# Effect of Multiple Taxation on The Financial Performance of Smes In Benue State

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## ABSTRACT

The objective of the study is to ascertain the effect of multiple taxation on financial performance of Small and Medium Enterprises (SMEs) in Benue State. The population of the study was 816 and the sample size of 268 respondents was adopted using the Taro Yamane formula at a 5% error margin. The study adopted a survey design via questionnaire. Multiple regression was used for analysis in the study. The study found out that duplication of Business Premises Registration Tax, Development Levy and Market Taxes have a significant negative effect on financial performance of SMEs and as a result affects their profitability negatively. The study therefore, recommends that government should ensure that activities of touts in collecting illegal taxes from SMEs is stopped, and also government should desist from collecting similar taxes under different names and collapse all taxes of such nature into one form of tax. Finally, government should ensure that only the amount stipulated by law is collected as tax and a clear jurisdiction of each tax should be expressly stated.

**Keywords:** Multiple Taxation, Small and Medium Enterprises, Financial Performance, Benue State. Nigeria.

## Introduction

Over the years, Small and Medium Enterprises (SMEs) has been an avenue for job creation and the empowerment of Nigeria's citizens providing about 50% of all jobs in Nigeria and also for local capital formation. Being highly innovative, they lead to the utilization of our natural resources which in turn translates to increasing the country's wealth through higher productivity. SMEs have undoubtedly improved the standard of living of so many people especially those in the rural areas. However, the mortality rate of these small firms is very high. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) Nigeria, 80% of SMES die before their 5th anniversary. Among the factors responsible for these untimely close-ups are tax-related issues ranging from multiple taxation to enormous tax burdens. In many government policies, SMEs are usually viewed and treated in the same light as large corporations. However, their size and nature makes them unique. Therefore, in dealing with SMEs, these unique qualities need to be considered. Taxation of SMEs must be imposed in such a way that puts their income and need for survival into consideration. It is expedient that enough profit is allowed them for the purpose of expanding their businesses.

A study carried out by the Federal Office of Statistics shows that in Nigeria, SMEs make up 97% of the economy (Ariyo, 2005). Although smaller in size, they are the most important enterprises in the economy due to the fact that when all their individual effects are aggregated, they surpass that of the larger companies. The social and economic advantages of SMEs cannot be overstated.

Most large companies have their roots in SMEs and started out as SMEs before expanding. This means that the future large corporations are the SMEs today that should be nurtured to ensure their growth. Furthermore, they are generally perceived to be the seedbed for indigenous entrepreneurship and generate many small investments, which would otherwise not have taken place (Aryeetey & Ahene, 2004).

SMEs in developing countries are struggling to survive under intense competitive environments both domestic and international. In developing countries like Nigeria, there is an urgent need to provide the required enabling environment for the development of SMEs, so that they could adequately play the role expected of them in economic transformation. Such role includes mobilization of domestic savings for investment, appreciable contribution to gross domestic product, increased harnessing of local raw materials, employment generation, and significant contribution to poverty reduction and enhancement in personnel income, technological development and export diversification (Smatrakalev, 2006).

Financial Performance in broader sense 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 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.

## 1.1 Statement of the Problem

Although there is a general perception that tax is an important source of fund for development of the economy and provision of social services, the problems faced are in the area of negative relationship between taxes and the business' ability to operate at a profit and sustain itself as a result and consequently expand. SMES are faced with the problem of high tax rates, multiple taxation, complex tax regulations and lack of proper enlightenment or education about tax related issues. Not minding other challenges that SMEs are facing in developing countries such as Nigeria which include; inadequate capital, poor technical and managerial skills, environmental effects and government regulations which affect the operation of SMEs. In Nigeria, the issue of multiple taxation which is most prominent among the challenges facing SMEs is a worm eating deeply out of the profit generated by these SMEs which invariably would have been used for their growth and survival. This has led to increase in record of death of SMEs. Most SMEs in Nigeria die within their first five years of existence, a smaller percentage goes into extinction between the sixth and tenth year while only about five to ten percent survive, thrive and grow to maturity.

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 multiple taxation on financial performance of SMEs which has been neglected over time.

## REVIEW OF RELATED LITERATURE

### 2.1. Conceptual framework
### 2.1.1 Small and Medium Scale Enterprises (SMEs)

SMEs have been defined along a broad continuum of size and type. In terms of size, measures used to classify SMEs include employment, assets and revenue. Definitions of SMEs vary from one organization to another, from country to country, industry to industry and from one financial institution to another. The Multilateral Investment Guarantee Agency (MIGA) and the International

Finance Corporation (IFC) defined small enterprises as those that meet two of the following three conditions: 1. Less than 50 employees 2. Less than $3 million total assets 3. Less than $3 million total annual sales. Meanwhile, medium enterprises are those that meet two of the following three conditions: 1. Less than 300 employees 2. Less than $15 million total assets 3. Less than $15 million total annual sales, (Iwuji, 2003).

The Monetary Policy Circular No. 22 of 1988 of the Central Bank of Nigeria defined SMEs as enterprises whose annual turnover was not more than N500, 000. The National Economic Reconstruction Fund (NERFUND) put the ceiling for small-scale industries at N10 million. Section 37b(2) of the Companies and Allied Matters Decree of 1990 defines a small company as one with an annual turnover of not more than N2 million and net asset value of not more than 1 million naira. The Small and Medium Enterprise Equity Investment Scheme (SMEEIS) sees the SME as any enterprise with a maximum asset base of N500 million (excluding land and working capital), and with no lower or upper limit of staff. For tax purposes, Section 40(6) of the Companies Income Tax Act Cap C21 LFN 2004 alludes to companies with a turnover of N1 million and below operating in the manufacturing, agricultural production, solid mineral mining, and export trade sectors as SMEs; While subsection 8 states that as from 1988 all companies engaged in trade or business with a turnover of N500,000.00 and below qualify as SMEs (Iwuji, 2003).

The concept of SMEs is relative and dynamic (Olorunshola, 2003). SMEs are characterized by uncertainty, innovation and evolution. A firm understanding of SMEs would require a good knowledge of its features. Aderemi (2003) noted that the SMEs in Nigeria are usually small, owner or family managed business offering basic goods and services, which tend to lack organizational and management structures with the urban ones tending to be more structural than their rural counterparts.

### 2.1.2    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. Oseni (2014) identified the following ways in which multiplicity of 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 of it is characterized by the use of stickers, mounting of road blocks, use of revenue agents/Consultants including Motor Park tout.

Second, 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 taxes. A good example is the restaurant business and bars which are taxed within 21 subheads.

Multiple taxation is the levying of tax by two or more jurisdictions on the same declared income (in the case of income taxes), assets (in the case of capital gains taxes), or financial transactions (in the case of stamp duties). Multiple taxation is a situation in which the same earnings are taxed more than once. Adam (1989) defines multiple taxation as the taxing of a person by two or more government authorities demanding the same kind of tax. Put differently, 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 Nigeria (Osita, 2004).

Researchers have shown that over 500 different taxes and levies are being imposed by various tiers of government in Nigeria as against the only 39 approved by Taxes and Levies (Approved list of collection) Act (Fasoto, 2007). For instance, the more a taxpayer transports his goods and service across many local governments in the country, the more he is confronted with incidents of multiple taxes, legally and illegally imposed (Izedonmi, 2010). Ifeuko (2008) asserted 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 to collect by each tier.

### 2.1.3    Financial Performance
The word Performance is derived from the word 'parfourmen', which means 'to do', 'to carry out' or 'to render'. It refers to the act of performing; execution, accomplishment, fulfillment, etc. In border 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 firm's success, conditions, and compliance.

In broader sense, 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 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 measure of how well a firm can use assets from its primary mode of business and generate revenues. Measurement of financial performance include 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. However, the profitability performance is adopted for this study.

## 2.2    Theoretical Framework
### 2.2.1    Ability to Pay Principle
Ability to pay principle as the name imply says that the taxation should be levied according to an individual's ability to pay. It says that public expenditure should come from "him that hath" instead of "him that hath not". The principle originated from the sixteenth century, the ability-to-pay principle was scientifically extended by the Swiss philosopher Jean Jacques Rousseau (1712-1778), the French political economist Jean Baptist Say (1767-1832) and the English economist John Stuart Mill (1806-1873). This is indeed the basis of 'progressive tax,' as the tax rate increases by the increase of the taxable amount. This principle is indeed the most equitable tax system, and has been widely used in industrialized economics. The usual and most supported justification of ability to pay is on grounds of sacrifice. The payment of taxes is viewed as a deprivation to the taxpayer because he surrendered money to the government which he would have used for his own personal use. However, there is no solid approach for the measurement of the equity of sacrifice in this theory, as it can be measured in absolute, proportional or marginal terms. Thus, equal sacrifice can be measured as (i) each taxpayer surrenders the same absolute degree of utility that s/he obtains from her/his income, or (ii) each sacrifices the same proportion of utility s/he obtains from her/his income, or (iii) each gives up the same utility for the last unit of income; respectively (Stern, 2005).

## 2.3    Empirical Review
Adebisi and Gbegi (2013) carried out a study on effect of multiple taxation on performance of SMEs. Questionnaire was adopted for the study with a sample size of 74 respondents out. 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 come 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 policies.

Monteiro and Assuncar (2012) examined the effect of business registration tax 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 economy. Karl and Andrei (2011) conducted a 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 percent in 1986, 60 percent of the active small businesses showed a negative performance. It was reported that out of these SMEs only a marginal fraction survived after five years, the result found the abuse to be statistically significant.

Ocheni and Gemade (2015) investigated 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 percentages and the research hypotheses were tested with ANOVA. Finding revealed that multiple taxation has negative effect on SMEs survival and the relationship between SMEs size and its ability to pay taxes is significant. The research commends 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 policies.

## Table 1: Respondents' View on Business Premises Registration Tax

| Business Premises Registration Tax | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| QUE | SD | % | D | % | UD | % | A | % | SA | % |
| 1. | 65 | 28.4 | 96 | 41.9 | 31 | 13.5 | 21 | 9.2 | 16 | 7.0 |
| 2. | 97 | 42.4 | 44 | 19.2 | 34 | 14.8 | 32 | 14.0 | 22 | 9.6 |
| 3. | 72 | 31.4 | 85 | 37.1 | 33 | 14.4 | 19 | 8.3 | 20 | 8.7 |

Source: Researcher's computation, 2018

## METHODOLOGY

### 3.1    Population and Sample Size of the Study

The population of the study is eight hundred and sixteen (816) SMEs in Benue State. The sample size is 268 respondents derived at a 5% error margin. The study adopted questionnaire for data collection and used Multiple Regression for analysis.

## RESULTS AND DISCUSSION

### 4.1    Presentation of the Results Based on the Specific Objective

This section presents the result of analysis from the retrieved questionnaire totaling 229.

**Objective One:** To determine the effect of Business Premises Registration tax on the financial performance of small and medium scale enterprises in Benue State.

In ascertaining if the amount collected as Business

### Table 2: Respondents' View on Development Levy

| Development Levy | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| QUE | SD | % | D | % | UD | % | A | % | SA | % |
| 1. | 86 | 37.6 | 87 | 38.0 | 27 | 11.8 | 13 | 5.7 | 16 | 7.0 |
| 2. | 62 | 27.1 | 106 | 46.3 | 29 | 12.7 | 19 | 8.3 | 13 | 5.7 |
| 3. | 63 | 27.5 | 103 | 45.0 | 30 | 13.1 | 17 | 7.4 | 16 | 7.0 |

Source: Researcher's computation, 2018

Premises Registration tax is exact as the amount stipulated by law, 28.4% of respondents strongly disagreed, and 41.9% disagreed, 13.5% where undecided while 9.2% agreed and 7.1% strongly agreed. The however showed that the amount collected by government and their agencies exceed that which the law stipulated. This could be because some of the laws are outdated and are not emended yet to reflect the present economic situation or it is the government quest to increase the internal generated revenue.

Finding out if operational permit is collected after business premises registration tax are paid, 42.4% strongly disagreed, 19.2% disagreed, while 14.8% were undecided. Respondents that agreed represented 14.0% and strongly agreed were 9.6%. This shows that operational permits which is stipulated to be collected only from kiosk and shops is now been levied on bigger outfits after paying for business premises registration tax. Considering whether business registration tax is paid to one tier of

government and if it is collected only at the inception of the business, the results, showed that 31.4% strongly disagree, 37.1% disagree, 14.4% were undecided while some respondents agreed given their figure at 8.3%, 8.7% strongly agreed. This implied that SMEs pays business registration to more than one tier of government and also pays at different times in the life of the business.

**Objective Two:** To investigate the extent to which Development Levy affect the financial performance of small and medium scale enterprises in Benue State. Inquiring on whether after payment of development levy, taxes are not levied on sunk boreholes within the business premises, 37.6% of the respondents strongly disagreed, 38.0% disagreed, 11.8% were undecided. Those who agreed were to 5.7% while 7.0% strongly agreed. This indicates that SMEs after paying for development levy which is supposed to be used for the provision of basic utilities like water are still taxed for borehole sunked to be used in the absence of water.

Finding out if the amount paid as development levy is exactly what is prescribed by law, the result showed that 27.1% of the respondents strongly disagreed, 46.3% disagreed, 12.7% were undecided. Respondent who agreed were 8.3% and strongly agreed were 5.7%. This implies that the amount charged is more than what is stipulated by law. This could be as the result of the quest to boost government revenue.

Assessing whether the taxes collected as development levy are used to provide infrastructures that help reduce that cost of doing business and invariably increase profitability, 27.5% strongly disagreed, 45.0% disagreed, 13.1% were undecided, 7.4% of the respondents agreed while 7.0% strong agreed. This explains that taxes collected as development levy are not used for the provision of infrastructure which would have helped reduce the cost of doing business and this affects profitability negatively.

**Objective three:** To ascertain the effect of Market taxes on the financial performance of small and medium small enterprises in Benue State.

### Table 3: Respondents' View on Market Taxes

| Market Taxes | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| QUE | SD | % | D | % | UD | % | A | % | SA | % |
| 1. | 61 | 26.6 | 78 | 34.1 | 31 | 13.5 | 31 | 13.5 | 28 | 12. |
| 2. | 67 | 29.3 | 81 | 35.4 | 38 | 16.6 | 24 | 10.5 | 19 | 8.3 |
| 3. | 97 | 42.4 | 66 | 28.8 | 31 | 13.5 | 19 | 8.3 | 16 | 7.0 |

Source: Researcher's computation, 2018

In finding out whether different tiers of government strictly adhere to collection of taxes within their jurisdiction, the responses show that 26.6% strongly disagreed, 34.1% disagreed, 13.5% were undecided, 13.5% of the respondents agreed while 12.2% strongly agreed. This is an indication that the various tiers of government do collect taxes outside their jurisdiction and as a result collect the same type of taxes from SMEs. In ascertaining whether touts and unauthorized personnel do not unlawfully quiz money from businesses in the guise of fees and levies, 29.3% strongly disagreed, 35.4% disagreed, 16.6% were undecided, 10.5% agreed while 8.3% of the respondents strongly agreed. This however showed that different forms of taxes are unlawfully duplicated and collected by tout and no action is

## 4.2. Financial performance analysis
### Table 4: Respondents' View on Financial Performance

**Financial Performance**

| QUE | SD | % | D | % | UD | % | A | % | SA | % |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. | 98 | 32.8 | 79 | 26.4 | 58 | 19.4 | 33 | 11.0 | 31 | 10. |
| 2. | 104 | 35.8 | 99 | 33.1 | 71 | 23.7 | 12 | 4.0 | 10 | 3.3 |
| 3. | 63 | 21.1 | 101 | 33.8 | 92 | 30.8 | 23 | 7.7 | 20 | 6.6 |

Source: Researcher's computation, 2018

being taken to avert it.

Inquiring from respondents whether government does not indiscriminately introduce levies, fees and taxes in a bid to boost revenue, the result shows that 42.4% representing 97 respondents strongly disagreed, 28.8% representing 66 respondents disagreed, 13.5% representing 31 respondents were undecided and the percentage of respondents who agreed stood at 8.3% while 7.0% strongly agreed. This implied that so many levies are being introduced by government in a bid to boost revenue to the detriment of small and medium scale enterprises. When asked whether the multiplicity of tax imposed under the guise of business premises registration tax have no effect on the financial performance of SMEs, 32.8% of the respondents strongly disagreed that 26.4% of respondents disagreed, 19.4% were undecided while 11.0% agreed and 10.4% strongly agreed. With the majority of respondents disagreeing it shows that multiple taxes which fall under business premises registration tax have a negative effect on financial performance of SMEs in Benue State.

Assessing whether multiple names used to duplicate development levy imposed on SMEs do not affect their profitability, 35.8% strongly disagreed, 33.1% disagreed, 23.7% were undecided while 4.0% of

respondents agreed and 3.3% strongly agreed. This shows that the different names used to duplicate development levy imposed on SMEs have a negative effect on their financial performance.

Investigating if duplication of market taxes in form of levies, fees, collections and tolls, do not significantly affect profit of SMEs, 21.1% strongly disagreed, 33.8% disagreed, 30.8% were undecided while 7.7% of respondents agreed and 6.6% strongly agreed. This clearly shows that the duplication of market taxes in form of fees, levies and stickers have a negative effect on SMEs performance by reducing their profit. It means that if these fees are eliminated their profitability will increase.

## 4.3     Results from Multiple Regression Analysis

Multiple regression analyses were conducted to examine the relationship between the dependent variable (Financial Performance) and various potential predictors-BPRT, DVL and MKT. The estimation and analysis of the multiple linear regressions was done using SPSS (version 20).

The regression result shows a multiple Correlation ($R$ = .603), the multiple Correlation squared ($R^2$ = 641), the adjusted Multiple Correlation squared (adj. $R^2$ =. 628.) and the Standard Error of the Estimate (.680). A value of 0.603 indicates a good level of prediction. From the Table, the value of $R^2$ (.641) shows that the independent variable explains 64.1% of the variability of the dependent variable. Financial Performance (FINper). The multiple correlations squared represents the amount of variance in the outcome which is accounted for by the predictors; here, 62.8% of the variance in Financial Performance is accounted for by both Business Premises Registration tax (BPRT), Development (DVL), and Market Taxes (MKT).

The ANOVA summary Table indicated that the model is significantly different from zero, $F$ (3,225) = 35,228, $P$ = .000 (regression model is a good fit of the data). The model is highly significant and we can conclude that these three independent variables together predict the changes in the dependent variable (financial performance).

The estimated model coefficients table showed that the general form of the equation to predict Financial Performance (FINper) from BPRT, DVL, and MKT is: FINper = 4,403 = .004(BPRT) - .029 (DVL) - .105 (MKT). Unstandardized coefficients indicate how

much the dependent variable varies with the independent variables. The standardized coefficient table also indicated the statistical significance of the independent variables. According to the Standardized Coefficients Table BPRT is.-004 and the t-value is -.100 and Sig. is .004 that is less than 95% confidence level. This means that business registration tax negatively affects the financial performance of SMEs in Benue State. The Standardized Coefficients for DVLis .-029 and the t-value is -.674 and Sig .001 and this implies that development levy negatively affect the financial performance of SMEs in Benue State. Standardized Coefficients for MKT is -.105 and the t-value is -.2.813 and Sig. 003 is less than .005 significant level. This indicated that market taxes negatively affect the financial performance of Small and Medium Scale Enterprises (SMEs) in Benue State.

## 4.4     Test of Hypotheses
Three hypotheses tested in this study revealed that Financial Performance has a significant relationship with Business Premises Registration tax, Stamp

### Table 5: Regression Analysis Result

| Variable | Std. Error | t-Statistics | Prob. | Decision |
|---|---|---|---|---|
| Constant | .150 | 29.331 | 0.000 | |
| BPRT | .039 | -.100 | 0.04 | Rejected |
| DVL | .043 | -.674 | .001 | Rejected |
| MKT | .037 | -2.183 | .003 | Rejected |

R = 0.603
$R^2$ = 0.641
STD. Error of the Est. = .680
Adjusted $R^2$ = 0.628
F (3,225) = 35.228
P = 0.000
Durbin Watson = 2.694

**Source**: SPSS Result

Duties, and market taxes. The results from the multiple regression analysis, showed that Business Premises Registration tax have a significant relationship with Financial Performance (P-value: .004).   Development Levy have a significant relationship with Financial Performance (p-value: .001). Market taxes recorded a significant relationship with Financial Performance (P-value .003).

$H_{01}$: Business Premises Registration Tax has no significant effect on the Financial Performance of SMEs in Benue State.

### Table 6: Business Premises Registration Tax and Financial Performance

| Variable | Std. Error | Beta | T | Sig. |
|---|---|---|---|---|
| BPRT | .039 | -.123 | -.100 | .004 |

$R^2$ = 0.641
R = 0.603

FINper = -.123 BPRT -.146DVL-188MKT
$S(b_i)$ = [0.039]  [0.043] [0.037]
From the regression equation (3) we have:
$b_i$ = 123
Standard Deviation of $b_i$ = 0.039
H0: bi = 0
H1: bi   0
½ $b_i$ equals 0.61

Using the Standard error test, $S(b_i) < ½b_i$ (0.039 < 0.61). Thus, we reject the null hypothesis. That is, we accept that the estimate $b_i$ is statistically Significant at the 5% (0.05) level of significant. This implies that Business Premises Registration tax (BPRT) has significant effect on Financial Performance of SMEs in Benue State.

$H_{02}$: Development Levy have no Significant effect on the Financial Performance of SMEs in Benue State.

### Table 7: Development Levy and Financial Performance

| Variable | Std. Error | Beta | T | Sig. |
|---|---|---|---|---|
| DVL | .043 | -.146 | -.674 | .001 |

$R^2$ = 0.641
R = 0.603

$b_i$ = 0.146
Standard deviation of $b_i$ = 0.043
½ $b_i$ equals 0.73

Using the standard error test, $S(b_i) < ½ b_i$ (0.043 < 0.73). Thus, we reject the null hypothesis, in other words, we accept that the estimate $b_i$ is statistically at the 5% (0.05) level of significant. This means that there is significant effect of Development Levy on Financial Performance of SMEs in Benue State.

$H_{03}$: Market taxes have no significant effect on financial performance of SMEs in Benue State.

**Table 8: Market Taxes and Financial Performance**

| Variable | Std. Error | Beta | T | Sig. |
|---|---|---|---|---|
| MKT | .037 | -.188 | -.2.813 | .003 |

$R^2 = 0.641$

$R = 0.603$

$b_i = 0.188$

Standard deviation of $b_i = 0.037$

½ $b_i$ equals 0.94

Using the standard error test, $S(b_i) < ½ b_i$ (0.037 < 0.94). Thus, we reject the null hypothesis, in other words, we accept that the estimate $b_i$ is statistically at the 5% (0.05) level of significant. This means that there is significant relationship between market taxes and financial performance of SMEs in Benue State.

## 4.5    Discussion of Findings

The multiple regression results clearly showed that there is a significant relationship between Business Premises Registration tax and Financial Performance of SMEs in Benue State. This result is in line with the research work carried out by Adebisi and Gbegi (2013) their findings revealed that multiple taxation has negative effect on SMEs survival and the relationship between SMEs size and ability to pay taxes is significant. Also the result is also in line with the study of Monteiro and Assuncar (2012). The result implies that duplicated Business Premises Registration tax collected by more than one tier of government or in more than one form of tax affects negatively financial performance of SMEs.

Result of the second hypothesis revealed that there is a significant relationship between Development Levy and Financial Performance of SMEs. This result is also in line with the work of Ocheni and Gemade (2015) who found out that multiple taxation has a negative effect on SMEs investments and growth.

The third hypothesis recorded a significant relationship between Market taxes and financial performance of SMEs. This finding as shown by the linear regression implies that market taxes have effect on financial performance suggesting that if

SMEs are over burden with market fees and levies it will add to the cost of doing business and at the same time reduce profitability. The result is in line with the research work of Karl and Andrei (2011).

The result of the study backs the ability to pay principle as it deemphasizes the high tax burden on SMEs and allows them to pay a lower rate of tax in order to operate profitably and grow or expand.
The results of the study call for the need to scale down the taxes, fees and levies, tolls that put disproportionate effect on SMEs thereby making their financial performance abysmal.

## CONCLUSION AND RECOMMENDATIONS

In line with the findings of the study, it is pertinent to conclude that multiple taxation has a significant negative effect on financial performance of SMEs in Benue State.

The study therefore, recommends that government should repeal its tax laws and include special laws and policies that are favorable to SMEs in order to enhance their performance. Giving them opportunity to grow, stabilize and expand. These new or amended laws should state clearly and realistically the amount to be collected as various taxes. Taxes should be levied proportionately according to size of businesses.

Also, efforts should be made by the government to eliminate the activities of fake tax official and touts from collecting fees, levies and taxes. Government should also develop a road map on the harmonization of the taxes at different tier of government.

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