



## EFFECT OF TAXATION AND INSECURITY ON MICRO AND SMALL ENTERPRISES IN CALABAR METROPOLIS

### ABSTRACT

*This study assessed the effects of taxation and insecurity on micro and small enterprises in Calabar metropolis. The specific objectives are to examine if tax assessment and collection in Calabar Metropolis significantly affect profitability of micro and small enterprises, determine the relationship between taxation and micro and small enterprises profitability in Calabar Metropolis and ascertain the influence of insecurity on micro and small enterprises profitability in Calabar metropolis. The study adopted survey research design, the instrument of data collection was questionnaire, and the data collected was analysed using the Chi-square technique. Findings from the analysis indicated that there is a significant relationship between tax assessment and collection and micro and small enterprises profitability in Calabar Metropolis, there is no significant impact of taxation on profitability of micro and small enterprises in Calabar Metropolis and Insecurity has an influence on profitability of micro and small enterprises in Calabar metropolis. The study recommended that government should adopt uniform tax policies that will aid development of micro and small enterprises in Calabar Metropolis and also government should adopt new tax policy that would encourage investments in micro and small enterprises, and the state government should ensure that there are adequate security measures in the state to checkmate any threats of insecurity especially in Calabar Metropolis.*

**Keywords:** Calabar Metropolis, Taxation, Insecurity, Micro and small enterprises

### 1.0 Introduction

Micro and small enterprises are regarded as significant traditional contributors to economic growth. This is because they serve as a catalyst for employment generation, poverty reduction leading to economic development. Micro and small enterprises the world over have been the major employers of labour within most economies compared to the major industries including the multinationals. It is believed that most SMEs in Nigeria die within their first five years of existence, a smaller percentage goes into extinction between the sixth and tenth year while only about five to ten percent survive, thrive and grow to maturity (Aremu & Adeyemi, 2011).

Effiong, Charles Efeiom  
Department of Economics,  
University of Calabar, Calabar  
08034437978

[effiongcharles77@gmail.com](mailto:effiongcharles77@gmail.com);  
[effiongcharles77@yahoo.co.uk](mailto:effiongcharles77@yahoo.co.uk)

Ene, Ene Edet  
Department of Economics,  
University of Calabar, Calabar  
07036908788

[ene29@gmail.com](mailto:ene29@gmail.com)

Obot, Idopise Sunday  
Maritime Academy of Nigeria,  
Oron, Akwa Ibom State, Nigeria  
School of Maritime Transport Studies  
Department of Maritime Transport  
08037933936

[obotidopise@gmail.com](mailto:obotidopise@gmail.com)

#### **\*Corresponding author:**

Effiong, Charles Efeiom  
Department of Economics,  
University of Calabar, Calabar  
08034437978

[effiongcharles77@gmail.com](mailto:effiongcharles77@gmail.com);  
[effiongcharles77@yahoo.co.uk](mailto:effiongcharles77@yahoo.co.uk)

Many factors are attributed to this premature death of SMEs. Key among them include: insufficient capital, irregular power supply, infrastructural inadequacies (water, roads etc.), lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper book keeping, lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right calibre of staff, cut-throat competition (Basil, 2005). Recently with the harsh economic situation, insecurity and high taxation has been added to the possible factors posing challenge to micro and small enterprises in Nigeria.

Beckman (1983) contend that most of the problems of SMEs are external to it, among them are those related to capital shortage, taxation and regulations, insecurity, product liability patent and franchising abuses. The internal problems of SMEs in Nigeria include inadequate working capital, stiff competition from larger companies, difficulties in sourcing raw materials, low-capacity utilization, lack of management strategies, poor educational background of operators, and huge financial problems. However, (Osamwonyi, 2009) added that the external problems also include policy inconsistencies, multiple taxation, harsh regulatory requirements and trade groups. Apart from the harsh implication of multiple taxation on profits of SMEs, Achumba, Ighomereho and Akpor-Robaro (2013) described insecurity as a condition of being susceptible to danger and being exposed to risk or anxiety in anticipation of some misfortune which is detrimental to the survival of both public and private businesses of micro and small enterprises is the worst in terms of the extend of the consequences.

The daunting challenges of insecurity situation in Nigeria in all spheres and strata are numerous. It ranges from armed robbery, kidnapping, bombing, killing, maiming, insurgency, youth restiveness, ritual killings, pipeline vandalism, internet fraud, advance fee fraud (419), burglary, stealing, pilfering, corruption among others. Some notable examples were the abduction of about 276 secondary school girls in Chibok in 2014, wanton killing and maiming in Benue State as a result of clashes between herdsmen and farmers, incessant armed robbery attack on citizenries especially business owners, abduction of well to do innocent citizens for ransom and extortions of money from businessmen/women by fraudsters in all over Nigeria including Benin-City, bombing of innocent church worshippers particularly in the northern part of Nigeria among others. The insecurity scourge has rendered many people homeless, widows, widowers, orphans and there is increasing rate of internally displaced persons (IDP) in camps all over the country. Among the persons living in IDP camps were at a point in time successful business owners who now found their fate at the mercy of

philanthropist and government agencies for shelter and survival. Nigeria ranked 148th position and scored 2.873 in the Global Peace Ranking Index (2018). Observation has shown the enormous consequences and adverse effect of insecurity on economic development especially Micro, Small and Medium Enterprises (MSMEs) that are so volatile, susceptible and easily vulnerable to attack. Potential business and existing business owners are now at a fist, scared and reluctant to take calculated risk in new investment opportunities or expand existing ones due to high insecurity threat to their businesses and lives. Owenvbugie and Iyamu (2011) decried the high level of incessant kidnapping issues in Nigeria that scared away many potential foreign investors and illustrious Nigerians who reside in abroad who would have been willing to come home to invest in businesses. It is also important to note that SMEs in Calabar metropolis are not immune from the aforementioned challenges in their day-to-day operations considering the wanton destruction of micro and small business during ENDSARS protest in Calabar and the recent kidnapping of students in Arthur Jarvis University. Therefore, it is important to conduct a study which i) examine if tax assessment and collection in Calabar Metropolis significantly affect profitability of micro and small enterprises. ii) determine the relationship between taxation and micro and small enterprises profitability in Calabar Metropolis iii) ascertain the influence of insecurity on micro and small enterprises profitability in Calabar metropolis. This study is segmented into five sections; section one is focused on introduction, section two is concerned with literature review and theoretical framework, section three dwells on research methodology, section four is concerned with presentation of result and discussion of findings while the last section is concerned with summary and recommendation.

## **2 Literature and theoretical framework**

### **2.1 Conceptual Issues**

#### **2.1.1 Taxation concept**

Taxation is the primary source of governmental revenue. It is the act of paying a tax, i.e., the process by which a local, state and central government, through its law-making body, raises revenue to defray the necessary expenses of the government. According to Anyanwu (1997), taxation can be defined as the compulsory transfer or payment (or occasionally of goods and services) from private individuals or groups to the government.

### **2.1.2 Micro and Small-Scale Enterprises concept**

As in developed economies, Nigeria with the introduction of the National Policy on MSMEs has addressed the issue of definition as to what constitutes micro, small and medium enterprises.

Micro Enterprises are those enterprises whose total assets (excluding land and buildings) are less than Five Million Naira with a workforce not exceeding ten employees; Small Enterprises are those enterprises whose total assets (excluding land and building) are above Five Million Naira but not exceeding Fifty Million Naira with a total workforce of above ten, but not exceeding forty-nine employees while Medium Enterprises are those enterprises with total assets excluding land and building) are above Fifty Million Naira, but not exceeding Five Hundred Million Naira with a total workforce of between 50 and 199 employees (SMEDAN, 2013).

### **2.1.3 Insecurity**

The concept of insecurity is not alien to societies, as it has existed even in the primitive societies of the world. To be able to give an all-encompassing definition of insecurity, it is important we have a brief look at what security is. The social contract in which the people willingly surrender their right to the government who oversees the survival of all is necessitated by the need for security. According to Olopade and Olopade, (2019), with the end of the cold war, there have been attempt to shift conceptualization of security from a static centric perspective to a broader view that places premium on individuals, in which human security that embodies elements of national security, human rights and national development remain major barometer for explaining the concept. At the heart of this debate is an attempt to deepen and widen the concept of security from the level of the states to societies to individuals, and from military to non-military issues (Njikamp & Poot, 2019). Ewetan and Urhie (2014) defines insecurity as breach of peace and security, civil, social, economic and political that contributes to recurring conflicts and leads to the wanton destruction of lives and property. Achumba, Ighomereho and Akpor-Robaro (2013) described insecurity from two perspectives as a condition of being susceptible to danger and being exposed to risk or anxiety in anticipation of some misfortune which could be caused both internally and externally.

## **2.2 Empirical literature**

### **2.2.1 Review of studies on insecurity and micro and small enterprises**

Oriazowanian and Erah (2019) analysed the effect of insecurity on MSMEs development considering the relevance to economic growth and development to the Nigeria economy. The study therefore adopted the descriptive survey research design, and the population comprised 116 MSMEs operators who registered with

the Ministry of Commerce and Industries in Benin-City, Edo State. Four research questions guided the explorative study. A 48-item structured questionnaire was used as instrument for data collection. The data collected were analysed using descriptive statistics of mean and standard deviation to answer the research questions and determine the homogeneity of respondents' opinions. The findings revealed among others that although there is low rate of insecurity to MSMEs operations in Benin-City, but the operators reduced their productive hours by closing early for fear of being attack by hoodlums and criminals. Also, all the stakeholders are working round the clock to provide good security measures but police response to distress calls most cases is not encouraging. They however agreed that insecurity can have adverse consequences on business by discouraging business operators from expanding their businesses or make new investment and also scare away potential local and foreign investors.

Anthony et. al. (2020) examined the impact of government policy/programmes and the insecurity situation on productivity of SMEs in Nigeria. The study was based on a nationwide survey conducted in the year 2020 within a design of 590 SMEs respondents with which the hypotheses were tested. The multinomial logistic regression result indicated that government policy of multiple taxation caused cost to rise for SMEs as indicated by the variable (Hikes in product price) taking on  $X^2 = 6.163$ ,  $p < 0.05$  and thus has had an adverse significant impact on SMEs productivity. Moreover, none of the government programmes for SMEs growth had Wald statistics with p-value less than 0.05 indicating that they have not been significantly effective in promoting SMEs productivity in the country. In addition, none of the insecurity variables had p-value less than 0.05, thus insecurity has had no significant adverse impact on SMEs productivity in Nigeria. This study thus posits that multiple taxation is detrimental to SMEs productivity and thus needs to be harmonized to mitigate cost for SMEs in the country. Also, other policy initiatives need to be better crafted for greater effectiveness while the current insecurity situation in the country requires to be given closer attention with a view to curtailing it from degenerating into a worse state.

Adegoriola and Adolphus (2021) examined the impact of insecurity and government expenditure on security on Small and Medium Scale Enterprises in Nigeria. To achieve this, a model was formulated to empirically analyse the impact of insecurity and government spending on security on Small and Medium Scale Enterprises in Nigeria using Error Correction Model (ECM) with statistical test of significance. The independent variables were Insecurity Index (INS) and Budgetary Allocations to Defence (BAD) on security while the dependent variable is SMES. The ECM result obtained showed the major findings which are

Budgetary Allocations to Defense (BAD) has positive impact on SMES, with the impact being statistically insignificant. Insecurity Index (INS) has a positive and statistically significant impact on SMES.

### **2.2.2 Review of studies on taxation and small enterprises and micro**

The study of Bosco (2011) assessed the performance of business enterprises in Ntungamo Town Council, finding out if taxpayers are aware of all their tax obligations, policies and problems affecting them as well as their businesses. The findings revealed the problems faced by the taxpayers as regards mode of assessment, collection and tax collectors, inefficiency by tax collectors, loss of equipment, loss of sales and loss of stock as a result of taxes. Adebisi and Gbegi's (2013) examined the effect of multiple taxation on SMEs survival. The study used survey research design and drew a sample of 74 from an estimated population of 91. These data were quantitatively analysed with simple percentages and research hypothesis was tested using Analysis of Variance (ANOVA). Findings revealed that multiple taxation has a negative effect on SMEs' survival and the relationship between SMEs' size and its ability to pay taxes is significant. We, therefore, recommends that government should come up with a uniform tax policy that will favour the development of SMEs in Nigeria and government should put into consideration the size of SMEs when setting tax policies.

Agwu and Emeti (2014) examined issues, challenges and prospects of Small and Medium Scale Enterprises (SMEs) in Port-Harcourt City, Nigeria. This was informed by the high rate of unemployment in the society and the poor performance of SMEs in employment generation. While the research questions addressed the extent to which poor financing, inadequate social infrastructures, lack of managerial skills and multiple taxation constitute major challenges in the performance of SMEs between October 2012 and November 2013, it assumes that government intervention through the provision of financial assistance, social infrastructures and favourable taxation policies will reverse the trend. The study adopted a descriptive research design using 120 randomly selected registered operators of SMEs in Port-Harcourt City. Data collected were analysed using descriptive statistics while formulated hypotheses were tested using z-test. Results from the data analysis indicated that poor financing, inadequate social infrastructures, lack of managerial skills and multiple taxation were major challenges confronting SMEs in Port-Harcourt City.

In a similar study, Abata (2014) focused on the impact of tax revenue on Nigeria economy. Descriptive survey design was adopted, and simple random sampling technique was used in the selection of the sample size. The findings show that tax revenue significantly impact on Federal Government Budget implementation in Nigeria, Tax administrative system significantly affected the revenue generated in



Nigeria, Tax evasion significantly affected government revenue in Nigeria, and Lack of training on the part of tax officers significantly affected the generation of government revenue in Nigeria.

Tee et al. (2016) explored the managers/ executive officers' perception of the tax system in Ghana on the profitability of their businesses. The study is based on a survey of 102 managers/ Executive officers of the selected SMEs in the Ga West Municipality in the Greater Accra region of Ghana. The survey was administered using questionnaire and interview with the selected respondents. Data was analysed by descriptive analysis method, correlation and regression analysis and findings were presented in terms of frequencies and percentage analysis. Findings indicate that majority of the respondents perceive the adverse impact of existing tax policies on the growth of SMEs and suggest for reforming the tax policies in the Country. The findings would help the stakeholders in designing measures to align the tax system to SMEs in a more effective manner.

Oyinlola (2017) studied the factors affecting SMEs internationalization process in southwest Nigeria following a multi-stage and purposive sample survey of 279 SME firms in Lagos state was analysed with binary logistic regression and descriptive statistical methods. The study revealed that SMEs capacity to export in the Southwest Nigeria is more likely to be influenced by factors including SME owners'/managers' age group, level of education and previous exporting experience, along with firms' attributes including business registration status, source of raw materials, access to bank loans, government incentive supports and collaboration with foreign partners. The study stressed, among others, the need for the government to support SMEs capacity building in the country so that they can contribute to the growth of the economy significantly.

Agu et al. (2019) assessed the effect of taxation on the performance of SMEs in Aba, Abia State. A survey approach was adopted while the questionnaire was used as an instrument. A randomly selected 162 employees and owners of 40 SMEs were used for the study. Collected data were analysed using the multiple regression analysis and one sample t-test. Results indicate that significant and positive relationship exist between taxation and the performance of SMEs and that tax assessment, tax collection and tax utilization significantly influence the performance of SMEs in Aba. It was recommended among others that the Nigerian tax system must seek to protect and promote the SMEs for them to contribute meaningfully to economic growth and that they should identify the agents responsible for illegal, multiple tax collections that seek to frustrate SMEs and deal with them accordingly.

Ajibade et al. (2020) examined the effect of taxation on small scale businesses in Nigeria. The study adopted exploratory design, as several extant literatures related to the concept of taxation and SMEs in

Nigeria were reviewed. Findings revealed that SMEs are the channel for improving domestic markets' efficiency and making productive use of scarce resources, thus facilitating long-term economic growth in poor countries. By creating employment, the disposable incomes will rise further, contributing to the increase of the social standards. Consumption will also increase, impacting positively on the national incomes. Therefore, SMEs cannot compete for business with larger companies, and thus, there is a need for governments to accelerate their growth by creating an enabling environment for them via appropriate tax incentives to enhance their sustenance and growth. Also, tax policy will enable the government to generate maximum revenue without affecting the survival of the small businesses.

Another study by Abdullah (2020) on Factors Affecting Micro, Small and Medium Scale Enterprises Performance in Borno State was based on a survey of 84 Micro Small Medium Enterprises operators in Maiduguri. The results from the Exploratory Factor Analysis, Correlation and Multiple Regression Analysis show that insecurity and inadequate infrastructural facilities are the most significant factors affecting MSMEs performance in Borno state. This highlighted the need for concerted effort on the part of the government to provide better security for economic activities to thrive in the country.

Eyitayo and Makhosaza (2022) explored the effects of tax policies on the performance of SMEs. The Unicist Theory of business growth was used to underpin the study, the theory analysed the implications that multiple tax could have on the growth of SMEs in Nigeria. Survey method with close ended structured questionnaire was administered to 110 SMEs owners in three local government areas in Lagos State. Collected data were analysed with descriptive statistics while formulated hypothesis was tested with Chi-square method. Findings revealed that various Governmental policies on taxes significantly affect the performance of SMEs in Lagos State. The paper implicates a possible diversity for tax policies that will favour SMEs operator to make meaningful contributions to the economy. The study therefore recommends among other things that Government should design and implement the most effective ways of administering various tax policies that can enhance the growth of SMEs, while tax collection should be well defined to avoid multiple taxations by the three tiers of government.

### **2.3 Theoretical Framework**

The study is anchored on Laffer curve theory of taxation propounded by Arthur Laffer in 1979. The curve illustrates a theoretical relationship between rates of taxation and the resulting levels of government revenue. With emphasis on taxable income elasticity. The theory assumes that no tax revenue is raised at the extreme tax rates of 0% and 100%, government collect zero (0) revenue due to changes in behaviour of taxpayers in



response to the tax rate either losing their incentive to do business or finding numerous ways to evade tax just like 0% tax rate where no revenue is raised.

### 3 Research Methodology

#### 3.1 Research design

This study shall adopt a survey design to establish the effect of taxation and insecurity on micro and small enterprises in Calabar Metropolis. The study area is Calabar Metropolis. Calabar metropolis comprised of two local government areas (Calabar Municipality and Calabar South Local Government Areas). The survey will be conducted in these two local governments. The targeted population of the study comprised of one hundred and eighty-five (185) micro and small enterprises in Calabar metropolis. From the one hundred and eighty-five, thirty-seven were selected as listed in Table 3.1.

**Table 3.1: Number of questionnaires assigned to groups of Micro and Small Enterprises in Calabar Metropolis**

S/N	Groups of micro and small enterprises in Calabar Metropolis	Numbers of questionnaires assigned to each business	S/N	Groups of micro and small enterprises in Calabar Metropolis	Numbers of questionnaires assigned to each business
1	Hair dressing saloon	8	20	Car wash	8
2	Carpentry	8	21	Video game centre	8
3	Welding	8	22	Pharmaceutical company	8
4	Furniture making	8	23	Appliance repair service	8
5	Catering services (indoor)	8	24	Sports betting Agency	8
6	Laundry	8	25	Animal feed production	8
7	Barbing saloon	8	26	Cooking gas sales	8
8	Bakery	8	27	Computer repair and accessories sales	8
9	Supermarket	8	28	Mobile phone sales and repairs	8
10	Photography	8	29	Rentals services	8
11	Fishery	8	30	Boutique	8
12	Restaurant	8	31	Tailoring	8
13	Cosmetic shop	8	32	Nail studio (Manicure and pedicure)	8
14	Frozen food sales	8	33	Makeup studio	8
15	Cement sales and distribution	8	34	Agricultural services	8
16	Poultry farming	8	35	Football showing centre	8
17	Transportation	8	36	Printing services	8
18	Printing and book	8	37	Jewelries	8

---

	production		
19	Selling	fruits	(fruit 8
	sellers)		

---

Source: Researchers, computation, 2024

### 3.2 Sampling technique

The simple random sampling technique was be used to select the sample of two hundred and ninety-six (296) respondents drawn from owners of randomly selected micro and small enterprises in Calabar Metropolis in Cross River State. In Calabar Municipality, a sample of one hundred and forty-eight (148) respondents shall be randomly selected while in Calabar South, a sample of one hundred and forty-eight (148) respondents was also randomly selected.

### 3.3 Sources of data

The sources of data for this study consist of first-hand information obtained from respondents in the course of field work. The questionnaire and interview were used.

### 3.4 Instrument for data collection

The main instrument that is use for data collection shall be the questionnaire. The questionnaire shall reflect the research's topic as title. It shall be design by the researcher with the help of the thesis supervisor. The questionnaire shall contain two sections 'A' and 'B'. Section 'A' shall be designed to capture demographic information (personal data) of the respondents while Section 'B' shall be designed to capture items that require opinion of the respondents on the subject matter with boxes provided for respondents to tick (✓) the option that best suit their opinion.

Data for the study shall be primarily obtained through questionnaire designed to reflect five (5) point Likert scale. Eight (8) questionnaires were administered to each of the thirty-seven (37) types of micro and small enterprises in Calabar Municipality and Calabar South Local Government Areas making a total of 185 small scale businesses that make up the sample size.

### 3.5 Method of data analysis

The data for this research was analysed with the chi-square statistical technique with k-1 degrees of freedom, where K means the number of categories and the justification for using this method is because the responses are represented in categorical data. The basic formula for chi-square is stated as thus:

$$X^2 = \frac{\sum(Of - Ef)^2}{Ef}$$

Where:  $X^2$  = Chi-square statistics,  $\sum$  = Summation sign, Of = Observed frequencies

Ef = Expected frequencies, the degree of freedom for chi-square is computed as

df = (R – 1) (C – 1), Where; df = degree of freedom, C = Column, R = Row.

#### 4. Result and discussion

##### 4.1 Presentation result and analysis

**Table 4.1: Percentage Summary of respondents**

Questionnaire	Responses according to Categories	Total	Percentage (%)
No. returned	290	290	98.00
Not returned	6	6	2..00
Total	296	296	100

Source: Field Survey by the Researcher, 2024

From Table 4.1, 296 questionnaires were administered to respondents and out of these number 290 questionnaires representing 98 percent were returned while 6 questionnaires representing 2 percent were not returned. The total number of questionnaires returned was 290 representing 98 per cent. Figure 4.1: Summary of Chi-square computation of the relationship between tax assessment and collection and micro and small enterprises profitability in Calabar Metropolis.

#### Test Statistics

	Relationship between tax assessment and collection and micro and small enterprises profitability in Calabar Metropolis.
Chi-Square	257.966 <sup>a</sup>
Df	14
Asymp. Sig.	0.000

Source: field work, 2024

From Figure 4.1, it can be observed that since the chi-square calculated value of 257.966 is greater than the table value of 23.68 at 14 degree of freedom and the p-value of 0.000 is less than 0.05 chosen significance level. We therefore reject the null hypothesis which states that there is no significant relationship between tax assessment and collection and micro and small enterprises profitability in Calabar Metropolis and concluded that there is a significant relationship between tax assessment and collection and micro and small enterprises profitability in Calabar Metropolis. This result implies that the mode of tax assessment and collection has contributed in boosting micro and small enterprises profitability in Calabar Metropolis.

Figure 4.2: Summary of Chi-square computation of the impact of taxation on profitability of micro and small enterprises in Calabar Metropolis.

#### Test Statistics

	Impact of taxation on profitability of micro and small enterprises in Calabar Metropolis.
Chi-Square	15.359 <sup>a</sup>
Df	12
Asymp. Sig.	.103

Source: field work, 2024

From Figure 4.2, it can be observed that since the chi-square calculated value of 15.359 is less than the table value of 21.03 at 12 degree of freedom and the p-value of 0.103 is greater than 0.05 chosen significance level. We therefore accept the null hypothesis which states that there is no significant impact of taxation on profitability of micro and small enterprises in Calabar Metropolis. This result implies that the mode of taxation in Calabar Metropolis has not helped in boosting the profits of micro and small enterprises in Calabar Metropolis.

Figure 4.3: Summary of Chi-square computation of the influence of insecurity on profitability of micro and small enterprises in Calabar metropolis.

Test Statistics	
	The influence of insecurity on profitability of micro and small enterprises in Calabar metropolis.
Chi-Square	213.172 <sup>a</sup>
Df	15
Asymp. Sig.	0.000

Source: field work, 2024

From Figure 4.3, it can be observed that since the chi-square calculated value of 213.172 is greater than the table value of 25.00 at 15 degree of freedom and the p-value of 0.000 is less than 0.05 chosen significance level. We therefore reject the null hypothesis which states that Insecurity has no influence on profitability of micro and small enterprises in Calabar metropolis and concluded that Insecurity has an influence on profitability of micro and small enterprises in Calabar metropolis. This result implies that the level of insecurity in Calabar Metropolis has not affected micro and small enterprises profitability in Calabar Metropolis.

## 4.2 Discussions of Findings

This will be based on the objectives of the study and the findings of other researchers.

**Objectives 1: To examine if tax assessment and collection in Calabar Metropolis significantly affect profitability of micro and small enterprises.**

From the results, there is a significant relationship between tax assessment and collection and micro and small enterprises profitability in Calabar Metropolis. This result implies that the mode of tax assessment and collection has contributed to boosting micro and small enterprises profitability in Calabar Metropolis. This significant relationship may be that the assessment and collection of tax revenue by the board of internal revenue has been fair to the micro and small enterprises in Calabar Metropolis thus giving them room to increase their performance in terms of employment, outputs, income hence profits. This finding confirms the finding of Agu, Onwuka and Aruomah (2019) which stressed that tax assessment and collection has a significant impact on the profits of micro and small enterprises.

## **Objectives 2: To determine the relationship between taxation and micro and small enterprises profitability in Calabar Metropolis**

Furthermore, from the results, there is no significant impact of taxation on profitability of micro and small enterprises in Calabar Metropolis. This result implies that the mode of taxation in Calabar Metropolis has not helped in boosting the profits of micro and small enterprises in Calabar Metropolis. This finding agrees with that of Anthony et al (2020), Eyitayo and Makhosaza (2022), Gbegi (2013), Agwu and Emeti (2014) and Tee, Boadi and Opoku (2016) whose studies all indicated that taxation has adverse impact on micro and small enterprises profitability. These findings are not consistent with that of Agu et al. (2019) whose study stressed that taxation has a significant and positive relationship with profits of small-scale businesses. The finding which state that there is no significant impact of taxation on profits of micro and small enterprises in Calabar Metropolis maybe that the multiple taxes imposed on micro and small-scale businesses in Calabar Metropolis have gone a long way in reducing the income and growth potentials of these enterprises thus affecting their profits.

**Objectives 3:** To determine the influence of insecurity on micro and small enterprises profitability in Calabar metropolis.

Finally, from the results, Insecurity has an influence on profitability of micro and small enterprises in Calabar metropolis. This result implies that the level of insecurity in Calabar Metropolis has not affected micro and small enterprises profitability in Calabar Metropolis. This outcome could be that there is a low rate of insecurity to micro and small enterprises operations in Calabar Metropolis that has not affected their businesses. Also, it may be that there are good security measures in Calabar Metropolis such as provision of streetlights that reduces the threats of insecurity or it could be that micro and small enterprises operators always close early to avoid security threats.

## **5. Conclusion and policy recommendation**

This study assessed the effect of taxation and insecurity on micro and small enterprises in Calabar metropolis. The study adopted the descriptive survey design, the instrument of data collection was the questionnaire, and the data collected was analysed using the Chi-square technique using the SPSS software. From the Chi-square result, there is a significant relationship between tax assessment and collection and micro and small enterprises profitability in Calabar Metropolis, there is no significant impact of taxation on



profitability of micro and small enterprises in Calabar Metropolis and insecurity has an influence on profitability of micro and small enterprises in Calabar metropolis.

Based on these research outcomes, the following recommendations are made:

- i. Government should come up with uniform tax policies that will aid development of micro and small enterprises in Calabar Metropolis. (ii). In order to obtain a vibrant and flourishing micro and small enterprises sector, the tax policy needs to be appropriate such that it will neither be a burden to the small-scale businesses nor discourage voluntary compliance. (iii). The government should adopt a tax policy that would encourage investments in micro and small enterprises. (iv). The government should ensure that corrupt tax officials are not recruited to carry out tax assessment and collection so as to avoid imposition of multiple taxes on micro and small enterprises.

## References

- Abata, M.A. (2014) The Impact of Tax Revenue on Nigerian Economy (Case of Federal Board of Inland Revenue). *Journal of Policy and Development Studies*, 9, 109-121.  
<https://doi.org/10.12816/0011186>
- Abdullah, H. A. (2020). The Relationship between Government Expenditure and Insecurity in Nigeria. *Journal of Administrative Science*. 12(2):173 – 191.
- Achumba, I. C., Ighomerehno, O. S., & Akpan-Robaro, M. O. M. (2013). Security challenges in Nigeria and the implications of business activities and sustainable development. *Journal of Economics and Sustainable Development*, 4(2), 79 -99.
- Adegoriola, O.A. & Adolphus, A.B. (2021). Unemployment, Poverty and Economic Growth in Nigeria. *Journal of Economics and Management* 35(1).
- Agu, G. A., Onwka, O.O. & Aruomah, O. (2019) Impact of taxation on the performance of Small and Medium enterprises In Aba, Abia State, Nigeria. *Archives of Business Research* – Vol.7, No. SP
- Agwu, M. O. & Emeti, C. I. (2014) Issues, Challenges and Prospects of Small and Medium Scale Enterprises (SMEs) in Port-Harcourt City, Nigeria. *European Journal of Sustainable Development* (2014), 3, 1, 101-114
- Ajibade, T. I., Ayodele, O., Joseph, O. & Adeniji, S.O. (2020) Taxation and Small Business; Challenges and Prospects in Nigeria. International Accounting and Taxation Research Group, Faculty of Management Sciences, University of Benin, Benin City, Nigeria.
- Anthony, T. S., Kashim, S. N., Emmanuel, K. L. & Ibrahim, S. W. (2020). Factors affecting SMEs. Internationalization process in South-West Nigeria. *International Journal of Entrepreneurship*, 2(5), 44-62.

Anyanwu, J.C. (1993) Monetary Economics: Theory, Policy and Institutions. Hybrid Publishers, Onitsha.

Anyanwu, J.C. (1997) Nigerian Public Finance. Joanne Educational Publishers, Onitsha.

Aremu, M. A. & Adeyemi, S.A. (2011) Small and Medium Scale Enterprises as A Survival Strategy for Employment Generation in Nigeria. *Journal of Sustainable Development, Canadian Center of Science and Education*. Vol. 4(1):200- 2006.

Basil, A. N. O. (2005). Small and Medium Enterprises (SMES) in Nigeria: Problems and Prospects, Ph.D. Thesis. St. Clement's University.

Beckman, J. (1983). Entrepreneurship and the Outlook of American. New York: Free Press

Berger, A.N. & Udell, G.F. (1998) The Economics of Small Business Finance: The Roles of Private Equity and Debt Markets in the Financial Growth Cycle. *Journal of Banking and Finance*, 22, 613-673.

Ewetan O.O. & Urhie E. (2014). Insecurity and socio-economic development in Nigeria. *Journal of sustainable development studies*, 5(1) 40-

Eyitayo, F. A. & Makhosazana, V. (2022) Exploring the impact of tax policies on small and medium scale enterprises' (SMEs) performance in Nigerian Economy. *The Business and Management Review*, Volume 13 Number 1.

Gbegi, D.O. (2013) Effective Value Added Tax: An Imperative for Wealth Creation in Nigeria. Retrieved from SSRN: <https://ssrn.com/abstract=2238854> or <http://dx.doi.org/10.2139/ssrn.2238854>

Global Peace Ranking Index (2018). Retrieved from <https://www.economicsandpeace.org>

International Tax Dialogue. (2007): *Taxation of Small and Medium Enterprises, and Medium Enterprises. Background paper for the International Tax Dialogue Conference, Buenos Aires*

Njikamp, P. & Poot, J. (2019). Meta-analysis of the effect of Fiscal Policy on insecurity. *European Journal of Political Economy*, 20, 91-124.

Olopade B.C & Olapade. D.O (2019). The impact of Security spending on SMEs in Developing Countries: Nigeria as a case study.

Oriazowanlan, A. O.& Erah, D. O. (2019) Effect of Insecurity on Micro, Small and Medium Enterprises (MSMEs) Development in Benin-City, Edo State. *International journal of Business Management*, 4 (3): 75-86

Osamwonyi, I.O. (2009). The Nigerian Economy, Edo State Unemployment and the Role of Entrepreneurship in Osamwonyi I.O. (ed) Training Manual for Participants of Graduate Entrepreneurial Scheme, Osatech Group Consulting.

Owenvbiugie R.O. & Iyamu E. (2011). Kidnapping a threat to entrepreneurship in Nigeria. *Book of Readings. Association of Business Educators of Nigeria*, 1 (11) 38-43

Oyinlola, O. (2017). Nigeria's national defence and economic development: An impact analysis. *Scandinavian Journal of Development Alternatives*, 12(3).

SMEDAN (2013). A survey on SMEs activities,