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RESEARCH ARTICLE

TAX POLICY, SMALL AND MEDIUM ENTERPRISES COMPLIANCE PERCEPTION AND GROWTH RELATIONSHIP IN EKITI STATE, NIGERIA

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ABSTRACT

The general belief that a complex tax policy puts enormous weight on Small and Medium Scale Enterprises (SMEs) and affects their growth level appeared to be a recent debate in Ekiti state and this constituted the motivation for this study. On this premise, this study was undertaken to examine tax policy, SMEs compliance perception and growth relationship in Ekiti state. The study adopted descriptive research design of a survey type and the population covered all the 1748 Small and Medium Scale Enterprises in Ekiti state out of which, 262 were purposively selected(sample size) as the study participants. However, the analysis carried out using descriptive statistics of frequency and percentage for the background information of the respondents and inferential statistics of Pearson Product Moment Correlation at 0.05 level of significance for the formulated hypotheses was based on 204 filled and returned questionnaires. It was discovered that there was a negative significant relationship between tax policy and tax compliance of SMEs in Ekiti state and that there was a negative significant relationship between tax policy and the growth of SMEs in Ekiti state. Thus, it was concluded that that tax policy can stimulate a decrease in the compliance level of SMEs in Ekiti state and that the growth of SMEs depends on the government regulations as they relate to tax policies. It is therefore recommended that the government should discontinue unfavourable tax policies. This might improve the performance and survival rate of SMEs in Ekiti state. Also the government should always checkmate the activities of tax officials to ensure that activities are being carried out in line with the stated rules and regulations.

INTRODUCTION

Small and Medium Scale Enterprises (SME) have been the avenue to provide a solution to the malfunctioning of federal or state-owned enterprises. They do not only create jobs but curbs the problems of financial breakdown and social vices in the society. In the word of Ajani and Adekanbi (2016), SMEs represent about 90 per cent of the industrial sector in terms of the number of enterprises and account for 70 per cent of national industrial employment in Nigeria. In spite of the significant growth and contribution of SMEs to the national economy, it appears that their growth level has not been encouraging in terms of increased profit level, sales volume, customers' satisfaction and increase in assets. In Ekiti state, SMEs are not limited to food processing enterprises, arts, and crafts, textile and fashion, still fabrication and engineering businesses, solid mineral exploration, electronic and information technology enterprises, building construction businesses and oil and gas businesses. However, Oladele (2014) asserted that these have not been performing well, and this has generated many failures among them.

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The same point was noted by Idowu, Olusola, and Olawale (2017), that there was also a high number of failed and collapsed SMEs in Nigeria. Personal experience of the researcher indicated that, in the Southwest part of Nigeria, the growth and death rate of SMEs are high as many of them are either crawling in terms of the growth level or ultimately die before 5 years. As noted by Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) cited in Ojeka (2011), 80% of SMEs die before their 5th anniversary. It then follows that the significance of SMEs to create jobs and improve the living standard of people is transient because the death of any business establishment breed loses of jobs. The seemly fleeting importance of SMEs appeared to be the bane of economic development in Nigeria, even when economic growth is increasing. In the developed countries, Nyabwanga and Ojera (2012) observed that poverty reduction, being the essence of economic development, largely depends on the growth of SMEs. Worrisomely, this seems not to be obtainable in Nigeria where the volatility of the economic activities seemed to be on the high side. To checkmate this abysmal situation, protect the development of business ventures and improve the living standard of people, factors affecting the growth and success of SMEs must be researched. Out of the many factors that could impaired the performance level of

SMEs such as inadequate capital for expansion and procurement of equipment, lack of entrepreneurial orientation and personality, electricity and poor management practices, literature affirmed that tax policy seemed to be the most significant (Atawodi & Ojeka, 2012; Ocheni, 2015; Udofot & Etim, 2017. Recently, as observed by the researcher, the reduction in the statutory allocation has engendered state governments to improve on their internally generated revenue. SMEs appeared to be greatly affected by this development. Tax means the compulsory levy made by individuals and businesses to the government whereas, a policy is a set of plans used as a foundation for making decisions. It then follows that tax policy is the government plan as it relates to the taxation of individuals and organizations. Taxes constitute one of the vital means through which the government of any nation defray her expenditures and improve the infrastructural base. In the SMEs industry, Atawodi and Ojeka (2012) opined that tax policies should be used to improve the operational activities of the existing entrepreneurs and to equally induce prospective ones. However, this seemed to be far-fetched in Nigeria and the incidence is reflected in the seemly poor performance of SMEs. As observed by Ocheni (2015), the growth of SMEs is dependent on tax policies. This implies that a country with a favourable tax policy will undeniably breed fruitful entrepreneurs and a healthy business environment, other thing being equal. When the death rate of SMEs reduces considerably and their performance increased in terms of sale volume, market share and increases profit level, the economy would not just grow it would be developed as expected. The is premised on the observation of Ocheni (2015) and as there is no quicker way of inspiring the activities of an economy without the help of business ventures that move those with marketable ideas/output to those who need these ideas and products.

Onwe (2006) noted that in all other states of the federation, the following taxes or levies (as they are called by the government agents that impose them) are being paid by small scale enterprises: personal income tax, sanitation fee, market toll, business registration fee, fire service fee, development levy, education levy, Advert fee, different types of permit fee paid according to occupation engaged in, produce levy, haulage fee, etc. Some of these taxes are being unnecessarily split into many kinds of taxes to the detriment of the entrepreneurs. In relation to this, an attempt was made by the Nigeria government to reform the tax policies to engender the development of infant organizations such as the reduction of company income tax from 40% to 30%, capital gain tax from 20% to 10% and the abolishment of sales tax which was replaced with value-added tax in 2004. This development appeared not to be effective in facilitating the growth of SMEs. Thus, there is a belief that a complex tax policy put enormous weight on smaller businesses since most of them have access to limited resources and inadequate expertise to comply with diverse and complicated regulations. To stay competitive in the industry, personal experience of the researcher showed that the compliance level of some SMEs in Nigeria to the tax policy has reduced drastically because of the compliance costs. In the opinion of Marti (2010), high compliance costs can result in tax evasion and avoidance, tax swindle, and inhibit investment by way of weakening the competitiveness of the country in terms of taxation attractiveness. There is also the issue of noncompliance of tax policy in the form of the failure to submit a tax return, overstatement of deductions, understatement of income, failure to pay taxes as at when due.

Statement of the Problem: Generally, taxes are important sources of revenue for every government through which the living standards of people are made better. However, in Ekiti state, Small and Medium Scale Enterprises (SMEs) seem to be faced with harsh tax policies that deteriorate their performance level and survival rate. Not minding other challenges like inadequate capital, poor technical and managerial skills and harsh government regulations to mention but a few that engulfed Small and Medium Scales Enterprises (SMEs) in Ekiti State, the tax policy appears to be a cankerworm eating deeply into their revenue thereby, weakening their performances and reducing the survival rate. In spite of these dreadful conditions with probable dangers for SMEs, little research has been done to accentuate the situation. Studies like Atawodi and Ojeka (2012) in Zaria, Nigeria , Udofot and Etim (2017) in Nigeria, Tee, Boadi & Opoku (2016) in Ghana, Ojeka (2011) in Zaria Nigeria, Ocheni (2015) in Kogi, Nigeria, James and Water (2018) in Nasarawa, Nigeria and Ameyaw, Korang, Twum and Asante (2016) in Ghana have examined the nexus between tax policy and the growth of SMEs in Nigeria and other African States.

However, findings reported were missed and this might be engendered by the analysis methods and even the peculiarities of where the studies were carried out in terms of government regulations, the volatility of the economic activities, political instability, and cultural differences. The shortcomings of the previous researches served as a gap this present study intends to fill by examining tax policy, SMEs compliance perception and growth relationship in Ekiti state. The main objective of this study is to examine tax policy, SMEs compliance perception and growth relationship in Ekiti state, while the specific objectives are: to examine the relationship between tax policy and SMEs compliance, assess the nexus between tax policy and SMEs growth in Ekiti state.

Research Hypotheses

The following hypotheses were formulated and tested at 0.05 level of significance:

$H_0$1: there is no significant relationship between tax policy and the compliance SMEs in Ekiti State

$H_0$2: there is no significant relationship between tax policy and growth of SMEs in Ekiti State

Literature Review and Conceptual Clarifications

Small and Medium Scale Enterprises: Small and medium-sized enterprises, also known as Small and Medium Scale Enterprises (SMEs), have been widely recognized as the engine of sustainable economic growth and development. This critical sub-sector does not only outnumber large corporations by a very wide margin but also employ a greater number of people. As a result, the economic successes of many countries are traced to vibrant small and medium-sized businesses. The development of Small Scale Enterprises (SMEs) in Nigeria is an essential element in the growth strategy. SMEs according to Okufolami (2003) not only contribute extensively to improved living standards, but they also bring considerable local capital formation and attain a high level of productivity. In Nigeria, the SMEs account for the largest group of businesses in terms of number. According to Demoji and Onwuneme (2016), they generate the largest employment opportunities in the nation, thereby acting as a panacea to the high unemployment rate in the nation. The foundation of growth and development in many developed countries of the world is usually attributed to the contribution of small and medium enterprises. The place of Small and Medium Enterprises (SMEs) in achieving economic development in Nigeria can never be over-emphasized. It is a well-known fact that SMEs act as the driving force in the attainment of industrial growth and development. This is predicated on their great potential in ensuring diversification and expansion of industrial production as well as the economy at large. National Policy on MSMEs has addressed the issue of definition as to what constitutes micro, small and medium enterprises (Small and Medium Enterprises Development Agency of Nigeria, 2013). The definition adopted a classification based on dual criteria, employment and assets (excluding land and buildings) as shown below.

In a simplified way, the following points are highlighted by SMEDAN (2013) as regards the definition of Small and medium-sized enterprises

- Micro Enterprises are those enterprises whose total assets (excluding land and buildings) are less than Five Million Naira with a workforce not exceeding ten employees.
- Small Enterprises are those enterprises whose total assets (excluding land and building) are above Five Million Naira but not exceeding Fifty Million Naira with a total workforce of above ten, but not exceeding forty- nine employees.
- Medium Enterprises are those enterprises with total assets excuding land and building) are above Fifty Million Naira, but not exceeding Five Hundred Million Naira with a total workforce of between 50 and 199 employees.

Taxation

Generally, taxation has been a phenomenon of universal significance as it affects every economy regardless of national differences. The need for tax was stressed by Jesus in "Mathew 22 vs. 17-21" when the Pharisees enquired Him whether it was lawful to pay taxes or not. His reply "render therefore unto Caesar the things which are Caesar's and to God, the things that are to God's" suggested that tax payments should be obligatory, fixed and compulsory for all citizens irrespective of religion and social status (Cornelius, Agar & Aka, 2016). Tax is, therefore, a compulsory payment made by citizens to the government. Taxation is the means through which the government of a state subjects the income of individuals and profit of companies to tax. In the opinion of Gabay, Remotin, and Uy (2009), taxation is the process by which the sovereign, through its law-making body, raises revenues to use to defray expenses of government. Corroborating this, Okezie (2003) equally sees taxation as a levy by public authorities on people within their tax authority for the aim of obtaining obligatory payments to meet monetary, economic and social-economic needs of its people. This confirms that tax payment is compulsory for both individuals and firms. The primary purposes of taxation include but not limited to bridging of gap between the poor and the rich, protection of home or infant industries, revenue generation, correction of the balance of payment problems, correction of balance of payment problems, prevention of consumption of undesirable goods and services, and a tool to encourage investment. This explains the effort of the government to ensure that all eligible taxpayers are brought to the tax net. Ojo (2003) submitted that it is obvious that the benefits of taxation abound, yet there are adverse effects on the taxpayer as well as the economy in general if not properly controlled and directed. Some of these negative effects as given by Ojo (2003) are disincentives to work, discouragement of investment and encouragement of price inflation. The desire of the state to increase the revenue base has resulted in multiple taxation. According to Omesi, Teerah, and Nzor (2014), multiple-taxation is the levying of tax by two or more jurisdictions on the same declared income (in the case of income taxes), asset (in the case of capital gains taxes), or financial transaction (in the case of sales taxes). Similarly, Oseni (2014) posited that multiplicity of taxes means paying similar taxes on the same or substantially similar tax base. Multiple taxation, therefore, means a situation whereby the same income or profit is subjected to tax by the various tax authority.

Tax Compliance and of Perceptions SMEs: The non-compliance of tax laws and regulations by taxpayers is a major concern for tax administration in developing countries and beacons an urgent solution because of the indispensability of tax revenue to states' development. Verboon and Dijke (2014) reported that the willingness of individuals to comply with tax laws and regulations without force is known to be tax compliance. In the opinion of Andreoni, Erard and Feinstein (2008) consider tax compliance as the taxpayers' willingness to obey tax laws to attain economic development and goal. This connotes that tax compliance requires a degree of honesty, adequate tax know-ledge and capability to use this knowledge, timeliness, accuracy, and adequate records to complete tax returns and associated tax documentation. Tax compliance can be described as the process of fulfilling the tax payer's civil obligation for tax payment and filing of tax returns including the provision of necessary documents and explanations required by the tax authority promptly (Oyedele, 2009). Achieving high levels of voluntary tax compliance and/or maintaining current compliance rates as well as increasing the marginal levels are issues of concern to fiscal policymakers in developed and developing countries alike. This is the case because, irrespective of the nature of the economy, the principal objective of taxation is to raise revenue towards the financing of public goods and services, and funding of governments.

It then follows that failure to comply with the tax regulations by taxpayers deny the society of infrastructural development. Devos (2009) defines tax compliance as filing all required tax returns at the proper time and that the returns accurately report tax liability by the tax code, regulations and court decisions applicable at the time the return is filed. Similarly, tax compliance can be described as the degree to which a taxpayer obliges to tax rules and regulations. James & Alley (2002) indicates that the meaning of tax compliance concept could be given from different perspectives. To them tax compliance is defined is the willingness of individuals and other taxable entities to act in accordance with the spirit as well as the letter of tax law and administration without the application of enforcement activity. Maseko (2014), put classification of tax compliance determinants into three non-economic factors and seven economic. He pointed out the seven economic determinants of complying with tax as the level of income earned by the taxpayer, the rates of tax charged by the tax authorities, fines and penalties imposed on SMEs for non-compliant, benefits of tax and the probability of tax audit. He categorized the non-economic tax determinants as the attitude that is associated with paying taxes, personal and social values and an understanding of the fairness of the tax system According to Maseko (2014), many SMEs operators do not fully comply with the tax system due to the lack of awareness of what needs to be done. He further explained that even when there is awareness of the regulations, individual taxpayers' perceptions of potential costs and benefits are often distorted. This, in turn, discourages taxpayers from paying their dues. It is noted that often authorities would try to close loopholes on tax compliance through legislation, such as making it compulsory for small businesses such as SMEs to formally recruit their employees so that they can pay Pay as You Earn (PAYE). Whilst such measures are instructive, it is equally important for the authorities to comprehend SMEs tax determinants for them to put in place the appropriate tax regime with some incentives for SMEs to formalize their operations and pay taxes. Maseko (2014) noted that previous studies by scholars such as Yong and Hooper (2011) identified the following as determinants of tax compliance that is tax rates, tax audits, perception on government spending, role of tax authority and tax administration, simplicity of tax returns; probability of detection; awareness on offenses and penalty; and personal financial constraint. In concurrence with these previous studies, Stern and Barbour as cited by Maseko (2014) pointed out that most entrepreneurs in the African Continent remain outside the tax-net because the perceived costs of compliance outweigh the perceived benefits. On the same note, Eichfelder and Schorn (2009) made the observation that SMEs bear a higher compliance burden due to the reason that they face inverse economies of scale caused by tedious compliance procedures required by tax authorities.

Theoretical Framework: This study is predicated on the Economic Deterrence Model In many countries, revenue bodies seem to rely on increased checks and severity of penalties as the main vehicle for enforcement of taxes. The established conviction of the effectiveness of this approach goes back to the economic deterrence model, developed by Allingman and Sandmo (1972). The model assumes that rational taxpayers base their decisions purely on economic calculation. If they expect that the costs of evasion are higher than the benefits received as a result of it, they will comply. If the expected costs of evasion are lower than the expected benefits, they have no incentive to be compliant. Therefore, it is enough to check taxpayers more frequently and impose more severe penalties to limit tax evasion. This approach, in its simplicity, seems to be very convincing. However, no tax administration has the capacity frequently to check all taxpayers and impose severe penalties.

Rational taxpayers may well factor this into their calculations and choose to continue evading taxes. Also, practice does not confirm the theory – there is much less tax evasion than the model would imply. Other factors, sociological and psychological, for instance, determine actual levels of tax compliance. Therefore, revenue bodies should be compelled to shift from reliance on the classical economic deterrence model to a better understanding of taxpayer behaviour and the provision of incentives for boosting tax compliance. This does not mean that tax penalties are no longer important. They are still necessary but need to be used in a well-informed way and supplemented with other actions and strategies. Tax penalties are just one of the many factors that drive taxpayer compliance. Other drivers include risk aversion, personal and social norms, opportunities, fairness and trust and economic factors (OECD, 2010). Reliance only on tax penalties is thus not effective.

Empirical Review: A sizeable number of studies have been carried out to examine the nexus between tax policy and the growth of SMEs in Nigeria and the other African States. Ocheni (2015) examined the impact analysis of tax policy and the performance of small and medium scale enterprises in Nigeria economy. Using a descriptive research design, z-test was used to analyze the information gathered from the respondents through a questionnaire. The analysis revealed that there is no significant difference in the mean opinion scores of managers and accountants on the best tax policy that encourages tax compliance by SMEs in Nigeria. It was also revealed that there is no significant difference in the mean opinion scores of managers and accountants of the implications of tax policy on SMEs growth. A related study was carried out by James and Walter (2018) on taxation and the growth of small and medium scale enterprise (SMEs) in Nasarawa State. Using multinomial logistic regression, it was found that over the years the incessant death of SMEs is due to high and complex tax systems that appear to be more harmful than beneficial to SMEs as it increases running costs and slow down the growth of SMEs. This is an affirmation to the general belief that unfavourable tax policies do more to the economic development of a nation. It does not only deny the existing SMEs the desired growth, it equally demotivates prospective entrepreneurs in the State.

A similar finding was reported by Tee, Boradi and Opoku (2016) in their study titled the effect of tax payment on the performance of SMEs in Ga West Municipal Assembly. It was a survey research and a self-structured questionnaire was used to elicit information from respondents. Data was analyzed by descriptive analysis method, correlation and regression analysis and findings were presented in terms of frequencies and percentage analysis. Findings indicate that majority of the respondents perceive the adverse impact of existing tax policies on the growth of SMEs and suggest for reforming the tax policies in the Country. The relationship between tax revenue and the growth of SMEs seems to be an unfavourable one. Although tax is required by the government to defray her expenditures, SMEs appeared to share the greatest burden that affects their performance and survival rate. Ojeka (2011) examined the tax policy and the growth of SMEs: implications for the Nigerian economy. Using Spearman's Rank Correlation. It was found out that from most SMEs surveyed, they were faced with the problem of high tax rates, multiple taxation, complex tax regulations and lack of proper enlightenment or education about tax-related issues. Although there was a general perception that tax is an important source of fund for the development of the economy and provision of social services, the study revealed a significant negative relationship between taxes and the business' ability to sustain itself and to expand. To know the suitability of multiple taxes in a country like Nigeria, Oseni (2014) examined multiple taxation as a bane of business development in Nigeria. The study found that the introduction of various taxes on a single income constitutes one of the bases of business failure in Nigeria. A similar finding was made by Okolo, Okpalaojiego, and Okolo (2016) in their study titled effect of multiple taxation on investment in small and medium scale enterprises in Enugu State. They discovered that multiple taxation harms investment in small and medium scale enterprises. Content and

ANOVA analysis methods were used while this present study used to mean, standard deviation and regression method of analysis. Machira and Irura (2012) study taxation and SMEs sector growth in Kenya. Using binary logistic regression, found that there is a significant correlation between taxation and SMEs sector growth. In contrast, Ojochogwu and Ojeka (2012), study the relationship between tax policy, growth of SMEs and the Nigerian economy. Using spearman's rank correlation, found that although there is a general perception that tax is an important source of fund for the development of the economy and provision of social services, a significant negative relationship exists between taxes and the business's ability to sustain itself and to expand. Ameyaw, Korang, Twum, and Asante (2016), undertook a study on tax policy, SMEs compliance, perception, and growth relationship in Ghana. The research portrayed that tax policies impact SMEs growth negatively. Additionally, tax policies were found to affect tax compliance by SMEs whereas a conclusion was drawn that SMES perception on tax policies look unappealing. The same negative effect was reported by Koranteng et al (2017). Using regression analysis, the results of this study revealed that SMEs have negative subjective opinions on their growth thus having a negative effect on their general perception towards taxes thereby posing a negative effect on SMEs compliance to taxes.

Research Design: The study adopted descriptive research design of a survey type. This was considered appropriate because descriptive research describes situations in their normal settings as they occur and survey design allows every segment of the population to be represented through which inferences could be made.

Population of the Study: The population covered all the Small and Medium Scale Enterprises in Ekiti State. According to Ekiti State Industrial Directory (2014), which is the latest, there were 1748 Small and Medium Scale Enterprises in Ekiti State.

Sample and Sampling Techniques: The sample for this study comprised 262 respondents (15 per cent of the total population) and the selection process was achieved through multi-stage sampling procedure. In the first stage, simple random technique was used to select 2 local governments from each senatorial district in Ekiti State, all together making a total of 6 local governments. In the second stage, simple random technique was used to select 44 SMEs in each local government whereas, in the third stage, purposive sampling technique was used to select one operator in each of the sampled SMEs.

Research Instrument: The research instrument used for this study is a self-structured questionnaire divided into two sections; A and B. Section A covered the bio-data of the respondents where section B contained items on the specific variables of the study. The likert scale of strongly agreed (4), Agreed (3), Disagree (2), and strongly disagree (1) was used for rating responses.

Validity and Reliability of the Instrument: The instrument was subjected to face and content validity before administration. After the confirmation that the instrument would measure what it supposed to measure, it was subjected to a reliability test through Cronbach Alpha. A pilot study was conducted in Ekiti East where 20 questionnaires were administered on operators of SMEs. Thereafter, Cronbach Alpha was used to obtain 0.78 reliability coefficient, and this was considered high and acceptable for this study.

Administration of the Study: The researcher with the aid of three (3) research assistants administered the questionnaire to all the sampled SMEs. The researcher ensured that the research assistants were adequately trained on how to administer questionnaire successfully. 44 were administered in each local government on the operators of the sampled SMEs. However, 78% of the questionnaires, constituting 204, were filled and returned.

Data Analysis: Data collected were analyzed using descriptive statistics of frequency and percentage for the background information of the respondents and inferential statistics of Pearson Product Moment Correlation at 0.05 level of significance for the formulated hypotheses.

Data Presentation and Analysis: Data collected were analyzed using descriptive statistics of frequency and percentage for the background information of the respondents and inferential statistics of Pearson Product Moment Correlation at 0.05 level of significance for the formulated hypotheses. This implies that 78 per cent of the questionnaires, constituting 204, were filled and returned. The remaining 22 per cent were returned. Hence the analysis was based on the filled and returned questionnaires.

Descriptive Statistics: It was reported in table 4 that 113(55.4 per cent) of the respondents were male, while 91(44.6 per cent) were female. This implies that majority of the respondents were male. It also showed that 39(19.1 per cent) of the respondents were within the age range of 31-40, 51(25.0 per cent) were within the age range of 41-50, 82(40.2 per cent) are within the age range of 51-60 while 32(15.7 per cent) were above 60 years. It is also deducted that 136(66.7 per cent) of the respondents were Christian, 56(27.5 per cent) were Muslim while 12(5.9 per cent) of the respondents were into other religions. It showed that 92(45.1 per cents) of the respondents had 1-5 years of experience, 75(36.8 per cent) had 6-10 years of experience while 37(18.1 per cent) had 11-15 years of experience. It indicates that majority of the respondents had 1-5 years of experience. It is deducted from the table that 93(45.6 per cent) of the respondents were single, 99(48.5 per cent) were married, 8(3.9 per cent) are divorced while 4(2.0 per cent) were Widowed. This entails that most of the respondents were married.

Testing of Hypotheses: Table 5 shows that $r_{\_cal}$ (-0.401) alongside its significant value (0.000) is significant at 0.05 level of significance. The null hypothesis was accepted. This implies that there was a significant relationship between tax policy and tax compliance of SMEs in Ekiti State. The relationship was high, negative and statistically significant at 95 confidence level. This implies that there was a negative significant relationship between tax policy and tax compliance of SMEs in Ekiti State. Table 6 shows that r_{cal} (0.422) alongside its significant value (0.000) is significant at 0.05 level of significance. The null hypothesis was not accepted. This implies there was a significant relationship between tax policy and the growth of SMEs in Ekiti State The relationship was high, negative and statistically significant at 95 per cent confidence level.

Table 1. Classification of Micro, Small and Medium Enterprises

S/N	Size Category	Employment	Assets (=N= Million) (excl.landand buildings)
1	Micro enterprises	Less than 10	Less than 5
2	Small enterprises	10 to 49	Above 5 and less than 50
3	Medium enterprises	50 to 199	Above 50 and less than 500

Source: Small and Medium Enterprises Development Agency of Nigeria, SMEDAN, (2013).

Table 2. Summary of the Empirical Review

S/N	Name of Authors and year	Place of Publication	Title of the paper	Methodology	Findings
1	Ocheni (2015)	Nigeria	Impact analysis of tax policy and the performance of small and medium scale enterprises in the Nigeriaa economy	Z-test	The analysis revealed that there is no significant difference in the mean opinion scores of managers and accountants on the best tax policy that encourages tax compliance by SMEs in Nigeria
2	James and Walter (2018)	Nigeria	Taxation and the growth of small and medium scale enterprise (SMEs) in Nasarawa State.	Multi-nominal Regression	It was found that over the years the incessant death of SMEs is due to high and complex tax systems that appears to be more harmful than beneficial to SMEs as it increases running costs and slow down growth of SMEs.
3	Tee, Boradi and Opoku (2016)	Ghana	Effect of tax payment on the performance of SMEs in Ga West Municipal Assembly	Correlation and Regression	Findings indicate that majority of the respondents perceive the adverse impact of existing tax policies on the growth of SMEs and suggest for reforming the tax policies in the Country.
4	Ojeka (2011)	Nigeria	Tax policy and the growth of SMEs: implications for the Nigerian economy.	Spearman Correlation	It was found out that from most SMEs surveyed, they were faced with the problem of high tax rates, multiple taxation, complex tax regulations and lack of proper enlightenment or education about tax related issues.
5	Oseni (2014)	Nigeria	Multiple taxation as a bane of business development in Nigeria	Regression	The study found that the introduction of various taxes on a single income constitute one of the bases of business failure in Nigeria
6	Okolo, Okpalaojiego and Okolo (2016)	Nigeria	Effect of multiple taxation on investment in small and medium scale enterprises in Enugu State	ANOVA and content Analysis	They discovered that multiple taxation has a negative effect on investment in small and medium scale enterprises.
7	Machira and Irura (2012)	Kenya	Taxation and SMEs sector growth in Kenya	Binary Logistic Regression	There is a significant correlation between taxation and SMEs sector growth.
8	Ojochogwu and Ojeka (2012)	Nigeria	Relationship between tax policy, growth of SMEs and the Nigerian economy	Spearman Correlation	There is general perception that tax is an important source of fund for development of the economy and provision of social services, a significant negative relationship exists between taxes and the business's ability to sustain itself and to expand
9	Korang, Twum and Asante (2016)	Ghana	Tax policy, SMEs compliance, perception and growth relationship in Ghana.	Regression	The research portrayed that tax policies impact SMES growth negatively. Additionally, tax policies were found to affect tax compliance by SMES whereas a conclusion was drawn that SMES perception on tax policies look unappealing
10	Koranteng et al (2017)	Ghana	The effects of compliance and growth opinions on SMEs compliance decisions: an empirical evidence from Ghana Eugene		The results of this study revealed that SMEs have negative subjective opinions on their growth thus having a negative effect on their general perception towards taxes thereby posing a negative effect on SMEs compliance to taxes

Table 3. Cross Sectional Survey

Senatorial Zone	No of SME	No Sample Collected	Questionnaire Administered	No Returned	Percentage of Return
North	174	26	26	21	81
Central	1224	183	183	141	71
South	350	53	53	42	79
	1748	262	262	204	

Table 4. Analysis of the Administered Questionnaires

Questionnaires Administered	Frequency	Percentage
Filled and Returned	204	78
Unreturned	58	22
Total	262	100

Source: Field Survey, 2020

Table 5. Analysis of the Bio-data of the Respondents

Gender	Frequency	Percentage
Male	113	55.4
Female	91	44.6
Total	204	100.0
Age		
31-40	39	19.1
41-50	51	25.0
51-60	82	40.2
Above 60	32	15.7
Total	204	100.0
Religion		
Christian	136	66.7
Muslim	56	27.5
Others	12	5.9
Total	204	100.0
Years of Experience		
1-5	92	45.1
6-10	75	36.8
11-15	37	18.1
Total	204	100.0
Marital Status		
Single	93	45.6
Married	99	48.5
Divorced	8	3.9
Widowed	4	2.0
Total	204	100.0

Source: Field Survey, 2020

Table 6. Tax policy and tax compliance of SMEs in Ekiti State

Variables	N	Mean	SD	r_{cal}	Sig
TSA Implementation	204	4.2208	1.3612	-0.401	0.000
Payment of Stationaries	204	4.0017	1.6620		

P<0.05

Table 7. Tax Policy and the Growth of SMEs in Ekiti State

Variables	N	Mean	SD	r_{cal}	Sig
Tax Policy	204	5.1199	1.5549	-0.422	0.000
SMEs Growth	204	5.5089	1.8701		

P<0.05

This implies that there was a negative significant relationship between tax policy and the growth of SMEs in Ekiti State.

DISCUSSION OF FINDINGS

An attempt has been made to examine tax policy, SMEs compliance perception and growth relationship in Ekiti State. Using correlation analysis, it was discovered that there was a negative significant relationship between tax policy and tax compliance of SMEs in Ekiti State. This implies that tax policy and SMEs compliance to tax regulations move towards different directions reflecting that increase in tax policy would breed decrease in the compliance level of SMEs in Ekiti State. This might be since excessive taxes serve as a disincentive to the survival of SMEs. It reduces their profit level, market share, and sales volume. The corollary of this discovery is that tax policy is inversely related to the compliance level SMEs to tax regulations. This finding was in agreement with the Boradi and Opoku (2016), that over the years the incessant death of SMEs is due to high and complex tax systems that appeared to be more harmful than beneficial to SMEs as it increases running costs and slow down the growth of SMEs. It was also discovered that there was a negative significant relationship between tax policy and the growth of SMEs in Ekiti State, indicating that both variables move in a different direction. That is, an increase in tax policy engenders a decrease in the growth of SMEs in Ekiti State. This means that tax policy in Ekiti State is not propelling the growth of SMEs in Ekiti State. The consequence of this discovery is that the growth of SMEs in Ekiti State is dependent on the tax policy of the State government. This outcome gave credence to the discovery of Ojochogwu and Ojeka (2012), that although there is a general perception that tax is an important source of fund for the development of the economy and provision of social services, a significant negative relationship exists between taxes and the business's ability to sustain itself and to expand.

Summary, Conclusion and Recommendation

Summary

This study examined tax policy, SMEs compliance perception and growth relationship in Ekiti State. Specifically, this study examined the relationship between tax policy and SMEs compliance in Ekiti State and assessed the nexus between tax policy and SMEs growth in Ekiti State. in line this, two questions were raised and two hypotheses were formulated to give the study a definite direction. Theoretically, the study was underpinned by the economic deterrence model. The study adopted descriptive research design of a survey type and the population covered all the 1748 Small and Medium Scale Enterprises in Ekiti State out of which, 262 were purposively selected as the study participants. The instrument was subjected to face and content validity before administration. After the confirmation that the instrument would measure what it supposed to measure, it was subjected to a reliability test through Cronbach Alpha. A pilot study was conducted in Ekiti East where 20 questionnaires were administered on operators of SMEs. Thereafter, Cronbach Alpha was used to obtain 0.78 reliability coefficient, and this was considered high and acceptable for this study. However, the analysis carried out using descriptive statistics of frequency and percentage for the background information of the respondents and inferential statistics of Pearson Product Moment Correlation at 0.05 level of significance for the formulated hypotheses was based on 204 filled and returned questionnaires.

Conclusion

The focus of this study was on tax policy, SMEs compliance perception and growth relationship in Ekiti State. Through the analysis carried out, it was established that tax policy can stimulate a decrease in the compliance level of SMEs in Ekiti State and that the growth of SMEs depends on the government regulations as it relates to tax policies.

Recommendations

It was therefore recommended that:

- The government should discontinue unfavorable tax policies. This might improve the performance and survival rate of small and medium scale enterprises in Ekiti State.
- The government should always checkmate the activities of tax official to ensure that activities are being carried out in line with the stated rules and regulation. This might hinder the criminal act of corrupt tax officials.
- Government at all levels should work out modalities with a singular aim of ensuring that the income of small and medium scale enterprises is taxed once.
- The government should make provision for tax incentives so as to encourage prospective entrepreneur.

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