

TAX INCENTIVES AND THE GROWTH OF SMALL AND MEDIUM SCALE ENTERPRISES IN DEVELOPING ECONOMY –THE NIGERIAN EXPERIENCE

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ABSTRACT

The importance of Small and Medium Scale Enterprises (SMEs) in the economic development of any country in recent years cannot be underrated especially with regard to creation of employment, innovation, uplifting the people's standard of living and financial contribution to the growth of the countries' Gross Domestic Product. This sector's growth is hindered by the challenges of lack of financial resources to expand, the entrepreneur managerial skills/attitudes, employment of cheap and unskilled labour, production of poor quality goods, lack of market for their products, inadequate infrastructural facilities and above all unpleasant taxation policy of the government. In the light of all these, this study reviews the role being played by various governmental tax incentives on the growth and development of SMEs growth in developing economy with special focus on Nigeria. The study employed descriptive design, thus, primary data was collected on variables contributing to tax influence and their effect on the growth of SMEs. A sample of 100 respondents representing a percentage of targeted population enterprises in the production sector of Osun State Industrial area was selected through Stratified and Simple Random Sampling techniques. Data collected through questionnaires, interviews and observations when necessary was analyzed using ordinary least square regression model to estimate the contribution of each variable to the growth effect of SMEs. The study found that there was a significant correlation between taxation and SMEs' growth. The study recommends that there should be a friendly tax policy for all start up businesses preferably a tax holiday, or an introduction of a growth limit which can be said to be a level stable enough to sustain tax payment.

Keywords: Business, Catalysts, Economic Transformation, Financial Regulation.