EFFECT OF MULTIPLE TAXATION ON FINANCIAL PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES: LOGIT AND PROBIT APPROACH

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ABSTRACT

This study investigated the effect of multiple taxation on the growth of SMEs in Abakaliki, Ebonyi State, Nigeria. We surveyed 400 SME operators in the area capturing profit level, whether they paid tax, tax type paid, when the business was first taxed, whether they paid multiple taxes, business location, and energy source. Profit was ranked from low to high which necessitated the application of ordinal logistic and ordinal probit regressions. The ologit result revealed that tax payment significantly decreased the log odds of a higher profit level by -0.7 units. Whereas sales tax and royalties have no significant effect on growth, payment of environmental levy and business premises levy significantly decreased the log odds of attaining a higher profit level by -0.133 and -0.134 respectively. Also, being taxed from the second year of the business reduced the log odds of a higher profit level by -0.37 while the same would increase by 0.22 if taxed from the third year. Overall, multiple taxation resulted in lower log odds of a higher profit level. Similarly, the marginal effects results showed that multiple taxation increased the probability of a SME reporting a low profit by 7%, and decreased the chances of a normal or high profit by 5% and 3% respectively. The study concludes that multiple taxation is killing SMEs in Ebonyi State. The study recommends that the State Government should charge only environmental or business premises levy and not both. Also, SMEs should be granted at least 2 years of tax holiday to encourage their survival.

Keywords: Growth, Logit, Probit, SMEs, Taxation.

INTRODUCTION

Taxation is commonly referred to as a levy imposed by different levels of government on earnings, properties, sales, consumption, wealth, and wealth transfers to produce revenue for project execution and law enforcement. In the past, the government has adopted many taxes to raise funds to meet and sustain the enormous responsibility of governance in the provision of

infrastructure and other socioeconomic demands. Increasing governmental activity and the desire to achieve long-term economic growth are the reasons for predicting high tax income and targets.

Following the discovery of oil and increasing oil money in the 1970s, the size and structure of the Nigerian Federation expanded, accompanied by an increase in public expenditure. However, the drop in oil revenue put excessive pressure on the government's budgetary operations, leading the administration to seek alternative sources of cash to supplement current economic activity. Nonetheless, the strategic strategy to raise money through various taxes hurts the earnings of individuals, enterprises, and SMEs, as well as their overall welfare and financial performance.

The federal, state, and local governments impose a variety of taxes, many of which have conflicting incidences and are detrimental to the taxpayer. The Federal Inland Revenue Service (FIRS), a federal government agency, collects revenue from a variety of sources, including Company Income Tax (CIT), Value Added Tax (VAT), Petroleum Profit Tax (PPT), Capital Gains Tax (CGT), Tertiary Education Tax (TET), Armed Forces and Police PAYEE, and the Nigerian Information Technology Development levy. The state Internal Revenue Service, with particular reference to Ebonyi State, collects the following taxes:

Individual income taxes, PAYEE, pools, and betting/gaming tax, withholding tax on dividends, contracts, bank interest, services royalties, directors' fees, consultancy fees, education levy, development levy, and non-tax revenue. The third tier of government collects taxes such as the tenement rate, slaughter slab, motor park levy, bicycle, truck, wheelbarrow, and cart fees, right of occupancy levy, radio and television licenses, store and kiosk rates, and ground permits. (Orebanjo and Fowobaje, 2018.) These modicum and various taxes imposed by the three tiers of government most often fight with one another to impede individual welfare and negatively affect the financial performance of organizations, notably small and medium-sized enterprises (SMEs).

Multiple taxation is defined as separate tax agents or the same tax agency imposing taxes on the same asset, income, and activities at different times, leading to a significant financial burden for both the taxpayer and the tax authority (Nihal and Nowbert 2011).

It is the imposition of the same or equivalent taxes on the revenues of citizens and corporations by one or all three levels of government. Small and medium-sized companies (SMEs) are small businesses with low capital, few fixed assets, and highly focused operations, as well as limited managerial capabilities, particularly in financial reporting and management (Kuta and Abdulwaheed, 2021; Adum2018). The rise of SMEs is beneficial to every government in both developing and developed countries since it promotes industrialization, exports, and employment generation while also boosting the country's economic growth. Despite the significance that tax income plays in supporting economic activity, the prevalence of multiple taxation dampens entrepreneurship, investment, and growth in SMEs, hastening their collapse. Because of their significance in promoting Nigeria's economic climate, small-holding enterprises are frequently viewed as the engine and source of economic growth (Cross, 2019).

Many factors hinder SMEs' growth and survival, including weak infrastructure, intermittent power supply, financial concerns, tight borrowing conditions, high interest rates, pilfering/stealing, and geopolitical tension (sit-at-home order, banditry, and herdsmen attacks). According to Mbazuluike et al. (2023), double taxation is a significant barrier to the survival of SMEs in Nigeria. Multiple taxes limit and inhibit the financial strength and net profit of small-scale firms. Zayol et al. (2017) and Adewara et al. (2023) discovered that tax fraud has a negative and damaging influence on the financial performance of SMEs in the states of Benue and Ekiti, respectively.

The Nigerian business landscape is dominated by SMEs, with over 80% failing within the

first 4-5 years of operation, indicating a relatively high death rate (Ariyo, 2019; CITN, 2023). Despite the country's current economic depression, the causes of high mortality and stagnation are not far off from the occurrences and burdens of different taxes imposed by various tax bodies. Abakaliki, Nigeria's economy is primarily agricultural, with rice, maize, and cassava being the most important commodities.

It also acts as the state's principal source of revenue through mining and stone crushing. Abakaliki is not known for its huge corporations, but it does have a high number of small and medium-sized businesses (SMEs) that serve as the city's employment hub. However, the huge and varied fees imposed by tax agents jeopardize the financial health and survival of these businesses. The government's tough economic policies at all levels have damaged the livelihoods of these businesses on several occasions. This study examined the consequences of multiple taxation on the financial performance of SMEs in Abakaliki, Nigeria.

The remaining parts of this study was therefore arranged as follows; Review of related literature, Theoretical framework, Empirical reviews, Methodology, Results and Discussions and finally Conclusion and Recommendation.

Review of Related Literature

Conceptual Reviews

Multiple Taxation

Multiple taxation is the practice of taxing an individual or corporate organisation more than once on the same income, product, or service, typically at separate levels of government or under multiple tax heads. This increases the overall tax burden on the individual or business firm while

unwittingly discouraging commercial and economic activities. According to the Longman Business Dictionary, multiple taxation happens when a single quantity of money is taxed more than once, typically by two or more taxing agencies unfairly or illegally.

Tax credits, tax exemptions, and tax reforms are some of the methods that policymakers try to reduce or eliminate multiple taxation because it can result in inefficiencies and unfairness in the administration of taxes. Double taxation on dividends, sales taxes and value-added taxes (VAT), income taxes and social security taxes, property taxes and municipal taxes are a few instances of multiple taxation aspects. Tax heads might differ based on the nation, state, or area, and not all tax heads apply to all people or commercial enterprises. It is impossible to overstate how many taxes affect enterprises in Nigeria. It discourages investment, damages the economic climate, and eventually results in company closures. Small and medium-sized enterprises (SMEs) are particularly vulnerable to this phenomenon. Considering millions of employees and a substantial GDP contribution, these companies form the basis of the Nigerian economy. Nevertheless, when it comes to different taxes, they have the biggest obstacle.

Small and Medium-scale Enterprises (SMEs)

The definition of Small and Medium Enterprises (SMEs) differs based on the author, the particular situation, and the nation where these companies are located. For instance, in the UK, SMEs are defined as businesses that employ less than 200 people and have an annual revenue of no more than two million pounds (Ekpeyone & Nyong, 1992). In contrast, companies in Japan are classified as SMEs if they have 300 workers and a paid-up capital of 100 million yen (Ekpeyong & Nyang, 1992).

In the Nigerian setting, SMEs are described as entrepreneurial ventures with a limited number of employees ranging from 1 to 100 for small-scale enterprises, and up to 500 or more for medium-

sized firms (CBN report, various issues). Specifically in Nigeria, SMEs encompass businesses with a turnover below N100 million per year and/or fewer than 300 employees, with a capital investment not exceeding N2 million (excluding land costs) or a minimum of N5 million naira (CBN reports). As outlined by the Central Bank of Nigeria (CBN), Small and Medium Scale Enterprises are defined as enterprises with an asset base not surpassing #500 million, excluding both land and working capital.

Theoretical Framework

Keynsian Tax Cut Theory

According to Keynes, when there is an economic slump characterised by rising general prices, rising unemployment, low aggregate demand, and low investment, the government must decrease tax rates. An economic recession is characterised by declining earnings, low income from underemployment, unemployment, and a drop in sales. Gale (2014) asserts that reduced taxes benefit the economy overall and small and large-scale investment in particular because they promote savings, productivity, and aggregate demand for goods and services, all of which increase investor earnings and profits. Zidar (2017) asserts that tax benefits for affluent individuals and businesses, especially small and medium-sized enterprises (SMEs), are akin to small presents that stimulate investment in growth and enhance economic activity.

The Neoclassical Growth Theory

Robert Solow developed the neoclassical growth theory in 1956, emphasising the need for capital accumulation and savings to promote economic growth. The growth theory states that the productive sector, real sector, capital formation of small and medium-sized firms (SMEs), and savings are all indices of economic development and growth (Idowu, Ochei, & Isibor, 2019). Solow (1956) found that a growth steady state route is achieved when labour, capital, and output

are all growing at the same rate and when the output per worker and the capital per worker are both constant. The theory maintained that increasing labour and capital productivity as well as the productive labour and finance supply in real sectors were required to increase the economy's long-term trend rate of growth.

Neoclassical economists are adamant that growth cannot be stable and that the only ways to attain sustainable growth and economic development are by continuously improving capital investment and financing towards SMEs, the real sector, and the economy's productive sectors. They continued by saying that interest rates are the result of the interplay between supply and demand, or the marginal efficiency of capital and savings (Idowu, Ochei & Isibor, 2019). Thus, the theory concluded that one of the main drivers of economic expansion is granting SMEs greater access to credit facilities.

In line with Lenon and Dephine (2019), neoclassicists suggested that the most effective means of promoting macroeconomic stability and economic growth in all global economies was through funding for SMEs. In a similar spirit, Martin and Sunley (2015) found that the money supply regulates the interest rates applied to loans. The point at which money supply and demand are equal is known as the equilibrium rate of interest, according to him. Conventional wisdom holds that loans bridge the capital gap between what firms have and what they need. Enterprises require loans because of a mismatch between the financial assets they require and those that are easily accessible.

Empirical Review

Yinka, Muyiwa, Gbenga, and Temitayo (2023) used multiple regression analysis and survey research methodology to evaluate the effect of numerous taxations on the financial performance of small and medium-sized firms (SMEs) in Ekiti State, Nigeria. All registered and operational

SMEs in Ado Ekiti that had been in business for more than five years and had legitimate documentation of their tax payments made up the research population. The study's findings demonstrated that while the ability to pay taxes had a significant and positive influence on the financial burden of SMEs in Ekiti State, Nigeria, numerous tax administrations and burdens had a significant but negative impact on the financial performance of SMEs in that state.

Akpan and Ime (2021) investigated the effects of various taxes on the expansion of SMEs in Akwa-Ibom state, Nigeria using an independent t-test analysis and survey methods. The population of the study is made up of all Uyo urban small- and medium-sized enterprise (SMEs) operators. 398 participants were chosen at random from the population for the study using a straightforward random sampling technique. A questionnaire was used as the data collection instrument. The study's findings demonstrated that many taxes in the Nigerian state of Akwa-Ibom's Uyo Urban had a significant but negative effect on the performance of SMEs. Francis, Augustine, and Monday (2022) investigated the effect of multiple taxation on the expansion of small and medium-sized enterprises (SMEs) in the South-South States of Nigeria through survey research. The population of the study consists of 7,844 micro, small, and medium-sized enterprises (MSMEs) in the South-South states of Nigeria that are registered with the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN). A sample of 381 SMEs was selected using the Taro Yamane sampling technique. The data that was collected was analysed using the SPSS version. The results demonstrated that environmental and sanitation levies have a major effect on Nigeria's small- and medium-sized companies (SMEs) growth. Additionally, it was said that taxes for infrastructure development significantly affect the growth of SMEs in the economy. According to the report, land-based and property-based fees have a significant effect on the growth of SMEs in Nigeria.

Dauda and Dauda (2021) used regression analysis to evaluate the effects of certain taxes on restaurant investment drivers and sales growth in Minna, Niger State, Nigeria. A census-based sample approach was employed because the study's population consisted of companies that ran 60 restaurants in the city of Minna. One of the dependent factors used in the research to elicit a response was multiple taxation; the other dependent variables were investment decisions and sales growth. The study's findings demonstrated that different taxes had not had a significant effect on the rise in restaurant sales. Still, it was found that different taxes affected investment decisions significantly.

Cross (2019) used the descriptive statistics method to investigate the connection between multiple taxation and the survival of SMEs. It also examined the effects of multiple taxation on "the growth of small/medium scale enterprises in Nigeria." The method of data collection employed was structured questionnaires. The research found that the great majority of deaths occurred in small and medium-sized enterprises, which comprised ninety-five per cent of the economy. The investigation also demonstrated how important these companies were to the development of the Nigerian economy by fostering competition, innovation, jobs, and economic dynamism. Mbazulike, Ukairo, and Umar (2023) examined the effects of various taxes on the survival of small and medium-sized firms (SMEs) in Katsina state, Nigeria. The data acquired through the administration of surveys was analyzed using regression analysis and descriptive statistics. The descriptive findings showed that several taxes had a significant but negative effect on SMEs' ability to survive in the Nigerian state of Katsina. Regression analysis, however, revealed that different taxes had no discernible effect on the survival of SMEs in Katsina state. Thus, the study recommended that, while assessing tax legislation, consideration be given to the size of SMEs in Katsina state concerning their profits to prevent repeated taxation in the state.

Adebisi and Gbegi (2013) applied basic percentages and Analysis of variance (ANOVA) methodologies to study the effects of various taxes on the survival of SMEs in West African Ceramics Ajeokuta, Kogi State, Nigeria. There were 91 people in the study's population, and 74 people made up the sample. A self-administered questionnaire was used to collect data for the analysis.

The study's conclusions showed that numerous taxes had a statistically significant detrimental influence on the survival of SMEs and that there was a relationship between an organization's size and its ability to comply with tax laws. Sani, Sunday, and Godwin (2019) investigated the effects of various taxes on the growth of SMEs in Nigeria using non-parametric statistics such as the mean score, standard deviation, and z-test. The questionnaires used during the study to gather data used a five-point Likert scale. Of the 193 questionnaires issued to SME operators in Lokoja, Kogi State, 131 were returned, or approximately 68% of the total. By using analytical estimating approaches, the results showed that some taxes had a significant but negative effect on the growth of small and medium-sized enterprises in Nigeria.

Ubani, Emelogu, Nwankwo, and Aruocha (2019) evaluated the effects of multiple taxes on the output performance of small-scale leather enterprises in Aba, Abia State, Nigeria, using a multistage sampling technique to select 80 respondents, 40 of whom were small-scale leather operators from the Ariaria international market and 40 of whom were from Ahia Ohuru in Aba. Regression analysis, percentages, and averages were used to examine the information obtained from primary sources. The results showed how the different taxes affected the expansion of leather businesses in a major way. Furthermore, the performance and profitability of small-scale leather enterprises in Aba, Abia State, Nigeria, were found to be impacted by the existence of numerous levies. In the Abuja metropolitan, encompassing the AMAC region, Rita and Pauline

(2019) surveyed fifteen carefully selected SMEs. To examine the effects of multiple taxation on the financing performance of SMEs in Abuja, Nigeria, the study used frequency distribution and analysis of variance (ANOVA) in the data analysis. There were 200 questionnaires sent in total; 178 copies, or 89% of the total, were completed and collected throughout the data-collecting phase; however, approximately 22 copies, or 11% of the total, were not returned by the respondents. The primary source of data used to collect information for the inquiry was the questionnaire instrument. The findings indicated a substantial correlation between various taxation and the prosperity of Nigerian SMEs' finances in Abuja. It was discovered that the strong correlation between disproportionately high numbers of taxing activities and the budgeting and planning performance of SMEs in Abuja, Nigeria, was a major impediment.

Methodology

The study takes place in the city of Abakaliki, Ebonyi State capital. The city is home to Abakaliki and Ebonyi, two of the thirteen local government areas of the state. The information for this study came from primary sources. In the inquiry, questionnaires and field surveys were employed. The poll received responses from 400 local operators of small and medium-sized enterprises (SMEs). Data was gathered by administering the structured questionnaire face-to-face. Profit level was used as a stand-in for business growth in terms of the study's variables. The location and energy source of the firm were taken into consideration, along with factors including the tax status, type of tax paid, date of first taxation, and whether or not the business paid multiple taxes.

Moving further, we created our mathematical model following Ambaye et al. (2021) as follows: (Business region, energy source, tax payment, tax type paid, tax commencement, and multiple tax payment) Equals f for profit level.1.

The model was estimated using the ordinal logistic regression technique. Ordinal variables are categorical variables that have a unique ordering of the category levels (Ambaye, et al., 2021). Ordinal logistic regression is an extension of logistic regression where the independent variables are linearly related to the log chances (or logit) of a binary response. The definition of logit can be found in Wang (2022) and Foley (2020). It can be summarized as follows:

$logit\ ((Y \leq j)) = \log((Y \leq j)2$

$(Y > j)) = \alpha j - \beta X, \epsilon[1, J-1]3$

where, jϵ[1, j-1] are the levels of the ordinal outcome variable Y, which is the grade in this research. According to the proportional odds model, each predictor has a common set of slope parameters. The j-1 intercepts αj serve as indicators of the ordinal outcomes. Therefore, the ordinal logistic regression can be rewritten as follows:

$log(P(Y \leq j)) = \beta_0 + \beta_1 x_1 + \cdots + \beta_p x_p$ 4

where p is the number of predictors.

The response variable in this study, profit level, has three levels: 1, 2, and 3. Equation 1 lists the six explanatory variables that are connected to these values. We considered the proportionate odds assumption, which states that the variable ACUE's influence remains constant as the grade level increases. Data analysis and the ordinal logistic regression model were completed using STATA 16.

Results and Discussion

Table 1: Variable, values, and frequencies

Variable name	**Variable code**	**Variable type**	**Value**	**Frequency**
Profit level	ProfitLevel	Ordinal/Dependent	1 = Low	166 (42%)
			2 = Medium	200 (50%)
			3 = High	34 (8%)
Tax payment	Tax payment	Categorical	1 = No	10 (3%)

			2 = Yes	361 (90%)
			3 = Not sure	29(7%)
Tax type paid	Taxtyppaid	Categorical	1 = Profit tax	129 (32%)
			2 = Sales tax	9 (2%)
			3 = Dev. Levy	0 (0%)
			4 = Environ. Levy	131 (33%)
			5 = Bus. prem. Levy	115 (29%)
			6 = Royalties	16 (4%)
			7 = Tolls	0 (0%)
			8 = Other	0 (0%)
Tax commencement	Taxcommencement	Categorical	1 = First yr of biz.	344 (86%)
			2 = 2nd yr of biz.	55 (14%)
			3 = 3rd yr of biz.	1 (0.3)
			4 = 4th yr of biz.	0 (0%)
			5 = 5th yr of biz	0 (0%)
			6 = After 5th yr of biz	0 (0%)
Multiple tax payment	MTPTaxEffect	Categorical	1 = No	11 (3%)
			2 = Yes	381 (95%)
			3 = Not sure	8 (2%)
Business area	BizArea	Categorical	1 = Rural	48 (12%)
			2 = Semi-urban	141 (35%)
			3 = Urban	211 (53%)
Energy source	EnergySource	Categorical	1 = Don't use elect.	11 (3%)
			2 = EEDC only	194 (49%)
			3 = Generator only	90 (23%)
			4 = EEDC & Gen.	99 (25%)
			5 = Solar panel only	6 (2%)

Source: Researchers' compilation from STATA results

The study's variables, together with their codes, kinds, values, and frequencies, are listed in Table 1. While the dependent variable—profit level—is rated on a scale of 1-3, representing low to high, the other variables are categorical. This illustrates why data analysis uses ordered logit and probit analysis. Table 2 displays the results that were achieved.

Table 2: Results of the linear logistic models

Variable	**Log-odds (ologit)**			**Log-odds (oprobit)**		
Tax payment:		Z-stat	p-val.		Z-stat	p-value
Yes	-.6502588	5.47	0.000	-.3713428	2.95	0.034
Not sure	.6319896	0.84	0.399	.32756	0.74	0.457
Taxtyppaid:						
Sales tax	.5823858	0.80	0.421	.359352	0.91	0.362
Environmental levy	-.1325507	-4.54	0.000	-.0791535	-5.54	0.000

Business premises levy	-.1337958	-8.53	0.000	-.1051398	-6.70	0.000
Royalties	.1500946	0.28	0.777	.086285	0.28	0.778
Taxcommencement:						
The second year of business	-.3712655	-2.27	0.024	-.2188745	-2.26	0.027
The third year of business	.2217506	7.12	0.006	.1153735	2.10	0.022
MTPTaxEffect:						
Yes	-.3310523	-4.55	0.008	-.177956	-2.50	0.015
Not sure	-.4702084	-1.96	0.064	-.023508	-0.-4	0.965
BizArea:						
Semi-urban	.2309876	2.29	0.049	.1225596	2.62	0.037
Urban	.2865315	2.89	0.037	.1480125	2.78	0.043
EnergySource:						
EEDC only	-.9076387	-3.44	0.015	-.5009803	-2.36	0.036
Generator only	-.5996233	-3.19	0.035	-.3478724	-2.92	0.017
EEDC & Generator	-.5392596	-2.83	0.040	-.3072145	-2.51	0.041
Solar panel only	.4267151	0.45	0.655	.2533124	1.83	0.065

Source: Researchers' compilation from STATA results

The results of Table 2's ordinal logit (ologit) show that paying taxes significantly lowers the log odds of an SME moving up the profit scale by -0.65 points, while the ordered probit result indicates that the same log odds fall by -0.37 points when compared to not paying any taxes at all, assuming that all other factors stay the same. Payment of royalties and sales tax appears to have no discernible impact on the log odds of a higher profit from the ologit and oprobit results, while paying business premises levy or environmental levy significantly reduces the log odds of climbing the profit ladder by -0.133 and -0.134 points, respectively, in comparison to paying profit tax.

Additionally, we discovered that starting tax payments in the second year of an SME's existence considerably reduces the log odds of the company making a larger profit by -0.37 units when compared to starting in the first year, while starting in the third year significantly increases the log odds of the company moving up the profit scale by 0.22 points.

It was discovered that companies that paid more than one tax had lower log odds (-0.33) of being at a higher profit level than those that did not. Concerning commercial areas, we discovered that

the log odds of advancing up the profit scale increased by 0.23 and 0.29, respectively, depending on whether one was in an urban or semi-urban location. When it comes to energy sources, the log odds of achieving a higher profit are decreased by -0.91, -0.60, and -0.54 points, respectively, when using power for the Enugu Electricity Distribution Company (EEDC), petrol generators, or both, in comparison to using no electricity at all. However, the log-odds of business growth are slightly increased by 0.43 per cent when using solar-powered energy. Overall, there is an agreement between the ologit and probit outcomes. The outcome suggests that double taxation reduces earnings, which in turn hinders the expansion of businesses in the studied area. The following results were produced after we assessed the average marginal effects results for being in a low-profit level, medium-profit level, and high-profit level.

Table 3: Average marginal effects (dy/dx) results of the Ologit model

Variable	**Low profit level**	**Normal profit level**	**High-profit level**
Tax payment:			
Yes	.1572951***	-.1187336***	-.0385615**
Not sure	.0529608**	.4157962^{+}	.0371646^{+}
Taxtyppaid:			
Sales tax	.1267603***	-.0681341*	.0586262^{+}
Environmental levy	.2315391***	-.1420018***	-.0100191**
Business premises levy	.3183832***	-.0217302***	-.0101081**
Royalties	-.0347698^{+}	.0220522^{+}	.0127177^{+}
Taxcommencement:			
The second year of business	.0895719**	-.0643073***	-.0252646***
The third year of business	-.0510784***	.0319124***	-.019166**
MTPTaxEffect:			
Yes	.0759948**	-.0473163***	-.0286785**
Not sure	.1093267*	-.0706938*	-.0386329^{+}
BizArea:			
Semi-urban	-.0556706**	.0397318***	.0159388**
Urban	-.0688114**	.0485649***	.0202465**
EnergySource:			
EEDC only	.2033389***	-.1189245**	-.0844145**
Generator only	.1290559**	-.0668186**	-.0622373**
EEDC & Generator	.1149579**	-.0577672**	-.0571907**
Solar panel only	-.0733131^{+}	.0103294^{+}	.0629838*

***Sig. @ 0.01; **Sig. @ 0.05; *Sig. @ 0.1; $^{+}$Not significant

Source: Researchers' compilation from STATA results

The three profit levels that were investigated in the study are matched to the three sets of results in Table 3. In the first section, when compared to not paying taxes, the likelihood of an SME recording a low-profit increases by 16 per cent; when compared to profit tax, the average increase in the likelihood of a low profit is caused by sales tax, environmental levies, business premises levies, and profit tax by 13 per cent, 23 per cent, and 32 per cent, respectively; the likelihood of a low profit is decreased by 0.5% by royalties tax.

Furthermore, the probability of a poor profit increases by 9% if taxes are paid in the second year of operation instead of the first. However, this probability decreases by 5.1% if taxes are paid in the third year of operation. Furthermore, we found that paying numerous taxes increases the probability of experiencing a low profit by 8% when compared to not paying multiple taxes; businesses located in urban and semi-urban areas have lower probabilities of experiencing a low profit, at 6% and 7%, respectively. Lastly, the chance of reporting a low profit rises by 20%, 13%, and 11%, respectively, whether utilising power from EEDC, petrol generators, or both, compared to not using electricity at all.

In contrast to not paying taxes, paying taxes decreases the likelihood of reporting normal or high profits by 12% and 4%, respectively; sales tax lowers the likelihood of making a profit by 7% when compared to paying profit tax; however, on average, environmental levies and business premises levies each decrease the likelihood that a small or medium-sized enterprise will make a profit by 1% and 14%, respectively, when compared to profit tax; royalties tax slightly increases the likelihood of making a normal (medium) or high profit by 2% and 1.3%, respectively. These results are consistent with the other results (normal and high-profit levels). In comparison, there is a 6% and 3% decrease in the probability of making a normal or high profit when taxes are paid

in the second year of the company rather than the first. However, beginning to pay taxes in the third year would both decrease and increase the likelihood of reaching a high-profit level by 2% and 3.2%, respectively, the likelihood of attaining a regular profit.

As expected, the study discovered that enterprises in urban and semi-urban areas have greater chances (4% and 2%, respectively) of making a normal profit or a large profit. Additionally, research demonstrated that, in comparison to not paying any taxes, paying multiple taxes reduces the likelihood of making a typical or high profit by 5% and 3%, respectively.

Lastly, the probability of reporting a normal (medium) profit is decreased by 12%, 7%, and 6%, respectively, whether utilising power from EEDC, petrol generators, or both, as opposed to not using electricity at all. Similarly, an SME's likelihood of generating a high-profit level is decreased by 8%, 6%, and 6%, respectively, when using these energy sources. According to the results of the marginal effects analysis, paying taxes usually makes a small business more likely to experience a loss, which discourages growth. However, the same decreases the possibility of making a typical or large profit. Thus, the result implies that paying taxes in any manner prevents SMEs in Abakaliki, Ebonyi State, from growing.

Furthermore, we looked at the impact of each tax component on the growth of SMEs in the area and found that the environmental levy and the business premises charge had the most negative effects, with the latter being more significant. Both increase the chance of losing money and decrease the chance of reporting a regular or significant profit. This data suggests that giving these two will ultimately cause the SMEs in the research field to pass away. This is also corroborated by the final result. The study found that businesses with multiple tax payments never leave the low-income category and are less likely to move up to the normal (medium) income and high-profit levels.

Generally, though, the likelihood of expansion is influenced more by an enterprise's location in an urban area than by its position in a rural one. Furthermore, the EEDC of the petrol generator's high energy costs is preventing SMEs in the area from growing.

CONCLUSION AND RECOMMENDATIONS

This study examined how, over the previous ten years, multiple taxes affected the expansion of small and medium-sized businesses (SMEs) in Abakaliki, Ebonyi State, Nigeria. Profit level, which is ranked from low to high to signify business growth, is the dependent variable in our qualitative response model. Evidence exists to bolster the view that various taxes, particularly those about commercial properties and environmental levies, are impeding the growth and expansion of SMEs by keeping them stuck at low-profit levels. The findings suggest that enforcing both types of taxes would not be possible without unfavourable outcomes.

Thus, the analysis suggests that the government of Ebonyi State impose either an environmental or a business premises levy, but not both. To promote their survival and expansion, SMEs should also be given a tax holiday for at least two years.

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