FACTORS INFLUENCING TAX COMPLIANCE BEHAVIOR AMONG THE SELF-EMPLOYED IN NIGERIA

UMAR MOHAMMED ABDULLAHI

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UMAR MOHAMMED ABDULLAHI

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Tarikh: **19 April 2017**
(Date)

Nama Pelajar (Name of Student)	:	**Umar Mohammed Abdullahi**
Tajuk Tesis / Disertasi *(Title of the Thesis / Dissertation)*	:	**FACTORS INFLUENCING TAX COMPLIANCE BEHAVIOR AMONG THE SELF EMPLOYED IN NIGERIA**
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Nama Penyelia/Penyelia-penyelia *(Name of Supervisor/Supervisors)*	:	**Prof. Madya Dr. Chek Derashid**
		Tandatangan
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ABSTRACT

The objective of the study was to investigate factors influencing tax compliance behavior among the self-employed in Nigeria. The level of tax noncompliance in Nigeria is unusually high. Some authorities have described the level of noncompliance in the country as one of the highest in the world. This research was designed as a mixed method whereby the research questions were answered through a mixture of qualitative and quantitative methodology. The qualitative study was designed as intensive interviews with a sample of thirty-two self-employed in the study area, Abuja, Nigeria. The quantitative study was designed as a questionnaire survey of 360 self-employed taxpayers in Nigeria’s capital city of Abuja. Nine variables were investigated to determine their influence on tax compliance behavior. The variables were: perceived public governance quality, socioeconomic condition, perceived audit effectiveness, perceived social norm, perceived citizen engagement, perceived tax service quality, perceived tax system complexity, tax fairness perception and attitude towards evasion. Data from the survey was analyzed using the Partial Least Square approach and the SmartPLS software. Results from the analysis produced a significant mediation effect of socioeconomic condition on the relationship between perceived public governance quality and tax compliance behavior. Perceived citizen engagement, perceived audit effectiveness, perceived social norm and perceived tax service quality were all found to have a significant positive relationship with tax compliance behavior. The study made good contributions to existing literature by introducing the mediating role of socioeconomic condition and also the construct of perceived audit effectiveness into tax compliance research. Finally, the study highlighted the implications of the findings for policy, methodology and theory. The policy recommendation emphasized the need for the Nigerian government to adopt the carrot and stick approach in influencing tax compliance behavior.

Keywords: tax compliance behavior, self-employed, socioeconomic condition, public governance quality, audit effectiveness

ABSTRAK

Penyelidikan ini bermatlamat untuk mengkaji faktor yang mempengaruhi gelagat kepatuhan cukai dalam kalangan individu yang bekerja sendiri di Nigeria. Tahap ketakpatuhan cukai di Nigeria sangat tinggi dan ada pihak menyifatkan tahap ketakpatuhan cukai di negara ini sebagai antara yang tertinggi di dunia. Penyelidikan berbentuk kaedah campuran ini berhasrat untuk menjawab soalan kajian menerusi kedua-dua kaedah berbentuk kualitatif dan kaedah kuantitatif. Kajian berbentuk kualitatif melibatkan temu bual yang dijalankan secara intensif dengan sampel seramai 32 orang individu yang bekerja sendiri di kawasan kajian, iaitu di ibu negara Nigeria, Abuja. Kajian kuantitatif pula dikendalikan menerusi edaran sejumlah 360 borang soal selidik kepada pembayar cukai yang bekerja sendiri di Abuja. Sembilan pemboleh ubah diteliti untuk menentukan pengaruh pemboleh ubah terhadap gelagat kepatuhan cukai. Pemboleh ubah yang diteliti ialah kualiti tadbir urus awam yang ditanggap, keadaan sosioekonomi, keberkesanan audit yang ditanggap, norma sosial yang ditanggap, keterlibatan warganegara yang ditanggap, kualiti perkhidmatan cukai yang ditanggap, kesukaran sistem cukai yang ditanggap, persepsi keadilan cukai dan sikap terhadap pengelakan cukai. Data tinjauan soal selidik ini dianalisis dengan menggunakan pendekatan kuasa dua terkecil separa dan perisian *SmartPLS.* Dapatan analisis menunjukkan terdapat kesan perantaraan pemboleh ubah keadaan sosioekonomi yang signifikan terhadap hubungan antara kualiti tadbir urus awam yang ditanggap dengan gelagat kepatuhan cukai. Keterlibatan warganegara yang ditanggap, keberkesanan audit yang ditanggap, norma sosial yang ditanggap dan kualiti perkhidmatan cukai yang ditanggap didapati mempunyai hubungan positif yang signifikan dengan gelagat kepatuhan cukai. Kajian ini menyumbang kepada kosa ilmu sedia ada dengan memperkenalkan peranan perantaraan keadaan sosioekonomi dan juga konstruk keberkesanan audit yang ditanggap dalam kajian pematuhan cukai. Akhir sekali, kajian ini memperlihatkan implikasi dapatan kajian terhadap polisi, kaedah, dan teori. Polisi yang disarankan menekankan perlunya kerajaan Nigeria menerima pakai pendekatan ganjaran dan hukum untuk mempengaruhi gelagat kepatuhan cukai.

Kata kunci: gelagat kepatuhan cukai, individu yang bekerja sendiri, keadaan sosioekonomi, keterlibatan warganegara, kualiti tadbir urus awam

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TABLE OF CONTENTS

TITLE PAGE ... i
CERTIFICATION OF THESIS WORK ... ii
PERMISSION TO USE ... iv
ABSTRACT ... v
ABSTRAK ... vi
ACKNOWLEDGEMENT ... vii
TABLE OF CONTENTS ... viii
LIST OF TABLES ... xi
LIST OF FIGURES ... xii
LIST OF APPENDICES ... xiii
LIST OF ABBREVIATIONS ... xiv

CHAPTER ONE INTRODUCTION ... 1
1.1 Background of the Study ... 1
1.2 Problem Statement ... 6
1.3 Research Questions ... 10
1.4 Objectives of the Study ... 10
1.5 Significance of the Study ... 11
1.6 Scope of the Study ... 12
1.7 Organization of the Study ... 13

CHAPTER TWO THE TAX SYSTEM IN NIGERIA ... 15
2.1 Introduction ... 15
2.2 Tax Administration in Nigeria ... 16
2.2.1 Tax Administration at the Federal Level ... 16
2.2.2 Types of Taxes Collected at the Federal Level ... 17
2.2.3 Tax Administration at the State and Local Government Levels ... 19
2.3 Previous Research on Tax Compliance in Nigeria ... 20

CHAPTER THREE LITERATURE REVIEW ... 29
3.1 Introduction ... 29
3.2 Underpinning and Supporting Theories ... 29
3.2.1 Fiscal Exchange Theory (Underpinning Theory) ... 29
3.2.2 Social Exchange Theory (Supporting Theory) ... 32
3.2.3 Social Influence Theory (Supporting Theory) ... 33
3.3 An Overview of Tax Compliance and Noncompliance ... 34
3.4 Factors Influencing Tax Compliance Behavior ... 37
3.4.1 Public Governance Quality and its Relationship with Socioeconomic Condition ... 37
3.4.1.1 The Concept of Public Governance Quality ... 38
3.4.1.2 The Concept of Socioeconomic Condition ... 44
3.4.1.3 The Relationship Between Public Governance Quality and Socioeconomic Conditions ... 52
3.4.2 Socioeconomic Condition and Tax Compliance Behavior ... 60
3.4.2.1 Socioeconomic Conditions in Nigeria ... 64
3.4.3 Perceived Social Norms and Tax Compliance Behavior ... 69
3.4.3.1 The Concept of Social Norms ... 70
3.4.3.2 The Relationship Between Social Norms and Tax Compliance Behavior ... 72

3.4.4 Audit Effectiveness and Tax Compliance Behavior 78
3.4.4.1 The Concept of Audit Effectiveness 78
3.4.4.2 Audit Effectiveness and Tax Compliance Behavior 83
3.4.5 Tax Service Quality and Tax Compliance Behavior 86
3.4.5.1 The Concept of Service Quality 86
3.4.5.2 The Relationship Between Tax Service Quality and Compliance Behavior 90
3.4.6 Perceived Fairness of the Tax System and Tax Compliance Behavior 91
3.4.7 Tax System Complexity and Tax Compliance Behavior 94
3.4.8 Attitude Towards Tax Evasion and Compliance Behavior 97
3.4.9 Citizen Engagement and Tax Compliance Behavior 99
3.5 Summary of Chapter 102
CHAPTER FOUR RESEARCH METHODOLOGY 104
4.1 Introduction 104
4.2 Research Design 104
4.3 The Qualitative Study 107
4.3.1 Design of the Qualitative Study 107
4.3.2 Research Context, Population and Participants 107
4.3.3 Materials 109
4.3.4 Procedure 109
4.4 The Quantitative Study 111
4.4.1 Design of the Quantitative Study 112
4.4.2 Conceptual Framework 114
4.4.3 Justifications for the Mediating Effect of Socioeconomic Condition 119
4.4.4 Hypotheses Formulation 121
4.4.5 Operational Definition and Measurement of Variables and Constructs ..136
4.4.5.1 Tax Compliance Behavior 136
4.4.5.2 Perceived Public Governance Quality 137
4.4.5.3 Socioeconomic Condition 139
4.4.5.4 Perceived Audit Effectiveness 140
4.4.5.5 Perceived Tax Service Quality 141
4.4.5.6 Perceived Social Norms 142
4.4.5.7 Perceived Citizen Engagement 143
4.4.5.8 Perceived Tax System Complexity 144
4.4.5.9 Attitude Towards Tax Evasion 145
4.4.5.10 Tax Fairness Perceptions 146
4.4.6 Population, Sample and Sampling Technique 147
4.4.6.1 Population of the Study 147
4.4.6.1 Sample, Sampling Frame and Sampling Technique 148
4.4.7 Data Collection Procedure 151
4.4.8 Data Analysis Procedure 153
4.4.9 Mediation Testing 155
4.4.10 Reliability of Instruments 157
4.4.11 Validity of the Construct 157
4.4.12 Pre-Test 158
4.4.13 Pilot Study 158
4.5 Summary of Chapter 163
CHAPTER FIVE RESULTS AND DISCUSSION 164
5.1 Introduction 164

5.2 Results of the Qualitative Analysis 164
5.2.1 Discussion of the Qualitative Results 175
5.2.2 Summary of the Qualitative Study 179
5.3 The Quantitative Results 179
5.3.1 Response Rate 179
5.3.2 Respondents Profile 180
5.3.3 Non-Response Bias 181
5.3.4 Data Screening 184
5.3.4.1 Missing Data 184
5.3.4.2 Outliers 185
5.3.4.3 Test of Normality 185
5.3.4.4 Descriptive Analysis 186
5.4 The PLS Result 193
5.4.1 The Measurement Model (Outer Model) 193
5.4.2 The Structural Model 200
5.4.2.1 Direct Relationships and Hypotheses Testing 201
5.4.2.2 Indirect Relationships (Mediation Result) 204
5.4.2.3 Coefficient of Determination (R^2) 204
5.4.2.4 The Effect Sizes (f^2) 205
5.4.2.5 Predictive Relevance (Q^2) 206
5.5 Discussion of Findings 209
5.5.1 Perceived Public Governance Quality, Socioeconomic Condition and Tax Compliance Behavior 209
5.5.2 Social Norms and Tax Compliance 212
5.5.3 Audit Effectiveness and Tax Compliance Behavior 213
5.5.4 Tax Service Quality and Tax Compliance Behavior 216
5.5.6 Tax System Fairness 218
5.5.7 Attitude Towards Tax Evasion 219
5.5.8 Tax System Complexity 220
5.5.9 Citizen Engagement 221
5.5.10 Discussion of the Methodology 222
5.6 Limitations of the Study 223
5.7 Summary of the Chapter 225
CHAPTER SIX RECOMMENDATION AND CONCLUSION 226
6.1 Introduction 226
6.2 Recommendations 227
6.2.1 Policy Implication 228
6.2.2 Methodological Implication 233
6.2.3 Theoretical Implication 234
6.3 Conclusion 235
REFERENCES 237

LIST OF TABLES

Table 1.1 Percentage of Tax Collection in Nigeria by Categories 3
Table 1.2 Tax Revenue Target and Actual Collection...4
Table 2.1 Types of Taxes and Their Jurisdictions 20
Table 2.2 Summary of Previous Studies on Tax Compliance in Nigeria 28
Table 3.1 Worldwide Government Effectiveness Score, 2014..................................42
Table 3.2 Ibrahim Index of African Governance, 2014...42
Table 3.3 UN Recommended Social Indicators...46
Table 3.4 The World Bank, World Development Index..48
Table 3.5 OECD Indicators of Well-being 49
Table 3.6 Response to Threat versus Normative messages 74
Table 4.1 Particulars of Participants 108
Table 4.2 Measurement of Tax Compliance Behavior 137
Table 4.3 Measurement Items for Perceived Public Governance Quality................138
Table 4.4 Measurement of Socioeconomic Condition...139
Table 4.5 Measurement of Perceived Audit Effectiveness......................................140
Table 4.6 Measurement of Perceived Tax Service Quality......................................141
Table 4.7 Measurement of Perceived Social Norm 142
Table 4.8 Measurement of Perceived Citizen engagement......................................143
Table 4.9 Measurement of Perceived Tax System Complexity...............................144
Table 4.10 Measurement of Attitude Towards Evasion..145
Table 4.11 Measurement of Tax Fairness Perception...146
Table 4.12 Results of the Pilot Study...160
Table 4.13 Items Used and Dropped During Pilot and After Pilot Study.................162
Table 5.1 Questionnaire Response Rate 180
Table 5.2 Frequency Tables (N=360) 181
Table 5.3 Group Descriptive Statistics for Early and Late Responses 183
Table 5.4 Descriptive statistics of Tax Compliance Behaviour...............................187
Table 5.5 Descriptive Statistics of Public Governance Quality...............................187
Table 5.6 Descriptive Statistics for Socioeconomic Condition 188
Table 5.7 Descriptive Statistics for Social Norm...189
Table 5.8 Descriptive Statistics for Citizen Engagement...189
Table 5.9 Descriptive Statistics of Perceived Audit Effectiveness 190
Table 5.10 Descriptive Statistics for Tax Service Quality.......................................190
Table 5.11 Descriptive Statistics of Perceived Tax System Complexity..................191
Table 5.12 Descriptive Statistics for Tax Fairness Perception 192
Table 5.13 Descriptive Statistics for Attitude Towards Evasion 192
Table 5.14 Construct Reliability and Validity 195
Table 5.15 Fonnel Lacker Discriminant Validity Analysis 198
Table 5.16 Table of Crossloadings 199
Table 5.17 VIF (Collinearity Measures) 201
Table 5.18 Hypothesis Results for Direct Relationships 203
Table 5.19 Result of Mediating Hypothesis...204
Table 5.20 Result of Effect Sizes...206
Table 5.21 Results of Predictive Relevance...207
Table 5.22 Summary of Objectives, Hypotheses and Findings 208

LIST OF FIGURES

Figure 2.1 Alabede Model 25
Figure 4.1 Conceptual Framework 118
Figure 4.2 Framework for Mediation 120
Figure 4.3 Mediation model of Baron and Kenny (1986). 157
Figure 5.1 Thematic Network of Data 174

LIST OF APPENDICES

Appendix A Survey Questionnaire 266
Appendix B Letter of Introduction.....273
Appendix C Letter to FIRS 274
Appendix D Expert Review of Questionnaire 275
Appendix E Sample Size.....276
Appendix F Source of Problem Statement.....277
Appendix G Transcripts of Interviews.....278
Appendix H PLS Output 287

LIST OF ABBREVIATIONS

ATE	Attitude Towards Evasion
ATO	Australian Tax Office
CIT	Company Income Tax
CGT	Capital Gain Tax
CB-SEM	Covariance-based Structural Equation Modeling
DFID	Department for International Development
EUR	Euro
FCT	Federal Capital Territory (Nigeria)
FIRS	Federal Inland Revenue Service (Nigeria)
GDP	Gross Domestic Product
GNI	Gross National Income
HDR	Human Development Report
IIAG	Ibrahim Index of African Governance
ILO	International Labour Organization
IMRAD	Introduction, Methodology, Results and Discussion
IRB	Inland Revenue Board (Malaysia)
IRS	Inland Revenue Service (America)
MDG	Millennium Development Goals
NBS	National Bureau of Statistics (Nigeria)
OECD	Organization for Economic Cooperation and Development
PAE	Perceived Audit Effectiveness
PCE	perceived Citizen Engagement
PGQ	Public Governance Quality
PIT	Personal Income Tax
PSN	Perceived Social Norm
PTSQ	Perceived Tax Service Quality
PTSC	Perceived Tax System Complexity
PLS	Partial Least Squares
PwC	PricewaterhouseCoopers
PPT	Petroleum Profit Tax
SAS	Self-Assessment System
SERVQUAL	Service Quality
SEM	Structural Equation Modeling
SERVICOM	Service Compact With all Nigerians
SOC	Socioeconomic Condition
TCB	Tax Compliance Behavior
TFP	Tax Fairness Perceptions
TQM	Total Quality Management
VAT	Value Added Tax
WDI	World Development Indicators
WGI	World Governance Index
WHT	Withholding Tax

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Governments evolved as a result of the necessity to organize societies into administrative units where the lives and properties of citizens can be safeguarded. How government raise the money to finance its activities is where taxation comes in. The Australian Taxation Office (ATO, 2010) defines tax as monetary charge imposed by the government on persons, entities, transactions or property to yield public revenue. It is a logical sequence of the social contract theory, which underpins the existence of government that funds should be provided to finance government activities. How this is done is the subject of a vast, dynamic and expanding field of study called taxation.

According to Besley and Persson (2014), the fund government utilizes to prosecute its numerous programs are acquired through tax and non-tax revenues. While it is agreed that governments could raise finance for their activities through tax and non-tax revenues like public enterprises, foreign aids and others, taxation has been projected as the major source of revenue (Brautigham, 2002). Many countries especially advanced countries like Australia, United Kingdom etc. are able to raise adequate revenue to finance government activities but developing countries such as Nigeria find it difficult to raise adequate tax revenue (Kaldor, 1963).

Tax revenue is a key source of funding for the development of nations (Besley & Persson, 2014). It is preferred to other sources of funding like borrowing and foreign aids which bears interests and conditionalities and also subject to availability. Liman (2009) sees tax as the most significant and most reliable source of government revenue. At independence from British rule in 1960, Nigeria was earning enough revenue from taxation of trade and exports of agricultural produce (Razak, 1993). However, the country discovered oil in 1960 and oil exports became a major revenue earner thereby causing neglect of taxation (Ayuba, 2014).

There is an ongoing crisis in the international market of oil which has resulted in oil-producing countries falling back on other sources of revenue. Nigeria has depended on oil for about 80 percent of its revenue before the crash of oil price (Asimiyu and Kiziti, 2014). Currently, the Nigerian government is making efforts to generate adequate revenue from taxation. These efforts include a reform of the tax system and the revenue agency. Yet, the amount of tax revenue being generated remained very low compared to other countries with the same economic size. Nigeria is reported to have one of the lowest tax collections in the world as a percentage of GDP (Cobham, 2014). IMF (2011) stated that Nigeria's tax revenue as a percentage of GDP is only 7 percent. The figure for Malaysia was 16 percent, Kenya was 23 percent, and South Africa was 20 percent. This shows that among countries like Nigeria, the country has a low tax revenue collection.

Low tax revenue generation in Nigeria is a puzzle to both local and international researchers. For instance, the World Bank (2014) wondered why a country with one of the fastest growing economies for ten years cannot raise adequate tax revenue to provide social amenities and to tackle poverty. However, International Monetary Fund, (IMF, 2015) stated that this is due to inability of the country to raise adequate tax revenue from its economy. This inability to raise adequate tax revenue is mostly caused by failure of self-employed businesses to pay tax (Okonjo-Iweala, 2014). According to World Bank (2014), the statistics in table 1.1 shows percentage tax collection by large companies and SMEs in Nigeria between 2013 and 2014.

Table 1.1
Percentage of Tax Collection in Nigeria by Categories (% of Total)

Category	**2014 (%)**	**2015 (%)**	**2016 (%)**
Petroleum Profit Tax	73.6	72.7	73.8
Non-oil Company Income Tax	23.9	24.42	23.4
Personal Income Tax-Salary income	1.70	2.10	2.17
Self-employed Income Tax	0.80	0.78	0.63

Source: World Bank 2014

From the above table, it can be established that tax compliance among self-employed is very low in Nigeria. This is also in line with Okonjo-Iweala (2014) who is also the Nigerian Minister of Finance as at 2014. Additionally, table 1.2 also shows the target and actual collection of the different categories of taxes for two years.

Table 1.2
Tax Revenue Target and Actual Collection

Category	**2015**		**2016**	
	TARGET *(NGN Billion)*	ACTUAL *(NGN Billion)*	TARGET *(NGN Billion)*	ACTUAL *(NGN Billion)*
PPT	305.000	310.000	315.000	312.000
CIT	120.000	105.000	130.000	118.000
PIT	7.000	6.500	7.000	6.800
SIT	5.000	0.8000	5.000	0.758

Source: FIRS Planning and Statistics Department (2017).
NGN=Nigerian Naira (I USD=365 Nigerian Naira, According to Central Bank of Nigeria (CBN), August, 2017), PPT=Petroleum Profit Tax, CIT= Company Income Tax, PIT= Personal Income Tax, SIT=Self-employed Income Tax

As shown in table 1.2, the self-employed category also has low collection and could not achieve the target set by the government. The self-employed group as shown in table 1.2 has the lowest collection among the different categories. The amount collected from the self-employed is very low considering their large population of 34 million according to the Nigerian Bureau of Statistics (NBS, 2012).

The definition of self-employed varies widely in the literature and has attracted academic interest as far back as 1946 (Buehler, 1946). There has not been any standard definition of a self-employed. OECD (2004) refers to the self-employed as a sole proprietor, partnership and corporate organizations whose assets do not exceed a given threshold and even individuals. The European Union (2003) defined Self-employed as enterprises employing fewer than 200 persons and having annual turnover not exceeding EUR 43 million mostly managed by owners. However, this study avoids ambiguity by defining a self-employed as a small or medium business entity whose managerial decisions are influenced by a single dominant owner or owner/manager. The dominance of decision making by an individual is a common trait of most SMEs and this distinguishes them from large corporations (European Union, 2003).

Nigeria is currently facing a serious economic crisis. Workers are owed many months' salary arrears and government is finding it difficult to fulfill its capital and recurrent obligations (Asimiyu & Kiziti, 2014). The motivation behind this study is to contribute to reducing this crisis by investigating factors responsible for the very low tax revenue generation facing the country. However, it is not feasible for a research of this nature to investigate all aspects of tax revenue. Hence this study investigated tax compliance among the self-employed in Nigeria. The country is reported to have a large population of self-employed businesses. Nigerian Bureau of Statistics (NBS 2012b) puts the figure at over thirty million. However, these businesses are not generating tax revenue for the government. Over 70 percent of the self-employed businesses fail to register for tax purposes and even among the few that registered, 65 percent have refused to comply with tax provisions as at 2014 (Okonjo-Iweala, 2014). This level of noncompliance among the self-employed group is too high and there is need to investigate the compliance behavior of this group.

Moreover, Nigeria's tax compliance researchers have blamed bad governance for the noncompliance of self-employed with tax provisions in Nigeria (Modugu & Omoye, 2014; Akinyomi & Okpala, 2013). They further emphasized the critical socioeconomic situation in Nigeria as a key reason for noncompliance. This could provide a clue as to why the self-employed people are not willing to pay tax to the government. This study investigated the socioeconomic condition of taxpayers, among other factors, in order to determine its influence on their tax compliance behavior.

1.2 Problem Statement

The problem this study intends to investigate can be viewed from different perspectives. As noted by leading authorities in research methodology (Creswell, 2009; Sekaran & Bougie, 2013), research problems highlight gaps between desired positions and existing situations. From the preceding section, the problem of tax compliance among the self-employed in Nigeria was brought to the fore. However, the problems are stated more specifically and in different perspectives as follows.

Firstly, Nigeria has been unable to attain 15 percent minimum tax to GDP ratio set by the IMF and the 20 percent set by the United Nations (Okonjo-Iweala, 2014). Nigeria's immediate past Minister of Finance, Ngozi Okonjo-Iweala, puts current Nigeria's figure at 7 percent (Okonjo-Iweala, 2014). Cobham (2014) stated that Nigeria's tax to GDP ratio, which is 7 percent, is one of the lowest in the world. Secondly, Nigeria's immediate past Minister of Finance also stated that about 65 percent of registered firms in Nigeria have not been paying income tax while about 75 per cent refused to register and she blamed the self-employed people as those largely responsible for this problem (Okonjo-Iweala, 2014).

Thirdly, the position of the Minister that self-employed business owners are the most noncompliant is in line with international scholars (Kirchler, 2007). Moreover, many tax research findings from Nigeria support the position that the self-employed are the most noncompliant group in Nigeria (Emenike, 2014; Angahar & Alfred, 2012; Ibadin & Ofiayor, 2013; Uremadu & Ndulue, 2011; Adebisi & Gbegi, 2013; Okoye & Avwokeni, 2014). The consequence of tax noncompliance by the self-employed is bad for the Nigerian economy (Okonjo-Iweala, 2014). The government has complained repeatedly of inadequate revenue for economic development (Okonjo-Iweala, 2014).

Current literature has dealt with many variables responsible for tax noncompliance in various countries. In Nigeria, the Alabede, Zaimah and Kamil (2011) model, an extension of Fischer model, 1992, has incorporated a wide range of variables responsible for tax compliance behavior in Nigeria. A gap still exists in the area of understanding the effect of the socioeconomic condition of living of the taxpayers. Some studies have suggested that taxpayers in some countries are happy to pay their tax but in some other countries may not be happy to pay tax due to extreme living circumstances (OECD, 2013). The condition of living in Nigeria, which is defined as socioeconomic condition in this study, is known to be very bad (Emenike, 2014; Angahar & Alfred, 2011; Ibadin & Ofiayoh, 2013; Uremadu & Ndulue, 2011; Adebisi & Gbegi, 2013; Okoye & Avwokeni, 2014) hence the need to research the effect of this condition on tax compliance behavior among the self-employed taxpayers.

This study also contributed to the literature on tax compliance in Nigeria. One of the current research models for studying tax compliance behavior in Nigeria was introduced by Alabede et al. (2011). The Alabede model states that perceived public governance quality influence tax compliance behavior. This study modified the Alabede model by introducing socioeconomic condition as a mediating variable between public governance quality and tax compliance. The socioeconomic condition in Nigeria is a very bad one and has been reported as one of the worst in the world (OECD, 2014; Adeniran, 2013). Previous studies ignored this important variable and its likely effect on tax compliance behavior. Nigeria is considered as one of the countries with the most deficient infrastructures worldwide (Adeniran, 2013). To support this statement of Adeniran (2013), NBS (2012) gave some statistics of deficiency of infrastructure as follows: Less than 10 percent of Nigerian citizens have access to treated water. Only about 4 percent have access to waste disposal services and access to electricity is only 47 percent. For education, OECD (2014) stated that about 10 million children of school age are out of school due to shortage of facilities.

Furthermore, this study contributed to the body of tax compliance literature in Nigeria by investigating the effect of perceived citizen engagement on tax compliance behavior. This has not been investigated before now. Engaging citizens in the process of governance is gaining popularity among political scientists and it is found to engender support for government policies and programs. Aiko and Logan (2014) in their Afrobarometer research have discovered a huge gap in citizen involvement in government fiscal policies.

Another variable that has not been investigated in relation to tax compliance in Nigeria is social norm. This study also contributed to Nigerian tax compliance literature by plugging in this important variable. Alm, Jackson and McKee (1992) stated that this is an important variable that is capable of driving tax compliance to zero level. Based on the statement of Bird (2013), countries need to develop their country-specific solutions to their fiscal problems. As noted earlier, Alabede et al. (2011) have so far made effort in Nigeria. Alabede (2012) has investigated public governance quality in Nigeria. The most vilified cause of noncompliance in Nigeria is the government which is always blamed for dereliction of its responsibility to the citizenry (Umokoro, 2014). However, studies have not determined how exactly public governance quality interacts within the system to influence the compliance behavior.

This study explains how public governance quality interacts with socioeconomic condition and other variables. In other words, instead of the direct relationship between public governance quality and tax compliance as investigated by Alabede (2012), this study investigated the mediating role of socioeconomic condition between public governance quality and tax compliance behavior. The study thus enriched the existing literature on tax compliance by filling the gap in literature on tax compliance in Nigeria in terms of the mechanism through which public governance quality influence tax compliance behavior. While the initial scope of this study is Nigeria, the framework of the study could be applied beyond Nigeria to countries sharing similar socioeconomic and political characteristics. Another important contribution of the study is the fact that it employed mixed method in answering the research questions. This method is becoming increasingly popular in research (Tashakkori & Teddlie, 2010) but mixed method studies in tax compliance are not common in Nigeria.

1.3 Research Questions

The qualitative research question of the study is: What are the factors that influence tax compliance behavior in Nigeria? This question was answered using the qualitative study. Secondly, answers to the following questions were sought through the quantitative study:

1) Does the socioeconomic condition of taxpayers mediate the relationship between perceived public governance quality and their tax compliance behavior?

2) Does perceived social norms, perceived audit effectiveness, fairness perceptions, perceived tax system complexity, attitude towards evasion, perceived tax service quality and perceived citizen engagement influence tax compliance behavior among taxpayers?

1.4 Objectives of the Study

Firstly, the qualitative objective of the study is to gain more understanding of the factors that influence tax compliance behavior among Nigeria's self-employed taxpayers in Nigeria. This objective will enable the researcher to gain in-depth understanding of the problem of tax noncompliance from the perspectives of the taxpayers.

Secondly, the quantitative objectives are as follows:

1) To determine whether taxpayers' socioeconomic conditions mediate the relationship between perceived public governance quality and their tax compliance behavior.

2) To determine the influence of perceived social norm, audit effectiveness, fairness perceptions, perceived tax system complexity, attitude towards tax evasion, perceived tax service quality and perceived citizen engagement on tax compliance behavior.

1.5 Significance of the Study

The study derives its practical significance from the fact that it contributed to the quest for narrowing the tax revenue gap which is currently a source of concern to the government of Nigeria. The Nigerian government has repeatedly complained at the highest level about the problem of tax evasion by the self-employed group so any study that will contribute to the resolution of this issue is necessary. The latest official statement from government (Okonjo-Iweala, 2014), shows that about 65 percent of registered self-employed people do not pay tax and this caused a lot of revenue shortage to the government. A lot more than this figure are not even registered in the tax system (Okonjo-Iweala, 2014).

The study also has theoretical significance. Tax compliance is an important area of research in Nigeria as the government is trying to increase tax revenues due to the continued fall in oil prices. Many researchers are engaged in investigations on tax compliance behavior. Since the self-employed taxpayers are the most noncompliant worldwide (Kirchler, 2007), this study makes a good contribution by investigating the behavior of this group within the Nigerian jurisdiction. As stated in the problem statement, the immediate past Nigerian Minister of Finance (Okonjo-Iweala, 2014) stated that the self-employed are the biggest problem in terms of tax compliance in Nigeria. Additionally, this study introduced concepts like audit effectiveness and the mediating role of socioeconomic condition into the literature of tax compliance in Nigeria. These variables are likely to contribute significantly to research on tax compliance in Nigeria and other countries.

1.6 Scope of the Study

The category of taxpayers investigated in this study is the self-employed. Kirchler (2007) stated that these groups of taxpayers are the most difficult in terms of compliance because they have the most opportunity to evade. The self-employed was also targeted due to their large number in the Nigerian economy. NBS (2012b) stated that 77% of urban households in Nigeria are associated with a form of income yielding enterprise. The NBS statistics estimates the population of non-agricultural household enterprises (self-employed) in Nigeria at 34 million. This is an indication that the self-employed group dominates the Nigerian economy. However, the population of the study only consists of self-employed individuals that are registered with the Federal Inland Revenue Service of Nigeria, Abuja (FIRS).

Furthermore, the study used the Federal Capital Territory of Nigeria (FCT), Abuja, as the study area. The reason for limiting this study to the FCT is to pick an area that is home to all Nigerians irrespective of ethnicity or religion and since it is impossible for a research of this nature to cover the entire country. According to Ikoku (2004), Abuja is ethnically neutral, which means it belongs to all Nigerians. It is also a centrally located part of Nigeria easily accessible to all part of Nigeria (Ikoku, 2004). If any other part of Nigeria is chosen, it could lead to bias because Northern Nigeria is made up of Muslims and Southern Nigeria is mostly Christians (Alabede, 2012). However, Abuja is central and contains a mix of all tribes and religions in Nigeria. For this reason, Alabede (2012) also chose Abuja for the study of tax compliance behavior in Nigeria. This research work will also be limited to self-employed income earners registered with the FIRS. It is easier to track registered income earners through the FIRS. This study will exclude salary earners in paid employment since their salaries are taxed at source and remitted to the FIRS thereby limiting their choice for noncompliance. Thus, this research work is limited to self-employed taxpayers registered with the FIRS in Abuja, FCT Nigeria.

1.7 Organization of the Study

The study is organized in five chapters following the standard introduction, methodology, result and discussion (IMRAD) structure of research presentation. Chapter one introduces the research generally with sections giving the background of the study, the research problem, objectives of the study, significance of the study, scope and organization of the study. Chapter two describes the tax system in Nigeria and reviewed some research work on tax compliance in Nigeria. Chapter three reviewed existing literature on tax compliance behavior. The review is organized around the variables that were investigated in the study. At the end of the literature review, current state of knowledge on the subject and the gaps this study seeks to fill were pointed out.

Furthermore, chapter four discussed the research methodology and methods employed in the study. This chapter explained the research design and the justifications for the design. Detailed data collection methods and analyses were also presented in the chapter. Chapter five presents the results of data analyses and also discussed the findings in the context of findings from previous studies. Chapter six concludes the study by presenting a summary in the first section, making recommendations in the second section and making concluding statements in the final section.

CHAPTER TWO

THE TAX SYSTEM IN NIGERIA

2.1 Introduction

This chapter explains the tax system in Nigeria in terms of the various types of taxes, how these taxes are collected, the tax authorities involved and the general administration of the tax. Nigeria is a country with a federal system of government consisting of 36 federating states. The country came into existence in 1914 following the amalgamation of the disparate kingdoms in the northern and southern parts of the country. These kingdoms had practiced various forms of taxation prior to surrendering their sovereignty to the colonial administration under the British (Razak, 1993).

At independence from British rule in 1960, Nigeria had thrived on a buoyant trade and export of agricultural produce: groundnut, hides, skin and cotton in the north, cocoa in the south and palm produce in the south east (Razak, 1993). Government revenue was derived from taxing these activities and the country had a solid economic base envied by its peers then. However, after independence in 1960, the country started exporting crude oil and taxation on economic activities appeared to have suffered neglect since then (Ayuba, 2014).

2.2 Tax Administration in Nigeria

In Nigeria, tax administration is performed at three levels: The federal, state and local government levels (Alabede et al. 2012). These three levels of tax administrations are empowered by the constitution to collect different types of taxes with the limits of their authorities well-defined.

2.2.1 Tax Administration at the Federal Level (Federal Inland Revenue Service)

The types of taxes collected at the federal level are different from those collected at the state and local government levels. According to Akenbor and Arugu (2014), the following are the types of taxes collected at the federal level:

- Company income tax
- Petroleum profit tax
- Capital gain tax of companies
- Value added tax
- Stamp duties

Akenbor and Arugu (2014) further explained that the Federal Inland Revenue Service is the authority charged with the responsibility of collecting all taxes for the federal government. The FIRS, which was formerly Federal Board of Internal Revenue (FBIR), was established under section five of the Federal Inland Revenue Service establishment act number 13, 2007. FIRS is headed by the executive chairman who is directly appointed by the president of the Federal Republic of Nigeria subject to confirmation of the National Assembly (Senate). The FIRS executive chairman is the head of an eight-man board that is also appointed by the president.

2.2.2 Types of Taxes Collected at the Federal Level

The following is a list of the different types and the different areas of jurisdictions of taxes collected in Nigeria and a brief explanation.

Company Income Tax (CIT)

The Federal Ministry of Finance (FMF, 2012) stated that all companies conducting business in any part of the federal republic of Nigeria are required by law to pay CIT. The current rate of CIT in Nigeria is 30 percent of total profit. Total profit is calculated after deduction of capital allowances and losses carried forward from previous years. Companies residing in Nigeria (having their headquarters in Nigeria) pay CIT from their worldwide earnings. However, companies that do not have their head office in Nigeria but earn income through branch activities in Nigeria are required to pay CIT from the amount they earn in Nigeria. Companies are considered resident if they are incorporated or registered in Nigeria. The fiscal year which is the basis period for tax assessment starts from 1st January to 31st December every year. Companies are required to file their tax returns not later than six months after the fiscal year end. However, companies are allowed to choose their own accounting period but they must file returns not later than six months after their accounting year end. Taxes can be paid on installment basis and a maximum of six installments are allowed.

Petroleum Profit Tax

Nigeria is an oil producing nation hence the FIRS establishment act have provision for the Petroleum Profit Tax (PPT). Companies conducting their operations in the oil and gas industry, construction and consulting firms providing services to the oil companies are subjected to separate tax provisions. Companies operating in the upstream sector (oil exploration) are subject to different tax rates between 50 to 66.75 percent for the initial five years. According to Akenbor and Arugu (2014), it is expected that they will recover their preliminary expenses within these five years. Thereafter, the tax rate is increased to 85 percent of assessable profit. The tax rate for the downstream sector (companies refining and marketing petroleum products) is 30 percent. Petroleum firms are expected to file their tax returns within two months after their accounting year end and could pay their taxes in 12 installments.

Capital Gain Tax (CGT)

CGT is charged on the disposal of assets by companies in Nigeria. Such assets include land, building, plants and machinery (FMF, 2012). The rate of CGT is 10 percent. Company shares and securities are exempted from CGT. Inflation is not considered in the calculation of CGT. If the proceeds from the disposal of Assets are reinvested in acquiring other similar assets, CGT may not immediately apply. Additionally, capital loss is not chargeable normal trading income for determining profit and loss. Rather, a capital loss may be carried forward and charged in subsequent capital gains when assets are disposed.

Value Added Tax (VAT).

According to Akenbor and Arugu (2014), Value added tax is a tax imposed on goods and services traded within Nigeria including imported goods. Goods meant for export are exempted from VAT. A standard flat rate of 5 percent is charged as VAT in Nigeria. VAT is assessed by businesses that supplies taxable goods and services who then file monthly returns to the tax authorities. Items exempted from VAT include basic food items manufactured in the country, books and other educational items, plants and machinery for export free zones, equipment for agricultural production, medical and pharmaceutical items and services.

Stamp Duties

Transactions that attract stamp duties include incorporation of companies, increasing authorized share capital of companies, mortgage bonds, debentures and securities, settlement of estates and conveyance of properties.

2.2.3 Tax Administration at the State and Local Government Levels

According to Akenbor and Arugu (2014), each of the 36 states in Nigeria has its own tax administration agencies similar to the FIRS at the federal level. The state tax administration agencies are known as the States Board of Internal Revenue (SBIR). The governing boards of SBIRs consist of six members also appointed by the governors to represent various interest groups. The responsibilities of the SBIR includes maximizing tax revenue generation through appropriate assessment and collection of taxes and accounting for all taxes collected according to the directives of the states' commissioners of finance.

The taxes collected at the state level are mostly taxes that concerns individual employment and business incomes. The difference with those at the federal level is that the federal collects taxes from limited liability companies. Local government taxes are mostly charges, levies and business permits and property taxes which is a developing area. Table 2.1 below shows the types of taxes collected by various tax jurisdictions in Nigeria.

Table 2.1
Types of Taxes and Their Jurisdictions

No	Types of tax	Jurisdiction
1.	Import duties	Federal
2.	Excise duties	Federal
3.	Export duties	Federal
4.	Mining rents and royalties	Federal
5.	Petroleum profit tax	Federal
6.	Companies income tax	Federal
7.	Personal income tax (Armed forces, external affairs officers and federal staff	Federal
8.	Capital gains tax	Federal
9.	Personal income tax (Self-employed and state workers)	States
10.	License fees on television and wireless	States
11.	Stamp duties	States
12.	Estate duties	States
13.	Sales or purchases tax	States
14.	Football tools and other betting taxes	States
15.	Motor vehicle tax and drivers' license fees	States
16.	Entertainment tax	States
No	Types of tax	Administration
17.	Land registration and survey fees	States
18.	Property tax	Local
29.	Market and trading license and fees	Local

Source: Akenbor and Arugu (2014)

2.3 Previous Research on Tax Compliance in Nigeria

Due to the importance of taxation for national development, a lot of research work has been carried out on this subject by Scholars in Nigeria. Muhrtala and Ogundeji (2013) studied tax evasion in Nigeria and noted that evasion in the country is mostly influenced by complexity in the tax structure, perceived financial and economic benefit associated with tax evasion and lack of trust in governance. The authors asserted that the prevalent argument in Nigerian tax compliance literature is that government do not utilize tax proceeds to provide social amenities for the citizens hence they do not comply. In as much as the factors found to influence tax compliance in Nigeria by the authors are corroborated by similar studies in Nigeria and elsewhere, Muhrtala and Ogundeji's (2013) population, which consists of tax advisors, registered tax accountants and tax lawyers, left out taxpayers themselves. Secondly, the operationalization of the variables of the study was not explicit hence the findings which mentioned terms like complexity of the tax structure, perceived financial and economic benefits associated with tax evasion are at most, very blurred. At the end of the study, no clear model was developed to guide policy makers and future researchers in Nigeria.

In a similar study which investigated tax compliance among small and medium enterprises in south eastern Nigeria, Awa and Ikpor (2015) found high tax rates and complex filling procedure to be the most critical factors influencing noncompliance while they mentioned other factors such as: multiple taxation and lack of proper enlightenment campaign. They stated that the last two factors affect compliance to a lesser extent. Contrary to the earlier study of Muhrtala and Ogundeji (2013), Awa and Ikpor (2015) surveyed actual taxpayers, which is a major strength of their work. But similar to Muhrtala and Ogundeji (2013), the study lacks operational coherence. For instance, what the authors meant by multiple taxation and how it affects compliance behavior was not explained. Gurama & Mansor (2015) made similar findings as Awa and Ikpo (2015) but has similar weaknesses.

Ebimobowei and Peter (2013) examined the impact of audit on tax compliance in Nigeria and found a positive relationship. Contrary to this position, Anyaduba, Eragbhe and Modugu (2012) asserted that the deterrence measures in Nigeria are inadequate to influence tax compliance. However, Anyaduba et al. (2012) utilized employees of private and public sector organizations as their population and sample. These employees do not have much influence over their tax payments as it is deducted at source. The population of the study and by extension, the methodology, appears inadequate to investigate deterrence.

In another study, Modugu and Omoye (2014) investigated factors responsible for tax evasion in Nigeria and found taxpayers-authorities' relationship, weak penalties and tax rates as factors responsible for tax evasion. Similar to earlier studies (Muhrtala & Ogundeji, 2013; Awa & Ikpor, 2015), Modugu and Omoye (2014) were not forthcoming on the conceptualization of taxpayers-tax authorities' relationship. Even though other Nigerian tax compliance researchers found similar results as Modugu and Omoye (2014) on tax rates, it is quite difficult trying to compare or contrast these studies given the incoherent and non-standardized constructs that pervades them.

Bodea and Lebas (2014) studied attitudes towards tax evasion in urban Nigeria. Their investigations revealed interesting scenarios. Communities that engage in self-help, that is, provide essential services to the community through communal efforts, are less likely to adopt the social norm of tax compliance while communities that have no organized community projects are more favorably disposed to tax. This finding corroborates the prevailing opinion among Nigerian tax compliance researchers who link tax evasion to the nonprovision of public goods.

Akinyomi and Okpala (2013) posited that tax evasion and avoidance constitute the biggest danger to the Nigerian economy. In their study, they found corruption, perceived unfairness of the tax system and quality of service to be responsible for the endemic tax evasion in Nigeria. Okoye, Akenbor and Obara (2012) investigated the causes of tax evasion among the informal sector in Nigeria. They found high tax rate, inadequate provision of public goods, poor funding of revenue agencies, opaque administration of public funds, dysfunctional audit system, lack of trust and other factors responsible for noncompliance.

Adebisi and Gbegi (2013) investigated tax avoidance and evasion in Nigeria. Similar to Okoye et al. (2012), public goods provision was found to be the major factor responsible for noncompliance. In addition, they also found high tax rate to be one of the factors responsible for tax evasion in Nigeria. Similar to the view of Akinyomi and Okpala (2013), Adebisi and Gbegi also viewed tax evasion and avoidance as the biggest obstacles facing the Nigerian tax system.

Leyira, Chukwuma and Umobong (2012) discussed the challenges of Nigeria's tax system. Their findings were somewhat different from other researchers. They stated that poor database, inefficient tax administration, non-prioritization of tax and prevalence of the shadow economy are factors responsible for poor tax performance in Nigeria. While the study added poor database and prevalence of the shadow economy which was not mentioned by other researchers, the conclusion of the study was not reached through empirical analysis. Fagbemi, Uadiale and Noah (2010) also investigated the cause of tax evasion in Nigeria and reached similar conclusion as Leyira et al. (2012). They blamed government's unresponsiveness to the demands of taxpayers as a major factor responsible for noncompliance.

These studies in most cases lack conceptual clarity such that it is difficult to compare factors responsible for noncompliance in Nigeria to those that are recognized internationally. Worse still, the studies are mostly lacking in details and have failed to provide a comprehensive framework for underpinning tax compliance research in Nigeria.

However, Alabede et al. (2011) appears to be one of the few studies that have proposed a comprehensive model for studying tax compliance in Nigeria and also provided clear-cut constructs comparable to what is obtainable among international researchers. To tackle this problem, Alabede et al. (2011) proposed a model that combines psychological, economic, social and cultural factors to form what they called a comprehensive model for understanding tax compliance behavior in Nigeria. Perceived tax service quality, public governance quality, ethnic diversity, tax system structure, tax knowledge, moral reasoning, noncompliance opportunity and attitude towards tax evasion were proposed by Alabede et al. (2011). However, the authors suggested that these variables are moderated by risk preference and personal financial condition.

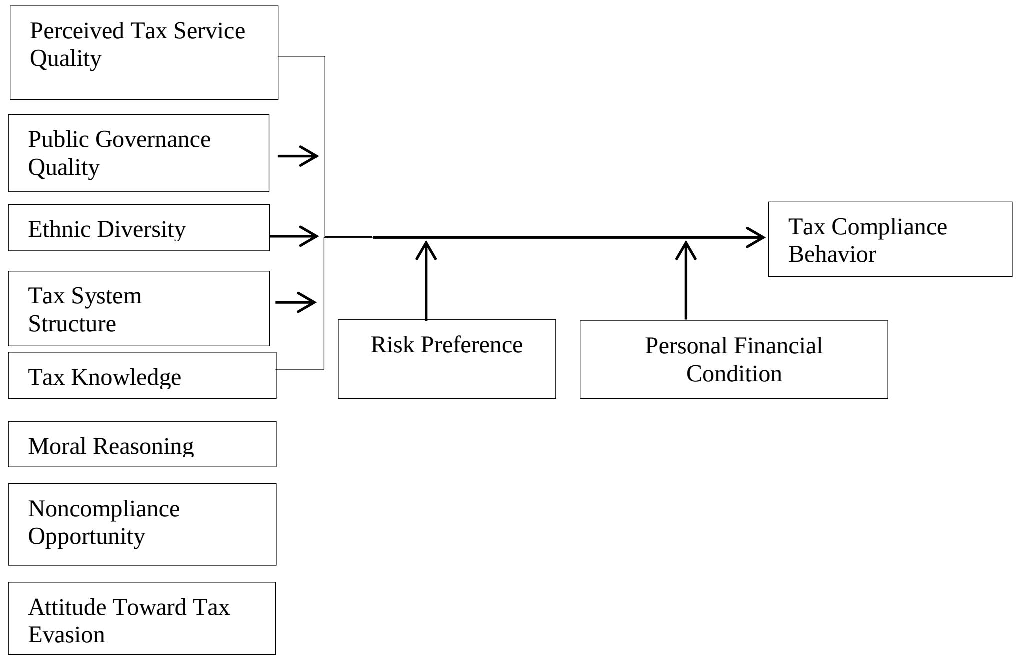

Figure2.1
Alabede Model, Source: Alabede (2012)

Beyond proposing the model, Alabede et al. (2011) went ahead to conduct empirical survey of taxpayers in Nigeria to determine the applicability of the proposed model and found positive relationship between the proposed variables and tax compliance under the moderating influence of taxpayers' financial condition. Alabede et al. (2011) appears to be a turning point in tax compliance research in Nigeria having proposed and tested a wider range of variables combining economic, social, psychological and cultural variables. Bird (2013) called for the research of country-specific models to solve tax compliance problems in different countries as a single universal model does not exist that can solve all the problems in all countries. Alabede et al. (2011) seems to have, in line with Bird (2013), created Nigeria's model for understanding tax compliance. It should be noted that unlike other Nigerian tax compliance researchers whose work suffers from inadequate conceptual clarity in their variables, Alabede et al. (2011) used well researched variables in line with international experts on tax compliance.

Furthermore, while other Nigerian tax compliance researchers all criticized government for not supplying adequate public goods to the citizens thereby engendering noncompliance, Alabede et al. (2011) conceptualized this governance issue as public governance quality. This is in line with the World Governance Index institutionalized by the World Bank. This is a crucial variable that makes Alabede et al. (2011) an outstanding contribution to tax compliance research in Nigeria. More so, Nigeria has consistently been rated low by almost all the international organizations that conduct governance assessment (see the section on public governance quality). The persistent low rating of Nigeria by these bodies is justified when articles by Nigerian scholars pointing out the abysmal condition of citizens due to poor governance are considered.

Moreover, other international tax compliance researchers have posited that governance and supply of public goods matter in eliciting tax compliance. However, the path between public governance quality and tax compliance behavior as depicted in the Alabede model remained blurred. The model is not explicit on the specific measures of governance that gets transmitted to taxpayers. This deficit also applies to previous tax compliance research that found a positive relationship between the supply of public goods and tax compliance behavior. These studies did not specify in concrete terms which public goods gets to people and how. This study argues that public goods is a general term for a whole complex set of government activities and investigating it as a unit against tax compliance appears to leave a crucial gap. Alabede model also did not investigate the social norm of tax compliance in Nigeria and this variable is considered very important (Kirchler, 2007). Alabede model investigated tax knowledge but ignored tax awareness and citizen engagement.

Generally, the extant literature on tax compliance in Nigeria has not fully addressed the factors influencing tax compliance in Nigeria. Most of them asserted that governance deficit is responsible for noncompliance and Alabede et al. (2011) took this argument further by investigating public governance quality. These studies did not investigate taxpayers' specific socioeconomic condition and its possible association with their tax compliance behavior. Previous Nigerian studies also did not investigate social norm which has been found to be an important determinant of tax compliance internationally. This is a huge gap left by previous Nigerian literature because Kirchler (2007) stated that a strong norm of noncompliance can lead to almost zero compliance. The Nigerian situation appears to be approaching such a critical level (Okonjo-Iweala, 2014).

This study is different from previous study in Nigeria for many reasons. Firstly, this study investigates the relationship between perceived public governance quality and tax compliance behavior with socioeconomic condition as mediator. Previous studies (Alabede et al., 2012) investigated this relationship directly. Socioeconomic condition as a mediator introduced in this study offers more explanation on the relationship. This study is also different from previous studies in Nigeria by investigating social norm. Previous studies in Nigeria did not investigate social norm (refer to table 2.2). This study investigates audit effectiveness in Nigeria which previous studies also did not investigate. Hence this study is different from previous studies.

Table 2.2

Summary of Previous Studies on Tax Compliance in Nigeria

S/N	Author(s)	Scope	Methodology	Findings
1	Muhrtala and Ogundeji (2013)	PIT	Questionnaire Survey	Public goods provision and self-help projects influence tax compliance
2	Awa and Ikpor (2015)	Self-employed	Questionnaire Survey	Tax rate, tax complexity
3	Gurama & Muzainah (2015)	PIT	Questionnaire Survey	Tax rate, tax complexity,
4	Ebimobowei and Peter (2013)	PIT	Questionnaire Survey	Audit influence tax compliance
5	Anyaduba, Eragbhe and Modugu (2012)	PIT	Questionnaire Survey	Inadequate audit
6	Modugu and Omoye (2014)	SME	Questionnaire Survey	Weak penalties, taxpayer-tax authority relationship
7	Bodea and Lebas (2013)	SME	Questionnaire Survey	Public goods
8	Akinyomi and okpala (2013)	PIT	Questionnaire Survey	Corruption, perceived fairness, tax service quality influence tax compliance
9	Okoye, Akenbor and Obara (2012)	SME	Questionnaire Survey	Tax rate, public goods, poor funding of revenue agency, tax administration problem influence tax compliance
10	Adebisi and Gbegi (2013)	PIT	Questionnaire Survey	Public goods provision, tax rate, influence tax compliance
11	Leyira, Chukwuma and Umobong (2012)	PIT	Questionnaire Survey	Poor taxpayer database, inefficient tax administration, shadow economy influence tax compliance
12	Fagbemi, Uadiale and Noah (2010)	Corporations	Questionnaire Survey	Poor taxpayer database, inefficient tax administration, shadow economy influence tax compliance
13	Alabede et al. (2011)	PIT/ Self-employed	Questionnaire Survey	Public governance quality, Financial condition, tax system structure, tax knowledge influence tax compliance

Note: PIT=Personal Income Tax, SME=Small and Medium Scale Enterprises

CHAPTER THREE

LITERATURE REVIEW

3.1 Introduction

This chapter reviewed literature on tax compliance behavior and the factors that influence it. It began with an overview of tax compliance and noncompliance. The meaning of these concepts is important in this study since the dependent variable investigated is tax compliance behavior. The review of literature proceeded by examining factors influencing tax compliance behavior investigated in this study (perceived public governance quality, socioeconomic condition, perceived audit effectiveness, perceived social norms, perceived citizen engagement, tax fairness perception, perceived tax system complexity, perceived tax service quality and attitude towards evasion). At the end of each section gaps in existing literature that necessitated the inclusion in this study were highlighted.

3.2 Underpinning and Supporting Theories

There are three theories used for this study. Fiscal exchange theory is the underpinning theory while social exchange and social influence theories are supporting theories. They are explained below.

3.2.1 Fiscal Exchange Theory (Underpinning Theory)

The problem of tax compliance in Nigeria is a serious one and attempts to investigate the problem should leverage it on a theory that could produce a good explanation. The choice of the underpinning theory for this study is informed by the need to test a theory that could explain the unusual situation is Nigeria. According to Creswell (2009, p.51), a theory is an "interrelated set of constructs (or variables) formed into proposition or hypotheses that specify the relationship among variables (typically in terms of magnitude and direction." Creswell (2009) further stated that the theory helps to explain relationships in research models and hypotheses.

In trying to explain the tax compliance behavior among the self-employed in Nigeria, this study utilized the fiscal exchange theory as the underpinning theory. The fiscal exchange theory, according to Ali, Fjeldstad and Sjursen (2014), implies that tax compliance increases when self-employed taxpayers perceive benefits from government to be adequate and also decreases when taxpayers perceive otherwise. Hence the mediating effect of socioeconomic condition can be depicted using the fiscal exchange theory. It means when government improve socioeconomic condition, tax compliance among the self-employed will also improve. Socioeconomic condition plays a middle role between government and taxpayers.

Ali et al. (2014) stated that this has been the position of previous studies have also used the theory. The fiscal exchange theory of taxation appears to have originated from the social contract theory of government (Locke, 1689). This theory states that government is borne out of a desire by people to be protected and to live under an organized state sharing communal goods and services. According to DFID (2009), there is an implied "fiscal social contract" where the citizens would have to pay for state services in the form of taxation.

People behave in a reciprocal manner where they are most likely to give where they are receiving and also likely to withhold when they do not receive anything in exchange. The application of the fiscal exchange theory to tax compliance appears to be very glaring and numerous studies have directly or indirectly applied the theory. Studies on the influence of public goods on tax compliance such as that of Alm et al. (1992) have provided support for the fiscal exchange theory.

The social contract principle and its attendant fiscal exchange suggests that the basic theory that explains taxation is what people get as benefit. An overwhelming majority of tax compliance studies have affirmed this relationship (Alm et al., 1992; Doerrenberg, 2015; Kirchler, 2007; Bodea & Lebas, 2014). The choice of this theory to underpin this study is justified from this perspective.

Another reason for choosing the fiscal exchange theory is the overwhelming evidence in support of the theory as earlier mentioned in this section. Moreover, Bodea and Lebas (2014) had earlier investigated the theory in Nigeria and they suggested that Nigeria is one of the countries where the fiscal exchange theory of taxation needs to be tested. Their suggestion was informed by bad governance and corruption for which the country is known worldwide. The behavior of the self-employed in Nigeria could be explained by this theory in the sense that they will comply more if government makes their condition of living better (socioeconomic condition) and they would comply less if their condition of living is not good enough.

3.2.2 Social Exchange Theory (Supporting Theory)

Social exchange theory is linked to Homans (1958). The theory is premised on the simple notion that human behavior is contingent on reciprocity. In other words, they act based on what they get from their actions. Homans (1958) contended that human behavior revolves around exchange. While all actions may not be in exchange for material items, he explained that nonmaterial things such as symbol of approval or prestige or prestige constitute elements of social exchange. Homan's (1958) position is that those who give much to others also try to get as much from them and those that get much are also under pressure to give much. He stated that what people give in the process of interactions with others constitute their own cost element while what they get constitute their rewards. Like the rational beings they are, people continuously seek to maximize the reward while also minimizing the cost.

Cropanzano and Mitchell (2005) described the social exchange theory as one of the most influential conceptual paradigms in organizational behavior. They stated that differences in opinion exist among scholars on the concept of social exchange but basically, it connotes a series of interactions that generate obligations. They explained that such interactions are contingent on actions of others. In relating social exchange to tax compliance, tax researchers have linked tax payment to the public goods the taxpayers enjoy (Alm et al, 19992). As such, taxpayers would react to real and perceived imbalance in the supply of public goods by the authorities, Tax payment thus could be a social exchange.

The social exchange theory is used to support the fiscal exchange theory just to show that there are other theories sharing similar perspectives as the fiscal exchange theory. When government give more to the self-employed taxpayers in the form of improving their socioeconomic condition, they also pay more tax.

3.2.3 Social Influence Theory (Supporting Theory)

Social influence theory is linked to many scholars in the field of psychology. One of the most visible of such scholars is Herbert Kelman. Social influence theory postulates that people influence one another in their activities and attitudes (Kelman, 1958). As such, members of a social group tend to behave by conforming to ideals of their group. Conforming leads to approval while nonconformance attracts social sanction. The theory of social influence has been widely applied in tax compliance research. Social influence theory is applied in tax compliance behavior in the sense that taxpayers influence one another to comply or otherwise thus leading to a social norm. Wenzel (2004, 2005) studied social norms and its influence on tax compliance and found significant correlation. Bobek et al. (2007, 2013) also found positive relationship.

In the context of this study, social influence theory is used to support perceived social norm among the self-employed taxpayers. The self-employed taxpayers could influence each other to comply or not to compliance with tax payment. If some of the self-employed taxpayers fail to pay tax, others that may be willing to pay will also refuse to pay in line with the behavior of the other self-employed people. Hence social influence theory is used as a supporting theory to explain social norm in this study. The supporting theory is needed as the underpinning theory cannot explain all the variables.

3.3 An Overview of Tax Compliance and Noncompliance

Several definitions exist for the concept of tax compliance. At the basic level, the consensus among authorities is the failure to abide by tax regulations. But on a more technical level, the concept of tax compliance lends itself to legal and professional interpretations. Kirchler (2007) stated that tax compliance is about taxpayers' willingness to pay their taxes. Palil, Hamid & Hanifah (2013) applauded this definition as one that simplifies the concept but they also cited definitions by other scholars. For instance, they mentioned Jackson and Milliron (1986) who defined tax compliance as the reporting of all incomes and payment of all taxes by fulfilling the provisions of the laws, regulations and court judgments.

Furthermore, Palil et al. (2013) stated that tax compliance is a person's act of filling their tax returns; declaring all taxable incomes accurately and disbursing all payable taxes within the stipulated period without having to wait for follow up action from the authority. Harmonizing the various definitions from scholars, the authors proffered their own definition as taxpayer's willingness to comply with the tax laws, declare the correct income, claim the correct deductions, reliefs and rebates and pay all taxes on time.

The OECD's Forum on Tax Administration, Compliance Subgroup, identified four aspects of tax compliance by taxpayers:

i. To register with the aim of paying tax.
ii. To file in tax returns within the time stipulated by law.
iii. To report all tax liabilities accurately and honestly including those involving third parties.
iv. To effect payment promptly.

There is a difference between compliance and noncompliance. Noncompliance is the reverse side of compliance. It is the opposite of all that is compliance. Kasipillai and Jabbar (2006) asserted that noncompliance is a fraudulent conduct with an actual intention by the taxpayer. They posited that noncompliance is preceded by a conscious intention by the taxpayer to make illicit gain for selfish interest. They further stated that noncompliance could take any of the following forms:

i. Failure to submit a tax return within the stipulated period or outright nonsubmission.
ii. Understatement of income
iii. Overstatement of deduction
iv. Failure to pay assessed tax as at when due.

The above conceptualization of noncompliance by Kasipillai and Jabbar (2006) supports the position of this study that noncompliance is the opposite of all activities related to compliance. However, Kirchler, Muelbacher and Kastlunger (2010) threw more light on the concept of tax noncompliance which differs slightly from the position of Kasipillai and Jabbar (2006). While the later stated that noncompliance constitutes willful criminality, Kirchler et al. (2010) interpreted noncompliance as failure to fulfill tax obligations irrespective of whether such failures are intentional or not. This position of Kirchler et al. (2010) classified unintentional breaches as part of noncompliance.

The latter also distinguish the concept of tax evasion and tax avoidance. According to them, tax evasion implies a willful criminal intention to breach the tax laws and regulations for selfish gain while avoidance involves refusal to pay tax or reduction of tax obligations by taking advantage of the loopholes in the tax laws. A recent study by Ritsatos (2014) did not differ significantly from Kirchler et al. (2010) on the difference between tax evasion and avoidance. Ritsatos (2014) stated that avoidance could occur by transacting businesses in such ways that taxes are reduced within the confines of legal provisions. In addition, Ritsatos (2014) asserted that the tax law itself could create rooms for such avoidance in order to encourage economic activities. The author contrasted the concept of avoidance and evasion by using the USA Inland Revenue Service (IRS)'s definition of evasion which stipulates the presence of three key elements in a tax evasion case: Tax owed, tax due and a fraudulent intent. The distinction between evasion and avoidance are subject to legal interpretations.

The bottom line remains that both are capable of jeopardizing government's finances. While the issues of tax avoidance remain mired in a cobweb of controversial legal interpretations (Simser, 2008), tax evasion is regarded as a grievous crime. The gravity of the crime of tax evasion is such that Blank (2014) narrated a case of Japanese businessmen in America who pleaded guilty to willfully filling a false tax return. They served sentences, paid fines and were ultimately deported. This underscores the seriousness of the crime of tax evasion.

There are different perspectives on tax compliance. The economic perspectives as well as the psychological perspectives (Kirchler, 2007). The economic perspectives consider tax compliance behavior as an economic decision which taxpayers make under condition of risk and uncertainty. They calculate the cost involve in taking the risk of evasion. If they are caught, they will be subject to fine and if they are not caught, they will obtain benefit from tax evasion (Allingham & Sandmo, 1972). However, many researchers after Allingham and Sandmo (1972) stated that the economic perspectives may not be entirely correct. They stated that tax compliance is influence by psychological variables (Kirchler, 2007; Alm et al., 1992).

3.4 Factors Influencing Tax Compliance Behavior

This section will be discussing the factors influencing tax compliance behavior which are investigated in this study. These factors are perceived public governance quality, socioeconomic condition, perceived audit effectiveness, perceived social norm, perceived citizen engagement, perceived tax system fairness and perceived tax system complexity.

3.4.1 Public Governance Quality and its Relationship with Socioeconomic Condition

This section is about the relationship between public governance quality and socioeconomic condition. Subsequent section will look at the relationship between socioeconomic condition and tax compliance behavior.

3.4.1.1 The Concept of Public Governance Quality

Public governance quality is the measure of how well government performs its functions. It is a concept introduced by Kaufman, Kray and Matruzi (2010). It measures governance in six areas: Voice and accountability, control of corruption, political stability, government effectiveness, rule of law and regulatory quality.

Governance has been defined variously by scholars and there is no consensus as to the exact meaning of the concept (Fukuyama, 2013). While Fukuyama (2013) asserted that there is no consensus on the meaning of the concept, on his own part, he sees governance as government's ability to make and enforce rules and to deliver services, regardless of whether the it is democratic or not. Rothstein and Teorell (2008) earlier reviewed some definitions of governance and argued in line with Fukuyama (2013). Kaufman, et al. (2010), prior to Fukuyama's (2013) study, also posited that there is no consensus among scholars on the meaning of governance. According to the authors, some definitions are too wide while others are too narrow. They claimed their own definition charts the middle path between the two extremes. Rotberg (2009) gave a concise definition of governance which encapsulates the different views of governance. It simply says governance is the provision of political goods to citizens.

This thesis will avoid scholarly arguments on the conceptualization of governance as it will be of little use to the objectives of this research. The simple concept of government, which according to (Smith, 1776) entails providing security for citizens against external evasion, protecting citizens from internal oppression and provision of public infrastructure, is adequate for the objectives of this study. Adam Smith's philosophy of government in addition to Musgrave's economic roles appears to encapsulate most of the arguments of contemporary scholars on the conceptualization of government.

The concept of governance this research seeks to investigate is public governance quality. The emphasis is on the quality of governance citizens get from their governments. The quality of governance as a concept appears to be mired in scholarly controversy as the concept of governance itself. Rothstein and Teorell (2008) drew attention to the importance of the concept of public governance quality. They stated that numerous previous researches have emphasized the importance of the quality of governance.

Rothstein and Teorell (2008) argued that the economic development of nations does not depend on abundant human and material resources but largely on the quality of governance. The view of Rothstein and Teorell is supported by (2005). He noted that good governance for the past two hundred years have been instrumental in propelling developed countries to their current pedestal. On the other hand, developing countries have continued in their unsatisfactory state of development due to their dysfunctional governance system.

International organizations have always been emphatic about the role of good governance in development. Lehman and Ngoma (2004) stated that sub-Saharan African countries lack political accountability and have entrenched inefficiency and corruption in governance. Rothberg (2009) corroborated the longstanding position of international organizations on the quality of governance. He stated that the success or failure of nations is positively correlated with their performance in the realm of governance. In other words, their success or failure depends on the quality of their governance.

The contribution of good governance to the development of countries was acknowledged by Nobel Laureate, Amartya Sen (Sen,1981) reviewed the economic trajectories of various countries but singled out the Asian four (fondly called the Asian Tigers), Taiwan, Hong Kong, South Korea and Singapore. Sen attributed the rapid economic development of these countries to good governance stating that the success of these countries were almost entirely due to good policies. He particularly lauded South Korea which he stated was poor in resources and yet burdened by a large population but grew rapidly due to sound economic policies.

The contribution of good governance to the development of South Korea can be better understood when the developmental trajectory of that country is compared with Nigeria. Cowen and Tabarrok (2013) explained how the two countries have fared since 1950. They maintained that by 1950, South Korea and Nigeria were at the same level of GDP. The former grew rapidly recording about 7.2 percent growth rate between 1970 to 1990. Currently, the country is at par with developed European countries – a testimony for the importance of good quality governance. Conversely, Nigeria represents an archetype of bad quality governance. The following excerpt best illustrate this position:

> Nigeria is a tragic example of a growth disaster. In 1960, when Nigeria gained independence from Great Britain, vast deposits of oil were

> discovered and the future looked bright. But a vicious civil war, dictatorship and massive corruption meant that the oil wealth disappeared in arms purchases and secret Swiss bank accounts. Incredibly for an economy in the modern era, real GDP per capita in Nigeria was a little lower in 2000 than it was in 1960. (Cowen & Tabarrok, 2013, p.100)

From the above narrative of Cowen and Tabarrok (2013), it is glaring that good governance can take a poor country from destitution to the height of economic glory. In the same vein, bad governance is not only capable of stagnating the growth of a resource rich country but can also drag such countries down in the ladder of economic development. World Bank (2014b) in their annual World Governance Index has persistently scored Nigeria low in government effectiveness which is a dimension of the public governance quality of the World bank thereby lending credence to the position of scholars who always condemned the public governance quality in Nigeria (Lawal & Oluwatoyin, 2011; Olaopa, Ogundari & Hassan, 2012; Adeniran, 2013; Ufuoma, 2013). Table 3.1 shows the 2014 World Governance Index.

Table 3.1
Worldwide Government Effectiveness Score, 2014

Country	Percentile Score
Denmark	99.04
Sweden	98.56
Norway	98.09
Germany	91.39
USA	90.91
UK	89.95
Malaysia	81.82
South Africa	66.51
Rwanda	55.50
Brazil	51.20
Ghana	50.72
Indonesia	45.45
Kenya	36.84
Ethiopia	35.89
Algeria	31.58
Bangladesh	22.49
Nigeria	**16.29**

Source:World Bank, (2014b)

The score of Nigeria in table 3.1 shows that Nigeria has low public governance quality. Additionally, the Ibrahim Index of African governance (IIAG) is an internationally recognized governance rating organization which mainly concentrates on African governance. Table 3.2 is the 2014 scores of African countries on the IIAG.

Table 3.2
Ibrahim Index of African Governance, 2014

Rank/52	Country	Score/100	Change Since 2009
1st	Mauritius	81.7	+1.3
2nd	Cape Verde	76.6	+1.3
3rd	Botswana	76.2	+1.3
4th	South Africa	73.3	+0.5
5th	Seycheles	73.2	+2.7
6th	Namibia	70.3	+1.1
7th	Ghana	68.2	+1.6
8th	Tunisia	66.0	+2.2
9th	Senegal	64.3	+4.6
10th	Lesotho	62.3	+3.8
11th	Rwanda	60.4	+4.6

Table 3.2 (Continued)

12th	Sao Tome & Principe	59.7	+4.4
13th	Zambia	59.4	+3.1
14th	Morocco	58.8	+2.9
15th	Tanzania	58.2	-1.7
16th	Malawi	57.6	+1.9
17th	Kenya	57.4	+4.1
18th	Benin	56.7	-3.5
19th	Uganda	56.1	+1.0
20th	Algeria	54.4	+1.4
21th	Burkina Faso	53.3	-1.7
22nd	Mozambique	52.2	-2.2
23rd	Gambia	51.6	-0.9
24th	Swaziland	51.5	+1.3
25th	Sierra Leone	51.1	+3.9
26th	Egypt	51.1	-8.0
27th	Gabon	51.0	+2.0
28th	Mali	49.5	-5.7
29th	Niger	49.4	+5.5
30th	Comoros	49.3	+0.3
31st	Liberia	49.3	+3.4
32nd	Ethiopia	48.5	+2.1
33rd	Madagascar	48.2	-1.1
34th	Cameroon	47.6	+1.5
35th	Djibouti	46.8	+0.7
36th	Togo	46.4	+2.8
37th	Nigeria	45.8	+0.6
38th	Burundi	45.3	-0.1
39th	Mauritania	44.5	+0.8
40th	Cote d'ivoire	44.3	+7.8
41st	Congo	43.4	+3.1
42nd	Guinea	43.3	+6.5
43rd	Libya	42.1	-7.4
44th	Angola	40.9	+0.3
45ththth	Equatorial Guinea	38.4	+0.1
46th	Zimbabwe	38.0	+5.4
47th	Congo DR	34.1	+0.8
48th	Guinea-Bisau	33.2	-6.8
49th	Chad	32.3	+2.5
50th	Eritea	29.8	-2.8
51st	CAR	24.8	-6.2
52nd	Somalia	8.6	+0.5

Source: Mo Ibrahim (2014).

The rank of Nigeria in Table 3.2 also confirm that public governance quality is low in the country. Nigeria is ranked 37 out of 52 countries in Africa as shown in the table. Azam and Emirullah (2014) also supported the position of other scholars and international bodies that have persistently advocated the importance of good governance to national development. Similarly, they stated that good governance is the overarching factor that can propel countries to prosperity.

Alm et al. (1992) stated that the supply of public goods by government leads to more tax compliance. In as much as the supply of public goods does not cover all aspects of public governance quality, it is instructive to note that Rotberg (2009) as noted earlier, simply defined governance as the delivery of political goods to citizens. The research of Alm et al. (1992) utilized the laboratory experiment approach. Results from the series of experiments points to the positive effect of public goods supply on tax compliance behavior.

3.4.1.2 The Concept of Socioeconomic Condition

Socioeconomic condition as used in this study is the measure of wellbeing of citizens. There are many ways of measuring wellbeing. This study follows the conceptualization of the United Nations and other authorities as narrated in this section. Previously, the level of income, sometimes denoted by the GDP or GNI, was assumed to be a measure of the wellbeing of citizens of a country. This position is changing very fast and giving way to a new paradigm that recognizes an array of indicators that are more useful in measuring human welfare (Sen, 1981; Mazumdar, 2002; UNDP, 2014). These indicators have evolved over time and are generally referred to as social indicators. Land (1975) traced the origin of formal studies on these indicators to a 1966 study in the USA edited by Raymond Baeur who he said was one of the principal proponents. He narrated a series of scholarly works which culminated in the development of the social indicators as they are known today. He stated that other countries, especially European countries, later joined the USA to develop measurement of social indicators in their respective countries and international bodies also began to develop interest on social indicators.

Noll (2002) agreed with Land (1975) on the origin of the social indicators study though he alluded to an earlier interest on the issue in 1933 by the then president Hoover of the USA, who set up a committee on social trends. Noll stated that by 1974, the concept of quality of life gained root in the USA as against unbridled materialism. He stated that the then US president, Lyndon Johnson advocated for quality of life stating that the great society is not concerned with how much but how good, not with quantity of goods but with quality of their lives. He concluded that the wave of interest on the social indicators and quality of life research was brought about by new value orientation in the society in which value began to be placed on the quality of life.

Noll (2002) however gave the definitions of social indicators as measures of social well-being which enables an assessment of social conditions and tracking of trends over time. According to Noll (2002), the basic functions of social indicators are to provide an information base to the society, tracking of social change and evaluation of societal welfare.

Since social indicators are meant to measure and monitor the quality of life and its trend, it is imperative to understand the various philosophies on the quality of life and welfare. Noll (2002) stated that there are two schools of thought that differ on their views of the quality of life – the objective and subjective approach. He stated that the Americans favor the objective approach while the Scandinavians favored the objective approach whereby the quality of life is attributed to the objective measurement of material resources one can command to attain his own good. The American approach however emphasizes more of the subjective evaluation of peoples' condition of living.

United Nations (1989) declared that the world body has been concerned with developmental issues right from inception. It maintained that these issues pertain to "levels of living, social, economic and environmental conditions". The United Nations stated that these objectives were formulated in pursuance of "higher standard of living, full employment and conditions of economic and social progress and development". According to the UN, these objectives are spelt out in Article 55 of its charter. The UN (1989) published a compilation of indicators. The table 3.3 contains a summary of the indicators and the composite items.

Table 3.3
UN Recommended Social Indicators

Indicators	**Measurement Items**
Population composition and change	Size and structure of the population by age and sex Population growth and its component – births, death and international migration population growth by age group and sex Population by national or ethnic group

Table 3.3 (Continued)

Housing and human settlement	Stock of housing and addition to stock Household water and sanitation Household energy consumption Household transportation
Health and human settlements	Health status – mortality and morbidity Enrolment and retention Adult education and training
Educational services	Educational attainment and illiteracy Enrolment and retention Adult education and training
Economic activity and population not economically active	Employment and unemployment Working condition and training
Indicators	Measurement Items
Income, consumption and wealth	level, growth and composition of consumption
Social security and welfare services	Scope of protection against loss of income.
Public order and safety	Frequency and severity of offences and victimization characteristics and treatment of offenders Criminal justice, institutions and personnel.

Source: United Nations (1989).

The World Bank Group has been actively involved in the global quest to improve the quality of life and welfare of people with more emphases on developing countries. Similar to the work of the UN, the World Bank has also instituted the World Development Indicators project (WDI). According to the World Bank (2014b), the project compiles high quality data for international comparison which it believes will be invaluable for professionals, students, analysts, policy makers and other interested parties. Table 3.4 below shows the indicators used by the WDI and its composite items.

Table 3.4
The World Bank, World Development Index

Indicator	**Composite Items**
Worldview (Millenium Development Goals)	MDG 1, eradicate extreme poverty MDG 2, achieve universal primary education MDG 3, promote gender equality and empower women MDG 4, reduce child mortality MDG 5, improve maternal health MDG 6, Combat HIV/AIDS, Malaria and other diseases MDG 7, ensure environmental sustainability MDG 8, develop a global partnership for development.
People	Education, health, jobs, social protection, distribution of income
Indicator	Composite Items
Environment	Forest, water, cultivable land, extent of degradation.
Economy	GDP, gross salaries, current account balance, central government debt, consumer price index
States and markets	Business entry density Time required to start a business Stock market capitalization Domestic credit provided by financial sector Tax revenue collected by government as % of GDP Military expenditure % of GDP Electric power consumption, kilowatt-hr Mobile cellular subscription % of population Individuals using the internet% of population High technology export % of manufacturing export.

Source: Word Bank (2014b)
Note: MDG=Millennium Development Goals

While the umbrella world body, the United Nations, has for long been involved in social indicator programs, the United Nations Development program (UNDP), an arm of the UN, took up the program with the annual publication of the Human Development Report since 1990 (UNDP, 2014).

The organization for Economic Cooperation and Development (OECD) is not left out in the global effort of researching the quality of life. According to OECD (2015), 'Hows Life' is an OECD initiative whose objective is to encourage "better policies for better lives". The organization publishes a statistical report biannually highlighting a wide range of wellbeing measures among member countries. OECD measures wellbeing using the following indicators.

Table 3.5
OECD Indicators of Well-being

Well-being Domains	**Concepts**	**Indicators**
Income and wealth	Household income Financial wealth	Household net adjusted disposable income Net household financial wealth
Jobs and earnings	Employment Earnings Job security Long-term unemployment	Employment rate Average annual gross earnings per full-time employee Probability of becoming unemployed Long term unemployment rate.
Work-life balance	Working hours Time off	Employees working very long hours Time devoted to leisure and personal care
Housing	Room per person Housing affordability Basic sanitation	Rooms per person Housing expenditure Dwellings without basic sanitary facilities
Health status	Life expectancy Perceived health	Life expectancy at birth Perceived heath status
Education and skills	Educational attainment Cognitive skills Adult skills	Educational attainment of the adult population Cognitive skills of 15-year-old students Competencies of adult population aged 16 – 65.
Social connections	Social support	Perceived social network support
Civic engagement and governance	Voter turn out	Voter turn out
Personal security	Deaths due to assault Self-reported victimization	Death due to assault Self-reported assault
Subjective wellbeing	Life evaluation	Life satisfaction

Source: OECD (2015)

Apart from the international organizations that have done a lot of research on social indicators, other researchers and scholars are no less enthusiastic about the subject. Takamori and Yamashita (1973) advocated an interdisciplinary framework in the measure of wellbeing. He stated that relying on economic indicators alone without accompanying social, ecological and political circumstances will prove to be misleading. This same position was favored by Keizer (2005) when he proposed the blending of social and economic factors in the overall determination of wellbeing. According to Takamori and Yamashita (1973), Economists who were the proponents of the Gross National Product (GNP) and other economic indicators are themselves aware of the limitations of the economic approach in explaining many of the structural and distributional problems of development hence the need to embrace the socioeconomic approach. It is noteworthy that Land (1975) proposed a model that also included a variety of indicators encapsulating both social and economic variables.

Hicks and Streeten (1979) however criticized the social indicators for their limitations in attempting cross country comparisons. They stated that data are at times unreliable and the social condition of countries varies thereby rendering comparability ineffective. This, they noted, is unlike economic indicators that can be measured in monetary terms thereby lending itself to international comparison. But in their conclusion, they drew attention to the usefulness of these indicators despite the limitations they earlier pointed out. However, they were not forthcoming on suggestions to improve on their observed limitations of social indicators. Moreover, it appears the limitations they pointed out can be minimized by researchers if they are made subject of further research.

However, Diener and Suh's (1997) submissions appeared to have allayed the fears of critical limitations on the use of social indicators. They stated that social indicators can be objective in which case people agree on what is to be measured. For instance, there is no denial of the general consensus that literacy is desirable and mortality is undesirable. Even when subjective means are used, it is premised on the reaction or evaluation of people. Diener and Suh (1997) also mentioned some weaknesses of social indicators but overall, they did not paint a gloomy picture of the use of social indicators. Rather, they reiterate the relevance of these indicators. They emphasized that they are invaluable tools with which policy makers can monitor progress of their societies and evaluate impacts of their social programs.

The human rights approach introduced to the debate on social wellbeing by Ginneken (2009) is capable of enriching the debate on the issue. He stated that attempts at legalizing the social rights have been on the international scene for long. He cited Article 25 of the Universal Declaration of Human Rights (UDHR) which guarantees basic amenities to all members of the society. Ginneken (2009) further explained that the Universal Declaration was followed by an international convention which was meant to establish formal rules of engagement on this issue and for member countries to ratify.

The international Covenant of Economic, Social and Cultural Rights (ICESCR) took place in 1966 but fell short of clear specifications on the right to security. Ginneken (2009) further observed that the convention did not also specify means of enforcing the rights. Overall, the concept of socioeconomic floor connotes a minimum level of socioeconomic welfare of citizens which governments are obliged to observe. They are to strive not to allow the welfare of citizens fall below this level.

Despite all the past efforts by multilateral agencies and scholars to research and institutionalize the socioeconomic indicators, more recent efforts are continuing in this area. Stiglitz, Sen and Fitoussi (2009) set up the Commission on the Measurement of Economic performance (CMEPSP). They attributed the creation of the commission to French president, Nicholas Sarkozy who was said to be unsatisfied with the situation of the measurement of socioeconomic progress. According to Stiglitz et al. (2009), the Commission's aim was to identify the limitations of GDP as an indicator of economic wellbeing and to investigate alternative indicators that will explain social progress. At the end of the report, Stiglitz et al. (2009) appears to have written in line with existing knowledge but did not introduce a radically different approach to the study of socioeconomic indicator.

3.4.1.3 The Relationship Between Public Governance Quality and Socioeconomic Conditions

As mentioned previously, public governance quality is how well government performs its function (Kaufman et al., 2010). Socioeconomic condition is the wellbeing of the people in terms of quality of life (UNDP, 2014). There exists a huge disparity on the level of wealth and quality of life between countries of the world. Acemoglu and Robinson (2012) stated that the average Egyptian, for instance, has only about 12 percent of the income of the average citizen of the USA. They also stated that compared to the very poor countries of Sub-Saharan Africa, the disparity in income is worse. The dichotomy between the developed and some developing poor countries is indeed mind-bogling. According to the figures of UNDP (2014), the average Swiss citizen with GNI of USD 53,762 is about thirty times richer than the average Sierra Leonean with a GNI figure of USD 1,815. It would appear there is no basis of comparing the two countries as they belong to different pedestals on the world development ladder - Switzerland is among the highly industrialized countries while Sierra Leone is among the poor sub Saharan African countries. Even then, when you compare Malaysia (GNI, USD 21,824) and Nigeria (GNI, USD 5,353), it shows the average Malaysian has an income that is about four times more than his Nigerian counterpart. While the life expectancy of the average Malaysian is seventy-five years, the average Nigerian is expected to live for fifty years due to the relative effectiveness of the countries' health systems (OECD, 2014).

If Switzerland and Sierra Leone are not compatible for the purpose of comparative analysis, the same cannot be said for Nigeria and Malaysia because the two countries share so much in common: They are both third world countries; they were British colonies and got independence about the same time and are both oil producers. They have similar agricultural resources. What then explains the disparity in development between Nigeria and Malaysia? Perhaps, Nigeria could be said to be more populated which could affect the GNI per capita. But then, Indonesia is by far a more populous country than Nigeria (World Bank, 2014b). UNDP (2014) puts the Indonesian GNI at $8,970 which is substantially higher than Nigeria. Moreover, the life expectancy for Indonesia is 71 years, a glaring difference compared to Nigeria's 53 years. Despite Indonesia's higher population, there is no evidence that points to Indonesia being endowed with more resources than Nigeria. Again, what could explain the disparity in vital socioeconomic indicators between Nigeria and Indonesia?

Acemoglu and Robinson (2012) in their highly applauded work, why nations fail, gave a recipe for sustainable socioeconomic development of nations. They found that for nations to develop, the government need to provide public infrastructure such as good transportation and telecommunication network. They need to enforce property rights and facilitate commercial freedom in terms of contract and exchange. The state would need to prevent fraud and malpractices and provide a level playing field for hard work, talent and innovation to flourish. Acemoglu and Robinson (2012) explained that even though some of the necessary infrastructure for socioeconomic development can be provided by the private sector, a high degree of state coordination is imperative.

Furthermore, Acemoglu and Robinson (2012) identified effective state-supported education as prerequisite for development. They attributed the giant technological and economic strides of people like Albert Einstein and Bill Gates of America to the educational and economic systems that provided the enabling environment for their talent to flourish. They dismissed the postulations that national development is thrust upon some countries by their favorable geographical locations or their culture. On the claim that geographical location could play a role, they cited many examples of countries within the same geographical location but have glaring disparity in their levels of socioeconomic development. Notable among the examples they cited is North versus South Korea. They stated that these two countries were previously a homogenous unit with no difference in culture or geography. The countries went their separate ways aftermath of the Second World War. Today, while South Korea is contending for one of the top spots on the world's human development index (UNDP, 2014), North Korea is reputed to have one of the worst socioeconomic conditions in the world.

It is highly unlikely that geography or culture played any role in South Korea's meteoric transformation. The common feature among most, if not all, of the nations that propelled themselves from mediocrity is an inclusive economic systems fostered by equally inclusive political institutions. Acemoglu and Robinson (2012) noted that the developmental strides that brought most of the developed countries to their present positions occurred within the last two hundred years and as such, the issue of any historical antecedents favoring any nation does not arise.

Prior to Acemoglu and Robinson's (2012) work, the relationship between governance and socioeconomic development has been at the front burner of international discourse among international organizations, scholars and policy makers. Sen (1981) noted the excellent performance of the famous foursome: Taiwan, Hong Kong, South Korea and Singapore. Sen (1981) recounted series of government interventions in the Korean economy which contributed to the world-acclaimed economic performance. From Sen's narratives, it can be deduced that Korea's economic rise and its corollary improvement in citizens' socioeconomic wellbeing was a product of an articulate developmental plan supported by meticulous implementation.

Kaufman and Kraay (2002) found a strong positive correlation between the quality of governance and per capita incomes across countries using data from the World

Governance Index (WGI). They further suggested a possible causal influence in the direction from good governance to higher per capita income. According to the authors, this result affirms earlier positions that good governance leads to economic prosperity. However, the cautioned that evidence linking higher income to good governance appears unclear.

Khan (2006) said economists admit that good governance is a critical factor in explaining development across developing countries. However, he analyzed the divergence of opinion among economists on the nature of governance that is best for accelerating economic development. He stated that some economists favored the market-enhancing governance strategy while others argue for growth-enhancing governance strategy. He explained that market enhancing governance strategy as a situation where government restricts itself to providing the necessary conditions for a private sector-led economic development. Proponents of this approach believe that with the necessary incentive, the private sector is capable of accelerating development of the economy.

Khan (2006) further explained the alternative concept of growth-enhancing governance strategy. He said this strategy emphasizes the role of the government in causing the transfer of assets and resources to sectors that are more critical and accelerating the role of technology acquisition. Khan (2006) stated that there is no hard stance when it comes any of the above strategies. It may depend on the peculiar situation of the country. However, he stated that the much-applauded Asian countries seem to have applied the growth-enhancing strategy and it worked for them, though even among them, differences exist in implementation.

Ginneken (2009) drew attention to early concerns of the United Nations about the role of government in the enhancement of the socioeconomic lives of citizens. He cited the Universal Declaration of Human Rights (UDHR) initiated by the United Nations in 1948. He pointed out Article 25 of the UDHR which declared the inalienable rights of individuals to minimum socioeconomic comfort. He maintained that the implication of this declaration is such that the wellbeing of citizens is more of a legal right than a mere necessity. As such, governments are under obligation to ensure that their citizens attain minimum level of socioeconomic development which he called the socioeconomic floor. However, it was not explicitly stated how the high ideals of Article 25 would be enforced among nations. Moreover, it appears the concept of national sovereignty has continued to be a shield against full commitment by governments to laudable international conventions that seek to hold governments accountable to the socioeconomic wellbeing of their citizens. Even at that, Article 25 of the UDHR explicitly underscores the role of governance in the socioeconomic wellbeing of citizens.

Sahoo, Dash and Natarej (2010) stated that China was the fastest growing economy in the world as at the time of their study. They explained that China's phenomenal growth in the past decades was due to a policy of massive infrastructural investment. Their study which investigates the effect of infrastructure on China growth between 1975 to 2007 found a positive result between governance and socioeconomic development in China. They also mentioned that previous studies have also found the role of governance in economic development. Sahoo et al. (2010) asserted that the following are among the benefits of investing in infrastructure:

i. It creates production facilities and encourage economic activities
ii. It reduces the cost of production and subsequent transactions activities thereby boosting competitiveness
iii. It generates employment

While they mentioned that the above constitute the direct benefits of infrastructural investments, they also stated that lack of infrastructure acts as stumbling block and constitute a disincentive to economic activities. Sahoo et al. (2010) recounted the deliberate policy of the Chinese government to transform the economy through massive infrastructural development. They stated that these massive investments were financed through budgets and even off-budget funds including government-influenced borrowings from banks. While it is not the objective of this research to go into the intricacies of China's growth-enhancing infrastructural investments, it suffices to deduce that China's wonderful socioeconomic transformation occurred as a result of government intervention. Even if it can be argued that the growth was market-driven, Khan (2006) has explained the imperative of government enabling the market.

Rautakivi (2014) investigated the relationship between government efficacy and socioeconomic development in Singapore and South Korea between 1960 and 2007. He found that the period experienced drastic rise in the level of socioeconomic development in the two countries. Curiously, Rautakivi stated that the two countries witnessed economic development in line with previous studies but that South Korea's social development was less than impressive. He however argued that Singapore witnessed a combination of social and economic development He attributed the performance of both countries to what he termed government efficacy. Rautakivi (2014) did not depart markedly from previous studies on the relationship between governance and socioeconomic development. The issue of South Korea less than impressive social development as argued by the author was not very clearly explained.

UNDP (2014), in its annual Human Development Report raised a lot of issues on the role of governance in improving the socioeconomic condition of citizens. It recalled the Universal Declaration of Human Rights. While admitting that the circumstances of various countries may differ, it however stated that it is the primary obligation of government to provide the basic needs of all citizens on the basis of a social contract between the citizens and government. The UNDP HDR noted that many countries are committed to the Universal Declaration of Human Rights (UDHR) and are doing well in this regards but so many other countries are nowhere near the ideals of UDHR. The report noted that funding is easily one of the excuses of noncompliance. While it admits that funding is a genuine concern, it however believed that deft revenue mobilization, prudence and prioritization of spending and improvement in the efficiency of service delivery are options available to government.

Moreover, UNDP (2014) gave examples of countries that made substantial effort at providing universal basic social services even at the infantile stage of their economic development when their GDP was not yet robust. UNDP mentioned Costa Rica, Denmark, the Republic of Korea, Norway and Sweden as some countries that took the bull by the horns even when their economies were still at infancy. The report noted that Costa Rica provided essential services like education, health and social security effective from 1949 at a GDP per capita of $2,123. Sweden and Norway were in 1891 and 1892 at a GDP per capita of $1,724 and $2,598 respectively. The report mentioned that even Ghana, a sub-Saharan African country, attempted universal health coverage in 2004 at a per capita income of $1,504 though the coverage is yet to be comprehensive.

The report stated that Sweden enforced compulsory schooling for children in 1842 at a GDP of $926. Interestingly, the report revealed that the more recent countries that adopted universal basic education and health coverage attained universal coverage faster than the early adopters. Countries such as Denmark, Norway and Sweden only achieved universal coverage after the Second World War. China Rwanda and Vietnam achieved universal coverage within a decade. Furthermore, UNDP (2014) asserted that providing universal social services by countries engender a virtuous circle of more development.

3.4.2 Socioeconomic Condition and Tax Compliance Behavior

OECD (2013) stated that citizens of some countries are happy to pay their tax while others are not. Peiro (2006) however found that happiness and satisfaction are strongly correlated with socioeconomic indicators such as age, health and marital status. The implication of Peiro (2006) findings is such that when harmonized with OECD (2013), socioeconomic conditions of citizens will probably influence their willingness to pay tax. Moreover, OECD (2013) sought for citizens' responses to survey on factors that motivates them to pay tax and the result reveals a range of socioeconomic indices and also institutional ones. The study listed the socioeconomic factors as: marital status, religion, gender, educational attainment, employment status, economic status (self-reported) and economic problems (whether the households can save and/or get by or whether it needs to spend savings and/or borrow). The self-employed operate their own businesses and can easily be influenced by socioeconomic condition of living. Previous studies in Nigeria has found that self-employed people are not happy with their socioeconomic condition (Emenike, 2014; Angahar & Alfred, 2011; Ibadin & Eiya, 2013; Uremadu & Ndulue, 2011; Adebisi & Gbegi, 2013; Okoye & Avwokeni, 2014) and this lead to noncompliance with tax.

In line with other researchers (Palil et al., 2013, Alm et al., 1992), OECD (2013), using a dataset from about fifty countries, also found that satisfaction with public expenditure and services leads to higher compliance. However, it should be noted that mere provision of public goods and services by the government will not lead to higher compliance unless taxpayers can benefit from such provisions. Possibly, one way of determining the benefits of public goods is their impact on taxpayers' lives and that is where socioeconomic condition comes into play.

Aiko and Logan (2014) surveyed taxpayers in 29 African countries. The subject was their opinion on paying tax for national development. The study found that majority of citizens are expressly committed to contributing their quota to national development but they are not motivated to do so. They cited lack of transparency and accountability on the use of tax proceeds and perceived corruption in the use of tax revenue. The implication of this study do not defer from OECD (2013). What it means is that the self-employed people may be willing to pay tax if only the proceeds are channeled to expenditures that are transparent. In other words, they also meant expenditures that impact on their wellbeing (socioeconomic condition).

An illustration from Nigeria will throw more light on why the socioeconomic condition of self-employed taxpayers matters in their tax compliance behavior. Bodea and Lebas (2014) studied tax compliance behavior in urban Nigeria and found the positive influence of public goods delivery on tax compliance behavior. However, and interestingly, they discovered that communities where "self-help" projects are available, for instance, community provision of security, are less likely to imbibe the taxpaying norms. This is quiet understandable because the residents would need to contribute to the community pool of fund to finance such services and would have no need for paying taxes to an absentee government.

Moreover, evidence exists that self-employed are willing to pay tax and even higher tax if government provides adequate public services. The earlier mentioned study of Aiko and Logan is an evidence of such possibility. A possible takeaway from this is that Nigerian taxpayers resort to self-help in the absence of public utilities which goes a long way to influence their tax compliance behavior. This assertion is buttressed by many scholars who have painted a grim picture of the socioeconomic condition in Nigeria (Lawal & Oluwatoyin, 2011; Olaopa, Ogundari & Hassan, 2012; Jaiyeoba & Akanoglu, 2012). This is also supported by international organizations that have also decried the situation of public services in Nigeria (OECD, 2014; UNICEF, 2007; WHO, 2005).

An interesting case study that also points to taxpayers' willingness to endure higher taxes in the presence of good socioeconomic condition is the Scandinavian countries. These countries are the northern European countries of Denmark, Sweden, Norway and Finland. Anderson (2004) stated that the Scandinavian countries are among the highest taxpayers in the world (tax as a percentage of GDP). But it is not surprising because this group of countries also parade one of the highest standards of living (socioeconomic condition) in the world (UNDP, 2014).

A possible explanation for the above position and previous research findings is that self-employed taxpayers are willing to pay more provided their basic needs are met and the government provides adequate public goods to enable them fulfill their socioeconomic condition. In contrast, countries that have low tax collection are countries that do not provide adequate socioeconomic infrastructure and consequently face self-employed taxpayers' reaction in the form of noncompliance.

Fishlow and Friedman (1993) found support for the relationship between socioeconomic condition and tax compliance behavior. The paper stated that taxpayers in developing countries resort to adjustment tactics during economic downturns by evading taxes. The economic circumstances that could warrant such evasive behaviors are inflation, drop in current income and recession. The authors stated that taxpayers resort to evasion in order to maintain their current consumption levels. Goldswain (2003) presented an interesting scenario from section 76 (1) of the Income Tax ACT 58, 1962 of South Africa. The act contains a clause – extenuating circumstances – which tax defaulters could use as a plea to avoid punishment.

The study listed personal circumstances such as education, intelligence, financial means, hardship, age, death, insolvency or liquidation of a taxpayer as possible excuses for granting reliefs under the plea of extenuating circumstances. Goldswain's (2003) review of these circumstances revealed that some of them are indications of adverse socioeconomic conditions as stated previously by other studies.

The self-employed taxpayers who are the subject of this study can easily be influenced by their socioeconomic condition to comply with tax laws or otherwise. This is especially in countries like Nigeria where self-employed face a lot of difficulties in carrying out their day to day activities (Emenike, 2014; Angahar & Alfred, 2011; Ibadin & Eiya, 2013; Uremadu & Ndulue, 2011; Adebisi & Gbegi, 2013; Okoye & Avwokeni, 2014).

3.4.2.1 Socioeconomic Conditions in Nigeria

OECD (2014) gave what could be referred to as a concise description of the socioeconomic situation in Nigeria.

> Nigerian is a middle income country and growth has been over 6 percent in recent years. The country has struggled, however, to turn growth and considerable natural resources (notably gas and oil) into human development results. Corruption and mismanagement undermine the public sector. Nigeria has the largest number of poor people in the world after China and India, with about 58 million out of a population of 158 million people living in extreme poverty. More

than 100 women die every day from preventable diseases and 8.5 million children do not go to school (the highest number in the world. (OECD 2014, p.109)

OECD (2014) was not the first time international organizations are revealing the dire socioeconomic situation in Nigeria. UNICEF (2007) earlier revealed a similar statistic. It claimed Nigeria has one of the fastest growing economies in the world but portrayed a picture of a stark dichotomy of poverty amidst wealth. The report stated that the country cannot provide the basic needs of its citizens and attributed the dismal socioeconomic wellbeing of Nigerian citizens to insufficient investment in infrastructure and basic services. The report claimed this situation is fueled by corruption. UNICEF (2007) particularly points towards the direction of health and educational services as two areas that bears the brunt of the challenging socioeconomic situation in Nigeria. Similarly, the World Health organization, WHO (2005), at about the same period of the UNICEF report, painted a grim picture of the socioeconomic situation in Nigeria. Other international agencies like IMF, World Bank and the European Union has consistently scored the country very low in the government's provision of basic social amenities to its citizens.

It may appear that the international organizations have taken a position on Nigeria's dire socioeconomic condition but then, official statistics from Nigeria itself do not seem to contradict the international bodies. NBS (2012) stated that less than 10 percent of Nigerian citizens have access to pipe borne water. Only about 4 percent of Nigerian households have access to refuse disposal by government agencies. The NBS statistics put unemployment for 2011 at about 24 percent. The report also put reported cases of road accidents at 20,910 cases with about 10,793 people killed and 34,713 people injured. This is mostly attributable to the bad condition of the roads. The national percentage for access to electricity is 47.3. However, whether those that have access actually have effective power supply is debatable.

While socioeconomic data from Nigeria are perennially disturbing, scholars have published scores of articles on this issue. Lawal and Oluwatoyin (2011) pointed out that Nigeria is unable to provide good quality of life for her citizens despite an abundant endowment of human, material and natural resources. They reviewed various ambitious national development plans put in place by successive governments to realize the goal of socioeconomic development but concluded that minimum socioeconomic development remained far-fetch. One of the reasons they adduced for the failure of successive governments to improve the socioeconomic lives of the people is good governance.

Olaopa, et al. (2012) wrote in line with Lawal and Oluwatoyin (2012). They stated that worsening economic conditions in Nigeria in the midst of which political leaders and their cronies are conspicuously displaying looted funds from the treasury has made the citizens to lose faith in government. Consequently, citizens have resorted to self-help, which, at times, sadly comes in the form of criminality. They stated that various criminal behaviors that have taken over the Nigerian social environment include ethnic militias, prostitution, armed robbery, smuggling, arms proliferation, election rigging, illegal oil bunkering, political thuggery, etc. They lamented that these activities pervade all aspects of the economy which makes attainment of socioeconomic development untenable.

Justine, Ighodalo & Okpo (2012) described an increasing poverty trend in Nigeria from the country's independence in 1960 to 1996 rising from 15 percent of the population to 65.6 percent. This is a serious indictment on the successive governments of the country since they only succeeded in throwing their citizens into more poverty rather than uplift them as expected from governments worldwide.

Jaiyeoba and Aklanoglu (2012) undertook a case study of the housing situation in Nigeria among the poor segment of the population. They noted that Nigeria's housing deficit rose from 8 million units in 1991 to 17 million units in 2008. Abdullahi (2012) examined the impact of bad governance on Nigeria's socioeconomic development and in line with earlier submissions; he stated that bad governance has resulted to a myriad of socioeconomic problems in Nigeria. He conceptualizes good governance as a situation where government is able to provide quality education, portable water, provide employment, safeguard fundamental human rights, etc. Abdullahi (2012) placed the entire blame for Nigeria's socioeconomic backwardness on the doorstep of government. According to him, Nigeria's political leaders are selfish and greedy which leads to looting and misappropriation of funds allocated to developmental programs. He also mentioned inappropriate government policies and even haphazard implementation of policies that were potentially good.

Adeniran (2013) said expectations from the side of the citizens were high when Nigeria revert to democratic rule in 1999 after a long spell of military dictatorship. However, close to two decades of democratic rule has failed to improve the socioeconomic lives of people. Adeniran (2013) contended that the citizens are faced with harsh socioeconomic condition which has led to deterioration of their quality of lives. He lamented that youth unemployment is endemic, the manufacturing sector has collapsed, infrastructure is grossly inadequate, and there is widespread ethnic and sectarian strife and an overwhelming atmosphere of insecurity.

Adeniran (2013) buttressed his position with some statements by international organizations. For instance, he stated that US State Department revealed that over 34 trillion naira accrued as revenue to the Nigerian coffers between 1999 to 2009, yet the country has one of the worst standard of living in the world with only 17 percent of the population having access to portable water. He also cited the 2012 – 2013 World Economic Forum's Global Competitive Report which ranked Nigeria 115th among 144 countries. The report states that Nigeria belongs to the group of sub-Saharan African countries with the largest infrastructural deficits worldwide.

Ufuoma (2013) stated that close to 100 million Nigerians are living in absolute poverty. The author attributed the large scale poverty in Nigeria to incompetent leadership and bad governance. Ali (2013) holds similar view as Ufuoma (2013). He contended that several decades after independence, Nigerians are disillusioned arising from the failure of their leadership to provide basic needs. Dike (2014) said the Nigerian economy is comatose and he attributed this to a combination of poor leadership, neglect of technical and vocational education, corruption, poor monetary and fiscal policies. He listed a litany of woes bedeviling the country: Teachers at all levels, primary to tertiary levels, are not adequately remunerated leading to incessant industrial actions The country is also experiencing a large scale brain drain as a result of poor working conditions.

In line with the other researchers, Ijewere and Dunmade (2014) stated that Nigeria is abundantly blessed with human and material resources but yet to grow an inclusive economy. They, like others, placed the blame on the doorstep of poor leadership which also constitutes weak institutions and corruption. Ewetan and Urhie (2014) emphasized the pervasive insecurity in the country which they said also have grave implications for socioeconomic development. However, the authors attributed the insecurity to the gross inequality and unfairness in the distribution of the nation’s collective wealth. Perhaps, because of the poor socioeconomic condition in Nigeria, taxpayers are unwilling to comply with tax payment.

A gap exists in previous studies in the relationship between public governance quality, socioeconomic condition and tax compliance behavior. Previous studies (Alabede et al, 2011) only looked at the direct relationship without consideration for the mediating effect of socioeconomic condition. Other studies (Alm et al., 1992, Doerrenberg, 2015) investigated public goods supply by government in relation to tax compliance and this is rather confusing because they did not break down public goods into measurable units. This study fills the gap by introducing socioeconomic condition as a mediator and it is measured in line with international organizations (OECD, 2015, World Bank, 2014) in four areas of health, education security and public utilities.

3.4.3 Perceived Social Norms and Tax Compliance Behavior

This section discusses the concept of social norm and its relationship with tax compliance behavior.

3.4.3.1 The Concept of Social Norms

Posner (1997) gave an interesting definition of social norm. He stated that social norm is a rule that is neither enacted officially nor enforced by courts or a legislature. It is also not enforced by the threat of legal sanctions, yet is regularly complied with. He mentioned rules of etiquette such as proper dressing, table manners, and rules of grammar as examples of social norms. Posner (1997) mentioned the features of norms and why norms are obeyed. Firstly, he said some norms are self-enforcing which means obedience confers personal benefits. Secondly, norms are obeyed due to emotional attachment to one's referent group and disobeying could lead to ostracism.

Mackie, Moneti, Denny and Shakya (2012) wrote on social norm and how it is measured. They explained that people's actions within their social settings are often guided by what others do and what others think one should do. The motivation to conform to the actions of others or to act as they think you should act stems from the need to secure the approval of people in one's social setting and to avoid their rejection. Social norm is about those things people in a group do and believe it to be the normal thing to do within their own group such that all members of such groups are expected to conform (which brings approval). Disobedience on the other hand brings rejection. Mackie et al. (2012) defines social norm as what people in some group believe to be normal, that is, believed to be a typical action, an appropriate action, or both. Mackie et al. (2012) divided norms into descriptive norm, which they said, is doing what others do, and injunctive norm, which means doing what others believe one should do.

Helbing, Yu, Opp and Rauhut (2014) described social norms as one of the most important factors that influence social life. However, they asserted that the study of how norms emerge, are adopted and rejected within a society presents one of the most complex challenges faced by social sciences. Helbing et al. (2014) grouped norms into two categories: coordination norms and cooperation norms. They explained that coordination norms are the self-enforcing norms which everybody complies with voluntarily as everyone benefits. For instance, the norm that requires pedestrian to walk on the side of the road is a coordination norm and it is for the interest and benefit of everyone. A cooperation norm on the other hand requires sacrifice on the part of the individual to ensure collective good. They further explained that norms can come into being through two basic processes: The intentional creation by human design or the informal or spontaneous emergence of norm.

Elster (1989) gave further perspective on social norms. He stated that before norms could be considered social, they must be shared by members of the social group and maintained by collective social sanction. Complementing the social sanction is a personal sense of shame, guilt and embarrassment that characterize the breaking of norm. Posner and Rasmusen (1999) gave a revealing insight into the nature of social norms. They explained that social norms can be created, modified and even destroyed. They maintained that creating a norm requires "promulgation" of the norm and establishing the sanctions that goes with breaking of the norm. Destroying a norm also requires that the expected sanction for violating such norm be removed.

Posner and Rasmusen (1999) also delved into what should be the relationship between norms, laws and government. They stated that some offences may be too rampant or widespread that government laws may not be able to tackle them effectively. For instance, the offense may be too trivial to warrant the expenses of trials, police and prison. In such instances, the social norms are the most effective way of controlling such vices. The authors emphasize that government have a role to play in creating favorable norm and in destroying norms that are detrimental to the society.

3.4.3.2 The Relationship Between Social Norms and Tax Compliance Behavior

Tax compliance researchers have applied the concept of social norm to determine compliance behavior. Wenzel (2004) investigated the impact of social norm on tax compliance behavior using a survey of taxpayers. He found a positive relationship but stated that it depends on the respondents' strong attachment to the norm of the group. Alm, Bloomquist and McKee (2013) used the experimental method to determine the relationship between social norm and tax compliance behavior as it relates to information and peer effect. They found that taxpayers are influenced in their tax compliance behaviors by the behaviors of their neighbors or other taxpayers about whom they may have information. By implication, people are more likely to pay tax when they are aware that others like them are also paying their quota, conversely, they may evade when they are aware others like them are also evading.

Similar to Alm et al. (2013), Ashby and Webley (2008) investigated the taxpaying culture of a business segment in Australia (the self-employed hairdresser/ beauticians).

They stated that the taxpaying culture consist of norms and values. The exploratory study employed an in-depth interview method to determine the norms and values of 19 participants of the occupational group. They found that members of this occupational group are influenced by the tax activities of other members.

Martin (2012), in a Harvard Business Review article, illustrated the effect of normative appeal on taxpayers in the UK. He narrated how British tax system was under threat from widespread evasion and avoidance and the authorities exhausted the traditional method of enforcement using threat of penalties and prosecution. While few taxpayers responded to the threat, most remained noncompliant. Martin (2012) stated that the authorities changed tactics in 2009 and adopted the psychological tone in its letters to the defaulting taxpayers. Instead of the previous threat, the letters this time, appealed to the citizen's sense of patriotism, explaining that taxes are necessary for the provision and maintenance of public goods.

A second letter creates a normative impression about tax payment buttressing it with statistics that about 9 out of 10 people in Britain pay their tax on time. The study stated that the second tactics significantly improved collection rate from 57 percent in 2008 to 86 percent in 2009 when it was applied. The report stated that revenue figure in 2009 to 2010, the year of the experiment, was about 5.6 billion pounds higher than the previous year. Martin (2012) linked the upswing of compliance by the hitherto errant taxpayers to the pull of social norm. He reiterated the position of previous studies (Posner, 2007; Wenzel, 2004; 2005) that people are influenced by the behavior of other people within their group especially if they identify with such group. The following table was used by the author to illustrate the steady improvement on tax compliance by taxpayers influenced by a series of messages from the traditional threat of enforcement to the specific normative appeal.

Table 3.6
Response to Threat Versus Normative Messages

Type of Message	Message	Response rate
Threat of penalty	I may start legal proceedings against you to collect the amount unpaid	68%
General norm	Over 94% of UK citizens pay their taxes on time	73%
More specific norm	Nine out of 10 citizens living in your post code pay their taxes on time	79%
Very specific norm	Over 93% of citizens living in your town pay their taxes on time.	83%

Source: Martin (2012).

Similar to the British tax experiment narrated by Martin (2012), Blumenthal and Christian (2011) narrated a similar experiment by the Minnesota Department of Revenue in 1994. While that study found a relationship between social norm and tax compliance behavior and the normative appeal to have influenced some group of taxpayers However, Blumenthal and Christian (2001) is not enough evidence to doubt the efficacy of normative appeals in enhancing tax compliance. Perhaps, there could be possible intervening circumstances that were taken into account by the researchers.

OECD (2010) stated that normative considerations are an important determinant of tax compliance behavior. The OECD (2010) study tried to establish a demarcation between personal norms and social norms. While the study maintained that personal norms are related to personal characteristics, egoism and altruism, it depicts social norms as the behavior, ideas and convictions among social groups. OECD (2010) asserted that personal norms are vital underlying factors in understanding tax compliance and that tax authorities should pay particular attention to them. More so that personal norms are not very easy to influence. However, the study admits that personal norms are developed out of a process of socialization. This statement points to, perhaps, the bigger effect of social norm on tax compliance behavior. It is also worthy of note that that OECD (2010) distinguished between descriptive and prescriptive norms. Prescriptive social norm means what others or what we think others do while descriptive social norm is what others think about certain behavior or what we believe others think.

Cumming, Martinez-Vazques, McKee and Torgler (2005) undertook a comparative study of Botswana and South Africa to determine the role of social norm in both contexts. They found the social norm of tax compliance to be higher in Botswana than in South Africa. However, Cummings et al. (2005) delved into the underlying cause of the difference in norms between the two countries and proposed that it could be related the quality of governance and the tax systems of both countries. This explanation is a high possibility because Posner and Rasmusen (1997) had earlier mentioned that norms could be created, modified and destroyed and they alluded to the role of government in the normative process.

Related to the above study, Tsakumis, Curatola and Porceno (2007) studied the relationship between social norms and tax compliance behavior. The study utilized a set of cultural indicators developed by Hofstede in 1980. They found that tax compliance behavior varies in line with the prevailing culture in different countries. For instance, some cultures tend to emphasize individuality rather than collectivism. Such countries appear to score poorer on tax compliance relative to countries whose cultures favors collectivism.

While the study of Tsakumis et al. (2007) centers on the bigger concept of national culture, the similarity of this study to those that emphasize on norms appears glaring. Culture is about the behavior of people and norms are about the acceptable behavior within a smaller group. To further buttress the proposition that a behavior becomes prevalent and acceptable in a society, Aljaidi, Manaf and Karinsky (2011) studied the perception of tax evasion as a crime in Yemen. The study found that tax evasion is considered the least serious offense out of six categories. The implication of this finding is that tax noncompliance is considered "normal" in such societies and government will face a herculean task in trying to generate revenue. In support of the Yemeni study, a similar study was conducted recently in Turkey by Erdem, Puren, Budak and Bank (2015). Erdem et al. (2015) surveyed 475 self-employed in turkey in other to determine their perception of the severity of tax evasion relative to other crimes. They found that tax evasion ranked 10^{th} in order of 21 crimes and it is considered only "somewhat" serious.

Liu (2014) takes a somewhat different approach to the investigation of the relationship between social norms and tax compliance. He categorized norms into personal norms, social norms and national norms. He also conceptualized tax compliance from the perspective of voluntary and enforced compliance. The author stated that taxpayers will voluntarily comply with tax laws if compliance is in line with their personal, social and national norms. They are also more inclined to abide by enforced compliance if the social and national norms are positively disposed to the power of the government to enforce the provisions of the tax laws.

Wenzel (2005) introduced yet a different scenario to the subject of the relationship between social norm and tax compliance. He stated that most of the taxpayers' beliefs that other people cheat on their taxes, which leads them to join the bandwagon, tends to be mere perception rather the actual evasion by others. He stated that even taxpayers who otherwise, are honest and believe in the necessity of tax compliance tend to deviate on the perception that many other people are cheating on taxes. In the same study, 49 percent of the respondents try to avoid paying their fair share of tax. These findings reveal the fact that taxpayers are suspicious that others are cheaters and this perception is capable of making them act contrary to their own belief in the appropriateness of the tax system.

Despite the numerous studies on the strong relationship between social norm and tax compliance as reviewed in this section, studies in Nigeria are yet to investigate social norm in tax compliance research, to the best of the researcher's knowledge. This study fills this important gap. Social norm is very important as it can cause compliance to come down to zero level (Alm et al., 1992). The compliance level in Nigeria is very low (Okonjo-Iweala, 2014) hence there is need to investigate social norm as a possible factor especially among the self-employed in Nigeria.

3.4.4 Audit Effectiveness and Tax Compliance Behavior

This section discusses the concept of audit effectiveness and its relationship with tax compliance behavior.

3.4.4.1 The Concept of Audit Effectiveness

Audit effectiveness in this study is the combined effect of audit probability, detection and sanction. Previous studies ignored the combined effect and tend to treat audit probability, detection and sanction in isolation. The next section provides an overview on previous studies and shows the need for the concept of audit effectiveness.

Previous studies on Audit probability and tax compliance. Allingham and Sandmo (1972) kick started the scholarly interest in the study of tax compliance. Despite the fact that tax evasion has been of concern to governments for a long time (Kirchler, 2007), Allingham and Sandmo, arguably, were the first to arouse scholarly interest in the matter (Sandmo, 2004). Based on Becker's (1968) economics of crime theory, Allingham and Sandmo (1972) considered the situation of taxpayers when faced with the decision to declare income for tax purpose as a decision under uncertainty. Two pathways are open to the taxpayer: one, He may declare his actual income, two, he may declare less than the actual income. According to Allingham and Sandmo (1972), the choice of any of the above options is not an easy one. Some economic calculations come into play in choosing any of the above options.

The findings of Allingham and Sandmo (1972) have triggered a plethora of research on tax compliance. The relationship between audit enforcement and tax compliance behavior has continued to be investigated. Alm et al. (1992) in an experimental research, found a positive relationship between audit probability and tax compliance behavior. Alm et al. (1992) stated that nearly all economic approaches to the study of tax compliance behavior have followed in the footstep of Allingham and Sandmo (1972). However, audit may not be very effective in all cases especially in the context of self-assessment as noted by Palil (2010).

Slemrod, Blumenthal and Christian (2001) undertook an experimental study to determine the effect of audit probability on tax compliance behavior. Unlike Alm et al. (1992, 1995) who utilized student subjects in artificial settings, Slemrod et al. (2001) investigated actual taxpayers of the Minnesota Revenue Authority in the USA. A group comprising of 1724 taxpayers were randomly selected and were informed via official letter that the tax returns the were about to submit for that year would be subject to audit and should any discrepancies arose, it would be handled appropriately.

Another group of taxpayers who were part of the study was not given any letter and this group acted as the control group. When tax returns were filed for that year, it was discovered that low and middle income earners in the treatment group (the group that received letters) increased their level of tax compliance but compliance level did not increase among high income earners. The control group (the group that did not receive letter) appeared not affected. Slemrod et al. (2001) interpreted the result to imply that the treatment group responded to the threat of audit while the control group remained unaffected. However, the puzzle of the high income taxpayers in the treatment group was challenging as they remain indifferent to the threat of audit. The authors volunteered that, perhaps, they engaged tax experts who aided them in tax avoidance schemes preparatory to filling their returns, in apparent response to audit threat. This aspect of Slemrod et al.'s (2001) findings, perhaps, shows that audit probability may not be a completely reliable strategy for ensuring compliance.

Bergman and Nevarez (2006) used VAT tax return information and enforcement data in Chile and Argentina to investigate the effect of audits on subsequent compliance of taxpayers. The result was mixed and somewhat similar to the findings of Slemrod et al. (2001). They found that audits further compounded noncompliance among cheaters but had positive effect on honest taxpayers. Bergman and Nevarez (2006) reviewed earlier studies that had similar results as theirs and they also suggested possible reasons why audits were effective in some cases and among certain groups but were ineffective in other cases and among other groups. Bergman and Nevarez (2006) suggested that these possibilities could explain why governments of some endemic tax-cheating countries are unable to overcome their noncompliance challenges using audits. Again, this mixed findings similar to Slemrod et al. (2001) revealed the weakness of complete reliance on audit probability as a strategy for ensuring compliance.

In a study that differs from the mixed results of Slemrod et al. (2001) and Bergman and Nevarez (2006), Dubin (2007) found that criminal investigation activities of the IRS improve compliance significantly. The study also found that incarceration and probation has more deterrent effect than fines. In addition to the normal deterrent effect of audit, Dubin (2007) found what he called a spillover effect of audit on tax compliance which he said are the increased compliance from taxpayers whether they are audited or not, apparently for fear of being audited. Similar to Dubin (2007), Ratto, Thomas and Alp (2013), found an indirect effect of audit which they latter called multiplier effect. They stated that this multiplier effect arises from the interdependence of taxpayers. When some people are audited and punished, less people tend to evade and this increases the social cost of evasion thereby leading to even lesser evasion. Hence, Ratto et al. (2013) posited that the multiplier effect can be greater than the direct effect.

An Australian study, Bagaric, Alexander and Pathinayake (2011) appears to have contradicted the position of Dubin (2007). Though Bagaric et al. (2011) did not, on their own, present empirical evidence to counter Dubin (2007), they however cited other empirical cases and presented logically sound arguments to dispute the position that imprisonment as a harsher penalty will lead to decrease in tax evasion. They argue that the deterrence principle is behind punishment of tax offenders but that it is legally wrong to sacrifice an individual to serve as a deterrent to other people. They advocated that punishment of offenders should be limited to the weight of their own offences rather than being punished for the sake of others' hypothetical future crimes. Another salient point in the argument of Bagaric et al. (2011) is that the decision to commit crime, based on the economics of crime approach, is not taken by considering the likely punishment but rather on the probability of detection. As such, strategies to combat tax evasion should emphasize the point that offenders will most likely be caught. This implies greater emphasis on audits.

While Bagaric et al. (2011) disagreed with Dubin (2007) on the nature of penalty for tax offenders, it is evident that they are supportive of audit as a tool for combating tax crimes. The punishment they advocated is fine rather than imprisonment. They argue that it is in the interest of the society to impose fines because imprisonment will further deplete the state's resources by way of the cost of keeping offenders in jail. However, they argued that fines are capable of acting as effective deterrent given the propensity of individuals to accumulate material wealth. In the final analysis, it can be inferred from Bagaric et al.'s (2011) position that audit is a feasible way of deterring offenders. The authors point of disagreement lies only on the manner of punishing the offenders.

Stefura (2012) conducted an experimental study to determine the influence of audit probability on tax compliance and found that the amount of income reported rises as the probability of audit increases. While this study did not differ from earlier ones (Alm et al., 1992, 1995), at least, the context is quite different. Obtaining the same result as Alm et al. from a different social setting as Romania goes a long way to show the universal applicability of the audit probability concept. However, Mohdali, Isa and Salwa (2014) studied the impact of the threat of punishment on tax compliance behavior in Malaysia and found that it has no impact on compliant taxpayers, but rather, it tends to trigger noncompliance. However, this study appears to be based on a shaky methodology as the authors claimed the population they used were salary earners who, in the first instance, has little opportunity to evade.

Hsu (2013) found the desirability of audit among compliant taxpayers in contrast to Mohdali et al. (2014). Hsu's study points out the willingness of compliant taxpayers to punish evaders hence they are willing to support audit. This position is quiet understandable because if free riding is not deterred, in the long run, it becomes meaningless to continue to pay tax while others do not pay and yet get away without consequences. Wang (2001) wrote in support of this position. He maintained that states should establish audit systems that are able to track those who comply with tax provisions and those who do not. Otherwise, he said honest taxpayers would feel they are suckers they would feel exploited and may likely discontinue paying tax.

A relatively recent literature review on the effect of audit on tax compliance was done by Kirchler et al. (2010). While Kirchler et al. (2010) pointed out some inconsistencies in previous research on the effect of audit on compliance, their overwhelming conclusion was that empirical evidence on the impact of audit is quiet strong. This research also reasons in line with Kirchler et al.'s (2010) conclusion. While few studies revealed inconsistencies on the impact of audit on tax compliance behavior, (eg. Slemrod et al., 2001), they do not constitute a major drawback on the empirical findings that established a positive relationship between audit probability and tax compliance behavior. Moreover, many of the dissenting voices on the role of audit in tax compliance behavior appears to dwell on managing the punishment in the aftermath of an audit and the audit procedure rather than a direct attack on the desirability of audit itself (Bargaric et al., 2011; Murphy, 2008). Due to the inconsistencies in findings on audit probability, audit effectiveness is presented in the next section as a better alternative.

3.4.4.2 Audit Effectiveness and Tax Compliance Behavior

It appears most of the literature on the relationship between audit probability and tax compliance behavior take it for granted that when taxpayers perceive the probability of audit as high, they will automatically comply with tax law provisions, Little thought is given to whether all audits are effective. That is, whether audits are able to detect evasion always or whether the authorities can sit back and rely on the auditors' capability and integrity to do the job satisfactorily. Wang (2001) gave an insight into the real situation that is likely to play out when tax auditors go into the field. The stated that the state relies on tax collectors for compliance enforcement. However, the tax collectors may not be willing to act in the best interest of the authorities. It is the duty of the state to ensure that its agents are competent and uncompromisable. Wang (2001) added that taxpayers are deft in concealing their evasive tactics and it takes a matching deftness from the tax officers to be able to detect concealed assets. Another area Wang (2001) looked at the effectiveness of the audit system is in situations where tax officials are compromised by bribes or when they engage in outright embezzlement. In such circumstances, the overall aim of audit is defeated.

Karapetrovic and Willborn (2010) studied the quality assurance and effectiveness of audit systems. The authors state that audit systems like all other systems face the risk of failing to achieve its objectives. They modeled audit system effectiveness in terms of audit reliability, availability and sustainability. Karapetrovic and Willborn (2010) viewed audits as a system comprising a set of interdependent processes using human, material, infrastructural, financial, information and technical resources to achieve objectives. Cohen and Sayag (2010) also studied the effectiveness of audit. They identified two approaches of determining an effective audit. One way is to benchmark the audit outcome against universally accepted audit principles and the second way is to measure the performance against internally set objectives by the stakeholders. The implication of the second approach is that evaluation will be based on subjective score by management that set the objectives in the first instance. The institute of Internal Auditors Research Foundation (IIARF, 2014) mentioned nine critical elements required for an effective public sector audit activity as follows: Organizational independence, a formal mandate, unrestricted access, sufficient funding, competent leadership, objective staff, competent staff, stakeholder support and professional audit standards.

As Wang (2001) noted earlier, it is imperative for a taxpayer' audit to be effective otherwise, it would be tantamount to an exercise in futility. Wang's position is well supported by other tax compliance researchers. Kirchler (2007) stated that evaders must be detected by applying effective strategies. Kirchler (2007) also expressed concern over integrity as stated by Wang (2001). An interesting but worrying concern raised by Kirchler (2007) is that audits must be effective because if it fails to uncover existing noncompliance, the result could be counterproductive. Kirchler (2007) maintained that taxpayers may conclude that audits only bark but cannot bite which then means it pays to evade. The self-employed taxpayers particularly have more opportunity to evade if they found that audits are not effective since they pay tax out of pocket unlike salary earners whose salaries are taxed at source.

For audit to be effective, it must encompass three stages: Audit probability, detection probability and sanction severity. Separating them as done by previous studies could be the cause of numerous inconsistencies found in previous studies. This study fills the gap in previous studies by introducing audit effectiveness as a construct that harmonized disparate constructs as previously investigated. Hence there is need to investigate the combination of audit probability, detection probability and sanctions as a combined construct which is called audit effectiveness in this study. Relating to self-employed taxpayers, if audit is not effective, they may not be willing to comply since they are aware they can evade and go free (Kirchler, 2007).

3.4.5 Tax Service Quality and Tax Compliance Behavior

This section will discuss the concept of tax service quality and also its relationship with tax compliance behavior.

3.4.5.1 The Concept of Service Quality

The focus of businesses on quality gained momentum in the 1980s (Parasuraman, Zeithaml & Berry, 1985). Despite the heightened interest in quality during this period, Parasuraman et al. (1985) maintained that little attention was given to service quality as focus was mostly on physical goods. However, the authors stated that services are quite distinct from physical goods and this distinction is obvious in three ways – intangibility and heterogeneity. Intangibility means services can only be felt but not touched and cannot be evaluated prior to sale. Heterogeneity means services are not easily standardized unlike products that could have millions of units mass produced with the same physical specification. Heterogeneity also result from the fact that services are produced by personnel who do not act consistently in all situations and to all people. Intangibility of services means, unlike physical products, services cannot be touched and physically evaluated thus making it difficult to investigate.

While services suffer from conceptual difficulty as a result of the intangibility and heterogeneity, Parasuraman et al. (1985) posited that there is a consensus among researchers on the meaning of service quality. The consensus position is that consumers of service generally have expectations prior to receiving services and their evaluation of the outcome and service experience in relation to their prior expectation is what constitutes the service quality. Parasuraman et al. (1988) continued study on the concept of service quality with the development of SERVQUAL, a 22-item instrument for measuring service quality. They noted that the heightened competition and rapid deregulation have led to service businesses shifting emphasis towards service quality as a means of distinguishing their businesses.

Asubonteng, McCleary and Swan (1996) attributed the rising concern about service quality to the intensifying competition among businesses. They reiterate the position of Parasuraman et al. (1985) that service is difficult to evaluate but agreed with them and other researchers that the expectation-outcome model is the best way to define service quality. They stated that service quality theory predicts that customers will rate services according to how well it meets their expectation. They will rate it low if it does not meet their expectation and high if it meets or exceed their expectation. Asubonteng et al. (1996) further asserted that increasing quality of services leads to more patronage by customers.

Dotchin and Oakland (1994) reiterated the need for service quality in line with previous researchers. They however went a step further by advocating for the application of Total Quality Management (TQM) to service quality. Brady and Cronin (2001) stated that customer-oriented firms performed higher on the customer satisfaction scale. They found that the perception of customer orientation positively influences the customer's evaluation of the quality of firm's services.

The interest in the implication of service quality grew phenomenally in the 1980s and thereafter due to intensifying competition among service businesses and the economic deregulation that became widespread at that time (Parasuraman et al., 1985, 1988; Asubonteng et al., 1994). However, the aspect of service quality that generated the most academic interest at that time was services of private businesses. Government or public sector services did not receive much attention. However, it should be noted that the objectives of the private sector businesses are quite different from those of public sector organizations (Agus, Barker & Kandampully, 2007). Agus et al. (2007) noted that profit motive is the main objective of the private sector thereby driving it to provide higher quality services in order to survive competition. In contrast, the public sector is a provider of social services and not motivated by profit. They also attributed the slow pace of adoption of the quality concept by the public sector to difficulty in measuring public sector service outcome and the limitation imposed by the law.

Hsiao and Lin (2008) studied service quality in Taiwan's public sector. They concluded that the era of the traditional bureaucratic design of the public sector is over. They argued this position by referring to the trend of globalization which makes it imperative for governments to be more competitive. Agus et al. (2007) stated that in response to the need for improved service delivery, many public sector organizations adopted the New Public Management (NPM) strategy in the early 1990s. Similar to the position of Hsiao and Lin (2008), Agus et al. (2007) stated that the public sector was slower to embrace service quality but it is fast catching up with the quality approach due to growing customers' expectations, heightened competition between some public services that are also provided by the private sector and the need to grow revenue.

Brysland and Curry (2001) threw more light on the issue of applying the private sector standards of service quality on the public sector services. They pinpointed inherent problems in applying service quality to the public sector by stating that public sector organizations lack clear performance targets. Brysland and Curry (2001) also noted the problem of applying service quality to public sector services which by their nature are monopolistic, that is, the public that consume such services have no alternative. Despite pointing out the complexities of services in the public sector, Brysland and Curry (2001) maintained that instruments designed to measure service quality in the private sector can also be applied to the public sector provided the instrument is appropriately tailored to the context in which it is to be applied and the customer is clearly identified.

Holzer, Charbonnean and Kim (2009) studied the trend of public service improvement in the United States for twenty-five years. They stated that public institutions in the United States embraced the service quality phenomenon as fallout of citizens' demands for improved government services. They posited that citizens are in the best position to evaluate the quality of government services, after all, the services are provided for the citizens in the first instance. Holzer et al. (2009) also justified the reliance on citizens' evaluation of service quality by comparing the perception of citizens with empirical observations by trained observers. The study found citizens' perception to be fairly accurate which means it can be relied upon to give fairly accurate assessment of service quality.

3.4.5.2 The Relationship Between Tax Service Quality and Compliance Behavior

Tax service quality is defined as how well the tax authority meet the expectations of the taxpayers (Alabede, 2012). Many factors have been adduced for the noncompliance among taxpayers in developing countries. OECD (2007) identifies taxpayer service delivery as a crucial factor that engenders compliance. The organization posits that user-friendly services that are accessible and understandable by taxpayers would go a long way in improving voluntary tax compliance. In the same vein, OECD (2005) earlier elaborated on the need to foster voluntary tax compliance by establishing high standards of services. OECD (2005) outlines some recommended steps:

i. Providing clear explanations of the law, in a form and manner and at a time suitable for taxpayers
ii. Establishing arrangements that assist taxpayers meet their obligations at a minimal cost and inconvenience
iii. Giving accurate responses to taxpayers' questions in reasonable period of time
iv. Quickly resolving taxpayers' complaints

The above guide to good tax service quality as outlined by OECD (2005) is similar to Parasuraman et al. (1988) construct of service quality, SERVQUAL, which encompasses the reliability, responsiveness, assurances, empathy and tangibles of service quality. Bojuwon and Obid (2015) in a recent study on tax service quality utilized the

SERVQUAL approach and Alabede et al. (2011) also used the approach in measuring tax service quality. They found a positive and significant relationship between tax service quality and compliance behavior at a p-value of 0.001. In Nigeria, the quality of public services has been of concern to researchers which lead Alabede et al. (2011) to investigate tax service quality in relation to tax compliance behavior. The study found a positive and significant relationship between tax service quality and tax compliance behavior. Since this study's model is different from Alabede model, there is need to retest tax service quality to see how it performs in this model. Moreover, Alabede's (2012) study is now six years old and there is need to reconfirm the current perception of taxpayers on tax service quality.

In this study tax service quality was measured using Brady and Cronin (2001) which was also used by Alabede et al. (2011). Tax service quality was measured based on interaction quality and outcome quality; Interactions between the tax authorities and the taxpayers and the outcomes of such interactions and whether taxpayers are satisfied or otherwise.

3.4.6 Perceived Fairness of the Tax System and Tax Compliance Behavior

Gilligand and Richardson (2005) stated that perceived fairness has to do with taxpayer's perceptions about the general fairness of the tax system, exchange with government, attitude towards tax evasion of the wealthy and preferred tax structure. In another study, Kirchler, Hoelzyl and Wahl (2008) discussed perceived fairness. Previous studies are unanimous on their findings on the relationship between fairness perception and tax compliance behavior (Gilligand & Richardson, 2005; Kirchler et al., 2008). These studies stated that citizens most often express concerns about the fairness of the tax system. Kirchler et al. (2008) also found a positive relationship between perceived fairness and tax compliance behavior in a survey study with 208 respondents in Austria. The authors stated that fairness involves distributive justice, which they describe as exchange of resources, benefits and costs; procedural justice, which they explained as the process of resource distribution and retributive justice which means perceived appropriateness of sanctions when laws are broken.

Fairness is an abstract social phenomenon and like most social concepts, the exact definition and usage is embroiled in controversy. Klosko (1987) stated that the principle of fairness received attention from important political philosophers like John Rewls and Hart. Klosko further stated that when individuals embark on a cooperative scheme for the benefit of all, every individual has the right to a similar treatment as every other person. According to Klosko (1987), there could be problem in determining what constitute a cooperative scheme.

However, based on insights from the political philosophy of Hart, taxpayers can be said to be involved in a cooperative scheme. The underlying principle behind taxation is that taxpayers contribute to a pool of fund from which everyone is catered for based on the contractual relationship between the government and the governed. In this type of situation, fairness concerns are very important. Tax compliance researchers have since realized the implications of fairness in sustaining the tax system hence it has been receiving increasing attention in tax compliance literature.

Gilligand and Richardson (2005) investigated the impact of fairness perceptions on tax compliance in Australia and Hong Kong. They found that fairness perception has a positive relationship with tax compliance in the two countries. Similar to Klosko (1987), they asserted that fairness could be difficult to precisely define. They, however, noted that perception of fairness has been recognized within tax compliance literature as one of the most important variables that influence compliance. The authors reiterate the fact that, for any tax system to become successful, the public must perceive it as fair, most especially if they are to pay their share voluntarily. Similarly, Gilligand and Richardson (2005) noted that a tax system may not succeed if taxpayers perceive it as unfair and inequitable. In Nigeria, the self-employed people always complained about being cheated by the government and other business people (Bodea & Lebas, 2014) hence there is need to investigate whether the perception of fairness influence their tax compliance behavior.

Additionally, Saad (2011) investigated the relationship between fairness perceptions and found that it influences tax compliance behavior. Fairness perceptions have also been investigated by other tax compliance researchers. For instance, Loo and McKerchar (2010), performed a survey of sixty individual taxpayers in Malaysia and found that taxpayers' perception of fairness influences their tax compliance behavior. This result is similar to previous ones like Porcano and Price (1992), Song and Yarbrough (1978), Efebera, Hayes, Hunton and Oneil (2004) and Etzion (1986).

However, it should be noted that that other studies found negative results on the relationship between fairness perceptions and tax compliance behavior. Such studies include Coleman (1997), Porcano (1988), Bobek (1997) and Haseldine, Kaplan and Fuller (1994). Perhaps, in these studies, other issues might be more important than tax fairness resulting in the negative findings. Studies that Investigate tax fairness perception are not common in the literature on tax compliance in Nigeria. Alabede et al. (2011) investigated the concept as a dimension of tax system structure in their study. There is need to investigate fairness of the tax system once again in this model. Unlike the Alabede model, tax fairness perception is investigated as a stand-alone construct in this study. This is in line with Gilligand and Richardson (2005).

3.4.7 Tax System Complexity and Tax Compliance Behavior

Tax complexity is defined as how easy or difficult taxpayers are able to understand and comply with the tax laws (Richardson & Sawyer, 2001). It can take different forms such as computational complexity, forms complexity (American Institute of Certified Public Accountants, 1992), compliance complexity, rule complexity (Carnes & Cuccia, 1996), procedural complexity (Cox & Eger, 2006) and the low level of readability (Pau, Sawyer & Maples, 2007; Richardson & Sawyer, 1998; Saw & Sawyer, 2010; Tan & Tower, 1992). Tax complexity has been associated with the quality of tax systems (Milliron, 1985). According to Milliron (1985), results from previous studies were mixed. Song and Yarbrough (1978) concluded that tax complexity was not much of a problem in tax compliance while others found mixed and complicated relationships.

While these earlier studies were not emphatic about the negative effect of tax complexity on compliance, later studies are finding tax complexity to be a major bane of the tax system. For instance, Kaplow (1996) investigated the relationship between tax system complexity and tax compliance behavior and found that complex tax system has a negative relationship with tax compliance behavior. They stated that complexity of the tax system imposes additional cost of compliance on the taxpayers. He stated that complexity can arise from poor rule writing. Additionally, Saad (2014) found that taxpayers view the tax system as complex and this could influence their compliance behavior.

Similarly, Galli and Profeta (2007) investigated the relationship between tax system complexity and tax compliance behavior. They used a survey of 400 respondents and found a significant negative relationship between tax system complexity and tax compliance. They contended that tax systems are complex and a lot of debates have been done on this issue. Like Kaplow (1996), Galli and Profeta (2007) stated that complexity of the tax system imposes additional compliance cost on the taxpayers. Moreover, they stated that the authorities also suffer a higher cost of collection when the tax system is complex. Mckerchar (2001) provided a new insight into the problem. The study stated that all cases of noncompliance cannot be intentional as some people genuinely intended to comply but become noncompliant due to complexity.

According to Edwards (2006), the federal income tax system in America is terribly complex and inefficient. He stated that the complexity of the American tax system got worse from 2000 to 2006, with the number of pages on the tax rules increasing by 42 percent. Edwards stated that a survey in 2005 found that two-third of taxpayers failed to provide correct answers on basic questions on tax rules thereby reflecting the complexity of the system and the difficulty it poses for taxpayers.

Tran-Nam and Evans (2014) also investigated the relationship between tax system complexity and tax compliance in Australia. They found that complex tax system poses a problem to tax compliance among the population. They stated that concerns about tax systems complexity are worldwide. They stated that, in 2010, a federal court judge in Australia remarked that tax legislation in general is simply far too complex. They also asserted that taxpayers and businesses in USA spend 7.6 Billion hours and incur significant out-of-pocket expenses each year complying with federal income tax filing requirements.

In Nigeria, a limited number of studies have been done to investigate the impact of tax system complexity on tax compliance behavior. One of the few studies was done by Alabede et al. (2011) who found that tax laws are complex and difficult to comprehend by taxpayers. This finding from Alabede et al. (2011) is supported by recent findings from PricewaterhouseCoopers (PwC) Paying Taxes Reports (PwC, 2014). The study undertook an investigation of 189 economies worldwide and rated them according to ease of paying taxes. Nigeria was ranked 170 out of 189 which is indicative of the fact that Nigeria one of the worst countries on the global ranking. Based on the PwC reports of 2014, there is need to investigate tax system complexity in Nigeria to determine its effect on tax compliance behavior among the self-employed population.

3.4.8 Attitude Towards Tax Evasion and Compliance Behavior

Attitude is the belief people hold about different subjects (Ajzen, 1991). In the context of tax compliance, it is the belief taxpayers hold about the tax system (Alabede, 2012). In the social sciences, attitude is largely believed to influence behavior. The importance of attitude in predicting behavior was brought into academic discourse by Fishbein and Ajzen (1975). In the theory of planned behavior, attitude is explained to precede behavior. The scholars held that attitudes develop from the beliefs we hold about or subject of attitude which make us to ascribe certain characteristics to such objects or subjects. Ajzen (1991) stated that the attitude we form about phenomena could be positive or negative thereby influencing our behavior positively or negatively towards the object or subject.

Tax compliance is a behavioral issue hence early researchers on tax compliance discovered the relationship between tax compliance behavior and the attitudes that informed such behaviors. Jackson and Milliron (1986) included attitudes and ethics among variables found to influence tax compliance and Fischer et al. (1992) followed suit. Since then, several tax compliance researchers have investigated the relationship between taxpayers' attitudes towards tax and their compliance behavior in their respective jurisdictions mostly finding positive significant effects.

Torgler and Shaffner (2007) investigated attitude and its relationship to tax compliance. The study utilized the survey method 2000 respondents. They found significant positive relationship between attitude and tax compliance. They drew attention to attitudes and norms as factors responsible for tax evasion in addition to the economic factors of Allingham and Sandmo (1972). Torgler and Schafner (2007) on their own part investigated the relationship between tax morale (which they defined as tax attitude) and tax compliance behavior. They concluded, in line with findings from their study, that tax morale (attitude) is a key determinant of tax compliance behavior.

Eicher, Stuhldreher and Stuhldreher (2007) recalled incidences of increasing tax evasion in America despite frantic effort by the IRS to fight the scourge. The authors stated that an IRS-commissioned survey of American taxpayers by Koper Starch in 1999 revealed that a large percentage of the taxpayers harbor unfavourable attitudes towards the tax system. The importance of citizens' attitudes towards fiscal issues may have been on the front burner of academic discourse before tax compliance research became popular. For instance, Muehller (1963) studied the effect of public attitudes towards fiscal programs. The author emphasized the need to determine people's attitudes towards fiscal programs. They said policy makers and researchers need the result of such surveys in their work. Muehller (1963) also pointed out the existence of surveys of citizen attitudes towards government fiscal programs in the USA as far back as 1960.

The relationship between taxpayer's attitudes and their compliance behavior is not limited to the USA; it appears this relationship is a universal phenomenon. For instance, in Australia, Niemirowski, Baldwin and Wearing (2003) studied the relationship between tax-related values, beliefs, attitudes, knowledge and actual tax behavior and found similar results as the USA studies.

Reckers, Sanders and Roark (1994) investigated the relationship between ethical attitudes and tax compliance behavior and found similar results as other studies. They stated that several survey research indicated ethical beliefs about tax evasion affects compliance behavior more than the economic factors earlier believed to be the major determinants of tax compliance behavior.

In Nigeria, several studies have also found that taxpayers' attitudes towards the tax system constitute an obstacle to the optimum performance of the tax system. A more recent study on this matter was conducted by Alabede et al. (2011). Like most previous studies and as obtained in other jurisdictions, Alabede et al. (2011) found a positive relationship between taxpayer's attitudes and their tax compliance behavior. These study incudes this variable in its model due to its importance as articulated by previous studies. Especially, there is need to retest this construct in the context of the self-employed in Nigeria.

3.4.9 Citizen Engagement and Tax Compliance Behavior

Citizen engagement is defined as the manner government enables citizens to participate in affairs of government (Holmes, 2011). It has previously been studied in the field of public administration (Roberts, 2004). Perceived citizen engagement is similar to cooperative compliance as currently being advocated by OECD (2013). Maier-Rabler and Huber (2011) stated that citizens are increasingly demanding for open governance. According to the authors, "open" encompasses open data and open information. Citizens are no longer satisfied with being passive partakers in governance and want to be actively involved in agenda-setting, decision making and policy implementation. In line with Maier-Rabler and Huber (2011), McGee and Edwards (2016) stated that open data and open governance is an emerging field of governance which is related to the well-established subject of transparency and accountability.

Corroborating earlier assertions, Roberts (2004) stated that citizen participation in decisions that affect their lives is an essential ingredient of democracy. The author stated that contemporary governance is shifting towards the role of the public. He further stated that the need for citizen participation in the budgetary process is more imperative in periods of fiscal stress. Periods of financial constraints call for painful sacrifice among taxpayers and there is more need for government to involve them in the process. Public deliberation and participation by citizens is the key ingredient of democracy and citizen engagement. It has a long history traced to the ancient Athenian town hall meetings in Greece (Carpini, Cook & Jacobs, 2004). Carpini et al. (2004) articulated benefits derivable from an emphatic, egalitarian, open-minded and reason-centered deliberation. Some of the benefits are: citizens become more tolerant of opposing views and faith in the democratic process will be enhanced.

Citizen participation and engagement and its impact on development are increasingly becoming a subject of interest in the field of governance (Gaventa & Barett, 2012). Their study which involved meta-analysis of a sample of 100 cases found positive effects of citizen participation across the sample with some negative outcomes as well. Similar to Carpini et al. (2004), Gaventa and Barett (2012) found that citizen engagement can empower citizens to participate in development and hold the state accountable, build responsive states and create inclusive and cohesive society.

Coming down to the African continent, democratic governance has been a subject of serious concern within and outside the continent. Obasi and Lekorwe (2014) stated that African countries have a long history of military dictatorships, authoritarian one-party democracies, oppressive monarchies and weak institutions. These deficiencies do not allow for effective citizen engagement in public affairs. Ironically, African countries are grossly underdeveloped and, as such, have a higher need for citizen participation to drive development. The need for citizen engagement in Africa is most urgent in the area of tax revenue generation to develop the countries.

However, it appears African governments are yet to actively engage with their citizens on matters of taxation. A strong evidence of citizen non-engagement on tax issues emerged from Aiko and Logan (2014) in an Afrobarometer study. The study surveyed citizens in 29 sub-Saharan countries and found that citizen express willingness to support the tax system but are challenged by the nontransparent nature of fiscal governance in the continent. Findings from the study suggested that taxpayers in Nigeria support taxation as a source of government revenue. However, Nigerians are among the top five countries with the highest percentage of citizens who stated that it is difficult to obtain information about the tax system.

Apart from difficulty in obtaining information, there is also need for citizen to directly participate in government programs. Government need to involve them so that their feedbacks are incorporated into government programs (Aiko & Logan, 2014). This is a pointer to the fact that citizens are not adequately engaged on tax matters. Due to the problem identified in Aiko and Logan (2014). In line with Aiko and Logan (2014), this study decided to investigate citizen engagement and its influence on tax compliance. It is even more important to involve the self-employed in government programs because they work for their selves and provide for their families. They may not be willing to pay tax if they are not engaged by government.

3.5 Summary of Chapter

The chapter began with a review of previous studies on the concept of tax compliance and noncompliance. Findings from previous studies indicate that these two terms are opposite sides of the same coin. Thereafter previous studies on public governance quality and its relationship with tax compliance were investigated. In other countries, the relationship was investigated in terms of public goods supply and public spending (Alm et al, 1992; Palil et al., 2013; Doerrenberg, 2015). However, Alabede et al. (2011) investigated perceived public governance quality in relation to tax compliance in Nigeria and found a positive relationship. This study found a gap in this relationship because Alabede et al. (2011) did not explain the mechanism through which public governance affects tax compliance behavior. A mediating relationship is thus necessary as advocated by Baron and Kenny (1986) and Hayes (2013). This chapter also reviewed literature on socioeconomic condition which it identified as the construct that mediates the relationship between public governance quality and tax compliance behavior. The summary on literature on socioeconomic condition points to the need for government to improve the lives of citizens if they are to be happy to pay tax. Literature on other factors responsible for tax compliance were reviewed (perceived social norm, perceived citizen engagement, perceived audit effectiveness, tax fairness perception, perceived tax system complexity, perceived tax service quality and attitude towards tax evasion). In each case, the gap in literature and the need to include the variable in this study were highlighted.

This study is different from other studies reviewed because it highlights socioeconomic condition as a mediating variable between public governance quality and socioeconomic condition. This study is also different from other studies in Nigeria by investigating social norm and perceived citizen engagement. The study is also different because it investigated perceived audit effectiveness which is broader than audit probability.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 Introduction

This chapter explains the methodology adopted by this study to answer the research questions and to achieve the objectives of the study. The study utilized a mixed method design and a sequential exploratory approach (Creswell, 2009) as was also done in the tax compliance research of Rosid et al. (2016). The objective of the qualitative study is just to gain more understanding from the taxpayers and the second study is a wider investigation using survey method. This approach starts with interview in the first stage and ended with a second stage which is the quantitative study. This chapter gives details of how both the qualitative and quantitative studies are designed and how they were conducted. The chapter also describes the method of data generation and analyses in both studies.

4.2 Research Design

Once the research problem is defined and relevant literature is consulted, the next step in the research process is to design the study in such a way as to be able to answer the research question convincingly. Sekaran and Bougie (2013, p.94) defined research design as “a blueprint for the collection, measurement and analysis of data based on the research questions of the study”. Similarly, Creswell (2009) sees it as the plan for conducting the research which encompasses the philosophical assumptions of the researcher, detailed method of data collection and analysis and interpretation. Creswell

(2009) further advised that the selection of a research design depends on various factors such as the researcher's personal experience, the research problem and the audience of the study.

The design of this study was guided by the above leading authorities. The study utilized a mixed method design whereby the research questions are answered through a mix of approaches – qualitative and quantitative (Creswell, 2009). There are justifications for adopting the mixed method. Firstly, tax compliance is a complex behavioral problem that has been subjected to numerous quantitative investigations. However, such complex behavioral problems are better understood when subjected to qualitative interviews (Charmaz, 2006; Creswell, 2013). As Umar, Chek and Idawati (2016) argued, quantitative surveys cannot reveal deeply-held feelings and emotions. For instance, they argued that in a quantitative survey, a respondent could indicate dissatisfaction with public service by ticking 'dissatisfied', 'agree' or 'disagree', depending on options available in the particular questionnaire. However, beyond that, quantitative surveys cannot determine the actual level of dissatisfaction; the participants' perception about the causes of the problem cannot be known from ticking options in the quantitative surveys and clues are not given in terms of how the problems could be resolved from the participants' perspectives. This weakness is mitigated in a qualitative interview where the procedure involves exchange of views between the researcher and the participants.

Previous studies on tax compliance have utilized the mixed method design (Loo, Mckerchar & Hansford, 2009; Mohdali & Pope, 2014; Isa 2013; Rosid, Evans & Tran-Nam, 2016). However, in the context of Nigeria, mixed methods study are not very common to the best of the researcher's knowledge. While the qualitative approach can uncover deep-rooted and complex issues, it has limitations in terms of sample size and generalizability (Creswell, 2009). This peculiar weakness is taken care of by the quantitative study. The combination of the two approaches in this study is thus meant to maximize the benefits of both approaches and to minimize the weaknesses. According to Johnson, Onwugbuzie and Turner (2007), the mixed method could be conducted in three ways: qualitative dominant, equal status or quantitative dominant. This assertion was corroborated by Creswell (2009). This study favors the quantitative dominant method.

The sequence of the mixed design is also a very important consideration in designing a mixed method research (Johnson et al., 2007; Creswell, 2009). This position is also corroborated by (Johnson et al., 2007). This study utilized the qualitative to quantitative design. The mixed method approach of combining both qualitative and quantitative study enables a better understanding of the issues surrounding tax compliance in Nigeria among the self-employed. After the qualitative aspect of the study, the quantitative design was based on taxpayers' survey in which they responded to questionnaire items. Data from the survey was subsequently analyzed using a hypothesis testing method.

The researcher's philosophical position which informs the mixed methodology design is the pragmatist school of epistemology. While the positivist school of thought favors the quantitative approach, the interpretive school favors the qualitative approach (Greene & Hall, 2010). Between the two extremes lies the pragmatist school of thought. The pragmatist researcher is open to any of the above two methods and does not strictly adopt a hard line on a particular school. In the pragmatist school, the researcher believes that research design should be informed by the research questions and the objectives of the researcher rather than a strictly epistemological position. This study was conducted in line with the pragmatist philosophy.

4.3 The Qualitative Study

This section discusses the entire process followed in conducting the qualitative study, from the design to data collection and analysis.

4.3.1 Design of the Qualitative Study

Due to the objective of the study which emphasizes gaining understanding of tax compliance behavior and the motivations behind it among taxpayers in Nigeria, this study adopted the qualitative design in this section based on insights from Creswell (2013). Creswell advised that the qualitative approach is the better option when there is need for a complex, detailed understanding of a problem and this can be accomplished by talking to those involved directly. This is in line with the objective of the study which seeks to understand the tax issues based on the perspectives of the taxpayers. This study utilized intensive interviewing which, according to Chamaz (2006) allows the participants to do most of the talking.

4.3.2 Research Context, Population and Participants

Due to the constraint of qualitative research designs in terms of coverage, this section of the study will be limited to the self-employed taxpayers in Nigeria's capital city, Abuja. The participants are 32 self-employed in Nigeria's capital city of Abuja aged between 33 to 62 years. They operate their own businesses in areas as diverse as transportation, auto dealership, general merchandise, hotel ownership and self-employed professional service providers (doctors, lawyers, engineers). The selected participants have annual income range of ₦5,000,000 to ₦20,000,000.

Table 4.1
Particulars of Participants

Name	Age	Gender	Nature of Business	Years in Business	Number of Staff	Annual Income *(NGN Million)*
Participant 1	51	Male	Road transport	21	36	15 – 20
Participant 2	33	Male	Auto dealership	8	4	5 – 10
Participant 3	62	Male	General merchant	34	4	10 – 15
Participant 4	45	Male	Hotel owner	6	21	5 – 10
Participant 5	56	Male	Hotel owner	18	18	10 – 15
Participant 6	60	Male	Auto spare parts	25	3	10 – 15
Participant 7	61	Male	Bakery	26	12	15 – 20
Participant 8	44	Female	Bakery/eatery	10	9	5 – 10
Participant 9	42	Female	Fashion chain	8	16	5 – 10
Participant 10	38	Male	Building Engineer	7	20	10 – 15
Participant 11	60	Male	Law firm	20	8	15 – 20
Participant 12	58	Male	Law firm	21	12	15 – 20
Participant 13	40	Female	Hotel owner	6	20	5 – 10
Participant 14	39	Female	Bakery/ eatery	7	22	5 – 10
Participant 15	61	Male	Medical Doctor	18	14	5 – 10
Participant 16	37	Female	Pharmacy	8	6	5 – 10
Participant 17	33	Male	Auto spare parts	7	3	5 – 10
Participant 18	50	Female	Hotel owner	11	22	15 – 20
Participant 19	41	Male	Building engineer	7	19	15 – 20
Participant 20	43	Male	Road transport	13	41	10 – 15
Participant 21	49	Female	Supermarket	9	6	5 – 10
Participant 22	35	Female	Fashion designer	8	8	5 – 10
Participant 23	54	Male	Hotel owner	12	23	10 – 15
Participant 24	33	Male	Poultry Farm	6	10	5 – 10
Participant 25	40	Male	Auto dealer	9	4	5 – 10
Participant 26	59	Male	Law firm	13	14	15 – 20
Participant 27	45	Female	Restaurant chain	7	32	10 – 15
Participant 28	42	Female	Supermarket	6	11	5 – 10
Participant 29	52	Male	Estate developer	16	18	10 – 15
Participant 30	37	Female	Bakery	7	12	5 – 10
Participant 31	53	Female	School proprietor	14	24	10 – 15
Participant 32	47	Male	Elect. engineer	9	5	5 – 10

NGN=Nigerian Naira

4.3.3 Materials

A semi structured interview was used to elicit response from the participants. Semi structured in the sense that a standard question was put across to all participants thus:

> *Government has complained of tax noncompliance among businessmen. We would like to know your experience about the tax system generally and the reasons, in your opinion, people do not pay tax.*

This method was previously used by Ashby and Webley (2008). However, the entire interview could be said to be open ended because, apart from the single standard question, responses were not structured and follow up questions depended on the responses from participants. In most cases, the interviewers sought clarifications on some responses and in some cases, responses led to follow up questions. In order to elicit frank responses, the interviews were conducted in an informal atmosphere, in a conversational tone. The interviewers were instructed to avoid questions that could be directly vindictive in order not to jeopardize the truthfulness of responses. Interviewers were also instructed to avoid being judgmental, to be good listeners and to inquire when they need clarifications.

4.3.4 Procedure

The procedure started with recruitment of participants. It was followed by the interviews and then data from the interview were analyzed.

Recruitment*:* Participants were randomly recruited within the capital city of Nigeria – Abuja. The initial process was kick started with 100 introductory letters, consent forms and brief demographic questionnaire distributed to businessmen across the city. The introductory letters introduced the researchers and explained the rationale of the research. Participants were assured that the research was an academic exercise with the objectives of contributing to improving the tax system and not a government-initiated investigation. They were also informed that participation was entirely at their discretion and they could opt out at any stage of the exercise. Hence a consent form was attached to the introductory letters for them to communicate their consent or otherwise.

The introductory letters also clearly stated that views and opinion of participants would be treated anonymously. A demographic questionnaire was attached to the letter and the essence was to screen out those that did not meet the criteria for the interview. Participants were also requested to choose their preferred dates for the interview within a period of three weeks and also their preferred venues. This serves as a guide in scheduling the interview appointments. 38 processed forms were retrieved translating to 38 percent response rate.

The interview: The interview took place within 17 days according to dates chosen by participants though there were slight adjustments in some cases. Most of the participants chose their offices as preferred venues hence the interviews were conducted in their offices. The interview crew consisted of two interviewers, a tape recorder was used but a manual transcriber also transcribed directly as the participants spoke. The lead researcher was also part of the team as the leader and director of proceedings. He also took notes and asked questions as the need arose. Interview times ranged from 40 minutes to 2 hours depending on the participant's willingness to engage in a wider conversation. At times, conversations veered into non-tax issues in order to keep participants engaged, enliven the discussion and gain their confidence. Only 32 participants were interviewed out of 38 scheduled interviews.

Qualitative data analysis*:* Validity and reliability of the data were ensured by member checking on participant's statements. However, unlike the norm where researchers go back to participants, after transcribing, to confirm the accuracy of the transcribed statements, participant's statements were confirmed on the spot. This was due to the extensive nature of the interviews, the difficulty of obtaining repeat appointments and the logistical problems another round of visits would entail. The interview tapes were transcribed and checked against manual notes for likely discrepancies. The transcripts were then analysed using thematic networks in line with Attride-Stirling (2001). The first step was a thorough line by line reading of the transcript to identify basic themes; the basic themes were then arranged into organizing themes which then coalesced into a global theme.

4.4 The Quantitative Study

The quantitative study was carried out after the design which follows the quantitative survey procedure. The process is explained as follows.

4.4.1 Design of the Quantitative Study

The survey method was adopted for the quantitative study in this research. Some tax compliance studies use the experimental method. Notable among authorities who mostly used the experimental method is James Alm (Alm et al. 1992, 1995). Those in favour of the experimental design justified this method on the basis of the secretive and criminal nature of tax noncompliance such that those involved may not be willing to give accurate and reliable information (Alm, Kirchler &Muehlbacher, 2012). Alm et al. (2012) also stated that it may be difficult to control for other complex factors that account for taxpayers' behavior in surveys. Devos (2007) pointed out the advantages of using the experimental method as convenience sampling and good response rate. It also permits the manipulation of economic factors.

However, the disadvantages of the experimental method as pointed out by Devos (2007) are also overwhelming. Most of the experimental studies on tax compliance drew their sample form student population and how this sample can be generalized to actual taxpayers is debatable in Devo's (2007) assertion. Additionally, he stated that the deterrent effects measured in experimental studies are real but in practice, it is perceived deterrence that influences taxpayers' behavior hence there is a divergence between experimental studies and practical realities.

Despite the argument for and against tax compliance studies by experiments, the survey method appears to be more acceptable to tax compliance researchers. Most of the argument for the survey method justified their positions with the need to determine taxpayers' perceptions and attitude towards the government, tax authorities and tax payment. Kirchler (2007) stated that the manner citizens view their governments matter fundamentally in determining how they respond to their tax obligations. Based on this position, it can be argued that surveys are important in determining the motive behind tax compliance behavior as subjects of experimental studies cannot reflect the real attitudes of taxpayers in the real world.

Fjelstad, Schulz-Herzenberg & Sjursen (2012) did a study on taxpayers' views in Africa using Tanzania as their setting. They contended that surveys are able to capture a wide range of variables which are subjective to the taxpayers. They also maintained that surveys allow for gathering of information from a large population of respondents and permits the objective analyses of the data using scientific approach. These processes allow for generalization. Such is not the case for experimental studies which are often limited by their sample size. In addition to the common worries expressed on survey methods which is possible unreliability of response, Fjelstad et al. (2012) also stated that survey research on tax compliance may be hampered by its cross sectional nature, that is, it may be difficult to compare possible changes in results or trend overtime. However, they proffered a solution which is the possible repetition of surveys overtime. Afrobarometer has already instituted a survey of perceptions in Africa which is repeated yearly in line with this assertion.

Torgler (2008) affirmed the shortcomings of survey method as pointed out by other researchers, however, he stated that the method has a capacity to provide a clear picture of socioeconomic and demographic variables and these are helpful in the investigation of theories. Torgler (2008) further pointed out that surveys allow for comparisons across countries. In addition to experiments and surveys, Torgler (2008) also mentioned audit data from tax authorities as a useful source of secondary data for researching tax compliance behavior. However, this might be subject to availability and accessibility.

Based on the arguments for and against the different methods of tax compliance research and the peculiar objectives of this study, the survey method will be adopted. Alabede et al. (2011) which earlier developed a framework for tax compliance research in Nigeria also utilized the survey method.

4.4.2 Conceptual Framework

While developed countries have been, to a large extent, effective in raising tax revenue to fund government activities, developing countries are generally believed to have done poorly (Besley & Persson, 2014). Unfortunately, most of the researches on tax compliance are also conducted in developed countries. Developing countries where the impact of noncompliance is mostly devastating are yet to receive adequate research attention (Ali et al., 2013). Nigeria is one of such countries. It should be noted that the conceptual frameworks for researching tax compliance behavior in developed countries may not produce optimal results if applied to developing countries given the peculiarities of the later. Thus there is need to develop country specific frameworks for solving tax compliance problems (Bird, 2013).

The conceptual framework, according to Sekaran and Bougie (2010), represents the researcher's beliefs about how the variables, constructs and concepts in the framework are logically connected. However, Sekaran and Bougie (2010) stated that these connections should be backed by theories and literature from previous studies. Furthermore, there should be an explanation on how and why these variables are interrelated with one another.

Alabede et al. (2011) developed a conceptual framework for tax compliance behavior in Nigeria which they built from the Fischer et al. model (1992). The Alabede model introduced public governance quality as a construct and also financial condition of taxpayers as a moderator. This study's conceptual framework differs from the Alabede model because the model may not have fully explained the concept of public governance quality and its influence on tax compliance behavior in Nigeria. The conceptual model of this study is thus built in such a way that the relationship between public governance quality and tax compliance is well articulated through the path of socioeconomic goods as a mediating influence. This position is derived from the advice of Hair et al. (2010), Sekeran and Bougie (2010), and Baron and Kenny (1986).

Additionally, the Alabede (2011) model introduced a moderator to test the impact of public governance quality without clear justification and as such did not fully determine the strength of the concept of public governance quality. Given the importance of public governance quality as stated by previous researchers (Fjelstad et al., 2012), the influence of the concept should have been firstly determined without a moderator. Hair et al. (2010) posited that a moderator is introduced where there are inconsistent results of the influence of an independent variable on a dependent variable but this was never the case in the Alabede (2011) model.

Furthermore, while the Alabede model is fairly comprehensive in the number and nature of variables it incorporated, it is glaring that some vital variables were left out. One of such variables is social norm which has been identified in previous studies as a very important factor in shaping compliance behavior (Wenzel 2004, 2005; Posner, 1997; Bobek et al. 2007, 2013). This study thus incorporates social norm as a variable but it was constructed as perceived social norm.

This study also incorporates citizen engagement while Alabede model tested tax knowledge. This is justified by the increasing importance taxpayers attach to the need for information and to be carried along by government in its fiscal programs. Aiko and Logan (2014) found that Africa taxpayers expressed their willingness to pay tax but do not know what their governments do or how they go about their Fiscal responsibilities. Kirchler (2007) emphasized the importance of well-informed taxpayers. Kirchler (2007) also advised on the effectiveness of audits. Previous studies have constructed audits as a "mere probability" but Kirchler (2007) posited that the effectiveness of audits matters a lot if it would serve the deterrent effect it is intended to serve. Kirchler (2007) even warned, ironically, that if audits are not effective, they may well backfire and encourage, rather than discourage noncompliance. In line with Kirchler (2007), this study investigates audit effectiveness as one of the constructs that influence tax compliance behavior.

This study also incorporates perceived tax service quality. This construct has been well treated by previous studies as taxpayers' perception of the quality of their interactions with the tax authorities. Kirchler et al. (2010) and Feld and Frey (2010) stated that taxpayers respond positively if they are treated cordially and respectively in their interactions with tax authorities. While the Alabede model tested this construct, it does so with a moderator without alluding to whether results from previous studies warrant using a moderator. This study does determine the effect of tax service quality as a stand-alone construct. Overall, this study's conceptual framework will test socioeconomic condition as a mediator between public governance quality and tax compliance and also incorporates vital variables that were previously ignored.

Figure 4.1
Conceptual Framework

4.4.3 Justifications for the Mediating Effect of Socioeconomic Condition

The Alabede model (2011) which he derived from the Fischer model (1992) introduced public governance quality into the model. This construct is necessary because of the persistently low performance of governance in Nigeria as noted by international bodies, local researchers and the citizens of the country. In the Alabede model, the relationship between public governance quality and tax compliance behavior is investigated directly. In the model of this study, socioeconomic condition is chosen to mediate the relationship between public governance quality and tax compliance behavior. The justification of this mediated relationship is derived from Baron and Kenny (1986), Hair et al. (2010) and Creswell (2013). This Mediation is also supported by the works of experts that have studied public governance in relation to socioeconomic condition and experts who have also studied the relationship between socioeconomic condition and tax compliance (OECD, 2013; Ali et al., 2014).

Hair et al. (2010) posited that the mediating variable explains the relationship between the independent and dependent variable. They further explained that the mediator takes input from the independent variable and transmit to the dependent variable in a sequence. The variables in the mediating path of this study (Public governance quality to socioeconomic condition, and socioeconomic condition to tax compliance behavior) have been linked in a sequence by experts. For instance, Sen (1981) stated that it is the responsibility of government to improve the socioeconomic lives of citizens. OECD (2013) also maintained that citizens who are happy with their socioeconomic lives tend to be happy paying tax and vice versa. Hence socioeconomic condition can mediate the relationship between public governance and tax compliance.

Creswell (2013) stated that the mediating variable stand between the independent and dependent variable. This also supports the position of this study because if taxpayers are not enjoying a minimum level of socioeconomic wellbeing as benefit of governance, they are less likely to be willing to pay tax. This study also relies on Baron and Kenny (1986) to justify the mediating effect of socioeconomic condition. Baron and Kenny stated that for mediation effect to be valid the independent variable must be related to the mediating variable and the mediator must be related to the dependent variable. Both relationships have been established by literature as depicted in figure 4.2.

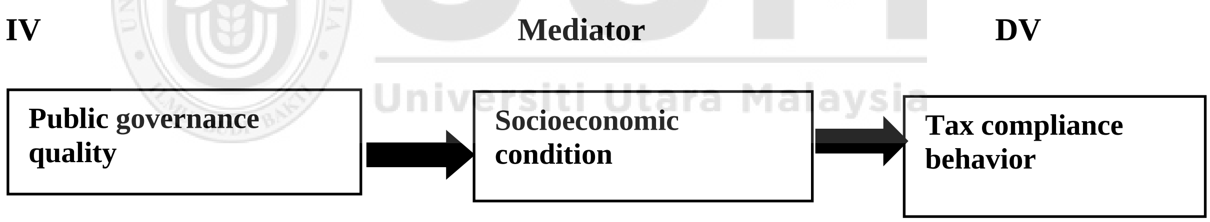

Figure 4.2
Framework for Explaining Mediation

The explanation of figure 4.2 is that socioeconomic condition mediates the relationship between public governance quality and tax compliance behaviour. However, according to authorities on mediation (Baron & Kenny, 1986, Hair et al., 2010), mediation can only be justified if there is a relationship established in the literature between IV and mediator and between mediator and DV as shown in figure 4.2. For the relationships in this study, this was the case. For instance, Kaufman and Kray (2002) established a relationship between public governance quality and socioeconomic condition and Peiro

(2006) found a relationship between socioeconomic condition and tax compliance behaviour. Therefore, mediation is justified in this study.

4.4.4 Hypotheses Formulation

The hypotheses for this study were formulated based on the research questions earlier put forward in chapter one. It is also in line with the conceptual framework discussed in section three.

4.4.4.1The Relationship Between Perceived Governance Quality and Taxpayer's Socioeconomic Condition.

The relationship between public governance quality and socioeconomic condition gas been established by previous studies (Acemoglu & Robinson, 2012; Khan, 2006; Rautakivi, 2014). To justify the formulation of this hypothesis in the context of Nigeria, it is important to point out that public governance quality is considered low in the country according to World Bank, 2014b. The socioeconomic condition in the country is also considered very poor (Emenike, 2014; Angahar & Alfred, 2011; Ibadin & Eiya, 2013; Uremadu & Ndulue, 2011; Adebisi & Gbegi, 2013; Okoye & Avwokeni, 2014). Self-employed taxpayers may consider the poor socioeconomic condition to be as a result of low public governance quality.

From the foregoing analysis of the role of governments, it can be inferred that they play both social and economic roles in the lives of citizens. Some of the social roles of modern governments include the provision of public security health care and educational facilities. Alongside the social roles, contemporary governments are active in their economic roles to ensure that their countries' economies are supportive of the needs of their citizens. It is widely agreed by scholars that governments worldwide differ in the quantity and quality of socioeconomic amenities they provide their citizens despite limited resources endowment that all countries face. OECD (2013) is unequivocal on the role of government in providing socioeconomic goods. It stated that government provide public services, physical and social infrastructure to enable long term growth.

There are many indices constituted to measure the effectiveness of governments in executing their statutory responsibilities worldwide. Notable among them is the Worldwide Governance Indicators instituted by the World Bank since 1996. The Worldwide Governance Indicator has been covering over 200 countries since inception (Kaufmann et al., 2010). The score of Nigeria has been consistently low on this index and this is a justification to hypothesize that the government is not providing enough socioeconomic goods and services with its revenue. This hypothesis is further justified considering previous studies that found a relationship between public governance quality and socioeconomic condition (Kaufmann & Kray, 2002; Rautakivi, 2014; Sen. 1981; 1997).

Based on previous studies that have established a link between public governance quality and socioeconomic condition of citizens (Kaufmann & Kray, 2002; Rautakivi, 2014; Sen, 1981; 1997), and in line with objective one, this study hypothesizes as follows:

H_{1A}: Taxpayers perceive that Public Governance quality is positively related to their socioeconomic conditions.

4.4.4.2 The Relationship Between Socioeconomic Condition and Tax Compliance Behavior

Alm et al. (1992) found a positive relationship between public goods provision and tax compliance behavior. Palil et al. (2013) also affirmed that relationship in the form of a positive relationship between spending on public goods and tax compliance. It is not possible for taxpayers to queue up in any open space to receive their share of public goods. It is also not the practice for the government of any country to go house to house with truckloads of public goods hence previous studies did not explain how exactly public goods are to be conceptualized. This study conceptualized goods from government by using the "socioeconomic condition construct". This construct is widely used in studies by leading global agencies (UNDP, 2014).

Since previous studies did not specify the nature of public spending that taxpayer expect to get as exchange from government this study's use of the socioeconomic condition construct will serve the purpose of evaluating the quantity and quality of public goods received by taxpayers. Lago-penas and Lago-penas (2008) found a relationship between citizen condition of living and motivation to pay tax. OECD (2013) also found empirical evidence that countries with better socioeconomic condition have higher tax compliance. By implication, the level of satisfaction of taxpayers determines their compliance behavior. They also stated that taxpayers' socioeconomic condition determines how they comply with tax liabilities though they did not allude to empirical evidences.

The situation in Nigeria may not be favorable to a positive tax compliance behavior. Many tax compliance studies in Nigeria (Emenike, 2014; Bodea & Lebas, 2014; Adebisi & Gbegi, 2010) have attributed the negative tax compliance behavior to the socioeconomic condition in the country.

According to OECD (2014), Nigeria socioeconomic infrastructure is acutely inadequate. Consequently, the countries' citizens suffer one of the worsts deprivations in the world. For instance, OECD (2014) maintained that about 100 women die daily from pregnancy and childbirth related conditions attributed to inadequate healthcare. In the same report, it asserts that about 8.5 million children are out of school in the country due to unavailable educational opportunities. The study posits that this figure is the highest in the world. Unemployment, housing and public security are acutely in crises (NBS, 2012). Self-employed taxpayers may not be satisfied with the socioeconomic condition in the country hence may not be willing to pay tax (Emenike, 2014; Bodea & Lebas, 2014; Adebisi & Gbegi, 2010). Previous studies from other jurisdictions have also found a relationship between socioeconomic condition (Fishlow & Friedman, 1993; Aiko & Logan, 2014).

In the scenario painted above, it is doubtful whether self-employed taxpayers are satisfied with their socioeconomic condition and whether it would not influence their taxpaying behavior. Consequently, and in line with objective two of this study, it is hypothesized as follows:

H*$_{1B}$*: Taxpayers satisfaction with their socioeconomic condition is positively related to their tax compliance behavior.

4.4.4.3 The Mediating Effect of Socioeconomic Condition on the Relationship Between Public Governance Quality and Tax Compliance Behavior

Sekaran and Bourgie (2013) described the mediating variable as one that surfaces as parts of a process from the time the independent variable start to act to influence the dependent variable. In the context of this study, socioeconomic goods in terms of healthcare facilities, educational facilities, public security etc. fit into this process. Authorities have asserted that it is the role of government to provide socioeconomic goods (Smith, 1776; Reinert, 1999). This study's modeling of the path between public governance and tax compliance is in line with Sekaran and Bougie (2013). When government collects tax revenue, it provides socioeconomic goods to the taxpayers who benefits from these goods and then pay taxes back to the government. The process is a cyclical and continuous one. It is glaring that socioeconomic goods come in between the path from public governance action and the point of tax compliance as denoted by Sekaran and Bourgie (2013).

Based on the fiscal exchange theory (Ali et al, 2014), it is expected that taxpayer satisfaction with socio-economic condition will, to a large extent, determine their compliance level. Additionally, the mediation hypothesis is supported because the IV to mediator is supported in the literature (Kaufmann & Kray, 2002) and the mediator to the DV is also supported (Peiro, 2006) hence mediation can be justified as stated by authorities (Hair et al, 2010; Baron & Kenny, 1986; Sekaran & Bourgie, 2013). In line with objective three, it is hereby hypothesized as follows:

H_{1C}: Taxpayers' socioeconomic condition mediates the relationship between public governance quality and tax compliance behavior.

4.4.4.4 The Relationship Between the Perceived Social Norms and Tax Compliance Behavior

Posner (1997) described social norms as rules that are obeyed by members of a society even though such rules are neither enacted officially nor enforced by courts of law. While norms are not enforced by laws, Posner (1997) however described them as powerful tools through which members of a society self-regulate. This is because societal members are expected to conform to established norms, if they fail, they are sanctioned by the society. According to Posner (1997) such sanctions may be disapproval from societal members and even ostracism. Norm breakers are exposed to shame and ridicule hence the cost of breaking social norms is high.

Since norms are important elements that guide societal members in their daily interactions and behavior, its importance was realized in the field of taxation. Wenzel (2004, 2005) found a positive relationship between social norms and tax compliance behavior. In like manner, Bobek et al. (2007, 2013) found a positive influence of social norms on tax compliance behavior.

A bottom line in most of the social norms studies outlined above is that members of the same social group influence one another in their behavior. In the case of self-employed tax compliance behavior, the knowledge that other members of one's social group do not comply is likely to shape taxpayers' compliance behavior and the knowledge that they comply would have a positive effect. Bobek et al. (2013) found a positive relationship between social norm and tax compliance behavior. They stated that social norms play a very important role in taxpayers' behavior and more importantly, they observed that when the social norm favors noncompliance, it may result to zero level of compliance. This is a pointer to the level of importance that ought to be attached to social norm in the effort to understand tax compliance behavior. Alm et al. (1995) in an experimental study also found a positive relationship between social norm and tax compliance behavior. They suggest that if a compliant norm is not established and nurtured among self-employed taxpayers, revenue authorities may face a difficult task in trying to raise tax revenue.

Given the large tax compliance gap in Nigeria and the entrenched noncompliance attitude among Nigerian taxpayers as already established in the problem statement of this study, it appears social norms in Nigeria may be antagonistic to tax compliance as postulated by Alm et al. (1995). The concept of social norm is also well-grounded in theory. The social influence theory of Kelman (1958) established that people influence one another in their activities and interactions and also learn from one another. As such, if tax noncompliance is accepted as a trivial matter in a society it becomes pervasive to the point that it is no longer seen as a crime. In line with previous studies that have established norm and tax compliance behavior (Bobek et al., 2007, 2013; Wenzel, 2004, 2005; Posner 1999, Alm et al., 1995) and with the support of the social influence theory (Kelman, 1958), and in line with objective two, this study hypothesizes as follows:

H_{2A}: There is a positive relationship between perceived social norm and taxpayers' compliance behavior.

4.4.4.5 The Relationship Between Perceived Audit Effectiveness and Tax Compliance Behavior

Audit is one of the earliest factors to be researched among tax compliance researchers. It is among the economic factors that came to the fore in the pioneering work of Alingham and Sandmo (1972). The study which is based on Becker (1968) deterrence theory modeled taxpayer behavior when faced with tax compliance decisions as a decision under uncertainty. Taxpayers as rational economic beings would in such circumstances opt for choices that will maximize their benefits. If they perceived audit probability as low, they would choose to evade taxes thereby making gain in terms of savings of the evaded amount. If, however, they weigh the probability of audit as very high, they would choose to comply to avoid sanction which could involve paying the evaded tax amount and possibly additional sum as fine.

Since the seminal work of Allingham and Sandmo (1972), it has become a basis for further tax compliance studies. Several studies have established the relationship between audit probability and tax compliance (Alm et al., 1995; Alm & McKee, 2006; Dubin, 2007; Kuria, 2013; Bernasconi et al., 2015). While most of the studies on audit probability established a positive relationship with tax compliance behavior, few studies found mixed results. For instance, Bergman and Nevarez (2006) found that audit probability promotes compliance among honest taxpayers while it compounded noncompliance among cheaters.

Though audit probability has been found positive in most studies, Kirchler (2007) suggest that the effectiveness of audit is required to ensure maximum compliance. He maintained that if audits are not effective, they may engender negative consequences by leading to more noncompliant taxpayers. Kirchler (2007) view is informed by the fact that taxpayers would conclude that it is beneficial to evade taxes in the absence of audits that are effective in discovering and sanctioning tax evasion.

While the uncertainty surrounding audit can be exploited by tax authorities to ensure compliance (Bernasconi et al., 2015), what would actually do the work of enforcing compliance is the deterrent effect of audits. Audits would serve no useful purpose if it is a mere probability and not effective in detection of evasion and punishing offenders in terms of prosecution and imposition of fines. In fact, the crux of Becker's (1968) deterrence theory on which Allingham and Sandmo's (1972) work is based is the deterrent effect of audit which presupposes that audits should be able to detect noncompliance when it occurs and noncompliance should not only be detected but should be sanctioned appropriately.

It is doubtful whether taxpayer audits are effective as a deterrent in the Nigerian context. With the president of the country lamenting that over 65% of registered taxpayers fail to file their tax returns in 2014 (Okonjo-iweala, 2014) and no recorded cases of detection and prosecution established against defaulters, it appears the situation is a serious one. According to Okonjo-Iweala (2014), most of the defaulting taxpayers are the self-employed. The ineffectiveness of audit as a deterrent to noncompliance in Nigeria may not be unconnected to taxpayers' perception of the ineffectiveness of law enforcement by the government. Alabede et al. (2011) established that Nigerian taxpayers perceived public governance quality as low and part of the concept of public governance includes the law enforcement structure. Guided by these studies and supported by the deterrent theory (Becker, 1968; Allingham & Sandom, 1972), this study formulated the following hypothesis which is also in line with objective four:

H*$_{2B}$*: There is a positive relationship between perceived audit effectiveness and tax compliance behavior.

4.4.4.6 The Relationship Between Tax Service Quality and Tax Compliance Behavior

Commercial and social exchanges revolve around exchange of goods and services. The earlier focus of marketing was on the quality of products. However, the study of the quality of services came into focus in the Eighties (Brady and Cronin, 2001). The earlier focus of service quality studies was on private businesses rather than public sectors services. However, Ramseook, and Lukea (2010) stated that the public sector is under increasing pressure to offer public services in a consumer-friendly manner as obtainable in the private sector.

One of the areas of service delivery in the public sector is taxation. The importance of taxation and tax compliance to governments cannot be overemphasized because taxes constitute the sources of funds on which governments derives their sustenance. As such, governments are expected to undertake activities that will reduce tax evasion. Stinespring (2011) contended that tax is akin to the lifeblood of government and evasion can lead to the collapse of states. Tax service quality like other services in the public sector has come under scrutiny as an important factor influencing tax compliance behavior. Jenkins and Forlemu (1993) in a survey of 450 taxpayers found a positive relationship between the quality of tax services provided to taxpayers and their compliance behavior. Alabede et al. (2011) also found a positive relationship in line with Jenkins and Forlemu (1993). In another Nigerian study, Bojuwon and Obid (2015) also found a positive relationship between tax service quality and tax compliance behavior.

In the case of Nigeria, the quality of public services has been a subject of long-standing academic and media discourse (Oyadiran & Omonowa, 2015). At a point in 2005/2006, the Nigeria government tried to cultivate the customer service culture among public agencies by introducing SERVICOM. It is an institutional mechanism to entrench good quality service culture among public sector organizations in Nigeria (Oyadiran & Omonowa, 2015).

However, several years after the introduction of SERVICOM, it is doubtful whether public service in Nigeria has improved appreciably (Oyadiran & Omonowa, 2015). The Nigeria tax authority, which is the Federal Inland Revenue Services, underwent series of reforms since 2004 to position it for effectiveness including enhancing the quality of its services. The tax to GDP ratio has worsened after the reform (Okonjo-Iweala, 2014). Thus, the effect of the quality of services being rendered by the Nigerian revenue agency needs to be investigated.

In line with previous studies which found a positive association between tax service quality and taxpayer compliance behavior, this study formulated the following hypothesis which is in line with objective four.

***H*$_{2C}$:** There is a positive relationship between tax service quality and tax compliance behavior.

4.4.4.7 The Relationship Between Fairness Perceptions and Tax Compliance Behavior

Wherever human beings cooperate to achieve mutual benefits, there are always worries about fairness to all stakeholders (Klosko, 1987). People want to be treated fairly both in terms of their individual contributions and also in terms of the benefit derived from cooperative schemes. The concern about fairness is also prevalent in the area of taxation. Gilligand and Richardson (2005) stated that perception of fairness is one of the most important variables found to influence tax compliance behavior in previous studies. However other studies found negative relationship between tax fairness and tax compliance behavior (Coleman, 1997; Bobek, 1997; Porcano, 1988).

Similar to what is obtainable in other jurisdictions, Nigerian taxpayers are concerned about the fairness of the tax system. Previous studies have uncovered different complaints from taxpayers (Alabede et al.2011, Aiko & Logan, 2014). Some of the problems identified by previous studies come under the area of perceived fairness of the tax system. Due to the importance of this construct (Gilligand & Richardson, 2005) and the many complaints from Nigerian taxpayers, this study formulated the following hypothesis which is in line with objective 2. However, this hypothesis is not directional since other studies have found negative effect of fairness on tax compliance behavior (Coleman, 1997; Bobek, 1997; Porcano, 1988).

$\boldsymbol{H}_{2D:}$ There is a relationship between taxpayers' fairness perception of the tax system and their tax compliance behavior.

4.4.4.8 The Relationship Between Tax System Complexity and Tax Compliance Behavior

Payment of taxes is considered a burden by many taxpayers. It becomes worse if the taxpayers cannot understand the process of compliance and if they have to spend much time, energy and resources going through a complicated tax system. Studies in tax compliance, for instance, Kaplow (1996) found the relationship between tax complexity and tax compliance stating that it imposes extra cost on taxpayers. Mckerchar (2001) also found a negative relationship between tax complexity and tax compliance. She stated that it can lead to unintentional noncompliance. This means even taxpayers who are willing to comply with the tax provisions could be forced into noncompliance as a result of the complex nature of the tax system. Additionally, Galli and Profeta (2007) investigated the association between tax system complexity and tax compliance behavior. They used a survey of 400 respondents and found a significant negative relationship between tax system complexity and tax compliance. Additionally, Saad (2014) found that taxpayers view the tax system as complex and this could influence their compliance behavior.

In Nigeria, tax system complexity could be one of the problems influencing tax compliance behavior. A pointer to this fact emerged from PricewaterhouseCoopers (PwC) Paying Taxes Reports, 2014. In that study, Nigeria is rated among the worst countries out of 189 countries surveyed on the ease of paying taxes. Based on these insights from literature, this study formulated the following hypothesis which is in line with objective 2:

H$_{2E:}$ There is a relationship between the level of tax complexity and tax compliance behavior.

4.4.4.9 The Relationship Between Attitude Towards Tax Evasion and Tax Compliance Behavior

Attitude has been identified as a strong influencer of human behavior (Ajzen, 1991). The researchers noted that our attitudes are shaped by our beliefs about the subject or object of our attitudes. Tax compliance has to do with people's behavior hence the investigation of how attitudes influence this behavior is very important. Previous studies have found the relationship between attitude and tax compliance to be positive (Niemirowski et al., 2003; Reckers et al., 1994). Even in Nigeria, Alabede et al. (2011) found a positive relationship between attitude and tax compliance behavior. The level of tax compliance in Nigeria is very low compared to most countries (Cobham, 2014;

Okonjo-Iweala, 2014). The self-employed were also blamed for this low level of compliance by Okonjo-Iweala (2014). This very low level of tax compliance could result from a negative attitude of the self-employed towards tax compliance as found in previous studies. This study thereby formulated the following hypothesis in line with objective 2:

$\boldsymbol{H}_{2F:}$ There is a positive relationship between taxpayer's attitudes towards evasion and their compliance behavior.

4.4.4.10 The Relationship Between Perceived Citizen Engagement and Tax Compliance Behavior

Citizen engagement involves the process and activities undertaken by government to involve citizens in policy formulation and implementation. The concept of citizen engagement is gaining importance in the field of governance (Gaventa & Barett, 2012). The basic philosophy behind citizen engagement is that government is run by individuals entrusted with power which they exercise on behalf of the citizens. As such, governance must be an interactive process whereby citizens are informed and policies and programmes are participatory. Carpini et al (2004) found a relationship between citizen engagement and support for government.

There is even greater need for citizen engagement in budgetary matters as Ebdon and Franklin (2006) found a relationship between citizen engagement and support for government budgetary process. Since taxation is part of the budgetary process, there will be need to engage citizens as well. However, African countries are generally known to perform poorly on citizen engagement because their governments tend to be dictatorial and one-party democracies (Moore, 2013). Moreover, Aiko and Logan (2014) in their Afrobarometer study, found out that majority of African citizens complain of inadequate information about taxation. In that study Nigerians expresses more concern about inadequate government information on tax matters than other countries. Hence the following hypothesis was formulated in line with objective four:

$\boldsymbol{H}_{2G:}$ There is a positive relationship between citizen engagement and their tax compliance behavior.

4.4.5 Operational Definition and Measurement of Variables and Constructs

The variables used in this study were defined and measured according to previous studies as follows.

4.4.5.1 Tax Compliance Behavior

Tax compliance and noncompliance is a phenomenon that is very difficult to measure due to its complex nature and the fact that it is a criminal activity (Weber, Fooken & Herman, 2014). However, the authors stated that the subject is well researched despite the inherent difficulty. Tax compliance researchers have tried to solve the problem of the incriminating nature of its research by utilizing an indirect (scenario method) to measure tax compliance behavior (Kaplan et al., 1997). This method utilizes questionnaire items that refer to a third party's hypothetical tax compliance behavior. This study utilizes this approach. Tax compliance behavior in this study is measured by the four categories of actions that are widely defined as noncompliance behavior. They are:

- Failure to submit tax returns within the stipulated period or nonsubmission
- Understatement of income
- Overstatement of deductions
- Failure to pay assessed taxes as at when due

The items used for the measurement in this study are adapted from Alabede (2012) and modified for the purpose of this study as shown in Table 4.2. The measurement of tax compliance behavior is to attain the objectives of the study which is to investigate factors influencing tax compliance behavior among the self-employed.

Table 4.2
Measurement of Tax Compliance Behavior

Items	No of Items	Source	Scale
Musa is justified if he doesn't file his tax returns at the stipulated time. Musa is not justified if he understates the income he reports for tax purpose Musa is justified if he overstates his deductions Musa is not justified if he fails to pay the assessed amount at the due date	4	Alabede (2012)	10 point interval scale

4.4.5.2 Perceived Public Governance Quality

Public governance quality is a construct introduced to measure the performance of governments worldwide. The World Bank has supported the research on public governance quality since 1996 (Kaufmann et al. 2010). Public governance quality has six dimensions: voice and accountability; political stability and absence of violence; regulatory quality; rule of law; control of corruption and government effectiveness. However, Kaufmann et al. (2010) stated that the dimensions are not to be taken as a holistic entity in any research. They explained that researchers should use dimensions that suit the objectives of their respective studies. In line with the guidance of the authors, Alabede (2012) used five of the six items in their tax compliance study. This study used six items of the public governance construct and the measurement items were adapted from Alabede (2012) and Kaufmann et al. (2010) as shown in Table 4.3. Since the studies are similar and also have the same contextual background. This measure is linked with objective one which is to determine the mediating effect of socioeconomic condition between public governance quality and tax compliance behavior.

Table 4.3
Measurement Items for Perceived Public Governance Quality

Items	**No of Items**	**Source**	**Scale**
Government is effective in handling of its responsibilities The government formulates good policies for citizen's benefit The civil service implements government policies effectively Government policies encourage businesses The rule of law is not respected in all public and private transactions The diversion of public funds to private gain due to corruption is not common	6	Kaufmann et al. (2010)	10 point interval scale.

4.4.5.3 Socioeconomic Condition

Socioeconomic condition was utilized in this study as the condition of living and wellbeing in terms of health, education, security, finance and other infrastructural facilities. Many studies in the area of socioeconomic development and human wellbeing have provided these dimensions of socioeconomic wellbeing (NBS, 2012; UNDP, 2014; 2014; Peiro, 2006). The measurements for people's satisfaction with these aspects of living were adapted from different sources and harmonized. These sources are: Lago-Penas & Lago-Penas (2008); Asunka (2013) and Berenger and Verdier-Chouchane (2007). The items seek to measure people's self-reports on the availability of social services, the quality of such services and whether taxpayers are generally satisfied with the services. Four items were utilized as shown in Table 4.4. This measure is linked with objective one of the study.

Table 4.4
Measurement of Socioeconomic Condition

Items	No of Items	Source	Scale
I am satisfied with my current financial situation I am satisfied with the current healthcare situation I am not satisfied with the current educational service I am satisfied with the current public security situation	4	Asunka (2013)	10 point interval scale

4.4.5.4 Perceived Audit Effectiveness

The construct of audit effectiveness was utilized in this study as a combination of audit probability, detection and sanctions. Liu (2014) provided the measurement for this construct. The suggestion to combine audit and sanction came from Kirchler (2007) who emphasized that audits must be effective to serve as a deterrent to potential evaders. This study adapted Liu's (2014) measurement of audit and sanction to measure this construct. Seven items were used to measure this construct in line with Liu (2014) as shown in Table 4.5. This measure is linked with objective two of the study which is to determine the role of audit effectiveness on tax compliance behavior.

Table 4.5
Measurement of Perceived Audit Effectiveness

Items	**No of Items**	**Source**	**Scale**
It is easy to evade paying taxes Businesses generally face low audit rate If one evades tax payments, there is a low chance of being caught. Assuming one is caught, it is not much of a problem. Tax auditors are willing to cooperate even if one is caught Being asked to pay fine is a serious problem. Being taken to court is not much of a problem Sanctions for tax evasion is generally severe	7	Liu (2014)	10 point interval scale

4.4.5.5 Perceived Tax Service Quality

The measure of perceived tax service quality for this study is in line with Brady and Cronin (2001). The measures created by the authors have three dimensions: interaction quality, outcome quality and physical environment quality. Alabede (2012) who did a similar study as the present study used the three dimensions. This study also used these dimensions and adapted Alabede (2012) measurements. Eight items were used to measure the construct as shown in Table 4.6. This measure is linked with objective two of the study which is to determine the role of perceived tax service quality on tax compliance behavior.

Table 4.6
Measurement of Perceived Tax Service Quality

Items	**No of Items**	**Source**	**Scale**
Overall, I would say the quality of my interaction with FIRS employees is excellent The behavior of FIRS employees demonstrates their willingness to help me The behavior of FIRS employees shows me that they don’t understand my needs FIRS employees are not able to answer my questions quickly I find that FIRS other customers consistently leave with a good impression of its service FIRS tries to keep my waiting time to a minimum FIRS provides vital information to educate me on my tax obligations FIRS employees treat all customers fairly without bias.	8	Alabede (2012)	10 Point Interval scale

4.4.5.6 Perceived Social Norms

This study measured norms in line with Liu (2014). Liu categorized norms into personal social and national norms and each of these categories are measured with different items. Personal norms are the taxpayers internalized beliefs about what is the normal thing to do in respect of tax compliance. Social norm is about what other people consider as the right thing and expect the taxpayer to do while national norms are the general culture among the taxpayers in a particular country. Other tax researchers have measured norm similar to the way it is adopted in this study though some variations exist. These variations do not differ significantly from Liu (2014) which was used in this study. Four items were used as shown in Table 4.7. This measure is linked with objective two of this study which is to determine the influence of perceived social norm on tax compliance behavior.

Table 4.7
Measurement of Perceived Social Norm

Items	**No of Items**	**Source**	**Scale**
Many other people in this society do not comply with tax laws My family members would disapprove noncompliance My friends will approve of noncompliance My peers would justify noncompliance	4	Liu (2014)	10 point interval scale.

4.4.5.7 Perceived Citizen Engagement

Citizens engagement is the process and activities through which government involves citizens in the affairs of government (Holmes, 2011). It is unanimously agreed by scholars that citizens support government when they are involved and consulted in the process of policy formulation and implementation. Citizens are also more supportive of government when they are well informed and have access to information (Aiko & Logan, 2014). This study adopted the measurement of citizen engagement by Aiko and Logan (2014), Little and Logan (2008) and Holmes (2011). The construct was measured in two aspects – political engagement and fiscal engagement. It was measured with 5 items as shown in table 4.8. This measure is linked with objective two the study which determined the relationship between citizen engagement and tax compliance behavior.

Table 4.8
Measurement of Perceived Citizen Engagement

Items	No of Items	Source	Scale
I have access to information about government Ordinary people are consulted in matters of governance It is difficult to find out how government uses revenues from taxes and fees Taxpayers are aware of how and why they are to contribute to tax revenue generation. Tax authorities have periodic interactions with taxpayers on areas of mutual concerns.	5	Holmes (2011)	10 point interval scale

4.4.5.8 Perceived Tax System Complexity

Tax system complexity refers to the extent of difficulty encountered by taxpayers in complying with tax laws. Scholars have stated that tax systems across the globe are complex thereby resulting in wastage of time, energy and resources by taxpayers in the process of complying with tax laws. This study adopted the measurement used by Saad (2011) in measuring the complexity of the tax system. Saad (2011) measurement consists of two dimensions – content complexity and compliance complexity. Content complexity seeks to measure the complexity in the rules and forms needed to file tax returns while compliance complexity measures the process of compliance. This study uses the seven items as previously utilized by Saad (2011) in Table 4.9. This measure is linked with objective two of the study which is to determine the role of tax system complexity on tax compliance behavior.

Table 4.9
Measurement of Perceived Tax System Complexity

Items	No of Items	Source	Scale
I think the terms used in tax guides and forms are difficult for people like me to understand The sentences are wordings are lengthy and complicated The rules related to income tax are very clear Most of the times, I need to relate to others for assistance in dealing with tax matters I do not have a problem with completing and filing tax returns forms I find it difficult to provide all the information required by the tax authorities for filing purpose I spend a lot of time and effort in the process of filing my tax returns	7	Saad (2011)	10 point interval scale

4.4.5.9 Attitude Towards Tax Evasion

Attitude is believed to precede behavior and also predicts people's behaviors (Ajzen & Fishbein, 1975). Since the study of Ajzen and Fishbein (1975) which resulted in the theory of planned behavior, tax compliance researchers have been interested in how attitudes towards tax evasion relates to tax compliance behavior. This study investigated the attitude of taxpayers in Nigeria and how it influences their compliance behavior. The measurement of attitude towards tax evasion was adopted from Alabede (2012) and Torgler and Schaffner (2007). Alabede (2012) measured attitude towards tax evasion in three dimensions while Torgler and Schaffner measured it in a single dimension. This study will adopt Alabede (2012) measurements with six items as shown in Table 4.10

Table 4.10
Measurement of Attitude Towards Evasion

Items	No of Items	Sources	Scale
Taxes are so heavy that evasion is an economic necessity to survive Not declaring all my income for tax purpose is a serious offence If I am in doubt about whether or not to report a certain income, I would not report it Claiming a non-existent deduction on my tax return is not a serious offence Since everybody evades tax you cannot blame anyone for doing it There are opportunities for evading taxes so you cannot blame those who evade People are right to evade taxes because the system is unfair	6	Alabede (2012)	10 point interval scale

4.4.5.10 Tax Fairness Perceptions

Tax fairness perception is defined in this study as taxpayers' perceptions in terms of whether the tax system is fair in the areas of tax structure, self-interest and general fairness (Azmi & Perumal, 2008). The manner taxpayers perceive the fairness of the tax system has long been found to influence their tax compliance behavior (Gilligand & Richardson, 2005). They will be more compliant if they perceive the tax system as fair and noncompliant if they perceive the tax system to be unfair. In this study, perceived tax system fairness was measured with items adapted from Azmi and Perumal (2008).

Table 4.11
Measurement of Tax Fairness Perception

Items	No of Items	Source	Scale
Generally, I believe the burden of the income tax is fairly distributed I believe everyone pays their fair share of income tax The benefits I receive from government is fair in terms of my tax payment Some legal deductions are not fair because only the wealthy enjoys them People whose incomes are the same as mine should pay the same amount as tax regardless of the kind of investment they make, how many dependents they have or their financial obligations High income earners have a greater ability to pay income taxes so it is fair they should pay a higher rate of tax than low income earners Compared to other taxpayers, I pay less than my fair share of income tax Current income tax laws require me to pay more than my fair share of income tax	7	Azmi & Perumal (2008)	10 point Interval Scale

The items fall into three dimensions – tax structure, self-interest and general fairness. Azmi and Perumal (2008) measurement is similar to other scholars (Gilligand &

Richardson, 2005). This study adopted seven items from Azmi and Perumal (2008) as shown in Table 4.11. This measure is linked with objective two of the study which is to determine the influence of tax fairness perception on tax compliance behavior.

The measurement items for this study were adopted and adapted from previous studies based on the operational definitions of the variables and constructs. Ten-point interval scale was used for the questionnaire. This is the preference of the researcher based on justifications from literature. According to Leung (2014), there is no agreement in literature on the number of scale to use. Wittink and Bayer (1994) stated that 10-point scale gave a very good result in their research. Preston and Coleman (2000) found that respondents prefer 10-point scale in their study. Though many studies utilized 5 and 7 point scales and got good results, this study used 10-point in line with Awang (2015) who stated that it gives a better variance for statistical analysis.

4.4.6 Population, Sample and Sampling Technique

This section discusses the population of the study and the sampling technique adopted for the study.

4.4.6.1 Population of the Study

The study area is Abuja, the Federal capital territory of the Federal Republic of Nigeria. Nigeria is a large country in Africa with an area of 923,769 square kilometers (NBS, 2012). It has a projected 2015 population of about 183,500,000 (UNECA, 2015). The country has a GDP of $510 Billion (2013 figure) and this was the largest economy in Africa as at 2014 (UNECA, 2015).

The very low tax revenue problem of the Nigeria economy was established in the problem statement. A research work of this nature may not be able to investigate all categories or even more than one categories of taxes. This is due to the obvious limitation associated with a PhD research. As such, this research work will focus on the self-employed taxpayers.

Based on previous studies that have pointed out that the self-employed groups are more problematic in terms of compliance (Kirchler, 2007) and evidences from Nigeria supporting such claims (Emenike, 2014; Angahar & Alfred, 2011; Ibadin & Eiya, 2013; Uremadu & Ndulue, 2011; Adebisi & Gbegi, 2013; Okoye & Avwokeni, 2014), this study adopts the self-employed taxpayers as the population of the study. The Nigerian Bureau of Statistics stated that there may be about 34 million self-employed businesses in Nigeria. However, this study is only concerned with registered self-employed. The FIRS has only 3244 registered self-employed taxpayers in Abuja.

4.4.6.1 Sample, Sampling Frame and Sampling Technique

Due to the size and extensive land area of Nigeria, it is appropriate to choose an area of focus which will also give the best representation of the population of the study. The area investigated for this study is the Federal Capital Territory (FCT), Abuja. This is informed by the need to select an area that is representative of the entire population of

Nigeria. Nigeria consists of different ethnic groups, cultures and religions living in different states of the country but Abuja, FCT is the area that is inhabited by all groups (Alabede, 2012; Ikoku, 2004). This position justified the choice of the FCT as the study area. The FCT is the Federal Capital Territory of the Federal Republic of Nigeria. By statute, it belongs to the 36 Federation States that make up Nigeria and as such, it is populated by people from all over the country.

The sampling choice of the FCT is further justified by the fact that the Federal Inland Revenue Service in the FCT is in charge of collection of assessed taxes of self-employed business men residing in the FCT while the 36 states revenue boards collects for their respective states (Akenbor & Arugu, 2014). While Nigeria is a heterogeneous country, the 36 states exhibit some level of homogeneity when viewed individually. The choice of the FCT for this study will eliminate the possible sample bias associated with the choice of any other state among the 36 states which may not be fully representative of the heterogeneous nature of the country. Alabede et al. (2011) used the FCT as their research area for the same reason.

The sampling frame for the study will be the list of registered self-employed operating in the Federal Capital Territory. This list is maintained by the Federal Inland Revenue Service (FIRS) of Nigeria which is statutorily charged with the responsibility of collecting Income Tax in the FCT.

Having established the FCT as the study area and FIRS list of registered self-employed tax payers as the sampling frame, the next step will be the determination of the actual sample to be selected from the sample frame. The FIRS reveals that the population of registered self-employed tax payers in the FCT is about 3244. Sekaran and Bougie (2013, p.268) suggested a table for the determination of sample size (see appendix E). The table recommended a sample of 341 for a population of 3000 and 346 for a population of 3500. These figures fall within the range of our population. Though a sample size of 341 - 346 is adequate for this study based on Sekaran and Bougie (2013), there was need to increase the sample size to 568. This is based on the recommendation of Hair et al. (2010) who advised that there should be plan for missing data by increasing the sample size. It should be noted that in survey research non-response has been frequently reported as a problem. For instance, in a similar study, Alabede et al. (2011) recorded a 60% response rate. If the sample size is not increased adequately, possible non-response might introduce non-response bias capable of invalidating the result and findings of the study.

Furthermore, the selection of the respondents was done using a probabilistic sampling technique (random sampling) in which sample was generated as random numbers using the computer in consultation with officials of the revenue authorities and after a careful study of the sampling frame. The probabilistic sampling technique is recommended by many authorities as the best in studies that seek to generalize their findings to larger populations (Sekaran & Bourgie, 2013).

4.4.7 Data Collection Procedure

Data collection started on 20th October, 2016 and was concluded within 42 days ending in the first week of December, 2016. In order to fulfill ethical requirements, the first step was to seek for permission from the Nigerian tax authorities via an introductory letter from the Universiti Utara Malaysia. In addition to the introductory letter, the researcher also wrote for permission to conduct the survey on the self-employed registered with the FIRS. The study thereafter proceeded to administer copies of the questionnaire on the respondents in their various offices within the Federal Capital Territory, Abuja.

The questionnaire was designed as a self-administered one but personally delivered to the respondents by two research assistants employed by the researcher. Sekaran and Bourgie (2013) stated that the personally-administered questionnaire is advantageous as it leads to greater rapport between the researcher and the respondents. Additional advantage of personal administration of copies of the questionnaire includes higher response rate since the research assistant could wait for on-the-spot filling and return of the copies of the questionnaire.

Response to survey questionnaire is increasingly becoming a problem for survey research (Baruch & Holtom, 2008). With this knowledge, the researcher took proactive measures to ensure a successful questionnaire administration and response. In doing this, the researcher also leveraged on prior survey experiences and also lessons learnt from the pilot study. Firstly, the research assistants were personally trained by the researcher on how to conduct the questionnaire administration. Based on anecdotal evidence from the pilot study, people that constitute the population of the study (self-employed) usually come to their offices between 8am to 10am in Nigeria. They are less busy between that period to 12pm as customers are also in their own places of work. They are busier from 2pm to 5pm when they attend to customers. Based on this experience, research assistants were instructed to visit the respondents only between 10am to 2pm. This strategy ensured a very high rate of response as the usual 'too busy' responses were avoided. Secondly, personally administering the questionnaire ensured that the research assistants waited behind to collect the completed copies of the questionnaire.

Experience shows that leaving the questionnaire behind leads to larger non-response as respondents tend to forget it when the research assistants go away. In this study, the research assistants were specifically instructed to insist on on-the-spot retrieval of copies of the questionnaire. This is in line with the drop-and-pick approach suggested by Baruch and Holtom (2008). More so, this was made easy as the questionnaire's length was largely reduced after the pilot study due to complaints from the pilot respondents about the length of time it takes to complete the questionnaire. The questionnaire for the main study thus conforms to best practices as recommended by experts in survey research.

Furthermore, the questionnaire was preceded by an introductory letter which explains the rationale of the study to respondents. They were encouraged to see the study as a contribution towards improving the tax system hence their patriotism was solicited in responding to the questionnaire and also doing so truthfully. This was done because the respondents tend to respond more when they see that the survey topic is an important one (Baruch & Holtom, 2008).

4.4.8 Data Analysis Procedure

Data analysis was the next step after collection of data. The procedure was done in three phases. Firstly, the raw data was screened and cleaned to make it suitable for the main analysis. The data screening procedure aimed at identifying missing values and also to discover errors from the participants or the research assistants during data entry. This phase of the data analysis was conducted with the aid of Statistical Package for the Social Science (SPSS). Secondly, descriptive analysis was conducted using SPSS in order to determine the characteristics of the sample in terms of age, education, level, gender and income level. This is to enable understanding of the respondents according to their demographics (Saunder, Lewis & Thornhill, 2009).

The third and final stage of the analysis was performed using the PLS Technique. Hair et al. (2010) describes PLS as a cutting edge technique in multivariate data analysis. They stated that PLS technique has the ability to simultaneously estimate multiple dependence relationships. Hair et al. further contended that the PLS technique is currently the best multi-variate procedure for testing construct validity and theoretical relationships. This is because the technique incorporates the two aspects of data analysis simultaneously – it assesses the measurement model and also assesses the relationships among the independent and dependent variables.

According to Hair et al. (2010), PLS is the only technique that can estimate multiple relationships simultaneously. It determines how one exogenous variable combines with others to predict an endogenous variable. In PLS, the focus is on the larger picture of the entire model and its explanatory ability. However, researchers have approached SEM in different ways. According to Hair, Jult, Ringle and Sarstedt (2017), the covariance based (CB-SEM) has been the most widely used. The authors however stated that currently, the Partial Least Square approach is increasingly becoming a popular choice.

There exist a lot of scholarly controversies on the choice of CB-SEM and PLS in data analysis among contemporary researchers. However, Hair et al. (2017) was explicit on the use of both approaches. They described both approaches as different in their capabilities and limitations. According to the authors, CB-SEM is primarily used to confirm or reject theories. The technique does this by determining how well a model fits into a given data. However, PLS is more suitable when the objective of the researcher is to explain or predict a dependent variable using a number of independent variables. Hair et al (2017) further explained that the assumptions and requirements of CB-SEM and PLS are different. While CB-SEM works best with a large sample size and normal data, PLS can work with sample sizes as low as 30 and also perform well when data are not normal.

After considering the different approaches and considering the overall objective of this study, PLS was adopted as the technique for data analysis. The model of this study is still at a developmental stage hence the study could be said to be theory development hence more suitable for PLS analysis (Hair, Ringle & Sarstedt, 2011). The objective of this study emphasizes more on explaining the dependent variable – tax compliance behavior and not theory confirmation hence it is more suitable for PLS. The study seeks to explain factors responsible for tax compliance behavior and how well individual factors perform in the models hence it is more suitable for PLS (Hair et al, 2010, 2011, 2017; Lowry & Gaskin, 2014).

The software used for the PLS technique in this study is the Smart PLS 3.0 (Ringle, Wande & Becker, 2014). The analysis was conducted in two phases. The first phase is the measurement model assessment while the second phase is the structural model assessment. The measurement model assesses the relationship between the latent constructs and their respective items to determine reliability and validity. The structural model assesses the relationship between the exogenous constructs and the endogenous constructs to determine the path coefficients, effect sizes, significance of the relationship and the amount of variance in the dependent variable (R^2) explained by the independent variables.

4.4.9 Mediation Testing

Mediation analysis was made popular by Baron and Kenny (1986). The Baron and Kenny conditions for mediation stated that the independent variable must be significantly related with the mediating variable and the mediating variable must also be significantly related to the dependent variable. For mediation to be deemed to have held, the direct path between the IV and the DV is considered prior to introducing the mediator. The same part is also measured after the introduction of the mediator.

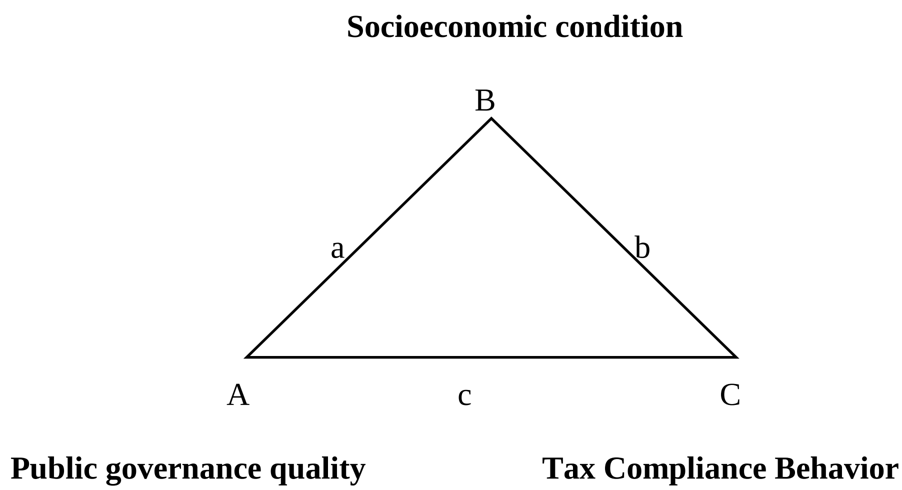

Figure 4.3
Mediation Model of Baron and Kenny (1986).

In the context of this study, socioeconomic condition was hypothesized to mediate the relationship between public governance quality and tax compliance behavior as shown in figure 4.2.

Based on insights from Baron and Kenny (1986), the Sobel method has been used in numerous previous studies. However, current developments in PLS indicate a paradigm shift (Hayes, 2009; Preacher & Hayes, 2007; Hayes, 2013; Hair et al., 2017). Hair et al. (2017) argued that the Sobel test requires data to be normal which is not an important assumption in PLS. Hayes (2013) criticized the condition of a significant relationship between the IV and DV as required by Baron and Kenny (1986) stating that it is not a necessary condition in current mediation analysis.

Bootstrapping method is the current technique recommended in PLS (Hair et al., 2017). Shrout and Bolger (2002) argued that the bootstrapping method takes care of the weaknesses of the Baron and Kenny (1986) and Sobel test. Zhao et al. (2010) stated that the bootstrapping method generates multiple sampling. Hayes (2013) stated that the bootstrapping method does not require any assumptions about the sampling distribution.

4.4.10 Reliability of Instruments

The study used the Cronbach alpha to test the inter-item consistency. According to Sekaran and Bougie (2013), this method is the most popular one. It is a measure of the extent to which responses of the respondents to all items of a construct are consistent. However, the Cronbach alpha is no longer the only measure of reliability. Especially in PLS studies, other measures are being adopted due to the inherent weaknesses of the Cronbach alpha. One of the contemporary methods of assessing reliability in SEM is the composite reliability (Hair et al, 2017). In the smart PLS analysis utilized by this study, the composite reliability is also generated in addition to the Cronbach alpha thus enhancing the overall measurement of the reliability of instruments used in the study.

4.4.11 Validity of the Construct

Hair et al (2010) defines validity as how well a measure or set of measures accurately describes a concept under study. There are different ways of determining the validity of constructs in PLS. However, in line with the practice in PLS studies as presented by Hair et al. (2017), this study assessed validity of constructs in three ways: content validity, convergent validity and discriminant validity. The content validity was determined from two perspectives. Firstly, the constructs used in the study have been utilized in other studies. In tax compliance or in other disciplines, hence their validity was already determined. Secondly, due to the fact that some of the constructs were taken from other disciplines and introduced into tax compliance research, there was need to reassess their suitability for tax compliance research. Two of the leading international experts on tax compliance research were consulted – Erich Kirchler and James Alm. The convergent and discriminant validity of the constructs were determined according to the benchmark for PLS (Hair et al., 2017) and reported accordingly.

4.4.12 Pre-Test

The pre-test is a mini study in which the copies of the questionnaire are administered on a few people in order to ascertain the appropriateness and coherence of the instrument (Rea & Parker, 2005). A pre-test was conducted for this study in line with expert suggestions. There was need to pre-test the questionnaire items since they were adapted from studies mostly from other contexts. There was need to see how well respondents understood the wordings of the questionnaire. The pre-test was conducted on ten selected self-employed and their feedbacks were useful in improving the questionnaire for the next stage which was the pilot study. Apart from the test conducted among the self-employed, there was also an expert assessment conducted by an expert in Malaysia. The purpose was to check the suitability of the questionnaire items for PLS analysis.

4.4.13 Pilot Study

Teijlingen and Hundley (2001) stated that pilot studies are necessary because they give early warnings on potential problems that could surface during the main study; for instance, problems with instruments or other aspects of the methodology. The authors maintained that it is quiet risky to venture into a full scale study without first conducting a pilot trial.

However, Rea and Parker (2005) advised that the sample to be picked for the pilot test should also come from the working population, that is, the population to be investigated in the main study. In view of this position, this study conducted a pilot study with a population of 100 respondents picked from the main population. It is important to add that the pilot test conducted by this study was to confirm the appropriateness of the methodology and instruments of this study and to familiarize the researcher with issues that are likely to come up during the main study. Czaja and Blaire (1996) advised that studies that cannot afford pilot tests should stick to well-tested field and sampling procedures and should search literature for survey questions that have been applied to their intended population.

This study adopted and adapted instruments that were already tested among taxpayers outside and within Nigeria; as such, there was less difficulty in applying the questionnaire to the intended population of this study. However, there was need for the pilot study to confirm the appropriateness of the methodology and instruments for the specific purpose of this research. The pilot study was also necessary to enable the researcher familiarize himself with the area of the study.

The pilot study was conducted by sending out 200 questionnaires to target self-employed randomly within the Abuja metropolis. Response rate was very poor as only

60 questionnaires were returned after a period of one month translating to about 30 percent. However, vital lessons were learnt from the poor performance of the pilot study. Firstly, the researcher discovered that businessmen are usually busy as from 3pm in the city and are not favourably disposed to attending to extraneous issues at that time. The best time to contact them was found to be early hours from 9am to 12 noon when the day is just starting.

Secondly, the researcher discovered that some adopted items in the questionnaire were not welcomed by the respondents – the simply refused to respond to them and they were subsequently adapted in the final study. The number of items in the final questionnaire for the main study was also reduced as a result of findings from the pilot study which shows that some items were overlapping with items of other construct. Table 4.12 shows the Cronbach alpha and AVE of the constructs in the pilot study. Hair et al. (2017) recommended 0.7 as the appropriate threshold for reliability and AVE of 0.5 as threshold for validity. Table 4.12 indicate that some constructs did not attain the desired threshold, for example, ATE has a Cronbach alpha 0.666 and AVE of 0. 495. However, Table 4.13 shows that there was improvement after some items were drooped.

Table 4.12
Results of the Pilot Study

Construct	**Cronbach's Alpha**	**Composite Reliability**	**AVE**
ATE	0.666	0.697	0.495
TFP	0.684	0.676	0.497
TSC	0.769	0.817	0.558
PAE	0.617	0.632	0.514
PCE	0.604	0.665	0.562
PSN	0.678	0.627	0.612

Table 4.12 (Continued)

Construct	Cronbach's Alpha	Composite Reliability	AVE
TSQ	0.805	0.822	0.542
PGQ	0.854	0.811	0.638
SOC	0.671	0.682	0.451
TCB	0.836	0.804	0.676

ATE=Attitude Towards Evasion, TFB= Tax Fairness Perception, TSC=Perceived Tax System Complexity, PAE=Perceived Audit Effectiveness, PCE=perceived Citizen Engagement, PSN=Perceived Social Norm, TSQ=Perceived Tax Service Quality, PGQ=Perceived Public Governance Quality, SOC=Socioeconomic Condition, TCB=Tax Compliance Behavior

Due to the poor and overlapping results of constructs like tax fairness perception and socioeconomic condition in the pilot results and the fact that some of the constructs failed to attain adequate reliability, the items with the lowest loadings were dropped and those with overlapping items were also dropped as recommended by Hair et al. (2017) for PLS studies. Hair et al. (2017) recommend 0.7 as threshold for acceptable Cronbach alpha to proceed to the main study. Table 4.4 shows summary of initial and drooped items after the pilot study. Additionally, R^2 for the pilot study was 36 percent which was not very good according to the threshold of Hair et al. (2017). However, Hair et al. (2010) stated that the R^2 tend to increase with sample size. Since the sample size for the main study is a bigger one, the moderate R^2 of the pilot study was not a problem.

Table 4.13
Items Used and Dropped During Pilot and After Pilot Study

Construct	NO of Items Before Pilot	NO of Items Dropped	NO of Items Adopted for Main Study	Cronbach Alpha After Items Dropped
ATE	8	2	6	0.721
TFP	8	1	7	0.782
TSC	7	0	7	0.742
PAE	9	2	7	0.835
PCE	8	3	5	0.811
PSN	5	1	4	0.791
TSQ	8	0	8	0.805
PGQ	6	0	6	0.867
SOC	7	3	4	0.831
TCB	4	0	4	0.812

ATE=Attitude Towards Evasion, TFB= Tax Fairness Perception, TSC=Perceived Tax System Complexity, PAE=Perceived Audit Effectiveness, PCE=perceived Citizen Engagement, PSN=Perceived Social Norm, TSQ=Perceived Tax Service Quality, PGQ=Perceived Public Governance Quality, SOC=Socioeconomic Condition, TCB=Tax Compliance Behavior

Table 4.13 show that after some items were dropped, the Cronbach alpha improved as recommended by Hair et al. (2017). The Cronbach alpha attain the 0.7 threshold as a result of dropping items hence it is good to proceed to the main study. Additionally, the path coefficients of the constructs were tested in the pilot study and the result was as shown in table 4.14. The result of the path coefficient as shown in table 4.14 indicate that the public governance quality to socioeconomic condition and socioeconomic condition to tax compliance behavior has the largest path coefficients of 0.213 and 0.302. However, according to Hair et al. (2010), the sample size of 60 used for the pilot study may not be adequate to determine the true path coefficient and effect sizes of the constructs.

Table 4.14
Hypothesis Results for Direct Relationships

Path	Path Coefficient	P Values	Effect Size
PGQ ->SOC	0.682	0.001	0.213
SOC ->TCB	0.361	0.000	0.302
PSN ->TCB	0.201	0.000	0.002
PAE ->TCB	0.043	0.040	0.151
PTSQ>TCB	0.065	0.022	0.213
TFP -> TCB	0.013	0.361	0.002
TSC ->TCB	0.035	0.253	0.021
ATE ->TCB	0.078	0.171	0.001
PCE ->TCB	0.128	0.009	0.216

ATE=Attitude Towards Evasion, TFB= Tax Fairness Perception, TSC=Perceived Tax System Complexity, PAE=Perceived Audit Effectiveness, PCE=Perceived Citizen Engagement, PSN=Perceived Social Norm, TSQ=Perceived Tax Service Quality, PGQ=Perceived Public Governance Quality, SOC=Socioeconomic Condition, TCB=Tax Compliance Behavior

4.5 Summary of Chapter

This chapter explained the methodology utilized in this study to answer the research questions. The methodology was a mixed method design and a sequential exploratory method such that a qualitative interview preceded the quantitative study. The qualitative study used the semi structured format (Ashby & Webley, 2008). The quantitative study was carried out using self-administered questionnaire distributed to self-employed taxpayers across the city of Abuja, Nigeria. Data from the qualitative study were analyzed using thematic network as done previously by Aristide (2001) and the quantitative data were analyzed using PLS.

CHAPTER FIVE

RESULTS AND DISCUSSION

5.1 Introduction

In this chapter, the results of the qualitative study and the quantitative study were both presented and were discussed in respect of their contribution to existing literature. Results from the qualitative study produced three themes – socioeconomic condition, citizen engagement and audit effectiveness.

5.2 Results of the Qualitative Analysis

Analysis of the qualitative data produced numerous basic themes which clustered around three organizing themes – citizen engagement, socioeconomic condition and audit effectiveness. These three organizing themes also coalesced into a global theme of governance quality. Below is a summary of findings under each organizing theme.

Citizen engagement: Responses from many participants indicated their disengagement from the tax system and affairs of governance generally. For instance,

> "I do not know the basis of these monies they are collecting"
>
> (participant 3, male, general merchant)

When probed further on the choice of the word 'they' as he used in referring to those in government, he stated that 'they' is justified because those in government are there for their own selfish interest hence do not ‘carry citizens along’ in affairs of governance. In his words (Participant 3), ‘we are not part of them’. Participant 10 decried the lack of information on how government affairs are conducted and accused those in government of running an exclusive ‘cult’.

> “They are like cult, when you find yourself in government, you take your share but when you are an ordinary citizen like me, you are on your own – how do you pay tax to people who are so rich from government money?”
>
> (Participant 10, male, building engineer)

One of the participants asked why government needed tax monies in the first instance.

> “They are government and they have the central bank, can’t they print all the money they want? They are only disturbing us.”
>
> (Participant 30, female, 37 years old bakery owner)

She was asked why she kept referring to those in government as ‘they’, and whether she is not aware those in government are there to represent her. The word ‘represent’ appears funny to her as she chuckled. ‘Represent me, how do they represent me? They only represent their pockets and those of their families and friends’. She was reminded that government organizes town hall meetings periodically and whether she never attended any. ‘Meeting?’ she asked in unbelief. ‘I was never invited for any meeting’. She contended that even if they organized any meeting, it was only a formality, to fulfill all righteousness, as the citizens have no say. To make matters worse, she said town hall meetings, if they are ever organized, could just be another conduit pipe for siphoning funds from the treasury as public officers in charge of organizing such events will submit invoices hundred times the real cost.

Participant 17 made similar statements as participant 30. When asked whether he, or in conjunction with other citizens, have tried to discuss their grievances with those in government, the participant expressed shock at the ‘naivety’ of the interview crew. He remarked:

> “Where will you see them (government officials)? Those people are in a different world. You can only see them during election campaigns, after that, they disappeared and you only see them on television when they want to tell lies. Ordinary citizens do not have access to them as they are guarded by tens of policemen and protocol officers.”
>
> (Participant 17, male, auto spare part dealer)

Nineteen other participants made statements similar to those of participant 3, 10, 17 and 30. Statements like: ‘they are in government’, ‘we are on our own’, ‘I do not know the basis of these monies they are collecting’, ‘we are not part of them’, ‘we are not carried along’, ‘we do not have any say’, and others as were coded as basic themes indicating non-engagement of citizens in the process of governance and taxation and it falls under the organizing theme of citizen engagement.

Socioeconomic condition. Numerous responses from participants indicated their dissatisfaction with socioeconomic condition of living generally. In the words of a visibly angry participant:

> "What do you mean by tax? I am sponsoring two children's education abroad because of incessant strikes in our universities, there is no public water in my house so I run a personal bore hole, I power my business with a private generating set. Do you know how much I spend on all these? What tax do you want me to pay?"
>
> (Participant 18, female, hotel owner)

Another participant was calm but bitterness could be discerned in his voice as he explained why he believes the tax system would not work:

> "My brother's wife just returned from India for treatment of kidney ailment. Two people accompanied her on the trip and that translates to air tickets for three. Add that to the cost of treatment and feeding for three in a foreign land – what is wrong with our health system? My brothers (referring to the interview crew), is it not better for government to fix our healthcare so we can get treated locally? We can then save money to pay tax. Believe me, as it stands currently, tax cannot work in this country."
>
> (Participant 23, male, hotel owner)

Participant 5 lamented the avoidable difficulties faced by citizens in their day to day living and wondered why any government would expect citizens living under such conditions to pay tax. The interview crew reminded him of his income status (₦10M to ₦15M, according to the demographic information available to us) and asked why he complained of difficulty in living with such a huge income, 'you will not understand' he challenged the interview crew. 'Those of us with some visible income are the most affected by the economic condition' he explained that the extended family system in the country poses a big problem to the middle class citizens. They have to cater for the needs of immediate and extended family members in the absence of any lifeline from government. He admitted that businessmen in his position do not like paying taxes because 'government has not sowed the necessary seeds needed to reap taxes'.

A participant, who operates a fleet of transport vehicles, narrated a lengthy tale of the obstacles he battles with in running his business.

> "Due to bad condition of our roads, my vehicles become unserviceable within five years. A truck requires a major service after just 1000 kilometers journey. Fuel scarcity is a major bane of the business and this result from policy failures. Serious accidents occur frequently due to bad roads and in some cases, vehicles are written off."
>
> (Participant 1, male, road transport operator)

A participant, who is in the same line of business, stated that in some portions of the highways, it could take haulage trucks an hour to navigate potholes in a stretch of only

20 kilometers and this also goes with higher fuel consumption. Serious wears and tears depreciate vehicles within a short period. According to the participant, while he struggles to keep his business afloat, the last thing on his mind is tax. When asked how he expects government to fix the roads if he doesn't pay tax, he responded:

> "The government had so much money from oil, if they did not fix infrastructure with that, I am not sure they will fix it with tax money. But I am ready to pay tax if I am sure they are serious."
>
> (Participant 20, male, road transport operator)

Participant 27 who own a restaurant chain with daily streams of customers lamented the obstacles she tackles in running her business:

> "I run two power generating sets in each business location because there is virtually no public power supply. One power generator operates for 8 hours, it is switched off and allowed to cool off while the second set takes over. Most of the profit goes into providing power. My children are all in private schools and this takes millions of naira annually, I do not have money to pay as tax – even if I have, why should I pay?"
>
> (Participant 27, restaurant chain owner)

Participant 29, an estate developer narrated the difficulty he encounters in doing his business:

> "There is housing crises in the country which provides opportunity for estate developers but it is not easy in this business. There is no supporting infrastructure for the business hence an estate developer needs to provide all the facilities – water, power, roads and even basic things as waste disposal services. When the cost of these privately provided facilities are transferred to the buyers, the cost becomes prohibitive so we do not get good patronage."
>
> (Participant 29, male, estate developer)

He added that due to inadequate public security, no estate is complete without private security provided at a huge cost. He wondered what would be left to pay tax after all these troubles.

A Participant who runs a law firm narrated his dissatisfaction with living condition. Perhaps because of his legal background, he was very choosy with words. He lectured the crew on the law of contract which presupposes offer and acceptance and that the contract could be frustrated by a breach from either party. When asked to explain how this relates to the issue of paying tax to government, he stated that signs of breached contracts by government are everywhere. When told that the non-taxpaying citizens are themselves culpable for breaching the contract, he responded by saying 'anybody can opt out of a failed contract'. The interview crew suggested that government deserve some tax, at least for providing national security through the army and police force. He found this statement funny as he laughed loudly.

> "National security? Which security when 30,000 citizens have been massacred in the past four years. Many of them while sleeping innocently in their bedrooms."
>
> (Participant 11, Male, Law firm owner)

The interview crew asked whether the citizens can resort to the instrument of the law to enforce their fundamental human rights as enshrined in the constitution. He stated that there are copious provisions in the constitution to protect ordinary citizens but the law and the judiciary have been hijacked by the ruling elites to serve their selfish interest. 'As it is currently, the law doesn't protect the ordinary people'. Most of the participants throughout the interview spoke of harsh living conditions in the areas of healthcare, security, education and others. We identified those basic themes and analyzed them under the organizing theme of socioeconomic condition.

Audit effectiveness. Many of the participants who have some sympathy for the tax system alluded to a nonfunctional audit system as a hindrance. For instance, a participant stated that:

> "Even if you want to pay, you would be discouraged. Have you ever heard of anybody punished for not paying tax?"
>
> (Participant 2, male, auto dealer)

The interview team leader intervened by mentioning some current cases of the revenue authorities ceiling up businesses that breached the tax laws. 'These are mere jamborees', he remarked. 'Please mentioned names of people you know were convicted of tax crimes in this country', he further challenged the interview crew. There was a deafening silence as if everyone was busy thinking up some names, but they never came and the team leader broke the silence and directed that proceedings should continue.

A Participant, a poultry farmer, introduced a comic dimension to the discussion:

> "I do not receive any audit visit in my office except towards year end festivities and when they come, they request for chickens for Christmas and New Year celebrations."
>
> (Participant 24, male, poultry farmer)

Participant 13 did not blame the auditors for negotiating bribes during audit visits because it is the general trend in the society, 'how do you expect tax auditors to be different with the level of decadence in the society' he asked. Participant 21 saw beyond the nonfunctioning audit system and traced the problem to government elites who misappropriate public revenue. 'The auditors are aware the funds will be diverted to private use so they tend to help themselves. Tax audit can only work when the entire government machinery is transparent and will never work in isolation'.

Participant 25 admitted knowing people arrested for tax offences but the police did not cooperate with the revenue agency. Police officers are always lamenting their ill luck in not having access to public treasury like some agencies and when tax offenders are brought to them, 'they cooperate with the offenders to line up their own pockets.' Participant 25 stated that the courts are even worse as tax evaders 'jump for joy' when they are threatened with court action. When asked to explain why criminals would be joyous in the face of prosecution, he grinned.

> "A simple case of tax evasion could last for years without actually commencing and when it commences, it may never be concluded. The money spent by the government in prosecuting the evader may triple the evaded amount."
>
> (Participant 25, male, auto dealer)

He said the judiciary prosecutes such cases nonchalantly as judicial officers are aware that those in authorities are the bigger evaders. Themes from this subsection points to a dysfunctional audit system from, from the likelihood of audit, detection probability and sanctions. These basic themes were analyzed under the organizing theme of audit effectiveness.

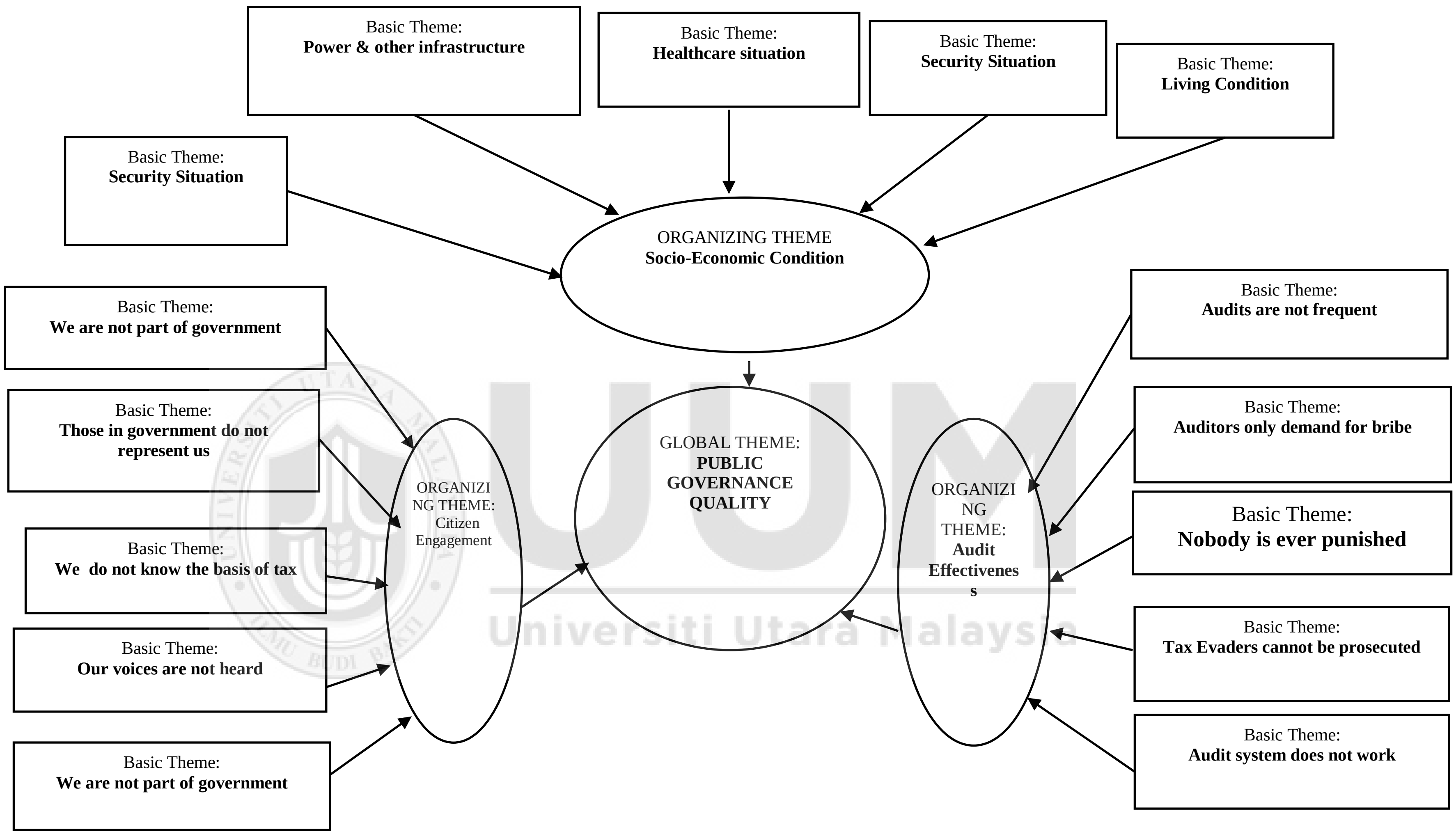

Figure 5.1
Thematic Network of Data

5.2.1 Discussion of the Qualitative Results

Analysis of data from the participants (see figure 5.1) revealed three key organizing themes which taxpayers mentioned as reasons they are not satisfied with the tax system – disengagement from governance and by extension, the tax system (citizen engagement); deplorable living condition (socioeconomic condition) and dysfunctional audit system (audit effectiveness). However, the objective in this study is to gain an in-depth understanding of factors contributing to taxpayers' behavior in Nigeria and our findings appear to be deeper than what previous studies found.

On citizen engagement, a recent Afrobarometer survey (Aiko & Logan, 2014) found that taxpayers in Africa are willing to pay tax but expressed their frustration about the opacity of the system. Kirchler, Hoelzl, Leder & Maneti (2008) found that engaging taxpayers with information on tax and its benefits and the manner such information is framed leads to enhanced compliance. The findings of this study show that the issues are deeper than mere information campaigns. Taxpayers want to be generally engaged in the political process, especially fiscal matters. Currently, they feel alienated and do not feel a sense of belonging in the entire governance process. They perceive the entire political process to be hijacked by the governing elites and as such, they operate independently of the system. Worse still, they perceive the ruling class as adversaries in the race for survival. Disengagement from the political system also goes along with dodging tax.

In the field of public administration and political science, authorities (Bowler, Donovan & Karp, 2007; Holmes, 2011; Krawczyk & Sweet-Cushman, 2016) have found the imperative of citizen engagement in eliciting support for government programs. Moreover, Prichard (2010) emphasized the imperative of citizen engagement for tax reforms to succeed in developing countries. The findings of this study reveal an extremely high level of citizen disengagement from the system.

The deplorable socioeconomic condition of living is also a key organizing theme found in this study. Participants narrated their struggles with a harsh socioeconomic system that do not support citizens in their efforts to survive hence they justified evasion. Numerous previous studies have made similar findings but in different ways. For instance, Alm et al. (1992) found that supply of public goods positively influences tax compliance. Doerrenberg (2015) found tax compliance to be influenced by tax revenue usage and Kirchler (2007) also affirmed the relationship between availability of public goods and tax compliance. An Afrobarometer study (Asunka, 2013) found that Africa’s citizens rate their governments poorly on the supply of basic amenities like water and electricity which is similar to our findings. However, previous studies did not provide avenue for taxpayers to explain how lack of or dysfunctional public facilities affect their ability and willingness to pay tax. The narratives in this study may have revealed the depth of the problem beyond what we know from previous studies.

Audit effectiveness is the third organizing theme our data analysis revealed. Findings on the role of audit in tax compliance are as old as tax compliance research. It was the key issue when Allingham and Sandmo (1972) pioneered empirical tax compliance research. Many studies after Allingham and Sandmo found audit to be a determinant of compliance behavior. Kirchler (2007) drew attention to a possible backlash if audits are not effective. If audits do not apprehend and prosecute offenders, then even taxpayers that wish to comply may feel cheated and resort to evasion. With time, evasion will permeate the entire system. Statements from participants in this study confirm Kirchler (2007) position. The tax gap in Nigeria is huge and a breakdown of the audit system as found in this study could be a key factor. This study also revealed that taxpayers do not take cognizance of audit probability alone as indicated by many studies but they assess the entire system from audit probability to detection probability and even the effectiveness of prosecution in deciding whether to comply or not.

More importantly, previous studies treat the determinants of tax compliance as independent variables. Tax awareness, public goods supply, fairness perceptions and audit probability were all treated as independent variables that influence tax compliance. While this is true, findings from this study revealed that taxpayers do not perceive these elements in isolation. They are perceived in relation to public governance quality generally. Hence our thematic networks revealed public governance quality as the global theme that drives the variables of citizen engagement, socioeconomic condition and audit effectiveness. The participants could be right because the more advanced countries, where these variables work better, do have better governance quality. Richard Bird who has a long-term and wide-ranging working experience on tax administration in developing countries stated that:

> What any country does with its tax system is inevitably determined, in the first instance, by political and not economic calculations. Some countries are close to failed states in which institutions are so

> ineffective that whatever they attempt to do does not work. (Bird, 2008, p.21)

Insights from the data are in line with this expert opinion of Bird. The deplorable socioeconomic condition, citizen's disengagement and dysfunctional audit system are all syndrome of a larger problem of governance failure.

Most importantly, the findings from our study revealed an overwhelming 'boycott' of the tax system. Middle class citizens who earn some measure of income pay income tax in advanced countries but the reverse appears to be the case in developing countries. There is pervasive unwillingness to comply with tax provisions. Noncompliance is so widespread that the usual 'evasion' and 'noncompliance' terminologies may not be adequate in explaining it. This study suggests that what is currently obtainable in developing countries is a 'tax boycott'. The study proposes a preliminary definition of tax boycott as a situation where noncompliance is so pervasive that over 50 percent of eligible taxpayers do not comply due to dissatisfaction with governance. The qualitative data revealed that over 80 percent of participants do not want to have anything to do with the tax system. Moreover, similar data are found across developing countries. Based on revelations from participants and similar data from other studies, this study's position that the tax noncompliance in Nigeria could be better understood as a tax boycott also represents a significant finding of this study.

5.2.2 Summary of the Qualitative Study

The qualitative study was conducted with the objective of determining factors responsible for the massive tax noncompliance in Nigeria. The design of the study was semi-structured such that the same question was put across to all participants but the follow up conversations were unstructured depending on the responses. The interview responses were analyzed using thematic network analysis. Results of the analysis revealed three organizing themes which, in the perception of the participants, were responsible for the massive tax noncompliance in Nigeria – citizen engagement, socioeconomic condition and audit effectiveness.

5.3 The Quantitative Results

The quantitative results consist of preliminary data screening, for instance, response rate, missing data and descriptive and a second phase which is PLS results.

5.3.1 Response Rate

A total of 371 responses were retrieved from respondents which translate to about 65 percent response rate. The response rate was very high and above contemporary average (Baruch & Holtom, 2008). This could be attributed to the strategy employed by the research assistants after the training and instruction they got from the researcher. The research assistants insisted on collecting completed copies of the questionnaire on-the-spot. A total of 371 complete copies of the questionnaire were retrieved from respondents within a period of 42 days and the data collection was called off. Even though the research assistants were instructed to crosscheck completed copies of the questionnaire for missing data before collecting, 11 out of the 371 returned responses were still found to be deficient and were not used for the study. This leaves a total of 360 usable responses that were adopted for the final analysis.

Table 5.1
Questionnaire Response Rate

Total Questionnaire Administered	**568**
Total nonresponse	197
Total number of questionnaire returned	371
Unusable response*	11
Usable response	360
Response rate	65%

Note* Unusable responses were due to missing data and Suspicious responses

5.3.2 Respondents Profile

It is important to have an understanding of the demographic characteristics of respondents in every survey. In this study, the questionnaire contains a section for respondents to fill-in their demographics in terms of age, education level, income level and gender. Though it was not part of the objective of the study to determine the influence of these variables on tax compliance behavior, it is important to know the characteristics of the research population. Descriptive statistics was employed with the aid of SPSS software to determine the demographic profile of the respondents as shown in Table 5.2.

Table 5.2
Frequency Tables (N=360)

	Frequency	Percent
GENDER		
Female	128	35.6
Male	232	64.4
AGE		
Up to 40 years	218	60.6
More than 40 years	142	39.4
INCOME		
Up to NGN 2,000,000.00	258	71.7
More than 2,000,000.00	102	28.3
EDUCATION		
Up to Diploma	201	55.8
Bachelor Degree and above	159	44.2

NOTE: NGN= Nigerian Naira

5.3.3 Non-Response Bias

Non-response bias is a situation where those that declined to respond to the copies of the questionnaire vary in a systematic way from those that responded, thus affecting the accuracy and validity of the results (Yehuda, 1999). The problem arises if the responses that would have been given by those that failed to respond would have been different from those that responded thus affecting the result (Armstrong & Overton, 1977). If there is a non-response bias in the sample, it becomes difficult to generalize from the sample to the population; hence it is important to determine non-response bias in a research like this.

This study employed two ways to test for non-response bias. Firstly, the profile of the respondents was compared to the profile of those that do not respond to see if there was a systematic variation. This was not the case; hence it was concluded that non-response was not a problem. Moreover, this study had already planned for non-response by increasing the sample. Instead of the required 341 sample, 570 copies of the questionnaire were distributed, thus increasing the sample by 40 percent. This was according to recommendations by Salkind (1997). The increment of 40 percent was done based on the experience of previous study (Alabede et al, 2011) which got 60 percent response rate. It is worthy of note that the studies of Alabede et al (2011, 2012) were conducted among the same population of this study, hence Alabede et al. (2011) response rate served as a useful lesson.

The second method employed by the study in testing non-response bias was to divide the responses into two groups based on early and late responses. The collection of data spanned a period of 42 days hence the period of early and late responses were the first 21 days and the last 21 days. A total of 194 responses were retrieved in the first period while a total of 166 from the usable responses fell into the second period. The two groups were compared using the independent sample t-test to determine whether there were significant differences between them (Pallant, 2013). The comparison was done on all variables of the study. The results of the t-test equality of means as presented in Table 5.3 shows that there was no significant difference between the early response and late response (P-value at 0.05 significance level) on all the variables in the absence of a statistically significant difference between the two groups, it can be concluded that non-response bias does not exist in the sample and that the sample came from the same population.

Table 5.3

Group Descriptive Statistics for Early and Late Responses

RESPONSE		N	Mean	Std. Deviation	Std. Error
GEN	EARLIER	196	1.65	.479	.034
	LATER	164	1.64	.481	.038
AGE	EARLIER	196	1.40	.491	.035
	LATER	164	1.39	.489	.038
INC	EARLIER	196	1.29	.455	.033
	LATER	164	1.27	.448	.035
EDU	EARLIER	196	1.45	.499	.036
	LATER	164	1.43	.497	.039
TCB	EARLIER	196	22.85	9.609	.686
	LATER	164	24.24	9.846	.769
SOC	EARLIER	196	19.94	8.080	.577
	LATER	164	19.52	8.020	.626
PGQ	EARLIER	196	22.05	10.063	.719
	LATER	164	21.42	10.034	.783
PSN	EARLIER	196	19.59	8.560	.611
	LATER	164	20.74	7.702	.601
PCE	EARLIER	196	25.65	9.911	.708
	LATE	164	26.24	8.987	.702
PAE	EARLIER	196	42.80	15.553	1.111
	LATER	164	46.18	18.198	1.421
TSQ	EARLIER	196	41.42	15.806	1.129
	LATER	164	39.74	16.048	1.253
TSC	EARLIER	196	29.87	13.744	.982
	LATER	164	31.60	11.894	.929
TFP	EARLIER	196	38.16	14.533	1.038
	LATER	164	34.27	14.699	1.148
ATE	EARLIER	196	31.37	13.030	.931
	LATER	164	27.07	11.774	.919

ATE=Attitude Towards Evasion, TFB= Tax Fairness Perception, TSC=Perceived Tax System Complexity, PAE=Perceived Audit Effectiveness, PCE=Perceived Citizen Engagement, PSN=Perceived Social Norm, TSQ=Perceived Tax Service Quality, PGQ=Perceived Public Governance Quality, SOC=Socioeconomic Condition, TCB=Tax Compliance Behavior

5.3.4 Data Screening

Data screening and preparation is the first step in analyzing data in a multivariate data analysis study. This is necessary in order to check the appropriateness of the data for the main analysis. Data screening will ensure that the data do not violate the assumptions of SEM (Hair et al, 2010). Data screening also enables the researcher to gain an understanding of the data and to detect possible missing data (Pallant, 2013).

5.3.4.1 Missing Data

Missing data could arise from respondents' inability to understand questions or outright unwillingness to respond (Sekaran & Bourgie, 2013). According to Hair et al. (2010), missing data is a usual occurrence in data collection. However, this study took pre-emptive measures to minimize missing data and the measures were largely successful. Most of the responses were collected either on the spot and few were collected on a later date. However, whether they were collected on the spot or later, the research assistants were instructed to crosscheck returned copies of the questionnaire and to politely request for a fill-up of any missing data. If the missing data was due to difficulty in understanding the particular items, research assistants were trained to provide assistance in that direction.

These measures ensured close to 100 percent response on all items. Despite the strict measures adopted to prevent missing data, there were still few cases. A total of 11 responses were dropped due to missing data and suspicious response pattern. Though Hair et al. (2017) stated that missing data could be replaced by mean imputation, there was no need for replacing missing data in this study because after discarding the missing respondents, the remaining responses were well above the required sample size. This method was also recommended by Hair et al (2010).

5.3.4.2 Outliers

An outlier is a data point that is abnormally higher or lower than the rest of the observations. According to Tabachnick and Fidell (2013), outliers could distort the results of data analysis, thus preventing accurate generalization from the sample to the larger population except if the population harbours such outliers. The authors suggested the use of Mahalanobis D^2 measure to determine and correct outliers. However, the PLS used in this study is robust and does not make any assumption about outliers (Hair et al., 2017). However, the data was still screened to ensure that there were no outliers resulting from measurement error.

5.3.4.3 Test of Normality

Normality refers to the statistical distribution of the data in terms of how well they converge at the middle and become less towards the tail ends of the distribution. Normality of data is a requirement for some multivariate analysis including CB-SEM. However, PLS makes no assumption about normality of data and it is well able to handle non-normal data (Hair et al., 2017). However, Hair et al. (2017) advised that researchers should still check their data to ensure that there is no extreme non-normality since non-normality in the extreme can constitute a problem when assessing the parameters of the model.

Checking the normality or otherwise of a dataset requires assessing how well it conforms to the statistical benchmark of a normal shape or deviates from it. This study utilized the method of skewness and kurtosis to determine the normality of the data as recommended by Curan, West and Finch (1996); Hair et al. (2010); Kline (2011); Tabachnick and Fidell (2013). It should be pointed out that Tabachnick and Fidell (2013) stated that large sample sizes of over 200 can mitigate the adverse effect of non-normal data. That means the sample size of this study is more than enough to cushion the adverse effect of data non-normality. However, the test for Skewness and Kurtosis performed on the data showed that they all fall within acceptable range. Kline (2011) stated that the absolute value of skewness should not be greater than 3 and kurtosis should not be greater than 10. The author stated that kurtosis value greater than 20 is an indication of serious problem. In line with Kline (2011) benchmarks, the skewness and kurtosis of all items in this study fall within the recommended range of <2 and <7 respectively.

5.3.4.4 Descriptive Analysis

The descriptive analysis in this section gives a description of the manner the respondents reacted to the questions under each construct in the questionnaire. It gives an insight on the number of respondents that think alike on a particular question, whether the agree or disagree and to what extent. Table 5.4 shows the descriptive analysis of tax compliance behavior.

The construct of tax compliance behavior has a mean value of 5.873 indicating that most of the respondents justify tax noncompliance behavior which is not very good for the tax system in the study population.

Table 5.4
Descriptive Statistics of Tax Compliance Behaviour

Measures	**Code**	**N**	**MIN**	**MAX**	**MEAN**	**STD. D**
Tax Compliance Behavior	TCB	360	1	10	5.873	2,877
Musa is justified if he doesn't file his tax returns at the stipulated time.	TCB1	360	1	10	6.51	2.928
Musa is not justified if he understates the income he reports for tax purpose	TCB2	360	1	10	5.69	2.631
Musa is justified if he overstates his deductions	TCB3	360	1	10	5.59	2.795
Musa is not justified if he fails to pay the assessed amount at the due date	TCB4	360	1	10	5.70	3.153

For perceived public governance quality, the mean value for the responses according to Table 5.5 is 3.628. That shows that majority of the respondents are of the opinion that public governance quality is low in the country. It means the respondents disagree with the statements that describes government as effective in carrying out its responsibility.

Table 5.5
Descriptive Statistics of Perceived Public Governance Quality

Measures	**Code**	**N**	**MIN**	**MAX**	**MEAN**	**STD. D**
Perceived Public Governance Quality	PGQ	360	1	10	3.628	2.059
Government is effective in handling of its responsibilities	PGQ1	360	1	10	3.85	2.034
The government formulates good policies for citizen's benefit	PGQ2	360	1	10	3.80	2.104
The civil service implements government policies effectively	PGQ3	360	1	9	3.39	1.877
Government policies encourage businesses	PGQ4	360	1	7	3.19	1.967
The rule of law is not respected in all public and private transactions	PGQ5	360	1	10	3.93	2.366
The diversion of public funds to private gain due to corruption is not common	PGQ6	360	1	10	3.61	2.223

The next construct for descriptive analysis is socioeconomic condition. Table 5.6 shows that the mean response for the construct is 4.94 which shows that the respondents mostly disagree with statements that they are satisfied with their socioeconomic condition. The implication of this result is that socioeconomic condition is not satisfactory among the population of the study and this could influence their tax compliance behavior.

Table 5.6
Descriptive Statistics for Socioeconomic Condition

Measures	**Code**	**N**	**MIN**	**MAX**	**MEAN**	**STD. D**
Socioeconomic Condition	SOC	360	1	10	4.94	2.494
I am satisfied with my current financial situation	SOC1	360	1	10	5.43	2.526
I am satisfied with the current healthcare situation	SOC2	360	1	10	4.84	2.327
I am not satisfied with the current educational service	SOC3	360	1	10	4.66	2.417
I am satisfied with the current public security situation	SOC4	360	1	10	4.83	2.706

Next is the descriptive statistics for perceived social norm. Table 5.7 shows that on average, respondents' agreement with statements that people they know do not pay tax is 5.03. This indicate that they agree that other people like family, friends and colleagues do not pay tax. Though the opinion of the respondents is only a slight agreement that there is a social norm of noncompliance among the study population.

Table 5.7
Descriptive Statistics for Perceived Social Norm

Measures	Code	N	MIN	MAX	MEAN	STD. D
Perceived Social Norm	PSN	360	1	10	5.03	2.645
Many other people in this society do not comply with tax laws	PSN1	360	1	10	4.98	2.438
My family members would disapprove of noncompliance	PSN2	360	1	10	5.03	2.827
My friends will approve of noncompliance	PSN3	360	1	10	5.33	2.875
My peers would justify noncompliance	PSN4	360	1	10	4.77	2.439

Furthermore, the descriptive statistics of perceived citizen engagement as shown in Table 5.8 indicate that the construct has a mean value of 5.19 which shows that self-employed taxpayers agree that they are not engaged in the process of governance. The implication of this statistics is that it could influence their willingness to pay tax.

Table 5.8
Descriptive Statistics for Perceived Citizen Engagement

Measures	Code	N	MIN	MAX	MEAN	STD. D
Perceived Citizen Engagement	PCE	360	1	10	5.19	2.536
I have access to information about government	PCE1	360	1	10	4.97	2.381
Ordinary people are consulted in matters of governance	PCE2	360	1	10	5.09	2.595
It is difficult to find out how government uses revenues from taxes and fees	PCE3	360	1	10	6.02	2.552
Taxpayers are aware of how and why they are to contribute to tax revenue generation.	PCE4	360	1	10	4.81	2.608
Tax authorities have periodic interactions with taxpayers on areas of mutual concerns.	PCE5	360	1	9	5.04	2.545

Perceived audit effectiveness as shown in Table 5.9 has a mean response of 5.52 which indicate that that the respondents mostly agree that audit is not very effective to deter tax noncompliance.

Table 5.9

Descriptive Statistics of Perceived Audit Effectiveness

Measures	Code	N	MIN	MAX	MEAN	STD. D
Perceived Audit Effectiveness	PAE	360	1	10	5.52	2.624
It is easy to evade paying taxes	PAE1	360	1	10	5.85	2.674
Businesses generally face low audit rate	PAE2	360	1	10	5.43	2.530
If one evade tax payments, there is a low chance of being caught.	PAE3	360	1	10	5.10	2.508
Assuming one is caught, it is not much of a problem.	PAE4	360	1	10	5.64	2.870
Tax auditors are willing to cooperate even if one is caught	PAE5	360	1	10	6.03	2.628
Being asked to pay fine is a serious problem.	PAE6	360	1	10	5.46	2.542
Being taken to court is not much of a problem	PAE7	360	1	10	5.13	2.615

For tax service quality, Table 5.10 indicate that self-employed taxpayers view it as slightly okay among the population. The construct has a mean response of 5.019 which is an indication that the tax service quality may not be much of a problem.

Table 5.10

Descriptive Statistics for Perceived Tax Service Quality

Measures	Code	N	MIN	MAX	MEAN	STD. D
Perceived Tax Service Quality	TSQ	360	1	10	5.019	2.568
Overall, I would say the quality of my interaction with FIRS employees is excellent	TSQ1	360	1	10	5.54	2.671
The behavior of FIRS employees demonstrate their willingness to help me	TSQ2	360	1	10	5.02	2.453
The behavior of FIRS employees shows me that they don’t understand my needs	TSQ3	360	1	10	4.95	2.409
FIRS employees are not able to answer my questions quickly	TSQ4	360	1	10	5.31	2.891
I find that FIRS other customers consistently leave with a good impression of its service	TSQ5	360	1	10	5.33	2.579
FIRS tries to keep my waiting time to a minimum	TSQ6	360	1	10	4.75	2.455
FIRS provides vital information to educate me on my tax obligations	TSQ7	360	1	10	4.67	2.327
FIRS employees treat all customers fairly without bias.	TSQ8	360	1	10	5.08	2.762

The construct of tax system complexity according to table 5.11 has a mean response of 4.38 which indicate that the respondents mostly disagree with statements that the tax system is complex. This could mean that tax system complexity is not the major problem influencing the self-employed taxpayers investigated in the study.

Table 5.11
Descriptive Statistics for Perceived Tax System Complexity

Measures	**Code**	**N**	**MIN**	**MAX**	**MEAN**	**STD. D**
Perceived Tax System Complexity	TSC	360	1	10	4.38	2.458
I think the terms used in tax guides and forms are difficult for people like me to understand	TSC1	360	1	10	4.86	2.695
The sentences are wordings are lengthy and complicated	TSC2	360	1	10	4.77	2.580
The rules related to income tax are very clear	TSC3	360	1	10	4.23	2.545
Most of the times, I need to relate to others for assistance in dealing with tax matters	TSC4	360	1	10	4.73	2.576
I do not have a problem with completing and filing tax returns forms	TSC5	360	1	9	4.33	2.384
I find it difficult to provide all the information required by the tax authorities for filing purpose	TSC6	360	1	8	4.15	2.354
I spend a lot of time and effort in the process of filing my tax returns	TSC7	360	1	8	3.60	2.074

Furthermore, tax fairness perception has a mean score of 4.548 as shown in Table 5.12 which indicate that respondents tend to disagree with statements that describes the tax system as unfair. Perhaps, among the self-employed, tax fairness is not much of a problem especially among the study population.

Table 5.12
Descriptive Statistics for Tax Fairness Perception

Measures	Code	N	MIN	MAX	MEAN	STD. D
Tax Fairness Perception	TFP	360	1	10	4.548	2.472
Generally, I believe the burden of the income tax is fairly distributed	TFP1	360	1	10	4.76	2.455
I believe everyone pays their fair share of income tax	TFP2	360	1	9	4.94	2.570
The benefits I receive from government is fair in terms of my tax payment	TFP3	360	1	10	4.76	2.462
Some legal deductions are not fair because only the wealthy enjoys them	TFP4	360	1	9	4.53	2.570
People whose incomes are the same as mine should pay the same amount as	TFP5	360	1	9	4.36	2.245
High income earners should pay a higher rate of tax than low income earners	TFP6	360	1	9	4.55	2.627
Compared to other taxpayers, I pay less than my fair share of income tax	TFP7	360	1	9	4.55	2.609
Current income tax laws require me to pay more than my fair share of income tax	TFP8	360	1	8	3.93	2.236

Attitude towards evasion has a mean score of 4.20 as shown in Table 5.13 which indicate that among the self-employed in this study, attitude is not the main issue. The average score of 4.20 is an indication that the self-employed people disagree with statements that their attitude towards evasion is poor.

Table 5.13
Descriptive Statistics for Attitude Towards Evasion

Measures	Code	N	MIN	MAX	MEAN	STD. D
Attitude Towards Evasion	ATE	360	1	10	4.20	2.426
Taxes are so heavy that evasion is an economic necessity to survive	ATE1	360	1	9	4.17	2.442
Not declaring all my income for tax purpose is a serious offence	ATE2	360	1	9	4.19	2.417
If I am in doubt about whether or not to report a certain income, I would not report it	ATE3	360	1	10	3.72	2.294

Table 5.13 (Continued)

Measures	Code	N	MIN	MAX	MEAN	STD. D
Claiming a non-existent deduction on my tax return is not a serious offence	ATE4	360	1	10	4.36	2.521
Since everybody evades tax you cannot blame anyone for doing it	ATE5	360	1	10	4.55	2.426
There are opportunities for evading taxes so you cannot blame those who evade	ATE6	360	1	9	4.41	2.498
People are right to evade taxes because the system is unfair	ATE7	360	1	10	4.02	2.383

5.4 The PLS Result

The rationale for using the PLS approach has been explained in detail in previous sections. In practice, the PLS technique is conducted in two phases – the measurement model and the path model.

5.4.1 The Measurement Model (Outer Model)

The first stage of the PLS analysis is the measurement or outer model. The goal of the measurement model is to determine how well the items measure their constructs in line with the measurement theories that support them. The two major criteria used to assess the measurement model in PLS are reliability and validity (Hair et al., 2017; Hulland, 1999; Ramayah, Lee & In, 2011). Hence this study assessed the measurement model in terms of the reliability and validity of the constructs. In the measurement model, individual items or indicator reliability is assessed and composite reliability is also assessed in terms of the consistency of the items measuring a construct. Similarly, validity is assessed in terms of two criteria – convergent validity and discriminant validity.

Cronbanch alpha was used to assess the construct reliability. According to Hair et al. (2013) and Henseler et al. (2009), Cronbach alpha values should exceed the threshold of 0.7. Results of the measurement model show that the values for Cronbach alpha were satisfactory. However, Hair et al. (2017) stated that emphasis should be on the composite reliability (CR) because, unlike the Cronbach alpha, CR does not equal indicator loading on the construct. The CR values range between 0 and 1. However, Hair et al. (2017) recommended that CR values should be greater than 0.7 but values between 0.6 and 0.7 are acceptable. Based on expert recommendations as outlined above, the Cronbach alpha and CR for this study yielded satisfactory results.

The next measure considered was the convergent validity. Hair et al. (2017) defined convergent validity as the extent to which measures of the same construct positively correlates with each other. According to Henseler, Ringle and Sinkovics (2009) and Hair et al. (2017), the Average Variance Extracted (AVE) measure is used to determine the extent to which constructs have attained adequate convergent validity. An AVE threshold of 0.5 and above is recommended for assessing good convergent validity. AVE value of 0.50 is an indication that the construct explained about half of the variance of its indicators, hence attain convergent validity (Hair et al., 2017).

In Table 5.14, all the Cronbach Alpha values exceeded 0.7 which is an indication that they were adequate for this study and reliability was attained (Hair et al. 2017). The loadings also exceeded 0.5 which is an indication that the items are reliable by the threshold of Hair et al. (2017). In addition to the AVE, discriminant validity was determined. According to Hair et al. (2017), discriminant validity is the extent to which items in a construct are different from those of other constructs, it shows the extent to which items in a construct hang together and differ from those of other constructs. For this study, Table 5.14 show that AVE values exceeded 0.5 as required in Hair et al. (2017) which shows that the constructs attained validity and are adequate in this study.

Table 5.14
Construct Reliability and Validity

Construct	Items	Loading	Cronbach Alpha	Composite Reliability	AVE
ATE	ATT1	0.777	0.866	0.897	0.555
	ATT2	0.689			
	ATT3	0.726			
	ATT4	0.718			
	ATT5	0.811			
	ATT6	0.777			
	ATT7	0.708			
TFP	TFP1	0.723	0.884	0.906	0.55
	TFP2	0.848			
	TFP3	0.795			
	TFP4	0.791			
	TFP5	0.565			
	TFP6	0.729			
	TFP7	0.727			
	TFP8	0.722			
TSC	TSC1	0.854	0.869	0.897	0.558
	TSC2	0.801			
	TSC3	0.844			
	TSC4	0.777			
	TSC5	0.684			
	TSC6	0.577			
	TSC7	0.647			
PAE	PAE1	0.727	0.917	0.932	0.634
	PAE2	0.848			
	PAE3	0.792			
	PAE4	0.797			
	PAE5	0.729			
	PAE6	0.856			
	PAE7	0.799			
	PAE8	0.816			
PCE	PCE1	0.774	0.804	0.865	0.562
	PCE2	0.676			
	PCE3	0.785			
	PCE4	0.804			
	PCE5	0.701			
PSN	PSN1	0.811	0.778	0.857	0.6
	PSN2	0.768			
	PSN3	0.754			
	PSN4	0.764			

Table 5.14 (Continued)

Construct	Items	Loading	Cronbach Alpha	Composite Reliability	AVE
TSQ	TSQ1	0.755	0.905	0.922	0.598
	TSQ2	0.832			
	TSQ3	0.807			
	TSQ4	0.818			
	TSQ5	0.697			
	TSQ6	0.785			
	TSQ7	0.736			
	TSQ8	0.753			
PGQ	PGQ1	0.764	0.886	0.913	0.638
	PGQ2	0.821			
	PGQ3	0.798			
	PGQ4	0.825			
	PGQ5	0.772			
	PGQ6	0.811			
SOC	SOC1	0.784	0.821	0.882	0.651
	SOC2	0.885			
	SOC3	0.794			
	SOC4	0.817			
TCB	TCB1	0.809	0.867	0.91	0.716
	TCB2	0.873			
	TCB3	0.845			
	TCB4	0.861			

ATE=Attitude Towards Evasion, TFB= Tax Fairness Perception, TSC=Perceived Tax System Complexity, PAE=Perceived Audit Effectiveness, PCE=Perceived Citizen Engagement, PSN=Perceived Social Norm, TSQ=Perceived Tax Service Quality, PGQ=Perceived Public Governance Quality, SOC=Socioeconomic Condition, TCB=Tax Compliance Behavior

The AVE of 0.5 as shown in Table 5.14 above shows that the items were actually measuring their own construct (Hair et al., 2017). There are different approaches to establishing discriminant validity. A widely used approach is the Fornel-Larcker approach (Hair et al., 2017). There is also the cross-loading method and more recently, the Heterotrait-Monotrait (HTMT) criterion was introduced citing some weaknesses in the earlier approaches (Hair et al., 2017).

In the Fornell-Lacker criterion, discriminant validity is established when the value of the square root of the AVE of the individual constructs are higher than the highest correlation of the construct with other constructs (Hair et al, 2011, 2017; Henseler et al. 2009). The next approach to assessing discriminant validity is the cross-loading approach. The basic principle of this approach is that items belonging to a particular construct should load highly on that construct and the outer loading must be higher than all its cross-loadings with other constructs (Hair et al., 2011, 2017). As indicated in Table 5.15, the overall results from the measurement model indicated that items and constructs utilized in this study attained the desired statistical properties for proceeding to the next phase of PLS, which is the structural model. Table 5.16 shows that the items for each construct loaded on their respective constructs more than other constructs as required in PLS technique (Hair et al., 2017). Table 5.16 shows the crossloadings. Table 5.16 shows items of each constructs (highlighted in bold) loaded properly under each constructs hence attain desired discriminant validity.

Table 5.15

Fonnel Lacker Discriminant Validity Analysis

Constructs	ATE	TFP	TSC	PAE	PCE	PSN	TSQ	PGQ	SOC	TCB
Attitude towards tax evasion	**0.745**									
Tax fairness perception	0.675	**0.742**								
Tax system complexity	0.601	0.659	**0.747**							
Perceived audit effectiveness	0.146	0.149	0.420	**0.796**						
Perceived citizen engagement	0.468	0.454	0.366	0.181	**0.751**					
Perceived social norm	0.431	0.447	0.317	0.179	0.691	**0.775**				
Perceived tax service quality	0.255	0.216	0.256	0.652	0.315	0.305	**0.773**			
Public governance quality	0.444	0.464	0.274	0.027	0.536	0.541	0.297	**0.798**		
Socioeconomic condition	0.474	0.515	0.362	0.079	0.608	0.611	0.309	0.773	**0.807**	
Tax compliance behavior	0.513	0.526	0.421	0.240	0.686	0.693	0.402	0.625	0.771	**0.846**

Table 5.16

Table of Crossloadings

ITEMS	ATE	TFP	TSC	PAE	PCE	PSN	TSQ	PGQ	SOC	TCB
ATE1	**0.777**	0.712	0.536	0.109	0.375	0.349	0.127	0.36	0.385	0.366
ATE2	**0.689**	0.671	0.454	0.015	0.331	0.311	0.055	0.308	0.339	0.316
ATE3	**0.726**	0.651	0.462	0.117	0.323	0.286	0.135	0.316	0.360	0.359
ATE4	**0.718**	0.557	0.327	0.067	0.351	0.319	0.214	0.352	0.352	0.381
ATE5	**0.811**	0.709	0.475	0.129	0.392	0.359	0.251	0.363	0.397	0.459
ATE6	**0.777**	0.687	0.446	0.079	0.365	0.352	0.183	0.331	0.361	0.393
ATE7	**0.708**	0.584	0.439	0.226	0.301	0.264	0.329	0.280	0.276	0.381
PAE1	0.088	0.071	0.295	**0.727**	0.139	0.154	0.514	0.034	0.047	0.161
PAE2	0.144	0.161	0.389	**0.848**	0.164	0.172	0.583	0.057	0.106	0.213
PAE3	0.083	0.093	0.301	**0.792**	0.137	0.113	0.482	0.004	0.041	0.205
PAE4	0.140	0.137	0.352	**0.797**	0.130	0.130	0.506	0.002	0.052	0.188
PAE5	0.091	0.087	0.298	**0.729**	0.123	0.151	0.478	0.022	0.032	0.143
PAE6	0.152	0.161	0.385	**0.856**	0.174	0.176	0.589	0.054	0.110	0.214
PAE7	0.072	0.078	0.277	**0.793**	0.138	0.118	0.481	0.002	0.041	0.201
PAE8	0.148	0.144	0.370	**0.816**	0.141	0.132	0.524	0.004	0.056	0.184
PCE1	0.324	0.309	0.241	0.129	**0.774**	0.642	0.237	0.347	0.420	0.497
PCE2	0.387	0.395	0.331	0.176	**0.676**	0.669	0.244	0.441	0.486	0.523
PCE3	0.363	0.362	0.284	0.103	**0.785**	0.740	0.233	0.448	0.530	0.593
PCE4	0.351	0.318	0.261	0.160	**0.804**	0.693	0.245	0.406	0.444	0.498
PCE5	0.324	0.307	0.246	0.111	**0.701**	0.572	0.218	0.351	0.375	0.437
PGQ1	0.342	0.372	0.161	0.002	0.438	0.472	0.191	**0.764**	0.673	0.504
PGQ2	0.416	0.419	0.27	0.099	0.486	0.479	0.272	**0.820**	0.746	0.574
PGQ3	0.357	0.375	0.261	0.015	0.453	0.411	0.248	**0.798**	0.721	0.499
PGQ4	0.374	0.386	0.234	0.014	0.415	0.437	0.262	**0.825**	0.737	0.527
PGQ5	0.293	0.324	0.165	0.006	0.381	0.393	0.204	**0.771**	0.603	0.408
PGQ6	0.331	0.340	0.205	0.021	0.388	0.396	0.237	**0.811**	0.687	0.466
PSN1	0.301	0.337	0.218	0.172	0.744	**0.811**	0.262	0.417	0.475	0.553
PSN2	0.336	0.365	0.260	0.167	0.675	**0.768**	0.234	0.423	0.505	0.553
PSN3	0.358	0.347	0.273	0.105	0.691	**0.754**	0.208	0.372	0.418	0.519
PSN4	0.341	0.335	0.233	0.108	0.65	**0.764**	0.252	0.465	0.498	0.522
SOC1	0.361	0.425	0.258	0.042	0.541	0.559	0.225	**0.709**	0.781	0.629
SOC2	0.423	0.444	0.322	0.066	0.523	0.537	0.244	**0.722**	0.835	0.659
SOC3	0.336	0.374	0.292	0.057	0.420	0.383	0.243	**0.683**	0.794	0.553
SOC4	0.409	0.416	0.296	0.088	0.474	0.482	0.284	**0.701**	0.817	0.637
TCB1	0.438	0.456	0.304	0.105	0.603	0.621	0.266	0.531	0.618	**0.809**
TCB2	0.456	0.453	0.381	0.201	0.599	0.609	0.328	0.532	0.668	**0.873**
TCB3	0.407	0.432	0.378	0.265	0.562	0.554	0.388	0.501	0.641	**0.845**
TCB4	0.437	0.443	0.360	0.237	0.559	0.564	0.375	0.549	0.676	**0.861**
TFP1	0.636	**0.723**	0.436	0.067	0.371	0.352	0.211	0.379	0.387	0.419
TFP2	0.751	**0.848**	0.515	0.103	0.401	0.396	0.232	0.391	0.455	0.482
TFP3	0.678	**0.795**	0.465	0.075	0.348	0.355	0.193	0.379	0.427	0.444
TFP4	0.671	**0.791**	0.501	0.128	0.337	0.323	0.237	0.426	0.461	0.499
TFP5	0.492	**0.565**	0.402	0.071	0.269	0.286	0.002	0.268	0.263	0.202
TFP6	0.658	**0.729**	0.533	0.165	0.327	0.340	0.106	0.316	0.369	0.355
TFP7	0.635	**0.727**	0.553	0.119	0.303	0.303	0.065	0.252	0.304	0.268
TFP8	0.654	**0.722**	0.575	0.184	0.318	0.287	0.083	0.266	0.298	0.295
TSC1	0.466	0.536	**0.854**	0.39	0.352	0.296	0.244	0.217	0.305	0.393
TSC2	0.453	0.501	**0.807**	0.352	0.282	0.253	0.202	0.157	0.243	0.343
TSC3	0.437	0.479	**0.844**	0.457	0.294	0.246	0.297	0.203	0.291	0.413

Table 5.16 (Continued)

ITEMS	ATE	TFP	TSC	PAE	PCE	PSN	TSQ	PGQ	SOC	TCB
TSC4	0.393	0.419	**0.777**	0.338	0.264	0.234	0.206	0.213	0.271	0.347
TSC5	0.576	0.621	**0.684**	0.160	0.274	0.258	0.101	0.297	0.338	0.244
TSC6	0.475	0.532	**0.577**	0.071	0.202	0.185	0.019	0.198	0.222	0.126
TSC7	0.523	0.545	**0.647**	0.212	0.22	0.169	0.108	0.216	0.253	0.185
TSQ1	0.221	0.172	0.164	0.441	0.264	0.271	**0.755**	0.266	0.231	0.317
TSQ2	0.247	0.196	0.216	0.523	0.272	0.269	**0.832**	0.272	0.287	0.348
TSQ3	0.244	0.218	0.241	0.501	0.282	0.275	**0.807**	0.299	0.301	0.398
TSQ4	0.273	0.247	0.273	0.498	0.295	0.289	**0.818**	0.303	0.335	0.382
TSQ5	0.101	0.074	0.117	0.451	0.178	0.183	**0.697**	0.150	0.137	0.188
TSQ6	0.148	0.137	0.201	0.542	0.206	0.186	**0.785**	0.160	0.191	0.245
TSQ7	0.099	0.074	0.118	0.545	0.191	0.162	**0.732**	0.139	0.153	0.251
TSQ8	0.144	0.125	0.188	0.585	0.196	0.189	**0.753**	0.143	0.173	0.246

ATE=Attitude Towards Evasion, TFB= Tax Fairness Perception, TSC=Perceived Tax System Complexity, PAE=Perceived Audit Effectiveness, PCE=Perceived Citizen Engagement, PSN=Perceived Social Norm, TSQ=Perceived Tax Service Quality, PGQ=Perceived Public Governance Quality, SOC=Socioeconomic Condition, TCB=Tax Compliance Behavior

5.4.2 The Structural Model

The structural model or inner model comes after the measurement model. It is meant to assess the predictive abilities of the constructs in the study and to determine the relationship between the independent variables and the dependent variables. According to Hair et al. (2017), it is important to assess the collinearity of the constructs before proceeding to the interrelationships. The collinearity measures are important because when independent (predictor constructs) have multi-collinearity problems, it becomes difficult to determine their individual effect on the dependent variable since the constructs tend to be the same thing (Hair et al., 2010). In this study, collinearity was not a problem as can be seen in Table 5.17. According to Hair et al. (2017), collinearity is measured using the VIF and values below 10 are considered good. For this study, Table 5.17 shows that all the values are below 10 which means collinearity is not a problem in this study.

Table 5.17
VIF (Collinearity Measures)

Constructs	**Collinearity**
Attitude towards tax evasion	4.547
Tax fairness perception	5.267
Tax system complexity	2.328
Perceived audit effectiveness	2.318
Perceived citizen engagement	5.315
Perceived social norm	5.208
Perceived tax service quality	2.117
Public governance quality	1
Socioeconomic condition	1.978

The next step in the structural model is to determine the relationships among the constructs. According to Hair et al. (2011; 2017,), the major criteria for assessing the structural model in PLS is the significance of the relationships (measured by the path coefficients and P-value), the coefficient of determination (R^2), the effect size (f^2) and the predictive relevance (Q^2).

5.4.2.1 Direct Relationships and Hypotheses Testing

This section examines the direct relationships between individual constructs and the dependent variable – tax compliance behavior. There are ten hypotheses formulated to test various relationships in the model of this study. However, hypothesis 1C relates to the mediation path (indirect relationship). This subsection examines the direct relationships which comprises of nine hypotheses. Usually, the size of the path coefficient is measured through the PLS algorithm and the significance of the relationship is determined through the bootstrapping procedure in Smart PLS 3.0. For the PLS algorithm, the initial sample of 360 in this study was used while 5,000 was used for the bootstrapping procedure as recommended by Hair et al. (2011, 2017)

The direct relationships in the model of this study were examined through the PLS algorithm and the results are shown in Table 5.18. Results for nine hypotheses could be found in the table. Hypotheses 2A suggested a positive relationship between social norms and tax compliance behavior. The result produced a positive effect with a beta value of .21, t=3.99 and $P < 0.05$. Therefore, the results indicated that hypothesis 2A was supported, in fact the result shows that the relationship is highly significant which means among the self-employed, perceived social norm significantly influence tax compliance behavior.

H2B predicted a positive relationship between audit effectiveness and tax compliance behavior among the self-employed. The result from the analysis shows that this relationship is significant (beta, 0.007, t=1.64, $P < 0.05$). H2B was thus supported meaning among the self-employed taxpayers in the context of Nigeria, perceived audit effectiveness influence tax compliance. Similarly, H2C predicted a positive relationship between tax service quality and tax compliance behavior among the self-employed. This hypothesis was also supported (beta 0.08, t= 1.96, $P < 0.05$) which means among the self-employed taxpayers, tax service quality is a determinant of their tax compliance behavior.

Furthermore, hypothesis H2D suggested a positive relationship between tax fairness perception and tax compliance behavior. However, this hypothesis was not supported (beta 0.01, t 0.17, P > 0.05). This means among the self-employed population of this study, tax fairness perception may not be very important. Similarly, H2E suggested a negative relationship between tax system complexity and tax compliance behavior. The result of the PLS algorithm did not support this relationship (beta 0.04, t= 0.59, P > 0.05). This means the self-employed in the context of this study are not really influenced by tax system complexity.

H2F predicted a positive relationship between attitude towards tax evasion and tax compliance behavior among the self-employed. The hypothesis was not supported (beta, 0.08, t= 1.08, P > 0.05). This means among the self-employed in the context of this study, attitude is not very important. However, H2G which predicted a positive relationship between citizen engagement and tax compliance behavior was supported (beta 0.11, t =1.89, P < 0.05). This means among the self-employed in the context of this study, citizen engagement is very important.

Table 5.18
Hypothesis Results for Direct Relationships

Hypothesis	Path	Path Coefficient	Standard Error	T Value	P Values	Decision
H1A	PGQ ->SOC	0.873	0.017	50.521	0.000	Supported
H1B	SOC ->TCB	0.489	0.061	8.033	0.000	Supported
H2A	PSN ->TCB	0.212	0.053	3.99	0.000	Supported
H2B	PAE ->TCB	0.065	0.039	1.644	0.050	Supported
H2C	PTSQ>TCB	0.078	0.04	1.968	0.025	Supported
H2D	TFP -> TCB	0.013	0.074	0.173	0.431	Not Supported
H2E	TSC ->TCB	0.035	0.059	0.593	0.277	Not Supported
H2F	ATE ->TCB	0.078	0.072	1.08	0.140	Not Supported
H2G	PCE ->TCB	0.109	0.057	1.894	0.029	Supported

ATE=Attitude Towards Evasion, TFB= Tax Fairness Perception, TSC=Perceived Tax System Complexity, PAE=Perceived Audit Effectiveness, PCE=Perceived Citizen Engagement, PSN=Perceived Social Norm, TSQ=Perceived Tax Service Quality, PGQ=Perceived Public Governance Quality, SOC=Socioeconomic Condition, TCB=Tax Compliance Behavior

5.4.2.2 Indirect Relationships (Mediation Result)

Based on the fact that the bootstrapping method is the recommended approach in PLS (Hair et al., 2017), it was employed in this study. Table 5.19 presents the result of the mediation test through bootstrapping. This result supports hypothesis 1C which is the mediation hypothesis. In Smart PLS 3 used for this study, the mediation hypothesis is shown in a separate menu with a separate table. In the Smart PLS version 3 used for this study, same sign (positive, positive) under confidence interval 2.5 and 97.5 (0.316 and 0.534) as shown in Table 5.19 indicates that mediation effect is attained. The confidence intervals indicate the upper and lower bounds within which statistical results are accurate (Hair et al., 2017).

That means there is a mediating effect of socioeconomic condition on the relationship between perceived public governance quality and tax compliance behavior. In the context of this study, significant mediating effect also mean that the self-employed expect government to improve their socioeconomic condition then they would be happy to pay tax.

Table 5.19
Result of Mediating Hypothesis

Path	Original sample	Standard Deviation	T Statistics	P values	2.5	97.5
PGQ»TCB	0.056	0.056	7.624	0.000	0.316	0.534

PGQ=Public Governance Quality, TCB=Tax Compliance Behavior, 2.5=Lower Confidence Interval; 97.5 = Upper Confidence Interval

5.4.2.3 Coefficient of Determination (R^2)

One of the key criteria for assessing the path model is the coefficient of determination or R^2 of the endogenous variables (Hair et al., 2011, 2017). The coefficient of determination is the amount of variance in the dependent variable that the independent variables are able to explain. However, Hair et al. (2017) stated that in marketing research, R^2 values of 0.75, 0.50 and 0.25 could be interpreted as substantial, moderate or weak. In this study, R^2 value was 0.706 (see appendix H) which translate to about 71 per cent variance of tax compliance behavior explained in this study. By the standard of Hair et al. (2017), the R^2 obtained in this study could be said to be very good. The high R^2 in this study shows that the independent variables investigated in this study are able to explain tax compliance behavior among the self-employed in the study context.

5.4.2.4 The Effect Sizes (f^2)

The effect size (f^2) determines the individual effect of each construct in the model. This effect can be determined as the difference in R^2 when the particular exogenous construct is present in the model and when it is omitted. This test will enable the researcher to know the importance of the particular construct and its overall impact in the model. According to Cohen (1988), f^2 values of 0.02, 0.15 and 0.35 should be considered as small, medium and large respectively. However, Chin, Marcolin and Newsted (2003) emphasized that even very small effect sizes are important and should not be ignored.

Table 5.20
Result of Effect Sizes

Constructs	Effect Size
Attitude Towards Tax Evasion	0.005
Tax Fairness Perception	0.000
Tax System Complexity	0.002
Perceived Audit Effectiveness	0.151
Perceived Citizen Engagement	0.213
Perceived Social Norm	0.142
Perceived Tax Service Quality	0.021
Public Governance Quality	0.32
Socioeconomic Condition	0.411

From Table 5.20, it can be seen that tax fairness perception may not be important among the self-employed in this study because the effect size is 0.000. Tax system complexity is also too small according to Cohen (1988). However, other constructs show small, medium and large effect sizes according to Cohen (1988). It can be seen from Table 5.20 that socioeconomic condition has the biggest effect in the study as indicated in the value of 0.41 in line with Cohen (1988). This means the biggest influence on tax compliance behavior among the self-employed in the context of this study is socioeconomic condition.

5.4.2.5 Predictive Relevance (Q^2)

The next criterion for assessing the path model is the predictive ability of the model. Predictive relevance means the ability of the constructs to predict tax compliance behavior among the self-employed in this study (Hair et al. 2010). The predictive relevance can be ascertained using the Stone-Geissser criterion which states that the path model must show evidence of being able to predict the endogenous construct. According to Hair et al. (2017), the predictive relevance (Q^2) should be accessed through the blindfolding process.

This study followed the blindfolding procedure to obtain the cross-validated measure for the endogenous latent construct. According to Hair et al (2017, Q^2 values greater than zero indicate predictive relevance of the model. Table 5.21 shows the predictive relevance of the variables.

Table 5.21
Results of Predictive Relevance

Constructs	**Predictive Relevance**
Attitude towards tax evasion	0.000
Tax fairness perception	0.000
Tax system complexity	0.000
Perceived audit effectiveness	0.007
Perceived citizen engagement	0.631
Perceived social norm	0.008
Perceived tax service quality	0.005
Public governance quality	0.237

Since the threshold value for predictive relevance is any value greater than zero, all the constructs in this study attain predictive relevance except tax fairness perception, attitude towards evasion and tax system complexity according to Table 5.21. All other values are above zero except the three mentioned values. That means all constructs in this study can predict tax compliance among the self-employed in the context of the study except tax fairness perception, attitude and complexity.

Table 5.22 presents a summary of the objectives of the study, corresponding hypothesis and findings.

Table 5.22
Summary of Objectives, Hypotheses and Findings

Objectives	**Hypotheses**	**Findings**
To determine whether taxpayers perceive that public governance quality influences their socioeconomic condition	H_{1A} Taxpayers perceive that Public Governance quality is positively related to their socioeconomic conditions	Perceived public governance quality was found to be significantly associated with socioeconomic condition
To determine whether taxpayers' socioeconomic condition influences their tax compliance behavior	H_{1B} Taxpayers satisfaction with their socioeconomic condition is positively related to their tax compliance behavior	Socioeconomic condition was found to be significantly associated with tax compliance behavior
To determine whether taxpayers' socioeconomic conditions mediate the relationship between Perceived public governance quality and their tax compliance behavior	H_{1C} Taxpayers' socioeconomic condition mediates the relationship between public governance quality and tax compliance behavior	Socioeconomic condition was found to mediate the relationship between perceived public governance quality and tax compliance behavior
To determine whether the perceived social norm, influence tax compliance behavior.	H_{2A} There is a positive relationship between the prevailing social norm and taxpayers' compliance behavior	Perceived social norm was found to be significantly associated with tax compliance behavior
To determine whether perceived audit effectiveness influence tax compliance behavior among the self-employed in Nigeria	H_{2B} There is a positive relationship between perceived audit effectiveness and tax compliance behavior	Perceived audit effectiveness was found to significantly influence tax compliance behavior
To determine whether perceived tax service quality influence tax compliance behavior among the self-employed in Nigeria	H_{2C} There is a positive relationship between tax service quality and tax compliance behavior	Perceived tax service quality was found to influence tax compliance behavior in this study but the effect is not very strong

Table 5.22 (Continued)

Objectives	Hypotheses	Findings
To determine whether tax fairness perception influence tax compliance behavior among the self-employed in Nigeria	H_{2D} There is a relationship between fairness perception of the tax system and their tax compliance behavior	Perceived fairness was found to be insignificant in this study
To determine whether tax system complexity influence tax compliance behavior among the self-employed in Nigeria	H_{2E} There is a between the level of tax complexity and tax compliance behavior	Perceived tax system complexity was found to be insignificant in this study
To determine whether attitude towards evasion influence tax compliance behavior among the self-employed in Nigeria	H_{2F} There is a positive relationship between taxpayer's attitudes and their compliance behavior	Attitude towards tax evasion was found to be insignificant in this study
To determine whether Perceived citizen engagement influence tax compliance behavior among the self-employed in Nigeria	H_{2G} There is a positive relationship between citizen engagement and their tax compliance behavior	Perceived citizen engagement was found to be highly significant

5.5 Discussion of Findings

The findings of the study are discussed in this section in relation to the objectives and also in relation to other studies.

5.5.1 Perceived Public Governance Quality, Socioeconomic Condition and Tax Compliance Behavior

Objective one in this study was to determine whether there is a mediating relationship of socioeconomic between perceived public governance quality and tax compliance behavior. In line with this objective, hypothesis one states that there is a mediating effect of socioeconomic condition in the relationship between perceived public governance quality and tax compliance behavior among the self-employed in the study area. This study found a high correlation between taxpayers' perception of public governance quality and their subjective socioeconomic condition among the self-employed. This relationship is an important finding in contemporary tax compliance research. Socioeconomic condition was also found to be positively associated with tax compliance behavior among the self-employed in the context of this study. The mediation analysis revealed that socioeconomic condition mediates the relationship between public governance quality and tax compliance behavior of the self-employed. The mediation effect of socioeconomic condition constitutes a significant contribution to existing literature on tax compliance behavior in Nigeria. Previously, studies have linked public governance quality directly to tax compliance behavior. However, the mediating role of socioeconomic condition has never been investigated. Modern research is no longer satisfied with direct relationships in which the 'why' and 'how' of such relationships cannot be explained (Hayes, 2013).

The mediating role of socioeconomic condition as found in this study appears to have closed this gap. Apart from the mediating role of socioeconomic condition, this study's use of the construct has introduced a new paradigm in tax compliance research. Previously tax compliance researchers investigated public goods supply and its role in influencing tax compliance among the self-employed. Alm (1992) investigated public goods in a series of experimental studies and found a strong positive effect. More recently, Doerrenberg (2015) found a positive relationship between the use of tax revenue and tax compliance. Though Doerrenberg (2015) found the positive effect of public spending on tax compliance behavior, the contention of this study that the concept of public goods and public spending is too broad and lack the measurable properties needed in scientific research. For instance, measuring public goods generally will prove problematic in a survey research because the term could be applied to all government assets including luxury jets used by top government functionaries.

Governments in developing countries and Nigeria particularly embark on huge spending on projects that are, in most cases, not in line with the preference of taxpayers. Aliko and Logan (2014) in a large scale survey of taxpayers in Africa, including Nigeria, found that ordinary taxpayers want healthcare, education and security as the most pressing public goods. The finding of Aiko and Logan was corroborated by the interview of taxpayers in this study. The result of the interviews shows that taxpayers are concerned about specific aspects of their condition of living – education, healthcare and public security.

Based on the interview findings and similar findings (Aliko and Logan, 2014; Bodea and Lebas, 2014), this study's use of socioeconomic condition differs from public goods and public spending as previously investigated in literature. The investigation of socioeconomic condition in this study also complements previous research on tax morale (Torgler & Schaffner, 2007). Torgler and Schaffner (2007) emphasized the influence of tax morale on tax compliance behavior. As found in this study, the most important factor that could positively influence tax morale is socioeconomic condition which was measured in this study as taxpayers' satisfaction with the provision of basic amenities – healthcare, education, public security and financial condition.

While previous studies made good efforts to explain the role of good governance on tax compliance behavior, it is glaring that they did not translate their research into measurable impact of government on taxpayers. This study has improved on existing literature by drawing on the well-researched socioeconomic indicators from the field of economic development.

Previous studies have found that taxpayers' satisfaction and happiness leads to higher tax compliance. However, these studies did not initiate empirical measures of those things that leads to happiness and satisfaction of taxpayers. This study has been able to address the gap left by previous studies in this aspect. Moreover, investigating socioeconomic condition as a mediator has introduced a methodological paradigm in tax compliance research.

5.5.2 Social Norms and Tax Compliance

Part of objective two was to determine whether perceived social norm influence tax compliance behavior. In line with this objective, the study hypothesized that perceived social norm is positively related to tax compliance behavior. This objective was achieved as perceived social norm was found to have a positive relationship with tax compliance behavior of the self-employed. The level of tax non-compliance in Nigeria is unusually very high and it suggests, in line with Alm et al. (1992), that there could be a social norm of non-compliance. However, previous research in Nigeria has largely ignored this very strategic factor. This study introduced the construct into tax compliance in Nigeria. In line with expectation, the construct of perceived social norms was found to have a very important effect on the compliance behavior of self-employed taxpayers in Nigeria. This finding is an important contribution to the literature in Nigeria as it was not investigated previously.

A fairly large amount of research has been conducted on social norms and its relationship with tax compliance behavior (Wenzel, 2004; 2005; Alm et al. 1992; Ashby & Webley, 2008; Deyneli, 2014; Liu, 2014). The basic finding of previous research on social norms is that taxpayers are influenced by the people in their network of relationships on the decision to comply or evade taxes. According to Alm et al 1992), this influence could be described as a peer effect and it is sustained by the flow of information among members of a group. The authors stated that taxpayers are influenced by the behavior of other people such as neighbors, friends, family, professional colleagues and others about whom they have information. Social norm is an influential construct such that tax compliance could tend towards zero whenever the norm of non-compliance is very strong.

5.5.3 Audit Effectiveness and Tax Compliance Behavior

Another objective of this study was to determine whether perceived audit effectiveness influence tax compliance behavior. In line with this objective, it was hypothesized that perceived audit effectiveness is positively related to tax compliance behavior. This objective was achieved and the hypothesis was supported as it was found to influence tax compliance behavior positively. This study adopted a modified construct of audit effectiveness which was measured as a combination of audit probability (audit rate), detection probability and sanction. The idea of audit effectiveness was mentioned by Kirchler (2007). He emphasized the need for audits to be effective not only in terms of probability but it should be able to detect evasion and sanction must follow if it would serve as a deterrent. The argument of this study is that audit probability, detection probability and sanction severity must combine to contribute to overall audit effectiveness.

Developing countries including Nigeria are peculiar in terms of their audit systems. While previous studies in the advanced countries take it for granted that audits would automatically deter tax evaders, it may not apply strictly to developing countries. For instance, audits may not be able to deter non-compliance due to experience or even integrity of auditors (Wang, 2001). It is common in developing countries including Nigeria for auditors to be bribed by taxpayers thereby affecting the ability of the audit process.

Audit is one of the earliest variables that were investigated in tax compliance research as it emerged from the seminal work of Allingham and Sandmo (1972), the decision to pay or evade tax is taken by the taxpayer under uncertainty. In taking a position, the taxpayer weighs the probability of audit and the associated fine if he is detected. He then compares this probability to the likelihood of a successful evasion and its attendant benefit. The implication of Allingham and Sandmo's study is that the authorities must strengthen audit in order to prevent evasion.

Since the pioneering work of Allingham and Sandmo (1972), numerous research activities have been conducted on audit and its influence on tax compliance behavior. For instance, Alm et al. (1992) conducted an experimental study and found a positive effect of audit on tax compliance. Slemrod et al. (2001) also undertook an experimental study to investigate the relationship between audit probability and tax compliance behavior. The study found positive effect in some cases and weak effect of audit threat on tax compliance. In other cases, Bergman and Nevarez (2006) who investigated audits in Chile and Argentina also found mixed results. Similar to Slemrod et al. (2001), Dubin (2007) found a positive effect of enforcement activities of the American Inland Revenue Service on tax compliance. According to Dubin (2007), audits result in a spillover effect such that even taxpayers that are not audited tend to comply more as a result of others being audited.

Stefura (2001) similar to Alm et al. (1992) conducted an experimental study to investigate the effect of audit on tax compliance and found a positive effect. A recent literature review on the effect of audit on tax compliance was conducted by Kirchler et al. (2010). The study pointed out inconsistencies in previous studies on audit. While some studies recorded positive effects, others were negative. However, the authors concluded that audit remains a significant factor in influencing tax compliance.

Given the inconsistencies in previous studies on audit and its effect on tax compliance, this study approached the subject differently. It argued that the inconsistent results from previous studies could have been the result of conceptual inconsistencies in those studies. Based on approaches adopted by previous studies, there appears to be lack of uniformity in the conceptual domain of audit. Allingham and Sandmo (1972) alluded to audit probability which is also the same as audit rate. Other scholars (Liu, 2014) investigated the effect of sanction severity as distinct from audit rate while very few others investigated detection probability (Fischer et al. 1992). These different approaches in addition to the diversity of contexts, population and methodology utilized by previous studies may have led to the highly inconsistent results found in previous studies.

Furthermore, even if audits are able to detect tax noncompliance among the self-employed, the process will not have the desired effect until tax evaders are effectively sanctioned. This could be fines, prosecution and imprisonment depending on the severity of the evasion. However, in Nigeria, the process of sanctioning tax evaders is not effective, therefore limiting the deterrent effect of audit. In the qualitative interviews conducted as part of this study, self-employed taxpayers expressed lack of confidence in the entire audit system and challenged the interview team to mention any known case of tax evaders that were prosecuted in Nigeria. Perhaps, the problem with prosecution lies with the judicial system. Even if attempts are made to prosecute tax evaders, the cases could drag on for years without end due to inept judicial system. As noted by Everest Phillips (2010), tax evaders in Yemen are happy to be taken to court because the cases could drag on for over seven years during which they will not pay the disputed amount. The situation in Nigeria is worse.

Audit effectiveness as used in this study, is an attempt to aggregate audit probability, detection probability and sanction severity. These three distinct phases of the audit system are combined under one construct as audit effectiveness. Moreover, the three elements work to complement one another and should be taken holistically rather than as separate entities.

5.5.4 Tax Service Quality and Tax Compliance Behavior

Part of objective two in this study is also to investigate the influence of perceived tax service quality on tax compliance behavior. In line with this objective, it was hypothesized that perceived tax service quality is positively related to tax compliance behavior. The result of this study confirms previous findings that perceived tax service quality influence tax compliance behavior among the self-employed. However, the influence was not very large in this study. Perhaps, self-employed taxpayers are more concerned with issues of socioeconomic condition more than the quality of tax service as found in this study.

Similar to previous studies (Alabade et al., 2011; Bojuwon & Obid, 2015), this study investigated the role of tax service quality on tax compliance behavior in Nigeria. Bojuwon and Obid (2015) adopted the SERVQUAL approach which originated from Parasuraman et al. (1988). Alabede et al. (2011) however utilized a modified form of the SERVQUAL model introduced by Brady and Cronin (2001). This study investigated tax service quality in line with Alabede et al. (2011). However, the original Brady and Cronin (2001) measure contains three aspects – interaction quality, physical environmental quality and outcome quality. These three aspects were adopted in the Alabede et al.'s (2011) study. This study however dropped the aspect of physical environment quality from the measure. This was done to reduce the number of items in the questionnaire and to ensure parsimony by removing unnecessary items. Physical environmental quality in the Brady and Cronin model could be justified because the model was originally established in the field of marketing where ambience is of utmost importance. However, in the area of tax compliance services, physical environmental quality may not attract much consideration. Moreover, there is an increasing trend of conducting tax transactions online without the need for physical contact (Bojuwon & Obid, 2015).

Despite the slight modification of the perceived tax service quality construct in this study, the result is similar to what was obtained by previous studies. This is not surprising because, as noted by Jarvis, MacKenzie & Podsakoff (2003), taking out some items from reflective constructs does not change the underlying meaning of the construct.

5.5.6 Tax System Fairness

Part of objective two of this study was to determine the influence of perceived tax system fairness on tax compliance behavior among the self-employed in Nigeria. In line with this objective, it was hypothesized that perceived tax system fairness is related to tax compliance behavior. Tax system fairness perception failed to achieve significant result in the model of this study and its relationship to tax compliance behavior among the self-employed was found to be very weak. This is not a surprising result because among the self-employed taxpayers in Nigeria who constitute the population of this study, the most important factor that matters to them is their condition of living. Once this aspect is taken care of, the matter of fairness or otherwise of the tax system becomes a secondary issue. Though previous studies found a significant positive relationship between the perception of tax system fairness and tax compliance behavior, the finding of this study points to the contrary.

In this study, perceived tax system fairness was investigated in line with previous studies like Giligan and Richardson (2005), Kirchler et al. (2008) and Azmi and Perumal (2008). According to Klosko (1987), when individuals undertake a cooperative scheme, the principle of fairness is very crucial for the sustenance of the scheme. That is, stakeholders should be treated fairly according to the underlying principle of the joint scheme. Taxation is a very crucial cooperative scheme in the sense that members of a state jointly contribute resources to a government that oversees the collective welfare of everyone. Based on this principle of fairness, perceived fairness of the tax system became a subject of investigation among previous scholars.

Moreover, tax system fairness construct originated from the western countries. As stated earlier in this study and as noted by Burgess and Stern (1993), taxation in developing countries must be studied within the context of those countries and attempts to study it as obtainable in the advanced countries will go badly wrong. This perhaps accounts for why tax fairness perception fails to make a significant impact in this study. However, the construct of socioeconomic condition is preferable. Firstly, it underpins the basic fiscal social contract of taxation, whereby taxpayers are expected to pay tax in exchange for their socioeconomic wellbeing. Secondly, socioeconomic condition was suggested by the taxpayer themselves in the qualitative interviews which form part of this study.

5.5.7 Attitude Towards Tax Evasion

Part of objective two of this study was to determine the influence of attitude towards tax evasion among the self-employed on their tax compliance behavior. In line with this objective, it was hypothesized that attitude towards evasion is positively associated with tax compliance behavior. However, the construct of attitude towards evasion failed to achieve good statistical impact in this study unlike previous studies for instance, Alabede et al. (2011). The reason for the insignificant impact of attitude in this study could be that self-employed taxpayers are mostly concern with socioeconomic condition.

5.5.8 Tax System Complexity

Part of objective two of this study was to determine the relationship between tax system complexity and tax compliance behavior. In line with this objective, it was hypothesized that perceived tax system complexity is related to tax compliance behavior. This study has joined the list of studies that found tax system complexity insignificant and of very weak relationship with tax compliance behavior. In the context of Nigeria and other developing countries, it appears self-employed taxpayers are so much preoccupied with agitation for improved socioeconomic condition which makes other factors less important. Tax system complexity has been investigated in previous studies mostly in the advanced countries (Song & Yarbrough, 1978). However, Milliron (1985) observed that results from these studies were mixed. Song and Yarbrough (1978) found tax system complexity not to be a significant problem but other studies made varying findings.

Even in the interviews conducted with taxpayers as part of this study, self-employed taxpayers did not mention tax complexity as a factor to consider in tax compliance. Moreover, it appears tax system complexity will only be of concern to taxpayers after the fundamental fiscal social contract is settled and self-employed taxpayers are satisfied with governance. But in a situation where taxpayers are overwhelmingly dissatisfied with the government and evade taxes massively, simplifying the tax system does not matter to them. Hence, tax system complexity appears not to be an important factor among taxpayers in Nigeria currently. This study has thus confirmed some previous studies that found tax complexity insignificant.

5.5.9 Citizen Engagement

Part of objective two of this study was to determine the influence of perceived citizen engagement on tax compliance behavior. In line with this objective, it was hypothesized that perceived citizen engagement is positively associated with tax compliance behavior. This objective was achieved as the construct was found to influence tax compliance behavior in this study. Citizen engagement as investigated in this study is larger in scope than creation of awareness as advocated by previous studies in tax awareness, self-employed taxpayers receive information from government but in citizen engagement, it is a two-way communication. Citizens participate in taking the decision in the sense that they are consulted or their feedbacks are sought and acted upon.

Citizen engagement is increasingly becoming a popular philosophy of governance. Maier-Rabier and Huber (2011) stated that citizens are no longer satisfied with passive roles in the affairs of governance. They are increasingly demanding for participation in making decisions that affect their lives at the top level of governance. Expectedly, the study found positive and significant relationship between citizen engagement and tax compliance behavior.

There are studies which have previously made findings related to citizen engagement though the scope of such findings appear to be lesser compared to citizen engagement. For instance, Aliko and Logan (2014) found that citizens of African countries including Nigeria are willing to pay tax but are discouraged by the opaque nature of the system. In other words, citizens are demanding for adequate information about the tax system. They are demanding to know the terms of tax payments and how their monies are spent. Earlier, Kirchler et al. (2010) has found the imperative of information campaign and framing of tax payments in terms of its benefits as key to influencing tax compliance. Before Kirchler et al. (2010), OECD (2007) has emphasized the need for governments to pass adequate information to taxpayers about the tax system. OECD posited that full disclosure of information about the tax system is a right of the taxpayers which governments must grant. However, citizen engagement is more than public enlightenment and information sharing. Citizen engagement means citizens should also be consulted and their feedback should be incorporated into government policy.

5.5.10 Discussion of the Methodology

This study utilized the mixed method design though more weight was attached to the quantitative study. As stated by Creswell (2009), a researcher may decide to attach more weight to the qualitative or quantitative study in a mixed method study. Studies that utilized this method in tax compliance research are rare in Nigeria. However, this method is increasingly becoming popular (Tashakkori & Teddlie, 2010) and there is need for tax compliance researchers to take advantage in order to deepen understanding of tax compliance behavior more so that tax compliance is a very complex human behavior which is difficult to fully comprehend within the confines of a single method.

The contribution of the mixed methodology can also be appreciated in terms of the combined strength of the two methods which work to reduce the weakness of each other. For instance, the qualitative study is limited in the number of participants it can enroll. However, findings from the qualitative study can result in a deep understanding of a complex phenomenon like tax compliance. The quantitative study is not suitable for a deep understanding of phenomena but it can be applied to a larger population in a more economical manner.

In this study, the qualitative interviews revealed a massive and deep-rooted dissatisfaction with governance and the tax system among taxpayers in Nigeria. The interview findings revealed a scale of dissatisfaction that was not known in previous literature. Apart from open distrust of the system, many participants declared hatred and antagonism for the system. These findings are well beyond what is known in current literature. Interestingly, the quantitative study confirmed findings from the qualitative study.

5.6 Limitations of the Study

The quantitative aspect of this study was able to attain a high percentage explanation of the dependent variable – tax compliance behavior. The coefficient of determination (R^2) of about 70 percent is considered very high and substantial by the standard of social science research (Hair et al., 2017). However, the 30 percent variance left unexplained means further research is needed to gain more understanding of tax compliance behavior among the self-employed in Nigeria. The 30 percent unexplained variance could possibly be explained by other variables like income level, tax knowledge, age and tax rates. Given the nature of a Ph.D. research, which is time-bound and limited by availability of funds, it is not practicable to undertake a more comprehensive study, future studies could integrate the other variables into the model to see how they perform. It is also possible to test mediating effect in respect of other variables in this study. Other scholars can try this as this study was not able to test the mediating effect of other variables apart from socioeconomic condition.

The population of the study was limited to the self-employed that are registered with the revenue authority. According to Nigeria's Minister of Finance, a large percentage of the self-employed operate without registration. Though the factors that influence the behavior of the ghost businessmen may not differ from those registered, there is need to explore the unregistered businessmen. It is worthy of note that the unregistered businessmen constitute the shadow economy and Nigeria's share is very high (Okonjo-Iweala, 2014). Though official records of the ghost operators are not available, researchers could track them based on anecdotal evidence and possibly utilize the interview method.

Further research may also be needed to determine the effectiveness of tax administration and the role it plays in problem of massive tax non-compliance in Nigeria. There were clues from the qualitative interviews which pointed towards possible collusion between tax revenue officials and the taxpayers. Additionally, this study uses survey of self-employed taxpayers to reach conclusion. The accuracy of the findings depends on the truthfulness of the respondents.

5.7 Summary of the Chapter

This chapter presented the results of the analysis of both the qualitative and quantitative study. The qualitative study yielded three themes – citizen engagement, socioeconomic condition and audit effectiveness. The quantitative results showed that seven hypotheses were supported while three were not supported. The quantitative study yielded a high explanatory power of 70 percent R^2 which is substantial according to Hair et al. (2017). The discussion of the results focused on the novel contribution of the results in relation to previous studies.

CHAPTER SIX

RECOMMENDATION AND CONCLUSION

6.1 Introduction

The study was conducted as a contribution to efforts aimed at understanding the massive tax non-compliance among the self-employed in Nigeria. According to government statistics as at the time of the study, about 75 percent of self-employed were not registered in the tax system and among the few that are registered, 65 percent had not filed tax returns for two years (Okonjo-Iweala, 2014). While tax non-compliance is a problem in all countries, Nigeria's case is one of the worst in the world (Cobham, 2014). This reality informs the design of this study. The objective of the study was to investigate possible variables associated with the massive non-compliance in Nigeria. The variables investigated were public governance quality, socio-economic condition, social norms, citizen engagement, audit effectiveness, tax system fairness, tax system complexity and attitude towards tax evasion. The objective was to determine the variables that most influence tax compliance behavior thus providing a clue to solving the problem.

The study was designed as a mixed method research. The initial qualitative interviews with taxpayers were conducted to seek their opinions on variables that are mostly responsible for the problem. Variables that emerged from the interview were citizen engagement, socioeconomic condition and audit effectiveness.

The quantitative survey was conducted with a sample of 360 self-employed in Nigeria's capital city of Abuja. Analysis of the survey responses was performed with the PLS technique and the Smart PLS software. The analysis was aimed at determining the effects of the independent variables on tax compliance behavior in line with ten hypotheses that were formulated at the beginning of the research. Importantly, the study hypothesized that socioeconomic condition mediates the relationship between public governance quality and tax compliance behavior. Results of the analyses supported most of the hypotheses. The mediating effect of socioeconomic condition on the relationship between public governance quality and tax compliance behavior was supported. The analyses revealed a high effect of perceived public governance quality on subjective socioeconomic condition with a beta value of 0.87.

The relationship between socioeconomic condition and tax compliance behavior was also found to be very strong and highly significant. Citizen engagement, social norm, tax service quality and audit effectiveness were all found to be positively associated with tax compliance behavior, though in varying degrees of influence. Tax fairness perceptions, tax system complexity and attitude towards tax evasion were discovered to have insignificant effects on tax compliance behavior in the model of this study. Possible reasons for this abnormal result were given at the discussion section of the study.

6.2 Recommendations

The findings of this study have implications for policy, theory and methodology. They are discussed below.

6.2.1 Policy Implication

The policy implication of the study consists of advice for the government and the tax revenue authority on how to improve tax compliance among the self-employed.

The Carrot and Stick Approach: In recommending policy implications from this study, the factors influencing tax compliance behavior will be classified into two categories – the carrot factors and the stick factors. This classification is to enable the government decide on which of the categories to apply and under what circumstance. However, this study will recommend a mix of the two categories in an optimal way. The carrot factors in the model of this study are socioeconomic condition, citizen engagement and tax service quality. The stick factor is audit effectiveness.

Socioeconomic condition: Findings in this study indicates that socioeconomic condition is the most important factor that influences tax compliance behavior. This finding is not surprising as the fundamental fiscal social contract that underpins taxation requires that the self-employed pay tax in exchange for public goods and services. The basis of what the people want from government constitute socioeconomic goods – healthcare, education, financial condition and public security. Findings from this study indicate that the self-employed are overwhelmingly dissatisfied with the provision of these services in Nigeria. The study thus recommends that government should take urgent actions in this regard. While it is customary for government to complain of inadequate funds in providing basic amenities, to the participants in this study and many related studies, the issue revolves around corruption.

The increasing globalization and free flow of information in the new era of the social media has ensured that self-employed taxpayers are highly informed about happenings in government. Self-employed taxpayers are aware of their entitlements and are aware of conditions of living in their own country compared to other countries with similar resources. The Nigeria government must as a matter of urgency cut wastage and misappropriation of public funds. The government must do everything within its capacity to improve on healthcare services, education, public security and financial condition.

Only improved provision of basic services can guarantee cooperation from self-employed taxpayers. As it stands currently, the self-employed taxpayers appear to have embarked on self-help (Bodea & Lebas, 2014). Bodea and Lebas (2014) stated that taxpayers in Nigeria provide for themselves in the absence of meaningful government initiative. In the qualitative interview part of this study, participants stated that they travel out of the country in the quest for advanced healthcare and education services; hence they cannot save money to pay tax. The Nigerian government should look into its service delivery system and make necessary reforms aimed at ensuring satisfaction of the self-employed. Only satisfied citizens can be expected to cooperate in paying taxes.

Citizen engagement: Findings from the qualitative interviews in this study points to a serious disengagement of self-employed taxpayers from affairs of governance. The gap between them and government is so wide that they are unlikely to support government even if it meant well. The Nigerian government must step up information campaign on taxation and its benefits as recommended by Kirchler et al.

(2010) and OECD (2007). Beyond passing of adequate information, the government must engage the self-employed taxpayers. As explained earlier in this study, citizen engagement is increasingly becoming the method of choice in public administration.

Beyond the theoretical realm, it is neither difficult nor complex to carry the entire population of taxpayers along in matters of taxation. As it stands currently, businessmen are already organized into associations by trade groups and professions. If reaching all of them individually is impracticable, at least, they could be consulted through their representatives. Citizen engagement means they must be consulted and their feedback must be sought. Where citizens have grievance about matters pertaining to the tax system, such grievances must be addressed.

Tax service quality: The Federal Inland Revenue Service (FIRS) collects tax revenue for the Nigerian government. In the course of performing its statutory functions, the FIRS can encourage tax compliance through the quality of its service. Conversely, the agency may discourage compliance if it treats taxpayers disrespectfully.

The quality of services offered by tax authorities worldwide is improving in line with 21st century standards of service delivery. The Nigerian FIRS must also follow the trend. One of the areas receiving attention worldwide is tax system complexity. The tax system is being simplified in response to self-employed taxpayers' concerns about complexity and the cost of compliance. In the periodic worldwide Paying Tax Reports anchored by PricewaterhouseCoopers, Nigeria has been rated poorly in terms of ease of tax compliance. The FIRS should improve on its services to self-employed taxpayers in line with contemporary global standards.

Audit Effectiveness: The qualitative interview section of this study reveals interesting gaps in the audit system as it is currently. Audit probability or the rate of audits is predictable by taxpayers, detection doesn't pose any serious problem and prosecution can be frustrated by taxpayers through the collusion of a corrupt law enforcement and judicial system. As noted by Kirchler (2007), if audit fails in its mandate to detect evasion and deter evaders, the entire tax system will be at risk of collapse. This is so because even hitherto compliant self-employed taxpayers will feel cheated as evaders go unpunished. They will no sooner than later descend down the slippery slope of non-compliance. The situation in Nigeria may have reached the crisis level predicted by Kirchler (2007). The Nigerian government needs to take urgent measures to reposition the audit system to serve as an effective deterrent to evasion.

Making audit effective is not a simple matter. This study approached audit effectiveness in the context of the entire audit system – audit probability, detection probability and sanction severity. Unless audit effectiveness is approached as a systemic phenomenon, it may not achieve the desired impact. For instance, if there is a high rate of audit but the auditors are not competent enough to detect evasion nor possess the integrity to expose wrongdoing, the audits on their own become meaningless. Moreover, even if evasions are detected, it does not make any sense until evaders are successfully prosecuted.

The prosecution system in Nigeria does not support the tax audit system as it is currently. Cases can drag on for many years in the courts, and may never be successfully prosecuted. Corruption within the ranks and file of the judicial system remains a huge problem. The way out of this systemic problem may be to set up special tribunals for tax cases. This will expedite prosecution hence acting as a deterrent to evaders. Setting up of special tribunals will also ensure that judicial officers are trained in the specialist area of taxation thus enhancing their efficiency.

Institutionalizing Surveys and Taxpayers’ Satisfaction Research: Findings from this study points to a deep-rooted dissatisfaction with governance, socioeconomic condition and the entire tax system in Nigeria. From the perspectives of taxpayers, the government has breached the fundamental social contract of taxation hence they resorted to self-help and do not have any basis to pay tax. What government needs to do is to monitor taxpayers’ satisfaction with public goods and service delivery. This must be done on a periodic basis and not as a one-off affair. Moreover, there is need to institutionalize taxpayer surveys to determine the level of their satisfaction periodically.

Currently, the only annual survey of citizens in Nigeria is performed by the Nigerian Bureau of Statistics, but it has nothing to do with the tax system. Moreover, current surveys by the Nigerian government are objective in nature, that means, they take count of physical amenities not minding whether such facilities are adequate, functional or serve the interest of the self-employed taxpayers. Consequently, the government and citizens always disagree on government performance. The solution to this problem requires that government should mandate one of its agencies to carry out periodic surveys of taxpayers directly. Findings from such surveys should be subjected to further investigation through interviews and other checking mechanisms. The recommendations for institutionalizing periodic surveys cannot be too expensive for government because, if it is neglected, the cost of tax non-compliance by dissatisfied taxpayers will prove to be far much more expensive. Furthermore, there is need to establish a threshold for self-employed tax payments in the country to enable the revenue authority focus on the within the threshold. This will also ensure that it does not waste resources on taxpayers below the minimum threshold. In addition, the government should also work towards implementing the self -assessment system as is already done in other countries like Malaysia (Palil, 2010, Saad, 2011).

Other country can learn from this study also. The carrot and stick approach can work in all countries as taxpayers are influenced by the supply of incentives which this study identifies as carrots. The stick approach can also be used by other countries in the form of audit effectiveness. As stated by Kirchler (2007), audit need to be effective to enforce compliance. Otherwise, even previously compliant taxpayers will become noncompliant.

6.2.2 Methodological Implication

The study has introduced new paradigm in tax compliance research in Nigeria which could significantly improve the methodology of future research. Firstly, the mixed methodology undertaken by this study was largely instrumental to the success of the study. According to Creswell (2009), mixed method could be performed in a variety of ways as deemed necessary by the researcher. It could be sequential such that the qualitative study precedes the quantitative or vice-versa. They could have separate analyses and the overall findings interpreted together or both data could be interpreted together. Furthermore, Creswell (2009) stated that the researcher could give more weight to either the qualitative study or the quantitative one or decide to give both equal weights.

This study adopted the sequential style such that the qualitative study was conducted before the quantitative one. However, more weight was attached to the quantitative study in this research. Expectedly, the study achieved a substantial explanation of tax compliance behavior at 70 percent. The interview method and quantitative method adopted in this study contributes to more understanding of tax compliance behavior among the self-employed in Nigeria.

6.2.3 Theoretical Implication

This study has important theoretical implications. It has expanded the scope of existing theories of tax compliance and deepens understanding of extant theories. A key theoretical deepening implication of this study is the addition of socioeconomic condition as a mediating variable between public governance quality and tax compliance behavior. The implication of the significant result of this relationship is that we have a theory to explain the positive relationship between public governance quality and tax compliance behavior. Hitherto, existing literature postulated this relationship without the explanatory variable of socioeconomic condition. The mediating factor found in this study is not only an important theory deepening element but it is capable of stimulating further research in that direction.

Another implication of this study for theory is in the contribution of citizen engagement to tax compliance behavior. Though the construct is popular in the public administration and political science areas, this study appears to have taken the lead in applying it to tax compliance research in the context of Nigeria. This will go a long way in expanding the choice of theories available to tax compliance researchers. This study's systemic approach to audit effectiveness is another area with important implication for theory in tax compliance research. While previous studies tend to treat the components of audits as separate entities – audit probability, detection probability and sanction severity, this study advocated the system approach whereby these three elements are understood as uniting to explain one overarching phenomenon of audit effectiveness. It is hoped that this contribution to theory of tax compliance will continue to elicit further investigation and possible refinement.

6.3 Conclusion

The objective of this study was to determine the factors influencing tax compliance behavior among the self-employed in Nigeria. This objective was attained and important factors were highlighted in this study. Taxation remains a critical success factor in state building (Ivanyna & Haldenwang, 2013). Countries like Nigeria that are facing large scale non-compliance are at risk of state failure. This perhaps account for Nigeria's continued feature in OECD's list of failed state. The problem is not insurmountable. This study has joined the list of studies that have contributed ideas to resolving the tax non-compliance crises in Nigeria. The study utilized an innovative mixed method approach in which the complex motivations behind tax non-compliance in Nigeria were investigated through qualitative interviews. The depth of the findings from the interview study is unprecedented and points to a total collapse of government and self-employed taxpayers relationship. The interview study further revealed pervasive dissatisfaction with socioeconomic condition and a failed audit system.

A very important conclusion reached by this study is that the level of tax noncompliance in Nigeria is massive an unusually high. In such a situation, it would be wrong to make the same assumptions made by the developed countries when they conduct research on tax evasion. Tax evasion as currently found in the more advanced countries constitutes only a small percentage of the eligible taxpayers. However, the situation in Nigeria where over sixty-five per cent of eligible taxpayers fail to register for tax purpose and seventy-five percent of those that register failed to pay tax portends grave danger to the system. In this study, based on insights from the qualitative study and analysis of the quantitative study, the problem of the tax system in Nigeria is beyond evasion. The more appropriate terminology for the problem is tax boycott. The solution to tax evasion cannot be applied to solve tax boycott as the problem is a deeper one.

In tackling the problem of tax non-compliance in Nigeria, the government should take bold initiatives as recommended in this study. Improving socioeconomic condition is a key factor and citizens must be engaged in the process. The entire effort to boost tax revenue generation must revolve around the carrot and stick principle. Those factors that serve as incentives should be pursued with vigor in partnership with self-employed taxpayers. To protect the system and ensure fairness to those that are willing to cooperate, the stick factors must be strictly enforced on erring taxpayers. Unless the government embraces the carrot and stick model and apply it with maximum commitment, the tax system will continue to be handicapped by massive non-compliance. If the current level of non-compliance continues unabated, as noted by Stinespring (2011), it should portend grave danger to the survival of the Nigeria state.

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Appendix A

SURVEY QUESTIONNAIRE

UMAR ABDULLAHI MOHAMMED

PhD Scholar, School of Accounting, Universiti, Universiti Utara, Sintok, Kedah, Malaysia.

Phone: 08037474047, +601133329679

Dear Participant,

I am seeking your opinion on issues regarding personal income tax in Nigeria. This survey is part of my research for the PhD programme at the Universiti Utara Malaysia. The objective of the research is to determine factors influencing tax compliance behavior in Nigeria. At the end of the research, I hope it will lead to better understanding of the challenges of the tax system and the recommendations that will be made will further enrich tax compliance literature. Kindly take note of the following clarifications:

- Note that this research is strictly for academic purpose and will not be used for any other purpose.
- All the opinion you will express will be treated confidentially and will not be taken against you.
- Your anonymity is guaranteed; hence you do not need to write your name on the questionnaire.
- Participation is entirely at your discretion and you are free to withdraw at any point.
- It is in the overall interest of nation-building for you to be accurate in your responses as this will lead to valid reports that will enhance our understanding of the tax system. Ultimately, an improved tax system will benefit all Nigerians.

If you need further clarifications, please do not hesitate to contact me on any of the above phone numbers. Thank you for your participation.

Yours Faithfully,

Umar Mohammed Abdullahi

Instructions for filling the questionnaire

1. *Part 1 consists of demographic information, tick the box that applies to you.*
2. *Part 2 consists of statements on different aspects of the tax system. You are to disagree or agree with the statements. The scale is from 1 – strongly disagree to 10 – strongly agree. Based on a rating scale, tick the number that best express your opinion on each statement.*
3. *Kindly tick one response only for each item as double ticking renders the item invalid*
4. *Endeavour to complete all items.*

Part 1. Demographic Information

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i Gender: Male [ ] Female [ ]

ii Age: 20 – 30 [ ], 31 – 40 [ ], 41 – 50 [ ], 51 – 60 [ ], Above 60 [ ]

iii Source of income: Paid employment [ ], Self-employed [ ]

iv Average monthly income: Below ₦ 100,000 [ ], ₦100,00 – ₦500,000 [ ],
₦500,000 – ₦,1000,000 [ ],Above ₦1,000,000.00

V Education: Primary Education [ ], Secondary education [ ], Diploma [ ],
Degree/Higher National Diploma [ ], Masters [ ] Others [ ]

		Part 1	**Strongly Disagree** **Strongly Agree**
		Musa is a self-employed business man. Please tick your candid opinion in respect of each of the following actions of Musa.1 to 5 shows you disagree, with 1 showing you strongly disagree. 6 to 10 shows you agree, with 10 showing you strongly agree	**1 2 3 4 5 6 7 8 9 10**
Tax compliance Behavior	TCB1	Musa is justified if he doesn't file his tax returns at the stipulated time.	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TCB2	Musa is not justified if he understates the income he reports for tax purpose	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TCB3	Musa is justified if he overstates his deductions	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TCB4	Musa is not justified if he fails to pay the assessed amount at the due date	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
		Part 2	
		Statements in this section are in respect of taxpayers' perceptions of issues about the tax system and economic situation. Please rate the statements by ticking 1 to 10 depending on whether you agree or disagree.	
			[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
Taxpayers socioeconomic Condition	SOC1	I am not satisfied with my current financial situation	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	SOC2	I, am not satisfied with the current healthcare situation	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	SOC3	I, am not satisfied with the current educational service	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	SOC4	I, am satisfied with the current public security situation	
Perceived Social Norms	PSN1	Many other people in this society do not comply with tax laws	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	PSN2	My family members would approve of noncompliance	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	PSN3	My friends will approve of noncompliance	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	PSN4	My peers would not justify noncompliance	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]

Perceived Citizens Engagement	PCE1	I don't have access to information about government	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	PCE2	Ordinary people are not consulted in matters of governance	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	PCE3	It is difficult to find out how government uses revenues from taxes and fees	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	PCE4	Taxpayers are aware of how and why they are to contribute to tax revenue generation.	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	PCE5	Tax authorities do not have periodic interactions with taxpayers on areas of mutual concerns.	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
Perceived Public Governance Quality	PGQ1	Government is not effective in handling of its responsibilities	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	PGQ2	The government does not formulates good policies for citizen's benefit	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	PGQ3	The civil service does not implements government policies effectively	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	PGQ4	Government policies encourage businesses	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	PGQ5	The rule of law is not respected in all public and private transactions	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	PGQ6	The diversion of public funds to private gain due to corruption is common	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
Perceived Audit Effectiveness	PAE1	It is easy to evade paying taxes	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	PAE2	Businesses generally face low audit rate	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	PAE3	If one evades tax payments, there is a high chance of being caught.	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	PAE4	Assuming one is caught, it is not much of a problem.	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	PAE5	Tax auditors are willing to cooperate even if one is caught	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]

	PAE6	Being asked to pay fine is a serious problem.	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	PAE7	Being taken to court is not much of a problem	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	PAE8	Sanctions for tax evasion is generally severe	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TSQ1	Overall, I would say the quality of my interaction with FIRS employees is excellent	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TSQ2	The behavior of FIRS employees demonstrate their unwillingness to help me	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TSQ3	The behavior of FIRS employees shows me that they don’t understand my needs	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
Perceived Tax Service Quality	TSQ4	FIRS employees are not able to answer my questions quickly	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TSQ5	I find that FIRS other customers do not leave with a good impression of its service	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TSQ6	FIRS tries to keep me waiting for too long	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TSQ7	FIRS does not provides vital information to educate me on my tax obligations	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TSQ8	FIRS employees does not treat all customers fairly without bias.	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TSC1	I think the terms used in tax guides and forms are difficult for people like me to understand	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TSC2	The sentences are wordings are lengthy and complicated	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TSC3	The rules related to income tax are very clear	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
Perceived Tax System Complexity	TSC4	Most of the times, I need to relate to others for assistance in dealing with tax matters	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TSC5	I have a problem with completing and filing tax returns forms	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TSC6	I find it difficult to provide all the information required by the tax authorities for filing purpose	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TSC7	I spend a lot of time and effort in the process of filing my tax returns	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]

	ATE1	Taxes are so heavy that evasion is an economic necessity to survive	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	ATE2	Not declaring all my income for tax purpose is a serious offence	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	ATE3	If I am in doubt about whether or not to report a certain income, I would not report it	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
Attitude Towards Tax Evasion	ATE4	Claiming a non-existent deduction on my tax return is not a serious offence	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	ATE5	Since everybody evades tax you cannot blame anyone for doing it	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	ATE6	There are opportunities for evading taxes so you cannot blame those who evade	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	ATE7	People are right to evade taxes because the system is unfair	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TFP1	Generally, I believe the burden of the income tax is not fairly distributed	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TFP2	I do not believe everyone pays their fair share of income tax	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TFP3	The benefits I receive from government is not fair in terms of my tax payment	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TFP4	Some legal deductions are not fair because only the wealthy enjoys them	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
Tax Fairness Perceptions	TFP5	People whose incomes are the same as mine should pay the same amount as tax regardless of the kind of investment they make, how many dependents they have or their financial obligations	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TFP6	High income earners have a greater ability to pay income taxes so it is fair they should pay a higher rate of tax than low income earners	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]
	TFP7	Compared to other taxpayers, I pay less than my fair share of income tax	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]

TFP8	Current income tax laws require me to pay more than my fair share of income tax	[1] [2] [3] [4] [5] [6] [7] [8] [9] [10]

Appendix B

LETTER OF INTRODUCTION

OTHMAN YEOP ABDULLAH
GRADUATE SCHOOL OF BUSINESS
Universiti Utara Malaysia
06010 UUM SINTOK
KEDAH DARUL AMAN
MALAYSIA

UUM Universiti Utara Malaysia

Tel.: 604-928 7101/7113/7130
Faks (Fax): 604-928 7160
Laman Web (Web): www.oyagsb.uum.edu.my

"MUAFAKAT KEDAH"

RECEIVED 18 OCT 2016 Sign

UUM/OYAGSB/R-4/4/1
26 September 2016

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

LETTER OF RECOMMENDATION FOR DATA COLLECTION AND RESEARCH WORK

This is to certify that **Umar Mohammed Abdullahi (Matric No: 900476)** is a student of Othman Yeop Abdullah Graduate School of Business, Universiti Utara Malaysia persuing his Doctor of Philosophy (PhD). He is conducting a research entitled ***"Factors Influencing Tax Compliance Behaviour Among The Self-Employed In Nigeria : The Mediating Effect Of Socioeconomic Condition"*** under the supervision of Assoc. Prof. Dr. Chek B Derashid.

In this regard, we hope that you could kindly provide assistance and cooperation for him to successfully complete the research. All the information gathered will be strictly used for academic purposes only.

Your cooperation and assistance is very much appreciated.

Thank you.

"BERKHIDMAT UNTUK NEGARA"
"ILMU, BUDI, BAKTI"

Yours faithfully

ROZITA BINTI RAMLI
Assistant Registrar
for Dean
Othman Yeop Abdullah Graduate School of Business

C.C - Supervisor
- Student's File (900476)

Universiti Pengurusan Terkemuka
The Eminent Management University

Appendix C

LETTER TO FIRS

UMAR ABDULLAHI MOHAMMED

PhD Scholar, No 219, Taman Universiti, Universiti Utara,
Sintok, Kedah, Malaysia.
Phone: +601133329679

17th October, 2016.

The Executive Chairman,

Federal Inland Revenue Service,

Abuja, Nigeria.

FEDERAL INLAND REVENUE SERVICE
RECEIVED
18 OCT 2016
Sign
CHAIRMAN'S REGISTRY

Dear Sir,

REQUEST FOR PERMISSION TO ADMINISTER SURVEY QUESTIONAIRE ON SELF-EMPLOYED BUSINESSMEN WITHIN THE FCT

I am a lecturer in the department of Accounting, Kogi State University, Anyigba. I am currently undergoing a PhD programme at the Universiti Utara, Malaysia. My research topic is: factors influencing tax compliance behavior among the self-employed in Nigeria: The mediating effect of socioeconomic condition. As part of the requirement for this research, I am conducting a survey of self-employed businessmen registered with the FCT unit of the FIRS. This survey is for academic purpose only and will not be used for any other purpose.

I therefore solicit your assistance and cooperation to enable me conduct this survey among self-employed businessmen in the FCT. Find attached an introductory letter from the Universiti Utara, Malaysia, in support of my request.

Thank you very much in anticipation of your kind cooperation.

Yours faithfully,

Umar Mohammed Abdullahi

Appendix D

EXPERT REVIEW OF QUESTIONNAIRE

INSTITUT PENYELIDIKAN PENGURUSAN DAN PERNIAGAAN (IMBRe)
INSTITUTE FOR MANAGEMENT AND BUSINESS RESEARCH
Universiti Utara Malaysia
06010 UUM SINTOK
KEDAH DARUL AMAN
MALAYSIA

UUM Universiti Utara Malaysia

Tel: 604-928 7601
Faks (Fax): 604-928 7611
E-mel (E-mail): imbre@uum.edu.my

"MUAFAKAT KEDAH"

04th October 2016

YBhg. Professor. Dr. Zainuddin Awang
Faculty of Economics and MGT. SC
UNISZA
Terengganu

Dear sir,

REVIEW OF QUESTIONNAIRE ITEMS

Kindly refer to the above subject. I would like you to review the attached questionnaire items of PhD candidate, Umar Mohammed Abdullahi, Matric No. 900476 who is undergoing his PhD research under my supervision at the School of Accountancy, Universiti Utara, Malaysia. The title of the study is: *Factors influencing tax compliance behavior among the self-employed in Nigeria: The mediating role of socioeconomic condition.*

The candidate intends to use structural equation modeling (SEM) for the study and as such, your expertise on the subject will be very helpful in improving the design of the questionnaire. Feel free to make your comments and send back to us. Thank you

Yours faithfully,

ASSOC. PROF. DR. CHEK DERASHID
Director,
Institute for Management and Business Research (IMBRe)
Universiti Utara Malaysia
06010 UUM Sintok
Kedah Darul Aman, Malaysia
Email: chek@uum.edu.my

Universiti Pengurusan Terkemuka
The Eminent Management University

Appendix E

SAMPLE SIZE

TABLE 13.3

ample size for a given population size

N	S	N	S	N	S
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	175	2000	322
55	48	320	181	2200	327
60	52	340	191	2400	331
65	56	360	196	2600	335
70	59	380	205	2800	338
75	63	400	210	3000	341
80	66	420	217	3500	346
85	70	440	226	4000	351
90	73	460	242	4500	354
95	76	480	248	5000	357
100	80	500	260	6000	361
110	86	550	265	7000	364
120	92	600	274	8000	367
130	97	650	278	9000	368
140	103	700	169	10 000	370
150	108	750	186	15 000	375
160	113	800	201	20 000	377
170	118	850	214	30 000	379
180	123	900	234	40 000	380
190	127	950	254	50 000	381
200	132	1000	269	75 000	382
210	136	1100	285	1 000000	384

Appendix F

SOURCE OF PROBLEM STATEMENT

OECD INSIGHTS
Debate the issues

In my view: Development depends on realising the potential of taxation

9 OCTOBER 2014

by Guest author

*Today's post from **Ngozi Okonjo-Iweala**, Co-ordinating Minister for the Economy and Minister of Finance, Nigeria, concludes a series of 'In my view' pieces written by prominent authors on issues covered in the **Development Co-operation Report 2014: Mobilising resources for sustainable development**. The Report is being launched today in London with the Overseas Development Institution, and you can watch the event by registering **here**.*

Developing country governments would do well to strengthen their tax systems so they can mobilise the domestic resources they need to finance their own development. This is particularly true for African countries, where the recent trend of decreasing ODA shows no sign of reversing.

In developing countries in general, revenue administration is often hampered by weak organisational structures, low capacity of tax officials and a lack of modern, computerised, risk-management techniques. The value-added tax "gap" alone is estimated at around 50-60% in developing countries, compared with only 13% in developed countries. The International Monetary Fund (IMF) estimates that for many low-income countries, an increase in tax revenues of about 4% of GDP is attainable.

Since the 1990s, many African countries have made progress in improving their domestic tax capacities and receipts. Despite these improvements, however, there are still many revenue leaks that need to be plugged.

In Nigeria, we are making concerted efforts. Following the recent revision of our GDP to USD 510 billion, our tax-to-GDP ratio declined from 20% to about 12%, several points below the 15% tax-to-GDP threshold recommended by the IMF for satisfactory tax performance. Yet with our increasingly diversified economy, there is room to greatly improve our tax administration capacity and increase our tax revenues.

A recent diagnostic exercise to examine the bottlenecks in our tax collection processes revealed some interesting findings. For example, about 75% of our "registered" firms were not in the tax system! Moreover, about 65% of Nigeria's registered taxpayers had not filed their tax returns over the past two years. With the support of external consultants, we are introducing remedial measures to improve tax performance and estimate that we can raise an additional USD 500 million in non-oil tax revenues in 2014.

The international community has an important role to play in supporting such efforts by developing

Appendix G

TRANSCRIPTS OF INTERVIEWS

SELECTED INTERVIEW TRANSCRIPTS

Name of Participant- Participant 3

Sex- Male

Business line- General merchant

Age- 62

Number of Years in Business- 34

Number of Employees- 4

Annual income- 10-15 million Naira

Team Leader's introductory remark- *Good day sir. My name is Mohammed Abdullahi Umar, a PhD researcher from the Universiti Utara, Malaysia and these are my colleagues (referring to other members of the interview team). As you have read in the introductory letter we sent earlier, the interview is about understanding the problems with the tax system in Nigeria. It is an academic exercise which has no linkage with any form of government whatsoever. Please feel free to respond to our question as accurately as you can and I would like to repeat that your name or identity will not be revealed in any form after this process. I would also like to remind you that you are free to withdraw your participation even at this point.*

Participant 3- You are welcome to my office. Thank you.

Interviewer 1- *Sir, government has complained of tax noncompliance among businessmen. We would like to know your experiences about the tax system generally and reasons, in your opinion, why people do not pay tax.*

Participant 3- Yes. I have been in business before some of you were born (general laughter). Yesss…it is very true. You see..nothing happens without a history. What am I saying? You need to trace or go back to history to understand certain things. In this country, things were not always like this. People used to pay tax when things were better and we have good government but as it is currently, businessmen do not want to pay tax. For me, I do not know the basis of these monies they are collecting. What do they do with it? The roads are bad, there is no electricity and nothing works in this country. Emmh.. you see… no one knows how government is run by these people. You can only pay or contribute to what you know about.

Interviewer 2- *You always mention the word 'they' in your statements when referring to those in government. Why do you use that word? You are also part of government as a citizen of this country.*

Participant 3- Of course! Of course! I am correct to use that word because these days, government has degenerated to such a level that people only go there for their selfish interest and not for the benefit of everybody as it was meant to be originally. You see…there is a fundamental problem. I don't understand the kind of government they run in this country. At least, I have the opportunity of visiting some countries and you can see government working practically. But in this country…I cannot blame businessmen. The democracy we have here is not government for the people as we were taught in school (general laughter).

Interviewer 1- *Don't you think businessmen are sidelined from the system because they don't pay tax as claimed by the government. Maybe they will be more involved if they pay tax.*

Participant 3- That is why at the beginning of this discussion, I said you need to look at the history of anything before you make comment or judge anybody. Businessmen were willing to contribute to government in those days, why have things changed suddenly? You see.. I earlier said some of you (referring to interview crew) were very young. This country was not always run with oil revenue as it is being done now. There was a time we had serious government that worked with the business community. Members of the business community were carried along in government activities. Then we had respectable associations like chambers of commerce and industry. But today, there is oil money and government no longer care about the business community. Some people without any visible source of income or any experience in business just rig their way into government and share oil money. Who want to pay tax to these kind of people and of course do they need it?

Team leader- *Sir, I think government need tax revenue because they are always complaining about tax noncompliance.*

Participant 3- All these complains are just talks. As long as there is oil revenue, they don't care. If they are serious about tax revenue, they know what to do.

Team leader- *well, government is also constituted by people like you and I who may not be perfect as we are all human beings. You may think they know what to do but in reality, they don't. Even if they do, there is no harm in volunteering additional advice. What exactly do you think government can do to improve tax compliance by businessmen?*

Participant 3- Well if you say so, then no problem…though… actually, I don't agree with you that they need advice. But then….if you ask me…the solution to the current problem of tax compliance lies with the government. They need to carry business owners along in government policies and actions. Do you know that government policies are not even friendly to a lot of businesses? For instance, if you travel from Abuja to Lagos, can you count the number of closed factories on the way? They are just too many. If you are lucky to have a surviving business, the last thing on your mind will be paying taxes to government. You will concentrate on how to ensure the survival of your business. What government need to do is to invite business owners to a round table to discuss issues. There is nowhere in the world that businesses are taxed without a reciprocal arrangement between businesses and government. For instance, do you notice that advanced countries like America and UK can go to any length to protect the interest businesses that carry out operations in their countries and even businesses owned by their citizens that operates outside their countries? They do this because government knows that their operations are funded by taxes paid by these businesses. But here in Nigeria, businesses operate on their own. There is no recognition from government.

Interviewer 1- *From what we understand from your responses so far, businessmen in Nigeria are not involved in the affairs of governance and as such their interest are not catered for by those in government. Businessmen respond by not paying taxes.*

Participant 3- Exactly what I mean. Businessmen and government do not operate on common grounds and that is not conducive for tax compliance.

Interviewer 2- *Do you have other issues you wish to point out?*

Participant 3- Nothing much really. I would like to thank you all for this research initiative. Though I am not sure our government values research (general laughter). Yes! Yes! That is one of the problems with those in government. You will agree with me that this is not the first research initiative on tax issues in this country but those in government don't listen to the voice of reason. Anyway, I wish you good luck and I hope the country gets better someday.

Team leader- *Thank you Sir for your cooperation in this interview. We have noted your comments on the problem of tax compliance among businessmen and we shall bring it up in compiling our results. We shall be in touch again if there is anything more we need to know. Thank you so much for your cooperation.*

Name of Participant- Participant 23

Sex- Male

Business line- hotel owner

Age- 54

Number of Years in Business- 12

Number of Employees- 23

Annual income- 10-15 million Naira

Team Leader's introductory remark- *Good day sir. My name is Mohammed Abdullahi Umar, a PhD researcher from the Universiti Utara, Malaysia and these are my colleagues (referring to other members of the interview team). As you have read in the introductory letter we sent earlier, the interview is about understanding the problems with the tax system in Nigeria. It is an academic exercise which has no linkage with any form of government whatsoever. Please feel free to respond to our question as accurately as you can and I would like to repeat that your name or identity will not be revealed in any form after this process. I would also like to remind you that you are free to withdraw your participation even at this point.*

Participant 23- Thank you and welcome. Please feel comfortable to ask your questions

Interviewer 1- *Sir, government has complained of tax noncompliance among businessmen. We would like to know your experiences about the tax system generally and reasons, in your opinion, why people do not pay tax.*

Participant 23- For me, I see paying taxes as a difficult thing to do in this country. If business owners are not paying taxes as claimed by government, then the reason is very obvious. Business owners and their families are facing serious problem in trying to survive. By the time you consider all the stress, I don't know how you can even consider anything like tax. We need to be sincere with ourselves. Nobody pays tax when you face all the problems we battle with every day. I am saying this because we all know these problems are with us because the government failed in its responsibility to provide infrastructure for the wellbeing of the citizens. Emmmh..let me give you an example. Ok? My brothers' wife just returned from India for treatment of Kidney ailment. Two people accompanied her on the trip and that translate to air tickets for three. Add that to the cost of treatment and feeding for three in a foreign land – what is wrong with our health system? My brothers (referring to the interview crew), is it not better for government to fix our healthcare so we can get treated locally? We can then save money to pay tax. Believe me, as it stands currently, tax cannot work in this country.

Interviewer 2- *From your statements, I understand the condition of living is bad so businessmen do not bother to pay tax.*

Participant 23- That is correct. How are you going to pay when you spend all your earnings in providing what governments are providing cheaply in other countries? For example, since there is no public power supply, you can see we run power generating set. The cost of fueling and maintenance of fueling and maintenance of the generating set is very high. At times it takes three-quarter of your profit. If there is public power supply, the money currently spent on power generation will be saved. Then there would not be too much complain about paying tax.

Team leader-- *But government is also complaining about inadequate fund to provide social infrastructure.*

Participant 23- I think we are misunderstanding the issue involved in this case. When we say government is guilty of not providing social amenities, it doesn't mean government has unlimited fund. Every educated person knows that government operates on a limited budget. But…you see…the problem is what have they done with what they have? You need to utilize the little you have in a judicious and transparent manner then you can demand for contribution from citizens. The people are not fools. They see corruption and stealing of public funds in an open way so you cannot come up to tell them you don't have fund to provide social amenities. Ok. For instance, you claim there is no money to provide the best equipment in local hospitals but when you or any member of your family (referring to government officials) is sick, you quickly fly out to foreign hospitals in other countries. How are people going to believe that there is no money? There is no money for public equipment but there is money for your private needs? My brothers (referring to the interview crew), those in government are not sincere and it will be very difficult for businessmen to cooperate with them.

Team leader- *But businesses in Nigeria are still making profit even though business owners complain about operating condition and living condition*

Participant 23- Well…nobody can deny that businesses make profit. But the problem is under what condition do they make this profit? If I rent my business premises, provide power generating set, provide water through a privately dug borehole at the business premises and even in my living house, I even construct the road in front of my house, then what job is left for government to do? The cost of providing for all these things is very expensive, you know another big problem is inflation. You could buy something today for say… a hundred thousand naira, the next month, there is a fifty percent increase in price. In all these difficult situation, you still struggle to make profit. One thing with Nigerian business men is that they are very hardworking and try to face challenges. If you go through these struggles and make profit as you mentioned, then how can any government claim any entitlement to tax? For me, government collect taxes because of the services they provide to the society. Yes, the business people benefit from the society and pay tax in return. But like I said before, in Nigeria those in government have created the best condition of living for themselves and their families but ordinary people take care of themselves.

Interviewer 1- *How do you think this problem can be resolved?*

Participant 23- Well… I think, for me, it is a difficult question because I am not a politician. Rather, I am a businessman. But if you say I must give advice, then I think the solution is a simple one. When government provides social amenities, it is beneficial to citizens and business owners, in fact, social amenities will improve productivity among citizens and business owners. One thing government in Nigeria does not realize is that when social amenities are provided, business performance will improve. Businesses will make more money and they will be in a better position to pay more taxes to government. It is very sad that government in this country do not see it this way. Of course they do not have any good intention of providing development in the first instance. They only went into government for their selfish interest.

Team leader- *You have mentioned numerous challenges facing business owners – healthcare, power supply, inflation and other infrastructural problem. These things cannot all be provided at the same time. Which one is the most pressing or the highest in priority if government wants to solve the problem?*

Participant 23- I think this is a good question. If you ask 1000 business owners in Nigeria this same question, the answer you are likely to get is electricity. It is the most pressing problem facing businesses in Nigeria.

Team leader- *Do you see tax compliance improving if electricity improves?*

Participant 23- Yes but again, government must involve the people so that they know exactly what government is doing and they can support. There must be transparency.

Team Leader- We appreciate your time. Thank you so much for your cooperation.

Name of Participant- Participant 13

Sex- Female

Business line- hotel owner

Age- 40

Number of Years in Business- 6

Number of Employees- 20

Annual income- 5-10 million Naira

Team Leader's introductory remark- *Good day sir. My name is Mohammed Abdullahi Umar, a PhD researcher from the Universiti Utara, Malaysia and these are my colleagues (referring to other members of the interview team). As you have read in the introductory letter we sent earlier, the interview is about understanding the problems with the tax system in Nigeria. It is an academic exercise which has no linkage with any form of government whatsoever. Please feel free to respond to our question as accurately as you can and I would like to repeat that your name or identity will not be revealed in any form after this process. I would also like to remind you that you are free to withdraw your participation even at this point.*

Participant 13- I am happy to meet you. I hope we would be very brief as I have some urgent issues to attend to very soon.

Interviewer 1- *Madam, government has complained of tax noncompliance among businessmen. We would like to know your experiences about the tax system generally and reasons, in your opinion, why people do not pay tax.*

Participant 13- I am always surprised when I am asked questions like this. You forget that taxation and the tax system is part of the larger society. How do you expect taxation to work when every other thing is not working?

Interviewer 1- *In essence you are saying taxation is not working because other things are not working in the country?*

Participant 13- Yes. Tax compliance by businessmen is a matter of law and order and the rule of law. But you can see that there is a general lawlessness in the society. How do you expect tax to be different? In fact, the problem has its root in the audit process. The auditors are supposed to be the watchdog of the tax system but are they interested in enforcing tax laws? The whole system has degenerated due to bribery and corruption but…for…me I don't blame the tax auditors. How do you expect tax auditors to be different with the level of decadence in the society?

Interviewer 2- *Are you saying every other thing about the tax system is okay and only the auditors are the problem?*

Participant 13 - No! No! Not exactly. The problems with the tax system are numerous and like I said before, it is a general societal problem. There is widespread dissatisfaction with governance. Those in government are the leaders of impunity in this country. The leaders themselves don't obey the laws so how do they expect followers to do the same? It is a matter of law enforcement. If you want people to pay tax, then the rule of law must be supreme. There must be a mechanism to detect noncompliant people. When they are detected, they must be transparently punished so as to act as a reference point for others. But when you have a situation where people can break the law and they can escape justice then what do you expect? There will be general lawlessness. Nobody want to pay tax when others do not pay are they are walking about freely. Again, why do I need to pay N200,000 as tax when I can negotiate with the auditors to settle for N50,000?

Interviewer 1- *You have mentioned the issue of punishment throughout your responses. I think the punishment of offenders is the responsibility of law enforcement agents and the courts…*

Participant 13- (interrupts) of course! Of course! That is what I am saying. It is a systemic problem. One section alone cannot solve the problem. The law enforcement agencies and the courts are even a bigger problem than the tax auditors. The police that should assist to enforce the law are more interested in their own share of what they called national cake. They don't care about the success or failure of the tax system. The court system is another big problem. Cases in courts can last for a lifetime and it is never decided. For example, if you have a case of tax evasion in court, that can last for years, then by the time it reaches two to three years, everyone has forgotten about the case (general laughter). So what I am saying in essence is that the enforcement system is not working and people will not comply unless they are afraid of prosecution. As it stands currently, nobody is afraid of detection or any sanction. It is a system that can easily be manipulated. But…again…the whole issue comes from the top. Enforcing law and order must start from the top in any society and like I said earlier, if the leadership do not show commitment to the rule of law and lead by example, then the system is bound to collapse. That is what we are currently witnessing in Nigeria.

Team leader- *Apart from the law enforcement system as you have mentioned throughout this interview, what is your assessment of the effectiveness of tax administration itself?*

Participant 13- Well…. they are not too bad. I have interactions with them once in a while and I think they have good professionals. But the problem is that a tree cannot make a forest. The tax administrators cannot operate outside the system that produces them.

Team leader- *Thank you for your time. We shall be in touch with you again if we need anything.*

Appendix H

PLS OUTPUT