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Dr. W. B. BELLO, Dr. M. A. MOSOBALAJE

Dr. G. O. OYELERE, Mr. R. A. AJAO

IMPACT OF MULTIPLE TAXATION ON SMALL AND MEDIUM SCALE ENTREPRISES IN AKINYELE LOCAL GOVERNMENT, OYO STATE, NIGERIA

Emiola, S. A¹; Adisa, A. M.²; Ajayi, A. S.²; Abdullahi, I. B¹

¹ Department of Business Administration & Management, Oyo State College of Agriculture and Technology, Igboora, ² Department of Accountancy, Oyo State College of Agriculture and Technology, Igboora

Corresponding email: emiola.semiu@gmail.com; bamoyscatech@gmail.com

Abstract

The assertion that small and medium scale businesses are panacea to economic stability, poverty eradication and unemployment reduction as globally acknowledged appears confusing in the light of recurring socio-economic challenges in Nigeria. This study investigated the effects of multiple taxation on Small and Medium Enterprises (SMEs) survival in Akinyele Local Government, Oyo state, Nigeria. The objective was to investigate the degree to which multiple taxes affected the growth of SMEs in the study area. The study used structural questionnaire to a sample size of 90 drawn through a random sampling from different area in Akinyele Local Government. The data were analyzed using descriptive statistics with the chi square for testing the hypothesis. The results suggest that multiple taxes have adversely affected the growth of SMEs in Akinyele Local Government as claimed by the business Owners. It was revealed that the business owners are either unwilling to start new enterprises or expand the old ones because of multiple taxes imposed by tax authorities which has led to untimely death and extinction of many SMEs in Nigeria. It is therefore recommended that government at different levels in Nigeria should address the issue of multiple taxes on SMEs by restricting multiple tax collection within the jurisdiction. Further, the crude and unfriendly tax collection must be discouraged in totality.

Keywords: Small and Medium Enterprises, Multiple taxation, Business Survival, Government, tax jurisdiction

Introduction

Economic stability enhances achievement of other macroeconomic objectives including stable prices and sustainable growth. It also creates conducive environment for job creation and balance of payments. The most essential means of achieving these goals are the detailed policies on tax, spending, regulation and government management.

Business survival involves cutting of costs, laying off of redundant employees, tightening of profit margins and saving cash, in stark of contrast growth mode, is also a period which a company reinvests profits, expands operations and brainstorm growth strategies with long-term payoffs. Business in every category such as small, medium, large scales are on the verge of growth and survival to move from one stage to another so as to increase their base in cutting of cost, laying of employees, increase in profit and benefit from economies of large scale to serve as significant to their growth which in turn leads to their survival in the economy stages. According to the Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN), 80% of Small and medium businesses dies before their 5th anniversary which implies they didn't attain any level of growth in order to reach survival stage. Among the factors responsible for the untimely close-ups are tax related issues, ranging from multiple taxations to enormous tax burdens, among others.

Tax can be defined as a compulsory levy imposed by a public authority on the income, capital, and profit or wealth of an individual, family, community, estate, corporate or unincorporated body for the public purpose (Okezie, 2003). Multiple taxation is understood to include both incidences of double-taxation, whereby the same asset or transaction is taxed multiple times by different jurisdictions, and the multiplicity of small nuisance taxes.

Taxes, where not necessary can be dis-incentive and a hindrance to the development and growth of business enterprises. Multiple taxation is referred to as taxation of a single amount of money more than once, often by two more different government authorities is even more dis-incentive for SMEs in business.

In recent times, it is believed that small scale businesses provide about 50% of all jobs in Nigeria and also for local capital formation. Its benefits are inexhaustible. Sad enough, the mortality rate of small scale business is very high (Adebisi, 2013a). Among some of the factors responsible for close-up include multiple taxation, incessant high and arbitrary payment of taxes, and inadequate provision of essential social amenities by tax authorities even after payment of tax and, non-documentation/registration of small scale business by tax authorities. To buttress this fact, Adebisi (2013b) in his findings revealed that multiple taxation of the resources of small scale businesses has negative effect on their survival in Nigeria. Consequently, this study intends to examine the impact of multiple taxation on business survival in Akinyele Local Government area of Oyo State.

Materials and Methods

The purpose of this research is to examine the impact of multiple taxation on business survival in major cities in Akinyele Local Government area of Oyo State. Survey research design was adopted in this study using descriptive and inferential statistical analysis. Creswell (2002) observes that a descriptive research design is used when data are collected to describe persons, organizations, settings, or phenomena. The study aimed at observing and describing the behavior of the subjects under study without influencing it in any way and therefore considered the survey research design appropriate for this study.

Data for the study was collected through questionnaire designed to reflect five (5) point Likert scale. The questionnaires were administered to 100 respondents made up of owners and staff of ten (10) randomly selected SMEs in Akinyele Local Government area of Oyo State. Out of the distributed questionnaire, 90 of them were properly filled and returned representing a response rate of 90%. The data were analyzed by the use of descriptive statistics such as percentage, table, chart and inferential statistics such as Chi-square test.

Table 1 SMEs have not been able to expand their businesses due to multiples taxes

Responses	Frequency	Percentage (%)
Strongly Agreed	60	66.0
Agreed	22	24.0
Strongly Disagreed	8	10.0
Disagreed	0	0.0
Total	90	100

Source: Fieldwork, 2021

From the figure 1, it was found that 66% of the respondents strongly acknowledged that multiple taxation is retarding the growth and expansion of SMEs in Akinyele Local Government; the claim was supported by another 24% while 10% minority held contrary view the multiple taxation has no effect on the growth of SMEs in the study area. This finding is in tandem with that of Oseni (2014) that discovered in his studies that multiple taxes have adverse effect on SME's in Nigeria.

Table 2 Low rate of expansion and profit contraction due to multiple taxes on SMEs is a factor responsible for high rate of unemployment in the society.

Responses	Frequency	Percentage (%)
Strongly Agreed	65	72.0
Agreed	18	20.0

Strongly Disagreed	5	6.0
Disagreed	2	2.0
Total	90	100

Source: Fieldwork, 2021

Majority (72%) of the respondents strongly affirmed that low rate of expansion and profit contraction due to multiple taxes on SMEs is a factor responsible for high rate of unemployment in the society, another 20% also agreed with this claim that poor SMEs expansion and profit contraction are major factors responsible for high unemployment in the society whereas 6% of the respondents held contrary opinion that low expansion and profit contraction of SMEs are not responsible for high unemployment. This results corroborate with the findings of Ocheni and Hemade (2015) that discovered multiple taxes have negative effect on SME's growth in Nigeria.

Table 3: Multiple taxes imposed on SMEs is one of the major factors responsible for low profit and expansion rate of SMEs.

Responses	Frequency	Percentage (%)
Strongly Agreed	55	61.0
Agreed	21	23.0
Strongly Disagreed	10	11.0
Disagreed	4	5.0
Total	90	100

Source: Fieldwork, 2021

From the table 3, it was found that 55(61%) strongly affirmed that multiple taxes imposed on SMEs is one of the major factors accountable for low profit and low expansion of SMEs; this claim was supported by 21(23%) while 10(11%) respondents held contrary views that multiple taxes does not cause low profit and low rate of expansion of SMEs in Akinyele Local Government area of Oyo State. The result confirms the findings of Ebere *et al.*, (2016) that revealed that multiple taxes imparted negatively on SME's activities in Nigeria.

Table 4: Slow business activities due to multiple taxes on SMEs hinders economic growth reflected in low GDP growth rate of Nigeria

Responses	Frequency	Percentage (%)
Strongly Agreed	62	69.0
Agreed	23	25.0
Strongly Disagreed	5	6.0
Disagreed	0	0.0
Total	90	100

Source: Fieldwork, 2021

From the table 4, 62(69%) of respondents strongly agreed that slow business activity due to multiple taxes on SMEs hinders economic growth as reflected in low GDP growth rate of Nigeria; the view was echoed by another 23(25%) respondents, while 5(6%) minority held a contrary opinion that poor growth of SMEs does not affect gross domestic product (GDP) in Nigeria. This result corroborates the findings of Chukwuemeka (2017) who submitted that multiple taxation has discouraged the springing up of new businesses enterprise in Aba metropolis, Nigeria.

Table 5: Multiple taxes and unfriendly collection by both State and Local Government authorities negatively affect inter-city commerce and expansion of SMEs in Nigeria.

Responses	Frequency	Percentage (%)
Strongly Agreed	62	69.0
Agreed	23	25.0
Strongly Disagreed	5	6.0
Disagreed	0	0.0
Total	90	100

Source: Fieldwork, 2021

The figure 5 describes that 62(69%) of the respondents strongly claimed that multiple taxes and the unfriendly collection method by the tax collectors are responsible for poor inter-city commerce and expansion of SMEs in Nigeria; this claim was echoed by 23(25%) others while 5(6%) minority disagreed that multiple taxes has not affected intercity and expansion of SMEs in Nigeria.

Test of Hypotheses

The test of hypothesis became necessary to determine the relationship between variables. Chi square (χ^2) analysis was used to ascertain the validity of the hypothesis. The null hypothesis (H_0) implies no significant relationship between multiple taxation and business survival. The rule is to reject the null hypothesis and accept the alternative when the calculated value of the test statistics is greater than the tabulated value denoted as $\chi^2_{Cal} > \chi^2_{tab}$ and vice versa.

Table 6: Test of Significant Relationship between Multiple Taxation and Business Survival

GENDER	Strongly Agreed	Agreed	Undecided	Strongly Disagreed	Disagreed	Total
Male	15	13	4	7	5	44
Female	12	15	8	8	3	46
Total	27	28	12	15	8	90

Source: Fieldwork, 2021

Cells	F _o	F _e	F _o -F _e	(f _o -f _e) ²	(f _o -f _e) ² /f _e
E1	15	13.2	1.8	3.24	0.2455
E2	12	13.8	-1.8	3.24	0.2700
E3	13	13.7	-0.7	0.49	0.0377
E4	15	14.3	0.7	0.49	0.0327
E5	4	5.9	-1.9	3.61	0.025
E6	8	6.1	1.9	3.61	0.4513
E7	7	7.3	-0.3	0.09	0.0081
E8	8	7.7	0.3	0.09	0.0113
E9	5	3.9	1.1	1.21	0.2420
E10	3	4.1	-1.1	1.21	0.4033
Calculated Chi-square					1.7269

Degree of freedom = (R-1) (C-1) = (2-1) (5-1) = 4; at 5 % (0.05) significance, χ^2 tabulated is **7.488** against the χ^2 Calculated **1.7269**.

Decision Rule

The study conducted Chi-square analysis to determine the extent of relationship between multiple taxation and the business survival rate in Oyo State. The result established that χ^2 Calculated (1.7269) is less than χ^2 Tabulated (7.488), i. e., χ^2 Cal < χ^2 tab, thus, we accept the Null Hypothesis (H₀) that there is no significant relationship between the multiple taxes and business survival in Akinyele Local Government, Oyo State while the Alternative Hypothesis (H₁) that there is significant relationship between the multiple taxes and business survival in Oyo State is rejected.

Conclusion

The study empirically examined, with the use of descriptive and inferential statistical analyses, the impact of multiple taxation on business survival in Akinyele Local Government, Oyo State, Nigeria. The imposition of multiple taxation and its method of collection from SMEs in Nigeria has generated a serious debate among scholars without being addressed by succeeding government on how it can be curtailed. Unfortunately, the direct adverse effect of multiple taxes is felt both at micro and macro levels, the harmful effect of multiple taxation on the gross domestic product (GDP) is enormous. It affected revenue generation which in turn detrimental to capital formation and employment creation. As being exposed from the findings of this study that, multiple taxation discourages the expansion and willingness to either venture into new business or expand their existing businesses. There is no doubt that, unemployment will escalate in Nigeria if government failed to take a significant action. Therefore, the study recommended government's policies and instantaneous action at all levels in Nigeria to curtail the socio economic effect of multiple taxation on SMEs in Nigeria.



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