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Effect of Multiple Taxation on Investments in Small and Medium Enterprises in Enugu State, Nigeria

Ebere U. Okolo, Eunice C. Okpalaojiego, Chimaobi V. Okolo

Abstract—Some investors prefer to keep their money in the bank rather than invest in Small and Medium Enterprise (SME) due to the high cost of running small and medium scale enterprise in Enugu State. This cost primarily concerns multiple-taxation, enormous tax burdens, levies and charges. This study examines the effect of multiple-taxation on the investments in SMEs. The study used survey design with SME population of 80. 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 negative effect on SMEs investment. Furthermore, the relationship between SMEs investment and its ability to pay tax is significant. The researcher recommends that government should develop a tax policy that considers the enhancement of SMEs' capital allowance when imposing taxes. Government should also consider a tax policy that encourages investment in SMEs by consolidating all taxes in one slot and latter disseminate to various government purses rather than having many closely related but different taxes at the same time.

Keywords—Investments, multiple taxation, small and medium enterprises.

I. INTRODUCTION

TAXES are compulsory levies by government on personal income (salaries), business profits, interest, dividends, and commissions. Tax may also be an incentive or a disincentive to investment and savings irrespective of whether the tax is direct or indirect.

SMEs are key players in growing developing nations such as Nigeria. SMEs have long been observed to be catalyst for economic growth and national development both in developed and developing countries [5]. According to [6], SMEs have been considered as the engine of economic growth and for promoting equitable development, emphasizing that the major advantages of the sector is its employment potential at low capital cost.

The Central Bank of Nigeria in 1990 as factored by [4] defined SME as any manufacturing process or service, with a capital not exceeding ₦150,000 in manufacturing and equipment alone. A study by the federal office of statistics revealed that SMEs in Nigeria make up 97% of the economy [2]. Stressing that, although SMEs are small in size they are the most important enterprise in the country because of the

fact that when all the individual effects are aggregated they surpass that of the larger enterprises. A lot of problems are encountered by SME, the most complained of are the Problems of Multiple – taxation which among others, do not always encourage investments in SMEs [2]. Meaningful efforts have been made by the government to promote investment in SMEs, but, this cannot be achieved due to tax reforms remains feasible and require better coordination of tax policies and regulations. While the state government collect the following Personal Income Tax in respect of: Pay as You Earn (PAYE), and direct taxation (Self-Assessment) the local government also collect theirs which are closely related taxes on the same income according to [13].

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 can also be regarded as multiple-tax by SMEs. A good example of multiple-tax is where a smallholder farmer pays for business permit, registration fee, development levy, market tax, personal income tax. Nonetheless, the local government still come up with their own numerous taxes on the same income such as shop and kiosk rates, on and off liquor licenses, slaughter slab fees, birth and death registration fees, naming of street registration fee, excluding any street in the state capital. Furthermore, they impose right of occupancy fees on lands in rural areas, (excluding those collectable by federal and state governments), market taxes and levies (excluding where state finance is involved), motor park levies, domestic animal license fees, bicycle truck, canoe, wheelbarrow and cart fees (other than a mechanically propelled truck). Other taxes include cattle tax payable by cattle farmers only, merriment and road closure levy, radio and television license fees (other than radio and television transmitter), radio license fees, wrong parking charges, public convenience, sewage and refuse disposal fees, customary burial ground permit fees, religious places establishment permit fees, signboard and advertisement permit fees [13]. From the above, one will quickly notice that the government at various tiers is verbally speaking for a support of SMEs while indirectly is putting a stop on investors from investing in SMEs due to high cost of capital caused by multiply taxation. This implies that multiple-tax is discouraging for prospective investors in SMEs. Again, SMEs are supposed to receive capital allowance on assets bought for a specific period but this is denied them and no tax incentives for investments. The focus of this study therefore, is to find out the effects of multiple-taxation on investments in SMEs in Enugu State, Nigeria.

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II. LITERATURE REVIEW

A. Conceptual Framework

Tax is a compulsory contribution made by the SMEs/citizens to the government for the provision of security, social amenities, in order to create conditions for economic well being of the society [10]. Continuing, the stressed that over dependence of tax from crude oil is a fundamental problem to the development of sound tax policy and administration in Nigeria. According to [14], tax can be seen as the compulsory transfer of money from citizens of a country to the government, which comes in as a source of revenue. From the definition of tax according to [14], inference can be made that citizens might try to avoid the payment of their tax, which is likely to attract punishment. There are various reasons why governments implement tax policies which are to: (i) Finance a budget deficit, (ii) Enhance long run growth or (iii) Counter other influences in the economy [15]. There are basically four major principles of taxation which are: Certainty, equality or equity, convenience and economy [16]. There are other principles of taxation which ranges from Fairness (implying that taxes should be fair to taxpayers as well as being aligned with the benefits received by taxpayers), Economic growth (taxes paid should be geared towards the achievement of goals required for the economic growth of a country), Equity (taxpayers' revenue and expenditure should correspond with their tax liabilities), Convenient (implying that the system of paying taxes should be suitable for taxpayers). Government efforts to diversify the economy and reduce over dependency on oil revenue, largely led to multiple taxes being imposed on SMEs. Multiple-taxation means the subjection of the same income to more than one tax treatment or imposition of many taxes on one tax payer. Investment in this context means putting funds into a business.

Nigeria through National Policy on MSMEs adopted a definition of SMEs on dual criteria; employment and assets (excluding land and building). The policy explained that small enterprise is one that has maximum assets value of five million Naira and employed not more than 49 staff. Medium Enterprises has between Five Million Naira to Five Hundred Million naira with a total work force of between 50 and 199 employees.

Reference [8] reviewed the performance of the Federal Inland Revenue Services (FIRS) aiming at finding out the extent to which it has being able to achieve its quarterly actual tax collections as against its targeted tax collections. Findings of the study revealed that Petroleum Profit Tax (PPT) accounts for about 65.39% of the actual tax collections, while company income tax and VAT pool contributes about 15% and 14.3% of total actual tax collections by FIRS. Gas income, stamp duty, capital gains tax and Nigerian Information Technology Development funds contributes less than 1% to total actual collections, while education tax contributes about 3% to actual tax collection. The study concluded that PPT remains the mainstay of the federal government revenue in terms of tax types. However, the paper recommends that FIRS should improve on efforts in tax collections for gas income and other

non oil taxes so as to make more revenue available to the government. This will reduce the incessant government budget deficit and eliminate efforts of deficit financing.

Reference [9] carried out a study to examine the preposition which states that decrease in tax burden will lead to increase in investment demand. The study revealed that tax incentive instruments used to motivate investment in real sector of the Nigerian economy was scarcely successful in terms of enhancing demand for industrial assets. Therefore, the study recommended that this policy measures be reviewed to incorporate measures that could reduce tax burdens.

Reference [7] investigated SMEs as a veritable tool in Economic growth and development. Findings of the study revealed that the most common constraints hindering SMEs growth in Nigeria are lack of financial support, poor management, corruption, lack of training and experience, poor infrastructure, insufficient profits, and low demand for product and services. The study therefore recommended that government should urgently assist prospective entrepreneurs to have access to finance and necessary information relating to business opportunity, modern technology, raw materials, market, plant and machinery which would enable them to reduce their operating cost and be more effective to meet the market competitions.

Economic Advantages of SMEs

SMEs have been, and will always be the bedrock of economic development and growth for Nigeria. The future of Nigerian economy depends on the strength of vibrant SMEs because a lot of large businesses start out as SMEs. A number of writers argue that boosting SMEs is a roadmap to industrialization. Reference [17] thinks that the SME sector significantly contributes to the private sector input to an economy and provides the roadmap for industrialization and sustainable economic growth. Also according to [18], SMEs expands the participation in society, spreads economic power and give people a stake in the future of the society. Reference [19] also argued that a major contribution made by SME to the Nigerian economy is on the angle of the provision of employment. They offer different kinds of jobs for the citizens of the country ranging from part-time to full time, skilled semi-skilled and un-skilled. Due to the fact that SMEs are more labor intensive, the expansion of SMEs is better to enhance job creation.

Small and Medium Scale Enterprises in Nigeria: A Brief Review

Several studies have confirmed that SMEs are instruments of economic growth and development, regardless of whether the economy is developing or developed [31], [12], [29]. Citing data from the Nigerian Bureau of Statistics, about 97% of the entire enterprises in the country are SMEs, which employed and average of 50% of the working population, and also increase the country's industrial output to about 50%. References [28] and [29] aver that the relevance of SMEs in Nigeria go beyond just boosting economic growth but are also the bedrock of the nation's development. Notwithstanding that

small businesses have been operating in Nigeria since independence, it is during the adoption of the indigenization policy, through the national development plan programme, between 1970- 1979 that Nigeria gave conscious effort towards SMEs as instruments of economic growth.

The development plan was focuses on the self reliance through industrialization, entrepreneurial development employment generation and development through increasing export trade, [30].

The federal government maintained SMEs as the key area of intervention with the intention of relieving the international entrepreneurs' dominance on the Nigerian economy and to enhance the capacity of indigenous business to become major players in the economy. Some regulations promulgated to boost the relevance of indigenous SMEs include Nigeria Enterprises Promotion No. 3 of 1977, Patent Right and Design Act No 60 of 1979 Custom Duties (dumped and subsidized goods Act No. 9 of 1959, Industrial Promotions act No. 40 of 1979, Industrial development Tax Act No. 2 of 1971 among others [27].

Reference [31] asserts that apart from the regulations, federal government provided microcredit institutions such as Nigeria Bank for commerce and industry (NBCI), National Economic Reconstruction Funds (NERF), People's Bank of Nigeria (PBN), Community Banks (CB), National Export and Import Bank (NEIB) and the enhancement of these institutions for effective participation in the growth and capacity building of small and medium scale enterprises.

Reference [22] explained that the Nigerian government in a bid to increase the effectiveness and efficiency of SMEs further established Raw Materials and Research Development Council (RMRDC) of finance and research institutions in 2001, with the intention to give expert and professional advice, through the research report of this institution to SMEs and business organization in their product choice, product development, delivery strategies. In order to strengthen this effort, the Nigerian government setup polytechnics, universities and human capital training institutions, such as Centre for Management Studies, (CMD) Administrative Staff College of Nigeria (ASCON) Industrial Training Institute (ITF) etc. in order to provide manpower scheme and through the institutions' findings and recommendations develop SMEs [22]. Through the combined efforts of the banker's forum and the CBN initiative, small and medium industry equity investment scheme (SMIEIS) was established in 2001, requiring banks to set aside 10 percent of their profit before tax to fund SME in an equity participation framework [27]. Furthermore, government worked to boost the capacity of SMEs through direct investment and the establishment of more SME promotion institutions and agencies (institutions of technology, credit lending institutions, technical and management institutions and the provisioning of infrastructures) [27].

"The establishment of anti-corruption bodies such as Economic and Financial Crime Commission (EFCC) and Independent Corrupt Practices and other relate offences Commission (ICPC), investment in power generation, road

maintenance and construction and enactment of pension funds were addition effort geared towards improving the SMEs sector" [12]. Despite conscious effort to boost SMEs in Nigeria, the manufacturing sector contributed 7% to the Gross Domestic product in 1970-1979 [23]. In 2004, fully operational industries, run by its members account to only a meager 10% of all operational industries in the country, according to the industries survey conducted by manufacturer association of Nigeria. Similarly, [25] argued that about 70% of the SMEs in Nigeria lie between being operational or on the verge of collapse, while the remaining 30% operate on low level capacity and may fold up in the nearest future. In 2009, the manufacturing contribution to GDP dropped sharply to 4.19% while industrial capacity utilization fell to 48.8%, according to [26]. This implies danger for the economy as manufacturing industries are indispensable in any economy's real growth. According to [24] *"the debris of dilapidated manufacturing concerns across the country is the outcome of years of harsh operating conditions"*. The author averred that funding posed a serious threat to SMEs and therefore 30% of SMEs have closed down and about 60% are ailing while only about 10% operate at a sustainable level [24].

Problems of Small and Medium Scale Enterprises in Nigeria

It is quite disturbing that regardless of the incentives, favorable policies and regulations and preferential support by government aimed at boosting SMEs in Nigeria, they have performed poorly. The failure of SMEs in Nigerian to fully develop is due to some challenges confronting their stability and operation. Some of these as exposed by scholars are lack of planning, inimical government regulations, poor strategic marketing, lack of highly skilled human capital, operating environment, and insufficient funding [20]-[22], [12].

How Do SMEs View Tax Policies?

SMEs are faced with various issues when it comes to tax compliance. One of them has to do with the issue of multiple-taxation. Multiple taxation has really affected SMEs a lot, the truth still remains that this issue of multiple taxation has been left unresolved until date. To this end, SMEs now view relevant tax authorities as a threat to their business, and by so doing they find various ways to avoid these tax authorities. This has led to nothing but high tax evasion by SMEs. But there is need to understand that relevant government authorities have contributed to this turmoil in a very large way. Although it is important to understand that this issue connected with SMEs can also be attributed to ignorance faced among SMEs, there is also need to understand that the SMEs view tax as a danger to them. They view tax as an instrument used by relevant tax authorities and the government to punish them for doing business. There is need to understand that some of these Small and Medium Entrepreneurs are illiterates, who have done nothing but business all their life, and therefore can only say their views, especially as it concerns taxes. It is due to this fact that some of the SMEs have resulted to tax avoidance. This issue on how SMEs view tax is not only

an issue in our country Nigeria but can also be seen in other West African country such as Ghana. It is pertinent to understand that apart from the effort of government to educate people on the importance of paying tax, there is also need for government to make necessary effort towards ensuring that to a large extent that multiple-taxation is reduced to its minimum, this will encourage SMEs to view tax in a more positive way.

Tax Accountability by Government

Taxpayers' perception on the fairness of tax systems influences the ability to pay taxes. Revenues generated by taxpayers for the government are expected to be accounted for meaningfully by the state. There should always be a link between compliance to taxes by taxpayers and the tax accountability by the government such as securing the safety and security of individuals including taxpayers' right to property. The existence of tax accountability generally comprises of two parties; the one entrusted with something that results into accountability and the principal who gave the mandate [19]. Correlation was established between governance and accountability and income tax revenue performance, for example South Africa, Nigeria and Uganda had income tax ratio to good governance score as 14.4%; 69.4%; 2.5%; 49.6%; 3.8%; 57.9% respectively in the year 2006 [19]. To this end, there is need for the government authorities to understand that to an extent for government to encourage the payment of tax, there is need to give a good accountability of tax. This in turn will encourage people to pay tax. Another thing that results to this issue of multiple-taxation is lack of good accountability. It is important to understand that when taxes are not accounted for, it might result to imposing more tax on people. For instance, declines revenue due to taxes not accounted for could lead to reduced state and local government allocations from the federal government. In order to meet up with responsibilities, state and local government impose more taxes to SMEs in their jurisdiction, resulting to multiple-taxation. There is need to account for tax that has been collected so as to encourage people to pay tax.

Policies That Will Encourage SMEs Growth

Government has been playing a lot of roles to enhance the productivity and ensure a better environment for both SMEs and potential SMEs for the betterment of the economy in general. The truth still remains that their effort can be seen not to be enough; this was also supported by [32]. Reference [33] argued that the role of government is 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. This 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. It is important for one to comprehend that necessary measures have to be put in place to ensure that SMEs experience growth to the positive direction. It is believed that for one to experience efficiency when it comes to

the tax system, there is need for diverse policies and measures to be put in place. These tax policies can be designed in a way will contribute to SMEs in a positive direction, and also contribute to the growth of the economy in general. Such policies can be seen in countries where financial institutions that provide loans for SMEs are exempted from tax payment. Such policies are being established in such countries so as to encourage those financial institutions to continue to provide such loans to the SMEs because once loans are provided for SMEs, it will encourage them to perform better and this in turn will contribute to the GDP of that particular economy, and in turn will enhance economic growth, by providing employment opportunities and encouraging or attracting investment into the economy. Another important policy that will encourage growth of SMEs is designing tax policies that will encourage human capital training. It is important to know that tax rebate as a policy can be employed. Effort should be made by the government towards ensuring that private sector investment in SMEs is encouraged, and also the federal government should ensure that effort is put into developing both the major sectors of the economy and the sub-sectors of the economy.

Another effort that can be put in place by the federal government to ensure the growth of SMEs is by ensuring simplicity of tax that is charged to SMEs. It is important to understand that making tax payment simple for SMEs will encourage them to continue in the business and also ensure that potential investors are encouraged to invest in SME.

Tax Compliance of SMES

Tax compliance has been hindered by the substantial changes to tax laws, which exhibited complexity to the extent that only tax experts can understand. This might lead to challenges for taxpayers who do not have access to tax specialist to enlighten them on the complex nature of tax laws. There is no relationship between tax enforcement and the inability of people to pay their tax. There is every tendency that illiteracy can be found among SMEs that pay tax; this has resulted to the underpayment or over payment of tax. Thus it is important for us to understand that so many researches has proven that most at times SME owners don't understand issues relating to tax payment and the compliance of people towards tax issues. It is also pertinent for us to understand that tax policies normally do not favor SMEs, but rather it normally favors larger firms. This is due to the fact that larger firms earn enough revenue that covers their tax payment and thus they do not feel the impact of the tax when they pay such tax. But as for SMEs, most at times the revenue generated are so little that they feel the impact of the tax when such tax is paid and this has led to a high rate of tax evasion among SMEs. Also it is important to understand that the registration of SMEs business for tax payment is sometimes not done. And to this extent, it has resulted to SMEs not been able to pay tax as at when due. All this and more has led to tax evasion among SMEs.

B. Theoretical Review

The theoretical framework guiding this study is the “Theory of Public Expenditure”. It is the expenses which government incurs in the performance of its operations. With rise in state activities, it may be hard to determine what portion of public expenditure can be ascribed to the maintenance of government itself and what portion to the benefit of the society and the economy at large. Although, public expenditures increased rapidly over the years and coupled with its role and importance in the national economy the area of public expenditure has remained relatively unexplored. Studies in public expenditure has been confined to that of generalities in terms of its effect on employment and prices [1].

Two notable theories of public expenditure are examined here-under:

The law of increasing activities according to was postulated by a German economist called Adolph Wagner in 1890. The study identifies that there are inherent tendencies for the activities of government to grow both intensively and extensively. And that functional relationship exists between the growth of an economy and the growth of government activities and that the governmental sector grows faster than the economy. Furthermore, all kinds of governments’ especially, State or Local government intentions had exhibited the same kind of tendencies of increased expenditure.

Main argument of The Displacement Theory was that public expenditure does not increase in a straight or continuous manner, but in “Jack or Stepwise” fashion. Often some social or other distractions occur which shows the need for increase in public expenditure which the existing level of revenue cannot meet. Therefore, public expenditure increases will make the inadequacy of the existing level of revenue clear to everyone. The movement from the initial and low level of expenditure and taxation to a new and higher level is called the displacement effect,” while the inadequacy of the revenue as matched to the required expenditure creates the “inspection effect”. Hence the government and the people would reach a new level of “tax tolerance” by reviewing the revenue position and finding solution to the problem of inadequate revenue. Since each major disturbance leads government to assume a larger proportion of the national economic activities, the result is the “concentration effect.” Nevertheless, concentration effect, they assert, is the tendency for the government activities to grow faster than the economy.

C. Empirical Review

Reference [34] carried out a study on “Differential Taxation and Tax Evasion by Small Businesses” in Washington D.C., U.S.A. The study examined the pattern of income reporting by small businesses; it paid attention on the effect of tax rates on the reporting of proprietorship, farm, and rental income. The frequency distribution and multi-variance analysis were used to analyze pooled 1985 and 1988 Taxpayer Compliance Measurement Program (TCMP). They concluded that taxes play an important role in explaining differences in voluntary compliance among sources of self-employed income. Their recommendations were that major features of the tax system

should be correctly measured. In addition to the self-employment tax (SECA) rate, should be incorporated to avoid the risk of biasing the estimated effects of tax rates.

Reference [5] in his work examined small and medium scale enterprises in Nigeria, in relation to those changes which affects SMEs from developing capacity to realizing its full potentials as well as the prospect for improvement and development for employment generation, economic growth and national development. He found out that the challenges and problems of small and medium scale enterprises are fixed to some economic variables and challenges like high level of unemployment, high poverty incidence, and low industrialization capacity, lack of finance, inadequate infrastructure and insecurity of the business climate among others. Rarely is the process of approving budget at the legislative level timely due to executive and legislative face – off. Most time and often when the budget is even approved it is very slow to implementation due to administrative bottlenecks. This delays investment decision of small and medium scale enterprises, especially on tariff and taxes measure in their trade decision. High cases (incidence) of government regulatory agencies, taxes and levies by different levels of government have resulted into double taxation leading to high cost of running SMEs and entrepreneurs seems not to be encouraged by this factor [12].

Reference [11] made a study on positioning tax system in line with 21st Century trend at the JTB international tax conference of 29th October, 2013. He observed the serious challenges facing the global community such as unprecedented economic crises which ravaged world economies leading to the virtual collapse of the financial and industrial sectors. In the Nigerian economy, oil revenue witnessed a decline which necessitated the need to reduce its dependence on revenue from petroleum and find out alternative sustainable means of revenue generation from the non – oil sector. Their focus was to find how the Nigerian tax system can be positioned to achieve sustainable development for the country as the 21st century events unfold. He identified some of the challenges facing the effectiveness of tax administration in Nigeria as: Tax Evasion, Multiplicity of taxes, Complexity and rigidity of tax laws, Corruption among taxpayers, tax practitioners and administrators alike, lack of a tax compliance culture among the citizenry, Poor staffing, ignorance on the part of tax payers, lack of autonomy of some state Revenue Boards, and non availability of an up to date data base and statistics of tax payers. He recommended that tax matters should be left in the hands of professionals who have been trained for it, so that the citizenry and investors will not continue to complain of such vices as multiple taxation, inefficient and ineffective administration, obsolete tax laws, extortion, evasion and low internal generated funds (IGR).

III. METHODOLOGY

A. Research Design

A survey research method was used which involved the use of questionnaire, interview, past publications and records. The

researcher chose survey method because it is effective when opinions of people are sort for, attitudes and descriptions, more especially in getting cause and effect relationship.

B. Population of the Study

This study was conducted using eighty (80) registered SMEs businesses in Enugu State, Nigeria. The total number of managing Directors; spread across the registered SMEs is eighty (80). The number of managing directors made up the accessible population of the study and all the population was studied given its small nature.

C. Method of Data Collection

The data enabled the study to test the research hypotheses. Again, the statistical tool of frequency tables and percentage were used to present and analyze data collected and tested the research hypotheses with the Analysis of Variance (ANOVA).

D. Validity of Instrument

“Validity of measuring instrument is defined as the ability of the instrument to measure what is supposed to measure,” [3]. Stressing a clock is a valid instrument so long as it measures the correct time. Otherwise it is not a valid chronological instrument. Validity of measuring instrument is determined by its content which stresses adequate coverage by the instrument of the scope implied by the topic of study. Hence, for the sake of validity of the measuring instrument that was used, the researcher ensured that questions asked in the questionnaire fully exhaust all that were implied by the research questions and hypotheses. The instrument was validated by experts in the field of study, paying particular attention the relevance to the subject matter and their coverage of the entire work.

E. Reliability of Research Instrument

Reliability is defined as the consistency between independent measurements of the same phenomenon, reliability then is the stability, dependability and predictability of the measuring instrument” [3]. To ensure that the instrument consistently measures what it is supposed to measure, a pre – test was carried out in the study area. The reliability was established through a test – retest method. Ten (10) copies of the questionnaire were administered to ten SMEs in Enugu state, Nigeria. Two weeks after collection, the same instrument was administered to the SMEs respondents. This test was to determine the consistency of their responses to the questionnaire. Spearman Reliability coefficient was used to determine that the instrument has a coefficient of 0.85.

F. Method of Data Analysis

Data analysis refers to those techniques whereby the researcher retrieved information that was not apparently there before but would enable a summary description of the subject studied to be made, [2]. Stressing the data was to enable the study to test the research hypotheses. Again, the statistical tool of frequency tables and percentages were used to present and analyze data collected and tested the research hypotheses with

the Analysis of Variance (ANOVA), [2]. Formula for the analysis of variance (ANOVA) as shown below:

$$SSB = r \sum (X_{ij} - \bar{x})^2$$

$$SSB = \sum \sum (X_{ij} - \bar{x})^2$$

where SSB = between sum of square; SSW = within treat sum of the square; X_{ij} = individual observation around their column mean; \bar{X} = grand mean column; Df = degree of freedom (c – 1) (in 1); C = number of column; R = number of row; \sum = summation; level of significance: 0.05.

IV. DISCUSSION

A. Data Presentation and Analysis

The data presented below were collected from SMEs center during the field survey on the appraisal of the effect of multiple taxations on investments in SMEs in Enugu State, Nigeria.

TABLE I
 YOUR COMPANY PAYS TAX FREQUENTLY EVEN BEFORE GENERATING PROFIT

Responses	Frequency	Percentage
A All the time	50	62.5%
B Once a year	20	25%
C Twice per year	8	10%
D Not at all	2	2.5%
Total	80	100%

From Table I, 50 respondents representing 62.5% of the total population said their company pays tax all the time. 20 respondent representing 25 % said once a year 8 respondents representing 10% said twice per year while only 2 of the respondents representing 2.5% of the population said not at all. From the scores, the researcher deduced that SMEs in Enugu State, Nigeria, pay tax all the time given the number of respondents that stood for it.

TABLE II
 HOW MANY TAX AGENCIES COLLECT TAXES FROM YOUR ENTERPRISE?

Responses	Frequency	Percentage
A More than three	44	55%
B Three	16	20%
C Two	14	17.5%
D One	6	7.5%
Total	80	100%

Table II shows that 44 respondents representing 55% of the population said more than three, 16 respondents representing 20% said three, 6 respondents representing 17 5% said two, while 6 respondents representing 7.5% said one. From scores, the researcher deduced that more than three agencies collect taxes from SMEs in Enugu state, Nigeria.

TABLE III
 YOUR COMPANY IS HEAVILY TAXED IN ENUGU STATE NIGERIA

Responses	Frequency	Percentages
A Heavily Taxed	54	67.5%
B Moderately Taxed	16	20%
C Tax free	9	11.25%
D No idea	1	1.25%
Total	80	100%

The scores on Table III revealed that some SMEs are heavily taxed, based on the opinion of 54 respondents that stood for it representing 67.5%, 16 of the respondents representing 20% said moderately taxed, while a respondents representing 11.25% said they are taxed free.

TABLE IV
MULTIPLE TAXATION FRUSTRATE INVESTMENT IN SMES IN ENUGU STATE NIGERIA

Responses	Frequency	Percentage
A Strongly agree	50	62.5 %
B Agree	14	17.5%
C Disagree	10	12.5%
D Strongly disagree	6	7.5%
Total	80	100%

The score on Table IV revealed that multiple taxations frustrate investment on SMEs in Enugu state, Nigeria. This is based on the opinion of respondents, as stated above.

TABLE V
THERE IS NO SIGNIFICANT EFFECT OF MULTIPLE TAXATION ON INVESTMENT IN SMES IN ENUGU STATE NIGERIA

Responses	Frequency	Percentage
A Strongly agree	4	5%
B Agree	8	10%
C Disagree	20	25%
D Strongly disagree	48	60%
Total	80	100%

From the result on Table V, 4 respondents representing 5% of the total respondents strongly agreed that there is no significant influence of multiple-taxation on investments in SMEs in Enugu state, Nigeria. 8 respondents representing 10% also agreed but 48 respondents representing 60% disagreed while 20 respondents representing 25% strongly disagreed. The scores show that there is significant influence of multiple taxation on investment in SMEs in Enugu state, Nigeria.

B. Test of Hypotheses

This involves the test of the research hypotheses using the analysis of variance (ANOVA). The test is based on the data generated from the field survey on the work. The data for hypothesis 1 is taken from Tables I-III. Data for hypothesis 2 is taken from Tables IV-VI.

TABLE VI
ANALYSIS OF VARIANCE FOR HYPOTHESIS 1

Source of variation	SS	Df	MS	F _{CAL}
Between treatment	3726.66	3	1242.22	73.03
Within treatment	136.01	8	17.00	

Source: Author's Computation Using E-views Statistical Software.
F* = 73.03 F_{0.05} = 8.85

Since the calculated F is greater than the critical table value of F which is 8.85 that is, 73.03 > 8.85. We reject the null hypothesis and therefore fail to reject the alternative hypothesis at a 0.05 level of significance. Hence the

continuous multiple-taxation on SMEs is capable of discouraging investment in SMEs in Enugu state of Nigeria.

TABLE VII
ANALYSIS OF VARIANCE FOR HYPOTHESIS 2

Source of Variation	SS	Df	MS	F _{CAL}
Between group	37599	3	1253	4.66
Within group	2151.27	8	268.9	

Source: Author's Computation Using E-views Statistical Software.
F* = 4.66 F_{0.05} = 8.85

From the ANOVA test statistics above F* is lesser than F_{0.05}. That is 4.66 < 8.85. We therefore fail to reject the null hypothesis (H₀) at a 0.05 level of significance, meaning that the continuous multiple-taxation on SMEs is capable of discouraging investment SMEs in Enugu State, Nigeria. Decision is that the relationship between SMEs and capital allowance is not significant. This means that despite the continuous taxing of SMEs by tax agencies, investors will continue to invest in SMEs.

V. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

A. Summary of Findings

Result from the field survey revealed that almost all the SMEs in Enugu state, Nigeria pay taxes to government all the time. As revealed by Table II, more than three agencies collect taxes from SMEs in Enugu state, Nigeria. This means that all the tiers of government (state and local) have their own form of taxes they collect from SMEs. Also, the researcher found out that multiple taxation affects SMEs investment negatively. This was seen by the number of respondents that agreed on the view.

Findings from the field showed that there is significant relationship between SMEs investment and its ability to pay tax. Taxes are collected in relation to inappropriate tax administration made by the tax collectors on SMEs. As shown on Table VI, the ability of SMEs to pay taxes largely depends on the discretion of the tax collectors and not on profit trend, because of corrupt tax collectors and in appropriate tax administration in Enugu State Nigeria. Respondents agreed that there is a Relationship between these three variables, that is, SMEs, investments and multiple – taxation.

The test statistics also revealed that there is a significant relationship between multiple taxation and SMEs. Hence, government should discontinue the multiple taxes they collect from the SMEs so that investors could continue to invest in SMEs.

B. Conclusion

The study examines the effect of multiple - taxation on SMEs in Enugu state, Nigeria with a study of 80 SMEs in Enugu state, Nigeria. From all literatures reviewed, the researcher deduced that multiple - taxation has effect on investments in SMEs in Enugu state, Nigeria. The researcher established relationships between multiple taxations and investment in SMEs.

C. Recommendations

Government should as a matter of urgency, prioritize the SMEs sector giving it devoted practical and visible attention with the view to consolidating all revenue collections into one account and later channeling the funds to various accounts there by taxing the SMEs with only one slot of tax.

Governments (federal, state and local), NGOs and other stake holders should design targeted tax policies that will actively encourage investments in SMEs in Enugu State, Nigeria and Create a tax friendly environment through wide publicity/sensitization exercise.

Finally, giving the poor data generated from the study, it is recommended that policy makers should channel efforts towards improving SMEs data base/information in Enugu state, Nigeria, as this is very important for planning, research, policy making and investments in SMEs.

VI. SUGGESTION FOR FURTHER STUDIES

There should be further studies on the influence of specific tax on investment of SMEs in Nigeria to identify the tax that has most discourage investment in SMEs in Nigeria.

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