

**TAX EVASION AND TAX AVOIDANCE IN SMALL AND MEDIUM
ENTERPRISES (SMES) IN NIGERIA**

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BENIN CITY**

NOVEMBER 2025

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**BEIGN A PROJECT SUBMITTED TO THE DEPARTMENT OF
ACCOUNTING, FACULTY OF MANAGEMENT SCIENCES, IN PARTIAL
FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF
BACHELOR OF SCIENCE (B.SC) DEGREE IN ACCOUNTING,
UNIVERSITY OF BENIN, BENIN CITY EDO STATE.**

NOVEMBER 2025

DECLARATION

I, Blessing Ivie OSAYANDE, an undergraduate student in the Department of Accounting, Faculty of Management Sciences, University of Benin with the Matriculation number MGS2104656, declare that the work embodied in this research report is original and has not been submitted in part or in full for any other degree or diploma of this university or any other institution of higher learning.

.....
Blessing Ivie OSAYANDE

.....
Date

CERTIFICATION

This is to certify that this project titled “Tax Evasion and Tax Avoidance in Small and Medium Enterprises (Smes) in Nigeria” was carried out by Blessing Ivie OSAYANDE with Matriculation Number MGS2104656, of the Department of Accounting under our supervision.

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Dr O. T. Ashafoke
Project Supervisor

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Date

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Prof. O. Obaretin
Head of Department

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Date

APPROVAL

This research work titled “Tax Evasion and Tax Avoidance in Small and Medium Enterprises (Smes) in Nigeria” was carried out by Blessing Ivie OSAYANDE, has been assessed and approved by the department of Accounting, Faculty of Management Sciences, University of Benin.

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Prof. O. Obaretin
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DEDICATION

This work is dedicated to the pursuit of knowledge and excellence in accounting.

I especially dedicate this study to my parents, Mr. and Mrs. Happy Osayande, whose unwavering support, guidance, and encouragement have been the foundation of my academic journey.

To my friends and loved ones, whose support, belief, and inspiration have fueled my determination to succeed, I am deeply grateful.

ACKNOWLEDGEMENT

I sincerely thank Almighty God for His abundant grace, wisdom, and strength throughout the period of this research. Without His guidance, protection, and provision, this work would not have been possible.

My deepest gratitude goes to my parents for their sacrifices, love, and unwavering support, both morally and financially, which sustained me throughout this program. To my brother, I remain grateful for your encouragement, prayers, and understanding, especially during the challenging stages of this research.

Special thanks go to my supervisor, Dr. O. T. Ashafoke, for her patience, constructive criticisms, valuable suggestions, and constant encouragement, all of which greatly enhanced the quality of this work. I also extend my heartfelt appreciation to our Head of Department, Dr. Obaretin, whose teachings, guidance, and leadership have been instrumental in shaping my academic journey.

In addition, I sincerely acknowledge all the lecturers in the Department of Accounting for their collective contributions to my learning and development, especially: Prof. A. O. Oladipupo, Prof. F.K. Emeni, Prof. O. J. Illaboya, Dr. G. O. Audu, Dr. J. O. Ojeaga, and Dr. Ikhu-Omoregbe. I am also indebted to the respondents who took time to complete the questionnaires used for this study.

Without your cooperation, the findings of this research would not have been possible.

Last but not the least, I want to thank me, I want to thank me for believing in me, I want to thank me for doing all these hard work, I want to thank me for having no days off, I want to thank me for never quitting, I want to thank me for always being a giver and trying to give more than I receive.

I love you all.

TABLE OF CONTENTS

	PAGES
TITLE	i
DECLARATION	ii
CERTIFICATION	iii
APPROVAL	iv
DEDICATION	v
ACKNOWLEDGEMENTS	vi
TABLE OF CONTENTS	viii
ABSTRACT	xi
CHAPTER ONE: INTRODUCTION	
1.1 Background to the Study	1
1.2 Statement of the Problem	3
1.3 Objectives of the Study	5
1.4 Research Questions	5
1.5 Research Hypotheses	6
1.7 Scope of the Study	7
1.6 Significance of the Study	8

CHAPTER TWO: REVIEW OF RELATED LITERATURE

2.1 Conceptual Review	11
2.2 Theoretical Framework	15
2.3 Empirical Review	17
2.4 Policy and Regulatory Framework in Nigeria	17
2.5 Critical Review and Research Gap	18
2.6 Summary of Literature Review	19

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction	20
3.2 Research Design	21
3.3 Population of the Study	22
3.4 Sample Size and Sampling Technique	23
3.5 Validity of the Instrument	24
3.6 Reliability of the Instrument	24
3.7 Method of Data Collection	25
3.8 Method of Data Analysis	25

3.9 Ethical Considerations	26
3.10 Limitations of the Methodology	26
3.11 Summary of the Chapter	26

**CHAPTER FOUR: DATA PRESENTATION, ANALYSIS
AND INTERPRETATION**

4.1 Introduction.	28
4.2 Demographic Profile of Respondents	28
4.3 Data Presentation by Research Questions	31
4.4 Reliability Test	33
4.5 Test of Hypotheses	33
4.6 Regression Results	35
4.7 Discussion of Research Findings	36
4.8 Summary	37

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction	38
5.2 Summary of Findings	38
5.3 Conclusion	40
5.4 Recommendations	40
5.5 Limitation of the Study	41
5.6 Contribution to Study	42
5.7 Suggestions for Further Studies	43
REFERENCES	44
APPENDIX	48

ABSTRACT

Taxation is a major source of government revenue and a key driver of economic development. In Nigeria, however, tax evasion and avoidance especially among small and medium-sized enterprises (SMEs) continue to hinder effective revenue generation. This study examines how five common SME practices income underreporting, false deductions, non-registration of businesses, multiple business identities, and inappropriate financial records affect economic development.

A survey research design was employed, and primary data were collected using structured questionnaires administered to SME operators across different sectors. The data were analyzed using descriptive statistics, chi-square tests, and regression analysis. Cronbach's Alpha ($\alpha = 0.842$) confirmed instrument reliability.

Findings show that all five practices are prevalent among SMEs. Income underreporting and inappropriate financial records had the strongest negative effects on economic development. Overall, the study concludes that each of the five practices significantly undermines Nigeria's economic development.