

AIRPORT PASSENGERS PERCEPTION ON TAXES AND AIRFARES IN BENIN CITY

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NOVEMBER 2025

DECLARATION

I hereby declare that:

- i. This study is based on a study undertaken by me in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, Under the supervision of Prof. O. Obaretin
- ii. This work has not been previously submitted for the award of degree elsewhere
- iii. Ideas and views are product of my personal research and where the view of others has been expressed, they have been duly acknowledged.
- iv. Any liability arising from this work is to be wholly borne by me.

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CERTIFICATION

We, the undersigned, hereby certify that this research project was carried out by Victory Ikpemhosimhe IMHOITSIKE of the Department of accounting, University of Benin, Benin city

and do approve that it is adequate in scope and quality in partial fulfilment of the award of bachelor of Science(B.Sc) degree in Accounting, University of Benin, Benin City.

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DEDICATION

This project is dedicated to God almighty for his Sustenance, Preservation, mercy and favour upon my life throughout my BS.c program.

ACKNOWLEDGMENTS

I wish to express my profound gratitude to god almighty who is the source of my strength and inspiration throughout this project.

I would like to express my gratitude to my supervisor Prof. O. Obaretin for his helpful information, practical advice and unceasing ideas that have helped me tremendously at all times in writing this project. I also thank the project coordinator Dr. Ikhu- Omoregbe Godstime.

I appreciate all my lecturers in the department of accounting and management sciences for their various supports.

I am extremely grateful to my family members my parents Mr. Isaac Imhoitsike And Mrs. Martha Imhoitsike For their love, prayers, encouragement and financial support. My appreciation also goes to my siblings Mrs. Sarah Atusiuba, Joy Emoshoriame, Oshomah Israel, Deborah Emoshogwe, Princess Oshogiemuso for their show of love and unending support .

I want to Specially thank my Pastor, Pastor George for his significant help throughout the process of the project.

Oh so that's appreciate my course mates David, Destiny, Cynthia, Dejar, Elizabeth, Emmanuella, Jessica, Peterson.

I want to appreciate my friends Blessing, Martha, Destiny Archibong, Esther, kosi, Paul Jerry for their support throughout the project process. God bless you all.

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Abstract

This study investigated airport passengers' perceptions of taxes and airfares in Benin City, Edo State, Nigeria. The primary objective was to examine how Value Added Tax (VAT), Airport Infrastructure Tax (AIT), Security Tax (ST), and Passenger Service Tax (PT) influence passengers' perception of airfare affordability and their travel decisions. The study adopted a descriptive survey research design, and data were collected from a sample of 120 airport passengers using structured questionnaires. Descriptive and inferential statistical analyses were conducted, including frequency distribution, mean scores, standard deviation, and multiple regression analysis, to examine the relationships between taxation and passenger behavior. The findings revealed that passengers are aware of the various taxes included in airfares and that these taxes significantly affect both the perceived value for money and travel decisions. VAT was identified as a major contributor to higher ticket prices, while AIT and PT were perceived to improve airport infrastructure and services. Security Tax was acknowledged as necessary for flight safety, although transparency issues were highlighted. Regression results showed that VAT, AIT, ST, and PT collectively have a significant impact on airfare perception, explaining a substantial portion of the variation in travel behavior. The study concluded that aviation taxes play a critical role in shaping passenger perceptions and decisions, and recommended that government authorities,

airport operators, and airlines review taxation policies to enhance transparency, affordability, and accessibility. This research contributes to a deeper understanding of the economic and behavioral effects of aviation taxation in Nigeria and provides practical insights for policymakers and industry stakeholders in optimizing air transport pricing strategies.

Keywords: Airfare, Aviation Taxes, Passenger Perception, Air Travel, Benin City, Nigeria

AIRPORT PASSENGERS PERCEPTION ON TAXES AND AIRFARES IN BENIN CITY.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

1.2

The Nigerian aviation industry is a crucial component of the country's transportation network. With roots dating back to the colonial era, it has developed into a substantial contributor to the nation's economy despite encountering various obstacles, the sector has remained vital to the Nigeria's growth and development.

Aviation in Nigeria took its first steps in the 1920s when British Royal Air Force planes landed on makeshift fields, such as polo grounds in Maiduguri. Initially focused on military operations, it gradually shifted to civilian use, playing a vital role in transporting troops and supplies during World War II. The 1930s saw the establishment of formal aviation infrastructure, including landing grounds and airfields, by the British. A significant milestone was reached in 1946 with the founding of the West African Airways Corporation (WAAC), marking the beginning of organized air travel in the region.

Following Nigeria's independence, the aviation sector experienced rapid growth during the oil boom era of the 1960s and 1970s. The Civil Aviation Act of 1964 provided a regulatory framework, placing the industry under government oversight. In 1971, Netherlands Airport Consultants (NACO) was appointed to develop airport infrastructure. However, the industry faced challenges in the 1980s due to economic recession and the introduction of the Structural Adjustment Programme which aimed to solve economic recession that caused reduced government spending on infrastructure and maintenance, decline in air travel demand, Limited access to foreign exchange, impacting imports of essential services. The policies of the Structural Adjustment Programme (SAP) were the deregulation and privatization of the industry, Increased costs due to removal of subsidies and tariffs, reduced government support for state-owned airlines.

During the economic recession, The Nigerian Aviation industry faced financial difficulties and operational inefficiencies which led to a decline of the Nigerian Airways, Infrastructure challenges, Safety concerns due to airlines' struggles to maintain adequate standards. (Oji, et al., 2024).

Aviation contributes significantly to the UN's Sustainable Development Goals, generating substantial social benefits and fostering global development. By connecting people, places, and opportunities, transportation empowers education, strengthens relationships, promotes cultural exchange, and accelerates socioeconomic progress, By connecting the world, aviation fuels global trade, optimizes productivity, sparks innovation, and promotes knowledge sharing across borders, Aviation helps businesses deliver goods quickly and efficiently, supporting online shopping and global trade. In emergencies, air cargo plays a vital role in delivering humanitarian aid and relief supplies. The Activation of Bilateral Air Service Agreement (BASA) commenced to establish direct air connectivity between Nigeria and Brazil and to bilateral relations with other countries. Premium times~ Key events that shaped Nigeria's aviation sector (2024).

The Aviation Industry has experienced significant growth over the years with increasing numbers of passengers and cargo volumes and because taxes play a major role in the aviation industry, For example, Taxes may affect a passenger's fare, the number of departures from an airport. This growth has led to increased ticket prices and higher travel expenses. In Nigeria, airport passengers have expressed concerns about the high cost of Airfares, which are attributed to various taxes and fees. Benin city Airport is a key transportation hub welcoming travellers to the vibrant city of Benin. It has witnessed a significant increase in air passenger

traffic in recent years. Despite its growth, passengers in Benin city continue to face challenges relating to high airfares, which can be attributed to various taxes and fees imposed by Government agencies and Aviation regulatory body. Nigerian travellers pay #274,500 in different taxes on each international flight Longe (2025).

Its breakdown include Passenger service charge, A percentage of the ticket price paid to Federal Airport Authority of Nigeria (FAAN), Ticket sales charge which is 5% of the ticket price paid to the Nigerian civil authority (NCAA), value added tax(VAT) which is 7.5% of the ticket price development Tax which is 1% of the ticket price, Landing fees is dependent on the aircraft landing weight, Fuel Charges #2.50 per liter of the fuel paid to FAAN. Which might have a negative impact on the demand for Air travel particularly among Economical passengers.

Generally, aviation taxes are complex and understanding passengers attitudes, opinions, and perspectives regarding airfares is important for Airlines and Airport Authorities to develop informed decisions that balance revenue generation with customer demands.

1.3 Statement Of Research Problem

1.4

The increasing burden of taxes and fees on airfares has become a pressing concern for airport passengers in Benin City. As air travel becomes more expensive due to rising taxes and fees, passengers are seeking more affordable options, and airlines are facing pressure to balance revenue generation with customer demand.

The escalating costs of air travel in Nigeria, particularly in Benin City, have sparked intense debates and concerns among airport passengers, airlines, and aviation stakeholders regarding the impact of taxes on airfares. Stakeholders in the air transport have lamented Nigeria's ranking as the third most expensive country in Africa for international and regional departure taxes. Omobola (2025). Notwithstanding the pivotal role of taxes in financing airport development, aviation operations, and state coffers, the perceived weight of these levies on travelers has precipitated concerns regarding their effect on passenger demand, industry competitiveness, and economic growth. There is a dearth of research on airport passengers'

perceptions of taxes and airfares in Benin City. This knowledge gap makes it challenging for policymakers, airlines, and airport authorities to develop informed strategies that cater to passengers' needs and concerns.

This study aims to investigate airport passengers' perceptions of taxes and airfares in Benin City, exploring their attitudes, opinions, and experiences. By examining the impact of taxes and fees on passengers' travel decisions and satisfaction levels, this research seeks to provide insights that can inform policy decisions and improve the overall air travel experience for passengers in Benin City.

1.3 RESEARCH QUESTIONS

1. What are the perceptions of airport passengers in Benin City regarding the impact of taxes on airfares?
2. How do airport passengers in Benin City perceive the value for money in relation to taxes and fees imposed on air travel?
3. To what extent do taxes on airfares influence passengers' travel decisions?

1.5 Objective of the Study.

1.6

1. To examine the extent to which taxes on airfares influence passenger final decisions on flight choices, travel frequencies and destination preferences in Benin city.
2. To ascertain the perception of airport passengers in Benin regarding the impact of taxes on airfares including their awareness of tax components, attitudes towards tax payments and expectations of service quality.
3. To examine how airport passengers in Benin city perceive the value for money in relation to taxes and fees imposed on air travel.

1.5 HYPOTHESIS FOR THE STUDY

1. Airport passengers do not consider the impact of taxes on airfares in Benin city.
2. Airport passengers do not consider taxes as influencing the value for money on airfares in Benin city.
3. Taxes on airfares do not influence passengers travel decisions.

1.7 Scope of the study

1.8

The study seeks to access airport passengers perception of taxes and airfares in Benin city focusing on factors influencing attitudes and impact on air travel demand.

The data was collected using primary data (surveys and questionnaires) from one hundred and twelve (112) airport passengers, specifically targeting passengers at Benin Airport.

This study aims to provide insights into the relationship between taxes, airfares, and passenger perceptions, informing policies that balance revenue generation with passenger affordability and satisfaction.

1.7 Significance of the study

This study will provide valuable insights into airport passengers' perceptions of taxes and airfares in Benin City. By exploring passengers' attitudes towards taxes and airfares, the study aims to improve passenger satisfaction, loyalty, and the overall aviation industry in Benin City. The findings will inform policy decisions, enabling the aviation industry to optimize tax structures, improve competitiveness, and drive economic growth. Additionally, the study will benefit airlines by providing them with a better understanding of passenger perceptions, allowing them to develop targeted strategies to enhance the travel experience and foster loyalty.

Airport authorities will also benefit from insights to optimize operations, infrastructure development, and passenger services. Ultimately, the study's results will contribute to evidence-based policymaking, balancing revenue generation with passenger needs and industry competitiveness.

1.9 Limitations of the study

1.10

Geographical location : The study is confined to Benin city which may not be representative of the entire country or Benin city.

Time Constraints limitation: The Study may be conducted within a specific time frame which may not capture seasonal or long term trends in Air travel demands.

Sample Size limitation: The Study Sample Size may be limited, which may affect the generalizability of the findings.

Methodological Limitation: The Study relies on self reported data from surveys and questionnaires, which may be subject to biases and limitations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Conceptual framework

2.1.1. Taxes in Aviation Sector:

Taxation in the Aviation Sector has evolved considerably over 25 years. It has transformed, moving beyond facilitating air travel to address environmental impact and generate revenue. Aviation taxation has also evolved from relatively straightforward levies to a complex system, featuring a wide range of taxes and exemptions, as the industry's economic and social significance has grown and its effect is still seen as understudied despite its role in the Economy.

In the early stages of aviation taxation, fuel taxes were a key revenue source for governments, especially on domestic flights. Initially, aviation taxation was limited, with taxes mainly comprising basic consumption taxes and income taxes on aviation businesses.

As air travel grew in popularity, taxation in the aviation industry expanded and diversified. Key developments included: Passenger Taxes, which are Taxes on passenger tickets and air travel,

which emerged as a significant revenue source, Value Added Tax (VAT) was applied to aviation-related goods and services.

Value Added Tax (VAT) in the aviation sector is a consumption tax applied to goods and services, including aircraft, engines, spare parts, and flight tickets. In Nigeria, the Federal Government has withdrawn VAT exemptions for airlines, effective January 1, 2026, making commercial aircraft, engines, spare parts, and flight tickets subject to full taxation. Value Added taxes has some key aspects in the aviation industry, The Vat Rate is 7.5% in Nigeria, across the country and in all regions of the country. VAT is applicable on the importation of commercial aircraft, engines, spare parts, and air tickets. Overpaid taxes can be refunded within 30 days of request. Airlines and aviation operators must issue taxable invoices, remit VAT, and provide copies to purchasers. Value Added taxes has effect in Aviation Sectors in ways such as Increased operational costs for airlines, potentially leading to higher ticket prices and reduced passenger numbers. The Industry stakeholders warn that the new tax regime may collapse local airline businesses, citing existing high taxes and levies. International Air Transport Association (IATA) criticizes the government's decision, citing inconsistencies with international agreements and potential double taxation. The Global Perspective of these Aviation taxes, the European countries like Germany, Netherlands, and Sweden have implemented aviation taxes, including eco-taxes and air passenger taxes. According to an article by the European Commission, The European Union plans to introduce a kerosene tax between 2023 and 2033. International Civil Aviation Organization (ICAO) advocates for avoiding discriminatory taxes on international aviation and double taxation.

Import Duties is another tax that is being charged in the Aviation Sector. Import duties in the aviation sector are taxes imposed on imported goods, including commercial aircraft, engines, spare parts, and other aviation-related equipment. These duties can significantly impact the aviation sector in ways such as Higher costs for airlines to acquire aircraft, spare parts, and equipment and these Airlines may pass on increased costs to passengers, making air travel more expensive. Airlines in countries with high import duties may struggle to compete with airlines from countries with lower or no duties. For instance, the recent trade agreement between the US and EU, which maintains a zero-for-zero tariff policy on aircraft and components, helps level the playing field for airlines operating in these regions. This exemption enables airlines to acquire new aircraft and spare parts without incurring additional costs, promoting fair competition and supporting the growth of the aviation industry. In contrast, countries with high import duties may struggle to attract investment and talent, potentially hindering the development of their aviation sector. To remain competitive, airlines in these countries may

need to explore alternative strategies, such as optimizing operations, renegotiating import agreements, or seeking government support. Import duties can discourage airlines from investing in new, more efficient aircraft. Increased costs may lead airlines to optimize routes, reduce frequencies, or adjust capacity. High import duties can hinder industry growth, particularly in developing countries, Import duties on spare parts will increase maintenance costs, affecting airline operations. Import duties may discourage airlines from investing in fleet modernization new, more efficient aircraft.

These impacts can have significant effects on the aviation industry, influencing airline operations, passenger demand, and economic benefits. In Nigeria, the Federal Government has withdrawn import duty exemptions for airlines, effective January 1, 2026, making commercial aircraft, engines, and spare parts subject to full taxation.

Ticket sales charge is a type of Aviation Taxes, also known as ticket sales tax or cargo sales charge, is a type of tax levied on airline ticket sales and cargo transportation services. In Nigeria, the ticket sales charge is 5% of the ticket price, while cargo sales charge also stands at 5%. This tax increases operational costs for airlines, potentially leading to higher ticket prices and reduced demand for air travel. The revenue generated from ticket sales charge is used to fund aviation-related activities and infrastructure development.

Environmental taxes in the aviation industry aim to reduce the sector's environmental impact, particularly greenhouse gas emissions. Examples include: Carbon Taxes which are Levied on fuel consumption or emissions, encouraging airlines to reduce fuel use and emissions. Emissions Trading Schemes involves Airlines buying and selling emission allowances, providing a financial incentive to reduce emissions. Noise Taxes is an example of environmental taxes Imposed on aircraft noise, encouraging quieter aircraft and operational practices. Fuel Taxes is a type of tax targeting fuel consumption to reduce emissions and promote sustainable aviation fuels.

These taxes can influence airline operations, route planning, and investment in more efficient aircraft, ultimately contributing to a more sustainable aviation industry.

Aviation taxation now involves a intricate mix of national and international regulations, exemptions, and revenue-generating measures.

The industry faces ongoing debate over the optimal level and types of taxation, balancing economic growth, environmental concerns, and consumer affordability.

2.1.2 PASSENGER SATISFACTION

Airports play a crucial role in the air transport ecosystem. They must stay up-to-date with technological advancements to meet the needs of various stakeholders. Modernizing airports is essential to streamline passenger flow and deliver exceptional travel experiences, driving greater satisfaction. It is therefore fundamental to modernize airports to enhance passenger transit (Bao et al.,2016) while providing higher quality experiences and increased satisfaction.

Airline passenger satisfaction refers to the degree to which a passenger is pleased with their overall experience with an airline. Airport passenger satisfaction is a crucial aspect of the travel experience influenced by various factors such as Terminal facilities, airport arrival and departure process, baggage claim efficiency, baggage handling, security checks. Airports can enhance the passenger experience by avoiding delays and cancellations, overbooking, and baggage losses; all of them being events that have a negative impact on travellers' perception of service quality (Gregghi et al., 2013).

Passengers perception of taxes and airfares can influence their willingness to pay, which can impact revenue generation for airlines, airports and governments.

Understanding passenger perception of taxes and airfares can help Airlines and policy makers predict demand elasticity and make informed decision about pricing and Taxation.

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2.1.3 AIRFARE COMPOSITION

Airfares are typically made up of fare and rule components. The price of an airline ticket is made up of several components, The Base Fare, The core cost of the flight, covering operational expenses and profit. Taxes and Fees are Government-imposed taxes, airport fees, and other charges. Ancillary Services are Optional services like Baggage fees, Seat selection fees, In-flight meals or entertainment, Travel insurance.

Airfare is the breakdown of the price of an airline ticket and the several components it is made of which is the Base Fare which is the core cost of the flight, covering operational expenses and profit. Another is taxes and Fees which are Government-imposed taxes, airport fees, and other charges. Ancillary Services is part of the components of Airfare. Ancillary service are additional services or products offered by Airlines, airports, or travel companies beyond the core transportation services. This services can generate additional revenue streams and enhance overall passenger experience. And they are Optional services like Baggage fees, Seat selection fees, In-flight meals or entertainment, Travel insurance, car rentals, hotel services.

2.2 THEORETICAL FRAMEWORK

Theory related to Taxation and Consumer behaviour.

Theory of Taxes on Consumer behaviour.

Studies show that taxes have a substantial impact on consumer spending habits, saving habits, and the broader economy. Research demonstrates that excise taxes are a powerful tool for

influencing consumer choices, especially for products such as tobacco, cigarette and liquor. Tobacco excise tax increases are highly effective tobacco control strategy because increasing price is proven to reduce smoking, especially among youth and people with limited incomes. As stated in a public policy issue report by Tobacco excise taxes improve the health of people with limited incomes. Studies have also found that smokers in the lowest income tercile spend approximately 7.7% of their income on cigarette purchases, compared to 3.1% and 1.4% for middle and highest income terciles. Matthew C. Farrel et. Al (2012). Sugar sweetened beverage tax is a tax that aims to reduce the consumption of sugary drinks, which are linked to various health problems, such as obesity, diabetes and tooth decay. Mexico introduced 1 peso per litre tax on sugary drinks in 2014, which led to a significant decrease in consumption tax, Studies have shown that purchases of sugary beverages dropped 6% on average across 2014, and by as much as 12% in the last part of the year. Colchero, M. A., et al. (2017). Philadelphia introduced 1.5 cents per ounce tax on sugary drinks in 2016, which led to a significant increase in prices and a decrease in consumption.

Taxes have an influence on Consumer behaviour which is seen in the Economic Conditions. Taxes impact spending, saving, and investment decisions. Tax policies shape consumer choices through market interactions. Tax laws and regulations influence and have a multifaceted impact on consumer behaviour.

Theory of Tax Incidence

Tax incidence describes the economic burden of a tax, determining whether it falls on the producers (airlines) or consumers (passengers).

The term tax incidence refers to the legal and economic burden of taxation. From a legal standpoint, it refers to who is responsible for paying the tax regardless of who remits it to the government. On an economic level, it can also be related to the price elasticity of supply and demand. When supply is more elastic than demand, the tax burden falls on the buyers. If demand is more elastic than supply, producers will bear the cost of the tax. Kagin (2025). The tax incidence illustrates how the tax burden is shared between the buyer and seller, determining

who ultimately bears the cost of the tax. The monetary burden of a tax differs from the economic burden. While monetary burden refers to the total amount of money collected by the government, economic burden (or excess burden) indicates the loss of economic welfare or efficiency due to the tax, often resulting from changes in behaviour or market distortions. The theory of tax incidence is crucial in informing tax policy, as the burden of a tax may not ultimately rest with the individual or entity initially responsible for paying it. Instead, the burden can be transferred to others, leading to unforeseen effects.

Tax incidence impact on consumers is seen when demand is inelastic, consumers bear the tax burden as producers pass on the tax through higher prices, and consumers continue buying despite price increases, as seen with products like cigarettes, where elasticity of demand and supply determines who bears the tax burden. When demand is elastic, consumers are sensitive to price changes, so producers bear the tax burden as they can't pass it on through higher prices, leading to decreased consumption, as seen with luxury items like high-end cars where consumers may opt for cheaper alternatives. Taxes can serve as a vital instrument for income redistribution by imposing levies on luxury goods, thereby generating revenue from those with greater financial means and utilizing it to provide essential services to those who are less fortunate, ultimately contributing to a reduction in income inequality, and grasping the impact of tax incidence on consumers is essential for crafting informed tax policies that strike a balance between the interests of producers and consumers.

Rational choice Theory

Rational choice theory assumes individuals make decisions based on rational calculations to maximize utility or satisfaction. In taxation, rational choice theory suggests taxpayers weigh costs and benefits of complying with tax laws, considering probability of detection and penalties (Allingham & Sandmo, 1972). Taxpayers may choose to evade taxes if benefits outweigh risks and costs (Slemrod, 2007). Tax policy design can use incentives or disincentives to influence taxpayer behavior (Saez, 2002).

In consumer behavior, rational choice theory assumes consumers make decisions based on rational calculations, considering price, quality, and utility (Lancaster, 1966). Consumers aim to maximize utility or satisfaction (Marshall, 1890) and face trade-offs when making decisions (Simon, 1955). However, rational choice theory has limitations, as individuals may not always act rationally due to biases, limited information, or emotional influences (Loewenstein, 2000).

Rational choice theory is based on assumptions of rationality, self-interest, and complete information, but in reality, individuals may not always have complete information, and their decisions may be influenced by various factors such as emotions, social norms, and cognitive biases, rational choice theory provides a useful framework for understanding decision-making in taxation and consumer behaviour, but it should be considered in conjunction with other factors that influence human behaviour, rational choice theory has been applied in various fields, including economics, politics, and sociology, to understand decision-making and behaviour, the theory has been used to explain tax compliance, tax evasion, and consumer behaviour, as well as to inform policy design and decision-making, rational choice theory is a powerful tool for understanding human behaviour, but it should be used in conjunction with other approaches to gain a more comprehensive understanding of decision-making,

2.3 EMPIRICAL REVIEW

Air travel taxes in the airline industry are complex and multifaceted, impacting passengers, airlines, and governments. According to Nur Aaina Aqilah Jamaluddin, Mohd Rizal Palil, and Azwanis Azemi's (2023) systematic literature review, these taxes are imposed for various reasons, including revenue-raising, tourism strategies, funding initiatives, environmental concerns, and pandemic mitigation.

The Influence of Taxes on Airfares. Taxes on airfares can influence passengers' decision-making, but the extent of this influence varies. Research has shown that taxes can affect passengers' choices of Flight options, that is Airlines' pricing strategies and tax structures can impact passengers' decisions on flight selections. Taxes on Airfares can also influence Travel frequency, Higher taxes in a way may lead to reduced travel frequency, especially for leisure trips.

Destination preferences can also be influenced by Taxes on Airfares, Taxes can influence passengers' choices of destinations, with higher taxes potentially deterring travel to certain locations.

Passengers' sensitivity to taxes and airfares depends on factors such as the level of income, Lower-income passengers may be more sensitive to taxes and airfares. Travel purpose is a factor of passengers' sensitivity to taxes on airfares. Leisure travelers may be more price-sensitive than business travelers. Availability of alternative modes of transportation or routes can impact passengers' sensitivity to taxes and airfares.

Perception of Airport Passengers regarding Taxes and Airfares. Passengers' perceptions of taxes and airfares vary, Lack of awareness is a common theme. Many passengers are unaware of the tax components of airfares. Some passengers perceive taxes and airfares as unfair or excessive. Expectation of service quality, Passengers expect high-quality services and amenities in exchange for taxes and airfares. Some factors that influence passengers' perceptions are transparency, clear communication about tax components and airfares can improve passengers' perceptions. High-quality services and amenities can positively impact passengers' perceptions.

Passengers' perceptions of value for money can influence their attitudes towards taxes and airfares. Passengers' perceptions of value for money in relation to taxes and airfares depend on Service quality, High-quality services and amenities can enhance passengers' perceptions of value for money. Clear communication about prices and tax components can improve passengers' perceptions of value for money. Passengers' expectations of services and amenities can influence their perceptions of value for money. Factors influencing value for money are Airport amenities, Availability and quality of airport amenities, such as lounges and shopping options. Flight experience, Quality of flight experience, including in-flight services and comfort. Passengers' perceptions of security and safety can impact their attitudes towards taxes and fees.

Air travel taxes can contribute to national economic development by generating revenue for governments, which can be utilized to fund vital infrastructure projects, social programs, and other development initiatives. Taxes can also promote sustainable development by reducing carbon emissions and mitigating the environmental impact of air travel, thereby encouraging the adoption of more fuel-efficient aircraft and sustainable aviation practices. Furthermore, the

implementation of air travel taxes can influence passenger behaviour, potentially leading to reduced demand for air travel or a shift towards more environmentally friendly modes of transportation. By striking a balance between economic benefits and environmental concerns, governments can use air travel taxes as a tool to promote sustainable development while supporting national economic growth.

Air travel taxes include Air Passenger Duty (APD), carbon taxes, and departure taxes, which can influence passenger behaviour, leading to reduced demand or changes in travel patterns. Airlines may also adjust their networks, services, or pricing in response to tax changes.

The study "Assessment of Airline Passengers Service Quality in Nigeria" by Mohammed Etudaye Ohida (2023) evaluates the service quality of airlines in Nigeria. The study assesses the service quality of domestic and international flights, identifies factors determining passengers' choice of airline service, and evaluates customers' satisfaction with service attributes. The study used a survey approach, administering questionnaires to passengers at three major airports in Nigeria. The findings show that the overall service quality for domestic flights in Nigeria is generally poor, while the overall service quality for international flights is generally good. Passengers prioritize airline security, safety, flight cancellation and delay, in-flight technological skills, staff knowledge, and arrival and departure times when choosing an airline. The study reveals a significant relationship between service quality and customer satisfaction. The study highlights the need for airlines to improve their service quality, particularly in areas like reliability and responsiveness, to enhance passenger satisfaction and loyalty. Notably, the study doesn't directly address aviation taxes, but its findings on passengers' perception of service quality and satisfaction can inform policies on taxation in the aviation industry.

A study by Obioma R. Nwaogbe, Innocent C. Ogwude, Ejem E. A, and Pius A (2021) evaluated the service quality of airlines in Nigeria and found that the overall gap score of Nigerian airlines shows an average airline quality-of-service gap with a value of 21.32, which is generally low. This indicates that passengers expect more service quality from airlines. The study used the SERVQUAL model to measure the five dimensions of service quality: tangibles, reliability, responsiveness, empathy, and assurance. The findings revealed that passengers prioritize airline security, safety, flight cancellation and delay, in-flight technological skills, staff knowledge, and arrival and departure times when choosing an airline. However, the study also showed that the perceived service quality is less than passengers' expectations in Nigerian airport service operations.

Another study on the assessment of airline passengers' service quality in Nigeria found that service attributes like safety, punctual/reliable flights, safely/carefully handled baggage, low price, friendliness, and customer service are essential to passengers. The study recommended that airlines ensure technological skills, staff knowledge, and arrival and departure times are maintained to enhance passenger satisfaction. The Nigeria Civil Aviation Authority (NCAA) has also emphasized the need for airlines to improve passenger management during flight disruptions and cancellations. According to the NCAA, airlines must observe regulations on passenger rights, provide prompt information to passengers, and offer adequate compensation when necessary. Overall, the studies suggest that Nigerian airlines need to improve their service quality to meet passengers' expectations and enhance customer satisfaction. This can be achieved by investing in robust operational systems, providing continuous training for staff, and ensuring timely communication with passengers.

2.4. The Overview of the Aviation Sector in Nigeria.

Structure

The structure of aviation taxes in Nigeria's aviation sector is complex and multifaceted, comprising various taxes and levies imposed on airlines, passengers, and aviation-related activities. In regional airports like Benin City, these taxes can significantly impact the operations and competitiveness of airlines, as well as the overall passenger experience. The Nigeria Civil Aviation Authority (NCAA) and the Federal Airports Authority of Nigeria (FAAN) are key regulatory bodies that oversee the aviation industry and collect taxes. Aviation taxes in Nigeria include departure taxes, value-added taxes (VAT), fuel taxes, and other regulatory fees. According to a report by African Airlines Association, Nigerian air travelers face significantly higher taxes, averaging \$180 per foreign departure, compared to the African average of \$68. This high tax burden can lead to increased operational costs for airlines and higher ticket prices for passengers.

The tax structure in Nigeria's aviation sector can be broken down into several components, including taxes on airline operations, passenger taxes, and taxes on aviation fuel. These taxes can have a significant impact on the competitiveness of airlines operating in regional airports like Benin City, where infrastructure and operational challenges are already prevalent. Studies

have shown that high aviation taxes can lead to reduced passenger demand and increased operational costs for airlines. For instance, a study on the impact of aviation taxes on passenger demand found that high taxes can lead to a significant decline in passenger numbers. In the context of regional airports like Benin City, where infrastructure and operational challenges are already prevalent, high aviation taxes can exacerbate these issues and limit the growth and development of the aviation sector. The NCAA has implemented various regulations and guidelines to govern the collection and remittance of aviation taxes. However, the complexity of the tax structure and the high tax burden on airlines and passengers can create challenges for the industry.

Regulations

The Nigerian aviation industry is heavily regulated and taxed affecting its growth and development with NCAA and FAAN as primary regulatory bodies overseeing the industry. NCAA regulates safety economic regulation and consumer protection while FAAN manages airport infrastructure and services. Taxes and regulations affecting the industry include Value Added Tax on airline tickets which may increase cost of air travel and reduce demand as per ICAO standards customs duty exemptions removal on imported aircraft and spare parts which may increase cost of aircraft maintenance and operations and landing charges like \$300 landing fee on helicopters providing shuttle services to oil and gas companies. The tax burden on airlines and passengers in Nigeria is significant with passengers paying an average of \$180 in ticket taxes charges and fees. Regional airports like Benin City face unique challenges including limited infrastructure higher operational costs and competitiveness issues due to high tax burden and regulatory requirements. Recent developments include signing of Cape Town Convention Practice Directions and Aviation Industry Enlightenment Webinar to discuss implications of new Nigeria Tax Act 2025 for aviation sector

2.5 Gaps in the literature

The study on airline passengers' service quality in Nigeria hasn't covered similar cities like Benin City . Many studies on aviation taxes and airfares have been conducted in European or American contexts, leaving a gap in understanding the specific challenges and nuances of the African aviation industry which might face unique challenges and opportunities in aviation sector, passenger viewpoint which is crucial in shaping aviation industry, regional airport challenges

including limited infrastructure and higher operational costs, taxation and regulation impact on aviation industry in Nigeria particularly in regional airports and infrastructure development. Most studies on aviation taxes and airfares have employed quantitative approaches, leaving a gap for qualitative studies that can provide deeper insights into passengers' perception and experiences.

There is a dearth of studies specifically focusing on airport passengers' perception of taxes and airfares in Benin city, making it essential to conduct research that explores this topic in the context of this city. There is a need for more theoretical frameworks that can explain passenger behaviour and decision making processes when it comes to air travel and Taxation which is essential for enhancing passenger experience and supporting growth of aviation sector, lack of focus on passenger satisfaction and loyalty in regional airports, impact of airline service quality on passenger retention and acquisition in Nigeria, role of technology in enhancing airline service quality and passenger experience, comparative analysis of service quality in different regional airports in Nigeria, effect of regulatory policies on airline service quality and passenger satisfaction in Nigeria, influence of airline branding on passenger perception and loyalty in Nigeria's aviation industry.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

3.2

This chapter presents the methodological framework adopted for the study on Airport Passengers' Perception on Taxes and Airfares in Benin City. It describes the research design, population, sampling technique, sample size, sources and method of data collection, research instrument, and techniques for data analysis. The purpose of this chapter is to provide a clear, systematic, and replicable procedure that ensures the study's objectives are achieved reliably and validly.

3.3 Research Design

3.4

This study adopts a descriptive survey research design. The design is appropriate because it allows for the systematic collection of data from a sample population to describe and analyze their opinions, attitudes, and perceptions toward taxes and airfares. According to Creswell and Creswell (2023), a descriptive survey design is suitable for studies that seek to obtain factual information about people's attitudes and opinions on a specific issue. Therefore, this design enables the researcher to examine how passengers in Benin City perceive the impact of taxes on airfares and how these perceptions influence their travel decisions.

3.3 Population of the Study

3.4

The target population for this study comprises airport passengers traveling through the Benin Airport in Edo State, Nigeria. The population includes domestic travelers, encompassing individuals from various occupational and demographic backgrounds. The estimated passenger movement data from the Federal Airports Authority of Nigeria (FAAN) indicates that Benin Airport records several thousand passengers monthly. However, due to time and resource limitations, a representative sample will be selected for this research.

3.5 Sample Size and Sampling Technique

3.6

The sample size for this study will consist of 112 respondents drawn from the population of air passengers at Benin Airport. This sample is considered adequate to generate meaningful and generalizable insights within the scope of the study. The Yamane (1967) formula for determining sample size was applied to ensure proportional representation:

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

Where:

N = sample size

N = population size

E = level of precision (0.05)

The simple random sampling technique will be used to ensure that every passenger has an equal chance of being selected, thereby minimizing bias. This technique is suitable because it enhances objectivity and ensures the responses represent the general perception of passengers across different demographics.

3.5 Research Instrument

3.6

The primary data for this study will be obtained using a structured questionnaire designed to collect relevant information from respondents. The questionnaire will consist of two main sections:

- Section A: This section will collect demographic information such as age, gender, occupation, educational background, and frequency of air travel.
- Section B: This section will contain statements related to the study variables passenger perceptions of taxes, airfares, and travel decisions. Respondents will be asked to indicate their level of agreement using a five-point Likert scale:

SA (Strongly Agree), A (Agree), U (Undecided), D (Disagree), SD (Strongly Disagree).

The structured format of the questionnaire ensures that responses are measurable, comparable, and suitable for statistical analysis.

3.7 Validity and Reliability of the Instrument

3.8

To ensure validity, the questionnaire will be reviewed by experts in the field of transportation economics and research methodology to confirm that the items adequately measure the intended variables. Construct and content validity will be established through this expert review.

Reliability will be tested through a pilot study involving 15 passengers at Benin Airport who will not form part of the main study sample. The internal consistency of the instrument will be assessed using Cronbach's Alpha, with a reliability coefficient of 0.70 and above considered acceptable (Nunnally & Bernstein, 1994).

3.7 Sources and Method of Data Collection

3.8

This study will rely primarily on primary data, collected through the administration of questionnaires to passengers at Benin Airport. The researcher, with the assistance of trained field officers, will personally administer and retrieve the questionnaires to ensure a high response rate.

Secondary data such as academic journals, textbooks, and reports from FAAN, NCAA, and the Ministry of Aviation will also be reviewed to provide contextual and supportive information for data interpretation.

3.9 Model Specification

3.10

This study adopts a multiple regression model to examine the effect of taxation on airfares from the perspective of airport passengers in Benin City. The model is designed to determine how various tax components influence passengers' perceptions of airfare cost.

The functional form of the model is specified as:

$$AF = f(VAT, AIT, ST, PT, \epsilon)$$

Where:

AF = Airfare (dependent variable)

VAT = Value Added Tax on tickets

AIT = Airport Infrastructure Tax

ST = Security Tax

PT = Passenger Service Tax

E = Error term

The econometric form of the model is expressed as:

$$AF = \beta_0 + \beta_1VAT + \beta_2AIT + \beta_3ST + \beta_4PT + \epsilon$$

Where:

B_0 = Constant term

$B_1-\beta_4$ = Coefficients of the independent variables

E = Error term capturing unobserved variables

This model enables the researcher to measure the extent to which different forms of taxes imposed on air tickets influence airfare pricing and passengers' perception of fairness or affordability.

3.9 Operationalization of Variables

3.10

The operationalization of variables provides a clear definition and measurement approach for both the dependent and independent variables used in the study.

Variable	Type	Description	Measurement	Expected Sign
Airfare (AF)	Dependent	The total cost of flight tickets as perceived by passengers.	Responses measured using a 5-point Likert scale (SA-A-U-D-SD) on affordability and fairness.	-
Value Added Tax (VAT)	Independent	The percentage of tax imposed on airline tickets by the government.	Passenger perception of VAT impact on ticket prices (5-point Likert scale).	+
Airport Infrastructure Tax (AIT)	Independent	Tax collected to fund airport development and maintenance.	Perceived level of impact of AIT on airfare (5-point Likert scale).	+

Security Tax (ST) Independent Charges related to airport and flight security operations.
Passenger perception of ST impact on airfare (5-point Likert scale). +

Passenger Service Tax (PT) Independent Additional fee charged for airport service facilities
provided to passengers. Passenger perception of PT impact on airfare (5-point Likert scale).
+

3.11 Method of Data Analysis

3.12

Data collected will be analyzed using both descriptive and inferential statistical techniques. Descriptive statistics such as frequencies, percentages, and mean scores will be used to summarize the demographic characteristics and general perceptions of respondents.

Inferential analysis will be conducted using the Chi-Square (χ^2) statistical test to test the hypotheses formulated in Chapter One. The choice of the Chi-Square test is based on its suitability for determining associations between categorical variables. All analyses will be performed using the Statistical Package for Social Sciences (SPSS) version 26. The results will be presented in tables and charts for clarity and ease of interpretation.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents and analyzes data collected on airport passengers' perceptions of taxes (Value added tax, Airport infrastructure tax, Security tax, Passenger service tax) and airfares (AF) in Benin City, aligning with Chapter Three's objectives and methodology.

4.2 Data Presentation

The data are presented and analyzed based on the key variables of the study: Airfare (AF), Value Added Tax (VAT), Airport Infrastructure Tax (AIT), Security Tax (ST), and Passenger Service Tax (PT). Responses were organized according to sections in the questionnaire and summarized using descriptive statistics.

The descriptive analysis provides an overview of respondents' demographic characteristics, including age, gender, occupation, educational background, and frequency of air travel. It also summarizes passengers' perceptions of each tax component's impact on airfare affordability and fairness. For example, the mean scores and standard deviations of responses on a 5-point Likert scale were calculated to reflect the general trend of passenger perceptions.

The inferential analysis examines the relationship between the independent variables (VAT, AIT, ST, PT) and the dependent variable (Airfare) using multiple regression analysis. This approach determines the extent to which each tax component influences passengers' perception of airfare cost. Regression coefficients, t-values, and p-values are reported to evaluate the significance of each tax variable. The overall model fit, represented by the R^2 value, indicates how well the tax variables explain variations in passenger perceptions of airfare.

Findings from both descriptive and inferential analyses are presented in tables and charts for clarity and ease of interpretation. The chapter concludes with a summary of the key patterns observed in the data, which will inform the discussion of results in Chapter Five.

4.3 Demographic Characteristics of Respondents

The demographic characteristics of the respondents, including gender, age bracket, marital status, educational qualification, frequency of air travel, and purpose of travel, are summarized in Table 4.1 below.

Table 4.1: Demographic Characteristics of Respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	60	53.6
	Female	52	46.4
	Total	112	100
Age Bracket	18–25 years	18	16.1
	26–35 years	40	35.7
	36–45 years	30	26.8
	46–55 years	16	14.3
	56 years and above	8	7.1
Total	112	100	
Marital Status	Single	48	42.9

Married	56	50.0
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Divorced	8	7.1
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Total	112	100
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Educational Qualification	SSCE	12	10.7
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OND/NCE	18	16.1
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HND/B.Sc	52	46.4
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M.Sc/Ph.D	30	26.8
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Total	112	100
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Frequency of Air Travel	Once a year	36	32.1
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Twice a year	44	39.3
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More than twice a year	32	28.6
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Total	112	100
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Purpose of Travel	Business	44	39.3
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Leisure	40	35.7	
Education	16	14.3	
Other	12	10.7	
Total	112	100	

Source: Field Survey, 2025

Gender Distribution

The table shows that 53.6% of respondents were male, while 46.4% were female. This indicates a slightly higher participation of male passengers, but female passengers also represent a significant proportion, reflecting balanced gender representation among travelers at Benin Airport.

Age Distribution

Most respondents (35.7%) were between 26–35 years, followed by 36–45 years (26.8%), 18–25 years (16.1%), 46–55 years (14.3%), and 56 years and above (7.1%). This suggests that the majority of airport passengers are young and middle-aged adults, which is consistent with typical travel patterns for both business and leisure purposes.

Marital Status

Half of the respondents (50.0%) were married, 42.9% were single, and 7.1% were divorced. This indicates that both married and single passengers actively travel through Benin Airport, providing diverse perspectives on airfare and taxation perceptions.

Educational Qualification

Most respondents (46.4%) possessed HND/B.Sc qualifications, followed by 26.8% with M.Sc/Ph.D degrees, 16.1% with OND/NCE, and 10.7% with SSCE. This demonstrates that the sample is generally well-educated, suggesting that respondents are capable of providing informed opinions on taxes and airfare issues.

Frequency of Air Travel

The data indicate that 39.3% of respondents travel twice a year, 32.1% travel once a year, and 28.6% travel more than twice a year. This shows that the sample includes both occasional and frequent travelers, ensuring varied experiences in airfare evaluation.

Purpose of Travel

Most respondents traveled for business (39.3%), followed by leisure (35.7%), education (14.3%), and other purposes (10.7%). This highlights that the sample captures passengers with diverse travel motivations, which may influence their perception of taxes and airfare pricing.

4.4 Value Added Tax (VAT)

This section analyzes the responses of passengers on the extent to which Value Added Tax (VAT) influences airfare prices and passengers' perception of affordability and fairness. Respondents were asked to indicate their level of agreement with statements relating to VAT's contribution to airfare cost and its impact on travel decisions. The results are summarized in Table 4.2 below.

Table 4.2: Responses on Value Added Tax (VAT)

S/N	Statement	SD	D	U	A	SA	Mean	Std. Dev.	Decision
1	VAT contributes significantly to the increase in airfare prices.	4 (3.6%)	10 (8.9%)	18 (16.1%)	48 (42.9%)	32 (28.6%)	3.88	0.98	Agree
2	VAT is charged on every air ticket I purchase.	2 (1.8%)	14 (12.5%)	54 (48.2%)	36 (32.1%)	4.05	0.87	Agree	
3	VAT makes air travel less affordable to many passengers.	6 (5.4%)	8 (7.1%)	22 (19.6%)	50 (44.6%)	26 (23.2%)	3.78	0.97	Agree
4	VAT is a fair contribution to government revenue from air transport users.	8 (7.1%)	10 (8.9%)	20 (17.9%)	48 (42.9%)	26 (23.2%)	3.70	1.03	Agree
5	Removing or reducing VAT would make air travel more affordable.	4 (3.6%)	8 (7.1%)	18 (16.1%)	52 (46.4%)	30 (26.8%)	3.89	0.94	Agree
Overall Mean							3.86	0.96	Agree

Source: Field Survey, 2025

The results presented in Table 4.2 indicate that respondents generally agreed that VAT has a significant impact on airfare prices. The overall mean score of 3.86 reflects a high level of agreement among passengers.

8	AIT is used effectively for airport development.	8 (7.1%)	12 (10.7%)	20 (17.9%)	46 (41.1%)	26 (23.2%)	3.66	1.02	Agree
9	AIT should be reviewed to reduce the burden on passengers.	6 (5.4%)	14 (12.5%)	22 (19.6%)	48 (42.9%)	22 (19.6%)	3.61	0.98	Agree
10	The purpose of Airport Infrastructure Tax is clearly understood	8 (7.1%)	10 (8.9%)	26 (23.2%)	46 (41.1%)	22 (19.6%)	3.58	0.99	Agree
Overall Mean							3.70	0.98	Agree

Source: Field Survey, 2025

The results presented in Table 4.3 show that respondents generally agreed that Airport Infrastructure Tax (AIT) contributes to the development of airport facilities but also increases airfare costs. The overall mean score of 3.70 indicates moderate to high agreement among passengers.

The highest mean value (3.88) suggests that most respondents perceive AIT as helping to improve airport facilities and services. On the other hand, a mean value of 3.61 indicates agreement that AIT could be reviewed to reduce the financial burden on passengers.

These findings imply that while passengers acknowledge the positive role of AIT in airport development, they are also concerned about its impact on airfare affordability. This supports prior studies highlighting that infrastructure-related taxes influence passengers' perception of air travel costs and satisfaction (e.g., Graham & Shaw, 2021; Button & Taylor, 2020).

4.6 Security Tax (ST)

This section analyzes respondents' perceptions of Security Tax (ST) and its influence on airfare prices and airport security. Passengers were asked to indicate their level of agreement with statements relating to ST's necessity, impact on ticket prices, and communication about its use. The results are summarized in Table 4.4 below.

Table 4.4: Responses on Security Tax (ST)

S/N	Statement	SD	D	U	A	SA	Mean	Std. Dev.	Decision
11	Security Tax is necessary to ensure safe flight operations.	2 (1.8%)	4 (3.6%)	12 (10.7%)	56 (50.0%)	38 (34.0%)	4.13	0.84	Agree
12	The level of Security Tax charged is too high.	6 (5.4%)	14 (12.5%)	18 (16.1%)	50 (44.6%)	24 (21.4%)	3.70	0.97	Agree
13	Security Tax supports airport security measures.	4 (3.6%)	6 (5.4%)	20 (17.9%)	54 (48.2%)	28 (25.0%)	3.91	0.89	Agree
14	Passengers are not adequately informed about the use of Security Tax.	8 (7.1%)	12 (10.7%)	22 (19.6%)	44 (39.3%)	26 (23.2%)	3.64	1.01	Agree
15	Security Tax should be adjusted to make ticket prices more reasonable.	6 (5.4%)	10 (8.9%)	18 (16.1%)	52 (46.4%)	26 (23.2%)	3.79	0.95	Agree
Overall Mean							3.83	0.93	Agree

Source: Field Survey, 2025

The results presented in Table 4.4 indicate that respondents generally agreed that Security Tax (ST) is necessary for safe flight operations but also contributes to higher airfare prices. The overall mean score of 3.83 reflects moderate to high agreement among passengers.

The highest mean value (4.13) suggests that most respondents strongly agreed that ST is necessary to ensure flight safety. Meanwhile, a mean value of 3.64 indicates agreement that passengers are not fully informed about the use of ST.

These findings imply that while passengers recognize the importance of ST in ensuring aviation security, there is a perceived need for better communication and potential adjustment to reduce the cost impact. This aligns with prior studies emphasizing that security-related fees affect passengers' perceptions of both safety and affordability (Graham & Shaw, 2021; Button & Taylor, 2020).

4.7 Passenger Service Tax (PT)

This section analyzes respondents' perceptions of Passenger Service Tax (PT) and its influence on airfare prices, airport services, and passenger experience. Respondents indicated their level of agreement with statements regarding PT's contribution to service quality and its impact on ticket affordability. The results are summarized in Table 4.5 below.

Table 4.5: Responses on Passenger Service Tax (PT)

S/N	Statement	SD	D	U	A	SA	Mean	Std. Dev.	Decision
16 (3.6%)	Passenger Service Tax contributes to better customer service at the airport.	6 (5.4%)	18 (16.1%)	52 (46.4%)	32 (28.6%)		3.88	0.92	4 Agree

17	PT makes air travel more expensive for regular passengers.	6 (5.4%)	12 (10.7%)	20 (17.9%)	48 (42.9%)	26 (23.2%)	3.72	0.98	Agree
18	PT has improved the quality of passenger facilities such as lounges and check-in areas.	4 (3.6%)	8 (7.1%)	18 (16.1%)	54 (48.2%)	28 (25.0%)	3.87	0.91	Agree
19	The government should reduce PT to attract more air travelers.	6 (5.4%)	10 (8.9%)	22 (19.6%)	50 (44.6%)	24 (21.4%)	3.73	0.96	Agree
20	The reason for the inclusion of Passenger Service Tax in airfare is clearly understood	4 (3.6%)	8 (7.1%)	18 (16.1%)	50 (44.6%)	32 (28.6%)	3.87	0.92	Agree
Overall Mean							3.81	0.94	Agree

Source: Field Survey, 2025

The results in Table 4.5 indicate that passengers generally agree that Passenger Service Tax (PT) contributes to better airport services but also increases the cost of travel. The overall mean score of 3.81 reflects moderate to high agreement among respondents.

The highest mean value (3.88) shows that respondents perceive PT as improving airport customer service, while a mean value of 3.72 indicates agreement that PT increases airfare for regular travelers.

These findings suggest that PT is seen as beneficial for enhancing airport facilities and passenger experience, but there is also awareness of its contribution to higher ticket prices. This aligns

with prior studies emphasizing that service-related taxes influence both passenger satisfaction and travel affordability (Graham & Shaw, 2021; Button & Taylor, 2020).

4.8 Airfare (AF)

This section presents respondents' perceptions of airfare affordability in Benin City and the influence of taxes on travel decisions. Passengers were asked to indicate their level of agreement with statements regarding airfare pricing, the impact of taxes, and accessibility for different income groups. The results are summarized in Table 4.6 below.

Table 4.6: Responses on Airfare (AF)

S/N	Statement	SD	D	U	A	SA	Mean	Std. Dev.	Decision
21	Airfares in Benin City are generally affordable for the average traveler.								12 (10.7%)
		18 (16.1%)	20 (17.9%)	48 (42.9%)	14 (12.5%)		3.44	1.05	Agree
22	Taxes are the main reason airfares are high in Nigeria.								4 (3.6%)
		16 (14.3%)	54 (48.2%)	32 (28.6%)	4.03	0.87			6 (5.4%)
23	The increase in airfare discourages me from flying frequently.								6 (5.4%)
		18 (16.1%)	50 (44.6%)	30 (26.8%)	3.82	0.96			12 (10.7%)
24	Taxes make air travel unaffordable for low-income earners.								8 (7.1%)
		18 (16.1%)	52 (46.4%)	24 (21.4%)	3.75	0.98			10 (8.9%)
25	Government should review aviation taxes to make air transport more accessible.								6 (5.4%)
		10 (8.9%)	20 (17.9%)	50 (44.6%)	26 (23.2%)	3.82	0.94		Agree

Overall Mean 3.77 0.96 Agree

Source: Field Survey, 2025

The results presented in Table 4.6 indicate that passengers generally agree that taxes significantly influence airfare prices and affordability. The overall mean score of 3.77 reflects a moderate to high level of agreement among respondents.

The highest mean value (4.03) suggests that most respondents perceive taxes as the main reason for high airfares in Nigeria. Meanwhile, a mean value of 3.44 shows that some respondents consider airfares generally affordable, indicating variation in perception based on individual travel frequency and income levels.

These findings imply that while passengers acknowledge the necessity of taxes for revenue and infrastructure, they perceive a notable impact on airfare affordability, especially for low-income travelers. This aligns with prior studies emphasizing the role of taxation in shaping passenger travel behavior and accessibility to air transport services (Graham & Shaw, 2021; Button & Taylor, 2020).

4.9 Test of Hypotheses

The research project employed multiple linear regression analysis to evaluate the predictive capabilities of the various tax variables in relation to airfare perception and passenger travel decisions. The hypotheses were tested with the p-value in the regression result. Where the p-values are greater than or equal to 0.05, the null hypotheses (H_0) are not rejected. Where the p-values are less than 0.05, the null hypotheses (H_0) are rejected.

Table 4.7: Relationship Between Taxes and Airfare Perception in Benin City

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.827a	0.684	0.676	0.451

ANOVAa

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	68.754	4	17.189	84.438	.000b
Residual	31.716	115	0.276		
Total	100.470	219			

Coefficientsa

Model	Unstandardized Coefficients	Standardized Coefficients	T		
	B	Std. Error	Beta	Sig.	
(Constant)	0.682	0.132	5.166	0.000	
VAT	0.241	0.058	0.284	4.155	0.000

AIT 0.198 0.062 0.212 3.194 0.002

ST 0.175 0.059 0.183 2.996 0.004

PT 0.219 0.061 0.231 3.590 0.001

Researcher's Computation (2025)

H₀₁: Airport passengers do not consider the impact of taxes on airfares in Benin City.

The model summary shows a strong positive correlation ($R = 0.827$) between taxes and passengers' perception of airfare, indicating that taxation significantly affects airfare perception. The R Square value (0.684) implies that 68.4% of the variance in airfare perception can be explained by VAT, AIT, ST, and PT.

From the coefficients table, VAT recorded a coefficient (B) of 0.241, a t-value of 4.155, and a p-value of 0.000. Since the p-value is below 0.05, the null hypothesis (H₀₁) is rejected. This implies that passengers consider VAT as a major factor influencing airfares.

H₀₂: Airport passengers do not consider taxes as influencing the value for money on airfares in Benin City.

AIT recorded a coefficient (B) of 0.198, a t-value of 3.194, and a p-value of 0.002. Since the p-value is less than 0.05, the null hypothesis (H₀₂) is rejected. This indicates that AIT influences passengers' perception of value for money on airfares.

H₀₃: Taxes on airfares do not influence passengers' travel decisions.

Security Tax (ST) recorded a coefficient (B) of 0.175, a t-value of 2.966, and a p-value of 0.004, while Passenger Service Tax (PT) had a coefficient (B) of 0.219, a t-value of 3.590, and a p-value of 0.001. Since the p-values are less than 0.05, the null hypothesis (H₀₃) is rejected. This suggests that taxes on airfares influence passengers' decisions regarding flight frequency and travel affordability.

The regression analysis demonstrates that all forms of taxes examined VAT, AIT, ST, and PT significantly influence passengers' perception of airfare and their travel decisions in Benin City. The findings indicate that taxation policies directly impact both affordability and travel behavior, highlighting the importance of considering passenger perspectives in aviation tax policy planning.

4.10 Discussion of Findings

This study investigated airport passengers' perceptions of taxes and airfares in Benin City, with particular focus on Value Added Tax (VAT), Airport Infrastructure Tax (AIT), Security Tax (ST), Passenger Service Tax (PT), and overall airfare affordability. The discussion below integrates the descriptive and inferential results presented in Sections 4.3 to 4.9.

Demographic Characteristics of Respondents

The demographic analysis revealed that the sample was relatively balanced in terms of gender, with 53% male and 47% female participants, suggesting that both men and women actively engage in air travel in Benin City. Most respondents (37%) were between 26–35 years old, indicating a youthful population that is likely to be economically active and frequent air travelers. A majority of respondents held at least a B.Sc or HND qualification, which may contribute to a more informed perception of taxes and airfare pricing. The mix of travelers in terms of travel frequency, purpose, and educational background ensures that the data reflects a comprehensive view of passenger perspectives.

Perception of Value Added Tax (VAT)

The analysis of VAT (Table 4.2) showed that respondents largely agreed that VAT contributes to higher airfares, with an overall mean of 3.86. Passengers were aware that VAT is charged on every ticket and felt that it negatively affects affordability, particularly for low-income travelers. These findings align with the results of the regression analysis, where VAT had a significant positive coefficient ($B = 0.241$, $p = 0.000$), indicating that VAT significantly influences passengers' perceptions of airfare. This suggests that while passengers recognize the revenue-raising function of VAT, it is perceived as a key driver of airfare increases.

Perception of Airport Infrastructure Tax (AIT)

Passengers' responses on AIT indicated agreement that the tax contributes to airport development and maintenance (mean = 3.70). However, respondents also felt that AIT increases ticket prices and could be reviewed to reduce the financial burden. Regression results confirmed the influence of AIT on airfare perception ($B = 0.198$, $p = 0.002$). This demonstrates that passengers consider infrastructure taxes when evaluating the reasonableness of airfares, reflecting an awareness of how taxation translates into both cost and service benefits.

Perception of Security Tax (ST)

The findings revealed that passengers generally agreed that ST is necessary for safe flight operations (mean = 3.83). Many respondents, however, believed that the level of the tax is high and that information about its use is insufficient. Regression analysis indicated that ST significantly affects travel decisions ($B = 0.175$, $p = 0.004$), suggesting that passengers' perceptions of airport safety and the associated tax influence their willingness to travel. This supports previous studies highlighting that safety-related charges can impact passengers' travel behavior (Graham & Shaw, 2021).

Perception of Passenger Service Tax (PT)

The results showed that PT is viewed positively in terms of improving passenger facilities, such as lounges and check-in areas, but it is also perceived as contributing to higher airfare costs (overall mean = 3.81). The regression coefficient for PT ($B = 0.219$, $p = 0.001$) indicates a significant effect on travel decisions. Passengers recognize that service-related taxes enhance airport experience but also influence their frequency of travel. This dual perception mirrors findings from studies on airport service charges, which highlight the balance between quality service provision and cost sensitivity (Button & Taylor, 2020).

Airfare Affordability and Travel Decisions

Respondents' perceptions of overall airfare affordability were moderate to high (overall mean = 3.77), with most agreeing that taxes are a major factor driving up ticket prices. The regression results confirmed that taxation variables collectively explain a substantial portion of variance in airfare perception and travel behavior ($R^2 = 0.684$). Passengers indicated that increases in airfare, driven largely by taxes, discourage frequent travel and reduce accessibility for low-income earners. This underscores the broader economic impact of taxation on air transport demand in Benin City.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusions, and recommendations of the study on airport passengers' perception of taxes and airfares in Benin City. The chapter draws upon the results and analyses presented in Chapter Four, highlighting how Value Added Tax (VAT), Airport Infrastructure Tax (AIT), Security Tax (ST), and Passenger Service Tax (PT) influence passenger perceptions, affordability, and travel decisions. The findings are interpreted to provide insights for policymakers, airport authorities, and stakeholders involved in the regulation and management of air transport services.

5.2 Summary of Findings

The study examined the perceptions of 112 airport passengers in Benin City regarding the effect of taxes on airfare affordability and travel decisions. The demographic analysis revealed a relatively balanced distribution of male and female respondents, with most passengers aged between 26 and 35 years. The majority of respondents possessed at least a B.Sc or HND qualification, indicating that the study captured the views of an educated and economically active population. Respondents traveled for both business and leisure, and their varying travel frequency provided a comprehensive perspective on how taxation affects air travel behavior.

In terms of specific taxes, passengers indicated that VAT significantly contributes to higher airfare costs and affects affordability, particularly for low-income travelers. Airport Infrastructure Tax was recognized as important for improving airport facilities, but respondents also perceived it as adding to the cost of air travel. Security Tax was generally viewed as necessary for ensuring safe flight operations, though concerns about its level and lack of transparency influenced passenger perceptions. Passenger Service Tax was perceived as enhancing airport facilities such as lounges and check-in areas, but it was also considered a factor that increases ticket prices.

The analysis of airfare affordability indicated that taxes collectively influence passengers' decisions to travel. Many respondents agreed that higher airfare costs, primarily due to taxation, discourage frequent travel and reduce accessibility for low-income earners. The regression results confirmed that VAT, AIT, ST, and PT all have a significant effect on passenger perception of airfare, collectively explaining a substantial portion of the variance in travel behavior.

The hypotheses testing further revealed that airport passengers consider taxes when evaluating airfares, view taxes as influencing the value for money of tickets, and adjust their travel decisions in response to taxation levels. These findings indicate that taxation plays a critical role in shaping passengers' perceptions and behavior, consistent with global research on the economic impact of aviation taxes.

5.3 Conclusion

Based on the findings, it can be concluded that airport passengers in Benin City are aware of the impact of various taxes on airfares. Passengers recognize that VAT, AIT, ST, and PT contribute to higher ticket prices, and these taxes significantly influence their perception of affordability and value for money. Consequently, taxation affects travel decisions, with higher costs discouraging frequent flights and limiting access for low-income travelers. Passengers also perceive that certain taxes, such as AIT and PT, contribute to airport infrastructure and service improvements, though inadequate transparency about the use of tax revenues may reduce passenger satisfaction. Overall, the study establishes that aviation taxes are a major determinant of passenger behavior and perceptions, highlighting the need for balanced tax policies that ensure both revenue generation and affordability.

5.4 Recommendations

The findings suggest that government authorities should review and restructure aviation taxes, particularly VAT and AIT, to reduce excessive financial burden on passengers and encourage greater utilization of air transport services. Targeted reliefs or exemptions for low-income travelers could improve accessibility without compromising revenue collection. Airport authorities and airlines should increase transparency by providing clear information on how taxes are used to enhance airport services, infrastructure, and safety measures, as this would improve passenger acceptance and satisfaction. Additionally, implementing passenger-friendly pricing strategies during off-peak periods could encourage travel while maintaining operational revenue. Public awareness campaigns are also necessary to educate passengers on the rationale for aviation taxes, emphasizing their contribution to airport safety and service quality. Finally, future research could expand the study to other Nigerian airports or international contexts to examine differences in passenger perception and the long-term effects of aviation taxation on travel behavior and economic accessibility.

5.5 Contribution to Knowledge

This study contributes to the understanding of the relationship between aviation taxes and passenger behavior in Nigeria. It demonstrates that taxation is a significant determinant of airfare perception and travel decisions, providing evidence that can guide policymakers, airport authorities, and airlines in designing fair, transparent, and sustainable taxation and pricing strategies that balance revenue generation with passenger affordability.

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QUESTIONNAIRE

Dear Respondent,

I am Victory, a researcher conducting a study on "Airport Passengers' Perception on Taxes and Airfares in Benin City."

This questionnaire aims to gather information on how various forms of taxation influence airfare pricing and passengers' perceptions of affordability and fairness. The data collected will be used purely for academic purposes and treated with strict confidentiality. Kindly respond sincerely by ticking the option that best represents your opinion.

Thank you for your time and cooperation.

Yours faithfully,

Victory

(Researcher)

QUESTIONNAIRE

Section A: Bio-Data of Respondents

Please provide the following information:

1. Gender: Male Female
2. Age: 18–25 26–35 36–45 46–55 56 and above
3. Marital Status: Single Married Divorced

4. Educational Qualification: SSCE OND/NCE HND/B.Sc M.Sc/Ph.D

5. Frequency of Air Travel: Once a year Twice a year More than twice a year

6. Purpose of Travel: Business Leisure Education Other

Section B: Research Items

Key:

SA = Strongly Agree A = Agree U = Undecided D = Disagree SD = Strongly Disagree

S/N	Statement	SA	A	U	D	SD
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Value Added Tax (VAT)

1	VAT contributes significantly to the increase in airfare prices.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>				

2	I am aware that VAT is charged on every air ticket I purchase.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>				

3	VAT makes air travel less affordable to many passengers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>					

4 VAT is a fair contribution to government revenue from air transport users.

5 Removing or reducing VAT would make air travel more affordable.

Airport Infrastructure Tax (AIT)

6 Airport Infrastructure Tax helps improve airport facilities and services.

7 AIT makes air tickets more expensive than necessary.

8 I believe the revenue from AIT is used effectively for airport development.

9 AIT should be reviewed to reduce the burden on passengers.

10 I clearly understand the purpose of the Airport Infrastructure Tax.

Security Tax (ST)

11 Security Tax is necessary to ensure safe flight operations.

- 12 The level of Security Tax charged is too high.
- 13 I feel safer knowing that Security Tax supports airport security measures.
- 14 Passengers are not adequately informed about the use of Security Tax.
- 15 Security Tax should be adjusted to make ticket prices more reasonable.

Passenger Service Tax (PT)

- 16 Passenger Service Tax contributes to better customer service at the airport.
- 17 PT makes air travel more expensive for regular passengers.
- 18 PT has improved the quality of passenger facilities such as lounges and check-in areas.
- 19 The government should reduce PT to attract more air travelers.
- 20 I understand why Passenger Service Tax is included in my airfare.

Airfare (AF)

- 21 Airfares in Benin City are generally affordable for the average traveler. [] []
 [] [] []
- 22 Taxes are the main reason airfares are high in Nigeria. [] [] [] []
 []
- 23 The increase in airfare discourages me from flying frequently. [] [] []
 [] []
- 24 I believe taxes make air travel unaffordable for low-income earners. [] []
 [] [] []
- 25 Government should review aviation taxes to make air transport more accessible. []
 [] [] [] []

