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APPRAISING FISCAL POLICY IMPLEMENTATION IN ANAMBRA STATE, NIGERIA: EFFECTS ON THE PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES

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ABSTRACT:

The study examined how the implementation of various fiscal policy instruments in Anambra State affect the performance of Micro, Small and Medium Enterprises operating in Awka South Local government area. Specifically; it examined the effect of double taxation on the periodic performance of Micro, Small and Medium Enterprises (MSMEs). It further assessed the relationship between Tax based projects and the performance of Micro, Small and Medium Enterprises (MSMEs). The exploratory 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. Descriptive statistics was used for the calculation of mean, percentages and frequency distribution. The hypotheses were tested using Simple linear regression analysis and the Spearman Ranked Order Correlation test. Results obtained showed that double taxation has a significant but negative effect on the periodic performance of MSMEs in Awka south local government area of Anambra state (p-value = 0.000). It was also discovered that tax based projects has a significant and positive relationship with the performance of MSMEs in Awka south local government areas of Anambra state (p-value = 0.000). The study therefore concludes that multiple taxation can be a major barrier to business growth and sustainability, increasing the cost of doing business, reducing profitability of MSMEs, and limiting the ability of these small businesses to improve and reinvest in their scope of operations and deploy of technological innovations so as to boost expansion. As a result, it is recommended that government should review its tax policies at the State and Local governments' level to effectively reconcile gray areas in their fiscal policies practices that readily exposes MSMEs to unhealthy and unjust double taxation. Also, government should prioritize tax-based projects that have a direct impact on MSMEs, such as the construction of roads, electricity, and water infrastructure. This would improve the overall business environment of MSMEs and promote their growth and progressive development..

1. INTRODUCTION

It is imperative to note that, in the context of economic growth, one of the primary objectives of the government is to improve its fiscal balance. Fiscal policy is the evaluation of the whole range of government taxes and spending decision which in Nigeria is a typical duty of the federal ministry of finance budget and economic planning. Unfortunately in Nigeria, government fiscal policy in terms of tax rate, has increased continuously in the past two decades which has a huge impact on the performance of small and medium businesses (Gbande, Udoh, & Frank, 2018). The Micro Small and Medium Enterprises (MSMEs) is the backbone of developing countries like Nigeria. According to The World Bank (2023), MSMEs in Nigeria accounts for 96% of businesses and 84% of employment. Oduwole (2023) reported that over 36.9 million MSMEs comprising 96.7% of all businesses in Nigeria. 67% of these businesses are youth-owned. MSMEs contribute over 45% to the country's gross domestic product (GDP), with 98.8% of these businesses in the micro cadre. Sasu (2022) statistically pointed out that there were over 41 million micro-enterprises in Nigeria in 2017, which represented over 99% of the micro. small, and medium-sized enterprises (MSMEs) in the country. Small and medium-sized enterprises, on the other hand, reached approximately 71,300 and 1,800, respectively. Thus, Small and medium enterprises (SMEs) are categories of small and medium sized enterprises who have an annual turnover of One hundred thousand naira (100,000) to One hundred million naira (100,000,000) (Finance Act, 2019). Notably, Small and medium scale enterprises (SMEs) contributed about 48% of the national GDP in the last 5 years (Ezigbo, 2022; The World Bank, 2023). However, the growth of SMEs is dependent upon a conducive business environment. Small and medium enterprises (SMEs) are the backbone of the Nigeria economy but often do not get the attention deserved from the government.

These category of business have no power to negotiate, usually lack of access to adequate funds hence, poor financing makes it difficult for SMEs especially those in Awka South Local Government Area of Anambra State to grow. In this region, SMEs are believed to face higher challenges with the regulatory process than barriers to entry. Regulations that were intently meant to help SMEs grow have become heavy hammers crushing this vulnerable type of business out of operation. Many of these SMEs, as a result, have been exposed to untimely fold up despite contributing immensely to both domestic and international trade, providing employment and serving as a boost to the nation's gross domestic product(GDP). This has also made several jobs to go into extinction, thereby making the already angry youths to be vulnerably idle. A situation whereby most SMEs get taxed beyond a reasonable limit, is certainly non-strategic to the growth and survival of such categories of businesses.

Otaru and Chibueze (2022) corroborated this stating that problems of insecurity, high cost of production, high cost of transportation among others, have greatly affected the growth of MSMEs but governments' imposition of different taxes readily compound the production costs of MSMEs thus making things worse. Accordingly, most of the existing SMEs are already not doing well at the moment due to this non-abating challenge and several other factors such as absence of needed infrastructures, shortage of requisite trading skills, inadequate funding and most importantly, the high cost of doing business in Nigeria at the moment. Concurring to this, Nnodim (2022) lamented that the number of micro, small and medium enterprises across Nigeria dropped by about two million between 2017 and 2021. Little wonder why the state insecurity and criminality in Nigeria heightened during this period range (from about 41 million in 2017 to 39 million in 2021).

It is pertinent to stress that, regardless of the prevalence of these factors that are militating against the progress operations and expansion of MSMEs in Nigeria, this class of business has become very popular entities in Nigeria because of the important role they play in reducing unemployment rate. This is more as Ujumadu (2012) noted that Anambra State in Nigeria has continued to record the highest number of Micro, Small and Medium Enterprises (MSMEs) in the country, thus indicating that the State is playing a fundamental role in the industrial revolution plan of the country. In Nigeria, MSMEs cover the entire range of economic activity within all sectors and share a number of common problems that hinder their effective performance in some regions of the country like Awka South Local Government area of Anambra state. Bearing the performance of Micro, Small and Medium Enterprises (MSMEs) in Awka South local government area of Anambra state in mind, it is also pertinent to state that there are factors discouraging and hindering the growth and survival rate. A situation where micro, small and medium enterprises (MSMEs) in Awka South Local Government Area of Anambra State are provided with a conducive business environment, improved power generation, tight security, and adequate infrastructure have been found to have a positive effect on the nation's economy. But the reverse appears to be the case, where most are threatened daily with unhealthy fiscal policies and tax implementations by state and local governments in Nigeria.

Fiscal policy is the use of government spending and taxation to influence the economy (Kuligowski, 2023). A country's fiscal policy is often used as a tool to combat inflation, promote economic growth and encourage employment. The researcher understood "Fiscal policy" as the use of taxes and other revenues raised by the government to decide how much money will flow into its programs (such as social security) or how much money will be spent on social services (such as education). This differs from monetary policy which involves only interest rates. The effect of fiscal policy implementation on the Nigeria economy is not a new phenomenon. Mark Horton and El-Ganainy (2023) observed that during recession, government may lower tax rates or increase spending to encourage demand and spur economic activity. Conversely, to combat inflation, it may raise rates or cut spending to stabilize the economy(Hayes, 2022).Accordingly, Fiscal policy can be used through increased public spending on education and health care facilities, creating conducive business environment for MSMEs, and investing in power generation as well as tight security. These efforts will help improve productivity among MSMEs which will consequently lead to higher wages for workers and increased earnings in the form of GDP for the nation. It is against this background that this research envisages to investigate the effect of fiscal policy implementation on the performance of MSMEs in Awka South Local government area of Anambra State.

1.1 Objectives of the Study

The broad objective of this study is to examine the effect of fiscal policy implementation on the performance of Micro, Small and Medium Enterprises in Awka South Local government area of Anambra State in Nigeria. To achieve this, the study will specifically:

i. examine the effect of double taxation on the periodic performance of Micro, Small and Medium Enterprises (MSMEs).
ii. assess the relationship between Tax based projects and the performance of Micro, Small and Medium Enterprises (MSMEs).

1.2 Research Questions

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

i. To what extent does double taxation affect the periodic performance of Micro, Small and Medium Enterprises (MSMEs) in Awka South Local Government are of Anambra state?
ii. What is the relationship between tax based projects and the performance of Micro, Small and Medium Enterprises (MSMEs) in Awka South Local Government are of Anambra state?

1.3 Hypotheses

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

H_{01}: Double taxation has no significant effect on the periodic performance of MSMEs in Awka South Local government area of Anambra state.

H_{02}: Tax based projects has no significant relationship with the performance of MSMEs in Awka South Local government areas of Anambra state.

2. LITERATURE REVIEW

2.1 Conceptual review

2.1.1 Fiscal Policy

Fiscal policy entails government's deliberate interventions established to boost a country's economic performance and achieve set objectives (Ikechi, Ugwueze & Segun, 2022). The policy guidelines can either be expansionary (intended to boost aggregate demand during a recession) or contractionary (used to even out booms in a country), depending on the economy's position in the business cycle (Adekunle, Adesanya & Collins, 2022). The most commonly used fiscal policy tools are government expenditure and tax rates. An expansionary policy would be either an increase in government expenditure or a reduction in the tax rate. Adopting a fiscal policy can influence aggregate demand, boost the production of goods and services and distribute wealth (Tendengu, Kapingura & Tsegaye, 2022). As such, Fiscal policy entails the utilization of government spending and taxation to influence the economy and achieve desired economic outcomes. It is the set of measures taken by the government to regulate the economy through its revenue collection and expenditures (Muindi & Mukorera, 2022). Accordingly, it is viewed as a policy tool that involves government's management of its finances to achieve macroeconomic goals, such as stability and growth (Ali, Ahmad & Khalid, 2010). The major fulcrum of such policy is that it contains the strategy that uses government revenue and expenditure to shape the economy, including adjusting taxes, public spending and borrowing (Evans, Kariuki & Wafula, 2022).

Furthermore, fiscal policy refers to a way to regulate the economy through the use of government revenue and expenditures, as well as adjustments to taxes and borrowing. It provides the means by which the government influences the economy through its handling of public finances, including taxes, spending, and borrowing (Makori, Matundura & Mose, 2022). In the use of fiscal policy, a framework is provided as an approach that involves the government's management of its finances to control the economy and promote economic stability and growth. This is because fiscal policy sets out the modality that employs government revenue and expenditures to manage the economy, including tax policies and public spending (Adegboyo, Keji & Fasina (2021). The scope of fiscal policy covers the implementation of government spending and taxation strategies to regulate the economy and achieve specific economic goals (Odutola, Oyekola & Ajayi, 2021). This is so since it is an economic strategy that relies on the government's use of revenue collection and expenditures to achieve macroeconomic stability and growth. Thus, fiscal policy can be thought as the use of public finances, including taxation and spending, to regulate the economy and achieve desired economic outcomes (Adekunle, Adesanya & Collins, 2022). More importantly, fiscal policy generally connotes the approach to regulate the economy by adjusting government revenue and expenditure through the use of tax policies, public spending and borrowing (Tendengu, Kapingura & Tsegaye, 2022). It is the combination of government taxation and spending strategies aimed at managing the economy and promoting stability and growth (Bodunrin, 2016). This policy tool involves the government's regulation of the economy through its handling of revenue and expenditure, including tax policies and borrowing.

2.1.2 Double Taxation

Double taxation is a phenomenon where a tax payer is required to pay tax on the same income or asset twice, either in two different jurisdictions or by two different levels of government. This can occur when a tax payer resides in one jurisdiction but receives income from another jurisdiction, or when a tax payer is subject to the tax laws of both a local and a foreign government (Ogidiaka, Agbi & Mustapha, 2022). Double taxation can create a significant burden for tax payers and can discourage cross-border investment and trade. Double taxation can arise in various forms, including corporate tax, personal income tax, and taxes on dividends, capital gains, and inheritance (Olajide, 2019). In the case of corporate tax, a company may be taxed on its profits in the jurisdiction where it is incorporated and also in the jurisdiction where it conducts its business. In the case of personal income tax, an individual may be taxed on their income by both their country of residence and the country where they earn their income (Nwosu, 2020).

The effects of double taxation can be detrimental to the economy, as it reduces the incentives for cross-border investment, trade, and entrepreneurship. This can lead to a reduction in economic growth and competitiveness, as well as a reduction in the tax base for both the local and foreign governments. Additionally, double taxation can create a compliance burden for tax payers, who must navigate the different tax laws and regulations in multiple jurisdictions. To mitigate the effects of double taxation, many countries have entered into double taxation agreements (DTAs) with other countries (Nwosu, 2020). DTAs provide for the allocation of taxing rights between the two countries, as well as for the elimination of double taxation through tax credits or exemptions. DTAs can also help to reduce the compliance burden for tax payers and provide greater certainty for cross-border investment and trade.

There are instances of double taxation in Nigeria. For example, a company operating in Nigeria may be subject to corporate tax in Nigeria and also be taxed on the same income by the tax authorities in the jurisdiction where it is incorporated. Similarly, an individual who is a resident of Nigeria and receives income from a foreign source may be subject to personal income tax in both Nigeria and the foreign jurisdiction. To mitigate the effects of double taxation, Nigeria has entered into double taxation agreements (DTAs) with several countries, including the United Kingdom, South Africa, and the Netherlands. These DTAs provide for the allocation of taxing rights between Nigeria and the other country, as well as for the elimination of double taxation through tax credits or exemptions. The aim of these agreements is to promote cross-border investment, trade, and economic growth, while also reducing the compliance burden for tax payers (Adesina, Pelumi & Awodire, 2022).

2.1.3 Tax-Based Project

A tax-based project is a government initiative that relies on the collection and allocation of taxes to finance its operations and achieve its goals (Ibekwe and Ibekwe, 2021). Taxes are the primary source of revenue for most governments, and they play a critical role in funding public goods and services such as infrastructure, education, health care, and social welfare programs. A tax-based project is designed to utilize these funds effectively to address specific challenges and improve the quality of life for citizens (Babalola, 2015). One example of a tax-based project is a road improvement project. This initiative aims to upgrade and repair existing roads and highways, as well as build new ones to improve transportation and connectivity. The funds for this project come from taxes collected by the government, including taxes on gasoline, vehicle registration, and road usage. The money is then used to hire contractors, purchase materials, and pay for other expenses related to the construction and maintenance of roads (Odutola, Oyekola & Ajayi, 2021).

Furthermore, another example of a tax-based project is a healthcare initiative. This project aims to improve the availability and quality of healthcare services in a particular region. The funds for this project come from taxes on income, sales, and property, which are collected by the government. The money is then used to build new hospitals and clinics, hire medical professionals, purchase medical equipment, and provide financial assistance to those in need. A tax-based project can also have a positive impact on the economy. For example, a road improvement project can increase economic activity by making it easier for goods and services to be transported, and by creating jobs in the construction and transportation industries. A healthcare initiative can also stimulate the economy by creating jobs in the healthcare sector and improving the health and well-being of citizens, leading to increased productivity and economic growth.

However, tax-based projects can also face challenges. They may be subject to political pressure, leading to changes in priorities or budget cuts. They may also face opposition from citizens who feel that their taxes are being used ineffectively or for projects that do not align with their values or priorities. Additionally, there may be technical challenges related to the implementation of the project, such as procurement issues, construction delays, or budget overruns. Therefore, tax-based projects must be designed, managed, and implemented effectively to achieve their intended goals and overcome the challenges that they may face. Ultimately, a tax-based project should be viewed as a partnership between the government and its citizens, with the goal of creating a better future for all.

2.1.4 Fiscal Policy Implementation and Performance of MSMEs in the Nigerian Economy

The implementation of fiscal policy in Nigeria has had a significant impact on the country's economy. Fiscal policy refers to the use of government spending and taxation to influence the economy. In Nigeria, fiscal policy has been used to achieve a variety of goals, including promoting economic growth, reducing inflation, and balancing the government's budget (Ikechi, Ugwueze & Afolanyan, 2022). One of the main effects of fiscal policy implementation in Nigeria has been increased government spending. The government has increased its spending on infrastructure projects, social services, and other initiatives designed to stimulate economic growth. This has led to an increase in economic activity and employment, as well as an improvement in the overall quality of life for many Nigerians (Alabi, David & Aderinto, 2019).

Another effect of fiscal policy implementation has been increased government revenue. The government has implemented a number of tax reforms, such as increasing tax rates and cracking down on tax evasion, in order to increase its revenue. This has allowed the government to invest more in infrastructure and other economic development initiatives, which has helped to further stimulate growth. However, fiscal policy implementation has also had some negative effects on the Nigerian economy (Alabi, David & Aderinto, 2019). For example, increased government spending has led to higher inflation, as the demand for goods and services has outstripped the supply. Additionally, the government's focus on increasing revenue has led to a heavier tax burden on individuals and businesses, which has reduced their ability to invest and grow. In order to maximize the benefits and minimize the negative consequences of fiscal policy implementation, the government must carefully consider the impact of its policies. This may involve balancing government spending with revenue generation, reducing inflation, and taking steps to promote private sector growth and investment especially small and medium scale enterprises (Olisaji & Onuora, 2021).

2.2 Theoretical Review

2.2.1 Endogenous Growth Theory

The endogenous growth theory was propounded by Paul Romer in 1986. Endogenous growth theory sheds light on the relationship between fiscal policies and the performance of Small and Medium-sized Enterprises (SMEs) by focusing on how government policies can impact internal factors such as technological innovation, human capital, and institutions (Efe, 2021). According to this theory, fiscal policies that promote investment in research and development, such as tax incentives for businesses engaged in Research and development activities, can have a positive effect on the performance of MSMEs. By encouraging investment in Research and development activities, fiscal policies can help MSMEs to develop new technologies and products, leading to increased competitiveness and growth. Similarly, fiscal policies aimed at increasing human capital, such as investments in education and training, can also play an important role in the performance of MSMEs. By investing in human capital, the government can help to increase the knowledge and skills of the workforce, providing MSMEs with the tools they need to innovate and grow. Fiscal policies can also impact the quality of institutions, which can in turn affect the performance of MSMEs. For example, a stable fiscal policy that reduces the risk of macroeconomic instability and fiscal crises can create a more favorable environment for investment and innovation.

On the other hand, fiscal policies that lead to macroeconomic instability, such as large fiscal deficits and high inflation, can create uncertainty and reduce investment, thereby hindering the performance of MSMEs. Endogenous growth theory is therefore relevant to the present study since it helps to explain the relationship between fiscal policies and the performance of MSMEs by highlighting the important role that internal factors such as technological innovation, human capital, and institutions play in shaping growth. By understanding the mechanisms behind endogenous growth, policymakers can design fiscal policies that promote the growth and competitiveness of MSMEs.

2.3 Empirical Review

Olusayo and Jonny (2021) ascertained the effect of multiple taxation on financial performance of Small and Medium Enterprises (SMEs) in Bayelsa State. The study used survey design with SME population of 100. Questionnaire was used to collect data. Simple percentages/frequencies were used to analyze the data and the research hypotheses were tested with ANOVA. It was found that multiple taxation has negative effect on SMEs investment. Furthermore, the relationship between SMEs investment and its ability to pay tax is significant. The researcher recommends that government should develop a tax policy that considers the enhancement of SMEs' capital allowance when imposing taxes.

Okolo, Okpalaojiego, and Okolo (2016) investigated 80 SMEs in Enugu State to examine the effect of multiple taxation on the investments in SMEs. The study found out that prevalence of multiple taxation in Enugu State had a negative effect on the investments made in SMEs.

Adewara, Dagunduro, Falana and Busayo (2023) examined the effect of multiple taxations on the financial performance of all registered and functional SMEs located in Ado Ekiti, Nigeria, and have been in existence for over 5 years with valid proof of tax payment. The study found that multiple tax burdens and multiple tax administrations exhibited a significant negative relationship with the financial performance of SMEs in Ekiti State, Nigeria, while the ability to pay tax revealed a significant positive relationship.

Alabi, David and Aderinto (2019) evaluated the impact of government policies on business growth of small and medium enterprises in South-west geopolitical zone of Nigeria. The study adopted descriptive ex-post facto type and involved both primary and secondary data. The researcher used stratified sampling technique for determination of exact sample population to use for the study. Structured questionnaires were used as the main tools data collection. The result of the regression analysis showed that there is a significant relationship between government policy and business growth of Small and Medium Enterprises (SMEs) in South Western Nigeria.

Agu, Onwuka and Aruomah, (2019) assessed the effect of taxation on the performance of SMEs in Aba Abia State. A survey approach was adopted while the questionnaire was used as an instrument. A randomly selected 162 employees and owners of 40 SMEs were used for the study. Collected data were analyzed using the multiple regression analysis and one sample t-test. Results indicate that significant and positive relationship exist between taxation and the performance of SMEs and that tax assessment, tax collection and tax utilization significantly influence the performance of SMEs in Aba.

Ajike, Maku and Amos (2018) examined the effects of the government taxation policy on sales revenue of SMEs in Lagos. The study employed survey design with a population of 4,535 of SMEs registered with Small and Medium Enterprise Development Agency of Nigeria in Lagos State. Sample size of 478 was derived using Taro Yamane. Multistage sampling technique was used with the instrument validated. The Cronbach alpha coefficient for the instrument was 0.70. Result revealed that government taxation policy have a significant and positive effect on sales revenue of SME's ($R2= 0.896$: $p= 0.000<0.05$). The study concluded that government taxation policy had a significant effect on sales revenue of SMEs in Lagos State Nigeria. Therefore the study recommended that government should levy a lower tax to enhance increase in revenue base of SMEs.

Gbande, Udoh and Ime (2018) examined the effect of fiscal policy on the growth of small and medium enterprises in Nigeria from 1999 to 2016. The research design adopted for this study was the ex-post facto research design, and the Error Correction Model (ECM) was used to analyse the time series data, whereas the Johansen co-integration approach was employed to test for the long-run relationship among the series. The findings reveal that tax rate (TAR) does not affect the growth of SMEs in Nigeria, but government expenditure (GEXP) significantly affects the growth of SMEs in Nigeria.

Isaac (2015) investigated the effects of government taxation policy on the sales revenue of SMEs in Uasin Gishu County, Kenya. The study adopted an exploratory research design. The primary data for the study were generated from questionnaire administered on 180 questionnaires, personal interviews and document analysis. Regression analysis was carried out which revealed that government tax policy has a direct significant impact on SMEs sales revenue.

Muindi and Mukorera (2022) examined the effects of fiscal policy on household consumption whilst investigating the effectiveness of fiscal policy in Kenya. This study employed a quantitative research method using time series data which ranged from 1971 to 2018. The nonlinear auto-regressive distributed lag (NARDL) model was used in the empirical analysis. It was found that in the short run, fiscal policy does not to affect household consumption. However, fiscal policy was found to have asymmetric effects on household consumption in the long run.

Ongayi, Muzenda, Satande and Malatji (2021) investigated challenges faced by Small and Medium Enterprises (SMEs) in the introduction of new government taxation policies to financial performance of SMEs. The study was based on the period between 2016 and 2019. Multiple regression model were used to measure the relationship between point of sale transaction tax, mobile money taxes and financial performance. From the research conducted the research findings indicate that intermediate money tax transfer has a significant impact on the financial performance of SMEs, the research also showed that there is a negative impact of mobile money tax transfer and bank transfer tax to the financial performance of SMEs. It was also established that there is a negative relationship between SMEs in the supply chain as all SMEs agree that mobile electronic tax transfer result in increase in cost of transactions and decrease in number of transactions.

Odutola, Oyekola and Ajayi (2021) examined the relationship between fiscal policy and sustainability of small and medium enterprises (SMEs) in Nigeria during this Covid19 era. The study employed survey design. The result was based on a survey of 316 SMEs selected randomly from a population of 1,500 SMEs spread across Ado Odo Ota Local Government Area. Questionnaires were constructed and distributed to SMEs. The responses to the questionnaire were analyzed with the aid of regression analysis. The findings revealed that VAT and government expenditures have a significant and positive effect on SMEs sustainability. Therefore the study recommended that government should review its tax rate downward for the SMEs in order to grow the economy more through provision of employment opportunity.

Ibekwe and Ibekwe (2021) investigated the effect of government expenditure on small and medium scale enterprises in Nigeria. The secondary data used in the study were gotten from CBN statistical bulletin from 1988 2020. Econometric techniques, including Unit Root Test, Granger Causality Test, and the Ordinary Least Square Regressions were used for the data analysis. The result of the study indicates that capital expenditure on roads, capital expenditure on agriculture, capital expenditure on education, recurrent expenditure have positive and significant effect on small and medium scale enterprises in Nigeria while government borrowing has negative and insignificant effect on small and medium scale enterprises in Nigeria. The study thus concludes that government expenditure have positive effect on small and medium scale enterprises in Nigeria and has helped to improve economic growth and development in Nigeria.

In view of the performance of Small and Medium Enterprises (SMEs) in Awka South local government area of Anambra state, there are factors discouraging and hindering the growth and survival rate but a situation where small and medium enterprises (SMEs) in Awka South Local Government area of Anambra state have a conducive business environment, improved power generation, tight security, and infrastructure have been found to have a positive effect on the nation's economy. Existing literature such as Muindi and Mukorera (2022); Adekunle, Adesanya and Collins (2022); Odutola, Oyekola and Ajayi (2021); Ibekwe and Ibekwe (2021); Olusayo and Jonny (2021); Alabi, David and Aderinto (2019); Agu, Onwuka and Aruomah (2019); Ajike, Maku and Amos (2018); Gbande, Udoh and Ime (2018); Isaac (2015) *et cetera*, although on fiscal policies and SMEs activities, failed to explore the research context from the double taxation and tax-based projects point of view which this present considered paramount especially in the Awka South local government area vicinities of Anambra State, Nigeria where several SMEs face challenges of double taxation on daily basis.

3. MATERIAL AND METHOD

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 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, February, 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) $= \dfrac{N}{1+N(e)^2}$

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 $= \dfrac{Number\ of\ Staff\ in\ a\ Firm}{Total\ Population\ Size}\ X\ Sample\ Size.$

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 and the Spearman Ranked Order Correlation test. 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.

4. RESULT AND DISCUSSIONS

4.1 Test of Hypotheses

4.1.1 Hypothesis One

Ho: Double taxation has no significant effect on the periodic performance of SMEs in Awka south local government area of Anambra state.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.795[a]	.633	.629	1.464

a. Predictors: (Constant), Double Taxation

Table 5: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	372.704	1	372.704	173.871	.000[b]
	Residual	216.500	101	2.144		
	Total	589.204	102			

a. Dependent Variable: SMEs Performance

b. Predictors: (Constant), Double Taxation

Table 6: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.701	.762		10.101	.000
	Double Taxation	-.587	.045	-.795	-13.186	.000

a. Dependent Variable: SMEs Performance

Source: Analysis Output of SPSS Version 22

These Tables 4 - 6 show the results of a regression analysis conducted to examine the relationship between double taxation and MSMEs periodic performance. Table 4 shows the Model Summary, which indicates that the model has an R Square value of .633, meaning that 63.3% of the variance in MSMEs performance can be explained by double taxation. Table 5 presents the ANOVA results, which show that the model is statistically significant, with a p-value of .000, which is less than 0.05. Table 6 displays the coefficients for the model, which reveal that double taxation has a negative and significant standardized coefficient of -.795, indicating that as double taxation increases, MSMEs periodic performance decreases.

4.1.1.1 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, double taxation has a significant negative effect on the periodic performance of MSMEs in Awka South Local Government area of Anambra state (*p*-value = 0.000).

This finding is not surprising, as multiple taxes can impose a heavy burden on MSMEs, reduce their profitability, and hinder their competitiveness. MSMEs often struggle to comply with various taxes and fees imposed by different levels of government, leading to increased costs and reduced profits.

Thus, double taxation can negatively affect the growth and sustainability of MSMEs, which are critical drivers of economic growth and employment. The study conducted by Ongayi, Muzenda, Satande and Malatji (2021); Olusayo and Jonny (2021) realised similar result of a negative significant effect of double taxation on SMEs' performance.

4.1.2 Hypothesis Two

Ho: Tax based projects has no significant relationship with the performance of MSMEs in Awka South Local Government areas of Anambra state.

Table 7: Correlations

			Tax Based Projects	SMEs Performance
Spearman's rho	Tax Based Projects	Correlation Coefficient	1.000	.557**
		Sig. (2-tailed)	.	.000
		N	103	103
	SMEs Performance	Correlation Coefficient	.557**	1.000
		Sig. (2-tailed)	.000	.
		N	103	103

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Analysis Output of SPSS Version 22

Table 7 shows the correlation between Tax Based Projects and MSMEs Performance. The correlation coefficient (Spearman's rho) is 0.557, which indicates a moderate positive correlation between the two variables. An increase in tax based project will likely enhance MSMEs performance by a margin of 0.557.

4.1.2.1 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 based projects has a significant positive relationship with the performance of MSMEs in Awka south local government areas of Anambra state (p-value = 0.000).

This finding suggests that government support for MSMEs through tax incentives can have a positive impact on their performance. Tax-based projects such as tax credits, exemptions, and deductions can stimulate business investment and growth, leading to improved business performance. Moreover, such incentives can encourage MSMEs to invest in their businesses, expand their operations, and create

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more job opportunities. Similar finding was realised by studies such as: Odutola, Oyekola and Ajayi (2021); Ibekwe and Ibekwe (2021); Gbande, Udoh and Ime (2018).

CONCLUSION AND RECOMMENDATIONS

The study's findings provide valuable insights into the impact of tax policies and practices on the performance of MSMEs in Awka South Local Government Area of Anambra State. The study findings imply that multiple taxation can be a major barrier to business growth and sustainability. This is because double taxation can increase the cost of doing business, reduce profitability, and limit the ability of MSMEs to reinvest in their operations, innovate and expand. On the other hand, tax-based projects were found to have a significant positive relationship with the performance of SMEs in the study area. This suggests that government investments in infrastructure and other development projects can create opportunities for MSMEs, boost their competitiveness, and improve their access to markets, resources, and customers.

Based on the above findings, the study therefore recommends that:

1. government should review its tax policies at the State and Local governments level to effectively reconcile gray areas in their fiscal policies practices that readily exposes MSMEs to unhealthy and unjust double taxation.
2. government should prioritize tax-based projects that have a direct impact on MSMEs, such as the construction of roads, electricity, and water infrastructure. This would improve the overall business environment of MSMEs and promote their growth and progressive development.

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APPENDIX A

Table 8: Responses to Scale for SME periodic performance

S/N	Statements	SA	A	U	D	SD	Mean	Decision
1	SMEs achieve sustainable growth under favourable fiscal policies	78	21	4	0	0	4.72	Accept
2	Successful SMEs typically implement strategies that focus on innovation and efficiency	64	33	4	2	0	4.54	Accept
3	Operational challenges reduce SMEs' ability to generate revenue	52	28	12	9	2	4.16	Accept
4	The revenue of SMEs is not subject to fluctuations based on economic conditions, competition, and consumer behavior.	45	38	11	9	0	4.16	Accept

***Source**: Field Survey, 2023*

Table 8 presents the results of the survey on the performance of small and medium-sized enterprises (SMEs), based on a scale with five response options: Strongly Agree (SA), Agree (A), Undecided (U), Disagree (D), and Strongly Disagree (SD). For statement 1, "SMEs achieve sustainable growth under favourable fiscal policies," 78 respondents strongly agreed, 21 agreed, 4 were undecided, and none disagreed or strongly disagreed. The mean score for this statement was 4.72, indicating a high level of agreement among respondents. Based on this mean score, the statement was accepted.

For statement 2, "Successful SMEs typically implement strategies that focus on innovation and efficiency," 64 respondents strongly agreed, 33 agreed, 4 were undecided, 2 disagreed, and none strongly disagreed. The mean score for this statement was 4.54, indicating a high level of agreement among respondents. Based on this mean score, the statement was also accepted.

For statement 3, "Operational challenges reduce SMEs' ability to generate revenue," 52 respondents agreed, 28 strongly agreed, 12 were undecided, 9 disagreed, and 2 strongly disagreed. The mean score for this statement was 4.16, indicating a moderate level of agreement among respondents. Based on this mean score, the statement was accepted.

For statement 4, "The revenue of SMEs is not subject to fluctuations based on economic conditions, competition, and consumer behavior," 45 respondents strongly agreed, 38 agreed, 11 were undecided, 9 disagreed, and none strongly disagreed. The mean score for this statement was 4.16, indicating a moderate level of agreement among respondents. Based on this mean score, the statement was also accepted.

Generally, this table provides insight into the perceptions of the surveyed individuals regarding the performance of SMEs, as well as the level of agreement or disagreement among them. The acceptance of all four statements suggests that the surveyed individuals generally view SMEs as capable of achieving sustainable growth, implementing successful strategies, and generating revenue, although operational challenges may limit their ability to do so.

Table 9 Responses to Scale for Double Taxation

S/N	Statements	SA	A	U	D	SD	Mean	Decision
5	Double taxation creates an unfair financial burden on SMEs	51	36	6	9	1	4.23	Accept
6	Double taxation impairs the profitability of businesses	50	32	11	10	0	4.18	Accept
7	The existence of double taxation makes SMEs hesitant to invest or do business in the country.	52	29	11	11	0	4.18	Accept
8	Double taxation is an unnecessary and inefficient way for governments to generate revenue.	48	38	9	7	1	4.21	Accept

***Source**: Field Survey, 2023*

Table 9 presents the results of a survey on the impact of double taxation on small and medium-sized enterprises (SMEs), based on a scale with five response options: Strongly Agree (SA), Agree (A), Undecided (U), Disagree (D), and Strongly Disagree (SD). For statement 5, "Double taxation creates an unfair financial burden on SMEs," 51 respondents strongly agreed, 36 agreed, 6 were undecided, 9 disagreed, and 1 strongly disagreed. The mean score for this statement was 4.23, indicating a high level of agreement among respondents. Based on this mean score, the statement was accepted.

For statement 6, "Double taxation impairs the profitability of businesses," 50 respondents strongly agreed, 32 agreed, 11 were undecided, 10 disagreed, and none strongly disagreed. The mean score for this statement was 4.18, indicating a moderate level of agreement among respondents. Based on this mean score, the statement was accepted.

For statement 7, "The existence of double taxation makes SMEs hesitant to invest or do business in the country," 52 respondents strongly agreed, 29 agreed, 11 were undecided, 11 disagreed, and none strongly disagreed. The mean score for this statement was 4.18, indicating a moderate level of agreement among respondents. Based on this mean score, the statement was also accepted.

For statement 8, "Double taxation is an unnecessary and inefficient way for governments to generate revenue," 48 respondents strongly agreed, 38 agreed, 9 were undecided, 7 disagreed, and 1 strongly disagreed. The mean score for this statement was 4.21, indicating a high level of agreement among respondents. Based on this mean score, the statement was accepted.

Generally, this table provides insight into the perceptions of the surveyed individuals regarding the impact of double taxation on SMEs, as well as the level of agreement or disagreement among them. The acceptance of all four statements suggests that the surveyed individuals generally view double taxation as an unfair financial burden that impairs SME profitability, hinders investment, and is an unnecessary and inefficient way for governments to generate revenue.

Table 10: Responses to Scale for Tax Based Projects

S/N	Statements	SA	A	U	D	SD	Mean	Decision
9	Tax-based projects are an effective way for the government to allocate resources towards public goods and services	72	23	8	0	0	4.62	Accept
10	SMEs are willing to pay higher taxes if it means supporting important public projects in my community	48	31	13	11	0	4.13	Accept
11	Tax-based projects are an essential way for the government to invest in long-term infrastructure and encourage SMEs	62	36	4	1	0	4.54	Accept
12	The government prioritizes tax-based projects that address urgent public needs, such as healthcare or education	64	36	4	0	0	4.58	Accept

***Source**: Field Survey, 2023*

Table 10 presents the results of a survey on tax-based projects, which are government-funded initiatives that are financed by tax revenue. The survey used a five-point scale with the response options of Strongly Agree (SA), Agree (A), Undecided (U), Disagree (D), and Strongly Disagree (SD). For statement 9, "Tax-based projects are an effective way for the government to allocate resources towards public goods and services," 72 respondents strongly agreed, 23 agreed, 8 were undecided, 0 disagreed, and 0 strongly disagreed. The mean score for this statement was 4.62, indicating a high level of agreement among respondents. Based on this mean score, the statement was accepted.

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For statement 10, "SMEs are willing to pay higher taxes if it means supporting important public projects in my community," 48 respondents strongly agreed, 31 agreed, 13 were undecided, 11 disagreed, and 0 strongly disagreed. The mean score for this statement was 4.13, indicating a moderate level of agreement among respondents. Based on this mean score, the statement was accepted.

For statement 11, "Tax-based projects are an essential way for the government to invest in long-term infrastructure and encourage SMEs," 62 respondents strongly agreed, 36 agreed, 4 were undecided, 1 disagreed, and 0 strongly disagreed. The mean score for this statement was 4.54, indicating a high level of agreement among respondents. Based on this mean score, the statement was accepted.

For statement 12, "The government prioritizes tax-based projects that address urgent public needs, such as healthcare or education," 64 respondents strongly agreed, 36 agreed, 4 were undecided, 0 disagreed, and 0 strongly disagreed. The mean score for this statement was 4.58, indicating a high level of agreement among respondents. Based on this mean score, the statement was accepted.

Generally, the results suggest that the surveyed individuals generally view tax-based projects as an effective and essential way for the government to allocate resources towards public goods and services, invest in long-term infrastructure, and prioritize urgent public needs. The acceptance of all four statements indicates a high level of support for tax-based projects among the surveyed individuals.