



# Effects of Tax Revenue on Small-scale Businesses in Calabar Metropolis, Cross River State, Nigeria

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**ABSTRACT:** *This study assessed the effects of tax revenue on small-scale businesses in Calabar Metropolis. The specific objectives are: to examine if tax assessment and collection in Calabar Metropolis significantly affect profitability of small-scale businesses; to ascertain if tax utilization system in Calabar Metropolis significantly affect the profitability of small-scale businesses and to determine the relationship between taxation and small-scale business profitability in Calabar Metropolis. The study adopted the descriptive survey design. The instrument of data collection was the questionnaire and the data collected were analyzed using the SPSS software. From the multiple regression result, taxation has a negative and insignificant relationship with profits of small-scale businesses in Calabar Metropolis; tax assessment and collection have a positive and insignificant effect on profits of small-scale businesses in Calabar Metropolis and tax utilization system has a positive and significant effect on profits of small-scale businesses in Calabar Metropolis. The study recommended that Government should come up with uniform tax policies that will aid development of small-scale businesses in Calabar Metropolis, the tax policy needs to be appropriate such that it will neither be a burden to the small-scale businesses nor discourage voluntary compliance, among others.*

**KEYWORDS:** *Tax revenue, Small-scale business, multiple regressions, Cross River Sate, Nigeria.*

## INTRODUCTION

The rationale for imposing taxes in any nation stems from government numerous responsibilities and her desire to stimulate growth of economic activities in specific sectors. Taxation, in addition to serving as the primary source of funding for the government's obligations to its people, serves as a way of ensuring that certain economic goals of the government, such as the construction of a business-friendly climate, are carried out successfully. Taxation, as an economic regulator, is a powerful weapon for promoting economic welfare via the formation of a tax-friendly environment that is favourable to the survival and growth of enterprises (Osita, 2011). Private firms in the category of small-scale businesses in Nigeria have played a critical role in employment creation, poverty alleviation, local capital building, and adding considerably to the country's Gross Domestic Product (GDP) throughout the years (GDP). SMEs have made significant contributions to the economic development of the nation. The sector has been a key source of job opportunities, technological innovation, and wealth creation in Nigeria (Faloyin, 2015).

Since the sector has been the major driver of growth in the economy hence government through various forms of tax reliefs, credits, exemptions, allowances, holidays encouraged private businesses as contained in the compendium of investment incentives of Nigeria 2017 compiled by Nigeria Investment Promotion Commission (NIPC) and Federal Inland Revenue Service (FIRS). The aim of the incentives is to spur private businesses for growth, wealth creation and poverty reduction in the society in line with what is obtained in many advanced countries of the world such as USA and China.

It is in acknowledgment of crucial role of SMEs in the economy of Nigeria that government has been granting incentives to boost the development of this sub-sector in the nation. Unfortunately, the development of these firms is rather depressing as many of them do not survive two (2) to three (3) years after, their formation (Lawal & Aduku, 2016). (Lawal & Aduku, 2016). Momoh (2017) noted that over 75 percent of SMEs in Nigeria die in infancy not surviving beyond their 4th anniversary owing to plethora of difficulty that cannot be resolved by the operations in the sector. Identifying one of these important difficulties, Raigama (2016) observed that various tax levied on SMEs is a significant element responsible for the sudden folding up of these enterprises in Nigeria as these unlawful taxes continue to steal a substantial portion of their revenues (Raigama, 2016). (Raigama, 2016). Collaborating this, Abiola (2012) maintains that numerous taxes continue to be a key difficulty encountered by SMEs as comparable kinds of taxes are imposed by various levels of government in blatant disobedience to tax rules pertaining to taxes that are to be collected by each level of government in Nigeria.

The focus of this research is to assess the effects of tax revenue on small-scale businesses in Calabar Metropolis, so as to establish the relationship between tax policy and growth of small-scale businesses in Calabar Metropolis, in Cross River State. The following research questions guided this study: Is there any significant effect between tax assessment and collection and profitability of small-scale business in Calabar Metropolis? Is there any significant impact of tax utilization system on the profitability of small-scale business in Calabar Metropolis? Is there any relationship between taxation and small-scale business profitability in Calabar Metropolis?

The paper is organized into five parts. After this introductory portion, section two explores relevant literature on the impact of tax income on small-scale firms in Calabar Metropolis. Methodology is described in the third part. Section four includes of presentation and discussion of results, and ultimately, section five draws' conclusions on the findings of the study based as well as advises the way ahead.

## **LITERATURE REVIEW**

### *Empirical Literature*

Ilemona, Nwite, and Oyedokun (2019) investigated the impacts of multiple taxes on the development of Small and Medium-Sized Enterprises (SMEs) in Nigeria. They found that multiple taxation has a negative impact on the growth of SMEs. A questionnaire built on a five-point likert scale was used to collect data for the research, and answers were used to compile the findings. Out of 193 questionnaires provided to employees and business owners in Lokoja, Kogi State, 131 questionnaires were returned, suggesting a response rate of about 68 percent, according to the findings. Non-parametric statistics, such as the mean score, standard deviation,

and the z-test, were used to experimentally examine the answers collected. The findings suggest that multiple taxes have had a negative impact on the growth of small and medium-sized enterprises (SMEs) in Nigeria, as many owners of these businesses have expressed a reluctance to venture into new enterprises or expand their existing enterprises for fear of multiple taxes, which continue to take a significant portion of their earnings. SMEs are expected to grow at a slower rate than the overall economy, according to the findings.

Adebisi and Gbegi (2013) conducted a study to determine the impact of multiple taxes on the performance of small and medium-sized businesses. A survey research design was used in this study, which had a total population of 91 participants. The researchers employed a self-administered questionnaire to gather data, and they arrived at a sample size of 74 participants after calculating their sample size. These data were statistically examined using basic percentages, and the study hypothesis was tested using an ANOVA analysis of variance. The findings demonstrated that double taxation has a detrimental impact on the survival of SMEs, and that there is a considerable link between the size of SMEs and their capacity to pay taxes.

Agu, Onwuka, and Aruomah (2019) investigated the impact of taxes on the performance of small and medium-sized enterprises (SMEs) in Aba, Abia State. The questionnaire was employed as the instrument for data collection, and the survey technique was utilized to obtain the data. The participants in the research were 162 workers and owners of 40 SMEs who were chosen at random. Using the multiple regression analysis and the one sample t-test, we were able to assess the data we had collected. As a result of the study, it was discovered that there is a statistically significant and positive association between taxes and the performance of SMEs in Aba. Tax assessment, tax collection, and tax utilization all have substantial effects on the performance of SMEs in Aba.

Ojeka (2011) attempts to determine whether or not there is a link between the expansion of SMEs and the tax policy environment in which they operate in Nigeria by conducting a study. In Zaria, Nigeria's North Central region, questionnaires were delivered to small and medium-sized enterprises (SMEs). A non-probability judgmental sampling approach was used to choose respondents. In order to test the hypothesis, Spearman's Rank Correlation was used. In the study, it was discovered that the majority of SMEs were confronted with the challenges of high tax rates, numerous taxes, complicated tax legislation, and a lack of adequate information or education about tax-related issues. According to the findings of the research, there is a statistically significant negative association between taxes and a company's capacity to survive and grow. Tax policy must be adequate in order to achieve a strong and thriving SME sector, so as not to be a burden on SMEs or prevent them from complying with the law.

On the influence of numerous tax regimes on sustainable development among small scale firms in Lagos state: A case study of the Lagos Island local government, Segun and Osazee (2018) conducted research on the topic. To examine the impact of numerous tax burdens on small-scale firm performance, specifically on Lagos Island, the research sought to investigate the impact of multiple tax burdens on small-scale enterprise performance in Lagos Island. The information was gathered from small business owners in the Lagos Island Local Government area via primary sources. Using basic percentages of inferential statistics, we were able to examine the data. It has been shown that there is a statistically significant association between the burden of many taxes and the performance of small-scale firms. According to the findings of the research, the government should create an agency to deal with the problem of double taxes in Nigeria.

Ocheni and Gemade (2015) did a research study on the impact of multiple taxes on the performance of small and medium-sized enterprises (SMEs) in Benue state. The study's primary goal was to determine the impact of multiple taxes on the survival of small and medium-sized enterprises (SMEs). The information for the research was gathered by a questionnaire from a sample of 74 respondents who worked in small and medium-sized businesses in Benue state. Non-parametric statistics were used to analyze the responses, which were expressed as simple percentages. It seems that double taxes have a detrimental impact on the survival of small and medium-sized enterprises (SMEs). According to the findings of the research, the government should adopt standard tax policies that would help in the growth of SMEs in Nigeria.

A study conducted by Onwe (2006) looked at the impact of double taxes on small size firms in the Ebonyi state. The study's main goal was to look at the influence of multiple taxes on the investment decisions of businesses in general. By using primary sources, information was gathered from a sample of small-scale company owners in the state of Ebonyi. The acquired data were evaluated descriptively using non-parametric metrics like as God's man and Kruskal's Gama, among others. In the study, it was determined that 60 percent of the respondents claimed that tax spending consumes between 50 and 60 percent of their total revenue and that there is a negative relationship between multiple taxes and the development of small-scale enterprises (SSEs). The report proposed that small and medium-sized enterprises (SSEs) be subject to simplified taxes. Oseni (2014) investigated the impact of various taxes on the growth of small and medium-sized enterprises in Nigeria. Because of the unclear law in Nigeria, which has a list of fees and taxes to be collected by all levels of government, the study's goal was to determine if various taxes in developing countries like Nigeria were reasonable in light of the situation. The research used a content analysis technique to identify difficulties that are unique to the nation, such as the introduction of taxes that are not supported by legislation. The report advised that the police be used to apprehend people who are engaging in tax collection outside of the scope of Nigeria's tax regulations.

An investigation of the impact of multiple taxes on investment in small and medium-sized firms in Enugu State was carried out by Ebere, Eunice, and Chimaobi in 2016. The study's main goal was to look at the impact of multiple taxes on small and medium-sized enterprises (SMEs). Data were collected from a sample of 80 respondents by the dissemination of a questionnaire, which was received from a primary source. Using basic percentages, we were able to analyze the replies that were received. It has been shown that multiple taxes have a detrimental impact on small and medium-sized enterprises (SMEs) investments. According to the findings of the research, the government should develop a tax policy that would stimulate investment in SMEs. Using data from the Aba metropolitan, Chukwuemeka (2017) performed research on multiple taxes and the operations of commercial companies. The study's main goal was to look at the impact of taxes on enterprises, specifically in Aba's local economy. In order to collect information from a sample of private company operators in the Aba metropolitan, structured questionnaires were employed. The data was analyzed with the use of basic percentage calculations. The results reveal, among other things, that the imposition of several taxes has made it difficult for new firms to establish themselves in the Aba city.

### *Review of Theories*

**Diffusion Theory of Taxation:** According to the diffusion theory of taxation, when a tax is collected, it is automatically and evenly dispersed or absorbed throughout the society under

perfect competition. In this notion, when a state taxes a product, the tax is inevitably passed on to consumers, according to the proponents of the theory. Every person is subjected to the burden of taxation in proportion to his or her capacity to bear it. For example, a special tax may be placed on a particular product, such as cloth. The amount of tax levied on the product causes the manufacturer to increase the price of the commodity. Consumers purchase commodities in accordance with their financial capabilities, therefore sharing the tax burden. The diffusion hypothesis of taxes, on the other hand, has been questioned. The diffusion hypothesis of taxes has never gained any traction in the actual world because it is simply not true. It has never been seen that a tax is automatically and equally dispersed among the citizens of a country. It is true that diffusion or absorption occurs in certain taxes, but this does not occur throughout the whole society, as previously stated. Furthermore, another critique leveled against taxation theory is that there are a small number of taxing instruments (such as income and estate taxes or toll taxes) where there is no absorption at all.

The Benefit Theory of Taxation holds that the state should impose taxes on people in proportion to the benefit that has been bestowed on them. The more the advantages that a person obtains from the operations of the state, the greater the amount that he or she should pay to the state. If, in accordance with the "benefits theory of taxation," we consider taxes to be payments made in exchange for government benefits, it is possible that states should be required to provide personal tax benefits to residents who contribute to their state's tax coffers, rather than the other way around. If one follows the benefits theory, it would follow that an individual should be able to claim personal tax benefits to the extent that her tax payments to her home state exceed the money value of any source state government benefits she already receives. These benefits could include infrastructure, regulated labor markets, or capital markets, among other things.

Pecking order theory: Myers Sanders invented the pecking order idea in 1984, and it has since been widely accepted. Firms (often SMEs) have their finance needs met in a hierarchical manner, as a result of this arrangement. The first source of cash comes from inside the organization. As the quantity of cash necessary grows, the usage of debt becomes the next available source of funding. As the requirement for finances continues to grow, it becomes necessary to look for external equity. In this case, profitability and external borrowing by small businesses have a negative connection, as seen in the chart below. It follows from this that the debt equity mix of a company should be substantially influenced by the hierarchical financing choices made throughout the course of time.

Theory of Human Capital: The theory of human capital is also used in this investigation. This idea was proposed by Bruederl, Preisendoerfes, and Ziegler in 1992, and it has since gained popularity. The expertise and experiences of small-scale company owners are crucial to the theory's discussion. The prevalent notion is that the human capital of the founder of a small or medium-sized business provides the company with a chance to survive. Human capital serves as a resource for the entrepreneur, allowing him or her to be more efficient in managing operations or recruiting consumers and investors, for example. This theory has significant implications since it is concerned with knowledge, capabilities, and processes as well as other aspects of human behavior. Additionally, since human capital is considered a resource, it may be worthwhile to examine how well MSMEs use their people capital.

It is necessary for any nation's growth to be accompanied by improvements in the performance of MSMEs, as well as for the company to prosper. It must be built by the owner via deliberate learning, and in the majority of situations, failure in entrepreneurial endeavors is ascribed to

ineffective management strategies and practices. As a result, it is said that training in managerial functions may significantly minimize business failure and contribute to the success of an organization. Specifically, this idea is connected to the performance of small and medium-sized firms in the sense that when a person gains certain experiences via knowledge, it may help them enhance the factors that are associated with their company's success.

*Research gap*

From the review of past studies, to the best of our knowledge, no one has examined the effects of tax revenue on small scale businesses in Calabar Metropolis in Cross River State. Thus, this study shall attempt to fill these gaps by investigating the effects of tax revenue on small scale businesses in Calabar Metropolis in Cross River State using both the survey and analytical research designs.

**RESEARCH METHODOLOGY**

*Research Design*

This study adopted a descriptive survey design to establish the effects of tax revenue on small scale businesses in Calabar Metropolis. Survey research studies involves selecting and studying samples chosen from the population to discover the relative incidence, distribution and interrelations of the variables, (Ndiyo, 2005). The survey design is relevant in studies where questionnaires are utilized for the purpose of data collection.

*Study area*

The study area is Calabar Metropolis. Calabar metropolis comprised of two local government areas (Calabar Municipality and Calabar South Local Government Areas).

*Population of study*

The target population of the study shall comprise of one hundred and eighty-five (185) randomly selected small-scale businesses in Calabar metropolis.

<b>Sl.</b>	<b>Groups of small-scale businesses in Calabar Metropolis</b>	<b>Numbers of questionnaires assigned to each business</b>	<b>Sl.</b>	<b>Groups of small-scale businesses in Calabar Metropolis</b>	<b>Numbers of questionnaires assigned to each business</b>
1	Hair dressing saloon	8	20	Car wash	8
2	Carpentry	8	21	Video game center	8
3	Welding	8	22	Pharmaceutical company	8
4	Furniture making	8	23	Appliance repair service	8
5	Catering services (indoor)	8	24	Sports betting Agency	8
6	Laundry	8	25	Animal feed production	8
7	Barbing saloon	8	26	Cooking gas sales	8

8	Bakery	8	27	Computer repair and accessories sales	8
9	Super market	8	28	Mobile phone sales and repairs	8
10	Photography	8	29	Rentals services	8
11	Fishery	8	30	Boutique	8
12	Restaurant	8	31	Tailoring	8
13	Cosmetic shop	8	32	Nail studio (Manicure and pedicure)	8
14	Frozen food sales	8	33	Makeup studio	8
15	Cement sales and distribution	8	34	Agricultural services	8
16	Poultry farming	8	35	Football showing centre	8
17	Transportation	8	36	Printing services	8
18	Printing and book production	8	37	Jewelries	8
19	Selling fruits (fruit sellers)	8			

Source: Researchers, computation, 2021.

### *Sampling technique*

The simple random sampling technique will be used to select the sample of one hundred and eighty-five (185) respondents drawn from owners of randomly selected small-scale businesses in Calabar Metropolis, in Cross River State. In Calabar Municipality, a sample of ninety-five (95) respondents shall be randomly selected while in Calabar South, a sample of ninety (90) respondents shall also be randomly selected.

### *Sources of data*

The sources of data for this study were grouped into primary and secondary sources.

- i. Primary sources: This shall consist of first-hand information obtained from respondents in the course of field work. The questionnaire, interview and documented studies made up the primary data for this study.
- ii. Secondary sources: The secondary sources of data shall consist of library research, including E-library for reviewed works of other scholars, journals and other official information on the major variables of the study. They constitute the literature reviewed in this study.

### *Instrument for data collection*

The main instrument that is use for data collection shall be the questionnaire. The questionnaire shall reflect the research's topic as title. It shall be design by the researcher with the help of the thesis supervisor. The questionnaire shall contain two sections 'A' and 'B'. Section 'A' shall be designed to capture demographic information (personal data) of the respondents while

Section ‘B’ shall be designed to capture items that require opinion of the respondents on the subject matter with boxes provided for respondents to tick (✓) the option that best suit their opinion.

Data for the study shall be primarily obtained through questionnaire designed to reflect four (4) point Likert scale. Eight (8) questionnaires shall be administered to each of the thirty-seven (37) types of small-scale businesses in Calabar Municipality and Calabar South Local Government Areas making a total of 185 small scale businesses that make up the sample size.

*Method of data analysis*

The multiple regression analysis shall be employed for the analysis of data. The justification for adopting this method is that multiple regression technique helps to measure the impacts of the predictor variables on the dependent variable; thus, it will ascertain the impacts of tax revenue on small scale businesses in Calabar Metropolis. The model shall be specified as:

$$Y = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} \dots (1)$$

Where,

Y = is the dependent variable (Profitability of small-scale businesses)

X = is the predictor variable representing other independent variables,

Where,

X<sub>1i</sub> = Tax Assessment and collection

X<sub>2i</sub> = Tax Utilization

X<sub>3i</sub> = Taxation

The SPSS software shall be used in the estimation of the primary data collected from the respondents so as to determine the impacts of the independent variables on the dependent variable.

**DATA PRESENTATION, ANALYSIS AND DISCUSSIONS OF FINDINGS**

*Data presentation*

**Table 1: Percentage Summary of respondents**

Questionnaire	Responses according to Categories	Total	Percentage (%)
No. returned	180	180	97.30
Not returned	5	5	2.70
Total	185	185	100

Source: Field Survey by the Researcher, 2021

From table 4.1, 185 questionnaires were administered to respondents and out of this number, 180 questionnaires were returned while 5 questionnaires were not returned. The total number of questionnaires returned was 180 representing 97.30 percent while the total number of questionnaires not returned were 5, representing 2.70 percent of the respondents who did not return their questionnaire.



**Table 2: The tax system affects my profitability**

Responses	No. of respondents	Percentage (%)
Strongly agree	90	50.00
Agree	75	27.77
Strongly disagree	10	5.56
Disagree	5	2.77
Total	180	100

Source: Field Survey by researcher, 2021 (responses to question 1, Section B)

**Table 3: The tax assessment is considerate**

Responses	No. of respondents	Percentage (%)
Strongly agree	67	37.2
Agree	52	28.9
Strongly disagree	40	22.2
Disagree	21	11.7
Total	180	100

Source: Field Survey by researcher, 2021 (responses to question 8, Section B)

**Table 4: I am satisfied with the way taxes are collected from my business**

Responses	No. of respondents	Percentage (%)
Strongly agree	56	31.1
Agree	52	28.8
Strongly disagree	48	26.8
Disagree	24	13.3
Total	180	100

Source: Field Survey by researcher, 2021 (responses to question 9, Section B)

**Table 5: I am satisfied with the way taxes collected are utilized**

Responses	No. of respondents	Percentage (%)
Strongly agree	55	30.6
Agree	48	26.7
Strongly disagree	42	23.3
Disagree	35	19.4
Total	180	100

Source: Field Survey by researcher, 2021 (responses to question 12, Section B)

**Table 6: The profits of my business has increased**

Responses	No. of respondents	Percentage (%)
Strongly agree	56	31.1
Agree	52	28.8
Strongly disagree	48	26.8
Disagree	24	13.3
Total	180	100

Source: Field Survey by researcher, 2021 (responses to question 15, Section B)

For question 1 (Table 4.2) a total of 90 respondents representing 50.0 percent strongly agreed to the questions raised, a total of 75 respondents representing 27.77 percent agreed to the questions raised, a total of 10 respondents representing 5.56 percent strongly disagreed to the questions raised while a total of 5 respondents representing 2.77 percent disagreed to the questions raised.

For question 8 (Table 4.3), a total of 67 respondents representing 37.2 percent strongly agreed to the question raised, a total of 52 respondents representing 28.9 percent agreed to the question raised, a total of 40 respondents representing 22.2 percent strongly disagreed to the question raised while 21 respondents representing 11.7 percent disagreed to the question raised. For question 9 (Table 4.4), a total of 56 people who filled the questionnaires representing 31.1 percent strongly agreed to the question raised, a total of 52 people who filled the questionnaires representing 28.8 percent agreed to the question raised, a total of 48 respondents representing 26.8 percent strongly disagreed to the question raised, while 24 respondents representing 13.3 percent disagreed to the question raised.

*Analysis of the Results*

This section focused on the presentation of the research data as well as the evaluation of the research data that was used for the analysis. The data were analyzed using the SPSS as follows:

**Table 7: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.269 <sup>a</sup>	0.072	0.057	6.642

a. Predictors: (Constant), TAX\_UTILIZATION, TAX\_ASSESSMENT\_AND\_COLLECTION, TAXATION

**Table 8: ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	620.533	3	206.844	4.688	.004 <sup>b</sup>
	Residual	7942.027	180	44.122		
	Total	8562.560	183			

a. Dependent Variable: BUSINESS\_PROFITABILITY

b. Predictors: (Constant), TAX\_UTILIZATION, TAX\_ASSESSMENT\_AND\_COLLECTION, TAXATION

<b>Table 9: Coefficients<sup>a</sup></b>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	31.972	3.356		9.526	0.000
	TAXATION	-0.026	0.112	-0.019	-0.229	0.819
	TAX_ASSESSMENT_AND_COLLECTION	0.085	0.127	0.053	0.670	0.504
	TAX_UTILIZATION	0.346	0.111	0.255	3.102	0.002
a. Dependent Variable: BUSINESS_PROFITABILITY						

From Table 2, the estimated model has a positive intercept represented by the constant term (31.972). This means holding the independent variables constant; there will still be an autonomous increase in profits of small-scale businesses. From the estimated result, taxation has a negative relationship with profits of small-scale businesses. This means that a one per cent increase in taxation lead to 0.026 percent reduction in profits of small-scale businesses. Taxation is not statistically significant because its calculated p-value of 0.819 is greater than 0.05 at 5 percent level of significance. However, tax assessment and collection have a positive relationship with profits of small-scale businesses. This means that a one percent increases in tax assessment and collection leads to 0.085 percent increases in profits of small-scale businesses. But tax assessment and collection are not statistically significant at 5 percent level of significance since its calculated p-value of 0.504 is greater than 0.05 at 5 percent level of significance.

Similarly, tax utilization from the result is positively related to profits of small-scale businesses. This depicts that a one percent increase in tax utilization leads to 0.346 percent increases in profits of small-scale businesses. Tax utilization is statistically significant at 5 percent level of significance because its calculated p-value of 0.002 is less than 0.05 at 5 percent level of significance. The result from the model summary in table 1 shows that Adjusted R – square is 0.057. This indicates that 57 percent of the variation in profits of small-scale businesses is being explained by the independent variables. The p-value of 0.004 of the F – Statistics of 4.688, which is the calculated value implies that the overall estimated model is statistically significant.

#### Test of Hypotheses

- I. Ho: there is no significant relationship between tax assessment and collection and small-scale business profits in Calabar Metropolis.
- II. Ho: there is no significant effect between tax utilization and small-scale business profits in Calabar Metropolis.
- III. Ho: there is no significant impact of taxation and small-scale business profits in Calabar Metropolis.

From the results obtained, we discovered that tax assessment and collection has an insignificant relationship with and small scale business profits in Calabar Metropolis. Based on the first research objective, we therefore accept the null hypothesis and conclude that there is no significant relationship between tax assessment and collection and small-scale business profits

in Calabar Metropolis. Furthermore, from the results obtained, we discovered that tax utilization has a significant effect on small scale business profits in Calabar Metropolis. Based on the second research objective, we therefore reject the null hypothesis and conclude that there is a significant effect of tax utilization on small scale business profits in Calabar Metropolis.

Finally, from the results obtained, we also discovered that taxation has an insignificant impact on small scale business profits in Calabar Metropolis. Based on the third research objective, we accept the null hypothesis and conclude there is no significant impact of taxation on small scale business profits in Calabar Metropolis.

### *Discussions of Findings*

This will be based on the objectives of the study and the findings of other researchers.

Objectives 1: To examine if tax assessment and collection in Calabar Metropolis significantly affect profitability of small-scale businesses.

From the results, tax assessment and collection have a positive and insignificant relationship with profits of small-scale businesses in Calabar Metropolis. This positive relationship may be that the assessment and collection of tax revenue by the board of internal revenue has been fair to the small-scale businesses in Calabar Metropolis thus giving them room to increase their performance in terms of employment, outputs, income hence profits. The insignificant impact could be that the board of internal revenue has not done much in terms of the assessment collection of tax revenue.

Objectives 2: To ascertain if tax utilization system in Calabar Metropolis significantly affect the profitability of small-scale businesses.

From the results, tax utilization system has a positive and significant effect with profits of small-scale businesses in Calabar Metropolis. This outcome may be that the tax revenue collected by the board of internal revenue from small scale businesses in Calabar Metropolis has been well utilized in terms of using it to provide to provide basic amenities that help in boosting the profits of small-scale businesses in Calabar Metropolis.

Objectives 3: To determine the relationship between taxation and small-scale business profitability in Calabar Metropolis.

Finally, from the results taxation has a negative and insignificant relationship with profits of small-scale businesses in Calabar Metropolis. This finding agrees with that of Ilemona et al (2019), Adebisi and Gbegi (2013), Ocheni and Gemade(2015), Onwe (2006), Ebere et al. (2016) and Chukwuemeka (2017). This finding however does not agree to that of Agu et al (2019) whose study stressed that taxation has a significant and positive relationship with profits of small-scale businesses. The finding which state that taxation has a negative and insignificant relationship with profits of small-scale businesses in Calabar Metropolis maybe that the multiple taxes imposed on small scale businesses in Calabar Metropolis have gone a long way in reducing the income and growth potentials of these small-scale enterprises thus affecting their profits.

## **CONCLUSION AND POLICY RECOMMENDATIONS**

### *Summary of Findings*

This study assessed the effects of tax revenue on small-scale businesses in Calabar Metropolis. The study adopted the descriptive survey design, the instrument of data collection was the questionnaire and the data collected was analyzed using the multiple regression technique using SPSS software. From the estimated result, taxation has a negative and insignificant relationship

with profits of small-scale businesses in Calabar Metropolis; tax assessment and collection have a positive and insignificant effect on profits of small-scale businesses in Calabar Metropolis and tax utilization system has a positive and significant effect on profits of small-scale businesses in Calabar Metropolis. The result from the model summary in table that Adjusted R – square is 0.057. This indicates that 57 percent of the variation in profits of small-scale businesses is being explained by the independent variables. The p-value of 0.004 of the F – Statistics of 4.688, which is the calculated value, implies that the overall estimated model is statistically significant.

### *Conclusion*

From the findings of the study, it is concluded that taxation has a negative and insignificant relationship with profits of small-scale businesses in Calabar Metropolis; tax assessment and collection have a positive and insignificant effect on profits of small-scale businesses in Calabar Metropolis and tax utilization system has a positive and significant effect on profits of small-scale businesses in Calabar Metropolis.

### *Policy recommendations*

Based on these research outcomes, the following recommendations are made:

- i. Government should come up with uniform tax policies that will aid development of small-scale businesses in Calabar Metropolis.
- ii. In order to obtain a vibrant and flourishing small scale business sector, the tax policy needs to be appropriate such that it will neither be a burden to the small-scale businesses nor discourage voluntary compliance.
- iii. Government should evolve a tax policy that would encourage investments in small scale businesses.
- iv. The government should ensure that corrupt tax officials are not recruited to carry out tax assessment and collection so as to avoid imposition of multiple taxes on small scale businesses.

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## Appendices

```
REGRESSION
  /MISSING LISTWISE
  /STATISTICS COEFF OUTS R ANOVA
  /CRITERIA=PIN(.05) POUT(.10)
  /NOORIGIN
  /DEPENDENT BUSINESS_PROFITABILITY
  /METHOD=ENTER TAXATION TAX_ASSESSMENT_AND_COLLECTION TAX_UTILIZATION.
```

## Regression

[DataSet2]

Variables Entered/Removed <sup>a</sup>			
Model	Variables Entered	Variables Removed	Method
1	TAX_UTILIZATION, TAX_ASSESSMENT_AND_COLLECTION, TAXATION <sup>b</sup>	.	Enter
a. Dependent Variable: BUSINESS_PROFITABILITY			
b. All requested variables entered.			

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.269 <sup>a</sup>	0.072	0.057	6.642
a. Predictors: (Constant), TAX_UTILIZATION, TAX_ASSESSMENT_AND_COLLECTION, TAXATION				

<b>ANOVA<sup>a</sup></b>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	620.533	3	206.844	4.688	0.004 <sup>b</sup>
	Residual	7942.027	180	44.122		
	Total	8562.560	183			
a. Dependent Variable: BUSINESS_PROFITABILITY						
b. Predictors: (Constant), TAX_UTILIZATION, TAX_ASSESSMENT_AND_COLLECTION, TAXATION						

<b>Coefficients<sup>a</sup></b>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	31.972	3.356		9.526	0.000
	TAXATION	-0.026	0.112	-0.019	-0.229	0.819
	TAX_ASSESSMENT_AND_COLLECTION	0.085	0.127	0.053	0.670	0.504
	TAX_UTILIZATION	0.346	0.111	0.255	3.102	0.002
a. Dependent Variable: BUSINESS_PROFITABILITY						