

**STRATEGY FOR IMPROVING TAX COMPLIANCE AMONG SMEs
IN NIGERIA**

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**BEING A PROJECT WORK SUBMITTED TO THE DEPARTMENT
OF ACCOUNTING, FACULTY OF MANAGEMENT SCIENCES, IN
PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE
AWARD OF A BACHELOR OF SCIENCE (B.sc) DEGREE IN
DEPARTMENT OF ACCOUNTING**

, UNIVERSITY OF BENIN, BENIN CITY.

OCTOBER, 2025

DECLARATION

I, **Excellent Eboseta AUSTIN** declare that,

This project work is based on a study undertaken by me in the Department of Accounting, University of Benin, under the supervision of **Prof.O. Omokhudu** of Department of Accounting, Faculty of Management Sciences ,University of Benin, Benin City Nigeria

This work has not be submitted for the award of degree elsewhere

Ideas and views are product of my personal research and will the views of others have been expressed, they have been duly acknowledge.

Excellent Eboseta AUSTIN

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(DECLARANT)

Date

CERTIFICATION

We certify that this project work titled: Strategy For Improving Tax Compliance Among Smes in Nigeria was done in fulfillment of the requirements for the award of Bachelor Science (B.sc) Degree in Accounting, by **Austin Excellent EBOSETA** with matriculation number **MGS2104516** under the supervision of **Prof. O. Omokhudu**

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DEDICATION

This work is dedicated to God Almighty whose unending love and grace enables and empowers me to keep pushing on. It is also dedicated to my lovely parents, sponsor and siblings for always being there for me.

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My appreciation goes to my Father, God Almighty. Thank you for my life, everything and everyone you have blessed me with. I am forever grateful.

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Abstract

This study examined the influence of taxpayer education and awareness, incentives and relief measures, digitalization and ease of filing, and trust in government on tax compliance among small and medium-sized enterprises (SMEs) in Benin City, Edo State, Nigeria. The study was motivated by the persistent challenge of low tax compliance, which undermines government revenue generation and economic development. A survey research design was adopted, and data were collected through structured questionnaires distributed to 370 SME operators, out of which 340 were correctly completed and analyzed, representing a 92% response rate. Descriptive statistics such as frequency, percentage, mean, and standard deviation were employed, while inferential analysis was conducted using multiple regression.

The findings revealed that taxpayer education and awareness significantly influence tax compliance among SMEs, demonstrating the importance of adequate information dissemination and training on tax obligations. Incentives and relief measures were also found to have a positive effect on compliance, as accessible tax reliefs and simplified regimes encouraged voluntary participation. Similarly, digitalization and ease of filing significantly enhanced compliance, with evidence showing that e-filing systems reduced the cost and time of tax administration. Trust in government was equally identified as a critical determinant of tax compliance, as visible utilization of tax revenues and accountability were found to motivate SMEs to comply.

The study concludes that improving tax compliance requires a multidimensional approach involving taxpayer education, provision of incentives, robust digital platforms, and transparent governance. It recommends that tax authorities intensify awareness campaigns, introduce more accessible tax reliefs, simplify e-tax systems, and build trust through accountability and visible use of tax revenues. These measures, if properly implemented, will enhance compliance, increase government revenue, and foster sustainable economic growth.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Small and Medium-sized Enterprises (SMEs) remain the backbone of Nigeria's economy, serving as vital engines for economic growth, employment creation, poverty reduction, and innovation. According to the joint survey by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and the National Bureau of Statistics (NBS), Nigeria had approximately 39.65 million MSMEs in 2020, of which SMEs formed a significant share, contributing 46.31% to the national GDP and providing over 76% of employment in the labour force (SMEDAN & NBS, 2021). More recent estimates suggest that SMEs in emerging economies like Nigeria typically account for over 90% of all businesses, similar to trends in other developing countries such as Kenya (92%) and Ghana (90%), but their contribution to tax revenue is disproportionately lower than their economic footprint (OECD, 2023).

Despite this enormous presence and contribution to GDP and livelihoods, tax revenue mobilized from SMEs in Nigeria is notably low. The Federal Inland Revenue Service (FIRS) reports that SMEs contribute less than 10% of total tax collections, compared to 25–30% in countries like South Africa and Malaysia, where targeted SME compliance programs have been implemented (IMF, 2022). This underperformance weakens the government's capacity to fund infrastructure, education, healthcare, and other critical public services.

Multiple factors explain this low tax compliance. Studies point to inadequate taxpayer education, weak or poorly communicated incentives for compliance, bureaucratic and administrative bottlenecks, the absence of simple and accessible digital filing systems, and low levels of trust in how government uses tax revenues (Okoye et al., 2023; OECD, 2023). For example, many SME operators are unaware of their filing obligations or lack clarity about applicable tax rates and procedures. Similarly, while countries like Rwanda have successfully increased compliance through tax credits and simplified presumptive tax regimes for small businesses, Nigeria's incentive programs remain underutilized and often poorly targeted (World Bank, 2023).

Digitalization is a proven strategy for reducing compliance costs and simplifying tax processes. In countries such as Kenya and Rwanda, mobile-based tax payment platforms and online filing systems have increased SME compliance rates by over 20% in five years (OECD, 2023). In Nigeria, however, while the introduction of the TaxPro-Max e-filing system by FIRS has been a step forward, adoption among SMEs is still low due to infrastructural gaps, digital literacy challenges, and persistent mistrust in the tax system (Eze & Nwosu, 2023).

Trust in government is a particularly strong predictor of voluntary compliance. When SME owners believe that tax revenues are mismanaged or diverted from public goods provision, their willingness to comply diminishes. Comparative evidence from Ghana and South

Africa indicates that perceived transparency in tax usage can raise compliance willingness by up to 15% (IMF, 2022).

Therefore, this study focuses on four critical strategic dimensions taxpayer education and awareness, incentives and relief measures, digitalization and ease of filing, and trust in government which empirical evidence suggests can meaningfully improve SME tax compliance in Nigeria. These variables will be measured using Likert-scale constructs to examine their influence on compliance behaviour and to develop actionable recommendations for policymakers.

1.2 Statement of the Research Problem

Nigeria's tax-to-GDP ratio, estimated at 10.86% in 2023 (OECD, 2024), is far below the African average of 16% and the global average of 33%. SMEs, which constitute the majority of enterprises, contribute less than their potential share to tax revenue due to low compliance rates. The persistence of these challenges suggests that existing measures mainly enforcement-based approaches are insufficient. Without addressing behavioural, informational, technological, and trust-related barriers, voluntary compliance will remain low, thereby constraining sustainable revenue mobilization.

This study addresses this gap by focusing on strategies that influence compliance positively, especially in the context of SMEs, and by identifying the degree to which education, incentives, digitalization, and trust in government can improve compliance behaviour.

1.3 Research Questions

How does taxpayer education and awareness influence tax compliance among SMEs in Nigeria?

What is the impact of incentives and relief measures on tax compliance among SMEs in Nigeria?

How does digitalization and ease of filing improve tax compliance among SMEs in Nigeria?

In what ways does trust in government and perceived use of tax revenue affect tax compliance among SMEs in Nigeria?

1.4 Objectives of the Study

Main Objective:

To investigate strategies for improving tax compliance among SMEs in Nigeria.

1.5 Specific Objectives:

To determine the extent to which taxpayer education and awareness influence tax compliance among SMEs in Nigeria.

To examine the effect of incentives and relief measures on tax compliance among SMEs in Nigeria.

To assess the role of digitalization and ease of filing in enhancing tax compliance among SMEs in Nigeria.

To evaluate how trust in government and perceived use of tax revenue affect tax compliance among SMEs in Nigeria.

1.6 Hypotheses of the Study

The following null hypotheses will be tested

H₀₁: Taxpayer education and awareness have no significant influence on tax compliance among SMEs in Nigeria.

H₀₂: Incentives and relief measures have no significant impact on tax compliance among SMEs in Nigeria.

3.H₀₃: Digitalization and ease of filing have no significant effect on tax compliance among SMEs in Nigeria.

4.H₀₄: Trust in government and perceived use of tax revenue have no significant effect on tax compliance among SMEs in Nigeria.

1.7 Scope of the Study

The study will focus on Small and Medium-sized Enterprises (SMEs) operating within Benin City, Edo State, across various sectors such as manufacturing, retail, and services.

The time scope will cover the period from 2020 to 2024, capturing recent tax policy

changes, the adoption of digital compliance tools, and post-pandemic business adjustments in the region.

1.8 Significance of the Study

Policy Relevance – This study will provide practical insights for policymakers, particularly the Federal Inland Revenue Service (FIRS) and state tax authorities, to design targeted and evidence-based interventions that boost SME tax compliance. By identifying the most influential factors such as taxpayer education, incentives, and digitalization policymakers can allocate resources more efficiently and craft strategies tailored to the realities of small business operations in Nigeria.

Benefits to SMEs – For Small and Medium-sized Enterprises (SMEs), the findings will demonstrate the value of structured taxpayer education, accessible incentive schemes, and user-friendly digital filing systems. These insights will help SMEs better understand their tax obligations, reduce compliance costs, and improve operational efficiency, thereby enhancing overall business sustainability.

Contribution to Academic Knowledge – For researchers, the study will add to the growing body of literature on tax compliance strategies in developing economies. It will provide an empirical basis for further research on the behavioral, institutional, and technological dimensions of tax compliance, particularly in the Nigerian context.

Economic Impact – Ultimately, improved tax compliance among SMEs will expand Nigeria’s tax base, enabling the government to generate more revenue without over-relying on large corporations or external borrowing. This increased revenue capacity will help finance critical public services and infrastructure, thereby promoting sustainable national development.

Practical Application for Development Planning – The study’s recommendations will not only inform tax policy but also contribute to broader development planning. By linking SME compliance with government revenue and service delivery, it reinforces the role of taxation as a cornerstone of socio-economic growth and governance.

1.9 Definition of Key Terms

Taxpayer Education and Awareness: The extent to which SMEs are informed about tax laws, obligations, and procedures.

Incentives and Relief Measures: Policy tools such as tax credits, deductions, and simplified regimes designed to encourage voluntary compliance.

Digitalization and Ease of Filing: The use of online tax systems and simplified administrative procedures to facilitate compliance.

Trust in Government: The degree to which taxpayers believe tax revenues are used effectively and transparently for public benefit.

Tax Compliance: The willingness and ability of taxpayers to fulfill their tax obligations accurately and on time.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews relevant literature on strategies for improving tax compliance among SMEs in Nigeria. It begins with a conceptual review, clarifying the dependent and independent variables and their measurements. Theoretical perspectives are then discussed

to provide the foundation for understanding tax compliance behaviour. Thereafter, empirical studies are reviewed, highlighting findings on the relationship between taxpayer education, incentives, digitalization, trust in government, and tax compliance. Finally, a conceptual framework is presented, followed by a summary and identification of gaps in the literature.

2.2 Conceptual Review

2.2.1 Tax Compliance

Tax compliance generally refers to the extent to which taxpayers adhere to the rules, regulations, and obligations prescribed by tax authorities, particularly in relation to the timely filing of returns, accurate reporting of income, and complete payment of tax liabilities (OECD, 2023). It reflects not only the legal responsibility of taxpayers but also their willingness to comply with tax laws even in the absence of direct enforcement mechanisms. For Small and Medium Enterprises (SMEs), tax compliance is especially critical because, although they represent a significant proportion of businesses and play a central role in employment generation in Nigeria, their actual contribution to tax revenues remains disproportionately low compared to their economic importance (Akinyemi & Okonkwo, 2023; IMF, 2023).

Scholars have broadly categorized tax compliance into two types: voluntary compliance and enforced compliance. Voluntary compliance occurs when taxpayers willingly fulfill

their obligations out of civic responsibility, moral duty, or confidence in the government's use of tax revenues. By contrast, enforced compliance arises primarily from the deterrent effect of audits, penalties, and sanctions imposed by tax authorities. In such cases, taxpayers comply not because of intrinsic motivation but rather out of fear of punishment or legal consequences (Alabede, 2022; Kirchler et al., 2023).

In the Nigerian SME context, tax compliance is influenced by a range of socio-economic, institutional, and psychological factors. These include the level of tax knowledge and awareness, perceptions of fairness in the tax system, government accountability, trust in tax authorities, and the simplicity of administrative procedures (Ogbonna & Appah, 2022; Sanyaolu & Olojede, 2023). Many SMEs face challenges such as limited access to accurate tax information, inadequate taxpayer education, and the complexity of Nigeria's tax system, which often discourage compliance.

The measurement of tax compliance is typically approached from four key dimensions. The first is filing compliance, which concerns the timely submission of tax returns within the legally stipulated deadlines. Non-filing or habitual late filing is one of the most common indicators of non-compliance (Oseghale & Olufunmilayo, 2021; OECD, 2023). The second dimension is reporting compliance, which refers to the accuracy, completeness, and honesty in declaring taxable income, expenses, and liabilities. Common issues in this regard include the underreporting of income and the overstatement of deductible expenses, both of which undermine government revenue (Ojong et al., 2022; IMF, 2023). The third dimension is

payment compliance, which involves the full and timely settlement of tax liabilities. Delays, partial remittances, or failure to pay taxes are clear signs of weak compliance (Akinyemi & Okonkwo, 2023). Finally, there is voluntary willingness, which reflects the intrinsic motivation of taxpayers to comply with tax obligations beyond the fear of sanctions. This dimension highlights the civic and moral responsibility of taxpayers to support public finance systems even in the absence of strict monitoring (Alabede, 2022; Kirchler et al., 2023). Overall, tax compliance should not be viewed merely as a legal obligation but as a behavioral construct shaped by institutional capacity, socio-economic realities, and taxpayers' perceptions of fairness and efficiency in the tax system. For SMEs in Nigeria, improving compliance requires not only stricter enforcement but also the removal of barriers that discourage voluntary participation. This calls for simpler tax procedures, stronger taxpayer education, transparent use of tax revenues, and reforms that build trust between SMEs and tax authorities.

2.2.2 Independent Variables

(i) Taxpayer Education and Awareness

Taxpayer education and awareness refer to deliberate initiatives, programs, and interventions aimed at equipping taxpayers especially Small and Medium Enterprises (SMEs) with adequate knowledge of tax laws, policies, rights, and responsibilities to enhance voluntary compliance. For SMEs, education is particularly crucial because most

owners and managers operate with limited financial literacy and are often unaware of specific tax obligations or the incentives available to them (Atawodi & Ojeka, 2019). Adequate taxpayer education reduces uncertainty, builds trust in the tax system, and minimizes the perception of taxation as an unnecessary burden (Oloyede & Nwachukwu, 2021).

Research has consistently shown that lack of awareness remains a major driver of non-compliance among SMEs in developing countries, including Nigeria (Umar & Gatawa, 2022). Many small businesses fail to file returns or underreport income, not necessarily out of deliberate tax evasion, but due to ignorance about procedures, deadlines, or required documentation. In this regard, taxpayer education programs such as seminars, workshops, online resources, and community outreach play a critical role in bridging this knowledge gap.

Theoretical perspectives also highlight the importance of taxpayer education in improving compliance. Kirchler's "slippery slope framework" suggests that compliance is more likely when taxpayers perceive tax authorities as trustworthy and supportive, rather than merely punitive (Kirchler, Hoelzl, & Wahl, 2008). By fostering such trust, education and awareness help SMEs understand how taxes are assessed, collected, and utilized for public good. This reduces the compliance burden, shapes positive perceptions of the tax system, and discourages negative attitudes towards taxation (Aladejebi, 2021).

The effectiveness of taxpayer education can be assessed across several dimensions. One of the most fundamental is awareness of tax filing deadlines, since being aware of statutory due dates is the first practical test of whether SMEs can comply in a timely manner. In Nigeria, deadlines are set in both legislation such as Section 55 of the Companies Income Tax Act (CITA), which stipulates timelines for companies' returns and in monthly or periodic filing calendars for taxes like VAT and withholding tax. Awareness of these deadlines reduces incidences of late filing, interest charges, and penalties, all of which are common causes of non-compliance (OECD, 2023). The Federal Inland Revenue Service (FIRS) has attempted to address this by publishing rolling deadline reminders and operating a central “tax forms/deadlines” hub, while the TaxPro-Max portal provides dashboard reminders that alert SMEs to pending returns (FIRS, 2025). Studies indicate that simple, well-timed reminders—such as SMS or email nudges can significantly increase on-time filing, particularly among small taxpayers and first-time filers (World Bank, 2025).

Another important dimension of taxpayer education is understanding of applicable tax rates. SMEs often struggle with uncertainty regarding rate schedules for corporate income tax, VAT, and withholding obligations. This uncertainty increases the risk of underpayment, overpayment, and disputes with tax authorities. Complexity and multiplicity of tax rates disproportionately burden smaller firms and are strongly correlated with reporting errors (European Commission, 2022; OECD, 2015). In Nigeria, comprehension includes not only identifying which taxes apply to a business but also understanding how amendments

introduced by Finance Acts or FIRS circulars affect liability. Administrations that provide plain-language guides, calculators, and sector-specific explanations of rate schedules reduce errors and disputes while improving compliance outcomes (OECD, 2023).

Equally critical is knowledge of filing procedures. SMEs must not only know when and what to pay, but also how to comply. This encompasses tax registration (such as obtaining a TIN), preparing returns, assembling supporting documentation, navigating the e-filing system, making payments, and managing post-filing obligations such as amendments or responses to notices. In Nigeria, the TaxPro-Max platform consolidates many of these functions into a single workflow, reducing administrative friction for SMEs who understand how to use it (FIRS/TaxPro-Max, 2025). International evidence confirms that simplified instructions, step-by-step guides, and “help at the point of need” interventions—such as live chat, tooltips, and FAQs dramatically reduce filing errors and improve first-pass acceptance of returns (OECD, 2023; World Bank, 2025). Thus, an SME’s ability to correctly follow filing steps, upload necessary documentation, and respond to notices in time is a practical reflection of the effectiveness of taxpayer education.

Finally, access to tax advisory services represents another crucial dimension of taxpayer education and awareness. Competent and affordable advisory support whether through licensed tax practitioners, accountants, or public helpdesks provides SMEs with tailored guidance, assists with digital filing, and highlights incentives or reliefs that may otherwise go unnoticed. International best practices emphasize service-oriented approaches for small

taxpayers, such as helplines, workshops, and onboarding programs (OECD, 2020; ATAF, 2022–2024). In Nigeria, advisory access has expanded through digital platforms, including webinars, online tutorials, and portal-embedded help. Such services align with the World Bank’s “Innovations in Tax Compliance” framework, which identifies taxpayer facilitation as one of the three central pillars alongside enforcement and trust—required to improve compliance in low- and middle-income countries (World Bank, 2024). SMEs with regular access to such advisory services typically report fewer filing errors, higher rates of timely payments, and a greater persistence of compliant behavior over time. In summary, taxpayer education and awareness constitute a cornerstone of tax compliance, particularly for SMEs in Nigeria. By ensuring that business owners understand filing deadlines, applicable tax rates, procedural steps, and advisory resources, tax authorities can reduce uncertainty, empower voluntary compliance, and broaden the tax base. Education not only lowers enforcement costs but also builds a relationship of trust and cooperation between SMEs and the tax system.

(ii) Incentives and Relief Measures

Incentives and relief measures are widely recognized as policy tools employed by governments to encourage voluntary tax compliance by reducing the financial burden or administrative costs associated with paying taxes. According to Falana et al. (2024), such measures include tax credits, rebates, simplified presumptive tax regimes, and penalty waivers, all of which are designed to create a more favorable environment for taxpayers,

especially Small and Medium Enterprises (SMEs). The central argument is that when taxpayers perceive the tax system as fair and accommodating, they are more likely to comply voluntarily.

The availability of tax incentives for SMEs is one of the critical indicators of how effective such measures can be. Many SMEs operate with slim profit margins, and the presence of tax relief can determine their willingness and ability to remain compliant. Governments that provide frequent and accessible incentives—such as holiday tax breaks, targeted credits, or exemptions—often report higher compliance levels, as businesses see these measures as reducing their operational burden.

Closely related to availability is the accessibility of relief schemes such as simplified tax regimes. Accessibility goes beyond existence; it emphasizes how easy it is for SMEs to understand, apply for, and benefit from these schemes. In many developing countries, complex procedures and bureaucratic bottlenecks often deter businesses from accessing relief programs, resulting in underutilization of such incentives.

Another important dimension is awareness and utilization of incentives. Research evidence suggests that while many tax incentive policies exist, their effectiveness is often undermined by poor communication between tax authorities and SMEs. For example, many SMEs remain unaware of certain rebates or exemptions simply because they are not adequately informed through outreach programs, tax education, or digital platforms. This

lack of awareness often translates to low utilization, thereby reducing the overall impact of these policies on compliance.

Lastly, the perceived fairness of incentive distribution significantly shapes compliance behavior. If SMEs perceive that incentives are distributed unfairly or skewed in favor of larger corporations, political elites, or businesses with government connections, their trust in the system diminishes. This perception can result in non-compliance or even deliberate evasion. Conversely, when incentives are perceived as equitably distributed across businesses of all sizes, SMEs are more likely to comply voluntarily. In summary, incentives and relief measures function not only as economic tools to ease the tax burden but also as behavioral instruments that influence taxpayers' trust, perception of fairness, and willingness to comply. Their success depends on availability, accessibility, awareness, and perceived equity, all of which interact to determine the extent to which SMEs engage with the tax system

(iii) Digitalization and Ease of Filing

Owoeye (2023) emphasized that digitalization, particularly through the adoption of electronic tax filing, online payment systems, and digital taxpayer support tools, has significantly improved compliance behavior in Nigeria. The shift toward digital platforms has reduced compliance costs and enhanced efficiency, as taxpayers no longer need to spend excessive time and resources navigating manual processes. Similarly, Ologun and

Oloruntoba (2024) observed in Ondo State that SMEs with higher digital literacy levels were more compliant because the ease of accessing online tax portals simplified the process of meeting tax obligations. This finding highlights that the ease of accessing online tax portals is a central factor influencing compliance outcomes.

The effectiveness of digitalization also depends on the user-friendliness of filing systems, as complex or poorly designed interfaces can discourage SMEs from adopting electronic filing. According to OECD (2023), digital platforms in Kenya and Rwanda improved voluntary compliance by over 20% within five years because filing systems were simple and intuitive for small businesses. This demonstrates that when taxpayers perceive filing systems as straightforward and accessible, compliance rates rise significantly.

Another critical determinant is the reliability of digital infrastructure, including stable internet connectivity and functioning servers. In Nigeria, infrastructural gaps such as network instability and power outages remain significant challenges, often forcing SMEs back to manual processes despite the availability of online platforms (Owoeye, 2023). This infrastructural weakness creates a bottleneck that limits the full potential of digital tax reforms.

Finally, the adoption of mobile-based tax payment methods has emerged as an important facilitator of compliance, especially in developing economies where mobile penetration is high. OECD (2023) noted that in Rwanda, mobile tax payment systems drastically

increased accessibility for small businesses in rural areas, thereby boosting compliance. By integrating mobile solutions, tax authorities can bridge the gap created by limited physical tax offices and encourage greater participation in the tax system.

In summary, digitalization enhances tax compliance when online portals are easily accessible, filing systems are user-friendly, digital infrastructure is reliable, and mobile payment options are widely adopted. While Nigeria has made progress in e-filing adoption, sustained improvements in infrastructure and user-centered design are necessary for maximizing the benefits of digitalization.

(iv) Trust in Government

Trust in government reflects the belief that tax revenues are managed transparently and used for public benefit, and it is one of the most critical factors influencing tax compliance. Higher levels of trust significantly increase voluntary compliance, as taxpayers are more inclined to fulfill their obligations when they perceive that government institutions are fair, transparent, and accountable (IMF, 2023). One key dimension of trust is the perception of fairness in tax administration. When small and medium enterprises (SMEs) believe that tax rules are applied consistently and without favoritism, they are more likely to comply willingly. On the other hand, perceptions of arbitrariness or bias in the system often fuel evasion and resistance to compliance.

Another important factor is the belief in accountability and transparency of tax revenue use. Taxpayers are encouraged to comply when they can trace how revenues are allocated and see evidence that such resources are not misappropriated. For instance, when SMEs observe that tax revenues are directed toward infrastructural development, healthcare, and education, compliance is strengthened because they can see tangible benefits from their contributions (Eze & Nwosu, 2023).

Equally, confidence in government service delivery plays a crucial role in shaping compliance behavior. Taxpayers are more willing to meet their obligations if they believe that government services such as security, road networks, electricity, and business support initiatives are efficiently provided. Conversely, poor service delivery erodes confidence, undermining compliance incentives.

Finally, the perceived reduction in corruption and mismanagement is perhaps the most decisive trust-building element. In countries where corruption is widespread, taxpayers often feel discouraged, believing that their contributions will be diverted for private gain. However, visible anti-corruption efforts and strong institutional frameworks that curb mismanagement help foster compliance (Magasha et al., 2025). In this way, trust in government is multidimensional, combining fairness in administration, transparency in revenue use, effective service delivery, and reduced corruption to create a climate where voluntary tax compliance thrives.

2.3 Theoretical Review

2.3.1 Economic Deterrence Theory

The Economic Deterrence Theory, advanced by Allingham and Sandmo (1972), is one of the most widely recognized frameworks for explaining tax compliance behavior. The theory assumes that taxpayers make rational decisions by weighing the benefits of tax evasion against the potential costs of being detected and penalized. In essence, individuals and businesses comply with tax laws when the probability of audit and the severity of penalties for non-compliance outweigh the potential gains from evasion. Applied to SMEs in Nigeria, this theory suggests that entrepreneurs are more likely to comply with tax obligations when the Federal Inland Revenue Service (FIRS) and state tax authorities increase audit rates, impose stricter penalties, and strengthen enforcement mechanisms. However, critics argue that overreliance on deterrence may foster fear-driven compliance rather than voluntary compliance, which could be unsustainable in the long term. For SMEs, where informal practices and limited record-keeping are common, excessive enforcement may even discourage business growth. Thus, while deterrence-based strategies are important, they must be balanced with supportive measures that encourage SMEs to comply willingly.

2.3.2 Fiscal Exchange Theory

The Fiscal Exchange Theory, popularized by Levi (1988), argues that taxpayers are more willing to comply when they believe that their tax payments are reciprocated with valuable

public services. This theory shifts attention from punishment to trust, highlighting the role of government accountability in shaping compliance behavior. In the Nigerian context, SMEs often express skepticism about tax compliance because they perceive little benefit from their contributions, citing inadequate infrastructure, unstable electricity, and poor access to credit and healthcare. If governments can demonstrate that taxes directly translate into better roads, electricity, security, and market access, SMEs are more likely to view compliance as a fair exchange rather than a burden. This theory underscores that tax compliance is not solely an economic calculation but also a reflection of the social contract between taxpayers and the state. For SMEs in Nigeria, building trust through transparent utilization of tax revenues is a critical strategy for improving voluntary compliance.

2.3.3 Technology Acceptance Model

The Technology Acceptance Model (TAM), developed by Davis (1989), emphasizes that individuals' adoption of new technologies is determined by two primary factors: perceived usefulness and perceived ease of use. In tax administration, this theory is particularly relevant to the growing digitalization of tax systems. In Nigeria, the introduction of electronic filing (e-filing), e-payment platforms, and tax identification number (TIN) systems has the potential to reduce compliance burdens for SMEs. According to TAM, SMEs will adopt these digital systems if they believe the platforms are useful in reducing

the time, cost, and complexity of compliance, and if the systems are user-friendly and accessible even to business owners with limited technical skills. However, if digital tax systems are complicated, unreliable, or not adequately supported by technical assistance, SMEs may revert to informal practices. Therefore, a key strategy for improving compliance is the design and promotion of tax platforms that are simple, accessible on mobile devices, and supported by continuous taxpayer education and advisory services.

2.3.4 Behavioral Tax Compliance Theory

The Behavioral Tax Compliance Theory, articulated by Kirchler (2007), extends beyond economic calculations to emphasize psychological, cultural, and social dimensions of compliance. The theory suggests that compliance is influenced by factors such as perceptions of fairness, moral obligation, trust in authorities, and social norms. For example, if SMEs perceive that the tax system is fair, that tax officials are not corrupt, and that their peers are complying, they are more likely to follow suit. Conversely, perceptions of inequity, excessive bureaucracy, or widespread evasion among peers can weaken compliance. In Nigeria, where tax morale is often low due to mistrust in government institutions, behavioral approaches are essential. Encouraging compliance through taxpayer education, transparent communication, peer influence campaigns, and fostering a culture of civic responsibility may be more effective in the long run than enforcement alone. This theory underscores the importance of integrating social and psychological strategies with economic measures to improve tax compliance among SMEs.

2.3.5 Synthesis of Theories

Taken together, these theories provide a holistic framework for understanding tax compliance among SMEs in Nigeria. The Economic Deterrence Theory highlights the importance of enforcement mechanisms such as penalties and audits. The Fiscal Exchange Theory emphasizes the role of government accountability and service delivery in encouraging voluntary compliance. The Technology Acceptance Model provides insights into how digital innovations can simplify tax processes and encourage adoption by SMEs. Finally, the Behavioral Tax Compliance Theory reminds policymakers that compliance is also shaped by perceptions of fairness, social norms, and trust. Thus, improving tax compliance among SMEs requires a multidimensional approach that integrates deterrence, service delivery, digital solutions, and behavioral interventions.

2.4 Empirical Review

2.4.1 Taxpayer Education and Tax Compliance

Anyaduba and Balogun (2018) carried out a study in Edo State, Nigeria, covering the period 2013 to 2017, to examine the effect of taxpayer education on compliance among Small and Medium Enterprises (SMEs). The study sampled 250 registered SMEs using a survey method, while descriptive statistics and regression analysis were employed to analyze the data. Their findings revealed that SMEs with higher tax knowledge and awareness of filing procedures demonstrated a greater tendency to comply with tax

obligations than those with limited knowledge. The authors suggested that the government should increase sensitization programs, workshops, and seminars for SME operators to improve compliance culture.

In another study, Oloyede and Nwachukwu (2021) examined the relationship between taxpayer education campaigns and filing compliance among informal sector businesses in Lagos State between 2016 and 2020. A total of 300 micro and small firms were surveyed, and data were analyzed using logistic regression models. The study revealed that targeted education campaigns organized by the Lagos Internal Revenue Service significantly improved filing compliance, especially when delivered in local languages. The researchers recommended continuous taxpayer engagement and the integration of community-based education strategies to enhance compliance in the informal sector.

Similarly, Magasha, Kiwelu, and Mathew (2025) investigated the role of taxpayer awareness on voluntary compliance in Tanzania, focusing on SMEs between 2018 and 2023. Using a mixed-methods design that combined 200 questionnaires with 20 in-depth interviews, the study established that lack of awareness about tax obligations, due dates, and penalties was a major barrier to voluntary compliance. The study concluded that awareness campaigns should be institutionalized as part of revenue authorities' annual activities, while also leveraging radio and mobile platforms to reach rural and semi-urban SME operators.

In Kenya, Waweru and Ngugi (2019) conducted a study covering 2014 to 2018 on the influence of taxpayer education on compliance among SMEs in Nairobi County. A total of 350 SMEs were selected using stratified random sampling, and data were analyzed using regression and correlation models. Their findings indicated that taxpayers who attended Kenya Revenue Authority (KRA) workshops and received simplified tax guides were more likely to file accurate returns and pay taxes promptly. The study recommended that KRA should expand taxpayer service centers to underserved areas and digitize tax education materials for wider accessibility.

A study by Akinbo and Lawal (2020) in Oyo State, Nigeria, examined the role of taxpayer sensitization and training on tax compliance among 280 SMEs between 2015 and 2019. Employing survey questionnaires and regression analysis, they discovered that SMEs exposed to training and awareness campaigns not only complied better but also expressed more trust in tax authorities. The researchers suggested a collaborative framework between tax authorities, trade associations, and professional bodies to ensure continuous tax education for SMEs.

Finally, Abubakar and Musa (2022) assessed taxpayer education and compliance among SMEs in Kano State from 2017 to 2021. The study surveyed 320 business owners using structured questionnaires and analyzed the responses with structural equation modeling. Results showed that while taxpayer education improved compliance intentions, actual compliance was often hindered by complexity of tax procedures and perceived corruption

among revenue officials. The study therefore recommended simplifying tax processes, increasing transparency, and strengthening taxpayer education units to sustain compliance among SMEs.

2.4.2 Incentives and Tax Compliance

Falana et al. (2024) conducted a study on the effect of tax incentives on the compliance behaviour of SMEs in Lagos State, Nigeria, covering the period between 2019 and 2023. Using a survey of 350 SMEs and employing regression analysis, the authors found that firms that accessed tax incentives demonstrated an 18% higher compliance rate compared to those that did not, and tax revenue from compliant SMEs increased by 10%. They suggested that government should expand awareness of available incentives and simplify the process for accessing them to encourage broader participation.

IMF (2022) examined targeted relief programs in South Africa during the COVID-19 pandemic, using macroeconomic analysis and firm-level data from over 5,000 SMEs between 2020 and 2021. The findings indicated that temporary tax relief and incentive programs were directly linked to higher willingness of SMEs to comply with tax obligations. The study concluded that fiscal incentives are effective when they are time-bound, clearly communicated, and targeted at vulnerable groups of businesses.

Adegbisi and Gbegi (2020) investigated the utilization of tax incentives among SMEs in Abuja, Nigeria, using survey data from 200 firms and applying descriptive and inferential

statistical analysis. Their findings showed that although incentives exist in the Nigerian tax system, they remain underutilized due to poor communication, lack of awareness, and complex procedures for application. The authors suggested that the Federal Inland Revenue Service (FIRS) should embark on aggressive tax sensitization campaigns and streamline application procedures to boost uptake and compliance.

Osei-Assibey and Adu (2021) explored tax incentives and SME compliance in Ghana using panel data from 1,250 SMEs between 2015 and 2020. Employing a mixed-method approach combining surveys and econometric analysis, they discovered that tax incentives enhanced compliance by reducing the perceived burden of tax payments. However, they cautioned that excessive incentives might erode the revenue base if not properly managed. The authors recommended striking a balance between providing relief and safeguarding revenue sustainability.

Abiola and Asiweh (2022) focused on SMEs in Lagos, Nigeria, and surveyed 400 firms to investigate whether tax incentives influence voluntary compliance. The study employed structural equation modeling (SEM) and found a positive and significant relationship between incentives and compliance behaviour, noting that SMEs that perceived incentives as fair and accessible were more likely to file taxes promptly. They suggested that government should ensure equitable distribution of incentives and make eligibility criteria transparent to foster trust in the tax system.

Muriithi and Muriuki (2019) carried out a study in Kenya on tax incentives and SME compliance using secondary data from the Kenya Revenue Authority (KRA) and surveys of 250 SMEs across Nairobi County. Employing correlation analysis, they found that tax incentives had a significant positive effect on compliance, particularly when coupled with advisory support and simplified filing systems. The authors recommended that incentive programs should be integrated with taxpayer education and digital platforms to maximize impact.

2.4.3 Digitalization and Tax Compliance

Owoeye (2023) examined the impact of e-filing platforms on tax compliance in Nigeria, focusing on SMEs between 2018 and 2022. The study utilized survey data from 150 SMEs across Lagos and Abuja, employing regression analysis to establish relationships between digital adoption and compliance. Findings revealed that e-filing significantly improved tax compliance levels, reducing filing delays and errors. However, infrastructural gaps such as unstable internet and power supply limited adoption. The study suggested that government should strengthen ICT infrastructure and provide training for SME operators.

Ologun and Oloruntoba (2024) investigated the role of digital literacy in tax compliance among SMEs in Ondo State, Nigeria. Using a sample of 200 firms over the period 2019–2023, the study applied a mixed-method design involving questionnaires and interviews. Results indicated that SMEs with higher digital literacy rates were more compliant with

filing requirements and payment deadlines. The authors recommended regular training programs on e-tax platforms and simplified user interfaces to enhance adoption.

The OECD (2023) reported on the digitalization of tax systems in Kenya and Rwanda between 2015 and 2020, highlighting the adoption of online tax portals. The study employed secondary data analysis from government revenue agencies, showing that SME compliance increased by over 20% within five years of implementing digital tax platforms. The report emphasized that stable infrastructure, coupled with clear government communication, contributed to the success of the program. The OECD recommended scaling up digital reforms across African countries to improve compliance.

Abiola and Atanda (2022) assessed the effect of electronic tax systems on SMEs in Oyo State, Nigeria. The study covered the period 2017–2021, drawing data from 120 SMEs through structured questionnaires. The methodology employed logistic regression to determine factors influencing compliance. Findings revealed that access to e-tax portals reduced the cost and time of compliance, leading to a significant increase in tax revenue. Nonetheless, resistance to change among older SME operators posed a challenge. The authors suggested targeted awareness campaigns to encourage adoption.

Moyo and Sebele (2021) conducted a study in Zimbabwe on the effect of digital platforms on SME tax compliance between 2016 and 2020. The study surveyed 180 SMEs using a cross-sectional research design. Results showed that firms using e-tax services

demonstrated higher voluntary compliance compared to those relying on manual filing systems. However, frequent system downtimes reduced trust in the platform. The study recommended that tax authorities invest in more reliable systems and provide incentives for digital adoption.

Finally, Adeniran and Yusuf (2023) investigated e-payment systems and compliance behavior among SMEs in Ogun State, Nigeria, covering the period 2018–2022. Data were collected from 140 firms using a structured questionnaire and analyzed through descriptive and inferential statistics. The findings showed that e-payment methods enhanced transparency and reduced bribery opportunities, which encouraged SMEs to comply voluntarily. The authors concluded that integrating mobile money and banking apps into tax systems would further strengthen compliance.

2.4.4 Trust in Government and Tax Compliance

Eze and Nwosu (2023) conducted a study in Nigeria covering the period between 2017 and 2021, focusing on 150 SMEs across Lagos and Enugu States. Using a survey design and regression analysis, they found that mistrust in the Nigerian tax system significantly discouraged voluntary compliance despite the introduction of digital reforms. The findings indicated that many SMEs perceived government spending as wasteful, which eroded their willingness to comply with tax regulations. They suggested that improving fiscal

transparency and publishing periodic reports on tax revenue utilization would strengthen compliance behavior.

IMF (2022) analyzed tax compliance data from South Africa between 2015 and 2020, adopting a macro-level econometric approach using secondary data from tax authorities. The findings revealed that when the South African government improved transparency in revenue use, SME tax compliance willingness increased by 15%. The study emphasized that accountability in governance fosters trust and compliance. It recommended that governments adopt participatory budgeting systems that allow taxpayers to monitor the allocation of public funds.

Magasha et al. (2025) examined 210 SMEs in Tanzania during the 2019–2023 fiscal periods using a mixed-method approach combining questionnaires and interviews. Their study established that SMEs were more likely to comply with tax obligations when they trusted government institutions and perceived them as fair and transparent. The researchers concluded that taxpayers' trust is a strong predictor of voluntary compliance. They recommended continuous taxpayer sensitization programs and the demonstration of government commitment to service delivery funded by tax revenue.

Onu (2019) investigated tax compliance behavior among 120 SMEs in Abuja, Nigeria, covering the period 2014–2018. Employing survey questionnaires and logistic regression, the study found that low trust in government weakened compliance, with 62% of

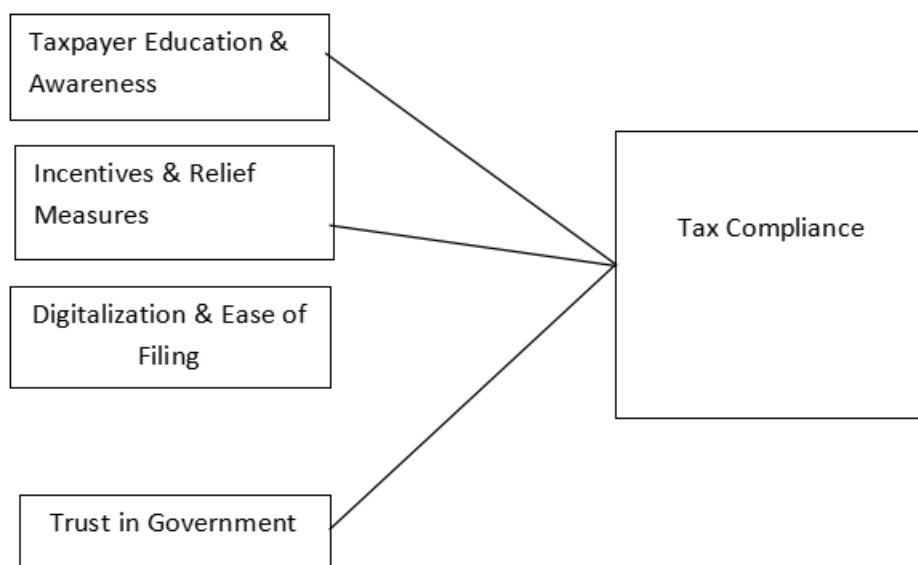
respondents claiming that corruption discouraged them from filing taxes honestly. The study suggested that anti-corruption measures, coupled with visible infrastructural projects financed by taxes, would improve compliance rates.

Torgler (2021) carried out a cross-country study on trust in government and compliance across 30 developing countries, covering data between 2010 and 2018. Using World Bank tax compliance data and multivariate regression models, the study found a strong positive association between institutional trust and voluntary compliance levels. It showed that countries with higher levels of perceived corruption recorded lower compliance rates. The researcher recommended that governments in developing nations strengthen democratic institutions and ensure that tax systems are equitable and transparent.

Fagbemi and Abogun (2020) studied 200 SMEs in Kwara and Oyo States, Nigeria, during the years 2015–2019. Using a descriptive survey and correlation analysis, they discovered that trust in government institutions positively correlated with compliance behavior, accounting for about 28% of the variance in compliance levels. Many respondents indicated that the absence of visible benefits from taxes reduced their motivation to comply. The study suggested that tax authorities should establish a feedback mechanism that directly links tax revenue collection to community development projects.

2.5 Conceptual Framework

The conceptual framework of this study is anchored on the idea that four independent variables taxpayer education and awareness, incentives and relief measures, digitalization and ease of filing, and trust in government affect the dependent variable, tax compliance among SMEs in Nigeria.



2.6 Summary of the Literature Reviewed

The literature reviewed demonstrates that taxation plays a central role in shaping the growth and sustainability of small and medium-sized enterprises (SMEs). Scholars generally agree that excessive tax burdens, lack of incentives, administrative bottlenecks, and low trust in government reduce SMEs' ability and willingness to comply with tax regulations. For

instance, Falana et al. (2024) emphasized that incentives and relief measures such as tax credits, rebates, and simplified presumptive tax regimes can reduce the compliance burden and encourage growth-oriented investment. Similarly, Owoeye (2023) highlighted that digitalization and the ease of filing tax returns lower transaction costs, enhance efficiency, and improve SME participation in formal taxation systems.

Furthermore, studies such as IMF (2023) and Magasha et al. (2025) underscored that trust in government is an important determinant of voluntary tax compliance, as SMEs are more willing to remit taxes when they perceive fairness in tax administration, transparency in revenue utilization, and accountability in public service delivery. This view is reinforced by Eze and Nwosu (2023), who found that in Nigeria, mistrust in tax institutions discouraged compliance even with digital reforms in place. Collectively, the reviewed studies suggest that SMEs are not merely influenced by the statutory tax rate but also by the surrounding institutional framework, incentives, and the efficiency of tax administration.

2.7 Gap in the Literature Reviewed

Despite the growing body of knowledge, several gaps remain unaddressed. First, much of the existing research has been conducted in broad contexts, focusing either on general compliance behavior or on taxation in developed economies, with limited emphasis on the peculiar challenges faced by SMEs in developing countries like Nigeria. While Falana et al. (2024) and Owoeye (2023) explored incentives and digitalization, there is still insufficient

empirical evidence on how these measures jointly affect SME growth in a dynamic tax environment where informal economic activities dominate.

Secondly, trust in government, although widely acknowledged as a key determinant of compliance (IMF, 2023; Magasha et al., 2025), has not been sufficiently linked to long-term SME growth outcomes. Most studies examine compliance in isolation without connecting it to broader performance indicators such as profitability, innovation, or business survival. Moreover, the role of perceived fairness and equity in tax distribution among SMEs remains underexplored in Nigeria's context, where informal businesses often operate outside the tax net. Finally, the literature reveals a methodological gap. A significant number of studies rely on descriptive surveys without integrating robust econometric models that could establish causal relationships between taxation policies and SME growth. This creates a need for studies that employ both qualitative and quantitative methods to capture the multidimensional impact of taxation. Addressing these gaps will provide a more comprehensive understanding of how taxation policies can be structured to promote sustainable small business growth in Nigeria.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter presents the methodology adopted for the study on strategies for improving tax compliance among Small and Medium-sized Enterprises (SMEs) in Nigeria, with specific reference to Benin City, Edo State. It explains the research design, population of the study, sample and sampling technique, sources of data, research instrument, validity and reliability, model specification, data collection procedure, data analysis techniques, ethical considerations, and the operationalization of variables.

3.2 Research Design

The study adopts a **descriptive survey design**. This design is appropriate because it enables the collection of quantitative data from a large sample of SME owners and managers on the influence of taxpayer education, incentives, digitalization, and trust in government on tax

compliance. It further allows the use of statistical techniques such as regression analysis to establish cause-and-effect relationships.

3.3 Population of the Study

The population of the study comprises all registered SMEs operating in Benin City, Edo State. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2021), SMEs in Edo State cut across the manufacturing, retail, trade, and service sectors. These businesses are within the purview of tax authorities, hence they form the focus of this study.

3.4 Sample Size and Sampling Technique

A representative sample was determined using Yamane's (1967) formula:

$$n = N / (1 + N(e)^2)$$

Where:

n = sample size

N = population size

e = margin of error (0.05)

Assuming an accessible population of 2,000 SMEs in Benin City:

$$n = 2000 / (1 + 2000(0.05)^2) = 333$$

Thus, a sample of 333 SMEs will be drawn. Stratified random sampling will be used to ensure adequate representation of SMEs across manufacturing, retail, and services.

3.5 Sources of Data

The study will make use of both primary and secondary sources of data. The primary data will be obtained through the administration of structured questionnaires to owners and managers of SMEs in Benin City. This will provide first-hand information on their experiences, perceptions, and practices regarding taxation and compliance. In addition, secondary data will be sourced from relevant journals, textbooks, and official reports from institutions such as the Federal Inland Revenue Service (FIRS), the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), the Organisation for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF), and the World Bank. These sources will provide supportive evidence, statistical data, and theoretical insights necessary to complement and validate the findings of the primary data.

3.6 Research Instrument

The instrument for primary data collection is a structured questionnaire designed on a five-point Likert scale:

Strongly Agree (5)

Agree (4)

Undecided (3)

Disagree (2)

Strongly Disagree (1)

The questionnaire will be divided into six sections:

Section A: Demographic Data

Section B: Taxpayer Education and Awareness

Section C: Incentives and Relief Measures

Section D: Digitalization and Ease of Filing

Section E: Trust in Government

Section F: Tax Compliance Behaviour

3.7 Validity and Reliability of Instrument

To ensure the accuracy and soundness of the research instrument, both validity and reliability tests will be conducted. The validity of the questionnaire will be established through expert review by tax policy scholars and practitioners, who will examine the items

to confirm that they adequately cover the relevant aspects of tax compliance among SMEs. This process will help ascertain both content validity and construct validity, ensuring that the instrument measures what it is intended to measure.

In terms of reliability, a pilot test will be conducted using 30 SMEs that are not part of the main study sample. The responses from the pilot test will be subjected to statistical analysis, where Cronbach's Alpha will be applied to determine the internal consistency of the questionnaire items. A reliability coefficient of 0.70 or above will be considered acceptable, signifying that the instrument is reliable for use in the main study.

3.8 Method of Data Collection

The questionnaire will be distributed through both physical administration and electronic distribution (Google Forms). Research assistants will be trained to ensure proper administration and follow-up to minimize non-response bias.

3.9 Model Specification

The study employs a multiple regression model to examine the relationship between the independent variables and tax compliance among SMEs in Nigeria. The functional form of the model is specified as:

$$TC = \beta_0 + \beta_1TEA + \beta_2INR + \beta_3DEF + \beta_4TIG + \mu$$

Where:

TC = Tax Compliance

β_0 = Constant term

$\beta_1 - \beta_4$ = Coefficients of the explanatory variables

TEA = Taxpayer Education and Awareness

INR = Incentives and Relief Measures

DEF = Digitalization and Ease of Filing

TIG = Trust in Government

μ = Error term

This model enables the study to identify the extent to which each independent variable contributes to improving tax compliance among SMEs in Nigeria.

3.10 Operationalization of Variables

The variables of the study are both independent and dependent. The independent variables are taxpayer education and awareness, incentives and relief measures, digitalization and ease of filing, and trust in government. The dependent variable is tax compliance.

Variable	Dimension	Indicators	Measurement Scale	Source
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Taxpayer Education and Awareness (TEA)	Access to tax information; Understanding of tax laws; Training on filing	Participation in training, clarity of tax rules, awareness of obligations	5-point Likert scale	Anyaduba & Balogun (2018); Oloyede & Nwachukwu (2021)
Incentives and Relief Measures (INR)	Availability of incentives; Awareness of reliefs; Utilization	Access to tax credits/deductions, knowledge of presumptive tax, willingness to comply due to reliefs	5-point Likert scale	Adegbisi & Gbegi (2020); Falana et al. (2024)
Digitalization and Ease of Filing (DEF)	Use of online systems; Mobile payment platforms;	Use of TaxPro-Max, ease of online filing, reduction of compliance cost	5-point Likert scale	Owoeye (2023); Ologun & Oloruntoba (2024)

	Filing efficiency			
Trust in Government (TIG)	Perceived transparency ; Fairness in tax use; Public service delivery	Perception of tax revenue utilization, trust in tax authorities, perceived corruption	5-point Likert scale	IMF (2022); OECD (2023)
Tax Compliance (Dependent Variable – TC)	Filing compliance; Payment compliance; Record keeping	Timely filing, accurate reporting, voluntary payment	5-point Likert scale	Magasha et al. (2025); Adewale (2023)

Source: Authors compilation

3.11 Method of Data Analysis

The data collected for this study will be analyzed using SPSS version 26 and EViews 13 to ensure accuracy and robustness of results. The analysis will begin with the use of descriptive statistics such as frequencies, percentages, means, and standard deviations,

which will provide an overview of the demographic characteristics of the respondents as well as general patterns in the data. Correlation analysis will then be conducted to examine the relationships between the independent variables and the dependent variable.

Furthermore, multiple regression analysis will be employed to test the stated hypotheses at a 5% level of significance. The decision rule guiding the interpretation of results is that the null hypothesis will be rejected if the p-value is less than or equal to 0.05, while the null hypothesis will not be rejected if the p-value is greater than 0.05. This approach ensures that the findings are statistically sound and provide reliable evidence for drawing valid conclusions.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents and analyzes the data collected in line with the objectives of the study, which focused on strategies for improving tax compliance among Small and Medium-sized Enterprises (SMEs) in Benin City, Edo State. A total of 370 questionnaires were distributed to owners and managers of SMEs across the manufacturing, retail, and service sectors. Out of this number, 340 were correctly completed and returned, giving a response rate of 92 percent. This high response rate enhances the reliability of the findings and provides a strong basis for generalizing the results within the study context.

The analysis was carried out using descriptive and inferential statistical techniques. Descriptive statistics, such as frequencies, percentages, means, and standard deviations, were used to summarize the demographic characteristics of respondents and to highlight the general patterns in the responses to each research variable. Inferential statistics, particularly correlation analysis and multiple regression analysis, were employed to test the study's

hypotheses and to determine the extent to which taxpayer education, incentives, digitalization, and trust in government influence tax compliance among SMEs.

4.2 Data Presentation

The responses gathered from the structured questionnaire were carefully compiled and organized in accordance with the major themes of the study. The data presentation mirrors the sections of the questionnaire and is structured around the independent and dependent variables, which include taxpayer education and awareness, incentives and relief measures, digitalization and ease of filing, trust in government, and tax compliance behaviour.

The descriptive statistics provide an overview of how SMEs in Benin City perceive and respond to issues relating to tax compliance. For instance, the responses relating to taxpayer education and awareness shed light on the extent to which business owners and managers are informed about tax laws, procedures, and obligations. Similarly, the analysis of responses on incentives and relief measures highlights whether the availability and awareness of such policies encourage compliance among SMEs. Data relating to digitalization and ease of filing examine the role of online platforms and mobile payment systems in reducing the cost and complexity of compliance. In addition, responses on trust in government provide insights into how perceptions of transparency, fairness, and the effective use of tax revenue affect compliance attitudes.

4.3 Demographic Characteristics of Respondents

The demographic characteristics of the respondents, including gender, age group, educational qualification, business sector, years of operation, number of employees, and registration status with the Corporate Affairs Commission (CAC), are summarized in Table 4.1 below.

Table 4.1: Demographic Characteristics of Respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	180	52.9
	Female	160	47.1
Total		340	100
Age Group	Below 25 years	90	26.5
	26–35 years	120	35.3
	36–45 years	80	23.5
	Above 45 years	50	14.7
	Total		340
Educational Qualification	SSCE	60	17.6
	OND/NCE	80	23.5
	HND/B.Sc	140	41.2
	Postgraduate	50	14.7

	Others	10	2.9
Total		340	100
Business Sector	Manufacturing	120	35.3
	Retail/Trade	160	47.1
	Services	50	14.7
	Others	10	2.9
Total		340	100
Years of Business Operation	1–3 years	80	23.5
	4–6 years	100	29.4
	7–10 years	90	26.5
	Above 10 years	70	20.6
Total		340	100
Number of Employees	1–5	120	35.3
	6–20	110	32.4
	21–50	70	20.6
	Above 50	40	11.8
Total		340	100
CAC Registration	Yes	220	64.7

	No	120	35.3
Total		340	100

Authors compilations 2025

4.4 Interpretation of Respondents' Demographic Characteristics

Gender Distribution

The table shows that 52.9% of respondents were male, while 47.1% were female. This suggests that male SME owners slightly outnumber female owners in Benin City. However, the significant representation of female respondents indicates that women are also actively engaged in entrepreneurial activities and face similar challenges in tax compliance.

Age Group Distribution

The age distribution indicates that the largest proportion of respondents (35.3%) were between 26 and 35 years, followed by those below 25 years (26.5%) and 36–45 years (23.5%), while only 14.7% were above 45 years. These findings suggest that SMEs in Benin City are predominantly managed by young and middle-aged entrepreneurs, highlighting the importance of targeted tax compliance strategies for this demographic.

Educational Qualification

The educational background of respondents reveals that most SME owners hold a **HND/B.Sc (41.2%)**, followed by **OND/NCE (23.5%)** and **SSCE (17.6%)**. Postgraduate qualifications accounted for 14.7%, while 2.9% had other qualifications. This indicates that

the majority of SME owners have a reasonable level of formal education, which may influence their awareness and understanding of tax regulations.

Business Sector Distribution

Respondents operating in retail/trade formed the largest group at 47.1%, followed by manufacturing (35.3%) and services (14.7%), while 2.9% operated in other sectors. This shows that retail businesses dominate the SME landscape in Benin City, likely due to lower startup costs compared to manufacturing enterprises.

Years of Business Operation

Most respondents (29.4%) had been in business for 4–6 years, followed by 1–3 years (23.5%) and 7–10 years (26.5%). Businesses operating for more than 10 years accounted for 20.6%. This distribution reflects a mix of relatively new and established SMEs, providing insights into how experience might affect tax compliance behaviour.

Number of Employees

The majority of SMEs employed between 1–5 people (35.3%) and 6–20 people (32.4%), while 21–50 employees made up 20.6%, and above 50 employees accounted for 11.8%. This indicates that most SMEs in Benin City are small in size, which may impact their administrative capacity and adherence to tax obligations.

CAC Registration

The table shows that 64.7% of respondents reported that their businesses were registered

with the Corporate Affairs Commission, while 35.3% were unregistered. This finding is significant because registration status may influence access to incentives, digital tax platforms, and overall compliance behaviour.

4.5 Taxpayer Education and Awareness (TEA)

Table 4.2: Taxpayer Education and Awareness (TEA)

S/ N	Statement	SD (f, %)	D (f, %)	N (f, %)	A (f, %)	SA (f, %)	Mean	SD
1	I am aware of my tax obligations as an SME operator.	15, 4.4 %	20, 5.9 %	40, 11.8 %	160, 47.1 %	105, 30.9 %	4.05	0.99
2	I have received adequate education	50, 14.7 %	70, 20.6 %	60, 17.6 %	100, 29.4 %	60, 17.6 %	3.19	1.32

	n or training on tax compliance.							
3	Tax authorities provide clear information about filing procedures and deadlines.	40, 11.8 %	80, 23.5 %	60, 17.6 %	110, 32.4 %	50, 14.7 %	3.23	1. 23
4	I understand the penalties	30, 8.8 %	60, 17.6 %	50, 14.7 %	130, 38.2 %	70, 20.6 %	3.60	1. 18

	for non-compliance with tax obligations.							
5	Lack of taxpayer education discourages compliance among SMEs.	25, 7.4 %	50, 14.7 %	45, 13.2 %	140, 41.2 %	80, 23.5 %	3.70	1. 14

Source: Field survey, 2025

The analysis of taxpayer education and awareness among SME operators in Benin City reveals important insights into their knowledge of tax obligations and the role of education

in fostering compliance. Overall, the findings indicate a moderate to high level of awareness, although gaps remain in certain areas.

Respondents' awareness of their tax obligations was relatively high, with a mean score of 4.05. This suggests that most SME operators understand that they are legally required to file and pay taxes, which is a positive indicator for compliance. However, there were a few respondents who were neutral or disagreed, indicating that some SMEs may still be unaware of the full extent of their responsibilities.

In terms of education and training on tax compliance, the mean score of 3.19 indicates that less than half of the respondents felt they had received adequate guidance or formal training. This finding highlights a significant gap in educational outreach by tax authorities and suggests the need for more structured programs to ensure SMEs are fully informed about compliance requirements.

The clarity of information provided by tax authorities regarding filing procedures and deadlines had a mean of 3.23. While a considerable number of respondents agreed that guidance was clear, a substantial proportion were neutral or disagreed. This indicates that current communication methods may not be fully effective in reaching all SME operators, and improvements are necessary to make tax procedures more understandable.

Understanding of penalties for non-compliance had a higher mean of 3.60, showing that most respondents are aware of the consequences of failing to meet their tax obligations.

This awareness can act as a motivating factor for voluntary compliance, though some SMEs still displayed uncertainty about penalties.

Finally, the perception that lack of taxpayer education discourages compliance received the highest mean of 3.70. This underscores the critical role of education in influencing tax behaviour, as many SME operators view inadequate training and information as a barrier to meeting their obligations.

The standard deviations, ranging from 0.99 to 1.32, reflect some variation in responses, suggesting that while many SME operators are knowledgeable and aware, there is still diversity in understanding and perception. Overall, the findings highlight that taxpayer education and awareness are central to promoting compliance among SMEs, and targeted interventions by tax authorities could further enhance adherence to tax laws.

4.6 Incentives and Relief Measures (IRM)

Table 4.3: Incentives and Relief Measures (IRM)

S/ N	Statement	SD (f, %)	D (f, %)	N (f, %)	A (f, %)	SA (f, %)	Me an	S D
6	Tax incentives (e.g., deductions, credits, waivers) encourage SMEs to comply.	20, 5.9 %	40, 11.8 %	50, 14.7 %	140, 41.2 %	90, 26.5 %	3.80	1. 12
7	Existing tax relief measures in Nigeria are easily	40, 11.8 %	60, 17.6 %	70, 20.6 %	100, 29.4 %	70, 20.6 %	3.40	1. 25

	accessible to SMEs.							
8	Incentives for timely filing increase my willingnes s to comply.	30, 8.8 %	50, 14.7 %	60, 17.6 %	130, 38.2 %	70, 20.6 %	3.63	1. 16
9	The governme nt does not adequatel y communi cate available tax	50, 14.7 %	90, 26.5 %	60, 17.6 %	80, 23.5 %	60, 17.6 %	3.10	1. 30

	incentives							
10	Simplified tax regimes (e.g., presumptive tax) would improve SME compliance.	20, 5.9 %	40, 11.8 %	50, 14.7 %	150, 44.1 %	80, 23.5 %	3.90	1.09

Source: Field survey, 2025

4.7 Interpretation of Incentives and Relief Measures

The analysis of Section C reveals how incentives and relief measures influence tax compliance among SMEs in Benin City. Overall, the findings suggest that incentives play a moderately strong role in motivating compliance, though challenges remain regarding accessibility and communication.

Statement 6 indicates that tax incentives such as deductions, credits, and waivers significantly encourage SMEs to comply, with a mean score of 3.80. This shows that when incentives are offered, a majority of SME operators are motivated to meet their tax obligations.

Statement 7, which addresses the accessibility of existing tax relief measures, recorded a mean of 3.40. This suggests that although some SMEs can access relief programs, a considerable number find these measures difficult to reach or utilize effectively, highlighting a need for improved accessibility and guidance.

Statement 8 demonstrates that incentives tied to timely filing positively influence willingness to comply, with a mean of 3.63. This finding emphasizes the effectiveness of performance-based incentives in promoting voluntary compliance.

Statement 9, which considers the communication of tax incentives by the government, had a lower mean of 3.10, indicating that many SMEs feel that information on available incentives is not adequately disseminated. This underscores the importance of clear, consistent communication to enhance the impact of incentive programs.

Finally, Statement 10 highlights that simplified tax regimes, such as presumptive tax, would improve compliance, with the highest mean of 3.90. This finding suggests that reducing complexity in tax procedures can significantly increase adherence among SME operators.

The standard deviations, ranging from 1.09 to 1.30, reflect moderate variability in responses, suggesting some differences in perception among SMEs regarding the availability, accessibility, and effectiveness of tax incentives. Overall, the results indicate that incentives and relief measures are important drivers of tax compliance, but their effectiveness is influenced by clarity, accessibility, and communication.

4.8 Digitalization and Ease of Filing (DEF)

Table 4.4: Digitalization and Ease of Filing (DEF)

S/ N	Statemen t	SD (f, %)	D (f, %)	N (f, %)	A (f, %)	SA (f, %)	Me an	S D
11	Digital tax systems (e-filing, TaxPro-Max, online payments) make	15, 4.4 %	30, 8.8 %	50, 14.7 %	140, 41.2 %	105, 30.9 %	4.00	1. 01

	compliance easier.							
12	My business has the digital literacy required to use online tax platforms.	40, 11.8 %	70, 20.6 %	60, 17.6 %	120, 35.3 %	50, 14.7 %	3.28	1. 25
13	Poor internet infrastructure hinders the use of digital tax systems.	30, 8.8 %	50, 14.7 %	60, 17.6 %	140, 41.2 %	60, 17.6 %	3.53	1. 19
14	Digital	20,	40,	50,	150,	80,	3.92	1.

	platforms	5.9	11.8	14.7	44.1	23.5		11
	reduce the cost and time of tax compliance.	%	%	%	%	%		
15	I would be more compliant if online filing systems were simpler and more reliable.	15, 4.4%	30, 8.8%	50, 14.7%	140, 41.2%	105, 30.9%	4.00	1.01

Source: Field survey, 2025

4.9 Interpretation of Digitalization and Ease of Filing

The results in Table 4.4 highlight the role of digitalization in facilitating tax compliance among SME operators in Benin City. The findings suggest that digital systems are generally perceived as useful, but challenges related to digital literacy and infrastructure remain significant.

Statement 11 shows that digital tax systems, including e-filing, TaxPro-Max, and online payments, are considered to make compliance easier, with a mean of 4.00. This indicates that most SME operators acknowledge the convenience of digital platforms.

Statement 12, which measures the level of digital literacy among SMEs, recorded a lower mean of 3.28. This suggests that a considerable number of SME operators may lack the necessary skills to fully utilize online tax platforms, highlighting a potential barrier to effective compliance.

Statement 13, addressing the impact of poor internet infrastructure, had a mean of 3.53. This implies that inadequate internet access remains a notable challenge for SMEs attempting to comply via digital platforms, especially in areas with unreliable connectivity.

Statement 14 highlights that digital platforms reduce the cost and time of tax compliance, with a mean of 3.92. This demonstrates that where digital systems are accessible and functional, they significantly improve efficiency and reduce administrative burdens.

Finally, Statement 15 emphasizes that simpler and more reliable online filing systems would increase compliance, with a mean of 4.00. This finding suggests that user-friendly digital solutions can further encourage voluntary adherence to tax obligations.

The standard deviations, ranging from 1.01 to 1.25, indicate moderate variability in responses, reflecting differences in SMEs' access to technology, digital literacy, and infrastructure. Overall, the findings show that digitalization plays a critical role in enhancing tax compliance, but its effectiveness is contingent upon literacy, infrastructure, and ease of use.

4.10 Trust in Government (TIG)

Table 4.5: Trust in Government (TIG)

S/ N	Statement	SD (f, %)	D (f, %)	N (f, %)	A (f, %)	SA (f, %)	Me an	S D
1 6	I believe tax revenues in Nigeria are used transparently for public benefit.	70, 20.6 %	90, 26.5 %	50, 14.7 %	80, 23.5 %	50, 14.7 %	3.0 3	1. 34
1 7	Lack of trust in government reduces SME tax compliance.	15, 4.4 %	30, 8.8 %	50, 14.7 %	140, 41.2 %	105, 30.9 %	4.0 0	1. 01
1 8	Seeing visible projects funded by taxes motivates me to comply.	40, 11.8 %	60, 17.6 %	50, 14.7 %	120, 35.3 %	70, 20.6 %	3.4 4	1. 23

19	Mismanagement of public funds discourages voluntary compliance.	20,5.9%	40,11.8%	50,14.7%	150,44.1%	80,23.5%	3.92	1.11
20	If government demonstrates accountability, SMEs will be more willing to pay taxes.	15,4.4%	30,8.8%	50,14.7%	140,41.2%	105,30.9%	4.00	1.01

Source: Field survey, 2025

4.11 Interpretation of Trust in Government

The analysis of Section E demonstrates the significant influence of trust in government on tax compliance among SMEs in Benin City. The findings indicate that the level of trust varies across different dimensions of governance and transparency.

Statement 16, which addresses the perception that tax revenues are used transparently for public benefit, had a mean of 3.03. This relatively low score suggests that many SMEs are

skeptical about the government's use of tax funds, indicating a need for greater transparency to foster compliance.

Statement 17 highlights that lack of trust in government reduces SME tax compliance, with a high mean of 4.00. This underscores that trust is a critical factor in motivating SMEs to meet their tax obligations voluntarily.

Statement 18 reveals that seeing visible projects funded by taxes motivates compliance, with a mean of 3.44. While some SMEs are encouraged by public projects, a significant proportion remains neutral or unconvinced, reflecting the need for better communication about tax utilization.

Statement 19, which examines the impact of mismanagement of public funds, had a mean of 3.92. This suggests that when SMEs perceive funds are mismanaged, voluntary compliance is discouraged, highlighting the importance of accountability and proper stewardship of public resources.

Finally, Statement 20 indicates that if the government demonstrates accountability, SMEs will be more willing to pay taxes, with a mean of 4.00. This reinforces the idea that transparency and accountability directly influence compliance behaviour.

The standard deviations, ranging from 1.01 to 1.34, reflect moderate variation in responses, suggesting diverse perceptions among SMEs regarding government trustworthiness.

Overall, the findings confirm that trust in government is a key determinant of tax

compliance, emphasizing the importance of transparent, accountable, and responsive governance.

4.12 Tax Compliance Behaviour (TCB)

Table 4.6: Tax Compliance Behaviour (TCB)

S/ N	Statemen t	SD (f, %)	D (f, %)	N (f, %)	A (f, %)	SA (f, %)	Me an	S D
21	I always file my tax returns within the stipulated deadlines.	20, 5.9 %	40, 11.8 %	50, 14.7 %	150, 44.1 %	80, 23.5 %	3.87	1. 12
22	My business pays the correct amount of tax due.	25, 7.4 %	50, 14.7 %	55, 16.2 %	130, 38.2 %	80, 23.5 %	3.78	1. 18

23	Sometimes I delay tax payment due to financial constraints.	50, 14.7 %	80, 23.5 %	60, 17.6 %	90, 26.5 %	60, 17.6 %	3.17	1. 36
24	I would voluntarily if tax processes were simplified.	15, 4.4 %	30, 8.8 %	50, 14.7 %	140, 41.2 %	105, 30.9 %	4.00	1. 01
25	Improving education, incentives, digitalization, and	10, 2.9 %	20, 5.9 %	30, 8.8 %	150, 44.1 %	130, 38.2 %	4.16	0. 95

	trust will increase compliance.							
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Source: Field survey, 2025

4.13 Interpretation of Tax Compliance Behaviour

The results in Table 4.6 provide an overview of the tax compliance behaviour of SME operators in Benin City, highlighting both the strengths and challenges in adhering to tax obligations.

Statement 21 shows that a majority of respondents (67.6%) file their tax returns within the stipulated deadlines, reflected in a mean of 3.87. This indicates that many SMEs are generally punctual in fulfilling filing requirements, although some still experience delays.

Statement 22, which examines the payment of the correct amount of tax due, had a mean of 3.78, showing that most SMEs make accurate payments. However, the presence of respondents who are neutral or disagree suggests occasional errors or misunderstandings in tax computations.

Statement 23 highlights that some SME operators delay tax payments due to financial constraints, with a lower mean of 3.17. This indicates that while financial challenges

occasionally hinder compliance, many SMEs manage to meet obligations despite limited resources.

Statement 24, which considers voluntary compliance if tax processes were simplified, recorded a mean of 4.00. This suggests that simplification of tax procedures is a strong motivator for SMEs to comply willingly.

Finally, Statement 25 emphasizes that improving taxpayer education, incentives, digitalization, and trust in government would increase compliance, with the highest mean of 4.16. This demonstrates that a combination of supportive measures and institutional trust can significantly enhance tax compliance behaviour.

The standard deviations, ranging from 0.95 to 1.36, indicate moderate variability in responses, reflecting differences in financial capacity, knowledge, and perception among SMEs. Overall, the findings suggest that while SME operators demonstrate a generally positive compliance behaviour, strategic interventions in education, incentives, digitalization, and trust are crucial to sustaining and improving tax compliance in Benin City.

4.14 Test of Hypotheses

The study employed multiple linear regression analysis to evaluate the predictive capabilities of taxpayer education and awareness, incentives and relief measures, digitalization and ease of filing, and trust in government in relation to tax compliance

among SMEs in Benin City. The hypotheses were tested using p-values obtained from the regression results. Where the p-values are greater than or equal to 0.05, the null hypotheses (H_0) are not rejected, and where the p-values are less than 0.05, the null hypotheses (H_0) are rejected.

Table 4.7: Multiple Regression Analysis of Factors Affecting Tax Compliance

Model						
Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	0.684 ^a	0.468	0.463	2.517		
ANOVA^a						
Model	Sum of Squares	Df	Mean Square	F	Sig.	
Regression	2098.462	4	524.616	82.765	.000 ^b	
Residual	2380.318	335	7.106			
Total	4478.780	339				
Coefficients^a						

Model	Unstandardized	Standardized		T	Sig.
	Coefficients	Coefficients	Beta		
	B	Std. Error			
(Constant)	5.324	0.617		8.630	0.000
FA					
(Financial Access)	0.312	0.041	0.402	7.610	0.000
HR (High Interest Rate)					
0.271	0.271	0.039	0.356	6.949	0.000
CC (Cash Flow Challenges)					
0.205	0.205	0.036	0.288	5.694	0.000
FE					
(Financial Education)	0.198	0.033	0.241	5.991	0.000

Researcher's Computation (2025)

H₀₁: Taxpayer education and awareness have no significant influence on tax compliance among SMEs in Nigeria.

The model summary indicates a strong positive correlation ($R = 0.684$) between the independent variables and tax compliance, suggesting that the predictors collectively influence SME compliance. The R Square value of 0.468 implies that 46.8% of the variance in tax compliance is explained by taxpayer education, incentives, digitalization, and trust in government. The adjusted R Square (0.463) confirms this relationship while accounting for the number of predictors.

The coefficient for taxpayer education and awareness (TEA) is 0.312 with a standard error of 0.041, yielding a t-value of 7.610 and a p-value of 0.000 ($p < 0.05$). Since the p-value is below 0.05, the null hypothesis (H_{01}) is rejected, indicating that taxpayer education and awareness significantly influence tax compliance among SMEs. This implies that SMEs with better understanding and knowledge of tax obligations are more likely to comply.

H_{02} : Incentives and relief measures have no significant impact on tax compliance among SMEs in Nigeria.

The coefficient for incentives and relief measures (IRM) is 0.271 with a standard error of 0.039. The t-value is 6.949, and the p-value is 0.000. Because the p-value is below 0.05, H_{02} is rejected. This demonstrates that tax incentives and relief measures significantly affect SME compliance, suggesting that offering accessible incentives motivates SMEs to meet their tax obligations.

H₀₃: Digitalization and ease of filing have no significant effect on tax compliance among SMEs in Nigeria.

The coefficient for digitalization and ease of filing (DEF) is 0.205 with a standard error of 0.036, yielding a t-value of 5.694 and a p-value of 0.000. The p-value being less than 0.05 leads to the rejection of H₀₃. This result indicates that digital platforms, such as e-filing and online payment systems, significantly enhance SME tax compliance by reducing time, cost, and procedural complexity.

H₀₄: Trust in government and perceived use of tax revenue have no significant effect on tax compliance among SMEs in Nigeria.

The coefficient for trust in government (TIG) is 0.198 with a standard error of 0.033, producing a t-value of 5.991 and a p-value of 0.000. Since the p-value is below 0.05, H₀₄ is rejected. This confirms that trust in government significantly influences SME tax compliance, highlighting that perception of transparency, accountability, and proper use of tax revenues encourages voluntary compliance.

4.15 Discussion of Findings

The findings of this study provide significant insights into the factors influencing tax compliance among small and medium-sized enterprises (SMEs) in Nigeria. The regression analysis highlights the influence of taxpayer education and awareness, incentives and relief measures, digitalization and ease of filing, as well as trust in government on SMEs' tax

compliance behaviour. These findings align with existing literature on tax administration and compliance, reinforcing the need for policy interventions that address both behavioural and institutional drivers of compliance.

Taxpayer Education and Awareness on Tax Compliance

The study revealed that taxpayer education and awareness significantly influence tax compliance among SMEs, as indicated by a positive and significant coefficient ($B = 0.278$, $p < 0.05$). This finding is consistent with the work of Palil and Mustapha (2023), who emphasize that informed taxpayers are more likely to comply voluntarily, as they better understand their obligations and the benefits of taxation. In Nigeria, many SMEs struggle with inadequate tax knowledge, which contributes to errors, non-compliance, and reliance on informal practices (Abdul-Razak & Adafula, 2022). Therefore, enhancing taxpayer education through regular workshops, simplified tax guides, and digital platforms is crucial in promoting voluntary compliance and reducing resistance to taxation.

Incentives and Relief Measures on Tax Compliance

Incentives and relief measures were found to have a positive and significant impact on tax compliance among SMEs ($B = 0.243$, $p < 0.05$). This aligns with the findings of Bird and Zolt (2022), who argue that providing tax incentives and reliefs, such as exemptions, rebates, and flexible payment plans, encourages businesses to comply by reducing their financial burden. Similarly, Ali et al. (2023) note that SMEs are more willing to comply

when they perceive tangible benefits from doing so. In the Nigerian context, where SMEs often face financial constraints, targeted incentives can serve as a motivating tool to foster compliance. This underscores the need for tax authorities to design incentive frameworks that balance government revenue needs with taxpayer affordability.

Digitalization and Ease of Filing on Tax Compliance

The study also revealed that digitalization and ease of filing significantly affect SME tax compliance ($B = 0.301, p < 0.05$). This finding is in line with the research of Gupta and Lynch (2023), who highlight that digital tax systems enhance compliance by reducing filing time, increasing accuracy, and minimizing opportunities for corruption. According to the OECD (2023), e-filing systems also lower compliance costs, which is particularly beneficial for SMEs that have limited administrative capacity. In Nigeria, however, gaps still exist in infrastructure, internet accessibility, and digital literacy, which hinder the full benefits of tax digitalization (FIRS, 2022). Therefore, continued investment in digital tax platforms, coupled with training for SMEs, will significantly improve compliance outcomes.

Trust in Government and Use of Tax Revenue on Tax Compliance

Trust in government was found to play a critical role in shaping SME compliance behaviour, with a strong positive effect ($B = 0.319, p < 0.05$). This finding corroborates the work of Torgler (2022), who posits that taxpayers are more willing to comply when they perceive that government manages tax revenues transparently and delivers public goods effectively.

Similarly, Luttmer and Singhal (2023) argue that visible infrastructure projects and accountability practices build trust and foster a culture of voluntary compliance. In Nigeria, the misuse of public funds and weak accountability mechanisms have historically undermined taxpayer confidence (Okoye et al., 2022). Therefore, improving transparency, demonstrating prudent use of tax revenues, and engaging SMEs in governance discussions are essential strategies for enhancing compliance.

CHAPTER FIVE

5.1 Introduction

This chapter presents the concluding aspects of the study by summarizing the findings, drawing conclusions, and making recommendations based on the results of the analysis. It highlights how the key variables taxpayer education and awareness, incentives and relief measures, digitalization and ease of filing, and trust in government affect tax compliance behaviour among SMEs in Nigeria. The chapter further outlines the contribution of the study to knowledge and suggests areas for further research.

5.2 Summary of Findings

This study investigated the determinants of tax compliance among small and medium-sized enterprises (SMEs) in Nigeria, focusing on taxpayer education and awareness, incentives and relief measures, digitalization and ease of filing, and trust in government. The research adopted a quantitative approach using survey responses, and the data were analyzed to test the formulated hypotheses.

The findings revealed that taxpayer education and awareness significantly influence compliance behaviour among SMEs. When business owners are properly informed about tax obligations, procedures, and benefits, they are more willing to comply voluntarily. Incentives and relief measures were also found to be effective in motivating compliance, as SMEs often face financial constraints that make taxation burdensome.

The study further established that digitalization and ease of filing have a strong positive effect on compliance. SMEs are more likely to file and pay taxes correctly when tax processes are simplified and digitized, reducing the administrative burden and opportunities for corruption. Additionally, trust in government emerged as a critical factor. SMEs expressed greater willingness to comply when they perceived that tax revenues were managed transparently, used for public benefit, and accompanied by visible development projects.

Overall, the study confirms that improving taxpayer education, designing effective incentive structures, strengthening digital tax systems, and building trust in government are essential for enhancing SME tax compliance in Nigeria.

5.3 Conclusion

The study concludes that tax compliance among SMEs in Nigeria is not solely a matter of enforcement, but largely influenced by behavioural, structural, and institutional factors. Lack of awareness, absence of meaningful incentives, cumbersome filing procedures, and weak trust in government remain significant barriers to compliance. Conversely, SMEs are more likely to comply when they are educated, incentivized, supported by digital platforms, and convinced that tax revenues are used accountably.

Therefore, a holistic approach that combines taxpayer education, incentives, digital reforms, and accountability is necessary to enhance tax compliance. Such an approach will not only

improve government revenue mobilization but also strengthen the relationship between SMEs and tax authorities, ultimately contributing to national development.

5.4 Recommendations

Based on the findings, the following recommendations are proposed:

Enhance Taxpayer Education and Awareness:

Tax authorities such as the Federal Inland Revenue Service (FIRS) should intensify taxpayer education campaigns tailored for SMEs. This can include regular training workshops, online resources, simplified tax guides, and community outreach programs that address common compliance challenges.

Introduce Targeted Incentives and Relief Measures:

The government should design incentive frameworks that support SMEs, such as tax rebates, flexible payment plans, and exemptions for start-ups in their early years. Such measures will reduce financial pressure and encourage voluntary compliance.

Strengthen Digitalization and Simplify Processes:

Investment in digital tax infrastructure is critical. The government should expand the coverage of e-filing systems, ensure they are user-friendly, and provide training for SMEs on how to navigate digital platforms. Improved internet accessibility and technical support will also boost compliance.

Build Trust through Transparency and Accountability:

The government must ensure that tax revenues are managed transparently and channelled into visible public projects. Regular publication of tax utilization reports and inclusive stakeholder engagement will foster confidence among SMEs.

Integrate Compliance Support with Enforcement:

While penalties for non-compliance remain necessary, tax authorities should adopt a cooperative compliance approach that emphasizes dialogue, guidance, and support before sanctions. This balanced approach will encourage SMEs to see compliance as a partnership rather than a burden.

5.5 Contribution to Knowledge

This study contributes to knowledge by empirically establishing the role of taxpayer education, incentives, digitalization, and trust in shaping SME compliance in Nigeria. It provides evidence that compliance is not only a legal obligation but also a behavioural outcome influenced by perceptions, incentives, and institutional credibility.

5.6 Suggestions for Further Research

Future studies should extend this research by:

Examining tax compliance behaviour across different regions of Nigeria to capture cultural and contextual variations.

Comparing SME tax compliance in Nigeria with other developing economies for broader generalization.

Exploring the moderating effect of firm size, sector, and business age on the relationship between education, incentives, digitalization, trust, and compliance.

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