



Tax Incentive, Ease of doing Business and Environmental Sustainability of SMES in Nigeria

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ABSTRACT

This study investigates the effect of tax incentives, ease of doing business, and environmental sustainability of small and medium enterprises (SMEs), considering the moderating role of ease of doing business. The study sampled 387 SMEs using Taro Yamane from the population of 11,663 SMEs owners in Lagos, Nigeria. The study employed a field survey research design, using an online structured questionnaire administered to SME owners. The instrument's validity and reliability were based on KMO, Bartlett's test of Sphericity, and Cronbach's alpha test. Both descriptive and inferential methods of data analysis were adopted in the study. The findings revealed that most participants agree that tax incentives and ease of doing business deepen environmental sustainability. Furthermore, the study found that tax incentives collectively play an important role in influencing environmental sustainability while ease of doing business significantly moderated the effect of tax incentives on environmental sustainability. The practical implication of this study informs the government and tax administrators to prioritize tax incentives for SMEs. The findings are expected to encourage policymakers to initiate tax reforms and legal framework tax initiatives to ease of doing business and implement tax incentive reforms to enhance the environmental sustainability of SMEs in Nigeria.

Keywords: Ease of Doing Business, Environmental Sustainability, Qualifying Capital Allowances and Other Allowances, Tax Exemption, Tax Rate Reduction

JEL Classifications: K32, H29, Q56

1. INTRODUCTION

The small and medium enterprise (SMEs) play an important role in Nigeria, contributing to Nigeria's gross domestic product (GDP), employment opportunities and poverty alleviation and serves as a major key economic growth and entrepreneurship in Nigeria. The environmental sustainability of the SMEs in Nigeria is crucial in deepening economic diversifications, dipping the country's over-reliance on oil revenue and fostering resilience against oil price and other possible external economic shocks. Evidently, sustaining and effective performance of SMEs strengthens value chains,

competitiveness and increase export opportunities for the nations. Incidentally, despite the significance of SMEs, the environmental sustainability is constrained due to lack of government support, prevailing infrastructural deficits, limited access to financial facilities, inconsistencies in government economic policies, absence of capacity-building programs. In the last two decades of informal business activities, the level of sustainability of small and medium enterprises (SMEs) in Nigeria has witnessed unprecedented increase in capital constrains and capital deficits that have deepened growing concern and complexities in meeting sustainability of the SMEs operators in Nigeria.

Sustainability of the SMEs is a hugely broad and diverse notion that has recently sparked major scientific debate, creating enormous attention at the academic, social, and business levels. The Brundtland Commission of the United Nations defined sustainability of the SMEs in 1987 as “meeting the needs of the SMEs’ present without compromising future generations’ ability to meet their own needs” (Brundtland, 1987). Studies have written extensively the significance of sustainability of SMEs globally, necessitating the much attention meeting the need of the SMEs. The small and medium enterprises play a pivotal role in the Nigerian economy, providing seventy-five of the employment rates in Nigeria (Uddin et al., 2023; Akintoye et al., 2020). Evidently, previous studies argue that SMEs contribute significantly to the gross domestic product (GDP) of Nigeria to the sizeable number of 46.32% (PwC, 2024). Ahmad et al. (2023) posited that small and medium enterprises remain a vital force in driving economic growth and development globally through tremendous contributions to employment generation, provision of vital goods and services through trading and/or production, promotion of creativity and innovations, contribution to GDP growth among many others which tend to reduce poverty and inequality.

The definition of MSMEs has followed different criterion adopting a mixture of annual turnover and employment levels of MSMEs in various nations. In Nigeria, there is no specific definition of SMEs, as different agencies have divergent opinions. For instance, small and medium industries enterprises investment scheme (SMIEIS) defines SME as any enterprise with a maximum asset base of N200 million excluding land and working capital and with a number of staff employed not <10 or more than 300. In addition, the Nigerian Federal Ministry of Commerce and Industry also defines MSMEs as firms with a total investment (excluding cost of land but including capital) of up to N750, 000, and paid employment of up to 50 persons and Medium Enterprises, encompass businesses with fewer than 200 employees and capital investment not exceeding 10 million Naira (National Policy on MSMEs, 2020).

As the largest populated black nation with a population of 237 million people and approximately 2.89% of the world population (Worldometers, 2025), Nigeria needs to take action to meet the demand for sustainability. Hence, SMEs is a growing business trend and highly engaged by industrious Nigerian, and this necessitates that the government has to create an enabling environment to deepen “ease of doing business” among the SMEs. Incidentally, despite the huge contribution of SMEs, the Nigerian government has not initiated sufficient policies and investments opportunities to ease of doing business to improve the environmental sustainability of the SMEs in Nigeria (Obafemi et al., 2021; Azeez and Shittu, 2023). According to Noor and Siswi (2022), 95% of enterprises in Nigeria are SMEs, compared to 53% in the United States of America and 63% in Europe. Furthermore, SMEs contribute 40% of Nigeria’s GDP and 50% in the United States of America. Doing business in Nigeria is quite difficult and complex since there is a lack of essential facilities, decades of infrastructural deficits and lack of regular power supply (Aribaba et al., 2019; Olayemi and Adegbe, 2021).

The aim and objectives of the study are to measure the effect of

tax incentive and ease of doing business on sustainability of the SMEs in Nigeria. The SMEs operators in are now, more than ever, facing increasing difficulties of capital deficits, as banks in Nigeria are not interested to offer the SMEs financial facilities while there are no strong economic policy supporting SMEs to attain their potentials. Studies have shown that a well taught out framework, tax incentives and pragmatic strategies designed to deepen ease of doing business have the tendency to create opportunities for the SMEs doing business in Nigeria (Omes and Maccarthy, 2022; Uddin et al., 2023). Streamlining various tax ambiguities, elimination for multiple taxes and removing complexities in business registration and provision of basic infrastructures are sufficient to stimulate the business interest of the SMEs in Nigeria (Ahmad et al., 2023; Obafemi et al., 2021).

The remaining of the study is structured in this manner: Section 2 provides critical review previous literature in the field and the hypothesis test of the study. In Section 3, the study provides the methodology, comprising the data sample, description of the identified variables and empirical review. In section 4, the study presents data analyses and the results. In section 5, the summaries of the findings, research limitations and suggestion of further research are provided.

2. LITERATURE REVIEW

2.1. Conceptual Review

The literature review in this section provides background of the topic, including tax incentives, ease of doing business and this follows with previous studies on sustainability of SMEs. Also, past findings of the research objective are considered and lastly, the literature researching SMEs within Nigeria is also included. All these lead to the developed hypothesis test as the field has experienced significant growth and the environmental sustainability of SMEs is greatly endangered in Nigeria, hence, the motivation for the study.

2.1.1. Tax incentive environmental sustainability

Tax incentive refers to providing tax motivations and enabling opportunities that stimulate tax liability reduction for the SMEs as well as simplifying tax ambiguities impeding tax compliance by the SMEs (Ansar et al., 2023; Faiza et al., 2022). Whereas tax incentive might lack standardization, however, studies argue that it has create impact in the environmental sustainability of the SMEs. Olayemi and Adegbe (2021) stated that there is a close correlation between tax incentive and sustainability of SMEs. In another development, ease of doing business is a possible conscious action of the government to reduce difficulties of doing business in Nigeria through enforcing policies that will reduce time frame of registering SMEs, obtaining business operational permit, strengthening legal framework that protects SMEs contractual rights, property and provision of essential infrastructures doing business in Nigeria.

2.1.2. Ease of doing business and environmental sustainability of SMEs

Ease of doing business is an aggregate figure that includes different parameters which define the ease of doing business in a country (Silva and Victoria, 2023). Ease of doing business is a World

Bank Project launched in 2002 (World Bank, 2023). Regulations affecting domestic small and medium-sized businesses are being tracked and evaluated as part of this initiative. The World Bank (2023) has released an aggregate assessment of regulatory burden based on the ease of doing business index. The index measures the regulatory climate for local businesses across several key indicators. It provides numerical indicators on the ease with which businesses can launch, obtain building permits, connect to utilities, document ownership, safeguard minority investors, file tax returns, conduct international trade, enforce contracts, and deal with insolvency (World Bank, 2023). It provides a resource for academics, journalists, private sector researchers, and others interested in the business climate of each economy by collecting and analyzing comprehensive quantitative data to compare business regulation environments across economies and over time (Sebele-Mpoku et al., 2022).

Indicators for which distance to frontier is computed include construction licenses, registration, securing credit, tax payment procedure etc. (World Bank, 2023). The index is used to determine rankings of countries. The Doing Business report (2020) examines two sets of questions related to access to credit: The reliability of credit reporting systems and the impact of collateral and bankruptcy laws on the availability of credit. Oko and Patricia (2021) classified the positive effects of an improved financial system and, by extension, easier access to credit into five main categories. Among these are the facilitation of trading, diversifying, and controlling risk; the mobilization and pooling of funds; and the simplification of the interchange of products and services (Noor and Siswi, 2022, Deyganto et al., 2023).

2.2. Theoretical Literature

The study considers theories considered relevant and relevant for the current study, looking at ability to pay theory and game theory. The relevance of the ability to pay theory is that; support SMEs with limited resources or lower income, ensuring they have access to benefits that enhance their sustainability without burdening them disproportionately. When deciding which small and medium-sized enterprises (SMEs) to provide tax incentives for, authorities should think about how well those SMEs will be able to use the incentives. The varying resources of SMEs should be taken into account, which may not happen with a cookie-cutter approach. The ability to pay theory assumes that taxes are a sacrifice or a burden for taxpayers, who would prefer to spend their money on their own purposes. The sacrifice or burden of paying taxes varies based on the taxpayers' income or fortune. The sacrifice or burden decreases with increasing income or wealth (Kanbiro, 2023; Dong and Zhang, 2022; Cui et al., 2022). The marginal utility of money, which is the gratification derived from an additional unit of money, can be used to measure the sacrifice or burden of paying taxes. As income or wealth increases, the marginal utility of money decreases (Wang et al., 2022; Picas et al., 2021; Ortiz-Martinez et al., 2023).

Game theory, a field within economics and mathematics, was developed by mathematician John von Neumann and economist Oskar Morgenstern. In their 1944 book "Theory of Games and Economic Behavior," John von Neumann and Oskar Morgenstern laid the groundwork for what would become known

as Game theory. This landmark work formed the cornerstone of contemporary game theory by providing a framework for the analysis of strategic decision-making and interactions between rational decision-makers (Tikollah et al., 2021; Meng and Zhang, 2023). Game theory provides a good framework for evaluating the interactions and decision-making of numerous parties in scenarios including tax incentives and SMEs sustainability. By providing insight into how SMEs respond to varying tax structures and incentives provided by governments, game theory aids in the analysis of strategic decisions made by both parties.

Using game theory, governments can predict how small and medium-sized enterprises (SMEs) would react to alternative tax incentive structures. By doing so, they may better develop effective and efficient tax incentive schemes to boost SMEs' long-term sustainability. Using game theory, it is possible to foresee how SMEs will respond to a variety of tax incentives. Small and medium-sized enterprises (SMEs) will take these incentives into account when deciding whether to invest, innovate, or change their business plans. Sustainability of small and medium-sized enterprises (SMEs) affected by tax incentives can be evaluated with the use of game theory.

2.3. Empirical Review

There is a variety of empirical studies on the topic of tax incentive, ease of doing business and SMEs sustainability in the academic literature- both developing and developed economies. However, there are conflicting opinions in the academic literature about whether or not higher tax incentive and ease of doing business have led to higher SMEs sustainability.

2.3.1. Past findings

The challenges of achieving sustainability of SMEs in Nigeria have become a complex and disturbing concern going by the tax complexities and burden on the SMEs. Studies have found mixed results and expressed divergent opinions in this respect (Beka et al., 2023; Kanbiro et al., 2023; Picas et al., 2021; Wang et al., 2022; Uddin et al., 2021).

2.3.2. The positive relation between tax incentive and sustainability of SMEs

Prior studies find that tax incentive is significant and enhances sustainability of SMEs in creating more employment opportunities, economic prospects for the entrepreneurs and contribute to economic development and more value creation and job opportunities (Beka et al., 2023; Kanbiro, 2023; Picas et al., 2021; Wang et al., 2022 among others). Table 1 outlines literature on the positive association between tax incentive and sustainability of SMEs. For instance, Beka et al. (2023) studied impact of business environment on tax incentive, covering a period of 3 years 2018-2020. Multifactorial regression model and correlation analyses showed a positive association between business friendliness and new investment that enhances sustainability of the SMES.

Kanbiro (2023) examined tax incentive and business sustainability of SMEs, s survey field research was explored using a total 400 respondents and the multiple regression showed that tax incentive through government aids impacted on performance of SMES, Picas

Table 1: Literature on the positive association between tax incentive, easy of doing business and sustainability of SMEs

Authors (year)	Tax incentive measure	Sustainability measure	Sample period	Location (country)	Findings
Beka et al. (2023)	Tax breaks	New Investments	2018-2020	Kosovo	Positive association
Kanbiro (2023)	Tax incentive	Government aids	400 respondents (SMEs)	Ethiopia	Positive association
Picas et al. (2021)	Financial incentive	Government support	2010-2019	Portuguese	Positive association
Wang et al. (2022)	Green tax credits	Government grants	2010-2019	China	Positive association
Uddin et al. (2021)	Green tax incentive	Strong regulation of Economic, Social and Governance (ESG)	383 respondents (SMEs)	Bangladesh	Positive association
Amin et al. (2020)	Tax incentives	Friendly business environment	115 respondents (SMEs)	Ghana	Positive association
Cui et al. (2022)	Tax incentives	Strong regulation & friendly business environment	215 respondents (SMEs)	China	Positive association
Kouam and Asongu (2022)	Tax holiday	Friendly operating environment	300 respondents (SMEs) owner	Ethiopia	Positive association

Source: Researcher compilation (2025)

Table 2: Literature on the negative association between tax incentive and environmental sustainability of SMEs

Authors (year)	Tax incentive measure	Sustainability of SMEs Measure	Sample size	Country	Findings
Ansar et al. (2023)	Tax incentive	Social sustainability	410 respondents	Indonesia	Negative association
Meng and Zhang (2023)	Golden tax incentive	ECG performance	2008-2020	China	Negative association
Sun (2022)	Preferential tax incentive	Government business innovations	2011-2020	China	Negative association
Choi and Park (2022)	Cash tax rates	Volatility of tax rates	255 respondents	South Korea	Negative association
Daoud (2022)	Tax incentive	Social responsibility	Survey Research	Indonesia	Negative association

Source: Researcher compilation (2025)

et al. (2021) assessed financial incentives and government grants in enhancing SMEs in Portuguese for a period of 10 years covering 2010-2019. Using panel data analysis, the study found that the two measures were significantly associated. Similarly, Wang et al. (2022) did regression analysis of the relationship between tax incentive subsidy on sustainability of firms in China and study found that green tax incentives and government grants impact the two measures positively.

Furthermore, Uddin et al. (2023) employed a structure questionnaire from 387 respondents to examine the effect of green tax and energy efficiency on sustainability of firms in Bangladesh, a regression model analysis showed a significant effect. Amin et al. (2020) studied tax incentive and business environment for the performance of the SMEs in Ghana and the multiple regression showed that the two measures were positively related, Cui et al. (2022) studied tax incentives and strong regulations in China from the perspective of CEO beliefs in SMEs and the regression of data obtained from 215 respondents showed a positive effect while Kouam and Asongu (2022) from Ethiopia using field survey and data from 300 of SMEs respondents revealed a positive relationship between the measures. The study presents studies that found positive association between tax incentive and environmental sustainability of SMEs in Table 1.

In addition, some other studies have made attempts researching tax incentive and sustainability from different perspective. Some that found a positive effects of tax incentive on SMEs sustainability include: Only ease of doing business (Silva and Victoria, 2023; Noor and Siswi, 2022; Oko and Patricia, 2021); from the perspective of governmental tax incentives and growth and development of SMEs (Obafemi et al., 2021; Feyitimi et al., 2020); qualitative studies (Lubis et al., 2023; Noor and Siswi, 2022; Oko and Patricia, 2021). While the study that considered limited measurement for tax incentives is Fauziah and Dian (2022). The study of tax incentives and ease of doing business on governance sustainability in Nigeria SMEs has been rare.

2.3.3. The negative association between tax incentive and SMEs sustainability

In the contrary, there are other consideration of the negative implications of tax incentive on SMEs sustainability as some studies have argued tax incentive could be counterproductive making no significant effect on the environmental sustainability of SMEs. Table 2 outlines the literature of insignificant or negative association between tax incentives and sustainability of SMEs. Some studies by (Ansar et al., 2023; Meng and Zhang, 2023; Sun, 2022; Choi and Park, 2022; Daoud, 2022) documented negative associations. For example, Ansar et al. (2023) studied social sustainability and tax incentive of SMEs in Indonesia and the content analysis estimation showed a negative association between tax incentive and social sustainability. In the same manner, Meng and Zhang (2023) examined the impact of enhance tax administration on performance of SMEs and the analysis of specified data of content analysis and estimation for 13 years covering 2008-2020 revealed a golden tax incentive had a negative effect on ECG performance in China, while Sun (2022) studied tax preference tax incentive on government business innovation for a period of 10 years (2011-2020) and the results confirmed negative association. Similarly, Choi and Park (2022) considered tax effective rate and tax avoidance of SMEs in South Korea and the study found that cash estimated tax rate had a negative correlation with volatility of tax rates while Daoud (2022) delved into examination of the association between tax incentive and social sustainability in Indonesia and the Ordinary Least Square estimation demonstrated tax incentive had a negative impact on social sustainability. Findings from some other scholars are consistent with negative effects tax incentive on social sustainability in respect of SMES, example (Kouam and Asongu, 2022; Kanbiro, 2023; Ansar et al., 2023). The study presents studies that found negative association between tax incentive and environmental sustainability of SMEs in Table 2.

2.3.4. Hypotheses testing

The effect of tax incentive and easy of doing business on environmental sustainability of SMEs have been researched within various countries and with a possible range of different measures. However, the issues of tax incentive, ease of doing business and sustainability of SMEs have not been explored within the context of Nigeria, even when Nigeria is the hub and leading SMEs in this regard. Presently, there is a dearth of studies researching the extent tax incentive and ease of doing business can affect sustainability of SMEs in Nigeria.

Studies provide dissimilar results to questions researching the effect of tax incentives on environmental sustainability of SMEs. Some of the studies have argued that SMEs sustainability does not depend on tax incentives, suggesting that there are other opportunities available to the SMEs to attain sustainability, rather than tax incentives and argue that tax incentive and sustainability of SMEs have no relation (Ansar et al., 2023; Meng and Zhang, 2023). Some argues that tax incentive is beneficial considering the prevailing infrastructural deficit in Nigeria, heavy populated by the SMEs (Sun, 2022; Choi and Park, 2022; Daoud, 2022). The issues of issue tax incentive have become a conflicting researchable phenomenon. While the results are mixed, the inconsistencies and lack of sufficient empirical studies researching the effect of tax incentive on environmental sustainability of SMEs creates a landscape of gap that the study tries to fill. Thus, given the abovementioned discussion in the literature, the following hypotheses are tested:

Hypothesis 1 (H_1). *Tax incentive has a relationship between tax incentive and environmental sustainability of SMEs in Nigeria.*

Hypothesis 2 (H_2): *Ease of doing business significantly moderate relationship between tax incentive and environmental sustainability of SMEs in Nigeria.*

This current study provides a novel research bridging the gaps of lack of empirical evidence of the extent tax incentive and ease of doing business can create huge opportunities and have effect on the sustainability of the SMEs in Nigeria. Consequently, the study contributes to the existing literature by investigating this research topic for the 1st time in the Nigeria sustainability of SMEs empirical domain.

3. METHODOLOGY

In this section, the methodology presents the population, sampling and data collection of the study. In addition, this section presents the questionnaire design and data analysis when the study employed for logistic regression model and considers the data set for collinearity and a consideration of the regression analysis

3.1. Population, Sampling and Data Collection

The target population of the study consisted of all the 11,663 registered SMEs in Lagos State as of January, 2023. The choice of selecting small and medium enterprises in Lagos State is because Lagos State is widely regarded as one of South West, Nigeria's most dynamic business hubs in Nigeria. The study employed non-probability sampling technique, namely, purposive sampling as it allows the researcher to select participants based on those who are

easier to reach. This also addresses tax incentive which relates to decisions at the strategic level of the SMEs in Lagos State.

The sample size for the study, as determined using Taro Yamane formula consisted of 387 and chosen from the population elements using the purposive sampling technique. Since only managerial staff who are easily accessible to the respondent were selected, the study employs a purposive sampling technique to ensure an unbiased sample, and since it is intended for all owners, to allow every respondents an equal opportunity to be represented in the research, subject to the time and data availability of the sampled SMEs. The SMEs in three local governments of Lagos state, Nigeria; Festac/Ojo, Ikeja, Shomolu, and Eti-Osa have been chosen as the study's sample. Cluster sampling technique was used in the selection of these three local governments as these three local governments have SMEs clustered in them. These SMEs are from the manufacturing, wholesale and retailing, restaurant, catering, agriculture, and mobile technology sectors.

3.2. Questionnaire Design

The study used a closed ended questionnaire because the respondents were provided with options of responses to select from for each of the questions. The study employed five points Likert Scale of strongly agree, agree, undecided, disagree, and strongly disagree. The respondents' responses to the questions based on the scale assigned as: Strongly agree = 5, agree = 4, undecided = 3, disagree = 2, and strongly disagree = 1. The structured questionnaire were divided into three sections; Section A, B and C. The section A seeks to obtain information about the respondents' bio-data that is, working experience, and educational level. Section B seeks to get information on respondents' opinion on the questions relating to the constructs of the dependent variable (sustainability of SMEs). Section C is designed to seek information on the constructs of the independent variable, tax incentive and moderating variable, ease of doing business. The study presents definition of variable in Table 3.

3.3. Sample Size Determination

The study adopts representative sample size for this study which uses the Taro Yamane formula (1967) sample size determination. The following formula applies:

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

n = The sample size

N = The population size

e = Marginal error at 0.05

$$n = \frac{11,663}{1 + 11,663(0.05)^2}$$

$$n = \frac{11,663}{30.16}$$

= 386.74, which is approximately 387

Table 3: Definition of variable

Dependent variable	Definitions	Sources
Environmental sustainability	Ability to maintain the natural systems and resources that support life on Earth.	Amin et al. (2022), Cui et al. (2022)
Independent variables (Tax Incentives)		
Tax holiday	A temporary period a government suspends or reduces certain taxes for a specific economic reason.	Beka et al. (2023), Amin et al. (2020)
Tax allowance	Specific amount set by the government that allows an individual or business to reduce their taxable income	Dong and Zhang (2022)
Tax rate reduction	Decrease in the percentage at which taxes are levied	Aribaba et al. (2019).
Accelerated depreciation	Deliberate allocation of depreciation expense in the early year of an asset's life span.	Faiza et al. (2022)
Loss carried forward	Tax incentive that allows taxpayer to apply a net operating loss to future taxable income	Ansar et al. (2023), Beka et al. (2023)
Tax exemption	Provision that relieves taxpayer from having to pay certain taxes.	Amin et al. (2022), Cui et al. (2022)
Moderating variable		
Ease doing business	Aggregate figure that includes different parameters that ease of doing business in a country.	Silva and Victoria, (2023), (World Bank, 2023).

Source: Researcher compilation (2025)

3.4. Validity of the Research Instruments

The formulated questionnaire has been validated by different experts in the field of accounting, taxation, and human resources management. The research study also ensures face validity by drawing on his personal experience in tax incentive, easy of doing business and SMEs sustainability. The validity test was carried out using Bartlett's Test of Sphericity and the result is presented in Table 4.

3.5. Reliability of the Research Instrument

To ensure that the research instrument is reliable and give consistent results over time. Test-retest reliability test has been employed. This involved the conduction of a pilot study. The study adopts 10% of the sample size for the pilot study. Therefore, 39 structured questionnaires have been administered to a group to similar the real sample subjects. Cronbach's Alpha test has been used to examine the reliability of the research instrument and the test is estimated using Cronbach's Alpha coefficients for each of the constructs of both the dependent and the independent variables. According to Anekwe et al. (2019), the threshold of the test is 0.70 and the grading is in ranges of: Good: 0.70-0.749; Very good: 0.75-0.749; Excellent: 0.80-1.00. The study presents results of reliability test in Table 5.

3.6. Method of Data Analysis

Both descriptive and inferential method of data analysis is adopted in the study. The respondents' responses to the questions are analyzed using descriptive statistics and multiple linear regression analysis. The study determines the response rate using percentage. The bio-data of the respondents as contained in the Section A of the questionnaire is analyzed using frequency and percentage distribution. The respondents' opinion on the 5-Likert scale options provided for each of the questions on each of the constructs as specified in the Section B and section C of the questionnaire is analyzed using mean, standard deviation and percentages. The six formulated hypotheses are examined using multiple linear regression analysis. This study carried out all the analysis with the aid of SPSS software.

4. RESULTS AND DISCUSSION OF FINDINGS

4.1. Descriptive Statistics

4.1.1. Response rates

Three categories of variables will be used in the study, the dependent (endogenous) variable which is the environmental sustainability, the independent (exogenous) variable which is the measures of tax incentive and being the moderating variable.

4.1.2. Respondent responses on tax incentive and ease of doing business

This section presents the respondent responses in respect of tax incentive and ease of doing business in Table 6.

The statement, "Regulatory procedures for SMEs are clear and easily understandable by the operators of SMEs in Nigeria," received mixed responses from participants. A minority of respondents, 13.2% strongly agreed, and 20.9% agreed, while 11.0% were undecided. However, a significant portion, 40.7% disagreed, and 14.3% strongly disagreed. With a mean response of 3.22, the overall perception leans slightly toward disagreement, suggesting that many respondents find regulatory procedures unclear or difficult to navigate. The standard deviation of 1.29 reflects moderate variability in responses, indicating differing levels of clarity experienced by SMEs.

Responses to the statement, "Government support services for SMEs are easily accessible and responsive," also displayed a varied pattern. Only 6.6% strongly agreed and 33.0% agreed, while 23.1% were neutral. On the other hand, 30.8% disagreed, and another 6.6% strongly disagreed. The mean response of 2.98 indicates a perception leaning slightly toward neutrality but verging on disagreement. This suggests that many SMEs find government support services lacking in accessibility or responsiveness. The standard deviation of 1.08 shows a narrower spread of opinions compared to other items.

Regarding the statement, "Tax filing and compliance procedures for SMEs are straightforward and well understood for compliance," only 4.5% strongly agreed, and 22.5% agreed while 21.3%

Table 4: Result of the validity test

Variables	No of items	AVE	KMO	Bartlett's test of sphericity	Composite reliability
Tax Holiday	5	0.738	0.747	0.003	0.898
Tax Allowance	5	0.816	0.825	0.007	0.859
Tax Rate Reduction	5	0.809	0.817	0.013	0.818
Accelerated Depreciation	5	0.783	0.779	0.009	0.913
Loss Carry Forward	5	0.872	0.908	0.000	0.972
Tax Exemption	5	0.911	0.873	0.000	0.835
Ease of Doing Business	8	0.925	0.916	0.000	0.835
Environmental Sustainability	5	0.917	0.837	0.000	0.856

Source: Researcher's computation (2025)

Table 5: Results of the reliability tests

Variables	No of items	Cronbach's alpha coefficient	Remarks
Tax Holiday	5	0.836	Excellent
Tax Allowance	5	0.822	Excellent
Tax Rate Reduction	5	0.875	Excellent
Accelerated Depreciation	5	0.762	Good
Loss Carry Forward	5	0.816	Excellent
Tax Exemption	5	0.743	Good
Ease of Doing Business	8	0.838	Excellent
Environmental Sustainability	5	0.771	Good

Source: Researcher's field survey (2025)

Table 6: Respondent responses on tax incentive and ease of doing business

Statement	SA	A	U	D	SD	Total
Regulatory procedures for SMEs are clear and easily understandable by the operators of SMEs in Nigeria						
Count	36	57	30	111	39	
n %	13.2	20.9	11.0	40.7	14.3	
Mean						3.22
SD						1.29
Government support services for SMEs are easily accessible and responsive						
Count	18	90	63	84	18	
n %	6.6	33.0	23.1	30.8	6.6	
Mean						2.98
SD						1.08
Tax filing and compliance procedures for SMEs are straightforward and well understood for compliance						
Count	12	60	57	117	21	
n %	4.5	22.5	21.3	43.8	7.9	
Mean						3.28
SD						1.04
SMEs find it easy to access funding and credit from financial institutions						
Count	27	96	57	57	36	
n %	9.9	35.2	20.9	20.9	13.2	
Mean						2.92
SD						1.22
Obtaining business permits and licenses is a smooth and efficient process for SMEs.						
Count	9	81	60	75	48	
n %	3.3	29.7	22.0	27.5	17.6	
Mean						3.26
SD						1.16
Overall mean						3.132

Source: Author's Computation, 2025; data from Field Survey. SA: Strongly agree, A: Agree, U: Undecided, D: Disagree, SD: Strongly disagree, SD: Standard deviation

remained undecided. A significant 43.8% disagreed and 7.9% strongly disagreed. With a mean of 3.28, the overall perception suggests slight disagreement, indicating that respondents do not universally find tax procedures straightforward or easy to understand. The standard deviation of 1.04 indicates a relatively moderate consensus among the respondents.

The responses to "SMEs find it easy to access funding and credit from financial institutions" show significant dissatisfaction.

Only 9.9% strongly agreed, and 35.2% agreed while 20.9% were undecided. An equal 20.9% disagreed, and 13.2% strongly disagreed. With a mean response of 2.92, the overall perception leans toward neutrality but suggests some difficulty in accessing funding or credit. The standard deviation of 1.22 highlights moderate variability in experiences regarding financial access among SMEs.

For the statement, "Obtaining business permits and licenses is a smooth and efficient process for SMEs," the responses were

similarly varied. Only 3.3% strongly agreed, and 29.7% agreed while 22.0% remained neutral. A total of 27.5% disagreed, and 17.6% strongly disagreed. The mean score of 3.26 indicates a perception leaning toward disagreement, reflecting challenges faced by SMEs in obtaining permits and licenses. The standard deviation of 1.16 suggests some variability in responses, reflecting differing regional or sectoral experiences.

In summary, the overall mean score of 3.132 across all statements on the ease of doing business suggests that SMEs in Nigeria face notable challenges in navigating regulatory frameworks, accessing support services, complying with tax procedures, obtaining funding, and securing necessary permits. While there are pockets of agreement, particularly on government services and regulatory clarity, the responses predominantly indicate dissatisfaction or skepticism. The standard deviation values, ranging between 1.04 and 1.29 indicate moderate variability in opinions, likely reflecting differences in individual or regional experiences.

4.1.3. Respondent responses on environmental sustainability

This section presents the analysis of respondents' responses on Environmental sustainability of SMEs in Table 7.

The statement, "SMEs currently implement environmentally sustainable practices in their operations," received a mixed response from participants. While 11.8% strongly agreed and 27.6% agreed, a significant 28.7% were undecided. On the other hand, 19.9% disagreed, and 12.1% strongly disagreed. With a mean response of 2.93, the overall perception tends slightly toward neutrality, suggesting that many respondents are unsure

about the extent to which SMEs adopt sustainable practices. The standard deviation of 1.20 indicates a moderate level of variability in responses, reflecting diverse experiences among SMEs. For the statement, "Environmentally sustainable practices positively impact the reputation of SMEs," the responses showed a clear tilt toward disagreement. Only 5.1% strongly agreed, and 8.8% agreed while 13.2% were neutral. A significant 43.0% disagreed, and 29.8% strongly disagreed. The mean response of 3.83 suggests a perception leaning toward strong disagreement, indicating that respondents believe SMEs may not see a direct reputational benefit from sustainable practices. The standard deviation of 1.11 reflects moderate variability in the opinions.

Responses to "SMEs actively integrate green initiatives into their business strategies" also displayed divided opinions. Only 4.4% strongly agreed, while 29.8% agreed, and another 29.8% remained neutral. Meanwhile, 24.3% disagreed, and 11.8% strongly disagreed. The mean score of 3.09 indicates a slightly neutral stance, suggesting that while some SMEs are integrating green initiatives, others are either hesitant or inconsistent in their efforts. The standard deviation of 1.09 suggests relatively moderate variability in opinions.

Regarding the statement, "Government support and incentives encourage SMEs to adopt and maintain environmentally sustainable practices," only 6.6% strongly agreed, and 21.0% agreed, while 24.3% remained undecided. A notable 37.5% disagreed, and 10.7% strongly disagreed. With a mean response of 3.25, the overall perception tilts slightly toward disagreement, implying that many respondents find government support and incentives insufficient

Table 7: Respondent responses on environmental sustainability

Statement	SA	A	U	D	SD	Total
SMEs currently implement environmentally sustainable practices in their operations.						
Count	32	75	78	54	33	
n %	11.8	27.6	28.7	19.9	12.1	
Mean						2.93
SD						1.20
Environmentally sustainable practices positively impact the reputation of SMEs						
Count	14	24	36	117	81	
n %	5.1	8.8	13.2	43.0	29.8	
Mean						3.83
SD						1.11
SMEs actively integrate green initiatives into their business strategies						
Count	12	81	81	66	32	
n %	4.4	29.8	29.8	24.3	11.8	
Mean						3.09
SD						1.09
Government support and incentives encourage SMEs to adopt and maintain environmentally sustainable practices.						
Count	18	57	66	102	29	
n %	6.6	21.0	24.3	37.5	10.7	
Mean						3.25
SD						1.10
Employees in SMEs are actively aware and involved in the promotion of sustainable practices within the company						
Count	12	60	72	75	53	
n %	4.4	22.1	26.5	27.6	19.5	
Mean						3.36
SD						1.15
Overall mean						3.292

Source: Author's Computation, 2025; data from Field Survey. SA: Strongly agree, A: Agree, U: Undecided, D: Disagree, SD: Strongly disagree, SD: Standard deviation

to encourage sustainability practices. The standard deviation of 1.10 indicates some variation in perceptions. The statement, “Employees in SMEs are actively aware and involved in the promotion of sustainable practices within the company,” received varied responses. Only 4.4% strongly agreed, and 22.1% agreed while 26.5% were undecided. On the contrary, 27.6% disagreed, and 19.5% strongly disagreed. The mean response of 3.36 leans toward neutrality, suggesting that while there is some level of employee involvement, it is not universally evident across SMEs. The standard deviation of 1.15 reflects moderate variability in responses.

The overall mean score of 3.292 across the statements on environmental sustainability indicates a slightly neutral stance among respondents, with a leaning toward disagreement in certain areas. The responses suggest that while some SMEs recognize the importance of sustainability, the implementation and integration of these practices remain inconsistent. Additionally, perceptions about the role of government support and employee involvement highlight areas for improvement. The standard deviation values, ranging between 1.09 and 1.20, suggest moderate variability in opinions, reflecting differing levels of awareness and engagement with sustainability practices among SMEs.

4.1.4. Data treatment results

This section showed the results for the treatment carried out on the data gathered before the inferential analyses to ensure that the regression assumptions of normality, multicollinearity, linearity, and homogeneity of variance were met.

4.1.4.1. Results of the normality and linearity tests

To test for normality and linearity assumptions of the models, the histogram and Normal P-P Plot of regression standardized residual line charts were used as shown in Figure 1a and b, respectively. All the histogram depicted normal distribution curve which is an indication that the models are normally distributed. The Normal P-P Plot of regression standardized residual line charts as all the points nearly lined along the slope of the chat indicating linearity features of all the seven models. Therefore, the study concluded that the models are suitable for estimation because they aligned with the normality and linearity assumptions of linear regression analysis estimation technique.

4.2. Regression Analyses

This section presents the regression analysis of the effect of tax incentive on environmental sustainability and how Ease of doing business moderated the effect of tax incentive on environmental sustainability of SMEs in Table 8.

Table 8 shows the analysis result that explores the relationship between tax incentives and the environmental sustainability of SMEs in Lagos State, Nigeria, testing the hypothesis that tax incentives have no significant effect on this sustainability. The study considered three specific tax incentives: Tax rate reduction (TRR), qualifying capital allowances (QCA), and s (TEN). The result show that tax exemption (TEN) had a negative ($\beta = -0.026$) effect on environmental sustainability of SMEs. The result is statistically non-significant ($P = 0.729$). This suggests that tax exemptions do not have a meaningful impact on the environmental sustainability of SMEs. The lack of significance means that changes in tax exemptions are unlikely to be associated with changes in environmental practices or outcomes for SMEs. Similar to tax exemption, the coefficient for tax rate reduction was negative ($\beta = -0.091$) and statistically non-significant ($P = 0.161$). This result also suggests that reducing tax rates does not significantly influence the environmental sustainability of SMEs. The absence of a significant effect implies that lowering tax rates alone may not be sufficient to encourage SMEs to adopt more sustainable practices.

Qualifying capital allowances (QCA): The analysis revealed that qualifying capital allowances have a significant positive impact on environmental sustainability, with a coefficient of $\beta = 0.452$ and a $P < 0.001$. This result indicates that SMEs that benefit from qualifying capital allowances are more likely to engage in environmentally sustainable practices. This finding highlights the importance of capital allowances in promoting sustainable development among SMEs. It is important to highlight that the descriptive results provide context to the skepticism and perceived complexity surrounding tax incentives, which is partially validated by the regression analysis showing that not all incentives have a significant impact on environmental sustainability.

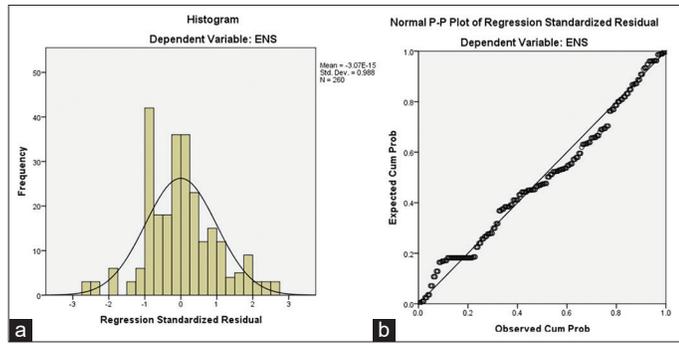
The R value of 0.360 indicates a moderate positive relationship between the tax incentives and environmental sustainability.

Table 8: Summary of regression result

Models	B	SE	T	Sig	Other estimation results
1					
Constant	2.232	0.256	8.724	0.000	Df (3,259)
TEN	-0.026	0.075	-0.347	0.729	F-stat=12.683, Sig=0.000
QCA	0.452	0.080	5.662	0.000	R=0.360, R-Square=0.129
TRR	-0.091	0.065	-1.406	0.161	Adjusted R-Square=0.119
2					
Constant	2.866	0.235	12.218	0.000	Df (6, 256)
TEN	0.166	0.399	0.416	0.678	F-stat=25.387, Sig=0.000
QCA	-1.143	0.281	-4.062	0.000	R=0.613, R-Square=0.376
TRR	0.537	0.311	1.730	0.085	Adjusted R-Square=0.361
TENEDB	-0.058	0.123	-0.470	0.639	ΔR -Square=0.246
QCAEDB	0.430	0.086	4.980	0.000	ΔF -stat=33.291, Δ Sig=0.000
TRREDB	-0.194	0.095	-2.039	0.042	

Dependent Variable: ENS. Predictors (Model 1): (Constant), TRR, QCA, TEN. Predictors (Model 2): (Constant), TRR, QCA, TEN, TRREDB, QCAEDB, TENEDB. Source: Author's computation, 2025 underlying data from Field Survey. ENS: Environmental sustainability, TEN: Tax exemption, QCA: Qualifying capital allowances and other allowances, TRR: Tax rate reduction, EDB: Ease of doing business

Figure 1: (a and b) Histogram and normal P-P Plot of regression standardized residual line chart for the model one and two (Effect of tax incentive and ease of doing business on environmental sustainability)



However, the Adjusted R^2 value of 0.119 reveals that only 11.9% of the variance in environmental sustainability among SMEs can be explained by the tax incentives considered in the model, while the remaining 88.1% is due to other factors not captured by the model. The predictive and prescriptive multiple regression models were thus expressed.

$$ENS_i = \beta_0 + \beta_1TEN_i + \beta_2QCA_i + \beta_3TRR_i + \epsilon_i \text{ Eqn(i) (Predictive model)}$$

$$ENS_i = \beta_0 - 0.026TEN_i + 0.452QCA_i - 0.091TRR_i \text{ Eqn(i) (Predictive model restated)}$$

$$ENS_i = \beta_0 + \beta_2QCA_i + \epsilon_i \text{ Eqn(i) (Predictive model)}$$

$$ENS_i = \beta_0 + 0.452QCA_i \text{ Eqn(i) (Predictive model restated)}$$

The regression model showed that when holding Tax Incentives components constant at zero, shareholders value creation was positive at 2.232. In the predictive model, Tax exemption, Tax rate reduction was negative and insignificant. Implying that reducing tax rates does not significantly influence the environmental sustainability of SMEs and tax exemptions are unlikely to be associated with changes in environmental practices or outcomes for SMEs. That’s why it was not included in the prescriptive model. The results of the multiple regression analysis in the prescriptive model indicated that if there is an improvement in the practice of Qualifying Capital Allowances by one percentage, environmental sustainability of SMEs will be improved by 11.9%.

The overall model was significant ($P < 0.05$) as indicated by the F-statistic, suggesting that tax incentives collectively play an important role in influencing environmental sustainability, even though not all incentives have the same level of impact. Therefore, the null hypothesis that tax incentives have no significant effect on the environmental sustainability of SMEs in Lagos State was not accepted. Summarily, this result implies that while certain tax incentives may not significantly impact sustainability, others, like Qualifying Capital Allowances, are crucial for promoting sustainable business practices. Thus, policymakers should focus more on enhancing Qualifying Capital Allowances to improve environmental sustainability among SMEs in Lagos State.

Hierarchical Regression on the moderating effect of ease of doing business on the relationship between tax incentive and environmental sustainability of SMEs in Lagos State, Nigeria.

$$ENS_i = \beta_0 + \beta_1TEN_i + \beta_2QCA_i + \beta_3TRR_i + \beta_1TENEDB_i + \beta_2QCAEDB_i + \beta_3TRREDB_i + \epsilon_i \text{ Eqn(ii) (Predictive Model)}$$

$$ENS_i = \beta_0 + 0.166TEN_i - 1.143QCA_i + 0.537TRR_i - 0.058TENEDB_i + 0.430QCAEDB_i - 0.194TRREDB_i + \epsilon_i \text{ Eqn(ii) (Predictive Model restated)}$$

$$ENS_i = \beta_0 + \beta_2QCA_i + \beta_2QCAEDB_i \text{ Eqn(ii) (Predictive Model)}$$

$$ENS_i = \beta_0 - 1.143QCA_i + 0.430QCAEDB_i \text{ Eqn(ii) (Predictive Model restated)}$$

Table 8 show the result of the analysis on testing the hypothesis that the ease of doing business (EDB) does not significantly moderate the effect of tax incentives on the environmental sustainability (ENS) of SMEs in Lagos State, Nigeria. The tax incentives considered include tax rate reduction (TRR), qualifying capital allowances (QCA), and tax exemption (TEN).

The two models in Table 8 were evaluated to assess the effect of tax incentives and the moderating role of ease of doing business on environmental sustainability: In step one, model 1 is the baseline model that assesses the direct effect of the tax incentives (TRR, QCA, and TEN) on environmental sustainability. The model shows an R^2 of 0.129 and an Adjusted R^2 of 0.119 meaning that approximately 12.9% of the variability in environmental sustainability is explained by the tax incentives alone. This model was statistically significant with an F-statistic of 12.683 ($P < 0.001$).

The introduction of the moderator (Ease of doing business) significantly improved the effect of tax incentive and environmental sustainability practices of SMEs in Lagos state Nigeria. The inclusion of these interaction terms increases the R^2 to 0.376 and the Adjusted R^2 to 0.361, indicating that 37.6% of the variability in environmental sustainability is explained when considering the moderating effect of EDB. This model is also statistically significant, with a much higher F-statistic of 33.291 ($P < 0.001$). The change in R^2 ($\Delta R^2 = 0.246$) suggests that the inclusion of EDB as a moderator significantly improves the model’s explanatory power.

Specifically, In Model 1, TEN has a negative but statistically insignificant impact on environmental sustainability ($\beta = -0.026$, $P = 0.729$). When ease of doing business is introduced as a moderator (TENEDB), the effect of TEN becomes positive ($\beta = 0.166$) but remains statistically insignificant ($P = 0.678$). The interaction term TENEDB itself is also statistically insignificant ($\beta = -0.058$, $P = 0.639$), suggesting that ease of doing business does not significantly moderate the effect of Tax Exemption on environmental sustainability.

Also, qualifying capital allowances has a significant positive impact on environmental sustainability in Model 1 ($\beta = 0.452$,

$P < 0.001$). However, in Model 2, when moderated by EDB (QCAEDB), the direct effect of QCA turns negative ($\beta = -1.143$, $P < 0.001$), while the interaction term QCAEDB has a significant positive impact ($\beta = 0.430$, $P < 0.001$). This indicates that Ease of Doing Business significantly enhances the positive impact of Qualifying Capital Allowances on environmental sustainability.

Similarly, tax rate reduction (TRR) has a negative and statistically insignificant impact on environmental sustainability in Model 1 ($\beta = -0.091$, $P = 0.161$). In Model 2, the effect of TRR becomes positive ($\beta = 0.537$, $P = 0.085$) but remains statistically insignificant. However, the interaction term TRREDB is negative and statistically significant ($\beta = -0.194$, $P = 0.042$), suggesting that ease of doing business actually weakens the positive impact of tax rate reduction on environmental sustainability. The F-stat stood at 25.387 (0.000) indicated that ease of doing business had a statistically significant effect on the relationship between tax incentives and environmental sustainability of SMS. Based on these findings, the null hypothesis two (H_02) which stated that Ease of Doing Business does not significantly moderate the effect of tax incentives on the environmental sustainability of SMEs in Lagos State is hereby rejected.

Thus, the results suggest that while some tax incentives, specifically qualifying capital allowances, are positively influenced by an easier business environment in terms of enhancing environmental sustainability, others like tax exemption and tax rate reduction are not significantly moderated by these conditions. This indicates a nuanced relationship where the effectiveness of tax incentives in promoting environmental sustainability depends on the nature of the incentive and the prevailing business environment.

The findings in Table 8 reveal key insights into the relationships between tax incentives, ease of doing business (EDB), and environmental sustainability. The analysis underscores the complexity of these interactions, with important implications for both theory and practice. It emphasizes how tax incentives, when structured effectively, can support environmental sustainability goals while fostering a more favorable business environment. The literature explored in the study highlights a consistent theme that tax incentives, particularly those linked to sustainability, play a critical role in driving environmental outcomes. For instance, the work by Kanbiro (2023) found that tax incentives are crucial for the long-term sustainability of SMEs in Ethiopia, with the tax breaks enabling small businesses to stay afloat and contribute to broader economic sustainability. This finding aligns with the results presented in Table 8, where qualifying capital allowances (QCA) positively impacted environmental sustainability, reinforcing the notion that targeted fiscal incentives can incentivize businesses to adopt eco-friendly practices.

Similarly, Beka et al. (2023) analysis of Kosovo's business climate highlights the positive role of tax incentives in promoting investment. Their findings suggest that businesses, especially SMEs, are more likely to invest in green technologies and sustainable practices when tax breaks are available. This idea of tax incentives encouraging eco-friendly investments is echoed in Table 8, where the positive association between tax incentives and

environmental sustainability is observed. However, the findings also caution against relying solely on tax incentives to drive sustainability. The work of Picas et al. (2021) in Portugal, for example, demonstrated that government incentives alone had a limited impact on the profitability of SMEs. While tax incentives can alleviate some financial burdens, they are not a panacea for achieving sustainability goals. This resonates with the regression results in Table 8, where the effectiveness of tax incentives on environmental sustainability, while positive, may be constrained by other factors, such as the overall business environment and institutional quality.

The role of ease of doing business (EDB) as a moderator is another critical aspect of the findings. Previous studies have demonstrated that the ease of doing business significantly enhances the effectiveness of tax incentives. Alberto and Angelo (2023) showed that business environments conducive to innovation and growth tend to amplify the impact of favorable fiscal policies, a view supported by the regression results in Table 8. The moderating effect of EDB in this analysis suggests that favorable business climates help unlock the full potential of tax incentives, leading to stronger environmental sustainability outcomes. This highlights the importance of a holistic approach where both fiscal incentives and regulatory improvements work together to create an environment where sustainability practices can thrive. The interaction between tax incentives and EDB is particularly relevant in developing countries, where institutional challenges often hinder the effectiveness of policy interventions. For example, in their study of green tax policies, Mpoku (2022) examined how green taxes could enhance sustainable development in Africa despite the region's reliance on fossil fuels. While green taxes can promote environmental sustainability, their effectiveness is highly contingent on the broader regulatory and business environment. This resonates with the results in Table 8, where tax exemption and tax rate reduction, despite being commonly used tools, did not show strong associations with environmental sustainability in the presence of weaker business environments.

The findings in Table 8 also suggest that a more comprehensive approach is necessary to address the environmental challenges faced by SMEs. In their study on environmental collaboration and sustainable innovation, Adomako (2020) found that collaboration with external environmental actors fosters innovation within SMEs which ultimately contributes to business growth and sustainability. This perspective aligns with the regression results which show that tax incentives alone are insufficient for driving long-term environmental sustainability. Instead, collaboration, innovation, and an enabling business environment are crucial to ensuring that tax incentives translate into tangible environmental benefits. Moreover, the positive link between qualifying capital allowances and environmental sustainability, as shown in Table 8, is consistent with global trends towards incentivizing green technologies through fiscal policy. Wang et al. (2022) observed that tax incentives, such as investment tax credits, are more effective than subsidies in fostering green innovation. This supports the idea that well-designed tax incentives not only alleviate financial pressures on SMEs but also encourage them to invest in sustainable practices that have long-term environmental benefits.

The findings in Table 8 highlight the multifaceted relationship between tax incentives, ease of doing business, and environmental sustainability. The results confirm that while tax incentives are a vital tool for promoting environmental sustainability, their effectiveness is significantly influenced by the broader business environment. The interaction between tax incentives and EDB underscores the importance of creating an enabling regulatory environment for sustainability initiatives to succeed. As previous studies have shown, a comprehensive approach that includes both fiscal incentives and improvements in the ease of doing business is crucial for achieving sustainable outcomes. Therefore, policymakers must consider not only the design of tax incentives but also the broader regulatory landscape to ensure that these incentives achieve their intended environmental goals.

5. CONCLUSION AND RECOMMENDATIONS

The study investigated tax incentive, ease of doing business and sustainability of SMEs in Nigeria. The study was restricted to the collection of data from SMEs in Lagos State Nigeria in three local governments of Lagos state, Nigeria; Festac/Ojo, Ikeja, Shomolu, and Eti-Osa have been chosen as the study's sample. The study employed a specific descriptive statistical tools such as tables, charts, percentages, mean, and standard deviation used in describing the data. The study examined the effect of tax incentives on the environmental sustainability of SMEs in Lagos State, Nigeria, and the moderating role of the ease of doing business. The findings provide nuanced insights into the relationship between fiscal policy, business environment, and sustainability dimensions, enabling objective-driven conclusions. The analysis of the first hypothesis revealed that tax incentives significantly impact environmental sustainability. SMEs that leveraged fiscal benefits such as tax holidays and allowances were better positioned to implement eco-friendly practices. The conclusion drawn is that tax incentives are critical tools for promoting environmental sustainability among SMEs, particularly when paired with targeted strategies for resource efficiency. For the second hypothesis, the study found that ease of doing business significantly moderates the effect of tax incentives on environmental sustainability. The study concludes that an enabling business environment is pivotal in maximizing the environmental benefits of tax incentives, ensuring their efficient utilization.

The findings underscore the importance of qualifying capital allowances as a key driver of sustainability outcomes in SMEs while also revealing the nuanced impact of tax exemptions and tax rate reductions. The moderating role of ease of doing business suggests that improving the business environment can significantly enhance the effectiveness of tax incentives, but this effect varies depending on the specific incentive. For SMEs, the findings suggest that tax incentives alone may not be sufficient to drive significant improvements in sustainability. SMEs should be encouraged to actively leverage tax incentives that align with their sustainability goals, especially qualifying capital allowances, as they have shown the strongest positive effect. Additionally, SMEs should also consider how external factors, such as the

ease of doing business, affect the potential benefits of these incentives. The regression analysis revealed key insights into the relationships between tax incentives, ease of doing business, and the environmental sustainability dimensions of SMEs in Lagos State, Nigeria. For environmental sustainability, the study found that tax incentives had a significant and positive effect. SMEs that benefited from measures such as tax holidays, rate reductions, and allowances were better positioned to adopt environmentally sustainable practices, such as reducing their carbon footprint, improving waste management, and utilizing green technologies.

Management of SMEs in Lagos State should prioritize the use of tax incentives to enhance environmental sustainability. SMEs can adopt energy-efficient technologies, reduce waste, and implement environmentally friendly practices by taking advantage of fiscal benefits such as tax holidays and allowances. Policymakers should also strengthen the framework for tax incentives to ensure SMEs are motivated to reduce their environmental footprint while complying with regulatory standards. For policymakers, these findings suggest a need for targeted interventions that combine effective tax incentives with broader regulatory and infrastructural improvements to foster sustainability in SMEs. For SMEs, the key takeaway is to focus on incentives that have a proven positive impact, like qualifying capital allowances, while also advocating for a business-friendly environment to maximize the benefits of such incentives. To maximize the moderating impact of ease of doing business on environmental sustainability, government authorities should simplify regulatory procedures and reduce bureaucratic barriers. Establishing one-stop business registration and tax filing centers would make it easier for SMEs to access and utilize tax incentives effectively. This streamlining of processes would ensure that SMEs can allocate resources more efficiently toward sustainable practices.

This study has a limitation. The study focused on SMEs in Lagos State Nigeria which may not fully capture the diversity of SME experiences across Nigeria. Additionally, the study relied on primary data collected through a structured questionnaire, which may be subject to response bias. Further studies may investigate the role of other factors, such as access to finance, technological adoption, or government subsidies, in moderating the relationship between tax incentives and sustainability. Employing a mixed-method approach that incorporates both qualitative and quantitative analyses could also provide deeper insights into the contextual factors influencing SMEs sustainability.

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