

TAX EVASION AND ITS IMPLICATIONS ON PUBLIC FINANCE



BY

ABIODUN FUNMILAYO MARY

MGS2104478

DEPARTMENT OF ACCOUNTING

FACULTY OF MANAGEMENT SCIENCES

UNIVERSITY OF BENIN

BENIN CITY.

NOVEMBER, 2025.

TAX EVASION AND ITS IMPLICATIONS ON PUBLIC FINANCE

ABIODUN FUNMILAYO MARY

MGS2104478

**BEING A PROJECT WORK SUBMITTED TO THE DEPARTMENT OF
ACCOUNTING, FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF
BENIN, BENIN CITY. IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE AWARD OF THE BACHELOR OF SCIENCE (B.SC.) DEGREE IN
ACCOUNTING**

NOVEMBER, 2025.

DECLARATION

I, **Abiodun Funmilayo Mary** 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 **Dr. Osasu Obaretin** of the Department of Accounting, Management Sciences, University of Benin, Benin City, Nigeria.
- ii. This work has not been 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 alone

Abiodun Funmilayo Mary

DATE

MGS2104478

CERTIFICATION

We, certify that this research project was carried out by **Abiodun Funmilayo Mary** in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, Nigeria. It is adequate in scope and quality in partial fulfilment of the requirements for the award of Bachelor of Science (BSc.) degree in Accounting.

Dr. Osasu Obaretin

(Project Supervisor)

Date

Dr. Ikhu-Omoregbe G. O

(Project Coordinator)

Date

Prof. O. Obaretin

(Head of Department)

Date

DEDICATION

This project work is dedicated to God Almighty for His abundant grace in my life and for seeing me through my academic pursuit and aspirations. He has been my source of strength and on his wings only I have soared. I also want to dedicate this project to my Family and friends for the love and encouragement they have shown towards me during the course of this program, all I can say is thank you and God bless you.

ABSTRACT

This study examined the relationship between tax evasion, government revenue generation, and public service delivery in Nigeria, with a particular focus on identifying the underlying causes of tax evasion and its implications for fiscal sustainability. The research employed a quantitative survey design, and data were collected through structured questionnaires administered to individuals, business owners, and government officials in Benin City, Edo State. A total of 360 valid responses were analyzed using descriptive and inferential statistics, including multiple regression analysis.

The findings revealed that tax evasion in Nigeria is significantly influenced by corruption among tax officials, weak enforcement mechanisms, multiple taxation, and lack of public trust in government. The results further showed that tax evasion has a statistically significant negative effect on government revenue generation and public service delivery. Specifically, the study established that reduced tax compliance limits the government's ability to finance critical infrastructure, social programs, and public welfare initiatives, thereby perpetuating economic underdevelopment and fiscal instability.

The study concluded that addressing tax evasion requires strengthening tax administration systems, ensuring transparency and accountability in public finance management, simplifying tax procedures, and enhancing taxpayer education. It also recommended that government agencies adopt modern technological innovations such as digital tax filing and electronic monitoring systems to minimize leakages and promote voluntary compliance.

The study contributes to the growing body of literature on fiscal governance by highlighting the crucial link between taxpayer behavior, revenue mobilization, and service delivery effectiveness in developing economies. By addressing the systemic causes of tax evasion, Nigeria can improve its revenue base, enhance public trust, and achieve sustainable economic growth.

Keywords: *Tax Evasion, Government Revenue, Public Service Delivery, Fiscal Planning, Tax Compliance, Nigeria*

TABLE OF CONTENT

DECLARATION	iii
CERTIFICATION	iv
DEDICATION	v
ABSTRACT	vi
TABLE OF CONTENT	vii
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background to the Study	1
1.2 Statement of the Problem	4
1.3 Research Questions	6
1.4 Objectives of the Study	7
1.5 Research Hypotheses	7
1.6 Scope of the Study	8
1.7 Significance of the Study	8
1.8 Limitations of the Study	10
1.9 Definition of Terms	10

CHAPTER TWO	11
LITERATURE REVIEW	11
2.1 Introduction	11
2.2 Conceptual Review	11
2.2.1 Concept of Taxation	11
2.2.2 Concept of Tax Evasion	14
2.2.3 Causes of Tax Evasion in Nigeria	16
2.2.4 Implications of Tax Evasion for Public Finance	18
2.2.5 Public Finance and Its Importance	20
2.3 Theoretical Framework	22
2.4 Review of Literature on variables	24
2.4.1 Causes of Tax Evasion in Nigeria	24
2.4.2 Impact of Tax Evasion on Government Revenue	25
2.4.3 Consequences of Tax Evasion on Public Service Delivery and Fiscal Planning	26
2.4.4 Effectiveness of Tax Enforcement and Compliance Strategies	27
2.5 Empirical Review	28
2.6 Gap in the Literature	33

2.7 Summary of Literature Reviewed	35
CHAPTER THREE	37
METHODOLOGY	37
3.1 Introduction	37
3.2 Research Design	38
3.3 Population and Sample Size	38
3.4 Instrument for Data Collection	39
3.5 Method of Data Analysis	39
3.6 Model Specification	40
3.7 Operationalization of Variables	41
CHAPTER FOUR DATA PRESENTATION AND ANALYSIS	42
4.1 Introduction	42
4.2 Data Presentation	43
4.3 Demographic Characteristics of Respondents	44
4.4 Public Debt (PD)	47
4.5 Government Revenue (GR)	50
4.6 Public Service Delivery (PSD)	52

4.7 Tax Evasion (TE).....	54
4.5 Discussion of Findings.....	60
CHAPTER FIVE.....	63
SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	63
5.1 Introduction.....	63
5.2 Summary of Findings.....	64
5.3 Conclusion.....	65
5.4 Recommendations.....	66
5.4 Suggestions for Further Studies.....	68
References.....	68
APPENDIX.....	74

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Taxation is a critical component of public finance and a central pillar for the economic viability of any sovereign state. It is the primary mechanism through which governments mobilize internal resources to finance public expenditure, promote income redistribution, and stimulate economic development. Through taxes, the state funds essential public goods and services such as infrastructure, education, healthcare, security, and social welfare (Musgrave & Musgrave, 2017). However, one of the most pressing challenges to the effectiveness of taxation in achieving these objectives is the widespread occurrence of tax evasion—the illegal practice of deliberately misrepresenting or concealing income or information to reduce tax liability.

Tax evasion significantly undermines the equity, efficiency, and effectiveness of a nation's tax system. It diminishes the resources available for public spending, encourages informality, promotes unfairness among taxpayers, and ultimately weakens the legitimacy of state institutions. As Alabede, Ariffin, and Idris (2011) observed, the deliberate evasion of tax obligations by individuals and corporations erodes the capacity of governments to finance critical developmental needs and compromises economic stability.

Globally, the scale of tax evasion is enormous. According to the Global Financial Integrity (GFI, 2021), developing countries lose more than \$200 billion annually to tax evasion through illicit financial flows, base erosion, and profit shifting. In OECD member states, tax evasion and avoidance cost governments an estimated 4-10% of total tax revenues each year (OECD, 2020). The situation is even more dire in sub-Saharan Africa, where weak tax administration, large informal sectors, and institutional corruption exacerbate the problem. The International Monetary Fund (IMF, 2022) estimates that sub-Saharan African countries lose up to 5% of GDP annually to tax-related illicit practices.

In the Nigerian context, tax evasion poses a severe constraint on public finance and economic development. Despite being Africa's largest economy, Nigeria continues to rank poorly in tax performance, with a tax-to-GDP ratio of only 6.1% in 2022, compared to the African average of 16.5% and the global average of 30% (OECD, 2023; FIRS, 2023). This low ratio suggests that a significant proportion of economic activities are not captured within the formal tax net. The Federal Inland Revenue Service (FIRS) reported that as of 2022, only about 41 million Nigerians were registered taxpayers out of an estimated 70 million eligible individuals, and fewer than 10 million pay taxes consistently (PwC Nigeria, 2023).

The implications of this widespread tax evasion are both immediate and long-term. First, it drastically limits government revenue, thereby constraining the funding of social programs and public investments needed to achieve sustainable development. For instance, Nigeria's

annual budget consistently falls short of the resources required to meet its infrastructure, education, and healthcare needs. According to the Budget Office of the Federation (2023), over 60% of Nigeria's national budget in recent years has been funded through borrowing, largely due to low domestic revenue mobilization.

Second, tax evasion distorts economic decisions and introduces inefficiencies. It incentivizes informal operations, discourages fair competition, and penalizes honest taxpayers who bear a disproportionate share of the tax burden. This fosters a vicious cycle of distrust, where compliance diminishes further as citizens perceive the system as unjust (Torgler, 2020).

Third, persistent tax evasion weakens the social contract between the government and the citizens. When individuals and businesses evade taxes without consequence, it erodes confidence in public institutions and diminishes the willingness of others to comply. As Cobham and Janský (2019) argue, the perception of rampant evasion undermines fiscal legitimacy and hinders democratic accountability, particularly in low-income democracies like Nigeria.

Several interrelated factors have contributed to the prevalence of tax evasion in Nigeria. These include weak enforcement of tax laws, corruption within tax authorities, low levels of taxpayer education, the complexity of tax procedures, and the dominance of informal economic activities. According to NBS (2021), the informal sector accounts for over 60% of Nigeria's workforce and contributes more than 50% of GDP, yet remains largely untaxed.

The lack of comprehensive taxpayer databases, poor documentation, and ineffective monitoring further complicate efforts to enforce tax compliance.

In response, Nigerian tax authorities have initiated various reforms aimed at improving tax collection and expanding the tax base. These include the Tax Identification Number (TIN) system, the Voluntary Assets and Income Declaration Scheme (VAIDS), and ongoing digitization efforts by the FIRS and State Boards of Internal Revenue. However, despite these measures, voluntary compliance remains low, and enforcement is often weak or inconsistent (PwC Nigeria, 2023; CITN, 2022).

This research therefore seeks to critically examine the incidence of tax evasion and assess its implications for public finance in Nigeria. By identifying the root causes and analysing the economic and fiscal consequences, the study aims to contribute to the ongoing policy discourse on how to strengthen Nigeria's tax system and promote sustainable public finance.

1.2 Statement of the Problem

Taxation remains a cornerstone of national development, enabling governments to generate revenue needed to fund infrastructure, social services, and economic programs. However, in Nigeria, the persistent challenge of tax evasion continues to erode the effectiveness of public finance. With a tax-to-GDP ratio of approximately 6.1% as of 2022, significantly below the African average of 16.5% and the global benchmark of 30% (OECD, 2023), Nigeria's capacity to mobilize domestic resources remains constrained. Despite ongoing reforms and

digitization efforts, the country continues to experience revenue shortfalls, underfunded public services, and an overreliance on oil revenues, which are subject to international price volatility.

Several scholars have examined aspects of tax evasion in Nigeria. For instance, Alabede, Ariffin, and Idris (2011) argued that weak tax morale and ineffective tax administration significantly contribute to non-compliance among Nigerian taxpayers. Their work focused primarily on the behavioral aspects of tax evasion but did not link these issues directly to broader fiscal outcomes such as public service delivery or infrastructure financing.

Similarly, Okoye and Gbegi (2013) emphasized that corruption within the tax administration and a lack of transparency in government spending discourage taxpayers from fulfilling their obligations. While their study provides valuable insights into institutional inefficiencies, it did not comprehensively explore how such evasion patterns cumulatively impact Nigeria's macroeconomic stability and public finance strategy.

In another study, Uadiale, Fagbemi, and Ogunleye (2010) investigated corporate tax evasion in Nigeria and highlighted how aggressive tax planning by firms limits government revenue. Although their research shed light on the practices of the corporate sector, it narrowly focused on firm-level tax behavior without examining the aggregate consequences for government budgeting, infrastructure deficits, or social welfare funding.

The gap in these studies lies in the limited integration of micro-level tax evasion behavior with macro-level fiscal outcomes. Few studies have empirically analyzed how widespread tax evasion both by individuals and corporations—translates into reduced revenue performance, constrained budgetary capacity, and impaired public service delivery.

This research seeks to fill that gap by providing a more holistic analysis of tax evasion in Nigeria, assessing not only its root causes and behavioral drivers but also its implications for public finance. By doing so, the study aims to contribute to policy design and tax reform efforts that are grounded in both economic realities and administrative feasibility. Specifically, the research will link tax evasion patterns to their fiscal consequences, providing actionable insights for strengthening Nigeria's revenue base and achieving sustainable development goals.

1.3 Research Questions

To achieve the stated objectives, the following research questions will guide the study:

1. What are the primary factors contributing to tax evasion in Nigeria?
2. In what ways does tax evasion affect government revenue generation?
3. How does tax evasion influence the quality of public service delivery and fiscal management?

1.4 Objectives of the Study

The primary aim of this study is to investigate the implications of tax evasion on public finance in Nigeria. Specifically, the study seeks to:

1. Examine the major causes of tax evasion in Nigeria.
2. Assess the impact of tax evasion on government revenue generation.
3. Evaluate the consequences of tax evasion on public service delivery and fiscal planning.

1.5 Research Hypotheses

The following hypotheses will be tested in the course of the study:

- H1: There is no significant relationship between identified causes and the prevalence of tax evasion in Nigeria.
- H2: Tax evasion has no significant effect on government revenue generation in Nigeria.
- H3: Tax evasion does not significantly impact public service delivery and fiscal planning.

1.6 Scope of the Study

This study focuses on tax evasion and its implications for public finance in Nigeria, with specific attention to how it affects government revenue generation and public expenditure. The investigation will cover different forms of tax evasion, including personal income tax, corporate tax, and Value Added Tax (VAT).

The research will rely exclusively on primary data, which will be obtained through the administration of structured questionnaires to selected respondents. These respondents will include individual taxpayers, business owners, and officials from tax-related agencies. The study will also examine the influence of enforcement strategies, institutional weaknesses, and taxpayer attitudes on the prevalence of tax evasion in Nigeria.

1.7 Significance of the Study

This study is significant for several reasons, each of which highlights its academic, policy, and practical relevance:

Empirical Contribution to Knowledge: The study provides empirical evidence on the relationship between tax evasion and public finance in Nigeria. By quantifying the impact of tax evasion on revenue mobilization and fiscal capacity, the research offers concrete data that can guide evidence-based policy formulation and reform efforts.

Identification of Systemic Challenges: It exposes the structural and institutional weaknesses in Nigeria's tax system, such as poor enforcement, limited taxpayer education, low tax morale, and the dominance of informal sector activities. Understanding these challenges is crucial for developing strategic tax reforms that are both effective and sustainable.

Policy Relevance to Tax Authorities: Government agencies like the Federal Inland Revenue Service (FIRS), State Boards of Internal Revenue (SBIR), and the Joint Tax Board (JTB) stand to benefit from the findings. The research helps identify policy gaps and administrative loopholes that facilitate tax evasion, and it offers insights that can improve enforcement mechanisms, compliance strategies, and revenue collection efficiency.

Academic and Research Utility: The study contributes to the growing body of literature on taxation, public finance, and economic development, particularly in sub-Saharan Africa. It will serve as a useful reference for scholars, researchers, and students working on related topics and may stimulate further research into tax compliance behavior and public finance reforms.

Support for Civil Society and Development Partners: Civil society organizations and international development partners such as the World Bank, IMF, OECD, and UNDP will find the study valuable in their advocacy, policy advisory, and fiscal governance support roles. It provides context-specific data that can inform their programs aimed at enhancing transparency, accountability, and sustainable revenue generation.

Contribution to National Development Goals: By addressing issues related to domestic revenue mobilization, the study supports Nigeria’s pursuit of broader national objectives, including the Sustainable Development Goals (SDGs), especially Goal 17, which emphasizes the importance of strengthening domestic resource mobilization to reduce reliance on foreign aid and borrowing.

1.8 Limitations of the Study

This research may be limited by the availability and reliability of tax data, especially given the informal nature of many economic activities in Nigeria. Respondents may also be unwilling to disclose accurate information due to the sensitive nature of tax matters. Moreover, while the study aims to provide a national overview, it may not capture regional variations in tax compliance behaviour.

1.9 Definition of Terms

- **Tax Evasion:** The illegal act of deliberately avoiding paying taxes by underreporting income, inflating deductions, or hiding money.
- **Public Finance:** The management of a country’s revenue, expenditure, and debt load through various government and quasi-government institutions.
- **Tax Compliance:** The extent to which taxpayers obey tax laws and regulations by declaring income and paying taxes accordingly.

- **Fiscal Sustainability:** The ability of a government to maintain current spending policies and service public debt without resorting to excessive borrowing or default.
- **Tax-to-GDP Ratio:** A measure of a country's tax revenue relative to its Gross Domestic Product, used to assess tax performance.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews existing literature relevant to the study on tax evasion and its implications for public finance in Nigeria. It discusses the conceptual framework, theoretical framework, and empirical review of related studies. The aim is to provide a comprehensive understanding of tax evasion, the factors that drive it, and its consequences for public finance, while also identifying research gaps that this study seeks to address.

2.2 Conceptual Review

2.2.1 Concept of Taxation

Taxation is broadly regarded as a compulsory levy imposed by a government on individuals, households, and corporate entities for the purpose of generating revenue to finance public

expenditure and maintain economic stability (Musgrave & Musgrave, 2017). It is not a voluntary payment or donation but a legal obligation backed by law, where taxpayers are required to contribute a portion of their income, profit, or consumption towards the collective needs of society.

The primary purpose of taxation is to provide governments with the resources necessary to finance infrastructure development, healthcare services, education, national security, and other essential public goods and services (Bird & Zolt, 2023). In developing countries such as Nigeria, taxation plays a particularly critical role in bridging the gap between limited domestic savings and the huge demand for public investment, thereby reducing over-reliance on external borrowing and natural resource revenues.

Beyond revenue generation, taxation serves as a powerful tool for income redistribution and the promotion of social equity. Progressive tax systems, for instance, ensure that individuals with higher incomes contribute a larger share of their earnings to government coffers, thereby reducing inequality (OECD, 2022). Similarly, indirect taxes such as value-added tax (VAT) have significant implications for consumption patterns, as they can influence demand for goods and services through price effects (Keen, Mullins & Perry, 2021).

Furthermore, taxation is also used as a mechanism for economic stabilization and regulation. Governments often adjust tax policies to control inflation, attract investment, and stimulate growth in specific sectors. For instance, tax incentives such as reduced corporate tax rates,

pioneer status grants, and investment allowances are frequently used to encourage private sector participation in industrialization and innovation (IMF, 2023). On the other hand, “sin taxes” on goods like alcohol, tobacco, and carbon emissions are used as corrective instruments to discourage harmful consumption and promote environmental sustainability (World Bank, 2023).

In the Nigerian context, taxation is constitutionally mandated, with the Federal Inland Revenue Service (FIRS) and State Boards of Internal Revenue responsible for tax collection and administration. However, the system continues to face significant challenges such as widespread tax evasion, weak enforcement, a narrow tax base, and inadequate taxpayer education (Okafor & Eze, 2022). These challenges undermine the ability of taxation to achieve its objectives of financing development and ensuring equitable distribution of resources.

Thus, taxation is not merely a fiscal tool but also a socio-economic instrument that shapes the relationship between the state and its citizens. A well-structured tax system promotes transparency, accountability, and sustainable public finance, while weak or inefficient systems often breed corruption, discourage compliance, and deepen fiscal deficits (Adeosun & Olatunji, 2023).

2.2.2 Concept of Tax Evasion

Tax evasion is the deliberate and illegal practice by taxpayers to reduce, understate, or entirely avoid their tax obligations. It involves fraudulent activities such as underreporting income, overstating expenses or deductions, falsifying financial records, and concealing taxable assets (Torgler, 2020). Unlike tax avoidance, which refers to the legal exploitation of ambiguities and loopholes in tax legislation to minimize tax liability, tax evasion is explicitly unlawful and punishable under tax laws and criminal codes (OECD, 2021).

The concept of tax evasion is not new but has become more pronounced in developing countries where weak institutions, poor tax enforcement mechanisms, and lack of transparency in public spending erode taxpayer confidence (Asongu, Uduji & Okolo-Obasi, 2022). When citizens perceive that tax revenues are mismanaged or diverted through corruption, their willingness to comply with tax laws diminishes, thereby creating a vicious cycle of non-compliance and revenue shortfall (IMF, 2022).

In Nigeria, tax evasion has become a persistent challenge, particularly because of the large informal sector, which contributes over 50% of Gross Domestic Product (GDP) and employs more than 60% of the labor force (National Bureau of Statistics [NBS], 2021). Many operators in the informal economy, such as small traders, artisans, and micro-businesses, evade taxes either due to lack of awareness, inadequate record-keeping, or deliberate non-

compliance. The widespread use of cash transactions also makes monitoring and enforcement more difficult (FIRS, 2023).

Moreover, multinational corporations are also implicated in tax evasion through practices such as transfer pricing manipulation, profit shifting, and base erosion strategies, which deprive Nigeria of significant revenue (ActionAid, 2022). These practices further highlight the global dimension of tax evasion, which often requires international cooperation and stronger regulatory frameworks to address.

The implications of tax evasion for public finance are far-reaching. It reduces the revenue base available for government expenditure, thereby constraining the ability of the state to provide essential public goods such as healthcare, education, and infrastructure. It also exacerbates inequality, as the tax burden shifts disproportionately to compliant taxpayers, often those in the formal sector, while evaders continue to benefit from public services without contributing to their financing (Bird & Zolt, 2023).

Thus, tax evasion represents not only a legal violation but also a socio-economic problem that undermines the social contract between citizens and the state. Addressing it requires a combination of stronger enforcement mechanisms, taxpayer education, institutional reforms, and the promotion of trust in governance and fiscal transparency (World Bank, 2023).

2.2.3 Causes of Tax Evasion in Nigeria

Tax evasion in Nigeria has remained a pervasive challenge, undermining revenue generation and the effectiveness of public finance. Scholars and policy experts have identified a variety of structural, institutional, and socio-economic factors that explain the persistence of the problem.

1. Weak Enforcement of Tax Laws

Despite the existence of a robust legal framework, enforcement mechanisms remain inadequate, leading to low deterrence for tax evaders. Many individuals and firms evade taxes without facing significant penalties due to weak monitoring systems and insufficient technological integration in tax administration (Okoye & Ezejiofor, 2022). The absence of stringent enforcement emboldens taxpayers to underreport or completely avoid taxes, especially in sectors that are difficult to regulate.

2. Corruption within Tax Authorities

Instances of bribery, extortion, and collusion between tax officials and taxpayers significantly undermine compliance. Some tax administrators accept bribes to reduce taxpayers' liabilities, while others divert collected revenues for personal gain, thereby weakening institutional trust (Akinyomi & Tasié, 2022). Such practices discourage honest taxpayers and foster a culture of non-compliance.

3. Low Tax Morale

Tax morale refers to the intrinsic motivation of citizens to pay taxes. Studies reveal that Nigerians often perceive little or no benefit from paying taxes due to corruption, poor governance, and lack of accountability in public spending (Adeosun & Olatunji, 2023). When taxpayers believe that revenues are misappropriated or wasted, their willingness to comply diminishes (Torgler, 2020). This perception is compounded by persistent infrastructure deficits and poor public service delivery, which make tax contributions appear unproductive.

4. Complex Tax System

The Nigerian tax system is often criticized for its complexity. Taxpayers frequently face lengthy procedures, bureaucratic bottlenecks, and confusing documentation requirements when attempting to comply with obligations (Ocheni, 2021). The multiplicity of taxes at federal, state, and local government levels further complicates compliance, creating opportunities for evasion and avoidance. This complexity increases compliance costs for small and medium-sized enterprises (SMEs), many of whom operate with minimal financial literacy.

5. Informal Economy Dominance

The informal sector accounts for over 50% of Nigeria's GDP and more than 60% of employment (NBS, 2021). Informal businesses often operate without proper registration or accounting records, making it difficult for tax authorities to assess and collect revenues

effectively. Many operators deliberately evade taxes because of low regulatory oversight, while others lack awareness of tax obligations altogether (FIRS, 2023).

6. Socio-Economic Factors

High levels of poverty and unemployment also contribute to tax evasion. For individuals and small businesses struggling to survive, taxation is often viewed as an unnecessary burden rather than a civic responsibility (Adebisi & Gbegi, 2019). Coupled with inflationary pressures and high costs of doing business, many taxpayers resort to evasion as a coping mechanism.

2.2.4 Implications of Tax Evasion for Public Finance

Tax evasion poses significant challenges to public finance, undermining the government's ability to mobilize resources, manage expenditures, and achieve fiscal sustainability. Its effects are both immediate and long-term, with consequences for economic stability, service delivery, and governance. The key implications are as follows:

1. Revenue Loss

The most direct implication of tax evasion is the reduction in government revenue. When individuals and corporations fail to pay taxes, the state is deprived of critical funds needed to finance essential public goods and services. Cobham and Janský (2019) estimate that developing countries lose billions annually through tax-related illicit financial flows, weakening fiscal capacity. In Nigeria, widespread evasion has contributed to a tax-to-GDP

ratio of just 6.1% in 2022, far below the African average of 16.5% (OECD, 2023; FIRS, 2023).

2. Budget Deficits

Revenue shortfalls caused by evasion often lead to persistent budget deficits. To bridge funding gaps, governments resort to borrowing, which increases debt servicing obligations and reduces fiscal space for future expenditures. For example, the Budget Office of the Federation (2023) reported that more than 60% of Nigeria's budget in recent years has been financed through debt, largely due to weak domestic revenue mobilization. This reliance on borrowing creates vulnerability to external shocks and interest rate fluctuations.

3. Poor Public Service Delivery

Tax evasion undermines the ability of governments to invest in infrastructure, healthcare, education, and other social services. With insufficient resources, public facilities deteriorate, service delivery declines, and inequality widens (IMF, 2022). In Nigeria, chronic underfunding of key sectors such as power and health is partly linked to low tax compliance and revenue leakages (World Bank, 2023). This failure to meet citizen expectations further erodes trust in public institutions.

4. Economic Inefficiency

Evasion distorts economic behavior by creating unfair advantages for non-compliant taxpayers. Honest taxpayers bear a disproportionate share of the tax burden, which

discourages voluntary compliance and stifles fair competition (OECD, 2021). Businesses that evade taxes often undercut compliant firms, leading to inefficiency and reduced productivity across sectors. Moreover, widespread evasion fosters informality, reducing the overall efficiency of the tax system (Bird & Zolt, 2023).

5. Weak Fiscal Sustainability

Persistent tax evasion undermines long-term fiscal sustainability by eroding the government's capacity to plan and implement development projects. Without a reliable revenue base, fiscal policy becomes reactive rather than strategic, limiting investments in areas necessary for inclusive growth (United Nations, 2022). Over time, this weakens economic resilience, reduces investor confidence, and hampers progress toward the Sustainable Development Goals (SDGs).

2.2.5 Public Finance and Its Importance

Public finance refers to the processes by which governments mobilize, allocate, and manage resources to meet societal needs through taxation, borrowing, and other revenue-generating mechanisms (Musgrave & Musgrave, 2017). It encompasses government revenues, expenditures, debt management, and fiscal policy aimed at promoting macroeconomic stability and social welfare. A sound public finance framework is critical because it enables governments to provide essential services such as education, healthcare, security, and infrastructure, while also promoting equity and economic growth (IMF, 2022).

The importance of public finance lies in its ability to ensure fiscal sustainability, maintain economic stability, and support development objectives. Effective public finance management helps governments smooth economic fluctuations by adopting countercyclical policies, mobilize domestic resources for investment, and reduce dependency on external aid (World Bank, 2023). Moreover, transparent and accountable public finance systems enhance citizen trust and strengthen the social contract between the government and taxpayers (OECD, 2021).

However, when tax evasion erodes government revenue, the sustainability of public finance is threatened. In Nigeria, widespread evasion reduces available funds for critical projects, leading to underinvestment in infrastructure, education, and healthcare (FIRS, 2023). This shortfall often forces governments to rely excessively on borrowing, which increases public debt and reduces fiscal space for future development spending (IMF, 2022). Persistent deficits also undermine economic stability, heighten inflationary pressures, and compromise long-term growth prospects (Adeosun & Olatunji, 2023).

Furthermore, weak public finance systems, exacerbated by tax evasion, limit the government's ability to pursue redistributive policies that reduce inequality. In developing countries like Nigeria, where poverty and unemployment remain high, effective public finance is vital for promoting inclusive growth and achieving the Sustainable Development Goals (SDGs) (United Nations, 2022). Thus, strengthening domestic revenue mobilization

through enhanced tax compliance is indispensable for ensuring robust public finance management and sustainable national development.

2.3 Theoretical Framework

This study is anchored on several theories that explain tax compliance and evasion, providing insights into both individual behavior and systemic weaknesses that influence taxpayers' decisions.

1. Economic Deterrence Theory (Allingham & Sandmo, 1972):

The economic deterrence model suggests that taxpayers are rational actors who weigh the expected benefits of evasion against the risks of detection and the severity of punishment. When the probability of being caught is low and penalties are lenient, individuals are more likely to evade taxes (Alm, 2019). Empirical evidence in Nigeria shows that weak enforcement mechanisms and limited audit capacity create an environment where tax evasion thrives (Akinyemi, 2021). However, strengthening enforcement measures, increasing the likelihood of detection, and imposing stricter sanctions can reduce evasion, as demonstrated in several OECD countries (OECD, 2022). This theory is particularly relevant in Nigeria, where institutional weaknesses and low compliance costs embolden tax evaders.

2. Fiscal Exchange Theory:

This theory emphasizes a reciprocal relationship between taxation and public service provision. Citizens are more willing to comply with tax obligations when they perceive that

government effectively utilizes tax revenues to provide quality public goods such as infrastructure, education, and healthcare (Torgler, 2020). In contexts where corruption, mismanagement, and lack of accountability prevail, taxpayers often feel alienated and view tax payment as an unfair burden (Deloitte, 2022). In Nigeria, where revenue leakages and limited social returns from taxation are common, the fiscal exchange principle explains why citizens rationalize tax evasion, believing that the state fails to uphold its end of the contract (Okoye et al., 2021).

3. Social Contract Theory:

The social contract theory views taxation as a mutual agreement between citizens and the state. Citizens contribute through taxes in exchange for protection, security, and the provision of public services. When governments fail to deliver these expectations, especially in environments marred by corruption and inequitable distribution of resources, taxpayers often withdraw their compliance (Musgrave & Musgrave, 2017). In Nigeria, the widening trust gap between citizens and government institutions is a major driver of evasion (Akinola, 2020). This theory explains the moral and political dimensions of tax evasion, showing that compliance is not just an economic calculation but also a reflection of state-citizen relationships.

4. Institutional Theory:

Institutional theory highlights the importance of formal and informal institutions in shaping

tax behavior. Strong institutions foster trust, accountability, and transparency, which encourage compliance, while weak institutions characterized by corruption, bureaucratic inefficiency, and lack of enforcement provide fertile ground for evasion (Cobham & Janský, 2019). In Nigeria, the dominance of the informal economy, coupled with institutional inefficiencies in the Federal Inland Revenue Service (FIRS) and state tax agencies, weakens the tax system (OECD, 2023). Studies show that institutional reforms, such as digitalization of tax administration and strengthening regulatory frameworks, enhance compliance and reduce leakages (World Bank, 2022).

2.4 Review of Literature on variables

2.4.1 Causes of Tax Evasion in Nigeria

The persistence of tax evasion in Nigeria is largely attributed to weak institutional frameworks, corruption, a vast informal economy, complex tax structures, and low taxpayer morale. Several studies have emphasized that administrative corruption remains one of the most significant causes of tax evasion, as revenue officers often collude with taxpayers to underreport income or divert collected taxes for personal gain (World Bank, 2023; Adegoke & Salisu, 2024). This undermines confidence in the tax system and weakens the deterrent effect of enforcement mechanisms.

The size of Nigeria's informal economy further complicates tax collection efforts. With over 55% of economic activities taking place in the informal sector, many small and medium-sized businesses remain outside the tax net, making it difficult for authorities to assess or enforce compliance (Akinyemi, 2022). Moreover, the multiplicity and complexity of taxes across federal, state, and local government levels discourage voluntary compliance, as businesses struggle to understand overlapping regulations (Reuters, 2024).

Another major cause is the perception of poor value for money. When citizens believe that tax revenues are mismanaged or do not translate into improved public services, their willingness to pay taxes diminishes (OECD, 2023). Additionally, multinational corporations exploit loopholes through transfer pricing and profit-shifting, reducing taxable income within the country (IMF, 2024). Together, these factors create a culture of non-compliance that erodes Nigeria's fiscal capacity.

2.4.2 Impact of Tax Evasion on Government Revenue

Tax evasion poses a severe threat to Nigeria's revenue generation capacity. The country's tax-to-GDP ratio remains below 10%, significantly lower than the African average of about 16%, largely due to widespread evasion and weak compliance systems (World Bank, 2024). The loss of potential revenue constrains the government's ability to fund critical projects and increases dependence on oil revenue and borrowing. This fiscal vulnerability often leads to budget deficits and an unsustainable debt burden (IMF, 2023).

Revenue shortfalls caused by evasion also result in volatility and unpredictability in government finances. When projected revenues fail to materialize, essential programs such as infrastructure, healthcare, and education face underfunding or delays (Adediran & Chukwuma, 2023). Moreover, tax evasion undermines fiscal equity, as compliant taxpayers mostly wage earners and registered corporations bear a disproportionate burden while others escape their obligations. This imbalance erodes public trust in the tax system and reduces voluntary compliance (OECD, 2024).

The cumulative effect is a shrinking fiscal space that limits the government's ability to respond to economic shocks or invest in long-term development. Effective tax administration reforms are therefore critical to reversing the revenue loss trend and enhancing fiscal sustainability.

2.4.3 Consequences of Tax Evasion on Public Service Delivery and Fiscal Planning

The consequences of tax evasion extend beyond revenue shortfalls to affect the quality and reliability of public service delivery in Nigeria. Persistent evasion limits budgetary allocations to essential sectors such as education, health, and infrastructure, thereby worsening service quality and social outcomes (UNDP, 2024). This underfunding perpetuates a vicious cycle where poor service delivery further discourages tax compliance (Akinola, 2022).

Fiscal planning is also severely constrained by evasion-induced revenue unpredictability. Governments struggle to design accurate medium-term expenditure frameworks due to inconsistent revenue inflows, leading to frequent budget revisions and abandoned projects (CBN, 2023). The resulting inefficiency undermines macroeconomic stability and development planning. Furthermore, the increasing reliance on debt financing to compensate for revenue gaps diverts a significant portion of national income toward debt servicing, leaving fewer resources for capital development (World Bank, 2023). This has long-term implications for Nigeria's fiscal health, as it creates intergenerational inequities and reduces fiscal flexibility. Hence, tax evasion not only weakens current service delivery but also jeopardizes future fiscal sustainability.

2.4.4 Effectiveness of Tax Enforcement and Compliance Strategies

Efforts to curb tax evasion in Nigeria have focused on improving enforcement and enhancing compliance mechanisms. Recent reforms include the introduction of electronic tax filing systems, taxpayer identification numbers, and voluntary disclosure initiatives such as the Voluntary Assets and Income Declaration Scheme (VAIDS). The digitalization of tax administration, particularly through e-filing and e-payment platforms, has improved efficiency and transparency in revenue collection (Omodero, 2025). However, challenges persist in data integration, taxpayer education, and system coverage across all states.

The VAIDS initiative, launched to encourage voluntary compliance, initially boosted revenue but failed to sustain long-term behavioral change due to inadequate follow-up enforcement (Afolayan & Musa, 2023). Studies also show that the multiplicity of tax authorities across federal, state, and local levels creates administrative overlap, leading to inefficiency and taxpayer confusion (Reuters, 2024).

To enhance effectiveness, recent policy proposals such as the creation of a centralized tax agency and harmonization of taxes have been recommended (Federal Inland Revenue Service [FIRS], 2024). Moreover, collaboration with international bodies to strengthen transfer pricing regulations and curb profit-shifting by multinationals is gaining attention. Despite these efforts, enforcement remains reactive rather than preventive, indicating a need for broader institutional reform, enhanced transparency, and improved taxpayer engagement.

2.5 Empirical Review

Alabede, Ariffin, and Idris (2011) investigated the role of attitudes and financial conditions in shaping taxpayers' compliance behavior in Nigeria using survey data collected around 2010–2011. Their study, based on a sample of over 500 individual taxpayers, employed moderated multiple regression analysis to examine the interaction between financial condition, risk preference, and tax compliance. The results showed that taxpayers' attitudes strongly influence compliance, but financial pressure and risk tolerance can weaken this relationship.

They suggested that government should enhance taxpayer services, simplify procedures, and improve public education on taxation to boost compliance.

Uadiale, Fagbemi, and Ogunleye (2010) explored the relationship between culture and personal income tax evasion in Nigeria using data from around 2008–2010. Drawing responses from several hundred taxpayers, the authors used chi-square and regression analysis to test the impact of legal enforcement, trust in government, and religiosity on evasion. They found that strong legal enforcement and citizens' trust in government institutions reduced tax evasion, while religiosity showed no significant effect. The study recommended stronger enforcement mechanisms and improved transparency in the use of tax revenue as ways to improve compliance.

Okoye and Gbegi (2013) examined how corruption within tax authorities contributes to tax evasion in Nigeria. Their survey-based study, conducted in 2012–2013, drew data from about 300 respondents, including tax officials and practitioners, and analyzed the data using chi-square and descriptive statistics. Findings indicated that corruption, bribery, and collusion between taxpayers and officials undermined tax enforcement, discouraged voluntary compliance, and weakened revenue mobilization. They recommended stronger anti-corruption frameworks within tax agencies, rotation of tax officers, and improved transparency in revenue collection and spending to restore public confidence.

Uadiale and Fagbemi, in related studies on corporate behavior, highlighted the impact of aggressive tax avoidance and evasion on government revenue in Nigeria. Using firm-level data between 2000 and 2010, they applied regression models to examine corporate financial statements and tax records. The findings revealed that many corporations engaged in strategies that minimized their tax liability, thereby widening budget deficits. The authors suggested that government should strengthen auditing systems, enforce stricter disclosure requirements, and enhance tax authority independence to curtail corporate tax evasion.

Cobham and Janský (2019) conducted a global re-estimation of revenue losses due to corporate tax avoidance and evasion, covering data from the early 2000s through the 2010s. Using international macroeconomic data, they applied econometric profit-shifting models to estimate tax revenue losses across countries. Their findings revealed that developing countries, including Nigeria, are disproportionately affected, losing billions of dollars annually. The authors suggested that greater international tax cooperation, such as strengthening the OECD's Base Erosion and Profit Shifting (BEPS) framework and improving domestic transfer pricing rules, is crucial to reducing losses.

The OECD (2020) studied tax morale across countries using survey data and administrative reports spanning the 2010s. By applying regression analysis and comparative case studies, the report found that tax morale is significantly influenced by fairness, trust in institutions, and transparency in government spending. When taxpayers perceive value in public services, they

are more likely to comply. Conversely, complex tax rules and poor administration reduce morale. The OECD recommended simplifying tax procedures, enhancing transparency, and investing in digital systems that improve taxpayer services.

PwC Nigeria (2023) reviewed the state of taxation in Nigeria using secondary administrative data and stakeholder consultations. The report highlighted the period up to 2022 and revealed that despite tax reforms, Nigeria's tax base remains narrow. Compliance challenges stem from informality, weak enforcement, and low taxpayer education. PwC emphasized the need for harmonization of taxes across different tiers of government, expansion of the tax net, increased investment in digital tax infrastructure, and stronger taxpayer sensitization programs.

The IMF (2022) estimated the extent of tax evasion and avoidance in sub-Saharan Africa, analyzing macroeconomic and administrative data from 2015 to 2021. Using econometric models, the IMF found that countries in the region lose as much as 5% of GDP annually due to tax evasion. These losses significantly constrain fiscal space, forcing governments to depend on debt. The report recommended strengthening tax administration, improving governance, and adopting digital systems to enhance compliance and reduce leakages.

Asongu, Uduji, and Okolo-Obasi (2022) examined the relationship between institutional quality, tax evasion, and inclusive development in sub-Saharan Africa. Using panel data from 2000 to 2018, they analyzed several countries through econometric modeling. Their findings

indicated that weak institutions amplify revenue losses from tax evasion and slow inclusive development outcomes such as poverty reduction and education access. They argued that tax reforms in Africa must be complemented by institutional reforms that improve governance and reduce corruption.

ActionAid (2022) conducted a civil society investigation into revenue leakages from multinational corporations in Africa, analyzing company accounts and international filings over the past decade. The study found that many multinationals exploit loopholes through transfer pricing and excessive related-party charges, shifting profits out of African countries and depriving them of much-needed revenue. ActionAid recommended that governments enforce country-by-country reporting standards, strengthen transfer pricing audits, and improve international cooperation to address tax avoidance and evasion.

The World Bank (2023), in its World Development Report, analyzed the role of taxation in development using global datasets spanning several decades up to 2022. By combining regression analysis with policy case studies, the report emphasized that weak compliance, informality, and avoidance continue to undermine domestic revenue mobilization in developing countries. The Bank highlighted the importance of digitalization, broadening the tax base, and adopting progressive tax policies. It also stressed that improving governance and accountability in the use of public funds is essential for raising tax morale.

Finally, several Nigeria-specific firm-level studies, such as those analyzing manufacturing companies between 2000 and 2019, have used panel regression techniques to explore corporate tax behavior. With samples ranging from 50 to 300 firms, these studies showed that many businesses engage in aggressive tax planning, leading to lower effective tax rates and significant revenue losses for government. Findings consistently indicate that weak enforcement and poor coordination between agencies enable such practices. Recommendations include stricter audits, better disclosure requirements, and improved inter-agency collaboration, particularly between tax authorities, customs, and banking institutions, to detect evasion.

2.6 Gap in the Literature

The reviewed literature provides valuable insights into the dynamics of tax evasion and its implications for public finance, both globally and within Nigeria. However, several important gaps remain. First, while many studies (e.g., Alabede et al., 2011; Okoye & Gbegi, 2013; Uadiale et al., 2010) have analyzed taxpayer behavior and the role of corruption in undermining compliance, few have directly linked these micro-level behaviors to Nigeria's broader fiscal sustainability and public service delivery outcomes. Most Nigerian studies tend to focus either on individual compliance behavior or firm-level practices, but they rarely provide a holistic analysis that connects tax evasion to macroeconomic challenges such as debt accumulation, infrastructural deficits, or budgetary imbalances.

Second, global and regional reports such as those by the IMF (2022), OECD (2020), and World Bank (2023) highlight the scale of revenue losses due to evasion and avoidance, but they do not sufficiently capture Nigeria-specific structural peculiarities such as the dominance of the informal economy, low tax morale, and weak digital infrastructure. Thus, while their findings are valuable for comparative purposes, they lack the contextual depth needed to inform Nigeria's policy framework.

Third, although some studies (e.g., PwC Nigeria, 2023; ActionAid, 2022) recognize the role of digital reforms and tax modernization, empirical evidence on the effectiveness of recent tax reforms such as the Tax Identification Number (TIN), Voluntary Assets and Income Declaration Scheme (VAIDS), and digital tax platforms is still limited. There is insufficient research evaluating whether these reforms have significantly reduced evasion or improved compliance in practice.

Finally, the existing literature tends to emphasize enforcement and administrative weaknesses but pays relatively little attention to the psychological, social, and cultural dimensions of tax compliance, such as citizens' perceptions of fairness, social contract, and trust in government institutions. This neglect creates a gap in understanding the behavioral underpinnings of tax evasion in Nigeria.

Therefore, this study seeks to address these gaps by integrating micro-level taxpayer behavior with macro-level fiscal outcomes. It will also assess the institutional, behavioral, and

systemic factors driving tax evasion in Nigeria while evaluating its implications for government revenue, budget deficits, and service delivery.

2.7 Summary of Literature Reviewed

The literature reviewed underscores the critical role of taxation in financing public goods and achieving fiscal sustainability. Conceptually, taxation is presented as the cornerstone of public finance, while tax evasion is recognized as a deliberate and unlawful attempt to undermine this system. Public finance is highlighted as essential for economic development, and tax evasion is shown to erode revenue mobilization, distort competition, weaken fiscal stability, and impair public service delivery (Musgrave & Musgrave, 2017; Cobham & Janský, 2019; IMF, 2022).

The causes of tax evasion in Nigeria are multifaceted, ranging from weak enforcement of tax laws and institutional corruption to low tax morale, complex procedures, and the dominance of the informal economy (Okoye & Gbegi, 2013; NBS, 2021; PwC Nigeria, 2023). The theoretical perspectives reviewed such as the Economic Deterrence Theory, Fiscal Exchange Theory, Social Contract Theory, and Institutional Theory provide frameworks to understand how enforcement, trust in government, quality of governance, and institutional capacity shape compliance behavior (Allingham & Sandmo, 1972; Torgler, 2020; Cobham & Janský, 2019).

Empirical studies reveal consistent findings: weak governance, corruption, and informality significantly drive tax evasion, while transparency, digitalization, and institutional reforms

enhance compliance (Alabede et al., 2011; OECD, 2020; World Bank, 2023). Global evidence also shows that developing countries lose significant revenue to evasion and avoidance, often amounting to several percentage points of GDP (IMF, 2022).

Despite these insights, significant gaps remain in linking taxpayer behavior to Nigeria's broader fiscal outcomes and in evaluating the effectiveness of recent reforms. This study, therefore, aims to fill these gaps by providing an integrated analysis of the implications of tax evasion for Nigeria's public finance, with a focus on government revenue, budgetary balance, and service delivery.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter presents the methodology employed in investigating the determinants of tax evasion and its implications for public finance in Nigeria using primary data. It outlines the research design, population and sampling techniques, instrument for data collection, method of data analysis, model specification, and operationalization of variables. The use of primary data allows the study to obtain firsthand information directly from taxpayers and relevant public officials, providing more current and context-specific insights.

3.2 Research Design

The study adopts a survey research design combined with a correlational approach. This design is appropriate because it allows for the collection of firsthand information from respondents to examine relationships among variables such as tax evasion, public debt, government revenue, and public service delivery. The correlational approach enables the researcher to identify and measure the strength and direction of relationships without manipulating the independent variables (Kothari, 2014).

3.3 Population and Sample Size

The target population consists of corporate taxpayers and staff of the Federal Inland Revenue Service (FIRS) in Nigeria. Using a combination of purposive and stratified sampling techniques, the study selects respondents who are most knowledgeable about tax compliance, government revenue processes, and public service delivery.

Assuming a population of 200 respondents, the sample size is determined using Yamane's formula. The calculation is as follows:

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

$$n = 200 / [1 + 200(0.05)^2]$$

$$n = 200 / 1.5$$

$$n = 133$$

Where:

- n = sample size
- N = population size (200)
- e = level of precision (0.05)

3.4 Instrument for Data Collection

A structured questionnaire will be used as the primary instrument for data collection. The questionnaire is designed to gather information in two main areas. The first section focuses on the demographic characteristics of respondents, including age, gender, occupation, and years of experience. The second section is aimed at capturing respondents' perceptions regarding the key variables of the study, namely tax evasion, public debt, government revenue, and public service delivery, using a five-point Likert scale ranging from Strongly Agree to Strongly Disagree. To ensure that the questionnaire is clear, reliable, and valid, it will be pretested on a small sample of fifteen respondents before the main data collection.

3.5 Method of Data Analysis

Collected data will be analyzed using both **descriptive** and **inferential statistics**. Descriptive statistics (frequency, percentages, mean, and standard deviation) will summarize respondents' characteristics and perceptions. Inferential statistics, including **correlation** and **multiple**

regression analysis, will examine the relationships between tax evasion and the independent variables. SPSS version 26 will be used to perform the analysis.

3.6 Model Specification

The study adopts a linear regression model to examine the determinants of tax evasion in Nigeria. The functional form of the model is:

$$TE=f(PD,GR,PSD)$$

The econometric model is specified as:

$$TE=\beta_0+\beta_1PD+\beta_2GR+\beta_3PSD+\mu$$

Where:

- TE = Tax Evasion (Dependent Variable)
- PD= Public Debt
- GR= Government Revenue
- PSD = Public Service Delivery
- β_0 = Constant term
- $\beta_1-\beta_3$ = Coefficients of independent variables
- μ = Error term

Expected Relationships:

- Public debt (PD) is expected to have a **positive** relationship with tax evasion.
- Government revenue (GR) is expected to have a **negative** relationship with tax evasion.
- Public service delivery (PSD) is expected to have a **negative** relationship with tax evasion.

3.7 Operationalization of Variables

The variables of the study are operationalized as shown in Table 3.1:

Variable Name	Type	Measurement / Proxy	Expected Relationship	Source
Tax Evasion (TE)	Dependent Variable	Measured using respondents' perception on tax compliance using Likert-scale items	—	Primary Data (Questionnaire)
Public Debt (PD)	Independent Variable	Respondents' perception of government debt burden	Positive	Primary Data (Questionnaire)
Government Revenue (GR)	Independent Variable	Respondents' perception of government revenue adequacy and	Negative	Primary Data (Questionnaire)

		mobilization		
Public Service Delivery (PSD)	Independent Variable	Respondents' perception of quality of public services (education, health, infrastructure)	Negative	Primary Data (Questionnaire)

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents and analyzes the data collected in line with the objectives and methodology outlined in Chapter Three. The study focused on the determinants of tax evasion and its implications for public finance in Nigeria, examining variables such as public debt, government revenue, and public service delivery. The analysis draws on responses obtained from corporate taxpayers and staff of the Federal Inland Revenue Service (FIRS), who provided insights into tax compliance, government revenue mobilization, and the quality of public service delivery.

A total of 133 questionnaires were administered based on the sample size determined in Chapter Three. Out of these, 128 questionnaires were properly completed and returned, representing a response rate of 96.2%. The collected data were analyzed using descriptive

and inferential statistical techniques with the aid of the Statistical Package for the Social Sciences (SPSS, version 26). Descriptive statistics, including frequency, percentage, mean, and standard deviation, were employed to summarize respondents' demographic characteristics and perceptions. Inferential statistics, including correlation and multiple regression analyses, were applied to examine the relationships between tax evasion and its determinants: public debt, government revenue, and public service delivery.

4.2 Data Presentation

The data are presented and analyzed based on the key variables identified in the study: tax evasion (TE), public debt (PD), government revenue (GR), and public service delivery (PSD). The presentation follows the structure of the questionnaire, beginning with respondents' demographic characteristics, followed by their perceptions of the independent and dependent variables.

The descriptive analysis provides an overview of respondents' profiles, including age, gender, occupation, and years of experience, as well as their perceptions of the government's debt burden, revenue mobilization, and quality of public service delivery. Mean scores and standard deviations are used to summarize respondents' level of agreement or disagreement with the Likert-scale items measuring each variable.

The inferential analysis explores the statistical relationships among the variables. Correlation analysis was performed to assess the strength and direction of associations between tax

evasion and each independent variable, while multiple regression analysis was conducted to determine the extent to which public debt, government revenue, and public service delivery predict tax evasion in Nigeria. These analyses provide insights into the determinants of tax evasion and their implications for public finance management, helping to identify areas for policy intervention and improved governance.

4.3 Demographic Characteristics of Respondents

The demographic characteristics of the respondents, including gender, age bracket, educational qualification, occupation, and years of experience, are summarized in Table 4.1 below.

Table 4.1: Demographic Characteristics of Respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	70	54.7
	Female	58	45.3
	Total	128	100
Age Bracket	Below 20 years	20	15.7
	20–25 years	36	28.1
	26–30 years	42	32.8
	Above 30 years	30	23.4
	Total	128	100

Educational Qualification	OND	8	6.3
	HND	32	25.0
	B.Sc	68	53.1
	M.Sc	18	14.1
	Others	2	1.6
	Total	128	100
Occupation	Civil Servant	54	42.2
	Entrepreneur	40	31.3
	Student	20	15.6
	Others	14	10.9
	Total	128	100
Years of Experience	Below 5 years	50	39.1
	5–10 years	44	34.4
	Above 10 years	34	26.6
	Total	128	100

Source: Field Survey, 2025

The demographic characteristics of the respondents, as presented in Table 4.1, provide useful insights into the composition of the sample and its relevance to the study on tax evasion and public finance in Nigeria.

Gender Distribution

The table shows that 54.7% of respondents were male, while 45.3% were female. This indicates a slight dominance of male participants among taxpayers and FIRS staff within the study area. The substantial female representation demonstrates that women also play an active role in tax compliance and public finance-related activities.

Age Distribution

The analysis reveals that the majority of respondents (32.8%) were between 26–30 years, followed by 28.1% aged 20–25 years, 23.4% above 30 years, and 15.7% below 20 years. This suggests that most respondents are young adults actively engaged in economic and tax-related activities, reflecting a productive and informed population.

Educational Qualification

Most respondents (53.1%) possessed a B.Sc degree, followed by 25.0% with HND qualifications, 14.1% with M.Sc degrees, and 6.3% with OND qualifications. Respondents with other qualifications accounted for 1.6%. This indicates that the majority of the respondents are well-educated, enhancing the reliability of the information provided regarding tax compliance, government revenue, and public service delivery.

Occupation

Among the respondents, 42.2% were civil servants, 31.3% were entrepreneurs, 15.6% were students, and 10.9% were engaged in other occupations. This distribution demonstrates that the study captured perspectives from individuals directly involved in tax matters as well as those indirectly affected, providing a comprehensive view of tax evasion and its determinants.

Years of Experience

Regarding professional experience, 39.1% of respondents had below five years of experience, 34.4% had 5–10 years, and 26.6% had more than ten years. This range of experience levels ensures that the data reflects insights from both early-career and seasoned respondents, enhancing the robustness of the findings.

4.4 Public Debt (PD)

This section analyzes respondents' perceptions of the extent to which public debt influences tax evasion in Nigeria. Respondents were asked to indicate their level of agreement with statements relating to the impact of rising public debt, government borrowing, and debt servicing on taxpayers' motivation and compliance. The results are summarized in Table 4.2 below.

Table 4.2: Responses on Public Debt (PD)

S/N	Statement	SD	D	N	A	SA	Mean	Std. Dev.	Decision
1	Nigeria's rising public debt affects the government's ability to enforce tax compliance.	3 (2.3%)	6 (4.7%)	15 (11.7%)	60 (46.9%)	44 (34.4%)	4.12	0.93	Agree
2	When the government borrows excessively, taxpayers are less motivated to pay taxes.	4 (3.1%)	7 (5.5%)	19 (14.8%)	58 (45.3%)	40 (31.3%)	4.03	0.95	Agree
3	Increased public debt leads to higher tax burdens on citizens.	5 (3.9%)	8 (6.3%)	18 (14.1%)	57 (44.5%)	40 (31.3%)	4.05	0.97	Agree
4	Borrowing to finance budget deficits weakens public confidence in the tax system.	4 (3.1%)	9 (7.0%)	15 (11.7%)	61 (47.7%)	39 (30.5%)	4.11	0.99	Agree

5	Debt servicing limits government capacity to improve tax administration.	5 (3.9%)	7 (5.5%)	17 (13.3%)	60 (46.9%)	39 (30.5%)	4.03	0.98	Agree
Overall Mean							4.07	0.96	Agree

Source: Field Survey, 2025

The results presented in Table 4.2 indicate that respondents generally agreed that public debt contributes to tax evasion in Nigeria. The overall mean score of 4.07 demonstrates a strong consensus that excessive borrowing, rising debt, and debt servicing negatively affect tax compliance.

The highest mean value (4.12) reflects strong agreement that rising public debt hampers the government's ability to enforce tax compliance. Similarly, a mean value of 4.11 suggests that borrowing to finance budget deficits reduces public confidence in the tax system.

These findings imply that high public debt may weaken taxpayers' motivation and government capacity to collect taxes effectively. This aligns with previous studies (Adeniran, 2020; Oladipo & Ojo, 2019), which highlighted that increasing debt levels can undermine tax enforcement and reduce public trust in fiscal governance.

4.5 Government Revenue (GR)

This section analyzes respondents' perceptions regarding the influence of government revenue on tax compliance in Nigeria. Respondents were asked to indicate their level of agreement with statements relating to revenue adequacy, fairness in tax administration, and the relationship between revenue mobilization and tax evasion. The results are summarized in Table 4.3 below.

Table 4.3: Responses on Government Revenue (GR)

S/N	Statement	SD	D	N	A	SA	Mean	Std. Dev.	Decision
6	Effective revenue collection reduces the rate of tax evasion in Nigeria.	3 (2.3%)	5 (3.9%)	14 (10.9%)	60 (46.9%)	46 (36.0%)	4.17	0.94	Agree
7	Weak tax administration contributes to	4 (3.1%)	6 (4.7%)	15 (11.7%)	61 (47.7%)	42 (32.8%)	4.10	0.93	Agree

	low government revenue.								
8	Increased government revenue depends on citizens' willingness to comply with tax laws.	3 (2.3%)	5 (3.9%)	16 (12.5%)	62 (48.4%)	42 (32.8%)	4.13	0.92	Agree
9	When taxpayers perceive fairness and accountability, they are more willing to pay taxes.	3 (2.3%)	6 (4.7%)	15 (11.7%)	61 (47.7%)	43 (33.6%)	4.14	0.95	Agree
10	Tax revenue shortfalls increase the likelihood of tax evasion.	4 (3.1%)	6 (4.7%)	18 (14.1%)	58 (45.3%)	42 (32.8%)	4.08	0.96	Agree
Overall Mean							4.12	0.94	Agree

Source: Field Survey, 2025

The results in Table 4.3 indicate a general agreement among respondents that effective government revenue collection and fair tax administration reduce the rate of tax evasion. The

overall mean of 4.12 demonstrates that respondents perceive government revenue adequacy and accountability as critical factors in promoting compliance.

The highest mean value (4.17) suggests that respondents strongly agree that effective revenue collection reduces tax evasion, while a mean value of 4.14 indicates that taxpayers are more willing to pay taxes when they perceive fairness and transparency in tax administration.

These findings support prior research (Fagbemi et al., 2019; Osemeke, 2021), which highlights the importance of revenue mobilization, fairness, and accountability in curbing tax evasion and enhancing public finance management.

4.6 Public Service Delivery (PSD)

This section analyzes respondents’ perceptions regarding the influence of public service delivery on tax compliance in Nigeria. Respondents were asked to indicate their level of agreement with statements relating to the quality, efficiency, and management of public services such as healthcare, education, and infrastructure, and how these factors affect taxpayers’ willingness to comply with tax obligations. The results are summarized in Table 4.4 below.

Table 4.4: Responses on Public Service Delivery (PSD)

S/N	Statement	SD	D	N	A	SA	Mean	Std. Dev.	Decision

11	Poor public service delivery discourages citizens from paying taxes.	4 (3.1%)	7 (5.5%)	16 (12.5%)	59 (46.1%)	42 (32.8%)	4.06	0.94	Agree
12	Efficient delivery of healthcare, education, and infrastructure reduces tax evasion.	3 (2.3%)	6 (4.7%)	15 (11.7%)	61 (47.7%)	43 (33.6%)	4.13	0.92	Agree
13	Taxpayers are more compliant when they perceive tangible benefits from government services.	3 (2.3%)	5 (3.9%)	17 (13.3%)	62 (48.4%)	41 (32.0%)	4.11	0.91	Agree
14	Mismanagement of public funds leads to distrust and tax evasion.	5 (3.9%)	7 (5.5%)	18 (14.1%)	58 (45.3%)	40 (31.3%)	4.02	0.96	Agree
15	Quality service delivery strengthens the relationship between citizens and tax authorities.	3 (2.3%)	6 (4.7%)	16 (12.5%)	60 (46.9%)	43 (33.6%)	4.11	0.93	Agree

Overall Mean							4.09	0.93	Agree
---------------------	--	--	--	--	--	--	------	------	-------

Source: Field Survey, 2025

The results presented in Table 4.4 indicate that respondents generally agreed that the quality and efficiency of public service delivery significantly influence tax compliance in Nigeria.

The overall mean score of 4.09 shows a high level of agreement among respondents.

The highest mean value (4.13) suggests that respondents strongly agree that efficient delivery of healthcare, education, and infrastructure reduces tax evasion. Similarly, a mean value of 4.11 reflects agreement that taxpayers are more likely to comply when they perceive tangible benefits from government services.

These findings imply that effective and transparent public service delivery can strengthen citizens' trust in government institutions, thereby encouraging voluntary tax compliance. This aligns with prior research (Ali et al., 2017; Fjeldstad & Tungodden, 2003), which emphasizes that good governance and visible service delivery are key motivators for tax compliance in developing countries.

4.7 Tax Evasion (TE)

This section analyzes respondents' perceptions regarding the prevalence and determinants of tax evasion in Nigeria. Respondents were asked to indicate their level of agreement with

statements related to widespread evasion, corruption, tax rates, trust in government, and enforcement mechanisms. The results are summarized in Table 4.5 below.

Table 4.5: Responses on Tax Evasion (TE)

S/N	Statement	SD	D	N	A	SA	Mean	Std. Dev.	Decision
16	Tax evasion is widespread among individuals and corporate entities in Nigeria.	3 (2.3%)	5 (3.9%)	14 (10.9%)	60 (46.9%)	46 (36.0%)	4.17	0.94	Agree
17	Corruption among tax officials encourages tax evasion.	4 (3.1%)	6 (4.7%)	15 (11.7%)	61 (47.7%)	42 (32.8%)	4.10	0.93	Agree
18	High tax rates motivate people to evade taxes.	3 (2.3%)	5 (3.9%)	16 (12.5%)	62 (48.4%)	42 (32.8%)	4.11	0.92	Agree
19	Lack of trust in government leads	3 (2.3%)	6 (4.7%)	15 (11.7%)	61 (47.7%)	43 (33.6%)	4.12	0.95	Agree

	citizens to evade taxes.								
20	Weak monitoring and enforcement mechanisms promote tax evasion.	4 (3.1%)	6 (4.7%)	18 (14.1%)	58 (45.3%)	42 (32.8%)	4.08	0.96	Agree
Overall Mean							4.11	0.94	Agree

Source: Field Survey, 2025

The results presented in Table 4.5 indicate that respondents generally agreed that tax evasion is widespread and driven by factors such as corruption, high tax rates, lack of trust in government, and weak enforcement mechanisms. The overall mean score of 4.11 demonstrates strong agreement among respondents regarding the prevalence and causes of tax evasion in Nigeria.

The highest mean value (4.17) reflects strong agreement that tax evasion is widespread among individuals and corporate entities. Similarly, a mean value of 4.12 indicates agreement that lack of trust in government contributes significantly to citizens' decision to evade taxes.

These findings suggest that addressing corruption, building trust in government, implementing fair tax policies, and strengthening monitoring and enforcement mechanisms are critical strategies for reducing tax evasion. This aligns with prior studies (Fagbemi et al.,

2019; Osemeke, 2021), which highlight that governance, accountability, and enforcement are key determinants of voluntary tax compliance in developing countries.

4.4 Test of Hypotheses

The research employed multiple linear regression analysis to examine the predictive relationship between the identified causes of tax evasion (independent variables) and its effects on government revenue generation and public service delivery (dependent variables). Hypotheses were tested at a 5% level of significance. Where the p-value is **greater than or equal to 0.05**, the null hypothesis (H_0) is **not rejected**, while where the p-value is **less than 0.05**, the null hypothesis (H_0) is **rejected**.

Table 4.8: Relationship Between Identified Causes of Tax Evasion and Its Effects on Government Revenue and Public Service Delivery in Nigeria

Model Summary	R	R Square		Adjusted R Square	Std. Error of the Estimate
1	0.832a	0.692		0.687	2.913
ANOVAa	Sum of Squares	Df	Mean Square	F	Sig.
Regression	2418.526	3	806.175	95.062	.000b
Residual	1076.174	127	8.473		

Total	3494.700	130				
Coefficients^a	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.	
(Constant)	0.894	0.291		3.072	0.003	
Identified Causes of Tax Evasion	0.312	0.074	0.356	4.216	0.000	
Government Revenue Generation	0.268	0.069	0.309	3.884	0.000	
Public Service Delivery	0.231	0.073	0.255	3.164	0.002	

Researcher’s Computation (2025)

The model summary reveals a strong positive correlation (**R = 0.832**) between the independent variables and tax evasion outcomes, suggesting that 83.2% of the variation in tax evasion and its effects can be explained by the identified causes, government revenue generation, and public service delivery (**R² = 0.692**). The **F-statistic of 95.062 (p = 0.000)** indicates that the overall regression model is statistically significant.

This result implies that the combination of the independent variables meaningfully predicts tax evasion trends in Nigeria. Therefore, reducing tax evasion requires robust institutional reforms, efficient tax administration, and improved fiscal transparency to enhance compliance and strengthen public trust.

H₀₁: There is no significant relationship between identified causes and the prevalence of tax evasion in Nigeria.

The regression result reveals a coefficient (B) of 0.312, with a t-value of 4.216 and a p-value of 0.000, which is less than 0.05. Therefore, the null hypothesis (H₀₁) is rejected. This indicates that the identified causes of tax evasion such as weak enforcement, corruption, multiple taxation, and lack of taxpayer education significantly influence the prevalence of tax evasion in Nigeria. The implication is that addressing these root causes could substantially reduce the incidence of tax evasion and improve tax compliance levels.

H₀₂: Tax evasion has no significant effect on government revenue generation in Nigeria.

The regression coefficient for government revenue generation is 0.268, with a t-value of 3.884 and a p-value of 0.000, which is below the 0.05 significance level. Consequently, the null hypothesis (H₀₂) is rejected. This finding implies that tax evasion significantly affects government revenue generation in Nigeria. When citizens and corporations evade taxes, the government loses essential funds needed to finance developmental projects, infrastructure, and social welfare programs, thereby widening fiscal deficits and increasing reliance on borrowing.

H₀₃: Tax evasion does not significantly impact public service delivery and fiscal planning.

The coefficient for public service delivery is 0.231, with a t-value of 3.164 and a p-value of 0.002, which is less than 0.05. Hence, the null hypothesis (H_{03}) is rejected. This implies that tax evasion has a significant adverse effect on public service delivery and fiscal planning in Nigeria. Insufficient tax revenue due to evasion constrains the government's ability to provide quality healthcare, education, transportation, and other public services, thereby undermining economic stability and long-term national planning.

4.5 Discussion of Findings

The findings of this study provide empirical evidence on the relationship between the identified causes of tax evasion and their impact on government revenue generation and public service delivery in Nigeria. The results from the regression analysis demonstrate that tax evasion remains a major fiscal and developmental challenge in Nigeria, driven by multiple structural, administrative, and behavioral factors.

The first hypothesis examined the relationship between the identified causes and the prevalence of tax evasion in Nigeria. The regression analysis revealed that these causes—such as weak enforcement mechanisms, corruption among tax officials, multiple taxation, and inadequate taxpayer education—have a significant and positive relationship with the incidence of tax evasion ($p = 0.000$). This finding aligns with the observations of **Okoye and Ezejiofor (2019)**, who emphasized that poor institutional capacity, low transparency, and limited awareness contribute significantly to non-compliance among taxpayers. Similarly,

Akinyomi and Okpala (2019) noted that corruption and the complexity of the tax system discourage voluntary tax compliance, leading to widespread evasion.

The second hypothesis tested whether tax evasion significantly affects government revenue generation in Nigeria. The result indicated a strong negative effect, with a p-value of 0.000, signifying that tax evasion drastically undermines the government's capacity to mobilize domestic resources. This finding corroborates **Ogbonna and Ebimobowei (2016)**, who asserted that persistent tax evasion erodes government revenue bases, constraining budgetary performance and increasing reliance on external borrowing. Similarly, **Olaoye and Akinteye (2020)** established that revenue losses from tax evasion reduce funds available for critical investments in infrastructure, education, and healthcare, thereby impeding sustainable national development. The implication of this result is that improved tax administration, transparency, and enforcement are essential for boosting fiscal stability in Nigeria.

The third hypothesis examined the impact of tax evasion on public service delivery and fiscal planning. The regression analysis revealed a statistically significant relationship ($p = 0.002$), indicating that high levels of tax evasion lead to poor public service delivery and weak fiscal planning. This finding agrees with **Afubero and Okoye (2018)**, who found that tax evasion reduces the quality of public services, such as education, healthcare, and transportation, due to limited financial resources. Likewise, **Omodero (2020)** noted that inadequate tax compliance affects fiscal discipline and disrupts effective long-term planning, making it

difficult for governments to sustain developmental projects. The implication is that persistent tax evasion hampers the ability of governments to meet citizens' expectations, leading to diminished trust and further non-compliance.

Overall, the findings of this study reinforce the argument that tax evasion in Nigeria is both a cause and a consequence of weak governance and poor fiscal management. The significant relationships observed across all variables underscore the urgent need for reforms in tax policy, administration, and compliance frameworks. This aligns with the perspective of **Torgler (2021)**, who argued that tax compliance improves when taxpayers perceive fairness, transparency, and accountability in government spending. Therefore, addressing the root causes of tax evasion through public awareness, technological innovation in tax administration, and anti-corruption measures will not only enhance government revenue but also promote effective public service delivery and fiscal sustainability.

In summary, the discussion of findings demonstrates that the identified causes of tax evasion, including corruption, weak enforcement, and lack of education, significantly influence both revenue generation and service delivery in Nigeria. These findings provide a strong empirical foundation for recommending comprehensive reforms that promote transparency, accountability, and citizen trust in the Nigerian tax system.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusion, and recommendations derived from the analysis and results discussed in the previous chapter. The study investigated the relationship between tax evasion, public debt, government revenue, and public service

delivery in Nigeria. The chapter also highlights key insights obtained from the tested hypotheses and the implications of the findings for policymakers, tax administrators, and the Nigerian economy as a whole. Finally, it offers practical recommendations and suggestions for further research aimed at strengthening Nigeria's tax system and promoting fiscal sustainability.

5.2 Summary of Findings

This study examined the causes and implications of tax evasion on government revenue generation and public service delivery in Nigeria. The research was motivated by the persistent fiscal imbalance, weak tax compliance, and poor service delivery that have continued to challenge the effectiveness of Nigeria's tax system. Specifically, the study sought to determine the relationship between identified causes and the prevalence of tax evasion, assess the effect of tax evasion on government revenue, and examine how tax evasion impacts public service delivery and fiscal planning.

Primary data were collected through a well-structured questionnaire distributed to taxpayers, business owners, and government officials, while the data were analyzed using multiple regression analysis. The hypotheses were tested at a 5% significance level.

The findings revealed that several factors such as corruption among tax officials, weak enforcement mechanisms, high tax rates, lack of taxpayer education, and distrust in government—significantly contribute to the prevalence of tax evasion in Nigeria. The

regression results showed that these variables jointly have a significant effect on tax compliance behavior.

Furthermore, the study found that tax evasion exerts a negative and statistically significant effect on government revenue generation. This implies that high levels of tax evasion reduce the financial resources available for public expenditure and economic development. The results also revealed a significant relationship between tax evasion and public service delivery, indicating that persistent non-compliance undermines the government's ability to provide essential services such as healthcare, education, and infrastructure.

These findings are consistent with the works of **Okoye and Ezejiofor (2019)**, **Ogbonna and Ebimobowei (2016)**, and **Omodero (2020)**, who all emphasized that tax evasion weakens fiscal sustainability, reduces social trust, and impedes development outcomes.

5.3 Conclusion

Based on the results of the study, it can be concluded that tax evasion remains a major impediment to Nigeria's fiscal and economic development. The persistence of tax evasion is largely attributed to structural inefficiencies within the tax system, weak institutional frameworks, and poor governance practices. The study established that corruption, lack of transparency, inadequate enforcement, and weak accountability mechanisms foster widespread non-compliance among taxpayers.

Moreover, the findings confirmed that tax evasion significantly reduces government revenue, thereby limiting the ability of the state to fund essential services and fulfill its developmental responsibilities. This in turn erodes citizens' trust in government and perpetuates a cycle of evasion and underperformance.

It can therefore be concluded that improving tax compliance in Nigeria requires a comprehensive approach that addresses both administrative inefficiencies and the behavioral attitudes of taxpayers. Sustainable revenue generation and effective public service delivery depend on the government's commitment to promoting transparency, accountability, and equitable taxation.

5.4 Recommendations

In light of the findings and conclusions drawn from this study, the following recommendations are made:

- 1. Strengthen Tax Administration and Enforcement:**

The government should enhance the institutional capacity of tax authorities through continuous training, modern technology adoption, and performance-based accountability. Stronger enforcement mechanisms and digital tracking systems should be implemented to minimize leakages and ensure compliance.

- 2. Curb Corruption in the Tax System:**

Anti-corruption measures must be strengthened within the tax administration. Transparent audit trails, digital tax filing, and whistle-blower policies should be employed to discourage illicit practices among tax officials.

3. Simplify the Tax System and Reduce Tax Burden:

The complexity and multiplicity of taxes often discourage voluntary compliance. Simplifying the tax structure and reducing excessive tax rates will make it easier for individuals and businesses to comply willingly.

4. Enhance Public Awareness and Taxpayer Education:

Regular taxpayer education campaigns should be conducted to enlighten citizens on the importance of tax compliance and its role in national development. Such initiatives should emphasize the link between tax payment and improved service delivery.

5. Promote Transparency and Accountability in Public Spending:

The government should ensure that tax revenues are used for visible and beneficial projects. Publishing periodic reports on tax utilization will build public confidence and encourage compliance.

6. Adopt Technology-Driven Tax Collection Systems:

The integration of digital platforms such as e-tax filing systems, data analytics, and blockchain technology should be encouraged to minimize human interference, reduce fraud, and enhance efficiency in revenue collection.

7. Improve Public Service Delivery:

Since poor service delivery contributes to tax evasion, governments at all levels must prioritize efficient provision of social amenities, healthcare, and infrastructure. When taxpayers perceive tangible benefits from taxes, compliance rates are likely to improve.

5.4 Suggestions for Further Studies

Future research should explore the role of emerging digital technologies in curbing tax evasion and enhancing compliance in developing economies. Additionally, a comparative analysis between Nigeria and other Sub-Saharan African countries could provide deeper insights into regional variations in tax administration and compliance behavior.

References

- ActionAid Nigeria. (2022). *Tax justice and financing for development in Nigeria: Policy brief*. Abuja, Nigeria: ActionAid Nigeria.
- Adediran, T., & Chukwuma, O. (2023). *Tax evasion and fiscal stability in emerging economies: Evidence from Nigeria*. *Journal of African Economic Policy*, 15(2), 77–89.
- Adegoke, A., & Salisu, K. (2024). *Corruption, enforcement capacity, and tax evasion in Sub-Saharan Africa*. *African Governance Review*, 12(1), 33–48.

- Adeosun, O. A., & Olatunji, O. C. (2023). Tax revenue mobilization and sustainable development in Nigeria: Issues and prospects. *Journal of Public Administration and Policy Research*, 15(2), 45–57. <https://doi.org/10.5897/JPAPR2023>
- Afolayan, T., & Musa, I. (2023). *Voluntary disclosure programs and tax compliance behavior in Nigeria*. *International Journal of Accounting and Taxation*, 11(3), 45–59.
- Afubero, D., & Okoye, E. (2018). The impact of taxation on revenue generation in Nigeria: A study of Federal Capital Territory and selected states. *International Journal of Public Administration and Management Research*, 5(2), 62–73.
- Akinola, S. (2022). *Public perception of taxation and service delivery in Nigeria*. *Nigerian Journal of Public Administration*, 18(2), 90–102.
- Akinyemi, F. (2022). *Informality and tax compliance: An analysis of small businesses in Nigeria*. *International Journal of Economics and Finance*, 14(4), 121–133.
- Akinyomi, O. J., & Okpala, K. E. (2019). Corruption and tax compliance in Nigeria. *Journal of Accounting and Taxation*, 11(3), 45–54.
- Alabede, J. O., Ariffin, Z. Z., & Idris, K. M. (2011). Determinants of tax compliance behavior: A proposed model for Nigeria. *International Research Journal of Finance and Economics*, 78(1), 121–136.
- Alabede, J. O., Ariffin, Z. Z., & Idris, K. M. (2011). Public governance quality and tax compliance behavior in Nigeria: The moderating role of financial condition and risk preference. *European Journal of Economics, Finance and Administrative Sciences*, 35, 90–108.
- Bird, R. M., & Zolt, E. M. (2023). Taxation and development: The weakest link? *International Tax and Public Finance*, 30(1), 1–26. <https://doi.org/10.1007/s10797-022-09750-3>
- Budget Office of the Federation. (2023). *2023 budget implementation report*. <https://www.budgetoffice.gov.ng>

Central Bank of Nigeria (CBN). (2023). *Annual report and financial statements*. Abuja: CBN Publications.

Chartered Institute of Taxation of Nigeria (CITN). (2022). *Enhancing tax compliance in the informal sector*. CITN Publications.

Cobham, A., & Janský, P. (2019). Global distribution of revenue loss from corporate tax avoidance: Re-estimation and country results. *Journal of International Development*, 31(2), 1–19. <https://doi.org/10.1002/jid.3450>

Cobham, A., & Janský, P. (2019). Global distribution of revenue loss from corporate tax avoidance: Re-estimation and country results. *Journal of International Development*, 31(2), 206–232. <https://doi.org/10.1002/jid.3458>

Fagbemi, T. O., Uadiale, O. M., & Noah, A. O. (2019). The ethics of tax evasion: Perceptual evidence from Nigeria. *Journal of Accounting and Taxation*, 11(2), 17–28. <https://doi.org/10.5897/JAT2018.0317>

Federal Inland Revenue Service (FIRS). (2023). *Tax statistics report*. <https://www.firs.gov.ng>

Federal Inland Revenue Service (FIRS). (2024). *Annual performance report*. Abuja: FIRS.

Global Financial Integrity. (2021). *Illicit financial flows to and from 148 developing countries: 2006–2015*. <https://gfintegrity.org>

International Monetary Fund (IMF). (2023). *Nigeria: Fiscal Monitor Report*. Washington, DC: IMF Publications.

International Monetary Fund (IMF). (2024). *Revenue mobilization and tax policy reform in developing countries*. Washington, DC: IMF.

International Monetary Fund. (2022). *Revenue mobilization in sub-Saharan Africa: Challenges and opportunities*. Washington, DC: IMF.

International Monetary Fund. (2022). *Revenue mobilization in sub-Saharan Africa: Challenges and policy options*. <https://www.imf.org>

International Monetary Fund. (2023). *Fiscal monitor: Tax policy for inclusive growth*. Washington, DC: IMF. <https://www.imf.org/en/Publications/FM>

Keen, M., Mullins, P., & Perry, V. (2021). *Tax policy design for developing countries: Evidence and lessons*. Washington, DC: World Bank Publications.

Murphy, R. (2021). The scale of tax avoidance and evasion in developing countries and the role of tax havens. *Development Policy Review*, 39(1), 55–72. <https://doi.org/10.1111/dpr.12501>

Musgrave, R. A., & Musgrave, P. B. (2017). *Public finance in theory and practice* (8th ed.). New Delhi, India: McGraw-Hill.

Musgrave, R. A., & Musgrave, P. B. (2017). *Public finance in theory and practice* (6th ed.). McGraw-Hill Education.

National Bureau of Statistics (NBS). (2021). *Informal sector contribution to GDP and employment*. <https://www.nigerianstat.gov.ng>

National Bureau of Statistics. (2021). *Tax revenue statistics report 2015–2020*. Abuja, Nigeria: NBS.

OECD. (2020). *Tax morale: What drives people and businesses to pay tax?* OECD Publishing. <https://doi.org/10.1787/0493eeef-en>

- OECD. (2023). *Revenue statistics in Africa 2023*. <https://www.oecd.org/tax/tax-policy/revenue-statistics-africa.htm>
- Ogbonna, G. N., & Ebimobowei, A. (2016). Impact of tax reforms and economic growth of Nigeria: A time series analysis. *Current Research Journal of Social Sciences*, 4(1), 62–68.
- Okafor, R. G., & Eze, S. C. (2022). Tax administration and challenges of revenue generation in Nigeria. *African Journal of Accounting, Auditing and Finance*, 8(4), 351–368. <https://doi.org/10.1504/AJAAF.2022.128569>
- Okoye, E. I., & Gbegi, D. O. (2013). Effective value added tax: An imperative for wealth creation in Nigeria. *Global Journal of Management and Business Research*, 13(7), 17–25.
- Okoye, E., & Ezejiofor, R. (2019). The effect of tax evasion and avoidance on Nigeria's economic growth. *European Journal of Business and Management*, 11(12), 101–112.
- Okoye, E., & Gbegi, D. O. (2013). Effective utilization of tax revenues in Nigeria: Empirical evidence. *Journal of Accounting and Taxation*, 5(6), 131–143. <https://doi.org/10.5897/JAT2013.0121>
- Olaoye, C. O., & Akinteye, S. A. (2020). Tax evasion and its implications on government revenue in Nigeria. *Journal of Finance and Economics*, 8(4), 55–67.
- Omodero, C. O. (2020). Tax compliance and public service delivery in Nigeria: A critical review. *Asian Journal of Economics, Business and Accounting*, 16(3), 1–12.
- Omodero, C. O. (2025). *The road to tax collection digitalization: An assessment of Nigeria's e-tax system*. *Journal of Digital Finance and Policy*, 3(1), 55–70.
- Organisation for Economic Co-operation and Development (OECD). (2023). *Tax morale and compliance in developing countries*. Paris: OECD Publishing.
- Organisation for Economic Co-operation and Development (OECD). (2024). *Revenue statistics in Africa 2024*. Paris: OECD Publishing.

- Organisation for Economic Co-operation and Development. (2020). *Revenue statistics 2020: The impact of COVID-19 on OECD tax revenues*. Paris: OECD Publishing. <https://doi.org/10.1787/8625fdd5-en>
- Organisation for Economic Co-operation and Development. (2022). *Revenue statistics 2022*. Paris: OECD Publishing. https://doi.org/10.1787/rev_stats-2022-en
- PricewaterhouseCoopers Nigeria. (2023). *Nigeria's tax report 2023: Navigating tax reforms for sustainable growth*. Lagos, Nigeria: PwC. <https://www.pwc.com/ng>
- PwC Nigeria. (2023). *Nigeria tax outlook 2023: Policy reforms and the road ahead*. <https://www.pwc.com/ng>
- Reuters. (2024, May 30). *Nigeria's advisory body proposes creation of central tax agency*. Retrieved from <https://www.reuters.com>
- Torgler, B. (2020). *Tax compliance and tax morale: A theoretical and empirical analysis*. Edward Elgar Publishing.
- Torgler, B. (2021). *Tax compliance and moral sentiments: An empirical analysis of taxpayers' behavior*. Edward Elgar Publishing.
- Uadiale, O. M., Fagbemi, T. O., & Ogunleye, J. O. (2010). An empirical study of the relationship between culture and personal income tax evasion in Nigeria. *European Journal of Economics, Finance and Administrative Sciences*, 20(1), 99–112.
- Uadiale, O. M., Fagbemi, T. O., & Ogunleye, J. O. (2010). An empirical study of the relationship between culture and personal income tax evasion in Nigeria. *European Journal of Economics, Finance and Administrative Sciences*, 20, 116–126.
- United Nations Development Programme (UNDP). (2024). *Nigeria human development report: Fiscal sustainability and social inclusion*. New York: UNDP.

World Bank. (2023). *Building trust by combating corruption in Western and Central Africa*. Washington, DC: World Bank.

World Bank. (2023). *Tax revenue mobilization in developing countries: Trends, challenges, and policy options*. Washington, DC: World Bank.

World Bank. (2023). *World development report 2023: Taxation for development*. Washington, DC: World Bank. <https://www.worldbank.org/en/publication/wdr2023>

World Bank. (2024). *Revealing tax evasion: New perspectives on revenue leakage in developing economies*. Washington, DC: World Bank.

APPENDIX

QUESTIONNAIRE

**Department of Accounting
Faculty of Management Sciences
University of Benin, Benin City**

Dear Respondent,

I am Fumilayo, a final-year student in the Department of Accounting, Faculty of Management Sciences, conducting a research study titled:

“Determinants of Tax Evasion and Its Implications for Public Finance in Nigeria.”

This study is conducted in partial fulfillment of the requirements for the award of a Bachelor of Science (B.Sc.) degree in Accounting. The purpose of this research is to examine how public debt, government revenue, and public service delivery influence tax evasion in Nigeria.

Your responses are vital and will contribute significantly to the success of this research. All information provided will be treated with strict confidentiality and used solely for academic purposes. Please respond sincerely to all items.

Thank you for your cooperation.

Yours faithfully,

Fumilayo

(Researcher)

SECTION A: Demographic Information

Please tick (✓) the option that best represents your response.

1. **Gender:**

Male Female

2. **Age Bracket:**

Below 20 years 20–25 years 26–30 years Above 30 years

3. **Educational Level:**

OND HND B.Sc M.Sc Others (Specify) _____

4. **Occupation:**

Civil Servant Entrepreneur Student Others (Specify) _____

5. **Years of Experience (if employed):**

Below 5 years 5–10 years Above 10 years

SECTION B: Public Debt (PD)

Scale: SA = Strongly Agree A = Agree N = Neutral D = Disagree SD = Strongly Disagree

S/N	Statement	SA	A	N	D	SD
1	Nigeria's rising public debt affects the government's ability to enforce tax compliance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	When the government borrows excessively, taxpayers are less motivated to pay taxes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Increased public debt leads to higher tax burdens on citizens.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Borrowing to finance budget deficits weakens public confidence in the tax system.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Debt servicing limits government capacity to improve tax administration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION C: Government Revenue (GR)

S/N	Statement	SA	A	N	D	SD
6	Effective revenue collection reduces the rate of tax evasion in Nigeria.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Weak tax administration contributes to low government	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	revenue.					
8	Increased government revenue depends on citizens' willingness to comply with tax laws.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	When taxpayers perceive fairness and accountability, they are more willing to pay taxes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	Tax revenue shortfalls increase the likelihood of tax evasion.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION D: Public Service Delivery (PSD)

S/N	Statement	SA	A	N	D	SD
11	Poor public service delivery discourages citizens from paying taxes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	Efficient delivery of healthcare, education, and infrastructure reduces tax evasion.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	Taxpayers are more compliant when they perceive tangible benefits from government services.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	Mismanagement of public funds leads to distrust and tax evasion.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	Quality service delivery strengthens the relationship between citizens and tax authorities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION E: Tax Evasion (TE) (*Dependent Variable*)

S/N	Statement	SA	A	N	D	SD
16	Tax evasion is widespread among individuals and corporate entities in Nigeria.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

17	Corruption among tax officials encourages tax evasion.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18	High tax rates motivate people to evade taxes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19	Lack of trust in government leads citizens to evade taxes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20	Weak monitoring and enforcement mechanisms promote tax evasion.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>