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CAPITAL ALLOWANCE INCENTIVES, TAX HOLIDAY INCENTIVES AND CONTINUITY OF SMALL AND MEDIUM SCALE ENTERPRISE IN NIGERIA

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ABSTRACT

This study examines capital allowance incentives and tax holiday incentives on the continuity of Small and Medium Scale Enterprises (SMEs) in Nigeria. The population consists of the total number of registered Small and Medium Scale Enterprise Owners within selected four major commercial states (Lagos, Kano and Port-Harcourt and Abuja) in Nigeria with estimated number of twenty-five thousand, six hundred and sixty-one. The study adopted a descriptive survey research design. The study relied on primary data which was gathered through structured questionnaires containing closed ended questions as well as Statistical Package for Social Sciences (SPSS) to analyze the data. Findings revealed that capital allowance deductions enable SMEs to strategically lower their tax burden that results in expansionary cash flow and application of tax holiday benefits has a meaningful positive contribution to SME survival in Nigeria and tax holidays, offering temporary exemptions from taxes, can provide crucial breathing room during a business's early stages or periods of expansion. However, the effectiveness of these incentives depends on factors such as the design of the programs, accessibility for SMEs, and the overall business environment in Nigeria. This study concludes that efficient tax policy positively enhances the continuity of SMEs as it minimized the compliance burden, improved accountability, and built confidence of the SMEs in the tax authorities. The study therefore recommended that policy recommendations can be made to optimize the design and implementation of capital allowance and tax holiday incentives to better support SME continuity and contribute to sustainable economic growth in Nigeria.

KEYWORDS: - Business continuity, Business environment, Capital allowance, SMEs, Tax holiday, Tax incentives.

Word Count: 247

1.0 INTRODUCTION

A surviving business in Nigeria can survive anywhere in the world. This is because a larger percentage of SMEs failed to survive their first-fifth year in the economy. At present, Nigerian businesses were subjected to an impromptu shock by the government through the cashless policy strategies and implementation. This policy coupled with the existing effect of EndSARS protests and Covid-19 pandemic had plotted devastating consequences on the tenacity of SMEs business survival in the country. At first, the antecedent of the policy widened the liabilities scope of some SMEs through poor internet banking network and this shortage rests against the profit of firms that are struggling to survive the economy. The existing effects of Covid-19 pandemic and EndSARS protests are yet written off the business liabilities as some of SMEs involved in no business continuity management practice. As a result of the restrictions and prohibitions imposed due to the rapid spread of COVID-19 and EndSARS protests, production, and service processes were negatively impacted; as recommended by authorities, the business community has adopted a remote working model; during this period of rapid development, companies that were not at the level of Disaster Preparedness have suffered business and financial losses, demonstrating the significance of Business Continuity(Balbaa, Balbaa, Eshov, & Islamilova, 2022). Even before fully recovering from the effects of Covid-19, Russia's invasion of Ukraine in February 2022 heightened geopolitical tensions between the West and Russia, lowering global growth expectations due to uncertainty about the conflict's effects, particularly on the global Supply Chain.

Furthermore, Western sanctions against Russia had a ripple effect on the global economy, and the war has caused energy supply shocks, commodity, and trade supply shocks, and rising energy, food, and commodity prices, resulting in global inflation(Oyedokun, Akintoye, & Salawu, 2018; Balbaa, Balbaa, Eshov, & Islamilova, 2022). These aforementioned disasters leverage on firms, especially Small and Medium Enterprises` profits.

In Nigeria, tax accounts for a significant portion of firm costs and have the potential to reduce firm profitability; therefore, they must be kept to a bare minimum, particularly in a challenging business environment. As a result, different tax incentive packages like capital allowance, tax holiday incentives, corporate income tax incentive, investment allowance, loss relief, roll over relief, pioneer relief, tax free dividend, export processing zones relief, research and development can be applied to encourages Small and Medium Enterprises in Nigeria to restructure their

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standing in this turbulent time. The main objective of this study is to examine the relationship among tax system, incentives and business continuity of Small and Medium Enterprises in Nigeria while the specific objectives are to:

i. examine the relationship between capital allowance incentives and continuity of Small and Medium Scale Enterprise in Nigeria
ii. determine the effect of tax holiday incentives on the continuity of Small and Medium Scale Enterprise in Nigeria

2.0 LITERATURE REVIEW

2.1 The Concept of Tax Incentives

Currently, the Nigerian government employs three indicators for managing tax incentives which include sectoral allocation and non-discretionary distribution, calculation of economic value which is greater than the tax reliefs, and periodic reviews of the system for purposes of effectiveness assessment. These investments also have a requirement for foreign investors to reinvest their incentives in further purposes for the growth of the Nigerian economy. All systems of taxation gain from the application of the incentives as favorable elements (Babalola, Oyedokun, & Adeyemo, 2019; Balbaa, Balbaa, Eshov, & Islamilova, 2022). A range of modifications also follow from these changes and, with time, start to undermine the tax system. Such tax relief assumes higher tax scrutiny spending which increases the administrative burden on tax agencies. Tax allowances combined with deductions and credits offer opportunities for taxpayers who are able to well formulate exploit such loopholes (Taiwo, & Oyedokun, 2022; Firouz, 2023).

Tax administrators are expected to be inefficient until more funds become available to aid in dealing with such expenditures. Tax incentives add another dimension for administering corruption relating to the tax system (Oyedokun, Babalola, & Awosika, 2020; Oyedokun & Ayinde, 2023).

Current tendencies confirm that tax incentives have more importance in investment choice than before as they tend to be one of the easiest ways for companies to enhance their productivity without or with very low taxation. This became possible with the combination of more liberalized trade, increased investment with advancement in technology, reduced trade restrictions, increased international transportation and communication, expansion of the common market, and flexible taxation. These changes will further increase investment in the current world situation. Hence, the benefits outweigh its cost (Maruya, 2021; Onigbinde, & Oyedokun, 2023).

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2.2 Small and Medium Scale Enterprises (SMEs)

Small and Medium Scale Enterprises are defined as an entity with labour size of 1-100 workers or a total cost not exceeding ₦50 million with working capital, but land cost is excluded, and the Medium Scale Enterprise is defined as an entity with an employment size of 101 – 300 wage earners with a total cost exceeding ₦50 million but not exceeding ₦200 million with working capital while land cost is excluded (Odebode, 2022; Oyedokun & Sorinmade, 2023). The research further revealed that roughly 50% partake in distributive trade, 10% take part in manufacturing, 30% in agriculture, and the remaining 10% in services. The Small and Medium Scale Enterprises are defined as an enterprise whose asset base excluding land is between N5 million and N500 million with a headcount between 11 and 300(Kiabel, 2021; Oyedokun & Onigbinde, 2024).

The definition for emerging businesses in SMEs refers to an enterprise with an asset base excluding land and buildings of N10 million to less than 100 million with 10-49 employees regarded as "SMALL" and from N100 million to less than N1 billion with 50-199 employees termed as "MEDIUM". SMEs also appropriately define a business with a turnover lower than NI00 million and/or employing less than 300 people(Aina,Aderibigbe,Adigun,&Oyedokun,2017; Lundberg, 2022). SMEs are dynamically relative. Another definition of SMEs that is worth adopting is that of the National Council on Industry, which in 1992 streamlined the various definitions of SMEs and agreed to amend them every 4 years. We define SMEs as businesses with fixed assets not less than N1 million and more than N10 million excluding working capital, and medium scale as enterprises with fixed assets more than N10 million but less than N40 million with working capital, but excluding the cost of land(Nnam, Amara, Ekete, Okeke, & Chukwunwike, 2022).

In 1996, it defined small scale business as enterprises with fixed assets of more than N1 million but less than N10 million excluding the cost of land and working capital and employing a labour size of 11-35. Also, medium scale enterprises must have fixed assets of more than N40 million and less than N150 million including working capital but excluding the cost of land, and the minimum number of workers should be 36 and the maximum is 100(Aderibigbe,Oke,&Oyedokun,2017; Kato, 2021).

The New Industrial Policy for Nigeria declared SMEs to be businesses with N 100,000 to N2m in total investment while excluding capital costs yet including working capital. Nigeria possesses abundant fertile land with mineral reserves alongside numerous skilled workers which creates an ideal environment for small and medium Enterprise development (Oloyede, Kupoluyi, Oyedokun, & Benjamin, 2017; Kiabel, 2021). The resources which Nigeria possesses have established the country as a leading power in African markets. Development methods need to be

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created for these enterprises because their full potential depends on their successful growth. Small and medium enterprises serve as fundamental pillars of indigenous businesses that lead to numerous initial investments which would otherwise not happen (OECD, 2017; Mlanga, & Oyedokun, 2018). Nigeria must establish an inviting environment to promote small and medium enterprise growth and enhance business success factors and sort out system-wide barriers so existing small and medium enterprises can thrive(Ajose, & Oyedokun, 2018; Egwuonwu, 2022).

2.3 Business Continuity Management of SMEs

Initially, business continuity management (BCM) refers to an organization's holistic framework that not only seeks to mitigate impacts which may harm the reputation of the organization, but also safeguards key stakeholders' interests(Oyedokun, Fowokan, Akintoye, & Hassan, 2018; Tucker, 2023). This framework considers the organization's employees, customers, suppliers, investors, and the community in which the organization operates as its stakeholders. Business continuity management also focuses on the sustainable identification and scheduling of an organization's critical functions to ensure that minimal or no interruptions occur (Cerullo, 2020).

The global standard ISO 22301 expands on the definition of BCM as 'a holistic management process' that 'identifies an organization's potential threats, the impacts those threats could have on the business if realized, and comes up with a strategy to build organizational resilience with the capability of effectively responding to safeguard the key stakeholders, reputation, brand, and value creating activities of the organization (International Organization for Standardization, 2012). An organization with well-defined and implemented business continuity management plans is capable of sustaining basic level of business activities post disaster through emergency operations and recovery processes (Olaniyi, Ajayi, & Oyedokun, 2018; Moh, 2021). Disasters can have horrifying impacts on business irrespective of the organization or company's size. This means that small and medium enterprises (SMEs) without a good BCM strategy will face severe loss including customer churn, brand damage, financial losses, and in the worst case, going out of business (BSI Group, 2015).

Moreover, it is important to note that the introduction of a BCM system is not simply about writing a business continuity plan. While the adoption of the BCM approach is the decision of an owner at a company to try to safeguard his/her business from several risks and improving the chance of the company to live through disasters by executing designed continuity plans. To illustrate, let us take a single firm which is run by a seasoned entrepreneur or a skilled business manager. However, regardless of the experience of the manager in running the business, there is no guarantee that a loss or disaster will not happen (Oyedokun, Fowokan, Akintoye, & Dada, 2018; Kato, & Charoenrat, 2023). So, what is the most disastrous scenario one can think of for a loss? In this context, it will be a circumstance where the business is at risk of being killed or

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severely damaged to a point of being disabled or incapacitated and severely disrupted from getting back to normal condition. Thus, through BCM, SMEs are primarily able to answer the question: What critical resources does my company stand to lose in case a disaster strikes? A company can suffer catastrophic losses in the case where crucial resources are significantly ruined beyond repair (death scenario); or, the company can suffer grave damage that would cause a deep disruption into the business operations (Umar-Dauda, & Oyedokun, 2018; Blid, & Păunescu, 2022). As a result, the business stands the risk of losing valuable clients and being forced to downsize its operations (permanent disability scenario). These are worst - case scenarios that the business should indeed do everything possible to avoid. However, if the business is lucky enough to sustain only minor losses, there would be little reasons why a normal business would take longer than a short time period to recover and continue operations(Fowokan, Oyedokun, & Abdul, 2018; Matsumoto, & Watanabe, 2021). It is far better for the company to aim during any disruption to focus on ensuring that the damage is as minimum as possible so that the company can return to its normal or above level of functionality in a short period.

2.4 Theoretical Review

This study anchored Normative Theory. L.R. Binford developed the normative theory in 1965, which serves as an analytical framework for the interplay between government institutions, taxes, and the incentives associated with them. With regard to tax systems, Binford claims that tax policies, together with administrative changes, offer new opportunities to enhance the efficiency of tax collection and, therefore, create a positive business environment, particularly for SMEs. In Binford's perspective, the evolution of government institutions should create additional incentives or, at best, constraints in the behaviour of the governmental and non-governmental actors (Bassey, 2023).

The integration of this theory into the taxation systems of specific countries, especially those with SMEs, illustrates the importance of tax incentives for government to reconsider. Binford's theory states that tax incentives such as investment tax credits or lower tax rates can be very effective in stimulating business growth. This is especially true for SMEs, which tend to struggle with capital and market expansion. Governments can alleviate these barriers through tax incentives to aid in the sustenance and growth of SMEs(Bassey, 2023). However, it is crucial that these incentives are well designed in conjunction with changes in the tax administrative framework so that they can be effective as well as usable(Olabisi, 2010).

One more critique of Binford’s theory is its lack of consideration of external impacts that influence tax systems. The approach primarily concentrates on self-contained purposes, intergovernmental politics, and the implementation and administration of tax systems (Bassey, 2023). External factors such as international economic competition, globalized taxation, and the

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tax and expenditure policies of other countries often have an impact. These influences can be particularly important in defining the business climate for multinational and trading SMEs. Ignoring such external factors can result in a short-sighted approach that fails to appreciate the complexities facing SMEs who must contend with taxation systems (Olabisi, 2010).

On the other hand, Binford's theory emphasizes the more fundamental functions of SMEs in development. SMEs are some of the most important value-adding factors when it comes to employment, innovation, and product growth, especially in newly emerging and developing economies. A strong tax system, together with supportive SME incentives, can help sustain these businesses. That promotes economically sustainable development. By establishing such a tax regime, governments have the opportunity to increase self-employment and innovation, which is ultimately beneficial to the economy as a whole (PwC Nigeria, 2021).

Ultimately, Binford’s theory has to do with the difficulties involved in reconciling national tax policies with international competition. In a highly globalized context, SMEs have to fight for their survival against not just local rivals, but also international companies located in tax havens. International competitiveness will be elusive to SMEs if they are overtaxed or if they operate within an unfriendly tax regime. By aligning tax policies with administrative changes and international standards, governments can support the competitiveness of SMEs, thus aiding their survival and development in a dynamic global marketplace (Ogbonna, & Appah, 2016).

To conclude, even though Binford's Normative Theory has some shortcomings, it offers an understanding of the impact of tax structures and incentives on the continuity and development of SMEs that is profoundly relevant. For SMEs to flourish there is a need to integrate tax policy with governance reforms, design effective tax regimes, and create regionally integrated tax incentives. As SMEs need in particular attentive care, governments should put them at the focus of the reform process as well as ensure that taxes enable business continuity and serve the larger goal of economic growth.

2.5 Empirical Review

Sweet Williams, Onmonya, & Ebire (2023) investigated the effect of corporate tax on the financial performance of Nigerian listed consumer goods companies from 2011 to 2021. A sample of sixteen (16) consumer goods firms was used for the study. A secondary data source was generated from the annual reports of the selected firms. The random effect panel regression results revealed that company income tax negatively affects financial performance. The study also revealed that education tax has a significant positive effect on financial performance. While Value Added Tax (VAT) has a significant negative effect on financial performance. In conclusion, corporate tax has a statistically significant effect on the financial performance of

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consumer goods firms in Nigeria. Based on these findings, the study recommends that to leave enough net income in the hands of the listed consumer goods companies, the federal government should offer more tax exemptions that will lower company income tax payments.

Galaitsi, Pinigina, Keisler, Pescaroli, Keenan, & Linkov (2023) assessed the concepts of business continuity management, operational resilience, and organizational resilience each refer to actions that businesses and organizations can take in anticipating and responding to disruptions. However, the existing definitions and usages are difficult to differentiate due to overlapping objectives, implementation processes, and outcomes. This study explored definitions and approaches for these three concepts and suggested a framework to operationalize methods and tools relevant to each. These definitions emphasize three days: risk versus resilience; organizational processes versus assets; and normal operating conditions versus crisis conditions. Using these days to differentiate the concepts of business continuity management, operational resilience, and organizational resilience can support planners in clarifying objectives and identifying which approach will be most beneficial as businesses or organizations plan for and encounter disruptions. This study evaluated these concepts by examining illustrative examples of disruptions and responses.

Nnam, Amara, Ekete, Okeke, & Chukwunwike, (2022) explored the effect of taxation/taxing practices on the growth of SMEs with a specific focus on whether ‘multiple payment obligations placed on SMEs have significant implications on their profitability, investment decisions, and cash flows. The study adopted survey research design. The chi-square and regression analysis were used in testing hypotheses. Results from the chi-square and regression analysis indicated that tax practices significantly affect SMEs profitability and investment decisions. However, on the effect of taxation on the cash flow of SMEs, the chi-square test showed a non-significant effect of taxation on cash flow while the regression analysis revealed a significant relationship between taxation and cash flow of SMEs. This contradiction may be ascribed to bias exhibited by some respondents in answering some questions asked during the survey. Therefore, the study recommended that the government improves tax incentive already provided, improve infrastructure, and implement tax policies based on the ability to pay and eschew multiplicity of payment by SME owners; these will eventually encourage growth and expansion of SMEs and the economy at large.

Aladejebi, & Oladimeji (2021) examined the critical components of effective Business continuity management and the impact of disaster preparedness on business continuity. Data was collected from primary sources using a structured questionnaire. The target respondents were motels, guest houses, and one & two-star hotels in Lagos, Nigeria. Data was collected from 150 respondents, and only 140 were viable and analyzed using SPSS and Excel. The majority of the respondents

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were hotels, and most have been in business for over 5years. The study shows that prevention strategies popularly put in place by these institutions were against fire, burglary, and local political instability. They seem to be laidback regarding risks such as floods, storms & lightning, and acts of terrorism. Risk assessment efforts were also seen to be directed towards risks such as fire, pandemic, and labour dispute/political instability. Risks such as a pandemic, acts of terrorism and flood, storm & lightning were seen not to receive much attention.

Schoeman, Evans & du Preez, (2021) investigated revenue mobilization is essential in developing countries such as South Africa. However, it is inevitably a complex process, both from economic and political perspectives. Increasing the rate of value-added tax (VAT) has been identified as one option to increase tax revenue, although the likely effect of VAT rate changes on tax compliance behaviour is undetermined. This study considers the impact of such a change on the tax compliance behaviour of small business entities. In order to address the impact of VAT rate changes on tax compliance behaviour, a between-subjects pre-test/post-test online field experiment was conducted and designed to identify the implications of rate changes of various directions and magnitude. Statistical analysis of the data obtained from the experiment indicated that small business entities are inclined to reduce the VAT liability when there is an increase in the VAT rate, and to do so by overstating purchases rather than under-declaring sales. This leads to an increase in non-compliance. The greater the magnitude of the VAT rate increase, the greater the level of non-compliance. In contrast, no significant relationships were identified between a decrease in the VAT rate and tax compliance.

3.0 METHODOLOGY

The study adopted a descriptive survey research design. The population consists the total number of registered Small and Medium Scale Enterprise Owners within selected four major commercial states (Lagos, Kano and Port-Harcourt and Abuja) in Nigeria with estimated number of twenty-five thousand, six hundred and sixty-one ($N_i = 25{,}661$). However, this study adopted the formula proposed by Yamaneto derive the sample size. Thus, to calculate the sample size from 25,661, the study specifies a 5 percent error as shown in equation below.

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$$n = \frac{N}{1 + N(e)^2}$$
$$n = \frac{25{,}661}{1 + 25{,}661(0.05)^2}$$
$$n = \frac{25{,}661}{1 + 25{,}661(0.0025)}$$
$$n = \frac{25{,}661}{1 + 64.1525}$$
$$n = \frac{25{,}661}{65.1525}$$
$$n = 393.8606$$
$$n \approx 394$$

The sample size is three hundred and ninety-four (n=394)

This study relied on primary data which will be gathered through structured questionnaires containing closed ended questions. The method of data analysis used for this study was Statistical Package for Social Sciences (SPSS) used to analyze the data. Central tendency, standard deviation, and percentage analysis were incorporated in the analysis of the data.

4.0 RESULTS AND PRESENTATION OF DATA

Table 1: Analysis of Demographic Data of Respondents

Demographic Variable	Category	Frequency	Percentage (%)
Sex	Male	344	89.1
	Female	42	10.9
	Total	**386**	**100.0**
Age (years)	< 30	58	15.0
	31 – 40	68	17.6
	41 – 50	185	47.9
	51 – 60	55	14.2
	> 61	20	5.2
	Total	**386**	**100.0**
Ownership Structure	Sole Proprietorship	179	46.4
	Partnership	37	9.6

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Demographic Variable	Category	Frequency	Percentage (%)
	Others	170	44.0
	Total	**386**	**100.0**
Capital Base (Naira)	< 50,000	52	13.5
	50,001 – 500,000	92	23.8
	500,001 – 950,000	35	9.1
	950,001 – 1,400,000	64	16.6
	> 1,400,000	143	37.0
	Total	**386**	**100.0**
Annual Tax Payable (Naira)	< 50,000	162	42.0
	50,001 – 550,000	117	30.3
	550,001 – 1,050,000	24	6.2
	1,050,001 – 1,500,000	70	18.1
	> 1,500,000	13	3.4
	Total	**386**	**100.0**
Working Experience (years)	1 – 5	122	31.6
	6 – 10	66	17.1
	11 – 15	98	25.4
	> 16	100	25.9
	Total	**386**	**100.0**
Position in Company	CEO/Director	108	28.0
	Manager	161	41.7
	Accountant	45	11.7
	Operators	21	5.4

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Demographic Variable	Category	Frequency	Percentage (%)
	Marketers	8	2.1
	IT Personnel	6	1.6
	Supervisor	24	6.2
	Logistics, Supply, Delivery	13	3.4
	Total	**386**	**100.0**
Business Location	FCT	110	28.5
	Lagos	221	57.3
	Kano	12	3.1
	Rivers	43	11.1
	Total	**386**	**100.0**
Business Registration	Not Registered	92	23.8
	In Process	87	22.5
	< 1 year	52	13.5
	2 – 5 years	68	17.6
	6 – 10 years	62	16.1
	11 – 15 years	2	0.5
	> 15 years	23	6.0
	Total	**386**	**100.0**
Tax Incentives Received	Not at All	213	55.2
	1 – 5 times	24	6.2
	6 – 10 times	24	6.2
	11 – 15 times	38	9.8
	15 – 20 times	33	8.5
	> 20 times	54	14.0
	Total	**386**	**100.0**

Source: Field Survey, 2025

Table 1 above shows the classifications of respondents are male, constituting 89.1% of the sample. Female representation is relatively low, at 10.9%. This may be indicative of existing

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gender imbalances in the targeted industries or in the overall business ecosystem. The data reveals that there is a notable gender gap which may require further research into the underlying causes of the issue regarding women's involvement in business activities.

In terms of age structure, the largest segment was from the group aged 41 - 50, which amounts to 47.9% of the respondents. This indicates that mid-career professionals are likely to be the dominant class among business proprietors or managers in the sample. Junior entrepreneurs (those aged under 30) only comprise 15.0% of the sample which shows that younger people have a low participation rate in business. Respondents older than 60 years are fairly small in number (5.2%), which may suggest that this population group is less entrepreneurial active in this context.

The largest segment of participants in the survey (46.4 %) engages in sole proprietorships which means that there is a high preference towards individual ownership. Small segments (9.6 %) practice in partnerships, whereas 44.0 % have other types of ownership. The group "Others" likely incorporates limited liability companies, cooperatives and other forms of business organizations that exist within the overarching business environment. The capital base data indicates that a sizeable proportion of the respondents (37.0%) own or manage businesses with a capital base over 1,400,000 which signifies that higher-capital businesses are adequately represented in the survey. In contrast, micro enterprises (with capital below 50,000) constitute only 13.5% of the respondents, indicating that there is an abundance of businesses with more than moderate capital investment.

The data reveals a diverse range of companies in terms of tax obligations, with a significant portion (42%) paying less than 50,000 annually, suggesting a prevalence of smaller businesses or micro-enterprises. A substantial group (30.3%) pays between 50,001 and 550,000, representing a mid-range tax burden. A much smaller percentage (3.4%) pays over 1,050,000, indicating the presence of larger, higher-tax businesses. The respondent's work experience distribution is also noteworthy. A large number (31.6%) have 1-5 years of experience, reflecting a potentially high number of recent entrants. A considerable proportion (31.6%) also has over 16 years of experience, showing a significant presence of experienced professionals. The comparatively smaller percentages (17.1% and 25.4%) with 6-10- and 11-15-years' experience could suggest either rapid business growth or high employee turnover. The dominance of managerial positions (41.7% managers, 28.0% CEOs/directors) strongly suggests that the majority of respondents are business stakeholders or decision-makers.

However, the business distribution is mainly in Lagos (57.3%) Nigeria's economic hub, followed by the Federal Capital Territory (FCT) at 28.5%. Rivers State (11.1%) and Kano State (3.1%)

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represent a much smaller share, highlighting the economic dominance of Lagos and Abuja. A concerning finding is the significant proportion of unregistered businesses (23.8%) and those undergoing registration (22.5%). This suggests potential challenges in the business formalization process or barriers to registration. The business registration timeline shows a peak in businesses registered 2-5 years ago (17.6%), with a smaller portion registered within the last year (13.5%). The relatively low percentage of businesses registered for over 6 years (only 6.0% over 15 years) could indicate either a high rate of business failure or a recent surge in business registration. Finally, the data on the receipt of government tax incentives reveals that a large majority (55.2%) of respondents have never received any.

On the other hand, (14.0%) reports receiving incentives over 20 times, suggesting that subsets of businesses, likely larger corporations or those with extensive government dealings, consistently access these benefits. Another 8.5% and 9.8% have received incentives 15-20 and 11-15 times respectively, indicating more frequent access for a portion of the sample. In contrast, a much larger portion has received incentives far less frequently: 6.2% have received them 1-5 times, and another 6.2% have received them 6-10 times. This signifies that a substantial number of businesses have limited engagement with tax incentive programs.

4.1 Analysis of Research Questions

Table 2: **Capital Allowance Incentives**

S/N	Statements	SA (%)	A (%)	N (%)	D (%)	SD (%)	Total (%)
1.	Capital Allowance given to companies for a period of time boosts the financial performance of SMEs in Nigeria.	102 (26.4)	184 (47.7)	48 (12.4)	52 (22.7)	0	386 (100)
2.	Capital Allowance enables companies to save more of their taxable income within the period it is granted.	88 (22.8)	226 (58.5)	56 (14.5)	16 (4.1)	0	386 (100)
3.	Capital Allowance savings are expected to be ploughed back into the business to assist the company to stabilize	68 (17.6)	239 (61.9)	41 (10.6)	38 (9.8)	0	386 (100)

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4.	Capital Allowance encourages investment in production assets.	90 (23.3)	239 (61.9)	41 (10.6)	16 (4.1)	0	386 (100)
5.	The SMEs benefit from Capital Allowance as a tax incentive in Nigeria.	80 (20.7)	201 (52.1)	73 (18.9)	32 (8.3)	0	386 (100)
6.	Tax authority reduces bureaucracies and red tape procedures to claim capital allowance incentive.	46 (11.9)	221 (57.3)	82 (21.2)	37 (9.6)	0	386 (100)
7.	Tax authority allows SMEs to make deductions against taxable income in form of capital allowance	89 (23.1)	197 (51.0)	87 (22.5)	12 (3.1)	1 (0.3)	386 (100)
8.	Capital Allowance enables this company to save more of its taxable income within the period it is granted.	90 (23.3)	216 (56.0)	52 (13.5)	12 (3.1)	16 (4.1)	386 (100)
9.	Savings from Capital Allowance are expected to be ploughed back into the business to assist in the improvement of its financial performance.	103 (26.7)	231 (59.8)	36 (9.3)	0 (0)	16 (4.1)	386 (100)
10.	A consistently high Net Profit Margin is often an indication that a company has one or more competitive advantages.	73 (18.9)	217 (56.2)	69 (17.9)	16 (4.1)	11 (2.8)	386 (100)
11	Higher Net Profit Margin can be encouraged by the purchase and utilization of qualifying equipment and machinery which boost production, thereby reducing the cost of production.	64 (16.6)	203 (52.6)	93 (24.1)	10 (2.6)	16 (4.1)	386 (100)

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12	Capital Allowance can encourage business owners to invest in qualifying non-current assets, which boost production, thereby reducing the cost of production and paving the way for a higher Net Profit Margin.	79 (20.5)	245 (63.5)	32 (8.3)	0 (0)	30 (7.8)	386 (100)

Source: Field Survey, 2025

Table 2 shows out of all respondents 74.1% either agree (47.7%) or strongly agreed (26.4%) that capital allowance contributes positively to the financial performance of the SMEs. The results suggest a mean of 3.87 with a standard deviation of .956 However, some respondents, 13.5%, disagreed and 12.4% stayed neutral, which suggests that these respondents do not see this impact, likely due to the way capital allowance is understood or applied by different businesses. The results portray the majority view capital allowances positively as a tool for improving financial performance, the existence of a dissenting minority highlights a need for better communication and education.

A startling 81.3% of the people who answered the survey either agreed or strongly agreed with the statement, and the average score of 4.00 out of 5 with a standard deviation of 0.735 further proves the claim that capital allowance is regarded as an important method of tax savings. The high agreement rate (nearly 80%) strongly suggests widespread utilization of the allowance, leading to increased resources available for business operations and growth.

Approximately four-fifths of the respondents (79.5%) agree (i.e., 61.9% agreed while 17.6% strongly agreed) that obtaining savings from capital allowance should be invested again back into the business. The mean score of 3.87 with a standard deviation of 0.813 indicates a strong belief that reinvestment is necessary for the long-term stability of the business. However, while there seems to be a dominant consensus supporting reinvestment, a few respondents (9.8% disagreed and 10.6% were neutral) indicate that some respondents might either doubt the reinvestment approach or are apathetic about it.

A large majority of respondents, roughly 85.2%, agree that the capital allowance serves as an incentive for business investments in production assets. With average scores of 4.04 and standard deviations of 0.710, the statistics from the survey show 61.9% of respondents agreed, while 23.3% strongly agreed. Further analysis shows that SMEs appreciate how capital allowances minimize the effective cost when purchasing assets which increases production output and efficiency. 72.8 percent agree (52.1 percent agree, 20.7 percent strongly agree) with the

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statement that small and medium enterprises enjoy the advantages of capital allowance as a tax incentive. The calculated mean score is 3.85 with a standard deviation of 0.841.

On the other hand, the 8.3% disagreement rate highlights that some businesses either don't understand or don't benefit from the tax incentive, suggesting a need for targeted outreach and clarification. While 69.2% believe bureaucratic barriers have been reduced, a significant portion (21.2% neutral, 9.6% disagree) still find the process cumbersome or unclear. This indicates that despite efforts to simplify the process, improvements are still needed.

Out of the survey done, 74.1% of respondents agree (51.0% agree, 23.1% strongly agree) that capital allowance can be deducted from a SMEs' taxable income. The mean score of 3.94 and standard deviation of 0.775 reveal that there is a convincing understanding that a capital allowance is an acceptable expense for tax purposes. Another small percentage (3.4%) disproved or strongly disagreed with this statement, showing that the application of capital allowance as a deduction on taxable income is widely accepted.

The 86.5% agreement rate, including a substantial 26.7% strongly agreeing, and the complete absence of disagreement (0%) demonstrate exceptionally strong support for the idea that savings from capital allowances should be reinvested to improve firm performance. The mean score of 4.05 (on an unspecified scale) further reinforces this positive sentiment. This supports the notion that capital allowance should not only be a means to reduce tax liabilities, but also to enhance the business's financial position. 75.1% of respondents agree (56.2% agree, 18.9% strongly agree) that high levels of net profit margins suggest a competitive edge in the market. The average score of 3.84 alongside the standard deviation of 0.876 indicates that a majority of respondents understand the link between high profitability and competitiveness in the market. Nonetheless, 6.9% had a differing opinion and strongly disagreed. The results overwhelmingly support the fact that there is a strong relationship between profitability and competitive advantage and simultaneously reinforcing that the capital allowance, through improved financial performance, may help bolster a firm's competitive edge. 84.0% of respondents agree (63.5% agree, 20.5% strongly agree) that capital allowance works as a tool for encouraging investment into non-current assets with a mean score of 3.97 and standard deviation of 0.774. This shows balance at risk awareness; the reason for reporting risk does not stem from capitalization on capital allowance.

Table 3: **Research Question -Tax Holiday Incentives**

S/N	Statements	SA (%)	A (%)	N (%)	D (%)	SD (%)	Total (%)

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1.	Do you agree that Nigerian government grants tax holiday incentive?	56 (14.5)	213 (55.2)	79 (20.5)	26 (6.7)	12 (3.1)	386 (100)
2.	Tax holiday incentive is capable of improving the operational efficiency of SMEs in Nigeria.	77 (19.9)	235 (60.9)	48 (12.4)	26 (6.7)	0 (0.0)	
3.	Tax holiday incentive improves investment of SMEs in Nigeria.	102 (26.4)	138 (35.8)	82 (21.2)	64 (16.6)	0 (0.0)	386 (100)
4.	The Nigerian tax holiday incentive policy conforms to international standards.	63 (16.3)	60 (15.5)	182 (47.2)	65 (16.8)	16 (4.1)	386 (100)
5.	Tax holiday incentive reduces the economic burden on SMEs.	66 (17.1)	194 (50.3)	52 (13.5)	58 (15.0)	16 (4.1)	386 (100)
6.	Tax holiday incentive can be utilized by the government to encourage growth and expansion of SMEs.	117 (30.3)	209 (54.1)	49 (12.7)	10 (2.6)	1 (0.3)	386 (100)
7.	Tax holiday incentive is capable of attracting foreign investment.	151 (39.1)	162 (42.0)	62 (16.1)	10 (2.6)	1 (0.3)	386 (100)

Source: Field Survey, 2025

Table 3 reveals a generally positive, though not unanimous, perception of the Nigerian government's tax holiday incentives among respondents. While a majority (69.7%) believe the government offers such incentives, a significant portion (20.5% neutral, 9.8% disagree) express uncertainty or disagreement. This suggests that while the government's efforts are largely seen favorably, there's a need to improve awareness and understanding of these incentives among SMEs. The neutral responses in particular warrant further investigation to understand the reasons behind the lack of certainty. Simply put, while the majorities believe the tax holiday exists, a considerable minority are either unaware or unconvinced.

The second statement strongly supports the idea that tax holiday incentives positively impact the operational efficiency of SMEs. The high agreement rate (80.8%), with a significant portion

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strongly agreeing (19.9%), and the very low disagreement rate (6.7%) demonstrate substantial confidence in the policy's effectiveness. The mean score of 3.94 further reinforces this positive perception. Respondents are likely associate tax holidays with reduced operational costs, increased resource availability, and opportunities for technological upgrades or production expansion. The near-unanimous positive response suggests that tax holidays are viewed as a valuable tool for improving operational performance within the SME sector.

Concerning the tax holiday's effect on SME investment, respondents' feedback shows that the (62.2%) believe tax holidays enhance investment; a substantial minority (16.6%) disagrees. The relatively high standard deviation (1.032) suggests significant variation in perceptions regarding the extent of this impact. The disagreement likely stems from the uneven application of the incentive across different SME sectors, with factors like business size, industry, and available capital influencing the perceived benefits. Furthermore, opinions on the alignment of the Nigerian tax holiday policy with international best practices were even more divided, with a large percentage (47.2%) remaining neutral, indicating a lack of clear understanding or knowledge among a significant portion of the respondents. This highlights a need for clearer communication and possibly a more equitable distribution of the benefits to ensure that all SMEs can potentially benefit from the tax holiday incentive.

Of the total respondents, (20.9%) regarding the alignment of Nigeria's tax holiday policy with international best practices. The average score of 3.23 (on an unspecified scale), coupled with a relatively high standard deviation of 1.045, points to a wide range of opinions. While some respondents believe the policy is internationally competitive, many express doubt or uncertainty. This lack of consensus likely arises from concerns about the policy's scope, implementation, and comparison to more established and effective systems in other countries. The significant level of disagreement and the large standard deviation suggest a need for a more thorough review and potential improvements to the policy to better meet international standards and build greater confidence among stakeholders.

The statement on the issue if tax holiday incentives lessen the economic burden on SMEs had substantial backing. The majority, (67.4%) agree that the policy provides relief, a substantial minority (19.1%) disagree. The relatively high standard deviation (1.064) highlights the significant variation in opinions. Those who support the policy likely see it as providing much-needed financial assistance, particularly for struggling businesses. However, the dissenting opinions suggest that the relief offered might be insufficient for some, or that certain SMEs are unable to access or benefit from the incentives. This suggests that while the policy may help some disadvantaged enterprises, it's not universally effective in alleviating economic burdens across the SME sector. Further investigation is needed to understand the reasons behind the

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disagreement and to explore ways to improve the policy's effectiveness and accessibility for all SMEs.

The majority of respondents 84.4% of respondents agreed or strongly agreed that tax holidays can promote SME expansion, with a high mean score (4.12) and low disagreement (2.9%). This strong consensus suggests a widespread belief that tax holidays unlock significant business development opportunities, boosting competition and encouraging entrepreneurship and innovation. Similarly, the high level of agreement (81.1%) on tax holidays attracting foreign investment, along with a high mean score (4.17) and low disagreement (2.9%), further underscores the perceived effectiveness of this policy tool. Overall, the data strongly supports the view that tax holidays can be a powerful mechanism for stimulating SME growth and attracting foreign capital into the Nigerian economy.

Nigeria's tax system, particularly its use of tax holidays to attract foreign investment, is viewed favorably by respondents. While the overall attitude towards tax holidays is positive, the findings highlight a need for improved communication and accessibility to ensure that businesses of all sizes and across various sectors can effectively utilize these incentives. The respondents' desire for greater alignment with international best practices suggests that enhancing the policy's competitiveness could significantly improve Nigeria's ability to attract foreign investment and gain a strategic advantage over its competitors offering similar tax breaks.

4.2 Presentation of Data

4.2.1 Hypotheses Testing

Hypothesis One: Capital allowance incentive of Small and Medium Scale Enterprise in Nigeria

$H0_1$: Capital allowance incentive has no significant relationship with the continuity of Small and Medium Scale Enterprise in Nigeria.

Table 1: Correlations

			Capital Allowance Incentives	Business Continuity of SMEs
Kendall's tau_b	Capital Allowance Incentives	Correlation Coefficient	1.000	.327**
		Sig. (2-tailed)	.	.000
		N	386	386
	Business Continuity Of SMEs	Correlation Coefficient	.327**	1.000

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	Sig. (2-tailed)	.000	.
	N	386	386

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

To verify the statement "Capital allowance incentive has no significant relationship with the continuity of Small and Medium Scale Enterprises (SMEs) in Nigeria," we will analyze the correlation results as well as do a hypothesis test at a more granular level later. As seen in the output, the Kendall's tau-b correlation coefficient with respect to capital allowance incentives and business continuity of SMEs is equal to 0.327, which means that the coefficient shows a moderate positive relationship. This means that at higher capital allowance incentives, there is better business continuity of SMEs, even though the degree of association is not very high.

The value of [p] associated with the correlation coefficient is 0.000, which is significantly lower than our conventional cutoff of 0.05. Hence, it can be concluded that the correlation itself is quite strong. A p-value this low heavily favors the alternative hypothesis, implying that the relationship between the two variables is not the consequence of random fluctuations. The null hypothesis has been rejected since the p-value is less than 0.05. Thus, there is substantial proof suggesting that a strong connection exists between capital allowance incentives and the survival of SMEs in Nigeria. Therefore, the evidence indicates that capital allowance incentives do contribute to the continuity of SMEs which disproves the assumption of no significant impact.

Hypothesis Two: Tax Holiday Incentives of Small and Medium Scale Enterprise in Nigeria
$H0_2$: Tax holiday incentives have no significant effect on the continuity of Small and Medium Scale Enterprise in Nigeria

Table 2(a): Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.588[a]	.346	.344	6.911	.346	202.802	1	384	.000	2.029

a. Predictors: (Constant), Tax Holiday Incentives

b. Dependent Variable: Business Continuity of SMEs

The provided model summary reveals a moderate, positive relationship between tax holiday incentives and the business continuity of SMEs. The R value of 0.588 indicates a moderate correlation, meaning that while increases in tax holiday incentives tend to be associated with improved business continuity, other factors also play a significant role. The R-squared value of

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0.346 shows that tax holiday incentives explain approximately 34.6% of the variation in business continuity. This means that while tax holidays have a substantial impact, other variables account for the remaining 65.4% of the variation. These other variables could include factors such as market conditions, management decisions, access to capital, or even simply random chance. In summary, the model demonstrates a significant but not exclusive influence of tax holiday incentives on SME business continuity. Further research incorporating additional variables could provide a more comprehensive understanding of the factors affecting SME survival.

The adjusted R-squared value of 0.344, only slightly lower than the R-squared value of 0.346, indicates that the model's explanatory power is not significantly affected by the inclusion of only one predictor variable (Tax Holiday Incentives). This suggests that the model is reasonably well-specified, and adding more predictors might not substantially improve its ability to explain the variation in business continuity. However, this is based on the current predictors, and the possibility remains for a more comprehensive model to improve the fit. The standard error of 6.911 indicates a considerable degree of inaccuracy in the model's predictions. This means that the model's predictions for individual SMEs' business continuity can deviate from the actual values by an average of 6.91 units.

The Change Statistics tell us how much the model improves with the inclusion of the predictor variable (Tax Holiday Incentives). The R Square Change of 0.346 suggests that when Tax Holiday Incentives are added, the model accounts for an additional 34.6% of the variation in Business Continuity compared with the baseline model that contained no predictors. The F Change of 202.802 is the statistic that is used to determine if the model's explanatory power is significantly improved with the addition of Tax Holiday Incentives. With Sig. F Change of 0.000, which is lower than the standard significance threshold of 0.05, we can conclude that the addition of Tax Holiday Incentives improves the model's fit and is statistically significant. This adds to the evidence that Tax Holiday Incentives are important to understanding Business Continuity among SMEs.

In incorporating this, the autocorrelation for the regression model's errors or residuals is measured by the Durbin-Watson statistic of 2.029. Autocorrelation takes place when residuals, which are the observed and predicted values, correlate with each other. This is especially problematic for regression analysis which depends on the independence assumption. A value around 2 indicates the absence of significant autocorrelation. The statistic suggests a value of 2.029 meaning the null hypothesis of the independence of in the residuals is not significant. Therefore, the residuals are not significantly auto correlated which is a good sign.

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Table 2(b): ANOVA[a]

		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	9685.219	1	9685.219	202.802	.000[b]
1	Residual	18338.670	384	47.757		
	Total	28023.889	385			

a. Dependent Variable: Business Continuity of SMEs

b. Predictors: (Constant), Tax Holiday Incentives

The Sum of Squares column proves to be insightful in determining how much variance is present among the different observations. The variance regarding the business continuity of SMEs is defined in the Total Sum of Squares (28,023.889) which reflects the total variance based on the observed values. So, the variability is divided into two parts: the model variability and the residual or unexplained variability. The Regression Sum of Squares (9,685.219) shows the degree to which the predictor variable of Tax Holiday Incentives accounts for the variance in Business Continuity of SMEs. In short, Tax Holiday Incentives play an important role in explaining model variability in Business Continuity, thus, amounting to approximately 9,685.219, which is a positive indicator of the model's anti-effectiveness.

The Residual Sum of Squares (18,338.670) denotes the variation that is not accounted for in business continuity of SMEs which is the difference between the actual and the predicted values from the model. This figure reflects portions of the variance within Business Continuity that the model fails to capture. It suggests the existence of other variables affecting the level of Business Continuity that are not included in the model. In this instance, it represents a substantial proportion of the total variance relative to the explained part, something that is reasonable given the model only explains 34.6% of the variation as is evident from the R squared value.

Turning to the Mean Square values, these are the sum of squares over their respected degrees of freedom which yield the average amount of variation attributable to each unit of measure of the respective mean. The value of the Mean Square for the regression is 9,685.219 which is got through dividing the Regression Sum of Squares (9,685.219) with its df (df = 1 because there is only one predictor: Tax Holiday Incentives). This shows how much business continuity variation can be accounted for by each unit of Tax Holiday Incentives given in the business. For the residual component, the Mean Square stands at 47.757, which results from dividing the Residual Sum of Squares (18,338.670) by the residual value's degrees of freedom (df = 384, which is the case because of the total observations of 385 subtracted by the constant 1 and predictor variable 1). The mean square residual signifies the remaining discrepancy after accounting for variance due to other factors.

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The F statistic, 202.802, is derived as the division of Mean Square of Regression (9685.219) with Mean Square of Residuals (47.757). This figure is utilized in assessing the significance level of the regression model as a whole. A larger value of the F statistic depicts that the model contains certain variables which account for variance, while remaining variance is unexplained (residuals). The regression F statistic of 202.802 is very large which implies that the regression model has an effective prediction, and the Tax Holiday Incentives helps in explaining the Business Continuity in SMEs. Lastly, the Sig. (p-value) of 0.000 illustrates the importance of the F statistic. Since this is well below the standard p threshold of 0.05, it practically guarantees that the regression model is valid. In other words, the predictor variable, Tax Holiday Incentives, is significant in explaining changes in Business Continuity of SMEs.

Table 2(c): Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	27.539	2.052		13.418	.000		
	Tax holiday incentives	1.086	.076	.588	14.241	.000	1.000	1.000

a. Dependent Variable: Business Continuity of SMEs

The results of the regression show plausibly that tax holiday incentives affect the sustainability of SMEs in Nigeria. This deeply contrasts with the assumption that tax holiday incentives do not have any significance. The tax holiday incentive coefficient is 1.086, meaning that with the increase of these incentives; continuity of SMEs improves by 1.086 units. This is strengthened with the standardized coefficient of 0.588 which suggests a moderately strong positive correlation between the two variables. It is very large, and the p-value is 0.000; considerably higher than 0.05, which shows that tax holiday incentives have a substantial effect. In addition, there seems to be no multicollinearity problems as shown by the VIF and tolerance values. These firmly substantiate the efficiency of the results. Thus, this data reinstates, the null hypothesis, benevolently concluding that tax holiday incentives positively affect the sustainability of SMEs in Nigeria.

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5.0 DISCUSSION OF FINDINGS

5.1 Capital Allowance Incentive and the Continuity of SMEs in Nigeria

The analysis of these findings relates to how capital allowance incentives impact SMEs in continuity in Nigeria, particularly focusing on the correlation analysis results which suggest a moderate positive correlation exists. The correlation coefficient of 0.327 shows that there is a moderate positive relationship between capital allowance incentives and SME activity. In other terms, as capital allowance incentives grow, so does the possibility of SME continuity, albeit to a lesser extent. Additionally, the p-value of 0.000 indicates that the null hypothesis can be rejected, suggesting that this correlation is statistically reliable. In other words, the probability of this relationship occurring due to chance is quite small.

The information extracted from the survey is consistent with the assumption that capital allowance incentives correspond to the hypothecated continuity of SMEs within Nigeria. Considering the low p-value, all the above hypotheses can be accepted. This indicates that there is enough evidence to suggest that capital allowance incentives have a positive impact on the sustainability of SMEs. One major advantage of capital allowance incentives is the lower business taxation, which directly affects the economic capacity of SMEs. SMEs are able to embrace a number of strategies that lower their tax liabilities. This reduction in tax payment provides an immediate increase in working capital available to the SME and thus improves their cash flow which can then be used to reinvest into the SME's business operations. For instance, a small to medium-sized enterprise (SME) that acquires a new machine or a piece of equipment for its production line can claim a capital allowance on the asset reducing their tax liability. The money that is saved from lower taxation can be used to further improve the business, increase the number of workers on payroll, or even buy more stock. Such surplus cash flow increases the chances of business profitability and survival, particularly during economically difficult or financially challenging times.

The capital allowance regime motivates small and medium enterprises to acquire capital assets that improve their operational productivity and competitiveness. These SMEs can claim deductions on the purchase of machinery, vehicles, and even buildings from their taxable income, making it easier for businesses to upgrade assets and develop physical infrastructure. Such enhancements are critical, particularly to SMEs involved in capital intensive sectors of the economy like manufacturing, construction, and agriculture. By investing in modern productive assets, these SMEs are able to broaden the scope of their operations in response to the increasing demand. Such steps lead to greater revenue and profitability and aid in the sustenance of the business. Further, modernizing the assets ensures the business remains competitive, increasing the probability of success in the long run.

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The allowance provided through taxation optimizes capital, which in turn fosters the latter's business growth. SMEs that utilize these tax reliefs tend to invest more in growing their businesses as they can save and reinvest the tax funds into expanding production, increasing product lines, and opening new markets. This approach greatly optimizes the survival rate of SMES by allowing them to set aside funds to ensure their continuance. For instance, as a small business that spends on new manufacturing equipment with capital allowance benefits. They may notice an improvement in production efficiency, meaning that more products can be produced at lower overall costs. These factors combined result in greater profits, which allows the business to grow and thrive. By the same token, capital allowance incentives can also positively affect credit and funding availability for Small and Medium Enterprises (SMEs). Lenders and investors will support those businesses that practice proper cash management. SMEs that make use of the capital allowance can enhance their cash position and subsequently improve their chances of obtaining loans or investments.

A similiar study by Osotimehin, Olusegun and Akinlolu (2021) explored Capital flow consideration may extend beyond cash injections. For example, it might always stem from the expected profits and the business's capacity to service the debts raised. Those SMEs that deal with capital allowances aimed at the lowering of tax liability will have a more favorable outlook for credit in expansion activities. For SMEs, having access to finances is vital. It helps them meet their everyday expenses, undertake new initiatives, and stay relevant in the industry. The results of the recent studies that focus on capital allowance incentives effects on SMEs seem to be validating this research even further. For instance, it was examined the use of tax incentives such as capital allowances and its impact on business growth in Nigeria. The researchers discovered that the capital allowances were positively correlated with the profits and sustainability of SMEs since these financial incentives funded investment into capital assets expansion of operations.

According to Vancoppenolle (2007) investigated the growth of SMEs in Nigeria as relates to tax incentives such as capital allowances. They concluded that SMEs that embraced tax incentives had better financial performance, improved cash flow management, and enhanced business continuity. The study under review emphasized how capital allowance incentives lowered the cost of capital and thus enabled businesses to destine a portion of their profits to further investment, increasing the competition. These studies confirm the results of this research, which also reveal that there is a notable link between capital allowance incentive and the survival strategy of SMEs in Nigeria. Considering these developments, capital allowances incentives are highly correlated to the continuity of SMEs in Nigeria, leading to the rejection of the null hypothesis ($H0_1$) which states that no significant relationship exists between capital allowances incentives and the survival of SMEs in Nigeria.

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The information gathered supports the ideas that capital allowances incentives need to be in place in order to facilitate investment and the sustainable growth of SMEs in the country. The reduction of tax obligations, promoting investment in productive capital, aiding in business growth, and enhancing access to capital all facilitate the enduring existence of SMEs in Nigeria through capital allowance incentives. Undoubtedly, the Nigerian government needs to enhance awareness of SME capital allowance incentives through improving the application process and targeting the sector most likely to benefit from it. The development of a comprehensive small and medium enterprises (SME) policy can benefit from the proper targeting of capital allowances, thus transforming Nigeria's varied economy.

5.2 Tax Holiday Incentives and Business Continuity of SMEs in Nigeria

This hypothesis 2 claims that tax holiday incentives that are intended to provide tax relief and promote spending by SMEs may not have an effect on the growth and sustainability of SMEs in Nigeria. However, pulling together the data from the regression analysis, we accept the alternative hypothesis stating that tax holiday incentives positively impact the continuity of SMEs. We will discuss later why this result is very meaningful for both public policy in Nigeria and for SMEs. Nonetheless, in and out of school, these tax holiday advantages have been used to lift some of the financial constraints. Such advantages purportedly seek to boost innovation, business activities, and developmental purposes by divorcing SMEs from specific taxes for a designated period.

Tax holiday incentives are designed to advance business expansion by granting a temporary halt to taxation. In principle, these advantages seek to improve the financial position of SMEs by relieving them from some tax obligations which can be allocated in other productive activities like workforce improvement programs, and even infrastructure spending. Aimed at bolstering competitiveness and the survivability of SMEs, tax holiday incentives achieve these objectives by lowering the expenses for their operations.

In turn, these foundational premises underscore the importance of cognitive taxonomies within tax systems, which theoretically stems from various models such as the resource-based view (RBV) of the economy and the growth theory. RBV provides those financial resources, for example, tax savings, enhance the capabilities of SMEs to obtain sustainable competitiveness. The growth model also posits that easing financial constraints facilitate tax incentives which help SMEs reap economies of scale, profits, and expansion of operations. The outcome of the regression analysis infers that tax holiday privileges appear to have a mildly positive relationship with the survival of small enterprises in Nigeria. There are particular points from the assessment which need specific attention: The coefficient for tax holiday privileges is 1.086, implying that the continuity of SMEs improves by this figure for every additional unit increase in tax holiday

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privileges. This points out tax incentives have an immediate and empirically tangible effect on business survival. For example, tax incentive SMEs will most likely use part of their financial savings to boost their operational capabilities and higher chances of enduring longevity. Coefficient Beta = 0.588: The coefficient Beta indicates a moderately strong relationship between tax holiday incentives and SME continuity, and points toward a positive spending relationship. It is coherent with the expectation that firms which utilize tax reliefs perform better and are more sustainable in business.

The analysis indicates that the p-value is 0.000 which is lower than the threshold significance level of 0.05, therefore establishing the relationship between tax holiday incentives and the continuity of SMEs as statistically significant. This is further supported by the F-statistic of 202.802 which suggests that the model is of high quality, and that including tax incentives increases the explanatory power of the model. Similar studies in other countries, such as Santos in 2017 observed from Brazil, have found that tax exemptions tend to aid SMEs surviving and growing by lessening the financial burden and enhancing their reinvestment capabilities. Model Fit ($R^2 = 0.346$): The benchmark value of 0.346 provides sufficient evidence to allocate tax holiday incentives as the reason for approximately 34.6% of the SME continuity variation. This demonstrates a significant impact, though it also suggests that other influencing factors like market and competitive conditions, financing sources, and business managerial policies account for 65.4% of the variance. This result is in tandem with existing literature which points out that tax slogans are important in business sustainability, singularly, is not enough.

Considering these findings, I believe they greatly facilitate policymakers. The analysis tells us that tax holiday incentives are useful in improving the survival of SMEs in Nigeria. The tax subsidy granted to SMEs and its relation to sustaining small businesses proves that the government has to do more to create a friendly business environment. Nonetheless, policy makers should equally consider putting together tax breaks with subsidized credit, infrastructure, and training services to further protect and grow SMEs.

According to Vancoppenolle (2007),tax holiday incentives on SMEs is not confined to Nigeria alone. Other developing nations have engaged in similar efforts, which confirm that tax incentives serve as an important factor for small business sustainability. A scrutiny of tax incentives and their implications towards the performance of small and medium enterprises was conducted in Kenya. The findings indicated that tax holidays coupled with lower tax rates were associated with business expansion and sustainability. The study reported that SMEs that were able to take advantage of these incentives were able to use the tax savings for business expansion and consequently increased their employment opportunities and chances of achieving success in the future.

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A similar study by Akinbobola and Fakile (2022) depicted that tax incentives positively impacted SMEs as they reduced their financial burdens. The study pointed out that although tax relief is helpful, it is more useful when used side by side with other measures aimed at the other obstacles faced by SMEs such as the lack of access to finance and market information. These international studies illustrate that tax holiday incentives are clearly understood as a tool promoting the health of the financial activities of SMEs, especially in developing countries where capital markets are unstable. Considering the multifaceted nature of Nigeria's economy and its geographical segmentation, it would be worthwhile to assess how the effect of tax holiday incentives differs across various industries, such as the agriculture and technology and manufacturing industries, as well as urban versus rural regions. This study reveals that tax holiday incentives are one of the most important determinants favoring the business continuity of SMEs in Nigeria. These incentives increase cash flow and give SMEs a chance to invest further into their business, thus increasing their likelihood of survival and development. The result further proves the strong significance of tax incentives on the business continuity of SMEs in Nigeria, pointing out the need for government support to small and medium enterprises.

6.0 CONCLUSION AND RECOMMENDATIONS

Based on general economic principles, it is plausible that well-designed capital allowance and tax holiday programs could positively affect SME survival rates and growth by improving access to capital and reducing the tax burden during crucial developmental phases. Conversely, poorly designed or implemented programs could be ineffective or even counterproductive. Capital allowance deductions enable SMEs to strategically lower their tax burden that results in expansionary cash flow. Tax holiday benefits have a meaningful positive contribution to SME survival, SMEs temporary alleviation from tax liabilities, which enables them to put the reduced costs back into their businesses in Nigeria. This research supported that an efficient tax policy positively enhances the continuity of SMEs as it minimized the compliance burden, improved accountability, and built confidence of the SMEs in the tax authorities.

However, the study gave the following recommendations:

1. The processes associated with claiming capital allowances should be made more user friendly so that all SMEs in all sectors can utilize the benefits. This includes developing an online interface that permits easy submission of claims and detailing how one can benefit from the incentive.
2. There is a need to consider expanding the coverage of capital allowance incentives to include newly emerging sectors such as Information Technology, renewable energy, and service sector. These sectors can grow very fast and would be suitable for incentives to lower operational costs in order to make them competitive both locally and internationally.

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