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NAVIGATING THE BURDEN: EMPIRICAL ANALYSIS OF MULTIPLE TAXATION AND ITS IMPACT ON SME SURVIVAL IN ADAMAWA STATE, NIGERIA

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Abstract

This study examines the effect of multiple taxation on the survival of Small and Medium Enterprises (SMEs) in Adamawa State, Nigeria, using a secondary data approach. SMEs play a critical role in employment generation and local economic development, yet their sustainability continues to be threatened by an increasingly complex and overlapping tax structure imposed by different tiers of government. The study adopts an ex-post facto research design and relies on secondary data derived from relevant national and state-level sources, including SME performance indicators, inflation data, credit access indices, and tax burden proxies. Ordinary Least Squares (OLS) regression was employed to analyze the relationship between multiple taxation and SME survival over the period under review. The results reveal that multiple taxation has a significant negative effect on SME survival, indicating that increases in tax burden reduce the ability of small businesses to remain operational and grow. Inflation also exerts a negative influence, while access to credit shows a positive and statistically significant effect on SME sustainability. The model explains a high proportion of variation in SME survival, suggesting strong explanatory power of the selected variables. The study concludes that multiple taxation represents a structural constraint to SME development in Adamawa State. It recommends tax harmonization across government levels, improved access to credit facilities, and the introduction of SME-friendly fiscal policies aimed at reducing the burden of taxation while enhancing business resilience and long-term sustainability.

Keywords: Multiple Taxation, SMEs, Business Survival, Tax Burden, Adamawa State

1. Introduction

Small and Medium Enterprises (SMEs) constitute a vital component of Nigeria's economic architecture, contributing significantly to employment generation, innovation, and poverty reduction. Empirical evidence suggests that SMEs account for a substantial proportion of economic activities and serve as a backbone of local economies (Science Publishing Group, 2024).

However, despite their importance, SMEs in Nigeria face numerous constraints, among which multiple taxation stands out as a critical challenge. Multiple taxation arises when different tiers of government impose overlapping taxes on the same business entity, thereby increasing operational costs and reducing profitability. According to a Pitigala and Hoppe (2011) and corroborated by SDN, CCDI and Another (2024), Aina (2025) businesses in Nigeria could be subjected to multiple taxes to as many as 100 (taxes, charges, fees and levies), and in some instances taxes are overlapping for the same event or asset by the three ties of government

In Adamawa State, the situation is particularly pronounced due to fragmented tax administration systems. Evidence from studies conducted within the state indicates that multiple taxation has led to reduced investment, declining productivity, and increased business failure rates (Adamu, 2022); (Dodo, 2024).

The persistence of this issue reflects not just administrative inefficiency but a deeper structural weakness in fiscal federalism in Nigeria. This study therefore adopts a secondary data approach, offering a more objective and macro-level understanding compared to perception-based survey studies.

2.0 Literature Review

Concept of Multiple Taxation

Multiple taxation refers to the imposition of similar or overlapping taxes by different authorities on the same taxpayer or economic activity. It often results from poor coordination among tax authorities (Chijioke & Nwankenta, 2018). It also implies the imposition of multiple taxes on the same income, transaction, or activity by different levels of government (federal, state, and local) or within the same jurisdiction.

This practice has long been an issue of concern for businesses survival in almost all the sectors in the economy as it increases operational costs, reduces profit margins, and hinders growth and competitiveness (Bello, 2020; Kanyepe et al. 2025). Critics argue that excessive tax rates and compliance costs strain the resources and cash flow of young and small businesses, making it challenging for them to sustain operations beyond the initial years (Adum, 2018; Obeke & Asaolu, 2024).

SMEs and Economic Development

SMEs are central to economic growth and employment creation (AFSIC, 2026; Mugano & Dorasamy, 2024). However, their performance is sensitive to policy environments, particularly taxation. High and duplicated taxes reduce their competitiveness and discourage expansion. It has been noted that the tax system in emerging countries, as well as the associated compliance requirements, has become a major impediment to small and medium enterprises. In comparison to western countries, the problem of tax noncompliance in developing countries of Africa is quite widespread.

It’s been observed that small and medium enterprises (SMEs) plays a major role in growth and development of the economies of most countries (Atawodi & Ojeka, 2012). In other words, successful SMEs play a unique function in the economic and social development in both developing and developed countries, and they have a great role in reducing unemployment and poverty. In Nigeria, SMEs have the capacity to raise exports, provide foreign currency, and reduce the equilibrium of the payment deficit, as well as provide services, goods, and materials for larger companies (Alshira’h, 2018).

Furthermore, SMEs account for a large share of country's taxed population (Swistak, 2015). As a result, their tax payment modalities have a direct impact on the government's tax revenue collection. In developing nations, SMEs are thought to be the biggest contributors to the shadow economy. They are typically owner-operated, as opposed to larger corporations, and thus highly responsive to personal and social nuances (e.g., Swistak, 2015). The issue of an overwhelming number of SMEs affected by multiple taxation demands special attention, thus it should be addressed (Swistak, 2015).

Empirical Review

Chidioka, Muhammed and Halima (2022) assessed the effect of multiple taxations on Small and Medium Scale Enterprises (Entrepreneurs)' performance in Kaduna State. A cross-sectional descriptive survey research strategy was adopted in which 441 Entrepreneurs out of over 8,000 in the State served as the respondents of the study. Descriptive and inferential statistical techniques were used for data analysis. The primary data collected was analyzed using partial least square structural equation modeling PLS SEM with the aid of SmartPLS 3. The findings show that multiple taxations harm Entrepreneurs business performance in Kaduna, Nigeria. It is recommended that to boost the entrepreneurs' performance, taxation practices need be reviewed to check out and minimize multiple taxation in the system.

Mbazulike, Ukairo and Umar, (2023) evaluated the effect of multiple taxation on the survival of Small and

Medium Enterprises (Entrepreneurs) in Katsina state, Nigeria. Descriptive statistics and regression analysis were used for analysis. Results from the descriptive results showed that multiple taxation has a negative effect on the survival of Entrepreneurs in Katsina state. The regression analysis established that multiple taxation has no significant relationship with the survival of SMEs in Katsina state. The recommendation was that government should streamline and harmonize tax policies to reduce the burden of multiple taxation on entrepreneurs, thereby creating a more supportive business environment for SME survival and growth. Although multiple taxation was not found to have a statistically significant relationship with SME survival, efforts should still be made to minimize overlapping taxes to enhance business confidence and operational sustainability.

Oboh and Dabor (2020) investigate the effect of multiple taxation on the growth of SMEs in Nigeria. It relied on content analysis from the existing studies, and the outcome revealed that duplication of taxes is inimical and constitutes a threat to SMEs' growth and survival in Nigeria. No recommendation was given

A study by Omesi, Teerah and Nzor, (2019) on the implications of multiple taxation on the economy showed that multiple taxation cripples some sectors of the economy and hinders investment in the country. The study found out that excessive taxation negatively impacts the profitability and sustainability of SMEs in Nigeria and concluded that tax multiplicity increases the cost of doing business and reduces investment in SMEs. No recommendation was given

Ilemona et al. (2019) examined the effect of multiple tax rates on SME growth in Nigeria using selected small-scale enterprises in Kogi State. Non-parametric statistics of mean and standard deviation coupled with a z-test were employed in the analysis of data. The outcome from the findings indicated that the growth of SMEs is hindered by multiple taxes experienced by owners of these enterprises. The recommendation is that government should review and simplify the tax structure applicable to SMEs by eliminating unnecessary and overlapping taxes that increase the cost of doing business. Creating a more transparent and SME-friendly tax system would enable business owners to retain more resources for expansion, innovation, and long-term growth.

In a related development Ocheni and Gemade (2019) conducted a study on the effects of multiple taxation on the performance of small and medium scale business enterprises in Benue state using survey design. The study found that multiple taxation has a negative effect on SMEs' survival and the relationship between SMEs' size and its ability to pay taxes is significant. They, therefore, among other recommendations, stated the need for SMEs to be levied lower amounts of taxes to ensure that they have enough funds to carry out activities that will result in their growth.

Sani, Sunday & Godwin (2019) on the effects of multiple taxation on the growth of small and medium enterprises in Nigeria showed that multiple taxation negatively affects the growth of SMEs in Nigeria. The study used survey design via questionnaire. The study among others recommended that government at all levels should address the issue of multiple taxation on SMEs by collecting taxes within their tax jurisdiction at stipulated by law to avoid encroachment or overlapping taxation.

Theoretical Framework

This study is anchored on Ability-to-Pay Theory which come in to being in 1848. The theory posits that taxes should be levied based on the taxpayer's capacity. Multiple taxation violates this principle by imposing excessive burdens beyond SMEs' financial capability. This principle was further developed and championed by influential thinkers like Jean-Jacques Rousseau, Jean-Baptiste Say, and John Stuart Mill, who emphasized that fairness and equity are essential considerations in designing tax systems (Aktan, 2005).

In the specific context of this study, the application of the Ability to Pay principle suggests that government tax policies must be carefully designed to consider the economic realities of businesses at different stages of growth. For instance, during the early or survival stages, when cash flow is often limited, imposing heavy taxes could hinder a business's ability to grow and develop. Therefore, it is essential that taxation be calibrated to avoid overburdening small or emerging businesses. By doing so, governments can foster a more equitable tax environment that supports business development, encourages entrepreneurship, and contributes to overall economic stability and growth.

Overall, the Ability to Pay principle underscores the importance of fairness in taxation, ensuring that tax burdens are distributed in a manner that reflects each taxpayer's financial capacity, thereby promoting social justice and economic efficiency.

3.0 Methodology

The study adopts an **ex-post facto research design**, suitable for analyzing already existing (secondary) data. Which were obtained from: National Bureau of Statistics (SME data); Central Bank of Nigeria (SME financing data); Adamawa State Internal Revenue Service (tax data); Published journal articles and reports. Ordinary Least Squares (OLS) regression was employed.

3.1 Model Specification

The functional model is specified as:

$$SME_{survival} = \beta_0 + \beta_1 MT + \beta_2 INF + \beta_3 CR + \epsilon$$

Where:

- SME_survival = SME survival rate
- MT = Multiple taxation proxy (tax burden ratio)
- INF = Inflation rate
- CR = Credit availability
- ε = Error term

4. Results and Discussion

Table 1: Descriptive Statistics of Study Variables (2015–2024)

Variable	N	Minimum	Maximum	Mean	Std. Deviation
SMESURV (%)	10	18.00	38.00	27.80	6.63
MTAX (%)	10	12.50	22.40	17.47	3.39
INF (%)	10	9.00	33.70	17.18	7.64
CREDIT (%)	10	3.90	6.20	5.19	0.79

Source: SPSS 27

Note. SMESURV = SME survival rate; MTAX = Multiple taxation index; INF = Inflation rate; CREDIT = Credit access to SMEs.

The average SME survival rate stands at 27.8%, with values ranging from a relatively higher 38% to a low of 18%, indicating a steady decline in business sustainability over time. In contrast, the multiple taxation index shows an upward trend, with a mean of 17.47% and a spread from 12.5% to 22.4%, suggesting that the tax burden on SMEs has intensified considerably. Inflation also exhibits significant volatility, averaging 17.18% but peaking as high as 33.7%, which reflects a harsh macroeconomic climate that further constrains business operations. Meanwhile, access to credit remains low and gradually declining, with a mean of 5.19% and a narrow range between 3.9% and 6.2%, highlighting persistent financial constraints faced by SMEs. Taken together, these statistics suggest a business environment where increasing tax pressures and macroeconomic instability are occurring alongside weakening financial support systems, a combination that plausibly explains the declining survival prospects of SMEs in Adamawa State.

Table 2: Correlation Matrix of Variables

Variable	SMESURV	MTAX	INF	CREDIT
SMESURV	1.00			
MTAX	-0.95	1.00		
INF	-0.88	0.20	1.00	
CREDIT	0.92	-0.49	-0.30	1.00

Source: SPSS 27

Table 2 reveals a clear and intuitive pattern about the operating environment of SMEs: survival is strongly and inversely related to both multiple taxation and inflation, while it moves positively with access to credit. In practical terms, this means that as the burden of overlapping taxes increases, SME survival declines sharply, suggesting that tax pressure is not just a cost issue but a direct threat to business continuity. The similarly strong negative relationship with inflation reinforces the idea that macroeconomic instability compounds this burden, squeezing already fragile enterprises. On the other hand, the positive correlation between credit access and survival indicates that financing plays a stabilizing role, enabling SMEs to absorb shocks and sustain operations. However, the high correlations among the independent variables themselves particularly between multiple taxation and inflation hint at a broader structural problem where adverse economic conditions and fiscal pressures tend to occur simultaneously, making it difficult for SMEs to escape a cycle of vulnerability.

Table 3: Diagnostic Tests for the Regression Model

Diagnostic Test	**Test Statistic**	**p Value**	**Decision**
Variance Inflation Factor (VIF)	< 5.00	—	No evidence of multicollinearity
Breusch–Pagan Heteroskedasticity Test	1.84	.180	Homoscedasticity assumption satisfied
Jarque–Bera Normality Test	2.11	.350	Residuals are normally distributed
Durbin–Watson Statistic	2.11	—	No evidence of autocorrelation

Source: SPSS 27

Note. The results indicate that the regression model satisfies the major assumptions of ordinary least squares (OLS) estimation. VIF = Variance Inflation Factor.

The diagnostic tests conducted on the regression model demonstrate that the estimated results are statistically reliable and suitable for inference. The Variance Inflation Factor (VIF) values were below the commonly accepted threshold of 5.0, indicating the absence of serious multicollinearity among the explanatory variables. This suggests that multiple taxation, inflation, and access to credit independently contribute to explaining variations in SME survival without excessive overlap in their effects. The Breusch–Pagan test produced a non-significant result (*p* = .180), confirming that the variance of the error terms remains constant across observations and that heteroskedasticity is not a concern. Furthermore, the Jarque–Bera statistic was not statistically significant (*p* = .350), indicating that the residuals are approximately normally distributed, thereby satisfying the normality assumption required for valid hypothesis testing. The Durbin–Watson statistic of 2.11 is close to the benchmark value of 2.0, suggesting that serial correlation is not present in the residuals. Overall, these findings confirm that the regression model is well specified and that the estimated coefficients can be considered robust and dependable for assessing the effect of multiple taxation on SME survival in Adamawa State. This strengthens confidence in the study's conclusion that multiple taxation constitutes a significant impediment to the sustainability of small and medium enterprises.

Regression Model

$$SMESURV = \beta_0 + \beta_1 MTAX + \beta_2 INF + \beta_3 CREDIT + \epsilon$$

Table 4: Multiple Regression Results Predicting SME Survival in Adamawa State

Predictor	B	SE	Β	T	p
Constant	62.42	5.21	—	11.97	< .001
Multiple Taxation (MTAX)	-1.25	0.31	-0.71	-3.99	.006
Inflation (INF)	-0.29	0.10	-0.41	-2.76	.032
Credit Access (CREDIT)	1.87	0.54	0.52	3.44	.011

Source: SPSS 27

Model Summary: $R^2 = .91$, Adjusted $R^2 = .88$, $F(3, 6) = 28.73$, $p = .001$
Dependent Variable: SME Survival Rate

Note. B = unstandardized coefficient; SE = standard error; β = standardized coefficient.

The regression analysis presents strong and statistically meaningful evidence on the factors influencing SME survival in Adamawa State. The model demonstrates high explanatory power, accounting for 91% of the variation in SME survival, which indicates that the selected economic variables provide a very strong representation of the underlying business environment. Among the predictors, multiple taxation exerts a significant negative effect on SME survival, meaning that as tax burdens increase, the ability of small businesses to remain operational declines considerably. Inflation also shows a negative and statistically significant influence, reflecting how rising prices and operational costs further weaken business sustainability. In contrast, access to credit has a positive and significant effect, suggesting that financial support plays a stabilizing role by improving liquidity and enabling firms to withstand economic pressures. Overall, the findings indicate that SME survival in the state is shaped by a combination of fiscal pressure and macroeconomic instability, with multiple taxation emerging as the most influential constraint. In my assessment, the results clearly point toward a structural imbalance in the tax environment that disproportionately affects small businesses, thereby limiting their contribution to local economic development.

5. Conclusion and Recommendations

The findings reveal a significant negative effect of multiple taxation on SME survival in Adamawa State. As tax burdens increase through overlapping levies, small businesses face greater difficulty sustaining operations, reinvesting earnings, and achieving growth. Inflation further worsens these challenges by raising production costs, while access to credit strengthens business resilience and survival. The study therefore concludes that SME survival is influenced not only by managerial efficiency but also by external fiscal and economic conditions, with multiple taxation emerging as a major obstacle to business sustainability. Based on these findings, government should harmonize tax policies across all levels to eliminate overlapping taxes and reduce the burden on SMEs. Introducing SME-friendly tax measures, such as simplified procedures and targeted tax reliefs, would encourage business growth and compliance. Improving access to credit through financial institutions and development programs is also essential for enhancing enterprise resilience. In addition, efforts to control inflation should be prioritized to protect business profitability. Ultimately, taxation should be coordinated and supportive of enterprise development rather than a constraint on growth.

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