

**Income Taxes, Incentives and Financial Performance of Small and Medium Enterprises in
Nigeria**

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**Being PhD Thesis Submitted to the Department of Management and Accounting, Faculty
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**In Partial Fulfillment of the Requirements for the Award of Doctor of Philosophy Degree
(Ph.D) in Accounting**

2022

Certification

This is to certify that **Adewale Olusesan Taiwo** with Matric No. **LCU/PG/001044** carried out this research work titled **“Income Taxes, Incentives and Financial Performance of Small and Medium Enterprises in Nigeria”** in the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University, Ibadan, Oyo State, for the award of Doctor of Philosophy Degree (Ph.D) in Accounting and that this has not been previously submitted.

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Dedication

This research work is dedicated to the Almighty God, my strength and the giver of life and to all those who desire and crave for knowledge.

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Acknowledgement

I am grateful to God almighty for seeing me through the attainment of another important milestone in my search for knowledge. I am grateful to the management of Lead City University for giving me this opportunity to achieve this great feat. I am also thankful to the management of the Central Bank of Nigeria (CBN), Small and Medium Development Agency of Nigeria (SMEDAN), Nigeria Bureau of Statistics (NBS) and other libraries and authors, whose materials and data were used as input in this work.

I sincerely appreciate the entire Department of Management and Accounting, Faculty of Management and Social Sciences of Lead City University, Ibadan, for giving me the platform to carry out this research. I will like to appreciate the supervisor, Professor Godwin Oyedokun, for his encouragement and guidance. I will not fail to mention the Vice-Chancellor, Professor Kabiru Aderemi Adeyemo, Professor .Olatundun Adelegan, the Dean of the Faculty, Professor Omolara Campbell, the Provost of Postgraduate College, Professor Afolakemi Oredein, Dr. Joshua Adejuwon and Professor Lambert Ihebuzor for their encouragement through my academic pursuits in this great institution. My Sincere thanks also goes to my Head of Department, Dr. Tina Akinbo and Dr. Friday Igbadumhe the Post Graduate Coordinator.

My gratitude also goes to my lovely wife, Pastor (Mrs.) Omotara Taiwo, thank you so much for your steel support. To my adorable and amiable children, Ayomikun, Anjolaoluwa and Inioluwa, thank you for your constant love, understanding and cooperation. I love you all.

“Even though the above-mentioned institutions and persons have assisted in the process of this research work, I am responsible for the errors, if any, found in this work.”

Abstract

This study examined the effects of income taxes, incentives on the financial performances of Small and Medium Enterprises (SME) in Nigeria. Despite the role of SMEs in the economy, the financial constraints they face in their operations are daunting, thereby limiting their potentials to drive the economic and overall development as expected. This research investigates the extent to which various income taxes and tax incentives affects financial performances of SMEs in Nigeria. This work fills the research gap from previous studies, by aggregating the income taxes, incentives on financial performance of SMEs, guided by relevant theories in relation to taxes on benefits received, ability to pay, neo-classical theory on incentives and the normative theory. This study adopted a longitudinal research design, the use of secondary data, as well as ordinary least square regression technique and time series data. The population consists of 41.5 million SMEs in Nigeria. Whilst the numerical values of model coefficient was through the use of E-views version 9. The findings revealed that all the independent variables asides the company income tax, have a significant effect on the dependent variable. The results (F-statistics 451.9009, P, $0.00 < 0.05$ and $R^2 = 0.983139$), also indicated that the estimated model is appropriate. This study concludes that the financial performance of SMEs in Nigeria, is driven by income taxes and tax incentives. It also recommends more incentives and reduced tax rates by the government for SMEs. Future research should be made towards other categories of taxes and incentives, to measure their effect on both government revenue and the financial performance of SMEs.

Keywords: Financial Performance, Income Taxes, Tax Incentives, Small and Medium Enterprises

Word Count: 270.

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List of Acronyms

Abbreviation	Meaning
BOI	Bank of Industry
BOP	Balance of Payment
CAI	Capital Allowance Incentive
CBN	Central Bank of Nigeria
CEDT	Custom and Excise Duty Tax
CIT	Company Income Tax
EDT	Education Tax
EXCH	Exchange
FDI	Foreign Direct Investment
FIRS	Federal Inland Revenue Service
GCE	Government Capital Expenditure
GCEXP	Government Capital Expenditure
GDP	Gross Domestic Product
GDPPC	Gross Domestic Product per Capital
IMF	International Monetary Fund
JTB	Joint Tax Board
LF	Licensing fees
MFI s	Micro Financial Institutions
MGDP	Manufacturing Gross Domestic Product
MSE	Micro Small Enterprises
MSMES	Micro Small and Medium Enterprises
MAMI	Micro and Small Scale Manufacturing Industries
NBCI	Nigeria Bank for Commerce and Industry
NBS	National Bureau of Statistics
NCEMA	Nigeria Centre for Economic and Management Agency
OLS	Ordinary Least Square Method

PCI	Per Capital Income
PIT	Personal Income Tax
PPT	Petroleum Profit Tax
PPT/R	Petroleum Profit Tax Royalties
PSI	Pioneer Status Incentive
ROA	Return on Assets
ROI	Return on Investment
SBIR	State Board of Inland Revenue
SMEDAN	Small and Medium Enterprises Development Agency
SMEIS	Small and Medium Investment Scheme
SMES	Small and Medium Enterprises
VAT	Value Added Tax

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Chapter One

Introduction

1.1 Background to the Study

Financial performance is a measure of organisational efficiency. It indicates the level of the firm's performance within specified time frames. Financial performance reveals the extent to which desired achievements are attained within an enterprise. A good financial performance determines the sustainability of Small and Medium Enterprises (SME) in the face of a highly competitive business environment. The financial performance of any business/enterprise is displayed by the monetary measurement of operations of firms at any period of time. Thus, financial performance is defined as the monetary measurement of how a business entity utilizes its resources to generate profit from its daily operations. The financial performance of any SME is a reflection of its business return on investments, return on assets, the current and quick assets ratio as well as other indicators. In assessing the overall performance of SMEs, financial performance is very essential because it is a major indicator of the degree of survival and sustainability of such entity¹.

In the nation's economy, income taxes are one of the sources of financing the budget, used to stimulate growth within grey economic areas, as well as expand the base for other revenue generation sources. It is also a major source for government's financing of its responsibilities to her citizens, through ensuring that favorable economic policies for private businesses and individuals are brought to realisation. Taxes are a potent tool for economic welfare through the creation of tax friendly initiatives for business stimulation and growth. Specifically, in order to increase the revenue accruing from taxes, governments are constantly seeking diverse ways to create awareness and encourage payment of taxes². Some of these tax initiatives include incentives such as reduction

of corporate taxes of firms domiciled within a particular region, tax holiday due to pioneer status, tax relief on losses, capital allowances and so on³.

It is unarguably the desire of both developed and developing nations, for their SMEs to thrive, grow and expand. Hence, the sustainability of SMEs is of pertinent concern to national authorities around the world particularly developing nations. In Nigeria, SMEs have played a major role in job creation and poverty alleviation, contributing significantly to the Gross Domestic Product (GDP) of the country. The contribution of SMEs to the country's growth cannot be over emphasized, as they have remained key drivers of employment generation, innovation and creation of wealth. Successive Nigerian governments have shown keen interest in supporting SMEs through various policy formulations and directives, establishment of various schemes and different forms of financial support to this sector. All of these efforts to promote SMEs, is in recognition that a strong, virile and effective sector will most likely translate into a bedrock for growth and development⁴.

SMEs play an important role in the development of a nation's economy. They are propellers of benefits such as job creations, knowledge spillovers, economic multipliers, innovations and cluster development within an economy¹. Despite concerted efforts by successive governments to ensure the growth of SMEs in Nigeria, there are peripheral factors that relates with and affect such intent. While it is established that governments ought to create a suitable and favorable environment for businesses to operate in, frequent and incessant changes in policies have had significant effects on the growth of SMEs thereby creating room for increased and multiple taxes on businesses. Hence, it is justifiable to look at factors affecting the financial performance of Small and medium enterprises which is a major determinant of their survival and growth⁵.

The development of SMEs is a focal point of all economies in the world. As a sub-sector, its influence is reflected in greater utilisation of local raw materials, employment generation, rural and

entrepreneurial development². Other influences include mobilization of local savings, linkage between primary producers and large firms, provision of regional balance by ensuring an even spread of investments, avenues for self-employment, provision of opportunities for unskilled, semi-skilled and skilled workers. Moreso, SMEs are seen as playing pivotal roles in the industrialization of national economies as well as their sustainability. ³Equally noted their roles in poverty reduction, even in centrally-controlled economies of China, Russia, Slovenia and Vietnam. Hence, lagging countries are now creating a more favorable environment to encourage SME set-ups⁴.

In Nigeria, a platform that will encourage SME set-ups was created by the Nigerian Stock Exchange (NSE) referred to as the Alternative Securities Market (ASEM). ASEM is a special board constituted to cater for small and mid-sized enterprises with high growth potentials, by granting them access to the capital market. This board also seeks to address major challenges of emerging businesses in Nigeria such as difficulty in accessing long term capital due to high cost of funds as a result of perceived high risk, inconsistencies prevalent with an informal nature of operations, inadequate accounting standards, poor control and management of resources. In spite of this opportunity, an abysmal number of not more more than eleven SMEs are currently participating under ASEM⁵.

The Smedan report in 2021 indicated that about 90% of companies in Nigeria were made up of SMEs⁵. One of the ways to strengthen this base is through the creation of entrepreneurial cells across the country, especially with the presence of a strong and vibrant economy driven by a large pool of entrepreneurs and SMEs. Governments ought to vary their economic policies in a manner that should stimulate the economy, create jobs, improve the quality of life whilst the generating revenues for the government to defray her expenditure, without necessarily distorting the real

sectors of the economy. Tax policies of government are a part of the fiscal policy framework. It is geared towards the manipulation of government expenditure and taxes, to wield positive influencing of macro-economic variables such as Gross Domestic Product, employment and price levels towards a prescribed direction. Tax policies can be expansionary or contractionary. An expansion is when there is an increase in government expenditure or a decrease in taxation while a contraction entails the reduction in government expenditure or increase in taxation. A well-structured fiscal policy framework should not necessarily lead to high interest and uncompetitive exchange rates, which negatively affects the real sector and easily results in lower outputs, tax revenue and unemployment.

In view of the pivotal role of SMEs to the nation economic growth, the government has put various Incentives to encourage SMEs and creating more area of awareness on compliance with prompt payment of taxes due to them. The Federal Government through the Joint Tax Board (JTB), has put various measures in place to curb and end various multiplication of taxes from states and Local Government authorities through harmonization of taxes among states and Local government thereby streamlining their payments⁴.

The Keynesian School of Economics (KSE) thought argues that fiscal policy measures, by extension taxation policy has a strong and direct impact on the economy because of its strong influence on economic activities. Nonetheless, the extent to which SME's economic activities have impacted the Gross Domestic Product (GDP) vis a vis taxation revenue in Nigeria, have received scanty empirical investigations in comparison to studies relating to its impact on economic growth, poverty alleviation, employment generation and their management practices. A few studies have looked at the problems, challenges and prospects, while others have explored government policies

and programs geared towards SME development^{6, 7, 8, 9, 10, 11}. Critically, if SMEs cut across all the sectors of the Nigerian economy, it implies that the tax regimes are most likely affected by SMEs. Therefore this study considers an intervening relationship between the SMEs on one hand, versus the tax revenue on the other hand, especially as it affects the country's GDP. Therefore, the SMEs tax contribution to economic growth of Nigeria was the central focus of this study. The period under review was 2005-2020.

1.2 Statement of the Problem

The financial constraints faced by SMEs in their operations are daunting and has had a negative impact on their development, largely limiting their potential to drive the national economy as expected. For a developing economy without the requisite infrastructure and technology to attract big businesses in large numbers, it makes the operating environment really challenging. With the perception that tax is an important source of fund for economic development and for the provision of infrastructures, a lot of efforts has been put in place by government to encourage the growth of SMEs in order to achieve the goal of driving the economy. Notwithstanding, most SMEs are finding it difficult to cope and thrives in the face of the availability of these various measures to aid their performances and growth.

In spite of the above, SME'S are still having daunting problem of high tax rate, complex tax regulation, compliance issues, multiple taxation and lack of proper awareness or education about tax related matters. There are other challenges confronting SMEs in developing countries like Nigeria; such as inadequate capital, poor technical and managerial skills, environmental effects and government regulations that affects the operations and financial performance of SME's especially many income taxes imposed on them, which is greatly affecting there sustainability level and collapse of some of them.

The effects of this has led to poor growth of SMEs and inability to achieve the objectives of growth catalyst for the economy of Nigeria. However, the rising rate of SME failures suggest a contrary effect. Studies have revealed that only 5% of businesses that are newly established survive the first five years in Nigeria¹². Similarly, it was stressed that though SMEs in Nigeria account for 96% of Nigerian firms, their role and contribution to the nation's GDP is about 48%^{12,13}.

Most SMEs in Nigeria fail within their first five years of existence, while a smaller percentage goes into extinction between the sixth and tenth year, leaving barely five to ten percent surviving to maturity¹³. Many researchers have written about the effect of multiple taxation on SMEs in Nigeria. However, most research works are focused on the effect of multiple taxation on SMEs growth, survival and investment. This study therefore seeks to investigate the effect of income taxes, Incentives on Financial performance of SMEs in Nigeria.

1.3 Aim and Objectives of the Study

This study investigated the influence of income taxes, incentives on financial performance of small and medium enterprises in Nigeria. However, the specific objectives were to;

- i. examine the effects of company income tax on the financial performance of small and medium enterprises in Nigeria
- ii. ascertain the effects of education tax on the financial performance of small and medium enterprises in Nigeria.
- iii. investigate the effect of capital allowances (incentives) on the financial performance of small and medium enterprises in Nigeria.
- iv ascertain, the effect of pioneer status incentives on the financial performance of small and medium enterprises in Nigeria

1.4 Research Questions

The following research questions were raised in order to achieve the objectives of the study, the following questions were set out:

- i. to what extent has Company Income Tax affected the financial performance of SMEs in Nigeria?
- ii. what is the effect of tertiary education tax on the financial performance of SMEs in Nigeria?
- iii. how has the capital allowance incentives affected the financial performance of small and medium enterprises in Nigeria?
- iv. in what way has the pioneer status incentives from government affected the compliance of SMEs in rendering tax returns thereby leading to improvement in the financial performance.

1.5 Hypotheses

This study raised Four (4) null hypotheses in order to accomplish the objectives stated above;

H₀₁: Company Income Tax has no significant effect on the financial performance of small and medium enterprises in Nigeria

H₀₂: Education Tax has no significant effect on the financial performance of small and medium enterprises in Nigeria

H₀₃: Capital Allowance Incentives has no significant effect on the financial performance of small and medium enterprises in Nigeria.

H₀₄: Pioneer Status Incentive have no significant effect on the financial performance of small and medium enterprises in Nigeria.

1.6 Significance of the Study

Empirically, this study reviewed the effect of income taxes and incentives on the financial performance of SMEs in Nigeria. The result of this study provides empirical evidences and contributions to the body of existing literature. Specifically, it will assist the Federal Government of Nigeria to carry out reforms and re- strategize in light of the dwindling number of SMEs in Nigeria. This study would also assist the government to block revenue leakages, harness greater revenue sources, create and enhance enlightenment, evolve its policy framework more effectively which would guarantee quality tax administration and foster economic prosperity on the citizenry. Overall, this research gives useful recommendation to the government on how to generate more income from tax, so as to be less dependent on income from the unstable oil sector.

The government would therefore greatly benefit from this research project through a more efficient and effective tax administration without any multiplicity of income taxes. Also, the findings of this study will serve as a bedrock to the general public in order to discourage tax evasion as it provides empirical evidence of the percentage contribution of tax revenue to GDP below the normal threshold of 20%. This study educates tax payers on the benefit of remitting taxes, especially in the area of the economic benefits of tax revenue, not failing to advice on the negative effect of evading taxes, on both the tax payer and the economy in general. This study also provides a holistic approach to tax administration in the country, thereby assisting tax administrators by shedding light on existing loopholes that tax evaders explore. In addition, researchers and the academic community would also draw inspiration from the in-depth analysis and articulation of the research work.

1.7 Scope of the Study

This study focused on the examination of the effect of income taxes, incentives on financial performance of SMEs in Nigeria as such, the scope of this study is defined from three dimensions namely, geographical area of coverage, time period and the data. The geographical scope of this study is Nigeria which represents both the study's population and sample size. The time period is thirty six years (2005-2020). This period is considered reasonable to establish the consistency and effectiveness of up- to- date available data on financial performance in Nigeria. The study will Covers the effects of income taxes (company income tax, Education tax), Incentives (capital allowance and pioneer status) and their effects on the financial performance (ROA, ROI, CA ratio) of SMEs in Nigeria. This study is limited to secondary data which was obtained from the annual reports and audited account of the sampled SMEs in Nigeria, all sourced from the Central Bank of Nigeria (CBN), Small and Medium Enterprises Agency of Nigeria (SMEDAN), Federal Inland Revenue Services (FIRS) and Nigeria Bureau of Statistics (NBS).

1.8 Limitations to the Study

The major limitations to this study is in the area of data gathering. This is due to the inadequate and incomplete update of relevant primary data on SMEs in the country.

Hence, secondary data was sourced and used from relevant organisations such as National Bureau of Statistics (NBS), Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and the Central Bank of Nigeria (CBN).

1.9 Operational Definition of Terms

The operational definition in relation to the research work is as stated below:

Capital Allowance Incentive (CAI): Capital allowance incentives is an allowance granted on Asset Acquired by a company for a period accepted as the tax useful life of the asset. Deducted from adjusted profit to arrive at the assessable tax due.

Current Asset Ratio (CA): This is the ratio that measures how liquid a company is in meeting the payment of his short term obligations.

Earnings Per Share (EPS): This is the aggregate of earnings of a company per the shares of the company.

Financial Performance: Refers to an individual's way of increasing asset returns

Intended Tax Purpose: Refers to the reasons why the government has to impose taxes on a people.

Leverage (LEV): This is the measure of the effect of debt equity on Total share holdings.

Medium Enterprise: An enterprise with N100million to less than N1billion with 50 – 199 employees

Profit After Tax (PAT): This is the profit that remains after the deduction of taxes due.

Pioneer Status Incentives(PSI): This is an incentives granted to a new Company for the first Five(5) years of operation depending on his Location.

Returns on Assets (ROA): This is the portion of income that accrue from the Assets usage by the company.

Returns on Investment (ROI): This is the returns or income that accrue to the company investment,

Small and Medium Enterprises: Refers to entities with full-time employees not exceeding 100 or annual turnover not exceeding N150 million

Tax Administration: It refers to the procedures attached to tax compliance such as registration and filing of returns.

Tax Avoidance: This refers to the minimization of tax liability by tax payers through lawful methods. This is the legal usage of the tax regime to one's own advantage to reduce the amount of tax that is payable by means that are within the law.

Tax Awareness: This is the consciousness of the taxpayers of their civic responsibilities to pay tax.

Tax Evasion: This refers to the deliberate failure to pay taxes usually by making false reports. It is using illegal means to avoid paying taxes. Typically, **tax evasion** schemes involve an individual or corporation misrepresenting their income to the Inland Revenue Service.

Tax Incentives: These are incentives granted to tax payers both individuals and Corporate organisation in order to encourage their payment of various taxes.

Tax Information: Refers to the facts and knowledge about taxes

Tax Rate: Refers to the tax imposed by the government on an individual's taxable income or a corporation's earning. It may also be described as the percentage of income paid as tax

Taxation: The practice by government collecting money from its citizens, organizations or enterprises within its jurisdiction with the intention of paying for public services.

Taxable Capacity: The level to which a taxpayer; whether an individual, organization or business; has the ability to meet his or her tax obligation with reference to the tax rules of their country.

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Chapter Two

Literature Review

This chapter provides insight into existing literature relating to income taxes, incentives, and financial performance of Small and Medium Enterprise in Nigeria. It is divided into five main sections; Conceptual review, Theoretical review, Empirical review, Conceptual framework and Summary of Literature reviewed. Various concepts used in this study were defined and explained clearly in the conceptual review section. Theories that relate to the study were also reviewed in the second part of this chapter while empirical review contains discussion on the findings of past research on income taxes, incentives and financial performance of SMEs. In addition, conceptual framework explained the relationship between the dependent and independent variables of the study, and the summary of related findings identified from past literature were stated.

2.1 Conceptual Review

2.1.1 Financial Performance

Financial performance is the indicator used to measure set goals and objectives¹. Business owners make performance an utmost priority. It should be noted that the general performance of an organization is largely dependent on the right management approach which involve three levels of management². The authors further alluded that business performance measures market-related items, such as sales growth, market share and future positioning of the firm. Financial performance is the major outcome of organisational effectiveness, though such performance standards are considered vital, they are not sufficient to determine overall effectiveness. Accounting-based measures consider profitability in terms of Return on Assets (ROA), Return on Equity (ROE) and Liquidity/Current

Asset ratio to measure financial performance. Organisational effectiveness measures tend more towards stakeholders than shareholders. They are two perspectives with indicators, in respect to qualities such as product quality, worker satisfaction, overall quality and those indicators linked with social responsibility like environmental and community responsibility.

The word Performance is derived from the Greek word 'parfourmen' which means 'to do', 'to carry out' or 'to render'. It refers to the act of performing; execution, accomplishment, fulfillment, etc. In a broader sense, performance refers to the accomplishment of a given task measured against preset standards of accuracy, completeness, cost, and speed. In other words, it refers to the degree to which an achievement is being or has been accomplished. Thus, not just the presentation, but the quality of results achieved refers to the performance. Performance is used to indicate a firm's success, conditions, and compliance. Broadly, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure a firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Financial performance is a subjective measurement of how well a firm can use and deploy its assets from its primary mode of business to generate revenues. The measurement of financial performance includes an analysis of the firm's production and productivity performance (total business performance), profitability performance, liquidity performance, working capital performance, fixed assets performance, fund flow performance and social performance.

There are different ways in which a firm assesses itself, to ascertain how well it is performing in achieving its goals and objectives. Performance is the act of measuring how well a firm or business organization is doing in the application and utilization of its resources in achieving its goals.

Therefore, financial performance is the measurement of business entities activities, operations and policies in monetary terms. It can also be explained as the modality of measuring how effectively businesses use its resources from the beginning of the business in generating revenue. It can be further being described as a business entity's financial health or conditions at a particular period of time. This is usually measured either quarterly, biannually or annually as the case may be. It is also described as a basis of comparison amongst firms in the same line of business or other businesses that are in other sectors. It is also referred to as an independent criteria of examining its overall performance in relation to its set goal an objective.

The study of a firm's financial performance is a diverse area in management sciences which has drawn the attention of many researchers. Finance is one of the vital objectives of financial management, the reason being that one of the major goals of financial management is to maximise shareholders' wealth in terms of return on their investment (dividends), not just as a proof of good management to the owners but also to draw attention of potential investors to such business organization³. In conformity with the above, it was suggested that financial performance is an indicator as how sufficient and effective firms are in utilization of their resources for the purpose of achieving their objectives and increase returns on investors' capital⁴.

The financial position of a firm is a focal interest of stakeholders such as managers, shareholders, governments, lenders and tax authorities etc. Their concern is about what a financial position of a firm is at a given period of time to enable them make business or investment decisions⁵.

There are different modalities of measuring financial performance, these are return on assets (ROA), return on equity (ROE), return on capital employed (ROCE) and return on investment (ROI). In this work we shall adopt ROA as a tool for performance. This is because it serves as a proof of how well business organisations used its asset to generate profit within a given period of time. These assets are, cash at hand, cash in the bank, amount receivable, properties, inventories, furniture and equipment. It is measured by dividing the total annual earnings by the worth of the assets for that period. In this work, ROA will be referred to because it generally considers the best internal management ratio and measures profit against all organizational assets used in generating their earnings.

Financial performance is a major determinant of the financing decisions for SMEs, especially the ones with high profit margins which induced higher use of short-term debt⁶. It was further determined that financial performance correlates negatively with overall leverage, indicating that the pecking order hierarchy is followed by SMEs⁶. This demonstrates that a strong and robust negative relationship exists between financial performance and leverage⁷. However, a solid financial performance does not imply that a firm disregards external debt altogether. Firms that readily obtain institutional finance, are generally the ones with the best financial performance, most solvent and the largest. These features provide them with credit quality, which facilitates access to financing, with more beneficial conditions compared to firms with economic and financial problems. In conjunction, the worse the financial performance of a firm is, the more likely it will resort to supplier's finance, with higher chances of bankruptcy or non-payment, resulting in institutional finance constraints⁸. Furthermore, it also points out the relationship between financial performance and external finances⁹. The dependence of trade credit is negatively related to the strength of the firm's relationship with its bank, which is highly correlated with its financial status. Even though there seems to be a negative relationship between financial performance and overall

leverage, some evidences point to firms with solid financial performance leaning towards institutional debt. One can therefore expect that firms with mediocre financial performance rely more on, and turn towards, alternative financing. This is of interest in this study, as it investigates if financial performance affects the usage of trade credit for SMEs. Thus, controlling for financial performance will make the author aware of why capital structure among SMEs differs.

Finance and accounting literature on SMEs growth in Nigeria evaluate SMEs performance by applying financial ratios such as profitability ratios, liquidity ratios, market ratios, and debt ratios, yet these are usually recent performance indicators; as they are in fact, influenced by how firms perform in terms of their efficiency and productivity, and how inputs and product prices change¹⁰. However, SMEs performance may be measured using objective, subjective and operational measures¹¹. Financial statements measures (derived from the accounts of a company) are referred to as objective measures because they can be individually measured and verified. Traditional statement of financial performance, statement of assets and liabilities and management account, are not enough to effectively measure performance of businesses, which are seeking to survive and add shareholder/owner value. Measuring performance for SMEs require identifying what the business does in terms of levels of processing and attaching key performance indicators to those processes, that credit obtained from banks improves business performance in terms of increased business profit, increased employees, increased sales turnover, increased diversification, increased business capital and assets as well as reduction of poverty among customers¹². It is noteworthy to mention that financial measures include profit before tax¹³.

The non-financial measures of SMEs performance includes employee growth, customer satisfaction, comparison with performance of competitors and overall satisfaction¹¹. Based on the source of

financing, performance of SMEs can be measured in terms of solvability ratio and coverage of interest¹⁴.

Availability of finance determines the capacity of an enterprise translating to the choice of technology, access to markets and access to essential resources. This in turn greatly influences the viability and success of a business¹⁵. A new business start-up with high growth potential may use grant funding to develop a product before moving onto funding from business angles, venture capitalists or banks once the product is developed. Higher finance development increases a new firm's entry into sectors, which are heavily dependent upon external finance. Better access to finance leads to higher productivity within an economy.

SMEs that do not have access to external funds due to stringent terms which financiers tend to tie to their credit and investment, thereby impairing capacity building¹². Notwithstanding, short-term loans are not conducive to greater productivity while long-term loans may lead to improvements in productivity¹⁶. Profitability is the greatest indicator of performance of SMEs who struggle for survival, on top of proving their credit worthiness and solvability to their financiers.

In this study, income and expenses are used to measure profitability. Profitability is the excess of revenue over expenses, which is seen by ratios like gross profit margin and pre-tax margin¹⁷. Though profitability ratios are essential in measuring performance, their measurements are rather not adequately done in most SMEs. This is because most SMEs in developing countries lack proper documentation¹⁸. SMEs which survive on loaned capital struggle to cover their debt costs. The more firms cover debt costs using operating capital, the more they experience decreasing levels of profitability¹⁴. The same study observed that high debt costs reduces the profits earned by shareholders. Profitability measures help in assessing the success of a business undertaking. An undertaking that is not generating profits or revenue cannot survive¹⁹.

A profitable undertaking has the capacity to pay back the owners in form of return on investment. Solvability ratio measures the credit worthiness of the firm and determines the constraints on cash management, hence decreased profits¹². Solvency gauges the company's ability to pay all financial obligations if all assets are sold or continue viable operations after financial adversity.

Return on Investment (ROI): This is a ratio between net profit and investment. It is the profit made as a result of an investment. This indicator is used to measure the efficiency of an investment. An ROI that is high shows that the investment gains, compared favourably to its cost.

Return on Assets (ROA): This is the ratio of Net income/Profit on total Assets of an organisation. It is an indicator that shows how profitable a company is in relation to its total assets.

2.1.2 Liquidity

It is the availability of funds or near funds which a firm needs to carry out its short term operational activities. It can also be described as the ability of firms to converting its assets to cash to settle its liabilities when they are due. It can also be described as a market situation in which firms can easily procure and dispose its assets without a reduction in the prices of such assets.

It can also be described as the availability of sufficient and adequate cash to meet the operation of the firm's business activities as they occur²⁰. Liquidity determines how prepared a firm is in responding to opportunities and challenges from the operating environment which will enhance the financial performance of such firm²¹. Firms with high liquid asset levels, incur less financial costs as compared with firms with small liquid assets. It was further observed that business organisations can use liquid assets in financing its operation and investments when debts are not available²². It can also be said, that greater liquidity allows companies to meet up unexpected contingencies and as well as its normal activities at the time of low earnings.

Liquidity can easily be measured with the use of current ratio. Current ratio is a measure of relative liquidity that takes into account differences in absolute size. Liquidity is used to measure firms with diverse total current assets and liabilities²³.

Liquidity is the amount of money that a company uses for its daily operations or short term assets which can quickly be transformed into cash in order to meet its daily financial needs. Liquidity is measured as a ratio of current asset to current liabilities, which is seen as crucial determinant of firms' performance since it influences the firm's chances to take up profitable business opportunities which can lead to performance. It provides firms with the ability to discuss with lenders, to defer payment and take advantage of this liquidity in investments, as well as enhance the ability of companies to obtain loan at preferential interest rate²⁴.

Suppliers, creditors and other short-term lenders of funds prefer companies with very good and sound liquid status and their ability in meeting their requirements, before taking business decisions about such firm²⁵. The reason for this is that, companies with weak liquidity position would scare suppliers and creditors, particularly banks who often impose minimum liquidity constraints in their loan agreements with firms. Liquidity can also be explained as the total sum of monies or current assets that can easily be converted to cash for the purposes of carrying out the daily activities of the firm. It stands for the sum total amount of cash invested in assets, required to be gotten within a single accounting period. The relationship between current assets and current liabilities should be in such a way that the current assets is twice the size of the current liabilities of firms, hence it is said that the ideal current ratio (current assets/current liabilities) is generally accepted to be 2:1, but this proportion can obviously be varied in practice, depending on the circumstances of an individual company²⁶.

Current Asset Ratio: This is a measure of how liquid a company is able to meet its short term liabilities versus obligations. It shows whether a company has enough resources to meet up its short term obligations.

2.1.3 Taxation in Nigeria

Taxation is as old as humanity and it predates the colonial era in Nigeria. It cuts across social political and religious divides as it has been shown that people pay taxes in one form or the other to support the common good. In biblical times even before the birth of Jesus Christ, taxes have been ordained as part of the human existence and it was found out that the two major religions support the payment of taxes. Before the advent of colonial rule, native chiefs and kings extract taxes/tributes from their subjects either for the common good or as a form of obligation.

The Federal Inland Revenue Service (FIRS) traced the history of modern taxation in Nigeria to the stamp duties Proclamation of 1903 in the then northern protectorate. It was observed however that the Native Revenue Ordinance Act of 1917, which was extended to the western and eastern territories in 1918 and 1927 respectively, marked the advent of modern tax legislation and reforms in Nigeria. The first tax legislation in Nigeria was the Income Tax Ordinance Act of 1939, which was amended in 1940, with specific provisions that both individuals and corporate organisations should be subjected to tax. There have been various attempts to modernise, reform, expand and update the Nigeria Tax system ever since. In 1943, the Nigerian Inland Revenue Department was carved out of the Inland Revenue Department of British West Africa. This Department was later renamed the Federal Board of Inland Revenue under the Income Tax Ordinance, No. 39 (1958). This was followed by the Companies and Income Tax Act, No. 22 (1961), which established the Federal Board of Inland Revenue, FBIR. The Act also created a Body of Appeal Commissioners to resolve tax-related disputes.

In 1993, the Finance (Miscellaneous Taxation Provisions) Act No. 3 and Act No. 104 established the Federal Inland Revenue Service (FIRS) as the operational arm of the FBIR and reviewed the functions of the Joint Tax Board (JTB), respectively. However, the history of tax administration in Nigeria changed dramatically in 2007 with the granting of financial and administrative autonomy to the Federal Inland Revenue Service through the passage of the Federal Inland Revenue Service (Establishment) Act 2007²⁷.

In 2019, the Finance Acts came into force, this was done in order to amend some aspects of taxes as it affects the economic growth and also to correct some areas to ease doing of business in Nigeria, however with the passage of this Acts, Some gaps and deficiency were noted especially the advent of Covid-19 pandemic that brought the whole world economy to his knees, leads to further amendments of the Tax Laws with the passage of Finance Acts 2020, that was passed to give some incentives to various tax payer and to cushion the effect of Covid-19 on various sectors of the nation economy.

Some notable tax legislations in Nigeria are as follows²⁸:

- i. Company Income Tax Act (CITA) CAP.21 Volume 3, LFN 2004(as amended)
- ii. Education Tax Act; CAP. E 4 Volume 17 LFN 2004 (Replaced with Tertiary Education Trust Fund (Establishment) Act ,2011.
- iii. Personal Income Tax Act (PITA) CAP P8, Volume13 LFN 2004 (as amended)
- iv. Petroleum Profit Tax Act: Cap, P13 Volume 13 LFN 2004 (as amended)
- v. Value Added Tax (VAT) Act; Cap .VI Volume 15 LFN 2004(as amended)
- vi. Capital gain tax Act CAP CI Volume 2 LFN 2004 (as amended)
- vii. Stamp Duty Act CAP S8 LFN 2004(as amended)
- viii. National Information Technology Agency Act; CAP N 156 LFN 2004(as amended)
- ix. Custom and Exercise Management Act; CAP45 LFN,2004 (as amended).

- x. Casino Taxation Act; CAP.C 3 LFN 2004
- xi. Income Tax (Authorised Communications) Act; CAP.14 LFN 2004.
- xii. Industrial Development (Income Tax Relief) Act; (IDA) CAP.17 Volume 7 LFN 2004.
- xiii. Federal Inland Revenue Service (Establishment Act) CAP.F 36 2007.
- xiv. Taxes and Levies (Approved List for Collection) Act; CAP. T2 LFN 2004 (as amended).
- xv. Nigeria Export Processing Zones Authority Act; 1992 Decree No. 63(Contains tax laws applicable to Export Processing Zone in Nigeria).
- xvi. Finance Act 2019 (Amending 7 Tax Laws)
- xvii. Finance Act 2020(Amending 9 Tax Laws and 6 other Laws)

The collection of taxes from people is not as simplistic as it seems, as people also have their own opinions about such payments. In 1929, the Aba women in the Eastern part of Nigeria, protested the subjection of women to income tax. This is a notable example of how far people can go in resisting tax payments out of the feeling of injustice. The women, who felt oppressed took arms, to protest the introduction of income taxes by Lord Lugard, who was the colonial master then, and the policy was later withdrawn. Likewise in the UK, peasants revolted against perceived tax injustice in the fourteenth century. Conclusively, the fourteenth century revolution by peasants in the UK and the 1929 Aba women unrest are global examples of people's resistance to unpopular tax policies^{29, 30}. Tax administrators therefore face a herculean task of collecting all the taxes from all, including those are largely unwilling to part with their money for various reasons.

The concept of taxation has been a concern of global significance as it affects every economy irrespective of national differences³¹. Tax is a compulsory charge imposed by a public authority on the income of individuals and companies as stipulated by the government decrees, acts or cases laws irrespective of the exact amount of services rendered to the payer in return³². Tax is a compulsory levy imposed by an organization or government on its citizens, for the sole purpose of

providing common goods and services for the benefit of all members”³³. Taxes are designed to raise revenue required for the expenditure authorized within expectations of a government budget. It is also a veritable instrument of promoting social and economic justice, as well as equality amongst citizens of a state or members of an organization. Tax is not a voluntary payment. It is a compulsory pecuniary burden placed upon the subjects of a given country to support the people.

Taxation is a civic responsibility which its assessment is in accordance with all established canons, the principle of equity, convenience and productivity. The Nigeria tax system features a wide and mixed range of statutes by which various governments in the country seek to change and collect for public expenditure. Of these, the most widely used was based on income these are personal income tax and company’s income tax. Whilst, in oil rich nations, petroleum profit tax is used as well³⁴, other taxes are Value Added tax, Education tax, National information technology Development Levy, Stamp duties, Custom and Excise Duties tax etc.

Taxation is divided into two namely, Direct and Indirect taxes²⁸.

Direct tax in Nigeria consists of personal income tax and company’s income tax. While Indirect taxes are levied against goods and services e.g. stamp duties, entertainment, pool and casino taxes, industrial training funds, custom duties and exercise duties. Assessment and collection of direct taxes is by the State Board of internal Revenue on resident individuals while company’s incomes tax is by Federal Board of Inland Revenue on corporate bodies.

In a wider sense, there are three (3) main methods opened to most developing countries such as ours in financing economic expenditure namely, tax on other currency receipts, loans and grants. Taxation perhaps is the most important of all these because revenue generated by the system determines expenditure. The objectives which taxation might be used to accomplish are mostly social and economic and among others include the following:

- i. Encouragement of saving and regulation of expenditures on luxuries.
- ii. Provision of additional revenue for government.
- iii. Protection of new industries from foreign competitors
- iv. Provision of investment incentives in industries.
- v. Adjustment of trade – imbalance through imposition of discriminatory tariffs.
- vi. Provision of free social services e.g. health care, education etc.
- vii. Correction of balance of payment disequilibrium.

Taxation has encouraged some activities in the private sector depending on how favourable the policy is on the company's return on investment, as well as the balance available for private savings and payment to the state Internal Revenue Services.

2.1.4 Nigerian Tax System

The Nigeria political environment embraces the federal system of governance; hence her fiscal operations adhere to the same principle which has severe consequences on the tax management system in the country³⁵. Government fiscal policy is based on the three-tiers tax structure i.e. the Federal, State and Local Governments, each of which has different tax jurisdictions³⁶. They further stated that in 2002, almost forty (40) different taxes and levies are distributed across all three levels of government.

Their study stated, that tax system in Nigeria is characterized by avoidable complexity, distortion and largely inequitable tax laws that have limited application in the informal sector that dominates the economy³. The Nigerian tax system has experienced remarkable variations in recent times³⁷.

The tax system is the process of taxation which involve sets of rules, regulations and procedures with the organs of administration intermingling with one another to generate fund for government³⁸. The Nigerian tax system is of multi activities which include tax administration tax laws, and tax policies³⁹. Under the current Nigerian law, taxation is enforced by the three tiers of

Government, that is, Federal Government, State Government, and Local Government with each tier of Government having its sphere clearly written out in the taxes and levies (approved list for Collection) Act, 1998³⁷. Based on the structure of Nigerian tax system for revenue generation, the system is lopsided and dominated by oil revenue. It was elaborated that the most veritable tax handles are under the control of the federal government, while the lower tiers are responsible for the less buoyant sources, meaning that the federal government collects tax from corporate bodies while state and local governments tax individuals^{40,35}.

Overall, all these have led to multiplicity of taxes according to the National Tax Policy document. Multiple taxation occurs where the tax, fee or rate is imposed on the same person in respect of the same liability by more than one state or Local government council. The following ways were identified in which multiple taxes manifest. First, it refers to the various unlawful compulsory payments being collected by different tiers of government without appropriate legal backing through intimidation and harassment of the payers. Collection is characterised by the use of stickers, mounting of road blocks, use of revenue agents/consultants including Motor Park touts. Secondly, it refers to situations where a tax payer is faced with demands from two or more different levels of government for the same or similar taxes⁴¹.

Multiple taxation is the levying of taxes by two or more jurisdiction on the same declared income, assets or financial transactions. Thus, multiple taxation is the taxing of a person by two or more government authorities demanding the similar or the same kind of tax⁴². This was defined further, that multiple taxation in relation to a company or individual is a situation where the same profit or income which is liable for tax in Nigeria has been subjected to tax by another tax authority in Nigeria or country outside Nigeria⁴³.

Researchers have shown that over 500 different taxes and levies are being imposed by various tiers of government in Nigeria as against the only 55 approved Taxes and levies (Approved list for collection

Acts (Amended) order 2015. This was revealed further that the more a taxpayer transports his goods and services across many Local Governments in the country, the more he is confronted with incidents of multiple taxes, legally and illegally imposed⁴⁴. A further assertion made was that multiple tax practices in Nigeria came as a result of the absence of a national policy document that defines who has the right to collect tax and what amount is to be collected by each tier⁴⁵.

In view of these, the federal government on the average, accounts for ninety per cent of the total tax revenue collected annually, but only accounts for about seventy per cent of total government expenditure.

Generally, the tax system of Nigeria comprises of the tax policy, tax laws and tax administration⁴⁶. The effective administration of existing tax laws will lead to efficient harnessing of tax resources in Nigeria⁴⁷. Inefficient tax administration over the years has been identified as the reason for low tax revenue yield⁴⁸, that dismal tax collection is reflective of tax administration performance and public service in Nigeria. Various reforms to position tax as major revenue earner has not produced the expected result^{49,50}. The position submitted, that the ever increasing needs of governments across the three tiers of government to provide infrastructures and quality services requires tax reforms⁵⁰. This is an on-going process and changes according to the dynamics of the society. Historically, taxes have been used as policy instruments to achieve some set objectives such as raising revenue for public expenditure or redistribution of wealth or sectoral allocation of resources. In view of these, governments need to raise revenues to enable them to discharge their obligations to provide funding for infrastructure, education and public health, and in some cases there is still much to do to reduce the significant public deficits which persist⁵⁰. However, in a world which has now truly embraced globalization, some governments also see a need to put in place tax systems which are seen to be efficient, so as to attract investment, which in turn can help

foster economic growth. A fair tax system is not just about attractive tax rates but also tax rules which are simple and easy to comply with.

The central objectives of Nigeria's tax system is the appropriate utilization of revenue for the common good and enhancement of the people's well-being. The presidential committee on national tax policy (2008) stated that the central objectives of Nigeria's tax policy are; to contribute to the well-being of all Nigerians directly through improved policy formulations and to enhance that of the populace too indirectly through the appropriate utilization of tax revenue⁵⁰. The other objectives include;

Generate stable revenue resources needed by government to accomplish laudable projects and or investment for the benefit of the people.

- i. Encourage economic growth and development.
- ii. Provide economic stabilization.
- iii. To pursue fairness and distribute equity.
- iv. Correction of market failure and imperfections.

An outstanding feature of taxation is that it is involuntary and non-quid- pro-quo. This implies that the payment of tax does not mean that tax payer will receive an equi-proportionate benefits from the government⁵¹. Notwithstanding, the payment of tax certain clear principles must be follow so as not to defeat its purpose, "*The Wealth of Nations*" set out the "Canon or principles of taxation" listed the Seven principles of taxation viz Economy, Certainty, Convenience, Equity, Neutrality, Flexibility, and Simplicity⁵². This is further explained below:

Canon of Economy - States that the administrative cost of collecting tax should be reasonable enough as to contribute meaningfully to the revenue pool of the governments.

Canon of Equity - States that those in the same bracket should pay the same tax. This can be horizontal equity of vertical equity. Horizontal equity refers to people in the same income group to

pay the same or equal amount of tax, while vertical equity refers to people with different income to pay different tax.

Canon of Certainty - This states that the scope of the tax must be clear and ascertainable that is actual tax to be paid, how it was computed, when and where to pay it.

Canon of Convenience - this principles states that the timing and modality of tax payment must be convenient to the tax payer.

Canon of Neutrality - States that the tax system must be Neutral as not to affect work, Savings, and investment negatively.

Canon of Equity - States that those in the same bracket should pay the same tax. This can be horizontal equity of vertical equity. Horizontal equity refers to people in the same income group to pay the same or equal amount of tax, while vertical equity refers to people with different income to pay different tax.

Canon of Flexibility - This states that the tax system must not be static but should be subject to change, so as to suit what obtains at any moment of time.

Canon of Simplicity - This principle state that tax should not be too complex where tax laws are implied ones and subject to different interpretation; that the computation must be simple to understand by the tax payer and others.

Thus, there should be a relationship between the payer's ability and its tax obligations.

2.1.5 Tax Administration in Nigeria

Tax administration in Nigeria is carried out by the tax authorities as established under the relevant tax laws⁵³, "Tax authority" as defined in S.100 of the Personal Income Tax Decree,1993 and amended by Decree No 18 - Finance Miscellaneous Taxation Provisions) Decree 1998, means "the Federal Board of Inland Revenue, the State Board of Internal Revenue or the Local Government Revenue Committee". The tax authority as defined in addition to the Joint Tax Board, the Joint

State Revenue Committee and the Body of Appeal commissioners together constitute the organs of tax administration in Nigeria.

The Federal Inland Revenue Services: This was established by the Federal Inland Revenue Services (Establishment Act) CAP.F 36, 2007 as amended by the Finance Acts 2020. The Federal Inland Revenue Services through its operational arm, the Federal Inland Revenue Service, deals with corporate bodies as well as Personal Income Tax for certain categories of individuals viz: members of the Armed forces, the Nigeria Police, residents of the federal capital Territory Abuja, External Affairs officials and non-resident individuals. This is the body established by the federal government and it is vested with the power to administer the act and to carry out all acts which may be deemed necessary and expedient of the assessment and collection of tax and shall account for all amount so collected in a manner to be prescribed by the Federal Ministry of Finance. The Board has certain reserved powers which it shall not delegate to other person to perform e.g. power to acquire, hold and dispose of property of any company in satisfaction of tax or any judgment debt, power to satisfy forms of return, claims and notice. All taxes collected by the Federal Inland Revenue Service are remitted to the federal government⁵⁴.

The State Board of Internal Revenue: Established by S.85a, b and c of Personal income tax Act as amended. It was further suggested that the State Board of Internal Revenue through its operational arm, the State Internal Revenue Service collects taxes from individuals and partnerships resident in the states⁵⁴. Taxes collected go to the state government. The Local Government Revenue Committee collects specified rates, levies and fees from individual and businesses located in the local government area.

The Joint Tax Board. Since each state has its Internal Revenue Board to oversee Personal tax administration and collection, a central body is desirable to resolve conflicts which may arise between states as to residence of individuals and therefore income tax claims. This responsibility is

on a body called The Joint Tax Board (JTB). This is the body created under the section 85(1) of the Personal Income Tax Decree 1993 as amended. Its primary function under Personal Income Tax Decree (PITD) 1993, is to coordinate and promote unity in the application of tax laws at the federal and state level.

The Joint Tax Board (JTB) is headed by the executive chairman of Federal Board of Inland Revenue who also act as the chairman of the board. All the states in the federation must nominate a member via the commissioner responsible for income tax of the state. Usually, the chairmen of the States Inland Board of Revenue represent their respective states. The secretary to the board who should not be a member to the board is to be nominated by the Federal Public Service Commission. He must be an experienced senior officer in income tax matters. Another member who should always be in attendance in JTB meeting is the adviser for the board. However, the JTB is, thus the apex unifying body for all tax authority in Nigeria. Specifically, the problems common to and disputes arising among tax authorities are dealt with by this board which has been established, among other things, to act as the adjudicating body⁵⁴.

2.1.6 Types of Income Taxes⁵⁴

- i. Company Income Tax
- ii. Tertiary Education Tax
- iii. Value Added Tax
- iv. Personal Income Tax
- v. Custom and Excise Duties Tax

Company Income Tax: Company Income Tax Act (CITA) is the principal law that regulates the taxation of companies in Nigeria. The tax System in Nigeria is a multi-level tax system, which means that taxation is administered by the three tiers of government. The Federal Inland Revenue Service (FIRS) administers the income tax for companies. It is a tax on the profits of registered

companies in Nigeria. It also includes the tax on the profits of foreign companies carrying on any business in Nigeria. The CIT is paid by limited liability companies inclusive of the public limited liability companies. Resident companies are liable to corporate income tax (CIT) on their worldwide income while non-residents are subject to CIT on their Nigeria-source income. Corporate income tax is based on accounting profits adjusted for tax purposes.

Apart from CIT, other taxes may be applicable to companies in Nigeria. Such taxes include the Withholding Tax, which is payable in advance on executed contracts by the companies but subject to deduction from taxable profits. Also, the Value Added Tax, which is payable on certain goods and services. Education Tax and Industrial Training Funds are also to be paid by companies operating in Nigeria⁵⁴.

With the effect of the Finance Act 2019, small companies that are with less than N25 Million turnover are now completely exempted from the payment of company income tax.

Tertiary Education Tax: This is a tax that is charged on the Assessable Profit of a company at the rate of 2.5%. Based on the Finance Act, 2021 and Tertiary Education Trust Fund Act, Tertiary Education tax (TET) is payable for a company registered in Nigeria. It is payable within 30 days of an assessment notice from Federal Inland Revenue Services. In practice, many companies pay this tax on a self - assessment basis together with their Companies Income Tax.

Non-resident companies, small companies and unincorporated businesses such as sole proprietorship, are exempted from payment of Tertiary Education tax (TET). This is in accordance with the Finance acts, 2021. Small company with an annual turnover of N25 million and below. This tax is not an allowable deduction in calculating taxable income for companies, including companies operating in the upstream sector of the oil industry.

Personal Income Tax: Personal income tax (PIT) is a direct tax charged on the income of a person, a corporate sole or body of individuals, communities, families and trustees or executors. It is backed legally by the Personal income Tax (Amendment) Act, 2011. It is a tax, payable by all categories of individual and sole proprietors that are of taxable age on the totality of their income whether from within or outside Nigeria. Salaries, wages, fees, allowances and other gains or benefits, given or granted to an employee are chargeable to tax. Employers under the Act is expected to register with the relevant tax authority for the purpose of deducting income tax from his employees' salaries. Taxes from the following persons are however excluded from state collectible taxes - employees of the Nigeria Armed forces (Army, Navy, Airforce, Police and Civil Defence) except those employed in Civilian capacity, Officers of the Nigerian foreign Service; Residence of the Federal Capital Territory, Abuja; and persons residing outside Nigeria but who derives income or profit from Nigeria. Taxes from these categories of persons are collected by Federal Inland Revenue Services. The rates on these taxes are in accordance with paragraph 3 of the Sixth schedule of the Personal Income Tax Amendment Act, 2011, graduated from 7% to 24%, with a minimum tax level set at 1% of gross income less than N300,000 per Annum.

Value Added Tax: This is a tax that is based on consumption, paid when goods are purchased and services rendered. It is a form of indirect tax borne by the final consumer as part of price paid for goods and services. The tax is backed legally by the Value Added Tax ACT, Cap.VI Volume 15 LFN 2004 (as amended). The finance act of 2020, increase the rate of Value Added tax from 5% to 7.5% on turnover of any goods and Services.

National Information Technology Development Agency Levy: Is a levy of 1% charged on the Profit before tax of Companies and enterprises with an Annual Turnover of N100, 000, 000. This Levy is legally backed up by the National Information Development Agency Acts; CAPN156 LFN 2004(as amended) S.16 of the Act assigns the collection to the Federal Inland Revenue Services (FIRS).

2.1.7 Tax Incentives

The goal of any tax system achieving certain economic objectives of government is to encourage individuals both private and public corporate in taxable activities⁵⁵. This is made possible by the introduction of effective and flexible instruments such as tax incentives. Tax incentives have been a good aid to reducing increased tax avoidance and evasion schemes adopted by taxpayers. Government introduced tax incentives in order to reduce the perceived exploitative nature of the tax system, thereby encouraging taxpayers to participate in taxable activities. Tax incentives are special exclusions, exemptions or deductions granted by the government to businesses, to encourage them to carry out their responsibilities and contribute more to the economic development of a nation. Tax incentives is define as a deliberate reduction in (or total elimination of) tax liability in order to encourage a particular economic unit or corporate bodies to act in the payment of tax as well as an enhancement of performance ^{56,57}.

Tax incentives make sectors like oil and gas, agriculture, solid minerals, tourism, energy, telecommunications and SMEs more attractive. Incentives attract, retain and increase investment in these sectors, and assist companies or individuals carrying on identified activities. Tax incentives can take the form of a tax payers right of election, capital allowance, tax holiday, re-investment allowance, investment tax credit proportionate to the amount of capital investment, accelerated depreciation among many others and thereby increase in profitability⁵⁸. The intentions of various government for establishing tax incentives remains widely accepted and there is no dispute to the fact that many listed benefits will be derived from granting such incentives.

Tax incentives result in a number of advantages which includes establishing a favourable investment climate, providing the desired assurance against confiscation and non-convertibility, and increasing the profit prospect of a new venture thereby enabling a firm to recover its capital cost

faster so that the risk of investment is reduced considerably. Tax incentives make available tax-free incomes which are re-invested to increase profitability. Government grants tax incentives to businesses so as to promote regional investment, sectoral investment, performance enhancement, and transfer of technology⁵⁹. These incentives also draw attention to the profit prospects of investing in certain types of businesses, especially the small and medium-scale enterprises (SMEs), that a country seeks to promote. Tax incentives is a viable tool for stimulating the competitiveness of the SME sector in many economies.

SMEs, on the other hand, are widely acknowledged as the major drivers of sustainable economic growth and development. SME sector constitutes the largest proportion of businesses in both developed and developing economies⁶⁰. SME's promote industrial development through the utilization of local resources, production of intermediate goods and the transformation of rural technology. They create employment for the teeming masses, help to diversify the economy through exports and international trade, and are able to implement new ideas and form new partnerships more easily than large-scale companies.

Despite these remarkable roles, SMEs in Nigeria are finding it tough to survive and remain competitive. Multiple taxation has been identified as a major constraint inhibiting the growth of SMEs in the country⁶¹. It thus appears that the tax incentives provided by the government has no significant impact on the competitiveness of Nigerian SMEs. There is the need to investigate whether or not the tax incentives stimulate SME competitiveness in Nigeria. Besides, few studies have examined the impact of tax incentives on the performance and growth of SMEs in Nigeria, but have failed to investigate the extent to which SMEs utilize the various tax incentives granted by the government^{62,63,64,65,66}.

Incentive refers to anything that encourages one to do something. Many developing countries offer incentives for investment, the incentives are not meant for direct investors, but it relates to real investment in financial assets and often directed at foreign investors, in a situation where there is insufficient domestic capital for the desired level of development and that international investment brings with it modern technology and management techniques^{64,67}.

Tax incentives are deductions, exemptions or exclusions from tax liabilities, offered as encouragement to engage in certain activities such as investment in manufacturing sector for a specific period⁶⁸. It is the use of government spending and tax policies to influence the level of national income⁶⁴. Tax incentives refer to reduction in the effective tax burden on the favored activity, as against imposing it, upon the hope that the reduction in government revenue due to tax foregone will be compensated with a resulting increase in total revenue from such broaden economic basis ^{69,70}. Tax incentives encourage the springing and gradual growth of new enterprises by the reduction of profit tax, which in turn encourages production, influences the production level and curbs unemployment in the society, thereby contributing significantly to economic development⁷¹.

Tax incentives can be classified into the general and specific incentives. The general incentives are applied to stimulate and attract both foreign and domestic investments in all sectors of the economy. They include re-investment allowance, capital allowance investment tax credits, and pioneer status. Specific tax incentives are mapped out by the government to stimulate the growth in the manufacturing sector and reposition it as the engine of growth in the economy⁵⁷. The two broad classes of tax incentives identified namely; Cost-based tax incentives such as tax credits and accelerated depreciation allowances, and Profit-based tax incentives such as tax holidays or reduced tax rates⁷².

There are four costs associated with incentives namely revenue cost, compliance cost, resource allocation cost, and corruption cost.

Revenue cost refers to lost government tax revenue resulting from the tax incentives. Compliance cost is associated with enforcing the tax incentives and monitoring who is receiving the incentives and ensuring that the conditions for granting the incentives have been fulfilled. Resource allocation cost refers to the situation where the tax incentives lead to too much investment in a certain area of the economy and too little investment in other areas of the economy. Corruption cost relates to the abuse of tax incentives by the people. Corruption cost will occur where there are no guidelines for qualification⁷³.

2.1.8 Types of Tax Incentives in Nigeria

Tax incentives are available to both individuals and Private organizations in Nigeria. Some of these incentives are listed and explained below²⁸:

- i. Capital Allowance
- ii. Pioneer status (Tax holidays)
- iii. Investment Tax Credits
- iv. Reduced Company income tax
- v. Reinvestment allowance
- vi. Free trade zones and export incentives
- vii. Loss relief
- viii. Rural Investment Allowance

Capital Allowances: This is granted for capital expenditure made in relation to assets used for the purpose of trading, profession or vocation. It is a write-off of the capital cost of the asset. Capital Allowance is granted to encourage investment in capital expenditures. Although firms tend to apply

different rates as the normal depreciation, the tax authorities recognize only the given Capital Allowances rates so as to promote uniformity in the derivation of assessable profits. Capital allowance claimable in any one year are restricted to two-thirds (2/3) of assessable profits of all companies except companies in the manufacturing and agricultural sectors, which are excluded from this restriction. Capital Allowance rate is restricted to 95% of assessable profit for the year of assessment for companies in the agro-allied industries on the initial allowances and 50% on the annual allowance. Companies in the agro-allied industries are granted 100% on leased assets, while an additional investment allowance of 10% is granted on leased assets for agricultural plants and equipment.

Pioneer Status (Tax Holidays): This is for newly established firms and are considered by the tax authorities and exempted from paying specified tax rates. This is often given to encourage investment in certain sectors of the company and to encourage productivity. The Industrial Development (Income Tax Relief) Act, Cap 17 Laws of the Federation of Nigeria, 2004 grants tax holidays to companies that satisfy the required conditions for being called “Pioneer Industries”. A company holding a pioneer certificate shall be on tax holiday for an initial period of three years, commencing on the production date of the company unless restricted in any manner by the tax authority. The tax authority may at the end of the three years extend the tax relief period for an additional two-year period.

Investment Tax Credits: Investment Tax Credits (ITC) permits companies or individuals to deduct a specific percentage of certain investment cost in addition to capital allowance deducted thus reducing tax liability. Investment tax credits are earned when qualified buildings or equipment's are acquired for use in the firm. It was emphasize, that Investment tax credit are only earned in the year of purchase and only applies to newly acquired properties^{48,49&50}. This properties are qualified for a 10% rate on the capital expenditure to reduce the Company income tax liability

in the first year; any unused credits can be extended and used to reduce company income tax in future years. The unused credits can be carried forward 10 years and carried back 3 years⁵⁰. It was submitted that 40% of unused Investment tax credits granted in a tax year may be claimed in the year it was actually earned and this grant is for the purpose of enhancing performance of the firm and boosting overall economic growth of the country⁵⁸.

Reduced Company Income Tax (RCIT): This is a tax incentive whereby companies that have turnover of less than ₦1.0 million in the manufacturing sector pay company income tax (CIT) of 20% instead of 30% in the first five years of their operations. Also, dividends from such companies are tax free for the first five years, this has now been improved and increased by the recent Finance Acts 2020. In addition, dividends from manufacturing companies in the petrochemical and liquefied natural gas sub-sector are tax free so as to encourage more investors in this area.

Re-investment Allowance (RIA): This is an incentive given to already existing manufacturing companies that incur capital expenditure for purposes of approved expansion of production capacity, modernization of production facilities and diversification into related products⁷⁷. It is an allowance available to a company which has been in operation for at least 12 months and had incurred capital expenditure on a factory, plant or machinery for the purpose of acquiring or retaining a qualifying project. The allowance is available as a percentage of the expenditure incurred on qualifying projects, and its deduction is restricted to a percentage of the statutory income. The quantum of the deduction varies depending on some pre-conditions like the activity engaged, geographical location where the expenditure is incurred, and whether a certain level of production process efficiency is achieved. Re-investment Allowance is in form of an allowance involving 60% of a qualifying capital expenditure incurred by the companies for several years⁷⁸. The allowance can be utilized to offset 70% of the statutory income in the year of the assessment. Thus, Re-investment allowance is

a means of encouraging manufacturing companies to re-invest profits, expand and contribute to the growth of the economy.

Free Trade Zones and Export Incentives: The export and free trade zone incentives consist of the following ⁷⁹:

Duty Drawback Scheme: This provides for refund of duties/charges on raw materials including packing and packaging materials used for the manufacture of products upon effective exportation of final products. The scheme allows for a 60% refund on duties/charges, which is automatically granted to the exporter at the initial screening by the Duty Draw Back Committee (DDBC). The refund amount is liquidated after the final processing of the application, while the Committee is authorized to approve the request for claim of any payment where applicable.

Duty Drawback Facility: This scheme provides for both fixed and individual drawback facilities. The fixed drawback facility is for those exporters/producers whose export products are listed in the fixed drawback schedule to be issued from time to time by the Committee, while the individual drawback is for exporters/producers that do not qualify under the fixed drawback facilities. It is therefore a straight forward traditional drawback mechanism under which duty is paid on all inputs. The duties are consequently rebated on inputs used for export production.

Trade Liberalization Scheme: This is an export liberalization incentive primarily geared towards export activities within the ECOWAS sub-region. The aim is to considerably enlarge inter-community trade activities in the region through the elimination of tariff and non-tariff barriers in trade emanating from member countries. The scheme offers preferential access to the ECOWAS market from Nigeria.

Rural Investment Allowance: Companies Income Tax Act (CITA) provides for rural investment allowance in respect of capital expenditures incurred by companies established in rural areas in relation to providing lacking infrastructural facilities such as electricity, water supply and tarred

road or communication for at least 20 kilometers away from facilities provided for by the government⁸⁰. The rates as provided in section 34 (2) of CITA 2009 are as follows:

Table 2.1: CITA Rates of Rural Investment Allowance

Lacking Facilities	Allowance
Areas Where There Are No Facilities At All	100%
No Electricity	50%
No Water	30%
No Tarred Road	20%

Source: S.34 CITA (Amendment) 2011

Loss Relief: Where a company is faced with losses, such a company can claim a loss relief by setting off such loss from the profit, if any of the future accounting periods given that such loss arose from the business activities. In case series of losses occur from year to year, the cumulative loss can be used to reduce the profits in future years of assessment, if any. There used to be a 4-year restriction on losses carried forward but currently this restriction has been removed and losses can be carried forward into the foreseeable future until they are offset against profits.

2.1.9 Benefits of Tax Incentives

The benefits of tax incentives in business organisations and the society at large were highlighted as follows ^{57,64}.

- i. Tax incentives improve the commercial profitability of investment by making available tax-free income within the tax holiday period, which re-invested in assets and the establishment of other industries.

- ii. Tax incentives serve as an inducement to invest in certain sectors of the economy.
- iii. They help to establish a favorable investment climate and provide the desired assurance against confiscation and against non-convertibility especially in developing countries including Nigeria where there are different problems like currency restrictions, instability of government and the risk that foreign capital investment may be expropriated.
- iv. Tax incentives generate employment and motivate self-employed to incorporate into limited liability companies.
- v. They also increase the profit prospects of new ventures and enable firms to recover their capital costs much faster, so that the risks of investment are reduced considerably.

2.1.10 Small and Medium Enterprises (SMEs)

The dependence of the country on oil for its major foreign exchange earnings, in which oil accounts for about 80% of the country's revenue and 95% of her overall foreign exchange earnings. The reports by⁵⁵ that Nigeria, with a population of about 200 million, still remain one of the poorest oil producing countries, with declining per capital income, poor infrastructure facilities and low electricity power generation for her population size. The new world economy climate, has brought a lot of changes to technological advancement and the need for alternative energy has led a need to source alternative income for sustenance in the long run, as the demand for oil is expected to dwindle. Thus, the need to pay more attention to other sectors of the economy like agriculture, manufacturing, commerce and tourism, majority of which are made up of SMEs, making it important to the Nigeria Economy.

Small and Medium Scale Enterprises are defined as an enterprise that has an asset base (excluding land) of between N5Million – N500Million and labour force of between 11 and 300⁸². The definition for emerging businesses in SMEs is defined as an enterprise with an asset base excluding

land and building of N10million to less than 100million with 10 – 49 employees for “SMALL” and N100million to less than N1billion with 50 – 199 employees for “MEDIUM”⁸³. SMEs was also defined as business with turnover of less than N100million and/or less than 300 employees⁸⁴. It can be observed that the scope of these definitions is within the same framework. However, this study adopts the definition of⁵⁷. SMEs is dynamic and relative⁸⁵.

Several institutions and agencies define SMEs differently with parameters such as employee size, asset base, turnover, financial strength, working capital and size of the business. These definitions include the one that defined SMEs as enterprise whose investment in working capital is between N100,000 and N2, 000, 000 excluding the cost of land⁸⁶. SME is defined as any enterprise whose investments including land and working capital, that is less than 300,000 and annual turnover of less than N5m⁸⁷. This was further defined explained that a small enterprise is an enterprise that has investment and working capital not exceeding N750,000 and medium enterprise as one with N750,000 to N3m⁸⁸. SMEs are businesses with total cost not exceeding N500,000 (excluding cost of land but including working capital)⁸⁹.

SME is also defined as an enterprise with capital base not exceeding N25,000 and employing capital base not exceeding N250,000 and employing on full time basis, 50 workers or less⁹⁰. Another defined SMEs as an enterprise that has its investment to be less N10m excluding the cost of land⁹¹. It was also defined as business with total capital not exceeding ₦750, 000 (excluding cost of land but including working capital)⁹².

Small and medium Enterprises (SMEs) are by definition, characterized by small size⁹³. This smallness affects the firm’s positioning on factor, product, financial, and personnel markets in terms of bargaining power, name recognition, and brand awareness. SMEs can be segregated into three main sectors such as general business, manufacturing and agriculture⁹⁴. SMEs are diverse in

nature and can be established for any kind of business activities in urban or rural area. It can be considered as a back bone of national economy. Small and Medium Enterprises can be defined in terms of sales volume, number of employees, or investment⁹⁵. A business that is therefore defined as a small or medium enterprise in a developed country can be regarded as a large enterprise in a developing country. Even in developing countries, this definition changes over time. The European Commission defines SME using three broad parameters: micro-entities, small companies, and medium-sized enterprises⁹⁶. The SME sector in West Africa is a mixture of self-employment outlets and dynamic enterprises that are involved in an array of activities mainly concentrated in urban areas⁹⁷. In the Nigerian context, Small enterprises are business entities that have between ten to forty nine employees with asset (excluding land and building) of between five million naira and less than fifty million naira, while medium enterprises are business enterprises with staff strength of between fifty and one hundred and ninety nine employees and asset (excluding land and building) of between fifty million and less than five hundred million naira⁹⁸.

Another definition of SMEs that is worth adoption is that of the National Council on Industry which in 1992 streamlined the various definitions of SMEs and agreed to change it every 4 years. In 1992, it defines SMEs as enterprises with fixed assets above ₦1m but not exceeding ₦10m, excluding working capital, while medium scale are enterprises with fixed asset that is more than ₦10m and less than ₦40m including working capital but excluding cost of land. In 1996, it defined small scale business as enterprises with more than ₦1m but less than ₦10m excluding cost of land and including working capital and a labour size of between 11 and 35 workers, while medium scale enterprises should have over ₦40m and less than ₦150m as fixed asset including working capital and excluding cost of land and labour size should be 36 and 100 working. The New Industrial Policy for Nigeria defined SMEs as enterprises with total investment of between ₦100,000 and ₦2m excluding cost of capital but including working capital⁹⁹.

The country is blessed with fertile farmlands, vast mineral deposits and a wealth of human resources, making it a very favourable place for small and medium Enterprises to thrive. These resources have placed Nigeria in a prominent position in Africa. Certainly, there is need to devise methods to encourage the growth and development of these enterprises in order to ensure that they reach their full potential. A favourable business and regulatory environment need to be created for them to thrive. This study will look into how income taxes will not affect the financial performance of SMEs, so that their pivotal role in national economic growth can be sustained. Most large companies have their roots in Small and medium enterprises, as most of them started out as SMEs before growing to become big. Thus, the future of large corporations, are the SMEs of today, that should be nurtured to grow and transform into large scale enterprises.

Also, SMEs are seen to be the bedrock of indigenous enterprises and to generate all the many small investments, which would not have taken place in the first instance¹⁰⁰. Nigeria needs to encourage the development of its private sector by creating a friendly environment for the growth of Small and medium enterprises, strengthening the factors that lead to business success, and addressing the problems that threatens the existence and advancement of small and medium enterprises¹⁰¹, with the dismantling of trade and other barriers.

In many developing countries SMEs are struggling to survive under intense competitive environments. In Nigeria, there is an urgent need to provide an enabling environment for the development of SMEs in order to help them adequately play their role in economic transformation, such as mobilization of savings for investment, increase in harnessing of local raw materials, employment generation, alleviating poverty, contribute to gross domestic products and export diversification¹⁰². Thus, an ideal tax policy needs to be adopted in order to ensure economic growth and proper utilization of resources, but this is not the case as taxes are levied for regulating investments as well as household's behaviour

and not for suffocating entrepreneurial initiatives, which seem to be a major constraint to the development of the SMEs.

The concept of SMEs is relative and dynamic as their characteristics are uncertainty, innovation and evolution¹⁰³. A clear understanding of SMEs would require a good knowledge of its features. SMEs are usually small in size, lack large organizational structure and management culture. Sometimes, they are more structured in the urban area while the rural ones are unstructured. In most cases, the sole ownership, family business or partnership enterprise, are sometimes registered as a Limited liability Company¹⁰⁴. The ownership style has led small and main enterprises to have a simple management structure and make it easier to manage than most large firms, few number of staff and in some case low level of education of some of its owners¹⁰³. They share the same characteristics with sole ownership of business as there is no legal personality between the SMEs and their owners, which ties the business life to the existence of the owner. Many SME businesses often die with its owner. In some countries, its heterogeneous nature ranges from retail outlets to hugely paid professionals. Some manufacturing organisations whether small and medium are also likely to vary in organizational form.

Furthermore, the process of production in SME settings are labor-intensive and manual. This is due to their small capital and they always serve as suppliers to larger manufacturing firms since their products are mostly raw materials output to large firm¹⁰⁵. Just like a one-man business, they require low start-up capital than large companies¹⁰⁶.

The contribution of SMEs to tax revenue are usually lower than its contributions to output and employment¹⁰⁷, that SMEs have not become competitive enough to increase their share of output even though they form three-fifth of the number of manufacturing industries, solely relied upon by large manufacturing companies for their supplies¹⁰⁸.

2.1.11 Problems Facing Small and Medium Enterprises

There are lots of problems or challenges that confronts SMEs in Nigeria. Though there are problems that are peculiar to each country, the challenges faced by SMEs in different countries and geo-political divisions remain hindrances. A survey conducted in 2004 in Turkey on SMEs showed that they were suffering the consequences of policy inconsistency, poor access to finance, insufficient know-how and low level of technology etc¹⁰⁹. Same problems were also considered by other authors in their study on other regions like the Philippines, Malaysia, Europe and some countries in Africa including Nigeria. The constraints faced by SMEs in developing countries are not only accentuated with ineffective policy design, but also by market failures in the region¹¹⁰. Their lack of information technology and knowledge of automation is gradually being reduced given that they serve as contractors or suppliers for large firms particularly in manufacturing. Also, SMEs are faced with the lack of access to short and long term capital because collateral based financing has become increasingly difficult coupled with high interest and foreign exchange rates. Some SMEs have resorted to viability lending, by obtaining loans based on the viability of the business and cash flow position. Banks are usually reluctant to lend to SMEs due to past failure to repay the loan facility, inability to meet up the bank's lending requirements, promoter's low education, management and entrepreneurial skills, as well as poor financial record keeping which makes financial review difficult¹¹¹. This assertion also lists lack of access to land, utility installations and services, as well as import procedures as constraints to SME growth¹⁰⁰.

The above analysis makes SMEs a high risk venture. It confirms that the above problems are obstacles to SMEs growth, its inability to access financing and a plethora of income taxes. In addition other problems faced by SMEs include astronomically high operating costs, lack of transparency, corruption, lack of interest and enduring support for the SMEs sector by government

authorities, dilapidated state of infrastructural facilities, unreliable employees, weak economy, insecurity and erratic electricity supply are common phenomenon^{112,113,114,101}. Other challenges confronting SMEs are further analysed below;

Multiple Taxation: These occur when taxes, fee or rate is levied on the same person in respect of the same liability by more than one state or local government council. This has become a major problem especially given the role of tax consultants and agents hired by local governments. They are often crude in their operation, excessive in their assessment and destructive in their relationship with the production process. They tax everything in their bid to generate revenue without considering the net effect to household revenues and employment. Multiple taxation have become a disincentive to commercial activities and businesses. Payment of normal taxes in one part of the country, does not guarantee that similar taxes on the same goods en-route its destination will not be charged. Companies with branded logo for advertisement are usually subjected to taxes in most part of the country by tax agents operating in one local government area or the others, even when moving across without transacting any business. Goods being transported from one state to another, is equally being taxed along states that these goods are traversing under various taxes by each state or local governments as it goes by under different captions.

Financial Problems: About 80% of small and medium scale business enterprises are stifled because of poor financing and other associated problems. The problem of financing SMEs is not so much the sources of funds, but its accessibility. Factors identified that inhibit funds accessibility are often the stringent conditions set by financial institutions, lack of adequate collateral, inadequate credit information and cost of accessing funds.

Socio-Cultural Problems: Most Nigerian entrepreneurs do not have the investment culture of ploughing back profits. The attitude of a typical Nigerian entrepreneur is to invest today and reap

tomorrow¹¹⁵. Also, the socio-political ambitions of some entrepreneurs are often diversionary from valuable funds and energy for business to social waste. Also, the problem of bias against made in Nigeria goods is quite significant. Most Nigerians have developed a high propensity for the consumption of foreign goods against locally made substitutes.

2.2 Theoretical Review

This aspect focused on theories that attempt to explain the background and historical developments of this study's variables. The theoretical underpinnings for this study are Benefit Received Theory, Ability to Pay Theory, Theory of Performance, Agency Theory of Incentive and Normative Theory of Incentive.

2.2.1 Benefit Received Theory

This theory asserts that the state should levy taxes on individuals according to the benefits conferred upon them. The more benefits a person derives from the state activities, the more that individual should pay to the government. Despite its stand on fairness and equity, this theory has been severely criticized by many authors for a number of reasons. Firstly, there cannot be a direct connection between amount of taxes paid and the benefits derived, as this negates the basic principle of the taxation. Tax, as we know, is a compulsory contribution made by the populace to the public authorities, to meet government expenses and other provisions for general benefits. There is no direct quid pro quo in the case of a tax. Secondly, it is impracticable to estimate the benefits enjoyed by a particular individual every year from the state, as state expenditures are usually for the generality of the citizens. Thirdly, if this principle is applied in practice, then the poor will have to pay the heaviest taxes, because they benefit more from state services. On such basis, if more is required from the poor by way of taxes, then it negates the Principle of Justice.

2.2.2 Ability to Pay Theory

The Ability to pay approach emphasises that taxes should be paid based on taxpayer's ability to pay, no quid pro quo⁵². Taxes are seen as a sacrifice by taxpayers, hence should be determined by what the degree of sacrifice should be and how it should be measured. The total loss of utility as a result of taxation should be proportional to each tax payer's sacrifice. It further states that taxes should be imposed according to a person's ability to pay base on his or her earnings. It is popular opinion that public expenditure should be expected from those who have and not from those who do not. This principle originated since the sixteenth century, which was also systematically stressed by¹¹⁶. It is believed that the ability to pay theory underpins the foundation of progressive tax regimes because as tax rate increases, so also the taxable amount and vice versa. The instantaneous loss of utility as measured by the derivative of the utility function as a result of taxation, should be consistent and if not, then the need to adjust for tax equal utility¹¹⁷.

2.2.3 Theory of Performance

The theory of performance explains the basic framework that underpins performance and its improvement in organisations. Performance is defined as the ability to produce valued results. The performance of an organisation can be enhanced through the employment of considerable amount of time and effort, whilst leveraging on personal factors and environmental situations surrounding the organisation¹¹⁸. Incentives from income taxes provides a justification for improvement in a firm's performance.

2.2.4 Neo-Classical Theory on Tax incentives

Neo-classical economic theory posit that providing tax incentives to one group of investors rather than another violates one of the principal tenets of a good tax system, that of horizontal equity. This inequality distorts the price signals faced by potential investors and leads to an

inefficient allocation of capital. The justification most often given for special incentives is that there are market failures surrounding the decision to invest in certain sectors and locations, which justify government intervention. Market failures result in either too much or too little investment in certain sectors or locations. The key market failures most often cited; Positive externalities not internalized in the project's rate of return are higher in certain sectors than in others. It should be pointed out that there are other purported benefits of tax incentives, such as symbolic signalling effects and the need to compensate for inadequacies in the investment regime elsewhere. Provision of investment incentives is in the form of either tax relief or cash grants. International experience shows that such incentives play only a minor role in investment decisions. Firms make investment decisions based on many factors including projections of future demand, certainty about future government policy, prevailing interest rates and moves by competitors. Generally, Incentives is seen as 'nice to have' but not deal breaking. But it still remain a popular policy for both developed and developing countries.

2.2.5 Normative Theory of Tax Incentive

This theory stated that every incentive has its advantages and disadvantages. It is therefore extremely difficult to determine which set of incentives work for different economies in relation to its different challenges and circumstances. Most often than not, what works depend on economic circumstances, tax administration competencies, the type of investment being courted, budgetary constraints of the government in stimulating investments within its desired sector or location, minimal revenue leakage and provisional opportunities for tax planning. It argues that any benefit such as an incentive allocated by public servants or politicians is potentially open to abuse and corruption. There is therefore a strong argument that incentives should be automatically available to all investors who meet a set of open and transparent criteria. .

2.3 Review of Previous Empirical Works

This study reviews empirical literature from previous scholars concerning the effects of income taxes, incentives on financial performance from different contexts.

2.3.1 Companies Income Tax and Financial Performance of Small and Medium Enterprises

This is referring to the assessment impact of corporate income tax suspension on retained corporate income¹¹⁹. This research extends applicable theory, comprehension of elements and factors affecting the firm's behaviour. The outcome revealed that the corporate income tax reforms, would change the capital structure of businesses and improve company's sustainability. The findings also gave grounds for the development of an applicable model that would help government authorities choose the most effective way of taxation of corporate income.

Their study further assessed company's income tax and Nigeria's economic development. They used the GDP to capture the Nigerian economy and the Petroleum Profit Tax (PPT), Companies Income Tax (CIT), Customs and Excise Duties, and VAT to measure Companies Income Tax. Findings revealed that there is a significant relationship between company's income tax, the Nigerian economic development and that tax evasion cum avoidance are major hindrances to revenue generation¹²⁰.

The research carried out used panel data from 65 countries during the period 1970 to 2006 to examine the effects of tax structure on economic growth and income inequality, discovered that Company Income Tax (CIT) rates have a negative impact both on economic growth and income inequality. They also discovered that personal income tax rate does not significantly affect economic growth and income inequality. The authors therefore recommended the need to develop a modest design into the tax system. Countries that are able to mobilize tax resources, through broad-based tax structures with efficient administration and enforcement, will likely enjoy faster

growth rates than countries with lower efficiency. Also, the government should focus on the reduction of tax evasion, which is popular in the very high income group because it distorts the horizontal and vertical equity in redistributing the income. Finally, very high earners or the high income group members ought to be subjects to high and rising marginal tax rates, especially in the statutory top corporate tax rates¹²¹.

With the employment of the top statutory income tax rate in their estimations, proposed that the concrete tax rates that greatly affects economic growth are the top statutory Company Income Tax (CIT) rates. From their estimation, it was discovered that only the CIT rate had a significant negative impact on economic growth in all their regressions by controlling the endogeneity of tax measures while the Personal Income Tax (PIT) rate and its progress tracking did not significantly affect economic growth¹²².

In a research carried out in Ogun state, a two-pronged approach was used in sourcing primary data through the use of questionnaires to study infrastructure support and small business growth¹²³. Out of the 140 questionnaires administered, 135 were returned, representing 96.4% response rate. 27 respondents were officials of Ogun State Cooperative Federation Limited (OGSCOFED), while the remaining 108 were cooperative members who are owners of small businesses in the State. With a Cronbach α coefficient of 0.902, the internal consistency and reliability of the questionnaire were confirmed, while the data were analyzed using inferential and descriptive statistics such as simple percentages, rating indices, and the Student's *t*-distribution. The study revealed that the provision of Infrastructural Support by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was not significant to the growth of some selected businesses (especially cooperative-financed small businesses) in Ogun State, Nigeria, within the study period of 2005 –2010. However, the study was conducted in the Ogun state of Nigeria.

A similar study was also conducted in Benue state of Nigeria. In examination of the impact of small and medium enterprises on economic growth and development, a survey method was used to gather data from 200 SME Entrepreneurial officers and Managers from five selected local government in Nigeria. Data was collected using structured questionnaire, while the formulated hypothesis was tested using correlation coefficient to determine the respondents' perception on the subject matter. The results of the study revealed that the most common constraints hindering small and medium scale business 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 services¹²⁴.

They studied the impact of revenue from Companies Income Tax on the economic growth of Nigeria, judging from its impact on infrastructural development from 1980 to 2007. To achieve this objective, relevant secondary data were collected from the Central Bank of Nigeria (CBN) Statistical Bulletin, Federal Inland Revenue Service (FIRS) and previous works done by scholars. The data includes information on the Gross Domestic Product (GDP), infrastructure, Petroleum Profit Tax (PPT), Company Income Tax (CIT), Custom and Excise Duties (CDT), Foreign Direct Investment (FDI), Domestic Investment (DI), Interest rate (INT) and Consumer price index (CPI) are collected for the period of 1980 to 2007. The data collected were analyzed using the three stage least square estimation technique. The results show that tax revenue stimulates economic growth through infrastructural development¹²⁵.

The empirical study on the effect of Petroleum profit tax (PPT) on Nigeria economy, where secondary data were obtained from Central Bank of Nigeria statistical bulletin covering the period of 1970 to 2010. The conclusion of the analysis, multiple regressions were employed to analyze data on such variables like Gross Domestic Product (GDP), Petroleum Profit Tax,

Inflation and Exchange rate were all found to have significant effects on the Economic growth¹²⁶.

The examination of the causality between economic growth and Companies Income tax in Nigeria for the period 1970-2009. To achieve the objective of the study, data was collected from the Central Bank of Nigeria (CBN) Statistical Bulletin and Federal Inland Revenue Service (FIRS). The data collected from the secondary sources were analysed using relevant econometric models such as Augmented Dickey-Fuller, Diagnostic Tests, Granger Causality and Johansen Co-integration. The results from the econometric analysis reveals that taxation as an instrument of fiscal policy affects the economic growth and taxation granger cause economic growth of Nigeria. On the basis of the econometric result, the study concluded that taxation is a very important instrument of fiscal policy that contributes to economic growth of any country. On the basis of the conclusion useful recommendations were provided that will improve the generation of revenue from taxation that would stimulate the economy of Nigeria positively¹²⁷.

The study on the factors affecting financial performance of Small and Medium Enterprises in Kenya¹²⁸. The descriptive research design was adopted, where a survey was conducted on a sample of Manufacturing SMEs in Kenya, Secondary data were collected from Kenya National Bureau of statistics (KNBS) website. The target population includes manufacturing SMEs of 682, with an average of 48 SMEs representing 14 categories. 15 SMEs representing a third of SMEs in the manufacturing sector made up the sample of this study. 150 copies of questionnaire were administered to relevant respondents in an effort to capture relevant data on the objectives of this study. Using regression analysis, it was revealed that there is a direct relationship between SMEs financial performance and the independent variables; bank credit, technological costs, GDP, and employee costs.

In the examination of a study which indicated that selected microeconomic variables have a long run relationship with SME's performance. Their findings indicate that savings time deposit and exchange rate have a significant impact on SME's performance. The study also indicated that commercial bank credit to SMEs, total government expenditure, and bank density have no significant impact on the performance of SMEs. The research findings also confirmed that interest rates have an adverse effect on SME's performance¹²⁹.

The study on the financial intermediation and SMEs performance in Nigeria from the year 1980 to 2013. Their research findings revealed that survival rate and the performance of the SMEs are very low. They looked at the performance and survival of the SMEs sector from its contribution to the GDP. They argued that despite government initiatives in the areas of credits (loans), savings, micro-leasing, micro-insurance, payment transfer to poor and low income households that are economically active; these initiatives are not reflecting on the performance of the SMEs¹³⁰.

The investigation on financial risk and performance of small and medium enterprises in Nigeria¹³¹. The study adopted exploratory research design. Data was collected from the Central Bank of Nigeria (CBN) statistical bulletin from 1986 to 2017. The study used Autoregressive Distributed Lag (ARDL) techniques as the tool of analysis. The outcome of the study showed a negative and insignificant relationship between financial risk and SMEs' performance in Nigeria in the long run. Though, exchange rate risk, liquidity risk, interest rate risk and inflation risk have a significant, but negative impact on small and medium enterprises in the short run. The study concludes that financial risk adversely affects the performance of Nigerian SMEs and, therefore, should be controlled to enhance their performance. They gave credence to SMEs and their finding is valid for

SMEs in Nigeria. Thus, there is need to conduct studies in Nigeria using variables such as small and medium scale loan, bank lending rate, government expenditure.

The examination on the implications of the economic factors on small scale business performance in Nigeria¹³². The finding of the study indicated that economic factors such as high inflation rate, exchange rate, government tax revenue, external finances, and interest rate have a significant effect on the performance of the small scale businesses in Nigeria. The interest rate, inflation rate, and exchange rate both have significant negative effect on the performance of the small-scale businesses. The increment in these three variables would cause a decrement in the performance of the small scale business in Nigeria. The study concluded that the federal government should prescribe rules and regulations that would ensure stable interest rate and exchange rate as well as the low inflation rate. These researchers believed that the prescriptions would enhance the improvement and development of the small scale business in Nigeria.

The investigation on bank lending to small and medium scale enterprises and its implication on economic growth in Nigeria during 1992-2013 using Augmented Dickey-Fuller (ADF) unit root test, Johansen co-integration test and vector error correction model techniques¹³³. The unit test results indicated that all the variables were non stationary at level but became stationary after first difference. The Johansen co-integration test showed evidence of a long run relationship between small and medium scale enterprises lending and economic growth. The vector error correction model results revealed that lending to small and medium scale enterprises will lead to economic growth in Nigeria. The study further revealed that bank lending rates does not impact on SMEs lending in Nigeria. The implication of these results is that lending to small and medium scale enterprises is crucial to the growth of the Nigerian economy. The study only captured some selected small and medium enterprises in Nigeria and grossly ignored other sectors and as such it may affect its generalization.

The study to evaluate the effect of the deposit money bank credit on small and medium scale enterprises growth in Nigeria¹³⁴. The results of the study showed that the loan granted to the small and medium scale enterprises by the deposit money bank did not have a significant effect on the small and medium scale enterprises growth in Nigeria. The outcome revealed that the loan granted to the private sector by the deposit money banks has a significant effect on the small and medium scale enterprises growth in Nigeria. Further results discovered that the interest rate demanded by the deposit money banks and expected to be paid by the small and medium scale enterprises has a significant effect on the small and medium scale enterprises in Nigeria. The study only captured some selected deposit money banks in Nigeria which grossly ignored other sectors and as such it may affect its generalization

The examination on the impact of the banking sector credit to the Small and Medium Enterprises on the SMEs' growth¹³⁵. The outcome of the study revealed that the banking sector's credit to the SMEs has significant impact on the SMEs' growth. The study was limited to SMEs. Therefore, it is important to carry out similar studies on performance of SMEs in Nigeria.

The adoption of a time series data sourced from the Central Bank of Nigeria from 1992-2011 to examine the impact of bank lending and macroeconomic policy on the growth of Small Scale Enterprises in Nigeria¹³⁶. Data was analysed using the Ordinary Least Square (OLS) regression technique. Empirical findings further revealed that Commercial bank credit finance and industrial capacity utilization exerted a significant positive impact on the growth of Small Scale Enterprises.

The result of the study cannot be generalised across nations due to cultural and legal difference

The examination on the monetary policies of the Central Bank of the Republic of Turkey on SMEs credit from 2003-2011. Results showed that money supply has a strong effect for manufacturing sector credit volume. Also, result revealed that an increase in the credit volume of large enterprises

does not have any effect on the credit volume for SMEs. On the contrary, as credit volume of SMEs increases, credit volume of large enterprises decreases, which reveals a reverse causality between credit volume tendencies of different size firms¹³⁷.

Evaluation on the impact of finance on entrepreneurship growth in Nigeria using endogenous growth framework, the results showed that finance and interest rate, significantly impacted on entrepreneurship in Nigeria. They argued that the formulation of effective macroeconomic policy targeted to entrepreneurship financing and growth is necessary and also, monetary authorities should intervene indirectly by reducing Monetary Policy Rates (MPR) which will directly reduce the transaction costs of funds to industrial sectors¹³⁸.

The influence of monetary policy variables on banks' credit supply to SMEs in Nigeria¹³⁹. Time series data which were collected on quarterly basis covering a period of 1995-2010 and were analyzed using Fully Modified Least Squares (FMOLS). The results indicated that policies on interest rate and liquidity ratio were negatively and positively significant to SMEs. This study is underpinned by the classical theory, Keynesian theory and credit channel theory. These theories explain the competition of loanable funds available in the economy and that changes in monetary policy tends to decrease or increase the ability of private sector to access funds for investment. An understanding of the changes in monetary policy variables brought about by the apex bank affects credit by banks. Tighter monetary policies causes banks to discourage access to funds by SMEs while an expansionary monetary policy gives SMEs access to bank funds. In practice, SMEs responds to the opportunities available in the economy in its interaction with monetary policy. Therefore, there are abstractions from all the above theories that will be found to be true in specific instances.

The examination of the role played by commercial banks' credit in facilitating the growth of SMEs in Nigeria. The study adopted co-integration and error correction mechanisms and based on the

findings, exchange rate and lending rate are statistically significant to SMEs credit. Also, inflation rate was found to be significant but negative to SMEs credit. He opined that SMEs should be made to have easy access to credits from commercial banks. In order to achieve this, the monetary authority should ensure that the lending rate at which commercial banks lend to the SMEs is reduced to the barest minimum. More so, devaluation of the national currency should not be encouraged as devaluation makes the cost of imported raw materials and capital goods used by the SMEs very expensive and hence impedes their production, rather local sourcing of raw materials should be encouraged to reduce the pressure on exchange rate¹⁴⁰.

The evaluation of the impacts of interest rate fluctuations on the growth of Small and Medium Enterprises in Accra. The research used balanced data of six SMEs randomly selected. The primary and secondary data were analysed using SPSS and Microsoft software respectively, and ARDL technique was also employed, with the application of tables in percentage. The study began with a unit root test. The ARDL technique of co-integration and F-Statistic compared to the critical values indicating a co-integration relationship between EBIT and interest rate and other variables. The outcome revealed that there is interdependence between the SMEs profitability and interest rate, bank loans and the size of business¹⁴¹.

The study on the impact of finance on the performance of small and medium enterprises in Lagos State. The study adopted survey research design. Data analysis and hypotheses test from 250 SME owners and operators using Pearson correlation and regression analysis show that, there is a relationship between SME finance and business performance. Inadequate information on loan qualification criteria and high interest rate usually makes it difficult to SMEs in accessing finance. The results show there is significant relationship between financial management practices and the performance of SMEs. Recommendation were made that

Government should find way to encourage financial institution to lend to SMEs by providing guarantees, interest rate subsidies and other incentives¹⁴².

The empirical study on the effect of petroleum profit tax (PPT) on Nigeria economy, secondary data were obtained from Central bank of Nigeria statistical bulletin covering the period of 1970 to 2010. In concluding the analysis, multiple regressions were employed to analyze data on such variables Gross Domestic Product (GDP), petroleum profit tax, inflation, and exchange rate were all found to have significant effects on the Economics Growth¹²⁶.

The structure and financing of a tax change are critical to achieving economic growth. Thus, the examination of how changes to the individual income tax affects long-term economic growth. Tax rate cuts may encourage individuals to work, save, and invest, but if the tax cuts are not financed by immediate spending cuts, they will likely also result in an increased federal budget deficit, which in the long-term will reduce national saving and raise interest rates. The net impact on growth is uncertain, but many estimates suggest it is either small or negative¹⁴³. However, they also reallocate resources across sectors toward their highest-value economic use, resulting in increased efficiency and potentially raising the overall size of the economy. They suggested that not all tax changes will have the same impact on growth. Reforms that improve incentives, reduce existing subsidies, avoid windfall gains, and avoid deficit financing will have more auspicious effects on the long-term size of the economy, but may also create trade-offs between equity and efficiency.

The study conducted on Company income tax and Personal income tax confirms that the rate. could reduce the economic performance of a country and compared progressive taxes and other tax indicators such as consumption tax and property tax¹⁴⁴. This was further argued that average tax rates lead to several biases which in turn lead to the conclusion that taxation has no impact on growth because of the possibility of high correlation with average fiscal spending¹²². The impact of tax policy on economic growth in the states within the framework of an endogenous growth model

from 1964 to 2004. In this model, differences in tax policy pursued by the states can lead to different paths of long-run equilibrium growth. Regression analysis was used to estimate the impact of taxes on economic growth in the states and the analysis reveals that higher marginal tax rates had a negative impact on economic growth in the states. The analysis underscores the negative impact of income taxes on economic growth in the states^{145,146}.

In 1970 to 2008 the proprieties of the Nigeria's tax system were examined particularly the bases of the company income tax, value added tax and personal income tax. The result showed that company income tax base is not persistent, volatile, but sensitive, or pro-cyclical to the state of the economy. The value added tax base is not sensitive to the current state of the economy, not persistent and relatively volatile. It was also discovered that the base of the personal income tax is so volatile, and not persistent, but sensitive to the state of the economy. The policy implication of their finding supports the recent government tax policy reform of a shift in focus in the tax system from direct taxation to indirect taxation¹⁴⁷.

The use of Ordinary Least Squares method to examine the impact of Petroleum Profit Tax on Economic Development in Nigeria for the period 2000-2010, revealed that Petroleum Profit Tax has a positive and significant impact on Gross Domestic Product in Nigeria. The author therefore recommended that government should improve on its effectiveness and efficiency of the administration and collection of taxes with a view to increasing government revenue¹⁴⁸.

The examination of taxation as an instrument of economic growth in Nigeria. Using annual time series data sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin during the period 1980 through 2013, data of Corporate Income Tax (CIT), Value Added Tax (VAT) and Economic Growth (GDP) was estimated using the Ordinary Least Square (OLS) technique. The empirical result suggests that the hypothesized link among corporate income tax, value added tax and economic growth indeed exist in the Nigerian context. Thus, the result offered evidences that

taxation is an instrument of economic growth in Nigeria. This conclusion points to the need for additional measures by government in ensuring that taxpayers do not avoid and evade tax so that income can be properly redistributed in the economy¹⁴⁹.

The study on the effects of Petroleum Income Tax on the Nigerian economy for the period 2000 to 2009 using the gross domestic product (GDP), Per capita income (PCI), and Inflation (INF) as the explained variables, and oil revenue, petroleum profit tax/royalties (PPT/R), and licensing fees (LF) as the explanatory variables. The sample covers all the economic sectors of the country, including the oil sector and the non-oil sector. This study relied mostly on secondary data from Central Bank of Nigeria's Statistical Bulletin, National Bureau of Statistics, and the Nigerian National Petroleum Corporation. Simple regressions models and Statistical Package for Social Sciences were used in this study to evaluate the data collected. The results show that oil revenue has a positive and significant relationship with GDP and PCI, but a positive and insignificant relationship with INF. Similarly, PPT/R has a positive and significant relationship with GDP and PCI, but a negative and insignificant relationship with inflation. It was also found that LF has a positive but insignificant relationship between GDP, PCI and INF, respectively. Based on these findings, this study concludes that petroleum income (oil revenue and PPT/R) has positively and significantly impacted the Nigerian economy when measured by GDP and PCI for the period 2000 to 2009. This study therefore suggests that the effect of petroleum income on the Nigerian economy was positive for the period reviewed¹⁵⁰.

The examination of the empirical relationship between Economic growth and petroleum taxation. In an attempt to investigate the effect of petroleum taxation on economic growth, a simultaneous equation model was used to establish a relationship between the variables Domestic Consumption and production of crude oil, petroleum taxation and government policies. The result obtained

from this analysis revealed that a strong positive relationship exists between domestic consumption, Petroleum profit tax (PPT), government policy and economic growth (GDP)¹⁵¹.

The Impact of Petroleum Profit Tax on the economic development of Nigeria that was examined for the period 2000- 2010. The method of analysis used was ordinary least square method. Results showed that Petroleum profit tax impact positively on Gross Domestic Product of Nigeria and it is statistically significant¹⁵².

The impact of income tax revenue on the economic growth of Nigeria as proxy by the gross domestic product (GDP) using the ordinary least square (OLS) regression analysis over the period 1981-2007. The regression result indicated positive and significant relationship. However actual tax revenue generated in most years fell below the level expected. The anomaly was attributed to dysfunctional ties in the income tax system, loopholes in tax laws and inefficient tax administration¹⁵³.

The effect of taxation on the SME's performance in Aba, Abia state, where a survey approach was adopted and questionnaire was used as an instrument, and a randomly selected 162 employees and 40 owners were assessed, the results indicate a significant and positive relationship exist between taxation and SME's Performance; in which tax assessment, tax collection and tax utilization influence the performance of SME's in Aba¹⁵⁴.

The impact of banking sector credit on the growth of small and medium enterprises in Nigeria. The main objective of the study was to investigate whether banking sector credit has a significant impact on the growth of small and medium enterprises in Nigeria. Annual data between 1985 and 2010 was collected and used in the study while descriptive statistics, correlation matrix, and error correction model was used to test the formulated hypotheses which reveal that banking sector credit has significant impact on the growth of small variables of growth such as inflation,

exchange rate, trade debts. A longer period which the study covers may provide greater understanding of the relationship between bank lending and performance of SMEs. Thus, it is important to carry out further studies in this area to covers SMEs outside Nigeria due to cultural and legal difference¹⁵⁵.

The examination of the role of microfinance institutions in sustainability of small and medium scale enterprises in rural Ghana. The simple random sampling method was used to select the 93 SMPEs owners/heads for the survey and interviews from 9 communities in the district. The survey and interview data were synchronized and refined through focus group discussion and consultative meeting organized for the various categories of SMPEs and the banks respectively¹⁵⁶.

The major environmental constraints on growth of selected micro and small enterprises (MSEs) in Mbarara Municipality, Uganda was examined. The aim of the study was to examine the extent to which the growth of MSEs is associated with environmental constraints. Stratified random sampling technique was used and a sample of 60 MSEs was surveyed. They included fabrication industry, Milling industry, carpentry and small roadside shops. Questionnaire was developed for data collection purposes mainly from relevant MSE's literature for the period of October 2011 to February 2012 in Mbarara Municipality. The results revealed that MSEs' growth potential is negatively affected by limited access to productive resources (finance and business services), by high taxes, lack of market access, erratic and costly electricity, lack of infrastructure, lack of human resources, and competitive practices that were dysfunctional imitative rather than innovative¹⁵⁷.

The assertion that the most dominant use of electricity among SMPEs is for lighting and communication purposes. Electricity is today's most important energy form for small and medium and large-scale businesses. Secure supply of electricity at transparent market prices and high and well-defined quality standards are crucial to economic growth and our whole way of life¹⁵⁸.

A comparative study on the accessibility of the SMEs to the funds before and after the bank consolidation of 2005. The study findings indicate that the SMEs' access to the funds after the consolidation is worse in the post consolidations than pre-consolidation. The study argued that despite the fact that the commercial lending risk is higher during pre-consolidation than the post-consolidation, the banking sector is not willing to grant a loan to the SMEs. Other issues that this study pointed out as the hindrance to the SMEs access to the finance are insufficient or no collateral security, lack of proper accounting records, information asymmetry, unaudited financial reports, lack of transparency of SMEs' financial reporting, as well as stringent measures put in place by the banking sector¹⁵⁹.

The study on bank credit to private sector indicate the same trend that other research findings have been confirmed. Here, findings from the study indicated that despite the significance of the total banking credit to the private sector, the banking credit to the SMEs is not significant. The study findings also indicate that the percentage of the banking credit to the SMEs as a percentage of the total credit to the private sector is declining. The study findings indicate that lending rate has a negative and significant impact on economic growth in Nigeria¹⁶⁰.

An examination of the efficiency of Nigerian banking institutions in meeting the SMEs' needs in terms of financial resources. The research findings indicated that the financial institutions in Nigeria have not met the financial needs of the SMEs. The research concluded that the funds have not been available to the SMEs as they ought to be, hence the SMEs sector have problems in accessing funds. The research findings also indicate that there is inefficiency in the banking operation that needs to be improved. The study also indicates that the lending rates and savings rates are unfavorable to the SMEs¹⁶¹.

2.3.2 Education tax and Financial Performance of Small and Medium Enterprises

The observation of the impact of tax reforms on small and medium enterprises (SMEs) performance in Nigeria. The study examined the impact of the fall outs of tax reforms; tax administration and specific tax on SMEs performance, using annual time series data covering the period 1981 – 2014. Using Ordinary Least Square techniques to analyze the data, outcome revealed that tax reforms of 1991/92 and 2003/2004 positively impacts on SMEs performance in Nigeria. Similarly, the tax reform of 2003/2004 was found to significantly impact on SMEs performance pointing to the fact that the tenets of tax reforms of 2003/2004, more favorably impact on SMEs. Furthermore, deposit money banks credit to SMEs variable though positively impacts on SMEs performance, but not in a significant manner. Results with respect to prime lending rate and total tax revenue variables, each negatively and insignificantly impacts on SMEs performance. To this end, concluded that tax reforms have ambiguous effects on SMEs, while deposit money bank credits to SMEs are inadequate to stimulate performance among the sampled firms. Overall, the study revealed that Nigeria's tax administration does not favor SMEs. More so, the cost of lending to SMEs appears too extortionate to engender performance¹⁶².

They worked-on company income tax and Nigeria's economic development. Here the GDP was used to capture the Nigerian economy and Petroleum Profit Tax (PPT), Company Income Tax (CIT), Customs and Excise Duties and VAT to measure Company Income Tax. Findings revealed that there is a significant relationship between company income tax and Nigerian economic development and that tax evasion and avoidance are the major hindrances to revenue generation¹²⁰.

The examination on the causality between economic growth and Company Income tax in Nigeria for the period 1970-2009. To achieve the objective of this study, data was collected from the Central Bank of Nigeria (CBN) Statistical Bulletin and Federal Inland Revenue Service (FIRS). The data collected from secondary sources were analyzed using relevant econometric models such

as Augmented Dickey-Fuller, Diagnostic Tests, Granger Causality and Johansen Co-integration. The results from the econometric analysis reveals that taxation as an instrument of fiscal policy affects the economic growth and taxation granger cause economic growth of Nigeria. On the basis of the econometric result, the study concluded that taxation is a very important instrument of fiscal policy that contributes to economic growth of any country¹²⁷. Also, on the other hand the conclusion gave a useful recommendation that were provided, that will improve the generation of revenue from taxation that would stimulate the economy of Nigeria positively.

The investigation on the effect of multiple taxation on the performance of small and medium scale enterprises. The study adopted survey research design with a population of 91. A sample size of 74 was used and a self-administered questionnaire was used to collect data. These data were quantitatively analyzed with simple percentages and tested the research hypothesis with ANOVA. Findings revealed that multiple taxation has negative effect on SMEs' survival and the relationship between SMEs' size and its ability to pay taxes is significant¹⁶³.

The effect of financial intermediation on small and medium enterprises performance in Nigeria that was investigated using an econometric model of the Ordinary Least Square (OLS). The outcome revealed that with the exception of bank interest rates to SMEs, all other variables financial intermediation, commercial bank loans and advances to SMEs, bank lending rate to SMEs, exchange rate and monetary policy - have a positive and significant influence on small and medium enterprises performance in Nigeria. The study recommends that government should also influence the foreign exchange rate, by positive economic reforms through its monetary policies that will reduce the adverse effect of unstable foreign exchange rate on the Nigerian economy with respect to trade flow. The study only gave attention to SMEs in Nigeria. Therefore, the results of the study can be valid for SMEs in Nigeria¹⁶⁴.

In a studied effects of infrastructure deficiency on the performance of manufacturing small and medium-sized enterprises in Nigeria. Low budgetary allocations by the Nigerian government toward investment and rehabilitation of infrastructure in favor of attempts to conform to the tenets of trade liberalization has created a situation where basic infrastructure provision is a huge challenge in the creation of SMEs. A longitudinal approach was followed, where a survey was conducted amongst 500 SMEs in Nigeria. To complement this, semi-structured interviews were conducted in 2007 and 2011 respectively. The deficiency in infrastructure negatively impacts the profitability and performance of SMPEs, due to the high cost incurred by SMPEs in the self-provision of infrastructure and distribution of finished goods¹⁶⁵.

The growth constraints of Micro and Small-Scale Manufacturing Industries (MSMI) examines in Akwa Ibom State. The study adopts a descriptive survey design. The study population comprised operators of manufacturing micro and small-scale businesses in Akwa Ibom State and a sample of 234 operators of manufacturing micro and small-scale businesses were selected through stratified random sampling and the "Nigerian Business Environment and Growth Constraints Questionnaire" developed by the researcher was used in data collection. This instrument was duly validated and tested to be reliable. Of the 234 copies of the questionnaire administered, 225 copies were retrieved. Frequencies and simple percentages as well as factor analysis were used to analyze data. Data analysis was facilitated with the use of the Statistical Package for Social Sciences (SPSS version 20.0) Results showed that the dimensionality of the MSMI's constraints can be explained by 7 factors. These include the problem of infrastructure particularly-power (factor 1), strict rules on credit (factor2), high interest rates on loan (factor 3), multiple taxations (factor 4), absence of tax holiday (factor 5), trade liberalization (factor 6) and poor patronage of made in Nigeria goods (factor 7). It was identified that problem of infrastructure (power), inaccessibility of credit, the

high-interest rate on loans, multiple taxations respectively were the major constraints that affected the growth of micro and small-scale manufacturing businesses in Akwa-Ibom State¹⁶⁶.

The assessment of the role of government in promoting small-scale businesses in Kogi State, Nigeria with a special focus on Kabba/Bunu Local Government Area. Questionnaires were distributed among forty (40) small scale business owners randomly selected. Regression analysis and analysis of variance (ANOVA) method were employed in the study. The results show that there is a positive correlation between government role and small-scale business promotion and government plays a significant role in small-scale businesses in Nigeria through their various actions¹⁶⁷.

The impact of exchange rate depreciation on the performance and development of Manufacturing Small and Medium Sized Enterprises (SMEs) examines in Nigeria. Data was sourced through the use of questionnaire survey of 500 manufacturing SMEs in Nigeria and analyzed using descriptive statistics. Chow test was used to determine whether there was structural change in Nigeria's non-oil export after the deregulation of exchange. The study found a very high sensitivity of SMEs' performance and cost of operations to exchange rate fluctuations. The outcome further revealed that SMEs' efficiency did not improve; neither were they able to take advantage of the liberalized trade to export their products. The policy did not positively affect Nigeria's non-oil export. Considering Nigeria's re-basing of its GDP and in effect becoming Africa's largest economy, there is a real interest in understanding how fluctuations in exchange rates impact on SMEs activities which account for a substantial part of Nigeria's economic activities. The use of questionnaire as data collection instrument if not handled professionally can impair generalization of findings¹⁶⁸.

The exploration of the impact of finance on the performance of small and medium enterprises in Lagos State. Survey research design was adopted for the study. A sample of 250 SME owners and operators using Pearson correlation and regression analysis and it was revealed that, there is a

relationship between SME finance and business performance. Limited information on loan qualification criteria and high interest rate mostly pose challenge to SMEs in their quest to access finance. Further results show there is significant relationship between financial management practices and the performance of SMEs. The researcher did not disclose the period of the study and the studied population which the sample size of two hundred fifty is representing¹⁶⁹.

The examination of the effect of financial management practices on performance of selected small and medium enterprises in Limuru Town, Kenya. SME performance is affected by financial constraints, financial illiteracy, working capital management, ownership structure, regulatory framework and macroeconomic factors. Descriptive research design was adopted for the study. Thirty-nine (39) out of the population of 388 registered SMEs in the retail business, Lemur Town was sample using purposive sampling technique. The study used questionnaires to obtain data and it was analyzed through descriptive statistics (means and standard deviation), correlation analysis and multiple regression analysis. The outcome indicates that firms financing and ownership structure have fairly strong positive correlation with performance, while cash management does not have a positive correlation with performance. Accordingly, financial management practices were found to be good measures of performance the SMEs studied. The study concluded that SMEs need to outsource more avenues of financing and improve on innovations and research, networks and partnerships with all stakeholders especially financial institutions. The use of purposive sampling technique which is unscientific to determine sample size may limit validity of the findings¹⁷⁰.

The Assessment of the factors that determine SMEs' bank loan application in Libya. Based on responses from 364 SME owners, the study found through logistic regression tests that business experience does not significantly influence owner's tendency to apply for bank loan. The study also discovered that owner's educational background, firm's size, loan collateral and interest rate are

negatively correlated with loan application while business plans and owner-banker start-up relationship are positively correlated with loan application. The use of questionnaire as data collection instrument if not handled professionally can impair generalization of findings¹⁷¹.

The study on the commercial banks' lending strategies for micro enterprises and small and medium-sized businesses in Mexico and the factors that promote or hinder lending to these businesses. The study revealed that the obstacles to increasing the credit supply are lack of information, credit protection failures, informality as well as the changes and disruptions that commercial banking has experienced over three decades. The study only captured commercial banks' lending strategies in Mexico which grossly ignored other sectors and as such it may affect its generalization¹⁷².

The impact of global financial crisis on the Nigerian banking industry in order to establish whether the financial crisis reduced the volume of bank loans to SMEs. The major outcome showed that global financial crisis did not disrupt the flow of credit to SMEs. The result may not generalize across nations due to cultural and legal difference¹⁷³.

The evaluation of the specific financing options available to SMEs in Nigeria and their contribution to economic growth via the investment levels. Spearman's Rho correlation test was used to determine the relationship between SMEs financing and investment level. The analysis reported a significant Rho value of 0.643 at 10%. This showed that there was significant positive relationship between SMEs financing and economic growth in Nigeria via the investment level. Descriptive statistics were equally used to appraise certain financing indicators. The research work later proffered that accessibility to relative low interest rate finances should be provided to small and medium enterprises in Nigeria in order enhance economic growth¹⁷⁴.

The examination of the effect of pre-post bank consolidation on the accessibility of finance to SMEs in Nigeria. The research work was conducted to ascertain whether bank consolidation exercise in Nigeria had improved accessibility of finance to SMEs in Nigeria or not. Using Ordinary Least Square regression analysis, the study discovered that banks' consolidation has failed to foster a vibrant and competitive SMEs sector that could enhance job creation and economic growth in Nigeria, thus the need for government intervention. The study, therefore, infers that the government should evolve a workable policy at directing banks to channel finance to SMEs so that bank can play an active developmental role to achieve economic growth and development in Nigeria¹⁷⁵. The study was conducted in Nigeria and the outcome is only valid for Nigerian SMEs; therefore, it is important to conduct similar studies in other part of the world.

The investigates the effect of access to credit on the growth of Small and Medium Scale Enterprises (SMEs) in the Ho Municipality of Volta Region of Ghana by using both survey and econometric methods. The survey involved a sample of 78 SMEs in the manufacturing sector from the Ho Municipality. The specified econometric model has firm growth as the dependent variable, and the independent variables include access to credit, total current investment, age of the firm, start-up capital, education level and annual turnover of the firm. Both survey and econometric results show that access to credit exerts a significant positive effect on growth of SMEs in the Ho-Municipality of Ghana. The study was restricted to registered SMEs in Nigeria. Thus, there is need to conduct similar study to capture other registered SMEs in Nigeria¹⁷⁶.

2.3.3 Capital Allowance Incentives and Financial Performance of Small and Medium Enterprises

The examination of taxation as an instrument of economic growth in Nigeria. Using annual time series data sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin during the period 1980 through 2013, data of Corporate Income Tax (CIT), Value Added Tax (VAT) and Economic Growth (GDP) was estimated using the Ordinary Least Square (OLS) technique. The empirical result suggests that the hypothesized link among corporate income tax, value added tax and economic growth indeed exist in the Nigerian context. Thus, the result offer tantalizing evidence that taxation is an instrument of economic growth in Nigeria. This conclusion points to the need for additional measures by government in ensuring that taxpayers do not avoid and evade tax so that income can be properly redistributed in the economy¹⁷⁷.

The exploration of the relationship between Tax incentives and the growth of Small and Medium Scale Enterprises in Developing Economy- the Nigerian experience using a sample of 100 respondent using Stratified and Simple random sampling techniques in which Data were collected through questionnaires, interviews and observations was analysed using ordinary least square regression model to estimate the contribution of each variable to the growth effect of SME's. The results revealed that there was a significant Correlation between taxation and SME's growth. it then recommend that there should be a friendly tax policy for all start up businesses preferably a tax holiday.¹⁷⁸.

The empirical evaluation of the Effects of tax incentives on the growth and development of manufacturing firms in Nigeria. The study employed ex-post facto research design. Data on Corporate income tax incentives, Capital allowance incentives, Custom duty incentives, Excise tax incentives and return on Assets were secondarily sourced from financial statement of account from 2013 to 2018. Ordinary least Square of multiple regression technique through E-views 9.0. The result revealed that corporate income tax incentives ($p=0.00 < 0.05$) has positive and significant effect on return Asset; Capital allowance incentives($p=0.00 < 0.05$) has a positive and

significant effect on return on Asset, The study concluded from findings of the study that tax incentives on the growth and development of manufacturing firms in Nigeria and that there is need for government to conduct cost benefits analyses in order to ensure that the goals of granting incentives are achieved. However, the positive contribution was statistically significant only in the manufacturing sector development¹⁷⁹.

In an attempt to analyze the contribution and performance of VAT in Bangladesh compared to other developing countries, the result shows that the performance of VAT was quite satisfactory in the initial years; afterwards, VAT collection remained stagnant at a certain level. The study finds that the stagnation happened as a result of: relatively small number of VAT tax-payers, a general lack of awareness, and a weak monitoring system¹⁸⁰.

The impact of implementing Value Added Tax on Export of goods and services in selected countries was done and four different indices for export were observed; export of goods and services, export of goods and services (BOP), export of goods and services (annual % growth), export of goods and services (% of GDP) to investigate the sensitivity to different definitions. Findings of the study based on Mean Difference Statistical Test in two three-year periods before and after introduction of VAT show that, in different indices, the impact of VAT on export is positive¹⁸¹.

The various types of taxes SMEs pay are income tax, corporate tax, excise tax, custom duty, fees, fines, special assessments, VAT among other which include petroleum tax as some medium scale enterprises also engaged in the oil and gas sector were reviewed and this analysis however, underscores the importance of regressively convergence and influences in isolating the effect of taxes on economic growth in Nigeria from the perspectives of SMEs¹⁸¹.

The impact of administrative dimension of tax reforms in Asian pacific tax bulletin examined and the study found that tax administration is important in valued added tax to increase financial

performance; however, VAT is not only tax administered. Thus, the generalization of tax administration on financial performance is problematic, the VAT has grown a major source of revenue for the government. It also found that popularity of the VAT lies in many perceived benefits that include vast revenue, enhanced compliance and administration attributes on economic efficiency. In spite of this finding, tax administration to VAT in enterprise has exerted pressures to increase revenue which have recently quickened policy makers to broaden tax base for the idea to meet government obligations. Thus, adequate or informed tax administration in relation to financial performance of small and medium enterprise addressed¹⁸².

The worked-on companies' income tax and Nigeria's economic development carried out, which made use of VAT as one of their proxies for the independent variable. They used the GDP to capture the Nigerian economy and Petroleum Profit Tax (PPT), Companies Income Tax (CIT), Customs and Excise Duties and VAT to measure Companies Income Tax. Findings revealed that there is a significant relationship between companies' income tax and Nigerian economic development and that tax evasion and avoidance are the major hindrances to revenue generation¹²⁰.

The empirical evaluation of the contribution of VAT to the development of Lagos State economy and the development aspects considered include infrastructural development, environmental management, education sector development, youth and social development, agricultural sector development, health sector development and transportation sector development. Results showed that VAT revenue contributed positively to the development of the sectors respectively. However, the positive contribution was statistically significant only in agricultural sector development¹⁸³.

The examination of taxation as an instrument of economic growth in Nigeria. Using annual time series data sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin during the period 1980 through 2013, data of Corporate Income Tax (CIT), Value Added Tax (VAT) and Economic Growth (GDP) was estimated using the Ordinary Least Square (OLS) technique. The empirical

result suggests that the hypothesized link among corporate income tax, value added tax and economic growth indeed exist in the Nigerian context. Thus, the result offer tantalizing evidence that taxation is an instrument of economic growth in Nigeria. This conclusion points to the need for additional measures by government in ensuring that taxpayers do not avoid and evade tax so that income can be properly redistributed in the economy¹⁴⁹.

The effects of VAT on economic growth and total tax revenue in Nigeria using data covering 1994-2010. He formulated two hypotheses that VAT does not have significant effects on GDP and also on total tax revenue. The results of the regression analysis show that VAT has significant effect on GDP and also on total tax revenue. He therefore encouraged government to sensitize the people to enable it increase the tax rate so as to enlarge its annual revenue for economic development¹⁸³.

The examination on how the choice of components of capital structure influences the firm's performance in Egypt. Gross profit margin, return on asset and equity were used to evaluate performance. Capital structure was assessed by comparing current liabilities, long-term fund against asset, and debts to assets ratio. Relationship between performance and leverage was established by use of multiple regression analysis. It revealed an insignificant effect of capital structure on the firms' performance. Research done in Kenyan pharmaceutical industries to find out how the capital structure influenced the performance¹⁸⁴.

The mediating role of access to finance on the relationship between strategic orientation attributes and SMES performance in Nigeria. The paper sample 522 SMEs operating in Kano, Kaduna and Sokoto states of Nigeria using stratified simple random sampling techniques. The Partial Least Squares method of Structural Equation Modelling was used to analyze the data. Hence, the data analysis was conducted using Smart PLS 3.0. The findings revealed that access to finance mediates

the positive relationship between MO, LO, TO and the performance of small and medium enterprises in Nigeria. The study was limited to Kano, Kaduna and Sokoto State of Nigeria. Therefore, there is need to conduct similar studies to capture other State such as Ebonyi, Enugu, Abia etc¹⁸⁵.

The evaluation of the factors affecting the performance of small and medium enterprises in KwaZulu-Natal, South Africa. Cross-sectional resign design was adopted for the study. The research work sampled 74 SMEs owners/managers who were members of the Durban Chamber of Commerce via online using anonymous questionnaire. The outcome of the study revealed that technological advancement would improve the performance of the business. The use of questionnaire as data collection instrument if not handled professionally can impair generalization of findings¹⁸⁶.

The quantitative impact of small and medium scale enterprises (SMEs) on Nigeria's economic growth performance spanned 1993-2011. Multiple regression technique was used for the study. Using Johansen test showed evidence of long run equilibrium relationship between small and medium scale enterprises and economic growth. Though, in the meantime, output of SMEs (SME) does not make any significant contribution to Nigeria's economic growth performance. The outcome of the study infers that poor government policies, on tariffs and incentives, bribery and corruption, non-existent entrepreneurial development centers and poor state of infrastructure act as impediments to the growth and development of SMEs in Nigeria. The study was conducted in Nigeria and the findings are valid to SMEs operating in Nigeria¹⁸⁷.

The investigation of small and medium scale enterprises and industrial growth in Nigeria. Secondary data was collected from the Central Bank of Nigeria statistical bulletin and National

Bureau of Statistics publications for the period 2002-2016, and regression analysis was used in analyzing the data. The results of the study revealed that manufacturing SMEs production has a statistically significant relationship with industrial growth in Nigeria. The study gave credence to Nigeria SMEs only and the finding is valid for SMEs in Nigeria. Thus, there is need to conduct research outside Nigeria using small and medium scale enterprises¹⁸⁸.

The impact of exchange rate movements on the manufacturing sector in Nigeria was evaluated. Time series data and ordinary least square (OLS) estimation technique was used for study to address the specified objective. The variables analyzed were EXCH, manufacturing GDP (MGDP), government capital expenditure, foreign direct investment (FDI), credit to private sector and value of imports. The outcome, showed that exchange rate movements play a significant role in the manufacturing sector's performance in Nigeria. Results indicate that EXCH, government capital expenditure (GCEXP), imports and FDI has positively related to MGDP, while credit to private sector was negatively related. Among others, the study recommends that the apex bank keep a closer watch on EXCH developments in order to keep formulating up-to-date policies that will ultimately enhance EXCH stability¹⁸⁹.

The impact of foreign exchange rate policies on industrial growth in Nigeria that was examined between 1981 and 2016. The study used the Vector Error Correction Model (VECM) techniques, following the results of Johansen Co-integration techniques that show the existence of long run relationship among the variables considered. VECM estimates indicated that money supply (monetary policy) impacted positively effects, evidence on, Tax (fiscal policy) impacted negative on industrial growth. Besides, the Exchange rate and Inflation impacted negatively on industrial growth. The emanating policy antidotes is that there is urgent need to use proactive monetary policy

through money supply to speed up the rate of industrial growth on one hand, while providing tax incentive to various industrial good that can further enhance the contribution of the sector to industrial growth on the other. In all, the need to align the objective of exchange rate policy with broader macro-economic goals is necessary for effective policy transmission mechanism to speed up the rate of industrial progress in the country. A longer period which the study covers may provide greater understanding of the relationship between exchange rate and industrial growth¹⁹⁰.

The impact of interest and exchange rates on the Nigerian economy from 1975-2008. Data was sourced from the CBN statistical bulletin. Ordinary least square (OLS) technique was employed to analyse the data, A unit root test was employed, it further resorted to co-integration analysis which established the existence of a long run relationship between the variables in the models. Outcomes revealed that an increase in interest rate retards investment and subsequently economic growth; and the lag one of exchange rate shows the expected positive sign, implying that depreciation in exchange rate retarded growth from 1975 to 2008. Thus, interest and exchange rates exerted negative impact on the Nigerian economy during the period under review¹⁹¹.

The evaluation of financial structure and financing constraints: Evidence on Small and Medium-Sized Enterprises in China during 2009-2013. The study introduces it to the analytical framework of the investment-cash flow sensitivity model, establishes a two-way fixed effect model on the basis of the financial structure and other external financing conditions. A sample of 161 listed companies on the Small and Medium Enterprise Board selected and used to conduct an empirical test on the correlation between the financial structure factors and the financing constraints of small and medium sized enterprises. The study found that the promotion of the scale ratio of small and medium-sized enterprises in the banking industry is able to significantly alleviate the financing constraints of small and medium-sized enterprises. Meanwhile, the structure of the banking industry

should adapt to the industrial structure, in order to achieve the sustained and stable development of the real economy. The study was limited to companies listed on the small and medium enterprise board in China and the result of the study can only be valid for SME in China. Therefore, it is important to conduct studies using small and medium enterprises in Nigeria¹⁹².

The impact of SMEs financing on business growth in Nigeria using Keffi and Mararaba metropolis as a case study. Descriptive research designs as well as T-test statistics for the test of hypotheses were utilized. Hypotheses applied for the study includes banks credits to SMEs have no significant impact on the growth of the Nigerian economy, as well as interest rates charged on credits has no effect on SMEs business expansion in Nigeria. Access to finance was found to be sine qua non for successful entrepreneurial development while in respect of interest rate charged on SMEs loans and advances, the entrepreneurs' ability to borrow was not hindered. The study therefore recommends strong availability to finance for successful growth of SMEs through different channels like microfinance banks and institutions in addition to formal and informal financial institutions. In addition, the scheme could be further expanded into various tax palliatives. It is also recommended that the government should provide suitable incentives for the growth and effective performance of SMEs¹⁹³.

The role of Credit financing on performance of SMEs in Lira Municipality was investigated. A sample of 120 respondents was considered with response rate of 100%. The results revealed that extending credit to SMEs enables them to access essential resources, increase business diversification and increase productivity levels. The research suggested that Credit institutions should continue providing credit at affordable rates while endeavoring to train their clients on how to keep financial information, which is essential in assessing the borrower's credit worthiness.

SMEs should practice documenting their transactions, including information on personal characteristics, which are essential in assessing the credit worthiness of potential borrowers¹⁹⁴.

The effects of microfinance lending on the financial performance of small and medium enterprises. The study adopted cross sectional and survey research design. The population of the study cover 8,139 SMEs within Nakuru East Sub County. Stratified simple random sampling technique was used to select a sample size of 99 SMEs from the population. Primary data was used for the study and data was analyzed using descriptive as well as inferential statistical techniques. The study confirms the positive contribution of MFIs loans towards promoting SMEs financial stability, operational efficiency and profitability. The study recommended that MFI interest rates should be standardized¹⁹⁵.

The effect of loan interest rate on the performance of small and medium size enterprises in Lurambi Sub-County, Kenya. The population of the study comprises of all microenterprises in Lurambi Sub- County, from which a representative sample of 365 SME owner/managers will be selected as respondents. The data for the study was sourced by use of questionnaire. Cronbach's Alpha of coefficient test will be used to determine the reliability while test-retest and data triangulation technique was used to determine the validity of the instruments. The empirical analysis of the study was conducted using both descriptive. The value of beta was positive and significant. Based on this value, it therefore implies that there exists a statistically significant positive effect of loan interest rate on the performance of SMEs in Lurambi Sub-County, Kenya. From the results performance of SMEs can be explained by reduction in interest rate and the relationship followed a simple regression model of the nature $P = \alpha + \beta IR + \epsilon$ where P is the performance of SMEs, α is the constant intercept of which in my case is and beta IR is the interest rate and ϵ is the standard error term which is. The findings of the study form a basis for the formulation of policies relating to bank lending and future funding programs and schemes¹⁹⁶.

The moderating effects of the real exchange rate and its volatility on the finance-growth nexus in the West African region. It also determines the marginal effects of financial development on economic growth at various levels of the real exchange rates and its volatility. The findings show that financial development has a long-term positive impact on economic growth but this impact is weakened by real exchange rate and its volatility. The marginal effects of financial development on economic growth vary with the levels of the real exchange rate and its volatility. The higher the real exchange rate and its volatility, the less finance spurs growth. We also provide evidence of this scenario in individual specific countries in the region. The implication of this study is that the development of the financial sector would not provide the desirable economic benefits except it is accompanied by a reduction and stability in the real exchange rates¹⁹⁷.

Empirically, the determinants of exchange rate in Nigeria using the ARDL Bounds test approach to co-integration for the period spanning 1986-2016. The result of the analysis shows that the gross domestic product (GDP), Interest rate (INT) and inflation rate (INF) have positive effect on exchange rate in Nigeria while degree of openness (DOP) recorded a negative effect on exchange rate (EXR) in Nigeria. The Error Correction Mechanism result appeared to be correctly signed and significant. The study therefore concluded that gross domestic product, interest rate and inflation rate are the major determinant of exchange rate in Nigeria under the study period¹⁹⁸.

The effect of exchange rate movements on real output growth in Nigeria was examined. Based on quarterly series for the period 1986 to 2010, the paper examines the possible direct and indirect relationship between exchange rates and GDP growth. The relationship is derived in two ways using a simultaneous equations model within a fully specified (but small) macroeconomic model. A Generalized Method of Moments (GMM) technique was explored. The estimation results suggest that there is no evidence of a strong direct relationship between changes in exchange rate and

output growth. Rather, Nigeria's economic growth has been directly affected by monetary variables. These factors have tended to sustain a pattern of real exchange rate, which has been unfavorable for growth¹⁹⁹.

Exchange Rate and Economic Growth of the Nigerian Experience covered 1978 to 2014. It analyzed the data for Nigeria using Ordinary Least Square (OLS) method and found out that Exchange Rates positively and significantly influences Economic Growth and vice versa. The study revealed the non-spuriousness of our regression via the stationarity of the residuals. Co-integration technique employed also showed the long-run equilibrium among the series used. The short-run directional relations were established between the exchange rates and economic growth in the country via Pairwise granger causality tests. Our findings were robust as demonstrated by the diagnostic tests in the study. Thus, the study concludes that exchange rates and economic growth influenced by one another²⁰⁰.

The impact of Exchange Rate Management on economic growth in Nigeria between 1980 and 2015. The study was set to gauge how the management of exchange rate in Nigeria has impacted the economy. The study employed the Ordinary Least Square (OLS) method in its analysis. Co-integration and Error Correction Techniques were used to establish the Short-run and Long-run relationships between economic growth and other relevant economic indicators. The result revealed that exchange rate management proxy by various exchange rates regimes in Nigeria was not germane to economic growth. Rather, government expenditure, inflation rate, money supply and foreign direct investment significantly impact on economic growth in Nigeria. It is against this backdrop that the Nigerian economy must diversify her export base to create room for more inflow of foreign exchange²⁰¹.

The examination of the effect of infrastructure on the performance of Small and Medium Scale Enterprises (SMPEs) in the federal capital territory (FCT), Abuja, Nigeria. The study adopted a survey research design. The population is 5690 SMPEs in Abuja and the sample size is 374 SMPEs in Abuja using simple random sampling method to select owners or owner-managers. The study used a questionnaire that was administered to the respondents. The statistical tool adopted was a regression. The findings revealed that there is a negative and significant effect of infrastructure on the performance of small and medium scale enterprises in Abuja, Nigeria²⁰².

The small and medium scale enterprises (SMPEs) and industrial development of Onitsha metropolis was examined: A cluster lead approach. The aim of the study was designed to address SMPEs agglomeration and industrial development in Nigeria (especially on the Small and Medium Enterprises (SMPEs) sub-sector in Onitsha metropolis of Anambra State). The study was anchored on the Porter's Diamond Model of Clusters Determinants. A descriptive survey design was adopted for the study. Questionnaire was used in collecting data for the study and was based on a 5 Likert-type (point) scale technique. Pearson Product-Moment Correlation Coefficient statistical tool was used to test the research hypothesis. The result obtained from the findings indicated that government policies, support and institutional knowledge transfer to SMPEs agglomeration positively correlates with SMPEs industrial development in Onitsha metropolis²⁰³.

A study on financing the growth of SMPEs in Africa was carried out, and the constraints to SME financing within ECOWAS. The study made attempt to provide some understanding about SMPEs' access to finance within the West African sub-region with particular interest in establishing whether there are similarities and/or differences in the determinants of SMPEs access to finance across countries in Sub-Saharan Africa. Data from World Bank's Enterprise Survey data set were used to examine the determinants of access to finance both at the sub-regional level and at the country-level. Data gotten were analyzed using regression analysis. Findings revealed that, at the sub-regional

level, access to finance is strongly determined by factors such as firm size, ownership, strength of legal rights, and depth of credit information, firm's export orientation and the experience of the top manager²⁰⁴.

The examination of the critical factors that properly addressed SMPEs; hence it would propel SMPEs' performance. The target population of the paper constitutes four hundred and fifty (450) enterprises, representing 18% of 2500 registered SMPEs operating within Abuja metropolis. A sample size of 97 respondents was determined using the Yamane formula. A random sampling technique was adopted in administering questionnaires to the respondents, and it was however administered in a way to give each respondent equal opportunity of being selected to be part of the study. The findings revealed that insufficient capital, deficiencies in infrastructure, and inadequate fiscal incentives framework are the main challenges facing their businesses²⁰⁵.

The study on the determinants of industrial sector growth in Nigeria, assessed the determinants of industrial sector growth in Nigeria. The study made use of the following variables as major determinants of industrial growth in Nigeria; capital (proxy by gross capital formation) labor (proxy by total labor force in the industrial sector) exchange rate, education (proxy by school enrolment, inflation rate, capacity utilization, trade openness and electricity generation's integration and error correction model was adopted and the result showed that all the identified determinants have more of permanent effect on industrial output than transitory effect. Both labor and capital have significant impact, exchange rate shows a positive and significant impact indicating that currency appreciation might be inimical to the growth of the industrial sector²⁰⁶.

Small and Medium Scale Enterprises and Economic Growth in Nigeria from 1975-2012. The main objective of this paper was to examine the impact of SMPEs on economic growth in Nigeria. The study polled 84 SMPEs for primary data collection, as well as statistical records for years 1975-2012 as secondary data. The ordinary least square, co-integration and error correction model was

used to estimate the data collected during the period of the study. Study showed that finance available to SMPEs showed a positive relationship with economic growth while interest rate and inflation rate showed a negative and positive influence on economic growth respectively²⁰⁷.

The relevance of small and medium enterprises in the growth of the Nigerian economy: a study of manufacturing SMPEs. The study employed a time series research design and descriptive method of analysis to investigate the relevance of the manufacturing SMPEs in growth of the Nigerian economy. Data were extracted from relevant publications of the Central Bank of Nigeria (CBN) and National Bureau of Statistics (NBS). Graphs were used to enhance descriptive analysis of data values over time. Results showed that the manufacturing SMPEs made sizable contributions to the sustained increases in gross domestic product, sustained more than 7 per cent share in employment for greater part of the 2002-2012 period and maintained increasing shares in GDP²⁰⁸.

2.3.4 Pioneer Status Incentives and Financial Performance of Small and Medium Enterprises

Customs duty is a tax levied on imports (and sometimes on exports) by the customs authorities of a country to raise revenue for the state and/or to protect domestic industries from more efficient or predatory competitors from abroad. Customs duty is based generally on the value of goods or upon the weight, dimensions, or some other criteria that will be determined by the state. Customs and excise duties are the oldest forms of modern taxation and are otherwise known as import duties. They are charged either as a percentage of the value of import or a fixed amount on specific quantity²⁰⁹.

The impact of various taxes on the economic growth in Nigeria, using a time period of 1985-2004. Results showed that customs and excise duties was negatively related to gross domestic product, implying that an inverse relationship existed between customs excise duties and economic growth in Nigeria²¹⁰.

The analysis of the impact of non-oil tax revenue on economic growth from 1993 to 2010 in Nigeria. The data sourced from the 2012 statistical bulletin of the Central Bank of Nigeria (CBN), were analyzed using the ordinary least square regression technique. The results showed the existence of a positive relationship and impact of non-oil tax revenue on the economic growth in Nigeria²¹¹.

The impact of taxation on the growth of the Nigerian economy from 1976-2006 was empirically investigated. The study employed the use of both simple and multiple linear regression analysis of the ordinary least square method to determine the impact between the endogenous variable, RGDP, and the exogenous variables, PPT, CIT, CED and VAT. It was discovered that all exogenous variables, including CED, had a significant impact on the economy of the nation²¹²

The study that examines the effect of Value Added tax and Customs and Excise Duties on the country economic growth. Here secondary sources were explored in the gathering of data and Simple regression analysis technique was used for test of the hypotheses. Also, correlation analysis was applied in the assessment of the relationship between the non-oil revenue sources and Nigeria Gross domestic product. The results further reveals that all the non-oil tax revenue affects the Gross domestic products of the country. This confirms that the strength of their relationship is very high for all the variables. They concluded that Valued Added tax and Customs and excise Duties are some of the major contributors to Nigeria Gross Domestic product²¹³.

The relevance of small and medium enterprises in the growth of the Nigerian economy was examined; a study of manufacturing SMEs. The study employed a time series research design and descriptive method of analysis to investigate the relevance of the manufacturing SMEs in growth of the Nigerian economy. Data were extracted from relevant publications of the Central Bank of Nigeria (CBN) and National Bureau of Statistics (NBS). Graphs were used to enhance descriptive analysis of data values over time. Results showed that the manufacturing SMEs made sizable contributions to the sustained increases in gross domestic product, sustained more than 7 per cent

share in employment for greater part of the 2002-2012 period and maintained increasing shares in GDP²⁰⁸.

The examination of the impact of tax reforms on the economic growth of Nigeria from 1994 to 2009. The study made use of relevant secondary data collected from the Central Bank of Nigeria (CBN) Statistical Bulletin, Federal Inland Revenue Service (FIRS), Office of the Accountant General of the Federation, and other relevant government agencies. The data collected were analyzed using relevant descriptive statistics and econometric models such as White test, Ramsey RESET test, Breusch Godfrey test, Jacque Berra test, Augmented Dickey Fuller test, Johansen test, and Granger Causality test. The results from the various test show that tax reforms are positively and significantly related to economic growth and that tax reforms granger cause economic growth. The study concluded that tax reforms improve the revenue generating machinery of government to undertake socially desirable expenditure that will translate to economic growth in real output and per capital basis²¹⁴.

The overall effectiveness of tax administration in relation to assessment, collection and remittance of tax in Lagos State, Nigeria was done. A survey of the machinery of tax administration which was carried out where 130 questionnaires was administered to analyze the opinion of civil servants directly connected with tax administration in the five Local government areas of Lagos State. The hypothesis tested for the relationship which exists between tax administration, tax regulation and revenue generation. They adopted Kendall measure and their finding was that the tax administration in Lagos state is not totally efficient. Hence, tax administration affects the revenue generated by the government; also, added that there is a significant relationship between tax administration, tax policies and tax laws. Their study therefore recommends that Lagos State Government could put in place a tax system that can enhance better administration of tax systems and tax collections and should be left in the hands of private organizations²¹⁵.

Tax audit is the independent examination of the returns submitted by taxpayers to the relevant tax authorities to ascertain the level of tax compliance by taxpayers. The objective of that study was to examine the impact of tax audit on tax compliance in Nigeria. They employed data from primary and secondary sources. The secondary sources were from scholarly published and unpublished works and the primary source from a well-structured questionnaire of three sections, administered to two hundred and four (204) respondents with an average reliability of 0.77 using diagnostic tests, augmented dickey-fuller, ordinary least square and granger causality. Their empirical analysis provided a significant relationship between random tax audit, cut-off tax audit and conditional tax audit on tax compliance in Nigeria. On the basis of the empirical result, they conclude that tax audit is one of the compliance strategies that can be used to achieve tax compliance in Nigeria because the average Nigerian is known for tax evasion and avoidance using all the available means of not paying the relevant tax to the government. Therefore, their study recommends that government should show some degree of accountability and transparency on the revenue collected to make citizens understand the connection between tax revenue and expenditure; the government should implement the relevant tax laws faithfully, equitably and fairly irrespective of the persons status and organization concerned; the relevant tax authorities at all levels should improve on the standard of tax audit employed for effectiveness and efficiency in tax administration to reduce the high level of tax evasion on those that are self-employed²¹⁶.

The relevance of small and medium scale enterprises to Nigeria's economic development. The study was centered on financing small and medium scale enterprises for economic development. The overall objective of the study was to seek for improved or new methods of financing SMEs for improved performance, which will in turn lead to economic growth and development of the nation. The main data collection instruments were structured questionnaire and personal interviews. The

data collected were presented in tables as frequency distribution and analyzed with percentages and frequencies. The sign test and Pearson product moment correlation coefficient were used to test the hypothesis. The result of the study showed that small and medium scale enterprises were underfinanced and various measures were suggested to improve the funding status including direct government intervention in financing²¹⁷.

The study on financing the growth of SMEs in Africa, and the constraints to SME financing within ECOWAS. The study made attempt to provide some understanding about SMEs' access to finance within the West African sub-region with particular interest in establishing whether there are similarities and/or differences in the determinants of SMEs access to finance across countries in Sub-Saharan Africa. Data from World Bank's Enterprise Survey data set were used to examine the determinants of access to finance both at the sub-regional level and at the country-level. Data gotten were analyzed using regression analysis. Findings revealed that, at the sub-regional level, access to finance is strongly determined by factors such as firm size, ownership, strength of legal rights, and depth of credit information, firm's export orientation and the experience of the top manager²⁰⁴.

The research conducted on the induction to tax policy design and development, using co-integration test, unit root test and ordinary least square regression in testing the variables and finds out that globalization and other factors may lead to further convergence of tax system, the evidence to date shows that the size and structure of taxation in most countries will continue to be dominated largely by domestic instead of global factors and the study further recommended that the government should take a proper account of what taxes exist around the world and as well the level and structure of taxes, also the way in which taxing patterns have changed in recent years should be reviewed with a given period of years²¹⁸.

The impact of tax reform on the general economy of the nation research carried out, and tested the research variable with the use of ordinary least square regression method and find out that tax

reform in Nigeria have not had a significant impact on the macroeconomic stability. It was observed that increase in the tax rate ultimately result in greater burden for the masses through a shift of the tax liability. As a result, tax reforms in Nigeria have created inequalities rather than bridging such. The study further recommended that citizens should wake up to their civic responsibilities in terms of tax compliance²¹⁹.

The examination of the impact of tax policies on economic growth using data from Asian economies and discovered that tax policies adopted by developing countries have no evidence that taxes permanently affect the rate of economic growth. Even though government policies can affect per capital income in the transitory path of the steady-state growth, this seems to be inconsistent with the endogenous class of growth models. The results of their study suggest that the relationship between output and the tax rate is best described by the neo-classical growth models because a higher tax rate permanently reduces the level of output but has no permanent effect on the output growth rate. Consequently, they recommended an optimal tax rate to finance the budget, with debt instrument used in financing transitory expenditure while permanent expenditure is to be financed through taxes²²⁰

In a research study on the effect of tax audit on tax compliance in Nigeria with Bauchi state board of internal revenue as a case study. The data generated for the study was analysis with the aid of simple percentage method. The study found out that the Relevant Tax Authority (RTA) employed tax audits towards achieving target revenue and that tax revenue reduces the problems of tax evasion and that tax payers do not usually cooperate with the tax audit personnel during the exercise. The research study further recommends that relevant tax authority (RTA) at all level should improve the standard of tax audit employed for effectiveness and efficiency²²¹.

The impact of tax administration on government revenue in a development economy with a case study of Nigeria economy, applied descriptive statistics method to analyze 93 usable responses, the

study found out among other things that increasing tax revenue is a function of effective enforcement strategy. The research study further recommended that the government should review and restructure the nation's tax policy and administrative system²²².

The evaluation of financial literacy and performance of small and medium scale enterprises in Benue State, Nigeria. The study used both Primary and secondary data sources from a sample of 154 respondents through a well-structured questionnaire. Using multiple linear regression analysis, the outcome indicates that financial knowledge and attitudes influences SMEs performance. The use of questionnaire as data collection instrument if not handled professionally can impair generalization of findings²²³.

Assessment of the relevance of Entrepreneurial Orientation to the Performance of Micro, Small and Medium Enterprises in Ebonyi State, Nigeria. The questionnaire was distributed to obtained data from a sample of MSMEs in the State, and 246 out of 400 copies were returned by the respondents, representing 61.5 per cent return rate. Data was analyzed using Pearson Product Moment Correlation. Outcome revealed that three dimensions of entrepreneurial orientation namely; innovativeness, proactiveness and competitive aggressiveness were relevant to, at least, one measure MSMEs performance in Ebonyi State. Innovativeness and proactiveness have significant correlation with customer performance, while competitive aggressiveness has significant relationship with both product and customer performance. Risk-taking and autonomy had no significant correlation with any of the performance measures, suggesting they are not relevant to MSMEs in the State. The study was limited to SMEs operating in Ebonyi State and the finding can only be valid for small and medium scale enterprises in Ebonyi State²²⁴.

The effect of globalization on the performance of small and medium scale enterprises in Nigeria. Ex-post facto research design was adopted for the study. The population of the study is 72,838

and was used as the sample size. Globalization was measured by trade openness as well as small and medium scale enterprise performance was measured by SMEs output. The study covered 32 years from 1986-2018. The statistical tools adopted in this study were descriptive statistics, correlation analysis, unit root test, co-integration and granger causality test. The data was analyzed with the aid of e-view statistical software and the finding show that globalization influence the performance of small and medium scale enterprises in Nigeria. The outcome of the study cannot be generalized across countries due to legal and cultural difference²²⁵.

In a research work conducted on the recent developments in company's income taxation in Nigeria, and analyzed the variables with the use of quantitative survey method and finds out that the Nigeria tax system is unduly complex, skewed low revenue yielding poorly administered anti-federalism largely inequitable and loaded with unduly large number of overlapping taxes which have more nuisance value than revenue value. The study recommended that the tax administration amending Act altered some of the penalties under CITA to reflect current realities and make them more administrable²²⁶

A study on the role of small and medium scale enterprise on Nigeria's economic development from 2006-2015. Primary data were used whereby questionnaires were distributed to some operators of SME in Nigeria and specifically around the Maraba-Nyanya metropolis. The study found that "small and medium Enterprise drives their country's development as they create employment and contribute to the gross domestic product. The study recommended that there should be capacity developments for both technical and management are a vital area, governments should develop and implement coherent policies that will enable SSEs compete. The use of questionnaire as data collection instrument if not handled professionally can impair generalization of findings²²⁷.

The examination of the strategies for financing small and medium enterprises in Nigeria: concepts and issues SMEs have been recognized by both developed and less developed economies as instruments for economic development. Their importance has been identified in the areas of employment generation, wealth creation, dispersal of industries, support for the growth of nations, their performance has been dwarfed by some challenges and among which, finance has been identified to be a major one. In solving this problem, efforts have been made by the state and federal government, and other international organizations. This paper focuses on the assessment of the various financing strategies available to SMEs in LDCs for effective performance. The data used for the study was gathered through secondary source and recommendations were made for policy making²²⁸.

In an appraisal the impact of liquidity on firm value. The researches made of liquidized electronic industries in Taiwan for the period five years, from (2005-2009) as the scope of their study, as result of incomplete data, the researchers made use of 164 companies as the population of the sample size. Data for the study was collected from the published annual accounts of some selected companies. Panel data regression, was used for analysis of data collected and was reported that liquidity has a negative and significant impact on company value. This proves that, the value of firm is not dependent on how liquid the firm is, but other factors are considered to have roles to play²²⁹.

Research conducted on the impact of some selected firm variables and financial performance of agricultural companies listed in Nairobi securities exchange. The research made use of a conventional research design and also adopted a multiple linear regression model for the analysis of data obtained. The investigation discovered that out of the variables used only liquidity had a positive and significant relationship with performance of the quoted agricultural firm in Nairobi that was provided by ROA. Other characteristics such as firm size, leverage and age, contain weak

and in-significant relationship with financial performance. The investigation concluded and recommended that managers of companies should focus the interest and channel their resources to those characteristics that have significant impacts on the long term financial performance²³⁰.

The research on the effect of liquidity and profitability of some quoted manufacturing companies in Sri-Lanka between 2007-2011. Their findings revealed a negative association between liquidity and financial performance of the selected companies²³¹.

The work on the effect of stock market liquidity and financial performance, here the size of the research was made up of 154 listed industrial goods firms in Tehran Stock Exchange. They discovered a significant association between liquidity and financial performance, 72,303 US companies were observed for the period of 1976-2007, they found that liquidity changes determine the performance of firms^{232 & 233}.

The research work on the correlation between liquidity and profitability of Islamic banks between 1992-2009. They made use of twenty-five (25) Islamic bank listed in Pakistan; they adopted a panel data regression model in testing data collected from the annual financial statement of the listed manufacturing firms in the United Kingdom (UK) stock exchanges. The study revealed a positive relationship between liquidity and profitability of firms in a short run²³⁴.

In an investigation conducted on the determinant of profitability in the non-banking financial investigations (NBFs) sector in Bangladesh, the researchers discovered that liquidity enhance profitability²³⁵. The examination of the effect of liquidity and firm value; between 1992-2003, where they made use of 39 non quoted firms in Australia and adopted a panel data regression model in testing the data collected from the secondary sources. The investigation revealed a negative and insignificant association between liquidity and performance²³⁶.

The impact of stock liquidity, corporate governance and company performance of housing investment trust fund between 1992-2008. The data for the analysis was collected from the

published financial statements of the quoted real estate in the US stock exchange market. Panel data and multiple regression techniques were adopted to carry out the data analysis, the outcome of their work indicated a negative effect of liquidity in companies' financial performance²³⁷.

In the determinants of profitability of listed deposit money banks in Nigeria. The population the study comprised of 12 banks out of the 25 listed banks in the Nigeria Stock Exchange for the period of ten years (2006-2015), the researcher adopted ex-post facto and casual research design by using panel data in testing the data collected from the secondary source, the published annual financial statements of the sampled banks. The outcome of his findings revealed a positive and significant relationship of liquidity and return on assets. He recommended that leverage should only be obtained if all efforts to getting internal funding prove abortive²³⁸.

The challenges facing small and medium scale enterprises in Nigeria, the paper adopts survey research design to obtain data from two hundred respondents from small and medium in Abuja. The study used t-test statistical technique to ascertain the extent to which these challenges hamper the growth of SMEs. The study revealed that multiple taxation, access to finance and power supply are the major challenges facing SMEs in Nigeria. The finding also indicated that power supply is the 1st ranked challenge while multiple taxation is ranked the least challenge facing SMEs in Nigeria. The study only gave attention to SMEs in Nigeria and ignores other SMEs outside Nigeria²³⁹.

Financial schemes to boost small and medium sized enterprises was examined. The researcher employs commentary and inductive argument to evaluate how well the special financial institutions that were set up before and after the implementation of financial market liberalization policy have been able to achieve their objectives. The study Proved that most of Small and Medium Enterprises in Nigeria still struggle with access to finance. These SMEs do not only face banks stringent conditions as obstacles to loans procurement, but also high interest rate charges of commercial

banks currently between 23-26%. The special financial institutions set by the government as a result of the schemes to help finance the SMEs sector, appears to have performed below expectation due to inadequate funding, misallocation of their limited resources, poor staffing and overlapping functions of the institutions²⁴⁰.

The analysis of the empirical study on the effect of financing on the profitability of Small and Medium Enterprises in Lagos State. Descriptive statistics was adopted for the study. Spearman's rank correlation coefficient and multivariate analysis of variance and covariance (MANOVA) was used to analyze data through STATA 11 version. The outcome indicates that finance and revenue generated has positively relationship between finance and Profitability. The study infers that there is a strong positive relationship between finance and small and medium profitability in Nigeria. Increasing in finance of small and medium enterprises is directly correlated to the level of profitability in small and medium enterprises. The result of the study cannot be generalized across nations due to cultural and legal difference²⁴¹.

Capital Structure of Micro, Small and Medium Scale Enterprises examine in Nigeria. Primary data was gathered through the use questionnaire administering with a combination of cluster and simple random sampling techniques. The research revealed that there is a significant difference in the Capital Structure of Nigerian MSMEs; there is no statistically significant difference between the Capital Structure of Nigerian. Findings of the research can only be valid for small and medium scale enterprises operating in Nigeria²⁴².

The study conducted on the factors influencing the growth rate of small and medium-sized enterprises (SMEs) in Algeria and explores the extent to which their success or failure depends on the wider business climate. The study looks at different internal factors that may be responsible for

the unstable and limited growth of SMEs. The results of the research shows that the growth of SMEs in Algeria is hampered by several interrelated factors, which include business environmental factors that are beyond the SMEs control and internal factors of the SMEs. The external factors include the legal and regulatory framework, access to external financing, and human resources capacities. The internal factors comprise entrepreneurial characteristics, management capacities, marketing skills, and technological capacities. The study was limited to SMEs in Algeria and the finding can only be useful to small and medium scale enterprises operating in Algeria²⁴³.

Impact of inflation in the growth of small and medium enterprises in Ogbomosho area of Oyo State, Nigeria was carried out. Secondary data was used for the study and the data was obtained from Central Bank of Nigeria and Federal Office of Statistics. The results revealed that the parameters estimate associate with the independent variable inflation rate is positive Also, there is a positive relationship between parameter estimate associate with capacity utilization and parameter estimate associate shows positive relationship with environmental factors. The study concludes that there is a direct relation between growth rate in real GDP (i.e. productivity) and inflation rate in Nigeria²⁴⁴.

The examination of the Small and Medium Scale Enterprises and Nigeria's economic growth from 1970 – 2012. The study sampled 84 SMEs. Both primary data and secondary data was used for the study. The ordinary least square, co-integration and error correction model was used to estimate the data collected during the period of this study. The variables used include Gross Domestic Product as the dependent variable and Finance Available to Small and Medium Enterprises, Interest rate and Inflation rate as the independent variables. Outcome showed that Finance Available to SMEs showed a positive relationship with economic growth while Interest rate and Inflation rate showed a negative and positive influence on economic growth respectively²⁴⁵.

Lending Terms and Financial Performance of Small Medium Enterprises was examined in Uganda: Case of Soroti District. The study adopted a cross sectional survey and descriptive research design using questionnaire administered to the SMEs. Outcome revealed that there was insufficient liquidity, effective financial efficiency of resource utilization, high risk of solvency leading to financial distress and that lending terms of financial institutions are linearly related to the financial performance of SMEs with the lending terms explaining 26.6% variations of the performance of SMEs that borrowed²⁴⁶.

In an investigation conducted and examined the effect of business registration on formal economy using Micro and Small enterprises in Brazil. Based on a cross sectional survey on firms in Brazilian state capitals and metropolitan areas, the study estimated the impact of business registration taxes through natural experiments that compare firms in the informal sector. The findings indicate that business licensing among retail firms rose by 8% after relaxation of registration taxes indicating that tax simplification help expand the formal economy²⁴⁷.

The study, on the effect of market taxes on the performance of businesses in the informal sector, the study made use of panel data. The finding revealed that after the government increased rates on market taxes from 1% in 1986, 60 percent of the active small businesses fraction survived after five years, the result found the abuse to statistically significant²⁴⁸.

The effects of corporate taxes on two of the main drivers of growth, profitability and investment of firms was examined in European OECD member countries over the time period of 1996 - 2004 through stratified sampling, this is found to be true across firms of different size and age classes, except for young and small firms²⁴⁹. The results suggest that corporate income taxes reduce investment through an increase in the user cost of capital, This may be partly explained by the negative profitability effects of corporate income taxes if there is an increase in the corporate tax rate.

A study on corporate income taxes revealed an association between income tax and profitability of corporate institutions. The study related to the impact of corporate income tax liabilities on different variables of a firm as gross profit, cost of sales, expenses etc. A sample of 7,306 companies was taken from the hotels and restaurants sector, includes 6,594 in business services and 1,484 in transport and manufacturing sectors, for the accounting period 1995 to 2000. The conclusion was that corporate income tax adversely affects the profitability of corporate institutions, and has a positive relationship with the firm size and age of companies²⁵⁰. This apart a further study also revealed a negative relationship between corporate taxation and financial performance^{251 &252}.

The research conducted on Factors Affecting Business success of Small and Medium Enterprises (SMEs) in Thailand. The regression analysis result shown that the most significant factors affecting the business success of SMEs in Thailand were SMEs characteristics, customer and market, the way of doing business, resources and finance and external environment²⁵³.

The study on the determinants of small and medium enterprises performance in the Malaysian auto parts industry; the results indicate that there is positive relationship between the specified dependent and independent variables. However, only two variables - age and foreign participation are significantly related to the performance of SMEs. This consolidates the earlier expectations and studies that age and foreign ownership do matter to the performance of SMEs. Firm Specific factors are more important than any other factors in determining firm performance²⁵⁴.

The examination on Factors affecting profitability of SME, the results showed that firm size, growth, lagged profitability, productivity and industry affiliation significantly effect on profitability. While the variable that firm age does not significantly influence profitability. The result of the

regression coefficient indicate that the variables firm size, growth and lagged profitability have a negative effect on profitability, while the variable productivity and industry affiliation have a positive impact on profitability²⁵⁵.

The studies investigation on the types of financial report produced by SMES in Australia; The findings indicate that financial reports for SMEs are prepared predominantly by external accountants at annual intervals, and they normally comprise just the balance sheet and the profit and loss statement. The content and presentation of financial reports appear to be greatly influenced by taxation and corporate statutory reporting requirements^{256&257}.

The Financial factors that influence the profitability of SMEs in Romania; by using OLS (Ordinary least Squares) the results showed that managerial decisions on investment can influence decisively the profitability of SMEs especially in a period of economic instability. From an economic point of view, financial returns are positively influenced by the turnover and interest coverage and negatively influence by the leverage and the share of fixed assets in total assets, because a high value of it can mean a high cost of debt and therefore higher interest rate and an increase of ROIC²⁵⁸.

The impact analysis of corporate tax on the performance of an entity and examined how the deductible expenses and the tax rate reflect on OLS (this indicator. Starting from the premise that profitability is the difference between total revenues and expenses and developing this formula in the presence of taxation, it was found that the size of this indicator activates the income volume, the number of expenses, the share of non-deductible expenses in total and the tax rate in the same time. Different hypotheses were tested, based on the relationship between total income and expenses, the

conclusion being the following: profitability of an enterprises is influenced by corporate tax through the weight of non-deductible expenses in total²⁵⁹.

The effect of corporate income tax on profitability of firms in Romanian, using simple regression, they discovered that corporate income tax is statistically significant determinant of firm profitability, a reduction of effective tax rate leads to significant increase in firm profitability²⁶⁰.

The investment, financing and payout responses to variation in a firm's effective corporate income tax rate in the United States. He exploits quasi-experimental variation created by the Domestic production Activities deduction, and a corporate tax expenditure created in 2005. His findings showed that a percentage point reduction in tax rates, increases investment by 4.7 percent of installed capital, increase payouts by 0.3 percent of sales, and decreases debt by 5.3 percent of total Assets. These estimates suggest that Lower corporate tax rates and faster accelerated depreciation each stimulates a similar increase in investment per dollar in lost revenue²⁶¹. Findings on stock Liquidity and corporate tax avoidance shows firms with higher stock liquidity engaging less in extreme tax avoidance. That the "Effect of stock Liquidity on tax avoidance is economically meaningful and robust across alternative measures of tax avoidance and stock liquidity. Their findings also hold after controlling for potential endogenous effects". They further document that the effect of stock liquidity on tax avoidance is amplified for firms with high proportions of activist shareholders and attenuated for firms with high levels of stock price informativeness²⁶².

The analysis on the financial performance of agricultural companies and corporate income tax as key determinants of financial performance. They analyzed the corporate income tax burden of Agricultural companies in Vojvodina, as well as its impact on Company profitability. They carried

out a simple descriptive statistics test, which showed that effective corporate income tax rates (ETR) in agricultural companies are significantly lower than the statutory corporate income tax rate. Their result further revealed that, nearly 69 percent of observation have both a current effective tax rate and cash effective tax rate of zero (0) percent, which indicates that agriculture is an industry with an exceptional low corporate income tax burden. They further used panel regression which showed that agricultural companies with lower effective tax rates are more profitable than companies with higher effective tax rate. Results of the analysis are not sensitive to changes in corporate income tax burden and profitability proxies²⁶³.

The correlation of tax with tax compliance in Africa using cross-country data. The study adopted multi-stage sampling approach. Results revealed that there is no positive and significant mutual relationship between tax rate and tax compliance while rate of tax also does not have a positive effect on tax compliance²⁶⁴.

The study carried out on the effect of tax rate on tax compliance in Africa using cross-country data. Africa country were the study population, upon which sample was selected using multi-stage approach. Data was analyzed with correlation analysis. Result revealed a significant negative correlation between tax rate and tax compliance²⁶⁵.

The study on Factors Affecting the performance of Small and Micro Enterprises in Limuru Town, Kenya. The finding concluded that access to finance and availability of management experience are the key socio-economic factors affecting the performance of SMEs business in Limuru Town Market and other key factors are access to business information, access to infrastructure and government policy and regulations²⁶⁶.

The study on Factors affecting the performance of Small and Medium Enterprises in Nakuru Town, Kenya states that access to finance had the potential to positively affect performance of SMEs, Management skills were found to positively and significantly affect performance of SMEs²⁶⁷.

The effect of corporate income tax on the financial performance of manufacturing firms in Ghana, it was revealed that there is a significant negative relationship between corporate income tax and financial performance. It also disclosed that firm's size, age of the firm and growth of the firm show a significant positive relationship with financial performance²⁶⁸.

The effect of corporate income tax on profitability of firms in a study carried out in Tunisian. Using simple regression, they discovered that corporate income tax is statistically significant determinant of firm profitability, a reduction of effective tax rate leads to a significant increase in firm profitability²⁶⁹.

The investigation on the effect of corporate income tax on financial performance of the companies listed on the Nairobi Securities Exchange in Kenya. They used a mixed research design. They found out that there is a positive relationship between corporate income tax and financial performance of listed companies on the Nairobi stock exchange in Kenya²⁷⁰.

The study on the effect of multiple taxation on performance of SMEs. Questionnaire was adopted for the study with a sample size of 74 respondents, simple percentages were used in analyzing the data and hypothesis were tested using ANOVA. Findings revealed that Multiple Taxation has negative effect on SMEs survival and the relationship between SMEs size and its ability to pay taxes is significant. They recommended that government should up with a uniform tax policy that will favor

the development of SMEs in Nigeria and should put into consideration the size of SMEs when setting tax policies²⁷¹.

The investigation on the effect of multiple taxation on the performance of small and medium scale business enterprises in Benue state. The study involved a survey research design with a population of 91. The researchers derived their sample size of 74 respondents. Questionnaire was used to collect data. The data was analyzed with simple percentage and the research hypothesis were tested ANOVA. Findings revealed that multiple taxation has negative effect on Small and Medium Enterprises survival and the relationship between SMEs size and its ability to pay taxes is significant. The research recommends that government should come up with uniform tax policies that will favor the development of SMEs in Nigeria and Government should put into consideration the size of SMEs when formulating tax policies²⁷².

The effects of multiple taxation on small scale enterprises in a study on 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 analyzed descriptively using God's man and Kruskal's Gama of non - parametric measures. It was discovered that 60 percent 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 Small Scale Enterprises (SSEs)²⁷³.

The study on multiple taxation as a bane of business development in Nigeria¹⁵.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.

The effect of multiple taxation on investment in small and medium enterprises in Enugu state. The aim of the study was to examine the effects of multiple taxation on investment in Small and Medium Enterprises. Using primary source through questionnaire distribution, data were obtained from a sample of 80 respondents. Obtained responses were analyzed with the use of simple percentages. It was found that multiple taxation has negative effects on Small and Medium Enterprises. The study however recommended that government should evolve a tax policy that would encourage investment in Small and medium Enterprises²⁷⁴.

The study on 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 affects the operation of SMEs in the country using expansionary rate of these business 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 Questionnaire administered on staff and owners of SMEs in Lokoja, Kogi state, 131 of them were returned representing 68% response rate. The findings suggests 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 enterprise or expand the existing ones for fear of multiple taxes that continue to take significant portion of their earnings. The study recommends that Government at all levels 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 Small and Medium Enterprises in Nigeria²⁷⁵.

The examination of the effects of taxation on the dividend policy of banks in Nigeria from 2006 - 2015, using the Pearson coefficient of correlation and ordinary least Square (OLS) regression analysis. Their study reveals a negative significant relationship between tax and dividend policy. Also, it was discovered that tax has a statistically significant effect on dividend policy²⁷⁶.

An assessment on the effect of Company income tax on the financial performance of listed consumer goods companies in Nigeria from 2006 - 2016, using regression analysis. They found out that there is an insignificant negative relationship between corporate tax and financial performance using the return on Assets as a measure²⁷⁷.

The effects of corporate tax on the sustainable financial performance of listed firms, specifically listed manufacturing firms' examination, the study employed ex-post facto research design using data from 10 listed manufacturing firms. The data span 5 years from 2013 - 2017 and analyzed using simple linear regression. Findings from the study revealed that corporate tax payment has no significant effect on the return on equity of firms, it further finds that there is a positive and significant effect of corporate tax payment on the debt-to-equity ratio of the listed firms²⁷⁸.

On the investigation carried on small and medium scale enterprises and industrial growth in Nigeria; Secondary data was collected from the Central Bank of Nigeria statistical bulletin and

National Bureau of Statistics publications for the period 2002-2016, and regression analysis was used in analyzing the data. The results of the study revealed that manufacturing SMEs production has a statistically significant relationship with industrial growth in Nigeria. The study gave credence to Nigeria SMEs only and the finding is valid for SMEs in Nigeria. Thus, there is need to conduct research outside Nigeria using small and medium scale enterprises²⁷⁹.

The impact of finance on the performance of small and medium enterprises in Lagos State. Survey research design was adopted for the study. A sample of 250 SME owners and operators using Pearson correlation and regression analysis and it was revealed that, there is a relationship between SME finance and business performance. Limited information on loan qualification criteria and high interest rate mostly pose challenge to SMEs in their quest to access finance. Further results show there is significant relationship between financial management practices and the performance of SMEs. The researcher did not disclose the period of the study and the studied population which the sample size of two hundred fifty is representing²⁸⁰.

The evaluation on the financial structure and financing constraints: Evidence on Small- and Medium-Sized Enterprises in China during 2009-2013. The study introduces it to the analytical framework of the investment-cash flow sensitivity model, and establishes a two-way fixed effect model on the basis of the financial structure and other external financing conditions. A sample of 161 listed companies on the Small and Medium Enterprise Board selected and used to conduct an empirical test on the correlation between the financial structure factors and the financing constraints of small- and medium-sized enterprises. The study found that the promotion of the scale ratio of small- and medium-sized enterprises in the banking industry is able to significantly alleviate the financing constraints of small and medium-sized enterprises. Meanwhile, the structure of the banking industry should adapt to the industrial structure, in order to achieve the sustained and stable

development of the real economy. The study was limited to companies listed on the small and medium enterprise board in China and the result of the study can only be valid for SME in China²⁸¹.

Therefore, it is important to conduct studies using small and medium enterprises in Nigeria.

The assessment on the impact of SMEs financing on business growth in Nigeria using Keffi and Mararaba Metropolis as a case study. Descriptive research designs as well t-test statistics for the test of hypotheses were utilized. Hypotheses applied for the study includes: banks credits to SMEs have no significant impact on growth of Nigeria economy as well as interest rates charged on credits has no effect on SMEs business expansion in Nigeria. Access to finance was found to be sine qua non for successful entrepreneurial development while in respect of interest rate charged on SMEs loans and advances; the entrepreneurs' ability to borrow was not hindered. The study therefore recommends strong avail ability to finance for successful growth of SMEs through different channels like microfinance banks and institutions in addition to formal and informal financial institutions. In addition, the scheme could be further expanded vide various tax palliatives. It is also recommended that the government should provide suitable incentives for the growth and effective performance of SMEs²⁸².

An examination on the impact of exchange rate on economic growth from 1986 to 2013. The study used secondary data; sourced from Central Bank of Nigeria Statistical Bulletin of various issues. From 1986 being the year the monetary authority shifted from fixed exchange rate regime to flexible exchange rate regime to 2013. The correlation and regression analysis of the ordinary least square (OLS) were used to analyze the data. The result revealed that exchange rate has positive impact. This is a firm's previous studies that developing countries are relatively better off in the

choice of flexible exchange rate regimes. The result also indicated that interest rate and rate of inflation have negative impact on economic growth²⁸³.

The examination on the impact of inflation in the growth of small and medium enterprises in Ogbomosho area of Oyo State, Nigeria. Secondary data was used for the study and the data was obtained from Central Bank of Nigeria and Federal Office of Statistics. The results revealed that the parameters estimate associate with the independent variable inflation rate is positive. Also, there is a positive relationship between parameter estimate associate with capacity utilization and parameter estimate associate shows positive relationship with environmental factors. The study concludes that there is a direct relation between growth rate in real GDP (i.e., productivity) and inflation rate in Nigeria²⁸⁴.

The study on Small and Medium Scale Enterprises and Nigeria's economic growth from 1970 – 2012. The study sampled 84 SMEs. Both primary data and secondary data was used for the study. The ordinary least square, co-integration and error correction model was used to estimate the data collected during the period of this study. The variables used include Gross Domestic Product as the dependent variable and Finance Available to Small and Medium Enterprises, Interest rate and Inflation rate as the independent variables. Outcome showed that Finance Available to SMEs showed a positive relationship with economic growth while Interest rate and Inflation rate showed a negative and positive influence on economic growth respectively²⁸⁵.

In research on the effect of liquidity and profitability of some quoted manufacturing companies in Sri-Lanka between 2007-2011. Their findings revealed a negative association between liquidity and financial performance of the selected companies²⁸⁶.

The impact of firm specific characteristics such as firm age, firm size, leverage etc., on profitability, the population size of the research work was the nine listed insurance firms between 2003-2011. Data for regression analysis was collected from the annual financial statement of the nine insurance

companies and fact books of the stock exchange market. The findings of the investigation showed a positive relationship of growth, and firm size, as the most determinant of firm profitability while leverage and liquidity ratio have negative and significant relationship with profitability as measured by ROA²⁸⁷.

The investigation on the effect of company size on the performance of some selected building firms listed in the Nigeria Stock Exchange. The scope of the studies spanned between 2004-2007. Panel regression techniques was used to regress the data obtained from the secondary sources; these are the published annual statements and fact books from the Nigeria stock exchange achieves covering the period of thirteen years. The performance indicators for the research were return on assets (ROA) and return on equity (ROE) which were proxied with firm age, leverage, liquidity and firm size. The outcome of the research indicated a significant and positive association of firm size on return on assets (ROA) and return on equity (ROE)²⁸⁸.

The examination of the impacts of liquidity on financial performance of listed companies in Nairobi stock exchange. The population of the study was through sampling model in which thirty (30) of the companies were selected out of the other. She adopted a casual research model in analyzing data collected from the selected firms. Descriptive statistics was used. The result showed that current ratio and cash revenue have a significant impact on performance as measured by ROA while debt return showed a negative impact on performance. The researcher concluded that liquidity plays important function in the determinant of the firm profitability and recommended that adequate attentions should be paid to financial department of companies by ensuring sufficient amount is always available to meeting the obligation of firms when the need arises²⁸⁹.

The examination on the determinants of profitability of listed deposit money banks in Nigeria. The population of the study comprised of 12 banks out of the 25 listed banks in the Nigeria Stock

Exchange for the period of ten years (2006-2015), the researcher adopted ex-post facto and casual research design by using panel data in testing the data collected from the secondary source, the published annual financial statements of the sampled banks. The outcome of his findings revealed a positive and significant relationship of liquidity and return on assets. He recommended that leverage should only be obtained if all efforts to getting internal funding prove abortive²⁹⁰.

The investigation on tax incentives as a catalyst for economic development in Nigeria. The study focused on 12 selected companies in Lagos state using cross-sectional survey design. Structured questionnaires were administered in gathering primary data. Descriptive statistics and Chi-Square analysis were used to the data. The study showed that tax incentives impact investment decisions positively and promotes economic development as well²⁹¹.

The impact of tax incentives on corporate financial performance of quoted (large-scale) manufacturing firms in Nigeria⁴⁴. The study employed cross-sectional survey design on 58 manufacturing companies. Data were collected using structured questionnaire and analyzed using paired samples t-test. The study found that tax incentives made significant difference on each of the financial performance measures such as return on investment (ROI), return on equity (ROE), and profit after tax (PAT).

The assessment on the impact of tax incentives on the performance of SMEs. The data used for the study were obtained from 11 food and beverages companies in Rivers State, Nigeria via structured questionnaire. Data analysis was done using frequency distribution and Chi-Square analysis. The study showed that tax incentives have a significant positive effect on the performance of SMEs by helping to improve profit after tax and capital employed of small-scale industries in Nigeria³⁶.

The examination on the impact of tax incentives on growth and development of small and medium-scale industries in Nigeria³⁷. Primary data was obtained through the administration of

questionnaires, personal interviews and observation. Correlation coefficient and Chi-Square were used for data analysis. This research revealed that tax incentives increase capital base, level of working capital and reduces the rate of unemployment. Tax incentives expands the scope of business activities thereby increasing the level of employment.

The examination on tax incentives for industrial synergy in Nigeria. Questionnaire were administered to 100 quoted (large-scale) manufacturing companies in Nigeria. Correlation, regression analysis and Z-test were used to determine the relationship between tax incentives and corporate financial performance. The findings revealed that tax incentives positively affect corporate financial performance and boosts manufacturing industry investment in the Nigerian economy⁴⁹.

The investigation on the impact of tax incentives on the contribution of manufacturing sector to economic growth in Nigeria. The study employed a time series data for the period of 1991 to 2000. Data was analyzed by ordinary least squares (OLS) multiple linear regression. The results revealed that the tax incentive had a negative impact on manufacturing sector's contribution to GDP. However, with the combined influence of the controlled variables like exchange rate, interest rate, and bank credit facilities, tax incentives had positive and significant impact on the growth of the manufacturing sector²⁹².

The examination on the impact of tax incentives on revenue productivity of the Nigerian tax system. A secondary data in the form of time series for the period of 1981 to 2009 was sourced. The findings showed that well-articulated tax incentives would not only become economic activity but also stimulate foreign investments into the economy thereby improving revenue productivity and tax base of Nigeria's tax system²⁹³.

The impact of tax incentives on economic growth and industrial development in Nigeria. This study employed cross-sectional survey design. Primary data were obtained using structured questionnaire administered to medium-sized companies in the North-eastern Nigeria. Data was analyzed by Chi-Square statistic and analysis of variance (ANOVA) methods. The study revealed that tax incentives encourage direct and indirect foreign and local investment which enhances micro and macro-economic growth and development³⁸.

The examination on the effect of reduced company income tax incentives on foreign direct investment in listed (large-scale) Nigeria manufacturing companies. Primary data was obtained using questionnaire. The population of the study comprised 74 quoted manufacturing companies in Nigeria. OLS Linear Regression Model and Analysis of Variance (ANOVA) were used to analyze the data. The study showed that tax incentives encourage foreign direct investment in Nigeria⁴².

The investigation on the influence of tax incentives on the growth of manufacturing firms in Nigeria, the study employed cross-sectional survey design of 20 small and medium manufacturing companies which gave a study sample size of 100 accountants and tax officers. Data were analyzed using descriptive statistics and OLS multiple regression techniques. The findings revealed that manufacturing SMEs in Nigeria are privileged to enjoy certain tax incentives from the government, and the incentives had significant positive effect on the productivity and growth of the SMEs³⁹.

The examination on the relationship between tax incentives and the growth of SMEs in Nigeria. Data were collected through the administration of questionnaires, interviews and observations in the form of time series data from 2004 to 2011. Percentage and OLS regression model were employed to analyze the data. The study found that there was a positive significant correlation between tax incentives and profitability of SMEs⁴⁰.

The investigation on tax incentives as a real modifier for industrial growth and development in Nigeria. Large-sized firms were used for this study. Primary data was gathered using questionnaire, and simple percentage and Chi-Square analysis were used to analyze the data. The study revealed that tax incentives granted by the government is considered as an industrial and economic booster and that industries that benefit from tax incentives will develop better and faster than industries that do not benefit from tax incentives⁴⁵.

The research on the impact of tax incentives on business growth in Nigeria. The study made use of secondary data obtained from the Nigeria Stock Exchange (NSE) factbook, Federal Inland Revenue Service (FIRS) and financial statements of 55 quoted manufacturing companies for the period 2009 to 2015. Panel regression model was used to express the relationship between tax incentives and growth of the firms. The study revealed that tax incentive (capital allowance) had a positive significant impact on the growth (return on equity) of the listed manufacturing companies³¹.

The contribution of tax incentives towards foreign direct investment (FDI) inflow into Nigeria, Ghana and South Africa as well as the effect of such FDI inflows on those countries' exports after their adoption of IFRS for the period 1999-2015. Secondary data and ex-post-facto research design was used. The study adopted mixed methods in data analysis – descriptive survey approach and time series data of least squares regression approach. The findings revealed a positive association between tax incentives and FDI, and that FDI had no significant effect on the exports of Nigeria, Ghana and South Africa²⁹⁴.

The effect of company income tax incentives on the performance of listed manufacturing companies in Nigeria was examined. The study adopted the descriptive research design. The target population of the study was the one hundred and seventy-four listed manufacturing companies in Nigeria. The study employed the use of primary data via administration of questionnaire. The

findings showed a strong positive linear relationship between reduced income tax incentives and foreign direct investment. The study recommended that there was need to conduct a cost benefit analysis for tax incentives available to various sectors of the economy²⁹⁵.

The assessment of the effect of tax incentives on performance among export processing firms (EPZ) in Kenya. Descriptive research design was adopted for the study. The findings of the study showed that investments in EPZ firms increased with increase in sales, profit as well as tax incentives. The study revealed that the level of EPZ has benefitted on the following tax incentives include grant or loan guarantees, corporate income tax incentives, tax holidays or reduced tax rates, investment allowances, exemption from import tariffs, exemption from sales and subsidized financing²⁹⁶.

Analysis of the importance of corporation tax policy in the location choices of multinational firms. The study found a strong negative, but non- linear, effect of taxation on the likelihood of a destination being chosen. The difference in sectoral responsiveness of FDI location to taxation has implications for the composition of the foreign- invested sector and must be taken into account when policymakers are evaluating taxation consideration²⁹⁷.

The examination on the effect of corporate tax on revenue profile of firms in Nigeria. Secondary data was used for the study collected from the study collected from the central Bank of Nigeria statistical bulletin for the period of 1993-2013. The study concluded that there was a positive significant effect of corporate income tax on the revenue profile in Nigeria that led to an increased growth in the country. The study recommended that instead of eliminating corporate tax, government should adjust the tax downwards. The reduced corporate tax should bring about an increase in the demand for labor as a result in the demand for labor and as a result of this increase; there will be an increase in wages that will also bring about improvement in the improvement in the consumption levels in the economy²⁹⁹.

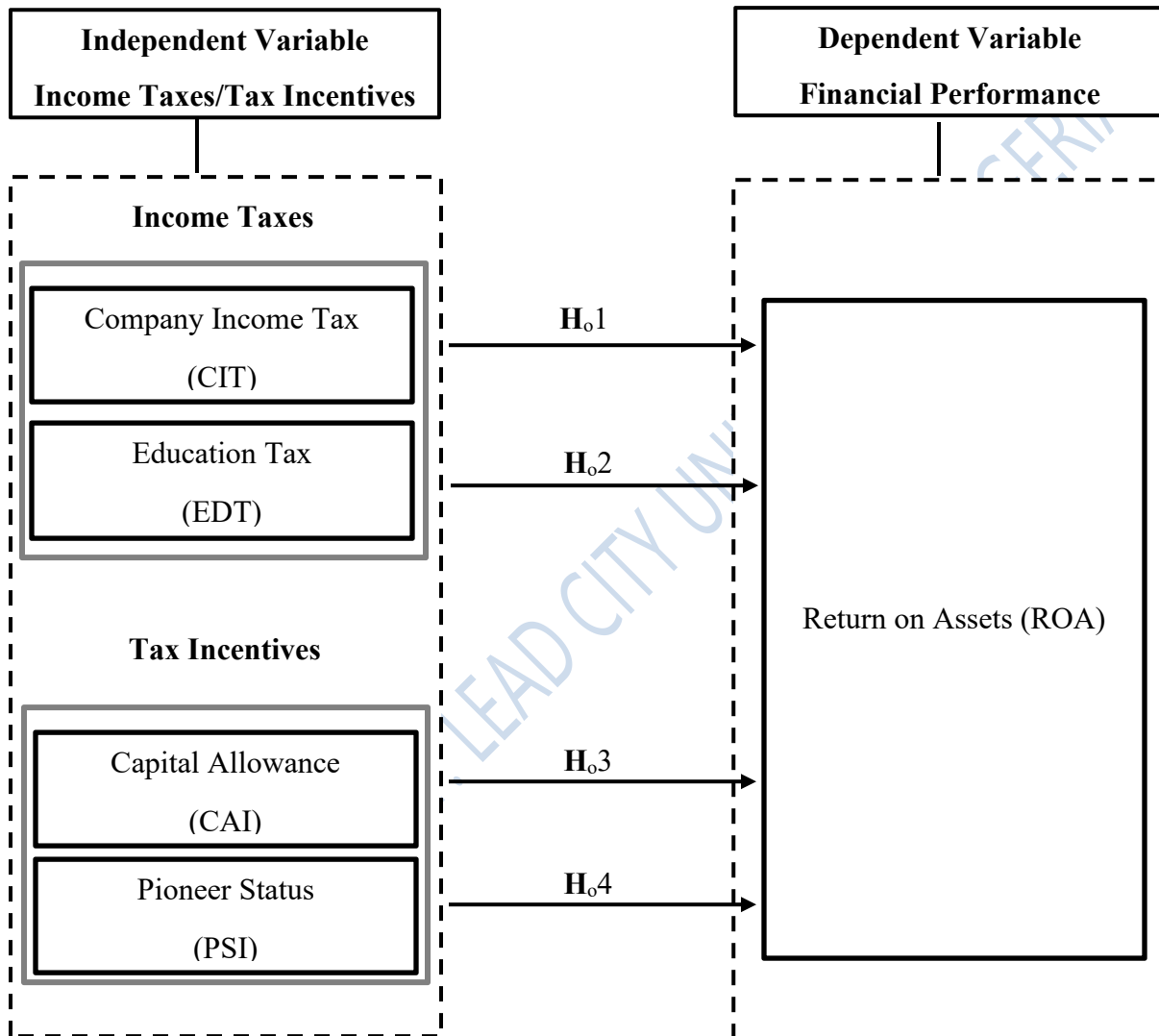
2.4 Conceptual Framework

The conceptual framework explained the relationship between the independent variable and the dependent variable, with moderating variable in the study.

The dependent variable will be the performance of the Small and Medium Enterprises as confirmed by the position and report of the SMEs Financial Statement that shows the Return to owner of business, Return on Assets, Profit after Tax, Earnings per share, Market size and penetration, environmental factors and the independent variable income taxes and incentives will be proxied to determine their effect on financial performance of SMEs because for performance to be determined it must depend on series of factors that can be coined independent variable. Concerning this research work, several indicators of performance such as Return on Assets, Return on Investment, Current asset/ Liquidity ratios will be adopted since we are using time - series in the preparation of our data analysis as against the independent variables, such as company income taxes. Education tax, Capital Allowance Incentives and Pioneer Status Incentives on SMEs as well as the various incentives by the government.

Income Taxes, Incentives and Financial Performance of Small and Medium Enterprises in Nigeria.

The study will consider all



Conceptual Model

Figure.2.1

Source: Author's Compilation 2022

2.5 Summary of Literature Reviewed

The main focus of this study is to examine the effect of income taxes, incentives on financial performance of small and medium enterprises in Nigeria. Previous studies on this work have concentrated more on discovering the effect of tax revenue on economic growth in Nigeria, using revenue from petroleum profit tax (PPT), company income tax (CIT), custom and excise duties, as measures against financial performance of SMEs in Nigeria. The proxy and concept of financial performance used by a number of authors was the Multiplicity of taxes. In country like Nigeria, where this study dwells, multiple taxes are relatively uncontrolled and the use of the Company income taxes only is not good enough. Therefore, in this study, the streams of income taxes are used as an adjusted measure that reflects the true imposition of this taxes that are charged on SMEs in a given year. In addition, unlike many authors reviewed above, a concentration is made on some indirect taxes, given their popularity as income generating instruments. The different methodologies used by the different authors, the environments or settings under which the studies were conducted, the nature of data and sources in different jurisdictions and the policy thrust, among others could account for these differences. Therefore, the uniqueness of this work is its capacity to examine the effects of independent variables (Company income taxes, Education tax, Capital Allowance incentives and Pioneer Status incentives by state) on the dependent variable (financial performance- Profitability- ROA, ROI, CAR) of small and medium enterprises in Nigeria. Finally, this study contributes to existing literature by providing empirical evidence on the effect of income taxes, incentives on financial performance of small and medium enterprises in Nigeria and try to close the gaps created by previous studies that dwelled more on the effect of multiple taxes on the economic growth and tax incentives on performance of SMEs in Nigeria.

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Chapter Three

Methodology

This Chapter identified the research strategies employed to investigate the objectives stated, research questions raised, as well as the test hypotheses formulated in the introductory chapter of this study. The methods employed followed a synthesized framework, which includes the research design of this study, the study population, sample and sampling techniques adopted, description of the research instrument, method of data collection and method of data analysis.

3.1 Research Design

The study adopts longitudinal research design because the researcher will use the real data as obtained from the statistical bulletin of the Central Bank of Nigeria (CBN). The choice of this research design is appropriate because it help to improve a wide investigation of the key question raised in this study. This design helps to investigate the relationship as well as the source and effect of income tax on financial performance of small and medium enterprises in Nigeria. This research design was adopted because it has been used in prior studies to investigate the possible cause and effect relationships between the dependent variable and independent variable. Times series data will be used for the study during the period from 1985 to 2020.

3.2 Population of the Study

The population of the study includes all the Small and Medium Enterprises operating in Nigeria which is 41.5 Million as at 2021¹.

3.3 Sample and Sampling Techniques

The study made use of the judgmental sampling technique, from data and statistical report obtained from the Central Bank of Nigeria (CBN), Federal office of Statistics, Small and Medium

Enterprises Development of Nigeria (SMEDAN) and Federal Inland Revenue Service (FIRS), which have been chosen as data source for the purpose of this study. The justification for the choice of these bodies is because they are the custodians of information which includes aggregate tax figures in Nigeria and other financial data relating to the Small and Medium Enterprises. Hence, the researcher deemed it fit to draw from the pool of resources of these organizations and believes that any information which elicits from these is expected to be effective in meeting the objectives of this study.

3.4 Description of the Research Instrument(s)

The ordinary least square regression was employed to obtain numerical values of the model coefficient. The probability of the t-test statistics was used to evaluate the estimated numerical values of the coefficients of the regression for statistical significance at 5% level while the probability of the f-test statistics was used to evaluate the estimated numerical values of the coefficients of the model for statistical significance at 5% level. E-view version 9' statistical software was used to examine the relationship between the identified variables and to confirm the viability of previous findings. The strength of the variables in predicting the effect of income tax on financial performance of small and medium enterprises in Nigeria. was evaluated based on the R square and adjusted R-square.

3.5 Method of Data Collection

This study will use secondary data. The data will be obtained from the statistical bulletin of the Central Bank of Nigeria and reports of Federal Inland Revenue Service (FIRS) for the period between 1985 and 2020 for analysis. Hence these data are highly reliable and are expected to meet the objective of the study due to the following reasons:

- i) They are already validated by professionals and other regulatory bodies before they were published by the Central Bank of Nigeria (CBN).
- ii) Secondary data have been consistently used in prior studies and have produced good results. Prior studies by ^{2,3,4 & 5} can be cited as example.

3.6 Method of Data Analysis

The study will use ordinary least square (OLS) regression technique of analysis. The choice of OLS as a tool of data analysis is informed by the effectiveness of the technique in testing relationships among theoretically related variables and estimating the effects of one variable on the other. This study used regression analysis in measuring the collected data via statistical software ‘E-view version 9’ to examine the relationship between the identified variables and to confirm the viability of previous findings. This was useful to prove the level of significance in testing the stated hypotheses. Different tests will be conducted for the study, such as. Serial correlation, multicollinearity, and heteroskedasticity to ensure the best linear estimate of the model was achieved.

Model Specification

The Linear Regression model was adopted for our regression analysis stated as follows:

$$ROA_{it} = \beta_0 + \beta_1 CIT_{it} + \beta_2 EDT_{it} + \beta_3 CAI_{it} + \beta_4 PSI_{it} + \mu_{it}$$

Where:

ROA_{it} = Financial Performance (Return on Assets) of firm i at time t

β_0 = Constant term (intercept);

$\beta_1 - \beta_4$ = Coefficients for the independent variables (CIT, EDT, CAI & PSI)

CIT = Company Income tax

EDT = Education tax

CAI = Capital Allowance (Incentives)

PSI = Pioneer Status (Incentives)

μ_{it} = error term.

Table 3.1: Variables Measurement

Variables	Acronym	Measurement
SMEs Financial Performance (Dependent Variable)	ROA	Financial performance was measured using Return on Assets
Company income tax (Independent Variable)	CIT	Company income tax is measured at the rate of the SME'S turnover and Adjusted profit.
Education tax (Independent Variable)	EDT	Education tax is measured by the SME'S yearly performance at a percentage of the Adjusted profit.
Capital Allowance Incentives (Independent Variable)	CAI	Capital Allowance Incentives is measured by the Asset Acquired by the Company.
Pioneer Status Incentives	PSI	.Pioneer status Incentives is measured by the Location, the types of industry the SME's belongs and the year of existence.

Source: Author's compilation (2022)

Endnotes

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Chapter Four

Results and Discussion of Findings

This chapter offers the empirical results from the data analysis conducted, interpretation of the findings and discussions of the study results. The main objectives of this study is to evaluate income taxes, incentives and financial performance of SME's in Nigeria. To achieve the objectives of this Study, the research was conducted through Secondary data obtained from Small and medium enterprises Agency of Nigeria, Central bank of Nigeria Federal Inland Revenue services and Nigeria Bureau of Statistics annual reports, Annual financial statements, to get the required information. This chapter also deals with the analysis of the data on the objectives based on descriptive statistics. In addition, it also showed how the study hypotheses were unbundled and tested. The results associated with the testing of the hypotheses are reported according to each hypothesis tested. Descriptive statistics were used in the analysis of data. Data analysis was conducted using the ordinary least square regression. This Chapter ends with the summary of the findings originating from the study result.

4.1 Demographic Data Presentation

This chapter deals with the presentation, analysis, interpretation of data and discussion of findings. The chapter, in essence, deals with the detailed econometric analysis of the Income Taxes, Incentives and Financial Performance of Small and Medium Enterprises in Nigeria. Data on Companies Income Tax (CIT), Education tax (EDT), Capital Allowance Incentives (CAI) and Pioneer Status Incentives (PSI). In this chapter, the empirical results based on the formulated regression models in the preceding chapter are presented, while the interpretation and discussion of each result is aligned with the stated objectives. It also provides the platform on which conclusion and recommendations are based.

4.2 Data Analysis and Results

4.2.1 Descriptive Statistics

The descriptive statistics displays the nature of each of the variable of the study. This includes the minimum, maximum, mean and standard deviation as presented in table below:

Table 4.1: Descriptive Statistics

Variables	Minimum	Maximum	Mean	Std Dev.
ROA	38095.73	24283740	7460445	9349837
CIT	2.400000	798.7200	172.8440	253.5223
EDT	0.000000	223.5200	34.99844	61.01760
CAI	29.000000	227329.6	52364.26	68202.17
PSI	8.48000000	2561.040	564.6332	820.7977

Source: EViews 10 Output 2022

The descriptive statistics indicates that financial performance of small and medium enterprises proxies with return on Asset (ROA) has a minimum and maximum values of 38095.73 and 24283740 respectively with the mean value of 7460445 and standard deviation of 9349837. This indicates that the financial performance of the selected small and medium enterprises deviates from both sides of the mean. The descriptive statistics reveals that companies' income tax (CIT) have a mean value is 172.8440, maximum value is 798.7200, minimum value of 2.400000 and standard deviation of 253.5223. The standard deviation of 253.5223 is less than the mean value of 172.8440, it shows that the data are not widely dispersed from the mean. The result also indicates that minimum and maximum values of education tax (EDT) are 0 and 223.5200 respectively with the mean value of 34.99844 and standard deviation of 61.01760. This indicates that the education tax of the small and medium enterprises deviates from both sides of the mean. The result also indicates that minimum and maximum values of capital allowance incentive (CAI) are 29.00000 and 227329.6 respectively with the mean value of 52364.26 and standard deviation of 68202.17.

This indicates that the capital allowance incentive deviate from both sides of the mean. The descriptive statistics indicates that the minimum and maximum values of the pioneer status incentive (PSI) are 8.480000 and 2561.040 respectively with the mean value of 564.6332 and standard deviation of 820.7977 indicates little wide dispersion from mean

4.2.2 Correlation Matrix

The correlation matrix is used to determine the degree of relationship between the dependent and independent variables of the study as well as independent variables themselves. These associations among the variables of the study are presented in Table.

	ROA	CIT	EDT	CAI	PSI
ROA	1.000000				
CIT	0.959947	1.000000			
EDT	0.900883	0.976242	1.000000		
CAI	0.227835	0.018394	-0.030903	1.000000	
PSI	0.927038	0.932765	0.896653	0.053031	1.000000

Table 4.2: Correlation Matrix

Source: EViews 10 Output 2022

The correlation result in table 4.2 above indicate that there is a positive relationship between company's income tax (CIT) and financial performance of small and medium enterprises (proxies by ROA) during the period of this study, with the correlation coefficient 0.959947. From the correlation result above indicates that education tax (EDT) has positive relationship with financial performance of small and medium enterprises (ROA) from the correlation coefficient of 0.900883. Similarly, there is positive relationship between capital allowance incentive (CAI) and financial

performance of small and medium enterprises (ROA) with the correlation coefficient of 0.227835. Equally, there is positive relationship between pioneer status incentive (PSI) and financial performance of small and medium enterprises (ROA) with the correlation coefficient of 0.927038.

4.2.3 Diagnostic Tests

The diagnostic tests carried out are Heteroskedasticity Tests and Serial Correlation Test. The tests are necessary to regression estimation in order to satisfy the assumptions of the ordinary least square (OLS) of homoskedasticity and absence of correct correlations between the independent variable in the model.

Table 4.3: Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.939612	Prob. F(4,31)	0.1287
Obs*R-squared	7.206278	Prob. Chi-Square(4)	0.1254
Scaled explained SS	21.44156	Prob. Chi-Square(4)	0.0003

Source: EViews 10 Output 2022

The result from the table above indicates the Heteroskedasticity using Breusch-Pagan-Godfrey test. The value of F-statistic is 1.93 with corresponding probability value of 0.12. The value of observed R-squared is 7.20 with a corresponding probability chi-square value of 0.12. The value of Scaled explained SS is 21.44 with a corresponding probability chi-square value of 0.00 concludes that there is no problem of Heteroskedasticity in the residual.

Table 4.4 : Serial Correlation Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.132779	Prob. F(2,29)	0.8762
Obs*R-squared	0.326666	Prob. Chi-Square(2)	0.8493

Source: EViews 10 Output 2022

The result of the test shows that F-statistic value of 0.13 with the corresponding probability value of 0.87 which implies that there is no case of serial correlation.

4.2.4 Regression Results

Model Summary Analysis:

The regression model has been applied in order to evaluate the hypothesis. The model summary Table 4.5 suggests that 98.3% through R-square and 98 % through adjusted R-square: the model can explain the variability in the dependent variable by the independent variables.

R-square adjusted indicate that the percentage estimate of this explainable dispersion for the total population under the investigation is 98%. R is a correlation coefficient, which indicates how the dependent and the independent variables are interrelated and is 451.9 in this case which shows a strong direct correlation.

Table 4.5 **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	451.9	0.983	0.980	3.142110

Predictor: (Constant) Financial Performance (Return on Assets) of firm i at time t

Source: EViews 10 Output 2022

Table 4.6: Summary of Ordinary Least Square Regression

Variables	Coefficient	t-Statistic	Probability.
Constant	-456022.4	-1.451325	0.1567
Companies Income Tax	50279.39	10.03918	0.0000
Education Tax	-83665.47	-4.877826	0.0000
Capital Allowance incentives	24.49816	7.449580	0.0000
Pioneer Status Incentives	1543.143	2.056350	0.0483
R-squared	0.983139		
F-statistic	451.9009		
Prob(F-statistic)			0.000000

Source: EViews 10 Output 2022

Table 4.6 shows the result of the ordinary least square regression technique. The overall fitness of the model as revealed in the F-statistic of 451.9009 with Probability Prob (F-statistic) of 0.000000 which is less than the standard critical p-value of 0.05. This implies that the estimated model is statistically significant at 5% level and thus the linearized functional specification of the model is appropriate. The R-square, which shows the overall explanatory power of the model, reveals that the independent variables (Company income tax, Education tax, Capital Allowance incentives and Pioneer Status incentives) explain about 98% of the systematic variation of the dependent variable. While 2% is attributed to systematic variation in the dependent variable was not accounted for in the model and have been contained by the error term.

4.2.5 Hypotheses Testing

The hypotheses formulated in this study were tested and analyzed in this section. The section begins with the hypotheses one to four.

Hypothesis One

H₀₁: Companies income tax has no significant effect on financial performance of small and medium enterprise in Nigeria.

The regression results in table 4.6 shows that companies' income tax has positive and significant effect on the financial performance of small and medium enterprise in Nigeria, from the coefficient 50279.39 and t-statistics of 10.03918 and probability value of 0.0000 which is less than 0.05 percent (the level of significant). Therefore, the null hypothesis which states that companies' income tax has no significant effect on financial performance of small and medium enterprise in Nigeria is rejected at the 5% level of significance.

Hypothesis Two

H₀₂ Education tax has no significant effect on financial performance of small and medium enterprise in Nigeria.

Similarly, the regression result also indicates that education tax has negative and significant effect on the financial performance of small and medium enterprise in Nigeria, from the coefficient of -83665.47 and t-statistics of -4.877826 and the probability value of 0.0000 which is less than 0.05 percent (the level of significant). Therefore, the null hypothesis which states that education tax has no significant effect on financial performance of small and medium enterprise in Nigeria is rejected at the 5% level of significance.

Hypothesis Three

H₀₃: Capital Allowance Incentives Tax has no significant effect on financial performance of small and medium enterprise in Nigeria.

Furthermore, the regression result from the table above, shows that the Capital Allowance Incentive has positive and significant effect on the financial performance of small and medium enterprise in Nigeria from the coefficient of 24.49816 and t-statistics of 7.449580 and the probability value of 0.0000 which is less than 0.05 percent (the level of significant). Therefore, the null hypothesis) which state that Capital Allowance incentives has no significant effect on financial performance of small and medium enterprise in Nigeria is rejected at the 5% level of significance.

Hypothesis Four

H₀₄: Pioneer Status Incentive has no significant effect on financial performance of small and medium enterprise in Nigeria.

From the table, indicates that the Pioneer Status incentive has positive and significant effect on the financial performance of small and medium enterprise in Nigeria, from the coefficient of 1543.143 and t-statistics of 2.056350 and the probability value of 0.0483 which is less than 0.05 percent (the level of significant). Therefore, the null hypothesis which states that Pioneer status incentive has no significant effect on financial performance of small and medium enterprise in Nigeria is rejected at the 5% level of significance.

4.3 Discussion of Findings

The study sought to empirically examine and investigate in Income taxes, Incentives and Financial performance of SMEs in Nigeria using the Correlation and regression model for our variables in our hypothesis.

The results of the regression analysis in table 4.6 for the income taxes, incentives and financial performance of SME's in Nigeria, shows relatively that the variable has a positive and significant relationship apart from education tax that has a negative and significant relationship, though company income tax is not significant.

Conceptually the income tax, which the relevant tax authorities collected from companies operating in the country, is highly germane to the growth of the economy. In relation to the ability to pay theory and other theories adapted in this study, it becomes paramount for SMEs to pay taxes with the incentives being given to them, so as to encourage payments and reduce tax evasion. This is empirically in line with prior studies where it was affirmed that company income tax has effect on financial performance of SMEs in view of multiple taxes levied which is significant to their ability to pay tax viz-a-viz their sizes². This means that the company income tax which is a federal government tax has a positive impact on the financial performance of small and medium enterprises in Nigeria as it is a major means of government revenue, which the Gross Domestic product will always move in consonance with the company's income tax³.

The regression analysis in table 4.5 shows that education tax has a negative and significant relationship with the financial performance of small and medium enterprise in Nigeria. It becomes imperative, that an interplay of the carrot and stick approach, which the respective regulation theory suggests, is adopted in order for the tax administration of the country to fully harness the revenue

that should accrue from the Education tax. The tax conceptually is made compulsory for the development of the country's education system, thus the positive effect and significance on the SMEs performance as it is based on the company adjusted profit tax.

The theoretical aspect of this result is that the effect of education tax on the financial performance of SMEs viz a viz its benefits to the society. Empirically, the other study on effects of taxes on economic growth give credence to education tax as one of the major taxes that has effects on the financial performance of SMEs. Suffice to say that the government should be administered by known rules and regulations guiding the implementation of taxes levied on the citizenry. This gives credence to the fact that a negative and significant relationship existed between tax laws and regulation with financial performance of small and medium enterprises in Nigeria¹.

The regression analysis in table 4.5 shows that Capital Allowance Incentives has positive and significant relationship on the financial performance of SMEs in Nigeria.

Conceptually, the results bring to fore the effect of Capital Allowance Incentives on the financial performance of SMEs in Nigeria, as it is a relief granted to an individual or corporate entities. This relief covers all companies in operation in Nigeria in order to reduce the effect of taxation and encourage savings and investments⁴.

The theoretical framework in which tax incentives is premised on the benefit that will be accrued, as there are benefits derived from the objectives of tax incentives, such as the stimulation of economic activities of enterprises and investment. It also serves as fiscal policies to revive, rehabilitate and stabilize SMEs. This is evidenced by the fact that some of these SMEs could not survive the current economic situation globally. The employment generation that is supposed to improve has been on the decline on daily basis. Notwithstanding, capital allowance incentives has helped SMEs to acquire more tangible assets.

Empirically, the various studies on tax incentives and financial performance shows the negative and significant effect of capital allowance incentives on the financial performance of Small and Medium Enterprises in Nigeria which has significantly led to the acquisition of assets, thus leading to the growth of Small and Medium Enterprises in Nigeria⁵.

The results and findings on pioneer status incentives on financial performance shows that it has significant and positive effects on the financial performance of Small and Medium Enterprises in Nigeria.

The pioneer status is an incentive granted to new companies for a period of five (5) years, with an exemption from payment of taxes and a relief on some of the assets acquired depending on the location of the company or SMEs. It is a tax holiday given to encourage growth and development of the economy⁵.

Conceptually, pioneer status incentives states the extent of the benefits of Pioneer Status Incentives as well as those that qualify for it and the agency that grants the approval.

Theoretically, this finding is based on the normative theory of incentive that states the advantages and disadvantages which affects SMEs and firms differently based on their location as well as the type of industries that each firms belongs to, because there are different incentives for businesses in the Agro-sector and others that are in the manufacturing sector. Also, the period granted to each sector differs. Much of determining what works, depends on the circumstances of the economy, the competence of the tax administration, the type of investment as well as the desire of the government to stimulate the applicable sector. Thus, pioneer status incentives should automatically be available to all investors who are able to meet up with the set criteria or guidelines.

Empirically, various studies on pioneer status incentives on financial performance gives credence to the result obtained in this study. In the face of this incentives granted, SMEs are only exempted

from company income tax as they ought to meet up with other tax obligations, but it is revealed that majority of the beneficiary companies default in the payment of withholding tax as well as value added tax^{5,6}.

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Chapter Five

Conclusion

This chapter deals with the summary of the study, descriptive and empirical findings as well as conclusion and recommendations made, the study's contribution to knowledge and suggestions for further research.

5.1 Summary of Findings

The main focus of this study is to examine Income Taxes, Incentives and Financial Performance of Small and Medium Enterprises in Nigeria. Previous studies on this work have concentrated more on discovering the effect of tax revenue using petroleum profit tax (PPT), companies' income tax (CIT) and custom and excise duties as measures against Gross Domestic Product (GDP) in Nigeria and not inculcating the stationarity of the various tax sources in examining their effect on GDP.

Other researches done by some scholars include examining only the CIT, PPT, CEDT and VAT in providing empirical evaluation technique for determining sensitivity, persistence and volatility of the Nigerian economy. The different methodologies used by the different authors, the environment or settings under which the studies were carried out, the nature of data and sources in different jurisdictions and the policy thrust, among others could account for these differences. Thus, the uniqueness of this work is its ability to examine the effects of independent variables (companies income tax, education tax, personal income tax, value added tax, custom and excise duty and Other various taxes by state) on the dependent variable (financial performance of small and medium enterprise) in Nigeria.

This study was structured into five chapters. Chapter one looked into the background of the study, identified the problems of the study, objectives of the study were defined, research questions and hypothesis to guide the investigations were formulated. The chapter also highlighted the justification and significance of the study, described its scope as well as identified and operationalized the study variables. Also, terms relevant to the study were defined based on their contextual use in the work. In summary the chapter serves as the introduction to the study.

The chapter two dealt with three basic components of the study. These are the conceptual framework which emphasized the historical background of taxation in Nigeria, the concept of taxation, the Nigerian tax system, the Nigerian national tax policy; the theoretical framework emphasizing on the classical school of thought, Behavioral economics, Risk management theory, Benefit received theory and the cost-of-service theory, as well as an empirical review for in-depth knowledge of previous efforts in investigating tax revenue the economy. The review broadened the researcher's knowledge of the scope of the subject matter of study interest and pointed out existing gaps now filled by this current research.

Chapter three presented the methodology for this study. Essentially, the chapter discussed the design and population of the study. An appropriate sample size was determined and selected using stratified and purposive sampling method. The type and source of data was also discussed, instruments of data collection, validity, reliability and administration of the instrument. Furthermore, the perceived functional relationships, associated models, techniques for the evaluation of the model's coefficient.

In chapter four, the data was analyzed into two parts, descriptive analysis and empirical analysis using correlation and linear regression analysis. The descriptive analysis examined the minimum, maximum, mean and standard deviation. The empirical analysis made attempts to establish the

effect of tax revenue of the government using the linear regression models. The numerical values of the model's coefficients and intercepts were obtained through the linear regression method. These values were substituted in the functional equations, to obtain the regression models that were evaluated for the validation and establishment of statistical significance of the effect of tax revenue on the Nigerian economy.

This chapter gives the summary of the study as well as the findings and their implications. Conclusions were drawn and recommendations made. Finally, the chapter highlighted the limitations of the study, the study's contribution to knowledge and suggestion for further research.

5.2 Conclusion

All the independent variables Income taxes, incentives (Companies Income Tax, Education Tax, Capital Allowance incentives and Pioneer Status Incentives by state) have statistical significance on the dependent variable Financial performance of small and medium enterprise (Return on Assets, Return on Investment and Capital Asset/Liquidity Ratio). A graphical representation of the movement and variations in the values of Companies Income Tax, Education Tax, Capital Allowance Incentives and Pioneer Status Incentives for the 36-year period was captured to depict the movement of values and also to compare the influence of each of the independent variables on the dependent variable.

The study concludes that financial performance of small and medium enterprises in Nigeria is driven by companies' income tax, Education Tax, Personal Income Tax, Valued Added Tax, Customs and Excise Duties and Other various taxes by state

In particular, the study concludes that the company's income tax has positive and insignificant effect on the financial performance of small and medium enterprises in Nigeria during the period of the study. The study also concludes that the education tax has negative and significant

relationship with the financial performance of small and medium enterprise in Nigeria during the period of the study. Similarly, the study infers that personal income tax has negative and significant relationship with the financial performance of small and medium enterprise in Nigeria during the period of the study. Also, the study infers that Value Added Tax has positive and significant effect on the effect on the financial performance of small and medium enterprise in Nigeria during the period of the study. In addition, the study also concludes that the custom and excise duty has positive and significant relationship with the financial performance of small and medium enterprise in Nigeria during the period of the study. Furthermore, the study also concludes that the various taxes levied by the state, has negative and insignificant effect on the financial performance of small and medium enterprise in Nigeria during the period of the study. Findings of this study therefore provide insight into the effect of tax administration and federal government tax generation on government revenue.

5.3 Recommendations

Based on the findings made on this study, the following recommendations were made as follows:

1. The government should create incentives as encouragement to reduce tax evasion actions by small and medium enterprises (SMEs).
2. The Tax purpose should be a tool for fiscal policy employed by the government to influence the business negatively or positively depending on the nature of business activities in a country. However, the study also recommended that the estimated tax ratios should actually be to measure revenue collected. The study finally indicated that tax is adversely affecting businesses through various government policies and regulations that are not consistent.
3. The period allowed for SMEs to enjoy capital allowance should be reviewed upwards, as the current 5-year period is not sufficient for stability and sustainability.

4. The other incentives like Pioneer Status, Reduced Company Income tax, Loss Relief etc, should be increased in other to encourage investors and enhance the growth of SMEs in the nation's economic growth.
5. This study recommends that taxpayers should have information on how to attain tax compliance.
6. This study also recommended that business entities should have adequate knowledge on how to calculate the amount of tax payable based on available information. The business entity aware of their tax obligation, should be able to correctly calculate the amount of tax payable based on the available information.
7. This work recommends for further study, the impact of Tax Awareness/Knowledge on business financial performance on other business areas, as well as the impact of tax administration on financial performance of SMEs.

5.4 Contributions to Knowledge

The study has contributed to knowledge in conceptual terms, by adding new definition to the existing concept. For instance, on the concept of multiple taxation on economic growth, that shows the effect of multiple taxation on economic growth and contribution to GDP, income taxes (company income tax, education tax, and personal income taxes) effect on the financial performance of SMEs in Nigeria, while the addition of effect of incentives (Capital Allowances Incentives, Pioneer Status Incentives) on financial performance of SMEs clearly shows that various incentives given to encourage growth has help SMEs to stabilize to an extent. While the conceptual model of this study which was done by the researcher also contributed to existing pool of knowledge.

Empirically, this study contributes to the existing empirical literatures by reporting the significant effect of Income taxes, incentives on the financial performance of SMEs in Nigeria.

Theoretically, the Benefit Received theory, Ability to Pay theory, Normative theory of incentives and Neo-classical incentive theory were the major theories used in this study. According to Benefit received theory, it shows that incentives received on pioneer status, is attractive to investors due to the benefit that accrues, especially in the rural areas coupled with the tax holidays, though for a short period, these seems not enough considering instability in the global economic situations. The second theory of ability to pay, showed the balance between the firms performance and its ability to pay taxes as at when due especially the provision as sure finance act 2020, which exempts companies with turnover of less than N25 million from payment of company tax, as much as this is encouraging it gives room for tax evasion, as, many may intend to hide under it and pay lesser taxes. Generally, this study contributes to the existing body of knowledge by providing information on the effect of Income Taxes, Incentives on the financial performance of Small and Medium Enterprises in Nigeria.. It shed light on the government efforts to encourage the sustainability of SMEs, which is the core of economic growth in both developed and developing countries.

5.5 Suggested Areas for Further Research

This study focused on Income Taxes, Incentives and Financial Performance of Small and Medium Enterprises in Nigeria. It specifically dealt with the Companies Income Tax, Education Tax, Capital Allowance Incentives, and Pioneer Status Incentives by state.

Also, it is suggested that future studies should extend the research to other categories of taxes, incentives on financial performance of Small and Medium Enterprises, and measure their effect as well as awareness to both corporate and individual tax payers. This also extends to government

revenue and other sectors of the economy or a particular industry sector. This would also necessitate the use of additional data gathering techniques like the use of copies of questionnaire.

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Appendix I

(A)

Raw Data for the Study

YEAR	ROA	CIT	EDT	CAI	PSI
1985	39706	2.520	0	1792.8	41.472
1986	38096	3.224	0	1860.8	50.608
1987	39255	4.400	0	1868.8	38.776
1988	42486	4.496	0	1587.2	29.976
1989	47698	6.296	0	1292.8	38.096
1990	54327	8.032	0	1747.2	53.688
1991	55318	8.808	0	1382.4	38.488
1992	84178	97.880	0	2832.8	100.032
1993	111268	12.408	0	4537.6	54.520
1994	173438	15.312	0	4652.8	8.480
1995	214040	2.400	0	6912.8	21.520
1996	249712	3.040	0	9165.6	30.880
1997	426091	4.320	0	12844.0	41.200
1998	547091	7.680	0	14636.0	47.360
1999	719891	9.840	0	29891.2	34.240
2000	1546570	17.520	0	29891.2	34.320
2001	2162175	18.480	2.6	44000.0	38.000
2002	2241578	22.240	2.3	50400.0	51.440
2003	2166745	26.640	2.6	46160.0	19.680

2004	2555212	36.960	4.6	70320.0	56.880
2005	3665702	42.640	6.6	81200.0	267.600
2006	3780069	55.520	13.0	136480.0	325.680
2007	5529905	71.280	8.1	145120.0	179.520
2008	6789626	91.840	7.8	156400.0	350.400
2009	9128854	104.640	13.7	173760.0	702.880
2010	11657791	136.160	17.4	186240.0	1081.760
2011	14851676	197.360	22.7	142160.0	1079.600
2012	16525854	265.920	47.7	193120.0	905.600
2013	19437063	480.480	111.6	227329.6	751.520
2014	19770136	480.480	111.6	24330.4	751.520
2015	23364626	532.880	71.4	24330.4	1184.320
2016	23915654	572.320	104.6	25731.2	2456.480
2017	24283740	677.280	150.7	275.0	2561.040
2018	24099697	798.720	223.5	35.0	2133.120
2019	24099697	682.776	159.6	29.0	2383.544
2020	24161045	719.592	177.9	30796.8	2382.554

**Appendix II
(B)
Data Analysis**

Table 1 Descriptive Statistics

	ROA	CIT	EDT	CAI	PSI
Mean	7460445.	172.8440	34.99844	52364.26	564.6332
Median	2204162.	31.80000	2.600000	24330.40	55.70000
Maximum	24283740	798.7200	223.5200	227329.6	2561.040
Minimum	38095.73	2.400000	0.000000	29.00000	8.480000
Std. Dev.	9349837.	253.5223	61.01760	68202.17	820.7977
Skewness	0.895741	1.337228	1.719855	1.236646	1.477717
Kurtosis	2.110139	3.196166	4.718294	3.089860	3.785422
Jarque-Bera Probability	6.001895 0.049740	10.78679 0.004547	22.17620 0.000015	9.187879 0.010113	14.02721 0.000900
Sum	2.69E+08	6222.384	1259.944	1885113.	20326.79
Sum Sq. Dev.	3.06E+15	2249574.	130310.2	1.63E+11	23579809
Observations	36	36	36	36	36

Table 2 Correlation Matrix

	ROA	CIT	EDT	CAI	PSI
ROA	1.000000	0.959947	0.900883	0.227835	0.927038
CIT	0.959947	1.000000	0.976242	0.018394	0.932765
EDT	0.900883	0.976242	1.000000	-0.030903	0.896653
CAI	0.227835	0.018394	-0.030903	1.000000	0.053031
PSI	0.927038	0.932765	0.896653	0.053031	1.000000

Table 3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	451.9	0.983	0.980	3.142110

Predictor: (Constant) Financial Performance (Return on Assets) of firm i at time t

Source: EViews 10 Output 2022

Table 4 Regression Analysis

Dependent Variable: ROA
 Method: Least Squares
 Date: 10/04/22 Time: 00:22
 Sample: 1985 2020
 Included observations: 36

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-456022.4	314211.0	-1.451325	0.1567
CIT	50279.39	5008.316	10.03918	0.0000
EDT	-83665.47	17152.20	-4.877826	0.0000
CAI	24.49816	3.288529	7.449580	0.0000
PSI	1543.143	750.4282	2.056350	0.0483
R-squared	0.983139	Mean dependent var	7460445.	
Adjusted R-squared	0.980964	S.D. dependent var	9349837.	
S.E. of regression	1290013.	Akaike info criterion	31.10645	
Sum squared resid	5.16E+13	Schwarz criterion	31.32638	
Log likelihood	-554.9161	Hannan-Quinn criter.	31.18321	
F-statistic	451.9009	Durbin-Watson stat	1.903039	
Prob(F-statistic)	0.000000			

Table 5 Serial Correlation LM Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.132779	Prob. F(2,29)	0.8762
Obs*R-squared	0.326666	Prob. Chi-Square(2)	0.8493

Table 6 Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.939612	Prob. F(4,31)	0.1287
Obs*R-squared	7.206278	Prob. Chi-Square(4)	0.1254
Scaled explained SS	21.44156	Prob. Chi-Square(4)	0.0003

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Bio-data

A .Personal Data

Full Name: Taiwo Adewale Olusesan
Address: 21, Adeyi Villa, Off All Saints' College Road, Gbekuba Area, Ibadan.
Date of Birth: 23rd June 1964
Nationality: Nigerian
Name and Contact of Next of Kin: Mrs Omotara Tolulope Taiwo
Roemic Kiddies International, Araromi Gbekuba Area, Apata Ibadan, Oyo State

B. Educational Background

Schools Attended with Dates and Qualifications:

Institutions	Date	Qualification
1. African Church Grammar School, Ibadan	1977- 1982	WASCE
2. Federal College of Education, Kontagora	1984- 1987	NCE (Mathematics/Geography)
3. Lead City University, Ibadan	2008-2010	B.Sc (Accounting)
4. University of Ibadan	2002-2004	M.Sc (Banking and Finance)
5. Lead City University, Ibadan	2019- 2022	Ph.d (in view)

C . Work Experience

Place of Employment	Date
1. Lead City University, Post: Lecturer 1 Job Description: Academic Lecturing	2012 - to date
2. Kayode Ojo and Company (Chartered Accountant) Post: Senior Partner Job Description: Auditing and Tax Matters	2011- 2012
3. Boff and Company Insurance Brokers Ltd	1997- 2011

Post : Accounts and Administration

D Job Description:

- i. preparation of monthly management account and yearly accounts analyses
- ii. formulating and analysing the company policies
- iii. ensuring proper book of accounts are kept daily and compliance with internal control procedures
- iv. preparation and monitoring of the company yearly budget
- v. managing the company various investment portfolio and financial activities
- vi. other related finance and administrative function through co-ordination of the activities of finance and administration department of the company through direct supervision of the managers of departments of finance and human resources.

Signature

Date

University Compliance Certification

This is to certify that this thesis by **Taiwo Adewale Olusesan** with the Matric. NO: **LCU/PG/00001044** in the department of Management and Accounting, Faculty of Environment, Management and Social Sciences, Lead City University, Ibadan, Nigeria, is in full compliance with the approved University Format and Style.

Signature

Date

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