

THE SYNERGISTIC IMPACT OF MULTIPLE TAXATION AND REGULATORY BURDEN ON SMALL AND MEDIUM ENTERPRISES (SMES) GROWTH IN NIGERIA

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ABSTRACT

The study was on the impact of multiple taxation and regulatory burden on the growth of Small and Medium Enterprises (SMEs) in Nigeria. Specifically, the study explored how multiple taxation perceived at different category levels varied, the impact of multiple taxation and compliance burden on SME revenue growth, and the mediating effect of managerial distraction, depletion in working capital, and informality trap between multiple taxation and regulatory burden and SME revenue growth. The survey research design was used and a structured questionnaire was used to collect data from 300 SME operators. Descriptive statistics, One-Way Analysis of Variance (ANOVA), Ordinal Logistic Regression, and PROCESS Macro Model 4 by Andrew F. Hayes were employed for data analysis using SPSS version 27.

The results indicates that the perceived burden of multiple taxation varied significantly by the size category for SMEs, $F(2, 297) = 4.516$, $p < .05$, with the smallest size category seeing the highest multiple taxation. Multiple taxation and regulatory burden were found to negatively, significantly affect SME revenue growth, while access to formal credit and supply of electricity was found to positively affect SME revenue growth. Additionally, the PROCESS Macro analysis showed that managerial distraction, working capital depletion and informality trap played significant mediating roles between compliance burden and SME growth.

The study found that the split tax regime and excessive requirements in regulatory procedures are negatively impacting the sustainability and growth of SMEs both directly and indirectly in Nigeria. To improve SME performance and formalisation in Nigeria, the study recommended tax harmonisation, streamlined compliance regime, better access to credit facilities and infrastructural development.

Keywords: Multiple Taxation, Regulatory Burden, SME Growth, Compliance Burden, Informality Trap

1. INTRODUCTION

Small and Medium Enterprises (SMEs) play a critical role in Nigeria's economy, and are major contributors to the creation of jobs and Gross Domestic Product (GDP). As important as they are, these businesses are working in a difficult environment characterized by a declining number of businesses. According to SMEDAN and NBS (2020), the survey carried out by them found that the total number of Micro, Small and Medium Enterprises (MSMEs) in Nigeria decreased from 41,543,028 in 2017 to 39,654,385 in 2020, which is a 4.5% decline. Part of this reduction is due to improper implementation of government policies and changes in policies often (Akenbor & Aigbepue, 2022). The same multiple taxation and other bureaucratic constraints continue to plague Nigerian SMEs.

Multiple taxation involves taxes levied by different federal, state, and local government levels, leading to overlapping taxes and a complex tax landscape (Umukoro & Onou, 2024). Meanwhile, regulatory environment creates other hurdles such as the bureaucratic process of business registration and licensing, and the conflicting roles of regulators like the Standards Organisation of Nigeria (SON) and the National Agency for Food and Drug Administration and Control (NAFDAC) (Akenbor & Aigbepue, 2022). These challenges take up precious time and resources of the operators of SMEs, which can sidetrack them from their core business operations (Akenbor & Aigbepue, 2022).

The dual burden creates a "compliance ecosystem" which can have a negative impact on growth, and can actually be worse than either factor acting individually. The burden of multiple taxes/levies on the finances directly affects profitability with research showing it to be a major negative impact on the financial performance of SMEs (Adewara et al., 2023). At the same time, the time and effort spent on meeting a variety of regulations are significant opportunity costs that take managerial time away from productive activities (Akenbor & Aigbepue, 2022).

The Nigeria Tax Act 2025 and other recent national tax reforms seek to resolve these issues by streamlining tax regulations, streamlining tax collection processes and by exempting very small businesses from some taxes (Matog Consulting, 2025; Mondaq, 2026). The policy adjustments are important, but there is a scarce empirical knowledge of the effects of the cumulative weight of multiple taxation and regulatory constraints on the growth of SMEs and how these effects have worked out in the past. The majority of the current literatures are mostly examined individually without taking into account the interactions that may characterize the experience of the SME owner-managers in Nigeria.

This study thus examines the impact of multiple taxation and regulatory burden on the development of SMEs in Nigeria. The paper starts with the formulation of the research

objectives, research questions and hypotheses, then a literature review is provided, the methodology is fully detailed, and the potential contributions of the study are discussed.

1.1 Research Objectives

1. To describe the type and extent of multiple taxation and regulatory burden faced by the SMEs in Nigeria in various industries and size categories.
2. To empirically estimate direct and interactive effects of tax multiplicity and regulatory burden on the revenue growth of Nigerian SMEs.
3. To uncover the key mechanisms (managerial distraction, working capital depletion, informality trap) that limits growth of the SMEs under the combined compliance burden.

1.2 Research Questions

1. What is the sense of the nature, composition and the level of multiple taxation and regulatory burden faced by SMEs in the various sectors and locations of Nigeria?
2. What are the direct and cascading impacts of tax multiplicity and regulatory burden on SMEs' revenue growth?
3. Which of the three mechanisms listed above is most likely to be the key mechanism by which the compliance burden affects SME growth negatively?

1.3 Hypotheses

H01: No significant difference exists between the perceived severity of multiple taxation for SMEs in the different size categories (micro, small and medium) or economic sectors.

H02: There is no significant interaction between tax multiplicity and regulatory burden on SMEs revenue growth.

H03: The compliance burden is not significant in the mediation of managerial distraction, working capital depletion, and informality trap on the growth of SMEs.

2. LITERATURE REVIEW

This review is organized around the study's objectives, drawing on existing literature to establish the context and identify research gaps.

2.1 The Nature and Severity of the Compliance Burden

There is a lot of literature that have confirmed multiple taxation as a major problem to the performance of SMEs in Nigeria. Several taxes, some of which may be unconstitutional, are a significant disincentive for investment and are one of the reasons why many SMEs have been unable to survive or even close their businesses outright (Umukoro & Onou, 2024). The regulatory environment is a factor in this issue. Akenbor and Aigbepue (2022) point to conflicting roles of key regulatory bodies such as SON and NAFDAC, and the registration and licensing processes, as well as being non-tax regulatory burdens that hinder MSME growth in Nigeria (Akenbor & Aigbepue, 2022). They focus their research on these issues, along with several other taxes, which all have a negative impact on business. The results are in line with the first goal of the study that was to measure the perceived level and type of these burdens across a wide range of SMEs.

2.2 Direct and Interactive Effects on SME Growth

There is a direct and negative effect of taxation on SME performance that is well documented. Multiple taxation was a good predictor of negative results with a good proportion of the variation in financial performance explained by a regression analysis carried out for SMEs in Ekiti State (Adewara et al., 2023). On the macroeconomic level, the impact of fiscal policy on SME output has been demonstrated and in particular taxation has been found to have a long run impact. These studies have linked those two causes; however, there is a gap. Research on public policy and SME growth in North Central Nigeria showed that fiscal incentives, and other policies, as currently enacted, typically do not have a significant positive impact on profitability or innovation or market share, indicating a mismatch between policy intentions and policy outcomes. This highlights the importance of taking a broader perspective and moving beyond analysis of direct effects alone. To address this, the present study examines the interaction between tax multiplicity and regulatory burden and proposes the hypothesis that the combined effect of tax multiplicity and regulatory burden is significantly more harmful than the sum of both.

2.3 Transmission Mechanisms: How the Compliance Burden Constrains Growth

The channels of impact of these burdens on the firm level are less well understood in the literature. The easiest is the financial channel where the volume of tax payments dries up working capital and cuts profits (Adewara et al., 2023). But other mechanisms are likely to be involved. It is noted that the time cost of compliance in regulatory bottlenecks studies

identifies a 'managerial distraction' channel which siphons owner-managers from strategic activities (Akenbor & Aigbepue, 2022). In addition, the complexity and the perceived unfairness of the tax system may encourage companies to stay informal to avoid taxes and create an "informality trap," restricting their access to formal finance and bigger markets. This study adds to the literature by formally testing these three hypothesized channels of negative behavior (financial depletion, time distraction, and strategic informality) using mediation analysis, to explain the how of the documented negative behavior.

3. METHODOLOGY

3.1 Research Design

A cross sectional-survey design was used for this study to assess the effect of multiple taxation and regulatory burden on the growth of Small and Medium Enterprises (SMEs) in Nigeria. This design was suitable for assessing the extent and subjectively perceived level of tax multiplicity and regulatory complexity, and for studying associations and interactive effects of these two independent variables with enterprise growth results at a given time. The cross sectional approach allowed quantitative data to be gathered from a large, geographically widespread sample of SME owner-managers which enabled direct and interactive effects to be statistically estimated using regression and mediation analysis respectively.

3.2 Study Population

The study population was registered Small and Medium Scale Enterprises in the three geopolitical areas of Nigeria that were selected strategically namely the South-West (Lagos State), North-West (Kano State) and South-East (Anambra State). The States were chosen to have the major commercial centre of Nigeria, having high SME population and multiple fiscal jurisdictions at various tiers of government and regulatory agencies. The companies involved had a broad representation, ranging from all of the SME size bands (micro companies, which are SMEs with 1 to 9 employees, small companies with 10 to 49 employees, medium companies with 50 to 199 employees) and across various industry sectors (manufacturing, services, and retail/wholesale trade), covering many aspects of the SME landscape across different regulatory environments and economic sectors.

3.3 Sampling Technique

Multi-stage stratified random sampling technique was used. The three states (Lagos, Kano and Anambra) selected in the first stage were selected purposively to represent the three main commercial zones in Nigeria, with different fiscal and regulatory profile. In the second stage the population of all the SMEs in every state was divided according to economic sector (manufacturing, services, retail/wholesale trade) to allow for proportional

representation across different types of economic sectors that were subject to different degrees of regulation. During the third stage, enterprises were further stratified by the number in the enterprise size category (micro, small, and medium) in each of the sector strata. Participants were next chosen by simple random sampling from business registries and local directories of chamber of commerce in each final stratum, to reduce the likelihood of selection bias and increase the generalizability of results.

3.4 Sample Size Rationale

This study involved 300 owner-managers of SMEs. Given the data obtained from the SMEDAN (1999) survey estimates that gave the approximate number of SMEs in the country to be about 1.25 million, the sample size was determined using the Yamane (1967) formula for finite population with a margin of error of 5%. Additionally, the number of variables to be analyzed in the moderated multiple regression and parallel mediation models and the need for structural equation modeling justified the sample size, as did the expected medium size effect of interaction terms. To buffer the effects of taxation and regulation and to test the three hypothesized intervening variables, the final sample size of $n = 500$ yielded adequate statistical power to identify significant relationships between tax multiplicity, regulatory burden, their interaction term and enterprise growth outcomes, as well as to test the indirect effects of the three intervening variables. The sample was proportionately allocated among the three states (200 samples from Lagos, 150 samples from Kano and 150 samples from Anambra) in line with the density of the SMEs in the three states.

3.5 Data Collection Tool

The study used a structured questionnaire to collect data that includes the major variables of the study. The instrument was split into four parts based on the objectives of the study. The validity of the questionnaire was checked with experts in entrepreneurship and public finance; a pilot study was conducted involving 50 SMEs not included in the study area to test the clarity and reliability of the questionnaire. This was carried out over an eight week period, using face-to-face interviews and self-administration with the help of trained research assistants.

Section A collected details of the socio-demographic and firm characteristics of respondents including their educational qualification, years in business, firm size, sector, registration status and annual revenue.

Section B was devoted to the nature and supposed seriousness of multiple taxation, and burden of regulation. It had items that measured the number of tax authorities, number of tax payments, compliance costs, permits, number of regulation interactions, and perceived

burden, all on a Likert scale. The Tax and Regulatory Fragmentation Index (TRFI) was built using the responses.

In Section C, the enterprise revenue growth and variables affecting the direct and interaction impacts of various taxation and regulatory loads on SME growth were captured. They included revenue growth, credit availability, electricity availability, and keeping financial records.

This section analysed the transmission channels that impact SME growth in the context of compliance burden. Twelve Likert scale items were used to assess managerial distraction, working capital depletion and informality trap in the section. The scales were tested for reliability by calculating Cronbach's alphas and the results showed the values were more than 0.70, which was considered acceptable.

3.6 Data Analysis Plan

The data collected for this study were analysed using descriptive statistical data and inferential and with the aid of the Statistical Package for Social Sciences (SPSS) version 27 PROCESS Macro by Andrew F. Hayes. The socio-demographic characteristics of the respondents and the responses received on multiple taxation and regulatory burden and the variables relating to SME growth were analysed by descriptive statistics such as frequency distribution, percentages, tables and cumulative percentages.

One-Way Analysis of Variance (ANOVA) was used to test hypothesis one, to assess whether there was significant difference between the perceived severity of multiple taxation in the various size categories of SMEs. As the study involved comparing the mean responses between more than two independent groups the ANOVA was an appropriate test to use.

In the second hypothesis, Ordinal Logistic Regression Analysis was done to find out if multiple taxation and regulatory burden has significant effects on SME revenue growth. The technique was considered appropriate since the dependent variable (SME revenue growth measurement) was assigned an ordinal level of measurement (significant decline to significant increase). The regression analysis also helped the study to identify the direction and strength of the predictive relationships between the independent and dependent variables.

To test hypothesis three, the study used the PROCESS Macro Model 4 developed by Andrew F. Hayes to explore the mediating variables between compliance burden and SME growth, namely managerial distraction and working capital depletion and informality trap. To determine the significance of the indirect effects, the PROCESS Macro analysis was used with a bootstrap estimation and 95% confidence interval using 5,000 bootstrap

samples. The bootstrap confidence intervals were deemed to be significant if they excluded zero.

The hypotheses were all tested at $\alpha = 0.05$ level of significance. The decision rules were based on p value: p value < 0.05 , reject null hypothesis; p value ≥ 0.05 , accept null hypothesis.

4. RESULTS AND DISCUSSION

4.1 RESULTS

4.1.1 Socio-Demographic Characteristics of Respondents

Table 1. Socio-Demographic Characteristics of Respondents

Table 1 presents the combined frequency and percentage distribution of the socio-demographic characteristics of respondents based on a sample size of 300 SME operators.

Variable	Category	Frequency	Percent	Cumulative Percent
Educational Attainment	No formal education	9	3.0	3.0
	Primary school certificate	24	8.0	11.0
	Secondary school certificate (WAEC/NECO)	90	30.0	41.0
	National Diploma (ND)/NCE	66	22.0	63.0
	Bachelor's degree (BSc/BA/HND)	84	28.0	91.0
	Postgraduate degree (MSc/MBA/PhD)	27	9.0	100.0
Years in Business	Less than 1 year	24	8.0	8.0
	1 – 3 years	66	22.0	30.0
	4 – 6 years	90	30.0	60.0
	7 – 10 years	75	25.0	85.0
	More than 10 years	45	15.0	100.0
Number of Employees	1 – 2 employees	135	45.0	45.0
	3 – 5 employees	84	28.0	73.0
	6 – 9 employees	36	12.0	85.0
	10 – 49 employees	33	11.0	96.0
	50 – 199 employees	12	4.0	100.0
Sector of Business	Manufacturing/Production	21	7.0	7.0
	Retail/Wholesale Trade	132	44.0	51.0
	Services	99	33.0	84.0
	Agriculture/Agro-processing	18	6.0	90.0
	Construction/Real Estate	30	10.0	100.0
Registration Status	Not registered	162	54.0	54.0
	Registered with Local Government only	30	10.0	64.0
	Registered with CAC as Business Name	60	20.0	84.0

	Registered with CAC as Limited Liability Company	33	11.0	95.0
	Registered with CAC and relevant regulators	15	5.0	100.0

Source: Field Survey, 2026

The socio-demographic analysis showed that most of the respondents had moderate to high levels of formal education. Specifically, respondents with secondary school certificate had 90 respondents (30.0%) representing 30.0% followed closely by the respondents with qualifications of Bachelor's degree /HND with 84 respondents (28.0%). The 66 respondents (22.0%) who held the National Diploma (ND)/NCE had the lowest number, with 27 (9.0%) holding post graduate degree. A minority of the respondents received primary education or no education at all. The result suggests that most of the SME operators in Nigeria have adequate educational background to comprehend business operation, taxation implications and regulatory requirements.

As for entrepreneurial experience, the results indicated that the majority of respondents had a significant amount of years in business. 90 respondents were those with 4–6 years of business experience (30.0%) and 75 were those with 7–10 years (25.0%). Moreover, 66 respondents (22.0%) had been running their businesses for 1-3 years while only 24 respondents (8.0%) had less than one year of entrepreneurial experience. The outcome revealed that most of the respondents had good business experience, which enabled them to give informed opinions on taxation and regulatory challenges of SMEs in Nigeria.

The analysis on number of employees revealed that the micro enterprises are dominant in the SME sector. The businesses with 1-2 employees were the highest with 135 businesses (45.0%) and businesses with 3-5 employees were the next with 84 businesses (28.0%). The enterprises with 6-9 employees numbered 36 (12.0%) and 40 (12.5%) of the respondents were with 10-49 employees in the enterprise. The enterprises with 6-9 employees numbered 36 (12.0%) and 12 (4.0%) respondents were working in enterprises with 50-199 employees. The finding has emphasized the business environment in Nigeria to be dominated by small scale and micro enterprises.

In terms of sectoral distribution, the retail and wholesale trade sector came out as the highest number of business sector with 132 respondents (44.0%). The next type of business was service oriented with 99 respondents (33.0%). There were 30 construction and real estate firms (10.0%) and relatively smaller manufacturing/production (8.7%) and agriculture/agro-processing (5.4%) respondents. This shows that the two dominant sectors where SMEs are engaged in Nigeria are in commercial trading and providing services.

Finally, results on the legal registration status found a high level of informality in SMEs. Of those who responded, over half (162, 54.0%) indicated that their enterprises were not

formally registered. The respondents that were registered as business names with the Corporate Affairs Commission (CAC) totaled 60 (20.0%) while only 33 (11.0%) were registered as limited liability companies. In addition, 15 respondents (5.0%) reported that they complied with both CAC and sector-specific regulatory registration. This implies that many of these SMEs still remain in the informal sector which may be attributed to the financial and administrative challenges that formal registration and compliance pose in Nigeria.

4.1.2. The nature and perceived severity of multiple taxation and regulatory burden among Nigerian SMEs across different sectors and size categories[Objective 1].

H_{01} : The perceived severity of multiple taxation does not significantly differ across SME size categories (micro, small, medium) or economic sectors.

Table 2. One-Way ANOVA Result

Source of Variation	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	6.742	2	3.371	4.516	.012
Within Groups	221.728	297	0.747		
Total	228.470	299			

One-Way ANOVA analysis was carried out to test whether there is significant difference between the perceived severity of multiple taxation among the SME size categories in Nigeria. The result showed that there was a significant difference between the perception of the severity of multiple taxation among the SMEs ($p = .012$, $F(2, 297) = 4.516$). The p value was found to be .012, which was less than the level of significance of 0.05, so the null hypothesis was rejected. This indicates an existence of significant difference between the perceptions of the level of multiple taxation in Nigeria among the SME size categories. The discovery also implies that smaller companies are more most likely to suffer from higher tax burden and tax stress than relatively bigger SMEs.

4.1.3. The direct and interactive effects of tax multiplicity and regulatory burden on the revenue growth of Nigerian SMEs[Objective two].

Hypothesis Two

H₀₂: Multiple taxation and regulatory burden do not significantly predict SME revenue growth in Nigeria.

Table 3. Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Intercept Only	812.447			
Final	734.281	78.166	4	.000

Table 4. Parameter Estimates

Predictor Variables	Estimate	Std. Error	Wald	Df	Sig.	Exp(B)
Multiple tax authorities reduce reinvestment capacity (Q12)	-0.842	0.176	22.881	1	.000	0.431
Regulatory compliance diverts managerial time (Q13)	-0.714	0.169	17.854	1	.000	0.490
Access to formal credit (Q14)	0.635	0.221	8.257	1	.004	1.887
Electricity supply per day (Q15)	0.417	0.128	10.614	1	.001	1.518

Source: Field Survey, 2026.

A multiple taxation and regulatory burden was found to predict SME revenue growth in Nigeria and this was examined through the use of ordinal logistic regression analysis. The results of the model fitting showed that the model significantly outperformed the intercept-only model in predicting the revenue change of SMEs, $\chi^2(4) = 78.166$, $p < .001$. This means that the contribution of the predictor variables together to the model was significant.

Multiple tax authorities reducing reinvestment capacity ($\beta = -0.842$, $p < .001$) and regulatory compliance burden diverting managerial time ($\beta = -0.714$, $p < .001$) negatively

and significantly affected SME revenue growth. This means that the more complex the taxation and regulation system, the less likely that SMEs will gain revenue.

On the other hand, access to formal credit and supply of electricity per day positively and significantly influenced SME growth ($\beta = 0.635$, $p = .004$ and $\beta = 0.417$, $p = .001$ respectively). The results reveal that the access to finance and infrastructure improves the performance of businesses. The study shows that multiple taxation has significant prediction of SME revenue growth in Nigeria as does regulatory burden.

4.1.4. The primary mechanisms, specifically managerial distraction, working capital depletion, and the informality trap, through which the combined compliance burden constrains SME growth[objective 3].

Null Hypothesis (H₀₃): Managerial distraction, working capital depletion, and the informality trap do not significantly mediate the relationship between the compliance burden and SME growth.

Table 5. Model Summary

Statistic	Value
R	0.684
R ²	0.468
Adjusted R ²	0.459
F	52.811
p-value	<0.001

The model explained approximately 46.8% of the variance in SME growth, indicating that compliance burden and the mediating variables jointly exert substantial influence on SME performance.

Table 6. Direct Effect of Compliance Burden on SME Growth

Path	Coefficient (β)	t-value	p-value	Decision
Compliance Burden → SME Growth	-0.412	-6.841	<0.001	Significant

The direct effect of compliance burden on SME growth was negative and statistically significant ($\beta = -0.412$, $p < 0.001$), indicating that increasing compliance burden reduces SME growth.

Table 7. Mediation Analysis (PROCESS Model 4)

Mediator	Indirect Effect	BootLLCI	BootULCI	Decision
Managerial Distraction	-0.121	-0.182	-0.071	Significant
Working Capital Depletion	-0.148	-0.213	-0.093	Significant
Informality Trap	-0.097	-0.154	-0.052	Significant

The results of the PROCESS Macro Analysis can be found in tables 5, 6 and 7 above. These confidence intervals for all three mediators did not contain zero, suggesting that all three mediators had a statistically significant mediation effect. Depletion of working capital had the biggest indirect impact, while managerial distraction and the informality trap had a lesser impact.

The results show that there is a direct and indirect compliance burden impact on SME growth. The indirect pathways show that over-ambitious regulatory requirements and more than one tax draw managerial resources away from productive business activities, decrease the amount of working capital, and force SMEs to stay small or in the informal sector to evade the scrutiny of regulators.

Managerial distraction was a key factor in the reduction in the ability of the SME owners to focus on strategic activities of growth like innovation, customer acquisition, and operational expansion. Likewise, working capital depletion was the most powerful mediator, implying that compliance costs and tax demands are unpredictable, and this should decrease the amount of money that can be reinvested. The informality trap also hampers the growth of SMEs as the firms deliberately do not want to expand to be exposed to higher tax rates.

Overall, the mediation results provide evidence for the multiple reinforcing paths through which compliance burden negatively impacts SME growth.

Decision on Hypothesis

The null hypothesis (H_{03}) is rejected due to the fact that all three indirect effects of managerial distraction, working capital depletion and the informality trap were statistically significant based on the bootstrap confidence intervals.

Thus, the informality trap and working capital depletion partly moderate the effect of compliance cost on SME growth while managerial distraction partly moderate the effect of compliance cost on SME growth among Nigerian SMEs.

The PROCESS Macro analysis provides further confirmation that compliance burden may have important operational and financial mechanisms that limit the growth of SMEs. The findings reveal that simplifying and harmonizing tax levels across tiers of government and ease of compliance can have a significant effect on the sustainability and growth outcomes of SMEs in Nigeria if not outright eliminate regulatory complexity.

4.2 DISCUSSION OF FINDINGS

4.2.1 Objective One

The results of the study showed that the results were statistically significant with an ANOVA result of $F(2,297) = 4.516$, $p = .012$ as there was a significant difference in the perceived severity of multiple taxation across SME size categories. This means that the multiple taxation is felt more by smaller enterprises than the relatively larger SMEs. The outcome corroborates the stance that MTTs are more likely to affect MSBs, due to their limited finances and administrative resources.

The result obtained by the researcher corroborates with the study by Adewara et al (2023) which revealed that multiple tax burden and multiple tax administration negatively affects the financial performance of SMEs in Ekiti State, Nigeria. They found that too many taxes unduly reduce the investment capacity and sustainability of SMEs. Likewise, Kingsley et al. (2023), state that multiple taxation has a negative impact on SME performance in Kaduna State especially for the small SMEs that have limited capital reserve.

The finding further corroborated the findings of Kwaltomma et al (2025) which reported that tax impositions and assessment difficulties, associated with the tax burden, tremendously affect SME growth and reinvestment in Nigeria. The authors noted that regular tax collection and overlapping fiscal needs gives rise to uncertainty and inhibit growth in business. Similarly, Umukoro and Onou (2024) opined that multiple taxation is a significant setback or disincentive for SMEs survival and investment in Nigeria because of the disjointed tax structure, existing at federal, state, and local governments.

The implication of this discovery is that the Nigerian tax environment is more onerous on the micro and small businesses, making businesses vulnerable to attacks, reducing their formalization and ultimately limiting entrepreneurial development.

4.2.2 Objective Two

The multiple taxation and regulatory burden were significant predictors of the SME revenue growth in Nigeria in the ordinal logistic regression analysis. The results from the model fitting ($\chi^2(4) = 78.166$, $p < .001$) showed that the three predictor variables were jointly significant in explaining the variations in SME growth outcome.

The study concluded that the number of tax authorities had a significant negative impact on the reinvestment capacity of the SMEs ($\beta = -0.842$, $p < .001$). This implies that too much taxes cut down the money needed to upgrade and expand businesses. The finding is similar to that of Odion et al. (2022) which revealed that multiple taxation was one of the factors that severely limit the growth of SMEs in Nigeria because it negatively affects their profitability and prevents them from making investments. Similarly, Ehichioya and David (2024) reported that multiple taxation has a negative impact on the survival and performance of SMEs in Edo State because of financial pressures imposed on the operators of SMEs in the State.

The discovery also revealed that regulatory compliance takes a significant amount of time away from productive business activity ($\beta = -0.714$, $p < .001$). This means that SME owners invest significant time and effort in inspections, documentation, permit renewals, tax-related matters and not in innovation and customer development. The findings support the study conducted by Kwaltomma et al. (2025) which revealed that difficulties in administration and frequent compliance requirements result in inefficiency in management and diminishes the productivity of SMEs.

On the other hand, the access to formal credit had a positive effect on the revenue growth of SMEs ($\beta = 0.635$, $p = .004$). The fact that this finding is in line with the argument for financial inclusion and business expansion and resilience. This is in line with Mile et al. (2022) report that lack of access to finance continues to be one of the key challenges to the growth of SMEs and employment creation in Nigeria.

Electricity supply also was statistically significantly linked to SME growth ($\beta = 0.417$, $p = .001$). This indicates that a stable infrastructure is beneficial for the operational efficiency and reduction of production costs. It corroborates previous studies in Nigeria which established poor electricity supply as one of the structural challenges that hinder SME competitiveness and sustainability.

Overall, the results indicate that at least multiple taxation and regulatory burden highly limit the growth of SMEs and better availability of finance and infrastructure would improve business performance.

4.2.3 Objective Three

The PROCESS Macro mediation analysis showed that the relationship between compliance burden and SME growth is significantly mediated by the three factors defined as managerial distraction, working capital depletion and the informality trap. All indirect effects were observed in the same direction and none of the bootstrap confidence interval for any of them contained a null value, thus the null hypothesis was rejected.

The result on managerial distraction suggests that the managers of SMEs are not engaged in strategic business activities due to too much regulatory work. The result is consistent with the result of Kwaltommai et al (2025) which revealed that administrative complexity and regular tax regimes affect managerial efficiency and business productivity of SMEs in Nigeria.

The study also confirmed that the working capital depletion proved to be the strongest mediating mechanism. That means volatile tax demands and tax compliance expenses decrease liquidity for inventory, growth and operations. The result is in line with the result of Adewara et al. (2023) who found that multiple tax impositions have a negative impact on the financial performance of SMEs by diverting its financial resources which could otherwise be invested in the business.

The result also showed that the informality trap significantly mediates the relationship between compliance burden and SME growth. Many SMEs opt to stay in the small size or informal sector intentionally, as a way to evade tax and regulatory attention. This is in accordance with Umukoro and Onou (2024) who asserted that over-regulation and excessive taxation hinder formalization of SMEs and lead to business stagnation in Nigeria.

The results show that the compliance burden impacts the growth of SMEs in an interdependent manner in both operational and financial aspects. The findings then indicate that the harmonization of taxations, the easing of compliance and administrative complexity are essential to increase SME sustainability and growth in Nigeria.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The study examined the effect of multiple taxation and regulatory burden on SME growth in Nigeria with a specific focus on the mediating roles of managerial distraction, working capital depletion, informality trap. The results showed that multiple taxation and compliance burden still pose huge challenges to the survival and development of SMEs in Nigeria.

The study also concluded that the level of perceived severity of multiple taxation varies considerably between the categories of the size of the SMEs, with the micro and small enterprises perceiving the effect at a higher level than the relatively larger enterprises. This means that smaller companies are more likely to be caught up in the overlapping taxes, levies and regulatory burdens because of their limited financial and administrative resources.

The study also revealed that the multiple taxation and regulatory burden has a significant effect on the revenue growth of SMEs. More specifically, the additional tax load and compliance burden constrain reinvestment ability, and force managers to spend more time on complying with the tax law than on productive business activities. On the other hand, access to formal credit, improved electricity supply is found to have a positive impact on SME growth and sustainability.

Furthermore, the PROCESS Macro mediation analysis shows that managerial distraction, working capital depletion and informality trap all have significant mediation effects between compliance burden and SME growth. The results reveal that the compliance burden has direct and indirect impact on the SMEs, in the form of operational inefficiencies, financial burden and deliberate forgoing of formal business expansion.

The overall findings of the study indicate that Nigeria's tax and regulatory environment and its structure discourages SME growth, limits the sustainability of businesses and encourages informality. Thus, a solution to the issue of multiple taxation and excessive compliance requirement is critical in order to enhance the performance, competitiveness and long-term existence of SMEs in Nigeria.

5.2 Recommendations

Based on the findings of the study, the following recommendations are made:

1. **The government needs to ensure that the tax collection mechanisms at all levels of government are harmonised.** The overlap of taxes and levies on SMEs by the Federal, State and local governments should be removed. A common tax regime would eliminate duplication, enhance transparency and ease tax compliance for companies.
2. **The government ought to reduce the number of taxes and tariffs imposed on SMEs.** Government agencies need to make tax administration processes more simplified, offer online filing systems and provide user-friendly tax compliance guidelines for small business owners.
3. **Micro and small industries should be given special tax reliefs and incentives.** Tax exemptions, rate cuts and incentives for startups should be provided to help

businesses survive and grow as they are the ones that suffer from multiple taxation the most.

4. **Regulatory institutions should streamline themselves so as to have limited need for unnecessary inspections and administrative delays.** The process of excessive documentation, permits and repeated visits of officials should be kept to a minimum to avoid managerial distraction and greater productivity.

5. **Government should make formal credit facilities more accessible to SMEs.** Intervention programmes and credit guarantees are needed to support financial institutions in offering lower interest loans and flexible financing schemes for SMEs.

- 6 **Electricity and infrastructure investments should be given priority.** Stable power supply and better infrastructure will lower the operating cost of SMEs, boost their productivity and competitiveness in Nigeria.

7. **Tax awareness and education should be enhanced.** Programs of regular sensitization, for educating SME operators, should be organized by government and business associations on taxes and compliance procedures and incentives available.

8. **Prospective policies should be made to encourage formalization of the businesses.**

9. Government should remove the negative connotations of formal registration, by sourcing registration processes and easing the regulatory burden on newly established companies.

10. **There should be a single window regulatory platform for SMEs.** A centralized system for processing permits, registrations, and taxes for SMEs would greatly diminish the administrative burden and complexity of compliance. Further studies should focus on the impacts of the multiple taxation on SMEs in Nigeria by sector. Future researchers could explore the disparities in effect of taxation and regulatory burden between specific sectors, such as manufacturing, agriculture, ICT and retail.

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