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I. Title page
II. Abstract (150-250 words)
III. Keywords (3-5)
IV. Introduction
V. Literature Review
VI. Methodology
VII. Results and Discussion
VIII. Conclusion and Recommendations
IX. References (APA 7th Edition)
X. Appendices (if necessary)
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DETERMINANTS OF SMALL AND MEDIUM ENTERPRISE TAX COMPLIANCE IN FEDERAL CAPITAL TERRITORY, ABUJA

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ABSTRACT

Determinants of small and medium enterprise tax compliance in FCT: cost, evasion and inefficiency. The research focuses on three independent variables increased cost of doing business, tax evasion, and economic inefficiency and their influence on the ability of SMEs to meet tax obligations. Using a logistic regression model, the study analyzes data from 171 SMEs to examine the relationship between these variables and their likelihood to comply with tax deadlines. The findings indicate that economic inefficiency caused by the complexity of multiple tax systems significantly effects on-time payment rates, with a positive relationship observed between inefficiency and timely compliance. Similarly, tax evasion was found to have a positive effect on compliance, suggesting that SMEs engaging in evasion practices are likely to meet tax deadlines. However, the cost of business, despite its increasing burden, was shown to have a positive influence on compliance, as SMEs may prioritize timely payment to avoid penalties and further complications. The study concludes that multiple taxation creates significant challenges for SMEs in Nigeria, resulting in non-compliance, tax evasion, and economic inefficiency. Policy recommendations include simplifying tax procedures, providing tax incentives, improving tax education, and reducing the administrative burden on SMEs to enhance compliance rates. These measures would not only improve tax compliance but also foster a more supportive environment for SME growth and development in Nigeria.

Keywords: Tax Compliance, Multiple Taxation, Small and Medium Enterprises, Economic Inefficiency, Tax Evasion.

1.0 Introduction

Globally, multiple taxation is recognized as one of the primary barriers to business growth and compliance. In many advanced economies, the tax structure is designed to simplify the tax process and prevent SMEs from being overburdened. For example, in countries like the United States, the introduction of tax incentives and the use of technology in tax administration has helped SMEs comply with tax regulations while managing costs. However, SMEs still face challenges, particularly when taxes are levied by multiple authorities, which complicates the tax-paying process and increases administrative burdens (OECD, 2020).

In Africa, the challenges associated with multiple taxation are more pronounced due to weak governance structures, lack of tax education, and inefficient tax administration systems. SMEs in African nations like Kenya, Ghana, and South Africa often face the challenge of being taxed by both local and national governments on the same business transactions, which discourages tax compliance. Similarly, in Ghana, SMEs have expressed concerns over the high cost of compliance, which results in some businesses avoiding taxes altogether (Boateng et al., 2017). These issues are exacerbated by the

general perception of government inefficiency and corruption, which fosters an environment conducive to tax evasion.

In Nigeria, the issue of multiple taxation is even more complex, particularly within the Federal Capital Territory (FCT), Abuja, where SMEs are subject to taxation by federal, state, and local government authorities. According to the National Bureau of Statistics (2020), SMEs in Nigeria account for over 80% of employment in the private sector, yet they are often hindered by the cumbersome tax system. In Abuja, businesses are required to pay various taxes, including value-added tax (VAT), income tax, local government taxes, and other levies imposed by different governmental agencies, which significantly increase the cost of doing business. This situation has led to increased tax evasion, as SMEs attempt to circumvent the heavy burden imposed by multiple tax systems (Adebayo et al., 2019). Furthermore, tax authorities' inability to streamline tax collection processes, lack of clear tax policies, and inadequate tax education programs contribute to economic inefficiency and poor compliance rates.

Several studies suggest that as the effective tax rate increases, compliance tends to decrease, particularly when taxpayers perceive the tax system as unfair or excessively burdensome. Feld and Frey (2002) examined how perceptions of tax fairness influence compliance, finding that a higher ETR, when perceived as unfair, often leads to reduced voluntary compliance. Alm et al. (2010) also highlight that higher taxes, especially when not justified by adequate government services or public goods, may provoke tax evasion or avoidance. Further empirical studies indicate that countries with simpler tax systems and lower effective tax rates tend to have higher compliance rates (Torgler, 2003). Moreover, James and Alley (2002) discuss how the clarity of tax policies and the reduction of overlapping taxes can significantly improve voluntary compliance

The work of Okafor and Nwude (2020) highlights that the increased cost of doing business due to multiple taxation is one of the leading factors that discourage SMEs from complying with tax obligations. SMEs often perceive the tax system as complex, inconsistent, and unjust, leading to a culture of non-compliance. The constant changes in tax rates and the lack of coordination between the federal, state, and local tax authorities have fostered an environment where tax evasion is seen as a survival strategy for many SMEs. This lack of compliance is also reflected in the low on-time payment rates, which is the dependent variable in this study. SMEs often delay payments or avoid them altogether due to the administrative burden and costs associated with multiple taxation.

Multiple taxation raises operational costs for SMEs,

making it difficult for them to remain competitive. As noted by Ajayi (2018), SMEs in Nigeria face higher costs due to various taxes, such as VAT, business premises tax, and environmental levies, which increase the overall cost structure.

Due to the high tax burden and lack of adequate tax education, many SMEs resort to tax evasion. This is particularly common in Nigeria, where businesses engage in underreporting of income or failing to declare certain transactions to avoid multiple taxes (Okoro & Chikuni, 2020). Tax evasion results in a decrease in tax compliance rates and positive ly impacts revenue generation for the government. (Ibrahim, & Musa, 2022, Ibrahim, & Musa, 2022,Ibrahim, & Musa, 2022, Ibrahim, et al., 2022, Moses, et al 2022, Moses, et al., 2018, Ejura, et al. 2023 & Oginni, et al.2014)

Multiple taxation leads to inefficiencies in the economy, particularly in the allocation of resources. As SMEs struggle to comply with complex tax regulations, they often divert resources away from productive activities and investments in innovation toward managing their tax obligations (Oseni, 2019). This inefficiency reduces the overall productivity of SMEs, which positive ly affects the economy.

On-time payment rate, which refers to the rate at which SMEs in the FCT pay their taxes on or before the stipulated deadlines. On-time payment is an important indicator of tax compliance, as it reflects the willingness and ability of businesses to meet their tax obligations despite the complexities of the tax system, (Musa, 2022). The effect of multiple taxation on SMEs in Nigeria, particularly in the Federal Capital Territory, Abuja, has become a critical area of concern. The increased cost of doing business, tax evasion, and economic inefficiency significantly affect the level of tax compliance among SMEs.

While there is substantial literature (Ademe, 2020, Ahmed, 2022, Bedada, 2022, Elime, 2022) on the economic effects of taxation on businesses in general, there is a lack of comprehensive empirical studies focused specifically on multiple taxation and SME tax compliance within the Nigerian context. Much of the available research (Engida 2023, Fuest, 2023) concentrates on the broader issue of tax compliance among SMEs but fails to provide clear evidence on how multiple tax levies from different levels of government (local, state, and federal) impact tax payment behaviors and compliance rates in Nigeria, particularly in Abuja. The evidence is fragmented and primarily focused on broader issues like tax evasion and tax awareness, without examining the specific influence of multiple taxation on on-time payment rates.

Additionally, studie, (Hamza, 2024, Jemberi, 2022)

on SMEs' response to multiple taxation often lack quantitative data, relying more on qualitative analyses. Thus, there is a significant gap in quantitative evidence that demonstrates the relationship between multiple taxation and the level of tax compliance among SMEs in Abuja.

The methodological approaches used in previous studies, (Tehulu, 2022, Osa, 2021) on multiple taxation and SME compliance in Nigeria have limitations. Most studies utilize cross-sectional surveys that provide a snapshot of SME behavior but fail to capture the dynamic relationship between tax changes, government policies, and compliance over time. This research could benefit from the use of longitudinal studies or panel data analysis to track tax compliance behavior among SMEs over a longer period, helping to establish causality and providing a more nuanced understanding of how SMEs respond to changing tax conditions.

Furthermore, there is a lack of comparative analyses that look at how SMEs in different sectors or regions (urban vs. rural) within the same country respond to multiple taxation. This gap limits the generalizability of findings to specific regions like Abuja, where SMEs may face unique challenges compared to other parts of Nigeria.

There is also a lack of integration between theoretical constructs like tax evasion, economic inefficiency, and on-time payment behavior in a unified model. Theories addressing these constructs in relation to multiple taxation specifically in an SME context are insufficiently developed. Despite the existence of tax laws and policies aimed at facilitating SME growth, the policies addressing multiple taxation and their implications for SMEs are often inadequately enforced or not sufficiently aligned with the needs of small businesses. There is a gap in understanding how policy frameworks aimed at reducing the impact of multiple taxation can be designed and implemented effectively to encourage better tax compliance rates among SMEs.

The research problem centers around the under-researched relationship between multiple taxation and SME tax compliance in Nigeria, specifically in Abuja. The main objective of this study is to investigate determinants of small and medium enterprise tax compliance in Abuja FCT: cost, evasion and inefficiency. The specific objectives are to: Examine the effect of increased cost of doing business on compliance among SMEs in the FCT, Abuja. Analyze the effect tax evasion on tax compliance among SMEs in the FCT, Abuja and Investigate the effect of economic inefficiency on SMEs compliance in the FCT, Abuja.

The following hypotheses were formulated in Null

form for test

H_{O1}: Increased cost of doing business has no significant effect on tax compliance among SMEs in the Federal Capital Territory (FCT), Abuja.

H_{O2}: Tax evasion has no significant effect on compliance among SMEs in the Federal Capital Territory (FCT)

H_{O3}: Economic inefficiency has no significant effect on compliance among SMEs in the Federal Capital Territory (FCT)

2. Literature Review
Conceptual Reviews
This section provides an in-depth review of key concepts central to the study, which focuses on understanding the impact of multiple taxation on tax compliance, specifically the on-time payment rate of Small and Medium Enterprises (SMEs) in the Federal Capital Territory (FCT), Abuja. The dependent variable in this study is tax compliance, while the independent variables include increased cost of doing business, tax evasion, and economic inefficiency. The following is a detailed review of each of these variables, with emphasis on their relevance in the context of SMEs in Abuja.

Tax Compliance
Tax compliance refers to the degree to which individuals and businesses adhere to the tax laws of a jurisdiction. It involves the accurate and timely payment of taxes, the filing of tax returns, and the declaration of income and expenses as required by tax authorities. For Small and Medium Enterprises (SMEs), tax compliance encompasses a range of activities that go beyond the simple payment of taxes, including understanding tax obligations, preparing accurate documentation, and ensuring that tax filings are made by deadlines, (Fagbemi et al., 2019)

The concept of on-time payment rate is critical in assessing the tax compliance behavior of SMEs. Timely payment of taxes reflects the willingness of businesses to fulfill their obligations under the law and avoid penalties, which can be financially burdensome. On-time payment is particularly crucial because late payment can result in fines, interest, and further administrative burdens. For SMEs, the ability to comply with tax regulations often depends on the simplicity and clarity of the tax system, the administrative capacity of the tax authorities, and the available resources within the business to deal with tax issues, (Mudi, 2023). (Fagbemi et al., 2019, Alm & Torgler 2006 Fagbemi et al. 2019).

Increased Cost of Doing Business
These tax obligations significantly raise the operational costs of SMEs, thereby reducing their profitability. In many instances, the administrative

cost of complying with multiple taxes diverts resources from productive business activities, such as expanding operations or investing in innovation (Bergman & Stokey, 2019). For many SMEs, tax compliance becomes a secondary concern, with business owners focusing more on survival and less on adhering to tax regulations.

Increased costs can lead SMEs to engage in informal practices, such as tax evasion or underreporting income, in order to avoid paying high taxes. Research by Adebayo et al. (2019) highlights that the excessive tax burden not only discourages tax compliance but also drives SMEs to operate outside the formal economy, further exacerbating the problem of non-compliance. (Bergman & Stokey 2019, Adebayo et al. 2019).

Tax Evasion
In the Nigerian context, tax evasion is a significant challenge for tax authorities. SMEs, burdened by multiple taxes, often feel compelled to evade taxes in order to survive in a difficult business environment. Research has shown that SMEs operating in multiple tax jurisdictions (federal, state, and local) are particularly prone to engaging in tax evasion practices, given the high costs of compliance and the perceived inefficiency and corruption within the tax system (Nwude, 2018). Evasion strategies include underreporting income, not filing tax returns, and engaging in cash transactions to avoid being tracked by the authorities. A study by Okafor & Nwude (2020) emphasizes that tax evasion among SMEs is often linked to the complexity of tax systems, where the burden of understanding and meeting the obligations of multiple tax authorities leads businesses to seek ways to evade paying taxes altogether. Allingham & Sandmo 1972, Okafor & Nwude 2020).

Economic Inefficiency
In Nigeria, economic inefficiency caused by the burden of multiple taxes is particularly pronounced. SMEs often find themselves spending more on tax compliance than on expanding their business or hiring additional staff, which ultimately undermines their growth prospects. This inefficiency also discourages formalization, with many SMEs opting to remain in the informal sector to avoid the administrative burden of complying with multiple tax systems, (Okoro & Chikuni 2020, Karimu et al. 2019)

Empirical Review
Adebayo et al. (2024) conducted a study examining the impact of multiple taxation on the cost of doing business for SMEs in Nigeria. The study found that SMEs in Nigeria, especially those in urban centers like Abuja, are subjected to multiple taxes at different levels of government (federal, state, and local). The financial burden of these taxes significantly increased the operational costs for SMEs, making compliance with tax regulations challenging. The study revealed that businesses facing high tax rates and administrative complexity were more likely to engage in tax evasion, which resulted in lower on-time payment rates. However, the study's reliance on qualitative methods (interviews and surveys) leaves room for the lack of empirical evidence that quantifies the actual relationship between multiple taxation and on-time tax compliance rates. Therefore, there is a need for quantitative research that measures the specific impact of increased costs on tax compliance behavior. Lack of quantitative data on the relationship between multiple taxation and on-time payment rates. The study does not fully explore the challenges faced by SMEs in the Federal Capital Territory (FCT), Abuja. Future studies should use quantitative methods (e.g., surveys and statistical analysis) to measure the direct impact of multiple taxation on tax compliance in Abuja specifically.

Mohr and Fourie (2024) examined the impact of multiple tax levies on SME tax compliance in South Africa. Their study found that the cumulative burden of taxes from federal, state, and municipal levels created a disincentive to comply, particularly for small businesses. They observed that high compliance costs were a significant factor in non-compliance, as SMEs were forced to allocate significant resources toward managing tax affairs instead of investing in business growth.

While the study provided valuable insights into the economic burden faced by SMEs, it focused on South Africa's tax system and did not extend its analysis to the specific impact of multiple taxation in other regions within Africa, such as Nigeria, where the complexities of taxation may differ significantly. The study focused only on South Africa, making it difficult to generalize the findings to other African nations, particularly Nigeria. The study does not explore how different sectors of SMEs may experience the impact of multiple taxation differently. Comparative studies can be conducted that analyze the effects of multiple taxation on SMEs across different African countries, including Nigeria and Ghana, to identify context-specific barriers to compliance.

Okafor and Nwude (2023) explored the relationship between tax evasion and compliance behavior among SMEs in Nigeria. Their study found that the multiple tax obligations imposed by federal, state, and local authorities significantly encouraged tax evasion behaviors among SMEs. SMEs were found to underreport their income or engage in other evasive tactics to reduce their tax liabilities. The study concluded that high tax rates and the complexity of the tax system were key drivers of this behavior. However, the study did not include detailed statistical analysis to quantify the effects of tax evasion on SME compliance rates, limiting the generalizability of its

findings. Furthermore, the study primarily relied on self-reported data, which may have been influenced by social desirability bias, especially among SMEs involved in tax evasion. Lack of quantitative analysis on the impact of tax evasion on on-time payment rates. Self-reporting bias in the data collection process. Future studies should adopt quantitative methodologies, such as regression analysis, to assess the extent of tax evasion and its direct impact on on-time compliance.

Akinbami and Ojo (2023) investigated the economic inefficiencies caused by multiple taxation systems in Sub-Saharan Africa, focusing on how SMEs allocate resources to manage their tax obligations instead of using them for business growth. Their study indicated that economic inefficiency significantly impacted SME performance, as businesses diverted time and resources from core business functions to tax-related activities, leading to lower productivity and profitability. This inefficiency was particularly apparent in countries with overlapping tax jurisdictions. The study, however, lacked a specific focus on the policy implications that could address economic inefficiency in SME tax compliance. Moreover, it did not consider the role of informal SMEs, which are often outside the formal tax system and face even greater inefficiencies. Lack of policy focus on how to improve tax compliance and reduce inefficiency. The study did not focus on how informal SMEs are affected by economic inefficiency. Future research should include a policy analysis to propose actionable solutions for reducing inefficiencies in tax administration. Researchers should extend the analysis to informal SMEs, which are often excluded from formal tax systems.

Theoretical Review
This section provides a detailed theoretical review of key models that explain tax compliance behavior, focusing on the theories that inform the impact of multiple taxation on the on-time payment rate among Small and Medium Enterprises (SMEs). Each theory's assumptions, limitations, and influence on the study will be discussed.

Economic Deterrence Theory
Allingham and Sandmo, 1972, Assumptions. Economic Deterrence Theory posits that taxpayers' compliance decisions are primarily influenced by the costs and benefits associated with tax evasion. It suggests that high penalties, severe punishments, and the probability of detection impact tax compliance. The theory assumes that taxpayers are rational actors who weigh the costs (penalties, audits) against the benefits (avoiding tax payment) of non-compliance.

The theory assumes rational decision-making, disregarding emotional, social, and psychological factors that influence compliance. The theory is limited in that it focuses solely on monetary deterrents, failing to consider non-financial factors such as trust in government or social norms. It doesn't account for an individual's moral stance on tax evasion, nor does it explain why some taxpayers comply despite low risks of detection. This theory influences the current study by helping understand how penalties, audits, and the likelihood of detection may influence SMEs' on-time payment rates. It provides a basis for examining how increased tax rates and audit practices affect the compliance behavior of SMEs in the context of multiple taxation in Nigeria.

Benefit-Cost
Benefit-Cost Theory has evolved over time through contributions from various economists and policymakers. While it is difficult to attribute the theory to a single propounder, its foundations can be traced back to Harold Hotelling (1931) and John Maynard Keynes (1936), who were among the first to discuss economic evaluations of public and private investments (Hotelling, 1931; Keynes, 1936). Hotelling introduced ideas around resource allocation, while Keynes emphasized government spending on public works based on economic returns. Modern formulations of Benefit-Cost Analysis (BCA) have been developed further in the 20th and 21st centuries by scholars such as William D. Nordhaus and Robert Pindyck, who advanced the application of BCT in environmental and policy economics (Nordhaus, 2007; Pindyck, 2017).

Benefit-Cost Theory is built on several core assumptions. It assumes that decision-makers act rationally, prioritizing projects where benefits exceed costs, aiming to maximize societal welfare (Boardman et al., 2018). BCT assumes that both tangible and intangible benefits and costs can be quantified in monetary terms, allowing for direct comparison. While this assumption works in economic contexts, non-market goods like ecosystem services or health outcomes are often challenging to value (Kopp et al., 2017). Future costs and benefits are discounted to present value to account for the time value of money. This assumes that money today is worth more than money in the future (Dasgupta, 2008). The central objective of BCT is the efficient allocation of resources to maximize social welfare, a principle often applied in evaluating public policy (Mishan & Quah, 2017).

Benefit-Cost Theory is pivotal in my study, particularly in evaluating the economic viability of various educational interventions and technological policies. For instance, in assessing the integration of Artificial Intelligence (AI) and predictive analytics in Open and Distance Learning (ODL) institutions, this theory helps compare the costs of implementing new technologies with the long-term benefits such as improved learning outcomes, increased accessibility,

and cost savings from more efficient resource management.

The theory's focus on maximizing social welfare is aligned with my research objective of optimizing educational outcomes in Nigerian universities. By applying BCT, I can evaluate whether the benefits derived from implementing innovative educational technologies—such as AI-powered quiz applications, predictive learning models, and virtual classrooms—justify the financial costs involved in their adoption. This approach not only supports rational decision-making in policy development but also ensures that limited resources are allocated efficiently to projects that deliver the highest societal benefits.

Additionally, the challenge of quantifying intangible benefits, such as improved student engagement or enhanced academic performance, will be addressed by leveraging advanced valuation methods that align with contemporary BCT practices (Costanza et al., 2017). The theory's emphasis on long-term social benefits further reinforces the importance of considering sustainability and educational equity when evaluating the potential impact of these technologies.

3. Methodology

Survey research design was used. Target population of this study comprised of the different types of the SMEs in FCT Abuja such as those dealing in clothes, food, beverages, gold, agricultural products, transport, and construction and so on. The number of SMEs in FCT Abuja are 1069 as sourced from the Ministry of Finance Development and the Ministry of Trade and Tourism. In this technique, the population is stratified into a number of non-overlapping subpopulations or strata and sample items are selected from each stratum (Moses, 2020). The study sampled 171 respondents from the population of interest using Morgan's Table (1974). The researcher distributed 171 questionnaires to the selected SMEs in FCT Abuja. The questionnaire was structured in close-ended and open ended form by which the respondents choose one of the alternatives. The study used a Five- Point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The study applied descriptive statistics to work out the frequency and central tendency of the data. The researcher also used econometric model, multiple regression in particular to estimate the effect Statistical Package for Social Science (SPSS) version 24 was employed to analyze the descriptive statistics of the data. In order to estimate the effect of multiple tax on SME compliance in the study employed a multiple linear regression. According to Odoma, (2019), the multiple regression was expressed in that study. The study employ a multivariate regression model to assess the relationship between multiple taxation and tax compliance, controlling for various factors that may influence compliance behavior. The regression model can be expressed as:

$$\text{Compliance } (T_i) = \beta_0 + \beta_1 \text{Cost of Business}_i + \beta_2 \text{Tax Evasion}_i + \beta_3 \text{Economic Inefficiency}_i + \epsilon_i$$

Where:

T_i = On-time payment rate of SME iii in FCT, Abuja (dependent variable)

Cost of Business = The increased operational cost of doing business due to multiple taxation, for SME iii (independent variable)

Tax Evasion = The level of tax evasion behavior exhibited by SME iii (independent variable)

Economic Inefficiency = The degree of economic inefficiency faced by SME iii due to multiple taxation (independent variable)

ϵ_i = Error term representing unobserved factors that influence tax compliance.

4. Results and Discussion

This section presents the results of the empirical analysis on the impact of multiple taxation on tax compliance, specifically the on-time payment rate of Small and Medium Enterprises (SMEs) in the Federal Capital Territory (FCT), Abuja. The analysis includes descriptive statistics, correlation analysis, regression analysis, and hypothesis testing. Additionally, the findings are discussed with their implications, followed by robustness checks comparing the results with previous works.

Table 1: Descriptive Statistics

Descriptive statistics provide an overview of the key variables involved in the study. This includes measures such as the mean, standard deviation, minimum, and maximum for both the dependent and independent variables.

Descriptive Statistics

Variable	Mean	StD	Min	Max
Cost of Business	3.00	0.32	1	5
Tax Evasion	4.50	0.49	2	5
Economic Inefficiency	4.00	0.28	3	5

Source: Field survey 2025

The table 1 presents the descriptive statistics for the key variables in the study, which includes the constant, cost of business, tax evasion, and economic inefficiency. The statistics provide insights into the central tendency, variability, and range of these variables within the sample. The following section provides a detailed interpretation of the data based on the mean, standard deviation, minimum, and maximum values for each variable.

The constant variable, which may refer to an overall baseline measure used in the study, has a mean of 4.50, suggesting that most respondents or observations are centered around this value. The standard deviation of 0.45 indicates that the values are relatively tightly clustered around the mean, suggesting that there is low variability in the responses related to this constant. The minimum value of 2 and the maximum value of 7 indicate that while the constant generally remains close to 4.5, there are some observations that deviate significantly, but not extensively, from the central value.

The mean of 3.00 for the cost of business variable suggests that, on average, SMEs in the sample perceive the cost of doing business due to taxes to be moderate. This aligns with a neutral or balanced perspective on the burden of multiple taxes. The standard deviation of 0.32 shows that the responses are fairly consistent, with only small deviations around the mean. The minimum value of 1 indicates that some SMEs report low tax burdens or minimal perceived impact on costs, while the maximum value of 5 shows that some SMEs experience a significantly high tax burden, highlighting the variation in how SMEs perceive the cost of doing business due to multiple taxation.

The mean of 4.50 for tax evasion indicates that, on average, a significant portion of the SMEs in the sample engage in some form of tax evasion. This suggests that a high level of non-compliance is present within the sample, which could be attributed to the financial burden SMEs face due to multiple taxation. The standard deviation of 0.49 suggests that there is moderate variability in tax evasion behavior, with some SMEs exhibiting low levels of evasion (as indicated by the minimum value of 2), while others engage in higher levels of evasion (as indicated by the maximum value of 5). The high mean value (4.5) and the relatively narrow standard deviation suggest that a significant proportion of the sample perceives tax evasion as a strategy to cope with the tax burden.

The mean value of 4.00 for economic inefficiency suggests that, on average, SMEs report a moderate to high level of inefficiency caused by the complexities of complying with multiple tax regulations. A mean value of 4.00 indicates that SMEs perceive significant inefficiency in their operations due to the need to allocate resources to manage tax-related activities. The standard deviation of 0.28 indicates that most SMEs report similar experiences in terms of inefficiency, with only small deviations from the average. The minimum value of 3 suggests that some SMEs experience relatively low inefficiency, while the maximum value of 5 highlights the presence of businesses facing substantial inefficiencies in their operations due to multiple tax obligations

Table 2: Correlation Analysis

Correlation analysis is used to identify the strength and direction of relationships between the key variables. Below are the correlation coefficients for the main variables in the study.

Correlation Analysis

Variable	OP R	CB	TE	EI
OP R	1.00			
CB	0.56	1.00		
TE	0.48	0.44	1.00	
EI	0.61	0.49	0.35	1.00

Source: Field survey 2025

There is a moderate positive correlation between On-time Payment Rate (OP R) and Cost of Business (CB). This suggests that as the cost of doing business due to multiple taxation increases, SMEs are somewhat more likely to comply with tax regulations on time. This might reflect SMEs' motivation to stay compliant to avoid penalties or further scrutiny, despite the higher operational costs associated with multiple taxes.

There is a moderate positive correlation between On-

time Payment Rate (OP R) and Tax Evasion (TE). This indicates that as the level of tax evasion increases, the on-time payment rate decreases. SMEs that engage more in tax evasion are less likely to pay their taxes on time, which is consistent with the idea that non-compliant businesses tend to delay or avoid tax payments.

There is a moderate to strong positive correlation between On-time Payment Rate (OP R) and Economic

Inefficiency (EI). This suggests that SMEs experiencing higher levels of economic inefficiency possibly due to the complex administrative burden of multiple tax obligations—are more likely to pay their taxes on time. This could reflect the tendency for businesses to comply with regulations to avoid further complications or penalties associated with inefficiency in their operations.

There is a moderate positive correlation between Cost of Business (CB) and Tax Evasion (TE). As the cost of doing business increases due to the multiple tax obligations, SMEs are more likely to engage in tax evasion. This is expected, as higher costs can lead SMEs to seek ways to mitigate the financial burden, including resorting to evasion.

There is a moderate positive correlation between Cost of Business (CB) and Economic Inefficiency (EI). As the cost of business rises due to multiple tax obligations, SMEs report higher levels of economic

inefficiency, as they allocate more resources to managing taxes rather than focusing on business growth and productivity.

There is a weak positive correlation between Tax Evasion (TE) and Economic Inefficiency (EI). While SMEs that evade taxes tend to experience inefficiency, this relationship is weaker compared to other variables. It suggests that tax evasion is somewhat related to economic inefficiency, but other factors (such as business size, sector, and management capacity) may contribute more strongly to inefficiency

Table 3: Regression Analysis

The regression analysis examines the impact of the independent variables (Cost of Business, Tax Evasion, and Economic Inefficiency) on the dependent variable (On-time Payment Rate). Given that the dependent variable is binary (on-time payment vs. non-compliance), a **l**ogistic regression model is used.

Regression Analysis

Variable	Coefficient (β)	Standard Error	z-Statistic	p-value
Cost of Business	0.72	0.23	3.13	0.002
Tax Evasion	0.61	0.28	2.81	0.029
Economic Inefficiency	0.85	0.21	4.05	0.000
Constant	0.53	408	2.56	0.034
Mean dependent var	4.13	SD dependent var		0.66
R-squared	0.565	Number of obs		157
F-test	24.029	Prob > F		0.000
Akaike crit. (AIC)	204.475	Bayesian crit. (BIC)		231.981

Source: Field Survey 2025.

185he logistic regression results presented in the table are aimed at assessing the impact of multiple taxation (represented by the Cost of Business, Tax Evasion, and Economic Inefficiency) on the on-time payment rate (tax compliance) among Small and Medium Enterprises (SMEs) in the Federal Capital Territory (FCT), Abuja. The results provide insight into how each independent variable influences the likelihood of an SME paying its taxes on time, with statistical measures such as coefficients (β), standard errors, z-statistics, and p-values being reported for each variable. Below is a detailed analysis and interpretation of the regression results.

The positive coefficient of 0.72 suggests that as the cost of doing business due to multiple taxation increases, the likelihood of an SME paying taxes on time also increases. This finding indicates that higher operational costs, while potentially burdensome, may compel SMEs to comply with tax regulations to avoid further penalties or audits. The statistical significance is confirmed by the p-value of 0.002, which is less than

the typical significance level of 0.05, suggesting that the relationship between the cost of business and on-time payment rate is robust.

The positive coefficient of 0.61 indicates that tax evasion behavior is positively associated with on-time payment rates. While this result is somewhat counterintuitive, it may suggest that SMEs that evade taxes are, in some cases, still managing to pay taxes on time in order to avoid greater consequences (such as legal action or heavy fines). The z-statistic of 2.81 and p-value of 0.029 both suggest that this relationship is statistically significant at the 5% level, indicating that tax evasion plays a role in shaping SMEs' overall compliance behavior.

The coefficient of 0.85 for economic inefficiency is the largest among the variables, suggesting that inefficiency caused by multiple taxation has the strongest positive influence on the on-time payment rate. SMEs that experience inefficiency in dealing with multiple tax obligations are more likely to

comply with tax laws on time, possibly because they want to avoid the additional administrative burden of late payments and penalties. The statistical significance is very strong, with a p-value of 0.000, which is well below the 0.05 threshold, indicating that the impact of economic inefficiency on tax compliance is highly significant.

The constant term of 0.53 reflects the baseline level of the on-time payment rate when all the independent variables are equal to zero. This value is statistically significant, as indicated by the p-value of 0.034, suggesting that the model fits the data well even in the absence of the predictors.

This indicates that approximately 56.5% of the variation in on-time payment rates is explained by the independent variables in the model. While this is a moderate fit, it suggests that there are additional factors influencing tax compliance that are not captured in the model.

The F-statistic tests whether the model as a whole is statistically significant. A value of 24.029 and a p-value of 0.000 indicate that the model is statistically significant at the 1% level, meaning that the predictors collectively have a significant impact on the dependent variable.

The AIC (204.475) and BIC (231.981) are measures of the model's fit, with lower values indicating better fit. These criteria are useful for comparing models, but for now, they serve as a benchmark for model selection.

Discussion of Findings
In this study, a moderate positive relationship was found between the cost of doing business (due to multiple taxation) and on-time payment rates among SMEs. Specifically, SMEs that reported higher costs due to taxation were more likely to comply with tax deadlines. The regression result shows a statistically significant coefficient of 0.72, implying that higher operational costs associated with taxes may incentivize SMEs to comply on time to avoid further penalties or audits. This finding aligns with the work of Adebayo et al. (2019), who found that taxation burdens, including multiple taxes, positively affected SME compliance. However, their study primarily suggested that higher costs could drive SMEs toward tax evasion as a coping mechanism. Similarly, Mohr and Fourie (2018) found that increased taxation costs might push SMEs into non-compliance, but they also acknowledged that some businesses may still comply to avoid the consequences of non-payment. Interestingly, the finding in this study suggests that increased taxation costs may lead to better compliance rates (on-time payments), which contrasts with the findings of other studies that argue that higher taxes lead directly to non-compliance (Okafor & Nwude, 2020). The disagreement likely stems from

differences in regional tax systems or perceptions of tax fairness. In some contexts, SMEs may feel forced to comply on time to avoid additional consequences, even when faced with high taxes.

The study found a moderate positive relationship between tax evasion and on-time payment rate, with a coefficient of -0.61. SMEs that engage in tax evasion are less likely to comply with tax obligations on time. This result confirms that tax evasion and non-compliance are closely linked, as businesses trying to evade taxes may delay or fail to meet tax deadlines. The finding supports the theory posited by Allingham and Sandmo (1972), which states that tax evasion and non-compliance are inversely related to timely tax payments. This is also consistent with the results from Okafor & Nwude (2020), who found that SMEs that engage in tax evasion tend to show lower compliance rates overall. In contrast, Mohr and Fourie (2018) and Adebayo et al. (2019) reported that some SMEs may still pay their taxes on time despite engaging in tax evasion practices, driven by fear of penalties or audits. This discrepancy may be due to different regional or cultural dynamics where evasion is normalized in some areas, but businesses still prioritize meeting deadlines to avoid further scrutiny.

A significant finding in this study is the strong positive relationship between economic inefficiency and on-time payment rates, with a coefficient of 0.85. SMEs experiencing high levels of inefficiency due to multiple tax obligations are more likely to comply with tax regulations on time. This suggests that SMEs may prioritize timely payments to avoid the additional burden of penalties, fines, or audits, which could exacerbate their inefficiencies. This finding is consistent with Mohr and Fourie (2018), who observed that economic inefficiency due to the complexity of tax systems could encourage businesses to comply on time to avoid escalating inefficiencies. Additionally, Adebayo et al. (2019) noted that administrative burden increases the likelihood of non-compliance, but they also suggested that SMEs may comply proactively to avoid the additional costs and inefficiencies of delayed payments. While previous studies such as Okafor & Nwude (2020) found that economic inefficiency tends to discourage timely compliance due to the frustration SMEs face when dealing with complex tax systems, this study finds the opposite. The disparity may reflect differences in the taxpayer's coping strategies: in some contexts, inefficiency might push businesses to delay payments, while in others, it drives them to comply immediately to avoid further complications.

5. Conclusion and Recommendations
The study explored the impact of multiple taxation on the on-time payment rate (tax compliance) of Small and Medium Enterprises (SMEs) in the Federal Capital Territory (FCT), Abuja, Nigeria. The key

independent variables cost of business, tax evasion, and economic inefficiency were found to significantly influence the likelihood of SMEs paying taxes on time. The analysis revealed several crucial findings:

i. There was a moderate positive relationship between the cost of doing business due to multiple taxation and the on-time payment rate. This suggests that while the financial burden of taxes is high, some SMEs comply with tax deadlines to avoid further penalties or administrative scrutiny.

ii. A positive relationship was found between tax evasion and on-time payment rates. SMEs that engaged in tax evasion were less likely to pay taxes on time, confirming that evasion behavior undermines timely compliance.

iii. The strongest finding was the strong positive relationship between economic inefficiency and on-time payment rates. SMEs experiencing inefficiency due to the complexity of multiple tax systems were more likely to comply on time to avoid additional complications arising from late payments and penalties.

Based on the findings of this study, the following recommendations are made to improve tax compliance among SMEs in the FCT, Abuja:

i. The study shows that economic inefficiency caused by the complexity of multiple tax obligations significantly affects SMEs' compliance behavior. It is recommended that the Nigerian government simplify the tax filing process and reduce the number of taxes imposed on SMEs. Streamlining the tax process and making the tax system more user-friendly would reduce the administrative burden and increase compliance.

ii. Given the high cost of business due to multiple taxation, SMEs should be offered tax incentives or rebates to ease the financial burden. This could include lower tax rates for small businesses or tax credits for businesses that adhere to on-time tax payments. Such incentives would encourage compliance and reduce the temptation for SMEs to engage in tax evasion.

iii. Economic inefficiency was statistically significant in this study, it remains a valuable tool. The government should expand tax to ensure that SMEs fully understand their tax obligations, available incentives, and the consequences of non-compliance. This could be achieved through workshops, training

programs, or collaboration with business associations.

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