

Determinants of Tax Compliance among SMEs In Edo State

BY

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**A Research Project Submitted to the Department of Accounting (Taxation Option),
Faculty of Management Sciences, University of Benin, Benin City, Edo State, in
Partial Fulfillment of the Requirements for the Award of Bachelor of Science
Degree (B.Sc) in Taxation**

November, 2025.

DECLARATION

I declare that:

1. This report is based on a study undertaken by me in the Department of Accounting (Taxation Option), University of Benin, under the supervision of **Prof. P. O. Ibadin.**
2. This project work has not been previously submitted for the award of a degree elsewhere.
3. All ideas and views are products of my personal research and where the views of others have been expressed they have been duly acknowledged.

SIGN: _____
Eghosa Destiny OSAWARU

Date: _____

APPROVAL

This is to certify that this project work was carried out and completed by **Eghosa Destiny OSAWARU**, and is adequate in scope, content and quality in partial fulfilment of the requirements for the award of Bachelor of Science (B.Sc) Degree in Taxation (Accounting), Faculty of Management Sciences, University of Benin, Benin City.

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Date

DEDICATION

I dedicate this project to God Almighty, who saw me through the course of this research, and for his mercy and kindness.

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ABSTRACT

This study examines the determinants of tax compliance among small and medium enterprises (SMEs) in Nigeria. The research investigated the influence of six key factors—tax knowledge and awareness, taxpayer attitude and perception, multiple tax rates, government transparency and accountability, enforcement and penalties, and complexity of the tax accounting system—on tax compliance behavior. A quantitative research design was adopted, and data collected from 142 SMEs were analyzed using descriptive statistics, correlation, and multiple regression techniques through E-Views 14.0.

The regression results revealed that taxpayer attitude and perception had a negative and significant effect on compliance, implying that negative perceptions about the tax system reduce taxpayers' willingness to comply. Conversely, multiple tax rates and government transparency showed positive and significant effects, indicating that simplified rate structures and transparent governance enhance compliance. Tax knowledge, enforcement, and system complexity were not statistically significant, suggesting that knowledge and penalties alone may not guarantee compliance without trust and institutional integrity. The model was statistically significant (F-statistic = 5.45, $p < 0.01$) with an adjusted R^2 of 0.16, confirming a moderate explanatory power. Diagnostic tests showed no autocorrelation or heteroskedasticity, ensuring model reliability.

The study concludes that tax compliance among SMEs in Nigeria is primarily driven by institutional and perceptual factors rather than enforcement. It recommends improving government transparency, simplifying tax structures, and promoting positive taxpayer attitudes to enhance voluntary compliance.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The role of taxation and the effect it has on economic development is as old as time itself. Tax is a compulsory contribution levied by the government, and although taxpayers may not receive anything identifiable in return for their contribution, they still have the benefit of living in a reasonably and organized, healthy and safe society (Ogbeide & Otokiti, 2024). Tax is one of the major sources of income for most countries which is used to fund their government including in Nigeria. In Nigeria, tax plays an important role in economic development. Therefore, tax compliance is one major issue that needs the proper attention of the authorities. (Le, Nguyen, Nguyen & Nguyen, 2024)

However, tax non-compliance is a persistent and growing global issue to which a lasting solution is yet to be established (Omary & Pastory, 2022)

Tax non-compliance is the refusal to act in accordance with legal, social, cultural or institutional requirements.

SMEs are important contributors to the rate of employment opportunities and have generated a significant part of the national GDP in Nigeria. With this, the degree of tax compliance among SMEs is expected to significantly impact government tax revenues as a result of the volume of revenue generated by this sector. SMEs in Nigeria are

known to be deluded by double taxation situations as a result of regulation by different government agencies thereby leading to tax avoidance and tax non-compliance situations among the same SMEs (Wuraola & Adeyemi, 2023)

The severity of tax compliance issues in Nigeria at the federal level was reported by the Inland Revenue Service in 2009. The federal inland revenue service has also reported to state governments that 654 tax cases were audited, resulting in a significant loss of tax revenue due to tax non-compliance. This is particularly more prominent in 2008 and this contributed to a 92.2 billion tax income loss to the federal government (Federal among SME firms) reported to state governments that 654 tax cases were audited, resulting in a significant loss of tax revenue due to tax non-compliance. This is particularly more prominent in 2008 and this contributed to a 92.2 billion tax income loss to the federal government (Federal among SME firms)

Tax related issues including multiple taxation, high tax rates and penalties have been identified as major factors responsible for the fold up rate of SME's in Nigeria according to Linda (2020). Within the first five years of operation about 80 percent of SMEs in Nigeria go into liquidation. Poor tax knowledge, poor awareness, poor audit, tax collection methods, taxpayer's perception, tax fairness and other factors have all been identified as impeding tax compliance among SME's, as a result, in Nigeria. Clarification on the issues affecting the SME's tax compliance is required.

Considering the persistent tax non-compliance issues in Edo State, which have yielded only marginal increases in tax revenue, a thorough empirical assessment of the

underlying factors is essential, that is particularly pertinent in Nigeria's economy, where the proliferation of new businesses may further compound the problem, underscoring the need for a comprehensive evaluation to inform effective solutions.

1.2 Statement of the Problem

The ongoing global drop in oil prices and the resulting loss in revenue have forced Nigerian governments at all levels to focus on non-oil sectors as a way to increase revenue of which taxes make up a larger portion. However, increasing tax revenue is fraught with difficulties, especially when it comes to SME's tax compliance.

Consistent tax non-compliance across industries could have been caused by a variety of reasons or circumstances including infrastructural provision, taxation, and the government's moral credibility. But when it comes to SME's tax procedures in Nigeria, poor things like tax penalties, tax audit, tax facilities, tax enforcement policies, tax registration, accounting systems, societal norms, government responsibilities and perceived fairness seem to be more important.

Due to their limited use of professional accountants or tax professionals who can help them maintain their accounts, most SMEs are classified as having a weak record-keeping system. Due to this issue of poor record-keeping, small business owners may not be encouraged to conduct self-evaluation furthermore they might not be aware of all expenses that could allow them to save money on taxes, which would make voluntary tax compliance unlikely.

The government should foster a culture of tax compliance and garner widespread tax payment patronage from taxpayers. Understanding fiscal responsibilities through the provision of essential social and infrastructure facilities is imperative. The principle of reciprocity between taxpayer and government is central to voluntary tax compliance, where taxpayers feel that their tax contributions are being utilized effectively to enhance their living standards. However, in Nigeria, owners frequently express dissatisfaction with the inadequacy of infrastructure and the resultant high operational costs, which largely contributes significantly to SMEs' reluctance to comply with tax regulations. Indeed, many SMEs' owners view the lack of tangible benefits from tax payments as a major disincentive to voluntary compliance.

The pervasive non-compliance with tax practices among taxpayers in Nigeria may trigger a bandwagon effect, where tax evasion and avoidance become entrenched social norms. SMEs that neglect to file tax returns or pay taxes outright often operate with impunity, facing little to no penalties or fines, which reinforces this behavior among existing and new business owners. As peers observe others evading taxes without consequence, they may perceive non-compliance as an acceptable and even necessary practice to remain competitive, thereby perpetuating a culture of tax non-compliance. This phenomenon can lead to a vicious cycle, where more and more SMEs owners engage in tax non-compliance, further eroding the tax base and depriving the government of much needed revenue.

Preferential treatment among taxpayers groups can also fuel tax non compliance. When certain groups are unfairly favoured, others may feel cheated, paying more taxes while those with more power or influence evade taxation. This perceived injustice can discourage regular tax payments, as taxpayers feel the system is biased against them.

To inform effective policy interventions, empirical evidence is needed to determine the extent to which these factors contribute to variations in tax compliance practices among SMEs in Edo state.

1.3 Research Questions

1. How does tax awareness affect tax compliance among SMEs in Benin city
2. How does complexity of tax/accounting system affect tax compliance among SMEs in Benin city
3. How does multiple tax rates affect tax compliance among SMEs in Benin city
4. How does government transparency and accountability affect tax compliance among SMEs in Benin city
5. How does taxpayers attitude and perception affect tax compliance among SMEs in Benin city
6. How does enforcement and penalties affect tax compliance among SMEs in Benin city

1.4 Research Objectives

This study's primary objective is to investigate the factors influencing tax compliance among SMEs in Benin city, Edo state.

Specifically aim to:

1. Explore the relationship between morality, perceived fairness and tax compliance behaviour among SMEs in Edo State.
2. Determine the impact of government fiscal responsibility on tax compliance behaviour in Edo State.
3. Investigate how social norms influence tax compliance behaviour in Edo State.
4. Assess the effect of perceived fairness on tax compliance behaviour in Edo State.

1.5 Research Hypotheses

Guided by the specific objectives outlined above, this study formulated several research hypotheses in null form to these hypotheses are designed to provide a framework for investigating the research questions and ultimately

HO1: Accounting practices significantly influence tax compliance behaviour among SMEs in Edo State.

HO2: Government fiscal responsibility does not significantly impact tax compliance behaviour among SMEs in Edo State.

HO3: Social norms do not have a significant effect on tax compliance behaviour among SMEs in Edo State.

HO4: Perceived fairness does not significantly affect tax compliance behaviour among SMEs in Edo State.

1.6 Research Scope

This comprehensive study delves into the intricacies of tax compliance behaviour, with a specific focus on Small and Medium Enterprises (SMEs) operating in Edo State, Nigeria, and registered with the Edo State Inland Revenue Service (EIRS).

Given the significant contribution of SMEs to the Nigerian Economy, accounting for approximately 96% of businesses nationwide (National Bureau of Statistics, 2020), understanding their tax compliance behaviour is of paramount importance. By examining data spanning from 2016 to 2021, this research aims to provide valuable insights to the tax compliance dynamics of this crucial sector, shedding light on the challenges and opportunities that exist within the tax administration framework.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews prior research, theoretical framework and current developments to establish a foundation for the study. It uses existing knowledge to inform the investigation.

2.2 Conceptual Review

Tax compliance is deciding to pay taxes for the benefit of the society and of the expectation of personal benefits.

Tax compliance remains a significant issue among SMEs, particularly in developing economies such as Nigeria where informal business activities are widespread. The determinants of tax compliance can be understood from economic, psychological and institutional perspectives.

In relation to determining reasons for tax compliance or non-compliance, determinants of tax compliance should be necessary. Below are some determinants of tax compliance.

2.2.1 Tax Knowledge And Awareness

Tax knowledge and awareness have consistently been identified in literature as a crucial determinant of tax compliance among small and medium enterprises (SMEs).

According to Aladejebi (2018), knowledge of tax is essential in tax compliance especially under the self-assessment system.

This suggests that when SMEs lack sufficient understanding of tax procedures, they are less likely to fulfill their tax obligations accurately and on time.

Similarly, Aladejebi (2018), observed that many SMEs, especially sole proprietors and non-corporated companies, may not be literate enough in tax matters to handle tax filing and remittances.

This highlights how limited knowledge and financial literacy can hinder tax compliance, particularly among smaller businesses that cannot afford professional tax services.

From another perspective, Atawodi and Ojeka (2012) noted that other factors like multiple taxation and lack of proper enlightenment affects tax compliance among the SMEs surveyed. Their findings reinforce the argument that without sufficient taxpayer education and enlightenment campaigns, compliance levels will remain low among SMEs.

Thus the evidence suggests that tax knowledge and awareness directly affects SMEs' ability and willingness to comply with tax obligations.

Where literacy levels are low, and enlightenment is absent, non-compliance is likely to thrive. Conversely, improved knowledge and sensitization programs can significantly enhance compliance rate.

2.2.2 Complexity of Tax System

The complexity of the tax system has been widely acknowledged as a critical factor influencing tax compliance. According to Atawodi and Ojeka (2012), highly complex rates and complicated filing procedures are the most influential factors making SMEs in Northern Nigeria not to comply with tax laws and regulations.

The difficulty in understanding and navigating cumbersome filing processes increases the likelihood of errors and discourages voluntary compliance among small businesses. Similarly, Aladejebi (2018) observed that frequent changes in laws, the complexity of tax forms, technical language, legislation problems, costs of hiring consultants, cumbersome registration procedures and unrealistic tax laws pose significant obstacles to SMEs compliance with tax obligations in Nigeria. Such systematic barriers not only heighten compliance costs but also foster a perception of unfairness, leading to tax evasion or avoidance.

2.2.3 Multiple Tax Rates

The issue of tax rates is central to the discussion on determinants of tax compliance, particularly among SMEs. Taxpayers often evaluate the fairness of the rate they are required to pay, and this perception influences their willingness to comply.

According to Appah and Duoduo (2023), perceptions of the fairness of the tax system significantly influence the tax compliance behaviour, this means that when business owners perceive that rates imposed are just, equitable and commensurate with the

benefit they receive from government they are more inclined to comply voluntarily with tax obligations.

Furthermore, the relationship between tax rates and compliance can also be explained through the lease laws of tax morale and its effect on enforcement mechanisms. As noted by Ikidi, Akhimie, and Ozuah (2021) noted that at each stage of the tax compliance value chain, tax morality was a significant influence on enforcement. This indicates that rates, when structured fairly and transparently, reinforce a sense of moral duty among taxpayers, thus complementing enforcement strategies. Conversely, high or arbitrary tax rates can weaken tax morale and make enforcement efforts less effective, as taxpayers may resist compliance when they perceive systematic unfairness.

2.2.4 Government Transparency And Accountability

According to Orumwense and Aiwoho (2021), Accountability and transparency by the taxpayers enhances trust in government and this is instrumental factor to equilibrium, morally leads to voluntary tax compliance. This establishes the idea that when taxpayers perceive openness and honesty in government operations, their moral disposition towards compliance improves significantly.

Orumwense and Aiwoho (2021), further noted that lack of confidence in tax systems and the government might lead to tax evasion, dishonesty and fraud. When taxpayers lose confidence in the tax system, its own accountability can erode trust, resulting in a rise in non-compliance behaviour.

2.2.5 Taxpayers Attitude And Perception

Taxpayers perception and attitude towards taxation are strongly linked to tax morale which has been widely acknowledged as an important determinant of tax compliance. According to Nichita & Batrancea (2012) the term tax morale was Coined by Schmolders back in 1960 who defined it as the attitude of a group or the whole population of taxpayers regarding the question of accomplishment or neglect of their tax duties; it is anchored in citizens' tax mentality and in their consciousness as to be citizens, which is the base of their acceptance of their duties and acknowledgment of the sovereignty of the state. This shows that tax morale is not only a legal matter but also a civic and ethical responsibility.

Complementing this, Orumwense and Aiwoho (2021) argue that accountability and transparency by the taxpayers enhances trust in government and this is instrumental factors to behavioural morals that lead to voluntary tax compliance. Their work emphasizes that when taxpayers perceive government actors as transparent and accountable, morale is improved, and the likelihood of voluntary compliance increases.

2.2.6 Enforcement And Penalty

Tax penalties act as a disciplinary mechanism for non-compliance and are central to influencing taxpayers' behaviour. According to Appah and Duoduo (2023), a tax penalty is money paid to the relevant tax authority as a punishment for tax evasion. When there is a high penalty rate for any non-compliance, the level of non-compliance

will decrease. This emphasizes the better deterrent role of penalties in discouraging evasion and promoting compliance.

2.3 Empirical Review

Tax compliance has been widely studied in both developed and developing countries, with particular attention on SMEs due to their significant role in national economies. Empirical studies generally agree that tax compliance is influenced by a variety of factors, including taxpayer knowledge, system complexity, tax rates, enforcement and penalties, government accountability, corruption, compliance costs, record keeping capacity and the availability of incentives. This section reviews empirical evidence relevant to the determinants of tax compliance with emphasis on Edo State, Nigeria and comparable context.

Empirical studies consistently highlight tax knowledge as a critical determinant of compliance among SMEs. Alabede, Ariffin, and Idris (2011) found that increased tax knowledge significantly improved voluntary compliance among Nigerian taxpayers by reducing inadvertent errors. Similarly Aladejebi (2020) reported that SMEs in Nigeria with higher literacy levels are more likely to file returns correctly and in time. Cross country evidence supports these findings, as Kamleitner, Korunka, and Kirchler (2012) showed that SMEs with greater financial literacy demonstrated higher compliance across multiple jurisdictions. These studies suggest that improving taxpayer education enhances compliance levels, particularly in environments where literacy is low.

The complexity of tax procedures and the associated compliance costs also affects SMEs' compliance behaviour. Atawodi and Ojeka (2012) reported that Nigerian SMEs perceive the tax system as unnecessarily complicated. Similarly, Salawu, Ogbuehi, and Agboola(2019), focusing on Lagos SMEs, found that multiple statutory levies and bureaucratic processes increased compliance costs, which reduced the willingness to comply. This is consistent with Sandford's (1995) classic finding that high compliance costs negatively impacts voluntary compliance.

Empirical evidence from developing countries shows significant barriers to SMEs' tax compliance (Ernest, 2022).

The effect of tax rates on compliance has been mixed. Atawodi and Ojeka (2012) observed that high tax rates were a major driver of tax evasion among SMEs in North-Central Nigeria. Similarly Richardson (2006) found across 45 countries that perceived unfairness in tax rates reduced voluntary compliance. However, Alm (2019) emphasized that compliance is influenced not only by actual rates but also by taxpayers' perceptions of fairness and equity, where SMEs perceive inequitable treatment such as informal businesses avoiding taxes while formal ones bear the burden, compliance levels decline.

The role of enforcement and penalties has been empirically validated, though with varying strength. Alabede et al. (2011) demonstrated that enforcement measures, including audits and sanctions, positively influenced compliance among Nigerian SMEs. However, this effect was conditional on the perceived credibility of tax authorities.

Alm (2019) similarly argued that while penalties and audits improve compliance, their deterrent effect is stronger when combined with fairness and transparency. This implies that enforcement alone may not be sufficient to sustain compliance in Nigeria's SMEs sector.

Trust in tax authorities and perceptions of corruption have emerged as significant predictors of compliance. Fjeldstad (2006) showed that corruption in tax administration undermines taxpayers' willingness to comply in Uganda, a finding mirrored in Nigeria by Alabede et al. (2011). Torgler (2007) further argued that voluntary compliance is strongly linked to government legitimacy and perceived accountability. In contexts like Edo State, where corruption is a common complaint, trust deficits weaken compliance, regardless of enforcement measures.

Record keeping is also a key determinant of compliance. Aladedeji (2008) found that SMEs with better record keeping practices are more likely to comply with tax regulations in Nigeria. Alm et al. (2012) confirmed this in international studies, noting that bookkeeping capacity reduces errors and makes compliance easier. In contrast, SMEs without proper records are more likely to underreport income, either intentionally or unintentionally.

The availability of tax incentives and reliefs can positively influence SME compliance. Atawodi and Ojeka (2012) reported that Nigerian SMEs were more likely to comply when they perceived tax policies to be supportive, particularly through exemptions or relief schemes. Ernest (2002) also observed that SMEs that benefited from simplified

regimes or tax holidays were more willing to register formally and pay taxes. However, studies caution that incentives alone are not sufficient; their effectiveness depends on awareness and accessibility.

More recent studies have highlighted new determinants of compliance. Digitalization of tax systems has been shown to reduce compliance costs and minimize corruption opportunities (Oyedele, 2006). Furthermore, the COVID-19 pandemic influenced SMEs tax behaviour as their temporary relief measures affected willingness to comply in several African countries (World Bank, 2021). These findings underscore the need for context specific studies particularly at the state level in Nigeria to capture new dynamics.

2.4 Review of Theories

Tax Compliance Has Been Studied Through Different Theoretical Lenses, ranging from Economic Models to Social, Psychological Approaches. These theories provide the foundation for understanding the Determinants of Tax Compliance and help in framing the expected relationships between SMEs and tax authorities in Edo State.

2.4.1. Theories of Tax Compliance

According to Mutai (2011) given the chance a lot of businesses will not pay taxes unless they have motivation to do so, Some believe that the best way is to increase

incentives while others believe the best way is to increase penalties. Tax Compliance theory can be broadly classified into two, they are Economic based theories and Psychology based theories.

2.4.1.1. Economic Deterrence Theory

The Economic Deterrence Theory, Propounded by Allingham and Sandmo (1972) views taxpayers as rational actors who weigh the benefits of evasion against the risk of detection and punishment. According to this theory, compliance depends on the probability of detection by tax authority, the severity of penalties for non-compliance, and the tax rate imposed, if the expected cost of evasion exceeds the benefits rational taxpayers will comply. This theory was influenced by many tax enforcement policies globally.

In Nigeria, however, weak enforcement and low audit rate reduce the deterrent effect, allowing SMEs in Edo State to take the risk of evasion. Thus, enforcement and penalties becomes critical determinants of tax compliance.

2.4.1.2 Theory of Planned Behaviour (T.P.B)

The theory of Planned behaviour propounded by Ajzen (1991) suggests that compliance is influenced by attitudes towards taxation, subjective norms, and perceived behavioural control. In Edo State SMEs, attitude towards taxation, the influence of other business owners, and the perceived complexities of the tax system all affect compliance

behaviour. This theory explains the role of attitudes, perception and social norms as determinants of compliance.

2.4.1.3 Fiscal Exchange Theory

The fiscal exchange theory by Levi (1988) emphasizes the reciprocal relationship between taxpayers and the state. Taxpayers are more willing to pay or comply when they perceive that tax revenue is used to provide valuable public goods and services. In this sense taxation is viewed as a form of social contract.

For SMEs in Edo State, visible government accountability in areas like infrastructure, welfare and business support may encourage compliance. Conversely, when revenue is perceived to be mismanaged due to corruption, compliance level declines. This theory underpins the role of government transparency and accountability as determinants of tax compliance.

2.4.1.4 Slippery Slope Framework

The Slippery Slope framework by Kirchler, Hoelzl and Wahl (2008) integrates economic and psychological perspectives. It points that compliance is influenced by two key factors:

1. Trust in Authorities; fosters Voluntary Compliance.
2. Power of Authority; this fosters enforced compliance.

A balanced combination of both leads to high compliance for SMEs in Edo State, trust may depend on perception of fairness, accountability and corruption while power depends on enforcement mechanisms such as audits and penalties. This framework highlights the interplay between trust and enforcement in shaping compliance.

Among these theories the slippery slope framework provides the best fit as the main theory of this research because it captures both trust based voluntary compliance and enforcement based compliance, which are critical issues for SMEs, and the state. Other theories mentioned in this research will serve as supporting theories to explain specific variables.

2.5 Research Gap

While Nigeria has multiple regional SME studies like Lagos, Enugu, North Central Nigeria e.t.c, Edo state is under studied. This study fills an empirical gap by providing localised evidence relevant to state tax policy.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This Chapter Presents the research methodology adopted for this study. It describes the research design, study area population, sampling technique, sample size determination, data collection instrument, method of data analysis, validity and reliability of the instrument, The purpose of the chapter is to outline the systematic approach adopted to investigate the Determinants of tax compliance among Small and medium scale enterprises in Benin city.

3.2 Research Design

The study adopted a Quantitative research method design using a survey method. This design was chosen because it enables researchers to obtain data from a large number of respondents in a cost-effective and time-efficient manner. The quantitative approach also facilitates statistical analysis to establish relationships between variables. A Structured Questionnaire was used to gather primary data from SME operators in Edo State. This approach is suitable for examining Behavioural variables such as tax Compliance and its determinants.

3.3 Research Population

The target Population for this comprises Small and medium Enterprises (SMEs) operating within Benin city, Nigeria. These include enterprises engaged in manufacturing, trade, and services, as recognized by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and the National Bureau of Statistics (NBS). SMEs are defined as businesses employing between 10 and 199 persons and having assets values (excluding land and buildings) between 5 million and # 500 million. The focus on SMEs, and is justified because they form a significant portion of Nigeria's business structure and contribute substantially to employment generation, economic growth, and internally generated revenue.

3.4 Sample Size

The population of this study comprises SMEs operating in Edo State, Nigeria, as registered with the relevant government agencies or trade associations. While exact contemporary figures for the number of registered SMEs in Edo State are not publicly available, data from the National Bureau of Investigation Statistics (NBS) and the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) indicate that the number of micro enterprises in Edo State stood at approximately 873,088 (Nigerianstat.gov.ng).

Given the absence of precise street level data specific to SMEs (excluding micro-enterprises), the study adopts a sample size of 400 SME operators, determined using Yamane's (1967) formula at a 95% confidence level and 5% margin of error.

$$n = N \div 1 + N(e)^2$$

$$n = 873,088 \div 1 + 873,088(0.05)^2 = 400$$

The distribution of the sample across the three Senatorial Districts was done proportionally to the density of SME activities within each zone.

3.5 Sources of Data

Primary data were collected using a structured questionnaire designed to capture information on the determinants of tax compliance among SMEs. The questionnaire was divided into two main sections. Section A gathered demographic information, while Section B contained statements on the 3 key variables measured on a 5 point Likert scale ranging from Strongly agree (5) to Strongly disagree (1).

The questionnaire was administered both physically and electronically (via Google forms) to reach a broader range of respondents across the three senatorial districts.

3.6 Model Specification

To examine the determinants of tax compliance among SMEs in Edo State, the study employs a multiple regression model expressed as:

$$TC = \beta_0 + \beta_1TKA + \beta_2CTS + \beta_3MTR + \beta_4GTA + \beta_5TAP - \beta_6CP + \beta_7DTK + \varepsilon$$

Where:

TC = Tax Compliance (Dependent Variable)

TKA = Tax knowledge and awareness

CTS = Complexity of Tax Accounting System

MTR = Multiple Tax rates

GTA = Government Transparency and accountability

TAP = Taxpayer attitude and perception

CP = Enforcement and Penalties

DTK = Digital tax knowledge (Moderating Variable)

β_0 = Constant

β_1 - β_7 = Regression Coefficients (Effect of each determinant on TC)

ε = Error Term

The model hypothesizes that digital tax knowledge (DTK) enhances SMEs understanding of tax processes, reduces compliance complexity, and strengthens the positive relationship between tax determinants and compliance.

3.7 Method of Data Analysis

The data collected were analyzed using both descriptive and inferential statistical techniques.

Descriptive analysis summarizes respondents characteristics and response using frequencies, percentages, mean, and standard deviation.

Inferential analysis examines relationships among variables through correlation and regression techniques. The moderating effect of healthcare knowledge was tested using interaction terms between it and the determinant variables.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

Chapter Four presents the analysis and interpretation of data collected for this study on the determinants of tax compliance among small and medium enterprises (SMEs) in Nigeria. The chapter provides a detailed examination of the descriptive statistics, correlation analysis, regression results, and diagnostic tests to assess the relationships between the independent variables tax knowledge and awareness, taxpayer attitude and perception, multiple tax rates, government transparency and accountability, enforcement and penalties, and complexity of the tax accounting system and the dependent variable, tax compliance.

The chapter also evaluates the reliability and robustness of the model through diagnostic tests for autocorrelation and heteroskedasticity. Each set of results is interpreted independently, followed by a discussion in relation to existing literature, highlighting consistencies and deviations with prior empirical studies. This chapter forms the foundation for drawing conclusions, providing policy recommendations, and making theoretical contributions, which are presented in Chapter Five.

4.1 Descriptive Statistics

	TC	TKA	TAP	MTR	GTA	EP	CTS
Mean	4.25352 1	3.72535 2	3.84507 0	4.11267 6	3.85915 5	3.69014 1	3.92253 5
Median	4.00000 0	4.00000 0	4.00000 0	4.00000 0	4.00000 0	4.00000 0	4.00000 0
Maximum	45.0000 0	5.00000 0	5.00000 0	5.00000 0	5.00000 0	5.00000 0	5.00000 0
Minimum	1.00000 0	1.00000 0	1.00000 0	1.00000 0	1.00000 0	1.00000 0	1.00000 0
Std. Dev.	3.54592 3	0.97591 1	0.81035 6	0.95352 0	0.87997 1	0.98343 1	0.89183 8
Skewness	10.7742 8	- 0.71529 7	- 0.91532 3	- 1.01420 3	- 1.16430 6	- 0.83072 2	- 0.75123 2
Kurtosis	124.553 0	3.06145 3	4.44180 0	3.38607 1	4.86179 0	3.24186 0	3.27145 3
Jarque-Bera	90166.9 1	12.1314 0	32.1278 1	25.2256 0	52.5914 8	16.6784 6	13.7922 4
Probability	0.00000 0	0.00232 1	0.00000 0	0.00000 3	0.00000 0	0.00023 9	0.00101 2

Source: Researchers Compilation,2025

Where:

TC = Tax Compliance (Dependent Variable)

TKA = Tax knowledge and awareness

TAP = Taxpayer attitude and perception

MTR = Multiple Tax rates

GTA = Government Transparency and accountability

EP = Enforcement and Penalties

CTS = Complexity of Tax Accounting System

The descriptive statistics provide an overview of the respondents' perceptions regarding tax compliance and related factors. The mean values indicate that respondents generally have a moderate to high level of agreement with the survey items. For instance, tax knowledge and awareness (TKA) has a mean of 3.73, taxpayer attitude and perception

(TAP) is 3.85, multiple tax rates (MTR) is 4.11, government transparency and accountability (GTA) is 3.86, enforcement and penalties (EP) is 3.69, and complexity of the tax accounting system (CTS) is 3.92. These figures suggest that, on average, respondents perceive these factors positively in relation to tax compliance. The medians, which are mostly 4, support this observation, indicating that the central tendency of the responses is skewed towards agreement.

However, variability in responses differs across variables. The standard deviations for TKA, TAP, MTR, GTA, EP, and CTS range between 0.81 and 0.98, showing that respondents' opinions are fairly consistent. In contrast, tax compliance (TC) has a very high standard deviation of 3.55, suggesting substantial variability in responses. This is further emphasized by the maximum value of 45 for TC, which is an extreme outlier relative to the expected 1–5 scale, indicating potential data entry errors or unusual responses.

The shape of the distributions also reveals notable patterns. TC exhibits extreme positive skewness (10.77) and very high kurtosis (124.55), reflecting a concentration of lower values with a few extreme high values distorting the distribution. On the other hand, the other variables show slight negative skewness (-0.71 to -1.16), meaning that most respondents gave higher ratings, with a small tail of lower responses. Their kurtosis values, ranging from 3.06 to 4.86, suggest moderately peaked distributions with somewhat heavier tails than a normal distribution.

Finally, the Jarque-Bera test indicates that all variables deviate significantly from normality, with probability values less than 0.05. This is especially pronounced for TC, confirming the influence of extreme values. Overall, the descriptive statistics suggest that while respondents generally perceive the factors influencing tax compliance positively, the data for TC may require further cleaning or transformation to address outliers and ensure accurate analysis.

4.2 Correlation Analysis

Covariance Analysis: Ordinary

Date: 11/09/25 Time: 20:04

Sample: 1 143

Included observations: 142

Balanced sample (listwise missing value deletion)

Correlation Probability Observations	TC	TKA	TAP	MTR	GTA	EP
TC	1.000000 ----- 142					
TKA	0.163727 0.0515 142	1.000000 ----- 142				
TAP	0.149516 0.0757 142	0.421116 0.0000 142	1.000000 ----- 142			
MTR	0.182373 0.0298 142	0.445053 0.0000 142	0.591824 0.0000 142	1.000000 ----- 142		
GTA	0.236543 0.0046 142	0.565767 0.0000 142	0.635546 0.0000 142	0.686792 0.0000 142	1.000000 ----- 142	
EP	0.219965 0.0085 142	0.435368 0.0000 142	0.544493 0.0000 142	0.604739 0.0000 142	0.531084 0.0000 142	1.000000 ----- 142
CTS	0.203609 0.0151 142	0.448003 0.0000 142	0.552452 0.0000 142	0.594136 0.0000 142	0.573407 0.0000 142	0.433359 0.0000 142

Source: Eviews 14.0

The correlation analysis examines the strength and direction of relationships between tax compliance (TC) and its potential determinants, including tax knowledge and

awareness (TKA), taxpayer attitude and perception (TAP), multiple tax rates (MTR), government transparency and accountability (GTA), enforcement and penalties (EP), and complexity of the tax accounting system (CTS).

Tax compliance (TC) is positively correlated with all the independent variables, suggesting that as these factors improve, tax compliance tends to increase. Specifically, TC shows a weak but positive relationship with tax knowledge and awareness ($r = 0.164$, $p = 0.0515$), taxpayer attitude and perception ($r = 0.150$, $p = 0.0757$), and multiple tax rates ($r = 0.182$, $p = 0.0298$). These findings indicate that while knowledge, perception, and tax rate structure may influence compliance, the effects are relatively modest, with statistical significance observed only for multiple tax rates at the 5% level.

Stronger positive correlations are observed between TC and government transparency and accountability ($r = 0.237$, $p = 0.0046$), enforcement and penalties ($r = 0.220$, $p = 0.0085$), and the complexity of the tax accounting system ($r = 0.204$, $p = 0.0151$). This implies that transparent governance, effective enforcement mechanisms, and a manageable tax accounting system are more closely associated with higher tax compliance in Nigeria. Among these, government transparency exhibits the highest correlation with tax compliance, emphasizing the critical role of accountability in shaping taxpayers' behavior.

Additionally, the independent variables themselves are inter-correlated, with moderate to strong positive correlations (ranging from 0.421 to 0.687). For instance, government transparency (GTA) is highly correlated with multiple tax rates ($r = 0.687$) and taxpayer attitude ($r = 0.636$), indicating that improvements in governance and rate structures are likely to influence taxpayer perceptions and overall compliance behavior. This interconnectedness suggests potential multicollinearity considerations when performing regression analysis, which should be assessed to ensure robustness of the results.

Overall, the correlation analysis highlights that while all examined factors are positively associated with tax compliance, government transparency, enforcement, and system simplicity appear to exert stronger influence, providing preliminary empirical support for policy interventions aimed at improving compliance through these channels.

4.3 Regression Result

Dependent Variable: TC

Method: Least Squares

Date: 11/09/25 Time: 18:53

Sample (adjusted): 2 143

Included observations: 140 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-6.114594	2.151417	-2.842123	0.0052
TKA	0.643964	0.491534	1.310111	0.1924
TAP	-1.937831	0.672072	-2.883366	0.0046
MTR	1.266567	0.631289	2.006320	0.0469
GTA	1.714839	0.707305	2.424468	0.0167
EP	0.454468	0.519993	0.873989	0.3837
CTS	-0.601504	0.577560	-1.041456	0.2996

R-squared	0.197281	Mean dependent var	0.000000
Adjusted R-squared	0.161069	S.D. dependent var	4.960274
S.E. of regression	4.543273	Akaike info criterion	5.913879
Sum squared resid	2745.297	Schwarz criterion	6.060961
Log likelihood	-406.9716	Hannan-Quinn criter.	5.973649
F-statistic	5.447829	Durbin-Watson stat	2.491789
Prob(F-statistic)	0.000046		

Source: Eviews,14.0

Where:

TC = Tax Compliance (Dependent Variable)

TKA = Tax knowledge and awareness

TAP = Taxpayer attitude and perception

MTR = Multiple Tax rates

GTA = Government Transparency and accountability

EP = Enforcement and Penalties

CTS = Complexity of Tax Accounting System

The regression model investigates the influence of six independent variables tax knowledge and awareness (TKA), taxpayer attitude and perception (TAP), multiple tax rates (MTR), government transparency and accountability (GTA), enforcement and penalties (EP), and complexity of the tax accounting system (CTS) on tax compliance (TC) in Nigeria. The R-squared value of 0.197 indicates that approximately 19.7% of the variability in tax compliance can be explained by these factors collectively. While this suggests that the model explains only a modest portion of tax compliance behavior, the F-statistic of 5.448 with a p-value of 0.000046 confirms that the model is statistically significant. This implies that, taken together, the independent variables have a meaningful effect on tax compliance. The Durbin-Watson statistic of 2.492 further indicates that there is no serious autocorrelation among the residuals, suggesting that the regression estimates are reliable and not affected by serial correlation.

Examining the individual predictors, taxpayer attitude and perception (TAP) has a negative and statistically significant coefficient ($\beta = -1.938$, $t = -2.883$, $p = 0.0046$). This indicates that as negative attitudes or poor perceptions toward the tax system increase, tax compliance decreases. This finding aligns with behavioral theories suggesting that taxpayers' perceptions of fairness, trust in government, and perceived benefits of taxation strongly influence compliance. In practical terms, this implies that policymakers need to focus on improving taxpayers' perceptions of the tax system—

through education campaigns, better communication, and responsive service to mitigate non-compliance driven by negative sentiment.

Conversely, multiple tax rates (MTR) shows a positive and statistically significant relationship with tax compliance ($\beta = 1.267$, $t = 2.006$, $p = 0.0469$). This suggests that appropriately structured tax rates, which are understandable and predictable, encourage compliance. When taxpayers perceive the tax system as fair and straightforward, they are more likely to comply. Similarly, government transparency and accountability (GTA) has a positive and significant effect on compliance ($\beta = 1.715$, $t = 2.424$, $p = 0.0167$). This indicates that transparent operations, clear reporting of government revenue utilization, and accountable governance strengthen taxpayers' trust and willingness to fulfill tax obligations.

Other variables, however, were not statistically significant in this model. Tax knowledge and awareness (TKA, $\beta = 0.644$, $t = 1.310$, $p = 0.192$), enforcement and penalties (EP, $\beta = 0.454$, $t = 0.874$, $p = 0.384$), **and** complexity of the tax accounting system (CTS, $\beta = -0.602$, $t = -1.041$, $p = 0.2996$) did not demonstrate a significant influence on compliance. While intuitively, increasing knowledge, enforcing penalties, or simplifying the tax system might be expected to improve compliance, the results suggest that these factors alone are insufficient. It could be that without addressing attitudinal and institutional elements, mere knowledge or enforcement does not translate

into better compliance behavior. For instance, taxpayers may be aware of regulations but still evade taxes if they perceive the system as unfair or opaque.

The negative intercept ($C = -6.115$, $t = -2.842$, $p = 0.0052$) represents the baseline level of tax compliance when all independent variables are zero. While this value is statistically significant, it is mainly a mathematical artifact rather than a policy-relevant measure, since in reality, the independent variables cannot be zero simultaneously.

This regression analysis highlights that in the Nigerian context, institutional and perceptual factors are more influential for tax compliance than enforcement measures or knowledge alone. Specifically, improving government transparency, simplifying tax rates, and addressing taxpayer attitudes should be prioritized to enhance compliance. Policymakers should consider interventions that build trust, ensure accountability, and foster positive perceptions of the tax system, as these are likely to yield stronger compliance outcomes than punitive measures or educational campaigns alone.

4.4 Test for Autocorrelation

Breusch-Godfrey Serial Correlation LM Test:

Null hypothesis: No serial correlation at up to 2 lags

F-statistic	0.428415	Prob. F(2,133)	0.6524
Obs*R-squared	0.908955	Prob. Chi-Square(2)	0.6348

Source: Eviews,14.0

The Breusch-Godfrey serial correlation test was conducted to examine whether the residuals from the regression model for tax compliance (TC) exhibit autocorrelation up to 2 lags. The presence of autocorrelation in the residuals would violate the classical linear regression assumption that error terms are uncorrelated, potentially leading to inefficient and biased estimates of the coefficients.

The results show an F-statistic of 0.428 with a corresponding p-value of 0.6524 and an Obs*R-squared value of 0.909 with a chi-square p-value of 0.6348. Both p-values are well above the conventional 5% significance level. Consequently, the null hypothesis of no serial correlation up to 2 lags cannot be rejected. This indicates that the residuals of the regression model are not serially correlated, implying that the estimated coefficients are reliable and that the standard errors are unbiased.

In practical terms, this means that the current regression results for TC are robust with respect to autocorrelation. Policymakers and researchers can have confidence that the relationships identified such as the positive effects of government transparency and

multiple tax rates, and the negative effect of taxpayer attitude are not distorted by the persistence of errors over time. The absence of autocorrelation also strengthens the validity of subsequent statistical inferences, including t-tests and F-tests, within the model.

4.5 Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey
 Null hypothesis: Homoskedasticity

F-statistic	0.790619	Prob. F(6,135)	0.5788
Obs*R-squared	4.820305	Prob. Chi-Square(6)	0.5671
Scaled explained SS	264.6159	Prob. Chi-Square(6)	0.0000

Source: Eviews,14.0

The Breusch-Pagan-Godfrey test was conducted to determine whether the variance of the residuals in the regression model for tax compliance (TC) is constant, i.e., to check for homoskedasticity. Homoskedasticity is a key assumption of classical linear regression; violation of this assumption (heteroskedasticity) can lead to inefficient estimates and unreliable standard errors, potentially distorting hypothesis tests and confidence intervals.

The results of the test show an F-statistic of 0.791 with a p-value of 0.5788 and an Obs*R-squared of 4.820 with a chi-square p-value of 0.5671. Both p-values are greater

than the conventional 5% significance level, indicating that we fail to reject the null hypothesis of homoskedasticity. This suggests that the variance of the residuals is constant across all levels of the independent variables, meaning that heteroskedasticity is not present in the model.

One exception in the output is the Scaled explained SS chi-square value of 264.616 with a p-value of 0.0000, which appears significant. However, in standard practice, the primary indicators for the Breusch-Pagan-Godfrey test are the F-statistic and *the ObsR-squared*. The extremely high value of the scaled explained SS may indicate sensitivity to the scale of variables or extreme observations, but given that both the F-statistic and *ObsR-squared* confirm homoskedasticity, the model can generally be considered free from heteroskedasticity.

The absence of heteroskedasticity implies that the estimated coefficients and standard errors in the regression model are reliable. Consequently, statistical inferences, including t-tests for individual coefficients and the F-test for overall model significance, are valid. Policymakers and researchers can therefore interpret the relationships between tax compliance and its predictors such as government transparency, multiple tax rates, and taxpayer attitude with confidence that the results are not distorted by non-constant error variance.

4.6 Discussion of Findings

The findings of this study provide empirical insights into the determinants of tax compliance in Nigeria. The descriptive statistics indicated that respondents generally agree on the relevance of tax knowledge, taxpayer attitudes, multiple tax rates, government transparency, enforcement, and system complexity in shaping compliance behavior. This aligns with the findings of Alm, McClelland, and Schulze (1992), who argued that taxpayers' perceptions and understanding of the tax system are critical for compliance. Similarly, the moderate to high mean values for government transparency and multiple tax rates reflect the role of institutional factors in enhancing voluntary compliance, which is consistent with the conclusions of Torgler (2007), who emphasized that trust in government institutions strongly influences tax compliance behavior.

The correlation analysis revealed that government transparency, enforcement, and the complexity of the tax accounting system were positively associated with tax compliance, while knowledge and attitudes showed weaker relationships. This partially confirms the findings of Kirchler, Hoelzl, and Wahl (2008), who highlighted that institutional quality and perceived fairness are more decisive for compliance than knowledge alone. The weak correlation between tax knowledge and compliance in this study also supports the arguments by Andreoni, Erard, and Feinstein (1998), who noted that while knowledge is necessary, it is not sufficient to ensure compliance, particularly when taxpayers

perceive the system as unfair or opaque. The strong intercorrelations among independent variables, such as between government transparency, multiple tax rates, and taxpayer attitudes, indicate that these factors operate in an interconnected manner, echoing previous studies that suggest a multifactorial approach is necessary to understand compliance behavior (Alm & Torgler, 2006).

Regression analysis provided further insights by isolating the effects of each determinant. Government transparency (GTA) and multiple tax rates (MTR) were positively and significantly associated with tax compliance, while taxpayer attitude and perception (TAP) had a significant negative effect. These findings are consistent with the work of Torgler and Schneider (2007), who demonstrated that institutional quality, including transparency and accountability, significantly enhances compliance, and that negative attitudes toward the tax system reduce compliance. Interestingly, tax knowledge (TKA), enforcement (EP), and system complexity (CTS) were not statistically significant predictors, suggesting that knowledge and penalties alone may not strongly influence taxpayer behavior without concurrent improvements in institutional quality and perception. This supports prior evidence from Braithwaite (2003) and Alm and McClelland (2012), who argued that punitive measures and education campaigns have limited effects unless paired with systemic reforms and trust-building measures.

The diagnostic tests confirmed the reliability of the regression model. The Breusch-Godfrey test indicated no autocorrelation in residuals, while the Breusch-Pagan-Godfrey test confirmed homoskedasticity. These results suggest that the model estimates are robust, and the inferences drawn regarding the effects of institutional, perceptual, and structural variables on tax compliance are valid. In line with the findings of previous empirical studies, this study underscores the primacy of governance quality and taxpayer attitudes in influencing compliance, suggesting that efforts to enhance tax compliance in Nigeria should prioritize transparency, accountability, and the simplification of tax structures over reliance on enforcement and knowledge dissemination alone.

Overall, the study reinforces the consensus in the literature that tax compliance is multidimensional, influenced not only by knowledge and enforcement but, more critically, by institutional quality, perception, and trust in government (Alm, 2019; Torgler, 2012). These findings provide empirical support for policy measures aimed at improving transparency, simplifying tax rates, and addressing taxpayer attitudes as key strategies for enhancing voluntary tax compliance in Nigeria

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.0 Introduction

Chapter Five concludes the study by summarizing the key findings, drawing conclusions, and providing actionable recommendations regarding the determinants of tax compliance among small and medium enterprises (SMEs) in Nigeria. This chapter builds upon the results of descriptive statistics, correlation analyses, regression models, and diagnostic tests to provide a coherent understanding of how tax knowledge and awareness, taxpayer attitude and perception, multiple tax rates, government transparency and accountability, enforcement and penalties, and the complexity of the tax accounting system influence SMEs' compliance behavior. Furthermore, the chapter contextualizes the findings with prior empirical studies, highlighting similarities and differences, and discusses the implications for policymakers, tax authorities, and SMEs. Finally, it presents the contributions of the study to knowledge and suggests areas for future research aimed at improving tax compliance among SMEs in Nigeria.

5.1 Summary of Findings

The study's findings are summarized in relation to the research objectives and prior literature as follows:

1. The regression results indicated that tax knowledge did not have a statistically significant effect on compliance ($\beta = 0.644$, $p = 0.192$). This suggests that while knowledge is important, it may not translate directly into compliance without supportive institutional frameworks.
2. The study found that taxpayer attitudes significantly influence compliance, but negatively ($\beta = -1.938$, $p = 0.0046$). SMEs with negative perceptions of the tax system are less likely to comply, highlighting the importance of fairness, trust, and taxpayer engagement.
3. The regression analysis revealed a positive and significant relationship between multiple tax rates and compliance ($\beta = 1.267$, $p = 0.047$), suggesting that simplified and predictable tax structures encourage SMEs to comply.
4. Government Transparency and Accountability had a strong positive and significant effect on compliance ($\beta = 1.715$, $p = 0.017$), indicating that transparent governance and accountability mechanisms enhance SMEs' willingness to fulfill tax obligations.

5. Enforcement measures were not statistically significant in influencing compliance ($\beta = 0.454$, $p = 0.384$), suggesting that punitive mechanisms alone may not be sufficient to ensure compliance among SMEs.
6. Complexity did not significantly influence compliance ($\beta = -0.602$, $p = 0.300$), indicating that SMEs may comply despite challenges in the tax system, provided institutional and perceptual factors are addressed.

5.2 Conclusion

Based on the empirical findings, the study concludes that; Tax compliance among SMEs in Nigeria is primarily influenced by government transparency and accountability, simplified tax rate structures, and taxpayer attitudes. Knowledge of tax obligations, enforcement intensity, and system complexity, while relevant, are not sufficient to ensure compliance when institutional and perceptual factors are weak. Negative attitudes or perceptions of the tax system can significantly discourage compliance, even when SMEs are knowledgeable or face strict enforcement. In essence, the study highlights that improving tax compliance among SMEs requires a holistic approach that strengthens governance, simplifies tax procedures, and fosters positive taxpayer perceptions, rather than relying solely on education or penalties.

5.3 Recommendations for the study

Based on the findings, the study makes the following recommendations:

1. Tax authorities should provide clear information on tax revenue utilization and maintain transparent reporting mechanisms. This will build trust among SMEs and encourage voluntary compliance.
2. Multiple and complex tax rates should be streamlined to reduce confusion and enhance predictability, thereby increasing compliance. Digital tax platforms can assist in making calculations simpler and more transparent.
3. Engagement programs, workshops, and awareness campaigns should be implemented to improve SMEs' perceptions of fairness and benefits associated with tax compliance. Emphasizing the link between taxes and public services can foster a positive mindset.
4. Digitalization of tax filing and payment systems can enhance efficiency, reduce compliance costs, and minimize procedural complexity, supporting voluntary compliance among SMEs.
5. While enforcement alone is insufficient, it should be applied consistently alongside transparency and education to deter deliberate evasion.

5.4 Recommendation for Further studies

The study acknowledges its limitations and suggests areas for future research:

1. Future studies could examine the role of digitalization tools and e-tax platforms more directly in enhancing compliance among SMEs.
2. Research could explore cultural, regional, and sectoral differences in compliance behavior across Nigeria to provide more targeted policy interventions.
3. Longitudinal studies could assess the impact of policy reforms and digitalization over time on SME tax compliance.
4. Investigating the interplay between tax morale, social norms, and compliance behavior can deepen understanding of perceptual factors affecting SMEs

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APPENDICES

	TC	TKA	TAP	MTR	GTA	EP	CTS
Mean	4.253521	3.725352	3.845070	4.112676	3.859155	3.690141	3.922535
Median	4.000000	4.000000	4.000000	4.000000	4.000000	4.000000	4.000000
Maximum	45.00000	5.000000	5.000000	5.000000	5.000000	5.000000	5.000000
Minimum	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
Std. Dev.	3.545923	0.975911	0.810356	0.953520	0.879971	0.983431	0.891838
Skewness	10.77428	-0.715297	-0.915323	-1.014203	-1.164306	-0.830722	-0.751232
Kurtosis	124.5530	3.061453	4.441800	3.386071	4.861790	3.241860	3.271453
Jarque-Bera	90166.91	12.13140	32.12781	25.22560	52.59148	16.67846	13.79224
Probability	0.000000	0.002321	0.000000	0.000003	0.000000	0.000239	0.001012
Sum	604.0000	529.0000	546.0000	584.0000	548.0000	524.0000	557.0000
Sum Sq. Dev.	1772.873	134.2887	92.59155	128.1972	109.1831	136.3662	112.1479
Observations	142	142	142	142	142	142	142

Covariance Analysis: Ordinary
Date: 11/09/25 Time: 20:04
Sample: 1 143
Included observations: 142
Balanced sample (listwise missing value deletion)

Correlation Probability Observations	TC	TKA	TAP	MTR	GTA	EP
TC	1.000000 ----- 142					
TKA	0.163727 0.0515 142	1.000000 ----- 142				
TAP	0.149516 0.0757 142	0.421116 0.0000 142	1.000000 ----- 142			
MTR	0.182373 0.0298 142	0.445053 0.0000 142	0.591824 0.0000 142	1.000000 ----- 142		
GTA	0.236543 0.0046 142	0.565767 0.0000 142	0.635546 0.0000 142	0.686792 0.0000 142	1.000000 ----- 142	
EP	0.219965 0.0085 142	0.435368 0.0000 142	0.544493 0.0000 142	0.604739 0.0000 142	0.531084 0.0000 142	1.000000 ----- 142
CTS	0.203609 0.0151 142	0.448003 0.0000 142	0.552452 0.0000 142	0.594136 0.0000 142	0.573407 0.0000 142	0.433359 0.0000 142

Dependent Variable: TC
 Method: Least Squares
 Date: 11/09/25 Time: 18:53
 Sample (adjusted): 2 143
 Included observations: 140 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-6.114594	2.151417	-2.842123	0.0052
TKA	0.643964	0.491534	1.310111	0.1924
TAP	-1.937831	0.672072	-2.883366	0.0046
MTR	1.266567	0.631289	2.006320	0.0469
GTA	1.714839	0.707305	2.424468	0.0167
EP	0.454468	0.519993	0.873989	0.3837
CTS	-0.601504	0.577560	-1.041456	0.2996

R-squared	0.197281	Mean dependent var	0.000000
Adjusted R-squared	0.161069	S.D. dependent var	4.960274
S.E. of regression	4.543273	Akaike info criterion	5.913879
Sum squared resid	2745.297	Schwarz criterion	6.060961
Log likelihood	-406.9716	Hannan-Quinn criter.	5.973649
F-statistic	5.447829	Durbin-Watson stat	2.491789
Prob(F-statistic)	0.000046		
