

## **Effect of Multiple Taxation on the Performance of Small and Medium-Scale Enterprises in Kaduna State, Nigeria.**

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### **Abstract**

The study aimed at assessing the effect of multiple taxations on Small and Medium-Scale Enterprises (SMEs)' performance in Kaduna State. A cross-sectional descriptive survey research strategy was adopted in which 441 SMEs out of over 8,000 in the State served as the respondents of the study. Descriptive and inferential statistical techniques were used for data analysis. The primary data collected was analysed using partial least square structural equation modeling PLS-SEM with the aid of SmartPLS 3. The findings show that multiple taxations harm SMEs business performance in Kaduna, Nigeria. It is recommended that to boost SMEs' performance, multiple taxations are regulated by the government. Implications of the study and suggestions were made for future studies.

**Keywords:** Growth, Multiple Taxation, Performance, Profit, Taxation, and SMEs.

### **Introduction**

The major burden confronting every economy whether at a macro or micro level is how best to source and finance her ever-increasing expenditure. To date, the government has been unable to successfully satisfy the increasing demand of people. The situation worsened following a catastrophic drop in oil revenue, its resultant effect on state allocation and the undeniable need to keep state administration running. A revival into agriculture and taxation was advocated as the possible panacea. High tax rates, numerous taxing, complex tax legislation, and a lack of sufficient illumination or education about tax issues represent a problem for SMEs, despite the idea that taxes are important for financing economic growth and social services. Multiple taxations is a worm eating a large chunk of revenues generated by SMEs for their growth and survival in Nigeria, regardless of other challenges SMEs face in other developing countries like Nigeria, such as a lack of access to capital, a lack of technical and managerial skills, environmental effects, and government regulations. Hence, the study investigates whether multiple taxations levied on small businesses affect their performance.

Multiple taxation is a situation where tax collectors collect more than the stipulated market taxes and levies (given different names to the taxes and levies) to fund the state (Zayol, Duenya & Gberindye, 2018). Multiple taxation is the arbitrary imposition of charges and levies by government arms which are inconsistent with the fiscal federalism (Yomi, 2014). One does not need to look too far to see why various arms of government enact these taxes. The reduction in

proceeds from the sale of crude oil is proportional to revenue generation and avocation making the administration cost more than the expected allocation. Multiple-taxation is defined here as all those fees and levies that fall outside the statutory taxes provided by law and chargeable by states, making taxable persons and entities to pay more than required taxes on the same income.

However, Small and medium-sized businesses (SMEs) have contributed to the recent global economic growth, especially in impoverished regions. Small and medium-sized enterprises provide 97% of Nigeria's GDP, according to research by Gherghina *et al* (2020). SMEs aid with revenue distribution because they're more widespread than huge corporations. Small and medium-sized enterprises (SMEs) create around half of Nigeria's jobs and a large share of local capital formation, encouraging economic growth and social advancement. They are creative; therefore, they use our natural resources, which boosts national income. Small and medium-sized companies have improved the lives of most people, especially in rural areas (Wang & Wang, 2020). SMEs in underdeveloped countries encounter hurdles in today's globalized market. In developing nations like Nigeria, SMEs require an enabling environment to thrive and fulfill the role expected of them in economic change. This purpose includes mobilizing domestic savings for investment, contributing to GDP, utilizing local raw materials, creating jobs, reducing poverty, and increasing personal income (Rita & Pauline, 2019; Sani, Sunday, & Godwin, 2019).

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 (FOS) shows that in Nigeria, Small and Medium Scale Enterprises make up 97% of the economy (Akpan, Ime, & Ikoroha, 2021). 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.

Despite their small size, some enterprises have a bigger impact on the economy than larger ones. Medium and large enterprises positive effects on the economy and society can't be overstated. SMEs contribute to the economy by providing jobs, promoting competition, producing economic vibrancy, and innovating in ways that encourage entrepreneurship and knowledge spread (Sani, et. al., 2019). So many startups fail. Moreover, In 2019, the SMEDAN Nigeria reports that 80% of small and medium-sized businesses collapse within five years. Various taxes, large tax responsibilities, etc., contribute to these premature endings. The government treats small and medium-sized firms like giants. These SME characteristics require special consideration in commercial dealings. Tax policies should be devised to assist the growth of SMEs and implemented efficiently when taxing small enterprises. SMEs are often disregarded despite driving economic growth and prosperity (Sani, et.al, 2019). They are seen as small firms that don't affect the economy (Ihenyen, Ayodeji, & Benson, 2021). Small and medium-sized enterprises (SMEs) have the potential to alter the economy if properly regulated. Taxes are important because they fund most government functions. Manufacturing businesses,

which rely on roads, water, and power, profit substantially from the tax revenue governments collect from residents and corporations to maintain and improve such facilities (Thabani & Richard, 2020).

Globally, the growth of any economy is dependent on vibrant SMEs and when the reverse seems the case, the entire economy suffers. The stunted growth of the economy has often been blamed on many factors, top of which is the challenge of uncoordinated tax administration that has crippled production capacity of the SMEs (Ideweke, 2020). One of the major impediments to the growth of SMEs is the issue of taxation. The yoke of taxes on SMEs ranked second among the factors stunting the growth of the economy in USA, and that taxes are heavy yokes that frustrates existing investors, and scares away prospective ones (Ihenyen *et al*, 2021).

Although there was a general perception that tax is an important source of funds for the development of the economy and the provision of social services, the problems faced are in the area of a negative relationship between taxes and the business ability to sustain itself and expand. SMEs are faced with the problem of high tax rates, multiple taxation, complex tax regulations, and a 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. These have led to an increase in a record of dearth of Small and Medium Scale Enterprise (SMEs).

## **Review of Related Literature**

### **Small and Medium Scale Enterprises (SMEs)**

The Central Bank of Nigeria's 1988 Monetary Policy Circular defined SMEs as companies with less than N500,000 in yearly sales. NERFUND capped small-scale industries at N10 million. A small firm is defined as one with an annual turnover of less than N2 million and a net asset worth of less than 1 million naira. The Small and Medium Enterprise Equity Investment Scheme (SMEEIS) defines an SME as any business with a maximum asset base of N500 million (excluding land and working capital) and no workforce limit. As cited by the Chartered Institute of taxation, Section 40(6) of the Companies Income Tax Act Cap C21 LFN 2004 refers to companies with a turnover of N1 million or less in the manufacturing, agricultural production, solid mineral mining, and export trade sectors as SMEs. Subsection 8, states that as of 1988, all companies engaged in trade or business with a turnover of N500,000.00 or less qualify as SMEs. SMEs are dynamic and relative (Rita & Pauline, 2019). Uncertainty, innovation, and evolution define SMEs. SMEs must be understood by their characteristics. Juergensen *et al* (2020) highlighted that SMEs in Nigeria are mainly small owner or family-managed businesses supplying basic goods and services. Urban SMEs tend to be more structured than their rural counterparts.

## **Multiplicity of Taxes**

Multiple taxations happen when multiple state or local governments levy the same tax, fee, or rate on the same person for the same liability. Hudaa and Yuliatib (2020) listed multiple tax manifestations. First, it refers to unlawful obligatory payments collected by multiple levels of government by intimidation and harassment of payers. Stickers, roadblocks, and revenue agents/consultants like Motor Park tout are used to collect it. Second is when two or more levels of government seek the same or similar taxes from a taxpayer. Restaurants and bars have 21 subheads for taxation. Multiple taxations occur when two or more countries tax the same income, assets, or financial activities (in the case of stamp duties). Many taxations tax the same earnings multiple times. Multiple taxation is when two or more governments tax the same person. Multiple taxations are when a company or individual's taxable profit or income is taxed by another tax authority in Nigeria or another nation (Hassan *et al*, 2020).

Furthermore, Multiple Tax or Multiplicity of Taxes (MT) refers to unlawful and compulsory payment collected mostly by local and state government without legal backing (Oboh & Dabor, 2020). It is a situation where a tax payer is forced by two (2) or more levels of government to pay either the same or similar taxes in desperate bid to increase their revenue base (Nyong, 2021). Over 500 taxes and levies are imposed by various tiers of government in Nigeria, compared to 39 approved under the Taxes and Levies (Approved list of collection) Act (Dharmapala, Slemrod, & Wilson, 2011). When a taxpayer travels products and services between various municipal governments, he faces multiple legal and unlawful taxes (Luo, Song & Chen, 2020). Hassan *et al* (2020) said diverse tax practices in Nigeria resulted from the lack of a national policy document defining who can collect tax and how much.

According to the National Tax Policy Document, multiple taxation occurs where the tax, fee or rate is imposed on the same person in respect of the same liability by more than one state or local government council. Furthermore, Ocheni and Gemade (2015); Ebere, Eunice and Chimaobi, 2016) identified the following ways in which multiplicity of taxes manifest. First, it refers to the various unlawful compulsory payments being collected by different tiers of government without appropriate legal backing through intimidation and harassment of the payers. Multiple taxation is the levying of tax by two or more jurisdictions on the same declared income (in the case of income taxes), assets (in the case of capital gains taxes), or financial transactions (in the case of stamp duties). Multiple taxation is a situation in which the same earnings are taxed more than once. For instance, the more a taxpayer transports his goods and service across many local governments in the country, the more he is confronted with incidents of multiple taxes, legally and illegally imposed (Oswald, John & Michael, 2021).

A good tax possesses the following qualities: fairness, convenience, simplicity and minimum cost of collection and minimum distortions. Adebisi and Gbegi (2013) noted that taxes should be chosen so as to minimize interference with economic decisions in otherwise efficient markets. Imposition of excess burden should be minimized. Again, a good tax system should

permit efficient and non-arbitrary administration and it should be understandable to the taxpayer. Taxes therefore are known to play important role in the process of development of an economy. This is the role of providing finance for government expenditure. To tax is to impose a financial charge or other levies upon a taxpayer (an individual or legal entity) by a state or the functional equivalent of a state such that failure to pay is punishable by law. Taxes are also imposed by many sub-national entities.

The legal definition and the economic definition of taxes differ in that economists do not consider many transfers to governments to be taxes. For example, some transfers to the public sector are comparable to prices. Examples include tuition at public universities and fees for utilities provided by local governments. Governments also obtain resources by creating money (e.g., printing bills and minting coins), through voluntary gifts (e.g., contributions to public universities and museums), by imposing penalties (e.g., traffic fines), borrowing, and by confiscating wealth. From the view of economists, a tax is a non-penal, yet compulsory transfer of resources from the private to the public sector levied on a basis of predetermined criteria and without reference to specific benefits received.

In modern taxation systems, taxes are levied in money, but in-kind and *corvée* taxation is a characteristic of traditional or pre-capitalist states and their functional equivalents. The method of taxation and the government expenditure of taxes raised is often highly debated in politics and economics. Tax collection is performed by a government agency such as Canada Revenue Agency, the Internal Revenue Service (IRS) in the United States, or Her Majesty's Revenue and Customs (HMRC) in the UK and KRA in Kenya. When taxes are not fully paid, civil penalties (such as fines or forfeiture) or criminal penalties (such as incarceration) may be imposed on the non-paying entity or individual.

### **Financial Performance**

Performance comes from the Latin verb 'parfourmen', which means 'to do' It means execution, completion, etc. In a broader sense, performance refers to a task's accuracy, completeness, cost, and speed. It refers to the extent of an achievement. Thus, the performance includes both presentation and results. Performance indicates success, conditions, and conformity. Financial performance refers to how well financial goals are met. It measures a company's activities and policies in monetary terms. It's used to monitor a firm's financial health over time and to compare similar firms in the same industry or industries or sectors as a whole. Financial performance measures how well a company uses its assets to create revenue. Financial performance measures a firm's production and productivity (total business performance), profitability, liquidity, working capital, fixed assets, money flow, and social performance (Ihenyen, et al., 2021). This study focuses on profitability. Futhermore, it refers to the act of performing; execution, accomplishment, fulfillment, etc. In a broader sense, performance refers to the accomplishment of a given task measured against preset standards of accuracy, completeness, cost, and speed. In other words, it refers to the degree to which an achievement is being or has been accomplished. Thus, not just the presentation, but the quality of results

achieved refers to the performance. Performance is used to indicate a firm's success, conditions, and compliance. In a broader sense, financial performance refers to the degree to which financial objectives are being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure a firm's overall financial health over a given period and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. Measurement of financial performance includes an analysis of the firm's production and productivity performance (total business performance), profitability performance, liquidity performance, working capital performance, fixed assets performance, fund flow performance and social performance.

### **Empirical Review**

In the literature, various studies surface on the effect of multiple taxations both across developed and developing economies. A good number of related studies are reviewed and synthesized including Eytayo and Makhosazana (2022) who explore the effects of tax policies on the performance of SMEs. The Unicist Theory of business growth was used to underpin the study, the theory analysed the implications that multiple tax could have on the growth of SMEs in Nigeria. Survey method with a close-ended structured questionnaire was administered to 110 SME owners in three local government areas in Lagos State. Collected data were analyzed with descriptive statistics while formulated hypothesis was tested with the Chi square method. Findings revealed that various Governmental policies on taxes significantly affect the performance of SMEs in Lagos State. The paper implicates a possible diversity of tax policies that will favour SMEs operator to make meaningful contributions to the economy.

In addition, Godswill, Onwka and Obinwanne (2019) assess the effect of taxation on the performance of SMEs in Aba Abia State. A survey approach was adopted while the questionnaire was used as an instrument. A randomly selected 162 employees and owners of 40 SMEs were used for the study. Collected data were analyzed using multiple regression analysis and one sample t-test. Results indicate that a significant and positive relationship exists between taxation and the performance of SMEs and that tax assessment, tax collection and tax utilization significantly influence the performance of SMEs in Aba. Also, Dharmapala *et al* (2011) studied how market taxes affect informal firms. Panel data were used. 60% of active small firms performed poorly when the government raised market taxes from 1% in 1986. Only a small number of these SMEs lasted five years, indicating statistically substantial abuse. Ocheni and Gemade (2015) studied the impact of various taxation on Benue State SMEs. The survey had 91 participants. Researchers sampled 74 people. Data were collected by questionnaire. ANOVA was used to test the research hypotheses and analyze the results. Multiple taxations negatively affect SMEs' survival, because SMEs' size and tax-paying capabilities are linked. The report recommends that the government create standard tax policies that encourage the growth of SMEs in Nigeria and consider the size of SMEs when creating tax policies.

Similarly, Akpan, Ime and Ikoroha (2021) examine the effect of multiple taxations on SMEs growth in akwa ibom state. In order to carry out this study, specified research objectives were drawn from which null hypotheses were formulated and used for the study. The research design for this study is a survey design. The population of the study consisted of all SME operators in Uyo urban. A simple random sampling technique was used to select 398 respondents out of the population. The instrument used for data collection was a questionnaire. Data from completed questionnaires were subjected to independent t-test analysis. The findings showed that effect of multiple taxations on the performance of SMEs in Uyo Urban. More so, Adebisi and Gbegi (2013) argued that small and medium-scale enterprises have been an avenue of job creation and the empowerment of Nigeria's citizens, providing about 50% of all jobs in Nigeria and also for local capital formation. The authors further examine the effect of multiple taxation on SMEs survival. The study involved 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. These data were quantitatively analyzed with simple percentages and tested the research hypothesis 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.

Moreover, Oswald, John and Michael (2021) examine the effect of multiple taxation on financial performance of hospitality firms in Abia State, Nigeria. The aim is to map the extent to which multiple taxation impede the survival and success of hotel businesses in the state. Ex post facto research design was adopted and data for analysis was collected from the demand notices, evidence of payment for all the classes of taxes payable in the state, financial records and statements of 21 hotels in Umuahia for a period of 9 years. The multiple linear regression technique was employed to analyze the data generated. Findings from the study reveal that multiple taxation (proxy by non-statutory fees and levies collectible by the state) has a significant effect on both total revenue and profit before tax of the hospitality firms under study. In the same vein, Evans, Lawrance and Richards (2016) explore the managers/ executive officers' perception of the tax system in Ghana on the profitability of their businesses. The study is based on a survey of 102 managers/ Executive officers of the selected SMEs in the Ga West Municipality in the Greater Accra region of Ghana. The survey was administered using a questionnaire and interviews with the selected respondents. Data were analyzed by descriptive analysis method, correlation and regression analysis and findings were presented in terms of frequencies and percentage analysis. Findings indicate that majority of the respondents perceive the adverse impact of existing tax policies on the growth of SMEs and suggest reforming the tax policies in the Country.

In another development, Ihenyen, Ayodeji and Benson (2021) ascertain the effect of multiple taxation on financial performance of Small and Medium Enterprises (SMEs) in Bayelsa State. This cost primarily concerns multiple-taxation, enormous tax burdens, levies, and charges. This research examines the effect of multiple taxation on the investments in SMEs. The study used survey design with SME population of 100. Questionnaire was used to collect data. Simple

percentages/frequencies were used to analyze the data and the research hypotheses were tested with ANOVA. It was found that multiple taxation has a negative effect on SMEs investment. Furthermore, the relationship between SMEs investment and its ability to pay tax is significant. Again, Ebere, Eunice and Chimaobi (2016) examine the effects of multiple taxations on the investments in SMEs in Enugu state. The study used the survey design with SMEs population of 80 respondents. Questionnaire was used to collect data. Simple percentage and frequency distributions were used to analyse the data and the research hypotheses were tested with ANOVA. It was found that multiple taxations have a negative effect on SMEs investment, and that the relationship between SMEs investment and its ability to pay tax is significant.

Moreover, Sani, et al., (2019) examine the effects of multiple taxation on the growth of Small and Medium Enterprises (SMEs) in Nigeria. The aim is to investigate the extent to which multiple taxes affect the operation of SMEs in the country using the expansionary rate of these businesses as a surrogate for growth. Data for the study were obtained through responses from a questionnaire designed on a five (5) point Likert scale. Out of 193 questionnaires administered to staff and owners of SMEs on Lokoja – Kogi State, 131 of them were returned representing an approximately 68% response rate. The responses were empirically analysed using non-parametric statistics comprising mean score, standard deviation and z-test. The results suggest that multiple taxes have negatively affected the growth of SMEs in Nigeria as many operators of these businesses expressed their unwillingness to venture into new enterprises or expand the existing ones for fear of multiple taxes that continue to take a significant portion of their earnings. Nevertheless, Ocheni and Gemade (2015) examine 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 a negative effect on SMEs' survival and the relationship between SMEs' size and its ability to pay taxes is significant.

Likewise, Oboh and Dabor (2020) examine the impact of multiple taxations on small and medium-scale enterprises (SMEs) in Nigeria using a library research approach. From the review of prior studies, it was revealed that multiple taxations has a negative impact on the performance, growth and survival of SMEs in Nigeria and multiple taxation occurs mostly in the local government compared to other levels of government. This study concludes that multiple taxation is a great threat to the growth and survival of SMEs in Nigeria. However, Zayol, Duenya and Gberindye (2018) ascertain the effect of multiple taxation on financial performance of Small and Medium Enterprises (SMEs) in Benue State. The population of the study was 816 and the sample size of 268 respondents was adopted using the Taro Yamane formula at a 5% error margin. The study adopted a survey design via questionnaire. Multiple regression was used for analysis in the study. The study found that duplication of Business Premises Registration Tax, Development Levy and Market Taxes has a significant negative effect on the financial performance of SMEs and as a result affects their profitability negatively.



In addition, Rita and Pauline (2019) examine the impact of multiple- taxation on small and medium-scale enterprise Finance performance, in Nigeria, particularly Abuja metropolis. This study, surveyed fifteen (15) selected SMEs within the Abuja metropolis precisely AMAC area, with a population of four hundred and fifteen (415) respondents and a sample size of two hundred (200), as calculated using RAOSOFT Sample Size Calculator. A total of two hundred (200) questionnaires were administered. One hundred and seventy-eight (178) copies representing (89%) of the questionnaire were properly completed and retrieved while twenty-two (22) questionnaires representing (11%) were not retrieved. The primary source of data was used to gather information for the study and the main instrument of data collection was the questionnaire. The data were presented in tables as frequency distribution in the data analysis; the techniques of percentage frequencies were used. The hypotheses were tested using ANOVA (analysis of variance) at a 5% significance level. Having analyzed the data, it was found that the majority of the respondents strongly agreed with all the questions posed with regard to the effects of multiple- taxation and disproportionate multiple- taxation on the financial performance of SMEs in Abuja. The study concluded that there is a strong correlation between Multiple-taxation and the financial performance of SMEs in Abuja, Nigeria; there is also a strong correlation between Disproportionate multiple taxation practices constitute a major challenge in the budgetary and planning performance of SMEs in Abuja, Nigeria.

### **Methodology**

A survey research design was adopted which is cross-sectional. The population of 8,550 SMEs registered with Kaduna State was considered in the study. The sample size was arrived at 368 using Krejcie and Morgan sample size determination table. However, going by the suggestion of Idewe (2020), 30% of the minimum sample i.e. 478 was added to the computed sample size giving a total of 481. Simple random was employed where each element is given an equal chance to be selected in the sample. Out of the 478 questionnaires distributed, 441 were returned and found valid. Before the self-administration of the questionnaire, the SMEs operators were informed of the purpose of the research and were assured of its voluntary and confidentiality nature, which according to (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003) will minimize the effect of common method biases.

### **Analytical procedure**

Before the main analysis, this study ensured assumptions about outlier checks, normality, and multicollinearity (Hair, Hult, Ringle & Sarstedt, 2017). After successfully satisfying all assumptions, the study adopted the partial least squares (PLS) path modeling method. The research model depicted in figure 1 (See appendix) was tested using Partial Least Square (PLS) path modelling. The method is used because the study is aimed at predicting the dependent variable (Obob & Dabor, 2020) and PLS is also a non-parametric technique (Ihenyen, Ayodeji, & Benson, 2021). To validate and evaluate the research model, Hair, Risher, Sarstedt, and Ringle (2019) suggested using two stages of evaluation. They are measurement models

(also called external models in PLS-SEM) and structural models (also called internal models in PLS-SEM).

**Measurement Model**

To evaluate the measurement model of this study, the researchers evaluated the reliability of the individual items measuring each potential structure, the internal consistency reliability (i.e, the composite reliability), the discriminant validity, and the convergence validity of each reflective construct (Hair *et al*, 2017). Although Hair *et al* (2017) recommend using an outer loading of 0.70 as reliable and acceptable, they argued that an indicator should be deleted only if deleting the item increases the constructs AVE or Composite reliability.

Table 1: Measurement Model

Indicators	Outer Loading	Cronbach's Alpha	Composite Reliability	Average Extracted (AVE)	Variance
MT1	0.71	0.81	0.87	0.64	
MT2	0.86				
MT3	0.77				
MT4	0.85				
SP1	0.89	0.58	0.76	0.52	
SP3	0.67				
SP5	0.58				

Source: Author’s computation (2022) using Smart-PLS

In addition, the composite reliability and Cronbach's alpha value were evaluated to determine the internal consistency of the reflective structure (between 0 and 1), the higher values represent higher reliabilities. In conclusion, all of these constructs are reliable because their respective composite reliability and Cronbach alpha values are above the threshold of 0.70. Again, the convergent validity was also met as all the AVE values were above 0.50.

Furthermore, to ascertain the discriminant validity, Duarte and Amaro (2018) proposed the use of a multitrait-multimethod (HTMT) matrix as a more adequate and sensitive approach to detecting discriminant validity.

Table 2: Heterotrait-Monotrait Ratio (HTMT)

Indicators	MT
MT	
SP	0.72

Source: Author’s computation (2022) using Smart-PLS

As can be seen from Table 2, the HTMT statistics are given based on the correlation between their items. Since the HTMT value is lower than the 0.85 threshold proposed by (Hair *et al*, 2017), the reflective latent variable of this study has discriminant validity.

### Structural Model

After all the requirements of the measurement model are met, the structural model is evaluated. The first part of the structural model evaluation involves the testing of theoretical relationships. Specifically, the direct and moderating effect was assessed on 411 cases using 5000 bootstrap samples (Hair *et al*, 2019).

Table 3: Hypothesis Testing

Relationship	Beta	Standard Deviation	T Statistics	P Values
MT->SP	-0.70	0.03	25.92	0.00

Source: Author’s computation (2022) using Smart-PLS

The bootstrapping result presented in table 3 shows that MT has a significant positive relationship with SP (Beta=-0.70, P=0.00). This implies that there is a negative relationship between multiple taxations and SMEs' performance. In other words, the higher the multiple taxations, the lower the SMEs' performance. All the hypotheses were assessed at a 5% level of significance.

Table 4: f-Square, R-Square and Q-square

Constructs	SP	Effect Size	
MT	0.983	Large	
<b>R-Square</b>			
Construct	R Square	R Square Adjusted	
SP	0.484	0.483	
<b>Q-Square</b>			
Construct	SSO	SSE	Q <sup>2</sup> (=1-SSE/SSO)
SP	2,706.00	2,198.34	0.188

Source: Author’s computation (2022) using Smart-PLS

As can be seen from table 4, based on the standards highlighted by Hair *et al* (2017) it can be seen that MT has a large effect size on SP. It also shows that all the variables accounted for a 48% variance in SMEs Performance. Consequently, since the Q<sup>2</sup> is greater than zero, it is assumed to have predictive relevance because a higher Q<sup>2</sup> represents greater predictive relevance (Oboh & Dabor, 2020).

### Conclusion

The imposition and unfriendly collection procedure of multiple taxation meted out for SMEs in Nigeria have been a serious issue with less attention from successive governments on finding ways of curbing it. It is quite unfortunate that while the immediate negative effect of multiple taxes is felt at a micro level, the negative effect of a multiplicity of taxes on the national economy is higher due to reduced revenue and high employment rate as entrepreneurs will result to evading taxes and unwillingness to either venture into a new business or expand their existing businesses. This will certainly worsen the unemployment situation in Nigeria that government is battling. Therefore, immediate action of the government at all levels in Nigeria.

Most small and medium scale enterprises (SMEs) are sole proprietorship (one-man business), and they start their businesses with little start-up capital which are mostly from personal savings. The involvement of these operators in SMEs has been mostly driven to reduce unemployment and support the production of goods and services in the immediate environment. Heavy and multiple taxes on SME operators will subsequently affect their businesses and eventually kick them out of the economy. However, for these SMEs to remain in business and make meaningful contributions to the nation's economic growth, governments at all levels should design and implement strategies that will enhance the growth of these important segments of the economy. Based on the study findings, it can be concluded that Multiple Taxation is detrimental to the performance of SMEs. Specifically, it can be concluded that to improve SMEs' performance, multiple taxations should be reduced.

### **Recommendations**

Based on the findings of the study, the following recommendations are made;

- i. Taxes should be collected in relation to the sizes and profits of SMEs considering all other factors that can constrain the progress of such SMEs as there is a relationship between SME sizes and their ability to pay taxes.
- ii. Government at all levels should harmonize the most effective ways to administer tax policies that will bolster the growth of SMEs; tax collection should be defined with respect to which tier of government should collect certain taxes from SMEs owners to avoid multiple taxations from all three tiers of government from the same SMEs enterprises; taxes should be levied according to the growth of the business: sales, size and profit; the ability of the business should be considered in levying taxes to avoid tax evasion; tax incentives and exemptions increase should be considered by the government to attract investors and as well to encourage tax voluntary compliance.
- iii. 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.
- iv. Government should ensure that SMEs are given 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.

### **Limitation and Direction for Future Research**

Although the enormous contributions in theory and practice can be seen, it is not free from some limitations. The study suggests further research is needed. Specifically, the cross-

sectional nature of the study is a limitation where data were collected in a single period. Hence, extra care should be taken in causal inference. Therefore, a longitudinal approach should be looked at by future studies where data will be collected at two or more time points to compare and contrast with the findings of this study.

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## Appendices

### Measurement and Structural Model

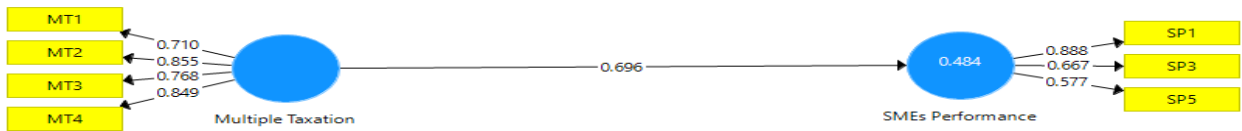


Figure 1: Measurement model



Figure 2: Structural model