

BUSINESS GROWTH IN NASARAWA STATE: EFFECT OF MULTIPLE TAXATION

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Abstract:

The study assesses the effect of multiple taxation on business growth in Nasarawa state, Nigeria. A survey research method was adopted. A sample of 420 business owners/operators were randomly selected from some selected towns in Nasarawa state. Questionnaire was the major instrument used for data collection. Tables, graphs, percentage and other simple statistical tools were used in the analysis of the data collated. A total of 53.81% of the respondents were of the view that multiple taxes affect their businesses significantly/very significantly. This was confirmed by the Z – Test statistical tool was used to test the formulated hypotheses. Therefore, it is recommended that the list of approved or authorized taxes and governments agents should be harmonized and published. In addition, unauthorized revenue agencies should be reported to relevant government agencies for sanction.

Keywords:

business, growth, Nasaraw state, multiple taxation

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1. INTRODUCTION

It is a well-known fact that the revenue generated from the taxation of individuals and businesses is an important stream of income for government. Tax revenue is the source of funds used for development projects such as provision of infrastructure like good roads, stable power supply, stable water supply etc. All of which combine to create an enabling environment for businesses –and in turn the economy at large- to grow (Ojochogwu and Stephen, 2012).

Nigeria is Africa's most populous country and second

largest economy after South Africa. By virtue of its size, improved economic management and strong economic growth in Nigeria would generate substantial prospects for growth and spillovers for the whole West African region. But the challenges facing the country are formidable—despite its oil wealth and sustained economic growth during the last decade, more than half of its population still lives in poverty. Given the low employment capacity in the oil sector, economic diversification is important for sustainable growth, job creation, and poverty reduction. However, Nigerian firms, the engine of growth and diversification, continue to face a challenging business environment. In addition to continuing scant electricity supply, multiple- taxation is one of the major impediments to doing business in Nigeria (Pitigala and Hoppe, 2011).

Tax Policy in Nigeria has been largely used to generate maximum revenue for the government and as a result its use for optimal allocation' of resources or redistribution of income is being neglected. Anyanwu (1997) noted that tax authority in Nigeria has concentrated on the manipulation of the rates and tax bases in order to generate enough revenue for the government. This has led to imposing of different types of taxes and levies by tax authorities. These different taxes, which should have otherwise come under one major type of tax but are split into many forms, are in this work referred to as "multiple tax".

Nasarawa state like many other States in Nigeria has multiple level of taxation. The focus of this research therefore is to examine multiple tax and business growth in the state. Specifically, it attempts to investigate the mode of payment of tax, which government agencies are responsible for collection of tax in the business area and how multiple taxes affect business.

The following hypotheses guided the research at ($\alpha=0.05$) level of significance: H₀: Multiple taxes do not significantly affect business.

2. LITERATURE REVIEW: EFFECTS OF MULTIPLE TAXES ON BUSINESS

In generally, effects of taxation refer to all the changes in the economy as a result of tax imposition. Anyanwu (1997) noted that the presence of multiple taxes distort the pattern of production, consumption, investment, employment and other similar patterns for good or for bad.

Seddon (1975) had the same view that multiple taxes affect

production. He said that the extent to which the volume of production is affected by multiple taxes depend upon its influence on the ability and the desire to work, to save and to invest. To estimate the effects of taxes on production and growth would require knowing the effects of multiple taxes on the allocation of existing productive resources. A change in taxation will cause a realignment of consumers' wants and the reallocation of factors of production. This affects the demand for goods and services of the products of small-scale enterprises.

On investment, Anyanwu (1997) has observed that all taxes have immediate effect of reducing the volume of resources available for investment in the private sectors. Evguenia (2004) noted that one of the main obstacles for the development of private sector small enterprises is a heavy taxation burden to which is added a corrupt system of tax. Longenecker et al (1997) observed that taxes are serious burden imposed on

small businesses' cash flow and, therefore, represent a costly drain on the financial health of small firms". Lindsey (1985) asserted that the current level of regulations (government regulation including tax) is so high, so complicated and so intensive that it's strangling business and suppressing productivity of small business. Leontjeva (1997) observed that cumbersome tax burden produces deleterious effects on running small-scale enterprises.

Research undertaken over the last several years by IFC and other organizations have consistently shown that tax issues remain the most problematic for smaller business (Yacoub and Senchuk, 2000). In a survey of Ukrainian small enterprises, have found that small-scale enterprises pay on average a different tax including numerous so-called non-budget funds to which entrepreneurs are strongly 'encouraged' to contribute to, that can act exactly like a tax.

The 1993 survey of Small Business by National Small Business United (NSBU) and the Author Anderson Enterprise Group shows that business owners rank tax burden as the biggest challenge they face. Chicago-based grant Thornton Accountants and management consultants in a (1993) survey of 250 midsize manufacturers found that 81 percent listed "reduced regulation (especially tax reduction)" as the change that would be most beneficial to their companies.

In Africa, Fisman and Svenson (2007) estimated the effects of tax on small firm's growth in Uganda and found that there is a statistically stronger relationship between taxation and growth.

The coefficient on tax implied that a one-percentage point increase in the rate of taxation will reduce a firm's annual growth by about 0.5 percentage point.

Nwankwo (1997) using the ordinary least square estimation, estimated the economic effects of tax (selected taxes) on selected Macroeconomic variables in Nigeria economy. His result showed that company income tax (CIT) has positive and significant effects on Gross Domestic Product. It also significantly reduced national unemployment while personal income tax and other taxes except custom and exercise duties, negatively but insignificantly affect unemployment in Nigeria.

3. NASARAWA STATE: OVERVIEW

Located in north central Nigeria, Nassarawa State covers 27,117 square kilometres. Nassarawa state is bounded on the north by Kaduna State, on the South by Benue State, on the East by Plateau & Taraba States, while on the West by The Federal Capital Territory & Kogi State. The population estimate is 1,863,275 as at 2006 (censors figure) (NigeriaGalleria, 2015). It is, however, estimated that the population of the state has since geometrically increased to the figure of 2.6million people at present (Adogi, 2013). The local Governments are: Akwanga, Awe, Doma, Karu, Keana Keffi, Kokona, Lafia, Nasarawa, Nasarawa-Eggon, Obi, Toto and Wamba.



The state is composed of different ethnic groups each with its own distinct local dialect but Hausa is common among the people. Farming is the main occupation of the people of the state. It provides food as well as income. Crops produced include cassava, yam, rice, maize, guinea corn, beans, soya beans, beniseed, asha, and millet. The state also has precious mineral deposits like columbite, a major input in the production of steel; coal, an energy source; and acqymarine, a substance used in the production of jewelries.

Nassarawa state is a pot pourri of tourist attractions with array of hills and rocks that dot the state's landscape. On top of any of these natural edifices, tourists are offered a wonderful spectacle of the state. Among these Rocks and Hills are: the famous Mada Hills and Rukubi Hills, both at Akwanga; Ava and Eggon Hills at Nassarawa; Captain Maloney Hills at Keffi, and Efugogiri Hills at Doma; Numa Rock, Akwanga, and Mail Rumba Rock, Doma.

The young state is richly endowed with scenic beauty, and conspicuous features. Its temperate climate makes it a tourist centre. Lafia the state capital has an enviable weather with a fascinating rocky environment.

4. METHODOLOGY

This study relied extensively on qualitative research method. The survey data was primarily drawn from a well-constructed questionnaire administered to a sample of 420 business owners/operators from four selected towns in four selected local government areas in Nasarawa state. The local government areas were Lafia, Keffi, Maraba and Eggon/Akwanga. The number of questionnaires administered in each selected towns were as follows: Lafia (120), Keffi (82), Maraba/Masaka (102) and Eggon/Akwanga (116). Tables, graphs, percentage and other simple statistical tools were used in the analysis of the data collated. Z – Test statistical tool was used to test the formulated hypothesis.

5. DISCUSSION OF FINDINGS

Findings on the socio-demographic attributes of the respondents show that out of the 420 sampled respondents, 265 were male and 155 were female (see Figure 1). A further break down of gender is shown in Table 1. It shows that in Lafia, male respondents were 70 while female respondents were 50.

A total of 82 respondents were obtained in Keffi; 50 were male and 32 female. The table also revealed that in Maraba/Masaka, female respondents were 21 in number while the male respondents were overwhelming by a total number of 81. In Eggon/Akwanga, 64 respondents were male while 52 were female.

Table 1.1: Distribution of respondents by Sex

Sex	Frequency				Total	As % of Total (N=420)
	Lafia	Keffi	Maraba/Masaka	Eggon/Akwanga		
Male	70	50	81	64	265	63.10
Female	50	32	21	52	155	36.90
Total	120	82	102	116	420	100

Source: Field Survey, 2015.

Figure 2: Percentage distribution of respondents by age Source: Field Survey, 2015.

The pie chart above reveals that 48% (201 respondents) of the respondents fall between 18 – 30 years. The respondents within the age range of 31-40 years make up 27% (115 respondents) of the total respondents. 20% (82 respondents) of the respondents were under 41-60 years. 5% (22 respondents) of respondent were above 60years.

Table 1.2: Distribution of respondents by age

Age	Frequency				Total	Group Data (Arithmetic Mean)				Frequency Density F/X
	Lafia	Keffi	Maraba/Masaka	Eggon/Akwanga		Age	Frequency (F)	Mid Point (X)	FX	
18-30yrs	82	29	34	56	201	18-30yrs	201	24	4,824	8.4
31-40yrs	23	21	42	29	115	31-40yrs	115	35.5	4,059.5	3.2
41-60yrs	15	21	26	20	82	41-60yrs	82	50.5	4,141	1.6
60-100yrs	0	11	0	11	22	61-100yrs	22	80.5	1,771	0.3
Total	120	82	102	116	420		420		14,795.5	

Source: Field Survey, 2015.

Arithmetic mean: = $14,795.5/420 = 35.2$

Table 1.2 above reveals that respondents whose ages fall between 18 – 30 years were 82, 29, 34 and 56 in number from Lafia, Keffi, Maraba/Masaka and Eggon/Akwanga respectively. 31-40yrs age bracket had 23 respondents from Lafia, 21 respondents from Keffi, 42 respondents from Maraba/Masaka and 29 respondents from Eggon/Akwanga. Those under 41-60 years totaled 15 from Lafia, 21 from Keffi, 26 from Maraba/Masaka and 20 from Eggon/Akwanga. According to Table 1.2, there was no respondent above 60 years from Lafia and Maraba/Masaka. Nonetheless, Keffi and Eggon/Akwanga each had 11 respondents well above 60 years.

Table 1.3: Distribution of respondents by marital status

Marital Status	Frequency				Total	As % of Total (N=420)
	Lafia	Keffi	Maraba/Masaka	Eggon/Akwanga		
Single	67	44	50	43	204	48.57
Married	40	38	52	63	193	45.95
Divorced	13	0	0	10	23	5.48
Total	120	82	102	116	420	100

Source: Field Survey, 2015.

According to Table 1.3, out of 120 respondents in Lafia, 67 were single, 40 were married and 13 were divorced. In Keffi, no respondent was divorced, however, 44 were single while 38 were married. The number of respondents married in Maraba/Masaka were 52 while 50 were single. It appeared that no respondent was divorced in Maraba/Masaka. A closer look at Table 1.3 shows that 10 respondents were divorced, 43 were single and 63 were married out of a total of 116 respondents.

Table 1.4: Distribution of respondents by qualification

Type of Qualification	Frequency				Total	As % of Total (N=420)
	Lafia	Keffi	Maraba/Masaka	Eggon/Akwanga		
Primary/College	22	22	34	19	97	23.10
ND/NCE	67	34	40	53	194	46.19
B.Sc/HND	31	15	17	25	88	20.95
Masters/Above	0	11	11	19	41	9.76
No formal education	0	0	0	0	0	0
Total	120	82	102	116	420	100

Source: Field Survey, 2015.

From Table 1.4, qualification of respondents from Lafia showed that 22 respondents possessed Primary/College certificates, 67 had ND/NCE, 31 B.Sc/HND, none had Masters degree and above. Also, there was no respondent who had no formal education. The table revealed clearly that respondents with Primary/College certificates were 22, ND/NCE were 34, B.Sc/HND were 15, Masters/Above 11, and no respondent without formal education. Primary/College respondents for Maraba/Masaka and Eggon/Akwanga were 34 and 19 respectively. ND/NCE holders among the respondents in Maraba/Masaka were 40 while that of Eggon/Akwanga were 53. According to the table, B.Sc/HND respondents were 25 from Eggon/Akwanga and 17 from Maraba/Masaka. Those respondents having Master degree and above in Maraba/Masaka and Eggon/Akwanga were 11 and 19 respectively. The qualification having the highest number of respondents is ND/NCE (67) and it was experienced in Lafia.

Table 1.5: Distribution of respondents by nature of business

Nature of Business	Frequency				Total	As % of Total (N=420)
	Lafia	Keffi	Maraba/Masaka	Eggon/Akwanga		
Trading	54	38	35	47	174	41.43
Manufacturing	17	20	12	15	64	15.23
Services	24	24	30	17	95	22.62
Agriculture	6	0	8	9	23	5.48
Mining	6	0	5	12	23	5.48
Others	13	0	12	16	41	9.76
Total	120	82	102	116	420	100

Source: Field Survey, 2015.

Table 1.5 attempts to describe or show the nature of business or commerce which the respondents were into. In Lafia, a huge number (54) of the respondents were into trading. This is followed by services (24) and manufacturing (17). Similar, trend of business activities are exhibited in Keffi, Maraba/Masaka, and Eggon/Akwanga. Many of the businesses in these areas are either small scale or medium scale. Nonetheless, small and medium scales enterprises (SMEs) are known to form the core of majority of the world's economies. A study carried out by the Federal Office of Statistics shows that in Nigeria, small and medium enterprises make up 97% of the economy (Ariyo, 2005).

Table 1.6: Distribution of respondents by type of business

Types of Business	Frequency				Total	As % of Total (N=420)
	Lafia	Keffi	Maraba/Masaka	Eggon/Akwanga		
Sole Proprietorship	79	56	72	51	258	61.43
Partnership	21	26	16	24	87	20.71
Limited Liability Company	11	0	14	18	43	10.24
Cooperative Society	9	0	0	23	32	7.62
Total	120	82	102	116	420	100

Source: Field Survey, 2015.

Table 1.6 attempts to categorize the business entities operated by the respondents. Clearly, sole proprietorship is the leading form of business operated by the respondents in Lafia (79 respondents), Keffi (56 respondents), Maraba/Masaka (72 respondents), and Eggon/Akwanga (51 respondents). The sole proprietorship form of business shows that the size of the business is small or medium. Although smaller in size, they are the most important enterprises in the economy due to the fact that when all the individual effects are aggregated, they surpass that of the larger companies. Over the years, small and medium enterprises have been an avenue for job creation and the empowerment of Nigeria's citizens providing about 50% of all jobs in Nigeria and also for local capital formation. Table 1.6 reveals also

that partnership form of business thrives in the study areas. This is followed by Limited Liability Company and cooperative society respectively.

Table 1.7: What is the number of your employees?

Responses	Frequency	Percentage
3-5	182	43.34
6-10	82	19.52
11-20	63	15.00
21-30	45	10.71
Above 50	48	11.43
Total	420	100

Source: Field Survey, 2015.

The data in Table 1.7 shows the number of employees that are employed in the business operated by the respondents. It reveals that 43.34% of business operatives have 3-5 employees. 15.% of business firms employ 11-20 employees while 11.43% employ over 50 employees.

Table 1.8: Type of tax (es) paid by your organization

Responses	Frequency	Percentage
Personal income tax	87	20.72
Company income tax	77	18.33
Business premises tax	186	44.29
Property tax	35	8.33
Community tax	35	8.33
Others	0	0
Total	420	100

Source: Field Survey, 2015.

On the basis of tax (es) paid by the business firm or organization, business premises tax is paid by 44.29% of the organizations. That happens to be the tax paid by most business organizations. This followed by personal income tax and company income tax. The least taxes paid are property and community (8.33% each) (see Table 1.8)

Table 1.9: What is the mode of payment of your taxes?

Responses	Frequency	Percentage
Cash and monthly	124	29.52
Bank and monthly	80	19.05
Cash and yearly	166	39.52
Bank and yearly	50	11.91
Total	420	100

Source: Field Survey, 2015.

Regarding the mode of payment of taxes by organizations or business firms of respondents, 39.52% of respondents said that they pay cash yearly as shown in Table 1.9 above. 29.52% indicated that they pay cash monthly. However, 19.05% make monthly payment through banks while 11.91% pay

yearly through banks.

Figure 3: Multiple or duplicated taxes

Source: Field Survey, 2015.

When respondents were asked whether their business were subjected to payment of multiple or duplicated taxes, Figure 3 shows that 42% responded by saying yes. Other the hand, 35% of respondents said no while 23% don't know. Table 1.10 displays the data in detail.

Table 1.10: Is your business subjected to payment of multiple or duplicated taxes?

Responses	Frequency
Yes	176
No	96
Don't know	148
Total	420

Source: Field Survey, 2015.

Table 1.11: Which government agencies are responsible for collection of taxes in your area?

Responses	Frequency	Percentage
State Board of Internal Revenue (SBIR)	122	29.05
Local Government Council	148	35.24
State/LGA Revenue Task Force	105	25.00
Others	45	10.71
Total	420	100

Source: Field Survey, 2015.

Data in Table 1.11 shows the responses of respondents when asked which government agencies are responsible for collection of taxes in their areas, 29.05% of the responses suggested State Board of Internal Revenue (SBIR), 35.24% of the responses indicated Local Government Council, followed by State/LGA Revenue Task Force (25.00%). Nevertheless, 10.71% of the responses show that other agencies are involved in collection of taxes in the respondents areas.

Table 1.12: How do these multiple taxes affect your business?

Responses	Frequency	Percentage	Proportion
Very significantly	94	22.38	0.22
Significantly	132	31.43	0.31
Fairly	116	27.62	0.28
Not at all	78	18.57	0.19
Total	420	100	1.00

Source: Field Survey, 2015.

Analysis of Table 1.12 shows that 31.43% of the respondents are of the view that multiple taxes affect their businesses significantly. 18.57% of respondents are of the opinion that multiple taxes does not at all affect their business. The expression of 27.62% of respondents shows that multiple taxes affect their businesses fairly while it very significantly affect 22.38% of respondents' businesses.

Since the responses in Table 1.12 were relevant to one of the objectives stated and hypothesis formulated, the Z-test was used for testing the hypothesis . The method applied in the analysis was difference in proportion. The formula for "Z" test statistic is given as:

Z =

Where:

P = Proportion of positive responses (strongly agree and agree)

Q = Proportion of the negative responses (disagree and strongly disagree) n =
Sample size

b = Level of significance is 0.05

c = Critical value at 0.05 level of significance, the "Z" score take value between -1.96 to 1.96

d = Decision Rule: if the computed "Z" value is between -1.96 to 1.96 of our critical value, we reject the null hypothesis

From Table 1.12, P = 0.53, Q = 0.47, and n = 420:

Z = 0.02

Since our computed "Z" value of 0.02 falls between -1.96 and 1.96 of our critical value, we reject the null hypothesis and therefore accept the alternative hypothesis that multiple taxes do significantly affect business in Nasarawa state.

Table 1.13: How would you rate the conduct of tax collection officials in your area of operation?

Responses	Frequency	percentage
Friendly	100	23.81
Hostile	120	28.57
Unfriendly	138	32.86
Don't know	62	14.76
Total	420	100

Source: Field Survey, 2015.

In rating the conduct of tax collection officials in their areas of operation, 32.86% and 28.57% of respondents were of the perception that they are unfriendly and hostile respectively as shown in Table 1.13. Nonetheless, some percentage of respondents (23.81%) were of the opinion that tax collection official in their areas are friendly. Then again, 14.76% of respondents don't know the conduct of tax officials in their area of operation.

Table 1.14: Assess/grade the performance of the State or LGA revenue agencies and/ or task force

Responses	Frequency	percentage
Excellent	64	15.24
Good	68	16.19
Fair	223	53.09
Bad	65	15.48
Total	420	100

Source: Field Survey, 2015.

Table 1.14 shows the respondents' assessment and grading of the performance of the State or LGA revenue agencies. A large percentage of respondents (53.09%) think that the performance of the State or LGA revenue agencies is fair. A little percentage thinks that their performance is good (16.19%). About 15.24% assessed their performance as excellent while about 15.48% respondents graded the performance of the State or LGA revenue task force as bad.

Table 1.15: What suggestions do you have to correct multiple taxation of business?

Responses
Multiple taxes should be regulated and controlled.
The number of revenue collection agencies should be reduced
Don't know what should be done

Source: Field Survey, 2015.

Some respondents don't know what should be done when the question of what suggestion to correct multiple taxation of business as show in Table 1.15. However, some suggested that multiple taxes should be regulated and controlled. Others recommended that the number of revenue collection agencies should be reduced.

1. SUMMARY, CONCLUSION AND RECOMMENDATION

This paper examines the effect of multiple taxation on business growth in Nasarawa state, Nigeria. Questionnaire was the major instrument used for data collection. Tables, graphs, percentage and other simple statistical tools were used in the analysis of the data collated.

Demographically, the distribution of respondents based on gender shows that 265 respondents were male and 155 were female. Majority of the respondents (48%) fell between 18 – 30 years. The respondents within the age range of 31-40 years make up 27%. 20% of the respondents were under 41-60 years while 5% of respondent were above 60years. Marital status of respondents shows that 48.57% were single, 45.95% married and 5.48% divorced. The data gathered reveals that 23.10% of the business owners sampled had primary/college qualification, 46.19% possessed ND/NCE, 20.95% were B.Sc/HND holders, 9.76% had Masters degree and above. There was no respondent with no formal education. This development shows the literacy level of the respondents and their ability to respondent to issues raised in the questionnaire. Distribution of respondents by nature of business shows that a large percentage (41.43%)were into trading, followed by service (22.62%) and manufacturing (15.23%). A few were into agriculture (5.485) and mining (5.48%). 9.76% were into one form of business or the other. The data gathered were also analyzed to show the type of business structures these respondents undertook. This is because business structures have legal and tax implications. The result shows that the most common forms of businesses were sole proprietorship (61.43%) and partnership (20.71%).

To understand the effects of multiple taxations on business

growth and environment, first attempt was made to know the number of employees that are employed in the business operated by the respondents. It reveals that 43.34% of business operatives have 3-5 employees and business premises tax happens to be the tax paid by most business organizations. The mode of payment of taxes shows that 39.52% of respondents pay cash yearly. When respondents were asked whether their business were subjected to payment of multiple or duplicated taxes, 42% responded by saying yes. 35.24% of the responses indicated Local Government Council was responsible for collection of taxes in their areas, 29.05% of the responses suggested State Board of Internal Revenue (SBIR) followed by State/LGA Revenue Task Force (25.00%). Nevertheless, 10.71% of the responses show that other agencies are involved in collection of taxes in the respondents areas. A total of 53.81% of the respondents are of the view that multiple taxes affect their businesses significantly/very significantly. Invariably, it is a disincentive to business. In rating the conduct of tax collection officials in their areas of operation, 32.86% and 28.57% of respondents were of the perception that they are unfriendly and hostile respectively. However, a large percentage of respondents (53.09%) think that the performance of the State or LGA revenue agencies is fair but that multiple taxes should be regulated and controlled. Others recommended that the number of revenue collection agencies should be reduced.

Conclusively, multiple taxes infringe the cardinal principles of taxation. Given that government requires revenue to discharge its responsibilities to the citizens; this cannot be done in an arbitrary and

capricious manner. A taxpayer is entitled to know and determine in advance how much he is obligated to pay and in what circumstances. This underscores why certainty is the first principle of taxation.

This study recommends that:

Tax collection should be defined with respect to which government agencies should collect certain taxes. This will avoid the different agencies of government collecting taxes from the same particular organization. Similarly, harmonizing and publishing of list of approved or authorized taxes and governments agents will help to educate the public. Also, unauthorized agencies should restrain from collecting taxes or levies outside the harmonized list. A joint effort of authorized agencies may be required. In addition, government should put a policy in place to avoid illegal taxes, such as community levy, boys or youth levy and as well as association or union levy. Other criminal elements that may form themselves into revenue agencies and start collecting taxes from individuals and businessmen should be reported to relevant government agencies for sanction.

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