



**KWARA STATE UNIVERSITY, MALETE, NIGERIA
SCHOOL OF POSTGRADUATE STUDIES (SPGS)**

**DETERMINANTS OF TAX COMPLIANCE BEHAVIOUR AMONG
SMALL AND MEDIUM ENTERPRISES IN KWARA STATE**

BY

Damilola Judith POPOOLA

MATRIC NO: 18/27/MAC0032

MARCH, 2022



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SMALL AND MEDIUM ENTERPRISES IN KWARA STATE**

A MASTERS THESIS SUBMITTED AND PRESENTED

BY

Damilola Judith POPOOLA

MATRIC NO: 18/27/MAC0032

**In partial Fulfilment of the requirements for the award of Master of
Science (M.SC) Degree in Accounting
DEPARTMENT OF ACCOUNTING AND FINANCE,
FACULTY OF HUMANITIES, MANAGEMENT AND SOCIAL SCIENCES,
KWARA STATE UNIVERSITY, MALETE
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CERTIFICATION

This is to certify that this M.Sc. Dissertation has been read and approved as meeting the requirements of the Department of Accounting and Finance, Faculty of Humanities, Management and Social Sciences, Kwara State University, Malete, Nigeria.

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DECLARATION

I hereby declare that this thesis titled: Determinants of Tax Compliance Behaviour among Small and Medium Enterprises in Kwara State, Nigeria is my own work and has not been submitted or presented by me and to the best of my knowledge, by any other person for any course or qualification at this or any other academic or research institution. I also declare that the information provided herein are mine and those that are not mine have been properly acknowledged

.....

Damilola Judith POPOOLA

.....

Date

DEDICATION

This project is dedicated to God Almighty, the source of my strength and courage.

ACKNOWLEDGEMENTS

All glory, honour and adoration go to the Almighty God who is the giver of life and grace. I must express my sincere and profound gratitude to Him, He created, sustained, nourished, spared my life and enabled me complete this M.Sc. program. May His name be praised forever. (Amen)

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18/27/MAC032

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ABSTRACT

Tax noncompliance practice have been identified to be a critical challenge that is responsible for low revenue profile from taxes at all level of government. This study investigated the determinants of tax compliance in small and medium enterprises (SMEs), as regards how accounting practice, government fiscal responsibility, social norms and taxpayers' perceived fairness affects tax compliance behaviour of SMEs in Kwara State. The main objectives of the study was to examine the extent to which accounting practice affect tax compliance behaviour of SMEs, determine the effect of government fiscal responsibility on tax compliance behaviour of SMEs, Investigate the influence of social norms on tax compliance practice of SMEs and to evaluate the effect of taxpayers' perceived fairness on tax compliance behaviour of SMEs in Kwara state. To achieve these objectives, a population of two thousand, seven hundred and sixty three (2,763) SMEs were studied these population was divided into sub sectors according to their type of businesses, there were four hundred and sixty (460) companies in manufacturing/agro-allied sector; one thousand and forty (1,040) companies that focused on buying and selling products, eight hundred and forty-six (846) companies in service sector and four hundred and seventeen (417) companies from other sectors of the main SMEs. The sample size was determined using Krejcie and Morgan (1970) table, three hundred and forty-five (345) owners duly registered and performing their trading activities in Kwara State were selected by using stratified sampling technique in order to ensure a fair representation from various sub-sector of the SMEs. Cross-sectional survey research design was used, Primary data were collected through self-administered questionnaires. The questionnaire administered was analyzed using descriptive and inferential statistics. The results of the study revealed that accounting practices has a positive and significant effect on tax compliance ($\beta=0.024$, t -value of 9.094, p -value < 0.05)., government fiscal responsibility has a significant and positive effect on tax compliance of SMEs owners in Kwara State, this is supported by ($\beta=0.014$, t -value of 4.727, p -value < 0.05)., social norms have a positive and significant effect on tax compliance of SME owners in Kwara State as supported by ($\beta=0.013$, t -value of 2.284, p -value < 0.05)., taxpayers' Perceive Fairness has a significant and positive effect on tax compliance of SME owners in Kwara State as shown by ($\beta=0.025$, t -value of 5.937, p -value < 0.05).. In line with the findings, the study concluded that accounting practices, government fiscal responsibility, social norms and taxpayers' Perceive Fairness have strong positive significant relationship with the tax payer compliance behaviour. Base on the findings, the study recommended that, management of SME should ensure that their accounting record system is accurate and updated, also government should; use the money generated from taxpayers for developmental projects and infrastructural facilities, sensitize on the advantage of compliance with tax laws and payment of tax in order to reduce negative perception people have on tax payment and treat every taxpayers equally without bias irrespective of the class of the taxpayer.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

It is the financial obligation of citizens to make contribution in form of tax payment to the government. Taxation represents an important source of revenue to the government of most countries and it is a useful fiscal tool for stabilizing national economy as well as redistributing the national wealth. However, taxation can only perform these important functions efficiently where taxpayers are willing to comply with tax laws of a country. The rise in the level of non-compliance is leading to huge loss of fund through tax for government across the globe. Tax non-compliance has become a matter of great concern to the government, tax authorities as well as researchers on the implications it has on economic sustainability, growth and development.

In developed countries, such as United States (US), the recent statistics from Internal Revenue Service (IRS) indicates that federal taxes not paid voluntarily on time (tax gap) was \$540 Billion in 2015 and this represents about 30 percent increase over \$345 Billion tax gap of 2010 (Internal Revenue Services, 2016).

In Africa, statistical evidence estimated that Africa loses around US\$ 40 to 80 billion tax revenue lose annually due to tax evaders (A.U, 2020). James, Zaimah and Kamil (2011) pointed out that developing countries experience a low level of tax compliance due to a number of obstacles inhibiting voluntary tax compliance. Lediga, (2018) revealed that there are around 300,000 firms engaging in various tax evasion and avoidance practices in South Africa. The facts disclosed by the Minister of Finance in Indonesia revealed the lowest tax compliance in Small and Medium Enterprises (SMEs) (Susanti, 2017).

SMEs have been given due recognitions especially in the developed nations for playing very important roles towards fostering accelerated economic growth, development and stability

within several economies. While it is widely accepted today that SMEs are indispensable catalysts to the economic development of any country, there is a growing concern among researchers on the impact of tax compliance costs on the growth of SMEs. Much of these compliance problems can be attributed to compliance costs (Taiwo2015). Affirmed that complaint on taxation regulation is a constraint on their growth and development due to the cost they have to incur to become and remain tax compliant.

In Nigeria, at federal government level, severity of tax compliance problem which was recorded by federal inland revenue service (FIRS) indicates that, 654 tax cases were audited in 2008 and this resulted to ₦92.2 Billion tax revenue loss to the federal government (Federal Inland Revenue Service, 2009). At state government level, governments had also recorded huge amount of loss of tax revenue to tax noncompliant. This is particularly more prominent among Small and Medium Enterprise (SMEs) firms.

Otusanya (2011), also agreed that the tax avoidance and tax evasion reduced the government revenue. He found that the evidence from the cases examined has implicated MNCs (Multi-National Companies) in adopting a variety of tax avoidance and tax evasion schemes such as under-reporting their taxable profits and manipulating their accounting reports. Tax evasion has been a general and persistent problem throughout history with serious economic consequences such as hidden economy, not only in transition economics but also in countries with developed tax system.

Jackson and Milliron (1986) reviewed 46 tax noncompliance articles and identified eleven important factors that have been examined by researchers. These are tax system complexity, level of tax information services, withholding and information reporting and tax return preparer responsibilities and penalties. Others include probability of being audited, progressively and actual level of tax rates, penalties for non-compliance, age, gender, education and income.

Given the concern stated earlier on the non-compliance attitude of tax payers across countries, particularly in Nigeria economy and increase in the number of new businesses across Kwara State with little increase in tax revenue, an empirical assessment of factors contributing to these problems may not be out of place.

1.2 Statement of the Problem

The persistent decline of oil prices around the world and its consequent fall in revenue has made government at all levels in Nigeria to turn attention to non-oil sectors as a substitute to grow its revenue of which taxation constitute a larger portion. However, driving more revenue through taxation faces numerous challenges, particularly in the area of tax compliance among SMEs. Oghuma (2018) was of the opinion, that voluntarily tax compliance has been of great concern to government all over the world especially the developing countries like Nigeria, where tax to Gross Domestic Product (GDP) ratio is low.

Presently, tax revenue to Gross Domestic Product (GDP) of Nigeria approximately 6% is one of the lowest in the world after Qatar and Saudi Arabia. This declining trend in tax revenue for Nigeria appears to be at an increasing rate compared to other developing countries. This might be attributed to the level of tax compliance which seems to be on the decrease (Okon & Israel, 2020).

Many factors may have accounted for consistent tax non-compliance across sectors. Factors ranging from tax penalty, tax audit, tax amenities, tax enforcement policy, tax registration, tax moral trustworthiness of government, provision of infrastructure etc. However, Poor accounting system, social norms, Fiscal responsibility on the part of government and perceived fairness seem to be more critical in the area of SMEs tax practices in Nigeria.

The record keeping system of SME has been tagged to be poor as they hardly employ professional accountants or tax practitioners that can assist them in keeping their account update. With this inadequate record keeping problem, self-assessment practice on the part of

SMEs owner may not be encouraged. In addition, information on their various expenses that may give room for tax- saving advantage may not be obvious to them to warrant voluntary tax compliance.

For a government to enjoy tax-payment patronage on the part of taxpayers, fiscal responsibility in form of provision of social and infrastructural facilities is inevitable. In fact, the principle of reciprocity between tax payers can be said to be central to voluntary tax compliance. However, the rate at which Nigerian citizenry complain about inadequate social- infrastructural facilities is on high side. This seems to be contributing factor to the problem of voluntary tax compliance among SMEs. Indeed, substantial numbers of SMEs owners commonly complaint on high cost of operating costs occasioned by inadequate infrastructural facilities.

The seemingly common non-compliant tax practices among taxpayers may also portends bandwagon effect, to the extent that this practice has become social norms. Most of the SMEs owners see non-compliant practices as no offence since most of the peers who have engaged in the habit of not filling tax returns or outright non-payment of tax go freely with little or no penalty or fines, new SMEs owners and the existing ones continue to get engaged in the practice.

Furthermore, preferential treatment among classes of taxpayers may also lead to tax noncompliance behaviour. This made some classes of taxpayers to be cheated by paying more taxes while others that are in higher classes are not captured into tax net thereby discouraging others from paying their taxes regularly.

The extent to which all the factors aforementioned explains variation in tax compliance practices among SMEs in Kwara State calls for empirical evidences for policy implication.

1.3 Research Questions

Based on the identified problem, the study attempts to provide answers to the following research questions:

- (i) to what extent does accounting practice affect tax compliance behaviour of SMEs in Kwara State?
- (ii) to extent does government fiscal responsibility affect tax compliance behaviour of SMEs in Kwara State?
- (iii) to what extent does social norms influence tax compliance behaviour among SMEs in Kwara State?
- (iv) to what extent does taxpayers perceived fairness affect tax compliance behaviour of SME in Kwara State?

1.4 Objectives of the Study

The general objective of this study is to examine the determinants of tax compliance among Small and Medium Enterprises in Kwara State, Nigeria. In line with this, the specific objectives of the study are to:

- (i) examine the link between accounting practice and tax compliance behaviour of SMEs in Kware State;
- (ii) examine the extent to which government fiscal responsibility is associated with tax compliance behaviour of SME in Kwara State;
- (iii) investigate the influence of social norms on tax compliance practice of SME in Kwara State; and
- (iv) evaluate the effect of taxpayers' perceived fairness on tax compliance behaviour of SMEs in Kwara state;

1.5 Research Hypotheses

In line with the specific objectives aforementioned, the following research hypotheses were stated in null form in order to answer the research questions and achieve the research objectives:

H₀₁: Accounting practice has statistical significant effect on tax compliance behaviour of SMEs in Kwara State;

H₀₂: Government fiscal responsibility has no significant effect on tax compliance behaviour of SMEs in Kwara State;

H₀₃: There is no significant effect of social norms on tax compliance behaviour of SMEs in Kwara state; and

H₀₄: Taxpayers' perceived fairness has no significant effect on tax compliance behaviour of SMEs in Kwara State.

1.6 Justification for the Study

Research efforts on tax administrations are numerous in the literatures both on the part of tax administrator and taxpayers. With regard to taxpayers, tax compliance practices have been identified to be one of the critical challenges that seems to be responsible for low revenue profile from taxes at all level of government. Prior studies such as: Badara, (2012); James, (2011); Abidemi, Ifeoluwa& Monday, (2018); Oladele, Aribaba, Ahmodu, Yusuff & Alade, (2019) had examined various factors influencing tax compliance level. However, to the limit of literatures at this study efforts, factors such as: accounting practice of SMEs and taxpayers' perceive fairness as explained seems not to have been carried out in Nigeria with specific reference to Kwara State. In addition to the forgoing, few or no studies have employed eclectic theoretical approach to explain those factors influencing tax compliance practices. The eclectic approach allowed the use of different theories to explain a particular variable.

Findings of this study will serve as a base for other studies and as a source of reference for further studies in the area of tax and compliance in the informal sector. Furthermore, findings of this study will be of relevance to the government, policy makers and body of academic. Governments and policy makers will find the findings of this research work as useful guide in understanding policies to be formulated, the programs to embark on and factors needed to be considered for tax process in order to enhance high level of tax compliance among small and medium enterprises owners, which in turn increase internally generated revenue by the government in various levels. This is to say that the results of this study will be of significant importance from both theoretical and practical standpoints. From a theoretical standpoint, the study may help in developing a comprehensive theory of tax compliance. From a practical standpoint, the findings may be of help for policy makers who will gain a better understanding of the factors that determine compliance for policy interventions.

1.7 Scope of the Study

This study mainly focuses on an aspect of tax administration, tax compliance behaviour. Although, reference may be given to policy and legal aspects of taxation, they are not part of the study's objectives. This study investigates taxpayer's compliance behaviour of small and medium enterprises in Kwara State that are captured into tax net by Kwara State Inland Revenue Services (KW-IRS). The choice of these class of taxpayers was informed by the fact that they constitute 96% of business across states in Nigeria (National Bureau of Statistics, 2020), with attendant problems of not available for tax assessment by revenue agencies. Based on the chosen research approach, information collected was restricted to 2016 to 2021 in the designed instrument.

CHAPTER TWO

LITERATURE REVIEW

This chapter is subdivided into three sections. The first section is the conceptual review; it consists of meaning and dimensions of determinants of tax compliance. The second section reviews theories underpinning the study, following the theoretical framework. The third section discusses and reviews literatures on determinants of tax compliance from which research gaps in existing literatures are identified.

2.1 Conceptual Review

This section reviewed on tax compliance and the determinants of tax compliance and Small and Medium Enterprises.

2.1.1 Tax Compliance

Collection of tax revenue has become an important economic and policy objective of government at all levels in the world. Tax compliance has been a phenomenon highly examined by government agencies and researchers, as many research findings have identified relationships between tax compliance and different prevailing factors in the world.

Tax compliance has been defined in various ways by various scholars. For instance, (Augutine and Zaimah, 2016) defined tax compliance as taxpayers adherence to relevant tax laws and regulations. However like many other concepts, tax compliance can be seen almost as a continuum of definitions. This ranges from the narrow adherence to law approach, through broader economic definitions and even a comprehensive versions relating to taxpayer' decisions to conform to variety of societal factors as reflected in tax policy (Desta, 2010).

Taking Tax compliance from the view of fulfilling tax obligation. Tax compliance is described as the process of fulfilling the tax payer's civil obligation for tax payment and

filing of tax returns including the provision of necessary documents and explanations required by the tax authority in a timely manner (Oyedele, 2009).

A wider definition of tax compliance can be defined as taxpayers' ability and willingness to comply with tax laws which are determined by ethics, legal environment and other situational factors at a particular time and place (Mohd, 2011). Similarly, tax compliance is also defined by several tax authorities as the ability and willingness of taxpayers to comply with tax laws, declare the correct income in each year and pays the right amount of taxes on time (IRS, 2009; ATO, 2009; IRB, 2009).

Kirchler (2008) stated that compliance might be voluntary or enforced compliance. Again, the concept of voluntary tax compliance is defined as an exhibition of positive attitudes towards the taxation & willingness to pay taxes (Aktan et al 2006). Kirchler (2008) perceived a simpler definition in which tax compliance is defined as the most neutral term to describe taxpayers' willingness to pay their taxes. Also, Singh (2003) described tax compliance as voluntary action – 'without having to wait for follow up actions from tax authority' furthermore, the concept of voluntary tax compliance is defined as an exhibition of positive attitudes towards taxation & willingness to pay taxes (Torgler, 2007).

Moreover, Alm (1991) and Jackson and Milliron (1986) defined tax compliance as the reporting of all incomes and payment of all taxes by fulfilling the provisions of laws, regulations. According to Augustine and Ariffin, (2016) tax compliance was defined as taxpayers adherence to relevant tax laws and regulations, however, Marziana, Norkhazimah and Mohmad (2010), highlighted tax compliance as the degree to which taxpayer adhere with tax laws and regulations in their own country. Another definition of tax compliance is a person's act of filing their tax returns, declaring all taxable income accurately, and disbursing all payable taxes within the stipulated period without having to wait for follow-up actions from the authority (Singh, 2009). (Franzoni, 2000), Chatopadhyay and DasGupta (2002)

stated that compliance with tax laws involves true reporting of the tax base; correct computation of the tax liabilities; timely filling of tax returns and timely payment of the amount due as tax. Any behaviour by the taxpayer contrary to aforementioned constitutes noncompliance.

Andreoni (1998) defines tax compliance as the willingness of taxpayers to act in accordance with the tax laws of the country. It means true reporting of income or asset balance that is used to calculate tax liability, correct computation of the tax liability, timely filing of returns and timely payment of the amount due. (Roth et al 1989) defines tax compliance as Compliance with reporting requirements implying that, timely filing of returns and reporting accurate tax liability in accordance with the internal revenue code, regulations and court decisions applicable at the time return filing. This definition assumes that in order to comply with the tax law, one must declare the correct amount of income, expenses to which one is entitled and subsequently pay the correct amount of tax by the due date.

From the various definition of tax compliance given by different researchers, Andreoni et al. and Roth et al. definition of tax compliance is use to guide this study. Thus; variables discussed in this definition will be operationalized to measure tax compliance.

2.1.2 Determinants of Tax Compliance

Jackson and Millron (1986) listed several factors influencing tax compliance as discussed by various researchers. These factors are age, gender, education, income, occupation or status, peers' or other taxpayers' influence, ethics, legal sanction, complexity, relationship with taxation authority, income sources, perceived fairness of the tax system, possibility of being audited and tax rate. Other researchers have listed factors that influenced tax compliance such as demographic, income, compliance cost, and tax agents (Mohani, 2003), in addition to moral or ethical factors (Singh & Bhupalm, 2003). (Park and Hyun, 2003) listed enforcement element factors (such as penalty, audit, and tax rates) as having a great influence on tax

compliance behaviors. Tax compliance behaviour of a taxpayer usually differ from the compliance behaviour estimated in economics models. Taxpayers are greatly influenced by other taxpayers. Besides, the rate and quality of audit will also influence tax compliance behaviors of a taxpayer. (Trivedi, 2007).

After pooling of data from previous studies (companies and individuals), (Thuc, 2013) it can crystallize the factors that have the most influence on tax compliance and may be created into a mathematical model for tax compliance. The study crystallised the factors into: Industrial factors, Accounting factors, psychosocial factors, tax administration factors and economic factors. According to him each of this factors have underlining elements that make up each of the factors.

However, a comprehensive review of determinants of tax compliance level with factors such as tax administration practice, compliance cost, accounting practice, social norms, and tax payers perceive fairness among these determinants of tax compliance aforementioned will be discussed in this research work.

2.1.2.1. Accounting Practice

For a business to know its result, the owner or manager has to remember all the transactions of his business. However, due to lack of memory, it is not possible for anybody to remember all the transactions over a period of time. This has given rise to maintenance of a set of accounting books in which business transactions are chronologically recorded (Thukaram & Ram, (2005).

Accounting practice is an essential tool for recording, analyzing, monitoring and evaluating the financial status of the organizations. It provides a source of information to owners and managers of SMEs operating in any industry for measuring financial performance and for tax purposes (Mohani, 2003).

Business dictionary defined 'Accounting Practice' as a systematic procedure that helps to identify record, measure, classify, verify, summarize, interpret, and communicate financial information. It reveals profit or loss for a specific period, and the value and nature of an organization's assets and liabilities and owner's equity. It involves ascertainment, recording, summarizing, and reporting of financial facts used in evaluating and monitoring an organization's economic undertakings. An accounting system, therefore, is an organized discipline of manual and computerized accounting methodology, processes, and wheels which are employed in gathering, recording, classifying, analyzing, summarizing, interpreting, and presenting accurate and timely financial information for decision making in an organization and filling of tax returns.

Record-keeping is essential and fundamental for all business operations, it is one of the most important elements in accounting practice and for running a successful business (McBarnett, 2003). The records provide feedback on the effectiveness and profitability of operations on a regular basis. Good records enable a business to analyze growth and identify new opportunities. More importantly, good records provide evidence for the true value of a business.

Carter (1972), defined record-keeping as the science and art of correctly recording in books of accounts all those business transactions that result in the transfer of money or money's worth.

In Nigeria, appropriate record-keeping system is required at least for tax purposes. Section 122, subsection 1 of the Income Tax Act, 2015(Act 896), stipulates that, where a person (also referring to a business) does not maintain records, the Commissioner may adjust that person's liability to tax in a manner that is consistent with the intention of the Act (Income Tax Act, 2015 (Act 896)).

The Organization for Economic Co-operation and Development [OECD] (2010) add that, businesses can comply with tax regulations through the improvement and maintenance of accurate record-keeping and keeping more detailed accounts.

However, given the arrays of definitions and meaning of accounting practice from different researchers, business dictionary definition of accounting practice is used as a guide for the purpose of these study. This definition laid emphasis on accounting practice as a tool that helps to identify record, measure, classify, verify, summarize, interpret, and communicate financial information. These variables are used in measuring accounting practice for the purpose of this study.

2.1.2.2 Social Norms

Social Norms is the way society defines right and wrong and influences individuals to ‘do the right thing’ this has preoccupied scholars for as long as they attempted to understand social organization. For example, in their works on the nature of politics and citizenship, Aristotle and Plato both emphasized that virtuous behaviour of citizens is essential for the functioning of society.

Social norms are defined as rules and standards that are understood by members of a group, and that guide and/or constrain social behavior without the force of law. (Cialdini and Trost, 1998).

Social psychology suggests that social interactions can have a significant impact on individuals’ behavior. Some of this research seeks to determine why individuals conform to the wishes of others. Conformity occurs when an individual changes his or her behaviour due to “the real or imagined influence of other people” The influence of “others” is often manifested in the social norms of the group. Social norms are informal or formal rules of a group that guide the behavior and values of the group (Aronson, 2010).

Kallgren (2000) noted that norms are present in every social situation, even if their influence is not salient to members of the group. Therefore, social norms have important implications for behavior in any type of situation.

Karl Marx (1998) regarded social norms as mechanisms to reinforce social hierarchy, contributing to a ‘false consciousness’ that maintains the lower classes in an unfair subordinate position. Regardless of the positive or negative value ascribed to social norms, the consensus is that social norms are strong drivers of individuals’ actions, ensuring a functional society.

In line with (Cialdini & Trost1998), define social norms as rules and standards that are understood by members of a group and that guide and/or constrain social behaviour. Recent decades have seen mounting interest and empirical research on the role of social norms across the social sciences, given the growing interest in the social sciences in social norms and their effect on behaviour, it is unsurprising that tax researchers turned to social norms in order to understand individuals’ tax compliance.

2.1.2.3 Government Fiscal Responsibility

The presence of government expenditures may motivate tax compliance level from taxpayers (Alm, Jackson, & Mckee, 1992; Andreoni, *et al.*, 2008). Individuals may pay tax because they value the public goods and services provided by the government, recognizing that their payments are necessary both to help finance the goods and services and to get others to contribute. A taxpayer therefore is seen as exchanging purchasing power in the market in return for the government services (Wenzel, 2004).

Alm, *et al.*, (1992) opined that positive benefits from government social activities and provisions of infrastructural development by government may increase the probability that taxpayers will comply voluntarily, without direct coercion. Without a material benefit, compliance becomes less assured. Although most taxpayers cannot assess the exact value of

what they receive from the government in return for taxes paid, it can be argued that they have general impressions and perspectives concerning their own and other's terms of trade with the government. It is then reasonable to assume that a taxpayers' behavior is affected by his satisfaction or lack of provision of social amenities by the government.

Similarly, Due *et al.*, (2001), also argued that, perspectives toward the general level of taxation and increases of taxes are dependent, of course, on perspective about the desirability of governmental programs and on attitudes toward the government itself. On the other hand, (Fjeldstad and Ranker 2003) opined that citizens' willingness to pay taxes voluntarily rests on the government's capacity to provide services and its demonstrated readiness to secure the compliance of the otherwise non-compliant satisfaction with his terms of trade with the government. Thus, if the government responsibility perceived to be unjust, tax evasion may, at least partly, be considered as an attempt by the taxpayers' to adjust his terms of trade with the government. (Wahlund, 1992) also stated that tax compliance is related to political affiliation that is people favoring parties with social democratic values tend to comply more than people voting for liberal parties.

2.1.2.4. Tax Payers Perceive Fairness

Fairness represents the equity of the exchange with the government and the equity of the taxpayer's burden vis-à-vis other taxpayer's burden. It relates to the perceived balance of taxes paid and public goods received, and to the perceived justice of procedures and penalties of breaking the norms (Wenzel, 2003). In the context of tax behavior, perceived fairness can be expressed in the form of distributive justice, procedural justice and retributive justice.

Distributive justice refers to a fair exchange of resources, benefits and costs. Fairness consideration assumes comparing contributions and benefits, as well as how the taxpayer feels he is treated relative to others (Kirchler, Kogler and Muchlbacher, 2014).

(James and Alley 2014), opined that tax fairness or equity should be based on a person's ability to pay and there should be equal sacrifice, that is, the burden of tax should be according to one's ability. He classified tax equity into two: vertical and horizontal equity. Vertical equity is the tendency for proportion of income taken as tax to rise as income rises. While horizontal equity could be seen as the principle that taxpayers' with the same income and commitment should pay the same amount of tax.

Similarly, exchange fairness refers to the relationship between a taxpayer's burden and the provision of public goods and services by the government. It is argued that the taxpayer will not be willing to comply with tax laws if there is perceived imbalance between the tax contribution and the provision of public goods and services (Porcano cited in Kirchler, Wahl, and Hoelzl 2008). Exchange with government requires that taxpayers' behaviour should be influenced by the benefits received (Holzl & Kirchler, 2008).

According to (James and Alley, 2014), the most obvious requirement of tax fairness is to treat equal people in equal circumstances in an equal way. The problem here is in deciding who is equal to whom.

Fjeldstad (2003) opined that citizens' willingness to comply with tax laws rests on the government's capacity to provide services and its demonstrated readiness to secure the compliance of the otherwise non-compliant satisfaction with his terms of trade with the government. Thus, if the government responsibility perceived to be unjust, tax evasion may, at least partly, be considered as an attempt by the taxpayers' to adjust his terms of trade with the government.

(Tilahun, 2018) defined tax fairness as a concept of having equitable tax system. Fairness of the tax system is believed by the taxpayers and tax authority as one of the significant determinants of compliance decision

2.1.3 Small and Medium Enterprises

Small and Medium Enterprises (SMEs) are characterized by uncertainty, innovation and evolution and as such, a firm understanding of SMEs would require a good knowledge of its features. (Aderemi, 2003) SMEs are usually small, owner or family managed business offering basic goods and services, which tend to lack organizational and managerial structures with the urban ones tending to be more structural than their rural counterparts.

In Nigeria, Micro, Small and Medium Scale Enterprise (MSME) policy by Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in 2007 has defined Micro Enterprise as one whose total assets (excluding land building) is less than 5 million naira with less than 10 employees while Small Enterprise has been its total assets (excluding land and building) to be more than 5 million naira but less than 50 million naira with more than 10 employees but less than 50. Medium scale firms are those having more than 50 employees but not exceeding 200 with total assets (excluding land and building) of more than 50 million but not exceeding 500 million.

Table 2.1: Classification of Micro, Small and medium Enterprises in Nigeria

Size	Employment	Assets (N Million)
Micro Enterprise	Less than 10	Less than 5
Small Enterprise	10-49	5 less than 50
Medium Enterprise	50-199	50 less than 500

Source: SMEDAN, (2007)

The classification of SMEs by SMEDAN (2007) as shown in table 2.1, was used as a basis of selection of firms that qualify as members of this study's population.

2.2 Theoretical Review

This section presents theories upon which the study is built. These theories include the economic deterrence theory, fiscal psychology theory, theory of planned behavior and social capital theory.

2.2.1 Economic Deterrence Theory

Becker (1968) introduced economic based theory (economic deterrent theory), which has developed over time with different researchers looking at different variables, is premised on dealing with the challenges of tax compliance, in an attempt to seek an enforcement mechanism that can be complemented or substituted by the appeal to the citizen's tax morality (Ortega & Sanguinetti, 2013). According to Alm (2013), there is a widespread evidence that tax evasion or what is called illegal or intentional action which is aimed at reducing the responsibility to pay appropriate taxes is common in almost all countries (Feld & Frey 2010).

It is assumed by the theory that taxpayers are moral profit seeking individuals whose actions are propelled by the cost benefit analysis that comes with it, attitude, social norms and perception towards government spending's on social amenities and infrastructures. This implies that people are motivated solely by self-interest (Walsh, 2012). It is based on weighting the benefits that could be attained in the event of successfully evasion when compared with the risk of being caught and contrasted with punishment that can be imposed in that instance of being caught (Feld & Frey, 2002; Alm, 2013).

More so, economic based theory notes that there are factors that discourage individuals from meeting maximum compliance or enforcement standards, such as the cost-benefit impact, costs incurred, the likelihood of detection, and the penalty that a person could face as a result of failing to comply with certain regulations (Feld & Frey, 2002; Mangere, 2014). As a result

of the differing viewpoints on what can be done to strengthen compliance among small-scale businesses, this study will be useful in deciding what can be done to further enrich the various theories.

The theory is relevant to this study as it takes the knowledge of penalties, fines and the taxpayer's attitude towards risk. The knowledge of how the fines and penalties affect their compliance level would actually be important in understanding their compliance level. When filing of returns on compliance costs, Slemrod, (2007) noted a weakness in relation to the theory in that it had inability to deal with items with different situations of a taxpayer. Other studies suggested a system comprising of both the punitive and persuasive measures may counter the problem of deterrence and therefore improve compliance level (Falkinger & Walther, 1991)

Additional knowledge is needed to address the gaps of non-compliance as the studies have not been conclusive and there is also the need to improve compliance status of this group. However, Becker's work was criticized by Allingham & Sandmo (1972), who argued that taxpayers generally seek to optimize their profits.

2.2.2 Fiscal Psychology Theory

Fiscal Psychology Theory was introduced by Schmolders (1959) emphasizes the lack of motivation for the taxpayer to pay taxes because there is no real advantage of the benefits of tax payments. The theory explains that the taxpayer's perception of the government is an important factor. Fiscal Psychology Theory emphasizes the loss of encouragement on the part of the taxpayer to pay taxes because they do not have any benefits for paying tax (Hasseldine & Bebbington, 1991). Kogler, Batrancea, Nichita, Pantya, Belianin and Kirchler (2013); Turner (2005) indicated that the level of voluntary compliance to pay tax is more influenced by the taxpayer trust in the government.

Feld and Frey (2002) describes the relationship between taxpayers and tax authorities as an implicit contract or relational. Thereby the relationship between the taxpayer and the tax authority involves a strong emotional bond and loyalty beyond transactional exchanges. Rousseau and McLean (1993) used this concept for a long time, called the psychological contract. Many conditions determine the extent of the psychological contract between the taxpayer and the tax authorities there, one of which is the perception of the taxpayer. Fiscal Psychology Theory provides better insight into how people behave in the economic situation, to explore the effects of economic issues and government action against the attitude of the community in an effort to encourage positive behavior to comply with tax rules. Fiscal Psychology Theory is a mixture of economic and psychological approach, which is another option that is better in explaining the tax compliance (Hasseldine & Bebbington, 1991).

This approach stress the importance of positive policy that were developed by government to improve the collaboration between taxpayers and the government. In other words, in the Fiscal Psychology Theory, tax enforcement is seen as a crisis of behavior, which can be fixed with the cooperation of the taxpayers with the government. Taxpayer's perception of government is important because the relationship between the taxpayer and the tax authority is a contract that involves a complex interaction between the taxpayer and the government in establishing a fair reciprocal relationship (Feld & Frey, 2002). Lewis (1982) states that the individual perception of the taxpayer plays an important role.

The viability of the contract between the taxpayer and the government is very dependable on the perception of the taxpayer on the government. If taxes paid and public services provided by the government is considered by the taxpayer equitable, taxpayers might tend to comply with tax laws and this has a positive effect. In the literature of tax compliance, perceptions about the fairness of the tax payers of the tax system is recognized as an important factor that can have a significant effect on the behavior of tax compliance (Palil, Akir & Ahmad, 2013).

Perception of the taxpayer on the government for taxes refers to how social groups provide an appreciation or even into opposition over the existing tax system (Edlund, 1999). Taxpayers tend to avoid paying taxes if they assume that the tax system is unfair (Richardson, 2008). (Kogler *et al.*, 2013) and (Turner 2005) showed that the level of voluntary compliance is more influenced by the taxpayer trust in the government, especially of the tax system. In their research in Ghana, (Razak and Adafula 2013) provided that the perception of the taxpayer on government has influence on intention to comply. Based on the above presentation, the perception of the taxpayer on the government in taxes alleged to have ties to the intention to comply.

2.2.3 Theory of Planned Behavior

The Theory of Planned Behavior was proposed by Ajzen, (1985) as an extension of the Theory of Reasoned Action, which had been proposed a decade earlier, by (Ajzen & Fishbein, 1980). This theory emerges due to high gaps in the display of behaviors (Ajzen, 2011). Theory of planned behavior shows that the behavior of a person is encouraged by three factors. The first factor is behavioral belief, which is an outcome belief, and evaluation of results. Confidence and evaluation of results will form a variable attitude towards a certain behavior. The second one is normative belief. It is an individual belief in the normative expectations of other people such as family, friends, corporate leaders, tax officers, and tax consultants. Normative expectation forms a subjective norm of a behavior. Third is the control belief, which is personal belief about the existence of things that encourage their behavior and perceptions of how strongly the two affect their behavior. Control belief forms a perceived behavioral control (Nurwanah, Sutrisno, Rosidi & Roekhudin, 2018).

More so, Harinurdin (2009) states that the perception of behavioral control has direct but insignificant impact on tax compliance, but behavioral control perception has significant positive effect on intention. Ajzen, (2011) empirically reveals that optimistic attitude of

taxpayers has positive impact on tax compliance. Study conducted by Bobek and Hatfield (2003), as well as Mustikasari (2008), empirically proves that subjectivity and perceived behavioral control are variables that influence the tax compliance. Meanwhile, Benk, Budak and Cakmak (2012) cannot prove empirically that attitudes have positive effect on tax compliance. Trivedi and Shehata (2005), Langham, Paulsen and Hartel (2012) are also incapable of empirically proving that perceived behavioral control has positive effect on tax compliance.

2.2.4 Social Capital Theory

The theory of social capital was propounded by Bourdieu, makes a distinction between three types of capital: economic, social, and cultural-symbolic (Bourdieu, 1972). Economic capital is characterized by the power of direct conversion into money, and is institutionalized in the form of property rights. The social capital theory further distinguishes among three types of capital: physical (the capacity to develop tools and production), human capital (the capacity to develop knowledge and skills of individuals), and social capital in terms of the capacity to involve individuals in social ties (Coleman, 1988). Physical capital refers to physical objects, the human capital to attributes of individuals, and social capital to link between individuals, i.e. social networks and the norms of reciprocity and trustworthiness that arise from them.

This theory affirms that, tax compliance by citizens is specifically influenced by their individual behavior and social norms. The theory assumes that individual behavior in taxation is basically influenced by social interaction like other forms of behavior (Ali 2013). It follows that an individual is most likely to comply with tax requirements if he believes members of his reference group also comply, just as he is also likely not to comply if he believes that members of his reference group do not comply (Walsh, 2012).

The social capital theory presupposes that individual behavior in taxation is basically influenced by social interactions like other forms of behavior (Bello & Dajuma, 2014). The

theory also presupposes that the fear of social stigmatization as one of the possible deterrent factor tax compliance (Kirchler, 2017), and the existence of the social norms effect on compliance behavior. The relevance of this theory is that small and medium enterprises are likely to be influenced by social groups, gender and family member influence to comply on payment of income tax as and when due.

Alm (2019), opined that abundant individuals are influenced by the social context in which they are into and the process by which decisions are made and that they are motivated not simply by self-interest but also by group notions like social norms; “social capital, social customers, social factors, social networks, fairness, trust, reciprocity, intrinsic motivation, tax morals as well as by individual notions of guilt, shame, morality or altruism.” He called this a social interaction theory as agreed by (Oyadonghan, 2014).

Kirchler (2017), working on the psychology of taxation, called this process social norm of tax compliance. A social norm therefore represents a pattern of behavior that is judged in a similar way by others and that is sustained in part by social approval or disapproval. If others behave according to some socially accepted mode, then the individual will have appropriately; if others do no so behave then, the individual will resent in kind (Alm, 2013.)

This theory suggests that if the government comply with social norms and attaching specific goals to specific taxes and employ management by objective principles in formulating tax policies then people will comply with the social norms by paying their taxes. Appah & Oyadonghan, (2011) also accepted the position aforementioned and claimed that government behaviour dictates part of masses reactions to level of tax compliance.

2.2.5 Theory of Social Norms

Cialdini and Trost (1998) defines social norms as standards of behaviour understood by members of a group that guide and/or restrict social behaviour without the force of law. The authors classified social norms into four: injunctive norms, descriptive norms, subjective

norms, and personal norms. Descriptive norms are standards that develop out of observation of how others actually behave in particular situations. Injunctive norms, on the other hand, specify what should be done and are therefore the moral rules of the group. Subjective norms relate specifically to the expectations of important others (e.g., family, friends, coworkers, and so forth). Finally, personal norms are one's own expectations for behavior, which may arise in part from the internalization of injunctive norms. Injunctive, subjective, and personal norms all relate to the expectations of certain groups or individuals, or, described another way, what one believes she/he ought to do in a given situation (Hechter and Opp2001; Kallgren et al. 2000). Descriptive norms are merely one's perception of what others actually do.

In addition to refining these social norm constructs, Kallgren et al. (2000) emphasise that a particular social norm is unlikely to influence an individual's behavior unless it is salient (or "focal") at the time of the behavior.

Individuals may have different motivations to comply with social norm. Meaning that, people's behaviour will vary according to which of the norms they focus on. Some studies have shown that descriptive norms may be more effective than subjective norm in shaping individuals' behaviour. For example, a recent study by (Ball, Jeffery, Abbott, McNaughton, & Crawford 2010) reports that fruit consumption was increased among adolescents after been told about how much fruit was their peers eating (descriptive norm). However, when they had been informed about how much fruit their peers thought they should eat (subjective norm), they did not eat more fruit than under a control condition. In such situations, this finding would suggest that descriptive norms may be more effective than subjective norms at eliciting the desired behaviour.

In other situations, the appropriate behaviour may be made apparent by the use of subjective norms. For instance, a study conducted on retirement saving decisions, the survey

respondents said they would save more of their income in the subjective norm treatment than in the descriptive norm treatment. They would listen to an expert advised (subjective norm) on retirement saving plan rather than observe what people actually do (descriptive norm). Thus, it seems that individuals tend to observe both descriptive and subjective norms simultaneously.

In a tax context, a substantial body of research found that taxpayers' norms have been documented as a major explanatory factor in non-compliance. Research that based on self-categorization theory (Wenzel, 2004) has demonstrated that taxpayers are more likely to be influenced by other taxpayers who identified strongly with the group holding these norms. If others are not perceived as part of one's self-category and when identification is low, social norms may have no effect on taxpaying behaviour. In fact people may even distance themselves from such groups. In his study, conducted in Australia involving more than 2,000 taxpayers, have shown that personal norms were more important than injunctive norms. In addition, people with more non-compliant behaviours believed that tax non-compliance to be more prevalent among friends and people known to them. In other words, if taxpayers believe that non-compliance is widespread and a socially accepted behaviour, then they are more likely not to comply with tax law.

Another study that might further explain the impact of social norms on taxpaying behaviour was a study carried out by Bobek, Hageman, & Kelliher (2013). In analyzing the data, Bobek et al. (2013) found that all constructs namely subjective norms, injunctive norms, personal norms and descriptive norms were significantly correlated with tax compliance behaviour. However path analysis results show that only subjective norms and personal norms directly affected taxpayers' compliance intentions. Descriptive and injunctive norms had only an indirect influence on tax compliance behaviour. Further, survey evidence show that social

norms are more influential than any of the additional control variables (e.g., detection risk, fairness perceptions).

2.3 Empirical Review

This sub-chapter covers the review of studies on the relationship between tax compliance and the various proxies of determinants of tax compliance used in this study. The objective is to critically examine the contribution of earlier researchers in the subject matter.

2.3.1 Studies on Developed countries

Many factors have been identified to be responsible for tax compliance behaviour in the literatures. For instance, Marta and Jan (2015) conducted a research across Europe, to identify the selected challenges and suggest potential opportunities for improvement of tax administration in respect to increasing tax revenue collection and increase tax compliance. They compared several indicators related to tax administration quality for selected European countries. This includes efficiency of tax collection, the size of the tax gap, time to prepare and pay taxes and potential measures of corruption in tax administration. Low tax collection effectiveness and an extensive VAT gap seems to be the most serious issues for tax administration in Slovakia. The tax audit or tax inspection is perceived as most relevant in reference to tax compliance, therefore this selected problem was analyzed in even more detail in their paper. Marta and Jan (2015) conduct Probit and Tobit regression analysis on the level of European firm data related to a question about potential problems with the shadow economy and tax evasion on one side and tax administration and tax inspections on the other side. Several policy implications for tax administration could be made based on our results. We suggest focusing tax audits more on the small or medium sized rural firms as well as the firms in construction and transport industry and with less export orientation.

Pukelienė and Kažemekaitytė (2016) assessed the impact of the selected tax behaviour determinants for the overall tax (non) compliance in European Union countries for a period

from 2003 to 2014. Selected tax behaviour determinants for the analysis were presented, hypotheses raised and models formed. The result of the analysis of Pukelienė and Kažemekaitytė suggested that tax morale, socio-cultural determinants and the relationship between tax authority and taxpayers have an overall significant impact on tax behavior in European Union countries. Nevertheless, the effect from different determinants varies greatly across regions and countries.

Violeta and Austėja (2016) assessed the impact of the selected tax behaviour determinants for the overall tax (non) compliance in European Union countries for a period from 2003 to 2014. The literature on tax behaviour was analyzed through the viewpoint of behavioral economics and the systemization of the main determinants is provided. Then the selected tax behaviour determinants for the analysis are presented, hypotheses raised and models formed. Research suggests that tax morale, socio-cultural determinants and the relationship between tax authority and taxpayers have an overall significant impact on tax behaviour in European Union countries. Nevertheless, the effect from different determinants varies greatly across regions and countries.

Alm and Torgler (2016) examined a world values survey data on wide range of countries over several years with a test on the role of tax fairness on tax compliance, the regression analysis result shows a significantly relationship between tax fairness and tax compliance in the United States than in Spain. In addition to this, results of the study indicated that the US, Australia and Switzerland are the countries with the same level of tax fairness for tax compliance.

Gupta and McGee (2017) examined the level of tax knowledge and tax system in Australia and New Zealand. The sample size of the study comprised 967 undergraduate and graduate accounting, business and economics, law and medical students and faculties in Auckland, New Zealand. The result of regression analysis found that tax education had a significantly

positive effect on tax knowledge of respondents, in particular for those respondents, who were studying law or accounting, this also indicating that education influences the degree of tax knowledge.

Muslichah (2018) studied the effect of tax fairness on tax compliance with trust as an intervening variable. The purpose of his study was to provide empirical evidence about the effect of tax fairness on tax compliance with trust to tax authority as an intervening variable. 300 questionnaires were distributed, 195 were returned for a response rate of 65 percent. The Partial Least Squares (PLS) approach is used to test the hypotheses developed in this study. Smart PLS software is used for this study. The study reveals four important findings: (1) tax fairness has a significant positive effect on tax compliance, (2) tax fairness has a significant positive effect on trust, (3) trust has a significant positive effect on tax compliance, (4) trust mediates the relationship between tax fairness and tax compliance.

Khoirul and Lutfi (2019) conducted a study to determine the empirical evidence of tax knowledge, trust, transparency and tax awareness on tax compliance. This study involved 100 respondents as sample by using accidental sampling technique. Respondents who participated in this study were Personal Taxpayer and Corporate Taxpayers registered at Tax Office (Kantor Pelayanan Pajak/KPP) Pratama Jepara. This type of research is quantitative method using primary data. In this study, data was collected by distributing questionnaire for 5 days. The data in this study were analyzed with Partial Least Square (PLS) using Smart PLS 3.0 software. The results showed that there are two variables, namely tax knowledge and transparency that have positive and significant effect on tax awareness and tax compliance. Although, there are still some variables which don't have any significant effect, such as tax awareness on tax compliance, trust on tax awareness and trust on tax compliance. Tax awareness moderates the effect of tax knowledge and transparency on tax compliance. Tax awareness doesn't mediate the effect of trust on tax compliance.

2.3.2 Studies in Developing Countries

Previous empirical evidences on tax compliance level are also available as Nwangi (2014) sought to identify the factors that influence tax compliance in Kenya, specifically focusing on SME's operating within Nairobi's Industrial Area. The study was a descriptive survey and given the large population of registered taxpayers in Nairobi, a sample size of 150 was picked as representative, to be the focus of this study. Data was collected using self-administered questionnaires was consequently analyzed using Statistical Package for Social Scientist software and the findings of the research presented using tables. The findings of the study revealed that with regard to tax rate as a factor influencing SMEs compliance, the majority view that Kenya has high tax rates with several different tax heads and this consequently hinders their level of compliance. The lack of readily available information relating to tax matters accounted to a great percent as a reason for non-compliance. The findings of this study further revealed that 47% of the SMEs interviewed incur more than Ksh.50, 000 monthly, as costs of tax compliance. Some of these costs include bookkeeping, installation of software and internet costs, additional cost of hiring professional staff such as auditors and tax experts, accounting for the largest proportion of these costs. With regard to SMEs attitude as a factor affecting tax compliance, the respondents do agree and feel that they do have access to public utilities which are made available by the taxes paid to the government; hence they enjoy benefits of the taxes they pay.

Amina, Saniya (2015) conducted a study with the aim of investigating the determinants of tax compliance for the case of Jimma zone in Ethiopia. This was achieved by distributing a total of 384 questionnaires to taxpayers, the study try to explore the main determinants of tax compliance. The determinants were classified into 4 groups: economic, tax system, demographic, social, and individual. In the study, self-administered questionnaires was used

to collect primary data. The findings show that age, sex, penalty, audit, simplicity, fairness and government perception were found to affect tax compliance.

Bedada (2016) specifically sought the effect of tax audit, fines and penalties and tax education and knowledge on tax compliance in Bole sub city, Addis Ababa administration. Data was collected using structured questionnaire, both primary and secondary data were used. Descriptive statistical tools and correlation and multiple regressions analysis were used in analyzing the data collected. The study findings showed that probability of tax audit; tax knowledge and education have positive effect on level of tax compliance.

Zachary, Kariuki and Mwangi (2017) evaluated the determinants of tax compliance by Small and Medium Enterprises in Embu County in Kenya with focus on tax compliance costs. To achieve the research objectives, the study employed a descriptive study design. The population of interest comprised all the 615 registered SMEs in Embu County. This study used a sample of 185 Small and Medium Enterprises in Embu County, which were selected using stratified and simple random sampling methods. Data for the study was collected using questionnaires. Descriptive statistics like mean, standard deviation and percentages of responses were calculated. Inferential statistics like regression, analysis of variance and t-tests were used to test the significance. The findings of the study revealed a significant positive relationship between tax compliance costs and tax compliance by Small and Medium Enterprises in Embu County.

Mutasa (2017) assessed the determinants of tax compliance among SMEs in Harare. A descriptive survey design was used and data were collected from 100 SMEs in Glenview 8 and Magaba area of Harare. The results of the inferential statistics indicated relationship between tax knowledge, tax compliance cost, tax audit and the level of tax compliance among SMEs. Similarly, Mwandambira (2017) evaluated if lack of tax knowledge was contributing to the high levels of tax non-compliance amongst SMEs in Zimbabwe. A qualitative research

approach was used involving a sample of 35 SMEs and 40 tax officials. From the analysis, the findings were that SMEs in Zimbabwe possess basic tax knowledge about taxation but lack a deeper understanding like the difference between presumptive taxation and income based taxation, however this is insignificantly influencing their non-compliance behaviour.

Tilahun (2018) conducted a study on the economic and social factors of tax compliance behavior in Bahir Dar city. The study was conducted using 248 business income taxpayers from which the data was collected from through questionnaires and unstructured interviews. The results of the regression analysis showed that factors such as fairness of the tax system, penalty, tax rate, perceptions of government spending and compliance cost were found to be the determinant factors that affect taxpayer's voluntary compliance.

Adhiambo (2019) investigated the factors affecting tax compliance among the small scale traders Nakuru town. The study was guided by the economic deterrent and psychological theories of tax compliance. The study used descriptive research design and a sample size of 302 was drawn from the target population of 1416 licensed small scale traders by the County government of Nakuru. Data was collected using structured questionnaire, coded and analyzed using both inferential and descriptive statistics. The findings revealed that tax awareness and education, the cost of compliance have a positive and significant effect on the tax compliance but perception on opportunity for tax evasion shown an insignificant effect on the tax compliance.

Mohammed (2019) examined the determinants of tax compliance behavior found in Dire Dawa in Ethiopia Administration using behavioral model. The information randomly collected from 299 was analyzed using both descriptive statistics and multiple regressions Model. In the study, we found that majority of the respondents have settled their tax liabilities without any penalty. However, poor services of tax authority, lower level of tax knowledge, and poor perception to government spending were challenges to tax compliance behavior.

Nivakan and Sahari (2019) studied the Impact of Economic Factors on Individual Taxpayers' Tax Compliance Behavior in Malaysia. Some of the factors impacting are: probability of being audited, perception on government spending, perception on equity and fairness and penalty rates, which are considered to be playing an important role on individual tax compliance behavior. The researcher used survey method of research design and targeted the individual tax payers across Malaysia as population. A sample of 419 respondents had been taken for this study, using convenient sampling method. Pearson correlation and multiple regression analysis had been employed to analyze the data. The results of the study disclose that probability of being audited, perception on government spending, penalty rate and an individual's personal financial position are the main important variables that influence individual tax payers' tax compliance behavior in Malaysia.

Tessema (2020) sought to identify the determinant of tax compliance in Ethiopia, specifically focusing on Micro and Small business enterprises operating in the Gurage zone. The study employed both descriptive and explanatory research design. A sample size of 325 was used from a population of 1726 micro and small business enterprises category "C" taxpayers in the Gurage zone. Data was collected using questionnaires and the structured interview. The collected data was consequently analyzed using Statistical Package for Social Scientist software (SPSS V.22) and the findings of the study presented using tables, various chart types and graphs. The results showed that tax rate, tax knowledge, tax compliance cost, the attitude of SME's and tax system significant determine tax compliance of taxpayers.

2.3.3 Studies in Nigeria

In Nigeria, evidences on various factors explaining variation in tax compliance practices are:

Badara (2012) considered the effect of tax audit on tax compliance in Nigeria using Board of Internal Revenue as a case study. The methodology employed for data collection was primary source, which involved the use of questionnaires, in which 48 questionnaire were

administered to the staff of Bauchi State Board of Internal Revenue, some selected individuals tax payers and corporate bodies within Bauchi State. The data generated were analyzed and interpreted using simple percentage. The finding of the study included among other; the relevant tax authority employed tax audit towards achieving target revenue, the tax audit reduce the problems of tax evasion and the tax payers do not usually cooperated with tax audit personnel during the exercise.

(James and Alley, 2014) conducted an Exploratory Analysis of Individual Taxpayers' Compliance Behavior in Nigeria, Studying demographic differences and its Impact. The study analyses the differences in individual taxpayers' compliance behavior across demographic variables using the data extracted through a survey of individual taxpayers in Nigeria. The data were statistically treated using ANOVA technique. The results indicate statistically significant differences in taxpayers' compliance behavior across demographic variables of age grouping, income level, employment status and ethnicity. This finding suggests that these demographic factors significantly affect taxpayers' compliance behavior in Nigeria.

Appah and Wosowei (2016) explored the tax compliance intentions and the behaviour of the individual taxpayer in Nigeria. Primary and secondary sources were used for the empirical analysis. The secondary sources were from scholarly books and journals while the primary source involved a well-structured questionnaire of four sections of forty seven items with an average reliability of 0.81 that was administered to seven hundred and eighty five respondents. The data collected from the questionnaire were analyzed using relevant diagnostics tests and multiple regression models. The result revealed a significant relationship between tax compliance intentions and equity attitudes; tax compliance intentions and social and moral norm variables; and tax compliance intentions and risk and penalties.

Olufemi (2018) examined the level of tax compliance among owners of small and medium enterprises (SMEs) in Nigeria. Both judgmental and random samplings were used in selecting the respondents. Data were collected from SME owners in Lagos, Nigeria. The sample size for the research was 250 and 223 SME owners responded through the questionnaire distributed. The quantitative method was used in analyzing the data collected. SPSS was used to analyze the data. Findings showed that female SME owners are more tax compliant than male counterparts.

(Abidemi, Ifeoluwa & Monday, 2018) studied the relative impacts of tax administration and business characteristics on the tax compliance behavior of small scale businesses in Nigeria. The role of tax education as an effective tax administration strategy is also considered. Results show that tax education stimulates small businesses tax compliance behavior, a result that is robust for both business taxes and personal taxes. It is also found that overall tax administration system in Nigeria does not have significant impact on tax compliance among small businesses in Nigeria due to inefficiencies and corruption in the system. Business ownership structure, registration status, and management qualification/experience are all found to promote tax compliance by small businesses in Nigeria.

The broad objective of the study of Okoye, Isenmila and Oseni (2018) was to investigate the effect of good governance on personal income tax compliance in Nigeria. Data for analysis were gathered through the administration of questionnaires using the cluster sampling technique which were distributed to four hundred (400) taxable persons in Edo and Delta states, representing South-south zone. Using Ordinary Least Square (OLS) to test the hypothesis, the study found a positive and statistically significant relationship between the independent variable (good governance) and the dependent variable (tax compliance) in Nigeria.

Akpubi & Igbekoyi (2019) assessed the effect of level of awareness on electronic tax on tax compliance by small and medium scale enterprises (SMEs) in Lagos state; it also examined the effect of perceived ease of use on tax compliance and determined the effect of electronic tax filing system cost on tax compliance among SMEs in Lagos state; This was done with a view to determine the effect of electronic tax filing system on tax compliance among SMEs in Lagos state Nigeria. The study employed the survey research design. Data were collected from primary sources through the use of structured questionnaire distributed to the SMEs at their place of work. The population of the study consist of nine hundred and fifty (950) small and medium scale enterprises in Lagos state in the fast food restaurants sub sector. A sample size of two hundred and eighty-one was selected using the Taro Yamane formula. Data collected were analyzed using descriptive statistics, structural equation model analysis and regression. Analysis of the study revealed that level of awareness showed significant positive relationship with tax compliance. It was also revealed that perceived ease of use has a positive effect on tax compliance but was statically non-significant. The tax compliance cost showed a non-significant negative effect on tax compliance.

Anyaduba & Oboh (2019) examined the determinants of tax compliance behaviour under the self-assessment scheme in Nigeria. A non-random stratified sampling technique was used and data was gathered using questionnaire from three of the six geopolitical zones in Nigeria, namely South-South, South-West and North central zones respectively. The results of the regression analysis showed that tax audit and awareness of offences and penalties had a positive and significant impact on tax compliance behaviour under the self-assessment scheme in Nigeria. Simplicity of tax administration and returns, tax knowledge and taxpayers' integrity also had a positive but not significant impact on tax compliance behaviour under the self-assessment scheme in Nigeria.

Oladele, Aribaba, Ahmodu, Yusuff & Alade (2019) assessed the effectiveness of tax enforcement tools as panacea for improving tax compliance and overall tax income in the Ondo State, Nigeria. Survey research design was adopted using primary data sourced through administration of structured questionnaire on 150 selected respondents from among staff of Federal Inland Revenue Service and State Board of Internal Revenue Service within the state. The Taro Yamane formula and judgment sampling technique were used to arrive at the sampled respondents. Outcome of Ordinary Least Square regression analysis showed regression a positive significant relationship between tax audit, tax penalty and tax compliance. However, no meaningful association exists between tax amnesty and tax compliance.

Rabiu & Mustafa (2020) empirically evaluated tax compliance determinants using data generated from agro-allied industries in some selected local government areas of Katsina state, Nigeria. Primary source of data was employed through the use of structured questionnaire to collect relevant information from all the 133 agro-allied industries in the study area and multinomial Probit model was adopted for estimation. Basically, the findings from this study indicated that tax rate, level of income, perception on government spending, change in government policy, simplicity of tax system and efficiency of the tax authority are significant determinants of tax compliance among agro-allied industries in the study area. Whereas perception on equity and peer influence are insignificant determinants.

2.4 Summary and Gaps Identified in the Literature

From the review of literature both domestic and international, this study observed both conceptual gap and Theoretical gap. Prior studies that examined the determinants of tax compliance behaviour identified some factors, which include probability of detection and tax audit (Allingham & Sandmo, 1972; Richardson, 2008; Anyaduba & Modugu, 2013; Singh, 2005); awareness of offences and penalties (Devos, 2013; Slemrod, 2007); simplicity of tax

administration and returns (Palil, 2013; Hasseldine & Li, 1999); and tax knowledge (Palil & Mustapha, 2013; Xin, Khai & Fong, 2015). Apart from the fact that these studies provided mixed results, some prior studies on determinants of tax compliance behaviour examined taxpayers' ethics and transparency (Kiow, Salleh, & Kassim, 2017); deterrence, social interaction, and tax morale (Arcos Holzinger & Biddle, 2016); beliefs, attitudes, and values (Niemirowski, Baldwin, & Wearing, 2002) in general.

With regard to conceptual gap, accounting practices and social norms will be considered as part of the determinants of tax compliance behavior under the self-assessment scheme in Nigeria for the fact that much of the previous studies did not include them as part of the explanatory variables for tax compliance practices. This will add more value to the existing literatures on tax compliance practices.

Theoretically, eclectic approach used in providing explanation to the relationship between dependent and independent variables seems to be relatively new in tax administration practices. Through this effort, other researchers may find this approach useful in other related study.

2.5 Theoretical Framework

The study used the assumptions of both psychology fiscal theory, Economic theory and Social Norm theory, because, no single theory vividly captures all the determinants of tax compliance discussed in this research work. Fairness and individual perception toward government responsibility was captured from fiscal psychology theory, social norm theory covers social norms and accounting practice was derived from economic based theory.

Linking these theories to this study, firstly, Social norm theory emphasizes that Individuals may have different motivations to comply with social norm. Meaning that, people's behaviour will vary according to which of the norms they focus on. Individual behavior in taxation is basically influenced by social interactions like other forms of behaviors

(descriptive norm). The theory also presupposes that the fear of social stigmatization as one of the possible deterrent factor of tax compliance. Individuals are influenced by the social context they are into the process by which decisions are made that they are motivated not simply by self-interest but also by group notions refers to as descriptive norm. Thus, the prediction of descriptive norm as an aspect of social norm in relation to tax compliance behaviour of individual may have influence on the level of tax compliance in a considerable manner.

Fiscal psychology theory on the other hand suggests that taxpayers react based on the benefits received or impact felt from the tax paid. It assumed that taxpayers would be willing to contribute their quota to the development of the society if the government provides infrastructural facilities such as good road network, regular supply of water, access to better health facilities amongst others, hence more compliance with various tax laws and vice-versa. Also, economic based theory argued that taxpayers are amoral utility maximizers, they are influenced by economic motives such as profit maximization and probability of detection. As such they analyze various forms of compliance paths whether to or not to evade tax, the likelihood of being detected and the resulting repercussions then select the alternative that maximizes their expected after tax returns after adjusting for risk. According to this theory, in order to improve tax compliance, good accounting practice should be encouraged. Thus, this study is built on these theories.

This study was guided by the Social Norm theory, Fiscal Psychology theory and Economic Based theory which are the theories reviewed for this research work. This is because, the entire variables tested in this study were among those theory groups in the notions as declared by (Alm, 2013), (Turner, 2005) and (Bobek, 2013). These theories are based on the principle of taxation, therefore the social norm theory, fiscal psychology theory and economic based theory was used for this study.

Based on the prediction of social norm theory which predicted that tax compliance by individuals is specifically influenced by their individual behaviour, social norms and social interaction like other forms of behaviour, economic based theory further predict that taxpayers are moral utility maximizers, they are influenced by economic motives such a profit maximization and probability of detection. Coupled with the empirical evidence observed in the empirical review, the relationship between the independent variables (social norms, government fiscal responsibility, accounting practice and government fiscal responsibilities) and dependable variable is depicted in figure 3.1.

2.6 Concept of Tax Compliance Behaviour

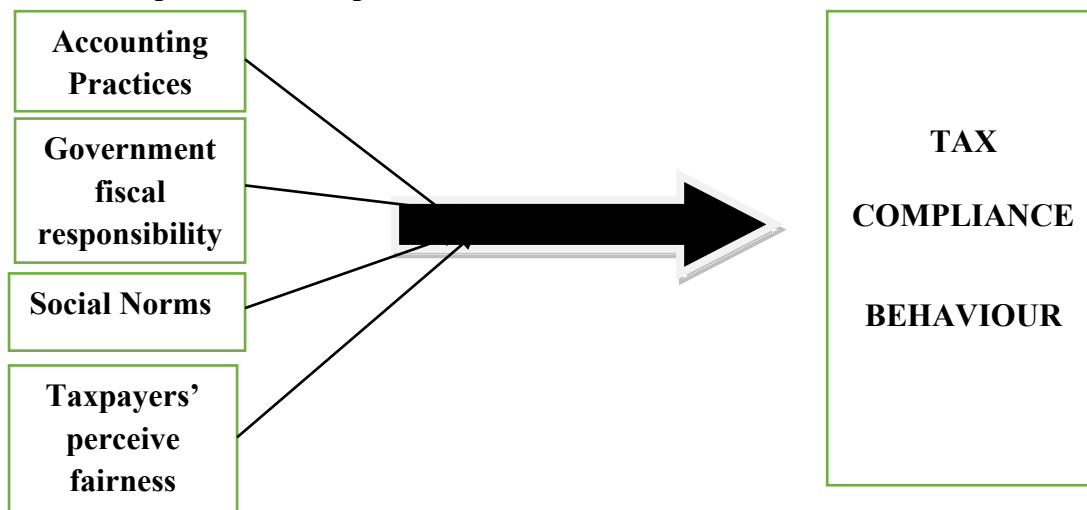


Figure 3.1 Concept of tax compliance behaviour

Source: Author's Conceptualization, (2022).

The above conceptual model illustrates the link between determinants of tax compliance among SMEs owners in Kwara state, Nigeria. Determinants (independent variable) was classified into two; Demand for tax and Supplier of tax, accounting practice, Social Norms, government fiscal responsibility, and taxpayers' perceive fairness while tax compliance (dependable variable) was also proxy with tax registration, timely filling and correct returns.

CHAPTER THREE

METHODOLOGY

This chapter centered on the procedures used in collecting and analyzing the data for the study, research design adopted, population and the sample size, model specification and measurement of variables.

3.1 Research Design

This study adopted cross-sectional survey research design. This design focuses on extracting primary data from the respondents used as sample through administration of questionnaire or interview in order to obtain the perception of the respondents on the subject matter under consideration. Therefore, this research design is appropriate as the data of this study was collected using questionnaire method of data collection.

3.2 Population of the Study

The companies that constitute the population of this study are the small and medium enterprises (SMEs) in Kwara State. Based on record, there are two thousand, eight hundred and sixty-eight (2,868) small and medium enterprises that are duly registered with KW-IRS in the state. There are one hundred and five (105) small and medium that recently registered between January and April, 2021. Hence, the main population of this study was two thousand, seven hundred and sixty three (2,763) SMEs that have been functioning for more than five years. This was done in order to get adequate information on the subject matter.

This sector was divided into four (4) sub-sectors namely trading sector, manufacturing/agro-allied sector, service sector and others (. There were four hundred and sixty (460) companies in manufacturing/agro-allied sector; one thousand and forty (1,040) companies that focused on buying and selling products, eight hundred and forty-six (846) companies in service sector and four hundred and seventeen (417) companies from other sectors of the main SMEs sector.

3.3 Sample Size and Sampling Technique

The sample size of this study was three hundred and forty-five (345) owners duly registered and performing their trading activities in Kwara State. The sample size was determined using Krejcie and Morgan (1970) table for determining sample size (see Appendix 1).

In order to ensure a fair representation from the various sub-sector of the SMEs as stated earlier, the study employed stratified sampling technique. This sampling technique deals with selecting sample from each group (stratum) based on their size in the total population in order to avoid bias. Therefore, the sample for this study was chosen based on the population of each sub-sector in the total population, which is 2763.

Table 3.1 Population of each sub-sector in the total population

Sector	Population	Sample
Trading	1040	130
Manufacturing	460	57
Services	846	106
Other	417	52

Hence, fifty-seven (57) companies were selected from manufacturing/agro-allied sector, one hundred and thirty (130) respondents from the trading sector, one hundred and six (106) companies from the service sector and fifty-two (52) respondents from other sub-sectors in the SMEs. A total of 345 respondents constituted the final sample for the study.

3.4 Sources and Method of Data Collection

Data utilized for this study is primary in nature which was collected through structured questionnaire administered to the target respondents. The questionnaire instrument was divided into two (2) sections, section A and section B. Section A focused on the profile of the sample respondents such as gender, age bracket, marital status, working experience, firm age, qualifications of the respondents, amongst others.

Section B centered on the questions that were raised to proffer answers to the research questions formulated in chapter one. This section was designed using likert-scale method ranging from strongly agree, agree, disagree and strongly disagree. These were assigned number ranging from 5, 4, 3, 2 and 1 respectively for easy capturing into excel format. The questionnaire was administered to the chief executive officers (CEOs)/owners, financial managers/chief accountants of the surveyed organizations in order to get response on both dependent and independent variables used in the study.

3.5 Method of Data Analysis

The data collected through the structured questionnaire administered was analyzed using descriptive and inferential statistics. The descriptive statistics used were frequency, simple percentage, mean, standard deviation, minimum and maximum values. Table, frequency and simple percentage was used to analyse the profile of the respondents while mean, standard deviation, minimum and maximum values were employed to show the summary of the large set of data collected on dependent variables used in the study.

The inferential statistics used in testing the hypotheses of the study was ordinary least square (OLS) regression analysis. Prior to test of hypotheses, the study conducted various preliminary analyses such as reliability and validity test, multicollinearity test among the independent variables and normality distribution test. These were done in order to ensure that the data collected is reliable.

3.6 Model Specification

The model used to achieve the objectives of this study was adapted from the study of Mutasa (2017). The model has been used to identify the direct association between the four dimensions of Fairness of tax system, Tax knowledge, Complexity perception, and Attitude towards tax administration and social contract as independent variables that determine the tax

compliance behaviour. It was basically used to identify the determinant factors that affect tax payers' voluntary compliance in the study area.

Tax Compliance = f (Fairness of Tax System, Tax knowledge, Complexity Perception, Attitude Towards Tax Administration and Social Contract,

This is expressed econometrically as follows:

$$TCOMP_i = \alpha_0 + \beta_1 FTS_i + \beta_2 TKNOW_i + \beta_3 CP_i + \beta_4 ATTADSC_i + E_i \dots \dots \dots (i)$$

FTS= Fairness of tax system

TKNOW = Tax knowledge

CP =Complexity perception

ATTADSC =Attitude towards tax administration and social contract

TCOMP =Taxpayers compliance

E_i = Error term

β =Coefficient to be estimated

In order to achieve the objectives of this study, the model was modified by adding accounting practices, fiscal responsibility, social norms and taxpayers' perceived fairness as raised in the research questions. It is modified as:

$$TaxCoM_i = \beta_0 + \beta_1 ACCTP_i + \beta_2 TPF_i + \beta_3 GFR_i + \beta_4 SN_i + e_j \dots \dots \dots (ii)$$

Where:

TaxCom = Tax Compliance

ACCTP = Accounting practices (Record keeping)

TPF = Taxpayers' Perceive Fairness

GFR = Government Fiscal responsibility

SN = Social norms

e_j = Error term

β = coefficients to be estimated.

The *a priori* expectations are: $\beta_1 - \beta_4 > 0$. This implies that the independent variables 1 to 4 are expected to have a positive relationship with the dependent variable.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

This chapter focuses on the analysis of data obtained through administration of questionnaire to the sample respondents. It also dealt with testing of the research hypotheses raised, discussion of findings and the implications for policy formulation.

4.1. Descriptive Analyses

This section centers on the analysis of response rate from the questionnaire administered.

Table 4.1 Response Rate from the questionnaire

Description	Frequency	Percentage
Distributed questionnaire	350	100
Returned questionnaire	345	98.57%
Wrongly filled	5	1.43%
Returned and usable questionnaire	345	98.57%

Source: Field Survey, (2022).

Table 4.1 shows the response rate of the questionnaire administered to the respondents. Based on the sample size of three hundred and fifty (350) owners of SMEs in Kwara State, three hundred and forty five (345) questionnaires were filled and returned to the researcher which represents 98.57% response rate. However, five (5) of the returned questionnaires were wrongly filled. Therefore, analysis in this study was based on the three hundred and forty five (345) questionnaires duly filled and returned.

4.1.2 Descriptive Analysis of the Bio-data of the respondents

The demographic characteristics of the respondents were summarized in table 4.2. This includes the age of the respondents, gender of the respondents, age bracket of the respondents, educational qualification and classification of the respondents' business.

Table 4.2 Descriptive Result of bio-data of respondents

Variable		Frequency	Percentage %
Age	18 – 30 years	60	17
	30 – 35 years	89	26
	36 – 40 years	96	28
	41 – 45 years	68	20
	46 years & above	32	9
	Total	345	100
Gender	Male	167	48
	Female	178	52
	Total	345	100
Educational Qualification	First School Leaving Certificate	44	13
	O’level	90	26
	NCE/OND	79	23
	HND/B.Sc.	104	30
	M.Sc./MBA/Professional	28	8
	Total	345	100
Classification of Business	Trading	182	53
	Manufacturing/Agro-Allied	19	6
	Service	114	33
	Others	30	9
	Total	345	100

Source: Field Survey, (2022).

The result in table 4.2 revealed that 17% of the respondents fall within the age bracket of 18 to 30, 26% of the respondents fall within the age bracket of 30-35; 28% fall within the age of 36 to 40 years; 20% fall within the age of 41 to 45 years while 9% of the respondents are 46 years and above, the implication of this age structure is that the respondents are matured enough to take decision on their own without influence. The result in table 4.2 also depicts that 48% of the respondents were male while 52% were females. It could also be seen from the result in table 4.2 that 13% of the respondents have first school leaving certificate; 26% have O’level certificate; 23% have either OND or NCE certificate; 30% have Bachelor of Science degree; while 8% of the respondents have Master of Science Degree or Master in Business Administration certificate. The implication of this level of education is that the respondent have an understanding of how to run their business effectively.

Furthermore, the result in table 4.2 revealed that 53% of the SMEs owner focused on trading activities, that buying and selling of goods; 6% are into manufactured or agro-allied products; 33% focused on service businesses while 9% deals in other transactions.

4.1.3 Descriptive Statistics of the indicators of Social Norms

This section analyzed the rate of agreement or disagreement with the statement raised on each independent variable (tax knowledge, social norms, fiscal responsibility and accounting practice) in the questionnaire by the respondents.

4.3 Descriptive statistics of all measurement items for Social Norms

S/N	Statements	Mean	S.D
1	Salient rule and standard among citizens influence all classes of tax payers	4.05	1.00
2	The influence of others determine my decision on whether or not to pay tax	4.35	.79
3	The decision to pay is always influenced by my surroundings	3.76	1.29
4	The decision to pay tax is based on friends' experiences or suggestions	3.98	1.17
5	The reluctant to pay for someone else tax obligation influenced my tax behaviour	3.88	.99

Source: Field Survey, (2022).

The result in table 4.3 showed the mean score on the items used to measure social norms as determinant of tax compliance. The minimum value of one (1) represents strongly disagree while the maximum value of five (5) represents strongly agree. The mean scores ranges from 3.76 to 4.35. This implies that most of the respondents agreed that social norms have influence on the level of tax payment.

4.4 Descriptive statistics of all measurement items for Fiscal Responsibility

S/N	Statement	Mean	S.D
1	Government is transparent on the taxes collected from tax payers	2.36	0.23
2	The level of tax collected corresponds to the level of developmental project embark upon by the government	2.26	0.30
3	Provisions of social amenities and infrastructural facilities have improved tremendously.	1.01	0.02
4	The principle of equity and fairness are applicable by government during allocation of public fund	2.25	0.04
5	The increase in tax collected by government corroborates with the level of tightened security in the society	1.57	0.19
6	The government is transparent in spending taxes collected from the tax payers	2.07	0.86

Source: Field Survey, (2022).

The result in table 4.4 showed the mean score on the items used to measure government fiscal responsibility. The mean scores of all the statement are below 3 which implies that most of the respondents strongly disagreed to the statement raised in the questionnaire. This indicates that most of the tax payers' monies are not judiciously used by government in discharging their duties to the members of the public.

4.5 Descriptive statistics of all measurement items for Taxpayer's Perceive Fairness

S/N	Statement	Mean	S.D
1	All classes of taxpayers is included in the tax system	2.20	.76
2	There is certainty in the amount to be paid as tax by each taxpayer	4.03	.92
3	The amount paid as tax is equitable to the level of income of the tax payer.	3.09	1.32
4	Some group of tax payers are exempted from paying tax due to their contributions to the society.	3.92	.10
5	There is proper communication by the government when there is amendment to tax laws	3.98	.92

Source: Field Survey, (2022).

The result in table 4.5 showed the mean score on the items used to measure taxpayers' perceive fairness. The mean scores of four statements are above 3 which imply that most of the respondents agreed to the statement raised in the questionnaire. Some respondents disagreed to the statement raised on capturing all taxpayers in the tax net which may indicate that not all the taxpayers are remitting their taxes to the tax authority.

4.6 Descriptive statistics of all measurement items for Accounting Practice

S/N	Statement	Mean	S.D
1	Professional accounting practices have led to an increase in accurate tax computations	4.20	1.76
2	Accurate accounting records increase the availability of information for tax computation	4.03	.92
3	Accurate tax computation is accessible as a result of increase in good accounting knowledge and practices	3.09	1.32
4	Knowledge of tax principles by SMEs owner (staff) has reduces the level of tax evasion.	3.92	.10
5	There is proper accounting systems put in place by the tax payers	3.98	.92

Source: Field Survey, (2022).

The result in table 4.6 depicts the mean score on the items used to measure taxpayers' accounting practice. All the mean scores are above 3 which implies that most of the respondents agreed to the statement raised on taxpayers' accounting practice.

4.7 Descriptive statistics of all measurement items for Tax Compliance

S/N	Statement	Mean	S.D
1	Effective tax system depends on declaration of all sources of income	4.13	.97
2	Declaration of all sources of income is essential for a good tax system	3.82	1.05
3	Tax payers file their returns accurately as an when due	3.32	.81
4	Filling correct amount of tax would lead to better provision of infrastructural facilities by the government	4.27	.74
5	It is fair for taxpayers not to declare all sources of income and other relevant information since the tax	4.35	.69

	laws do not treat every tax payer equally.		
6	Citizens' willingness to pay tax voluntarily depends on government ability to cater for public goods	4.09	.97

Source: Field Survey, (2022).

The result in table 4.7 showed the mean score on the items used to quantify tax compliance. The minimum value of one (1) represents strongly disagree while the maximum value of five (5) represents strongly agree. The mean scores of most of the statement are above 4 which implies that most of the respondents agreed to the statement raised on voluntary tax compliance in the questionnaire.

4.2 Preliminary Analyses

This section presents the preliminary analyses including reliability test and normality distribution test.

4.2.1 Reliability Test

Table 4.8: Reliability Statistic of Instrument Used

Variables	ACCTP	TFR	TKNW	SN	TaxCom
Cronbach-Alpha	0.85	0.76	0.84	0.86	0.82

Source: Field Survey, (2022).

Prior to the test of hypotheses, the instrument was subjected to reliability test through the use of Cronbach-Alpha. The assumption of Cronbach alpha is that any value greater than 0.7 is acceptable and makes the data to be reliable and the instrument is unreliable if otherwise. The result in table 4.8 indicates that the questions raised in the instrument (questionnaire) is reliable and measured what it ought to measure as the variables showed values greater than the benchmark of 0.7 (0.85, 0.76, 0.84, 0.86 and 0.82 for accounting practice; fiscal responsibility, tax knowledge, social norms and tax compliance). This implies that the data are reliable and consistent with a view to getting reliable results.

4.2.2 Factor Analysis for Validity Test

In order to assess the validity of the research instrument of the variables (dependent and independent), the questionnaire was subjected to content validity and construct validity. The questionnaire was firstly given to the supervisor and other lecturers so as to establish that the items in the questionnaire adequately represent all relevant items under study. For the construct validity, the study employed a Principal Components Analysis (PCA) in order to extract loadings for both dependent and independent variables under consideration.

Table 4.9 KMO and Bartlett’s Test

Variables	TaxCom	ACCTP	FR	TKNW	SN
Kaiser-Meyer-Oklín measure of sampling adequacy	0.66	0.73	0.67	0.62	0.81
Bartlett’s Test of Sphericity Chi-Square	633.78	490.39	518.23	381.71	335.89
P-value	0.00	0.00	0.00	0.00	0.00

Source: Field Survey, (2022).

The four (4) items under study in relation to tax compliance were subjected to principal components analysis using the result in table 4.9. The result of the KMO revealed that the five variables have values greater than the benchmark of 0.6 (Kaiser, 1970 & 1974; Pallant, 2003). The KMO values for tax compliance, accounting practice, fiscal responsibility, tax knowledge and social norms are 0.66; 0.73; 0.67; 0.62 and 0.81 respectively. More so, the Bartlett’s Test of Sphericity reached statistical significance as each of the variables are significant at 5% level of significance as all the variables have p-values of 0.000 (Bartlett, 1954; Pallant, 2003). The results indicate that the principal component analysis is suitable for the factor analysis.

In order to determine the number of components (factors) to extract, the study employed Kaiser’s criterion to choose the components that have an Eigen value of 1 or more using total variance and Eigen value for each component. For tax compliance, the result of the principal

components analysis revealed the presence of three components with Eigen values exceeding 1, with 2.56; 1.78; and 1.12 are extracted which explained 54.62% of the total variance.

The equivalent factor loadings are also presented in table 4.2.3 below:

Table 4.10 Component Matrix

Variables	Factor loading (PCA)
Tax compliance:	
TC5	0.686
TC2	0.652
TC3	0.604
TC4	0.557
TC1	0.543
TC6	0.501
Accounting Practice:	
ACP4	0.761
ACP3	0.732
ACP1	0.719
ACP2	0.677
ACP5	0.543
Government responsibility:	
Fiscal	
FR1	0.743
FR2	0.622
FR4	0.588
FR5	0.577
FR3	0.523
Tax payers perceive fairness:	
TPF1	0.815
TPF 3	0.741
TPF 4	0.571
TPF 2	0.561
TPF 5	0.506
Social norms:	
SN4	0.653
SN1	0.621
SN3	0.596
SN5	0.534
SN2	0.521

Source: Field Survey, (2022).

The result in table 4.10 shows the components of the research instrument that actually measured what it purported to measure. The result of the components matrix depicts the loadings of each of the items on the five components. The bolded result showed the questionnaire items that actually revealed measured the components of the variables.

4.2.4 Normality Distribution Test

The study conducted a normality distribution test through the use of skewness and kurtosis. The rule of thumb is that a normality distribution problem arises when the values of skewness and kurtosis fall outside the range of -3 and +3 (Tabachnick & Fidell, 2007). Based on the results in table 4.11, it shows that the data represents a normal distribution.

Table 4.11 Normality Distribution Table

Variables	TCOM	ACCTP	FR	TKNW	SN
Skewness	-1.020	-1.538	-0.925	-1.010	-.112
Kurtosis	1.565	2.281	-0.116	0.276	.216

Source: Field Survey, (2022).

The result in table 4.11 shows the skewness and kurtosis result of the normality distribution of the data collected. Skewness and Kurtosis have been widely used in testing the normality distribution of data set. The rule of thumb is that any value of skewness and kurtosis that falls outside ± 3 has problem of normality distribution (Verbeek, 2004). It could be deduced from the result in table 4.11 that all variables do not have suffer from normality distribution problems because none of the variable has values that falls outside the range of -3 to +3.

4.2.4 Multicollinearity Test

Table 4.12: VIF and Tolerance Result

Variables	VIF	Tolerance
ACCTP	1.442	.693
FR	2.213	.452
TKNW	2.634	.380
SN	2.821	.354

Source: Field Survey, (2022).

Multi-collinearity test was conducted using variance inflation factor (VIF) and tolerance level among the independent variables. This test was carried out so as to avoid using two variables that measure the same thing, thereby preventing the problem of multicollinearity. The rule of thumb is that if the value of variance inflation factor is 10 and above, there is problem of multicollinearity and vice-versa. Based on the result in table 4.12 that there is absence of multi-collinearity problem in this study as none of the independent variables used in the study has variance inflation factor greater than 10 and tolerance values greater than 5% level of significance.

4.3 Restatement and Test of Hypotheses

The result in table 4.3 was used to test the hypotheses of the study in order to provide answers to the research questions raised in chapter one of this study.

Table 4.13: Regression Result

Variables	Coefficients	Std. Error	T-value	Sig.
ACCTP	0.024	0.003	9.094	0.000
FR	0.014	0.002	4.727	0.000
TKNW	0.025	0.004	5.937	0.000
SN	0.013	0.006	2.284	0.024
Constant	-1.388	0.022	-17.477	0.000
R ²	0.627			
Adjusted R ²	0.591			
F-statistics	72.743 (0.000)			

Source: Field Survey, (2022).

The result in table 4.13 showed the coefficient of determination (R²) and the fitness of the model. The result shows that the independent variables used in the study explained around 59% of the variations in the dependent variable, as shown by the coefficient of determination (R²) value of 0.591. The remaining 41% represents other proxy of independent variables that were not used in this study. The result in table 4.3 also revealed that the model is fitted as indicated by F-statistic of 72.743 which is significant at 1% level of significance as indicated

by the p-value of 0.0000. The test of hypotheses was conducted following the fitness of the model.

4.3.1 Restatement and Test of Hypothesis One

H₀₁: Accounting practice has no significant effect on tax compliance behaviour of SME owners in Kwara State.

The results in table 4.13 revealed that accounting practices has a positive and significant effect on tax compliance as shown by t-value of 9.094 with p-value of 0.000 at 5% level of significance. This leads to the rejection of the null hypothesis and acceptance of the alternative hypothesis. The result indicates that proper accounting / record keeping by SME owners will assist in easy computation of tax liability as well as remitting tax when due, hence high level of tax compliance in Kwara State.

4.3.2 Re-statement and Test of Hypothesis Two

H₀₂: There is no significant effect of government fiscal responsibility on tax compliance of SMEs owners in Kwara State.

Result in table 4.13, reveals that government fiscal responsibility has a significant and positive effect on tax compliance of SMEs owners in Kwara State. As evidenced by t-value of 4.727 with p-value of 0.000 at 5% level of significance. The result leads to acceptance of alternative hypothesis and rejection of null hypothesis. The null hypothesis stated that there is no significant effect of government fiscal responsibility on tax compliance of SMEs owners in Kwara State. This indicates that the more government provides infrastructural facilities and other developmental projects for its citizens; it will encourage the taxpayers to pay tax at regular period of time, hence more compliance with tax laws.

4.3.3 Re-statement and Test of Hypothesis Three

H₀₃: Social norms have no significant effect on tax compliance of SMEs owners in Kwara State.

The result in table 4.13 shows that social norms have a positive and significant effect on tax compliance of SME owners in Kwara State as supported by t-value 2.284 with 0.024 at 5% significance level. The result leads to acceptance of the alternative hypothesis and rejection of null hypothesis. The alternative hypothesis states that social norms have significant effect on tax compliance of SMEs owners in Kwara State. This implies that culture of a society, friend or colleagues usually influence the level of compliance with tax payment of SME owners in Kwara State.

4.3.4 Re-statement and Test of Hypothesis Four

H₀₂: There is no significant effect of taxpayers' Perceive Fairness on tax compliance of SMEs owners in Kwara State.

Based on the result in table 4.13, it could deduced that taxpayers' perceive fairness has a significant and positive effect on tax compliance of SME owners in Kwara State as shown by t-value of 5.973 with p-value of 0.000 at 5% level of significance. This leads to the rejection of null hypothesis and consequently acceptance of the alternative hypothesis. The result indicates that when taxpayers in the same class of income are treated in the same way, have the knowledge of the actual amount of tax to be paid and every citizen pays tax without being bias, it will not only encourage them to pay more tax but also comply with tax laws and requirements.

4.4 Discussion of Findings

This section presents the discussion of key findings in relation to the research objectives of the study.

The discussions are presented in the sequence of the research questions and objectives raised in chapter one for the study.

4.4.1 Accounting Practices and Tax Compliance of SME owners in Kwara State

The study specifically found that accounting practices has a significant and positive effect on tax compliance level of SME owners in Kwara State as supported by t-value of 9.904 with p-value of 0.000. This indicates that proper record keeping system by SME owners in Kwara State will lead to better compliance with tax laws hence better remittance of tax liability as at when due. This may also implies that accurate accounting record will increase the availability of information for tax computation and consequently reduce the level of tax evasion and improve tax compliance level of taxpayers. The result agrees with a-priori expectation of the researcher as it was assumed that proper record keeping system by SME owners will reduce tax evasion and lead to high level of compliance with tax laws and payment.

The outcome of this study corroborates with the findings of Marta and Jan (2015) and Nivakan and Sahari (2019) as they found that keeping proper accounting records by firms will assist tax authority to compute tax and ensure compliance with tax laws. The result contradicts the findings of Bedada (2016) who reported that the cost of keeping records, installing software, internet cost and additional cost of hiring professional as accounting staff and tax experts may discourage taxpayers from keeping adequate records, hence low level of tax compliance.

4.4.2 Government Fiscal Responsibility and Tax Compliance of SME Owners in Kwara State.

The empirical result of the study also revealed that government fiscal responsibility has a significant and positive effect on tax compliance of SME owners in Kwara State. This indicates that when government is transparent on the amount of tax collected, provides basis infrastructural facilities, ensure high level of security for its citizens and allocate fund

equitably, it will encourage citizens to also play their part by paying tax regularly, hence high tax compliance of SME owners in Kwara State.

The result supports the arguments of fiscal psychology theory as it posits that people are motivated to pay tax when the government uses the money collected to provide social and infrastructural facilities that will be of benefit to taxpayers. The result concurs with the findings of Saniya (2015); Violeta and Austeja (2016); Tilahun (2018); Rabiou and Mustafa (2020) which reported that the higher the level of spending on the provision of infrastructural facilities would encourage tax compliance by the taxpayers. The outcome contradicts the result of Mohammed (2019) as he found that poor service by government discourages the taxpayers from paying their tax liabilities.

4.4.3 Social Norms and Tax Compliance of SME Owners in Kwara State.

The empirical result revealed that social norms have a significant and positive effect on the level of tax compliance by SME owners in Kwara State. The result implies that tax compliance is highly influenced by the cultural belief of the society, close relations belief or experience on tax payment, reference/peer group and the level of payment by people in their vicinity. The result confirmed the a-priori criteria of the researcher as it was expected that social norms would influence the level of tax compliance by taxpayers.

The outcome of this study corroborates the findings of Pukeliene and Kazemekaityte (2016) Violeta and Austeja (2016) as they reported in their studies that peer group or social norms has a great effect on tax compliance level. However, the result of this study contradicts the finding of Rabiou and Mustafa (2020) who found an insignificant relationship between peer group and tax compliance.

4.4.3 Taxpayers Perceive Farness and Tax Compliance of SME Owners in Kwara State.

Based on the empirical result, it could be deduced that taxpayer's perceive fairness has a positive and significant effect on tax compliance level of SMEs in Kwara State. This indicates that when all classes of taxpayers are captured into the tax net, taxpayers in the same level of income pay the same tax liability, no bias in tax payment and none of the taxpayers is exempted from paying at the expense of others, it will encourage all taxpayers to pay their tax liability in time as well as encourage them to disclose their income for tax purpose, hence leading to high compliance level with tax laws.

The result is in line with the a-priori expectation as the researcher that fairness in dealing with all classes of taxpayers will improve tax compliance level. The result also confirmed the assumption of social capital theory which posits that fairness treatment to all classes of taxpayers would not only encourage the taxpayers to comply with tax laws but also improve the amount of tax remittance. The outcome of this study concurs with the findings of Saniya (2015); Alm and Torgler (2016); Tilahun (2018); and Muashah (2018) which found that tax fairness is one of the factors that influence voluntary tax compliance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter deals with the summary of the study, the conclusion made from the empirical results, recommendations on the way forward, suggestions for future studies, limitations and delimitation to the study as well as contribution of the study to knowledge.

5.1 Summary

Tax is a major source of revenue to government of every nation in order to provide social amenities and implementation of other developmental projects. However, the low level of revenue generated from taxes as a result of low compliance by taxpayers, especially the SME owners has not only reduced the government strength in discharging their duties but also worsen the level of development in Nigeria, Kwara State inclusive. Therefore, this study examines various factors that influence voluntary tax compliance among SME owners in Kwara State.

The study reviewed previous literatures on determinants of voluntary tax compliance among SME owners in Kwara State. The reviews were divided into three aspects; the conceptual review; theoretical review and empirical review. The study vividly examined the concept of tax and tax compliance and various factors determining tax compliance such as accounting practice; government fiscal responsibility; social norms and taxpayers' perceive fairness. This study was guided by the assumptions of fiscal psychology theory and social capital theory. Therefore, the results of the previous studies were empirically reviewed and were divided into international and local studies. The international studies were further divided into developed and developing nations for easy understanding and to bring out gap in the previous studies.

The study employed a cross-sectional survey research design. The target population includes all SME owners in Kwara State with focus on one hundred and five (105) SMEs that are duly

registered with the Federal Inland Revenue Service (FIRS), Kwara State branch. A sample of three hundred and forty-five (345) respondents were chosen as sample from the total population of two thousand, seven hundred and sixty three (2,763) SMEs that have been in operation for more than two years using Krejcie and Morgan (1970) table.

The results of ordinary least square regression indicated that accounting practice, government fiscal responsibility, social norms and taxpayers' perceive fairness are significant factors that determine the level of voluntary tax compliance among SME owners in Kwara State. These results indicate that proper record keeping system by SME owners, provision of social and other developmental facilities, social norms, friends' influence and treating every taxpayers equally would encourage taxpayers to pay their liabilities as an when due, thereby increasing tax compliance level among SMEs in Kwara State.

5.2 Conclusion

Based on the result of the hypotheses tested in chapter four, the study concluded that, accounting practice, government fiscal responsibility, social norms and taxpayers' perceive fairness have significant positive influence on voluntary tax compliance among SME owners in Kwara State. The study concluded that:

Effective accounting practices will enhance the level of tax compliance among SME owners in Kwara State. This implies that adequate record keeping by SMEs would assist the tax authority to have access to more information about the activities of the SMEs leading to better compliance level, hence improved tax collection.

The study also concluded that provision of infrastructural facilities and other development projects by the government will encourage the taxpayers to comply to relevant tax laws and pay their tax liabilities in time.

Furthermore, the study concluded that the level of tax compliance is also influenced by cultural belief, peer group and close friend impact.

Lastly, the study concluded that when taxpayers are being treated equally, that is, taxpayers in the same tax net pay the same tax liability, it will encourage all classes of SME owners to pay their liabilities as at when due, thereby increasing the level of tax compliance among SME owners in Kwara State.

5.3 Recommendations

Based on the findings of this study, the following recommendations were made in order to improve the level of tax compliance among SME owners in Kwara State as regard accounting practice, government fiscal responsibility, social norms and taxpayers' perceive fairness.

- i. The study found that accounting practice enhances tax compliance among SME owners in Kwara State. Therefore, this study recommends that management of SME should ensure that their accounting record system is accurate and updated in order to avoid being charged penalty for filing inaccurate or falsified data.
- ii. The study also revealed that government fiscal responsibility facilitates and improve voluntary tax compliance among SME owners in Kwara State. Hence, this study recommends that government should use the money collected from taxpayers for developmental projects and infrastructural facilities that will improve the standard of living of members of the public in the society.
- iii. The study also revealed that social norms enhance tax compliance level among SME owners in Kwara State. The study therefore recommends that taxpayers should be sensitised on the advantage of compliance with tax laws and payment of tax in order to reduce negative influence people have on tax payment.
- iv. The empirical result of the study showed that taxpayers' perceive fairness would improve tax compliance level among SME owners in Kwara State. Therefore, this study recommends that tax authority should treat every taxpayer equally and avoid bias irrespective of the class of the taxpayer.

5.4 Contributions to Knowledge

This section presents areas in which this study contributes to literature on determinants of tax compliance level among SME in Kwara State.

- i. Previous studies (such as James, 2014; Appah & Wosowei, 2016; Okoye, et al., 2018) reviewed in Nigeria on tax compliance determinants had used different variables such as income level, age group, tax administration system, education, perception on government spending, social and moral norms, amongst others as determinants of tax compliance level. Therefore, this study contributes to knowledge as it examined the effect of accounting practice and taxpayers perceive fairness as determinants of tax compliance level among SMEs in Kwara State.
- ii. More so, the previous studies reviewed employed the assumption of a theory to link the relationship between the dependent variable and independent variables. This study is unique as it used the assumptions of both fiscal psychology theory, social norm theory and economic deterrence theory to explain the relationship between dependent and independent variables used in this study.

5.5 Suggestions for Further Studies

- i. Further studies may also be extended to cover the whole Nigeria to ascertain whether or not the same factors explain determinants of tax compliance level of SMEs in Nigeria and comparison among various regions of the country.
- ii. Future studies may also be considered to cover other variables that are not used to proxy the determinants of tax compliance level in this study.

5.6 Limitations to the study

The study relied on self-reported behaviour of the targeted respondents. However, scholars have pointed out that the behaviour that portray under such a method may not be a truthful representation of their actual behaviour (Van Djike & Verboon, 2010). Therefore, drawing

conclusion from this study's findings with respect to actual behaviour must be done with caution.

The second limitation is in connection with the sampling method. As with other behavioural researches, this study was carried out by sample representation but conducting a study with a sample representative of the population is problematic. In this case, generalization is an important issue. Nevertheless, this did not affect the findings of this study due to the fact that adequate empirical supportive evidence available in the study as the results is reliable, and fit for policy formulation and implementation.

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Kwara State University, Malete.

November, 2020.

Dear Sir/Ma,

LETTER OF INTRODUCTION AND QUESTIONNAIRE

I am a M.Sc. student in the Department of Accounting and Finance, School of Business and Governance, Kwara State University, Malete. I am presently carrying out a research titled: “Determinants Of Tax Compliance Behaviour Among Small And Medium Enterprises In Kwara State”. A questionnaire has been developed essentially for this research purpose. I humbly request your invaluable contribution to the success of this research work. All information provided will be treated with strict confidentiality and for academic pursuit.

Thank you in anticipation for your kind assistance and cooperation.

Yours Faithfully,

Damilola Judith Popoola

18/27/MAC0032

INSTRUCTION: Kindly fill the box by marking or ticking with the most appropriate alternative provided (√)

SECTION A: Demographic Profile of the Respondents

- 1) **Gender :** Male () Female ()
- 2) **Age :** 18-30 () 31-40 () 41-50 () 51-60 () 61 and above ()
- 3) **Educational Attainment:** First school leaving certificate () WAEC /GCE/NECO/SSCE
 () NCE/ND/A’LEVELS () HND/B.Sc. () Post Graduate ()
- 4) **Classification of Business:** Manufacture/agro-allied () Trading () Service () Others
 ()

SECTION B: Independent Variable (Tick in the appropriate space provided)

5 – Strongly Agree, 4 – Agree, 3, Undecided, 2 – Disagree, 1 – Strongly Disagree

Statements on Taxpayer’s Perceive fairness	SA	A	U	D	SD
Please indicate to what extent you agree or disagree with the following concerning Taxpayer’s Perceive fairness.					
a. All classes of taxpayers is included in the tax system					
b. There is certainty in the amount to be paid as tax by each taxpayer					
c. The amount paid as tax is equitable to the level of income of the tax payer					
d. Some group of tax payers are exempted from paying tax due to their contributions to the society					
e. There is proper communication by the government when there is amendment to tax laws					

SECTION C: Independent Variable (Tick in the appropriate space provided)

5 – Strongly Agree, 4 – Agree, 3, Undecided, 2 – Disagree, 1 – Strongly Disagree

Statements on Accounting Practice	SA	A	U	D	SD
Please indicate to what extent you agree or disagree with the following concerning Accounting Practice.					
a. Professional accounting practice has led to an increase in accurate tax computation					
b. accurate accounting record increase the availability of information for tax computation					
c. Accurate tax computation is accessible as a result of increase in good					

accounting knowledge and practice					
d. knowledge of tax principles by SMEs owner (staff) has reduce the level of tax evasion					
e, There is proper accounting system put in place by the tax payer					

SECTION D: Independent Variable (Tick in the appropriate space provided)

5 – Strongly Agree, 4 – Agree, 3, Undecided, 2 – Disagree, 1 – Strongly Disagree

Statements on Social Norms	SA	A	U	D	SD
Please indicate to what extent you agree or disagree with the following concerning Social Norms.					
a. salient rules and standard among citizens influence all classes of tax payers					
b. the influence of others determine my decision on whether or not to pay tax					
c. the decision to pay tax is always influenced by my surroundings					
d.the decision to pay tax is based on friends’ experiences or suggestions					
e. the reluctant to pay for someone else tax obligation influences my tax behaviour					

SECTION E: Independent Variable (Tick in the appropriate space provided)

5 – Strongly Agree, 4 – Agree, 3, Undecided, 2 – Disagree, 1 – Strongly Disagree

Statements on Government Fiscal Responsibility	SA	A	U	D	SD
Please indicate to what extent you agree or disagree with the following concerning Government Fiscal Responsibility.					
a. Government is transparent on the taxes collected from tax payers					
b. the level of tax collected corresponds to the level of developmental project embark upon by the government					
c. provisions of social amenities and infrastructural facilities have improved tremendously					
d. the principle of equity and fairness are applicable by government during allocation of public fund					
e. the increase in tax collected by government corroborates with the level of tightened security in the society					

f. the government is transparent in spending taxes collected from the tax payers					
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SECTION F: Dependable Variable (Tick in the appropriate space provided)

5 – Strongly Agree, 4 – Agree, 3, Undecided, 2 – Disagree, 1 – Strongly Disagree

Statements on Tax Compliance	SA	A	U	D	SD
a. Effective tax system depends on declaration of all sources of income					
b. Declaration of all sources of income is essential for a good tax system					
c. Tax payers file their returns accurately as at when due					
d. Filling correct amount of tax would lead to better provision of infrastructural facilities by the government					
e. It is fair for taxpayers not to declare all sources of income and other relevant information since the tax laws do not treat every tax payer equally					
f. Citizens willingness to pay tax voluntarily depends on government ability to cater for public goods					

Appendix I

N	n	N	n	N	n	N	n	N	n
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	100000	384

Source: Krejcie and Morgan (1970)

Where N= Population size, and n= sample size required.

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