

Taxation and Financial Performance of Small and Medium Enterprises in Ibadan, Nigeria

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Certification

This is to certify that **Sunday Abimbola AJAYI**, with Matric No: **LCU/PG/002188** carried out this research work titled **“Taxation and Financial Performance of Small and Medium Enterprises in Ibadan, Nigeria”** in the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University, Ibadan, for the award of Master of Science Degree (MSc.) in Accounting and that this has not been previously submitted.

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(Head of Department)

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Dedication

This work is dedicated to God.

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Acknowledgement

I would like to express deep gratitude to God Almighty for sparing my life, for the wisdom he bestowed upon me, the strength, peace, and good health he granted me during this journey.

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Although, the institution and supervisors have assisted in the process of this research work, I alone stand responsible for the errors if any found in the work.

Abstract

This study investigated the influence of taxation on the financial performance of Small and Medium Enterprises (SMEs) in Ibadan, Oyo State, Nigeria, aiming to identify the effects of Company Income Tax (CIT), Capital Gains Tax (CGT), and Value Added Tax (VAT). The research was motivated by the observed complexity and burden of tax compliance for SMEs, filling a gap in understanding how specific taxes impact their financial viability. Utilizing a judgmental sampling technique, 120 SMEs in five bustling urban Local Government Areas in Ibadan were selected, ensuring inclusion of diligent tax-payers. Data were gathered through meticulously distributed questionnaires, employing a systematic approach considering both location and optimal times for retrieval. The study revealed that CIT, CGT, and VAT significantly hindered growth and profitability for SMEs, with respondents consistently viewing these taxes as barriers to investment and expansion. It concluded that the current tax system is challenging for SMEs, necessitating recommendations for tax reform that include simplifying regulations, providing incentives, exemptions, and actively engaging SME owners in policy formulation. Implementing these strategies, it suggests, would foster a more conducive tax environment for SMEs in the region.

Keywords: Small and Medium Enterprises (SMEs), Taxation, Company Income Tax (CIT); Capital Gains Tax (CGT), Value Added Tax (VAT), Financial Performance, Ibadan, Oyo State, Tax Reform, Policy Formulation

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