

ECONOMIC DETERMINANT OF TAX COMPLIANCE AMONG SELF EMPLOYED

BY

IMOLOGOMHE SANDRA ISIMENMEN

MGS1712683

CHAPTER ONE

INTRODUCTION

Background to the study

Tax is one of the major sources of government revenue in a country, collected from citizens, companies, and investors both within and outside the country. Tax refers to the revenue that is collected by the government to provide services and enhance the development of a country. Specifically, government utilizes tax proceeds to fund development programs, such as supplying public goods, defraying infrastructure cost, and creating a competitive trade and business regulation to assure social and economic maintenance. Thus, the role of tax in supporting the economy of a country is important.

“Research on tax compliance cuts across numerous disciplines such as accounting, economics, political science, public administration and psychology. It is generally accepted that tax non-compliance exists everywhere (Kasipillai, Baldry, & Rao, 2000). Tax evasion is a universal problem. This has led tax authorities worldwide to be interested in reducing tax non-compliance and maximizing voluntary compliance rates (Pentland & Carlile, 1996; Horton, 2003). Concern about the decline in voluntary tax compliance has led to numerous studies on this issue of level of compliance (Reckers & Sanders, 1994; Ghosh & Crain, 1995; Brand, 1996; Tibiletti, 1999;

Yaniv, 1999; Bishop, 2000; Loo, 2006). Deliberate non-compliance is a perennial problem worldwide.

The individuals who are self-employed engage majorly in small scale enterprises across the length and breadth of the country. SMEs is not limited only in providing job opportunities and contributing to the development of economic performance, but also extends to include their ability to keep pace with the economic development and deal with the market changes or any sudden global economic shocks. Small and medium enterprises are easy to establish and do not need large capital or sophisticated technology. They can be established in industrial and various service fields and are capable to adapt with local situations which sometimes suffer from the absence of developed facilities for the infrastructure. Small and Medium-sized Enterprises (SMEs) are made up of a wide group of businesses in the trade, agro business, manufacturing, and service sectors. SMEs include a variety of firms that include village handicraft makers, small foundries, transport enterprises, wholesale & retail businesses, hotels & restaurants Cyber cafes, and software firms and they operate in the market environment, that differ in their degree of sophistication and skills. SMEs are generally classified by the number of employees and /or by the value of their total assets, and /or by turnover. The size classification varies between different countries and there is no common agreement in their definitions. However, these classifications carry a minimum as well as a maximum size for SMEs. Also SMEs can take advantage of the available raw material and products of other industries. SMEs and their development is the main concern for those involved in enhancing the economic development in all countries This interest in SMEs may be emerged as they are the appropriate mean to achieve development in developing countries. Small and medium enterprises are able to be pioneer investment engines in the development march and there is a need to enormous potential of SMEs to stimulate growth

and development, through investment and specific policies that reduce their obstacles, and finding the initiatives to promote and develop them to become an integral part of the local economy. Over the past period, specifically the last years of this decade, most countries with different economy levels believed that small and medium enterprises play a crucial role in the economic development and in achieving the main development goals. This sector has increasing role in creating job opportunities, increasing the exports and accepting modern technologies”

Nigeria adopted self-assessment scheme in 2011 and making it compulsory for corporate taxpayers to compute their tax liability using self-assessed (FIRS 2012 as cited in Yahaya, 2015) but the system was introduced into Nigerian tax system on 1st January, 1991 (Anyanwu, 1997 p. 25). This scheme requires the tax payer to voluntarily prepare his tax records, compute his taxable profit, tax liability and remit such to the tax authority. The objective of self-assessment scheme heavily relies on voluntary compliance that is for taxpayers to voluntarily comply with self-assessment scheme, they have to understand the tax laws and the changes in the legislation. Although most taxpayers still voluntarily comply with the tax laws, intentional noncompliance is a serious and pervasive problem (Reckers, Sanders & Roark, 1994).

It is often mentioned that in developing and transition countries, tax compliance is low and tax evasion is widespread and present far more serious consequences than in developed countries (Torgler, 2007). According to Mukhlis, Utomo and Soesetyo (2014), this leads to limited capacity of developing countries to raise revenues for development purposes. Most researchers examine individual’s lack of tax compliance from the legal or fiscal point of view (Winnicki, 2013). Also, Batrancea, Nichita and Batrancea (2012) stated that people’s understanding of tax law is an important factor which shapes their disposition to comply. In the same vein, Mukhlis, Utomo and Soesetyo (2014) stated that factors affecting tax compliance can be identified such as

education, culture, justice, taxation, and administration bureaucracy. However, this study focuses on the gender and ethnicity as it affect tax compliance. In this vein, the broad objective therefore is to conceptually ascertain whether ethical activities influence tax compliance in Nigeria. More specifically, we will ascertain the ethical activities in tax compliance as it relates to the tax payer, the tax administrators and the tax practitioners

In Nigeria, as in some other developing countries, tax noncompliance is a serious challenge facing tax administration and hindering tax revenue performance. In relative terms, tax revenue has continued to drop tremendously, for instance, the share of individual tax in the total federal and state revenue was 10.53 % in 1977 but dropped to 5.19 % in 1997 and further to 4.67 % in 2010, despite the fact that the Nigeria's Gross Domestic Product (GDP) grew by 61% between 1997 and 2010 (CBN, 2007 & 2011). The record of Federal Inland Revenue Service (FIRS) indicates the severity of the problem as it revealed that although the tax potential of Nigerian economy in 2008 was N 3.857 trillion only N 2.793 trillion tax was collected; that is, about 72% performance leaving a huge sum of N1.064 trillion representing an approximately 28% tax gap. Furthermore, there were 654 tax cases audited resulting in N 92.2billion revenue collection and also 26 tax cases were investigated which yielded N 2.48billion as revenue in 2008 (FIRS, 2009). As a consequence of tax noncompliance, the studies of Ariyo and Rahmeen (1990) and Ariyo (1997) reported that Nigeria's fiscal deficit is a recurring feature. In attaining a higher level of voluntary compliance, the Becker (1968) model that traditionally recognizes the deterrence effect of penalties and enforcement activities as well as undertaking criminal proceedings against tax defaulters (Shanmugam, 2004) rather than negotiating for settlements (Yong, 2005). These strategies however, are appropriate for tackling intentional non-compliance but there may be other factors such as gender and ethnicity which influence taxpayer compliance behavior for

which these strategies may be inadequate. Given the foregoing background, it is imperative that this study focus on examining if gender and ethnicity difference might have an impact on tax compliance behavior of self-employed individuals in southern region of Nigeria.

Research Question

This study shall render answers to the following research questions giving below

1. What is the impact of gender on tax compliance?
2. To what extent does ethnicity difference affect tax compliance?
3. Does tax fairness have an impact on tax compliance?
4. What is the influence of tax awareness on tax compliance?

Objective of the study

The broad objective of this study is to determine if gender and ethnicity affect the level of tax compliance in Nigeria. However, the specific objectives are

1. To determine impact of gender on tax compliance;
2. To ascertain the extent to which ethnicity difference affect tax compliance;
3. To ascertain if tax fairness have an impact on tax compliance; and
4. To evaluate the awareness of tax knowledge on tax compliance.

SIGNIFICANCE OF STUDY

Measuring tax evasion provides an important tool to detect and evaluate the effectiveness of compliance enforcement policies, and to gauge the efficiency of tax administration. Following the introduction of SAS, the Inland Revenue board is more concerned with taxpayer compliance and it needs to address varying groups of taxpayers differently. This study will therefore be of

great importance to tax authorities in ascertaining what determine the level of tax compliance among tax payer. It will also aid future researchers who intend to carry out a study in this similar area.

CHAPTER TWO

LITERATURE REVIEW

INTRODUCTION

The purpose of taxation is to finance government expenditure. One of the most important uses of taxes is to finance public goods and services, such as street lighting and street cleaning. Since public goods and services do not allow a non-payer to be excluded, or allow exclusion by a consumer, there cannot be a market in the good or service, and so they need to be provided by the government or a quasi-government agency, which tend to finance themselves largely through taxes. This chapter seeks to examine the prior studies carried out by researchers so as to enable use to take a position and added to the body of knowledge.

2.1 CONCEPTUAL FRAMEWORK

The self-assessment scheme relies heavily on voluntary compliance for it to achieve an encouraging degree of success. It requires the taxpayer to display some level of trust (Ojo, 2009 p.24). The aim of self-assessment scheme is not restricted to voluntary compliance alone. Isa (2012) extended the objectives of self-assessment scheme to be driven by reduction in administrative costs and simplifying the assessment system. Voluntary compliance has been an issue to self-assessment system especially in Nigeria where a large percentage of the tax payers in the small and medium scale category are not captured in the tax net.

2.2 TAX SYSTEM IN NIGERIA

“Taxation is basically the process of collecting taxes within a particular location (National Tax Policy, 2012, p.1). Also, tax according to Eiya (2012) is a compulsory imposition on income or profit or capital gain of individual, companies, or other legal entities by the government in order

to raise revenue. Tax according to National Tax Policy, (2012) is a pecuniary burden laid upon individuals or property to support government expenditure. Taxation is recognized as a very important tool for National Development and growth in most societies. It is seen as a veritable instrument for national development (National Tax Policy, 2012). This Nigeria as a country has recognized and is making effort to optimally utilize this tool to generate more revenue as it is been done in most developed countries. In Nigeria, the taxation system dates back to 1904 when the personal income tax was introduced in northern Nigeria before the unification of the country by the colonial masters (Fagbemi, Uadiale and Noah, 2010). According to Oboh, Yeye and Isa (2012), the Nigerian tax system in the last decades has undergone series of reforms and amendments geared towards enhancing tax collection and administration with minimal enforcement cost. Some of the reforms include the introduction of self-assessment scheme under which a taxpayer is expected to fill a tax assessment form to determine his taxable income. Here, the intrinsic motivation to pay tax (that is, tax morale) will determine the level of compliance with reporting requirements (Fakile, 2011). Moreover, taxpayers are expected to intentionally comply with their tax responsibilities in accordance to the tax laws as specified.”

2.3 The Concept Of Tax Compliance

“The problem of tax compliance is as old as taxes themselves (Adreoni, Erard& Feinstein). The concept “tax compliance” can be described in variety of ways. According to Investopedia, tax compliance is an assumption or principle that taxpayers will comply with tax laws and, more importantly, accurately report their income and deductions honestly. James & Alley, (2004), also examined various definitions of tax compliance from the narrow law enforcement approach, to economics and other comprehensive ones, and came up with a final definition of compliance as "the willingness of individuals and other taxable entities to act in

accordance within the spirit as well as the letter of tax law and administration without the application of enforcement activity". There is no measure of such a definition that is both simple and accurate. However, this definition does indicate the main features, which should be considered in judging the compliance of taxpayers with the tax system. The collection of taxes is one of the major function of the government, they need to in order to provide for the populace the requisite public goods and services. Tax collection is a multi-dimensional issue in the sense that tax payers know this is the price we need to pay to enjoy said goods, services, and amenities provided. Tax compliance can therefore defined as the extent in which a taxpayer complies or not, with the tax laws of his country, for example in declaring his or her income, filing a return, and paying tax as at when due. Taxpayers are expected to take responsibility for their assessment and ensure that they compute their tax liability themselves (Choong 2009; FIRS, 2012; & Isa, 2012). There is still a strong desire to evade tax, there are many factors which would be looked at that affects the level of tax compliance in Nigeria.”

The most common approach previously has been to conceptualize compliance in terms of “tax gap”, that is, the difference between the actual revenue collected and the amount that would be collected if there were 100 per cent compliance (Fakile, 2011). The concept of tax compliance in Nigeria has gained more attention following the adoption of self-assessment scheme. The self-assessment scheme is a system whereby the taxpayers are given the privilege by law to compute their tax liability and remit the taxes to the relevant tax authorizes through the designated banks (Yahaya, 2015). The scheme relies heavily on the tax payer as a trust for it to achieve maximum success.” According to Ojo (2009, p. 24), to encourage taxpayers to file their returns by self-assessment, two advantages accrue to the taxpayer. The first is the privilege to

make payment in six equal installments and the second is the 1% bonus granted where the installments are paid on the due date.

2.4 EMPIRICAL FRAMEWORK

2.4.1 Gender and Tax Compliance

“The developing economies, such as India and China, and Middle East countries (Tunisia and Jordan) are beginning to recognize the importance of developing female talent up to the board level (Singh, 2008). Croson and Gneezy (2008) show that the women are more risk averse than men, particularly in certain economical domains, and they are less involved than men in non-ethics behaviors. Kastlunger et al. (2010) suppose that women should expose higher levels of tax compliance. Nevertheless, the men should show important levels of tax evasion. The tendency of the men for the evasion of taxes is explained by several factors as the social differences. The authors consider that the gender is responsible of the orientation of female and male concepts. Mhamid et al., (2010) argue that diversity on the board of directors boost performance. In the context of tax planning, Aliani et al., (2011) were the first who introduce the issue of gender diversity and female values in Tunisia fiscal context. They conclude that the presence of women holds back the tax planning strategy within the firm.”

2.4.2 Ethnicity And Tax Compliance

“Ethnic Diversity and Tax Compliance There are increasing number of studies suggesting the importance of understanding the degree of ethnic fractionalization, as it influences taxpaying compliance in a society (Kimenyi, 2003; Lassen, 2003). Ethnicity is a concept used to indicate the relationship existing between groups who consider themselves different from others and who are also seen by others as culturally different (Ackren, 2009). A society may be ethnically homogeneous or heterogeneous. A society whose citizens are members of the same ethnic group

is an ethnically homogeneous society while a society having more than one ethnic group is referred to as an ethnically heterogeneous society. Kimenyi (2003) stated that a society that is a highly heterogeneous ethnically is prone to high degree of mistrust, which has a tendency to retard economic” progress. Ethnicity exhibits the cultural heritage of people and it is commonly believed to express cultural differences (Eriksen, 2002). Hofstede (1980) developed four dimensions of describing cultural differences among people: power distance, individualism, uncertainty avoidance and masculinity.

“The power distance dimension concerns the degree of equality or inequality among the individuals of a country. A country with inequality in power and wealth distribution is considered to be a high power distance country while a country that creates opportunities that narrow differences among its people in power and wealth distribution is a low ranked power distance country. The second dimension is individualism, which describes the extent to which a country supports the individual or collective achievement and interpersonal relationships among its citizens. A country where individualistic and individual rights are dominant is referred to as a high individualism country. However, a country that is more collective in nature, with closes ties between individuals and reinforces extended families and collection, making everyone take responsibility for the other members of their group is called a low individualism ranked country. Uncertainty avoidance is the cultural dimension concerning the degree to which a country is tolerant of uncertainty and ambiguity. A country ranked as high uncertainty avoidance is a country that has a low tolerance for uncertainty and ambiguity, which will create a rule oriented country in which laws, rules and regulations are needed to reduce uncertainty. However, a country with a high tolerance for uncertainty and ambiguity is regarded as a low uncertainty

avoidance country and such country is less rule oriented, more ready to accept changes and takes greater risk.

The last dimension is masculinity. This is concerned with how social roles are allocated within a country. A country with high masculinity ranking is a country that places more emphasis on achieving heroism, assertiveness, and material success while a country with low ranking is a country that places more importance on relationships, modesty, quality of life and caring for the poor (Hofstede, 1980). However, Chan et al. (2000) and Chau and Leung (2009) stated that of the four dimensions, individualism is more relevant in understanding the differences in taxpayers' compliance behaviour. On this account, Chan et al. (2000) argued that the obligation to pay tax is seen as an individualistic interest in the legal sense. However, is there a link between ethnicity and culture and tax compliance behaviour? According to Chan et al. (2000), cultural differences have a direct effect on individual taxpayer's compliance behaviour. Chau and Leung (2009) considered culture as a powerful environmental factor that influences taxpayer's compliance behaviour. Lewis, Carrera, Cullis and Jones (2009) also said that the taxpayer's compliance behaviour is different as a result of a variation in ethnicity. Tsakumis, Curatola and Porcano (2007) also pointed out that the study of ethnic culture might contribute to furthering the understanding of taxpayer compliance behaviour. Furthermore, some scholars have suggested that there is a link between ethnic fragmentation and noncompliance behaviour." Studies have shown that the level of tax compliance may be affected by the degree of trust existing in a society (Kimenyi, 2003; Lassen, 2003; Scholz & Lubell, 1998; Torgler, 2003).

"It is also stated that the degree of the level of trust in a society depends on the degree of ethnic polarization and diversity of the society (Kimenyi, 2003; Lassen, 2003; Mbatia, Bikuru & Ndertu, 2009; Zerfu, Zikhali & Kabenga, 2009). This suggests that ethnic diversity may explain the

variation in the level of compliance behaviour of taxpayers in a multi-ethnic society and, therefore, a society with ethnic fragmentation is likely to experience a low degree of trust among its people and, similarly, a lower level of taxpayers' compliance (Kimenyi, 2003). Lassen (2003) also pointed out that apart from trust, ethnic diversity could also affect tax compliance through social sanction or norms since ethnic group may be a source of social sanction. Roth, Scholz and Dry-Witte (1989) concurred with the argument of Lassen (2003) and said that social sanction or norms from an ethnic group, which is against noncompliance, may help improve compliance.

However, Okediji (2005) has argued that ethical diversity should include social factors like religion because certain ethnic groups are identifiable with a particular religion, for instance, a proportion of Yoruba in Nigeria are known to be traditional religious believers while others are either Muslim or Christian. Moreover, McGee (1996) has stressed the need to study religion for an understanding of certain religious beliefs regarding tax payment because according to him other religions may deny the obligation of tax payment under certain circumstances, such as a government engaging in activities regarded as illegitimate. However, the study of Torgler (2003 & 2006) reported that in a country where the attendance of religious worship places is high there is significant tax compliance. Overall, empirical studies have reported that differences in tax compliance across countries are as a result of differences in ethnicity and culture. In the early studies, Song and Yarbrough (1978) discovered marginal difference between blacks and whites in tax compliance, while the study of Aitken and Bonneville (1980) reported that more blacks than whites were less compliant.”

“In a cross-country study, Chan et al. (2000) explored the effect of differences in ethnic background between the US and Hong Kong in the context of taxpayer compliance behaviour. The study noted significant differences between US taxpayers and Hong Kong taxpayers in

respect of moral development and attitude towards the tax system, and, in sum, US taxpayers were more compliant than Hong Kong taxpayers. In a similar study between two African countries - Botswana and South Africa - and the US, Cummings, Martinez-Vazquez, Mckee and Torgler (2006) observed that differences in the compliance level between the US and the two African countries are due to differences in ethnic background. A similar result was reported by Lewis, Carrera, Cullis and Jones (2009) who investigated the effect of cultural differences on tax compliance between the UK and Italy. Coleman and Freeman (2002) also indicated that differences in ethnicity have considerable influence on tax compliance behaviour in Australia. Similarly, Lassen (2003) reported that ethnic diversity decreases tax compliance through a reduction in the level of trust among taxpayers.

The result of Manaf et al. (2005) revealed that there is a difference in the tax compliance attitude of major ethnic groups of Malaysia while Kasipillai and Jabbar (2006) found no difference in tax compliance behaviour and attitude of the ethnic groups in Malaysia. Within an ethnically diverse country such as Nigeria, the variation in tax compliance behaviour of taxpayers from different ethnic groups may not be ignored. Nigeria is a multi-cultural country characterized with high ethnic polarization. The country has among its approximately 158 million people, 250 ethnic groups speaking about 500 indigenous languages. The ethnic groups are divided into ethnic majorities and minorities. The major ethnic groups are the Hausa/Fulani (29%), Yoruba (21%) and Igbo (18%) while ethnic minorities (32%) are made up of northern minorities and southern minorities³ (Wolffram Alpha, 2010). For religion, most Nigerians are either Muslim or Christian while a few are of traditional belief. However, Lewis (2007) indicated that most Nigerians would like to be identified with their race”

2.5 THEORETICAL FRAME WORK

Voluntary tax compliance is actually not easy especially in a developing country like Nigeria where corruption and misappropriation of public fund seem to be prevalent. Given the chance, a lot of businesses will not pay taxes unless there is a motivation to do so (Atawodi&Ojeka, 2012). Atawodi and Ojeka (2012), broadly classified tax compliance theory into two which they called **economics based theories** and **psychology based theories**.

2.4.1.1 Economic Based Theories

“This Philip (n.d.) and Doran (2009) called the **deterrence theory**. The theory suggests that taxpayers are amoral utility maximizers- they are influenced by economic motives such as profit maximization and probability of detection. It assumes that taxpayers inherently wish to pay no tax liability and are “deterred” from doing so solely by the risk of audit, detection, and penalty. As such they analyze alternative compliance paths for instance whether or not to evade tax, the likelihood of being detected and the resulting repercussions and then select the alternative that maximizes their expected after tax returns after adjusting for risk. Therefore according to the theory, in order to improve compliance, audits and penalties for non-compliance should be increased.

2.5.2 Psychology Theories

This Doran (2009) called **norms model** while Philips (n.d.) termed it **behavioural paradigm**. It posit that taxpayers are influenced to comply with their tax obligations by psychological factors. Such factors include (but are not limited to) guilt, adherence to social norms, or overestimation of actual audit and penalty rates. The theories suggest that a taxpayer may comply even when the probability of detection is low. As opposed to the economic theories that emphasize increased

audits and penalties as solutions to compliance issues, psychology theories lay emphasis on changing individual attitudes towards tax systems.”

CHAPTER THREE

METHODOLOGY

3.1 INTRODUCTION

This chapter gives an overview of the procedures undertaken to generate data for this study that focused on gender, ethnicity difference, and tax compliance among self-employed in Nigeria. Section 3.2 will dwell on the research design, 3.3 takes into account the population of the study, 3.4 Focus on the sample of the study and 3.5 dwells on the research instrument.

3.2 RESEARCH DESIGN

The research design refers to the logical model of proof that allows the researcher to draw inference concerning relationships among the variable under investigation. In order to make the findings of this study explicit the survey method was employed.

3.4 THE POPULATION

The populations of this study entail all the individual taxpayers in the southern part of Nigeria. For this study it comprises of private entities engaging in the service industry. There are thirty six states which include one federal capital territory in Nigeria, however for the purpose of this study Edo state was considered.

3.5 THE SAMPLE

The sampling procedure adopted here is random sampling within a target population. Taxpayers were randomly selected from different private entities operating in the state. To enhance good data collection a sample of one hundred (100) respondents were used in the study.

3.6 THE RESEARCH INSTRUMENT

The main instrument used for this collection of data in this study is questionnaire. According to Churchill (1979) no survey can be better than its questionnaire no matter how sufficient the sample design or sophisticated the analysis may be, in order to elicit the required information from respondents conveniently. The questionnaires are prepared in English and it's divided into two parts. Part one is concerned with demographic background information such as age, gender, marital status, education level, occupation etc while part two is designed to obtain the subject or core matter.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 INTRODUCTION

The main aim of this study is to investigate gender and ethnicity difference on tax compliance in Nigeria. As mentioned in the previous chapter the regression analysis –using the ordinary least square regression technique is employed to evaluate the postulates of the working hypotheses of the study. In order to present a robust investigation and analysis of the study, data was obtained from respondent that filled the questionnaire the statistical package for social science (SPSS 24.0) software is used for the analyzing the variables. The result is presented below.

4.2 DESCRIPTIVE STATISTICS FOR GENDER

		Gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	female	39	44.8	47.0	47.0
	male	44	50.6	53.0	100.0
	Total	83	95.4	100.0	
Missing	System	4	4.6		
Total		87	100.0		

Source:SPSS 24.0

The table above shows the descriptive statistics form the variables with respect to their gender. From the result of the table above 39% of the respondent were female while the remaining 44%

of the respondent were male. This therefore indicates that on the average a larger proportion of responses from respondent were from the male gender class.

DESCRIPTIVE STATISTICS FOR MARITAL STATUS

Marital status					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	62	71.3	74.7	74.7
	Married	7	8.0	8.4	83.1
	Others	13	14.9	15.7	98.8
	4	1	1.1	1.2	100.0
	Total	83	95.4	100.0	
Missing	System	4	4.6		
Total		87	100.0		

Source:SPSS 24.0

With respect to the marital status of respondent 62 percent of the respondent were found to be single, 7% were married while the reaming 13% were found to belong to other category. This implies that on the average the single respondents outweigh all other category of respondents.

DESCRIPTIVE STATISTICS FOR EDUCATION

Education					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	ND/NCE	12	13.8	14.5	14.5

Bsc./ HND	43	49.4	51.8	66.3
Msc/MBA	9	10.3	10.8	77.1
Others	19	21.8	22.9	100.0
Total	83	95.4	100.0	
Missing System	4	4.6		
Total	87	100.0		

Source:SPSS 24.0

With respect to the educational qualification of the respondent it was observed that 14% of the respondent is ND/ NCE holders, 49% of them are Bsc/HND holders 10% of them are Msc/MBA holders while the remaining 21% hold degrees in other education level

REGRESSION ANALYSIS

Dependent Variable: TAX Com

Method: Least Squares

Date: 01/31/23 Time: 03:40

Sample (adjusted): 1 83

Included observations: 83 after adjustments

White heteroskedasticity-consistent standard errors & covariance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
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GEN	-0.106369	0.155192	-0.685404	0.4951
ETHN	0.433509	0.123876	3.499525	0.0008
Tax AWN	0.232142	0.118843	1.953349	0.0543
C	1.383412	0.239439	5.777728	0.0000
R-squared	0.464051	Mean dependent var		2.759036
Adjusted R-squared	0.443698	S.D. dependent var		0.770656
S.E. of regression	0.574799	Akaike info criterion		1.777400
Sum squared resid	26.10112	Schwarz criterion		1.893971
Log likelihood	-69.76210	Hannan-Quinn criter.		1.824232
F-statistic	22.80067	Durbin-Watson stat		1.991052
Prob(F-statistic)	0.000000	Wald F-statistic		18.76271
Prob(Wald F-statistic)	0.000000			

Source: Eviews 8.0

The table above represents the regression carried out using the ordinary least square and the White heteroskedasticity-consistent standard errors & covariance degree of freedom corrector to correct for possible heteroskedasticity that might exist in the model. From the result presented in the table above it was observed that Gender difference was found to have a negative relationship with tax compliance. This therefore implies that a unit change in gender difference will lead to a 10% unit decrease in the tax compliance. It was however not found to be statistically significant when measured at 5% level of significance. Ethnicity was found to impact positively on tax compliance. This invariably implies that on the average a unit change in tribal difference

will lead to a 43% unit increase on the level of tax compliance. It was also found to be statistically significant when tested at 5% level of significance. This implies that good communication skills improve the level of efficiency of internal audit in an organization. The last variable which is tax awareness was found to have a positive impact on the tax compliance among the self-employed. This therefore implies that on the average a unit increase in the level of tax awareness will lead to a 23% unit increase in the level of tax compliance among individual tax payers. It was also found to be statistically significant when measured at 5% level of significance. This therefore indicates that tax awareness is a vital aid to improve the efficiency of internal audit.

Furthermore, an examination of the summary statistics indicates that the coefficient of determination depicted as R^2 stood at a value of 46% therefore indicating that the model account for 46 % of the systematic variation exhibited by the dependent variable (tax compliance) while the remaining 54% left unaccounted for is been captured by the stochastic error term. The Fstat which shows the overall significant of the model stood at a value of 22.8 with a probability value of 0.00 this therefore indicates that the model is jointly highly statistically significant. Finally the Durbin Watson statistics which account for the presence of autocorrelation stood at a value of 1.9 indicating that the presence of autocorrelation does not exist in the model

DIAGNOSTIC TEST

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.024761	Prob. F(3,79)	0.9947
Obs*R-squared	0.077972	Prob. Chi-Square(3)	0.9943
Scaled explained SS	0.069938	Prob. Chi-Square(3)	0.9952

Source: Eviews 8.0

In recognition of the fact that the problem of heteroscedasticity is mostly encountered in cross sectional data, the Breusch Pagan Godfrey test was performed on the residuals as a precaution. The result showed probabilities in excess of 0.05 which leads us to reject the presence of heteroscedasticity in the residuals.

Test Multicollinearity

Variance Inflation Factors

Date: 01/31/23 Time: 03:53

Sample: 1 84

Included observations: 83

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
ETHN	0.024085	42.35110	3.111641
GEN	0.015345	24.61760	2.889805

TAXAWN	0.014124	28.36028	2.525048
C	0.057331	14.42487	NA

Source: Eviews 8.0

The variance inflation factor (VIF) is used to test the presence of multicollinearity, and going by the VIF value which is below 10 as a rule of thumb indicates there is no multicollinearity in the variables used for the study.

RELIABILITY TEST

		N	%
Cases	Valid	79	90.8
	Excluded ^a	8	9.2
	Total	87	100.0

a. Listwise deletion based on all variables in the procedure.

Source: SPSS 24.0

This is the estimate of the internal consistency associated with the scores that could be derived from a scale or composite score associated with the score that could be derived. The variability in a composite score by combining the four items implies that 64% of the variance in the score is considered a true score variance or internally consistent score variance.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The objective of the study was to examine gender and ethnicity on tax compliance in Nigeria. In achieving this, one hundred questionnaire were distributed and the responses were analyzed using multiple regressions to check for the existence of relationships between the variables. The chapter concludes on the findings of the study and highlights salient policy recommendations and recommendations for future studies.

5.2 SUMMARY OF FINDINGS

The Following entail the findings of the study:

1. It was observed that gender was found to have a negative relationship with tax compliance. This findings is consistent with but it's at variance with the findings of
2. Ethnicity was found to impact positively on the level of tax compliance. The finding is consistent with but at variance with other studies which report that a negative association exist between ethnicity and tax compliance.
3. Tax awareness was found to have a positive impact on tax compliance. This findings is at variance with the findings of

5.3 CONCLUSION

Based on the analysis so far we therefore examine the impact of this variable on the working hypothesis.

1. The hypothesis that states that gender has a negative impact on tax compliance was found to be true due to the fact that it was observed that ethnicity was found

to have a negative relationship with tax compliance. The null hypothesis was therefore accepted in and the alternative rejected.

2. Ethnicity was found to impact positively on the level of tax compliance. This lead to the rejection of the null hypothesis and acceptance of the alternative.
3. Tax awareness was found to have a positive impact on the level of tax compliance. This lead to the rejection of the null hypothesis and acceptance of the alternative.

5.4 RECOMMENDATION

1. It was observed that gender exhibited a negative relationship with tax compliance.
2. Ethnicity was found to impact positively on tax compliance. This implies that good. It will be of almost importance if management could ensure that proper communication is established in their organization so as to avoid information asymmetry
3. Tax awareness was found to have a positive impact on tax compliance. It will therefore be of interest to the tax authorities to explore available means to educate the tax payers on the need and importance of payment in the society.
4. Effort should be made at sensitizing the citizens on the tax systems, the seriousness of tax evasion and impending penalties if they evade tax.

5.5 RECOMMENDATION FOR FURTHER STUDIES

As a recommendation for further studies it will be of interest to future researchers to expand this study by increasing the sample size and also concentrate on other parametric measures for tax compliance

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APPENDIX

SECTION A: BIO-DATA

Only tick ✓/ as appropriate

Sex: Male { } Female { }

Marital Status: Married { } Single { } others { }

Age group: 21-30 { } 31-40 { } 41- 50 { } 51 & above { }

Educational Qualification: ND/NCE { } BSC /HND { } M.Sc/MBA { } Others { }

SECTION B:

Only tick ✓/ as appropriate

KEY: SA = Strongly Agree, A = Agree, U = Undecided, D = Disagree, SA = Strongly Disagree

	TAX COMPLIANCE	SA	A	U	D	SD
1	Citizens will comply with tax laws when there is commensurate benefit					
2	It is the duty of the Government to ensure compliance with the relevant tax laws					
3	The rate of tax evasion and avoidance in Nigeria is on the increase					
4	Having an effective tax administrative system does not ensure tax compliance					
5	Adequate compliance with relevant tax laws will reduce the level of tax evasion					

	Gender and Tax compliance	SA	A	U	D	SD
6	Most male tax payers are vibrant so they are able to generate more income to meet their short term obligations					
7	Female tax payer engage in resource and capacity building so therefore they comply better with tax authorities					
8	The gender of a tax payer has nothing to do with the level of compliance					
9	Female tax payer exhibit a better working relationship which make them perform better and increase their level of tax compliance					
10	Gender has an intrinsic role to play when it comes to the level of tax compliance					

	Ethnicity and Tax compliance	SA	A	U	D	SD
11	Individual of different culture have their various level of tax compliance					
12	Christians have a strong level of tax compliance					
13	Muslims are more sincere in there payment of tax compared to all other religion					
14	Most individual who are neck deep into tradition have the tendency of not complying with some laid down rules concerning tax payment					
15	Cultural values affect the level of tax compliance					

	TAX AWARENESS	SA	A	U	D	SD
16	Majority of the public are not aware of the tax they ought to pay					
17	There is not enough tax courses in the educational curriculum					
18	Formal education does not contribute to tax awareness					
19	Period for the remittance of tax payment is seen to be too short by taxpayers					
20	When there is no clarity about the type of expense whether is allowable or not there is tendency to claim a deduction					

Appendix 2: Regression result

Dependent Variable: TAX Com

Method: Least Squares

Date: Date: 01/31/23 Time: 03:40

Sample (adjusted): 1 83

Included observations: 83 after adjustments

White heteroskedasticity-consistent standard errors & covariance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GEN	-0.106369	0.155192	-0.685404	0.4951
ETHN	0.433509	0.123876	3.499525	0.0008
Tax AWN	0.232142	0.118843	1.953349	0.0543

C	1.383412	0.239439	5.777728	0.0000
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R-squared	0.464051	Mean dependent var	2.759036
Adjusted R-squared	0.443698	S.D. dependent var	0.770656
S.E. of regression	0.574799	Akaike info criterion	1.777400
Sum squared resid	26.10112	Schwarz criterion	1.893971
Log likelihood	-69.76210	Hannan-Quinn criter.	1.824232
F-statistic	22.80067	Durbin-Watson stat	1.991052
Prob(F-statistic)	0.000000	Wald F-statistic	18.76271
Prob(Wald F-statistic)	0.000000		

Source: Eviews 8.0

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.024761	Prob. F(3,79)	0.9947
Obs*R-squared	0.077972	Prob. Chi-Square(3)	0.9943
Scaled explained SS	0.069938	Prob. Chi-Square(3)	0.9952

Source: Eviews 8.0

Test Multicollinearity

Variance Inflation Factors

Date: 01/31/23 Time: 03:53

Sample: 1 84

Included observations: 83

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
ETHN	0.024085	42.35110	3.111641
GEN	0.015345	24.61760	2.889805
TAXAWN	0.014124	28.36028	2.525048
C	0.057331	14.42487	NA

Source: Eviews 8.0

RELIABILITY TEST

		N	%
Cases	Valid	79	90.8
	Excluded ^a	8	9.2
	Total	87	100.0

a. Listwise deletion based on all variables in the procedure.

Source: SPSS 24.0







