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Tax Reforms and Operating Performance among Small and Medium Businesses in Delta State, Nigeria

UDUAK WILSON-OSHILIM, UNUAGBON INOMWAN
University of Benin, Benin City, Nigeria

Abstract. The association between tax reform and operational performance of Small and Medium Businesses in Delta State, Nigeria was examined, aimed to examine the effect of tax incentives on employee productivity, determine the effect of the reduction of multiple taxation on employee welfare, assess the effect of tax simplification and compliance reforms on customer satisfaction, and evaluate the effect of tax education and awareness programmes on innovative capacity. The work adopted a survey research design. A sample of 400 respondents, comprising owners and managers of SMEs across the three senatorial districts of Delta State, was drawn using Cochran's formula and a multi-stage stratified random sampling technique. Data were collected with the aid of a structured questionnaire and analysed using descriptive statistics and simple linear regression. The outcomes demonstrated that tax incentives had a significant positive effect on employee productivity, the reduction of multiple taxation had a significant positive effect on employee welfare, tax simplification and compliance reforms had a significant positive effect on customer satisfaction, and tax education and awareness programmes had a significant positive effect on innovative capacity. The study concluded that tax reforms exert a statistically significant favourable influence on the operational performance of studied SMEs, and that operational performance is a legitimate and policy-relevant outcome of tax reform that should not be overlooked in evaluations focused solely on financial or revenue-based indicators. From the research outcomes, it was recommended that authorities should widely publicise tax incentive schemes, and eradicate multiple taxation structures.

Keywords: Tax Reform, employee productivity, Tax Incentives, multiple Taxation.

1. Introduction

Small and Medium Businesses constitute the bedrock of economic growth, employment generation, and industrial development in both developed and developing economies. Globally, the Micro, Small and Medium Businesses sub-sector accounts for about 90% of businesses, and significantly contribute to the growth in GDP (James & Akintoye, 2023; Nnam et al., 2022). In Nigeria, the significance of the sub-sector is even more pronounced, as SMEs represent about 96.7% of all registered businesses and contribute approximately 46.31% to the nation's GDP (National Policy on MSMEs 2021-2025. Beyond their contribution to output, SMEs serve as veritable instruments for poverty alleviation, wealth creation, rural-urban migration reduction, and the diversification of the Nigerian economy away from oil dependency Okonkwo & Odita (2025). Given the strategic role of SMEs, successive Nigerian governments, at both federal and state levels, have continued to design and implement policies aimed at improving the operating environment of the sub-sect guidelines, strategic frameworks, and fiscal measures such as taxation policies Ayodele et al., (2025). The economic disruption occasioned by the COVID-19 pandemic in 2020 further necessitated a wave of policy responses specifically targeted at cushioning the effects of the downturn on MSMEs. Notable among these was the Reduction of Regulatory and Tax Burdens Policy of 2020, which was introduced to provide tax relief measures and simplify regulatory processes, thereby reducing the cost of doing business and promoting a more favourable climate for the recovery and growth of MSMEs (Ayodele et al., 2025). This policy, along with related fiscal interventions, is generally referred to in the literature as tax reform, that is, a deliberate government action to alter the structure, rate, administration, or incidence of taxation with a view to achieving specific economic objectives.

Empirical evidence from Nigeria suggests that the taxation environment has a considerable, though sometimes conflicting, influence on SME outcomes. For instance, Hassan, et al. (2020) found that the policy of multiple taxation increases the cost of doing business and negatively affects SME productivity, while Ezeilo and Ike (2024) established that SME performance in Asaba, Delta State, is significantly and favorably impacted by government taxation policies, even though government-provided infrastructure showed no significant effect on growth. Similarly, Tochukwu et al. (2022) revealed that the inability of MSME operators to access bank loans, compounded by high tax rates, reduces working capital and undermines the sustainability of start-ups. These mixed findings underscore the need for continuous empirical investigation into how tax-related reforms shape the fortunes of SMEs across different Nigerian states, including Delta State.
Historically, however, most studies on government policy and SME performance in Nigeria, including tax-focused studies, have concentrated almost exclusively on financial performance indicators such as revenue, profitability, sales growth, and return on assets (Ibrahim & Muritala, 2023; Okonkwo & Odita, 2025). Okonkwo and Odita (2025), for example, examined the effect of government policies, namely access to loans, export promotion, entrepreneurial training, and provision of infrastructure, on SME performance in Delta State and found that all four variables had a significant positive effect on performance, an outcome measured largely in operational and financial terms. Yet, organisational performance is multidimensional, and operational indicators, such as employee efficiency and productivity, customer satisfaction, employee welfare, workplace safety, innovation capacity, and environmental responsibility, are equally vital to the long-term survival and competitiveness of a business (Uduak & Osunde, 2026). In their study of financial innovation sustainability and productivity of fishery and poultry firms in Delta State, Ogwugwua et al. (2026) demonstrated that innovation sustainability had a significant positive effect on employee efficiency, a clear operational performance measure, thereby illustrating that policy-related variables can shape operational outcomes independently of, or in addition to, their effect on financial results.

Delta State, being one of Nigeria's major commercial and agro-industrial hubs, hosts a large population of SMEs spanning retailing, manufacturing, fishery, poultry, and services (Ogwugwua et al., 2026; Okonkwo & Odita, 2025). These enterprises, however, continue to grapple with challenges such as multiple taxation, high compliance costs, bureaucratic hurdles, and inadequate awareness of tax incentives, all of which have implications not only for their financial bottom line but also for staff morale, customer relations, workplace conditions, and innovative capacity (Ayodele et al., 2025). In Delta State specifically, SME operators continue to report rising production costs, unstable cash flow, weak financial sustainability, poor waste and environmental management, inadequate employee welfare and training, and low adoption of innovative practices. These conditions raise a critical, yet largely unanswered, empirical question: to what extent have tax reforms implemented by government translated into improvements in the operational performance of SMEs in Delta State? Without empirical clarity on this relationship, policymakers risk designing and sustaining tax reform initiatives whose true impact on the broader, non-monetary well-being of SMEs, and by extension their long-term sustainability, remains unknown.

2. Literature Review

2.1 Review of Related Concepts

2.1.1 Tax Reforms

Tax reforms is the intentional changes in tax laws, rates, tax bases, administrative procedures and compliance mechanisms introduced by government to improve the effectiveness, equity and efficiency of the tax system (Nigeria Tax Act, 2025). In the Nigerian context, tax reforms are intended to improve revenue mobilisation while reducing unnecessary barriers to investment and enterprise development. For SMEs in Delta State, the practical consequences of reforms may be reflected in changes in tax liability, filing procedures, record-keeping requirements, access to exemptions and the overall ease of complying with tax obligations. Recent regulatory evidence from Delta State shows that taxation policies, bureaucratic procedures and compliance burdens remain important constraints within the SME operating environment (Igben & Ojoboh, 2024). Consequently, tax reforms should not be assessed only by the revenue they generate; they should also be assessed by whether they simplify compliance, improve tax certainty and create conditions that enable SMEs to concentrate managerial and productive resources on customers, innovation and internal operations. The Nigeria Tax Act, 2025 represents a major stage in the continuing reform of Nigeria's tax system and is relevant to contemporary analysis of SME taxation (Nigeria Tax Act, 2025).

2.1.2 Value Added Tax (VAT) Reform

Value Added Tax (VAT) is an indirect tax that businesses may be required to account for and remit. Although the economic burden can ultimately be passed to consumers, the administrative responsibility of registration, invoicing, record keeping and filing can affect SMEs directly (Oboreh, 2024). Nigeria's VAT rate remains an important component of the business tax environment, and the contemporary reform framework continues to shape how businesses manage VAT obligations (Nigeria Tax Act, 2025). For SMEs in Delta State, VAT reforms may influence operational performance through pricing decisions, customer demand, competitiveness and administrative workload. A well-administered VAT system may improve certainty and reduce compliance difficulties. However, where procedures are complex or poorly communicated, SMEs may experience increased administrative pressure that could affect customer service, internal efficiency and market competitiveness (Ogbomah & Omons, 2026). Therefore, the effect of VAT reform should be examined not only through the statutory rate but also through the administrative experience of the enterprise.

2.1.3 Finance Act Amendments and Tax Administration

Nigeria's Finance Act reforms have historically amended several tax statutes and introduced measures affecting CIT, VAT, exemptions and tax administration (Molokwu & Obiekwe, 2025). These amendments sought to modernise the tax system and align tax obligations with changing economic conditions. For SMEs, the relevance of such reforms lies in whether changes simplify compliance, improve clarity and reduce disproportionate administrative burdens. The potential operational effects of Finance Act amendments include improved operational efficiency where compliance procedures are simplified, greater innovation where enterprises retain resources for productive investment, and improved competitiveness where tax rules create a more predictable business environment. Nevertheless, frequent changes in legislation may also create uncertainty where SME owners lack timely information or technical support (Musgrave & Musgrave, 1989). Thus, the impact of Finance Act amendments in Delta State is likely to depend on both the content of the reforms and their implementation.

2.1.4 Tax Exemptions and Incentives for SMEs

Tax exemptions and incentives are policy instruments designed to reduce tax obligations for eligible businesses or activities. They may include exemptions, tax holidays, reduced rates and other reliefs intended to encourage entrepreneurship and investment. Their importance to SMEs lies in their potential to reduce resource pressure and create opportunities for enterprises to invest in activities that improve long-term organisational capability. Evidence focusing specifically on Delta State entrepreneurs indicates that tax holidays and tax exemptions can significantly influence entrepreneurial development (Tonwe & Mukoro, 2024). At the national level, FIRS (2024); IFC (2024) also found that tax incentives and exemptions were significantly associated with MSME tax compliance. These findings suggest that effective incentives may influence the relationship between enterprises and the tax system. For the present study, the key issue is whether such reliefs are associated with broader operational outcomes such as sustainability, innovation, customer responsiveness and operational efficiency.

2.1.5 Operational Performance of SMEs

Operational performance refers to organisational outcomes that are not primarily expressed in monetary terms but are important to the survival and long-term effectiveness of an enterprise (Uduak & Osunde, 2026). Unlike financial performance, which focuses on profit, returns and liquidity, operational performance includes operational efficiency, customer satisfaction, innovation, service quality, employee development, competitiveness and sustainability (Aguinis & Burgi-Tian, 2021). For SMEs in Delta State, operational performance is particularly relevant because many small businesses depend on customer loyalty, adaptability and efficient use of limited resources. A tax reform may therefore influence performance indirectly. For example, simplified compliance may reduce managerial distraction and improve operational processes; tax exemptions may release resources for technology or employee development; and predictable tax rules may strengthen planning and innovation. The present study therefore treats operational performance as a multidimensional outcome rather than limiting performance to profitability

2.2 Theoretical Review

2.2.1 Ability-to-Pay Theory

The Ability-to-Pay Theory is a fundamental principle of taxation which proposes that tax liabilities should be imposed in accordance with the economic capacity of taxpayers. The theory is based on the principle of equity and recognises that individuals and business entities with greater financial resources are better positioned to bear higher tax obligations than those with limited resources. Consequently, the theory supports the use of progressive taxation, exemptions, deductions and other forms of tax relief designed to reduce excessive burdens on taxpayers with limited economic capacity. The theory is particularly relevant to Small and Medium Businesses because most small businesses operate with limited capital, unstable cash flows and restricted access to finance. Where tax obligations and compliance costs are excessive, a significant proportion of the resources of small businesses may be diverted away from productive activities such as process improvement, innovation and customer service. Tax policies that recognise the capacity of SMEs and provide appropriate reliefs may therefore enable such enterprises to retain resources for operational and strategic development (Federal Ministry of Industry, Trade and Investment, 2021). Recent Nigerian tax policies have increasingly recognised the need to differentiate between small and large businesses in the administration of taxes (Akaegbobi et al., 2025). The provision of tax exemptions and other relief measures for qualifying small businesses reflects the principle that the tax burden should consider the economic capacity of the taxpayer. Areo et al. (2020) found that taxation practices and tax-related burdens can significantly influence the survival of SMEs, supporting the argument that inappropriate tax obligations may weaken the ability of small businesses to sustain their operations. Thus, the Ability-to-Pay Theory provides an important foundation for examining whether tax reforms and relief measures contribute to the operational efficiency, innovation, competitiveness and sustainability of SMEs (Botchwey et al., 2024).

2.3 Empirical Review

Ezeilo and Ike (2024) evaluated the effect of government owned policies on the performance of SMEs in Nigeria, with particular attention to selected small businesses in Asaba, Delta State. The study adopted a survey approach and examined government policies relating to taxation, foreign exchange conditions and infrastructure. The findings indicated that government taxation policy had a significant relationship with SME performance. The study is relevant to the present research because of its Delta State focus and its recognition of taxation as an important government policy variable affecting enterprises. However, the study examined taxation broadly and did not disaggregate tax reforms into specific instruments such as Company Income Tax reforms, VAT adjustments, Finance Act amendments and tax exemptions. The present study therefore extends the literature by examining these specific tax reform measures and their relationship with multidimensional non-financial performance.

Tonwe and Mukoro (2024) examined tax incentives and entrepreneurial development among entrepreneurs in Delta State. Using survey data and statistical analysis, the work analysed the effects of tax holidays, tax exemptions and rural location incentives on entrepreneurial development. The outcomes indicated that tax holidays and tax exemptions had significant positive effects on entrepreneurial development, while rural location incentives did not produce a significant positive effect. The study provides important evidence that tax incentives can influence enterprise development within the Delta State context. Nevertheless, entrepreneurial development differs from the multidimensional non-financial performance outcomes examined in the present study. The present research therefore extends the evidence by considering operational efficiency, innovation, customer-related performance, competitiveness and sustainability.

Igben and Ojoboh (2024) examined regulatory constraints affecting the growth of SMEs in Delta State. Their study identified taxation policies, bureaucratic procedures, access to finance and compliance burdens as important factors influencing the business environment. The findings suggested that regulatory constraints can weaken SME growth and competitiveness and that supportive policies and simplified regulatory procedures are necessary to improve the SME operating environment. The study is particularly relevant because it recognises the relationship between taxation, compliance burdens and outcomes related to competitiveness and innovation. However, taxation was examined as part of a broader regulatory environment rather than as specific tax reform measures. The present work took care of this limitation by examining the individual and combined implications of specific tax reforms for SME non-financial performance.

Oloyede et al. (2024) investigated taxation and the performance of SMEs in Nigeria. The study examined tax policy, tax administration, multiple taxation and tax incentives in relation to enterprise performance. The findings showed that tax policy was significantly related to SME effectiveness, while multiple taxation affected productivity and tax incentives influenced efficiency. These findings are relevant because effectiveness, productivity and efficiency are closely related to the non-financial dimensions considered in the present study. However, the study addressed taxation generally and did not focus specifically on recent tax reform measures or SMEs in Delta State. The present study therefore provides a more location-specific examination of how distinct tax reforms influence non-financial performance.

Okonkwo and Odita (2025) examined the effect of government policies on the performance of SMEs in Delta State, Nigeria, using a cross-sectional survey research design with a sample of 277 properly completed questionnaires drawn from a population of 1,312 SME operators and regulators. Employing multiple regression analysis, the study found that access to loans, export promotion, entrepreneurial training, and provision of infrastructure, all had a positive and significant effect on SME performance, with the model explaining about 54% of the variation in performance. Although this study focused on general government policy rather than tax reform specifically, and measured performance in largely operational and financial terms, its Delta State context makes it a critical baseline study for the present research.

Ellawule et al. (2024) investigated the effect of tax incentives on tax compliance among Micro, Small and Medium Businesses in Nigeria. The study found that tax incentives and tax exemptions significantly influenced compliance behaviour. It also highlighted the importance of awareness and access to available incentives. Although the research looked mainly on tax compliance rather than business performance, its findings remain relevant to the present study because tax reforms cannot produce the intended benefits where SMEs are unaware of the available reliefs or unable to access them. The present study therefore extends the discussion beyond compliance by examining whether tax reforms are associated with broader non-financial outcomes.

Inim et al. (2020) investigated the relationship between taxation and the growth of SMEs in Nigeria. The study found that taxation remains an important determinant of the business environment and that excessive tax burdens can constrain the growth and development of small businesses. The findings emphasise the importance of developing a more supportive tax environment for SMEs. Although the study focused primarily on business growth, rather than specific tax reforms or multidimensional non-financial performance, it provides useful evidence regarding the potential consequences of excessive tax burdens. The present study builds on this evidence by examining contemporary tax reform measures and their effects on operational and strategic performance outcomes.

Alabi and Akintoye (2024) investigated the impact of the Finance Act 2022 on tax compliance among SMEs in Nigeria. The study examined selected provisions relating to Company Income Tax, Value Added Tax and Personal Income Tax. The findings indicated that the effects of the different tax provisions varied, with some components demonstrating significant relationships with compliance while others were statistically insignificant. The study is relevant because it demonstrates that individual components of tax reform may generate different outcomes among SMEs. However, the study focused on tax compliance rather than operational efficiency, innovation, competitiveness or sustainability. The present study therefore extends the analysis by examining broader operational performance outcomes.

Umenweke (2024) conducted a critical analysis of the impact of the Value Added Tax Act on SMEs in Nigeria. The study highlighted the legal and practical implications of VAT obligations for small businesses, particularly with respect to compliance responsibilities and administrative demands. The analysis suggests that VAT obligations may affect SMEs through compliance costs, record-keeping requirements and managerial workload. The study is relevant to the present research because such administrative pressures may indirectly influence operational efficiency and the ability of SMEs to devote resources to innovation and customer service. However, the study was primarily legal and analytical rather than an empirical assessment of multidimensional operational performance. The present study addresses this limitation by providing empirical evidence from SMEs in Delta State.

The reviewed literature reveals that first, many existing Nigerian studies have concentrated on tax compliance, financial performance, business growth or general enterprise performance, with relatively limited attention given to multidimensional operational performance outcomes. Second, the existing studies frequently examine taxation or tax incentives as broad concepts rather than separating specific tax reform instruments. Third, although some recent studies provide valuable evidence from Delta State, relatively few studies have specifically examined the relationship between tax reforms and the multidimensional operational performance of SMEs within the state. Studies conducted in Delta State have largely focused on entrepreneurial development, regulatory constraints and the effects of broader government policies. The present study seeks to address these gaps by examining the impact of specific tax reform measures on the operational performance of SMEs in Delta State. By disaggregating tax reforms into relevant policy dimensions and adopting a broader performance perspective, the study provides location-specific evidence on how Nigeria's evolving tax environment influences the internal operations, innovation capacity, competitiveness and long-term sustainability of SMEs.

3. Methodology

The survey design applied by this work is considered appropriate because it enables the researcher to collect data from a large number of respondents regarding their perceptions and experiences concerning tax reforms and the operational performance of Small and Medium Businesses in

Delta State. The population of this study consists of Chief Executive Officers, owner-managers and managing directors of Small and Medium Businesses operating in Delta State, Nigeria. For the purpose of this study, SMEs are defined in line with the classification of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), as enterprises employing between 10 and 199 employees and with asset base between ₦5 million and ₦500 million. The study adopts a finite population approach. According to SMEDAN/NBS National Survey, Delta State has an estimated 14,762 SMEs, out of which 8,421 are formally registered with the Corporate Affairs Commission and possess a Tax Identification Number (SMEDAN, 2021). The structured questionnaire was used to obtain data, and given that the exact number of active VAT-registered SMEs in the state is dynamic, the Cochran's formula for large populations was used to determine the minimum sample size to ensure statistical representativeness (Cochran, 1977).

The formula is given as: $n_0 = \frac{Z^2 \times p \times (1-p)}{e^2}$

Where:

n_0 = sample size required

Z = Z value (1.96 for 95% confidence level)

e = margin of error % (0.05)

p = estimated proportion of the population (0.5 if unknown)

Therefore:

$$n_0 = \frac{(1.96)^2 \times 0.5 \times (1-0.5)}{(0.05)^2}$$

$$= \frac{3.8416 \times 0.25}{0.0025}$$

$$= \frac{0.9604}{0.0025}$$

= 384.16; approximately, the minimum sample size will be <u>384</u>

Thus, the minimum sample size required is 384 respondents. To account for potential non-response and incomplete questionnaires, while ensuring sufficient statistical power, a total sample size of 400 respondents was selected for the study A multi-stage stratified random sampling technique was employed. In the first stage, Delta State was stratified into three senatorial districts: Delta South, Delta Central and Delta North. In the second stage, major commercial clusters were selected for their high SME concentration: Warri and Sapele (Delta South), Ughelli and Abraka (Delta Central), and Asaba and Agbor (Delta North). In the final stage, respondents were randomly selected within each cluster from the FIRS/SMEDAN list using simple random sampling. Proportionate allocation was based on the relative density of SMEs in each location. The distribution is presented in Table 3.1.

Table 3.1: Distribution of Sampled Respondents

S/No	Location	Number of Respondents	Percentage of Respondents
1	Warri	105	26.25
2	Ughelli	85	21.25
3	Sapele	90	22.50
4	Asaba	44	11.0
5	Agbor	45	11.25
6	Abraka	31	7.75
	Total	400	100

Source: *Researcher's Illustration, 2026*

Model specification for this study establishes the relationship between the Operational Performance (Employee Productivity, Employee Welfare, Customer Satisfaction, Innovative Capacity) as a function of Tax Rate Reforms.

Objective i: Effect of Tax Incentives on Employee Productivity

Econometric Model 1:

EP = β0 + β1TIN + μ

Objective ii: Effect of Reduction of Multiple Taxation on Employee Welfare

Econometric Model 2:

EW = β0 + β1RMT + μ

Objective iii: Effect of Tax Simplification & Compliance Reforms on Customer Satisfaction

Econometric Model 3:

CS = β0 + β1TSCR + μ

Objective iv: Effect of Tax Education & Awareness on Innovative Capacity

Econometric Model 4:

IC = β0 + β1TEAP + μ

Where; TIN = Tax Incentives; RMT = Reduction of Multiple Taxation; TSCR = Tax Simplification and Compliance Reforms; TEAP = Tax Education and Awareness Programmes; EP = Employee Productivity; EW =

Employee Welfare; CS = Customer Satisfaction; IC = Innovative Capacity; OP = Operational Performance (Composite of EP, EW, CS, IC); $\beta0$ = Intercept; $\beta1$-$\beta4$ = Coefficients; μ = Error term

4. Data Presentation, Analysis and Interpretation of Results

Table 4.1: Summary of Grand Means Answering the Research Questions

Research Question	Grand Mean	Decision
1. What is the effect of tax incentives on employee productivity of SMEs in Delta State, Nigeria?	TI = 3.46; EP = 3.68	Positive perception
2. What is the effect of the reduction of multiple taxation on employee welfare of SMEs in Delta State, Nigeria?	RMT = 3.29; EW = 3.48	Positive perception
3. What is the effect of tax simplification and compliance reforms on customer satisfaction of SMEs in Delta State, Nigeria?	TSC = 3.59; CS = 3.62	Positive perception
4. What is the effect of tax education and awareness programmes on the innovative capacity of SMEs in Delta State, Nigeria?	TEA = 3.43; IC = 3.58	Positive perception

Source: *Field Survey, 2026.*

With regard to research question one, the grand mean of 3.46 for tax incentives and 3.68 for employee productivity suggests that SME operators in Delta State generally perceive tax incentives to have a positive effect on the productivity of their employees. For research question two, the grand mean of 3.29 for reduction of multiple taxation and 3.48 for employee welfare shows a positive, though comparatively more moderate, perception of the effect of the reduction of multiple taxation on employee welfare. Regarding research question three, the grand mean of 3.59 for tax simplification and compliance reforms and 3.62 for customer satisfaction indicates that respondents perceive tax simplification and compliance reforms as having a favourable effect on customer satisfaction. Finally, for research question four, the grand mean of 3.43 for tax education and awareness programmes and 3.58 for innovative capacity suggests that tax education and awareness programmes are perceived to positively influence the innovative capacity of SMEs in Delta State.

4.2 Test of Hypothesis One (H01)

H01: Tax incentives have no significant effect on employee productivity of SMEs in Delta State, Nigeria.

Table 4.2(a): Model Summary for Tax Incentives and Employee Productivity

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.641	0.411	0.410	0.615

Table 4.2(b): ANOVA Results for Tax Incentives and Employee Productivity

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	104.943	1	104.943	277.732	0.000
Residual	150.388	398	0.378		
Total	255.331	399			

Table 4.2(c): Regression Coefficients for Tax Incentives and Employee Productivity

Model	B	Std. Error	Beta	t	Sig.
(Constant)	1.652	0.126	-	13.139	0.000
Tax Incentives	0.587	0.035	0.641	16.665	0.000

Source: *Field Survey, 2026 (SPSS Output). Dependent Variable: Employee Productivity.*

The model summary shows an R value of 0.641 and an R Square value of 0.411, indicating that tax incentives accounts for approximately 41.1% of the variation in employee productivity among SMEs in Delta State. The ANOVA result yielded an F-value of 277.732 with an associated significance value of $p < 0.001$, which is less than the 0.05 level of significance adopted for the study. The regression coefficient for tax incentives (B = 0.587, Beta = 0.641, t = 16.665, $p < 0.001$) is positive and statistically significant.

4.3 Test of Hypothesis Two (H02)

H02: The reduction of multiple taxation has no significant effect on employee welfare of SMEs in Delta State, Nigeria.

Table 4.3(a): Model Summary for Reduction of Multiple Taxation and Employee Welfare

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.542	0.293	0.292	0.626

Table 4.3(b): ANOVA Results for Reduction of Multiple Taxation and Employee Welfare

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	64.703	1	64.703	165.288	0.000
Residual	155.800	398	0.391		
Total	220.503	399			

Table 4.3(c): Regression Coefficients for Reduction of Multiple Taxation and Employee Welfare

Model	B	Std. Error	Beta	t	Sig.
(Constant)	1.975	0.121	-	16.290	0.000
Reduction of Multiple Taxation	0.458	0.036	0.542	12.856	0.000

Source: *Field Survey, 2026 (SPSS Output). Dependent Variable: Employee Welfare.*

The model summary shows an R value of 0.542 and an R Square value of 0.293, indicating that reduction of multiple taxation accounts for approximately 29.3% of the variation in employee welfare among SMEs in Delta State. The ANOVA result yielded an F-value of 165.288 with an associated significance value of $p < 0.001$, which is less than the 0.05 level of significance adopted for the study. The regression coefficient for reduction of multiple taxation (B = 0.458, Beta = 0.542, t = 12.856, $p < 0.001$) is positive and statistically significant.

4.4 Test of Hypothesis Three (H03)

H03: Tax simplification and compliance reforms have no significant effect on customer satisfaction of SMEs in Delta State, Nigeria.

Table 4.4(a): Model Summary for Tax Simplification and Compliance Reforms and Customer Satisfaction

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.529	0.280	0.278	0.609

Table 4.4(b): ANOVA Results for Tax Simplification and Compliance Reforms and Customer Satisfaction

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	57.421	1	57.421	154.873	0.000
Residual	147.563	398	0.371		
Total	204.984	399			

Table 4.4(c): Regression Coefficients for Tax Simplification and Compliance Reforms and Customer Satisfaction

Model	B	Std. Error	Beta	t	Sig.
(Constant)	1.948	0.137	-	14.180	0.000
Tax Simplification and Compliance Reforms	0.464	0.037	0.529	12.445	0.000

Source: *Field Survey, 2026 (SPSS Output). Dependent Variable: Customer Satisfaction.*

The model summary shows an R value of 0.529 and an R Square value of 0.280, indicating that tax simplification and compliance reforms accounts for approximately 28.0% of the variation in customer satisfaction among SMEs in Delta State. The ANOVA result yielded an F-value of 154.873 with an associated significance value of $p < 0.001$, which is less than the 0.05 level of significance adopted for the study. The regression coefficient for tax simplification and compliance reforms (B = 0.464, Beta = 0.529, t = 12.445, $p < 0.001$) is positive and statistically significant.

4.5 Test of Hypothesis Four (H04)

H04: Tax education and awareness programmes have no significant effect on the innovative capacity of SMEs in Delta State, Nigeria.

Table 4.5(a): Model Summary for Tax Education and Awareness Programmes and Innovative Capacity

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.606	0.367	0.365	0.621

Table 4.5(b): ANOVA Results for Tax Education and Awareness Programmes and Innovative Capacity

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	89.023	1	89.023	230.798	0.000
Residual	153.516	398	0.386		
Total	242.539	399			

Table 4.5(c): Regression Coefficients for Tax Education and Awareness Programmes and Innovative Capacity

Model	B	Std. Error	Beta	t	Sig.
(Constant)	1.757	0.124	-	14.204	0.000
Tax Education and Awareness Programmes	0.530	0.035	0.606	15.192	0.000

Source: *Field Survey, 2026 (SPSS Output). Dependent Variable: Innovative Capacity.*

The model summary shows an R value of 0.606 and an R Square value of 0.367, indicating that tax education and awareness programmes accounts for approximately 36.7% of the variation in innovative capacity among SMEs in Delta State. The ANOVA result yielded an F-value of 230.798 with an associated significance value of $p < 0.001$, which is less than the 0.05 level of significance adopted for the study. The regression coefficient for tax education and awareness programmes (B = 0.530, Beta = 0.606, t = 15.192, $p < 0.001$) is positive and statistically significant.

4.6 Summary of Hypotheses Testing

Table 4.6: Summary of Hypotheses Test Results

Hypothesis	F-value	Sig. (p-value)	Decision
H01	277.732	0.000	Rejected (Significant effect)
H02	165.288	0.000	Rejected (Significant effect)
H03	154.873	0.000	Rejected (Significant effect)
H04	230.798	0.000	Rejected (Significant effect)

Source: *Field Survey, 2026 (SPSS Output).*

As shown in Table 4.6, all four null hypotheses were rejected at the 5% level of significance, indicating that each of the four tax reform dimensions examined in this study, namely tax incentives, reduction of multiple taxation, tax simplification and compliance reforms, and tax education and awareness programmes, has a statistically significant positive effect on its corresponding operational performance indicator among SMEs in Delta State, Nigeria.

4.8 Discussion of Findings

The finding that tax incentives have a significant positive effect on employee productivity ($R2 = 0.411$, $p < 0.05$) aligns with the position of Ezeilo and Ike (2024), who found that SME performance in Asaba, Delta State, is significantly and favourably impacted by government taxation policies. This suggests that when SMEs benefit from tax incentives, resources previously committed to tax obligations are freed up for staff-related investments such as training and the acquisition of tools that enhance employee output, thereby extending the financial-performance-based findings of earlier Nigerian studies (Ibrahim & Muritala, 2023; Okonkwo & Odita, 2025) to a operational outcome. The significant positive effect of the reduction of multiple taxation on employee welfare ($R2 = 0.293$, $p < 0.05$) supports the submission of Ayodele et al. (2025) that multiple taxation increases the cost of doing business, since a reduction in this burden appears to translate into improved remuneration, workplace safety, and welfare packages for employees, corroborating the general concern raised by Tochukwu et al. (2022) regarding the erosive effect of a high tax burden on the operational capacity of MSMEs.

Similarly, the significant positive effect of tax simplification and compliance reforms on customer satisfaction ($R2 = 0.280$, $p < 0.05$) suggests that simplified filing procedures and digital tax platforms free up managerial time and resources that can be redirected towards improving service delivery, product quality, and pricing, thereby enhancing customer experience. This finding extends the scope of the systematic review by Ayodele et al. (2025), which noted that most Nigerian studies had overlooked the regulatory and administrative dimension of tax reform in favour of finance- and credit-based policy variables. Finally, the significant positive effect of tax education and awareness programmes on innovative capacity ($R2 = 0.367$, $p < 0.05$) is consistent with the finding of Ogwugwua et al. (2026) that innovation-related and sustainability variables significantly influence operational outcomes such as employee efficiency among fishery and poultry firms in Delta State. This suggests that a well-informed SME operator is better positioned to plan strategically, take advantage of available tax reliefs, and invest surplus resources in new products, processes, or technologies.

5.1 Conclusion

Based on the findings of this study, it is concluded that tax reforms have a significant and positive impact on the operational performance of Small and Medium Enterprises in Delta State, Nigeria.

Specifically, the study concludes that when SMEs benefit from tax incentives, resources that would otherwise be committed to tax obligations are freed up for staff-related investments that enhance employee productivity. It is further concluded that reducing the burden of multiple taxation improves the capacity of SME operators to invest in the remuneration, safety and general welfare of their employees, while the simplification of tax compliance procedures reduces the administrative burden on SME owners and managers, thereby freeing up managerial time and resources that can be redirected towards improving service delivery and, ultimately, customer satisfaction. Finally, the study concludes that tax education and awareness programmes better equip SME operators with the knowledge required to take advantage of available reliefs and to strategically deploy surplus resources into new products, processes and technologies, thereby enhancing their innovative capacity.

5.2 Recommendations

The Delta State Government and relevant federal tax authorities should sustain and, where possible, expand existing tax incentive schemes targeted at SMEs.

Tax authorities should accelerate the harmonisation of taxes and levies collected from SMEs by different tiers of government and their agencies in Delta State, in order to further reduce the incidence of multiple taxation.

Government should continue to invest in the simplification and digitalisation of tax compliance procedures, such as online filing and payment platforms, to reduce the administrative burden on SME owners and managers.

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