be pay their taxes at will, though based on their capability to pay.

### **2.2.2 The Benefit Theory of Taxation**

Undeniable, this theory was propounded by Eric Lindahl (1919). The theory postulates that taxpayers' compliance is heavily hinged on their view of the benefits received as a result of their tax payment. That is, taxpayers would be more willing to pay if they see that what the Government is doing with the tax revenue clearly benefits them. This theory admits that tangible proof is more compelling than any sort of verbal promises or future proposition. The assumption of this theory that taxpayers have the right to benefit from their taxes paid is straightforward, but, its clarity has not been enough to shield it from criticisms due to some flaws in its tenets. This theory failed to give an assessment on how tax paid and benefit received should be measured. Benefits to be received theory is highly significant to the study because it agrees that SME owners would be improved when there is individual benefit of their taxes.

## **2.3 Empirical Review**

Obviously, more damages have been caused on the business sector with multiple taxation. This has attracted the attention of many scholars across the globe, most especially in the depressed economy. Though, a controversial report has been made. For instance; in Kenya Ocheni and Gemade (2015) and Godwin (2016) concluded in their study that multiple taxation contributed to SMEs' survival negatively. Similarly, Oboh, Yeye and Isa (2018) adopted multiple regression and revealed that a retrogressive relationship between multiple taxation and SMEs growth. However, Muhammed (2019) disclosed that in the Northern part of Nigeria, multiple taxation positively influenced SMEs sustainability though at an insignificant level. In Abia State, a similar report was made by Godswill, Onwka and Obinwanne (2019) that the practices of multiple taxation contributions to the development of the industrial sector in the state. Zayol, Duenya and Gberindye (2020) concluded in their study that more damages are caused by multiple taxation on business survival and profitability in Benue State. There is no consistency in the findings made by the different scholars and researchers regarding the subject matter. The mixed findings could be attributed to the difference in geographical scope, the methodology adopted, the timeframe used, the operation of the SMEs sampled and proxy variables of SMEs performance.

## **3.0 Methodology**

Considering the need to obtain information on multiple taxation practices in Ekiti State, this study adopted descriptive survey design and covered all the registered 928 SMEs in the state as reported by Ministry of Commerce and Trade, Ekiti state (2022). Using Taro Yamane model established in 1967, the sampled size covered 270 registered SMES in the state using multistate sampling technique. Firstly, three local government areas were selected using random sampling method across the three senatorial districts in the state. Secondly, 30 registered SMEs were selected across all the 9 selected LGAs across the three senatorial districts in the state using stratified sampling method. Thus, 270 respondents were selected across the study area. Data were gathered via the administered closed ended questionnaires to the targeted respondents. To analyze these datasets, simple linear regression analysis methods was adopted.

## 4.0 Result and Discussion

### 4.1 Results

**Table 1: Regression result for Multiple taxation and sales volume.**

Variables	Coefficient	Std Error	T-Statistic	Prob.
<b>Constant</b>	1.836	.193	17.381	.001
<b>MUT</b>	-0.833	.027	12.382	.001

*R- 0.865, R-Square 0.635, F statistics 13.294 Sig. 0.001*

Source: Authors Computation, 2023

From the table above, multiple taxation has a negative significant effect on sales volume of SMEs in Ekiti state with the values of -0.833 and  $0.001 < 0.05$  indicating that multiple taxation has the independent capacity to cause a decrease in sales volume of SMEs at a significant level. The reported  $R^2$  (0.635) indicated that 64% change in the outcome variable is attributed to multiple taxation.

**Table 2: Regression result for Multiple taxation and SMEs survival**

Variables	Coefficient	Std Error	T-Statistic	Prob.
<b>Constant</b>	4.193	.283	9.293	.021
<b>MUT</b>	-0.612	.387	0.836	.067

*R- 0.532, R-Square 0.478, F statistics 11.193 Sig. 0.000*

Source: Authors Computation, 2023

Reportedly, a negative insignificant effect exist between multiple taxation and SMEs survival in Ekiti state to the tune of  $-0.612 (p=0.067 > 0.05)$  indicating that with a 1% increase in multiple taxation, a greater fall in survival of SMEs tends to be achieved at an insignificant level. The  $R^2$  value indicated that 48% variation in the survival of SMEs is attributed to multiple taxation while the remaining 52% variation account for other predictors not included.

**Table 3: Regression result for Multiple taxation and market share.**

Variables	Coefficient	Std Error	T-Statistic	Prob.
<b>Constant</b>	13.983	.836	7.927	.018
<b>MUT</b>	-0.433	.022	5.834	.046

*R- 0.674, R-Square 0.579, F statistics 8.284 Sig. 0.001*

Source: Authors Computation, 2023

The table above shows that multiple taxation has a negative significant effect on market share of SMEs in Ekiti State with the coefficient and probability values of -0.433 and  $0.046 < 0.05$  showing that a 1% increase in multiple taxation would cause 43% decrease in market share of SMEs at a significant level. The reported  $R^2$  (0.579) showed that 58% change in the outcome variable is attributed to multiple taxation while the remaining 42% variation can be given by other factors not included in this model.

### 4.2 Discussion

Multiple taxation has caused a greater blockage to the growth and survival of many businesses within Nigeria. This common assertion among entrepreneurs has been validated by the outcome of this study. Firstly, it was disclosed that multiple taxation has a negative significant effect on both the sales volume and market share of SMEs in Ekiti State. Obviously, when all forms of taxes paid to the government either directly or indirectly are incurred by customers. But more damages are caused when an entrepreneur pays more taxes than its competitor in the market. There is tendency for entrepreneur that pays double taxes to increase its prices above its competitors that pay single tax to the government. Thus, a decline in sales volume and market share will be experience as many of his/her customers will patronize his/her competitors whose prices are not too high for easy bearing. This outcome is in agreement with the conclusion of Zayol, Duenya and Gberindye (2020) and Christopher (2021) that multiple taxation has a negative significant impact on financial performance of SMEs in Benue State.

Finally, it was disclosed that multiple taxation has a negative insignificant effect on survival of SMEs in Ekiti state. Apparently, when profits that are expected to be reinvested into the business, are paid to the government on multiple folds, such business could die off at the long run, not minding its relevance or

contribution to the growth of Nigerian economy. This outcome agreed with the findings of Oboh, Yeye and Isa (2018) and Muhammed (2019) that multiple taxation has negative insignificant effect on survival of SMEs.

## 5.0 Conclusion and Recommendation

The aftermath effect of multiple taxation on the growth and survival of SMEs being the strong pivot towards economic growth of the nation, is becoming alarming. Several entrepreneurs have raised different experiences on how they are being extorted by government officials in the name of taxes at different level. In support of these claims, it was established from the findings of this study that multiple taxation statistically endangers the growth of SMEs in Ekiti State, Nigeria. Thus, it is recommended that the government at all level should educate entrepreneurs on the various forms of taxes and how these taxes are expected to be paid. On every taxes paid to government officials, receipts should be issued as evidence of payment to the taxpayers. Also, taxes generated by the government should be utilized towards the growth and survival of SMEs in the highly competitive market.

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