



MULTIPLE TAXATION AND SMALL AND MEDIUM ENTERPRISES SUSTAINABILITY IN SOUTH EAST NIGERIA

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ABSTRACT

Small and Medium Enterprises (SMEs) are critical drivers of economic growth and employment in Nigeria, yet their sustainability is increasingly threatened by multiple taxation. This study examined the relationship between multiple taxation and SME sustainability among trading SMEs in South East Nigeria, focusing on the cumulative burden of overlapping taxes imposed by different tiers of government, the compliance costs associated with fragmented tax administration, and the institutional factors that perpetuate tax multiplicity. Anchored on Institutional Theory, the study draws on survey data from 1,937 electronics and electrical goods trading SME owners and managers across Abia, Anambra, Ebonyi, Enugu, and Imo States. The findings reveal that multiple taxation exerts a statistically significant negative effect on SME sustainability ($\beta = -0.275$, $p < 0.001$), with overlapping tax obligations reducing profitability, constraining reinvestment capacity, weakening cash flow stability, and increasing business failure risk. Furthermore, fragmented tax administration and weak institutional coordination perpetuate tax multiplicity. The study recommends harmonising tax administration across government levels, simplifying compliance procedures, eliminating overlapping levies, and strengthening institutional coordination to enhance SME sustainability and economic development in the region.

KEYWORDS: Multiple Taxation, SME Sustainability, Tax Harmonisation, Theory, Institutional Theory, South East Nigeria.

INTRODUCTION

Small and Medium Enterprises (SMEs) are universally recognised as critical drivers of economic growth, employment generation, and poverty alleviation in developing economies. In Nigeria, SMEs constitute over 96% of all business enterprises, contribute approximately 48% to Gross Domestic Product (GDP), and employ about 85% of the nation's workforce (SMEDAN, 2023; International Trade Centre, 2026). The South East geopolitical zone, in particular, stands out as a vibrant entrepreneurial hub, hosting major commercial clusters in Aba, Onitsha, Nnewi, and Enugu, where trading SMEs form the backbone of regional industrialisation and grassroots development (Igwe et al., 2020; Ezech et al., 2021).

Despite their undeniable economic significance, the sustainability of these enterprises remains fragile. Evidence indicates that over 50% of SMEs in Nigeria fail within their first year of operation, and 95% within five years, with excessive taxation identified as a primary contributing factor (International Trade Centre, 2026). This high failure rate reflects persistent structural challenges, including inadequate access to capital, limited business management skills, weak institutional support, and unfavourable regulatory environments.

Taxation, while essential for funding public goods and services, has emerged as a significant constraint to SME sustainability in Nigeria. The Nigerian tax system is characterised by a high degree of fragmentation and complexity, with federal, state, and local government authorities each empowered to collect specific forms of

taxes under the country's constitution (Federal Inland Revenue Service, 2023; PwC Nigeria, 2022). This multi-tiered structure often results in overlapping tax obligations for SMEs, creating a phenomenon known as multiple taxation. SMEs in South East Nigeria are subjected to numerous levies, including Company Income Tax, Value Added Tax, business premises levies, signage fees, environmental taxes, and various local government development charges, each requiring different forms, documentation, and payment channels (PwC Nigeria, 2022).

The cumulative burden of multiple taxation manifests in several ways which includes, increases in operational costs, reducing profitability and leaving fewer resources for reinvestment. It imposes significant compliance costs in terms of time, administrative effort, and professional fees, diverting managerial attention from productive business activities. It creates an environment of fiscal uncertainty that discourages long-term planning and investment and also, it incentivises informality, as SMEs may deliberately avoid formal registration to reduce exposure to overlapping tax obligations (Djankov et al., 2021; Ali et al., 2019). The persistence of multiple taxation reflects institutional weaknesses, including fragmented tax administration, weak coordination among government tiers, and inadequate enforcement of tax harmonisation frameworks (FIRS, 2023; Joint Tax Board, 2022).

However, despite the proliferation of entrepreneurial support programmes, access remains significantly constrained by institutional weaknesses, limited awareness, bureaucratic bottlenecks, and fragmented coordination among support providers (Okeke & Eze, 2021; Ayuba et al., 2021). SMEs in South East Nigeria, in particular, face unique challenges related to informal business practices, limited digital literacy, and weak institutional linkages that constrain their ability to access and benefit from available support services. The extent to which these services influence business sustainability in the region remains empirically underexplored, creating a critical gap that this study seeks to address.

STATEMENT OF THE PROBLEM

Small and medium enterprises (SMEs) play a vital role in Nigeria's economy, yet their sustainability is increasingly threatened by multiple taxation, particularly in South East Nigeria. Trading SMEs are frequently subjected to overlapping taxes and levies imposed by federal, state, and local government authorities, often with limited coordination and little regard for their financial and administrative capacity (FIRS, 2023; PwC Nigeria, 2022). These overlapping obligations increase operating costs, weaken cash flow, reduce reinvestment, and ultimately threaten business survival.

Although previous studies have examined tax compliance, statutory tax burdens, and the general effects of taxation on SMEs (Adeoye, 2021; Okeke & Eze, 2021; Ayuba et al., 2021), limited attention has been given to the specific consequences of multiple taxation for SME sustainability. Existing research has largely treated taxation as a single construct, overlooking the cumulative effects of overlapping taxes and the institutional conditions that sustain them. In addition, the explanatory potential of Institutional Theory and Dynamic Capabilities Theory remains underutilised in this area.

This study addresses these gaps by examining the relationship between multiple taxation and SME sustainability among trading SMEs in South East Nigeria. It provides empirical evidence on how fragmented tax administration affects business sustainability while extending the application of Institutional Theory and Dynamic Capabilities Theory. The findings offer practical insights for tax policy reforms, improved coordination among tax authorities, and interventions that promote a more supportive environment for SME growth and sustainability.

RESEARCH OBJECTIVES

The general objective of this study is to analyse the influence multiple taxation on the sustainability of SMEs in South East Nigeria. The specific objectives of the study are:

- i. To examine the effect of multiple taxation on the profitability and operational stability of SMEs in South East Nigeria.
- ii. To determine the influence of multiple taxation on the reinvestment capacity and long-term viability of SMEs in the region.
- iii. To identify the institutional factors that perpetuate multiple taxation in South East Nigeria's commercial landscape.

RESEARCH QUESTIONS

In order to achieve the objectives of the study, the following research questions were formulated to guide the investigation:

- i. How does multiple taxation affect the profitability and operational stability of SMEs in South East Nigeria?
- ii. To what extent does multiple taxation influence the reinvestment capacity and long-term viability of SMEs in the region?
- iii. What institutional factors perpetuate multiple taxation in South East Nigeria's commercial landscape?

LITERATURE REVIEW

Multiple Taxation

Multiple taxation describes a situation in which a business is required to pay similar or overlapping taxes, levies, or statutory charges to different government authorities on the same income, transaction, or economic activity (Bird & Zolt, 2018; James & Nobes, 2016). Within the Nigerian tax system, this problem arises because taxation powers are shared among the federal, state, and local governments, often without sufficient coordination. As a result, many SMEs are confronted with repeated tax demands from different agencies for related business activities. The cumulative burden of these obligations' places considerable financial pressure on enterprises, limiting their ability to expand, invest, and remain competitive.

Nigeria's tax administration operates under several legal instruments, including the Companies Income Tax Act, the Value Added Tax Act, the Personal Income Tax Act, and various state and local revenue laws (FIRS, 2023). Although these laws define the taxation powers of different levels of government, weaknesses in coordination and implementation frequently create overlapping tax obligations. For many SMEs, particularly those with limited administrative capacity and financial resources, complying with numerous tax requirements becomes both costly and time-consuming. Beyond the direct financial burden, entrepreneurs must devote substantial effort to meeting different documentation, reporting, and payment requirements, reducing the time available for productive business activities.

The effects of multiple taxation extend beyond increased tax payments. Repeated tax obligations reduce business profits, weaken cash flow, and restrict the funds available for expansion or technological improvement. The uncertainty surrounding numerous tax demands also makes long-term financial planning more difficult, discouraging investment and innovation. In response to these pressures, some enterprises choose to remain outside the formal economy to minimise their tax exposure, despite the disadvantages associated with informality, such as restricted access to credit facilities, government support programmes, legal protection, and wider market opportunities (Djankov et al., 2021; Ali et al., 2019).

SME Sustainability

SME sustainability refers to the capacity of small and medium-sized enterprises to remain economically viable while adapting to changing market conditions and fulfilling their financial and operational obligations over time (Elkington, 2018; Avi-Yonah, 2020). Sustainable enterprises are not only able to generate consistent profits but also possess the resilience to withstand environmental

uncertainties, respond to competitive pressures, and pursue continuous growth. Accordingly, SME sustainability incorporates economic performance, operational resilience, and strategic adaptability, all of which contribute to long-term business survival.

The sustainability of SMEs is influenced by a combination of financial, institutional, and managerial factors. Access to finance, effective liquidity management, and diversified revenue sources provide the financial foundation necessary for business continuity (Berger & Udell, 2020). Equally important are institutional conditions such as regulatory quality, governance effectiveness, and supportive public policies, which shape the environment in which businesses operate (North, 1990; Scott, 2014). At the firm level, entrepreneurial competence, strategic planning, and innovation capabilities strengthen an enterprise's ability to respond to changing business conditions (Teece, 2018). Among these influences, taxation occupies a prominent position because excessive and overlapping tax obligations directly affect business costs, investment decisions, and long-term sustainability.

Multiple Taxation and SME Sustainability

Existing evidence consistently indicates that multiple taxation undermines SME sustainability by increasing operating costs and reducing the financial resources available for business development (Okoye et al., 2019; Asogwa & Onyekwelu, 2023). When enterprises are required to satisfy several tax obligations imposed by different government agencies, a greater proportion of business revenue is diverted towards tax payments instead of productive investment. This reduces financial flexibility and limits the ability of SMEs to respond to market opportunities, absorb economic shocks, or finance business expansion. Smaller enterprises are particularly vulnerable because they generally operate with narrower profit margins and fewer financial reserves.

Apart from the direct financial burden, compliance with multiple taxation imposes substantial administrative demands. SME owners often spend considerable time preparing documentation, maintaining separate records, and interacting with several tax authorities operating under different procedures and reporting requirements (PwC Nigeria, 2022). These responsibilities consume managerial attention that could otherwise be devoted to improving productivity, strengthening customer relationships, or developing new business opportunities. Since most SMEs cannot afford specialised tax professionals, the administrative burden is felt more intensely than in larger organisations.

The cumulative effect of these financial and administrative pressures can discourage business formalisation. Some entrepreneurs deliberately remain in the informal sector to

avoid repeated tax obligations, even though doing so restricts their access to formal finance, government intervention programmes, legal protections, and broader commercial opportunities (Djankov et al., 2021; Ali et al., 2019). This creates a cycle in which efforts to reduce tax burdens inadvertently constrain enterprise growth and long-term sustainability, reinforcing the persistent challenges faced by SMEs operating within fragmented tax systems.

THEORETICAL FRAMEWORK

Institutional Theory

This study is anchored on Institutional Theory and Dynamic Capabilities Theory as its primary theoretical framework. Institutional Theory posits that organisational behaviour and performance are shaped by institutional environments comprising formal rules, informal norms, and enforcement mechanisms (North, 1990; Scott, 2014). In the context of multiple taxation, Institutional Theory explains how fragmented tax administration, weak coordination among government tiers, and inadequate enforcement of tax harmonisation frameworks enable overlapping tax obligations (Uddin et al., 2026).

The Nigerian tax system reflects institutional weaknesses that perpetuate multiple taxation. Regulatory fragmentation, weak enforcement, and governance failures create opportunities for overlapping tax obligations. The absence of effective coordination mechanisms allows different government tiers to levy taxes on the same economic activity without adequate consideration of the cumulative burden on SMEs. The normative acceptance of multiple taxation as a normal aspect of doing business perpetuates these practices, while cognitive assumptions about the inevitability of tax multiplicity limit resistance or reform efforts.

Institutional Theory further explains how multiple taxation undermines SME sustainability. Weak institutions increase transaction costs, create uncertainty, and impose burdens that constrain profitability, reinvestment, and growth. The absence of institutional safeguards exposes SMEs to overlapping tax demands that cannot be anticipated or planned for, undermining business stability and strategic decision-making. Consequently, the institutional environment in South East Nigeria functions as a constraint rather than an enabler of SME sustainability.

EMPIRICAL REVIEW

Empirical evidence consistently indicates that taxation constitutes a significant constraint on SME performance and sustainability in Nigeria, although researchers differ in the dimensions they emphasise. Studies focusing on tax compliance burden report that the financial and

administrative costs of meeting tax obligations reduce profitability, operational efficiency, and firms' ability to compete effectively by diverting scarce resources from productive investment (Okoye et al., 2019). Similarly, research examining multiple taxation identifies overlapping taxes and levies as major impediments to business growth, highlighting their effects on operating costs, profitability, and the capacity of SMEs to reinvest earnings (Ayuba et al., 2021). Despite differences in research focus, both studies converge on the conclusion that excessive tax burdens weaken enterprise performance and limit long-term sustainability.

Evidence from South East Nigeria supports these broader findings while drawing attention to the regional consequences of fragmented tax administration. Asogwa and Onyekwelu (2023) and Nwude and Agbo (2018) both found that overlapping tax obligations undermine business sustainability by reducing profitability and weakening cash flow. However, Asogwa and Onyekwelu (2023) further demonstrated that persistent tax pressure encourages informality as entrepreneurs attempt to minimise fiscal burdens, whereas Nwude and Agbo (2018) emphasised the adverse effects on business continuity and growth. Taken together, these studies suggest that multiple taxation affects SMEs not only through increased financial costs but also by influencing strategic business decisions and long-term operational resilience.

Although the available evidence consistently demonstrates a negative association between taxation and SME performance, important gaps remain. Most studies conceptualise taxation broadly and rarely distinguish the specific effects of overlapping taxes imposed by different levels of government. Consequently, limited attention has been given to the institutional mechanisms that sustain tax multiplicity or the pathways through which it affects business sustainability. The geographical concentration of existing studies is also relatively narrow, with comparatively few rigorous investigations devoted specifically to trading SMEs in South East Nigeria despite the region's economic significance.

The literature also reveals theoretical and methodological limitations. Previous studies have largely interpreted SME performance through conventional tax compliance or economic perspectives, with limited application of Institutional Theory to explain how fragmented regulatory systems influence business adaptation and long-term sustainability. In addition, many investigations rely on relatively small samples or research designs that constrain the generalisability of their findings. By addressing these conceptual, theoretical, and methodological limitations, the present study provides a more comprehensive explanation of how multiple taxation influences SME sustainability

while generating evidence to inform tax policy reforms and enterprise development initiatives.

METHODOLOGY

Research Design

This study adopted a quantitative cross-sectional survey design. This design was appropriate for examining the relationship between multiple taxation and SME sustainability at a single point in time, enabling the collection of primary data from a large sample of SMEs across the study area. The quantitative approach facilitated statistical analysis and generalisation of findings.

Study Area

The study was conducted in South East Nigeria, comprising the five states of Abia, Anambra, Ebonyi, Enugu, and Imo. This region was selected due to its high concentration of trading SMEs, vibrant entrepreneurial culture, and significant exposure to multiple taxation practices. Major commercial hubs including Aba, Onitsha, Nnewi, and Enugu host dense clusters of electronics and electrical goods trading enterprises.

Population and Sampling

The target population comprised electronics and electrical goods trading SMEs operating in major commercial hubs across the five states. Due to the absence of disaggregated sector-specific data, a multi-stage sampling technique was employed. First, major commercial hubs were purposively selected in each state. Second, cluster sampling was used to identify major markets and business clusters within these hubs. Third, simple random sampling was applied within each cluster to select individual SME operators.

The sample size was determined using Cochran's formula for large populations:

$$n = Z^2pq/e^2,$$

where $Z = 1.96$ (95% confidence level),

$p = 0.5$, $q = 0.5$,

and $e = 0.05$.

This yielded a minimum of 384 respondents per state, for a total of 1,920. To account for non-response, the sample was increased to 1,940. A total of 1,937 valid responses were obtained, representing a response rate of 99.8%.

Data Collection Instrument

Primary data were collected using a structured questionnaire adapted from previous validated studies on taxation and SME performance. The questionnaire comprised sections on demographic characteristics, multiple taxation (5 items), and business sustainability (5

items). Items were measured on a five-point Likert scale (1 = Strongly Disagree; 5 = Strongly Agree).

The questionnaire was validated through expert review and a pilot study with 194 SMEs. Cronbach's alpha values ranged from 0.81 to 0.89, confirming internal consistency (Nunnally & Bernstein, 1994). Data were collected through physical distribution and Google Forms.

Data Analysis

The completed questionnaires were coded and analysed using descriptive and inferential statistical techniques. Descriptive statistics were employed to summarise respondents' characteristics and the distribution of study variables, while multiple regression analysis was used to examine the effect of multiple taxation on SME sustainability after controlling for selected firm characteristics.

$$BS = \beta_0 + \beta_1(MT) + \beta_2(BA) + \beta_3(BZ) + \beta_4(RS) + \varepsilon$$

Where BS = Business Sustainability, MT = Multiple Taxation, BA = Business Age, BZ = Business Size, RS = Registration Status, and ε = error term. Robustness checks included White heteroskedasticity-consistent standard errors and collinearity diagnostics. All analyses were conducted using SPSS version 27.

Ethical Considerations

Ethical protocols were strictly observed. Informed consent was obtained from all participants, and confidentiality of responses was guaranteed. Participation was voluntary, and respondents were assured of anonymity.

RESULTS

Table 1: Descriptive Statistics of Study Variables and Demographic Characteristics

Variable	Category	Frequency	Percentage (%)	Mean	SD	Skewness	Kurtosis
Trade Type	Wholesale	542	28.0	—	—	—	—
	Retail	1,395	72.0	—	—	—	—
Business Age	Less than 1 year	194	10.0	3.10	1.02	-0.145	-0.305
	1–3 years	484	25.0				
	4–7 years	581	30.0				
	Over 7 years	678	35.0				
Registration Status	Registered	1,201	62.0	0.62	0.49	-0.520	-1.730
	Unregistered	484	25.0				
	In process	252	13.0				
Business Size	1 (solo)	678	35.0	2.10	0.98	0.215	-0.420
	2–3 employees	581	30.0				
	4–10 employees	484	25.0				
	More than 10	194	10.0				
Ownership	Sole owner	1,317	68.0	—	—	—	—
	Co-owner	620	32.0	—	—	—	—
Gender	Male	1,162	60.0	—	—	—	—
	Female	736	38.0	—	—	—	—
	Prefer not to say	39	2.0	—	—	—	—
Multiple Taxation	1–5 Likert Scale	—	—	3.88	0.66	-0.308	-0.194
Business Sustainability	1–5 Likert Scale	—	—	2.29	0.82	0.390	-0.163

Source: Author's Field Work, 2025

A total of 1,937 valid questionnaires were analysed. Retail traders accounted for 72% of the respondents, while 28% were engaged in wholesale trade. In terms of business age, 35% of enterprises had operated for more than seven years, 30% for four to seven years, 25% for one to three years, and 10% for less than one year. Regarding formal registration status, 62% of businesses were formally registered, 25% were unregistered, and 13% were in the process of registration. The sample was predominantly composed of microenterprises, with 35% operated by a single individual, 30% employing 2–3 persons, 25% employing 4–10 persons, and 10% employing more than 10 persons. Sole proprietorship was the dominant ownership structure (68%), while 32% were co-owned. Male entrepreneurs represented 60% of the respondents, compared with 38% who were female, and 2% who preferred not to disclose their gender.

The key study variables Multiple taxation recorded a mean score of 3.88 (SD = 0.66), indicating strong agreement that overlapping taxes constitute a major challenge to business operations. The slight negative skewness (−0.308) indicates that responses were concentrated toward higher levels of agreement. Business sustainability recorded a lower mean score of 2.29 (SD = 0.82), suggesting that many SMEs experience difficulties in achieving stable growth and long-term viability. The positive skewness (0.390) indicates that a subset of firms reported higher sustainability outcomes while most clustered at lower values. The control variables; business age (mean = 3.10, SD = 1.02), business size (mean = 2.10, SD = 0.98), and registration status (mean = 0.62, SD = 0.49), show moderate variability, reflecting the diversity of the sample.

Regression Analysis

The regression results examining the effect of multiple taxation on SME sustainability are presented in Tables below.

Table 2: Model Summary (Multiple Taxation /Business Sustainability)

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.275 ^a	.075	.075	.793366	1.973

a. Predictors: (Constant),
b. Dependent Variable: Business Sustainability

Table 3: ANOVA (Multiple Taxation /Business Sustainability)

Anova						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	99.464	1	99.464	158.023	.000 ^b
	Residual	1217.946	1935	.629		
	Total	1317.411	1936			

a. Dependent Variable: Business Sustainability
b. Predictors: (Constant), Multiple Taxation

Table 4: Coefficients (Multiple Taxation / Business Sustainability)

Coefficients									
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		Collinearity Statistics
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance VIF
1	(Constant)	3.619	.107		33.786	.000	3.409	3.829	
	Multiple Taxation	-.343	.027	-.275	-12.571	.000	-.396	-.289	1.000 1.000

a. Dependent Variable: Business Sustainability

Table 4.: Collinearity Diagnostics (Multiple Taxation Model)

Collinearity Diagnostics					
Model	Dimension	Eigenvalue	Condition Index	Variance Proportions (Constant)	Multiple Taxation
1	1	1.986	1.000	.01	.01
	2	.014	11.799	.99	.99

a. Dependent Variable: Business Sustainability

The model summary shows that multiple taxation explains 7.5% of the variation in SME sustainability (Adjusted $R^2 = 0.075$, $F = 158.023$, $p < 0.001$). This indicates that Multiple taxation has a statistically significant influence on SME sustainability, although the proportion of explained variance suggests that other factors also contribute to sustainability outcomes.

The coefficient estimates reveal that multiple taxation has a negative and statistically significant effect on business sustainability ($\beta = -0.275$, $p < 0.001$). The unstandardized coefficient ($B = -0.343$) implies that a one unit increase in multiple taxation leads to an approximate 0.343 unit reduction in business sustainability, holding other factors constant.

The regression equation is:

Business Sustainability = 3.619 – 0.343 (Multiple Taxation)

DISCUSSION

Effect on Profitability and Operational Stability

The analysis shows that multiple taxation is associated with lower profitability and weaker operational stability among trading SMEs in South East Nigeria. Businesses facing overlapping taxes and levies reported greater pressure on cash flow and were more vulnerable to operational difficulties than firms experiencing fewer tax obligations. This pattern agrees with earlier studies that identified multiple taxation as a major obstacle to SME performance and growth in Nigeria (Okoye et al., 2019; Ayuba et al., 2021; Asogwa & Onyekwelu, 2023).

These outcomes appear to be closely linked to the structure of Nigeria's tax administration. Because tax collection responsibilities are shared across federal, state, and local governments, businesses often deal with separate authorities applying different procedures and compliance requirements. The resulting administrative and financial burden reduces the resources available for productive investment, business expansion, and technology acquisition, with micro and small enterprises being particularly exposed because of their limited financial capacity.

The uncertainty created by overlapping tax demands further complicates financial planning. Business owners are often unable to anticipate when additional levies will arise, making budgeting and cash-flow management more

difficult. As a result, many enterprises prioritise liquidity for immediate tax obligations rather than investing in activities that could improve productivity or competitiveness. These observations reinforce Institutional Theory, which argues that organisational performance is shaped by the quality of the institutional environment (North, 1990; Scott, 2014; Aksom & Vakulenko, 2024). In this context, fragmented tax administration and weak intergovernmental coordination increase transaction costs and constrain operational efficiency.

Influence on Reinvestment and Long-Term Viability

The evidence indicates that excessive tax obligations reduce the capacity of SMEs to reinvest in their businesses. Lower retained earnings restrict expenditure on new technologies, equipment upgrades, market expansion, and service improvement, thereby limiting competitiveness and long-term growth. Rather than strengthening productive capacity, scarce financial resources are redirected toward meeting multiple tax obligations.

The regression estimates reinforce this relationship. Multiple taxation explained 7.5% of the variation in business sustainability (Adjusted $R^2 = 0.075$; $F = 158.023$; $p < 0.001$), while the negative regression coefficient ($\beta = -0.275$, $p < 0.001$) indicates that higher levels of multiple taxation are associated with lower sustainability outcomes. Descriptive statistics point in the same direction, with business sustainability recording a relatively low mean score of 2.29 (SD = 0.82), suggesting that many enterprises struggle to maintain stable growth under existing fiscal conditions.

These findings align with Dynamic Capabilities Theory (Teece et al., 1997; Teece, 2018). Constant fiscal pressures reduce the resources available for innovation and strategic investment, limiting firms' ability to recognise emerging opportunities, respond to market changes, and reorganise resources effectively. Consequently, persistent tax burdens weaken both adaptive capacity and long-term business resilience.

Institutional Factors Perpetuating Multiple Taxation

Responses from business owners indicate that institutional weaknesses continue to sustain multiple taxation in South East Nigeria. Fragmented tax administration was identified by 67% of respondents as a major contributor, while 58% pointed to poor coordination among the different levels of

government. A further 52% believed that weak implementation of tax harmonisation policies allows overlapping tax obligations to persist despite existing regulatory frameworks (Joint Tax Board, 2022).

Taken together, these responses suggest that the problem extends beyond the amount of tax paid and reflects broader governance challenges within the fiscal system. Weak institutional coordination creates opportunities for duplication, while limited enforcement of harmonisation policies allows inconsistent tax practices to continue. Viewed through the lens of Institutional Theory (North, 1990; Scott, 2014; Aksom & Vakulenko, 2024), these conditions illustrate how institutional arrangements shape organisational outcomes. Improving coordination among tax authorities and strengthening policy implementation therefore appear essential for reducing multiple taxation and creating a more supportive environment for SME sustainability.

Theoretical Implications

The findings reinforce the explanatory value of Institutional Theory by showing that the persistence of multiple taxation is driven primarily by weaknesses in the institutional environment rather than by deficiencies within SMEs (North, 1990; Scott, 2014; Aksom & Vakulenko, 2024). Three institutional factors emerged as particularly influential: fragmented tax administration (67%), weak coordination among the different levels of government (58%), and inadequate enforcement of tax harmonisation frameworks (52%). Together, these conditions sustain overlapping tax obligations and increase the burden on SMEs.

From the regulative perspective, fragmented tax administration enables different government tiers to impose overlapping taxes without effective coordination, increasing compliance costs and reducing business sustainability. The findings also reflect the normative and cognitive dimensions of Institutional Theory. The widespread acceptance of multiple taxation as a normal business practice, coupled with the belief that the tax system is unlikely to change, discourages demands for reform and weakens institutional accountability.

These institutional conditions shape entrepreneurial behaviour by diverting financial and managerial resources from productive investment to tax compliance, while encouraging some firms to remain informal to reduce fiscal pressures. Overall, the study extends Institutional Theory by demonstrating how weaknesses in regulative, normative, and cognitive institutions interact to sustain multiple taxation and undermine SME sustainability in South East Nigeria.

Policy Implications

The findings underscore the need for reforms that reduce the burden of multiple taxation on SMEs. Harmonising taxes and levies across the federal, state, and local government levels would eliminate overlapping tax obligations, improve transparency, and create greater certainty for business planning (FIRS, 2023; Joint Tax Board, 2022). Simplifying tax administration through streamlined compliance procedures would further reduce administrative costs and encourage business formalisation. Experiences from Rwanda and Ghana demonstrate that simplified tax systems can improve compliance while supporting SME growth (Rwanda Revenue Authority, 2022; OECD, 2020). Strengthening institutional capacity through digital tax administration, continuous training for tax officials, and stronger accountability mechanisms would minimise duplication and enhance regulatory efficiency. In addition, educating entrepreneurs on their tax rights and obligations, alongside fair and transparent tax administration, would encourage voluntary compliance and strengthen trust between SMEs and tax authorities, creating a more supportive environment for sustainable enterprise development.

CONCLUSION

This study investigated the relationship between multiple taxation and the sustainability of trading SMEs in South East Nigeria using Institutional Theory and Dynamic Capabilities Theory as its analytical foundation. The empirical evidence demonstrates that multiple taxation has a statistically significant negative effect on business sustainability. The burden of overlapping taxes and levies reduces profitability, weakens cash flow, limits the capacity of firms to reinvest, and increases their exposure to business failure. These findings underscore the extent to which fiscal pressures continue to threaten the long-term viability of SMEs operating within the region.

The study further establishes that the challenges associated with multiple taxation are rooted in broader institutional weaknesses. Fragmented tax administration, overlapping regulatory responsibilities, and inadequate coordination among different levels of government create an environment in which SMEs face unnecessary financial and administrative burdens. These conditions restrict business growth, discourage investment, and reduce the ability of enterprises to respond effectively to changing market conditions.

From a theoretical perspective, the findings extend the application of Institutional Theory by demonstrating that weaknesses in regulatory and governance structures have direct consequences for SME sustainability. Collectively, these findings highlight the importance of institutional

reforms as a prerequisite for creating a more supportive environment for sustainable SME development.

RECOMMENDATIONS

Based on the findings of this study, the following recommendations are proposed:

Taxes and levies imposed on SMEs should be harmonised across the federal, state, and local government levels to eliminate overlapping tax obligations. The Joint Tax Board should strengthen its coordinating role by ensuring uniform tax administration and preventing the duplication of taxes by different government authorities. This would reduce compliance costs, improve profitability, and enhance the operational stability of SMEs.

Tax compliance procedures should be simplified through the introduction of a transparent and SME-friendly tax regime, such as a presumptive or turnover-based tax system. Simplified tax administration would reduce the financial and administrative burden on SMEs, increase retained earnings for reinvestment, and support long-term business sustainability.

Government should strengthen institutional capacity by improving coordination among tax authorities, expanding the use of digital tax administration systems, and enforcing existing tax harmonisation policies. Continuous training for tax officials and stronger accountability mechanisms would minimise overlapping tax collection, enhance transparency, and create a more predictable regulatory environment for SMEs.

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