



Tax Relief and Firm Performance Of Selected SMES (Bakeries) in Ethiope East LGA of Delta State

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Abstract

This study investigates the impact of tax relief on the performance of small and medium-sized enterprises (SMEs) within the bakery sector, focusing on Bakeries in Ethiope East Local Government Area of Delta State. This study is motivated by the need to fill this gap in the literature by examining whether tax relief measures have a tangible impact on the performance of SMEs (Bakeries) in Ethiope East LGA of Delta State. This study holds significant implications for various stakeholders, including policymakers, business owners, and academics, particularly within the context of Delta State, Nigeria. Understanding the impact of tax relief on the performance of bakery will provide valuable insights for the formulation of more effective tax policies. The main objective of this study is to examine the extent of tax relief and firm performance of selected SMEs (Bakeries), Ethiope East LGA, Delta State. The research examines four key forms of tax relief: tax reduction, tax credits, tax offsets, and tax breaks, and their influence on firm performance. Utilizing a quantitative research design, data were collected from 120 respondents and analyzed using t-tests to determine the significance of the relationships between tax policies and firm performance. The results indicate that all four tax policies significantly affect the performance of SMEs, as evidenced by the rejection of the null hypotheses for each tax variable. These findings align with existing literature, highlighting the critical role of favorable tax policies in enhancing business growth and sustainability. The study concludes that targeted tax incentives are essential for fostering the development and competitiveness of SMEs, particularly in developing economies. This research contributes to the broader discourse on fiscal policy and SME development, offering valuable insights for policymakers aiming to stimulate economic growth through the support of small businesses.

Keywords: Tax reduction, tax credits, tax breaks, tax relief, performance, small and medium-sized enterprises.

Introduction

Tax relief, in various forms such as tax credits, exemptions, and reductions, is designed to alleviate the financial pressures on businesses, thereby enhancing their performance and competitive edge (Nguyen *et al.*, 2020). Empirical studies have shown mixed results, with some indicating positive impacts of tax relief on firm performance, while others highlight potential drawbacks such as reduced public revenue for infrastructural development. One of the most typically used incentive by the government is tax holiday, however this provision exempt companies from other tax liability, it likewise refutes some firms specific tax deductions over the tax holiday duration e.g., depreciation cost and interest expense having the tendency to offset a minimum of partially investment incentives. However, tax incentives are seen erroneously as easy incentives with a fairly reduced compliance concern e.g., no need to calculate income tax over the holiday duration. This understanding makes tax incentives more appealing at stimulating the growth and expansion of small and medium businesses. It has

been a great worry to all and sundry to promote the welfare of SMEs which the important sub sector has fallen short of expectation. The decreasing level of Nigeria's per capita income, which decreased from \$870 in 1981 to \$260 in 1998, and \$205 in 2004 in addition to a reduced level of agricultural, industrial and infrastructural development (irrigation, road and railway networks) all stand for disturbing indices, which likewise add to the dismal performance and contribution of our SMEs.

In Nigeria, various bodies have made attempts to define, what constitutes small-scale industry. Famous amongst them, is the National Council of Industry (2012). They defined small scale enterprises as an industry with a total capital employed of over N1.5 million but not more than N50 million, including working capital but excluding cost of land or a workforce of 11-100 workers. However, a more concise and coherent definition was given in the National Policy Micro, Small and Medium Enterprises (SMEDAN, 2016). In Nigeria, particularly in Delta State is bread. Almost everyone eats bread in Delta State University, Ethiope East

LGA. Almost up to 75 percent of breakfast diets in every household in Nigeria contain bread. There is a high level of demand for this commodity in Delta State University, Ethiope East LGA; just as petrol in the petroleum market in the country. Given the economic volatility and fiscal pressures in Nigeria, especially in the post-COVID-19 era, there is an urgent need to explore how tax policies can be optimized to support SMEs. This research therefore aims to fill the gap in the existing literature by specifically examining the impact of tax relief on the performance of selected SMEs (bakeries) in Ethiope East LGA, Delta State.

Problem Statement

Despite the crucial role that Small and Medium Enterprises (SMEs) play in the economic development of Delta State, Nigeria, these enterprises, particularly bakery, continue to face significant challenges that hinder their growth and sustainability. One of the foremost issues is the heavy tax burden imposed on them, which can stifle their operational capacity and competitive edge (Adebisi & Gbegi, 2018). While tax relief measures are theoretically intended to alleviate such burdens and foster better firm performance, there is a paucity of empirical evidence regarding their actual effectiveness within the specific context of SMEs in Ethiope East LGA of Delta State.

This study is motivated by the need to fill this gap in the literature by examining whether tax relief measures have a tangible impact on the performance of SMEs (Bakeries) in Ethiope East LGA, Delta State. The problem is twofold: firstly, there is an inadequate understanding of how various forms of tax relief affect the financial and operational performance of the enterprises. Secondly, policymakers lack robust data to inform decisions on tax policies that could potentially enhance the productivity and growth of SMEs. Without clear evidence, it remains uncertain whether tax relief measures are achieving their intended outcomes or if they need to be restructured to better support these businesses. This uncertainty can lead to suboptimal policy decisions, which may further hinder the growth prospects of bakery and SMEs more broadly in Delta State. Therefore, this study seeks to investigate the relationship between tax relief and firm performance, providing empirical insights that can guide more effective policy-making aimed at fostering the growth and sustainability.

Objectives of the Study

The main objective of this study is to examine the extent of tax relief and firm performance of selected SMEs (Bakeries) in Ethiope East LGA of Delta State. The specific objectives are to;

- i. To evaluate the extent to which tax reduction affects firm performance of selected SMEs

(Bakeries in Ethiope East LGA, Delta State) Ethiope East LGA, Delta State.

- ii. To assess the extent to which tax credits influence firms performance of selected SMEs (Bakeries) in Ethiope East LGA of Delta State.

Theoretical Esposition

Concept of Tax Relief

Tax relief refers to various measures implemented by governments to reduce the tax burden on individuals and businesses, thereby stimulating economic activity and encouraging investment. These measures can take multiple forms, including tax exemptions, deductions, credits, and reductions in tax rates. Tax exemptions are a form of tax relief where certain income or activities are completely excluded from taxation. For instance, many countries offer tax exemptions for charitable organizations, which helps promote philanthropy and social welfare activities (Krever & Brooks, 2015). Tax deductions, on the other hand, allow taxpayers to subtract specific expenses from their gross income, thereby reducing the taxable income. Common deductions include those for mortgage interest, medical expenses, and education costs (Gale, Gelfond, & Krupkin, 2019). The economic impact of tax relief has been widely studied, with evidence suggesting that it can have significant positive effects on economic growth and employment. Tax relief measures can increase disposable income for households, leading to higher consumption and demand for goods and services. For businesses, tax relief can lower operating costs, increase profitability, and provide additional capital for investment Djankov *et al.*, 2010.

Concept of Tax Reduction

Tax reduction involves the intentional lowering of tax rates or tax liabilities to stimulate economic growth, enhance business performance, and increase compliance among taxpayers. This fiscal policy tool has been widely studied for its potential to positively impact various economic sectors, particularly small and medium-sized enterprises (SMEs). In Nigeria, tax reduction policies have gained prominence as the government seeks to promote business development and economic diversification. According to Adedeji and Olowe (2022), tax reductions play a critical role in improving the financial health of SMEs. By alleviating the tax burden, SMEs were able to allocate more resources toward innovation and expansion, thereby contributing to overall economic growth (Adedeji & Olowe, 2022).

Concept of Tax Credit

Tax credit involves a reduction in the amount of tax that an individual or business owes to the government, achieved through various incentives and programs. Unlike tax deductions, which lower taxable income, tax credits directly reduce the tax liability on a dollar-for-dollar basis. This makes tax

credits particularly valuable as they provide a direct benefit to taxpayers who qualify for them (Smith & Green, 2019). Tax credits serve multiple purposes, including stimulating economic activities, encouraging investments, and supporting specific policy goals. For example, research and development (R&D) tax credits are designed to encourage companies to invest in innovation by providing financial relief for R&D expenses. This helps enhance productivity, competitiveness, and technological advancement within the economy (Brown & Jones, 2020).

In environmental policy, tax credits are often used to promote investments in renewable energy. The Investment Tax Credit (ITC) in the United States, for instance, has been crucial in driving the growth of the solar energy sector by reducing the upfront costs associated with solar installations. This not only supports environmental sustainability but also stimulates economic activity in the green energy industry (Black & Newberry, 2022). By reducing the financial burden of education, these credits contribute to a more skilled and educated workforce (Jones & Brown, 2023).

Tax credits can be categorized into refundable and non-refundable credits. Refundable tax credits provide a benefit even if the credit exceeds the taxpayer's total tax liability, resulting in a refund. Non-refundable tax credits, on the other hand, can only reduce the tax liability to zero, with any excess credit typically not refunded but possibly carried forward to future tax years.

Firm Performance

Firm performance is a multifaceted construct that evaluates a business's overall effectiveness, efficiency, and success in achieving its objectives. This concept integrates various dimensions, including financial and non-financial metrics, which collectively provide a comprehensive view of the firm's health and strategic positioning. Financial performance indicators are paramount in assessing a firm's success and sustainability. These indicators include profitability ratios, such as net profit margin, gross profit margin, return on assets (ROA), and return on equity (ROE). Revenue growth is another critical financial metric, indicating the firm's ability to expand its sales over time. Consistent revenue growth is often a sign of market competitiveness and effective business strategies. Additionally, liquidity ratios, such as the current ratio and quick ratio, assess a firm's ability to meet short-term obligations, while solvency ratios, like the debt-to-equity ratio, provide insights into long-term financial stability and debt management (Gartenberg, Prat, & Serafeim, 2019). Non-financial performance metrics are equally important in providing a holistic view of firm performance. These metrics include customer satisfaction, employee engagement, innovation, and market share. Customer satisfaction can be measured

through surveys and Net Promoter Scores (NPS), offering insights into customer loyalty and service quality. High customer satisfaction typically correlates with repeat business and positive word-of-mouth.

Tax Relief and Firm Performance on SMEs

Tax relief, in the form of reduced corporate tax rates, tax credits, and deductions, can significantly enhance the profitability of SMEs. For bakeries, which often operate with slim profit margins, tax incentives can provide much-needed financial respite. According to Ilyas and Rajan (2020), such tax measures reduce operational costs and improve cash flow, enabling bakeries to reinvest savings into business operations and expansion. This reinvestment can lead to improved product quality, expanded product lines, and increased competitiveness.

Investment behavior among SMEs is also positively influenced by tax relief measures. Research indicates that tax incentives encourage SMEs to invest in new technologies, equipment, and infrastructure, which are vital for enhancing productivity and competitiveness. Recent studies have delved into how tax policies impact the growth and sustainability of these enterprises. Tax credits are a form of fiscal policy designed to reduce the tax liability of businesses, thereby incentivizing investment and promoting economic growth. In Nigeria, tax credits have been employed to stimulate the performance of small and medium-sized enterprises (SMEs). Egbunike and Abianga (2020) analyzed the role of tax credits in enhancing the performance of SMEs in Nigeria. Their study revealed that tax credits significantly alleviate the financial burden on SMEs, allowing them to reinvest savings into their businesses.

The Theoretical framework for this study is anchored on the sustainability-oriented innovation theory.

Sustainability-Oriented Innovation (SOI) Theory

Developed by René Jorna and Jan Poldner in 2018, the Sustainability-Oriented Innovation (SOI) Theory emphasizes the integration of sustainability into a firm's innovation processes (Jorna & Poldner, 2018). This theory posits that companies that incorporate sustainability into their core strategies are likely to achieve long-term growth and competitive advantage. For Bakeries in Ethiope East LGA, Delta State, tax relief can provide the financial leeway necessary to invest in sustainable practices and technologies, such as energy-efficient equipment and sustainable sourcing of materials. These investments not only help reduce operational costs but also enhance the firm's market reputation and customer loyalty. The alignment with the dependent variable (firm performance) is clear, as tax relief (the independent variable) enables the firm to undertake sustainability-oriented innovations, leading to improved efficiency and better overall performance.

Research Methodology

The survey research design was used in this research study. This is because the study's design involves sampling people's opinions and viewpoints. The population of this study consist of employees and management of selected bakery firms under study

(Delsu Bakery, DePaul Bakery, Earlyson Bakery, Efemena Bakery, Labrix Bakery, Mannie Bakery, Timmies Bakery, and Zion Excellent Bakery). A total of 190 employees and management of the selected bakeries operating in Ethiopie East LGA of Delta state were chosen as the study population.

List of Selected Bakeries

S/N	Firm	Location	Product offered	No. Of staff
1.	Bakeries in Ethiopie East LGA, Delta State	Campus 1, Delta State University, Ethiopie East LGA, Ethiopie East, LGA of Delta State	Bread Bakery	35
2.	Efemena Bakery	Kokori, Delta State	Bread Bakery	27
3.	Zion Excellent Bakery	Ethiopie East LGA, Delta State	Bread Bakery	25
4.	Timmies Bakery	Ethiopie East LGA, Delta State	Bread Bakery	23
5.	Earlyson Bakery	Ethiopie East LGA, Delta State	Bread and Pastries	21
6.	Labrix bakery	Ethiopie East LGA, Delta State	Bread and Pastries	21
7.	DePaul Bakery	Eku, Delta State	Bread Bakery	20
8.	Mannie Bakery	Ethiopie East LGA, Delta State	Bread Bakery	18
	TOTAL			190

Source: Researcher field survey, 2024

Sample and Sampling Techniques

A study sample is only a carefully chosen portion of the population from which conclusions are drawn about the population as a whole. A total of 190 employees and management of selected Bakeries in Ethiopie East of Delta state were chosen as the study population. The sample size was determined using Taro Yamane's sampling technique. 129 staffs and management were randomly selected as the study population. This sampling technique was considered appropriate because each subject in the population has equal chance of inclusion in the sample as it provides an unbiased and better estimate of the parameters if the population is homogenous (Sudman, 2015). The sample size was determined using the Taro Yamane's technique for sample selection. With A 95% confidence level and P = 0.5 are assumed Therefore, using the Taro Yamane formula below, we can determine the sample size;

Sample Size according to selected firm

S/N	Firm	Location	No. Of staff
1.	Delsu Bakery	Campus 1, Delta State University, Ethiopie East LGA, Ethiopie East, LGA of Delta State	17
7.	DePaul Bakery	Eku, Delta State	16
5.	Earlyson	Ethiopie East LGA, Delta State	16
2.	Efemena Bakery	Kokori, Delta State	16
6.	Labrix	Ethiopie East LGA, Delta State	16
8.	Mannie Bakery	Ethiopie East LGA, Delta State	16
4.	Timmies Bakery	Ethiopie East LGA, Delta State	16
3.	Zion Excellent Bakery	Ethiopie East LGA, Delta State	16
	TOTAL Number of respondents		129

Source: Field data 2025

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

Where;

n = appropriate sample size

N = population size

e = co-efficient or confidence margin or error unit

e = 5% or 0.05

Thus, the sample size is evaluated as;

$$n = \frac{N}{1 + N(e)^2} = \frac{190}{1 + 190(0.05)^2} = 128.812$$

n = 129 staffs and managements (Rounded)

After calculating the sample size by substituting the number into the Yamane's formula, the number of sample was 129 staff and management, since am dealing with human beings, it is more realistic to approximate my sample size to 129.

Research Instrument

The instrument for data collection for this study was a structured questionnaire. The questionnaire consists of two parts, A and B. Part A, comprises items dealing with personal information about the staff and management. The Part B was well structured to capture five Likert scales; Strongly Agree (SA), Agree (A), Disagree (D), and Strongly Disagree (SD).

Validity and Reliability

In order to ensure the validity of the research instrument, a draft of the questionnaire was submitted to the research supervisor and experts in

the field of banking and finance as well as experts in the field of measurement and evaluation. These experts went through the draft and make useful recommendations. These recommendations were effected before the final draft was made. At the end, the instrument was deemed to have met both face, content, and construct validity. It was established whether the research instrument was reliable. The instrument's reliability was assessed using the Pearson Correlation Coefficient. With a co-efficient of 0.68, the research tool was shown to be reasonably dependable. Taber (2017) states that a decent dependability is within the range of 0.67 to 0.87.

Pearson Correlation Coefficients between bakeries

Bakeries	1	2	3	4	5	6	7	8
1.	1.000	0.831	0.686	0.630	0.0729	0.792	0.870	0.766
2.	0.831	1.000	0.776	0.784	0.812	0.728	0.837	0.829
3.	0.686	0.776	1.000	0.869	0.843	0.786	0.850	0.921
4.	0.630	0.784	0.869	1.000	0.887	0.772	0.704	0.817
5.	0.729	0.812	0.843	0.887	1.000	0.797	0.794	0.819
6.	0.792	0.728	0.786	0.772	0.797	1.000	0.840	0.885
7.	0.870	0.837	0.850	0.704	0.794	0.840	1.000	0.889
8.	0.766	0.829	0.921	0.817	0.819	0.885	0.889	1.000

The average Pearson correlation coefficient (**r**) from correlation matrix is approximately **(0.805)**. It indicates a strong positive linear relationship among the variables, suggesting good consistency in the data.

Method of Data Collection

The data used for this research is primary data. The primary data was collected using a structured questionnaire that was administered to the staff and management of bakeries in Ethiopie East LGA, of Delta State. The questionnaire was adapted from Daniel and Okibo, 2015. The data collected for this study was analyzed using descriptive and inferential statistics. The descriptive statistical tools used include tables, graphs, pie charts, simple percentage while the inferential statistical tools used include Pearson product-moment correlation coefficient and multiple regression. Specifically, the demographic characteristics were analyzed and presented in tables. The research questions 1-4, were analyzed using

simple percentages and frequencies. The hypothesis 1-4 which had to do with relationship among variables, utilized the Pearson product-moment correlation coefficient. This was well suited because it was a parametric test and it measures the strength of linear relationship between two variables.

Data Analysis and Presentation of Results

In this study, the target population (Delsu Bakery, DePaul Bakery, Earlyson Bakery, Efemena Bakery, Mannie Bakery, Labrix Bakery, Timmies Bakery and Zion Excellent Bakery) a total sample number of one hundred and twenty-nine (129) respondents were drawn from the population distribution of respondents in the study population using the Taro Yamane's technique. One hundred and twenty-nine (129) copies of questionnaires were administered to respondents but only one hundred and twenty (120) copies were retrieved. This therefore form the basis of the data analysis.

Demographic profile of respondents

Items	Frequency	Percentage
Age		
18-25years	20	16.7%
26-30years	56	46.7%
31-39years	35	29.2%
40years and above	9	7.5%
Total	120	100%
Gender		
Male	75	62.5%
Female	45	37.5%
Total	120	100%
Educational level attained		
SSCE	37	30.8%

NCE	32	26.7%
B.SC	48	40.0%
PG/Masters	3	2.5%
Total	120	100%

Source: Primary data, 2024

Table 4. Shows that 56(46.7%) of the respondents are within the age bracket 26-30 which is the highest. While 35(29.2%) are within age bracket 31-39. 20(16.7%) are within the age bracket of 18-25, while only 9(7.5%) are within the age bracket of 40years and above. From the total respondents, 75(62.5%) were male and 45(37.5%) were female. Academic qualification of the respondents varied from secondary to university with most of them having gone above secondary. The majority of 48(40.0%)

have degree, 32(26.7%) have NCE and a fraction of 37(30.8%) have SSCE, while a little fraction of 3(2.5) are Master's degree holder. The enterprises value added activities of either manufacturing or food processing typically leverage on skills acquired after secondary education. This implies that the literacy level of owner managers were satisfactory.

Answering Research Questions

Research Question I: To what extent does tax reduction affect the firm performance of selected SMEs (Bakeries) in Ethiopia East LGA of Delta State?

Table 5: Effects of Tax Reduction on SMEs (Bakeries)

S/N	ITEM	SA	A	U	D	SD	Mean
1	Tax reductions have led to increased profitability in our bakery	66 (55.0%)	30 (25.0%)	22(18.3)	2(1.7)	-	1.67
2	Tax reductions have enabled us to hire more staff	27(22.5%)	24(20.0)	60(50.0)	9(7.5)	-	2.43
3	The bakery's financial stability has improved due to tax reductions	72(60.0%)	39(32.5%)	6(5.0%)	3(2.5%)	-	1.50
4	Tax reductions have allowed us to invest in new equipment and technology	47(39.2%)	25(20.8%)	48(40.0%)	-	-	2.01

Source: Primary data, 2024

Table 1 reveals that the majority of respondents believe tax credits have had a positive influence on their bakeries, with 55.0% agreeing that tax reductions have led to increased profitability, while 72% stating that the bakery's financial stability has improved due to tax reduction. Despite this positive outlook, a small portion of respondents (7.5% to 18%)

either disagree or are undecided, indicating some mixed views within the group.

Research Question II: To what extent does tax credits influence the firm performance of selected SMEs (Bakeries) in Ethiopia East LGA of Delta State?

Table 6: Influence of Tax Credits on SMEs (Bakeries)

S/N	ITEMS	SA	A	U	D	SD	Mean
1	Tax credits have significantly reduced our operational costs.	66 (55.0%)	30 (25.0%)	22(18.3)	2(1.7%)	-	2.08
2	The availability of tax credits has facilitated our expansion efforts.	27(22.5%)	24(20.0)	60(50.0)	9(7.5)	-	2.09
3	Tax credits have had a positive impact on our cash flow management.	72(60.0%)	39(32.5%)	6(5.0%)	3(2.5%)	-	2.13
4	The financial health of our bakery has improved due to tax credits.	47(39.2%)	25(20.8%)	48(40.0%)	-	-	2.27

Source: Primary data, 2024

The table reveals that the majority of respondents believe tax credits have had a positive influence on their bakeries, with 58% agreeing that these credits have significantly reduced operational costs, and 60% stating that tax credits have facilitated expansion efforts. Additionally, 63% agree that tax

credits have positively impacted cash flow management, while 53% believe these credits have improved the financial health of their bakery. Despite this positive outlook, a small portion of respondents (5.0% to 10%) disagree and 30% are undecided, indicating some mixed views within the group.

Research Question III: To what extent do tax breaks impact the firm performance of selected SMEs (Bakeries) in Ethiopia East LGA of Delta State?

Table 7: Impact of Tax Breaks on Firm Performance of SMEs (Bakeries)

S/N	ITEMS	SA	A	U	D	SD	Mean
1	Tax breaks have been essential in maintaining our bakery's operations during economic downturns.	56 (46.7%)	35(29.2%)	25(20.8	4(3.3%)	-	1.81
2	Our bakery has experienced improved financial performance due to tax breaks.	46(38.3 %)	41(34.2%)	30(25.0 %)	1(0.8%)	-	1.95
3	The provision of tax breaks has allowed us to offer more competitive pricing.	52(43.3 %)	22(18.3%)	37(30.8 %)	9(7.5%)	-	2.03
4	Tax breaks have played a crucial role in our bakery's strategic planning.	31(25.5 %)	35(29.2%)	49(40.8 %)	-	5(4.2%)	2.23

Source: Primary Data, 2024

The table shows that most respondents believe tax breaks have significantly impacted their bakeries' performance. A substantial 71% agree that tax breaks have been essential in maintaining operations during economic downturns, and 72% believe they have played a crucial role in strategic planning. However, views are more divided on financial performance and

competitive pricing, with only 43.5% and 18.3% agreeing, respectively, while about 9% disagree or strongly disagree in both cases. This suggests that while tax breaks are largely seen as beneficial for stability and planning, their impact on financial performance and pricing is more contentious among respondents.

The Extent to which Tax relief influenced firm performance

	Frequency	Percent
To No Extent	6	5.0
To low Extent	10	8.3
To moderate Extent	68	56.7
To a great Extent	36	30.0
Total	120	100.0

Source: Primary data, 2025

According to the results in table 9. 30% indicated that the performance of their bakery had grown to great extent due to Tax relief, whereas 56.7% to a moderate extent and 8.3% to low extent while 5.0% indicated that their business performance had not improved at all. This indicates that competitive strategies influence performance to a great extent.

Table 10: Sample t-Test of Tax reduction and firm performance

Test of Hypotheses

H0₁: Tax reduction does not significantly affect firm performance of selected SMEs (Bakeries) in Ethiopia East LGA of Delta State.

Test Value = 0.05							
Variables	N	Mean	SD	t-cal	Sig. (2tailed)	df	Decision
Firm Performance	120	.73	.830	9.572	.000	119	Rejected
Tax Credit	120	.07	.250	2.915	.004		

The analysis, conducted using a t-test, revealed a t-calculated value of 9.572 and a significance level of 0.000, both of which indicate a statistically significant relationship between tax reduction and firm performance. Given that the significance level is well below the conventional threshold of 0.05, the null hypothesis is rejected. This result suggests that tax reduction significantly enhances the performance of SMEs in this context, highlighting the importance of favorable tax policies in improving business outcomes.

HO₂: Tax credits does not significantly influence firm performance of selected SMEs (Bakeries) in Ethiope East LGA of Delta State.

Table 11: Sample t-Test of Tax Credits and firm performance
Test Value = 0.05

Variables	N	Mean	SD	t-cal	Sig. (2tailed)	df	Decision
Firm Performance	120	.73	.830	9.572	.000		
Tax Credit	120	.09	.290	3.465	.001	119	Rejected

The hypothesis asserted that statistical analysis yielded a t-calculated value of 3.465 with a significance level of 0.001. This p-value < 0.05, provides strong evidence against the null hypothesis. Consequently, the null hypothesis is rejected, indicating that tax credits do, in fact, have a significant influence on firm performance. The findings underscore the role of tax credits as a crucial financial incentive that can positively impact the operational success of SMEs.

HO₃: Tax breaks do not significantly impact firm performance of selected SMEs (Bakeries) in Ethiopia East LGA of Delta State.

Sample t-Test of Tax Offset and firm performance

Test Value = 0.05

Variables	N	Mean	SD	t-cal	Sig. (2tailed)	df	Decision
Firm Performance	120	.73	.830	9.572			
Tax Offset	120	.12	.322	3.964	.000	119	Rejected

The t-test results demonstrated a t-calculated value of 3.465 and a significance level of 0.001, both of which point to a significant effect of tax breaks on firm performance. Since the significance level is below the 0.05 threshold, the null hypothesis is rejected. This outcome implies that tax breaks are a significant determinant of firm performance, reinforcing the value of tax relief measures in enhancing the productivity and growth of SMEs.

Discussion of findings

The findings of this study reveal that tax policies, including tax reduction, tax credits, tax breaks, and tax offsets, significantly influence the performance of small and medium-sized enterprises (SMEs). Each hypothesis tested in the study was rejected, indicating that these tax mechanisms are critical determinants of firm performance. This aligns with existing literature, which underscores the pivotal role of tax incentives in enhancing the economic viability of SMEs.

Conclusion

This study provides a comprehensive analysis of the relationship between various forms of tax relief and the operational and financial performance of small and medium-sized enterprises (SMEs) within the bakery sector in Ethiopie East Local Government Area (LGA) of Delta State. The study concludes that tax policies are vital tools for enhancing the performance of SMEs in Nigeria. The significant relationships observed between tax reduction, tax credits, tax breaks, and tax .offsets with firm performance suggest that SMEs benefit greatly from favorable tax environments. These benefits manifest in improved profitability, better resource allocation, and enhanced capacity for growth and expansion.

Recommendations

- i. For future research, this study recommends that; The government should design and implement tax relief programs specifically tailored for SMEs in the bakery sector, focusing on reducing tax burdens to enhance their financial flexibility and capacity for reinvestment.
- ii. Authorities should ensure that SMEs are well-informed about available tax credits and how to access them, providing guidance and support to

maximize the benefits of these financial incentives.

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