ILLEGAL TAXATION VERSUS TAX HOLIDAY: IMPLICATIONS ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN AWKA, ANAMBRA STATE

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Abstract
The study examined the effect of illegal taxation and tax holiday on the performance of Small and Medium Enterprises in Awka South Local government area of Anambra State, Nigeria. Specifically, the study ascertained whether concise implementation of tax holiday will significantly affect the performance of Small and Medium Enterprises. It also examined the measure of effect that illegal tax practices by Touts have on the performance of Small and Medium Enterprises. The descriptive survey research design was adopted while a total of one hundred and nineteen (119) respondents were sampled from a population of one hundred and sixty eight (168) Senior staff and Personnel of Finance Departments of eleven (11) selected Small and Medium Enterprises in Awka South Local Government Area of Anambra State, Nigeria using the stratified sampling technique. The primary data for this study were collated through structured questionnaire and consequently analysed using simple linear regression analysis statistical tool. Results obtained showed that concise implementation of tax holiday will have significant and positive effect on the performance of SMEs in Awka South Local Government Area of Anambra state (p-value = 0.000). It however observed that the measure of effect of illegal taxes by Touts on the performance of Small and Medium Enterprises in Awka south local government area of Anambra state was not only negative but the extent of such negative effect was statistically significant (p-value = 0.031). The study therefore concluded that tax incentives can encourage SMEs to reinvest its retained earnings if not forcefully taken away from it by way of illegal taxation towards achieving commendable expansion of such small businesses that lead to more job creation, and sustainable contribution to the local economy. Therefore, addressing corruption in tax administration will improve transparency and accountability, and promote ethical business practices that supports sustainability and growth of SMEs. As a result, it was recommended that government should consider providing more tax holidays to SMEs to encourage their growth and development. It was also recommended that government should take strict measures to curb the illegal activities of touts and protect SMEs from such illegal taxes.
Key Words*: Illegal Taxation, Performances, Tax holidays, SMEs.*

Introduction
As Nigeria continues to strive for economic resuscitation towards achieving economic growth and sustainable development, the need to redirect the focal lens of the government on the deteriorating challenge of illegal taxation that readily threatens the internal revenue generating capacity of the nation and the livelihoods of its micro, small and medium enterprises (MSMEs) cannot be overlooked. While

the government, especially at the State and Local Government levels, have since 1999 continued to turn blind eye to this monstrous illegality as though to consent to its prevalence and continuity, the need for the government to assure the citizenry that it is not in any way statutorily weak and incapacitated, thus benefitting from this stigma, need to be given thoughtful consideration as well. Kuta and Dauda (2021) argued that government's quest to exploit the provisions of tax laws has often led to the duplication of taxes already levied by other tiers of government under the guise of maximizing the internally generated revenue (IGR). Little wonder why Harmon (2023) lamented that despite efforts reported to have been made by the government to streamline the tax system in bid to curtail this illegal act, the prevalence of unauthorised levies and extortion by Touts has continued to cast shadows on the viability of the nation's economic activities and landscape at the grass root. According to NBS (2017), Small and Medium Enterprises (SMEs) in Nigeria readily account for about 96% of businesses operating in Nigeria, 84% of existing employment amidst contributing about 48% of the national GDP of the country on annual basis. However, a 2017 survey of Business Day reported that 80% of small businesses are not paying regular taxes to the government (Iruoma, 2021).

Trend observations has shown that taxation of Micro and Small businesses by the Local government has always been with the deployment of informal system of taxation due to the tax attitude of most Nigerians and Small businesses at the grass root. As much as over 85% of this class of businesses are known to be non-compliant to tax payment, the failure of the government to formalise the one-on-one or person-to-person contact pattern of taxation of Micro and Small businesses into a system that is legally built into a sustainable structure and institutions, may have paved further room for its abuse and consequent override by the same persons or group of persons who once served the State or Local government informally in that regard. Myeko and Madikane (2019) however maintain that the absence of adequate book keeping among micro and small businesses remains a major challenge. And this, no doubt, does obstruct the application of formal tax system on these categories of businesses mostly existent in the informal sector of the Nigeria economy. But could this be the reason for the use of the informal taxation approach that involves the enforcement of a fixed tax rate across board even where such daily income of these SMEs varies (some make higher profit than others on daily basis)? Could this be the reason for the use of untrained and unfriendly personnel also known as Agberos in enforcing such non-organised/unstructured system of taxation that often exposes SMEs to multiple taxation and in most cases, to illegal tax payments? It is pertinent to note that while the government may have attributed its tax enforcement approach on SMEs to the latter's decaying compliant attitude to tax payment, owners of SMEs have also hinged its actions on loss of trust and confidence on government who overtime have proven to lack accountability and transparency towards tax payers' monies. Agusti and Rahman (2023) noted that the behaviour of taxpayers could be viewed from the compliant and non-compliant perspective such that the tax compliance perspective points to the extent to which taxpayers comply with tax regulations while the tax non-compliance perspective explains the failure of taxpayers to fulfil their tax obligations, either intentionally or unintentionally. Accordingly, tax compliance is grouped into voluntary and enforced tax compliance (ETC). Voluntary compliance means taxpayers voluntarily fulfil their obligations without the use of force or direct involvement of the tax authorities. This readily differs from what enforced tax compliance entails. ETC depicts that tax compliance is achieved through the intervention of tax authorities, in some cases, through the use of force or threat. While non-compliant behaviour is often associated with tax evasion and tax avoidance, the latter takes advantage of loopholes in the current legal boundaries (Agusti &Rahman, 2023). But should Small and Medium Enterprises (SMEs) pay taxes, despite their size? Appreciating the diverse views of small businesses in response to these questions is pertinent to the positive and meaningful attendance to the lingering issues of illegal taxation which has also been trailed as a consequence of the non-compliant attitude of most SMEs to tax payment.

Aside the low level of awareness and education on the importance of tax payment among micro and small businesses (Paco & Quezon, 2022), prevalence of gross corruption in public governance has also been linked to the poor compliant attitude of SMEs to tax payment. It has perhaps become a growing fear among SMEs that once tax is paid to the government, the same will be mismanaged or even squandered for personal gains. This may have also adversely undermined the tax payment morale of most SMEs in Nigeria. Abiodun (2021) opined that in taxing entrepreneurs, taxes should be levied in such a way that the income and survival of MSMEs is considered towards creating an enabling environment for the expansion of such businesses in the future. The scholar further noted that the taxation of private businesses in Nigeria appears to be challenging, given that most of the imposed taxes are duplicated under different names and guise that are usually without legal backing. The aftereffect of this has been the high price of conducting or operating business in Nigeria. This entails that the more multiple taxes SMEs pay, the more taxable liabilities they incur and the lower they perform financially. Ovajimoh (2019) is of the opinion that operation of SMEs in Kogi State was largely exposed to many setbacks among which the issue of multiple taxation stands out as the worm eating deep into the revenues of SMEs amidst threatening their growth and survival. But could this be true? Should the government design a policy that readily exclude vulnerable MSMEs, especially as most are one-man businesses, and do not have employees? It is pertinent to recall that Micro Scale businesses are businesses with less than 10 employees and operates with less than 5 million Naira worth of Assets that excludes land and building (SMEDAN, 2021). Unfortunately in Nigeria, most Micro business owners operate alone with an Asset worth of less than N200,000 (two hundred thousand naira only). And these are subjected continually to illegal taxes on daily basis by Local government and State government Agents? Accordingly, the performance of SMEs is a complex and multifaceted concept that encompasses a range of factors, including financial performance, operational efficiency, customer satisfaction, and employee morale. The performance of SMEs has a significant impact on its long-term success and competitiveness, and is therefore an important area of study for both academics and practitioners. However, in Awka South local government area of Anambra State where this study was carried out; SMEs are burdened with a lot of expenses and unfortunately some of these businesses have to deal with illegal taxation. SMEs owners are often not able to efficiently sell most of their products on daily basis due to the presence of touts in the streets who are illegal tax collectors issuing out tickets not authorized by the State and Local governments, thereby frustrating the economic performance of SMEs. In most cases, these SMEs owners have no voice and cannot defend itself against wrong or illegal taxation without representation. To this, the Market Traders Association of Nigeria (MATAN 2022) had laid claims that the Federal Government has lost over N31trillion to illegal tax collectors who are extorting Nigerian traders. MATAN (2022) further decried the multiple taxation practices of the relevant government agencies, warning that if this is not timely curtailed, it would result in geometric increase in the prices of goods and wares at various markets in Nigeria. Lending credence to this prediction, Igbekoyi (2023) reported that stakeholders have identified multiple taxations, illegal levies and enormous tax burdens as imminent challenges facing Small and Medium Enterprises (SMEs) in Delta State. This is coming at a time when the Federal Inland Revenue Service (FIRS) has projected a significant increase in Nigeria's tax collection in year 2024 as part of its determination to enhance its non-oil revenues towards reducing the nation's extensive unhealthy reliance on oil sales which account for a substantial portion of foreign exchange receipts (Abdulrazaq, 2023). But what further efforts can the government make, aside tackling illegal or multiple taxation, to enhance the operationalisation and survival of SMEs under the present harsh economic conditions facing the nation?

Indeed, Tax holidays as a temporary reduction or elimination of certain taxes by the government, usually for a specific period of time, appear to be a better bail out option for the State and local governments in Nigeria. Aside its intent to stimulate economic growth and encourage investment in certain industries or regions (Bweseh, Maihankali & Galadima, 2021), tax holiday will enable the government to incentivize SMEs towards investing more in research and development, hire more employees, and increase their overall level of activity. Notably, the silent cry of many small businesses such as is represented in the quote below, may have become quite common among most SMEs in Africa due to the insensitivity of the government:

> *"I don't think my business can afford to pay tax now because the profit from my business is not even enough to reinvest into the business and cater for my daily needs, not to talk of paying tax. I*

> *can only pay tax when I realise a lot of profits from my business."*
> *(Iruoma, 2021).*

In other words, tax holiday was intended to provide economic relief to MSMEs over a defined period, and encourage such category of businesses to spend more on reinvestment, which can lead to increased economic activity and growth. This incentive helps to further reduce the tax burden on SMEs and encourage these small businesses to invest in new equipments that can lead to increased productivity and profitability. It is against this backdrop that the study seeks to examine the effects of illegal taxation and tax holidays on the performance of SMEs.

The broad objective of this study is to examine the effect of illegal taxation practices and tax holiday on the performance of Small and Medium Enterprises in Awka South Local government area of Anambra State in Nigeria. To achieve this, the study will specifically;

1. ascertain whether concise implementation of tax holiday will significantly affect the performance of Small and Medium Enterprises.
2. examine the measure of effect illegal tax practices by Touts have on the performance of Small and Medium Enterprises.

In order to arrive at a precise answer to the effect of fiscal policy implementation on the performance of Small and Medium Enterprises (SMEs), the following research questions were formulated:

a. How will the concise implementation of tax holiday affect the performance of Small and Medium Enterprises?
b. What measure of effect do illegal tax practices by Touts have on the performance of Small and Medium Enterprises?

The following hypotheses were formulated for the study in their null form only:

H_{o1}: Concise implementation of tax holiday will not affect the performance of Small and Medium Enterprises significantly.

H_{o2}: Illegal tax practices by Touts do not have any significant effect on the performance of Small and Medium Enterprises.

Literature Review

Conceptual Review

Tax Holiday

Tax holiday refers to a temporary exemption or reduction or elimination of certain taxes by the government, usually for a specific period of time (Guzman, 2023). The aim of tax holidays is to stimulate economic growth and encourage investment in certain industries or regions (Bweseh, Maihankali & Galadima, 2021). By reducing the tax burden on businesses, the government hopes to incentivize them to invest more in research equipments, and increase their overall level of activity. This, in turn, is expected to result in increased economic growth and job creation (Oludi & Onowu, 2022). Tax holidays can also be used to promote investment in specific industries, such as renewable energy or technology. By offering tax breaks to companies operating in these industries, the government aims to encourage investment and help these industries grow and become more competitive. Another type of tax holiday is the holiday provided to individuals, such as sales tax holidays or property tax holidays. These holidays are intended to provide relief to consumers and encourage them to spend more, which can lead to increased economic activity and growth. While tax holidays may seem like a good idea in theory, they can also have negative consequences. For example, if a company receives a tax holiday, it may simply use the savings to pay dividends to shareholders rather than investing in the economy (Bweseh, Maihankali & Galadima, 2021). Additionally, tax holidays can create an uneven playing field, as some companies may receive benefits that others do not.

Furthermore, tax holidays can have a significant impact on government revenue. By reducing or eliminating taxes, the government may lose a significant amount of revenue, which could negatively impact its ability to provide services and invest in infrastructure. This could lead to an increased national debt and a weakened economy in the long run. In Nigeria, tax holidays are a common tool used by the government to encourage investment and stimulate economic growth (Oludi & Onowu, 2022). These holidays are usually granted to companies operating in specific industries, such as agriculture, manufacturing, or the oil and gas sector. One of the most notable examples of a tax holiday in Nigeria is the Pioneer Status incentive, which provides a tax holiday of up to five years for companies operating in certain priority sectors. This incentive aims to encourage investment in these sectors, create jobs, and stimulate economic growth. Another example is the Capital Allowance incentive, which allows companies to claim a deduction from their taxable income for investments in machinery, plant, and equipment. This incentive helps to reduce the tax burden on companies and encourage them to invest in new equipment, which can lead to increased productivity and economic growth.

Performance of SMEs

Firm performance of SMEs refers to the effectiveness with which an SME is able to achieve its goals and objectives. This is a broad concept that encompasses a range of factors, including financial performance, operational efficiency, customer satisfaction, and employee morale (Gbande, Udoh & Ime, 2018). The performance of a firm can have a significant impact on its long-term success and competitiveness, and is therefore an important area of study for both academics and practitioners (Tendengu, Kapingura & Tsegaye, 2022). Financial performance is one of the most widely used indicators of firm performance. This includes measures such as revenue growth, profitability, and return on investment. Financial performance is an important measure of a firm's success because it provides an objective view of its economic performance, and can help to inform decision-making and investment decisions (Abdullahi, Ardo, Hassan & Ibrahim, 2021).

Operational efficiency is another important aspect of firm performance. This refers to the ability of a firm to produce goods and services efficiently and effectively. A firm with high operational efficiency will be able to produce goods and services at a lower cost, which will in turn lead to higher profits and competitiveness. Operational efficiency can be improved through the use of technology, process improvement, and the development of a skilled workforce. SMEs with high levels of customer satisfaction will have a loyal customer base, which will in turn lead to increased revenue and profitability. SMEs can improve customer satisfaction by providing high-quality products and services, as well as by offering excellent customer service (Gbande, Udoh & Ime, 2018). The performance of SMEs is a complex and multifaceted concept that encompasses a range of factors, including financial performance, operational efficiency, customer satisfaction, and employee morale. The performance of SMEs has a significant impact on their long-term success and competitiveness, and is therefore an important area of study for both academics and practitioners.

Illegal Taxation

Illegal taxation and multiple taxation are synonymous terms. Although Kuta and Dauda (2021) viewed multiple taxation as 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), Ilemona, Nwite and Oyedokun (2019) maintained that multiple tax is an unlawful and compulsory payment collected mostly by local and state government without legal backing. Asuch, it is a situation where a tax payer is forced by two (2) or more levels of government to pay either the same or similar taxes in desperate bid for these tiers of government to increase its revenue base regardless of its unjust nature and irreversible effect on the small businesses being extorted. In similar vein, Abdulrazaq (2023) described illegal taxes as often imposed by unauthorised individuals or groups, place an undue burden on businesses across various sectors. Small and medium-sized enterprises (SMEs), in particular, find themselves at the mercy of extortionists who demand payments for services that are neither authorised nor legitimate. This strain on businesses has been noted to stifle growth, limits investment, hampers job creation, and undermines the very foundations of a thriving economy.

According to Harmon (2023), illegal taxation involves criminal elements seeking to exploit businesses and citizens for personal gain. This creates an environment conducive to corruption, extortion, and, in some cases, violence. The nexus between illegal taxes and insecurity adds an additional layer of complexity to the challenges faced by law enforcement agencies, requiring a multifaceted approach to address both economic and security concerns.

Theoretical Framework

Theory of Keynesian Economic Model

The Keynesian economic model is named after British economist John Maynard Keynes, who first propounded the theory in 1936. The theory is a macroeconomic theory that suggests that during an economic downturn (Olisaji & Onuora, 2021), governments should increase their spending to stimulate demand in the economy and ultimately increase gross domestic product (Daniel, 2021). The theory posits that increased government spending leads to higher employment levels, both in the public sector and in businesses that receive contracts or business from the government (Efe, 2021). This increased employment, in turn, leads to higher income and profits for firms, which can then invest in more workers to produce the goods and services that the government requires (Babalola, 2015).

The study's objectives are well-aligned with the Keynesian model of macroeconomic theory, which emphasizes the role of government spending in stimulating economic growth (Bodunrin, 2016). The Keynesian model posits that government intervention in the economy by way of tax holidays to MSMEs, particularly through increased spending during times of economic downturn, can help to boost aggregate demand and reduce unemployment (Efe, 2021). One key aspect of the Keynesian model is its focus on the potential negative impacts of fiscal contraction. According to the Keynesian model, fiscal contraction can lead to a decrease in aggregate demand, which can result in decreased investment, lower levels of output, and increased unemployment (Olisaji & Onuora, 2021).

The Keynesian theory of fiscal policy is highly relevant to the study, which aims to examine the impact of fiscal policy on the performance of SMEs in Nigeria. The study's objectives align well with the Keynesian model, which emphasizes the importance of government spending in stimulating economic growth, and highlights the potential negative impacts of fiscal contraction, such as double taxation and illegal taxes by touts, on SMEs.

Empirical Review

Kuta and Dauda (2021) conducted a survey investigation into the effect of multiple taxation on sales growth and investment decision of 60 restaurants in Minna metropolis of Niger State, Nigeria. After relevant regression analysis was carried out, it was observed that no significant effect of multiple taxation on restaurants sales growth. However, multiple taxation had a significant effect on investment decision of these restaurants.

Ilemona, Nwite and Oyedokun (2019) carried out a survey study and examined the effects of multiple taxation on the growth of 131 Small and Medium Enterprises (SMEs) operating at Lokoja, Kogi State, Nigeria. Finding obtained showed that multiple taxes negatively affects the growth of SMEs in the region as many operators of these businesses expressed unwillingness to venture into new enterprises or expand the existing ones for fear of multiple taxes that continue to take a significant portion of their earnings.

Abiodun (2021), in a survey research, investigated the impact of multiple taxations on 280 entrepreneurs of SMEs in Lagos state. Data derived were analyzed and the result of this study indicated that multiple taxations do have significant and negative impacts on entrepreneurs in Lagos state

Adekunle, Adesanya and Collins (2022) examined the effect of fiscal policy on the growth of SMEs in Nigeria. The study selected only 352 SMEs from the 2014 World Bank's Enterprise Survey and relied on multiple regression analysis so as to determine the impact of fiscal policy (taxation) on the performance of SME's and to also identify other factors affecting the operation of SME's in Nigeria. In order to estimate the multiple regression models, the study employed the Ordinary Least Square method (OLS), Logit and Probit approaches for robustness. Overall, findings showed that legal/ownership status, ease to access of electricity, ease of access to finance, capacity utilization and theft are significant determinants of SME's growth in Nigeria, while registration status, tax administration, extent of competition are insignificant determinants.

Ovajimoh (2019) examined the implications of multiple taxations of 380 Small and Medium Scale Enterprises (SMEs) on the survival of these sampled businesses in Kogi State. Data responses obtained were quantitatively analyzed with ANOVA and Goodman's and Kruskal's Gamma statistical techniques. Finding revealed that multiple taxations have negative effect on SMEs' survival in Kogi State.

Tendengu, Kapingura and Tsegaye (2022) examined the effect of fiscal policy instruments on economic growth in South Africa for the period from 1988 to 2018. Autoregressive distributed lag model was used to analyse the data collected. Empirical results revealed that there is a positive relationship between fiscal policy instruments (public sector expenditure, public consumption spending, and taxation) and economic growth. Based on the findings, the study recommended that the government should distinguish between productive and unproductive spending and increase spending on productive sectors.

Evans, Kariuki and Wafula (2022) assessed the impact of fiscal policies on Kenya's foreign direct investment inflows. The independent variable included fiscal policy with external public debt, domestic debt, infrastructure and tax. The research was calculated quarterly on the basis of FDI inflows in the nation. For 20 years (January 1998 - December 2017) secondary data were gathered annually. In order to investigate the association between the variables the study utilized a descriptive research methodology using a Vector auto regression. Regression coefficients results showed that government expenditure on infrastructure and FDI are positively and significantly. It was also revealed that external debt and FDI are negatively and significantly related. Domestic debt and FDI are negatively and significantly related. The results regression results showed that taxation measured as tax revenues and FDI are positively and significantly related.

Makori, Matundura and Mose (2022) analyzed the role of fiscal and monetary policy on gross domestic savings in Kenya. This study was informed by the theory of Life cycle hypothesis. The study utilized explanatory research design. Yearly time series data was sourced from Economic surveys, World Bank reports and Statistical abstract of the period between 1990 and 2017. The time frame was viewed as the economic reform period; this was started in the country in the 1990s. Johannes co-integration methods were applied together with its vector error correction estimation approach to determine coefficients that define the relationship between variables under study and the gross domestic savings. Augmented Dickey Fuller test was applied for unit-root test. The regression result revealed that monetary and fiscal policy variables explained domestic savings in Kenya. The study recommended that monetary and fiscal policy implemented by the government should promote a favorable investment atmosphere through appropriate stabilization of lending rates, inflationary rates, and promoting income growth to ensure increase in national savings for economic sustainability in Kenya.

Ikechi, Ugwueze and Afolanyan (2022) examined the effect of fiscal policy tools on economic growth in Nigeria using a time series data for the period 1999-2020. The data were analyzed using Ordinary Least Square method and a Vector Auto regression Analysis. In the model, Real GDP (taken as dependent variable) was regressed on tax revenues, capital and recurrent expenditures. Other independent variables include deficit financing, external and domestic debts. Findings of study indicate that in the short run, deficit financing, domestic debt and recurrent expenditures all had significant positive relationship with economic growth in Nigeria; while there exists a significant negative relationship between external debts and real GDP. Capital expenditure and tax revenues did not have a significant relationship with economic growth in Nigeria in the short run.

Adegboyo, Keji and Fasina (2021) examined the impact of fiscal, monetary and trade policies on Nigerian economic growth from 1985 to 2020. This study adopted endogenous growth model (AK model) as its theoretical framework. The unit root test results reveal that there is mixed level of stationarity in the variables. The bound test result shows that the variables cointegrate. The ARDL long-run result showed that fiscal policies stimulate economic growth. The study recommended the following: Policymakers should place more emphasis on using fiscal policy which was found to be stimulating the country's growth rate. Whenever it is expedient to use monetary policy to stimulate economic growth, policy makers should make use of interest rates as it stimulates the growth of the economy in the short run.

Olisaji and Onuora (2021) examined the impact of fiscal policy on Nigerian economic growth between 2015 and 2019. The study used secondary data collected from the statistical bulletin of the Central Bank of Nigeria (CBN) 2020. The study also employed ex-post facto research design and regression model to analyze the data collected. In the model, Government Expenditure and Government revenue through Companies Income Tax (CIT) were regressed against dependent variable Economic Growth proxied by GDP growth. The result revealed, that there is a significant and positive relationship between Companies Income Tax (CIT) and Economic Growth (EG) measured using Gross Domestic Product (GDP) with a p-value of 0.030 which is less than the 5% level of significance adopted. On the same note, the study found an insignificant and negative relationship between Government Expenditure (GE) and Economic Growth (GDP) with a p-value of 0.334 which is greater than the 5% significant level adopted. The study therefore recommends that: government should formulate and implement workable fiscal policy options that will enhance economic growth.

Efe (2021) evaluated the relationship between fiscal policy and economic growth in Nigeria using time series data spanning from 1981 to 2019. The study adopted longitudinal research design. Data were sourced from the Central Bank of Nigeria Statistical Bulletin, 2019. The statistical tools employed in analyzing the data include descriptive statistics, Augmented Dickey Fuller unit root test, Johansen Cointegration test and Error Correction Model (ECM). The result of the descriptive statistics indicates that all the variables were normally distributed. Augmented DickeyFuller (ADF) test statistics showed that all the variables used in this study were stationary at first difference. Johansen Cointegration test indicate that there is a long run relationship between the variables used in the study. The estimation result indicates that non-oil revenue, capital expenditure and recurrent expenditure had significant positive relationship with economic growth. Oil revenue was found to have insignificant positive relationship with economic growth in Nigeria while domestic debt, external debt and fiscal deficit were found to have negative relationship with economic growth within the period under review. The study therefore concludes that fiscal policy has significant relationship with economic growth in Nigeria.

Etale and Light (2021) evaluated the impact of small and medium enterprises development on economic growth in Nigeria. The study used aggregate asset base and aggregate capitalization of SMEs as the independent variables, while gross domestic product (proxy for economic growth) was adopted as the dependent variable. Secondary time series data were collected from the Central Bank of Nigeria Statistical Bulletin 2018, National Bureau of Statistics 2018, and National Survey of Micro Small and Medium Enterprises (MSMEs) 2013 & 2017 conducted by the Small & Medium Enterprise Development Agency of Nigeria (SMEDAN) for the period 2000 to 2018. Multiple regression analysis based on the OLS technique was employed as methods for data analysis. The findings showed that the aggregate asset base and aggregate capitalization of SMEs have little or no significant effect on the GDP. It was also discovered that there exists a long-run relationship among the variables even though the overall regression model was not statistically significant at 5%.

Yahaya (2020) examined the effect of fiscal policy on economic development of Nigeria. The study adopted an ex-post facto research design to enable the use of Nigerian time series data from 1990 to 2017 in an Ordinary Least Square (OLS) regression technique for analyses. Findings reveal that fiscal policy variables such as government revenue and expenditure have negative effect on the gross domestic product but positive and significant on human development index of Nigeria, while government debt has positive effect on GDP and significantly negative effect on HDI.

Daniel (2019) examined the impact of fiscal policy variable on economic development in Kenya. The fiscal policy variables considered in this study included Government recurrent and development (capital) expenditure, Tax revenue as well as external debt. Variables used to measure economic development were Gross Domestic Product (GDP) and Inflation rates. The study covered the period 2008 – 2017. Annual data was used in the estimation of multiple regression equations with the aid of excel spreadsheet model which produced output functions that showed that the variables were not statistically significance in the model. The independent variables used had too little predictive value in explaining the movement of dependent variables.

Symoom (2018) examined the impact of fiscal policy on economic growth in South Asia – for the period 1980 to 2016. The study utilised Error Correction Model (ECM) and Autoregressive Distributed Lag (ARDL) models on pooled cross-section time-series data, and on panel data that can be handled by employing fixed-effects and random-effects estimators. Empirical results showed that both government expenditure and tax revenue have no significant impact on real GDP growth in those South Asian countries.

Bodunrin (2016) investigated the impact of fiscal policy on Nigerian economic growth from 1981 to 2015. Time series data were collected from the central bank of Nigeria (CBN), the international monetary fund (IMF) and the World Bank. Firstly, a vector autoregressive model (VAR) was applied, and then the vector error correction (VEC) model. The VAR model revealed that fiscal policy distorted real GDP but died out after one year.

Babalola (2015) examined the short and long run impact of fiscal policy on economic development in Nigeria between a period of 1981 and 2013. The study used annual time series data sourced from World Development Indicators (2014) and the Central Bank of Nigeria (2014). The model was estimated using Pair-wise Correlation to ascertain the relationship and then Cointegration and Error Correction Mechanism for impact after confirming the data's stationarity using Unit Root. The result showed that government recurrent expenditure and government investment have significant positive impact on economic development in both the short and long run within the period under consideration.

Methodology

The study deployed the exploratory research design. This design was adopted because the researcher intends to describe the characteristics of certain groups, estimate the proportion of people who have certain characteristics and make predictions. The focus of this study is on the Small and Medium Entreprises (SMEs) in Awka South Local Government Area, which is located in the eastern region of Nigeria and predominantly populated by the Igbo community. The area is bordered by Awka North LGA to the north, Njikoka LGA to the west, Orumba North LGA to the east, and Anaocha LGA to the south. It spans an area of 170 square kilometers and comprises nine towns namely Amawbia, Mbaukwu, Nibo, Nise, Isiagu, Ezinato, Awka, Okpuno, and Umuawulu. The major economic activities in these towns include blacksmith, trading, farming, garri processing, hairdressing, oil processing, and service delivery. Awka South is the administrative headquarters of Anambra state, with Awka serving as the state capital.

The population of the study comprise of all the ninety-eight (98) senior staff and seventy-one (71) staff in the finance department of the selected SMEs in Awka South L.G.A, Anambra state. The population of the study, one hundred and sixty-nine (169), is given in Table 3.1 below.

Table 1. Population of the Study

Name of SMEs	Senior Staff	Finance Dept
1. Jocaro Nigeria Limited	14	9
2. Electrihut Nigeria	8	5
3. Feraco Print Media	7	4
4. Joydims Investment Limited	9	6
5. Fedora Concept & Event Management	5	7
6. XMAC Communications	7	5
7. Zontal Fobis Limited	16	8
8. Infinity Tech-World	9	6
9. Encodeup Tech Hub	6	6
10. Beeman Integrated Services	11	7
11. Holy Family Table Water	6	8
	98	71
Total	**168**	

Source: Field Survey, 2023.

From a population size of 169, being the aggregate population of ninety-eight (98) senior staff and seventy-one (71) staff in the finance department of the selected SMEs in Awka South L.G.A, Anambra state, the researcher adopted Taro Yamane's formula to obtain the sample size. This is demonstrated as follows;

Formula: Sample size (n) = $\frac{N}{1+N\,(e)^2}$

n = ? (Unknown)

N = 169

e = 5%

Therefore, sample size (n) is obtained thus:

$$n = \frac{169}{1+169\,(0.05)^2}$$

n = 118.8049209

Approximately, n = 119

The study uses a sample size of one hundred and nineteen (119) staff members who will be drawn conveniently from the list of the eleven SMEs shown in Table 3.1. The 11 SMEs were conveniently chosen by the researcher on the basis of proximity and the staff members are also accessible. The categories of respondents covered in this study are senior staff and staff in the finance department of registered SMEs in

Awka South local government area, Anambra state. Below is the stratified sample size of the study using the formula: strata size = $\frac{Number\ of\ Staff\ in\ a\ Firm}{Total\ Population\ Size}\ X\ Sample\ Size.$

Table 2. Sample Size of the Study

Name of SMEs	Senior Staff	Finance Dept
1. Jocaro Nigeria Limited	10	6
2. Electrihut Nigeria	6	4
3. Feraco Print Media	5	3
4. Joydims Investment Limited	6	4
5. Fedora Concept & Event Management	4	5
6. XMAC Communications	5	3
7. Zontal Fobis Limited	11	6
8. Infinity Tech-World	6	4
9. Encodeup Tech Hub	4	4
10. Beeman Integrated Services	8	5
11. Holy Family Table Water	4	6
	69	50
Total	119	

Primary data was used in this study. The primary data collection was conducted using questionnaires with closed-ended questions of five-part likert-scale type to increase standardization of feedback and enhance analysis of the data.

To measure the internal consistency reliability of the research instrument in this study, Cronbach's alpha was used, resulting in an overall alpha value of α=0.873 for all 16 items. Field (2005) suggests a minimum alpha value of 0.7, which the instrument in this study exceeded with its alpha value of 0.811, indicating a high level of internal consistency. The reliability coefficient of the scale is presented in the table below.

Table 3: Questionnaire Reliability

Likert Scale	Grand Cronbach's Alpha Value
1. Fiscal policy implementation and SMEs Performance	0.873

Source: Researcher's Computation Using SPSS Version 22.

The hypotheses were tested using simple linear regression analysis statistical tool. The hypotheses testing was carried out with a significance level of 5%. If the p-value of the test is higher than 0.05, then the null hypothesis is accepted and the alternative hypothesis is rejected. On the other hand, if the p-value is less than or equal to 0.05, the alternative hypothesis is accepted and the null hypothesis is rejected.

Analysis and Results Discussions

Test of Hypotheses

Hypothesis One

H_{o1}: Concise implementation of tax holiday will not affect the performance of Small and Medium Enterprises significantly.

Table 4 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.544[a]	.296	.289	2.027

a. Predictors: (Constant), Tax Holidays

Table 5 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	174.259	1	174.259	42.416	.000[b]
	Residual	414.945	101	4.108		
	Total	589.204	102			

a. Dependent Variable: SMEs Performance

b. Predictors: (Constant), Tax Holidays

Table 6 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	6.893	1.652		4.173	.000
	Tax Holidays	.607	.093	.544	6.513	.000

a. Dependent Variable: SMEs Performance

Source: Analysis Output of SPSS Version 22

Tables 4 – 6 show the linear simple regression model was used to examine the relationship between tax holidays and SMEs performance. The model summary shows an R-squared value of .296, indicating that approximately 30% of the variance in SMEs performance can be explained by tax holidays. The ANOVA table shows that the F-statistic is 42.416, with a corresponding p-value of .000. This suggests that the model is statistically significant, and that tax holidays are a significant predictor of SMEs performance. The coefficients table shows that the standardized beta coefficient for tax holidays is .544, which indicates a moderate positive relationship with SMEs performance. Thus, as tax holidays increase, SMEs performance increases.

Decision: Since the p-value of .000 is less than 0.05, the null hypothesis was rejected while the alternate hypothesis was accepted. In conclusion, tax holidays has a significant and positive effect on the performance of SMEs in Awka south local government area of Anambra state (*p*-value = 0.000).

Tax holidays provide relief for SMEs that are struggling to compete in any given market by reducing their tax burden. This relief can help SMEs improve their cash flow, reinvest in their businesses, and create new jobs. Therefore, tax holidays can encourage investment and provide a boost to the overall economy, negating the conclusion made by Ajike, Maku and Amos (2018).

Hypothesis Two

H_{o2}: Illegal tax practices by Touts do not have any significant effect on the performance of Small and Medium Enterprises.

Table 7 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.212[a]	.045	.036	2.360

a. Predictors: (Constant), Illegal Taxes by Touts

Table 8 ANOVA[a]

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	26.584	1	26.584	4.772	.031[b]
	Residual	562.620	101	5.570		
	Total	589.204	102			

a. Dependent Variable: SMEs Performance
b. Predictors: (Constant), Illegal Taxes by Touts

Table 9 Coefficients[a]

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	22.291	2.172		10.261	.000
	Illegal Taxes by Touts	-.263	.120	-.212	-2.185	.031

a. Dependent Variable: SMEs Performance

Source: Analysis Output of SPSS Version 22

Tables 7 - 9 shows the simple linear regression model used to examine the relationship between illegal taxes collected by touts and SMEs performance. The model summary table shows that the R-squared value of the model is 0.045, indicating that only 4.5% of the variation in SMEs performance can be explained by illegal taxes collected by touts. The ANOVA table indicates that the model is statistically significant (F=4.772, p=.031), which means that the predictor variable (illegal taxes by touts) has a significant effect on SMEs performance.

The coefficients table provides additional information about the relationship between the predictor variable and SMEs performance. The standardized coefficient (beta) for illegal taxes by touts is -.263, indicating that there is a negative relationship between the two variables. Thus means that the performance of SMEs gets reduced each time touts collect more illegal taxes.

Decision: Since the p-value of .031 is less than 0.05, the null hypothesis was rejected while the alternate hypothesis was accepted. In conclusion, illegal tax practices by Touts do have significant negative effect on the performance of Small and Medium Enterprises in Awka south local government area of Anambra state (*p*-value = 0.031).

This finding is consistent with previous research, which has shown that corrupt practices can have a negative impact on business performance. The imposition of illegal tax practices by Touts increases the tax burden on SMEs and reduces their profitability. Moreover, the practice of illegal taxation is often associated with corrupt practices, which can create uncertainty and hinder business growth and development as was argued by Ojeka and Atawodi (2012).

Conclusion and Recommendations

Tax incentives can encourage SMEs to invest in their businesses, create jobs, and contribute to the local economy. Therefore, addressing corruption in tax administration will improve transparency and accountability, and promote ethical business practices that supports sustainability and growth of SMEs.

Based on these, it was recommended that:

1. government should consider providing more tax holidays to SMEs to encourage their growth and development. Tax holidays can provide a significant boost to SMEs, allowing them to reinvest the tax savings into their businesses, leading to growth and expansion.

2. government should take strict measures to curb the illegal activities of touts and protect SMEs from such illegal taxes. The government could also provide channels for SMEs to report illegal taxation, and law enforcement

agencies could be empowered to enforce the laws against illegal taxation. "We need to develop a central point for SMEs. There should be a payment portal so that nobody will take advantage of them. Payment of taxes in cash should be stopped. This will stop those who are collecting extra cash for taxes. Simplifying the process will go a long way in having voluntary compliance."

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APPENDIX A

Table 4.8 Responses to Concise Implementation of Tax Holidays

S/N	Statements	SA	A	U	D	SD	Mean	Decision
13	Tax holidays help to stimulate economic activity and promote investment	65	34	4	0	0	4.59	Accept
14	Tax holidays create a fairer tax system by providing relief to SMEs	54	40	7	2	0	4.42	Accept
15	Tax holidays enhance the local economy by attracting new businesses and creating jobs	56	36	5	5	1	4.37	Accept
16	The government monitors the effectiveness of tax holidays to ensure that they are achieving their intended objectives	52	32	10	7	2	4.21	Accept

Source*: Field Survey, 2023*

Table 4.8 presents the responses to a scale for tax holidays, with four different statements presented. Here's a breakdown of the interpretation of each statement:

“Tax holidays help to stimulate economic activity and promote investment”: The majority of respondents (65%) strongly agreed with this statement, with an additional 34% agreeing. This indicates that the participants believe tax holidays are an effective way to encourage economic growth and attract investment.

“Tax holidays create a fairer tax system by providing relief to SMEs”: Over half of the participants (54%) strongly agreed with this statement, and 40% agreed. Only a small percentage (9%) disagreed or were uncertain. This suggests that most respondents see tax holidays as a way to level the playing field for small and medium-sized enterprises (SMEs).

“Tax holidays enhance the local economy by attracting new businesses and creating jobs”: Similar to statement 14, a majority of participants (56%) agreed with this statement, and another 36% strongly agreed. However, a slightly higher percentage (11%) were uncertain or disagreed. Overall, this statement suggests that respondents see tax holidays as beneficial for the local economy.

“The government monitors the effectiveness of tax holidays to ensure that they are achieving their intended objectives”: While the majority of participants (52%) agreed with this statement, a significant percentage (19%) were uncertain or disagreed. This suggests that there may be some concern among respondents about how well tax holidays are monitored and evaluated by the government. However, the mean score of 4.21 still indicates overall agreement with the statement.

Table 4.9 Responses to Scale for Illegal Tax Practices by Touts

S/N	Statements	SA	A	U	D	SD	Mean	Decision
17	The imposition of illegal taxes by touts undermines government's efforts to increase tax compliance	54	46	3	0	0	4.50	Accept
18	The diversion of illegal tax revenues collected by touts contribute to a shortfall in the government's budget which impairs infrastructural development for businesses	54	46	3	0	0	4.50	Accept
19	The imposition of illegal taxes by touts reduces tax morale of citizens and businesses	56	45	2	0	0	4.52	Accept
20	Illegal taxes imposed by touts lead to a rise in corruption and a breakdown of the rule of law	47	54	2	0	0	4.44	Accept

Source*: Field Survey, 2023*

Table 4.9 presents the responses to a scale for illegal taxes imposed by touts. Here's an interpretation of each statement:

“The imposition of illegal taxes by touts undermines government's efforts to increase tax compliance”: 54 respondents strongly agreed, 46 agreed, 3 were undecided, and none disagreed or strongly disagreed. The mean score was 4.50, which suggests that the respondents accepted this statement.

“The diversion of illegal tax revenues collected by touts contributes to a shortfall in the government's budget, which impairs infrastructural development for businesses”: 54 respondents strongly agreed, 46 agreed, 3 were undecided, and none disagreed or strongly disagreed. The mean score was 4.50, indicating that the respondents accepted this statement.

"The imposition of illegal taxes by touts reduces tax morale of citizens and businesses": 56 respondents strongly agreed, 45 agreed, 2 were undecided, and none disagreed or strongly disagreed. The mean score was 4.52, indicating that the respondents accepted this statement.

"Illegal taxes imposed by touts lead to a rise in corruption and a breakdown of the rule of law": 47 respondents strongly agreed, 54 agreed, 2 were undecided, and none disagreed or strongly disagreed. The mean score was 4.44, indicating that the respondents accepted this statement.