CUSTECH-Journal of Innovation, Management and Social Sciences (CJIMSS)
Vol. 1, No. 1, June 8, pp.93-104

Impact of Tax Incentives on the Growth of SMEs in Lokoja, Kogi State, Nigeria.

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Article history

Received March. 26, 2026
Revised April, 09, 2026
Accepted April, 17, 2026

KEYWORDS: Tax, SMEs, Incentives, Lokoja

Abstract

This study examines the impact of tax incentives on the growth of Small and Medium-sized Enterprises (SMEs) in Lokoja, Kogi State, Nigeria. The study specifically focuses on the effects of tax reliefs and tax readiness on business expansion and operational efficiency. A quantitative, ex-post facto research design was adopted, and data were collected via structured questionnaires from a sample of 200 SMEs selected through convenience sampling. Data were analyzed using descriptive statistics and multiple regression analysis. The findings reveal that both tax reliefs ($\beta = 0.162$, $p = 0.015$) and tax readiness ($\beta = 0.459$, $p < 0.001$) have significant positive effects on SME growth. The study concludes that tax incentives, particularly when combined with improved tax compliance and preparedness, play a crucial role in enhancing the growth and performance of SMEs in Lokoja. It is recommended that government and tax authorities strengthen targeted tax relief initiatives, enhance tax education and awareness, and simplify tax policies. Furthermore, SME owners should improve their financial record-keeping and seek professional tax guidance to optimize the benefits of available incentives.

Recommended citation: Oyedele.O., Olubunmi, O. Impact of Tax Incentives on the Growth of SMEs in Lokoja, Kogi State, Nigeria., CUSTECH-Journal of Innovation, Management and Social Sciences. 1(1), 93-104

1 INTRODUCTION

Small and Medium-sized Enterprises (SMEs) constitute one of the most dynamic components of developing economies, and Nigeria is no exception. In Nigeria, SMEs play a critical role in employment creation, poverty reduction, innovation, and regional development (Adewale & Ogunyemi, 2021). Recent national MSME statistics indicate that SMEs account for more than 80% of total enterprises and remain the backbone of Nigeria's socio-economic advancement (SMEDAN & NBS, 2022). Despite this strategic importance, SMEs in Nigeria continue to experience challenges such as limited access to finance, high operating costs, infrastructural deficits, and inconsistent policy environments, all of which constrain their performance and survival (Olorunfemi & Idris, 2023).

In recent years, Nigeria has witnessed renewed policy attention towards strengthening SME growth, particularly through fiscal incentives. The Federal Government of Nigeria has introduced different tax incentive regimes including tax holidays, reduced tax rates, pioneer status incentives, capital allowances, and VAT exemptions with the sole intention of enhancing SME competitiveness and sustainability (FIRS, 2021). Empirical evidence suggests that tax incentives can significantly lower operational burdens, boost investment capacity, and improve business expansion among SMEs when properly implemented (Eze & Nwadialor, 2022; Ogbu & Ekwe, 2024). However, several scholars argue that inconsistent or poorly administered tax incentive policies often reduce their effectiveness in supporting SMEs (Okonkwo & Hassan, 2023). This indicates that while tax incentives hold potential for stimulating SME growth, their real impact varies across regions and business environments in Nigeria.

The growth trajectory of SMEs in Nigeria has also shown mixed outcomes. Studies highlight that although SMEs continue to expand in number, many struggle to scale up due to financial and regulatory pressures (Yakubu & Ahmed, 2022). Recent research further shows that supportive fiscal policies like tax incentives can serve as catalysts for increased productivity, profitability, market expansion, and overall business growth (Nwankwo & Ibekwe, 2024). Yet, the extent to which SMEs in different states benefit from these incentives remains insufficiently explored. Most existing studies have concentrated on major commercial center's such as Lagos, Abuja, Kano, and Port Harcourt (Adeniran & Saka, 2021; Musa & Tambuwal, 2023), leaving smaller urban center's under-researched.

A critical gap identified in the literature is the lack of empirical studies focusing specifically on SMEs in Lokoja, Kogi State, despite the city's growing commercial relevance within the North-Central geopolitical zone. Existing studies on tax incentives and SME growth have rarely examined how local tax administration practices, state-level fiscal policies, and regional economic structures shape the effectiveness of tax incentives in smaller state capitals like Lokoja. This absence of geographically focused research limits policymakers' ability to tailor interventions that reflect the unique realities of SMEs in the Kogi State business environment. Therefore, this study aims to fill this gap by examining how tax incentives influence the growth of SMEs in Lokoja, Kogi State. The study specifically seeks to provide evidence-based insights that can guide state and federal authorities in designing more targeted and efficient tax-related support mechanisms for small and medium-sized enterprises.

1.1 Research Questions

This study is anchored on the research question which seeks to understand the impact of tax incentives on the growth of SMEs in Lokoja, Kogi State. Building on this, the study further explores two specific research questions:

i. To what extent tax reliefs affect the growth of SMEs in Lokoja?
ii. How does tax readiness influences the growth of SMEs in the same context.

1.2 Research Objectives

Based on the research questions the study further pursues the following objectives:

i. To determine the extent to which tax reliefs affect the growth of SMEs in Lokoja.
ii. To assess how tax readiness influences the growth of SMEs in Lokoja.

1.3 Research Hypotheses

The study is guided by the following null hypotheses:

H01: Tax reliefs have no significant effect on the growth of SMEs in Lokoja.

H02: Tax readiness has no significant influence on the growth of SMEs in Lokoja.

2 LITERATURE REVIEW

2.1 Conceptual Review: Concept of Growth in SMEs

Growth in small and medium enterprises (SMEs) refers to the continuous expansion and improvement of a business across multiple dimensions, not only financial performance but also structural capacity and organizational reach. It also involves increases in revenue, profitability, asset base, workforce, and market footprint, symbolizing more than mere survival: growth is about scaling sustainably over time (Ahmed, 2021; Okoli & Ezedebego, 2025). SME growth can be dynamic and multi-faceted in nature, they grow by improving their operations, increasing their sales volume, diversifying their products or services, and expanding into new markets (Ahmed, 2021). Growth also involves internal capacity building like acquiring more equipment, increasing fixed assets, and strengthening managerial and operational capabilities. These developments reflect a business's ability to reinvest revenues back into itself, enabling long-term scaling (IAR Journal Consortium, 2021).

Another critical dimension of growth is employment, as SMEs expand, they tend to hire more workers, thereby contributing to workforce development and local economic activity. This is not just about creating more jobs, but also building institutional capacity within the firm, more staff often means more specialization, better division of labor, and a more resilient organizational structure (IAR Journal Consortium, 2021; Okoli & Ezedebego, 2025). Furthermore, growth in SMEs is inherently linked to economic dynamism that is when SMEs grow, they contribute significantly to national and local economic development through taxes, innovation, and value creation (Okoli & Ezedebego, 2025). Sustainable growth for SMEs also means balancing short-term performance with long-term capacity: it is about profitable growth where increases in revenue or scale do not compromise financial health (Ahmed, 2021). The concept of growth in SMEs captures the essence of what it means for a business to evolve from a small venture into a more mature, high-performing, and economically significant enterprise.

2.2 Business Expansion

Business expansion refers to the deliberate growth of an SME's operational capacity, market presence, and overall business activities. It involves increasing production, diversifying products or services, reaching new customer segments, or entering new geographic markets to meet evolving demand (Ahmed, 2021; Okoli & Ezedebego, 2025). Expansion also includes internal growth, such as investment in equipment, technology, or infrastructure, which enhances production capacity, efficiency, and service delivery (IAR Journal Consortium, 2021). By broadening the scale of operations, SMEs can achieve economies of scale, reduce operational costs, and strengthen their competitiveness in the market. Moreover, business expansion often leads to the creation of additional employment opportunities, contributing to workforce development and stimulating the local economy (Ahmed, 2021). As firms grow their operations, they require more skilled and semi-skilled workers, fostering specialization, better division of labor, and more structured organizational systems (Okoli & Ezedebego, 2025). In essence, business expansion is a critical dimension of SME growth, reflecting the firm's ability to leverage resources, reinvest profits, enhance operational capacity, and strategically position itself for long-term sustainability and competitiveness.

2.3 Operational Efficiency

Operational efficiency reflects how well a business utilizes its available resources to achieve maximum productivity with minimum waste. It is concerned not only with reducing costs but also with improving processes, streamlining workflows, and ensuring that labor, materials, and capital are deployed effectively to produce optimal outcomes (Ahmed, 2021; Okoli & Ezedebego, 2025). High operational efficiency enables SMEs to respond rapidly to market changes, meet customer expectations, and maintain a competitive edge. It also allows for better allocation of resources, ensuring that profits are reinvested strategically into areas such as technology, staff development, and business expansion (IAR Journal Consortium, 2021). Firms that achieve operational efficiency tend to operate smoothly even as they grow, minimizing bottlenecks, lowering operational risk, and creating capacity for innovation. Operational efficiency is both a measure of current performance and a foundation for sustainable growth, highlighting the firm's ability to maintain quality, reduce costs, and maximize output as it scales its operations.

2.4 Concept of Tax Incentives

Tax incentives are fiscal tools provided by governments to encourage businesses to invest, expand, and operate efficiently by reducing their tax liabilities or providing other financial benefits. They are designed to influence business decisions, stimulate economic growth, and promote entrepreneurship, particularly among small and medium enterprises (SMEs) (Oloyede, Otusanya & David, 2024; Adamu, Ogboji & Onwe, 2025). These incentives can take various forms, including tax holidays, exemptions, allowances, credits, or reduced tax rates, and are intended to create a favorable business environment that enables firms to allocate resources to growth-oriented activities rather than solely to tax obligations.

In the context of SMEs, tax incentives play a critical role in improving cash flow and providing financial flexibility. By reducing the effective tax burden, incentives allow small businesses to reinvest savings into productive areas such as expanding operations, acquiring new technology, or hiring additional staff (Adedipe, 2025). They also help mitigate some of the financial constraints that SMEs typically face, such as limited access to credit or working capital. Access to tax incentives can therefore directly influence the growth trajectory of SMEs, enabling them to scale operations and strengthen their competitiveness within the market.

Furthermore, tax incentives serve as a government mechanism to formalize business operations and promote compliance. When businesses perceive that they can benefit from government-provided incentives, they are more likely to register formally, maintain proper records, and adhere to regulatory requirements (Okeke, Agu, Ejike, Ewim & Komolafe, 2023). This not only benefits the firms themselves but also enhances overall economic development by broadening the tax base and ensuring that SMEs contribute to national revenue in the long term. Tax incentives are not merely tools for immediate financial relief; they are strategic policy instruments aimed at fostering sustainable SME growth, operational efficiency, and broader economic participation.

2.5 Tax Reliefs

Tax reliefs are specific reductions in the tax obligations of businesses, granted to encourage investment, expansion, and formal compliance. They can take various forms, including deductions, exemptions, rebates, or allowances on taxable income, and are designed to improve the financial flexibility of firms, especially SMEs (Oloyede, Otusanya & David, 2024). For SMEs, tax reliefs provide them the opportunity to retain more of their earnings, which can then be reinvested into growth-oriented activities such as scaling operations, purchasing new equipment, or expanding into new markets. Reliefs also act as a stimulus for formalization, motivating businesses to register legally and maintain proper financial records, thereby increasing transparency and accountability in operations (Adamu, Ogboji & Onwe, 2025). By easing the immediate tax burden, tax reliefs enable SMEs to focus on operational efficiency, workforce development, and market expansion, thereby directly influencing their capacity for sustainable growth and long-term competitiveness.

2.6 Tax Readiness

Tax readiness refers to the preparedness of SMEs to meet their tax obligations in a timely and compliant manner, while also leveraging available incentives to maximize financial benefits. It encompasses the knowledge, administrative capacity, and systems in place to accurately calculate, report, and pay taxes, as well as the ability to identify and apply for relevant tax incentives (Adedipe, 2025). A high level of tax readiness ensures that SMEs can take full advantage of government-provided incentives without falling foul of regulatory requirements, while also minimizing risks of penalties and financial inefficiencies. It is a critical factor in the growth of SMEs, as firms that are tax-ready are better positioned to manage cash flow, optimize resource allocation, and plan strategically for expansion and investment. Tax readiness, therefore, not only enhances compliance but also strengthens the firm's ability to leverage fiscal policies for operational and financial growth, contributing to overall business sustainability (Okeke, Agu, Ejike, Ewim & Komolafe, 2023).

2.7 Theoretical Review: Fiscal Incentive Theory

Fiscal Incentive Theory posits that governments use financial incentives, such as tax reliefs, grants, subsidies, and allowances, to influence the behavior of businesses and stimulate specific economic outcomes (Oloyede, Otusanya & David, 2024). The central premise of the theory is that fiscal incentives reduce the cost of doing business, encourage investment, and promote economic activities that might not otherwise occur under normal market conditions. By strategically offering these incentives, governments aim to direct resources toward targeted sectors, encourage entrepreneurship, and stimulate growth in key areas of the economy. Fiscal incentives can take many forms, including reduced tax rates, tax holidays, accelerated depreciation, or direct monetary grants, and are typically designed to attract investment, enhance productivity, and foster innovation.

The relevance of Fiscal Incentive Theory to this study lies in its direct connection to tax incentives and their effect on SME growth. The theory provides a framework for understanding how financial incentives provided by the government can influence SME decisions regarding investment, operational expansion, and business formalization (Adamu, Ogboji & Onwe, 2025). In the context of this study, fiscal incentives such as tax reliefs or allowances can enable businesses to retain more earnings, reinvest in productive assets, hire additional staff, and expand market reach, all of which contribute to sustainable growth. The theory helps explain the mechanism through which government intervention via fiscal incentives translates into tangible growth outcomes for SMEs.

From the perspective of Fiscal Incentive Theory, SMEs are viewed as responsive actors that adjust their behavior in response to financial stimuli provided by policy measures. The theory assumes that businesses are rational decision-makers seeking to maximize profit and growth while minimizing costs. When governments provide fiscal incentives, SMEs are incentivized to optimize resource allocation, invest in capacity-building, and formalize operations to benefit from the incentives. The theory further emphasizes that the effectiveness of these incentives depends on accessibility, awareness, and the administrative efficiency of the incentive programs (Okeke, Agu, Ejike, Ewim & Komolafe, 2023).

2.8 Empirical Review

Oloyede, Otusanya & David (2024) conducted a study titled Effect of Tax Incentives on SME Performance in Lagos and Abuja, Nigeria. The study targeted 250 registered SMEs, employing a survey research design with structured questionnaires. Data were analyzed using descriptive statistics and regression analysis. The findings revealed that tax incentives, particularly tax holidays and investment allowances, significantly enhanced SMEs' financial capacity, operational efficiency, and ability to expand market reach. The study concluded that fiscal incentives play a crucial role in SME growth. It recommended that government agencies improve awareness and accessibility of tax incentive programs to ensure maximum participation by SMEs.

Adamu, Ogboji & Onwe (2025) carried out a study titled Role of Fiscal Incentives in Promoting SME Development in Gombe State, Nigeria. The population comprised 180 SMEs across various sectors, with a sample of 120 SMEs selected via stratified random sampling. The study utilized survey questionnaires and analyzed data using regression and correlation techniques. Findings indicated that SMEs utilizing tax holidays, allowances, and reduced tax rates recorded higher operational efficiency and business expansion than those not leveraging these incentives. The study concluded that fiscal incentives are essential for SME growth and recommended that government institutions implement simpler processes for SMEs to access these incentives.

Adedipe (2025) in Tax Readiness and SME Growth in Lagos State examined 150 SMEs using structured questionnaires. The study applied descriptive statistics and multiple regression analysis to assess the relationship between tax readiness and growth outcomes. Results showed that SMEs with higher levels of tax readiness meaning proper tax knowledge, record-keeping, and compliance were more likely to access incentives effectively, reinvest profits, and achieve business expansion. The study concluded that tax readiness is a critical determinant of SME growth and recommended training programs to improve SMEs' tax knowledge and compliance capacity.

Okeke, Agu, Ejike, Ewim & Komolafe (2023) investigated Barriers to Tax Incentives Utilization by SMEs in Nigeria in Rivers State, sampling 120 SMEs via purposive sampling. Using questionnaires and interviews, analyzed with descriptive and inferential statistics, the study found that poor awareness, bureaucratic hurdles, and administrative delays limited SMEs' ability to benefit from fiscal incentives. The study concluded that these challenges reduce the effectiveness of tax incentives and recommended that tax authorities simplify processes, improve communication, and provide support services to SMEs.

Olayemi & Folajimi (2021) in Tax Incentives and Sales Revenue Growth of SMEs in Ondo and Ekiti States surveyed 386 SMEs, applying descriptive statistics and regression analysis. The study revealed that investment allowances, tax holidays, tax credits, and deferred taxes significantly increased SMEs' sales revenue. The conclusion emphasized that tax incentives are strong tools for promoting SME growth. Recommendations included expanding the reach of fiscal incentives and ensuring that SMEs are well-informed about available programs.

Oyedokun & Olusesan (2022) conducted a long-term study titled Tax Incentives and Financial Performance of SMEs in Nigeria, analyzing time-series data from 1985 to 2020. The study used econometric modeling to assess the effects of capital allowances and pioneer status incentives on SMEs' financial performance. Findings indicated that these incentives had significant positive effects on profitability and asset accumulation. The study concluded that properly structured tax incentives enhance SME financial performance and recommended periodic review of incentive policies to maintain relevance and effectiveness.

Essiet & Paago (2024) in Tax Incentives and SMEs' Operational Performance in Rivers State targeted 150 SMEs using survey methods and regression analysis. Findings showed that tax holidays and capital allowances were positively correlated with return on assets and operational efficiency. The study concluded that fiscal incentives enhance SME operational capacity and recommended continuous awareness campaigns and training for SMEs on incentive utilization.

Tonwe & Akpomuvire (2024) examined Tax Incentives and Entrepreneurial Development in Delta State, sampling 100 SMEs with questionnaires. Using regression analysis, the study found that tax holidays and tax exemptions significantly contributed to entrepreneurial growth, while location-based incentives had mixed effects. The study concluded that fiscal incentives are effective in promoting entrepreneurship and recommended that governments focus on direct and accessible incentives rather than location-based programs.

Adegbi, Olayemi & Siyanbola (2020) conducted Tax Incentives and Growth of Informal Sector SMEs in Southwest Nigeria with 200 informal SMEs. Using survey data analyzed with regression techniques, the study found that tax incentives positively impacted gross margin growth and asset tangibility, encouraging informal SMEs to formalize and expand. The study concluded that tax incentives can drive both growth and formalization in the informal sector and recommended more inclusive policies targeting informal SMEs

Despite the breadth of research, most studies focus on major urban centers or selected states, leaving a paucity of research on SMEs in Lokoja, Kogi State. Lokoja presents a unique business environment, characterized by specific economic conditions, levels of SME formalization, and local government policies that may influence how tax incentives are accessed and utilized. Additionally, while studies have examined general SME growth and financial performance, there is limited empirical evidence linking specific tax incentive like tax reliefs and tax readiness to targeted SME growth measures such as business expansion and operational efficiency in this locale. This gap highlights the need for localized research that investigates how tax incentives influence SME growth in Lokoja, considering both the availability of incentives and SMEs' readiness to utilize them.

3 RESEARCH METHODOLOGY

This study adopts a quantitative, ex-post facto research design which is appropriate because the independent variables tax relief and tax readiness have already occurred and cannot be manipulated. The study examines their effects on the dependent variables, business expansion and operational efficiency, among SMEs in Lokoja, Kogi State. The target population comprises all SMEs in Lokoja employing 1–100 persons, estimated at 1,000 based on major commercial clusters. A sample of 278 SMEs was determined using the Krejcie and Morgan (1970) table which only 200 respondents was covered during the phase of the study. Convenience sampling method was employed due to practical constraints and limited access to a comprehensive SME list. Data were collected via structured closed-ended questionnaires, covering demographics, tax relief, tax readiness, business expansion, and operational efficiency, with responses measured on a 5-point Likert scale. The instrument was validated through expert review and a pilot test of 15 SMEs, and reliability confirmed with a Cronbach's Alpha range of 0.76–0.84 from a 30-SME pilot study. Questionnaires were personally administered over four weeks, ensuring high response rates and clarifications as needed.

Data were analyzed using SPSS version 28. Descriptive statistics (frequencies, percentages, means, standard deviations) summarized sample characteristics, while inferential statistics using multiple linear regression tested the relationships the variables. Ethical considerations including informed consent, confidentiality, and voluntary participation were strictly observed.

3.1 Model Specification

The regression models for testing the null hypotheses are as follows:
The general model is :

$$BGT = \alpha + \beta_1 TRFit + \beta_2 TRDit + eit$$

Model for H01:

$$BEP = \alpha + \beta_1 TRFit + \beta_2 TRDit + eit$$

$H0_1$ is rejected if $p < 0.05$, indicating Tax Relief significantly affects SME growth.

Model for H02:

$$OPE = \alpha + \beta_1 TRFit + \beta_2 TRDit + eit$$

$H0_2$ is rejected if $p < 0.05$, indicating Tax Readiness significantly affects SME growth.
Where:

BGT = Business Growth
BEP = Business Expansion
OPE = Operation Efficiency
TRF = Tax Relief
TRD = Tax Readiness
α = α (alpha) represents the intercept of the regression equation
β_1- β_2 = Coefficients measuring the impact of each independent variable
e = Error term capturing unobserved factors
it = Individual i @ time t

Significance level for all tests was set at 0.05.

4 RESULTS AND DISCUSSION

4.1 Presentation of result

Table 1: Descriptive Statistics of Respondents' Demographic

	N	Minimum	Maximum	Mean	Std. Deviation
Gender	200	1	2	1.49	.501
Age_of_Business	200	1	4	2.12	1.073
Number_of_Employees	200	1	4	2.60	.982
Business_Sector	200	1	5	3.28	1.315
CAC_Registration	200	1	2	1.48	.501
Valid N (listwise)	200				

***Source**: SPSS Version 30*

Table 1 above presents the descriptive statistics for the demographic characteristics of the 200 SME respondents in Lokoja. The results indicate a fairly balanced gender distribution, with a slightly higher proportion of male respondents. The average age of businesses (mean = 2.12) suggests that most SMEs have existed between 4–6 years, showing a blend of young and fairly established enterprises. The mean number of employees (2.60) reveals that the majority of firms fall within the small-scale category of 11–50 employees. Business sector distribution is wide, with a mean of 3.28 showing a concentration around manufacturing/processing and service-based SMEs. Additionally, most businesses reported being registered with the Corporate Affairs Commission, as indicated by the CAC registration mean of 1.48. Taking all this together, the demographic profile shows that the respondents represent a diverse and balanced range of SMEs in Lokoja, making the dataset suitable for examining the impact of tax incentives on SME growth.

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Table 2: Descriptive Statistics of Tax Incentives and SME Growth Variables

	N	Minimum	Maximum	Mean	Std. Deviation
Tax_Relief	200	1.00	5.00	3.5550	.90890
Tax_Readiness	200	1.60	5.00	3.4020	.74537
Business_Expansion	200	1.00	5.00	2.9125	.95822
Operational_Efficiency	200	1.40	5.00	3.3210	.79316
Business_Growth	200	1.30	5.00	3.1168	.74916
Valid N (listwise)	200				

Source: SPSS Version 30

Table 2 presents the descriptive statistics for the key study variables comprising tax incentives (tax relief and tax readiness) and SME growth indicators (business expansion and operational efficiency). The mean score for tax relief (3.56) suggests that most SMEs moderately agree that they benefit from available tax reliefs. Tax readiness also recorded a relatively high mean of 3.40, indicating that many SMEs demonstrate a reasonable level of compliance and preparedness in meeting their tax obligations. Business expansion produced a mean of 2.91, implying that expansion activities among SMEs in Lokoja are moderate but not very strong. Operational efficiency recorded a mean of 3.32, suggesting that SMEs have achieved noticeable improvements in productivity and cost-related efficiency. The overall business growth mean of 3.12 shows a fair level of growth across the sampled SMEs. These results collectively indicate that tax incentives and tax readiness are perceived positively by SMEs and may contribute meaningfully to their growth and performance.

Table 3: Correlation Matrix of Tax Incentives and SME Growth Variables

		Tax Relief	Tax Readiness	Business Expansion	Operational Efficiency	Business Growth
Tax _Relief	Pearson Correlation	1	.430**	.283**	.339**	.360**
	Sig. (2-tailed)		<.001	<.001	<.001	<.001
	N	200	200	200	200	200
Tax_ Readiness	Pearson Correlation	.430**	1	.382**	.539**	.529**
	Sig. (2-tailed)	<.001		<.001	<.001	<.001
	N	200	200	200	200	200
Business_ Expansion	Pearson Correlation	.283**	.382**	1	.459**	.882**
	Sig. (2-tailed)	<.001	<.001		<.001	<.001
	N	200	200	200	200	200
Operational_Efficiency	Pearson Correlation	.339**	.539**	.459**	1	.823**
	Sig. (2-tailed)	<.001	<.001	<.001		<.001
	N	200	200	200	200	200
Business_ Growth	Pearson Correlation	.360**	.529**	.882**	.823**	1
	Sig. (2-tailed)	<.001	<.001	<.001	<.001	
	N	200	200	200	200	200

**. Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS Version 30

Table 3 presents the correlation coefficients showing the strength and direction of the relationships among tax incentives variables (tax relief and tax readiness) and SME growth indicators (business expansion, operational efficiency, and overall business growth). The results reveal that tax relief has a positive and significant relationship with business expansion (r = .283), operational efficiency (r = .339), and business growth (r = .360), suggesting that access to tax relief contributes moderately to SME growth outcomes. Tax readiness also shows strong and significant correlations with operational efficiency (r = .539) and business growth (r = .529), indicating that SMEs with better tax compliance and preparedness tend to perform better and grow more sustainably.

Furthermore, business expansion demonstrates a very strong positive correlation with business growth (r = .882), while operational efficiency also correlates highly with business growth (r = .823). These strong coefficients suggest that increased expansion activities and improved operational processes significantly drive overall SME growth in Lokoja. All correlation values are significant at the 0.01 level, confirming that the relationships observed are statistically robust. Overall, the correlation analysis suggests that tax incentives (both relief and readiness) are positively associated with SME growth, with operational efficiency and business expansion acting as strong complementary growth drivers.
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Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.549[a]	.302	.295	.62925

a. Predictors: (Constant), Tax Readiness, Tax_Relief
Source: SPSS Version 30

Table 4 above presents the model summary of the multiple regression analysis conducted to examine the influence of Tax Relief and Tax Readiness on Business Growth. The result shows a correlation coefficient (R) of 0.549, indicating a moderate positive relationship between the predictors and the dependent variable. The R Square value of 0.302 implies that 30.2% of the variation in Business Growth is explained jointly by Tax Relief and Tax Readiness. The Adjusted R Square of 0.295 further confirms the stability of the model after adjusting for sample size. The standard error of estimate (0.62925) indicates the average deviation of the observed values from the predicted values. Overall, the model demonstrates a meaningful explanatory power in predicting business growth.

Table 5: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.684	2	16.842	42.536	<.001[b]
	Residual	78.002	197	.396		
	Total	111.686	199			

a. Dependent Variable: Business Growth
b. Predictors: (Constant), Tax Readiness, Tax Relief
Source: SPSS Version 30

The ANOVA table indicates that the regression model is statistically significant at $p < 0.001$, with an F-value of 42.536. This shows that the independent variables (Tax Relief and Tax Readiness) jointly have a significant effect on Business Growth. In other words, the model as a whole is fit and capable of predicting business growth among the sampled businesses.

Table 6: Coefficients[a]

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
1 (Constant)	1.070	.230		4.662	<.001
Tax Relief	.134	054	.162	2.461	.015
Tax Readiness	.462	.066	.459	6.967	<.001

a. Dependent Variable: Business Growth
Source: SPSS Version 30

Table 6 shows the contribution of each predictor to the model. The constant value (B = 1.070, p < .001) represents the baseline level of business growth when the predictors are held constant. Tax Relief has a positive and significant effect on Business Growth (B = 0.134, p = 0.015), implying that improvements in tax relief policies contribute positively to business expansion. Tax Readiness also significantly predicts Business Growth (B = 0.462, p < .001) and shows the strongest contribution to the model, with a Beta coefficient of 0.459, indicating that businesses that are more tax-compliant and tax-prepared tend to experience greater growth. This suggests that tax readiness is a major driver of business performance.

4.2 Hypotheses Testing

Reject H_0 if p-value < 0.05
Fail to reject H_0 if p-value ≥ 0.05

$H0_1$: Tax relief has no significant effect on the growth of SMEs in Lokoja.
From the regression result, the variable Tax_Relief has a standardized Beta coefficient (β) of 0.162, indicating a positive relationship with Business Growth. The p-value associated with Tax_Relief is 0.015, which is less than the 0.05 threshold for statistical significance.

Decision: Since $p = 0.015 < 0.05$, the null hypothesis ($H0_1$) is rejected. There is a statistically significant positive effect of tax relief on the growth of SMEs in Lokoja. This means that improvements in tax relief measures such as reductions, exemptions, or incentives contribute meaningfully to the expansion and performance of small and medium-sized
$H0_2$: Tax readiness has no significant influence on the growth of SMEs in Lokoja.
The regression coefficient for Tax_Readiness shows a standardized Beta (β) of 0.459, which signifies a strong positive relationship with Business Growth. The p-value for this variable is < .001, well below the 0.05 significance level.
Decision: Since $p < 0.001$, the null hypothesis ($H0_2$) is rejected. Tax readiness has a statistically significant and stronger positive influence on the growth of SMEs in Lokoja. This suggests that SMEs that maintain proper tax records, understand tax requirements, and comply effectively with tax obligations are more likely to achieve sustained growth.

5 CONCLUSIONAND RECOMMENDATION

5.1 Conclusion

The study examined the effect of tax relief and tax readiness on the growth of SMEs in Lokoja, and the findings indicate that tax-related factors play a meaningful role in shaping business performance. The regression results showed that tax relief has a significant positive effect on SME growth ($\beta = 0.162$, $p = 0.015$), suggesting that supportive tax incentives help reduce financial burdens and promote expansion. Tax readiness demonstrated an even stronger influence ($\beta = 0.459$, $p < 0.001$), indicating that SMEs with better tax knowledge, record-keeping, and compliance practices experience greater stability and growth. Overall, the study concludes that both tax relief and tax readiness significantly enhance SME growth in Lokoja, highlighting the importance of tax-friendly policies and improved taxpayer preparedness in strengthening SME development.

5.2 Recommendations

Base on the findings of the study, the following are recommended:

i. Strengthen and Expand Targeted Tax Relief Initiatives: Government and tax authorities should design, reinforce, and widely promote tax relief programs specifically for SMEs, as they have been proven to reduce operating costs and encourage reinvestment, thereby directly fostering business growth.
ii. Enhance Tax Education and Awareness: Government and tax authorities should intensify training programs, workshops, and public awareness campaigns to educate SME owners on their tax obligations and the incentives available to them. This should include simplified guides and materials.
iii. Simplify Tax Policies and Procedures: Government and tax authorities should regularly review and streamline tax policies to ensure they are SME-friendly, transparent, and easy to navigate, reducing the administrative burden on small businesses.
iv. Improve Financial and Record-Keeping Practices: SME owners and managers should adopt and maintain proper bookkeeping and financial recording practices. This is the foundation of tax readiness and enables businesses to understand their financial health.

v. Seek Professional Tax Guidance: SME owners and managers should proactively consult with accountants or tax professionals to ensure accurate compliance, optimize tax positions, and fully benefit from available incentives.
vi. Conduct Regular Policy Reviews: Policy makers should implement a framework for the periodic assessment of tax policies to ensure they remain relevant, effective, and conducive to a supportive environment for SME sustainability and expansion.

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