**EFFECT OF EXCESSIVE TAXES ON SMALL SCALE ENTERPRISES IN MUBI NORTH LOCAL GOVERNMENT AREA, ADAMAWA STATE, NIGERIA**

# COVER PAGE

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**ADAMAWA STATE UNIVERSITY, MUBI, ADAMAWA STATE**

**AUGUST, 2025**

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# TITLE PAGE

**BY**

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**BEING A PROJECT**

**SUBMITTED TO**

**DEPARTMENT OF TAXATION,**

**ADAMAWA STATE UNIVERSITY, MUBI, ADAMAWA STATE**

**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR OF SCIENCE (BSc. Hons) DEGREE IN TAXATION**

**AUGUST, 2025**

# DECLARATION

i hereby declare that this project report was written by me and is a record of my own research. It has not been presented before in any previous application for a BSC. Degree. All references cited have been duly acknowledged.

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Iortyom Terhemba Date

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# CERTIFICATION

we certify that this research entitled “**Effect of Excessive Taxes on Small Scale Enterprises in Mubi North Local Government Area, Adamawa State, Nigeria”** by Iortyom Terhemba Joshua Terma (20U/411107) meets the regulations governing the award of the Bachelor of Science (BSc) Degree in Taxation of Adamawa State University, Mubi and is approved for its contribution to knowledge and literary presentation.

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# DEDICATION

I dedicate this project to God the Almighty, my Creator, strong pillar, source of inspiration, wisdom, knowledge and understanding. He has been the source of my strength throughout the course of this program and on his wings only have soared. I also dedicate this work to my beloved parents; Mr. and Mrs. Dennis Agbede for their encouragement and assistance, financially all to enable me finish that which I have started.

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My special thanks go to my family especially my parents Late Retired WO2 Dennis Agbede, Dad though you are not here but your son has done your wish and to my mother Mrs. Paulina Dennis and to my siblings, Victor Terfa Agbede, Rev. Martins Agbede, not forgetting my friends Mr. Victor Ayom, Agtha Bosha, Happy Simon Agber, Beauty Terwase, Vincent for their endless love and support your prayers has made a huge success, may the almighty god reward you all.

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**ABSTRACT**

*This study investigates the effect of excessive taxation on small-scale enterprises (SSEs) in Mubi North Local Government Area, Adamawa State, Nigeria. SSEs play a vital role in employment creation, poverty reduction, and local economic development, yet their growth and sustainability are threatened by multiple and arbitrary taxes. The research adopted a descriptive survey design, utilizing primary data collected through semi-structured questionnaires administered to 108 SSE operators, complemented by interviews and observations. Descriptive statistics such as frequencies, percentages, and means were employed to analyze the data. The findings reveal that SSEs in Mubi North are subjected to multiple taxes imposed by federal, state, and local governments, alongside informal levies from non-statutory actors. Poor communication of tax obligations, high compliance costs, and flat-rate tax structures were identified as major challenges, leading to reduced profitability, stunted growth, and, in some cases, business closures. A strong link was also observed between excessive tax burdens and informality, with many operators preferring to remain outside the formal tax net due to high costs and perceived lack of benefits. The study concludes that while taxation is necessary for government revenue generation, excessive and poorly administered taxes act as a disincentive to business compliance and survival. It recommends tax harmonization across government tiers, reduction of tax rates for SSEs, simplification of compliance procedures through digital platforms, taxpayer education, provision of incentives for formalization, and the reinvestment of tax revenue into infrastructure and services that directly benefit small businesses.*

**CHAPTER ONE**

**INTRODUCTION**

**1.1 Background to the Study**

Small-scale enterprises (SSEs) constitute the backbone of many economies, especially in developing countries where they significantly contribute to economic diversification, employment creation, income generation, and poverty reduction (Adebisi & Gbegi, 2020). In Nigeria, SSEs are recognized as catalysts for economic development due to their potential to foster indigenous entrepreneurship, reduce over-reliance on oil revenues, and promote inclusive growth (Iorpev & Kwanum, 2021). The Federal Ministry of Industry, Trade and Investment (2023) reports that SSEs contribute approximately 48% to Nigeria’s Gross Domestic Product (GDP) and account for over 80% of employment.

However, despite their socio-economic importance, SSEs continue to grapple with numerous structural and operational challenges. One of the most daunting challenges is the issue of taxation—particularly excessive or multiple taxation. While taxation is essential for government revenue mobilization, excessive tax burdens on SSEs can stifle growth, reduce profitability, and sometimes lead to business closure (Adeniyi & Adebayo, 2022). This is further complicated by Nigeria's fragmented and poorly coordinated tax system, where small businesses are often subjected to overlapping levies by federal, state, and local governments (Okoye *et al*., 2021).

Moreover, excessive taxation may also result in high levels of tax evasion and informality, as many entrepreneurs prefer to operate outside the formal regulatory system to avoid the heavy tax burden. This practice limits the government’s ability to widen its tax base and reduces the capacity of these enterprises to access finance, public procurement opportunities, and legal protections (Oladipupo & Ajibade, 2020). Therefore, striking a balance between revenue generation and the growth needs of SSEs is crucial for sustainable economic development.

Despite ongoing tax reforms such as the introduction of the Finance Acts (2019–2022) in Nigeria, which sought to expand the tax net and ease compliance burdens for small businesses, implementation remains inconsistent. Many SSEs still report being burdened by arbitrary levies, high compliance costs, and lack of clarity in tax regulations (SMEDAN, 2023). The weak capacity of local tax administrators and the absence of streamlined processes for dispute resolution exacerbate the frustration of entrepreneurs, ultimately discouraging voluntary compliance.

Additionally, the lack of targeted tax incentives and tailored financial support structures for SSEs further compounds their vulnerability. In contrast to global best practices—where SSEs are given preferential tax treatment, such as reduced rates or tax holidays—Nigerian SSEs are often subjected to flat-rate taxation structures that do not reflect their financial realities. This puts them at a competitive disadvantage, limiting their ability to innovate, expand operations, or invest in productivity-enhancing technologies (World Bank, 2023).

**1.2 Statement of the Problem**

The Nigerian tax environment is widely recognized as complex, opaque, and often inefficient characteristics that disproportionately affect small-scale enterprises (SSEs). These businesses, which are crucial to employment creation and national development, face substantial hurdles in complying with a tax system that lacks harmonization and predictability. Unlike large corporations that possess sophisticated accounting systems, legal departments, and tax consultants, small enterprises typically lack the structural capacity and financial resources required to manage compliance with multiple tax obligations. These obligations include, but are not limited to, company income tax, value-added tax (VAT), business premises levies, tenement rates, signage fees, development levies, and other charges imposed by state and local governments. The cumulative effect of these multiple taxes is a heavy financial burden that can erode profit margins and, in many cases, threaten the very survival of the business.

One of the most critical challenges facing SSEs is not merely the payment of taxes, but the disproportionate nature of the tax burden relative to their capacity. In many instances, these businesses are taxed at flat rates or fixed amounts that do not consider their revenue size, profitability, or sector-specific peculiarities. The absence of progressive or tiered tax structures that reflect the economic reality of small businesses contributes to financial strain, discourages business formalization, and stifles entrepreneurial innovation. Moreover, the lack of transparency in tax assessment and collection processes fosters a climate of mistrust between business operators and tax authorities, often resulting in non-compliance, bribery, and tax evasion.

Despite ongoing tax reforms by the Federal Inland Revenue Service (FIRS) and recent legislations like the Finance Acts of 2019 through 2022, there is limited empirical evidence to suggest that these reforms have meaningfully addressed the challenges experienced by SSEs. Most reforms have focused on expanding the tax base and increasing government revenue, often at the expense of smaller businesses that are already struggling to remain competitive in an increasingly hostile economic environment. Empirical studies (e.g., Ogundele, Hassan, & Abiola, 2021) reveal that excessive taxation leads to reduced liquidity, limits the reinvestment of profits into business operations, and constrains the ability of small businesses to hire additional labor or access credit from financial institutions.

Given these persistent challenges, there is a compelling need for a systematic and context-specific analysis of how excessive taxation affects the operational and financial sustainability of SSEs in Nigeria. Most existing studies provide only general observations, without focusing on the nuanced relationship between tax burden, business structure, sectoral differences, and firm-level outcomes. This research, therefore, seeks to fill that gap by providing empirical evidence and policy-relevant insights that can inform tax reforms targeted at promoting the long-term sustainability and competitiveness of Nigeria’s small-scale enterprise sector.

**1.3 Objectives of the Study**

The aim of this study is to critically examine the effect of excessive taxation on small-scale enterprises in Mubi North, Adamawa State, Nigeria.

The specific objectives are to:

1. Identify the types and nature of taxes imposed on small-scale enterprises in Mubi North Local Government Area.
2. Evaluate the effect of excessive taxation on the profitability, survival, and growth of SSEs.
3. Examine the relationship between tax burden and business informality among small-scale enterprises.

**1.4 Research Questions**

To guide the investigation, the following research questions are proposed:

1. What types of taxes are small-scale enterprises subjected to in Nigeria?
2. How does excessive taxation affect the profitability and growth of small-scale enterprises?
3. What is the relationship between excessive taxation and business informality among SSEs?

**1.5 Significance of the Study**

This study is of significant academic, practical, and policy relevance, particularly within the context of Nigeria’s shifting economic priorities and the growing focus on non-oil revenue sources. It contributes to the fields of public finance, development economics, and entrepreneurship by providing empirical insight into how excessive taxation affects small-scale enterprises (SSEs). While taxation has been broadly studied, this research addresses a critical gap by examining its nuanced impact on small businesses under ongoing tax reforms and post-COVID recovery efforts. It deepens academic discourse by applying classical tax theories—such as the ability-to-pay principle, cost of compliance, and the Laffer Curve—to Nigeria’s informal and semi-formal business environments. Moreover, it introduces an integrated framework connecting multiple taxation, informality, and enterprise performance, thereby offering a foundation for further scholarly inquiry in similar developing economies.

Practically, the findings of this study are highly beneficial to small-scale business owners, entrepreneurs, and managers, offering clarity on how tax burdens influence profitability, cash flow, and overall business sustainability. By identifying the most problematic tax types and administrative hurdles, it empowers business operators to make better-informed decisions regarding tax compliance and formalization strategies. The study also highlights practical solutions such as proper record-keeping, use of digital tax tools, and professional tax advisory services to improve financial resilience. Additionally, the research serves development partners, NGOs, and donor agencies by offering a diagnostic tool to evaluate fiscal obstacles and guide support programs aimed at strengthening the entrepreneurial ecosystem, promoting innovation, and enhancing livelihood opportunities.

**1.6 Scope of the Study**

The study focuses on small-scale enterprises operating within selected urban and semi-urban areas in Nigeria. It considers both registered and unregistered businesses across various sectors, including retail, services, manufacturing, and agriculture. The research will assess the impact of federal, state, and local government taxes on the operational sustainability of these businesses between 2020 to 2024 for the period of four (4) years. The study is limited to small-scale enterprises as defined by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2023).

**1.7 Definition of Terms**

**Excessive Taxation:** A situation where the cumulative tax obligations imposed on a business significantly hinder its operational efficiency and profitability.

**Informality:** Operating a business without formal registration or outside the purview of regulatory and tax authorities.

**Small-Scale Enterprises (SSEs):** Business ventures with limited capital, labor, and market reach, typically employing fewer than 50 people and with assets not exceeding ₦5 million (SMEDAN, 2023).

**Tax Burden:** The total amount of tax levied on a business entity, including direct and indirect taxes.

# ****CHAPTER TWO****

# ****LITERATURE REVIEW****

## ****2.1 Introduction****

The aim of this chapter is to present a thorough and critical examination of the existing body of literature relevant to the study on the effect of excessive taxation on small-scale enterprises (SSEs). The review encompasses a comprehensive clarification of key concepts, theoretical underpinnings, relevant empirical studies both within Nigeria and globally, and a synthesis of identified research gaps. This will lay the intellectual foundation upon which the current study is built and justify its relevance and contribution to knowledge.

## ****2.2 Conceptual Clarifications****

This section provides a detailed clarification of the key concepts that underpin this study. These include Small-Scale Enterprises (SSEs), Taxation, and Excessive Taxation. Understanding these concepts within the context of Nigeria’s fiscal and economic landscape is essential for appreciating the underlying issues this research addresses.

## 2.2.1 Small-Scale Enterprises (SSEs)

Small-scale enterprises (SSEs) are economic entities that typically operate on a limited scale with modest capital, labor, and market coverage. They engage in the production and distribution of goods and services and play a fundamental role in the development of local economies. SSEs are distinguished from medium and large-scale enterprises based on criteria such as asset value, annual turnover, and number of employees. In Nigeria, the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2023) defines SSEs as enterprises with total assets (excluding land and buildings) valued between ₦5 million and ₦50 million and employing between 10 and 49 persons.

SSEs are widely acknowledged as drivers of economic diversification, job creation, innovation, and poverty alleviation, especially in developing countries. They dominate sectors such as retail trade, agro-processing, manufacturing, hospitality, transportation, and informal services. According to Ayoade and Agwu (2021), SSEs in Nigeria serve as platforms for indigenous entrepreneurship and skill acquisition, contributing significantly to community development and grassroots empowerment. Despite their importance, SSEs often face structural and operational vulnerabilities, such as limited access to finance, inadequate infrastructure, poor record-keeping, weak technological capacity, and minimal managerial expertise. These constraints limit their growth and resilience, making them more sensitive to external shocks—including those caused by onerous regulatory and tax systems. Consequently, the fiscal environment in which SSEs operate becomes a critical determinant of their long-term viability and contribution to national development.

## 2.2.2 Taxation

Taxation is the legally mandated process through which governments collect revenue from individuals, corporations, and other legal entities to fund public expenditures. It constitutes the backbone of fiscal policy and serves multiple socio-economic functions including income redistribution, economic stabilization, wealth management, and the provision of public goods and infrastructure (Musgrave & Musgrave, 2019). Taxation can be classified into two major categories: direct taxes, such as Personal Income Tax (PIT), Company Income Tax (CIT), and Withholding Tax, which are levied directly on the income or profits of individuals and corporations; and indirect taxes, such as Value Added Tax (VAT), excise duties, and customs duties, which are levied on goods and services.

In Nigeria, the tax system is decentralized, with taxing powers and responsibilities distributed across the federal, state, and local governments. While this federal structure is intended to ensure revenue adequacy across all levels of government, it has inadvertently contributed to a complex and often overlapping taxation regime. For instance, a single business may be liable to pay corporate tax to the federal government, business premises and development levies to the state government, and signage or market fees to the local government—all within a single fiscal year (Ezenwoke & Adigwe, 2020).

This complexity results in high administrative costs, confusion among taxpayers, and frequent disputes between businesses and tax authorities. In the absence of proper tax education and automation, compliance becomes burdensome—especially for small enterprises with limited capacity. Hence, while taxation is indispensable for economic governance, its design and implementation must reflect the capacity and operating realities of different business segments, particularly SSEs.

## 2.2.3 Excessive Taxation

Excessive taxation refers to a situation where the total tax burden imposed on an entity or individual exceeds their economic capacity, thereby becoming a disincentive to compliance, investment, or productivity. It is a relative term that considers the nature, frequency, size, and diversity of taxes levied in relation to the revenue, profitability, and sustainability of the taxpayer. For small-scale enterprises, excessive taxation typically manifests in the form of multiple taxation, flat-rate levies regardless of business size, and unpredictable or non-transparent tax assessments (Okoye, 2021).

In Nigeria, the issue of excessive taxation has been widely documented as a major impediment to the growth and survival of small businesses. Many SSEs are required to pay a combination of statutory and non-statutory taxes including corporate income tax, VAT, local government levies, business premises tax, signage fees, and development charges regardless of their income levels or operational status. In some cases, small businesses that are not profitable are still required to pay fixed or minimum tax amounts, creating unfair and unsustainable fiscal pressure (Adeniyi & Adebayo, 2022).

The consequences of excessive taxation are profound. Financially, it reduces profit margins and discourages reinvestment in business expansion. Operationally, it leads to business closure, downsizing, or relocation to informal sectors where regulation is lax. Strategically, it drives tax avoidance and evasion, thereby shrinking the government’s revenue base and increasing the cost of tax enforcement (Oladipupo & Ajibade, 2020). Excessive taxation also undermines the social contract between the government and businesses, as small-scale entrepreneurs become skeptical of the value derived from their tax contributions especially in the absence of reliable public infrastructure, security, or support services.

Therefore, addressing excessive taxation requires not just a revision of tax rates, but a comprehensive review of tax policies, administrative structures, and compliance mechanisms. Tax reforms should aim at simplifying procedures, enhancing transparency, reducing redundancy, and aligning tax liabilities with business realities particularly for SSEs that are critical to inclusive economic development.

**2.2.4 Multiple Taxation**

Multiple taxation refers to a situation where a single income source, product, or business activity is subjected to more than one tax levy by different government tiers or agencies, often without proper coordination or harmonization. In Nigeria, the decentralization of tax responsibilities among federal, state, and local governments has led to overlapping and, at times, redundant tax structures. For instance, a small-scale enterprise may simultaneously pay Value Added Tax (VAT) to the Federal Inland Revenue Service (FIRS), business premises tax to the state government, and market levies or signage fees to the local government all for conducting the same business operations (Ezenwoke & Adigwe, 2020).

Multiple taxation is particularly burdensome to SSEs, as it leads to increased operational costs, double or triple tax liabilities, and a rise in informal sector participation. It also creates compliance fatigue, discourages business formalization, and undermines the competitiveness of small enterprises. Without clear legal frameworks to prevent the duplication of tax obligations, many small business owners are trapped in a cycle of uncertainty and over-taxation.

**2.2.5 Informal Sector**

The informal sector, often referred to as the shadow or grey economy, comprises business activities that operate outside of formal regulatory, legal, and tax frameworks. In Nigeria, this sector accounts for a significant proportion of economic activity, with millions of micro and small businesses avoiding formal registration due to high regulatory and tax burdens (World Bank, 2023).

One of the major drivers of informality is excessive taxation. When taxes are perceived as too high, inconsistent, or unjustified, many small-scale entrepreneurs opt to remain informal to escape the financial and bureaucratic burdens. While this may offer short-term relief to the business, it limits access to government support programs, financial services, legal protections, and market opportunities, ultimately reducing business growth and national revenue potential.

**2.2.6 Tax Compliance**

Tax compliance refers to the degree to which taxpayers meet their tax obligations in accordance with statutory requirements. This includes timely registration, accurate record-keeping, proper filing of returns, and full payment of taxes due. Compliance is influenced by several factors, such as tax literacy, perceived fairness of the tax system, enforcement mechanisms, and ease of the payment process (Adebisi & Gbegi, 2020).

For SSEs, compliance can be particularly difficult due to limited access to accounting skills, inadequate tax education, and the complexity of Nigeria’s tax framework. Additionally, where tax authorities employ coercive tactics or lack transparency, small business owners may deliberately avoid or underreport taxes. High compliance costs, both in terms of time and money, further reduce the willingness of SSEs to engage with formal tax structures.

2.2.7 Tax Incentives

Tax incentives are fiscal policy tools used by governments to encourage specific economic behaviors, such as investment, job creation, innovation, or compliance. These incentives may take the form of tax holidays, reduced tax rates, exemptions, rebates, or accelerated depreciation for qualifying businesses. In the context of small-scale enterprises, well-targeted tax incentives can ease entry into the formal sector, stimulate growth, and improve sustainability (Asare, 2021).

However, in Nigeria, the use of tax incentives for small businesses has been limited and inconsistently applied. Most incentives are geared toward large corporations or foreign investors, leaving SSEs with little or no relief despite their vital role in the domestic economy. The absence of inclusive incentive frameworks has contributed to the low formalization rate and the poor survival rate of SSEs.

**2.2.8 Business Formalization**

Business formalization is the process by which an informal enterprise becomes legally registered and complies with regulatory and tax requirements. Formalization enables a business to operate with legal recognition, access to financial services, eligibility for government programs, and protection under commercial law. For small-scale enterprises, formalization can open doors to growth and legitimacy but is often hindered by cumbersome registration procedures, regulatory uncertainty, and especially excessive taxation (Okoye *et al.,* 2021).

A tax regime that is not SME-friendly discourages formalization, as entrepreneurs perceive the costs of compliance to outweigh the benefits. Thus, creating a simplified, affordable, and predictable tax environment is key to encouraging small businesses to formalize, thereby broadening the tax base and improving national revenue.

**2.2.9 Business Sustainability**

Business sustainability refers to the capacity of an enterprise to survive, grow, and remain profitable over the long term, even in the face of external shocks or systemic challenges. It encompasses financial stability, resilience to risk, environmental stewardship, and social responsibility. For SSEs, sustainability is often threatened by high taxation, regulatory inconsistencies, and limited access to finance or infrastructure (Ayoade & Agwu, 2021).

Excessive and unpredictable taxation weakens business sustainability by reducing cash flow, increasing cost of production, and limiting reinvestment in innovation or expansion. Thus, a fair and well-structured tax system is essential to supporting the sustainability and scaling of small businesses.

### ****2.3 Theoretical Framework****

The theoretical foundation of this study is anchored on several well-established economic and fiscal theories that explain the relationship between taxation and enterprise behavior.

#### **2.3.1 Ability-to-Pay Theory**

This classical theory, advanced by Musgrave and Musgrave (1989), asserts that taxation should be based on an individual’s or entity's financial capacity. It supports progressive taxation, where tax liabilities increase with income levels. Applying this to SSEs, the theory suggests that tax policies should consider business size and profitability to avoid imposing undue financial strain on micro and small businesses.

However, Nigeria’s tax system, in many instances, lacks differentiation based on business capacity, thereby violating the fairness principle and exacerbating the financial vulnerability of SSEs (Adeniyi & Adebayo, 2022).

#### **2.3.2 Benefit-Received Theory**

The benefit theory posits that taxpayers should pay taxes in proportion to the benefits they derive from public services. However, most SSEs in Nigeria do not perceive commensurate returns in terms of infrastructure, utilities, or business support services for the taxes they pay. This perceived inequity fosters resistance to tax compliance and breeds a culture of distrust between businesses and tax authorities (Ogundele *et al.,* 2021).

#### **2.3.3 Cost of Tax Compliance Theory**

According to this theory, proposed by Sandford (1995), the efficiency of a tax system should not only be judged by how much revenue it generates but also by the cost of compliance it imposes. These include administrative costs, time spent on record-keeping, legal expenses, and penalties. SSEs, due to their limited technical resources, often find it more challenging to comply with complex tax regulations, making compliance disproportionately burdensome (World Bank, 2023).

#### **2.3.4 Laffer Curve Theory**

The Laffer Curve suggests that there is an optimal tax rate that maximizes government revenue without discouraging productivity. Beyond this optimal rate, increasing taxes reduces the incentive to work, invest, or comply. This theory is relevant in evaluating how excessive taxation can lead to lower compliance rates and reduced government revenue in the long run (Adebisi & Gbegi, 2020).

### ****2.4 Empirical Review****

Empirical evidence plays a critical role in validating theoretical claims and providing practical insights into the real-world implications of excessive taxation on small-scale enterprises (SSEs). In the Nigerian context, various studies have explored how different aspects of the country’s tax regime impact the operations, profitability, and sustainability of SSEs. This section reviews key empirical studies conducted within Nigeria to understand the nature and extent of these effects.

**2.4.1 Impact of Taxation on Small Business Profitability**

A consistent theme in the literature is that high and poorly structured taxation significantly undermines the profitability of small-scale businesses in Nigeria. Adebisi and Gbegi (2020) conducted a cross-sectional study of SSEs in Kwara State and found that 72% of the respondents identified excessive taxation as a major barrier to breaking even, especially due to cumulative tax obligations such as VAT, PAYE, and business premises levies. The study concluded that indirect taxes, particularly Value Added Tax (VAT), posed the most severe burden due to their frequent application and the additional record-keeping they necessitate—an expectation many SSEs are ill-equipped to meet.

Similarly, Adeniyi and Adebayo (2022) examined 150 SSEs in Lagos State and found that over 60% of small businesses perceived tax obligations as a threat to their working capital. The study revealed that tax liabilities often forced entrepreneurs to defer expansion plans, reduce employee salaries, or limit inventory replenishment. The authors noted that this situation was more pronounced in sectors with high cash turnover but low profit margins—such as petty retail and food services where flat tax rates consumed a significant portion of business revenue regardless of actual profitability.

Additionally, Lawal and Yusuf (2021) analyzed financial records of 75 SSEs across Abuja and Ibadan and observed a negative correlation between tax burden and profit after tax (PAT). The study reported that frequent changes in tax policy and lack of tax stability created uncertainty, which discouraged reinvestment and increased the cost of doing business. They emphasized the need for tax predictability and sector-specific tax relief measures to improve profitability among SSEs.

**2.4.2 Tax Multiplicity and Business Informality**

Multiple taxation remains one of the most persistent complaints from small business owners across Nigeria. Ezenwoke and Adigwe (2020), in their investigation of SMEs in Anambra State, found that overlapping taxes imposed by local, state, and federal agencies led to high business exit rates, especially among first-time entrepreneurs. Levies such as signage fees, sanitation levies, and development taxes were cited as not only excessive but also arbitrary in their application. Many respondents reported that enforcement agents often demanded these levies without clear documentation or legal backing, fostering an environment of intimidation and extortion.

Okoye et al. (2021) conducted a study in the South-East geopolitical zone, focusing on the impact of tax multiplicity on informal business operations. Their findings revealed a strong positive relationship between multiple taxation and informality. Entrepreneurs who attempted to formalize their operations were often met with new tax obligations, discouraging others from registering their businesses. The study concluded that Nigeria’s lack of a harmonized tax policy across government levels serves as a disincentive to business formalization, which in turn reduces government revenue and limits SSE access to formal credit and legal protections.

Further supporting these findings, Ibrahim and Danjuma (2022) studied SSEs in Kano and Gombe states and reported that many businesses operated without registration due to fear of being subjected to "unofficial taxes" by local authorities. The authors noted that these practices not only hurt the credibility of tax institutions but also widen the gap between taxpayers and the government, resulting in a low compliance culture.

**2.4.3 Compliance Cost and Administrative Burden**

The cost of complying with Nigeria’s tax obligations is a significant factor affecting SSEs, many of which lack the financial and technical capacity to meet complex requirements. Oladipupo and Ajibade (2020) examined tax compliance behavior among 200 SSEs in Ogun State and found that over 65% of respondents could not afford professional accountants or consultants to help with their tax filings. Consequently, they relied on informal advice or personal judgment, which often resulted in underpayment or overpayment—both of which attracted fines or penalties from tax authorities.

Additionally, the study identified poor knowledge of applicable tax laws and constant changes in tax deadlines as key contributors to unintentional non-compliance. These challenges placed a heavy administrative burden on small business owners, who had to divert valuable time from core operations to resolve tax-related issues.

Supporting this, the World Bank (2023) in its *Doing Business in Nigeria* report stated that Nigerian small businesses spend an average of 956 hours annually on tax-related tasks, compared to the Sub-Saharan African average of 300 hours. This considerable compliance burden is linked to the manual nature of tax filing processes, low levels of digitization, and inconsistent communication from tax agencies. As a result, many small businesses prefer to stay below the radar to avoid these administrative costs, further reinforcing the country’s high informality rate.

**2.4.4 Tax Policy and Enterprise Development in Nigeria**

Several studies have examined the link between tax policy design and small business development in Nigeria. Adetunji and Ibitoye (2021) evaluated the effectiveness of recent tax reforms—particularly the *Finance Act 2020*—and found that while the legislation introduced tax exemptions for small companies earning below ₦25 million annually, awareness among SSEs remained low. In their survey of 120 SSEs across Lagos and Oyo States, only 34% of respondents were aware of their eligibility for such exemptions, highlighting a gap between policy formulation and grassroots implementation.

Likewise, Okafor and Nwogu (2022) conducted a policy-impact study on micro businesses in the South-South region and concluded that inconsistent implementation of tax relief programs and lack of follow-up mechanisms had rendered such initiatives ineffective. The authors recommended targeted tax education campaigns and the use of digital tools to improve transparency, reduce compliance burden, and enhance trust in the tax system.

Adeyemi and Salami (2023) offered a critical perspective by evaluating SSE access to government tax support programs during and after the COVID-19 pandemic. Their findings showed that while tax deferral and waivers were introduced, only a small fraction of SSEs benefitted due to bureaucratic bottlenecks, eligibility confusion, and poor communication. The study emphasized the need for a dedicated SME tax advisory body to bridge the gap between small business operators and tax regulators.

**2.4.5 Tax Awareness and Literacy Among Small-Scale Enterprises**

A critical but often overlooked dimension in empirical studies is the role of tax awareness and literacy in determining compliance behavior among small business owners. Ajayi and Onifade (2020) conducted a study in Ondo and Ekiti States, revealing that low levels of tax literacy significantly contribute to non-compliance and misunderstanding of tax obligations among SSEs. Only 28% of the surveyed entrepreneurs reported having any formal knowledge of tax laws, and fewer than 15% understood how to calculate VAT or file returns correctly. The study emphasized the urgent need for grassroots tax education, especially for rural and semi-urban enterprises.

Similarly, Usman and Lawal (2021) analyzed data from 250 SSE operators across five northern states (Kaduna, Kano, Katsina, Bauchi, and Sokoto) and found that limited knowledge about applicable tax reliefs, exemptions, and due dates often resulted in late filing, overpayment, and exposure to penalties. The researchers argued that while tax laws are publicly available, their communication is neither accessible nor tailored to the comprehension level of micro and small business owners.

**2.4.6 Sectoral Variations in Tax Burden**

Another empirical strand in the literature focuses on the sectoral variation in the impact of taxation. Okonkwo and Eze (2022) investigated SSEs across four industries—retail, hospitality, manufacturing, and logistics in Enugu and Anambra states. They discovered that the tax burden varied significantly across sectors, with the hospitality and logistics sectors being the most affected due to their visibility and regulatory exposure. On average, businesses in these sectors faced 2.3 times more tax-related inspections and enforcement actions compared to retail traders.

In a similar study, Ogundele and Afolabi (2022) examined the agricultural processing sector in Ogun State and found that processors, particularly in rice milling and palm oil production, were subject to multiple overlapping levies from agricultural boards, environmental authorities, and local government councils. These levies often lacked legal backing and discouraged investment in mechanized processing or export readiness.

These findings highlight the need for sector-specific tax policy reforms that acknowledge the unique operating conditions and growth potential of different SSE categories in Nigeria.

**2.4.7 Digitalization and Tax Compliance Improvement**

Recent research has also explored how digital tools may alleviate the burden of tax compliance for SSEs. Chukwuemeka and Adepoju (2023) investigated the effect of digital tax systems such as e-filing and e-payment on compliance rates among small enterprises in Lagos, Abuja, and Port Harcourt. The study found that digital platforms increased compliance by 23% among SSEs that adopted them, largely due to reduced paperwork and better deadline tracking.

However, the same study also noted that only 38% of SSEs were actively using digital platforms, primarily due to poor internet connectivity, digital illiteracy, and mistrust in the reliability of government IT systems. The study concluded that while digitalization has strong potential to improve tax administration, its effectiveness depends on broader digital inclusion and user-centered platform design.

**2.4.8 Taxation and Enterprise Survival Rates**

Enterprise survival is another critical focus in recent Nigerian studies. Ibrahim and Adewale (2022) analyzed the 5-year survival rates of 500 SSEs in Abuja, Jos, and Ibadan and found that businesses that perceived the tax environment as hostile had a significantly higher closure rate (42%) compared to those that viewed tax systems as manageable (19%). The findings suggest a psychological component to tax policy, where perception of fairness and procedural transparency can influence long-term business planning and survival.

Likewise, Mohammed and Bello (2023) conducted a longitudinal study on micro-enterprises in Kano State and discovered that frequent, inconsistent tax audits and harassment by tax officials correlated strongly with the decision to shut down or relocate to neighboring states with more favorable tax regimes. The study called for tax ombudsman offices at the state level to provide impartial dispute resolution and protect SSEs from arbitrary enforcement actions.

**2.4.9 Gender Perspectives in Taxation of SSEs**

Emerging research has also begun to examine gender dynamics in the impact of taxation on SSEs. Nwachukwu and Oladipo (2023) explored the experiences of female-owned SSEs in Lagos and found that women entrepreneurs often face unique challenges in dealing with tax authorities. Due to gender norms and limited access to business education, female business owners were less likely to contest unfair tax assessments or understand their rights, thereby making them more vulnerable to over-taxation.

Their study also revealed that many women-run microenterprises such as tailoring, hairdressing, and food vending were treated similarly to male-run firms in terms of tax demands, despite lower revenue levels. The researchers recommended gender-sensitive tax policies and support services, including simplified registration and compliance training tailored to female entrepreneurs.

### ****2.5 Conceptual Framework****

The conceptual framework for this study provides a structured representation of the relationship between **excessive taxation** and the **performance of small-scale enterprises (SSEs)** in Nigeria. It is developed based on a synthesis of theoretical perspectives (such as the Ability-to-Pay Principle and Compliance Cost Theory) and empirical findings drawn from both domestic and international studies. The framework serves as a visual and logical map guiding the study’s analysis, hypotheses, and methodological direction.

At the core of this framework is the assertion that **excessive taxation** functions as the **independent variable**, comprising several interrelated dimensions that impose fiscal and administrative pressures on small businesses. These dimensions include **multiple taxation**, **high tax rates**, **compliance cost**, and **arbitrary levies**. Each of these elements captures a specific burden that undermines the capacity of SSEs to operate efficiently and profitably.

Conversely, the **dependent variable** in this study is the **performance of small-scale enterprises**, which is operationalized through indicators such as **profitability**, **business growth or expansion**, **rate of formalization**, and **business survival**. These performance indicators reflect both financial outcomes and strategic business sustainability, making them relevant metrics for evaluating the real-world impact of taxation.

### ****Independent Variable: Excessive Taxation****

1. **Multiple Taxation**: This refers to the imposition of similar or overlapping taxes by different tiers of government federal, state, and local on the same income stream, asset, or business activity. In the Nigerian context, this is manifested through levies such as development fees, signage fees, business premises permits, and local market taxes. These taxes often lack clear legal harmonization, leading to duplication and confusion.
2. **High Tax Rates**: Tax rates that are fixed without consideration for business size, profit margins, or industry characteristics can disproportionately affect SSEs. High tax rates reduce available working capital and hinder reinvestment, especially in businesses with tight liquidity.
3. **Compliance Cost**: This includes both the financial and non-financial costs associated with understanding, calculating, filing, and paying taxes. Small business owners often spend significant time and resources trying to meet tax obligations, especially in the absence of digital tools or professional assistance. These costs reduce time for core business operations and innovation.
4. **Arbitrary Levies**: Arbitrary or unofficial levies refer to unsanctioned or non-transparent demands by some tax officials or local authorities. These include informal collections, unreceipted charges, or abrupt changes in tax demands, which foster a climate of uncertainty and distrust, ultimately deterring formal compliance.

### ****Dependent Variable: Small-Scale Enterprise Performance****

1. **Profitability**: The net earnings of a business after all expenses—including taxes—are deducted. Excessive taxation can shrink profit margins, reduce operational efficiency, and hinder reinvestment in innovation, production, or workforce development.
2. **Growth and Expansion**: A business’s ability to scale up operations, enter new markets, or increase workforce size is often constrained when excessive taxation erodes retained earnings or discourages long-term planning.
3. **Formalization**  
   Many micro and small businesses in Nigeria remain informal due to fear of tax burdens. Excessive taxation discourages registration and entry into the formal economy, which limits access to credit, government incentives, and legal protections.
4. **Survival Rate**  
   High taxation contributes to higher business mortality, especially in the first few years of operation. Survival is often compromised when small businesses are unable to cope with financial stress and tax-related enforcement actions.

### ****Moderating Variables****

The model also incorporates several **moderating factors** that may influence the relationship between excessive taxation and business performance:

1. **Tax Education and Awareness**: Access to knowledge about tax obligations, exemptions, and compliance processes can improve tax behavior and reduce inadvertent violations.
2. **Digital Infrastructure and e-Tax Systems:** Availability of digital platforms for tax registration, filing, and payment can reduce compliance cost, minimize errors, and improve transparency.
3. **Government Support Policies:** Incentives such as tax holidays, simplified tax regimes, or support services (e.g., free tax advisory centers) can help mitigate the negative effects of excessive taxation.

**Excessive Taxation (IV)**

├── Multiple Taxation

├── High Tax Rates

├── Compliance Cost

├── Arbitrary Levies

│

▼

**Small-Scale Enterprise Performance (DV)**

├── Profitability

├── Growth & Expansion

├── Formalization

└── Survival Rate

▲

│

**Moderating Variables:**

├── Tax Education

├── Digital Infrastructure

└── Government Support Policies

Figure 2.1: Conceptual Framework

This conceptual framework illustrates that the impact of excessive taxation on SSE performance is not linear or automatic; rather, it is shaped by the institutional, technological, and informational environment within which these enterprises operate.

### ****2.6 Summary of Literature Review****

The literature reviewed affirms that taxation, while essential for state development, can impose excessive burdens on small-scale enterprises if not carefully designed and implemented. Theories such as the ability-to-pay principle and the cost of compliance model underscore the need for fairness and efficiency in tax administration. Empirical studies in Nigeria and beyond highlight the adverse impacts of excessive taxation on business profitability, formalization, and sustainability. However, the need for deeper, sector-specific, and policy-aligned studies remains pertinent justifying the relevance and necessity of this research.

While considerable research has been conducted on taxation and SSEs in Nigeria, several gaps remain:

1. **Limited Longitudinal Studies**: Most studies are cross-sectional and do not examine the long-term effects of excessive taxation.
2. **Insufficient Sectoral Analysis**: There is a lack of disaggregated analysis focusing on how tax burdens differ across sectors (e.g., agriculture vs. retail).
3. **Neglect of Informal SSEs**: Few studies comprehensively include businesses in the informal sector that are disproportionately affected by arbitrary taxation.
4. **Policy Evaluation**: Limited studies evaluate the effectiveness of existing tax reforms such as the Finance Act of 2020 in mitigating the tax burden on SSEs.

This study seeks to address these gaps by providing recent, context-specific data and actionable policy recommendations tailored to the Nigerian tax environment.

# CHAPTER THREE

# RESEARCH METHODOLOGY

This chapter provided details of the research method used to achieve the stated objectives of the research. The chapter was subdivided into the research design, the study area, data required, source of data, population of the study, sample and sampling techniques, data collection instruments and validation, method of data collection and procedure, and finally, data analysis tools and procedures.

## 3.1 Research Design

This study adopts a descriptive survey research design. The design is appropriate for the study as it allows for the collection and analysis of data from a sample of SSE operators to explore their experiences and perceptions regarding taxation. A survey approach is particularly useful in identifying patterns, measuring relationships between variables, and making inferences about the larger population.

The descriptive nature of the study enables a comprehensive assessment of the extent to which excessive taxation operationalized through multiple taxation, high tax rates, compliance cost, and arbitrary levies impacts profitability, business survival, and formalization efforts among SSEs.

## 3.2 Population of the Study

The population of this study comprises registered small-scale enterprise owners and managers in Mubi North Local Government Area of Adamawa State.

## 3.3 Sample and Sampling Technique

The sample size was obtained using the Yamane (1967) sample size formula as expressed below:

n = N .

1 + (N) (e)2

Where;

N = is the total number of population

e = is the precision level

1 = is constant

**Sampling Technique:** Systematic and random sampling techniques were used in administering questionnaires to the respondents.

## 3.4 Data Types and Sources

The data were sourced from both primary and secondary sources. There were mainly two sources of data: Primary and Secondary Data.

## 3.4.1 Primary Data Source

Firsthand information was obtained through personal interviews, questionnaire administration, and observation (Survey).

## 3.4.2 Secondary Data Source

The secondary data were collected from published and unpublished materials relevant to the study. Such materials included literature information from textbooks, magazines, newspapers, journals, and the internet, among others.

## 3.5 Methods of Data Collection

Data for this study were obtained from primary sources. This was achieved through the use of a semi-structured questionnaire schedule. The instrument was divided into four (4) sections corresponding to the four (4) objectives of the study, with each section containing relevant questions. The questionnaire was administered to the One Hundred and Eight (108) respondents, while the illiterate ones were interviewed by the researcher using the same instrument.

## 3.6 Method of Data Analysis

Descriptive analysis was applied in the process of analyzing the data obtained. The data presentation tools used for this study included frequency tables, mean, percentage and degree distributions, as well as charts, which were also used in presenting the information sourced from the data collected from the respondents.

# CHAPTER FOUR

# DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

## 4.1 Introduction

This chapter presents the results of the field survey conducted to investigate the effect of excessive taxation on small-scale enterprises (SSEs) in Mubi North Local Government Area, Adamawa State, Nigeria. The presentation is guided by the specific objectives and research questions outlined in Chapter One. The analysis employs descriptive statistical tools such as frequencies, percentages, mean scores, and standard deviations, while interpretation of results draws on relevant literature to situate the findings within existing empirical and theoretical contexts.

A total of 108 questionnaires were distributed to selected SSE operators using systematic and random sampling techniques. Of these, 102 copies were completed and returned in usable form, representing a 94.4% response rate, which is considered adequate for the purposes of statistical reliability and representativeness in social science research.

## 4.2 Data Presentation

## 4.2.1 Demographic Profile of Respondents

The demographic variables analyzed include gender, age, educational qualification, nature of business, and years in business. These variables provide contextual insights into the characteristics of the respondents and the structure of the SSE sector in Mubi North.

**Table 4.1: Gender Distribution**

| **Gender** | **Frequency** | **Percentage (%)** |
| --- | --- | --- |
| Male | 62 | 60.8 |
| Female | 40 | 39.2 |
| **Total** | **102** | **100** |

*Source: Field Survey, 2025*

The findings reveal a gender imbalance in SSE ownership, with male respondents (60.8%) outnumbering females (39.2%).

**Table 4.2: Age Distribution**

| **Age Group** | **Frequency** | **Percentage (%)** |
| --- | --- | --- |
| 18–25 years | 14 | 13.7 |
| 26–35 years | 38 | 37.3 |
| 36–45 years | 30 | 29.4 |
| 46 years & above | 20 | 19.6 |
| **Total** | **102** | **100** |

*Source: Field Survey, 2025*

The majority of respondents (37.3%) fall within the 26–35 years age range, suggesting that SSEs in Mubi North are predominantly operated by individuals in their economically productive years.

**Table 4.3: Educational Qualification**

| **Qualification** | **Frequency** | **Percentage (%)** |
| --- | --- | --- |
| No formal education | 8 | 7.8 |
| Primary | 16 | 15.7 |
| Secondary | 38 | 37.3 |
| Tertiary | 40 | 39.2 |
| **Total** | **102** | **100** |

*Source: Field Survey, 2025*

Most respondents possess at least secondary education (37.3%) or tertiary education (39.2%), indicating a relatively educated business community.

**Table 4.4: Nature of Business**

| **Nature of Business** | **Frequency** | **Percentage (%)** |
| --- | --- | --- |
| Trading | 56 | 54.9 |
| Manufacturing | 18 | 17.6 |
| Services | 22 | 21.6 |
| Others | 6 | 5.9 |
| **Total** | **102** | **100** |

*Source: Field Survey, 2025*

Trading enterprises dominate the SSE sector in Mubi North (54.9%), followed by service-oriented businesses (21.6%). This pattern is typical of rural and semi-urban Nigerian economies, where low capital requirements make trading an accessible entrepreneurial activity.

**Table 4.5: Years in Business**

| **Years in Business** | **Frequency** | **Percentage (%)** |
| --- | --- | --- |
| Less than 1 year | 12 | 11.8 |
| 1–5 years | 40 | 39.2 |
| 6–10 years | 28 | 27.5 |
| Above 10 years | 22 | 21.6 |
| **Total** | **102** | **100** |

*Source: Field Survey, 2025*

Nearly 40% of respondents have been in operation for 1–5 years, suggesting a relatively young enterprise landscape, which may be more sensitive to taxation challenges due to limited capital reserves.

## 4.3 Data Analysis

**Objective 1: Types and Nature of Taxes Imposed on SSEs**

The first objective sought to identify the different tax types and their characteristics as imposed on SSEs in Mubi North.

**Table 4.6: Types and Nature of Taxes**

| **Statement** | **SA (%)** | **A (%)** | **UD (%)** | **D (%)** | **SD (%)** | **Mean** | **Decision** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| My business is subjected to multiple taxes. | 55.9 | 30.4 | 4.9 | 5.9 | 2.9 | 4.31 | Agree |
| I am aware of the different taxes applicable to my business. | 49.0 | 36.3 | 5.9 | 6.9 | 2.0 | 4.23 | Agree |
| Taxes imposed are clearly explained. | 18.6 | 25.5 | 7.8 | 28.4 | 19.6 | 2.96 | Neutral |
| Informal levies exist apart from official taxes. | 46.1 | 33.3 | 8.8 | 7.8 | 3.9 | 4.10 | Agree |

*Source: Field Survey, 2025*

The results indicate that respondents agree that multiple taxes and informal levies are common. However, many feel that tax processes are not clearly explained.

**Objective 2: Effect of Excessive Taxation on Profitability, Survival, and Growth**

**Table 4.7: Effect of Excessive Taxation**

| **Statement** | **SA (%)** | **A (%)** | **UD (%)** | **D (%)** | **SD (%)** | **Mean** | **Decision** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Excessive taxation reduces profits significantly. | 60.8 | 29.4 | 3.9 | 3.9 | 2.0 | 4.43 | Strongly Agree |
| High taxes affect business expansion. | 54.9 | 33.3 | 4.9 | 4.9 | 2.0 | 4.34 | Agree |
| Compliance costs are high. | 47.1 | 37.3 | 7.8 | 4.9 | 2.9 | 4.21 | Agree |
| Excessive taxation threatens survival. | 51.0 | 31.4 | 7.8 | 6.9 | 2.9 | 4.20 | Agree |

*Source: Field Survey, 2025*

The findings suggest that excessive taxation imposes a substantial financial burden, reducing profitability and limiting business expansion.

**Objective 3: Relationship Between Tax Burden and Business Informality**

**Table 4.8: Tax Burden and Informality**

| **Statement** | **SA (%)** | **A (%)** | **UD (%)** | **D (%)** | **SD (%)** | **Mean** | **Decision** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| High tax burden encourages informality. | 48.0 | 35.3 | 6.9 | 6.9 | 2.9 | 4.19 | Agree |
| Some avoid registration to escape taxes. | 50.0 | 34.3 | 5.9 | 5.9 | 3.9 | 4.21 | Agree |
| Tax discourages formalization. | 45.1 | 37.3 | 7.8 | 6.9 | 2.9 | 4.15 | Agree |
| Lower taxes encourage formalization. | 53.9 | 32.4 | 5.9 | 4.9 | 2.9 | 4.30 | Agree |

*Source: Field Survey, 2025*

The data supports the assertion that excessive taxation incentivizes informality, as business owners may deliberately avoid formal registration to escape burdensome levies.

## 4.4 Discussion of Findings

The findings of this study have been analyzed in line with the stated objectives, and several key insights have emerged regarding the effect of excessive taxation on small-scale enterprises (SSEs) in Mubi North Local Government Area.

1. Small-scale enterprises (SSEs) in Mubi North are subjected to multiple forms of taxation, including federal, state, and local government levies, as well as informal charges imposed by non-statutory actors.
2. SSE operators reported paying personal income tax, business premises levy, market levies, local government charges, and irregular fees, many of which overlap.
3. Tax information and obligations are poorly communicated to SSE operators, creating confusion, mistrust, and non-compliance.
4. Excessive taxation significantly reduces business profitability as high statutory rates and compliance costs consume a large portion of operating income.
5. Heavy tax burdens limit opportunities for business expansion, threaten the survival of many SSEs, and discourage reinvestment of profits.
6. Compliance requirements, such as hiring accountants or processing documentation, increase operational costs for small enterprises.
7. Many entrepreneurs prefer to remain in the informal sector to avoid multiple and excessive tax burdens, leading to widespread informality.
8. Non-statutory and irregular levies imposed by unauthorized actors further worsen the financial burden on SSEs.
9. High tax costs, combined with limited benefits of formalization, encourage business operators to evade taxes or avoid registration entirely.
10. Respondents strongly agreed that reducing tax rates, simplifying compliance processes, and harmonizing tax systems would encourage voluntary compliance and formalization.

# CHAPTER FIVE

# SUMMARY, CONCLUSION, AND RECOMMENDATIONS

## 5.1 Summary

This study examined the effect of excessive taxation on small-scale enterprises (SSEs) in Mubi North Local Government Area, Adamawa State, Nigeria. The motivation for the research stemmed from the persistent challenges faced by SSE operators in meeting tax obligations amidst multiple levies, high rates, and compliance costs, which potentially undermine business growth, profitability, and formalization.

The specific objectives of the study were to:

1. Identify the types and nature of taxes imposed on SSEs in Mubi North.
2. Evaluate the effect of excessive taxation on the profitability, survival, and growth of SSEs.
3. Examine the relationship between tax burden and business informality among SSEs.

A descriptive survey research design was employed, with data collected from 108 small-scale enterprise operators using a semi-structured questionnaire. Systematic and random sampling techniques were adopted, and both descriptive statistics (frequencies, percentages, means) and interpretive analysis were used to present and discuss the findings.

The study revealed that SSEs in Mubi North face multiple taxation from various government tiers, alongside informal levies not backed by statutory provisions. Tax information was found to be poorly communicated, with a significant number of respondents indicating that they did not fully understand the rationale or computation of their tax obligations. Excessive taxation was found to reduce profitability, limit expansion, and threaten survival, with high compliance costs compounding the financial burden.

Furthermore, a strong relationship was observed between excessive tax burdens and informality, with many operators deliberately avoiding business registration or remaining outside the formal tax net due to high costs and perceived lack of benefits. Respondents also expressed that lowering tax rates and simplifying tax processes would encourage formalization.

## 5.2 Conclusion

The findings of this study underscore the significant adverse effects of excessive taxation on the performance, sustainability, and formalization of small-scale enterprises in Mubi North. Multiple taxation and arbitrary levies not only impose direct financial constraints but also foster an unpredictable business environment, eroding investor confidence. The study concludes that while taxation is essential for government revenue generation, its structure, rate, and administration must be balanced with the need to support enterprise growth. Excessive and poorly administered taxes act as a disincentive to compliance and formalization, thereby reducing the potential tax base over the long term. If left unaddressed, the combined impact of high tax burdens and informality could undermine the role of SSEs in employment creation, poverty reduction, and local economic development in Mubi North and similar contexts across Nigeria.

## 5.3 Recommendations

Based on the findings and conclusions, the following recommendations are proposed:

1. The federal, state, and local governments should harmonize tax policies to eliminate multiple taxation.
2. Tax rates for SSEs should be reduced to encourage voluntary compliance and business growth. In addition, compliance procedures should be simplified through user-friendly online platforms, reducing the cost and time associated with tax filing.
3. Regular taxpayer sensitization programs should be organized to educate SSE operators on their rights, obligations, and the benefits of tax compliance. Clear communication channels between tax authorities and taxpayers will improve trust and compliance.
4. The government should provide tangible incentives for registering businesses, such as tax holidays for new enterprises, subsidized access to credit facilities, and inclusion in government procurement programs.
5. Mechanisms should be put in place to curb arbitrary levies by non-statutory actors. Strengthening monitoring and enforcement will ensure that only legally approved taxes are collected.
6. Taxation should be positioned as a tool for development, where part of the revenue generated is visibly reinvested into infrastructure, market facilities, and services that directly benefit the SSE sector.

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