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MALETE JOURNAL OF ACCOUNTING AND FINANCE
A Publication of the Department of Accounting and Finance,
Kwara State University, Malete
Vol. 3 No. 2, December, 2022 ISSN: 2735-9603

EFFICACY OF TAX PAYERS' PERCEPTION ON TAX COMPLIANCE LEVEL AMONG SMEs IN ILORIN METROPOLIS

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Abstract
Nigeria's tax compliance rate is significantly low compared to other countries especially given the weak revenue administration capacity to deal with evasion and lack of data mainly around the informal sectors as tax payers do not trust the government to channel tax revenue for its intended purposes. Hence, this study sought to examine the efficacy of taxpayer's perception on tax compliance level among the Small and Medium Enterprises in Ilorin metropolis of Kwara State. A purposive sampling method was adopted to select the sample of respondents that serve as the fair representation of the population under study. A closed ended questionnaire was used for data collection while analyses was done through descriptive as well as inferential statistics with Statistical Package for the Social Science (SPSS). The formulated hypotheses were tested using regression and correlation analysis. The X-ray of the findings shows a positives statistically significant relationship between an efficient educational service provision and tax compliance level. Equally, a positive and statistically significant relationship also exists between health service provision and tax compliance level. The reported coefficient from the correlation result however revealed that there was no statistical significant relationship between the characteristics of taxpayer's perception and tax compliance level among the population under study. The study recommends among many other that government should ensure an efficient utilization of tax revenue with a view of influencing the perception of taxpayer's towards tax compliance level.
Keywords: Tax Payer, cashew nut processor, Tax compliance

INTRODUCTION

The amount of revenue generated by government institutions through taxes for the provision of infrastructural facilities usually induced the economic and social development of any country. Edame and Okoi (2016) cited by Ibrahim (2019) opined that the tax system is an important instrument for revenue generation which enables government to discharged its pressing obligations especially in the area of public good provisions. Taxpayer's

perception of the tax collectors is very crucial due to the fact that relationship between the tax authority and the taxpayer is seen as a fundamental contract of duties and rights which require a complex inter face between the taxpayer and the public institution saddled with the responsibility of tax collection which is centered on a fair reciprocal relationship. Aremu (2018) posits that the efficiency of the tax payment system between the tax collectors and the taxpayer majorly depend on the taxpayer perception concerning tax revenue utilization by the government in the area of public good provision, the fairness of the system is a major factor that induce taxpayers compliance. Ajayi (2017) suggest that inadequate conducive atmosphere for business survival in Nigeria has been characterized by degraded infrastructure, poor power supply, lack of portable water among others which are considered as the failure of the government as regard poor utilizations of taxpayers money . Consequent upon this, the SMEs has suffered a serious setback thereby worsening income inequalities among Nigerians.

The perception of the taxpayers on the performance of the government regarding the judicious utilizations of the tax revenue is no doubt a major determinant of the tax payers' compliance which has resulted to various forms of tax crime which include avoidance, evasion and other form of corruptions (Matthew, 2018). However, previous author such as Ayaji (2017),Aremu (2018), Bala (2018) and 0jo (2019) among many other prominent researchers have examined the subject matter in a varying dimension but little efforts was made relating to an empirical investigation on how judicious utilization of tax revenue by the government has actually induced the perception of the SMEs operators as taxpayers in term of their attitude and compliance with the tax law. In an attempt to fill the gap in literature, this paper therefore seek to empirically examined how government performance in terms of efficient uses of tax revenue has actually influence the level of tax compliance among the SMEs operators (taxpayers) in the study area. To guide the thrust of this study, the following hypotheses will be tested:

H_{O1}: Tax payer's perception on educational provision has no significance effect on tax compliance level

H_{O2}: Tax payer perception on health service provision has no significance influence on tax compliance level

LITERATURE REVIEW

Concept of Taxation

Taxation is being view as a constitutional responsibility which every citizen of certain age circle must perform to sustain the functionality of government as regard the provision of public good. The need for the government to discharge it primary function of social amenities provision as well as to engage in developmental projects is crucial for the

upliftment of the citizenry living standard, thereby necessitating the mobilization of the needed resources to accelerate revenue generating capacities for budget funding. Okoye (2014) cited by Ibrahim (2019) ascribes taxation as one of the major source through which government derive revenue and such revenue are expended to finance public utilities and provision of other social responsibilities. Ochiogu (1994) cited by Denni (2014) sees tax as an imposition levy by the authority against wealth of every economic agent in accordance with the adopted taxation principles framework. In the opinion of Adams (2001) cited by Mathew (2014) taxation usually account for a significant portion of the public institutions income which induced an efficient modern governance functionality. Akhor and Ekundayo (2016) opined that taxation is a compulsory levy by the government on the consumption and capital of its subjects. These levies usually against personal income, business profits, workers' salaries, dividends, interests, royalties and transfers. Ojo (2008) cited by Edame and Okoi (2016) stresses that, taxation is civic duty whose yielded income is utilized in the provision of amenities economic prosperity.

Okon (1997) cited by Ordu (2015) suggest that tax is a fiscal policy tool used by government to influence the attainment of certain macroeconomic goals. For example, a progressive tax rate is usually employed to drive an equitable distribution of wealth. Thus, it is evident that a good tax system assumes a strategic role in the process of economic development of any nation Government exists in order to effectively collect taxes and also to create economic prosperity such that available resources are gainfully employed. Tax crime must properly discourage because it usually pose a serious threat on government capacity in the light of discharging it primary obligations (Ibrahim, 2019).

Tax Compliance

Tax compliance is view as the degree to which a taxpayer obliges to tax rules and regulations. James and Alley (2014) cited by Aremu (2018) opined that tax compliance is all about the willingness of an individual and as well as other corporate entities to act willingly in accordance with tax law without the application of enforcement conduct. However, Most taxpayers still voluntarily comply with the tax laws, although, structural, economic, personal/demographic and attitudinal traits have been seen as the majo players of taxpayers perception on tax compliance rate in relation to the efficient utilization of the tax payers money. Intentional noncompliance is on a geometric ratio owning largely to the underperformance of the government concerning the judicious uses of tax revenue for the development of infrastructural facilities that will serve as catalyst for economic agent activities (Ojo, 2018).

Taxpayers Attitudes and Perception

Eriksen and Fallan (1996) cited by Promise (2016) revealed that the fairness of a tax system usually induced taxpayer's attitude towards tax ethics or otherwise such as tax evasion and avoidance. The lack of transparency on the part of public institutions saddled with the responsibility of tax collection has eroded the confidence of some taxpayers in the system which has voraciously accelerate tax crime in our society, Taxpayers have concerns on the efficient uses of tax revenue for the stimulation of macroeconomic instability by the government shows that perceptions of efficacy and fairness are highly considered among the tax authority and the taxpayers exploits high profile cases to reinforce its reputation for rigid enforcement.

Theoretical Framework

Benefit received theory was adopted as the framework given credence to the connectivity of the theory to the subject matter because the logical position of theory provides a corroborative frame for the researcher's problem statement investigations. The fundamental assumption of the benefit received theory centered on how tax revenue utilizations influence the taxpayer perception in terms of compliance with respect to the benefit received from the tax paid as regard government performance in the provision of public good and how it induces economic development. The theory argue that tax system is basically an exchange relationship between tax-payers and the state as the state provides certain services and goods to the members of the society and they contribute to the cost of these supplies in proportion to the benefits received.

Empirical Review

Unegbu and Irefin (2019) examined the impact of government performance on tax payers compliance level in Nigeria between the period of 2001 to 2017. The needed data was sourced secondarily from the CBN portal. Budgeted allocations for roads, education, health and electricity were adopted as variables for the dependent variable (government performance) while tax revenue for the periods under studies was adopted as proxy for independent variable (tax payer compliance level. Analysis was made through ANOVA, it was revealed that a positive and significant relationship exist between the dependent and the independent variables. It was however recommended that for government to earn more revenue through taxation more effort needed to the made in the provision of infrastructural facilities as this will go a long way in promoting tax payers compliance level.

Olugbenga and Akhor (2017) empirically examined the effect of indirect tax revenue on economic growth in Nigeria. The authors adopt VAT (value added tax revenue) and

CED(excise and custom duty revenue) as surrogate for independent variables while GDP (gross domestic product) was adopted as the dependent variable. The needed data was source from Central Bank of Nigeria statistical bulletin between the periods of 1993 --- 2013. The collected data was analyzed using descriptive statistics, unit root test, correlation, error correction model regression and co- integration test. The outcome of the findings based on the coefficients of the adopted reggressors indicate that VAT (value added tax) had a negative and significant impact on the dependent variable (gross domestic product). It was recommended that government should intensified efforts in blocking custom and excise duties as a way of accelerating tax revenue.

Corneliu, Ogar and Oka (2017) evalute the impact of tax revenue on the Nigerian economy. Data were sourced secondarily from Central Bank Statistical Bulletin while Ordinary least square(multiple regression models) was used to establish the relationship between dependent and independent variables considering the best linear unbiased efficiency of OLS model. The result of the finding specifically indicate that a positive and significant relationship between non-oil revenue and the growth of the Nigeria economy. Based on the conclusion of the finding, it was therefore recommended that government should investment more resources in the area of social amenities provision to all nooks and crannies of the country as this will go away in building the confidence of taxpayers thereby improving tax compliance level.

Abata (2016) examined the impact of tax revenue on Nigerian economy. For the purpose of this study Federal Board of Inland Revenue (FBIR), Lagos, Nigeria was adopted as the study area and he specifically adopt a descriptive survey design and simple random sampling technique for the selection of the 100 respondent which serve as sample size for a fair representation of the population under study out of which only 75 questionnaires representing 75% response rate were returned. Chi-square statistical tool was used for the testing of the formulated hypotheses and the X-ray of the Chi-square result show that tax revenue has a positive and significant impact on Federal Government Budget implementation in Nigeria. In the light of the foregoing it was recommended that the payment of tax should be made convenience for the tax-payers as this will not only improved the tax payers compliance rate but it will also increase tax revenue.

METHODOLOGY

The scope of this study was principally restricted to SMEs in Ilorin metropolis of Kwara state in order to give consideration for the geographical proximity of the researchers and being capital city of the state, most of the leading SMEs in the state are located in Ilorin metropolis. This study purposely focusses on the cashew-nut processors in Ilorin

metropolis and the population is made up of 120 cashew-nut processors registered with the Nigerian Association of Small and Medium Enterprises (NASME) and are actively operating in Ilorin. (Kwara State Ministry of Trade and Commerce, 2021). To determine the sample size for this study since the total population of the respondents was more than 30, TaroYaman (1964) formula was used to determine the size. The formula is stated below.

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

Where:

n = Sample size

N = Population size

= Constant

= Margin of error of level of significant

Expected error at 5%, i.e 0.05

Sample Size of cashew nut and shea-butter processing owners is

=120/(1+120(0.05)^2)

=120/(1+120(0.0025)

=120/(1+0.225)

=120/(1.225)

=92

The content validity of this work was done through expert opinion for determining the appropriateness of the research instrument. In other to ensure the reliability of this work research instrument cronbach's Alpha technique was adopted.

RESULTS AND DISCUSSION

Table 1: Response Rate

	Frequency	Percent	Valid Percent
Returned and duly completed	77	83.00	77.00
Returned but not duly completed	4	4.30	4.00
Not returned	11	12.00	11.00
Total	100	100.00	100.00

Table 1 reveals that 77 respondents duly completed and return questionnaire this makes a total of 83%. A total of 4 respondents returned an uncompleted questionnaire which

summed up to 4.3% of the total respondents. 11 respondents did not return the questionnaire and the summed up to 12% of the total respondents.

Preliminary Analysis

Table 2: Reliability Test Using Cronbach's Alpha

Variable	Cronbach's Alpha	N
Tax payer's perception on educational provision	0.75	4
Tax payer perception on health service provision	0.76	4
Tax payer's characteristics	0.74	4
Overall	**0.75**	**12**

Source: Author's Survey, 2020.

Table 2 shows that Cronbach's Alpha coefficient for each of the above variables was relatively stood at 0.75%, 0.76% and 0.74% respectively. While the overall Cronabch's Alpha coefficient stood @ 0.75%. Aifuwa and Okogie (2015) cited by Ibrahim (2018) provides the following decision rules : when the overall cronbach's Alpha coefficient stood @ _ > .9 =Excellent, _ > .8 =Good, _ > .7 =Acceptable, _ > .6 =Questionable, _ > .5 =Poor, and_ < .5 = Unacceptable, therefore the result can be rated "Acceptable", since the overall Cronabch's Alpha coefficient stood @ 0.75% hence this indicates a high level of internal consistency for our scale.

Hypothesis Testing

Test of Hypothesis I

H_{01}: Tax payer's perception on educational provision has no significance effect on tax compliance level

Model for Regression

$Y = \beta 0 + \beta_1 x1 + \beta_2 x2 + \beta_3 x3 + \beta_4 x4 + E$

Where:

Y = Dependent variable representing Tax compliance level

X= X_{1-4} represent independent variable representing Education provision

X_1 = Education provisions (EP)

X_2 = Educational service accessibility (ESA)

X_3 = Educational infrastructural qualities (EIQ)

X4= Educational system efficiency (ESE)

E = Error term,

β_0, β_1, β_2, β_3 and β_4 = parameter of estimation

MALETE JOURNAL OF ACCOUNTING AND FINANCE
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Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.893[a]	.713	.607	.51219

a. Predictors: (Constant), EP,ESA,EIQ,ESE

b. Tax compliance level

The model summary in the above table indicate that the coefficient of multiple determinations stood@ 0.893; this implies that about 89.30% of the variation in tax revenue was explained by the independent variables by implication the adopted regressors has an influence on Government tax revenue while the remaining 10.70% is explained by other factors which has a link to tax revenue but not captured with this model. Therefore the formulated model is useful for this study since the value of R^2 (0.713) is close to 1.

The **Coefficients** table.

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.406	.181		-7.47	.000
EP	.143	.072	.050	3.911	.001
ESA	.026	.071	.256	1.195	.020
EIQ	.116	.104	.012	1.091	.030
ESE	.143	.072	.050	3.911	.001

a. Dependent Variable: Tax compliance level.

The table "Coefficients" provides the effect of each of the adopted regressors on the dependent variable. Specifically, the coefficient of Educational service accessibility is 1.195 with p-value of 0.020 < 0.05 (critical value),and that of Educational infrastructural qualities is 1.091 with p-value of 0.030 < 0.05 (critical value) while that of Education provision as well as Educational system efficiency is 3.911 with p-value of 0.001 respectively < 0.05 (critical value). This suggests the potency and relevance of each of the variables contribution to the model. Therefore, one can rely on the above result to draw a line that there is significant relationship between the independent and dependent variables.

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Test of Hypothesis II

H_{O2}: Tax payer perception on health service provision has no significance influence on tax compliance level

Model for Regression

$Y = \beta0 + \beta1x1 + \beta2x2 + \beta3x3 + E$

Where:

Y = Dependent variable representing Tax compliance level.
X = X_{1-3} represent independent variable representing Health provision
X_1 = Health service delivery. (HSD)
X_2 = Health service accessibility. (HSA)
X_3 = Health service provision efficiency (HSPE)
E = Error term, (0, 1) normally distributed with mean 0 and variance 1.

β0, β1, β2 and β3, are the parameters to be estimated to fit the regression line.
β0 = is the intercept on the Y- axis.

Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.695[a]	.810	.532	.61317

a. Predictors: (Constant), HSD,HAS,HSPE

b. Tax compliance level.

The model summary table above shows that the coefficient of multiple determinations stood @ 0.695 this suggest that 69.5% of the variation in dependent variable is explained by the factors in connection with the independent variables while the remaining 31.5% were explained by other factors. In the light of the above, one can draw a line that the model formulated is useful for making predictions about the subject matter since the value of R^2(0.810)is close to 1

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The Coefficients table

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.304	.171		-7.47	.000
HSD	.046	.071	.296	1.195	.020
HAS	.136	.104	.042	1.091	.030
HSPE	.053	.072	.050	2.811	.001

a. Dependent Variable: Taxpayers perception on compliance level

The table above provides information on the effect of individual variables on the dependent variable. The coefficient of HSD is 1.195 with p-value of 0.020 and that of HSA is 1.091with p-value of 0.030 while that of HSPE is 2.811 with p-value of 0.001 < 0.05 critical values respectively. This suggests that each of the adopted variables is relevant to the model. Therefore, this implies that there is significant relationship between health service provision and taxpayers' compliance level. This posit that the more the provision of health service by the government the more the taxpayers compliance level and the more the decline in tax crime.

CONCLUSION AND RECOMMENDATIONS

Having come to term with the revelations of this study, apparently conclude that the provision of basic infrastructure is deeply necessary for growth and development of any nation, and it is only by efficient and sound tax system that a nation can generate the fund needed to drive its social responsibility and This implies that the place of taxation in a nation building unarguable. However, the current economic situation in Nigeria as well as the level of tax crime called for a significant improvement in capital projects investment as a way of addressing our infrastructural facilities deficiencies which has been posing threat to the survival of SMEs operators. Based on the result of this finding one can draw a line of conclusion that the utilization of tax revenue for education provision as well as health service provision will go a long way in influencing taxpayers perception on government performance in relation to efficient uses of tax income thereby improving the incidence of voluntary compliance level bearing it in mind that most of the fundamental challenges with respect to tax leakages is expedited by the lack of good governance on the part of the

government which highly discourages the businesses and entire populace from complying with their tax obligations.

After a critical examination of the impact of taxpayers' perception on tax compliance level the study recommends that the Government should not only ensure efficient uses of tax revenue for the provision of public good but also ensure that tax collection mechanism are free from corruptions and this can be achieve through a fully modernize and automated system that will ensure tax payer convenience in the assessment and payment process. With this, tax payers will be encouraged to always pay their taxes and thereby mitigating the incidence of tax crime

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