

**IMPACT OF HIGH TAXES ON THE PERFORMANCE OF SMALL AND MEDIUM
SCALE BUSINESSES IN ANAMBRA STATE.**

Obiaso Chikaosolu Blessing, Odumu Williams Robinson and Iyenagbe Friday Oshiogwemo

**Ndiakwu Otolo Nnewi, Anambra State, No I, JUSTICE OZOH CLOSE, OFF NGOZIKA
ESTATE ROAD, IYIAGU ESTATE PHASE 2. AWKA, NO. 28 Joel felix drive GRA Police
station road asaba delta state**

ABSTRACT

The study examined the impact of high taxes on the performance of small and medium scale businesses in Anambra state. Specifically, the study investigated the effect of increase tax rate challenges on small and medium scale business in Anambra state and how several taxes significantly influence small and medium scale businesses in Anambra state, Two research questions and hypotheses were formulated for the study in line with the objectives. The study made use of descriptive survey and the area of study was Anambra state. The population for the study was based on the top managerial personnel in the 21 selecteed in the 3 senatorial zones in anambra hence the total population of the study is 198650 and the sample size was 399 while 370 copies were used for the study. Research instruments were validated and reliable. Descriptive analysis was carried out on the research questions and hypotheses were tested using multiple regression analysis (MRA). The study revealed that high taxes have positive relationship with small and medium scale businesses in Anambra State. It was recommended that government should encourage more entrepreneurship activities in the state so as to bring about more economic growth in the state. Government should reduce the rate of taxation on small and medium scale businesses as high taxation can bring about fold up of small and medium scale businesses.

INTRODUCTION

Background of the study

Small and medium enterprises {SMEs} make up about 97% of the productive units of the economy (Ariyo 2010). Panitchparkdi (2016) sees SMEs as a source of employment, revenue generation, innovation, competition, economic dynamism which stimulates the entrepreneurial spirit and the diffusion of skills; thus it ultimately leads to poverty alleviation and national growth. However, tax policy is one of the factors that constitute the economic environment of all small and medium enterprise. According to Manasseh (2010), a Tax is a compulsory contribution imposed by the government on personal income earners, companies, investors, exporters, importers etc, without direct benefit or return of value. Funds realized from taxation are a major source of revenue to the government of Anambra state and as such is an important tool used in the development of the state and her economy. The tax policies and systems existing in a state are greatly related with business ventures in that state. An economy that maps out favorable and progressive tax laws and policies will definitely breed successful and finance healthy business organizations. Once businesses flourish, the economy flourishes as well, as there is no quicker way of boosting the affairs of the economy without the help of organizations that move services, goods, money and investments from those with surplus to those with deficit; those with marketable ideas / output to those who need these ideas and products. In essence, business and tax policies greatly depend on one another for survival. If one is greatly affected, the other follows suit.

Taxation increases incentives for public participation in the political process and creates pressure for more accountability, better governance and improved efficiency of government spending. Taxation also creates incentives for governments to upgrade their institutions for tax collection and administration and to provide more public services (Moore, 2017).

Taxes have existed virtually as long as there has been an organized government. The first tax law legislation was introduced in 1919 and ever since then taxes have evolved through

a number of reforms. The government in an attempt to widen the tax base and collect more revenue has led to levy several taxes especially on business enterprises in Anambra which constitute a large part of the formal sector. The taxes charged on businesses include; corporation tax, value added tax, presumption tax and exercise duty. In 1997 the income tax Act was made. This was to give audience in assessment and computation of taxes (Campsey, 2017). Anambra state government has made some recommendable efforts to promote development through taxation since the inception of the current taxation laws for purposes of promoting development. The main objective of taxation in Anambra state has always been to mobilize resources needed to meet the aspiration of government. This is because for any government to be effective, strong, competent and capable of spearheading development, resources have to be readily available in its treasury so as to position to provide goods and services to the people adequately. The Anambran government has always had to ensure proper resource mobilization (Musa, 2012).

According to Holban (2017), taxation can contribute to development and welfare through three sources; it must be able to generate sufficient funds for financing public services and social transfers at a high level of quality, it should offer incentive for more employment and for an efficient and lasting use of natural resources, and finally it should be able to reallocate income. In the case of small and medium scale enterprises, it must at the same time be done in such a manner that puts their income and need for survival into consideration. It should be known that placing high taxes on businesses also but indirectly affect a consumer who buys the products or services produced by these enterprises as they also would add these tax expenses to their production costs, thus escalating the price of goods and reducing the purchasing power.

Anambra state is located in the eastern part of Anambra with many small scale business enterprises and almost all of them employ 2 to 4 or more people. These small scale businesses are locally owned and managed by private individuals who sometimes employ their family members. These small scale businesses bear a high tax burden which has led to poor performance. Therefore, it was against this background that the researcher

undertook the study to investigate more about the problem using Anambra state as a case study to evaluate the impact of high taxes on performance of small scale business enterprise.

Statement of the Problem

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

The mortality rate of small and medium enterprises in Anambra state is very high due to the fact that the government does not create a favorable environment for these businesses to grow using the funds generated from the tax levies they impose. According to the Small and Medium Enterprises Development Agency in Anambra (SMEDAN), many small businesses die within seven years of its establishment. Among the factors responsible for these untimely close-ups are tax related issues ranging from enormous and enormous tax burdens, complex and unclear tax regulations, and lack of proper enlightenment about tax issues. The importance of SMEs as the wheel that drives economic growth and development is often ignored, and are seen as minute establishment that have little or no effect on the state of the economy.

Firms rarely see their tax contributions at work and the compliance costs are high, thus discouraging compliance. The government is also discouraged from collecting taxes from small firms because the cost of monitoring and collecting these taxes from small businesses

by revenue authorities, whose resources are usually scarce, sometimes outweighs the revenues generated by small businesses (Stem and barbour 2015).

Despite the high paid taxes which are meant for the provision and maintenance of social amenities and infrastructure by the government such as; efficient and affordable telecommunication, steady power supply, good roads and so on, still small businesses Anambra can hardly testify to the utilization of any of these, thus they pay huge amounts again providing these same services for themselves. However, small businesses sacrifice more for less.

In Anambra, Anambra state specifically, the issue of enormous taxation is a canker worm eating deeply into the chunk of revenues generated by the SMEs which does not allow them to cover up initial costs. The study was meant to establish the impact of high taxes on the performance of small scale business enterprises in Anambra state.

Objectives of the study

The broad objective of the study is to know the impact of high taxation on small scale business enterprises in Anambra state, specifically the objective include to:

1. Determine the influence of increase tax rate challenge on small and medium scale businesses in Anambra state
2. Examine the influence of several taxes on small and medium scale enterprises in Anambra state.

Research Questions

In line with the objectives the following research questions were formulated to guide this study

1. To what extent does increase tax rate challenge affect small and medium scale businesses in Anambra state?
2. How do several taxes influence small and medium scale enterprises in Anambra state?

Research Hypotheses

The following hypotheses which are stated in the null form are formulated for the purpose of the study:

H01: Increase tax rate challenge does not significant effect small and medium scale businesses in Anambra state.

H02: Several taxes does not significantly influence small and medium scale businesses in Anambra state.

Significance of the Study

This research will benefit the following group: small and medium scale business owners, Policy formulator and Students/Researchers.

Small And Medium Scale Business Owners: The results of this study will help in providing information on the impact of high taxation on the performance of small scale business enterprises in Anambra state. It will further suggest alternative ways through which high taxation can be reduced, thereby enhancing the growth of small and medium scale business. Furthermore, it will help owners of small and medium scale businesses in anambra to identify the need to survive in an ever changing business environment which is made up of so many factors which taxation is one of these factors. This will go a long way to help small and medium scale businesses in anambra achieve their stated objectives, and in the long run expand.

Policy Formulator: This study will guide policy formulation by providing them both theoretical and empirical evidence on the impact of high taxation on business management especially as it relates to small scale business enterprises in Anambra state.

Students/Researchers: The outcome of this study will also serve as a reference material to students/researchers and contribute as material for future research purposes. This will help researchers studying the impact of high taxation on the performance of small scale business enterprises in Anambra state to have theoretical and empirical background for their work.

Scope of the Study

This study covers impact of high taxation on small scale business enterprises in Anambra state subject scope. This study examines increase tax rate challenge and several taxes as variable scope. Geographically, this study was carried out in awka, Anambra State as geographical scope of the study. Some small medium scale business within awka metropolis was selected as the unit scope of the study.

REVIEW OF RELATED LITERATURE

CONCEPTUAL FRAMEWORK

SMALL AND MEDIUM SCALE ENTERPRISES (SMES)

The Monetary Policy Circular No. 22 of 1988 of the Central Bank of Anambra defined small-scale enterprises as enterprises whose annual turnover was not more than N500, 000. In the 2011 budget, the Federal Government of Anambra defined small-scale enterprises for purposes of commercial bank loans as those with an annual turnover not exceeding N500,000, and for Merchant Bank Loans, those enterprises with capital investments not exceeding 2 million naira (excluding cost of land) or a maximum of N 5 million. The National Economic Reconstruction

Fund (NERFUND) put the ceiling for small-scale industries at N10 million. Section 37b(2) of the Companies and Allied Matters Decree of 2010 defines a small company as one with an annual turnover of not more than N 2 million and net asset value of not more than 1 million naira. (Ekpenyong & Nyong, 2012). The Small and Medium Enterprise Equity Investment Scheme (SMEEIS) sees the SME as “any enterprise with a maximum asset base of N500 million (excluding land and working capital), and with no lower or upper limit of staff”. In 2012, the National Council on Industry for the purposes of clarity as regards the definition of SMEs in Anambra came up with a definition which was to be reviewed every four years, in essence taking care of the lack of uniformity that arose due to the many different definitions as suited the many different bodies making them. This definition divided the small and medium enterprise sector into micro, small and medium enterprises. These sub-categories were defined by the National Council on Industry at their 13th Council meeting. However for tax purposes, Section 40(6) of the Companies Income Tax

Act Cap C21 LFN 2014 alludes to companies with a turnover of N1 million and below operating in the manufacturing, agricultural production, solid mineral mining, and export trade sectors as SMEs; While subsection 8 states that as from 1988 all companies engaged in trade or business with a turnover of N500,000.00 and below qualify as small and medium enterprises. (Iwuji, n.d)

CONCEPT OF TAXATION

According to Eftekhari (2019), taxation has always been an issue for the government and taxpayers alike from the early years of civilization. The issue of taxation has generated a lot of controversy and severe political conflicts over time. According to its importance, several economic theories have been proposed to run an effective system. Gabay, Remotin & Uy (n.d) see taxation as the process by which the sovereign, through its law making body, raises revenues used to defray expenses of government, a means of government in increasing its revenue under the authority of the law, purposely used to promote welfare and protection of its citizenry, and the collection of the share of individual and organizational income by a government under the authority of the law. Iwuji (n.d.) defines tax as a statutory compulsory contribution imposed by government exacted from a person's or entity's income, property or transaction for the purpose of funding governance. A tax can either be of three basic structures; proportional, regressive or progressive. Tax is said to be proportional when the taxpayer is levied an amount that is an indirect proportion of his income. A regressive tax is one that charges a higher rate to persons receiving lower income, and finally a progressive tax levies a higher rate to higher income earners. Anambra runs a tripartite tax administration system where tax assessment and collection is presently carried out through the revenue collection agencies of the State and Federal Governments of Anambra: the State Board of Internal Revenue (SBIR) and the Federal Inland Revenue Service (FIRS) and the tax administration in Anambra is basically imposed through Acts of the National Assembly.

THEORETICAL FRAMEWORK

THEORY OF BUSINESS GROWTH BY ELHIRAIKA AND NKURUNZIZA (2016)

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

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

THEORETICAL EXPOSITION

EFFECTS OF SEVERAL TAXES ON SMES

Enormous Tax or Multiplicity of Taxes (ET) refers to unlawful and compulsory payment collected mostly by local and state government without legal backing (Abiola, 2012). 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 (Folayin,

2015). Abiola (2016) viewed ET as a situation where the same level of government imposes two or more taxes on the same base. Adum (2018) described ET as a case where profit or wealth of an individual or corporate body is taxed more than once. Generally, effects of enormous taxation refer to all the changes in the economy as a result of tax imposition. Anyanwu (1997) noted that the presence of tax distorts the pattern of production, consumption, investment, employment and other similar patterns for good or for bad. He said that the extent to which the volume of production is affected by a tax depends upon its influence on the ability and the desire to work, to save and to invest. To estimate the effects of taxes on production and growth would require knowing the effects of tax on the allocation of existing productive resources. A change in taxation will cause a realignment of consumers' wants and the reallocation of factors of production. This affects the demand for goods and services of the products of small-scale enterprises Longenecker et al (1997) observed that taxes are serious burden imposed on small businesses' cash flow and, therefore, represent a costly drain on the financial health of small firms. Lindsey (1997) asserted that the current level of regulations (government regulation including tax) is so high, so complicated and so intensive that it's strangling business and suppressing productivity of small business. Taxes imposed by Anambra state government on small/medium scale Enterprises include: business registration fee, Environmental Sanitation Fee, Fire Service Fee, Development Tax, Market Taxes, Produce Fee, Revenue Tax, Emblem levy, retail permit and trade permit etc.

EFFECT OF INCREASE TAX RATE ON SMEs

Tax Policy in Anambra has been largely used to generate maximum revenue for the government and as a result its use for optimal allocation of resources or redistribution of revenue is being neglected. Anyanwu (1997) noted that tax authority in Anambra has concentrated on the manipulation of the rates and tax bases in order to generate enough revenue for the government. This has led to high taxes and levies by tax authorities. These taxes, which should have a normal way of regulating the rate according to income, are now levied on a bias perspective imposing high taxes on every smes not minding their earnings are in this work referred to as "high tax". Ndekwa (1988) observed that so many taxes are

imposed at different or supplementary' rates and it involves different tax bases and different times of payment. In Anambra, tax policy planning is not clearly assigned to specific unit. Any change in tax law is usually designed in ad hoc manner and is based on expediency rather than on long-term studies, (Anyanwu 1997). Utomi (2000) in line with 'this view noted that Anambra has a confused taxation philosophy. This results in proliferation of taxes and tax laws hence high tax. Ogunleye (2000) observed that SME operators battle with high cost of production as a result of various high taxes and levies that were slam on them by various agencies and tiers of government. According to him, "it sounds funny that a company that reels under the burden of maintaining generators is subjected to pay what the government call generator levies" at a very high rate.

EMPIRICAL REVIEWS

Segun and Osazee (2018) did a study on the effect of multiple tax regimes on sustainable development among small scale enterprises in Lagos state: A study of Lagos Island local government. The aim of the study was to determine the influence of multiple tax determine the influence of multiple tax burden on business performance of small scale enterprises particularly in Lagos Island. Using primary source, data were collected from small business owners within Lagos Island Local government. The data were analysed using simple percentage of inferential statistics. It was discovered that there is significant relationship between MT burden and business performance of small scale enterprises. The study recommended that government should establish an institution to manage the issue of MT in Nigeria.

Ocheni and Gemade (2015) conducted a study on the effect of multiple taxation on the performance of SMEs in Benue state. The aim of the study was to examine the effect of multiple taxation on SMEs survival. Data for the study were collected from a sample of 74 respondents into small and medium scale business in Benue state using questionnaire. Responses were analysed using simple percentages of non-parametric statistics. Findings suggest that multiple taxation has negative effects on survival of SMEs. The study

recommended that government should come up with uniform tax policies that will aid development of SMEs in Nigeria.

Onwe (2006) investigated the effects of multiple taxation on small scale enterprises in Ebonyi state. The aim of the study was to examine the impact of multiple taxation on investment decision of operators. Using primary source, data were collected from a sample of operators of small scale business in Ebonyi state. The obtained data were analysed descriptively using God'sman and Kruskal's Gama of non-parametric measures. It was discovered that 60% of the respondents complained that tax expenditure takes between 50-60% of their turnover and that negative association exist between multiple taxation and growth of Small Scale Enterprises (SSEs). The study recommended introduction of simplified taxation for SSEs.

Oseni (2014) studied multiple taxation as a bane of business development in Nigeria. The aim of the study was to examine the appropriateness of multiple taxes in developing nations like Nigeria given the ambiguous legislation that contain list of fees and taxes to be collected by all tiers of government in Nigeria. The study used content analysis method to highlight challenges that are peculiar to the country introducing taxes that are not backed by laws. The study recommended use of police to arrest those involved in collecting taxes outside the ones in tax laws of Nigeria.

Ebere, Eunice and Chimaobi (2016) conducted a study on effect of multiple taxation on investment in small and medium enterprises in Enugu State. The aim of the study was to examine the effect of multiple taxation on investments in SMEs. Using primary source through questionnaire distribution, data were obtained from a sample of 80 respondents. Obtained responses were analyses with the use of simple percentages. It was found that multiple taxation has negative effects on SMEs investments. The study recommended that government should evolve a tax policy that would encourage investment in SMEs.

Chukwuemeka (2017) conducted a study on multiple taxation and the operations of business enterprises in Aba metropolis. The aim of the study was to examine the effect of taxation on businesses particularly in Aba. Structured questionnaires were used to obtain data from selected private business operators in Aba metropolis. Analysis of the data was

done using simple percentages. The findings suggest among others that multiple taxation has discouraged the springing up of new businesses enterprise in Aba metropolis.

Ogohi and Daniel(2013) "Examine the effects of Multiple Taxation on Small/Medium Enterprises in Nigeria" focused on finding the changes in the operations of Small/Medium Enterprises prompted by imposition of multiple taxation. Therefore, the objective of this study to examine the relationship between multiple taxation and SMEs survival, and to find out the effects of multiple taxation on 'the growth and development of small/medium scale enterprise. It also looked at the impact of multiple taxation on investment decision of SMEs operators. Descriptive statistics was used to study the data collected for this work through a well-structured questionnaire. The mortality rate of Small and medium enterprises which make up 95% of the economy is very high and these Small and medium enterprises serve as source of employment generation; innovation, competition, and economic dynamism in the development of Nigerian economy. Tax policy is one of the factors that constitute the small business economic environment.

Sani, Sunday and Godwin (2019) examined 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 expansionary rate of these businesses as surrogate for growth. Data for the study were obtained through responses from questionnaire designed on a five (5) point likert scale. Out of 193 questionnaires administered on staff and owners of SMEs on Lokoja – Kogi State, 131 of them were returned representing approximately 68% response rate. The responses were empirically analyzed 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. The study recommends that government at all level in the country should address the issue of multiple taxes on SMEs by restricting to collecting only those taxes within their tax jurisdiction as

stipulated by law. Further, provision should be made in Nigeria. Tax laws for stiff penalties against any tier of government, tax officials and tax agencies using orthodox, unfriendly and illegal means to enforce multiple taxes on operators of SMEs in Nigeria.

Ojochogwu and Stephen (2012) study the relationship exists between the growth of SMEs and the tax policy environment within which they operate. Using business sustenance and expansion as indices of growth, it analyzes responses obtained questionnaires distributed to SMEs in Zaria, North Central Nigeria. Sampling for the survey was done using the non-probability sampling method specifically by judgmental sampling. The hypothesis was tested using Spearman's Rank Correlation. Although there is a general perception that that tax is an important source of fund for development of the economy and provision of social services, the study revealed a significant negative relationship between taxes and the business' ability to sustain itself and to expand. In order to obtain a vibrant and flourishing SME sector, the tax policy needs to be appropriate such that it will not be an encumbrance to the growth of small and medium enterprises.

Daniel and Faustin (2019) postulated the effect of tax incentive on the growth of small and medium-sized enterprises (SMEs) in Rwanda taking SMEs in Nyarugenge as a case study. Qualitative and quantitative research approach was adopted. The population includes 49000 SMEs from agricultural, industrial, services and tourism sectors operating in Nyarugenge district. A sample of 136 SMEs was determined using Silovin and Yemen's formula of sample size. Simple random and purposive sampling techniques were used to select the sample. The data set was analysed using descriptive statistics. A multiple regression analysis was used to explain the relation between variables. The results from the study revealed that 75.7% of the respondents agreed that they know the tax laws, 78.7% agreed that they know the tax incentives that are available to SMEs. The results further revealed that wear and tear, loss carried forward and value-added tax (VAT) refund as the most tax incentives available to Rwandan SMEs as evidenced by 100, 94.1 and 95.6%, respectively. The study indicated that there was a strong positive and significant relationship between tax incentives and the growth of small and medium enterprises in Rwanda as approved by coefficients of correlation equal to 88.8% of R-square. This meant

that only 11.2% of the variation in the growth of SMEs was outside the tested variables. The study concluded that tax incentives are the key to the sustainable growth of SMEs. The government should design policies that specifically address issues related to the sustainable growth of SMEs.

SUMMARY OF REVIEW OF RELATED LITERATURE

This study was carried out on SMEs operating in Anambra State to either confirm or dispute findings of previous studies on related issue conducted elsewhere in Nigeria. This therefore formed a basis for a valid conclusion and recommendation of this study on the issue of high taxation on SMEs in the country which has become a naughty economic problem on SMEs yet to be properly addressed by successive government in Nigeria.

METHODOLOGY

Research Design

The study employed a descriptive survey design. A survey is a descriptive study which seeks to document or describe what exists or the present status of existence or absence of what is being investigated. The design was used to seek the opinion of respondents on impact of high taxation on small scale business enterprises in Anambra state. It was used for the purpose of obtaining data to enable the researcher test the research questions.

Area of the Study

The study was carried out in three senatorial zones in Anambra state. Anambra south comprises of Aguata LGA, Orumba north and south LGA, Ekwusigo LGA, Ihiala LGA and Nnewi north and south. Anambra north Zone is made up of Oyi LGA, Ayamelum LGA, Ogbaru LGA, Onitsha south LGA, Onitsha north LGA, Anambra east and Anambra west LGA. Anambra central Zone comprises of Awka south LGA, Awka north LGA, idemili south LGA, Idimili north LGA, Anaocha LGA, Dunukofia and Njikoka LGA. The LGA are 22 local governments Area in Anambra state. It occupies a land mass of 4416,

5423 and 4612 square kilometres respectively. Anambra has a total of 1,609,857 SMEs based on information from State Board of Internal Revenue (SBIR).

Population of the Study

The population of the study was based on the top managerial personnel in the 21 selected industries in the 3 senatorial zones in Anambra state. Hence, the total population of the study is 198,650

Sample and Sampling Technique

The study shall use Taro Yamane's sampling formula to determine the sample size. The formula is as follows;

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

Where n = the estimated sample size

N = the population size

1 = Constant

e = the error margin

Allowing for an error margin of e = 0.05 or e = 5% which is 95% confidence level.

The sample size was determined as follows;

$$n = \frac{198650}{1 + 198650 (0.05)^2}$$

$$n = \frac{198650}{1 + 198650 (0.0025)}$$

$$n = \frac{198650}{1+496.63}$$

$$n = 399.19$$

This shows that our sample size is 399.19 which were rounded up to 399.

Administration and Retrieval of Research Instrument

The researcher distributed a total of 399 questionnaire, but was able retrieve just 370. Out of the 399, 14 were lost in process while 15 were incorrectly filled.

Sources of Data

With respect to this research work, the researcher made use of primary and secondary source of data collection.

Primary sources of data refer to the source of first hand data gathered by the researcher himself. Sources of primary data are surveys, observations, questionnaires, and interviews. Secondary sources mean data collected by someone else earlier. Secondary data are the data collected by a party not related to the research study but collected these data for some other purpose and at different time in the past. If the researcher uses these data then these become secondary data for the current users. Sources of secondary data are journals, magazines, textbooks, and internet.

Instrument of the Study

The major instrument used in this research work is the questionnaire. Questionnaire was drafted and scrutinized by the supervisor and subsequently distributed to the respondents to elicit important information concerning this research work. The questionnaire was liter scale in nature and was structured in such a way that the respondents had clear understanding of the questions.

Validity of the Study

The researcher used face and content validity in this research work. The instrument was first given to two lecturers for validation before the supervisors finally face validated it. Their corrections and suggestions were incorporated into the final draft of the questionnaire. The questionnaire is attached as an appendix to this work.

Reliability of the Instrument

The reliability of the questionnaires used for data collection was also tested through test retest method. This was done by administering 20 copies of it to 20 respondents.

Method of Data Analysis

The responses gotten from the questionnaire were presented in table forms. The response in the table was based on the questions in the questionnaire which was used to answer research question and test the hypothesis.

The tools used in analyzing the data collected include simple percentages, descriptive statistics and correlation analysis. The study also employed Enormous Regression Analysis (MRA) method to determine the impact of high taxation on small scale business enterprises. The regression model is represented as:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_n X_n + \epsilon$$

Where:

Y = small scale business enterprise (SMEs)

α = Constant Term

β = Beta coefficients

X1 = high taxation (HX)

X2 = Enormous taxation (EX)

ϵ = Error Term

PRESENTATION AND ANALYSIS OF DATA

In this chapter, data were collected, collated, presented and analyzed in order to proffer answers to research questions. The responses from the entrepreneurs in Anambra state address the problem of concern.

DATA PRESENTATION AND ANALYSIS

After the administration and collection of instrument from the three hundred and ninety nine (399) copies of questionnaire to the entrepreneurs in Anambra state, three hundred and ninety (390) were properly filled and returned, thus making the response rate to be 94%. Below are the data presented in frequency tables.

The effect of increase tax rate challenge on small and medium businesses

Research Question 1: to what extent does increase tax rate affect small and medium business in Anambra state?

The questionnaire items for this section are questions a, b, and d. The responses to research question one is presented in 4.2

Table 4.2: Analysis of the effect of increase tax rate on small and medium businesses

SN	Variable	SA	A	I	D	SD	Remarks
A	Tax is a source of revenue to the government	198 (58.7%)	117 (38.7%)	75 (6.0%)	-	-	Agreement
B	High taxation can affect the growth of a business negatively	290 (61.7%)	100 (38.3%)	-	-	-	Agreement
C	Tax should be done in relation to the kind or nature of business and individual is into.	86 (36.2%)	196 (48.9%)	32 (2.6%)	56 (10.6%)	20 (1.7%)	Agreement
D	The government should be considerate when	290 (60.0%)	100 (40.0%)				

	imposing tax on entrepreneurs.						

Source: Computation from SPSS 23 Analysis

The remarks as shown in table 4.2 indicate the overall decision of the respondents on each of the question items (row) in the table. The results of the respondents showed that tax is a source of revenue to the government and the majority of the respondents agrees that high taxation can affect the growth of a business negatively. Again, the respondents believed that tax should be done in relation to the kind or nature of business and individual is into. Lastly, the respondents are of the opinion that the government should be considerate when imposing tax on entrepreneurs.

4.1.3: The influence of several taxes on small and medium businesses.

Research Question 2: how do several taxes affect small and medium businesses in Awka Anambra state?

The questionnaire items for this section’s analysis are question e, f, g and h

Table 4.3: Analysis on how several taxes affect small and medium businesses.

SN	Variable	SA	A	I	D	SD	Remarks
E	Taxes on small and medium business shouldn’t be enormous	220 (53.6%)	94 (41.3%)	76 (5.1%)	-	-	Agreement
F	Enormous can lead to the fold up of a business	230 (63.4%)	90 (31.5%)	70 (5.1%)	-	-	Agreement
G	Taxes on small and medium business	189 (54.5%)	97 (34.9%)	65 (6.4%)	31 (4.3%)	-	Agreement

	should be such that is payable						
H	Taxes should only be levied on fully grown business and not developing businesses	290 (60.0%)	100 (40.0%)				

Source: Computation from SPSS 23 Analysis

The results of table 4.3 revealed that the respondents are of the view that taxes on small and medium business shouldn't be enormous. The study made it clear that Enormous can lead to the fold up of a business, it is obvious that taxes on small and medium business should be such that is payable. Also, taxes should only be levied on fully grown business and not developing businesses

4.2. Analysis of Data (Hypotheses Testing)

Regression analysis was used to test the formulated hypothesis. The results of the hypotheses test were interpreted accordingly;

Hypothesis 1: Increase tax rate challenges do not affect small and medium scale business in Anambra state.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.259a	.211	.303	3.67231

- a. Predictors: (Constant), increase tax rate
- b. Dependent variable: Small and medium scale business

The model summary table above shows the R to be at .259, R square at .211, adjusted R square at .303 while std error of the estimate at 3.67231. The table reveals that the R square being at .211 does not strongly determine the extent to which the independent variable affects the dependent variable.

ANOVAa

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	177.612	1	177.612	34.871	.000b
	Residual	664.135	198	7.141		
	Total	841.747	199			

a. Dependent Variable: small and medium scale businesses

b. Predictors: (Constant), increase tax rate

The Anova table above show that the F value is at 34.871 and the sig level is at .000 which is lesser than .05, that is the probability level. This signifies that increase tax rate taxation challenges affects small and medium scale businesses in Anambra state.

Therefore, the null hypothesis is rejected.

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.296	.926		7.721	.000

factor that hinder	.531	.106	.459	5.987	.000
-----------------------	------	------	------	-------	------

a. Dependent Variable: small and medium scale businesses

b. Predictor :(constants), increase tax rate

The coefficient table above shows the significant level of t statistics which reveals that the t value is at 4.987 and the sig level at .000. This means that high taxation challenges affects small and medium scale business in Anambra state.

Hypothesis 2: Several taxes do not significantly influence small and medium scale business in Anambra state.

Model Summary

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.062a	.004	-.007	5.00447

a. Predictors: (Constant), several taxes

b. Dependent variable: small and medium scale business

The table above shows that the R is at .062, R square is at .004, Adjusted R square at -.007 while std. error of the estimate at 5.00447. This shows that the R square being at .004 does not a strong determinant of the independent variable over dependent variable.

ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.

1	Regression	2.252	1	2.252	4.549	.000b
	Residual	839.495	198	9.027		
	Total	841.747	199			

a. Dependent Variable: small and medium scale businesses

b. Predictors: (Constant), several taxes

The anova table above shows that the F statistics at 4.549 and the significant level at .000 which is lesser than the probability of .05. This therefore means that several taxes significantly influence small and medium scale businesses in Awka Anambra state. The null hypothesis is rejected.

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.314	1.256		8.209	.000
	factor that enhance	-.065	.129	-.052	-.499	.619

a. Dependent Variable: economic growth

The coefficient table above shows that the t value is at 8.209 and sig value is at .000. Which signifies that several taxes significantly influence small and medium scale business in Anambra state?

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Summary of Findings

The study aimed at accessing the impact of high taxes on the performance of small and medium scale businesses in Anambra state. The research was also in response to the gap in scholarly work in the area of entrepreneurship development in Anambra state. However, the following are the summary of the major findings;

1. Increase tax rate challenges significantly affect small and medium scale business in Anambra state.
2. Several taxes significantly influence small and medium scale businesses in Anambra state.

Conclusions

The study aimed at accessing the effect entrepreneurship development on economic growth in Anambra state. The inferential statistical data analysis provided evidence of existing relationships amongst the variables.

1. The conclusions derived from the study are that increase tax rate challenges affect small and medium scale business in Anambra state,
2. Several taxes influence the small and mediums scale business in Anambra state.

Recommendations

Based on the findings and conclusions of the study, the following recommendations are made:

1. The government should encourage more entrepreneurship activities in the state so as to bring about more economic growth in the state. Government should reduce the

rate of taxation on small and medium scale businesses as high taxation can bring about fold up of small and medium scale businesses.

2. Also, individuals whose business are already standard and stable in anambra state are advised to encourage young entrepreneurs who are just coming up in their line of business.

REFERENCE

- Abiola, S. (2012) Multiplicity of taxes in Nigeria: Issues problems and solutions. *International Journal of Business and Social Sciences* 3(17), 229.
- Adum, S. O (2018) Burning issues in Nigeria tax system and tax reforms on revenue generation: Evidence from Rivers state. *International Journal of Finance and Accounting* 7(2), 36-48.
- Anyanwu J.C (2017), *Nigeria Public Finance* Joanee Educational Publishers Ltd. Onitsha
- Aderemi, A. (2013, June). Small and medium scale enterprises: The Nigerian situation. [Power Point Slides] capital Partners Limited. Retrieved from www.capitalpartnersltd.com/Small%20Medium%20Scale.ppt
- Akinsulire, O. (2010). *Financial management*. Lagos: Ceemol.
- Ariyo, D. (2015). Small firms are the backbone of the Nigerian economy. Retrieved October 22nd, 2010, from <http://www.africaeconomicanalysis.org/articles/gen/smallhtm.html>
- Aryeetey, E., & Ahene, A. (2014). Changing regulatory environment for small-medium size enterprises and their Performance in Ghana (CRC Working Paper No. 30594). Centre on Regulation and Competition (CRC). Retrieved from [0103.pdf](#)
- Avolio, C. (n.d.). Policies for business in the Mediterranean Countries Slovenia. Retrieved from <http://unpan1.un.org/intradoc/groups/public/documents/caimed/unpan018702.pdf>

- Baurer, L.I. (2015). Tax administrations and small and medium enterprises (SMEs) in Developing Countries. Retrieved from [http://www.ifc.org/ifcext/sme.nsf/AttachmentsByTitle/BEE+SME+Taxation/\\$FILE/SME+Taxation+Toolkit.pdf](http://www.ifc.org/ifcext/sme.nsf/AttachmentsByTitle/BEE+SME+Taxation/$FILE/SME+Taxation+Toolkit.pdf)
- Beck, T., Demircuc-Kunt, A., & Levine R. (2015). SMEs, growth, and poverty: cross country evidence. NBER Working Paper 11224, National Bureau of Economic Research. Retrieved from <http://www.nber.org/papers/w11224.pdf>
- Bolnick, B. (2014). Effectiveness and Economic Impact of Tax Incentives in the SADC Region. Nathan Associates Inc. Arlington, Virginia.
- Chu, H.M., Kara, O., & Benzing, C. (2018). An empirical study of Nigerian entrepreneurs: success, motivations, problems, and stress. *International Journal of Business Research*, 8(2), 102-116.
- Cooper, D.R., & Schindler, P.S. (2018). *Business research Methods* (10th ed.). New York: McGraw Hill.
- Edotsu, N.W. (2018) Down the memory lane. *The Market Magazine*. Retrieved from http://themarketmagazine.com/index2.php?option=com_content&do_pdf=1&id=13
- Ekpenyong, D.B., & Nyong M.O. (2012). Small and medium-scale enterprises in Nigeria: their characteristics, problems and sources of finance. (Research Paper 16). Retrieved from African Economic Research Consortium. Retrieved from <http://idl-bnc.idrc.ca/dspace/bitstream/10625/9982/1/95971.pdf>
- Elhiraika, A., & Nkurunziza, J. (2016). Facilitating firm entry, growth and survival with special attention to SMEs. Economic Commission for Africa, Work in progress ATPC NO. 46.

- Faloyin, S. K (2015) Unveiling the potentials of entrepreneurship Contemporary studies 68(6), 273-284
- Farzbod, J. (2010). Investigation of the effective factors in the tax efficiency. Unpublished master's thesis, Governmental Management Training Center, Tehran.
- Fjeldstad, O., Kolstad, I., & Nygaard, K. (2016). Bribes, taxes and regulations: Business constrains for micro enterprises in Tanzania.
- Chr. Michelsen Institute Working Paper. WP 2016:2 Gabay, B.K.G., Remotin, Jr. R.M., & Uy, E.A.M. (n.d). Economics: its concepts and principles. Retrieved from http://www.slideshare.net/gar_dev/concepts-of-taxation
- Ghuri, P., & Gronhaug, K. (2015). Research methods in business studies: A practical guide (3rd ed.). Essex: Pearson Education Limited.
- Hanefah, M., Ariff, M., & Kasipillai, J. (2012). Compliance costs of Small and Medium Enterprises. *Journal of Australian Taxation*, 4(1), 73-97.
- Hendy, P. (2013, August). Threats to Small and Medium sized Enterprises from Tax and other Regulations. Paper presented at the Australian Taxation Studies Program Small Business Tax Symposium, Developing Good Tax Policies for SMEs. Sydney.
- Holban, O.I. (2017). The taxation of small and medium-sized enterprises-a hindering factor influencing the european economic growth. Doctoral dissertation, Alexandru Ioan Cuza University of Iasi and Academy of Economies Studies from Bucharest Romania.
- Honglang, L., & Jiaozben, H. (n.d). Research on R&D financing support for small and medium-sized enterprises. Orient Academic Forum. Retrieved from
- Ihua, B. G. (2019). SMEs key failure-factors: a comparison between the United Kingdom and Nigeria. *Journal of Social Science*, 18(3), 199-207.

- International Tax Dialogue. (2017). Taxation of Small and Medium Enterprises, Background paper for the International Tax Dialogue Conference, Buenos Aires. Iwuji, G.I. (n.d) Creating awareness on tax matters for small and medium units. [PowerPoint Slides]. Retrieved from <http://www.docstoc.com/docs/19747636/Creating-Small-and-Medium-Enterprises-Tax-Matters-Awareness>.
- Kasipillai, J. (2015). *A Comprehensive Guide to Malaysian Taxation: Current Year Assessment*. Kuala Lumpur: McGraw-Hill.
- Masato, A. (2019). *Globalization of Production and the Competitiveness of Small and Medium-sized Enterprises in Asia and the Pacific: Trends and Prospects*. Publication of United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), Studies in Trade and Investment Series chapter 1, 1-31.
- Oboh G.A.T. (2012). *Bank Participation in the Promotion of Small and Medium-Scale Enterprises*. Being a paper presented at the 6th Fellows and Associates Forum of CIBN on 13th April.
- Okpara FO. (2010). *Entrepreneurship (Text and Cases)*. Enugu Nigeria: Precision.
- Olawale, F., & Garwe, D. (2010). Obstacles to the growth of new SMEs in South Africa: a principal component analysis approach. *African Journal of Business Management*, 4(5), 729-738.
- Olorunshola, J.A. (2013). *Problems and prospects of small and medium scale industries in Nigeria*. Paper presented at the Central Bank of Nigeria seminar on small and medium industries equity investment scheme (SMIEIS). Retrieved from www.cenbank.org/out/Publications/guidelines/dfd/2004/smieis.pdf
- Olotu, B. (2011, January 22). How to qualify for SME finance. *Weekly Trust*, pp, 56.
- Olu, O. (2015). *Fundamentals of research methods*. Lagos: Standard Publications.

- Panitchpakdi, S. (2016). Statements at the 10th Session of the Commission on Enterprise, Business Facilitation and Development, Geneva, 21 February 2006. Retrieved from <http://www.unctad.org/templates/webflyer.asp?docid=6825&intItemID=4843&lang=1>
- Shahrodi, S.M.M. (2010). Investigation of the effective factors in the efficiency of tax system. *Journal of Accounting and Taxation*, 2(3), 42-45.
- Smatrakalev, G. (2016). Tax policy for small and medium enterprises. Paper delivered at the 6TH Global conference on business and economics. Gut man conference center, U.S.A.
- Stern, R.E., & Barbour P.A. (2015). Designing a small business tax system that enhances growth: lessons from Africa.
- Tadjibaeva, D., & Komilova, I. (2019). The influence of tax reforms on the prosperity of micro-firms and small businesses in Uzbekistan. *Asia-Pacific Development Journal*, 6(2), 31-64.
- Talbabs and associates. (2010). General taxes and enactment. Retrieved October 29, 2010 from <http://www.talbabsandassociate.com/history.html>
- Tomlin, B. (2008). Clearing hurdles: key reforms to make small businesses more successful. (Commentary No. 264). Toronto, Ontario C.D. Howe Institute. Retrieved from www.cdhowe.org/pdf/commentary_264.pdf
- Udechukwu, F.N. (2013). Survey of small and medium scale industries and their potentials in Nigeria. Paper presented at the Central Bank of Nigeria seminar on small and medium industries equity investment scheme (SMIEIS). Retrieved from www.cenbank.org/out/Publications/guidelines/dfd/2004/smieis.pdf

- Uzor, O.O. (2014). Small and medium scale enterprises cluster development in South-Eastern region of Nigeria. Institute for world Economics and International Management Paper No. 86
- Vasak, S. (2018). Small, medium, and large enterprises. USAID Business Climate Reform. Retrieved from http://pdf.usaid.gov/pdf_docs/PNADQ675.pdf
- Weichenrieder, A.J. (2017). Survey on the taxation of small and medium-sized enterprises: draft report on responses to the questionnaire. Organization for Economic Co-operation and Development web site. Retrieved from <http://www.oecd.org/dataoecd/52/25/39597756.pdf>
- Williams, E.S. (2016). Supporting the growth of small and medium enterprises. Central Bank of Trinidad and Tobago.
- Yaobin, S. (2017, October). Tax, small business, growth: effect of taxation on investment and cross-border trade. Paper presented at the ITD Conference on Taxation of SMEs.