Tax Multiplicity, Compliance Cost and Financial Sustainability of Small and Medium-Scale Enterprises in Oyo State, Nigeria

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ABSTRACT

This study examines the effect of tax multiplicity, compliance cost and financial sustainability of small and medium-scale enterprises in Oyo State, Nigeria. Primary data was obtained through the administration of structured questionnaire to 244 respondents out of total population of 625 comprising of Owner (s), Manager and Account officers. Data obtained was analyzed using descriptive, regression analysis via Partial Least - Structural Equation modelling (PLS-SEM). The results of the analysis obtained revealed that the compliance costs and tax multiplicity had negative and significant effect of financial sustainability (business survival) (t-stat = -2.33, p<0.05) and (t-stat= -6.11; p<0.05). In addition, the results revealed that the compliance costs (t-stat =-4.94, p<0.05) and tax multiplicity (t-stat= -5.22; p<0.05) had negative and significant effect on financial sustainability (operational efficiency), this implies that high compliance costs associated with tax multiplicity eroded the profit margins for SMEs. The study concludes that the negative effects of tax multiplicity and compliance costs significantly undermine the financial sustainability of SMEs in Nigeria. It is recommended that the government should streamline compliance requirements to reduce complexity and make it easier for SMEs to meet their obligations.

Keywords: compliance costs, financial sustainability, operational efficiency, Tax multiplicity,

INTRODUCTION

Small and Medium enterprises (SMEs) have become key players in economic development, employment, as well as innovations in the developing economies, especially Nigeria, over the last few years. SMEs are vital to the socio-economic environment of Oyo State since they constitute a large part of the industrial sector. Nevertheless, the economic viability of these businesses is becoming endangered by a myriad of complex tax regulations by federal and state administrations. In trying to manage these tight time taxation environments, understanding how these policies impact their financial sustainability is a top priority to SMEs.

Taxation is a very important tool that governments use to raise tax revenue; however, heavy tax systems will deter the development and viability of SMEs (Ajibade and Ojo, 2021). The increased compliance costs, reduced profit margins, and, in other instances, informalization of businesses are the common effects of the multiplicity of tax policies such as corporate tax, value-added tax (VAT) and the local government levies (Akinyomi and Akinlolu, 2022). According to the recent research (Ojo, 2023; Okwu, 2023), tax compliance issues have become a routine problem of SMEs in Nigeria that often robs them of the opportunity to invest in growth and development.

Survival, operational efficiency and growth of a business is guaranteed when they are operating at the optimal level. As constant improvement of sales, profitability and liquidity exist in the foundation of survival of SMEs, operational efficiency is demonstrated by the ability of the firm to produce outputs with minimal inputs in terms of asset protection, minimization of fund misappropriation and trustworthiness of financial information (Ajala et al., 2023).

In addition, the political uncertainty that will prevail due to the unreliability of tax policies will lead to unstable business environment that will deter investment by local and foreign investors. Their ability to maintain business and develop due to these tax complexities is thus affected as entrepreneurs in Oyo State grapple with them (Nwobido et al., 2022). The lack of strong support systems and the small capability of Small and Medium enterprises (SMEs) to absorb any shock caused by the changing tax demands also makes the current instability even more pronounced (Ibrahim and Olaniyi, 2023). The interdependence of various tax policies and financial sustainability shows that there is need to have adequate understanding of these interrelationships. The SMEs need to have strategic financial planning and management practices to address the difficulties associated with the fluctuating tax regulations. SME performance refers to the efficiency and achievement of small and medium-sized businesses in achieving their business goals. It involves the analysis of different operational aspects such as the financial performance, productivity, growth, customer satisfaction and general competitiveness in the market.

In Nigeria, the most important two criteria used to define SMEs include the number of employees and value of tangible assets, without taking into consideration landed property. An example of these is the small firms which are business organisations with less than 50 employees and between 50 and 500 million assets whereas the intermediate enterprises have between 50-199 employees and less than 500 million assets (SMEDAN, 2003). However, employee number is the most commonly used parameter in assessing the eligibility of an organisation to be an SME (Ayodele et al., 2025).

Small and medium size enterprises (SMEs) have been recorded to contribute over fifty percent of gross domestic product (GDP) and employment in developed economies and between 16 percent and 18 percent of GDP and employment in developing countries respectively (Ayyagari et al., 2023). In most of the emerging economies, SMEs have become the key players in terms of enhancing the growth and employment in the private-sector. The fact that they have the ability to create local income and jobs despite having limited resources makes them more significant as agents of global economic development.

The tax regime imposed on small and medium-scale enterprises (SMEs) in Oyo State in Nigeria is very complex and multifarious and has led to a significant impairment of the financial sustainability of such enterprises. Despite the obvious positive impact of SMEs on economic growth because of their contribution to the employment and innovation rates, the weight of dealing with a complex tax system poses serious challenges to the viability of their operations and future sustainability. To start with, the numerous tax policies, such as federal, state, or local taxes, generate inconsistency and confusion, thus increasing SME compliance costs (Ajibade and Ojo, 2021). Most SMEs do not have the financial resources and skills to handle such a variety of taxes, which they redirect funds that are required to run their businesses like marketing and investing capital (Akinyomi and Akinlolu, 2022). Financial burden of compliance may lead to the emergence of cash-flow issues, which may compromise the ability of SMEs to continue operating. Second, there is uncertainty and constant changes in tax policies, which worsen the unstable situation of SMEs (Nwobodo et al., 2022). The environment in which entrepreneurs are likely to operate is overall vulnerable to sudden change in terms of tax laws and rates, which creates the environment of uncertainty that obstructs strategic planning and investment decision making (Ibrahim and Olaniyi, 2023).

This instability could have a negative impact on entrepreneurial activities hence closing businesses would also be more prevalent in the Oyo State region. Several studies, including those by Ajibade and Ojo (2021), Akinyomi and Akinlolu (2022), Nwobodo et al. (2022), and Ojo (2023), have explored the themes of similar concerns in this area. However, none of the studies specifically questions the interdependence between the different tax policies and the financial sustainability of the SMEs that utilize the Partial Least Squares - Structural Equation Modeling (PLS-SEM). This research gap highlights the importance of additional research that can help comprehend the effect that different taxation systems have on the financial sustainability of small and medium-sized businesses in Oyo State. In turn, this interdependence between tax regulation, compliance requirements and SME financial sustainability deserves a specific research project aimed at developing further insights into this relationship and developing effective policy inputs.

Thus, the fundamental questions were raised.

i. What is the effect of tax multiplicity on the financial sustainability of small and medium-scale enterprises in Oyo State, Nigeria?

ii. How do compliance costs from diverse tax regulations influence the financial sustainability of SMEs in Oyo State?

The study's objectives are to explore the

i. effects of tax multiplicity on the financial sustainability of small and medium-scale enterprises in Oyo State; and
ii. examine how compliance costs from diverse tax regulations influence the financial sustainability of SMEs in Oyo State

Understanding these issues is essential for developing targeted interventions that can promote a more conducive business environment for SMEs in the region. This study will provide insights that could influence policy formulation and enhance the operational viability of these critical economic actors.

LITERATURE REVIEW

Tax multiplicity

Various tax policies may mean the application of different types of tax structures and mechanisms by different levels of the government in a jurisdiction or even different sets of tax regimes that a single government may apply to different sectors or areas of the economy. The policies are formulated in order to achieve certain economic goals, promote equity, and boost revenue (Brütsch, 2021). They include taxation of all types such as income tax, corporate tax, value-added tax (VAT), property tax, and excise duties. These instruments have a different purpose and apply different effects on various segments of the population or economy. Tax regimes can be progressive whereby those with higher incomes pay a higher percentage of their income or can be regressive where those with lower income pay a higher percentage. This design shows an interest of the government in enhancing equity in wealth distribution (Hines and Summers, 2022).

Tax multiplicity refer to the presence and use of the numerous types of tax schemes and systems at varied government levels-federal, state and local or within one government with the aim of meeting varied economic, social and regional demands. The policies form an important part of the government economic policy, which is aimed at controlling the resources, ensuring equity, and encouraging growth in heterogeneous economic setting. They are complex in nature thus require continuous research and change in order to keep up with the changing societal needs (Keen & Slemrod, 2023).

Financial Sustainability

Financial sustainability of the SMEs is the ability of such businesses to earn enough revenue to sustain the operations and be viable in the long run and manage their finances well. Considering Nigeria, where SMEs are one of the most significant economic development and job creation factors, not to mention innovation, it is crucial to define the financial sustainability of SMEs to acquire growth and resilience within the economy (Oni and Emenike, 2022).

The financial sustainability is determined by the capacity of the SMEs to achieve a stable and sufficient revenue. This necessitates a sound business model that brings in diverse sources of revenues, markets products or services in an effective manner, and has a consistent base of loyal customers (Adeleke and Samson, 2020).

Operational costs should be managed effectively in order to generate profits. SMEs have to compare costs and revenue and scale operation at a sustainable rate, and thus avoiding financial overextension. SMEs can never do without enough access to financing solutions, including loans, grants, and equity investment. Revenue generation, cost management, access to finance, financial literacy, government policies and support and the current market conditions and competition, may be among the key indicators of the financial sustainability of SMEs (Ogundipe, 2022). High-interest rates, accessibility rate of financial institutions and strict lending standards are also some of the problems that hamper the ability of SMEs to access requisite funds in Nigeria.

Financial sustainability in the current study is gauged by the business growth and operational effectiveness indicators. Although the survival of SMEs is assumed to be ensured by the cumulative increase in sales, profitability, and liquidity, the operational efficiency is indicated by the ability of the firm to maximise the results with the maximum input reduction in terms of asset protection, fraud reduction and decreasing misappropriation of funds as well as trustworthiness in financial information (Ayyagari et al., 2023; World Bank, 2022).The increase in the survival rate of businesses leads to increased financial sustainability since it shows better utilisation of assets, increased efficiency in operations, and better reinvestment and survival capabilities.

THEORETICAL REVIEW

This study was anchored on resource-based view theory which was propounded by Barney in 1991. According to Barney (1991) the resource-based view avers that the source of sustainable advantage derives from doing things in a superior manner; by developing superior capabilities and resources. The resource-based view proffers a means of evaluating potential factors that can be deployed to confer a competitive edge for business organizations. A key insight arising from the resource-based view is that not all resources are of equal importance, nor do they possess the potential to become a source of sustainable competitive advantage. The resource-based theory is divided into three levels; capability, competence and skills. Capability refers to how firms manage their resources; competence, refers to how well those resources are managed, and skills are associated with ranges of skills such as technical, managerial and general management skills. Accounting information systems also form part of resources available to firms. Inclining the resource-based view theory with accounting information systems and performance will imply that firms properly and adequately manage accounting information systems to utilize its capability competence and skill sets for improved organizational performance. The resource management-based view theory has faced several criticisms. One of such criticism is that the theory lacks substantial managerial implications or operational validity (Priem and Butler, 2001). It seems to tell managers to develop and obtain valuable, rare, inimitable, and non-substitutable resources and develop an appropriate organization, but it is silent on how this should be done (Miller & Breton-Miller, (2006). Miller and Breton-Miller, (2006) also argues the resource-based view theory suffers a tension between descriptive and prescriptive theorizing. However, Barney and Hesterly, 2015) posits that the resource-based view theory is a theory aspiring to explain the sustained competitive advantage of some firms over others and, as such, was never intended to provide managerial prescriptions.

Empirical Review

Ihenyen et al., (2023) assessed the effect of tax multiplicity on performance of SMEs in Bayelsa State, Nigeria. A survey with a sample of 100 small and medium-sized businesses served as the basis for this investigation. A questionnaire was used to gather information. The data was analysed using simple percentages and frequencies, and the study hypotheses were tested using ANOVA. The results revealed that an SME's investments are harmed by various taxes. Furthermore, there is a strong link between the amount of investment made by small businesses and their ability to pay taxes. When imposing taxes on Small and Medium enterprises (SMEs), the government should consider increasing their capital allowances. When designing tax policies, the government should consider the size of businesses in Bayelsa State, as well as provide uniform tax rule

Adewara et al. (2023) examined the effect of tax multiplicity on the financial performance of small and medium enterprises (SMEs) in Ekiti State, Nigeria. The study used a survey research method and analyzed it with correlation coupled with multiple regression analysis. The population comprises all registered and functional SMEs located in Ado Ekiti, Nigeria, and have been in existence for over 5 years with valid proof of tax payment. The results found that tax multiplicity burdens and tax multiplicity administrations exhibited a significant negative relationship with the financial performance of SMEs in Ekiti State, Nigeria, while the ability to pay tax revealed a significant positive relationship. The study concluded that tax multiplicities served as a worm that deeply reduced the investment potential of SMEs and invariably affected the chunk of revenue generated by the SMEs in the State.

Udeh et al. (2022) ascertained the effect of tax multiplicity on growth of SMEs in South-South States, Nigeria. A survey research design approach was adopted. The population of this study comprised of seven thousand eight hundred and forty-four (7,844) Micro, Small and Medium Enterprises (MSMEs) enlisted with Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) in South-South States, Nigeria. The sample size of three hundred and eighty-one (381) SMEs was drawn using Taro Yamane. Data were sourced through a well-structured questionnaire and test for validity using Cronbach Alpha test. Regression analysis was used. The results showed that Consumption taxes, Environmental and Sanitation levies, and Infrastructural development levies as well as Property and land-based charges significantly affect growth of SMEs in Nigeria.

Babatunde et al. (2023) assessed the effect of tax multiplication on SMEs growth in Ogun Central Senatorial District using survey research design. This study sample is 78 SMEs. The data for the study are analysed using descriptive and inferential statistics. Findings document that tax multiplication and taxability significantly relate to and affect SMEs growth in Ogun Central Senatorial District . This finding explains the truncated growth exhibited by SMEs in the district, which results to stunted economic growth and government revenue reduction. This result indicated that SMEs' as taxpayers are in jeopardy because they will not be able to maximise their income for growth actualisation. Because tax multiplication has eroded the gains of their investment. This result that SMEs pursuit of means of livelihood for owners and their workforce is in danger, while apprenticeship suffers.

Jack and Amieye (2026) examined the effect of tax policy reforms on the financial sustainability of Small and Medium Enterprises (SMEs) in Nigeria. The main objective was to assess the effect of tax rate, tax administrative efficiency, and tax incentives on SME financial sustainability, measured by Return on Assets (ROA). A panel research design was employed, relying on primary data. Data were analyzed using descriptive statistics, correlation analysis, and panel regression techniques, specifically the fixed effects model. The findings revealed that tax rate negatively and significantly affected financial sustainability, while tax administrative efficiency and tax incentives exerted positive and significant effects on ROA. The results indicated that excessive tax burden undermines SME sustainability, whereas efficient tax administration and accessible incentives enhance financial resilience. The study concluded that tax policy reforms significantly shape the financial sustainability of SMEs in Nigeria and recommended rationalization of SME tax rates, improvement of tax administration, strengthening of tax incentives, and consistent policy implementation to support SME growth and long-term sustainability.

Abdullahi et al. (2025) assessed the effect of tax multiplicity system on the growth of small and medium scale enterprises (SMES) in Nigeria. The study adopted a survey design. A structured questionnaire. Simple random sample of 274 SMEs were drawn from a population of 876. Data were analyzed via Multiple Regression. Results revealed tax imposition, assessments payments, and policies indicating significant negative impacts. Consequently, burdensome impositions erode profitability, inconsistent assessments foster uncertainty, frequent payments drain cash flows, and unfavorable policies deter compliance and entrepreneurship. The study concludes that these elements hinder SMEs performance and reinvestment.

METHODOLOGY

This study was conducted in Oyo State, located in Southwest Nigeria. A survey research design was used in this study to capture the perspectives of a representative sample from the target population without altering any variables. The population of the study is Six Hundred and Twenty-Five (625) consisting of Owner (s), Manager and Account officers. Simple random sampling technique was adopted for this study. This technique was used because each participants has equal chance of participation in the study. The researcher derived the sample size of 244 by using Taro Yamane formulae. The sample size consists of Two Hundred and forty-four (244) comprising, Owner(s), Manager and Account Officers. Samples taken from each of SMEs Owner (s) 96, Managers 84 and Account officers 64. These participants were from the operators of the SMEs across Oyo Township, Iseyin and Ogbomoso. This study employed well-structured questionnaire to gather primary data. The questionnaire was closed-ended with 5 points Likert Scale rating of strongly agreed, agreed, neutral, disagreed and strongly disagreed responses. The questionnaire was self-administered to the respondents. The study employed descriptive such as frequency distribution table, mean, standard deviation and Partial Least Square - Structural Equation modelling (PLS-SEM) as methods of data Analysis

Construct Reliability and Validity for Structural Equation Modelling

The reliability and validity of the constructs used for the analysis of Structural Equation Modelling (SEM) was checked. According to Hair *et al.,* (2010), reliability can be measured using Composite Reliability (CR) while validity can be checked using Average Variance Extracted (AVE). The Composite Reliability (CR) was done to check the internal consistency of the measuring items and the acceptable value should be above 0.7. According to Chau and Hu (2001), the CR was calculated with the formula below:

$$\text{CR} = \frac{(\sum\lambda i)^2}{((\sum\lambda i)^2+(\sum€i))} \text{ ------------------- } 3.1$$

Where:

λ = factor loading for item i

i = total number of items

€ = error variance for item i

$€i = 1 - \lambda^2$

Validity check involves two types which are both the convergent and discriminant validity. The convergent validity measured the extent to which the measuring items of a construct converge to measure the construct. The discriminant validity measured the extent to which the measuring items of a construct do not unduly or overlapped to other constructs. The convergent validity is established if the value of the AVE is above 0.5 while discriminant validity is ascertained if the square root of the AVE of each construct is greater than its correlation with other constructs. According to Fornell and Larcker (1981), the Average Variance Extracted (AVE) can be calculated using the formula below:

$$\text{AVE} = \frac{\sum i\, \lambda^2 i}{n} \text{ --- } 3.2$$

Where;

λ represents factor loadings for item i,

i represents the total of number of items

n represents the number of measuring items for a construct

Model Specification

Model specification from the linear function.

Model 1

$$\text{BSV} = f(\text{MLT, COC, })\text{……………………………………..}(3)$$

$$\text{BSV} = \beta_0 + \beta_1 MLT + \beta_2 COC + \mu\text{………. }(4)$$

Model 2

$$\text{OPE} = f(\text{MLT, COC, })\text{……………………………………..}(3)$$

$$\text{OPE} = \beta_0 + \beta_1 MLT + \beta_2 COS + \mu \ldots\ldots\ldots (4)$$

Where

BSV= Business survival, OPE= Operational efficiency, MLT= Tax multiplicity, COS= Compliance costs

β_o= Autonomous Variable; β_1- β_2= Coefficients of parameter; μ = Error Term

RESULTS AND DISCUSSION

The evaluation of the role of various tax policies on Small and Medium enterprises (SMEs) provides the necessary information about the financial sustainability of businesses, the cost of compliance, the survival of businesses, and the efficiency of their operations.

Descriptive Statistics

Table 1 Tax multiplicity	**Mean**	**SD**
Tax multiplicity increase the operational costs for my SMEs	4.05	0.78
Frequent changes in tax policies negatively impact my business planning and sustainability	4.28	0.54
Tax multiplicity hinder the financial sustainability of SMEs	4.14	0.50
The tax compliance burden negatively affects my business's ability to invest in growth.	4.27	0.66
Tax multiplicity lead to confusion and administrative burden for my business	4.13	0.80
Weighted Average	4.17	0.66

Source: Field Survey, 2026

Based on the information presented in Table 2, where average weights have been calculated, it can be stated that the implications of tax policies are very deep and multiple in nature. First, the attitudes of SMEs on various tax policies show that it significantly has an impact on operational costs as the weighted average score is 4.17. The overwhelming response to the question was that the plethora of tax policies makes operations more expensive, financially unsustainable and a source of confusion and administrative overheads. This has been observed in accordance with the results of Ajibade and Ojo (2021), who argued that the increase in tax laws is taking away precious

resource to other activities that are not core businesses and eventually reducing the ability of SMEs to maintain and grow their activities

Table 2: Compliance Costs		
The compliance costs associated with tax regulations significantly affect my business's cash flow	4.10	0.71
Higher compliance costs have led me to reduce investments in other areas of my business.	4.04	0.64
Compliance costs negatively impact my business's ability to offer competitive prices.	4.10	0.62
Diverse tax regulations create financial challenges that hinder the long-term sustainability of SMEs.	3.75	0.82
The implementation of cost-effective measures helps us manage compliance costs associated with taxation	3.96	0.59
Weighted Average	3.99	0.68
Source: Field Survey, 2026		

Another crucial area of concern proved to be compliance costs with the weighted average being 3.99. Most of the respondents have admitted that compliance costs greatly influence the cash flow and require decrease in investments in other sectors. These findings are similar to those of Akinyomi and Akinlolu (2022) who emphasized that the high costs of compliance are a diversion of resources and this reduces the ability of SMEs

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to invest in growth and development. In addition, the negative effect of compliance on competitive pricing also highlights the necessity of policy changes to help ease the pressure on small businesses

Table 3: Business survival		
Our business prioritizes savings and reinvestment as part of our financial strategy.	3.81	0.76
Our business has a clear financial plan to ensure long-term sustainability.	4.07	0.73
Weighted Average	3.94	0.75
Operational efficiency		
We have a risk management strategy in place to protect our financial resources	4.17	0.64
Our business maintains a healthy cash flow to manage operational costs effectively	4.33	0.58
Weighted Average	4.25	0.61

Source: Field Survey, 2026

The data in terms of business survival gave a weighted average of 3.94 that means that SMEs emphasize on savings and have clear financial plans that keep it afloat. This is indicative of proactive action taken by SMEs to neutralize the challenges that are being cited as a result of tax policies. Nwobodo et al. (2022) observe that SMEs that work in unstable business environments that are further aggravated by uncertain tax policies will require effective financial planning.

The operational efficiency as shown by a weighted average of 4.25 indicates that the SMEs are focusing on risk management strategies and healthy cash flows to take care of the operational costs. This observation highlights the fact that operational efficiency is critical to allow the SMEs to survive the tricky tax environment and maximize on output using minimal inputs. This claim is substantiated by the study by Ajala et al. (2023), which states that the operational efficiency is the main determinant of the business survival.

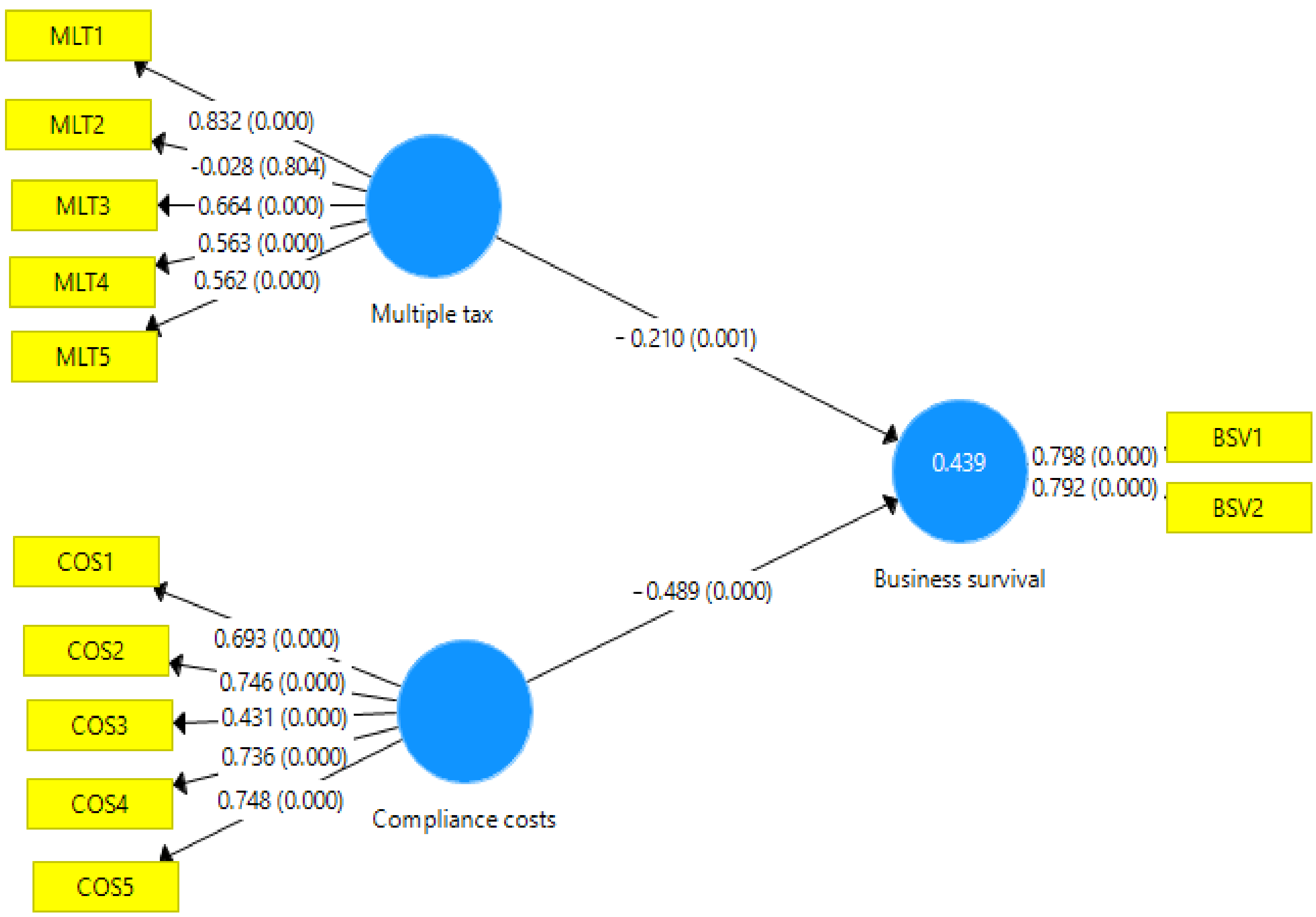

Figure 1: Path way Analysis

Table 4 .3: Path coefficients of multiple tax policies and Compliance costs on the Business survival of small and medium-scale enterprise

	Coefficient	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Compliance costs -> Business survival	-0.210	0.09	-2.33	**0.00**
Multiple tax -> Business survival	-0.489	0.08	-6.11	**0.00**

Source: Field Survey, 2026

Table 4 makes clear the important relationship between compliance costs, various tax policies, and the business survival. The path coefficients act as determinants of the role of variables associated with taxes in determining the financial prosperity of the SMEs. The compliance costs coefficient that affects the existence of the business is reported to be at -0.210 with a standard deviation of 0.09 that has t statistic of -2.33 and p-value of 0.00. This result is a statistical assertion that the negative effect of compliance costs on the survival of SMEs is evident, and the higher the compliance costs, the less are the chances of a business surviving. This is in line with the assumption made by Ajibade and Ojo (2021) and Nwoboda et al. (2022), who stated that tax overloads may limit the operational capabilities of SMEs and, as a result, lower investment in growth and development.

In addition, the coefficient of the various taxes on business survival is significantly bigger, where its value is equal to -0.489, and its standard deviation is equal to 0.08. This gives a large t-statistic of -6.11 and p-value of 0.00 hence supporting the claim that there are a number of tax regimes that have a negative impact on the financial sustainability of SMEs. The strong negative effect emphasizes accrued difficulties which SMEs face when trying to cope with complex tax systems; high taxation can negatively affect profit margins, undermining the viability of operations and growth opportunities (Akinyomi and Akinlolu, 2022; Ojo, 2023).

Table 5: Path coefficients of compliance costs and tax multiplicity from diverse tax regulations on the operational efficiency of SMEs

	Coefficient	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Compliance costs -> Operational efficiency	-0.36	0.07	-4.94	**0.00**
Tax multiplicity -> Operational efficiency	-0.39	0.08	-5.22	**0.00**

Source: Field Survey, 2026

Table 5 examines how the costs of compliance due to different taxation impact on the operational performance of small and medium-sized businesses (SMEs) in Oyo State, Nigeria. The coefficients and statistics thereof offer a lot of wisdom into the effects of these tax-related variables on the performance of the SMEs.

The compliance costs coefficient on the operational efficiency is reported to be -0.36 with the standard deviation of 0.07. This results in a T statistic = -4.94 and p -value = 0.00 showing a statistically significant negative correlation. The result indicates a negative effect of increased compliance expenses on the efficiency of the operations of the SMEs, which supports the propositions of other researchers like Akinyomi and Akinlolu (2022) on the burden of compliance related to taxes on the working capacities of firms. With the increasing compliance cost, SMEs might face limited flexibility in the allocation of resources as this might limit their ability to maximize operations and adapt positively to market requirements.

Moreover, the coefficient indicating the effect of several regimes of taxation on the efficiency of the operations is negative -0.39 with a standard deviation of 0.08. The obtained T statistic of -5.22 with a p -value of 0.00 supports the serious negative impacts of policy multiplicity. This means that the costs and complications that come with various tax systems make the performance of SMEs even weaker. The findings are consistent with the larger academic discussion, which states that complex tax systems cause administrative overheads that

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redirect the focus on the business operations, thus suppressing the growth and innovations (Ibrahim and Olaniyi, 2023; Nwobodo et al., 2022).

DISCUSSION OF FINDINGS

The negative and significant effect of tax multiplicity and compliance costs on the survival of Small and Medium enterprises (SMEs) in Nigeria implies that the burden of navigating tax multiplicity regimes and compliance requirements can lead to increased operational costs. SMEs, which often operate with limited financial resources, may find it challenging to allocate funds for these expenses, resulting in cash flow issues that threaten their sustainability. High compliance costs associated with tax policies can erode profit margins for SMEs. When a significant portion of revenue is directed toward meeting tax obligations, there is less available for reinvestment in the business, stifling growth and innovation. The complex landscape of tax compliance may discourage SMEs from formalizing their operations. Many businesses might opt to remain informal to avoid dealing with tax obligations, hindering their ability to access financial services, expand their market reach, or benefit from government support programs. This supported by Jack and Amieye (2026) showed that tax rate negatively and significantly affected financial sustainability and Babatunde et al. (2023) revealed that tax multiplicity stunted economic growth and government revenue reduction

The negative and significant effect of tax multiplicity and compliance costs on the operational efficiency of Small and Medium enterprises (SMEs) in Nigeria indicates that the high compliance costs divert resources away from core business operations. SMEs may need to allocate more time and money to manage tax obligations rather than focusing on growth strategies, production efficiency, or customer service. Navigating complex tax policies can lead to a significant administrative burden. SMEs often lack the human resources or expertise in-house to efficiently handle these compliance requirements, leading to inefficiencies and potential errors in their financial reporting. Compliance costs can strain cash flow, as SMEs may have to pay various taxes upfront without immediate returns. This disruption can affect the company's ability to manage day-to-day operations, invest in necessary supplies, or respond to market opportunities. This is in consistent with Akinyomi and Akinlolu (2022) and Abdullahi et al. (2025) revealed that tax multiplicity significantly has negative impacts

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study concludes that tax multiplicity and high compliance costs significantly undermine the financial sustainability of Small and Medium enterprises (SMEs) in Nigeria. The existence of multiple taxes, levies, and charges imposed by different levels of government creates a heavy financial burden on SMEs. This reduces the funds available for business expansion, investment, innovation, and other productive activities. In addition, the complexity of tax compliance requirements increases administrative costs and consumes valuable time that could otherwise be devoted to improving business operations.

The study further concludes that the negative effects of tax multiplicity and compliance costs affect the survival and operational efficiency of SMEs. Many SMEs struggle to meet their tax obligations due to limited financial resources, inadequate knowledge of tax regulations, and the high cost of compliance. As a result, some businesses may experience reduced profitability, poor cash flow, and difficulties in sustaining their operations. Therefore, creating a simpler, fairer, and more supportive tax environment is essential for improving the sustainability and growth of SMEs in Nigeria.

Recommendations

Streamline Tax Compliance Requirements

The government should simplify and harmonize tax compliance requirements for SMEs. This will reduce the complexity associated with filing taxes, obtaining tax documents, and meeting regulatory obligations. A unified tax system can help SMEs comply more easily and reduce the time and resources spent on tax-related activities.

Reduce Multiple Taxes and Levies

Government at all levels should work together to reduce the number of taxes, levies, and charges imposed on SMEs. Eliminating overlapping taxes will reduce the financial pressure on small businesses and enable them to allocate more resources to production, expansion, and employment generation.

Provide Tax Incentives for SMEs

The government should introduce incentives such as reduced tax rates, tax holidays, reduced registration fees, and tax breaks for SMEs. These incentives will help reduce the financial burden of compliance and improve the ability of SMEs to survive and grow.

Establish Regular Tax Policy Reviews

The government should establish a mechanism for the regular review of tax policies affecting SMEs. Regular reviews will ensure that tax regulations remain relevant, fair, and supportive of business development. This will also help prevent the introduction of overly burdensome tax policies that may negatively affect SMEs.

Improve Tax Education and Support Services

Relevant government agencies should provide adequate tax education, awareness programmes, and support services for SME owners. This will improve their understanding of tax obligations, reduce unintentional non-compliance, and promote a more positive relationship between SMEs and tax authorities.

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