Access to Credit Facilities and Tax Compliance among SMEs: Evidence from Nigeria

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Abstract: - **We investigate the impact of access to credit on tax compliance among SMEs in Nigeria. The need to generate revenue to meet up with the running of government activities has been a focus of every government across the globe, and SMEs are vital to revenue generation in emerging economies like Nigeria. We employ a survey of 400 SME operators in Nigeria. The findings reveal that there is a positive and significant relationship between access to credit and tax compliance (*$\alpha=0.715$, $t(395)=15.637$, $p=0.000$*). The implication is that access to credit facilities contributes significantly to tax compliance among SMEs operators in Nigeria. The study concluded that access to credit facilities contributed significantly to tax compliance among SMEs operators in Nigeria. The study recommends that the Central Bank of Nigeria, Bank of Industry, Development Bank of Nigeria, Bank of Agric, Ministry of Finance and other government agencies involves in intervention fund should set up a technical committee that will monitor the disbursement and monitoring of intervention funds for SMEs so as to ensure that the SMEs operators access the fund and also to see that the fund is channeled for the purpose to which it was disbursed.**

JEL Code: **G21, H21, M13**

Keywords: **Tax Compliance, Small and Medium Scale Enterprises, Nigeria.**

I. INTRODUCTION

Economic stimulation comes in diverse form as provision of infrastructures, employment creation, provision of tax incentives and favourable people friendly policies. In this study we focus on access to credit as a focal economic stimulation indicator. One way in which small scale businesses can generate higher revenue is through sustained access to credit facilities. When small scale businesses have access to credit, they can make profits and subsequently pay their tax from profit. Also, taxation is recognized as an important tool for national development and growth in most societies, and one of the major indices by which development and growth can be measured in any society is the amount of wealth, which is created by economic activities undertaking in that society (Aimurie, 2012). Payment of tax is a civic duty expected to be exercised by every liable citizen and companies so as to enable the government to meet up with its own responsibilities towards meeting the needs of the citizen and run the public utilities (Adebisi & Gbegi, 2013). The revenue generated from the taxation of individuals and businesses is an important stream of income for government especially in an economy like that of Nigeria that is struggling to reduce budget deficits. Tax revenue is thus a major source of funds used for development projects such as provision of infrastructure like good roads and stable power and water supply all of which create an enabling environment for businesses and in turn the growth of the economy (Atawodi & Ojeka, 2012).

1.1. Research Problem

The desire to expand and develop the SMEs subsector has been the focus of most developing nation's objectives because inadequate accesses to appropriate credit facilities discourage SME operators to comply with tax law due to the expectation of government to provide accessible credit facilities at affordable terms and rates. (Taiwo & Falohun, 2016). It was further pointed out by Emefiele, (2018) that the inability of the SMEs to access finance has been a major factor hindering their contribution to economic growth. A prevalent concern is that the banking system in the sub sector (which supposed to be the major financier of SMEs) is not providing adequate support to the startup small business and in particular to the expansion of SMEs. It is noted that commercial and the hitherto merchant banks which retained liquidity levels in excess of regulation channeled their lending to large oil and gas and corporate firms while those that are not really lending focused on investment in treasury bills and federal government bond and close their doors to financing SMEs (Emefiele, 2018). Also, the micro and medium Finance institutions which are supposed to support the SMEs were limited by the volume of their credit which is not adequate to drive the medium sized projects. To date, there is a limited of empirical studies that critically examines the combined effect of access to credit facilities and tax compliance among SMEs in Nigeria, hence the gap this work sets to fill.

1.2. Research Objective and Hypothesis

This paper examines the impact of access to credit facilities on tax compliance in Nigeria. In order to achieve the research objective, the research question as to how access to credit facilities affects tax compliance among SMEs in Nigeria is answered.

Arising from the objective of this paper, is the study hypothesis stated in null form:

H_{o1}: Access to credit facilities has no significant effect on tax compliance of SMEs in Nigeria.

II. LITERATURE/ UNDERPINING THEORY

There are no universal definition of SMEs that are generally accepted (Mutual and Brakel, 2006). The description of SMEs differs across nations and according to sectors aptness but this is usually based on employment, assets or combination of the two (Ongori and Lutham, 2009). Several firms, establishment and bodies describe SMEs differently subject to the purpose, objective or use. For example SME according to Organization for Economic Co-operation and Development OECD (2005) is considered to be independent firms that employ less than a given number of employees. However, SMEs were classified in terms of size, and financial assets. Firms that have up to 250 employees are classified as small and medium enterprises while small firms are those that have up to 50 employees and a firm with 10 employees or less were regarded as micro firms respectively.

In the United States, the small business administration (SBA), (2011) a government department, defines a small business using 'size standard', as one that is independently owned and operated and meets employment or sales standard develop by the agency and the concern cannot be dominant in its field, on a national basis. For most industries these standards are as follows. This in addition shows a similar trend as in Nigeria, even if the exchange value makes the financial criteria to be different (Ayozie, 2006)

The definitions change over time and depend, to a large extent, on a Country’s level of development (Evbuomwan, Ikpefan, and Okoye (2015).Thus, what is considered small in a developed country like USA could actually be classified as large in a developing country like Nigeria. However, the definition of MSMEs in Nigeria as contained in the National Policy on Micro, Small and Medium Enterprises (SMEDAN, 2007) was adopted as indicted in the table below. This definition was also in line with the definition in some developing countries like Indonesia (Timberg, 2000) as well as in the European Union (European Commission, 2007)

Classification of MSMEs in Nigeria

S/N	Size Category	Employment	Assets (N’ million) (excluding land and buildings)
1.	Micro enterprises	Less than 10	Less than 5
2.	Small enterprises	10-49	5 to less than 50
3.	Medium enterprises	50-199	50-less than 500

Source SMEDAN (2013)

The National policy document states that, where there exist a conflict in classification between employment and assets criteria (for example has assets worth N7.0 million but employment-based classification will take precedence and the enterprise would be regarded as micro (SMEDAN, 2007). This is because employment-based classification tends to be relatively more stable definition, given that inflationary pressures may compromise the asset-based definition. The Small and Medium Industries and Equity Investment Scheme (SMIEIs), defined SME as an enterprise with a 200 million naira maximum asset base, with the exclusion of land and working capital and with a workforce of not less than 10 employees and not more than 300 employees, Akabueze, (2002).Small scale business, small scale industries and small scale entrepreneurship are used interchangeably to mean a small scale industry firm. According to Ayozie (2006), in Nigeria and worldwide, there are no agreed definition of small businesses. A lot authors, scholars, and schools have diverse ideas as to the differences in capital outlay, number of employees, sales turnover, fixed capital investment, available plant and machinery, market share and the level of development, these features equally vary from one country to the other.

The Third National Development plan of Nigeria (1975 - 1980) defined a small scale business as a manufacturing firm that employs less than ten people, or whose machinery and cost of equipment does not exceed N600,000. The Federal Government Small Scale Industry Development Plan of 1980 defined a small scale business in Nigeria as any manufacturing process or service industry, with a capital not exceeding N150, 000 in manufacturing and equipment alone. Many enterprises in Nigeria are categorized as small business, most of which are in the commercial sector.

The concepts relating to SMEs are relative and dynamic as evidenced in the literatures. In an attempt to gain an in-depth understanding of SMEs, it is imperative to obtain knowledge on its characteristics. SMEs in Nigeria consist of individual ownership or family owned businesses that tend to lack good management structures to assist in their development. SMEs comprise of sole proprietorship or partnership although they may be registered as limited liability. SMEs tends to have few number of employees which make the existent of the enterprise dependent on the owners’ lifespan. Most SME owners possess low levels of education because they comprise of market women and well established small businesses. Additionally, SMEs require lower start-up capital as compared to the larger companies. Manager’s decision may also be subjective because the same individuals are managed and controlled every day. The organizational forms of SMEs are also likely to vary from sole proprietorships (with or without employees), small corporations (public or private), professionals and partnerships which may result into different management practices and record keeping for the enterprise.

Small businesses are generally regarded as the driving force of economic growth, job creation, and poverty reduction in developing countries (Akaeze & Akaeze, 2017). Small businesses have been the means through which accelerated economic growth and rapid industrialization have been achieved (Ado & Mallo, 2015). Small businesses are enssential for sustained growth of any economy (Cant, Wiid & Kallier, 2013).

The Central bank of Nigeria also as part of the Bank's efforts to unlock the potential of the real sector to engender output growth, value added productivity and job creation, established a N300 billion Real Sector Support Facility (RSSF), (CBN, 2014). The Facility is to support large enterprises for start-ups and expansion financing needs of N500million up to a maximum of N10.0billion. Targeted real sector activities by the Facility are manufacturing, agricultural value chain and selected service sub-sectors (CBN 2014).The objectives of the Facility are to improve access to finance by Nigerian SMEs to fast-track the development of the manufacturing, agricultural value chain and services sub-sectors of the Nigerian economy; Increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide inputs for the industrial sector on a sustainable basis. The activities to be covered under the Facility include new, start-ups and or expansion projects in manufacturing.

In its continued efforts to accommodate all stakeholders in the foreign exchange market, CBN intervened to ensure payments for eligible imports by small and medium enterprises valued at not more than $20,000.00 through telegraphic transfers. To enhance access to foreign exchange by Small and Medium Enterprises (SME) and ease documentation requirement of the sector, Form Q was introduced as a requirement for SMEs in accessing the SME FX window (CBN, 2017).The Bankers' Committee at its 246th meeting held on 21st December, 1999 approved the establishment of the small and medium enterprises equity investment scheme (SMEEIS). The initiative was in response to the Federal Government's concerns and policy measures for promotion of Small and Medium Enterprises (SMEs) as vehicles for rapid industrialisation, sustainable economic development, poverty alleviation and employment generation. The scheme requires all the banks in Nigeria to set aside ten (10) percent of their Profit after Tax (PAT) for equity investment and promotion of SMEs. All the banks in Nigeria has since then complied with the guidelines (CBN, 2000).

Small and Medium Enterprises are fundamental to fiscal policy in Nigeria because of their immense contribution in employment creation. However, despite the CBN interventions on SMEs and the growth recorded in the number of SMEs in Nigeria, the tax revenue from the sector is still poor and far from expectation, infact, non-compliance with payment of taxes by the SMEs created a wide gap in the tax revenue, as a result of this, the study selected Small and Medium Enterprises as area of study. The gap created in tax revenue in Nigeria by high level of non-compliance with tax law by small and medium businesses and the need to record more revenue from SMEs to drive economic growth has become a subject of discourse among the stakeholders.

2.1. Challenges of Nigeria SMEs

Nigeria like most developing nations of the world is faced with myriads of problems which include poverty, unemployment, conflicts and diseases. These situations pose great challenges to the very existence of individuals in most developing nations thereby calling for training of educated men and women who can function effectively in the society in which they live. According to CBN (2018), the SMEs sector needs support to continue its vital roles in the Nigerian economy. However, SMEs continue to confront diverse challenges notwithstanding the significant role they play in the economic development. Constraints which are prevalent in developing countries include lack of access to finance. Based on the study conducted by the CBN (2018), the potential small business owners lack ability to access medium to long terms loans from formal banks because they cannot provide required collateral to support such loans. In addition, high interest charged on loans, bureaucracy, bribery and corruption makes cost of borrowing very high, leading to inability to initiate startup small businesses.

Individual finds it increasingly difficult to have easy access to funds required to start and grow SMEs in Nigeria. The difficulty faced by SME owners in gaining access to funds arises from lack of access to capital markets for raising additional equity finance. Owners of SMEs therefore, resort to earnings generated internally or additional equity invested by owners, which may not be adequate for business growth and development. Regardless, SMEs owners resort to borrowing from other informal sources including friends and family members, cooperatives, credit associations, and professional money lenders. Funds from these sources are usually not adequate for supporting the growth objectives of SMEs (Aryeetey, 2005).

The trouble of financing SMEs development and growth is a significant problem. Owners of SMEs lack access to credit because of exposure to financing at high interest rates, double taxation and poor financial institutions (SMEDAN, 2012). Exploring the experiences of owners in accessing initial capitals to develop businesses is relevant towards facilitating important roles of small businesses in Nigerian economy. Insufficient financial capital affects the growth of SME business.

Despite the prospective and enormous contribution of small and medium sector to continued economic development, small firms in Nigeria still do not meet up to expectation (Ihua, 2009). SMEs face several challenges that hinder their development. Surprisingly, these challenges are the same irrespective of the geographical location of their businesses. Apulu and Lutham (2009) asserted that there are many factors that affect the performance of Nigerian SMEs and these factors add to their rate of failure.

According to Egwu, (2014), the high cost of doing business in Nigeria imposes economic dimension of challenges encountered by nascent enterprises. The weight of high incorporation costs, legal and professional fees, business permits and licenses add up to other start-up costs to create heavy burden on small businesses faced with limited access to credit facilities and high interest rates. The incidence of multiple taxation and levies in different forms at federal, state and local government levels constitute militating forces for emerging small businesses, whether entrepreneurial or not (Egwu 2014). Added to this, is the Son-of-the –Soil syndrome –a situation where start-up businesses and mandated to pay certain amount of money to host community or youth of the community for operating in that community. At times it comes in form of periodic levies by the community on the businesses, thus adding up to high cost of doing business in Nigeria.

Okeke and Eme (2014) noted that World Bank in its 2008 report concerning the challenges confronting businesses in Nigeria identified array of issues as constraints to doing business. These include poor electricity supply, inadequate access to finance ,poor transportation, unfriendly tax regime, poor access to land, high cost of finance, crime rate, corruption, political environment, customs and trade regulations, inadequately trained workforce and labour regulations.

The foregoing empirical evidence suggests that lack of access to finance, environmental, economic and political issues constitute major challenges to SMEs in Nigeria.

2.2. Access to credit facilities by SMEs

Credit facilities is a loan made in a business or corporate finance context, including revolving credit, term loans, committed facilities, letter of credit and most retail account. Gbandi & Amissiah (2014) argued that Commercial banks, Microfinance banks, International development agencies, the CBN and some of its agencies and some of its agencies are some of the institutions in the formal finance sector that have played very prominent roles in the financing of SMEs in Nigeria. The role of access to credit facilities in economic stimulation and development is widely acknowledged in literature.It is argued that financial intermediation through the banking system play a pivotal role in economic development by affecting the allocation of savings, thereby improving productivity, technical change and the rate of economic growth (Sansui, 2011). Evidence from various literatures revealed that, globally, access to credit had been recognized as powerful economic stimulus to enable entrepreneurs build assets, increase income, reduce vulnerability, economic stress and grow sustainable businesses. Following the significant roles of SMEs in developing economies, international bodies such as American government agency's Overseas Private Investment Corporation (OPIC) and World Bank's International Finance Corporation (IFC), have provided financial support in form of loans and private equity to private sectors. These bodies were established to stimulate investment in risky economic environments where private insurance is unavailable and SMEs play critical roles of accelerating growth (Hendrickson, 2012; Zoellick, 2010).

CBN (2017), has identified access to credit facilities by SMEs as stimulus for economic growth. According to the Governor, Central Bank of Nigeria, during a strategy meeting with selected Development Finance Institutions and other stakeholders, on enhancing access to credit to SMEs in Nigeria. He noted with concern that, in spite of all efforts by the CBN to improve the access to credit to SMEs, he lamented that the lenders has failed Nigeria. Inability to access credit facilities is one of the major problem faced by SMEs, and some factors have been recognized to provide details of this problem. These comprise the segmented and incomplete nature of financial markets, which lead to rise in transaction costs associated with financial services. Most formal financial institutions considers SMEs uncreditworthy because of incomplete records, lack of credit history and collateral thus denying them credit. According to Pandula (2011) SMEs are facing with three major problems which hinders their ability to access credit facilities: the business's characteristics, the financial characteristics and the entrepreneur characteristics. The business characteristics that affect SMEs ability to access bank credit include business size, business age, and business's ownership structure. A financial institution characteristic is the interest rate. The entrepreneur characteristic that impede SMEs access to credit include; entrepreneur's level of education, entrepreneur experience and training and entrepreneur's network and association.

According to Ibrahim & Muhammad (2017) , size of firm has a lot to do with its ability to access credit facilities. They argued that a large firm will enjoy access to credit facilities compare to SMEs because of their size. Age of business entity had also been identified by both old and recent literatures as an important factor that affect access to credit facilities. The old firms have advantages over new entities because of availability of information needed by financial institution to evaluate and process loan application while new firm may suffer set back in accessing credit facilities because of non availability of adequate information and financial records to support their request. The ownership structures of SMEs is another important factor that hinder the ability of SMEs from accessing credit facilities. The lenders as stated by researches prefers to avail credit facilities to those SMEs that are legally recognized by the relevant authorities. SMEs that are well structured are more likely to be less constrained to access to credit than those that are not structure.

2.3.Tax Compliance among Small and Medium Enterprises

According to George, Elizabeth & Gregory (2017) in their study titled: Determinants of Tax Compliance among Small and Medium Enterprises in Bungoman County, Kenya .It was noted that cost influence tax compliance negatively among the SMEs in Kenya. They recommended that the Kenya Revenue Authority should consider revising the cost of tax product downwards. Additionally, Kenya Revenue Authority should make the tax filing process convenient, easy and costless. Similarly, Kenya revenue authority, should not impose penalties on late filing of taxes. The tax computation should be as easy as possible to enhance eligible tax payers' compliance.

John, Samuel &Samuel (2017) investigated Tax Compliance Cost and Tax Payment by Small and Medium Enterprises in Embu County, Kenya. The findings of the study established that SMEs incur different tax compliance cost with most incurred costs being the cost of collecting and submitting taxes and the cost of filing taxes. The findings also revealed that the SMEs consider the cost associated with filing tax returns as high and that SMEs are affected adversely and disproportionately by compliance costs and that high tax compliance costs affects the growth and development of SMEs.

Gberegbe and Umoren (2017) examines the relationship between the perception of tax fairness and personal income tax compliance of SMEs in Rivers State. Findings evidence that distributive fairness, procedural fairness, retributive fairness and tax fairness have positive significant influence on personal income tax compliance of SMEs in Rivers State.

Adesina and Uyioghosa (2016) examined Tax Knowledge, Penalties and Tax Compliance in Small and Medium Scale Enterprises in Nigeria .Their studies revealed that tax knowledge has a higher tendency to promote tax compliance than tax penalty. Tax knowledge plays an important role in increasing tax compliance. Tax knowledge could potentially encourage tax payers to be more prudent in completing their tax returns. Self-employed individuals should try as much as possible to acquire reasonable level of tax knowledge as it applies to their businesses. Acquiring tax knowledge has many advantages. It would save the tax payers from hiring consultants to compute taxes for their businesses and thereby saving huge tax consultancy cost. It can assist them to accurately compute tax payable and avoid unintentional noncompliance.

Many studies have investigated tax compliance by various organizations including SMEs across the globe and in Nigeria. Majority of the literature reviewed have found that tax evasion and avoidance are both common among SMEs and tax compliance has been a concern for government and tax authorities all over the world. Most of the previous studies revealed that access to credit facilities and tax compliance among SMEs is less discussed in developing countries when compared with developed countries. Access to credit and tax compliance is often ignored in the literature. .It is also pertinent to point out that many of the empirical studies have dealt largely on tax compliance but not on access to credit facilities and tax compliance among SMEs. Oyebamiji (2018) examines the tax compliance and tax justice among corporate taxpayers. However both studies of Adesina & Uyioghosa (2016) and Oyebamiji (2018) did not make use of access to credit facilities as a measure of tax compliance among SMEs in Nigeria as will be used in this study.

This study however, filled the gaps in literature in the by providing empirical evidence on the effect of access to credit facilities on tax compliance of SMEs in Nigeria.

III. METHODOLOGY

This study examined the impact of credit facilities and tax compliance among small scale businesses in Nigeria**.** To accomplish these, both descriptive and inferential statistics were employed in the study. The descriptive statistics surveyed the means and standard deviation of the variable while inferential statistics was used to reach a conclusion about a population based on the information contained in the sample drawn from that population. Therefore, among inferential statistics, the study used the ordinal logistic regression.

The survey population consisted of all registered SMEs located in all the thirty six states in Nigeria including the Federal Capital Territory (FCT). However, only Lagos state and Oyo state selected, this was because the geographical area was exhaustively sampled, rather than choosing samples across the whole nation. Given the complex nature of the study, geographical proximity facilitates follow-up action. Moreover, these two states are the main areas where a high number of registered SMEs are.

In this study, the sample size was determined using the sampling formula by Yamane (1967) expressed as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where n represents the sample size, N is the total population, e is the error term depending on the confidence level, and P = 0.05 is assumed for the equation.

When applying this formula to obtain the sample size from a population of 5,108,928, random and purposive sampling techniques were used. The result recommended sample size of 400. Thus, 400 questionnaire (Appendix A) was shared among the SMEs operators in Lagos and Oyo states with 253 questionnaire for Lagos state and 147 questionnaire for Oyo state based on the total population of SMEs operators in each state

Reliability and validity was ensured through pretesting, the pilot test conducted using 40 copies of questionnaire out of which thirty-seven questionnaire were retrieved. The Cronbach's Alpha for all the variable of interest is greater than 0.70. This suggested that the questionnaire would be reliable and appropriate in achieving the stated research objectives.

$$Y = f(X) \qquad \ldots (3.6)$$

Where: Y = Tax Compliance (TAC)

X= Access to Credit Facilities

$X = x_1,)$

Where:

x_1= Access to Credit Facilities (CREDF)

y= f(xi)

y= TA
Model

TA = β_0 + β_1CREDF +Uε

The generic model is given as,

$$TACi = \beta_0 + \beta_1 CREDF_i + +U\varepsilon_i \quad (3.7)$$

Where: β_0 = Constant

β_1, = Model Co-efficient, and

Uεi = Error term

IV. RESULTS AND DISCUSSION OF FINDINGS

Descriptive Statistics

Table 1 Respondents Responses on Tax Compliance

S/N	Test Items		SD 1	D 2	ID 3	A 4	SA 5	Mean	SDE
1	Tax compliance is paying the exact tax liability to the tax authority as at when due.	Freq %	10 2.6	14 3.6	12 3.1	138 35.8	211 54.8	4.36	0.91
2	Paying part of the tax liability to the tax authority can still be regarded as tax compliance.	Freq %	24 6.2	87 22.5	33 8.5	157 40.6	86 22.2	3.50	1.23
3	The payment of tax after it falls due can still be termed as being compliant.	Freq %	15 3.9	71 18.5	51 13.3	162 42.2	85 22.1	3.60	1.35
4	Multiplicity of taxes is one of the factors responsible for non-compliance among SMEs in Nigeria	Freq %	10 2.6	29 7.6	38 9.9	151 39.5	154 40.3	4.07	1.01
5	The payment of tax is the right and natural thing to do	Freq %	5 1.3	15 3.9	26 6.8	175 46.1	159 41.8	4.23	0.84
6	Paying taxes is a responsibility that should be gladly accepted by all SMEs	Freq %	9 2.3	18 4.7	24 6.2	175 45.3	160 41.5	4.19	0.92
7	SMEs should pay tax to support the government and her programmes	Freq %	6 1.6	23 6.0	42 11.0	182 47.8	128 33.6	4.05	0.91
8	SMEs will be ready to pay tax if tax audit does not exist	Freq %	38 9.9	86 22.3	93 24.2	118 30.6	50 13.0	3.14	1.19
9	SMEs are generally not willing to pay taxes	Freq %	32 8.4	95 25.1	74 19.5	112 29.6	66 17.4	3.22	1.24
10	The preparation of financial statement by SMEs will prompt them to pay their tax obligation as at when due.	Freq %	11 2.9	31 8.1	54 14	194 50.4	95 24.7	3.86	0.97
11	SMEs voluntarily file their tax returns because the consequences for non-compliance is high.	Freq %	8 2.1	39 10.2	59 15.4	190 49.7	86 22.5	3.80	0.97
	Average Mean							3.82	1.05

Source: Field Survey, 2018

Note: SDE = Standard Deviation, SD = Strongly Disagree, D = Disagree, ID = Indifferent, A = Agree, SA = Strongly Agree.

On the test item 3, on tax compliance, 64 per cent of the respondents agreed that payment of tax after it falls due can still be termed as being tax compliant, while 22 per cent disagree with the test statement, however, 51 of respondents representing 13 per cent were indifferent to the test item. A mean score of 3.60 shows that majority of the respondents agree that payment of tax after its due date can still be referred to as being tax compliant. In addition, about 305 of the respondents representing about 80 per cent agreed that multiplicity of taxes is one of the factors responsible for non-compliance among SMEs in Nigeria, while 10 per cent disagree and about 10 per cent were indifferent.

Table 2 Respondents Responses on Access to Credit Facilities

S/N	Test Items		SD 1	D 2	ID 3	A 4	SA 5	Mean	SD
12	Stringent collateral securities make it difficult for SMEs to obtain loan from the financial institutions.	Freq %	6 1.6	17 4.4	21 5.4	169 43.8	173 44.8	4.25	0.87
13	Bottlenecks associated in assessing credit facilities from the financial institutions restricts the level of investment of small and medium scale enterprises in Nigeria	Freq %	8 2.1	16 4.2	33 8.6	168 43.6	160 41.6	4.18	0.91
14	Credit facilities granted by financial institutions to SMEs can propel the level of growth in Nigeria	Freq %	1 0.3	15 3.9	37 9.6	171 44.3	162 41.6	4.23	0.80
15	Access to loanable funds to SMEs will reduce the level of unemployment in Nigeria	Freq %	1 0.3	8 2.1	23 6.0	166 43.1	187 48.1	4.37	0.72
16	The administrative fee charged by financial institutions in granting of loans to SMEs is excessively high	Freq %	7 1.8	18 4.7	38 9.9	151 39.3	170 44.3	4.2	0.93
17	A single digit interest rates and long tenured loans will propelled the desired growth in the SMEs output in Nigeria	Freq %	6 1.5	27 7.0	45 11.7	145 37.9	160 41.1	4.11	0.97
	Average Mean							4.22	0.87

Source: Field Survey, 2018

Note: SDE = Standard Deviation, SD = Strongly Disagree, D = Disagree, ID = Indifferent, A = Agree, SA = Strongly Agree.

Test items 12-17 on table 3 elicit responses on six test items on access to credit facilities to the SMEs operators in Nigeria.

A mean score of 4.25 suggest that majority of the respondents agreed that stringent collateral securities make it difficult for SMEs to obtain loan from the financial institutions. In addition, 85 per cent agreed that bottlenecks associated in assessing credit facilities from the financial institutions restricts the level of investment of small and medium scale enterprises in Nigeria, while the remaining 15 per cent of the respondents either disagree or indifferent. The mean score of 4.18 further indicates that majority of the respondents agreed that the bottlenecks associated in assessing credit facilities from the financial institutions restricts the level of investment of small and medium scale enterprises in Nigeria.

Model I: Access to Credit Facilities and Tax Compliance of SMEs in Nigeria.

Research Objective

Examine the effect of access to credit facilities on tax compliance of SMEs in Nigeria.

Research Question

How does access to credit facilities affect tax compliance of SMEs in Nigeria?

Research Hypothesis

Access to credit facilities has no significant effect on tax compliance of SMEs in Nigeria.

Table 3 Dependent Variable: TAC

Panel A			
Variable	**Coefficient**	**Standard Error**	**Wald- Test**
CREDF	0.715	0.181	15.637***
Constant: Threshold			
[TAC = 2.00]	2.278	1.025	4.936**
[TAC = 3.00]	1.801	0.768	5.496**
[TAC = 4.00]	5.650	0.835	45.751***
Panel B			
Model Fitting Information			15.773***
Goodness of Fit			
Pearson			11.745
Deviance			9.502
Pseudo R-Square			0.050
Test of Parallel Lines			6.002

Notes: TAC represents tax compliance; CREDF is access to credit facilities. *, ** and *** indicates statistical significance at 10, 5 and 1 per cent respectively.

Interpretation

Panel A of Table 4.9 shows the estimated coefficients, and it was discovered that the coefficient of access to credit facilities is positive, this implies that there is a direct relationship between access to credit facilities for SMEs operators and the level of tax compliance in Nigeria. Also, access to credit facilities is a significant factor influencing changes in tax compliance; this is because access to credit facilities is statistically significant at 1 per cent level. Concerning the magnitude of the estimate of access to credit facilities, the exp(0.715) gives 2.044, this implies that if there is increase in access to credit facilities for SMEs operators in Nigeria, the level of tax compliance will increase by 2.044.

In Panel B of Table 4.9, the model fitting information of 15.773 is significant at 1 per cent level; this implies that the final model gives a significant improvement over the baseline constant model. The two goodness of fit statistic of 11.745 and 9.502 is not significant at any level, thus the non-rejection of the null hypothesis is that the fit is good. This implies that the data and the model predictions are similar and that it is a good model. The pseudo R^2 shows that access to credit facilities explains about 5 per cent changes to tax compliance among SMEs operators in Nigeria, while the remaining 95 per cent are other factors which affect the level of tax compliance but were not captured in the model. The statistic for the test of parallel lines is given as 6.002. This value is not significant; this implies that the null hypothesis that the slope coefficients are the same across response categories cannot be rejected. Thus, the proportional odds assumption holds for general model.

Inferential Hypothesis Testing

This section is devoted to testing of the hypothesis. The ordered logistic regressions was used because the variable was scaled. It should be noted that for an ordered logistic regression, the *Wald*-Statistics is always used and it is the square of the *t*-statistics.

The results presented in table 4.14 are used to test the hypothesis and this is summarized below.

Table 4 Summary of Results

	Evaluation Results
Sign	+
Prob. Values	0.000
Null Hypothesis	Reject

Research Objective

Examine the effect of access to credit facilities on tax compliance of SMEs in Nigeria.

Research Questions

How does access to credit facilities affect tax compliance of SMEs in Nigeria?

Research Hypothesis

Access to credit facilities has no significant effect on tax compliance of SMEs in Nigeria.

Decision

The summary of results in table 5 shows that access to credit facilities has a positive and significant relationship with the levels of tax compliance of SMEs operators in Nigeria. Thus, the study rejects the null hypothesis that access to credit facilities has no significant effect on tax compliance of SMEs in Nigeria. Thus, we accept the alternative hypothesis that there is significant relationship between access to credit facilities and the level of tax compliance of SMEs operators in Nigeria.

V. DISCUSSION OF FINDINGS

This study examined the impact of access to credit facilities on tax compliance among the small and medium scale businesses in Nigeria using the ordered logistic regression. The study discovered that access to credit facilities have positive and significant effects on the level of tax compliance among small and medium scale enterprises in Nigeria.

Findings of this study therefore provided insight into the impact of access to credit facilities on tax compliance among SMEs in Nigeria. It further provided an insight as to the extent to which access to credit affect the dependent variable of tax compliance.

VI. CONCLUSION AND RECOMMENDATIONS

This study concluded that the access to credit facilities is useful in determining the tax compliance among Small and Medium Enterprises (SMEs) in Nigeria. On the overall, the result of ordered logistic regression suggest that access to credit facilities has significant effect on the level of tax compliance among small and medium scale enterprises in Nigeria.

The Central Bank of Nigeria, Bank of Industry, Development Bank of Nigeria, Bank of Agric, Ministry of Finance and other government agencies involves in intervention fund should set up a technical committee that will monitor the disbursement and monitoring of intervention funds for SMEs so as to ensure that the SMEs operators access the fund and also to see that the fund is channeled for the purpose to which it was disbursed. Also, Central Bank of Nigeria should develop a framework on credit to Small and Medium Enterprises that will improve credit facilities to the sector. Also, the apex bank should back the framework up by issuing a circular that will compel Deposit Money Bank and other financial institution to adhere strictly to the frame work. Policies that will guarantee low interest rate for SMEs operator so as to eliminate the high interest rate that is currently hurting small businesses in the country must also be put in place by monetary authority.

Contribution to Knowledge

The study contributed to the literature in the following ways. Firstly, our study contribute to several studies that investigate the tax compliance among corporate taxpayers and SMEs (Nelson, 2015; Bismark, Joy, &Evans, 2016; Oyebamiji, 2018; John, Samuel, &Samuel, 2017). Secondly, in the policy setting, this study will help the federal ministry of finance and the Federal Inland Revenue Services to find a reference point in their decision making to boost revenue generation. Thirdly, academic scholars and policy maker will find this study a suitable guide as far as further discussions or studies on the same topic are concerned. It will form a basis of further research for individuals interested in investigating the effect of access to credit and tax compliance among corporate taxpayers anywhere in the world most especially in Nigeria

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