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**A TAX ADMINISTRATION REFORM MODEL FOR REVENUE
GENERATION IN NIGERIA**



**DOCTOR OF PHILOSOPHY
UNIVERSITI UTARA MALAYSIA
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**A TAX ADMINISTRATION REFORM MODEL FOR REVENUE
GENERATION IN NIGERIA**



**Thesis Submitted to
Tunku Puteri Intan Safinaz School of Accountancy,
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In Fulfillment of the Requirement for the Degree of Doctor of Philosophy**



TUNKU PUTERI INTAN SAFINAZ
SCHOOL OF ACCOUNTANCY
COLLEGE OF BUSINESS
Universiti Utara Malaysia

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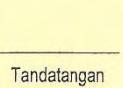
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ABSTRACT

Lower tax revenue generation has affected not only the Nigerian economy but also the level of government expenditure. This research, therefore, pursues the following objectives: (a) to identify the tax administrators' inputs required for tax revenue generation; (b) to identify the taxpayers' inputs required for tax revenue generation; (c) to analyze the tax administration's transformation processes for tax revenue generation; and (d) to analyze the association between transformation processes and the tax administrators' output for tax revenue generation. In achieving these objectives, a case study approach was employed in which data were collected from face-to-face interviews with 20 Federal Inland Revenue Service (FIRS) officials. A self-administered questionnaire was also distributed to 419 taxpayers in Abuja. The findings on the first objective indicate that there is no congruency between tax administration and legislative, companies, judiciary and the executive as well as banks. The result further shows that FIRS performance is affected by a lack of required tangible and intangible resources and inadequate knowledge of employees of the previous challenges and achievements recorded by FIRS in carrying out their mandates. Secondly, the findings reveal that the Nigerian government does not play a great role in providing taxpayers with a safe environment, employment opportunity, and taxpayer education that will enhance voluntary compliance. Thirdly, the study finds congruence among tasks, employees, and formal and informal settings in FIRS. Fourthly, the study discovers that performance is evaluated by the degree of loyalty an employee has to his/her supervisor and not based on the quality and quantum of the work delivered. The main policy implication of this study is that Nigeria can ensure tax compliance and greater tax revenue generation by adopting the Performance-Governance Model of Tax Administration Reform.

Keywords: tax administration, tax reform, tax administration reform model, tax compliance, tax revenue generation

ABSTRAK

Penjanaan pendapatan cukai yang rendah telah menjelaskan bukan sahaja ekonomi Nigeria tetapi juga tahap perbelanjaan kerajaan. Oleh itu, penyelidikan ini bertujuan untuk mencapai objektif berikut: (a) untuk mengenal pasti input pentadbir cukai yang diperlukan untuk penjanaan hasil cukai; (b) untuk mengenal pasti input pembayar cukai yang diperlukan untuk penjanaan hasil cukai; (c) untuk menganalisis proses transformasi pentadbiran cukai bagi penjanaan hasil cukai; dan (d) untuk menganalisis hubungan antara proses transformasi serta output pentadbir cukai untuk penjanaan hasil cukai. Bagi mencapai matlamat ini, pendekatan kajian kes digunakan. Data dikumpulkan daripada temu bual bersemuka dengan 20 orang pegawai Perkhidmatan Hasil Dalam Negeri Persekutuan (FIRS). Soal selidik yang diurus kendiri juga diagihkan kepada 419 orang pembayar cukai di Abuja. Penemuan kajian untuk objektif pertama menunjukkan bahawa tidak wujud kesesuaian antara pentadbiran cukai dan perundangan, syarikat, badan kehakiman dan eksekutif serta bank. Seterusnya, hasil kajian menunjukkan bahawa prestasi FIRS dipengaruhi oleh kekurangan sumber ketara dan tidak ketara yang diperlukan serta pengetahuan pekerja yang tidak mencukupi tentang cabaran terdahulu dan pencapaian yang dicatatkan oleh FIRS dalam menjalankan mandat mereka. Penemuan kedua pula mendedahkan bahawa kerajaan Nigeria tidak memainkan peranan yang besar dalam menyediakan pembayar cukai dengan persekitaran yang selamat, peluang pekerjaan, dan pendidikan untuk pembayar cukai supaya dapat meningkatkan kepatuhan sukarela untuk membayar cukai. Ketiga, kajian ini mendapati wujudnya kesesuaian antara tugas, pekerja, dan pengaturan secara formal dan informal dalam FIRS. Keempat, kajian ini mendapati bahawa prestasi dinilai adalah berdasarkan tahap kesetiaan seseorang pekerja terhadap penyelianya dan bukan berdasarkan kualiti dan kuantum kerja yang dihasilkan. Implikasi dasar utama kajian ini menunjukkan bahawa ekonomi yang sedang membangun dapat memastikan kepatuhan cukai dan penjanaan hasil cukai yang lebih besar dengan menggunakan Model Prestasi-Tadbir Urus dalam Reformasi Cukai.

Kata kunci: pentadbiran cukai, pembaharuan cukai, model pembaharuan pentadbiran cukai, pematuhan cukai, penjanaan pendapatan cukai

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LIST OF ABBREVIATIONS

Abbreviation	Full Meaning
3Es	Economy, Efficiency, and Effectiveness
ACCA	Association of Certified Chartered Accountants
ANAO	Australian National Audit Office
BVN	Bank Verification Number
CAC	Cooperate Affairs Commission
CBN	Central Bank of Nigeria
CED	Custom and Excise Duties
CIT	Company Income Tax
CITN	Chartered Institute of Taxation of Nigeria
CSG	Compliance Support Group
DTG	Domestic Tax Group
EC	European Commission
EDT	Educational Tax
FGN	Federal Government of Nigeria
FIRS	Federal Inland Revenue Service
FUK	Federal University Kashere
GDP	Gross Domestic Product
ICAN	Institute of Chartered Accountants of Nigeria
ICT	Information Communication Technology
KPI	Key Performance Indicators
NBS	National Bureau of Statistics
NCS	Nigerian Customs Service
NHS	National Health Services
NIPC	Nigerian Investment Promotion Council
OECD	Organization for Economic Cooperation and Development
OYA-GSB	Othman Yeop Abdullah, Graduate School of Business
PAYE	Pay as you Earn
PIT	Personal Income Tax
PPT	Petroleum Profit Tax
PRS	Planning, Research and Statistics
SD	Standard Deviation
TETFUND	Tertiary Education Trust Fund
TIN	Tax Identification Number
USA	United States of America
UUM	Universiti Utara Malaysia
VAT	Value Added Tax

CHAPTER ONE

INTRODUCTION

1.1 Introduction

The main aim of the study is to recommend a model for efficient and effective tax administration reform that will ensure sustainable tax revenue generation in Nigeria. In achieving this, the present Chapter discusses the background of the study where the problem statement, research questions and research objectives are explained. The significance, scope of the study, definition of key terms as well as the organization of the chapters are included in the chapter.

1.2 Background of the Study

Government expenditure mostly in the form of the provision of an economic, political and social infrastructure of a given country relies on the amount of revenue generated by the government. One way of generating adequate revenue is through a well-structured tax administration and system. Taxes on Petroleum Profit Tax (PPT) and non-oil taxes; Company Income Tax (CIT); Custom and Excise Duties (CED); Educational Tax (EDT); Personal Income Tax (PIT) and Value Added Tax (VAT), among others, play a vital role in the creation of wealth and employment in every nation's economy (Azubike, 2009) and constitute the primary sources of revenue for developed countries (Organization for Economic Cooperation and Development [OECD], 2006).

There is no doubt about the fact that tax administration plays a vital role in every nation's economy by strengthening the relationship between governments (that need tax revenue to finance public expenditure) and the general public (who are willing to pay tax in exchange for the goods and services received from the government). The revenue from tax has been moderately low in both developed and developing economies but the issue is more crucial to the latter than the former (Bird, 2004). For instance, the study of Fjeldstad (2013) as well as Fjeldstad and Moore (2009) stated that developing economies' tax revenue contributed around 10% to 20% to their Gross Domestic Product (GDP) while the ratio of tax revenue to the GDP of OECD countries stood around 30% to 40%. Gordon and Li (2009) stated that there is a considerable difference between how a tax system is administered in OECD countries and in developing economies.

Furthermore, Bird and Zolt (2008) believed that developed countries generate higher tax revenue compared to developing economies because developed countries established effective tax administrations with three basic ingredients, namely: the political will to administer the tax system effectively, a clear strategy for achieving this goal and adequate resources for the task. On the other hand, developing countries generate lower revenue from tax due to the inability of their tax administration to administer the tax system in the most efficient and effective manner.

Most of the developing economies lack the technical capacity to generate adequate revenue from a given tax system. Nigeria, for example, is classified with a significant shadow (informal) economy that is largely outside the formal tax structure (Aminu & Eluwa, 2014). Ayodele (2006) as well as Saheed, Abarshi and Ejide (2014) further stated that the tax

revenue generated by Nigeria constitutes a smaller portion to its GDP than in other developing countries. For example, in the first quarter of 2015 only 3% of Nigeria's tax administration contributed to GDP and is one of the lowest in the world (World Bank, 2015). Therefore, to improve the percentage, the government should focus on growing tax revenue through reforming tax administration.

Several studies among which include Abata (2014) stated that in Nigeria over the decades tax administration has not significantly contributed to the country's annual generated revenue. The Lagos Chamber of Commerce and Industry (LCCI) and Pricewaterhouse Coopers (PWC) emphasized the need for an effective tax administration to boost the nation's economic revenue base, considering the dwindling economic revenue as a result of the sharp reduction in global oil prices (Baghebo, 2012). To see whether Federal Inland Revenue Service (FIRS), i.e. the body charged with administering taxes in Nigeria, lacks the capacity to collect sufficient tax revenue than other developing countries, a detailed comparison is made in sub-sections 1.2.1.

1.2.1 Tax Revenue Generated by FIRS Compared to Other Developing Economies

In understanding FIRS's contribution to total national revenue generation, the present study analyzed World Bank data by comparing the contribution of Nigerian tax revenue in percentage of the Gross Domestic Product (GDP) of Developing-Eight countries (The developing-8 also known as D-8 countries are the eight members of organization for economic cooperation aim to be among the developed countries by the year 2020 and to enhance member states' position in the world economy). The study further analyzed tax

revenue generated by Nigeria in compared to the top 10 oil producing countries as well as African 5 leading countries as presented in Table 1.1.

Table 1.1

Tax Revenue Percentage of Gross Domestic Product

	Developing-8									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Bangladesh	8.1	8.1	8.2	7.0	6.9	7.7	7.5	7.8	8.7	-
Egypt	13.3	13.8	14.1	15.8	15.3	15.3	15.7	14.1	14.0	13.2
Indonesia	12.4	12.3	12.5	12.3	12.4	13.0	11.4	N/A	N/A	N/A
Iran	5.9	6.0	7.9	7.4	7.3	7.2	8.4	N/A	N/A	N/A
Malaysia	15.5	15.2	14.8	14.5	14.3	14.7	14.9	13.7	15.2	16.1
Nigeria	1.5	0.9	2.9	2.4	4.0	5.5	5.1	2.3	1.8	1.6
Pakistan	10.8	10.3	9.6	8.7	9.2	9.5	8.9	10.0	9.2	10.1
Turkey	N/A	N/A	N/A	N/A	N/A	18.5	19.2	20.5	20.1	20.4
Top 10 Oil Producing Countries in Africa										
Nigeria	1.5	0.9	2.9	2.4	4.0	5.5	5.1	2.3	1.8	1.6
Algeria	40.0	46.7	46.2	40.8	37.4	45.3	35.1	34.4	37.4	39.4
Angola	27.8	26.5	26.4	34.5	25.5	30.5	19.2	19.5	19.9	18.8
Libya	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Egypt	13.3	13.8	14.1	15.8	15.3	15.3	15.7	14.1	14.0	13.2
Sudan	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Guinea	N/A	N/A	N/A	N/A	9.7	10.0	20.5	N/A	N/A	N/A
Congo	8.7	7.8	6.2	5.8	6.6	5.9	5.5	6.1	6.4	6.7
Gobon	14.0	14.0	14.3	14.4	16.0	17.3	16.5	17.1	17.2	18.7
S/Africa	23.0	24.3	25.7	27.3	27.6	26.8	24.4	25.0	25.2	25.5
Top 5 Leading Countries in Africa										
Nigeria	1.5	0.9	2.9	2.4	4.0	5.5	5.1	2.3	1.8	1.6
Kenya	15.8	17.0	18.7	15.1	15.2	16.0	15.5	15.7	15.9	15.9
Egypt	13.3	13.8	14.1	15.8	15.3	15.3	15.7	14.1	14.0	13.2
S/Africa	23.0	24.3	25.7	27.3	27.6	26.8	24.4	25.0	25.2	25.5
Cameroon	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: World Bank, (2015).

Note: N/A stand for data not available.

Analysis from Table 1.1 shows that Nigerian tax revenue contributed 1.5% percent to the GDP in 2003 while other D-8 countries achieved higher than that. In 2004, the contribution drops down to 0.9%, while that of Bangladesh stood at 8.1%, Egypt recorded an increase of 13.8%, Indonesian tax revenue a decrease of 0.1% and that of Iran increased by the same magnitude of 0.1%. Malaysia and Pakistan noticed a decline in 15.2% and 10.3%, respectively. In summary, Nigeria from 2003 to 2012 had the least tax revenue contribution to GDP across D-8 countries. Previous studies in the country have not provided an accurate explanation for the weak tax revenue contribution but may be due to being Nigeria among the frontier members of the Organization of Petroleum Exporting Countries (OPEC) that over relied on oil (Ayodele, 2006; Ebimobowei & Ebiringa, 2012). However, even if the country heavily relied on crude oil with the production of 2.2million barrels per day, that cannot be considered as a reason behind the weak contribution of tax revenue. This is because Iran is also an OPEC member and the 4th oil producing country in the world with a production of 61million barrels per day. Its population is less than that of Nigeria, yet Iran's tax revenue is higher than that of Nigeria throughout the analyzed period.

In addition, analysis from the same Table 1.1 further shows that Nigeria, Algeria, Angola, Egypt, Guinea, Congo, Gabon and South Africa are oil-producing countries in Africa, but the contribution of Nigerian tax revenue is low compared to those countries. More so, Africa is the second most populous continent in the globe divided into west, east, north, south and central led by Nigeria, Kenya, Egypt, South Africa and Cameroon across the regions, respectively. From the same Table 1.1 excluding Cameroon because of non-availability of data, the tax revenue contributions to the GDP of an individual country is higher than that of Nigeria. For instance, in 2012 the percentage stood at 1.6%, 15.9%,

13.2% and 25.5% for Nigeria, Kenya, Egypt and South Africa respectively despite the fact that Nigeria has the highest population and the overall leading production country in Africa (World Bank, 2015).

From the analysis in Table 1.1, the present study concludes that the contribution of Nigerian tax revenue to the GDP remains low, as stated in Abata (2014). Tax revenue generation by FIRS compared to other countries is weak. Further justify the need for tax administration reform, the study followed trend of tax revenue generated by Nigeria as discussed in sub-section 1.2.2.

1.2.2 Nigerian Tax Revenue Generation Trend

To further justify the need for tax administration reform, tax revenue generated by FIRS from 1970 to 2017 is analyzed and presented in Table 1.2.

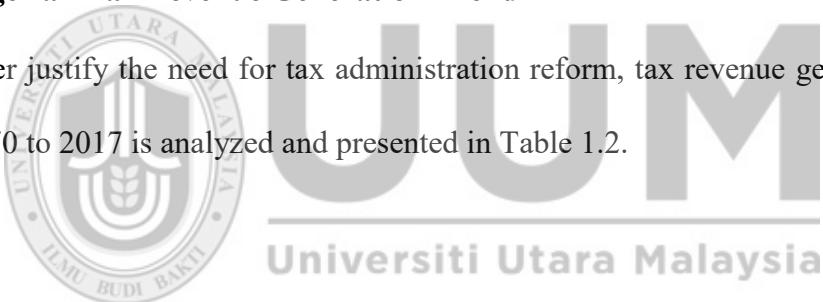


Table 1.2
Nigerian Tax Revenue Generated Trend

Years	Tax Revenue		Years	Tax Revenue	
	Nigerian (₦'B)	USA(\$'B)		Nigerian (₦'B)	USA(\$'B)
1970	0.500	0.001	1994	140.4000	0.390
1971	0.940	0.003	1995	196.1000	0.545
1972	1.100	0.003	1996	237.7000	0.660
1973	1.400	0.004	1997	279.2000	0.776
1974	3.500	0.010	1998	317.6000	0.882
1975	3.700	0.010	1999	369.1000	1.025
1976	4.700	0.013	2000	455.3000	1.265
1977	5.900	0.016	2001	586.6000	1.629
1978	5.600	0.016	2002	433.9000	1.205
1979	6.900	0.019	2003	703.1000	1.953
1980	10.900	0.030	2004	1194.8000	3.319
1981	9.200	0.026	2005	1741.8000	4.838
1982	7.900	0.022	2006	1866.2000	5.184
1983	6.300	0.018	2007	1846.9000	5.130
1984	7.200	0.020	2008	2972.2000	8.256
1985	9.900	0.028	2009	2197.6000	6.104
1986	7.700	0.021	2010	2839.3000	7.887
1987	17.300	0.048	2011	4628.5000	12.857
1988	14.100	0.039	2012	5007.7000	13.910
1989	18.300	0.051	2013	4805.6000	13.349
1990	24.900	0.069	2014	4714.6000	13.096
1991	33.200	0.092	2015	3741.8000	10.394
1992	80.800	0.224	2016	3300.7000	9.169
1993	112.500	0.313	2017	4000.0000	11.111

Source: FIRS, (2018)

Note: Exchange is calculated at ₦360/\$1.

The analysis in Table 1.2 shows that the trend of FIRS revenue generation is characterized by fluctuations and decline in movement, which makes tax administration's contribution to national revenue a counter-productive process. Evidence abound in the way the petroleum boom of the 1970s in Nigeria resulted in noticeable fluctuations from the contribution of tax administration on revenue generation. For example, FIRS generated ₦500million (equivalent to (\$1million) to the Federation account in 1970. Although such contribution

increased government revenue to ₦940million (equivalent to \$3million) in 1971, the increase did not persist progressively. Rather it continues decline from 1972 till 1977. For instance, FIRS contribution was ₦1.1billion (equivalent to \$3million) in 1972, ₦1.4billion (equivalent to \$4million) in 1973, ₦3.5billion (equivalent to \$10million) in 1974, ₦3.7billion (equivalent to \$10.1million) in 1975, ₦4.7 billion (equivalent to \$13million) in 1976 and ₦5.9billion (equivalent to \$16million) in 1977.

Similarly, FIRS's contribution to the federation account dropped to ₦5.6billion (equivalent to \$16million) in 1978 and thereafter increased to ₦6.9billion (equivalent \$19 million). However, over dependence on oil by Nigerian government has seriously affected the performance of FIRS. For instance, in 1981 FIRS generated ₦9.2billion (equivalents to \$26million) from a previous sum of ₦10.90 billion (equivalent to \$30million) in 1980. Since then tax contribution to government revenue has continue to decrease. For example, it is evident that further decrease to ₦7.9billion (equivalent to \$22million) and ₦6.3billion (equivalent to \$18million) was witnessed for 1982 and 1983 respectively.

The contribution of Nigeria's tax administration to revenue generation was appreciable between 1984 and 1985. This was achieved by a contribution of ₦7.2billion (equivalent to \$20million) in 1984 and a further significant contribution of ₦9.9billion (equivalent to \$28million) in 1985. However, due to lack of standard management and administrative polices, the performance of FIRS declined to ₦7.70billion in 1986 (equivalent to \$21million).

Notably, a simple analysis (Table 1.2) indicates that the contribution of tax administration to the national revenue which rose to ₦17.30billion (equivalent to \$48million) in 1987 unfortunately decreased to ₦14.1billion (equivalent to \$39million) in 1988. In 1989 FIRS for the first time in the history of the body remitted ₦18.30 billion (equivalent to \$51million). Similarly, FIRS performance in the subsequent four years recorded tremendous achievement as tax revenue contribution accounted for ₦24.9billion (equivalent to \$69million), ₦33.2billion (equivalent to \$92million), ₦80.8billion (equivalent to \$224million) and ₦112.5billion (equivalent to \$313billion) for 1990, 1991, 1992 and 1993. This was noted as a drastic improvement.

The introduction of VAT in 1994 enhanced tax administration contribution to the national revenue by ₦140.4billion (equivalent to \$390million) in 1994. Additionally, as indicated by Odusola (2006), the introduction of VAT by the FIRS impacted on tax revenue contribution. This is proved considering Table 1.2 data which further displayed that tax revenue contribution rose to ₦196.1billion (equivalent to \$545million) in 1995 and further increased to ₦237.7billion (equivalent to \$660million) in 1996 and to ₦279.2billion (equivalent to \$776million) in 1967. The amount of tax revenue remitted to federation account by FIRS in 1998 was ₦317.6billion (equivalent to \$882million).

Furthermore, the change in government from a military to civilian regime in 1999 led to a fall in the contribution of tax administration by a significant percentage. Since then, the contribution has been fluctuating. For instance, in 1999, tax revenue contributed ₦369.1 billion (equivalent to \$1,023billion). Although this indicates an increase in tax revenue, it can be regarded a weak contribution. This is in consideration of the importance of tax

composition to National revenue. Further, this indicates how FIRS fails to meet international tax threshold position compared to other countries as discussed in sub section 1.2.1. This is further evident in the fact that, the 1999 tax revenue contributed only 39% to total government revenue of Nigeria which implies a weak performance (Appendix F provide the percentage of tax revenue contribution to government revenue).

Additionally, the amount of tax collected in 2000 was ₦455.3billion (equivalent to \$1.265billion) representing a 22% contribution to National revenue. The introduction of educational tax resulted to a significant increase in tax revenue by the sum of ₦586.6billion (equivalent to \$1.629billion) presenting a 24% tax contribution to national revenue. Although the amount of tax collected by FIRS dropped to ₦433.9billion (equivalent to \$1.205billion), a look at the figure from composition of tax to national revenue indicates a promising as tax revenue contributed 33% to national revenue. While the tax revenue rose to ₦703.1billion (equivalent to \$1.953billion) in 2003, its composition to national revenue stood at 23%.

The persistence of this trend in the tax revenue, led to the generation of ₦1.194trillion (equivalent to \$3.319billion) in 2004. The contribution for the year 2005 recorded ₦1.741trillion (equivalent \$4.838billion) and in 2006, the contribution accounted for ₦1.866trillion, equivalent to \$5.184billion). However, in terms of tax composition it declined drastically to 17%, 13% and 11% for 2004, 2005 and 2006 respectively.

The effort of a 2007 Study Group, lead to a slight increase in tax revenue's contribution by 14% in 2007 (although in term of nominal value it was a decrease) with the sum of ₦1.846trillion (equivalent to \$5.130billion), while the tax revenue contribution to national revenue fell in the following year (2008) to 11%. This is regarded as an increase in the nominal figure i.e. ₦2.972trillion (equivalent to \$8.256billion). Thereafter records improved in 2009 with a contribution of 22% to national revenue and a nominal value of ₦2.197trillion (equivalent to \$6.104billion).

Furthermore, FIRS performance in 2010 crashed down to 16% in total contribution to national revenue. This further deteriorated to 1 % in 2011. The total value of the contribution within the period was ₦2.839trillion (equivalent to \$7.887billion) and ₦4.628trillion (equivalent to \$12.857billion) respectively. However, the concern raised by researchers specifically Appah (2010) as well as Appah and Oyandonghan (2011) brought an increased contribution to 19% in 2012, resulted in the rise of the contribution to 31% in 2013 with a value of ₦5.007trillion (equivalent to \$13.34billion) and ₦4,805trillion (equivalent to \$13.34billion) respectively.

Finally, effort of the present study to obtained total government revenue generated by Nigeria from 2014 to date proved abortive but the data obtained from FIRS shows that tax revenue generated in 2014, 2015 and 2016 moved in a decrease trend. Specifically, the tax revenue generated by FIRS accounted ₦4.714trillion (equivalent to \$13.09billion), ₦3.741trillion (equivalent to \$10.39billion) and ₦3.300 trillion (equivalent to \$9.16billion) respectively. Tax revenue increased significantly in 2017 to ₦4 trillion (equivalents to \$11.11billion) as found in FIRS (2016).

However, Literature including Aminu and Eluwa (2014); Asaolu, Dopemu and Monday (2015) and Ayodele (2006) stressed that the Nigerian economy was directly exposed to international oil market shocks since more than 70% of Government revenue was coming from oil and the actual tax revenue contribution to the national revenue in many years had fallen below the threshold stage of at least 40% of Government revenue.

Previous studies such as Afubero and Okoye (2014), Alli (2009), Aminu and Eluwa (2014) as well as Worlu and Nkoro (2012) stated that the inability of the Federal Government of Nigeria (FGN) to generate adequate revenue from tax has to do with the inability of government to address bureaucracies in tax administration as well as lack of accountability in the utilization of tax proceeds. For instance, the Executive Chairman of the Lagos Internal Revenue Service (LIRS), Olufolarin Ogunsanwo, said that as at 2016 Nigeria was ranked the 169th out of 189 countries with lower tax revenue in the 2015 World Bank tax revenue index. More so, Nigerian tax administration was ranked 181 of the 189 countries that lacked effective tax administration (Oyedele, 2017).

However, several studies, namely Abiola and Asiweh (2012), Alli (2009) Enahoro and Jayeola (2012) as well a Umoru and Anyiwe (2013) stated that the major drawbacks responsible for this poor rating was lack of experienced personnel, accountability and modern facilities. Aminu and Eluwa (2014) recommended that Nigeria should embark on a serious tax administration reform, which is an effective mechanism to deploy in order to boost the nation's revenue.

Tax administration reform is an effort to establish the high performance, accountability, efficiency and effectiveness of tax administrators toward revenue generation (Bird, 2004; Emmanuel, 2013). Tax administration reforms are fundamental matters of concern to both developed and developing nations. For example, policymakers in OECD countries are concerned whether they can maintain the existing administration of corporate tax and some other tax components or it should be reformed (Bariyama & Nwokah, 2009). In Nigeria, tax administration is characterized by inadequate modern facilities, inexperienced personnel and inefficiency and ineffectiveness, as well as corruption in the administration (Azubike, 2009).

1.3 Problem Statement

Regardless of several tax system reforms in Nigeria, tax administration is affected by the lack of the necessary materials required to carry out their functions effectively (Abiola & Asiweh, 2012). The study of Abiola and Asiweh (2012) further showed that the tax administration system is affected by inadequate resources and inexperienced tax personnel. Deficiency of the required inputs resulted in the inability of Nigerian tax administration to attain its set objectives which negatively affects government revenue.

The studies of Ogbonna and Appah (2012), Olatunji (2009) as well as Aminu and Eluwa (2014) showed that serious attention has been highlighted on how the Federal Government of Nigeria has continued to increase the cost of tax administration, yet the sum of the tax revenue collected has remained insignificant. On the other hand, taxpayers' awareness and education programs mostly in the form of taxpayer brochures and guides, advice on legal

subjects, programs on television and radio stations are no longer sponsored by the Nigerian tax administration (Enahoro & Jayeola, 2012).

Furthermore, there is no clear tax administrative structure in Nigeria. Tax administration structure according to Gill (2000), is a transformation process that includes tasks, employees within the tax administration as well as formal and informal settings. In Nigeria, there are so many lapses with the transformation process for instance, employee tasks are not properly defined and recruitments are not founded on pedagogy, experience and skills level (Ayodele, 2006). The study of Jibrin, Blessing and Ifurueze (2012) further indicated that reasonable tax revenue for Nigeria cannot be accomplished from the present tax administration unless the government reforms the existing tax administration, which includes formal and informal modes of operations. Ifere and Eko (2014) further stated that tax administration laws and regulations governing employee tasks in Nigeria need to be periodically reviewed for efficiency and effectiveness.

Moreover, the Nigerian tax administration output in terms of tax revenue contribution to total government revenue is below the expected level of 40% (Aminu & Eluwa, 2014; Ayodele, 2006). The CBN (2015) stated that the tax administration's collection for the year 2015 contributed only 29.4% of the national revenue. Aminu and Eluwa (2014) further pointed out that in Nigeria the duties and taxes collected are falling down year by year. In fact, within the period of 2010-2012 there was a serious decrease in the tax declaration process, audited cases, the tax arrears collected, and shipment inspected by the Nigerian Customs Service (NCS) (Abiola & Asiweh, 2012). The present study used FIRS tax

revenue generation statistics and confirmed the decreased in tax arrears collection, tax declaration process, and tax audit cases as at 2016.

Similarly, tax administration under normal circumstances is supposed to sustain a high degree of ethical standards. Among these include accountability, transparency and equity in order to generate higher tax revenues which would be used in the provision of social, economic and political amenities but in Nigeria the opposite has been the case (Alli, 2009). For example, the Study Group (2003) raised an alarm over how dishonest tax officials vested with the duty of tax collection tend to conspire with the management of organizations in the collection process, thereby bringing about the loss of taxable revenue that could have been accounted to finance government projects.

In a similar case, a taxpayer who was found to have cheated the system bought his/her freedom from tax officials on a negotiable fee that only went into the personal pockets of the corrupt administrators, leaving the general public economic, societal, and political infrastructure undeveloped (Efere & Eko, 2014). In summary, in Nigeria taxpayers cannot easily mention the outcomes that result from their tax payments. This requires to be adequately addressed. More so, inadequate social, economic and political amenities are likely to be the factors that encourage taxpayers to evade tax.

From the literature perspective, there are several models and databases aimed at improving tax administration efficiency, effectiveness and revenue generation. Among these include the PEFA tax administration model, EU fiscal blueprint, and the IMF diagnostic mission approach. However, the EU blue print is very wide and demands so many individual

judgments, The PEFA tax administration model has its limitation, and the IMF diagnostic mission does not lend itself to a common application (Krstic *et al.*, 2013).

Additionally, other models that are closest to the present study include the system-based model which has been widely applied in the context of tax administration. The model, for example, states that administration activities should be directed according to five (5) fundamental steps, which include: input, process, output, outcome and impact (Australian National Audit Office [ANAO], 1998). The model is quite good but does not spell out the required inputs to administering taxes. It does not as well suggest how the tax administration process should be undertaken for revenue generation.

To overcome that limitation, a more detailed and comprehensive model called the congruence model is considered more appropriate in tax administration offices (Gill, 2000). The Congruence Model aimed to diagnose the causes of revenue administration weaknesses. It was first developed by Seiler (1967), Lawrence and Lorsch (1969), Lorsch and Sheldon (1972) and Nadler and Tushman (1980). The model was further brought to the tax administration area by Gill (2000) as a diagnostic model that explain how tax administration organization inputs work in the transformation process and later produce outputs.

Mansor (2011) described the congruence model as quite comprehensive for offering to diagnose the causes of revenue administration weaknesses and the strengths of tax administration reform. Although the model is detailed, there are a few areas that require further research. To be specific, the congruence model does not incorporate the element to check taxpayers' compliance, whereas, taxpayers' compliance is significance to the

terminology of ‘outputs and outcomes’. Although the congruence model incorporated outputs resulting from the transformational process, it has excluded the tax administration and tax payer’s outcomes. According to Alli (2009), meeting taxpayers’ expectations (outcomes) will lead to higher tax revenue generation from a tax administration, which is a substantial area that Gill (2000) model has not considered. Therefore, to further improve Gill’s (2000) model a new model called “The Extended Sequence of the Program Logic Model” is developed by OECD (2008).

The OECD (2008) extended the system-based model and congruence model. OECD (2008) argued that there is a need for a model that would take the issue of taxpayer’s compliance as well as tax administration efficiency and effectiveness into the modified model. Despite the immense contribution of the model, it does not break down issues (such as input, process and output) into more specific ones that will systematically identify the accurate functions of a tax administration. As a result, the present study considers an earlier model (i.e. congruence model) is a more comprehensive model. According to Mansor (2011), the model diagnoses causes of revenue leakages. Thus, the present study will improve upon the congruence model by incorporating taxpayer inputs and outcomes as well as tax administration outcomes.

In conclusion, Abiola and Asiweh (2012) pointed out that the connection between the tax administration model and revenue generation in Sub-Saharan African is a significant area of research that is not adequately addressed. Therefore, the present study makes the effort to study how efficient and effective tax administration can be in generating more tax revenue for developing economies like Nigeria. In achieving that, the study contributes

upon the work of previous researchers among which include Bird (2015), Gill (2000 & 2003) and OECD (1999 & 2011). Taking into account the existing literature, the present study came up with research questions to address. They are stated in the next section.

1.4 Research Questions

The following research questions are set for this study:

1. What are the tax administration's inputs required for tax revenue generation?
2. What are the taxpayers' inputs required for tax revenue generation?
3. How should tax administration transformation processes be undertaken for tax revenue generation?
4. How tax administration transformation processes associated with tax administration outputs for tax revenue generation?
5. What are the associations between tax administration outputs and tax administration outcomes for tax revenue generation?
6. What are the associations between tax administration outputs and taxpayer outcomes for tax revenue generation?

1.5 Research Objectives

The primary aim of this research is to recommend a model for efficient and effective tax administration reform that will ensure sustainable tax revenue generation in Nigeria. The specific objectives of the study are as follows:

1. To identify the tax administration inputs required for tax revenue generation.
2. To identify the taxpayer inputs required for tax revenue generation.
3. To identify the tax administration transformation processes for tax revenue generation.
4. To analyze the association between tax administration transformation processes and tax administration outputs for tax revenue generation.
5. To understand the association between tax administration outputs and tax administration outcomes for tax revenue generation.
6. To understand the association between tax administration outputs and taxpayer outcomes for tax revenue generation.

1.6 Contributions of the Study

The study outcome and recommendations hope to contribute to practice and theories, from the practical point of view, the conclusion of this research highlighted tax administration areas that call for further reforms in order to improve tax revenue generation, which has been fairly low in Nigeria over a long period of time, as discussed in the next sub-section.

1.6.1 Practical Contributions

The Nigerian government may benefit from this study as the research assist in developing a tax administration reform model sustainable to the Nigerian economy. It models if implemented properly might eventually maximize tax revenue that has not adequately contributed to government revenue over decades. In addition, the outcomes of this study may help in identifying appropriate adjustments to the existing FIRS arrangement and structures for improvements.

Furthermore, this research may also be relevant to other tax authorities and officials responsible for tax collection. It may give them insight on how to amend tax administration inputs, transformation processes, outputs and outcomes. The research may also help professional bodies like the Institute of Chartered Accountants of Nigeria (ICAN) and the Chartered Institute of Taxation of Nigeria (CITN) to have an insight on the areas of deficiency in tax administration as to call for improvement in tax system formulation, government activity and execution.

To ensure the findings, recommendations and conclusion of the present study contribute to practical sense, a model is proposed with the contributions of theories, as discussed in sub-section 1.6.2.

1.6.2 Theoretical Contributions

The famous work of Gill (2003), which the present study built upon, has not been verified using any technique of data collection. Furthermore, theory does not play a role in the congruence model of tax administration. Along this position, the present study verified the

congruence model using qualitative and quantitative data collection. The study further utilized theories to contribute to the development of the model. The theories used in model development are the performance theory and the governance theory. Using these theories, the study recommended the appropriate strategies to be used in evaluating the performance of tax administration.

Additionally, the present research recommends how the governance theory attributes can be applied to address lack of inefficiency and ineffectiveness in tax administration. To the best of the researcher's knowledge, there is no single study found to have combined performance and governance theories in analyzing the problems affecting tax administration or in enhancing tax administrative efficiency and effectiveness.

Finally, the present study contributes to the existing body of knowledge by applying the congruence model components into tax administration practice. In other words, verifying the congruence model components through qualitative method of data collection. The present study also contributes to the literature by adding tax administration outcome to congruence model as well as incorporating taxpayers' inputs and outcomes that have not been captured by the congruence model. Thus, the present work contributes theoretically by jointly utilizing performance and governance theories to improve on the existing tax administration reform models.

1.7 Scope of the Study

The scope of this study centers on developing a Tax Administration Reform Model to enhance tax revenue generation in the Federal Inland Revenue Service of Nigeria. The study utilized case study methodology, sourcing data from interview and survey data collection methods. The interviewed data covered tax administration required inputs, transformation processes, outputs and outcomes. While the survey data covered taxpayer needed inputs and outcomes for greater tax compliance. Informants and Respondents to this study were FIRS employees and registered taxpayers with the Federal Capital Territory Abuja (Nigerian Headquarters) respectively.

The justification of using the FIRS headquarters has to do with the fact that the study is a critical and typical case and FIRS Abuja is a body that all other officers across the 36 states of Nigeria report to. It is the body in charge of administering all form of taxes (direct and indirect) in Nigeria. The present study excludes PPT administration because PPT is the major source of Nigerian revenue where companies in the upstream sector pay 85% of their profit as tax. Consequently, this has led to non-performance of other tax components (Ebimobowi & Ebiringa, 2012) which the present study aims to look. Finally, FIRS headquarter is considered in this study because Nigeria generates least tax revenue among D-8 countries, top 10 oil producing countries in Africa as well as African 5 leading countries.

Furthermore, the justification for selecting Abuja taxpayers is in line with the opinion of Abiola and Asiweh (2012) that Abuja represents Nigeria as a whole since Abuja combined individual businesses and public servants from 36 states of Nigeria (thus represent the

caliber of the Federal character). In addition, all businesses across Abuja are fully registered in FIRS tax net. Furthermore, Emmanuel (2013) states that Abuja is the city with highest literacy level in Nigeria and has highest number of registered informal sectors that form a larger percentage of the taxable or working population of Nigeria. According to Park and Hyun (2003) education is one of the most important mechanisms that determine taxpayers' compliance.

1.8 Definition of Key Terms

Federal Inland Revenue Service (FIRS): This is a board responsible for tax administration and collection and other resources of revenue in Nigeria.

Government Revenue: for this study, government revenue refers to total income derived by government from taxes, non-tax sources and capital receipts excluding petroleum profit tax as well as loans and borrowings.

Inputs: for this study, inputs are defined as the resources required and used to produce the end result. For example, the resources needed by tax administration for the efficient and effective imposition of tax laws and the revenue collection or resources needed by taxpayers for voluntary tax compliance.

Tax Revenue: This can be defined for the purpose of this research as a compulsory contribution imposed and generated by the government from all direct and indirect forms of taxes with the exception of the Petroleum Profit Tax as discussed in section 1.7 that PPT is the most buoyant Nigerian source of revenue where companies pays 85% tax rate. Therefore, tax revenues in this study are tax liabilities paid by individuals and corporate

bodies from all form of taxes which the exception of PPT towards meeting government expenditure.

Outputs: This study sees output as the work produced by individual, units and systems through transformation.

Outcomes: This can be defined for this research as the effectiveness of the outputs measured over the short, medium and long term.

Tax Reform: In this study, reform is the process of changing the way taxes are collected or managed by the government to improve tax administration efficiency and effectiveness.

Tax Administration: To this study, it refers to the body imposing tax laws and the subsequent collection of revenue based on a legal framework.

Tax Administrator: this study, it means a tax collector or a duly authorized official of the FIRS.

Transformation: In this study, refers to the activities, the processes or congruency of employees, tasks and the formal and informal culture of tax administration to produce the output.

1.9 Organization of the Chapters

This research study is structured into Seven (7) chapters with various subheadings under each chapter. Chapter one (1) covers an introduction to the chapter, background of the study, problem statement, research questions, research objectives, the significance of the work, the scope of the research, definition of key terms and the organization of the chapters. Chapter two (2), titled Literature Review, began with an open introduction to it and equally discussed the concept of revenue generation; the chapter went ahead to present tax reforms across the globe; thereafter, administration models for revenue generation are discussed. The chapter also discussed the underlining theories guiding the study and ends by a summary.

Chapter three (3) titled Model Development like other chapters opened with an introduction and then discussed on the proposed Performance-Governance Model of Tax Administration and ends with a chapter summary. Chapter four (4) titled Research Methodology presented an introduction and then traced the philosophical assumption of the study. Thereafter, the case study methodology is discussed before the chapter proceeds with methods of data collection and analysis and ends with a summary of the chapter.

Chapter five (5) titled Results of the Case Study opens with a brief introduction and thereafter presents the Informants and respondents rate as well as demographic data. A discussion on the results of the Performance-Governance Model ends with a chapter summary. Chapter six (6) titled Discussion opens with an introduction and then discusses the study objectives one after the other, especially the congruence of the data collected, and ends with a chapter summary. Chapter seven (7) titled Conclusion opens by an introduction

and then presents the research contribution after which implication for policy and practice, limitation of the study and implications for further research were highlighted before the chapter finally ends with a brief conclusion to the study.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The issue of tax administration reforms and government revenue has become a matter of concern among researchers for many years. It was discussed in Chapter One that there is the need for Nigeria to reform its existing tax administration to generate more revenue from its tax system. To achieve that, the present chapter reviews the relevant literature related to the study. Specifically, the chapter discusses the concept of revenue generation after which a literature review on previous tax administration reform is presented. The discussion is followed by tax administration reform models and databases aims to enhance tax revenue collection. The next section focuses on underlining theories. In the end, a summary of the chapter is presented.

2.2 Concept of Revenue Generation

Revenue generations are processes or ways through which government raises funds for the purposes of meeting both its capital and recurrent expenditure (Enahoro & Jayeola, 2012). Basically, there are three main sources by which government raises funds. These are tax and non-tax sources and capital receipts. Tax sources comprise the revenue received by the government from all the available components of tax in a country (Okafor, 2012), while non-tax revenue sources are cross country aid or aid from one tier of government to another within a country (Bruns, 1998).

On the other hand, capital receipts include all the revenue received by the government from an investment made in other countries or within the country. Among these three sources, taxation is the most important because the level of government expenditure depends on the ability and efficiency of tax administration to generate adequate revenue from taxation (Bird & Jantscher, 1992).

Taxation is one and the most vital sources of government revenue generation. Azubike (2009) expresses that one of the factors determining the capacity of a country to generate adequate revenue from taxation is tax administration efficiency and effectiveness. Bird (2015) further stated that efficient tax administration is the most vital instrument that can help the government to raise tax revenue. Other advantages include the fact that it is used to achieve equitable economic growth.

However, in a situation where tax administration is performing below the expected level, i.e. inefficiently and ineffectively, it may be difficult for a country to benefit from the said advantages of a system unless reform is made. In summary, this study highlighted taxation as the most viable or significant source of government revenue. Moreover, the literature shows that due to the numerous advantages of the tax sources of government revenue, various countries across the globe embarked on tax administration reform to make their tax system more efficient and effective in generating revenue, as presented in the next section.

2.3 Tax Reforms across the Globe

Experience from developed and developing nations affirms that reform in tax administration is an important instrument that can help government to generate more tax revenue and can be accomplished without drastic changes in the tax system. The following sections discuss previous tax reforms found in developed and developing countries.

2.3.1 Tax Reforms in Developed Countries

Major tax reforms undertaken by various developed countries such as Germany, Spain, the United States of America (USA) and France provide encouraging reasons for developing countries to reform their tax administrations. For example, a new administration was instituted with new professional staff and organizational structures in Germany in the year 2000 (Baretti, Huber & Lichtblau, 2002; Habammer, 2002). These improvements brought about the fruitful implementation of the tax reform program and a dramatic advancement in tax revenue generation (Hogue, Hassel, Olsson, Sabbe & Ott, 2000). Such experiences demonstrate that under the right conditions, tax administration efficiency can increase the performance of tax collection.

Similarly, the experience from Spain confirmed that with higher tax administration efficiency, greater revenue could be generated or maintained. To be specific, enforcement, prosecution and tax auditing in Spain have resulted in increasing the number of taxpayers from 1.7 million to 2.8 million between 1988 and 1991 (James, 1999). James (1999) used the basic management technique of step analysis, considering the tax administration record of Spain. It was found that there were only two recorded cases of tax evasion from 1985 to

1988 but, because of tax administration reform in 1989, more than 200 offenses for tax evasion were recorded between 1989 and 1991.

In addition, the experience from the USA shows that tax administration reform led to a decrease in the potential tax gap to 10-20 percent from the range of 20-40 percent (Silvani & Baer, 1997). Considering the data of five years (from 1989-1994) as well as the degree of tax administration efficiency and effectiveness, Silvani and Baer (1997) expressed that the reform brought an increase in the efficiency of the U.S Internal Revenue Service by ensuring only \$0.50 was spent on every \$100 collected. hence, reducing tax expenditure by a significant percentage and increased net tax revenue generated by the state.

Furthermore, France also increased its tax administration efficiency and revenue productivity through the simplification of tax structure (Owens, 2006). The study further stated that there was no reason for France to reform its existing tax system without simultaneously improving the tax administration. France believed that the removal of loopholes, concessions and exemptions can simplify tax administration and reduce evasion. Moreover, to the best of the researcher's knowledge, none of the developed countries have been known to embark on tax reform from 2007 to date, although so many models were developed by different countries for enhancing tax administration, the outcome of implementation is not known.

In summary, tax administration reform in the developed countries obviously reflects the significance of the tax structure because tax structure and tax administration are interconnected and must be enhanced at the same time in the tax reforms. The most significant lessons from the experience of these developed countries are that simplification

is a fundamental precondition for tax administration reform. A complicated tax structure distorts the operating capacity of tax administration in a negative way while a transparent and simple tax structure could influence tax administration to generate reasonable revenue.

From the above discussion, tax administration reforms increase the compliance of taxpayers and raises tax revenue for various developed countries. In practice, it reflects the entire scope of economic and social factors or conditions. In an opposite manner, the position for tax administration reforms in developing economies is different from that of developed countries. Developing economies focused on modernizing tax policies while leaving taxpayers and tax administration issues unreformed. Subsection 2.3.2 discusses tax reforms in various developing economies.

2.3.2 Tax Reforms in Developing Countries

In developing countries most of the previous reforms were on tax policies. For instance, in 2015 Malaysia introduced a goods and services tax; South Africa and Uganda reviewed their company income tax policies, among others. Developing economies need to understand that only with radical tax administration reform level of tax evasion, corruption and underground economy decrease (Mookherjee, 1998).

Additionally, Martinez-Vazquez and McNab (1997) and Trasberg (2004) stated that attention on tax policies reform without tax administration reform will bring about an increase in the levels of tax evasion, avoidance, corruption and the underground economy. Tax policies and laws generate adequate tax revenue only if the administration body is

efficient and effective. Hansford and Hasseldine (2002) stated that tax law reforms cannot yield good results without corresponding reform in the tax administration body.

Therefore, developing countries need to understand that there is no better or great tax system without effective tax administration. The need for effective tax administration in developing countries is mainly due to (1) weak enforcement strategy and inadequate taxpayer treatment (Emran & Stiglitz, 2005); (2) informal business settings (Moyi & Ronge, 2006); inefficiency and ineffectiveness on revenue generation (Bird, 2004; Gillis, 1991; Tanzi & Pellechio, 1995) and high corruption existing in many developing economies (Bird 2015).

Thus, for tax administration in the developing countries to increase its efficiency and effectiveness in revenue generation, Bird (2004) and Gillis (1991) as well as Tanzi and Pellechio (1995) emphasized on the need for each country to develop a model that will suit its economic condition. Previous studies from Nigeria among which includes the Study Group (2003) provides evidence that previous tax reforms embarked by the country were like those of other developing countries, i.e. on tax policies instead of tax administration, as discussed in forthcoming third paragraphs.

In Nigeria, there were several taxation system reforms mostly embarked in order to raise tax revenue collection. For example, Ifurueze and Ekezie (2014) stated that the Nigerian tax system experienced several reforms from 1970 to 2016. From 1970 to 2013, CIT was subjected to reform 27 times, CED 28 times, PIT 19 times, PPT 21 times, EDT 5 times and

VAT 7 times. Additionally, in mid-2015, the Federal Government of Nigeria announced its intention to reform CIT, VAT and EDT with effect from 2016¹.

However, despite various tax system reforms embarked by the Nigerian regime, the country's tax system remains unproductive (Alli, 2009). This is because all the previous reforms were on the tax system only. According to Bird and Zolt (2005), a good tax system cannot raise an excellent result without proper execution. The proper execution of tax systems relies on tax administrators (Gill, 2000).

Furthermore, researchers such as Afubero and Okeye (2014), Alli (2009) and Odusola (2006) expressed the inability of the previous tax system reforms in Nigeria to enhance tax revenue collection and recommend to the Federal Government of Nigeria to diversify the sources of its revenue, especially with the recent international oil market volatility as previously recommended by the study group of 1991 and 2003 to consider reforms in tax administration (Study Group, 2003).

In summary, from the above discussion, reforms on developed countries focused on tax administration while those of developing countries, including Nigeria, are on the tax system. Reforming tax policy and leaving tax administration in the existing position can only lead to increasing the level of tax evasion, avoidance and the underground economy that affect revenue generation. More so as stated earlier, Bird (2015) argued that an

¹ For example, The FGN through the Executive Secretary (ES) of the Nigerian Investment Promotion Council (NIPC), Aisha Hassan Baba on 22ndJune 2015 announced it intention to stop granting tax holidays in order to block possible tax revenue leakages. In another development, The ES of Tertiary Education Trust Fund (TETFund), Sulaiman Bogoro, on Wednesday 19thAugust 2015 said the FGN may have started the process to increase the 2% education tax to 4% and increase VAT to10%.

excellent tax system is worst if it cannot be implemented effectively and the proper implementation relies on tax administration and when the tax administration is not working well then the need for reform arises (Bahebo, 2012).

Along these lines, literature such as ANAO (1998), Blueprint (2007), Gill (2000 & 2003) and OECD (2008 & 2013) provided reform models that will improve tax administration efficiency and the effectiveness of revenue generation. The details of these models are discussed in the next sections.

2.4 Tax Administration Models for Revenue Generation

In the literature, there are several models that aim to guide tax administration activities toward revenue generation. These models include fiscal blueprint, an overall model for tax administration, the tax control model, the system-based model, the extended sequence of program logic model and the congruence model. For example, OECD (2013) developed “Fiscal Blueprints” to guide EC candidate countries (and, presumably, countries already in the EC) in strengthening their tax administration towards revenue generation which is discussed in subsection 2.4.1.

2.4.1 Fiscal Blueprints: An Overall Model of a Tax Administration

The EC fiscal blueprints structured in the form of diagnostic tools was developed to address the challenges affecting tax administration activities (OECD, 2013). The model suggests that to enhance tax administration efficiency and effectiveness, there are six (6) strategic objectives that can prompt a successful tax administration reform. These strategies also

provide the useful backdrop for the comparative analysis of tax administration activities on revenue collection. The model is presented in Figure 2.1.



Strategic Objectives:	Key indicators:
1. The tax administration is guaranteed an adequate level of autonomy	Does law provide autonomy? Is there a statutory basis defining to whom the head reports? Is there autonomy reflected in its structure and operational responsibilities Is it able to design and implement its own operational policy? Is there a clear description of responsibilities of bodies at the central, regional and local level?
2. The obligations of tax administration are clearly translated into its mission, vision and objective	Is it tasks in line with its mission and vision? Does it draw up strategies guiding objectives, benchmarks and plans for operation? Is its mission publicized among taxpayers and other stakeholders, as well as among its personnel?
3. The tax administration has its own structure or powers allowing for effective operation	Does its structure allow the fulfillment of its tasks and obligation? Does it provide for decentralization of responsibilities, so that decisions concerning the taxpayers are made at the most appropriate level?
4. The tax administration is provided with adequate resources to implement and manage the tax system	Is the given sufficient resources and funding to ensure the efficient implementation of its policies and performance of duties? Does its funding result from budget dialogue based on performance agreement? Does its budget planning circle cover several years allowing strategies, planning and the carryover of funding surplus?
5. The tax administration is provided with a stable legal framework ensuring proper implementation and enforcement of tax dues	Is it responsible for the formulation of laws concerning the assessment, collection and enforcement of taxes (leaving the responsibility for the formulation of other tax laws with the ministry of finance)? Does law have sufficient powers to undertake all its statutory responsibilities?
6. The tax administration is accountable for its operation which are subjected to control assessment	Is there a system of internal audit in the tax administration? Is there an independent external institution carrying out the tax administration's audit operation and assessing its performance?

Figure 2.1

Fiscal Blueprints: An Overall Model for Tax Administration

Source: OECD, (2013, p. 22)

The EC model presented in Figure 2.1 shows that for tax administration to perform in the most efficient and effective manner, the first step is to give absolute autonomy to tax administration, which depends on a range of factors, including the system of government in place and the state of the development of a country's public-sector administration practices, as well as the institutional model adopted for tax administration (Mann, 2004).

Secondly, the obligations of tax administration should be clearly translated into its objectives, vision and mission and ensure that tax administration draws up its strategies, plans and benchmarks for operation. Thirdly, tax administration should consider it a typical environment and its autonomy to draw its own guiding strategy and structure for efficient and effective operation (OECD, 2013).

Fourthly, the EC model further explains the need for government to furnish tax administration with adequate resources and the need for tax administration to judiciously make use of the available resources in the most efficient and effective manner. Fifthly, tax administration should be provided with a stable legal framework that will ensure the proper implementation and enforcement of tax liabilities. Finally, there is the need for control assessment on tax administration in ensuring the accountability of its operation.

In summary, the EC model aims to provide a road map for tax administration efficiency and effectiveness in what is termed "The Overall Model for a Tax Administration". The present study sees the model as an educative and important yardstick capable of enhancing national tax revenues to a greater level because the model proposes an adequate level of tax administration autonomy.

However, despite the advantages of the EC model, it has some weaknesses. For instance, it considers absolute sovereignty as a prospect of the increased efficiency and effectiveness of tax administration among EU countries, but absolute independence has not been granted to various developing economies' tax administrations, including Nigeria. Mann (2004) characterized developing countries' tax administration as a semi-autonomous body.

Furthermore, the EC model has not been put into practice by some of EC states like Belgium and Netherlands because their tax administration does not permit full autonomy, as required by EC model. These countries' tax administrations are being guided by another model called the "Tax Control Model", which is discussed in the next subsection.

2.4.2 Tax Control Model

The Tax Control Model (TCM) also known as "Tax Control Framework Methodology" was developed to guide tax administration functions of Belgium and Netherlands for better efficiency and effectiveness (Alonso, 2014). According to the model, the activities of tax administration should be group into four phases, namely awareness, implementation, readiness and assurance. The model is presented in Figure 2.2.

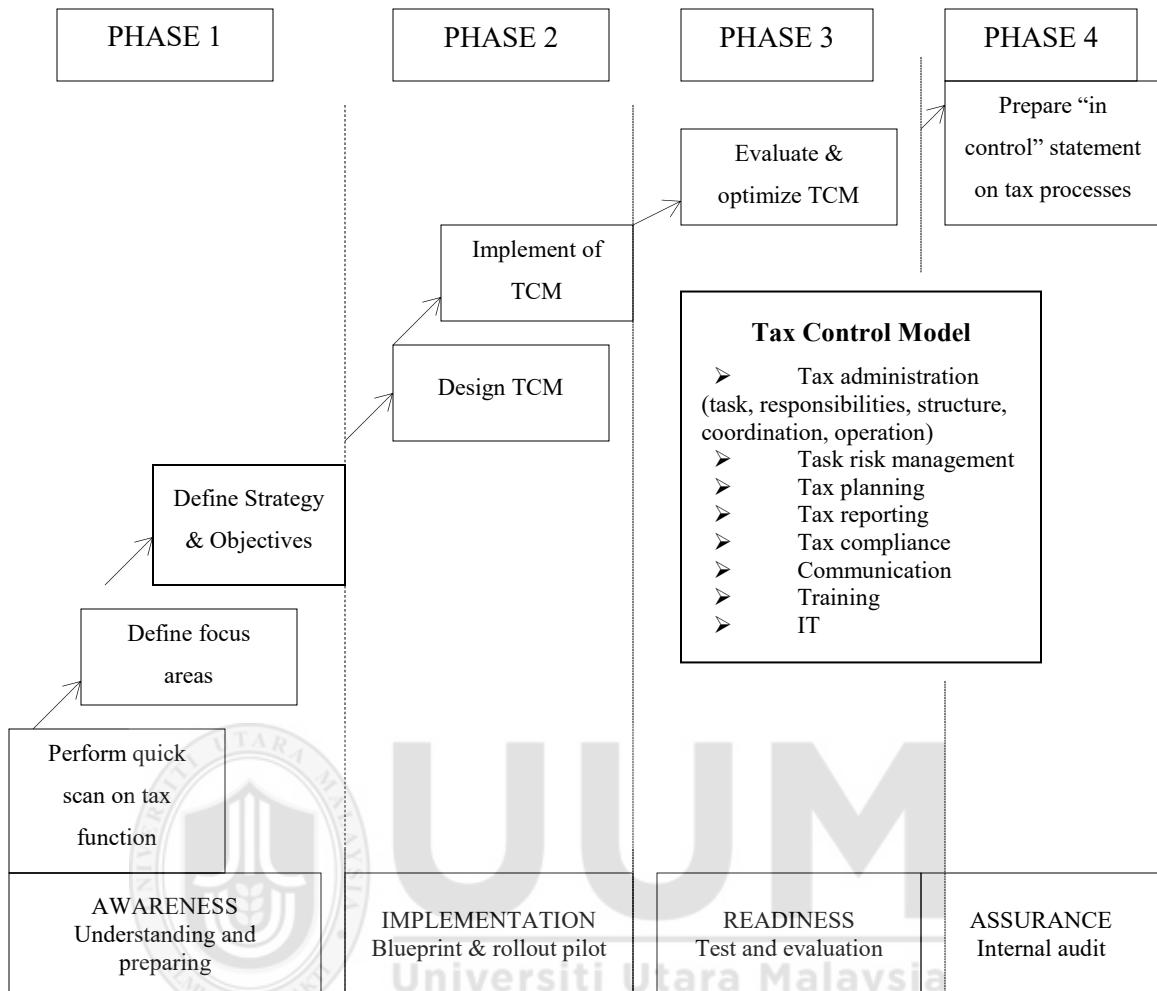


Figure 2.2

Tax Control Model

Source Alonso, (2014, p. 38)

Phase 1 of the above model states that tax administration functions are very paramount to every government and cannot be overlooked. Administration should have a deep understanding of revenue administration functions, areas and taxes to focus on and clearly define the strategies and objectives of the administration. The phase further states that tax administration strategies and objectives are the most vital elements that determine tax administration efficiency and effectiveness. If strategies and objectives are wrongly specified, all the other components may not result in positive outcomes (Alonso, 2014).

Belgium and Netherlands linked the strategy to their major functional operations to improve revenue collection, process information more rapidly, increase the coverage and quality of audits and deliver services to taxpayers more effectively. However, good tax administration strategies and objectives cannot yield positive results without good implementation from tax administrators (Kumar, Nagar & Samanta, 2007).

Phase 2 of the tax control model deals with the implementation of a blueprint through practical and controllable steps. Attention must be given to the design and implementation of strategies (Alonso, 2014). Phase 3 of the model requires the evaluation and optimization of the tax control model. The stage is considered as a test and evaluation stage. The last phase deal with a control statement on tax processes known as internal audit.

In summary, the Tax Control Model aims to enhance Belgium and Netherlands' tax administrations, which, if compared to developing countries', has a different economic pattern, educational setting and administration backdrop. The model does not identify the resources (tangible and intangible) needed for tax administration operations. Therefore, implementing it will not necessarily achieve efficiency and effectiveness in a developing country's tax administration like Nigeria. As a result, a system-based model that matches administration strategy in relation to overall goals can be considered more appropriate for a developing country. The model gives prospects for an easy solution manual to an organization's problems at hand, as discussed in section 2.4.3.

2.4.3 System-Based Model

A system-based model has been widely used in the context of tax administration. The model requires the use of econometrics program logic (ANAO, 1998). In the model, a program is characterized as a grouping of objectives. A simple version of it is presented in Figure 2.3. The fundamental steps included in developing the logic of a program include understanding the program objectives (what results to be looked for); mapping the relationship between the inputs, activities, outputs and outcomes; recognizing the levels of the results to be measured; the technical definition of how success or otherwise will look and figuring out how efficiency and effectiveness information will be utilized.

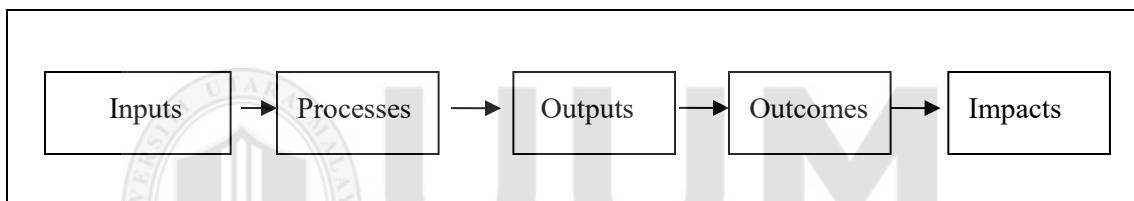


Figure: 2.3
System-Based Model
Source: ANAO, (1998, p.8)

From Figure 2.3, the inputs stand for the required resources that will ensure organizational efficiency and effectiveness; processes are the activities involved in turning inputs to outputs. On the other hand, an output is the result achieved by the individual, units and organization while outcomes stand for the overall goals achieved from the previous stages. Impacts are the benefits received by taxpayers from tax administration performance. Since the introduction of a logic model, numerous versions of the above sequence have been utilized as a part of tax administration assessment all over the world (Mansor, 2011).

In summary, according to the system-based model, to ensure administrative objectives are achieved, the following questions should be considered: (1) What type of resources will be used by tax administration? (2) What type of strategy to adopt? (3) How will tax administration result be evaluated at organization, unit and individual levels? (4) To what direction does tax administration performance affect the public?

However, the limitation of the system based model is that issues are briefly discussed; as a result, several questions may arise. For instance, the model does not comprehensively explain how to evaluate tax administration transformation process congruence. As a result, Gill (2000) expanded the system-based model by breaking down each component into a more detailed and comprehensive manner. According to Gill (2000), the input required for tax administration includes environment, resources and history: the process otherwise known as transformation process. According Gill (2000) the transformation process involved employees, tasks, formal and informal while the output includes individual, unit and organizational output which were not comprehensively discussed by ANAO (1998). The detailed explanation on the congruence model is discussed in the next sub-section.

2.4.4 Congruence Model

The Congruence Model was first brought into the public-sector organization in 1980 by organizational behavior scholars Nadler and Tushman. According to the authors, the model can determine whether an organization's performance is as good as it could be or to determine what could be changed to improve performance or to reorganize the corporate structure and change the prevailing culture of the organization. The answer lies in understanding the congruence model, which provides key causes or the drivers of

performance and the relationship between them. It is a powerful tool for finding out the team or organization problem and thereafter thinks for appropriate solutions.

According to Nadler and Tushman (1980), the congruence model is based on the principle that an organization's performance is derived from four elements: tasks, people, structure and culture. The higher the congruence or compatibility among these elements, the greater the organization's performance. For example, if tax administration has brilliant employees but the administration's culture is not a good fit for the way they work; their brilliance will not shine through.

Similarly, if tax administration has the latest technology and superbly streamlined processes to support decision-making but the organizational culture is highly bureaucratic, decisions will undoubtedly still get caught in the quagmire. To avoid this type of incongruence, the congruence model offers a systematic way to consider the root elements that drive organizational performance.

Furthermore, the model was brought into the field of tax administration by Gill in 2000 and 2003. According to Gill (2000), the performance of revenue administration agencies of many countries is affected by so many factors that required a reform or complete overhaul through the congruence model. Gill (2000) further stated that an inefficient tax collection process is seen as the main cause of poor tax collection. This has been supported by several authors among which included Bird (2004), Brooks (2001) and Manasan (2003).

Again, inadequate revenue from a tax system results in a budget deficit. On the other hand, financing the budget deficit by means of borrowing or monetary extension can bring about an unsanctionable rise in public debt as well as the inflation rate. Alternatively, a shortfall in revenue sources persists, thereby creating an unfavorable condition for the government to efficiently and effectively carry out its developmental programs and policies (Martinez-Vazquez & Alm, 2003).

Therefore, the rise and fall in revenue collection that is unforeseen leads to a decrease in the budget and results in a crisis in the management of public expenditure (Thirsk, 1997). This indicates the need for tax administration to generate sufficient revenue for the government to meet its mandates, which, according to Gill (2003), depends on the congruency of various components, as shown in Figure 2.4.

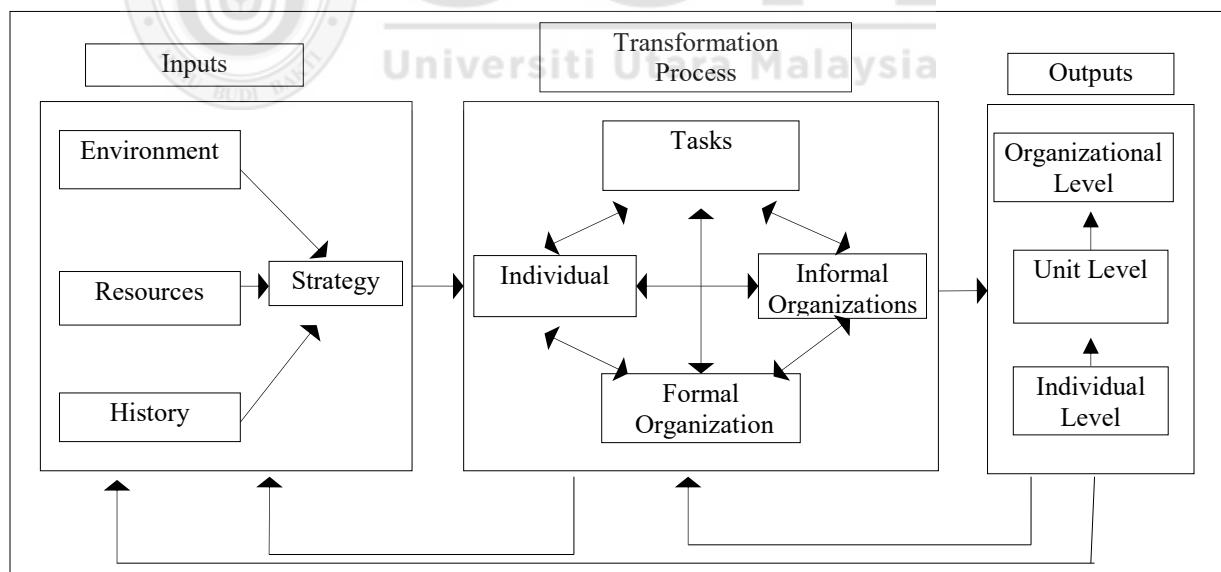


Figure 2.4
The Congruence Model
Source: Gill, (2003, p.4)

From the congruence model, inputs are defined as the resources required for carrying out tax administration operation effectively and efficiently. Gill (2000) in his congruence model showed that for tax administration to generate adequate tax revenue and ensure compliance there must be three inputs, namely environment, resources and history.

First, environment, according to Gill (2000 & 2003), is defined as a range of external stakeholders, conditions and forces persistently impacting on tax administration. Sometimes the success or failure of revenue administration depends largely on how tax administration judiciously handles the environmental issues offered by stakeholders. Subsequently, Gill (2003) stated that to bring final solutions to the problems of low efficiency and effectiveness affecting most revenue generation agencies, there is the need to strategically think beyond the boundaries of tax administration to include other stakeholders. Therefore, evaluating the importance of each environmental factor may enhance the efficiency and effectiveness of revenue administration, thereby boosting revenue generation.

Secondly, according to Gill (2000), there must be resources for tax administration to function effectively and these resources can be divided into the tangible and the intangible. Gill (2000) further stated that in each category of the resources, there are three issues to consider: (1) the aggregate level or number of available resources; (2) the quality of the resources available; (3) the intensity and flexibility of tax administrators to the use the available resources.

Finally, Gill (2000) stated that history should form part of the inputs required for the tax exercise. This is because the nature of previous tax amnesties might have created an expectation of such pardons soon, thereby encouraging failures. Court decisions might have also created prohibitions that made it difficult for the tax administration to manage the tax laws effectively.

The second component of the congruence model is the transformation process where tax administration transforms its available inputs into outputs (Gill, 2000). This step requires congruency among four important components, namely tasks, employees, formal and informal settings.

According to Gill (2000), tasks in the transformation process simply means the specific functions, work and activities that are performed to achieve tax administration goals/aims and objectives and see that they are successful. These tasks are executed by employees that are expected to possess a certain level of knowledge, experience and skills.

The formal setting, according to Gill (2000), is prescribed as the organizational set up, which includes the tax administration framework consisting of the rules and regulations applicable to the functioning of the administration and the structure of tax administration. On the other hand, the informal organization deals with unofficial conventions, norms, channels of communication, processes, values, influence mechanisms and forms of relationships within and between groups (Gill, 2003).

The result of the transformation process is the final component of the congruence model called outputs. According to Gill (2000), tax administration produces certain outputs at the organizational, unit and individual levels. Gill (2000) further stated that the outputs from the performance of revenue administration statutory functions are the taxes collected, the tax declarations processed, the appeals decided, the arrears collected, the orders imposing tax liability and the penalties.

Individual output means employee contribution toward achieving an organizational goal within a given period. Gill (2000) stated that tax administration should adopt the core principles of the functional-based organization where employee works will be organized in accordance with the logical grouping of the core functions that incorporate different types of taxes tax administration is accountable for. The unit's outputs are the departmental contribution that jointly defines the overall achievements of a revenue administration within a period (Gill, 2000).

Consequently, Gill (2003) stressed that the congruence model can be considered as quite comprehensive and offers to diagnose the causes of revenue administration weaknesses and strengthens. However, there are a few areas that need further research. As a result, the OECD (2008) expanded the congruence model. According to OECD (2008), the thought of checking taxpayers' compliance has not been considered by the congruence model and taxpayers' compliance is directly significant to the terminology of 'outputs and outcomes' and 'efficiency and effectiveness' when utilized in the context of evaluating tax administration. The detailed explanation on the extended logic model is discussed in the next sub-section.

2.4.5 Extended Sequence of Program Logic Model

As discussed in the previous section 2.4.4, the congruence model does not comprehensively explain how to evaluate taxpayers' compliance as well as tax administration efficiency and effectiveness. To overcome some of the congruence model limitations, Otu and Adejumo (2013) extended the model by bringing in the aspects of taxpayers' compliance as well as 'efficiency' and 'effectiveness' to the congruence model.

Therefore, the extended sequence of the program logic model improves congruence model by considering 'efficiency' and 'cost effectiveness'. Hadler (2000) defined the term 'efficiency' and 'cost effectiveness' within the context of tax administration as follows:

The term 'efficiency' commonly relates to minimizing or reducing the utilization of available resources to produce or deliver a given level of outputs. For instance, increasing the volume of outputs for a given level of inputs or, on the other hand, increasing the number of completed audit cases for a given level of staffing, all things being equal, would enhance efficiency.

Hadler (2000) expressed 'effectiveness' as the degree to which 'outcomes' are accomplished. In a tax administration context, the degrees to which taxpayers' compliance with respect to payment, reporting and filing has been enhanced because of tax administration activities that would clearly be a sign of a tax administration's effectiveness. It also had been identified clearly that in a few areas effectiveness measurement might be hard to estimate in real terms (Out & Adejumo, 2013).

Otu and Adejumo (2013) further stated that the relationship between efficiency and effectiveness from a context of tax administration efficiency and effectiveness is presented in the OECED (2008) model and can surely improve the ‘program logic’ model. Thus, the OECD (2008) model is introduced as presented in Figure 2.5.

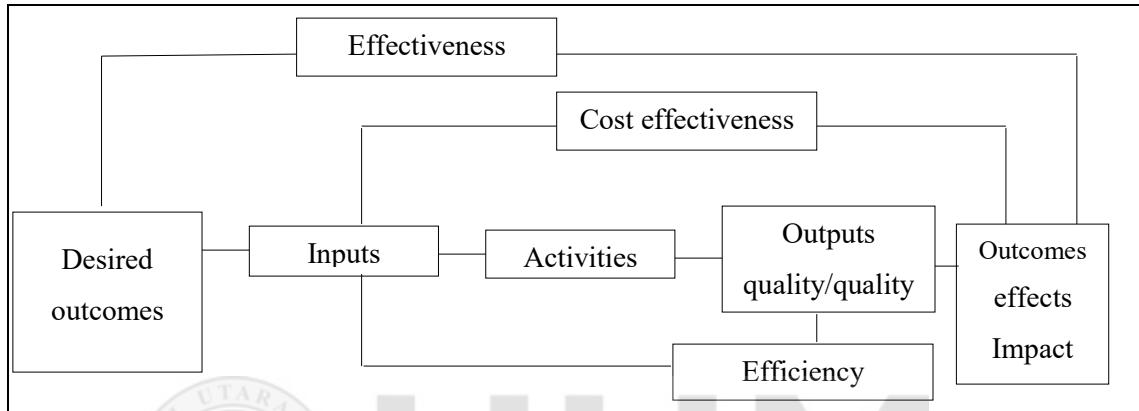


Figure 2.5
Extended Sequence of Program Logic Model

Source: OECD, (2008, p.13)

Figure 2.5 demonstrates the OECD (2008) extended form of the program logic model and congruence model. In this model, the relationship among the processes of inputs, activities, outputs and outcomes is anticipated together with how this process pinpoints the effectiveness and efficiency of the tax administration system (Mansor, 2011).

Furthermore, the following steps are typical in applying the model: (1) they clearly define the goals and objectives (i.e. what outcomes are being looked for); (2) outline the relationship between the inputs, activities, outputs and outcomes; (3) evaluate the level of outcomes (both final and intermediate); (4) describe how success or achievement will look like and lastly (5) clearly identify the degree of efficiency and effectiveness (Mansor, 2011).

However, although Figure 2.5 describes how tax administration functions should be carried out, yet considering tax administration complexity, the model has not been successful in providing a strategy for tax administration reform. The extended model does not break down issues (such as defining tax administration task and tax environment, as well as formal and informal culture of the administration) in detail that will systematically identify accurate functions of tax administration. As a result, the present study considered the combination of congruence model of Gill (2000) and the extended sequence of the program logic model (OECD, 2008) as a more detailed and comprehensive model that would appropriately described how best tax administration functions should be undertaken.

In summary, it was discussed in section 2.4.4 that the congruence model aims to diagnose the causes of revenue administration weaknesses. It was developed from various stages initially established by Seiler (1967), enhance by Lawrence and Lorsch (1969) and later by Lorsch and Sheldon (1972) and Nadler and Tushman (1980) as a diagnostic model that links organization inputs and outputs. The model provides a helpful classification of internal organization components with a discussion on the interaction effects among them.

Thus, the model is considered useful in analyzing and understanding the organization as a system that consists of inputs, transformation process and outputs. It is widely used in tax administration literature, as discussed in subsection 2.4.4. However, the model has not been considering taxpayers' compliance as an important issue that will maximize tax revenue generation (OECD, 2008) and the model has not been verified through data collection.

Furthermore, besides the models discussed in section 2.4.1 to 2.4.5, there are variety of existing models aimed at enhancing tax administration performance and greater revenue generation. It is important to stress that, most studies used the term “model” as applied in econometrics estimation to offer appropriate suggestion for improved tax administration performances, rather than graphical or pictorial presentation. Some of the models focused either on tax administration outcome or tax policy, some provide of the models measures for scoring a the whole tax administration while some models tend to narrow the system.

Among the most recent models found in the literature include Public Expenditure and Financial Accountability (PEFA), Tax Simplification, Diagnostic Missions of Tax Administration, and tax administration reform in Kenya. The PFM developed by World Bank Secretariat (2005) further leads to the introduction of PEFA model of tax administration. The PEFA is sub-set of PFM. The detail reviews of PEFA model is discussed in subsection 2.4.6.

2.4.6 Public Expenditure and Financial Accountability

PEFA was developed from the overall PFM measurement framework. The model was primarily developed by Crandall (2011) and financed by PEFA partnership, comprising the IMF, the European Commission, the World Bank, the UK Department of International Development, the French Ministry of Foreign Affairs, the Swiss State Secretariat for Economic Affairs, and the Norwegian ministry of Foreign affairs. The main aim remains measuring tax administration performance by considering 4 out of 28 Performance Indicators (PI) from the overall PFM model, the selected PIs are PI3, PI13, PI14 and PI15 as discussed in the following paragraphs.

PI3 according to Crandal (2011) deals with the aggregate revenue outturn, which currently captures only negative variations. The model estimates forecasting accuracy but does not measure reasons why the forecast may be inaccurate. For instance, tax administration could be weakened or improved, economic assumptions can be changed over time, forecast may be exceeded intentionally for bonus purposes, and tax policies may be amended.

The PI13 discusses comprehensiveness and clarity of legislation and process for taxpayer's access to information as well as a functional and accessible appeal instrument (PEFA, 2013). PI14 focused on taxpayer non-registration, non-filling registration and monitoring and planning for audits and investigation. Finally, PI15 covers tax arrears and collection ratio, the effectiveness and efficiency of tax remittance to the appropriate body and the regularity of reconciliations.

In summary, although PEFA tax administration indicators are widely accepted models, it is important to note that the PEFA model of tax administration covers only a small portion of tax administration tasks: namely taxpayers filling and non-filling, auditing issues and tax remittance. Among other tax administration functions that are missing in the model are: taxpayer tax services and education, tax assessment process, structure of the transformation process, performance of employees and units as well as tax administration performance reporting. Thus, PEFA model is affected by lack of comprehensiveness to cover tax administration functions. Along this, a new model called tax simplification model was developed. The tax simplification model was financed by World Bank in the year 2009. The model came to existence in early 2012. A brief discussion of the model is presented in sub section 2.4.7.

2.4.7 Tax Simplification

The tax simplification model was intended to analyze how tax administration should reform its policy and measure its effectiveness. It was also aimed at providing policy makers with a base to evaluate tax system from different parameters and administrative procedures that define best tax administration practice and policy.

World Bank (2012) project aims to provide global acceptable tax administration functions and practices across various countries. Krstic *et al.*, (2013) added that the World Bank provides a greater reference for tax administration and policy in its book. It also provides practitioners with useful information in tax administration. However, within the context of the present study, the World Bank model is not a specific tool of evaluating individual country's tax administration performance (like Nigeria). And according to Gichuki (2015) and USAID (2013), the model is not made available to the public and not readily available on the World Bank website. As a result, the IMF (2012) came up with diagnostic missions of tax administration which is discussed in section 2.4.8.

2.4.8 Diagnostic Missions of Tax Administration

Since early 2012, the international Monetary Fund (IMF) under Fiscal Affairs Department (FAD) has provided technical assistance in tax administration to countries worldwide. The policy was revised in 2014 with new tools to improve tax administration. Diagnostic mission of tax administration specifically aims to diagnose missions for countries to assess tax administration performance (IMF, 2012). The mission provides tax administration performance loopholes in comparison to international good practices and thereafter enables the development of strategies to close the identified loopholes. The recommendations and

assessments are documented in formal diagnostic reports used by donors and governments as roadmap for tax administration reform (Krstic *et al.*, 2013).

According to IMF (2012) the diagnostic missions are formal and systematic and have the impact of evaluating the performance of tax administration in a comprehensive manner. However, they are not tools that can be applied by any country or organization because the tools require assessors to obtain wider tax administration and management experience (Gichuki, 2015). Additionally, Krstic *et al.*, (2013) argue that missions are often designed to address the scenario in a given country. For instance, in a mission on a political stability, environment may not be the same as a mission on post-conflict area.

Additionally, a mission in a state with higher GDP or greater economic stability may not be the same as a mission in a country facing economic depression. Thus, there is a need for countries to consider their specific characteristics and mission in developing models that will suit their economy. As a result, the study of Gichuki (2015) was carried out to provide tax administration reform in Kenya as discussed in section 2.4.9.

2.4.9 Tax Administration Reform in Kenya

Gichuki (2015) study, aims at identifying lessons within a model applied in sustainable tax administration strategies for county taxes. Findings from the study suggests that tax structure and tax administration should simultaneously improve in every successful tax reform since they two are interconnected. Similarly, a fundamental precondition for tax administration reform is the simplification of tax system as recommended by the World

bank (2012). The required tax laws should be made easy to understand, as this can effectively and efficiently improve tax administration even in low-compliance areas.

Gichuki (2015) further states that complicated or poorly conceived tax structures, such as those that would be open to contradictory and diverse interpretation, further complicates tax laws administration. In contrast, a transparent and simple tax structure has a positive effect on tax revenue generation. The finding of Gichuki (2015) states that tax administration reform is not a simple and easy task as its reflects a wide range of economic and social conditions among which are; the attitude of the tax employees, their knowledge and the distribution of tax liability. The study further highlighted the high influence of politics behind tax administration reform.

Gichuki (2015) suggest the need for African tax administration reform. Specifically, the findings of the study suggest the need to simplify Kenyan tax structure by accepting and establishing an appropriate strategy that is amenable to the conditions, situations, moments and political resoluteness. This is because political intervention brings obstacles to efficient tax administration. Generally, the study of Gichuki (2015) focused on the need to simplify tax laws for better tax administration performance. The study leaves other stakeholders that have impact on tax administration performance namely executives, companies, banks, employees' skills, qualification, informal setting, employee's tasks and outcomes. Besides, tax administration models that aims to enhance tax administration performance, there are several databases in the literature which aimed at improving tax administration performance through systematic comparison as discussed in section 2.5.

2.5 Tax Administration Performance Databases

Various efforts have been taken to enhance tax administration collection to a greater level through development of databases. This has to do with the need to understand the importance of database in assembling data related to tax administration and tax system. As a result, three different tax administration databases were developed by different institutions namely the German Development Institution, the OECD and the USAID as discussed next.

2.5.1 Tax Performance Assessment

Tax Performance Assessment database was developed by German Development Institute (GDI) in 2010 as a tax administration model. The model provides a comparative overview of different countries tax performance, considering country-specific information and aggregate data. The database captured more than 175 countries.

The TPA assists not only tax administration but also guide government and international organizations in arriving at a decision on tax administration technical assistant and reform (IOTA, 2013). According to Von-Haldenwang and Ivanyna (2011), the TPA has 4 basic themes: (i) Tax revenue as a percentage of GDP (considering 2007-2008 as a base year) which is related to GDP per capita. It established a trend line where countries are divided into three categories (namely low, average and high performers) based on their distance to the trend line; (ii) The exercise was repeated for 1998-2002 (5 years) and 1988-1997 (10 years) period to figure countries that changed categories over the sampled periods; (iii) the TPA further analyses overall non-tax revenue and Official Development Assistance (ODA). The analysis focuses on grants, to determine the effect of these four themes on tax

administration performance; and (iv) countries with low tax administration performance are analyzed to differentiate others that intentionally aim for a low tax ratio.

The result of TPA provides direction for countries that significantly and persistently fall below the trend line. The TPA can also serve as a yardstick to measure the direction and the need for further tax administration reform. Although the six methodologies suggested by GDI were criticized by OECD (2011) and Krstic *et al.*, (2013) over insufficiency to evaluate tax administration performance, which resulted in the development of a comparative information series.

2.5.2 Comparative Information Series

The OECD (2011) developed a comparative information series for all OECD members and some selected non-OECD countries. Selected countries' tax administrators are requested to take part in updating their performance within every two years to contribute to the literature on tax administration. The OECD database according to IOTA (2013) provides comparative information series that covers all aspects of tax administration functions. The database is managed by the OECD's center for tax policy and administration and approved by the Committee on Fiscal Affairs (CFA).

The OECD (2011) database is structured under eight headings: (i) Organization and institutional arrangements for tax administration; (ii) Extensive description of administration practices generally; (iii) A wide comparison of the payment obligation and tax filling for major taxes namely CIT, PIT, and VAT; (iv) A brief statement of selected management powers given to tax administration to perform their function; (v) A

differences among the country tax burden which is determine by the proportion of taxes to GDP and comparative mix of the most important taxes in total revenue collection; (vi) A brief of selected operational undertaking information for all countries, indicating guide as to how such information can make meaning; and (vii) Explanation of selected management practices.

Although, comparative information series is comprehensive in its current coverage of tax administration, it has been criticized by USAID (2013) on its ability to cover only 30 OECD countries and 14 selected non-OECD countries. Out of these countries, only few are developing countries. Thus, the disadvantages lead to the introduction of collecting taxes databases which is discussed in sub-section 2.5.3.

2.5.3 Collecting Taxes Database

The database is developed by USAID (2013) to provide greater coverage of more than 200 countries and 31 various indicators. It provides regional income group, country-level as well as international benchmark on tax system assessment. These indicators according to USAID (2013) are categorized into five major themes: (i) Tax revenue performance, where five quantitative measures are offered on how tax administration can effectively and efficiently produce revenues; (ii) Tax structure, where nine quantitative measures related to substantive structure of tax laws were provided; (iii) Tax administration structure, where six measures of the size and organization of the tax administration are suggested; (iv) Economic structure, where five measures explained the economy of every member country included in the database; and (v) References where six measures concerned with major tax revenues to enable international benchmark or comparisons.

According to USAID (2013), collecting taxes database translate data into useful information. In this regard, a country's tax administration follows the international trend, and consequently identify its deficiencies among others. Furthermore, the data provides tax administration with empirical studies that can allow further research into specific aspects of tax administration. However, Gichuki (2015) stress that while collecting taxes database may be considered as quite useful in analyzing some tax administration performance aspects, it does not allow a widespread assessment of a country's (especially African economies) tax administration. Additionally, Gichuki (2015) states that in a situation where information is collected from third party sources, some of the data may be unavailable.

In summary, many models in enhancing tax administration and evaluating tax administration performance have been considered in section 2.4. Database aims at evaluating tax administration performance are also discussed in section 2.5. Each model and database has a specific contribution. There are limitation in describing how tax administration further performances can be made and evaluated in developing countries like Nigeria.

The two closest models to the present study are the congruence model and extended sequence of the program logic model. Section 2.4.4 and 2.4.5 discussed on the need to improve upon the congruence model (2000) and the extended sequence of the program logic model (OECD, 2008) respectively by suggesting a model that will brought element of the two models together. The model will incorporate taxpayers' inputs and outcomes as well as tax administration outcomes as recommended by Sha (2006) that a good tax system should have a strategy to achieve accountability and transparency, which is a driving force

for taxpayers' voluntary compliance. This was not incorporated in the congruence model developed by Gill (2000).

Therefore, a good tax administration model should be able to achieve accountability and transparency. To address this, the present study utilizes two theories, namely the organizational performance theory and the governance theory, as discussed in the next sections.

2.6 Underlining Theories

In Chapter One, it was stated that the present study will improve on the existing tax administration models for tax revenue generation. Section 2.4 of the present Chapter discussed the strengths and weaknesses of the existing models and the need for improvement. To achieve this, organizational performance and governance theories were used to support the development of a model. The study used the organizational performance theory in evaluating tax administration operation toward tax revenue generation. Organizational performances are the indices/parameters utilized to monitor a specific activity or program or the performance of an individual, unit or entire organization, as discussed in Section 2.6.1.

2.6.1 Organizational Performance Theory

Generally, organizational performance otherwise known as activity evaluation performance assessment or performance measurements has been about reviewing, auditing, measuring and improving the performance of an organization and establishing how well it is progressing towards achieving its goals and objectives (Perry & Petrakis, 1988). Moreover,

the information generated by organizational performance helps managers in making decisions, undertaking analysis, identifying points of weaknesses, planning and setting targets. Kennerley and Neely (2002 a & b) pointed out that organizations find it necessary to implement effective organizational performance since it quantifies the efficiency and effectiveness of previous actions. It aims to change not only the administration style of the private sector but also government.

Bretz, Milkovich and Read (1992) as well as Schacter (1999) said that organizational performance in the public sector is very difficult to determine unlike in the private sector where profitability can proxy performance. The study further recommended that the public sector should evaluate organizational performance from the 'Economy', 'Efficiency' and 'Effectiveness' (3Es) perspective that comprises money, inputs, outputs and outcome measures.

Money is the financial resource required in bringing the necessary inputs into organization.

Inputs deal with the resources allocated to projects and enterprises whereas output is identified with government activities and projects. The outcome shows the territories in the state of society where the government attempts to bring change. More so, efficiency measures rely on the proportion or ratio of input and output (James, Sretalelath, & Wright, 2007). Figure 2.6 provides the diagram of organizational performance in the public sector.

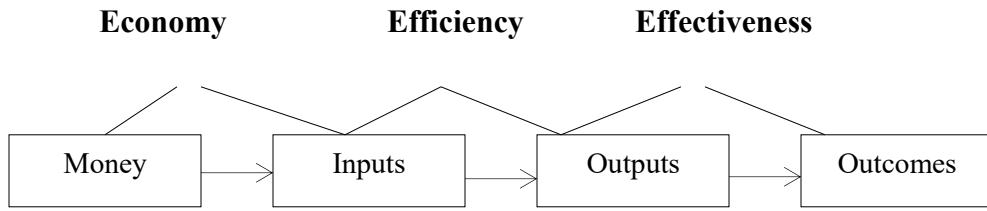


Figure 2.6
The Relationship between the Different Types of Evaluation
 Source: James, Svetalekth and Wright, (2007, p.13)

Globadian and Ashworth (1994) stated that it is seen as more difficult to achieve organizational performance in the public sector than in the private sector. Gallagher (2004) as well as Globadian and Ashworth (1994) further stated that organizational performance in the public sector is very complicated because of technical challenges, variety of tasks and attitude.

Frampton (1993) defined organizational performance in tax administration as the efficiency of resource utilization approach, the ability to pay approach, the ability to collect approach and comparison with average performance. Moreover, Gill (2003) and OECD (2001a) stated that a successful tax administration should be assessed based on three requirements, namely equity, efficiency and effectiveness. Other organizational performance indices of tax administration include administrative and compliance costs, a simplicity of the tax system, tax inspection, voluntary compliance and the maximization of the revenue collected by the tax administration (Klun, 2004).

Teera (2003) said that tax administration organizational performance in Uganda concentrated on raising more tax revenue. The study further argued that tax administration performance, especially in developing economies, should be assessed by the taxable effort

and tax capacity. Tax effort is considered by the normal tax yield given a country's taxable capacity.

Finally, Gordon and Li (2009) stated that the indices of tax administration performance measure in tax administration in Sub-Saharan African countries were minimizing compliance cost, the maximization of tax revenue collection and taxpayer satisfaction, minimizing the levels of tax avoidance and tax evasion. Gill (2002) classified the performance of tax administration into individual, unit and organization. Along this, the present study utilized the organizational performance theory to evaluate Nigerian tax administration performances.

However, the use of the organizational performance theory can only indicate the efficiency and effectiveness of tax administration. For tax administration to perform in the most effective and efficient manner, Serra (2005) and Shah (2006) stated the need for tax administration to be ethical, accountable and transparent (which are attributes underpinned by the governance theory). As a result, the present study further utilized the governance theory to extend the congruence model.

Governance theory has been widely used in several studies among which include tax administration, corporate governance, public administration and political science. The idea of "governance" implies the process of deciding and the procedure by which decisions are executed or not executed (Williams & Young, 1994). The detailed discussion of this theory is explained in Section 2.6.2.

2.6.2 Governance Theory

Rakner and Gloppen (2003) see governance as the process of deciding and the process by which decisions are executed. The justification of using the governance theory in this study is that for tax administration to achieve efficiency and effectiveness or implement the decision in an appropriate manner, good governance can play a vital role to influence tax administration performance. Mba (2012) stated that tax administration is considered as formal government structures by which decisions are arrived at and implemented. Therefore, in the absence of a good governance mechanism, tax administration decision making may lead to corrupt practices.

There are eight major characteristics of good governance which are being consensus-oriented, participatory, transparent, accountable, equitable and inclusive, responsible, efficient and effective and following the rule of law (Aguilera & Cuervo-Cazurra, 2004; Stoker, 1998). According to governance theory each organization and its management are expected to account their activities to appropriate stakeholders for scrutiny.

Accountability as a mechanism of good governance implies that government organizations must be accountable to their stakeholders and the general public (Fjeldstad, 2006; Shah, 2006). However, the question of who is accountable to whom varies from one organization to another, depending upon whether the actions or decisions made are external or internal to the administration.

According to Toikka (2011), tax administration is accountable to government and taxpayers that will be influenced by its actions or the decisions taken. In this study, an effort will be made to understand how tax administration can achieve a high level of accountability, thereby making tax administration performance accepted by the government and taxpayers. However, it is important to note that accountability cannot be achieved without transparency.

Transparency implies that enforcement and the decisions taken are done in a manner that follows organization rules and regulations (Therkildsen, 2004). It additionally implies that information is freely accessible and specifically available to the individuals who will be influenced by such decisions and their authorization (Prasopoulou, 2011; Sabates & Schneider, 2003).

Therefore, tax administration is expected to provide enough information to government and taxpayers in understandable structures. Along this line, the present study seeks to understand how a tax administration ensures transparency and how it can be improved. Moreover, tax administration cannot achieve transparency unless there is fair treatment of taxpayers or in other words, ‘equity’.

Equity in good governance states that public prosperity relies upon ensuring that every member of the society feels that he/she has a stake in it and does not feel cheated from the standard of society or administration (Rakner & Gloppen, 2003). Equity is important as one of the principles of taxation upon which a good tax system must achieve.

Equity can be vertical or horizontal. According to Bird (2004), vertical equity states that “people with higher incomes should pay more taxes, such as the provision for the increasing marginal tax rates on higher income” while the horizontal equity states that “people with higher necessary expenses should pay less tax than someone else with equal income but without the expenses”. Other characteristics of good governance include responsiveness, rule of law, consensus orientation as well as effectiveness and efficiency.

According to Stoker (1998) responsiveness relate with procedures by which service providers or government officials need to render services to the community within a given timeframe. It also seen as a procedure by which institutions try to serve citizens (Kettani, Gorstein & El Mahdi, 2009). Governance theory states that public officials are expected to be responsive to aspirations and yearning of both the governments and the governed. Responsiveness involving stakeholders and necessary institutions in implementing vital decisions should serve the community concerned within the appropriate time given (World bank, 2010). A good governance practice required timely response as time wastage affects good governance.

Efficiency in good governance theory means the ability of an organization or officer responsible to personally accomplish a task within a minimum possible time, cost and effort, as well as ensuring optimal result is achieve (World Bank, 2010). According to Stoker (1998) good governance practice remains one of the fundamental yardstick of measuring organizational efficiency in a system. Good governance and efficiency can never be separated both in practice and theory. In literature, many government ministries and departments of Sub-Saharan African countries failed to achieve their objectives due to

deficiency in administrative structure. The reason being that good governance practice cannot be achieved where administrative structure is not properly in place (Sunusi & Ahmad, 2012).

On the other hand, effectiveness in governance stands for the perceptions of the quality of services delivered and the extent of its independence from political pressures (Kaufmann, Aart & Massimo, 2008). Stoker (1998) further states that effectiveness is a quality of policy formulation, its implementation and the credibility of government's commitment to such policies.

Furthermore, rule of law in good governance requires performing the state of power using published or formal standards that support social values (Sanusi & Ahmad, 2012). The World Bank (2010) demands the guiding laws to be fair and implemented objectively, particularly the laws on human right. Where the rule of law is strong, it portrays that the public is upholding the law not out of fear, but for the confidence they have in its effectiveness. Therefore, an excellent rule of law requires society and state cooperation that is an outcome for deeply and complex social processes.

Additionally, consensus orientation as an attribute of governance theory mediates differing interests to achieve a greater consensus in the best interest of the society, policies and procedures where possible (World Bank, 2010). To achieve consensus orientation, there is the need for consultation to enable absolute understanding of the different stakeholders' interest. It also allows the evolution of an acceptable consensus in the best interest of the public in a prudent and sustainable manner (Kettani, Gorstein & El Mahdi, 2009). Thus, consensus orientation is paramount to good governance since societies are composed of

citizens who hold different perspectives on issues of concern to the society. Along this, good governance deploys procedures that makes it possible for different interests to achieve wider consensus on the issue at hand or find a soft ground that is generally acceptable.

From the above discussion, is clear that good governance is a symbol of excellent agency, administration and ministry which is difficult to accomplish in its totality especially in an agency responsible for revenue collection like tax administration. Bird (2015) states that very few tax administrations in the world have come close to achieving good governance in its totality. The use of the governance theory in this study will enable a tax administration to be accountable and transparent and ensure equity among taxpayers.

In summary, the present study developed a model utilizing organizational performance and governance theories. The organizational performance theory utilized to understand tax administration efficiency and effectiveness as well as the performance of individual, unit and overall tax administration as related to revenue generation.

2.7 Chapter Summary

This chapter has discussed the literature on previous tax administration models in order to continue from the existing literature. It stated that there is the need for a new model due to so many reasons, which include: (1) developing countries reforms are on tax system instead of tax administration; (2) existing tax administration models and databases do not incorporate taxpayer inputs and outcomes despite their importance in the tax environment; (4) none of the existing tax administration models incorporates tax administration outcomes. And finally, (3) the congruence model has not been empirically verified. Thus,

the present study will fill in this gap by improving on the existing congruence model, which is developed in the next chapter.



CHAPTER THREE

MODEL DEVELOPMENT

3.1 Introduction

In Chapter Two of this study, it was discussed that there are several models which aim to enhance tax administration revenue generation. However, none of these models incorporates taxpayer and tax administration outcomes, even though without taxpayers there is no reason for tax administration existence. All things considered, it was believed that there is the need for a tax administration model that will incorporate taxpayer and tax administration inputs and outcomes. As a result, the present study utilized performance theory and governance theory to improve the congruence model.

The performance theory guides the study in the evaluation of tax administration output at individual, unit and organizational levels. Additionally, the governance theory is used in understanding tax administration and taxpayer outcomes. This chapter discusses the extended or the modified congruence model and called “Performance-Governance Model of Tax Administration”. The detail of the model is discussed in the next section.

3.2 Performance-Governance Model of Tax Administration

Precisely in Section 2.4 subsection 4, it was demonstrated and presented in Gill’s (2000) model (see in Figure 2.4) that the present study builds upon. The model diagnoses the causes of revenue administration weaknesses. According to the congruence model for tax administration to function effectively, three components are necessary. First, the inputs that serve as a determinant for revenue administration, it involves the evaluation of significant

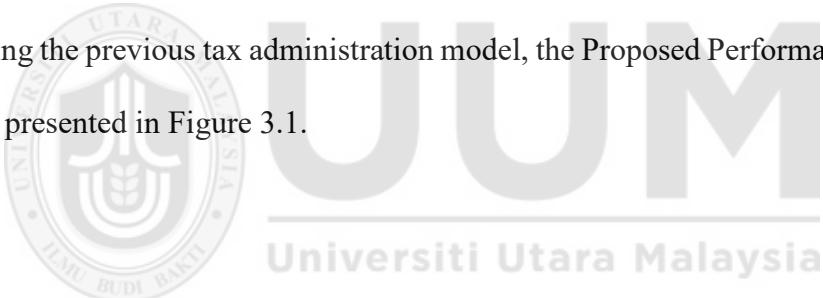
factors like resources, environmental and historical in relation to efficiency and effectiveness. Secondly, the transformation process that accounts for an interaction of the informal setting or the culture of the organization, formal organizational setting, task and the individuals involves the final stage of the congruence model that is output at the system, unit and individual level that requires comprising on many planned tasks and the actual result.

In Chapter Two, it was concluded that, although the congruence model is comprehensive and detailed, there are a few areas that need further research (see Section 2.4.4). To be specific, there is the need for a more detailed model that will incorporate taxpayer inputs and outcomes as well as tax administration outcomes. Thus, the present study will improve upon Gill's (2003) model. The differences between the congruence model and the Performance-Governance Model are seen in the following ways:

1. The model differs from the congruence model that focuses only on administration without considering taxpayers that play a vital role in every tax system. The present study believes that the satisfaction of taxpayers with tax administration lead to voluntary compliance and higher revenue generation. Thus, the present model incorporates taxpayers.
2. The present model differs from the congruence model in terms of the components into the models. The congruence model has three fundamental components, namely inputs, transformation process and output while the new model suggests four components by introducing 'outcomes'. This outcome deal with tax administration and taxpayer expected outcomes from the tax administration.

3. Gill's (2003) model has not been tested empirically. Thus, the present study validated and improved upon the congruence model using qualitative and quantitative data to see whether it is applicable in practice.

The Performance-Governance and Congruence Models differ, as the former aims to improve on the existing model in the context of tax administration reform that will result in higher tax revenue generation. Thus, it can be considered as more recent and comprehensive compared to the latter, which focuses on the efficiency and effectiveness of tax administration. Bird (2004) stated that tax administration efficiency and effectiveness may not necessarily mean higher tax revenue generation. Therefore, considering the previous tax administration model, the Proposed Performance-Governance Model is presented in Figure 3.1.



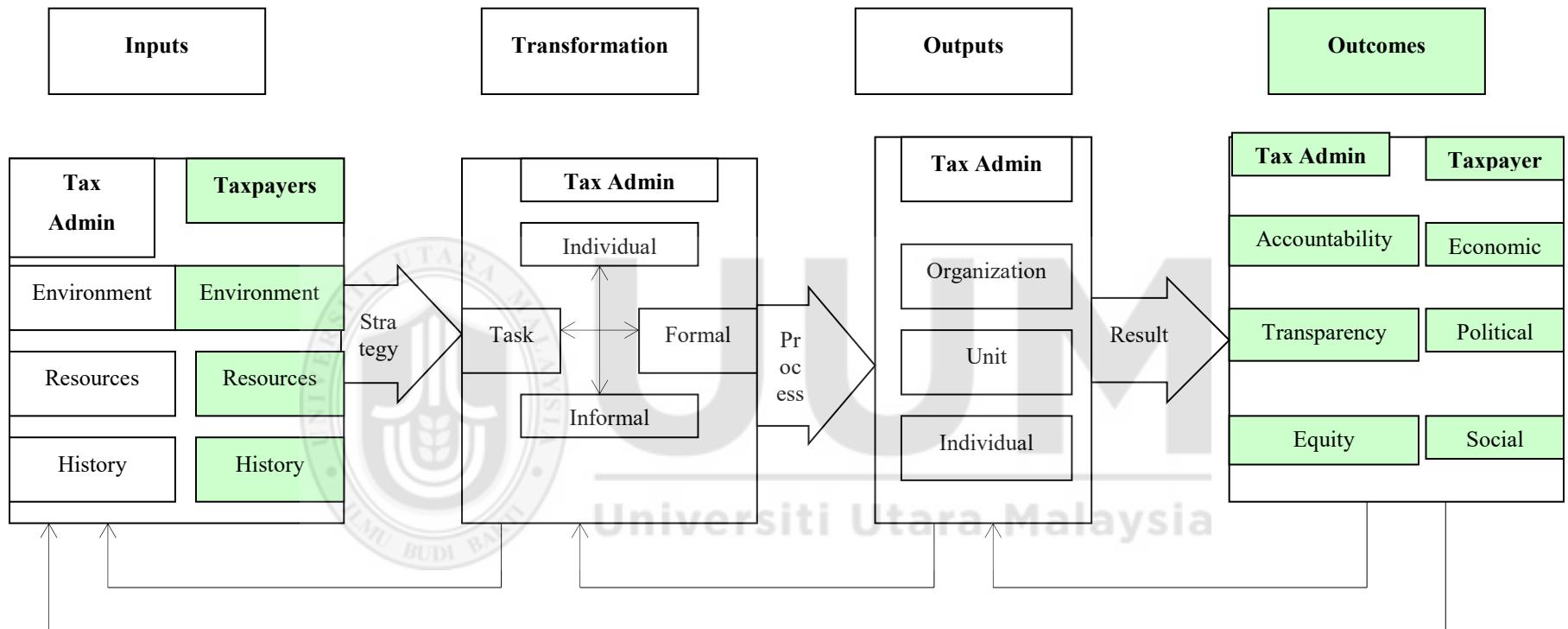


Figure 3.1
Proposed Performance-Governance Model of Tax Administration
 Source: Extended by the author from Congruence Model of Gill (2003).

Note: White colour represents Gill's components.

Green colour represents the extended components proposed by the present study.

To understand tax administration effectiveness and efficiency, first of all it must be understood that tax administration is a system that involves some basic components. These components include those from the existing congruence model and others as proposed by the Performance-Governance Model. The existing congruence model include tax administration inputs, transformation process and outputs, while the proposed component added to the Performance-Governance Model of Tax administration includes taxpayers' inputs and outcomes as well tax administration outcomes. The detailed explanation of each component as relates to the present study is discussed in the forthcoming sections.

3.2.1 Performance-Governance Model Inputs

The Performance-Governance Model divides input from the perspective of tax administration and taxpayers, as discussed in (a) and (b) respectively.

(a) Tax Administration Inputs

Gill (2000) defined input as the mechanism required for carrying out organizational functions most efficiently and effectively. He further divided such input into three as related to revenue administration. First, input is the immediate environment of its operation, which is a range of external stakeholders, namely legislative, judiciary, executives and banks and companies. The way and manner tax administration relates with those stakeholders play a significant role in determining its performance (Pantamee & Mansor, 2016). Therefore, tax administration should look beyond the boundaries of the organization to evaluate the significance of environmental factors in relation to its efficiency and effectiveness.

The secondary input with respect to tax administration constitute of resources, which are intangible and tangible (Gill, 2000). Gill (2000) further stated that in each category of the resources there are three issues to consider: (1) the aggregate level and number of available resources, unskilled personnel and outdated information technology systems, which create low performance in many important areas; (2) the quality of the resources available; and (3) the intensity or flexibility available to tax administration management in the use of resources and the inability to change the resource mix in response to difficulties may affect the performance of tax administration.

The final input of the revenue administration, according to Gill (2000), is history, which has a significant effect on current revenue administration efficiency and effectiveness. History involves the nature of previous tax amnesties that might have created an expectation of such amnesties soon, thereby encouraging failures. Court decisions might have also created prohibitions that make it difficult for tax administration to manage tax laws effectively.

The behaviors of top management officers of tax administration and political leaders might have affected the deterrent effects of tax administration actions to solve the problem of evasion (Gill, 2000). Essential resource commitments might have been made to rule out basic alternative strategies for enhancing performance. Employees should have knowledge of the previous successes and challenges recorded by tax administration. This may include previous crisis and management responses, core norms and the value evaluation of the organization.

(b) Taxpayers Inputs

The Performance-Governance Model of tax administration proposes that inputs from the position of taxpayers should be integrated. The study believes that taxpayers would comply voluntarily to the tax system with the provision of three basic required inputs, namely the environment, resources and history. The study further proposes that the Government should as much as possible provide safe and a conducive environment to taxpayers. This is because businesses pay taxes out of their profits, which can be derived from the business operation and can only be carried out in a secured environment (Pantamee, Mansor & Othman, 2017).

Therefore, when the environment is not conducive and secured, there is a high probability for businesses to move to other countries since no enterprise will be willing to invest in a non-secured environment. OECD (2009) stated that the extent to which government provides citizens with basic amenities determines the extent of taxpayer compliance.

Secondly, the Performance-Governance Model of Tax Administration proposes that taxpayers pay tax from the available resources at hand. As a result, the government should be able to provide them with employment, although it alone cannot have the capacity to employ its entire working class, that brings about the integration of environment and resources (Pantamee *et al.*, 2017). For example, where businesses and employees in both public and private sectors comply with tax payment, government can provide a good economic environment that can further attract foreign direct investment into the economy and at large companies will employ much of its working-class group.

Furthermore, the Performance-Governance Model of Tax Administration suggests the need for incorporating history from the perspective of taxpayers. This can be regarded as the extent to which taxpayers are aware of previous government attempts in supplying them with basic comforts. For instance, what did the environment look like before and how is it now? How much did the taxpayers earn ten years back and what is it now?

From the three mentioned direct inputs applicable to tax administration and taxpayers, tax administration can have derived at its “strategy”, which stands for the method(s) adopted by tax administration in achieving its goal (Gill, 2000). Strategy comprises the organizational mission and vision, objective, key results areas and operation strategy that will lead to goal accomplishment. The result achieved from the input stage leads to the second level of the Performance-Governance Model called the transformation process, which is discussed next.

3.2.2 Performance-Governance Model Transformation Process

The second component of the congruence model is the transformation process. It is the point by which tax administration transforms its available inputs into outputs (Gill, 2000). This step requires congruency among four important components, namely tasks, employees, formal and informal settings.

According to Pantamee and Mansor (2016), tasks in the transformation process simply means the specific functions, work and activities that are performed to achieve tax administration goals/aims and objectives successfully. These tasks are executed by employees that are expected to possess a certain level of knowledge, experience and skills.

The formal setting, according to Gill (2000), is the prescribed organizational set up, including tax administration framework consisting of the rules and regulations applicable to the functioning of the administration, the structure of the tax administration, which has to do with the design of specific jobs with the structure, governance set up, the allocation of scarce resources and workload for various departments and groups, the channel of communication and physical working environment as well as the formal systems of monitoring, coordinating, controlling and reporting the day-to-day activities of the administration.

On the other hand, the informal organizational set up deals with unofficial conventions, norms, channels of communication, processes, values, influence mechanisms and forms of relationships within and between groups (Gill, 2003). The final stage of the congruence model (outputs) is the third phase of the Performance-Governance Model that is output, as discussed in subsection 2.3.

3.2.3 Performance-Governance Model Outputs

Tax administration produces certain outputs at individual, unit and organizational levels. Individual output means employee contribution toward achieving organizational goal within a given period. Gill (2000) stated that tax administration should adopt the core principles of functional-based organization where employee works will be organized in accordance with logical grouping of the core functions that incorporate different types of taxes which tax administration is accountable for. Unit outputs are the departmental contributions that jointly define the overall achievements of revenue administration within a period (Gill, 2000). According to Gill (2003), output is the results achieved by the tax

administration system, its unit or is achieved from individual ability. It also comprises many planned tasks and the actual result.

For example, the plan and actual tax collected the number of audited courses, the tax declaration processed, the number of penalties passed or additional tax liability imposed by the system. As expressed earlier, the proposed model enhances the congruence model by proposing additional components, which include the outcome from the perspective of tax administration and taxpayers, as discussed in the section 3.2.4.

3.2.4 Performance-Governance Model Outcome

The Performance-Governance Model divides outcomes from the perspective of tax administration and taxpayers, as discussed in item (a) and (b) respectively.

(a) Tax Administration Outcomes

The proposed model believes that for the tax system to generate adequate revenue, tax administration must be accountable for its undertakings to the public. Public accountability can be achieved only if tax administration is transparent and ensures equity for everyone. Thus, a good tax administration must develop strategies for achieving accountability, transparency and equity. The model also suggests that taxpayers are expecting a certain level of outcomes from their previous tax payment, which will bear on their forthcoming tax payment, as discussed in taxpayers' outcomes.

(b) Taxpayers Outcomes

The Performance-Governance Model of tax administration suggests that a good tax administration system should be able to provide social, economic and political benefits to taxpayers, as stated in Hill-Keiser (1999). This is because the first issue that taxpayers expect from tax payment are social benefits among which include the provision of infrastructural amenities like road, electricity, water and education. Therefore, a good tax administration should be able to deliver social benefits to taxpayers. If the tax system is equitable then it should be able to reduce the number of citizens living in poverty.

Secondly, taxation is applied to resolve the economic problems surrounding a country (Moyi & Ronge, 2006). Therefore, the model suggests that a good tax administration should be able to ensure price stability, equal distribution of economic resources and solve the problem of inflation, deflation, unemployment and interest rates. This is because inequalities create negative consequences for social cohesion and in the long run distort important economic indices.

Finally, the Performance-Governance Model of Tax Administration suggests that a good tax administration should be able to maximize tax revenue and minimize the cost of running the government. This is because when the cost of running government is high, taxpayers tend to have a negative thought over tax payment (Gillis, 1991).

Furthermore, the Performance-Governance Model of Tax Administration requires continuous feedback from outcome to the inputs, then from inputs to the transformation process and from output to the transformation process. It also requires direct feedback from outcomes to inputs. This feedback can be achieved through various channels, which include

reporting, supervision, system evaluation, survey of employees, taxpayers and other stakeholders and the number of charges filed by taxpayers.

Therefore, it can be summarized that the Performance-Governance Model of tax administration comprises four main components, namely inputs, the transformation process, outputs and outcomes. It is important to note that transformation and outputs deal with tax administrators while inputs and outcomes deal with both taxpayers and tax administrators. For tax administration to generate adequate revenue, components are expected to work in an integrated approach.

Furthermore, tax administration should be vigilant for the wrong fit among the components because inappropriate fit among any of the tax administration components can lead to the non-achievement of objectives. For instance, in the absence of good congruence in the transformation components between informal structures and formal or between individuals and their task requirement can create enormous problems. More so, reforming one or two components of the model while leaving others unreformed will bring about other component failures.

The Performance-Governance Model of Tax Administration presented in Figure 3.1 can be described as a detail and comprehensive model that may lead to greater tax administrative efficiency and effectiveness for higher revenue generation. The model suggests the need to incorporate taxpayers in tax administration policy designs and the need to treat them with proper care. It also indicates that government should be ready to account for previous tax generated revenue and tax administration performances. Tax administration activities must

be evaluated always; tax administration should be transparent and ensure equity among taxpayers.

3.3 Chapter Summary

This chapter proposed a model called “Performance-Governance Model of Tax Administration” and thereafter provided discussion on the dimensions of each component in the model. The next chapter discussed the methodology, covering philosophical assumptions, procedures of data collection, analysis and interpretation as well as the justification as to why interview, survey and document study were used.



CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 Introduction

In chapter three, a new conceptual model called “performance- governance” for tax administration based on a critical review of the literature was proposed. The model incorporates not only elements in tax administration but also taxpayers to bring the Performance-Governance Model of Tax Administration into practice. The present chapter discusses the research methodology employed in this study.

Research methodology has to do with the strategies and assumptions that guide the procedure of research design and data collection, as well as the method of data analysis. To achieve that, Section 4.2 discusses the philosophical assumptions of the study. Thereafter, Section 4.3 discusses the case study methodology, Sections 4.4 and 4.5 present the methods of data collection and analysis, respectively. And finally, Section 4.6 concludes the chapter with a summary.

4.2 The Philosophical Assumptions of the Study

According to Creswell (2012), philosophical assumptions are a specific set of ideas or beliefs that one is inclined to while carrying out research. These ideas or beliefs give the basis for understanding the type of research to be conducted (Merriam, 2014). Researchers understand these ideas and beliefs from their academic and educational experiences and in addition other scholarly interests, for example, seminars, workshops and conference

participation. Creswell (2012) included journal articles and textbooks as the sources of ideas or beliefs that are indispensable in each research.

Along this line, combinations of the above-mentioned sources have given the ground justification to the philosophical assumptions directing this study. According to Yin (2003), any research that structured questions in the form of “why” and “how” does not work in a vacuum because it is qualitative in nature and moves toward ideas and beliefs regarding those philosophical assumptions. However, it is important to note that the qualitative methodology paradigm is guided by some form of assumptions managing the researcher’s ideas/beliefs about the behavior of the study. The philosophical assumptions found in the literature include ontology, epistemology, axiology, rhetoric and methodology (Creswell, 2007).

4.2.1 Ontological Assumptions

According to Denzin and Lincoln (2000), the ontological assumption makes inquiries on the nature of reality and additionally the individual inclination of the earth. Thus, ontology explains how the researcher considers reality in the study. The relevancy of this nature and the reality of this study are subjective. This is because the study takes account of reality, i.e. Informants and respondents from both tax administrators and taxpayers. Studying an organization like a tax authority is considered as the subjective approach of reality due to its multifaceted complexity and confidentiality of information.

King and Horrocks (2010) stated that exploring the individual's experience, understanding and perception demands the generation of data infused with subjectivity to account for the various realities of the Informants. Thus, a single event may be perceived differently or subjected to multiple understanding, knowledge, experiences or interpretation of Informants. Bellenger, Bernhardt and Goldstucker (2011) as well as Creswell (2000) stated that qualitative research methodology is the most suitable methodologies that can address the issue of subjective and multiple realities, as it reports these multiple realities.

Based on the description of qualitative methodology, the present study is subjective. The complex and universal nature of tax administration and its functions having multiple interpretations based on the experiences and understanding of the Informants would deliver not only rich, but also a very thick and in-depth explanation of the tax administration performance. Furthermore, from the ontological assumption, the epistemological assumption reasonably will be derived from the Informants' knowledge and understanding of how tax administration can generate sufficient tax revenue for Nigeria. Along this line, subsection 4.2.2 discusses the epistemological assumption of the present study.

4.2.2 The Epistemological Assumption

Epistemology assumptions refer to the philosophical theory of knowledge (King & Horrocks, 2010). The most vital issue addressed by the assumption of epistemology centers around what is considered as knowledge and specifically gaining an understanding of what a researcher can know and what one wants to know. In this manner, epistemology asks questions, for example, how does one know the world and what is the nature of the relationship that exists between an inquirer and what is known.

The subjective nature of ontology (reality) of this study involves acquiring knowledge from the understanding and experiences of the Informants involved in the study that define the epistemological assumption of the present study. That is to achieve the objective of this study and answer the research questions, it is important to acquire knowledge from the Informants' understanding and experiences. Therefore, individual Informant perspectives will give firsthand evidence required for obtaining an in-depth understanding of the theory of knowledge study.

However, to acquire in-depth knowledge from the experience and understanding of Informants, i.e. data sourced from respondents' understanding and experiences of the phenomenon under research, there is the need to adhere to several ethical conducts (axiology assumption), which are addressed in subsection 4.2.3.

4.2.3 Axiological Assumption

Denzin and Lincoln (1998) stated that the axiological assumption of qualitative research centers on ethical considerations and that it asks questions on how ethically the researcher is in conducting the study. The relevance of this assumption as related to the present study is very vital. This is because the research needs to interact with individual value that would not be separated from axiology. Researcher values are obvious in qualitative research even though values are imminent in all types of research (Creswell, Fetters & Ivankova, 2004). Punch (2013) saw axiology as the roles of researcher values, emotions, feelings and hope in a research setting.

The applicability of the axiological assumption of the present study is that the research is carried out in accordance with data confidentiality, accuracy, fairness and objectivity in the publication and reporting of events during and after the research. Subsequently, data collected through axiology were analyzed and interpreted in accordance with the rhetorical assumption, which has to do with the choice of language from the introductory chapter to the last one of the study. The discussion on rhetorical assumption is presented in Section 4.2.4.

4.2.4 The Rhetorical Assumption

The rhetorical assumption implies the choice of literary markers in a research (Creswell, 2012). The ontological, epistemological and axiological assumptions in this study require the utilization of certain literary flags as manifested in it. Such flags include words such as identifying, analyzing and understanding in-depth knowledge or gaining an insight throughout the study, which gives the justification for the rhetorical assumption used in the present study. In the end, the methodological assumptions would specify how relevant information was sourced from the Informants to answer the research questions. The discussion on the methodological assumption is presented in Section 4.2.5.

4.2.5 Methodological Assumption

Methodology is a process of choosing and justifying the appropriate research method used in a study while methodological justification allows the researcher to move beyond ordinarily intuitive or the preference appeal to oneself to choose a technique or method of collecting and analyzing data (King & Horrocks, 2010). The study further states that the

need for the philosophical assumption of the methodology employed in any study is a prerequisite that cannot be overlooked.

First, there are 8 characteristics of good governance which are being consensus-oriented, participatory, transparent, accountable, equitable and inclusive, responsible, efficient and effective and following the rule of law (Aguilera & Cuervo-Cazurra, 2004; Stoker, 1998). In this study, only three (namely accountability, transparency and equity) out of the eight characteristics of good governance are used.

The justification of using the three and excluding five (consensus oriented, participatory, responsible, efficient and effectiveness) is because the three selected characteristics the most significant governance theory attributed (Sanusi & Ahmad, 2012) and if managed the problem of high corruption that exists in many developing economies (Moyi & Ronge, 2006). The utilization of accountability, transparency and equity elements in developing the new model guide the present study in suggesting processes that will eliminate corruption within tax administration.

Secondly, according to Yin (1994), the most commonly used research approaches in administration studies are experimental study, field study and case study. Among these methodologies, the present study employed case study because the approach is believed to be the most appropriate tool for applying the Performance-Governance Model of Tax Administration developed in Chapter 3. This is because case study can perfectly address research questions in form of what and how (Yin, 2003).

In summary, considering the nature of the research questions and the objectives of the present study as well as all the philosophical assumptions, i.e. the ontological, the epistemological, the axiological and the rhetorical, the most appropriate research methodology for this study is case study.

4.3 Case Study Methodology

A case study is a research design which emphasizes on a single setting or organization to understand its specific phenomenon or characteristics (Denzin & Lincoln, 1998; Punch, 2013). According to Yin (2014), a case study is defined as empirical research that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clear.

The case study has been used widely in organizational studies (Kalleberg & Moody, 1994). Researchers have used case studies to understand a different phenomenon around tax administration. Examples of such studies include Abiola and Asiweh (2012); Araki and Claus (2014); Ivanova, Keen and Klemm (2005); Le Borgne, Brondolo, Bosch and Silvani (2008); Mansor and Tayib (2012; 2013; & 2015) and Mansor (2010 & 2011).

Additionally, Mansor (2011) stated that in organization research, a case study has a distinctive place because it permits the researcher to hold the meaningful and holistic attributes of real life events. Tax administration activities of revenue generation can be considered as examples of such real-life events. Furthermore, the study of Kalleberg and Moody (1994) stated that majority of organizational studies are based on a single establishment, such as a case study.

The utilization of a case study approach in this study enabled the researcher to carry out a comprehensive investigation of tax administration efficiency and effectiveness towards revenue generation. Case study intends to find out “what is going on” in a given entity with the sole aim of discovering the “inside” opinions of Informants (Stoecker, 1991).

The advantages of a case study over other methods according to Marshall and Rossman (2010), include: firstly, that it permits the researcher to hold the significant characteristics of real life happenings to obtain an exact knowledge of how individuals live or behave in a particular situation. Secondly, the type of the research questions by a study can give an imperative justification regarding the most appropriate research strategy to be employed. According to Yin (2009), research questions structured in the form of “why” and “how” that usually ask about a contemporary set of events over which the researcher has almost no control can be difficult to deal using the quantitative research approach.

Thirdly, the use of the case study will contribute to the tax administration literature because it is helpful and be used in a situation where cultural and social entities and individual context cannot be measured using quantitative methods (Yin, 2003). Otley and Berry (1994) further stated that to explain and understand the specific processes and practices of an administration, a case study is the most appropriate, as it provides a holistic perspective of different experiences, thoughts and opinions.

Finally, as tax administration policies cannot be carried out in isolation, individual taxpayers, business entities and other stakeholders must be taken into consideration in the reform process. In this regard, a case study is the most appropriate strategy to use in this study because it will enable the researcher to obtain data from multiple sources. These

sources include observations, reports, documents and the informal behavior of a tax administration.

Having concluded that a case study approach is the most suitable approach for this study as compared to other methods, it is equally important to decide the type of case study design adopted. There are various methods of carrying out a case study and the approach to be adopted depends on the nature and purpose of the research as well as the philosophical background of the study design. According to Stoeker (1991), a case study may be in the form of a single case or multiple cases.

Multiple case studies use multiple organizations or entities in exploring a given phenomenon. The purpose of involving more than one entity is to compare the similarities or differences of the cases under study (Swanborn, 2012). On the other hand, a single case study concentrates on a single entity to investigate the phenomenon in-depth. Ghauri and Gronhaung (2005) stated that the use of a single case study is an appropriate approach when the given case under research is extreme or critical in the sense that there is the need to examine and understand the inside phenomena.

In respect of the present study, a single case study is the most appropriate design to apply the Performance-Governance Model of Tax Administration. Because the method provides better opportunity for the in-depth observation to achieve the in-depth study, FIRS of Nigeria was chosen as the case study area. The main reason for selecting FIRS is because it is a 'typical case' and FIRS Abuja stands as the only body where FIRS branches (i.e. across 36 states of Nigeria) reports their performances to. Abuja is the capital city of

Nigeria and all the headquarters of public sector ministries and agencies are located there, including FIRS itself.

Moreover, other reasons for selecting FIRS are: (1) it is the body in charge of Federal tax collection; (2) it is a body that collects the most prominent and buoyant taxes in Nigeria; (3) by the 1999 Constitution of Federal Government of Nigeria, the Nigerian Custom Service accounts its generated revenue to FIRS; and (4) Nigeria is classified as a weak tax revenue generation country (Aminu & Eluwa, 2014 & World Bank, 2015).

Additionally, since the used of case study does not limit the researcher from the use of qualitative techniques alone as it can take a mix of qualitative and quantitative evidence (Creswell, Fetters & Ivankova, 2004; Gerring, 2007; Yin, 2009). In other words, Multiple data are equally acceptable. As a result, the present study collected data from taxpayers within Abuja territory using survey method. The justification for selecting Abuja is in line with Abiola and Asiweh (2012) that Abuja to a large extent represent Nigeria since Abuja combined individual businesses and public servants from 36 states of Nigeria (thus, represent the caliber of the Federal character) and all businesses across Abuja are fully registered in FIRS tax net.

Furthermore, Emmanuel (2013) states that Abuja is the city with highest literacy level in Nigeria and has highest number of registered informal sectors that form a larger percentage of the taxable or working population of Nigeria. Additionally, majority of the educated Nigerian leaves in Abuja which according to Park and Hyun (2003) consider among the most important mechanisms that determine taxpayers' compliance.

Furthermore, a proper use of a single case study design is the point at which it represents the ‘critical case’ in testing a theory (Gerring, 2007). The theory has determined a set of circumstances along which it is believed to be valid. The single case is then used to figure out whether a theory’s suggestion is correct or some alternative set of options may be more relevant (Creswell, 2007). Therefore, in this regard, the FIRS represent a ‘critical case’ in testing the relevance of a Performance-Governance Model of Tax Administration in this study. Tax revenue plays a significant role in developed countries, but the amount generated in most of the developing countries is not satisfactory (OECD, 2004a). Therefore, it is important to apply the Performance- Governance Model of Tax Administration developed in this study on FIRS in testing whether the model can help in generating higher tax revenue in Nigeria.

4.4 Data Collection Methods

The method of collecting data depends on the purpose of the study. There are various approaches adopted by previous researchers among which include qualitative, quantitative or a combination of both methods. In this study, to test the Performance-Governance Model of Tax Administration (refer to figure 3.1 in Chapter 3), data were collected from taxpayers and tax administration. The model suggests that data from taxpayers should be obtained from two components, i.e. inputs and outcomes, which were obtained using survey. On the other hand, data from the tax administration perspective covered four components, namely inputs, transformation process, outputs and outcomes through interview.

As stated earlier that the case study cannot only be regarded as qualitative even though it might be perceived among the array of qualitative research decisions. It goes far above being qualitative research, as it can take a mix of qualitative and quantitative evidence (Creswell, Fetters & Ivankova, 2004; Yin, 2009). According to Gerring (2007), the use of case study does not limit a researcher to qualitative techniques alone. Multiple data are equally acceptable and can take multiple strategies, such as survey within a case study or vice versa (Yin, 2009). Qualitative researchers study events and individuals in natural settings and endeavor to understand specific phenomena by looking at the implications individuals bring to such events (Denzin & Lincoln, 1998). The procedures of data collection and analysis in qualitative research gives important rich in-depth contextual information required for understanding the procedure and nature of an organization.

Therefore, the present study utilized face-to-face interviews, document study and survey. Face-to-face interview provided the chance for the researcher to interact with tax administrators, thereby getting first-hand information. Also, survey helped the researcher to capture more information from a greater population of taxpayers. Moreover, the use of document study supported the interview and survey data. A detailed discussion of the face-to-face interview is presented in section 4.4.1.

4.4.1 Face-to-face Interview

The study utilized the face-to-face interview on tax administration in order to enable the researcher to answer the research questions. The aim behind the interview was to obtain firsthand information (Witzel & Reiter, 2012) that was not available on document sources,

for instance, the extent to which tax administration attends to build public confidence can be better ascertained via the interview.

Furthermore, following Merriam (2009) the researcher prepared the interview by taking into account eight basic principles namely: (i) Selecting FIRS Abuja as the scene and the researcher tendered the data collection letter issued by UUM; (ii) Explained reasons for the study and the need for interview; (iii) Assured the interviewees about the confidential treatment of their record; (iv) Explained the mode and format of the session; (v) Maximum duration of 1hour, 30minutes was further stated; (vi) The researcher also sought for interviewees phone number and email address in case there might be need for follow up, (vii); Ask if interviewees have questions before the commencement of the session; and (viii) switch on the smart recorder with the permission of informants.

Additionally, the researcher made use of paper and pen to complement the voice recorder and most of the sessions lasted between 30 and 45 minutes. All the 20 informants were interviewed within the period of five months (July-December 2016) and the researcher could build confidence and trust with the interviewees. The interview sessions assessed FIRS efficiency and effectiveness toward revenue generation, considering the following issues:

1. Tax administration inputs (environment, resources and history)
2. Tax administration transformation process (the individual, task, the formal and the informal)
3. Tax administration output (organization, unit and individual)
4. Tax administration outcomes (accountability, transparency and equity)

In term of number of informants to involved in an interview session i.e. sample size, several studies suggest different sample sizes in achieving a saturation level of the case study interview. For instance, the study of Babbie (2010) as well as Denzin (2012) and Passerini (2012) stated that a sample size of 1 is sufficient for a single case study. Guest, Bunce and Johnson (2006) said that the minimum number of interviewees required in a case study research is 6 and the maximum 12. Creswell and Miller (2000) stated that in order for the researcher to fully understand the phenomena under investigation, the minimum and a maximum number of respondents should be 6-7, respectively.

Additionally, Adler and Adler (2012) expressed that a minimum and maximum of 12-60 respondents are enough for an organizational case study. On the other hand, Curry, Nembhard and Bradley (2009) and Mason (2010) expressed that in order for the researcher(s) to recommend findings for policy implementation, Informants to the case study must possess a certain degree of knowledge or experience on the phenomena under investigation and a minimum sample size of 20 and a maximum of 30 can be justified.

Finally, Warren (2002) believed that in any case study research, 20-40 respondents are appropriate provided they possess a certain degree of expertise in the area under investigation. Based on the above literature and considering the revised FIRS structure (2015) which approved five (5) departments or groups namely Domestic Taxes Group (DTG), compliance Support Group (CSG), Enforcement Support Group (ESG), Modernization Support Group (MSG), and Support Service Group (SSG) (see Appendix A for details), a total number of 20 interviewees were considered as presented in the Table 4.1.

Table 4.1

Summary of Interview Sample Size

Cadre	Informants	Departments	Sample
Executive	1	5	5
Managerial	1	5	5
Tax officers	2	5	<u>10</u>
Total interview sample size			20

Table 4.1 shows that, twenty tax administrators participated in the study interview. The Informants included: one executive member (Director or Assistant Director) from each of the five FIRS departments; one manager of each department (Senior Manager, Manager or Assistant Manager) and two tax officers from each department that are involved in the tax collection process to make the interviews more comprehensive. The justification for using four representatives (1 directorate cadre, 1 managerial and 2 tax officers' cadres) from each department was to have a fair representation from each of the FIRS department.

According to Hesse-Biber and Leavy (2010), as well as Sekaran and Bougie (2013), the main advantage of interviews is that the researcher can adapt the questions where necessary and the researcher can further explain more issues to clarify doubts in order to ensure that the interviewer properly understands the questions. Doing that may equally provide the researcher with more detailed information.

The most widely recognized types of interviews are the unstructured and semi-structured types and generally those that fully meet the principles and standards of qualitative research (Sarantakos, 2005). The semi-structured interview lies between the organized (structure) and unorganized (unstructured) interviews (Guba & Lincoln, 1994). It contains components of both, with some being closer to the structured interview and others to unstructured ones. The present study used the semi-structured interview to acquire the

relevant information from tax administrators. The researcher designed different sets of questions for the selected tax administrators. However, following Ritchie, Lewis and Elam (2003), the researcher allowed the Informants provide answers beyond the probe.

To gain in-depth data, the researcher designed an interview protocol to establish rapport with the interviewees (Cresswell, 2008). In relation to the above perspectives, the discussion about the dimension/measures of each component in the Performance-Governance Model of Tax Administration for revenue generation as well as solving tax administration weaknesses is discussed in the following subsections.

1. Development of Tax Administration Inputs Interview Protocols

As stated earlier in Section 3.2.1, tax administration inputs are the resources needed by the tax revenue for carrying out organizational functions efficiently and effectively (Gill, 2000). They constitute three basic components, namely: environment, resources and history each of which influences tax administered in different ways.

According to Gill (2000), the tax administration environment is an establishment that exists within a given economy that has an impact on tax administration, which incorporates individuals, social and economic forces, other organizations and legitimate constraints.

In order to understand the tax administration environment, this study followed Gill (2003) to include tax administration relationship with all the parties that may influence tax payment in a negative or positive manner explored through the use of the interview protocol

on FIRS managerial cadre. The question asked include the first-two questions on Appendix B.

Tax administration resources defined by Gill (2000) to include all the resources needed for tax administration purposes. In this study, resources were viewed following Gill (2003) as well as Martinez-Vazquez and Alm (2003) to include the required resources needed by a good tax administration in carrying a successful operation, which was unveiled using the interview protocol on FIRS tax officers' cadre (see Appendix D). The questions include: inputs required by tax administration for tax revenue generation from the experience of tax officers and tax officers' experience on the resources required for a successful implementation of tax administration exercise.

Moreover, Gill (2003) saw tax administration history as the vital efforts and development undertakings that shaped the administration over time. It includes issues like employee understanding of the previous behavior of the key officers, the tax administration previous strategic decisions taken, the evolution of administration beliefs and values and management responses to misunderstanding and crisis among tax administrations. Bird (2014) stated that to anticipate tax administration ability to act now or in the future, tax administration must understand the previous tax administration undertaking that leads to the present situation.

Therefore, following Bird (2014), the present study sees tax administration history from the perspectives of the tax administration using the interview protocol on FIRS tax officers' cadre (see Appendix D). Interview questions raised include: Tax officers' opinion on how adequate knowledge on previous FIRS challenges and achievements recorded by tax

administrators impact on subsequent tax revenue generation and availability of database meant for knowledge management in FIRS.

2. Development of Transformation Process Interview Protocol

According to Gill (2003), the heart of the congruence model is the transformation process drawing upon the input of tax administration embedded by the environment, resources and history to establish a strategy. The transformation process of every organization, including tax administration, contains four key components: the task; the people who perform the task; the formal setting of the organization and the informal or culture of the administration. According to Mansor (2011), some reasons of weak tax revenue generation may be because of lack of good integration between the transformation process components of tax administration. Therefore, the present study explored the best way to enhance the transformation process in tax administration.

According to Gill (2003), tasks are essential activities engaged by the tax administration, its units and its people in advancing the tax system strategy. Efficiency and effectiveness of these tasks are two of the essential purposes behind tax administration existence. Following Gill (2003), the present study conducted interview with tax officers and the questions raised include: Tax officers' perspective on the general components involved in tax administration operation process, tax officers' experience on the functions of tax administration and other functions assigned to tax employees. This study also identified factors responsible for non-achievement of set tasks and objectives. These factors were unveiled using interview protocol on FIRS tax officers' cadre (see appendix D).

Furthermore, Bird (2015) defined employees in tax administration as the salient attributes of the people in charge of the tax administration assignments included in the core task. According to Gill (2003), it includes issues like their preferences and needs in terms of the financial and personal rewards that they hope to earn from their work; their expectations and perceptions about their association with the tax administration; their demographics and their relationship to their work.

In this study, adapted Gill (2003) model, interview protocol was employed to find out if tax employees required the skills and knowledge needed to perform tax functions (tasks) in the most efficient and effective way. This was explored from FIRS tax officers' cadre (see Appendix D). Specifically, questions raised include: understanding from tax officers' knowledge, necessary skills, knowledge preferences and perfection obtained from tax administrators.

Additionally, the formal organizational setting is defined by Gill (2000) as an organized system, structures and the procedures of performing tax administration tasks. Employees within every organization are expected to follow the laid down rules and regulations in discharging their responsibilities and tax administrators are not excepted to that. In this study, following Gill (2003) formal settings were unveiled using the interview protocol on the FIRS directorate cadre (see Appendix B). Precisely, questions that sought for Directors opinion include: The components involved in tax administration operation processes and the official setting and practices of FIRS that can maximize tax revenue.

On the other hand, the informal organizational setting is defined as organizational culture, i.e. unofficial courses of action, for example, unwritten guidelines and practices, the pattern of processes and the political connections that embody the beliefs, values and accepted behavioral standards of the employees who work for the tax administration (Gill, 2000). In this study, the informal organizational setting was viewed using the interview protocol on the FIRS directorate cadre (see Appendix B). Specifically, informants were asked on the casual setting that enhanced overall tax administrators' performances from their experiences.

3. Development of Tax Administration Outputs Interview Protocol

Gill (2000) saw tax administration output as the actual result achieved by the organization, units or individual. The output analysis should describe the output required at every level to meet tax administration goals and the strategies to be used in evaluating whether the set output is sincerely and accurately accomplished or otherwise. Therefore, the present study's tax administration outputs include outputs at the organization, units and individual levels.

Organizational output is the overall administration result in terms of tax compliance, revenue generation, public policy and impact or service outputs. This was ascertained in the present study following OECD (2008) using the interview protocol on the FIRS managerial cadre as enclosed in Appendix C. Specifically, informants (Managers) were asked to respond to the experience on how tax administration transformation processes/operation components are associated with output/result on the FIRS set of performance metrics that provides a complete picture of an employee result.

On the other hand, the unit within the tax administration must do with the various departments available within a given administration. Each department is expected to carry out a certain level of work in order to achieve the overall tax administration goal. In order to understand how the performance of each unit or department is best evaluated, the present study unveils units' outputs following OECD (2008) and using the interview protocol on the FIRS departmental managers and heads as attached in Appendix C. In a comprehensive manner, Managers were asked to share their experience on how FIRS assess the amount and accuracy of work produce by units.

Finally, individual outputs refer to individual achievements within a given tax administration, which was established in the present study using the interview protocol on FIRS managerial cadres who overseeing and supervising lower level employees. The measurements were adapted from Spekle and Verbeeten (2014) as shown in Appendix C. Managers were asked to share on how FIRS assess the current employees' outputs/results in relation to tasks assigned to them.

4. Development of Tax Administration Outcomes Interview Protocol

The Performance-Governance Model of Tax Administration suggests the need for the FIRS to be accountable, transparent and equity in undertaking its activities. These refer to how the tax administration as a revenue body reports its performance to the government and taxpayers in accordance with the constitutional provision.

Accountability is explored in this study using the interview protocol on the FIRS managerial cadre (see Appendix C) using questions adopted from Kettani *et al.*, (2009); Lynn, (2001) and Shah (2006). The study specifically, inquired Managers to express how FIRS outcomes/consequences are viewed. And Managers experience on existence of accountability in FIRS. Managers rated accountability through a scale of 1 to 10. Furthermore, the present study used document study to validate Informant responses on the information obtained from the interview on accountability, i.e. whether the obtained information is disclosed in FIRS documents.

Transparency relate with how tax administration ensures the free flow of information with respect to tax administration strategy, the number of voluntary compliance and the total tax revenue generated. It was explored in this study using the interview protocol on the managerial cadre and following Kettani *et al.*, (2009) and Lynn (2001) as attached in Appendix C. Precisely, managers were asked to share light on the existence of transparency in FIRS. A scale of 1 to 10 shows how managers rate FIRS transparency.

Finally, for tax administration to generate adequate revenue it must ensure equity and justice across the general public. Alli (2009) and Moser, Evans and Kim (1995) expressed that equity is an essential attribute of a good tax system and recommends that it be given due consideration in the establishment and administration of tax laws. Following Kettani *et al.*, (2009) and Lynn (2001), this study seeks to find out equity in tax administration in Nigeria using the interview protocol on the FIRS managerial cadre as attached in Appendix C. Informants (Managers) were asked on how they assess the level of equity in FIRS. The scales of 1-10 shows how managers rated equitable distribution of tax liability.

Furthermore, the interviews on the above discussed components were conducted on directors, managers and tax officers. The selected Informants agreed to take part and were given a copy of the questions to study and obtain insight on what the questions were and think better answers prior to the interview. The researcher conducted the interview and responses were written and with the permission of the Informants the audiotape was taken. In terms of duration, each interview took a minimum of 30 minutes and a maximum of 80 minutes conducted at the Informants' convenient time.

However, the result obtained from tax administration may not necessarily present a clear picture of taxpayer views. Thus, research objectives two and six cannot be achieved using face-to-face interviews on tax administration only. As a result, this study incorporated taxpayers in the study using a questionnaire survey. Surveys are the most common methods of data collection used in the social sciences usually regarded as the general method used in social science research (Sarantakos, 2005). The survey which includes questionnaires comprises numerous items in combination will produce reliable and accurate measures (Dooley, 2001). The detail of using this method is discussed in the next subsection.

4.4.2 Survey

The use of survey (quantitative data) is a legitimate and valuable strategy for qualitative data researchers when it is used as a complement to an overall process orientation to the research (Maxwell, 2010). Sarantakos (2005) further described surveys as techniques or procedures for data collection in which data are collected through written or oral questioning. The use of survey in the present study is to enable the researcher to answer

research question two and six. A survey method is usually the procedure of scrutinizing the individuals who are believed to possess the needed information (Seidman, 2012).

Rubin and Rubin (2011) further stated that the survey sample could also decide the interrelation, distribution and incidence among psychological and sociological variables, for example, attitude and opinions of the respondents. Survey is considered as the most appropriate strategy for obtaining data from taxpayers. This is because data are required from many of taxpayers.

According to Zikmund, Babin, Carr and Griffin (2012), there are several advantages of the survey method among which include: (1) more information can be obtained because the scope and coverage are wider; (2) survey research is less expensive compared to field and laboratory experiments but potentially the amount of information is more prominent; (3) understanding the bigger population from which a sample is selected; and (4) survey permits the utilization of statistical procedures in which the characteristics of the population may be estimated from a representative sample group (Cavana, Delahaye & Sekaran, 2001).

In this present study's survey, the sample derived from registered taxpayers of FIRS included registered individual taxpayers and businesses in Abuja. According to Abiola and Asiweh (2012), collecting data from combined individual and business taxpayers will provide holistic and accurate information rather than utilizing one group. As discussed in section 1.7 and sub-section 4.3 that the justification for selecting Abuja is in line with Abiola and Asiweh (2012) that Abuja can to a large extent represent Nigeria since Abuja combined individual businesses and public servants from 36 states of Nigeria (represent the

caliber of the Federal character) and all businesses across Abuja are fully registered in FIRS tax net.

Furthermore, Emmanuel (2013) states that Abuja is the city with highest literacy level in Nigeria and has highest number of registered informal sectors that form a larger percentage of the taxable or working population of Nigeria. Additionally, majority of the educated Nigerian leaves in Abuja which according to Park and Hyun (2003) consider among the most important mechanisms that determine taxpayers' compliance.

On the record, there are 233,736 numbers of registered taxpayers in Abuja, capital city of Nigeria, which comprises 179,018 individual taxpayers in employment and 54,718 individual taxpayers in business in May 2015 (FIRS, 2015). And following Krejcie and Morgan (1970) as well as Sekaran and Bougie (2013), 381 individual taxpayers in business will be selected as the respondents of the study. The researcher added 38 representing 10% of the number to overcome the problem of non-response as recommended by Bartlett, Kotrilik , Higgins (2001), Sekaran and Bougie (2010).

In addition, taxpayers are divided using stratified techniques according to their business or the nature of their occupations. Every group is represented in the sample. FIRS were required to provide the researcher with the addresses of the selected taxpayers. Furthermore, after stratifying taxpayers according to their business, the researcher further resorted to the convenience technique to administer the survey questionnaires through personal distribution and retrieval. The same method has been used by previous studies in tax administration by Azmi and Perumal (2008) and Saad (2011). The justification for using

personal distribution of questionnaires is because the method provides high response rate and improve the anonymity of respondents (Hair, Money, Samuel & Page, 2007).

The questionnaire used was divided into two sections, namely “Section A and B”. Section “A” provides the demographic profile information of the respondents, while section “B” provides taxpayer inputs and outcomes. The questions in section “B” were designed and measured using the five-point Likert scale, where “1” stands for Strongly Disagree, “2” Disagree, “3” Undecided, “4” Agree and “5” Strongly Agree. Additionally, 2 open-ended questions were also included to enable the respondent to further express their views (see Appendix E). To ensure the validity of the instruments, experts from the tax administration research area and colleagues were consulted to check the relevancy of the taxpayer questions. Furthermore, the measurements of the items involved are discussed in the next sections.

1. Development of Taxpayers’ Inputs Instruments

The Performance-Governance Model of Tax Administration suggests that in order to understand the actual reason(s) for the weak revenue generation or inefficiency and ineffectiveness of tax administration, the first step is to gather information from taxpayers since they are a targeted group and major players in the tax environment. The elements for assessing taxpayer inputs considered by the present study includes environment, resources and history that aid tax administration’s overall objectives, core vision and mission, as well as strategies.

First, the taxpayers' environment is a setting in which taxpayers operate (OECD, 2009). In this study, taxpayers' environment instruments are adapted from Abiola and Asiweh (2012) as well as Mohd-Ali (2013) which taken into account the social, economic and political conditions from the context of Nigerian taxpayers. Specifically, the statements include weather: (i) Safe environment facilitate taxpayers' business income and tax payment; (ii) Conducive environment facilitate taxpayer's decision to pay tax; and (iii) Activities of regulatory bodies influence taxpayer's decision to pay tax (see Appendix E, statements 1-3 describing the extent to which environment facilitates taxpayers' compliance).

Secondly, in this study, taxpayers' resources are regarded as the extent to which government provides Nigerians with the need resources, which were adopted from Alli (2009) used survey. According to Hill-Keiser (1999), taxpayer resources are the factors available to them that may directly or indirectly influence their decision toward tax payment among which include taxpayer knowledge on the tax system, the employment opportunities available to citizens, investment barriers and competition. In this study, statements that described taxpayers' resources were adapted from Mohd-Ali (2013). These includes whether: (i) Tax knowledge provided by the government has impact on taxpayers' payment; (ii) Individual with no source of income has every reason not to pay tax; and (iii) Where government protects taxpayer's business, the level of tax compliance tends to increase.

Finally, taxpayer history was regarded as the extent to which taxpayers are aware of previous government attempts to offered basic amenities, such as the provision of electricity, water, roads, schools and hospitals. According to Abiola and Asiweh (2012), the extent of government effort in changing the pattern of its environment (taxpayers'

environment) determines the extent of tax payment, which was measured in the present study using questionnaire survey adapted from Abiola and Asiweh (2012) as well as Mohd-Ali (2013).

Adapted questions from Abiola and Asiweh (2012) and Mohd-Ali (2013) includes: (i) Knowledge on previous infrastructure provided by the government has impacted on taxpayers' tax payment decisions; (ii) Adequate knowledge on how government utilized previous tax revenue generated has impact on subsequent tax payment; and (iii) Tax knowledge on previous tax revenue generated by the government influence taxpayer's current tax payment decision.

2. Development of Taxpayers' Outcomes Instrument

Hill-Keiser (1999) stated that a good tax administration system should be able to provide economic, political and social infrastructure to taxpayers. Along this line, the proposed Performance-Governance Model of Tax Administration states the need for tax administration to put efforts in underlining how tax administration should be able to meet the expectations of taxpayers economically, since taxation is a yardstick used in solving the economic problems affecting a given country (Odusola, 2006).

Taxpayers' economic expectation elements were adapted from Abiola and Asiweh (2012) as well as Mohd-Ali (2013). These included the extent to which (i) Tax on taxpayer's income impact on their disposable income; (ii) High tax rates discourage taxpayer's economic investment; and (iii) Tax brings about increase in the price of commodities. Additionally, respondents were given room to further express their views on how tax

administration can ensure the equal distribution of economic resources or the degree to which inflation and deflation are stabilized and the level to which unemployment and interest rates are controlled.

Furthermore, Gillis (1991) pointed out that there is the need for tax administration to ensure the cost of running the government is maintained at the lowest possible stage. This is because high political cost tends to discourage taxpayers from voluntary compliance which may affect tax revenue generation in the long run. The political perspective of taxpayers' elements was adapted from Abiola and Asiweh (2012) which include the following statements: (i) The government is not being transparent in spending taxpayers' money; (ii) The services provided by the government are not comparable with the amount of taxes paid; and (iii) taxpayer's opinion on the statement that Nigerian government is not spending public funds prudently.

Additionally, adapted items from Abiola and Asiweh's (2012) were elements of taxpayer social benefits. The present study perceived taxpayers' social outcome using three statements as: (i) Taxpayers' decision to pay tax is mostly influenced by surrounding social amenities; (ii) Taxpayer's make decisions to pay taxes based on friends' experiences or suggestions; and (iii) Enlightenment and adequate utilization of tax revenue on public goods encourage tax payment.

Moreover, it is important to note that the information obtained from the primary sources, namely face-to-face interview and questionnaire survey, were verified in the present study by written documents. This study further used document study, which was discussed in detail in the next section.

4.4.3 Document Study

Documents contain pictures and words (text) that have been recorded without a researcher's intervention. Atkinson and Delamont (2006) stated that documents refer to "social facts" which are produced, shared and utilized in a socially organized way. Documents that may be utilized for systematic assessment as a major part of a study take a variety of forms.

The purpose of using document study in the present research is to verify the data collected from face-to-face interviews and survey data. This is because record and written documents are vital sources of data that empower the researcher to gain an insider's point of view, providing a deeper knowledge of the setting in which events happened (Marshall & Rossman, 2010). According to Ritchie *et al.*, (2003), there are different sources of documentation among which include journals and diaries, brochures and books, background papers, manuals, minutes of meetings, attendance registers, agendas, advertisements, event programs, institutional or organizational reports, application forms, television and radio program scripts, forms and summaries, press release, photo album and scrapbooks.

The advantage of document study in the case study is that it provides evidence from different sources (Yin, 2009). The most important advantage of documentation is that these sources are generally simple to access, implying that re-checking is easier and there is less dependence on people's recollections of events (Smith & Ridoutt, 2007). In this study, the documented sources of information used are the written documents available at FIRS Nigeria, which include:

1. FIRS Publications on National Tax Policies
2. FIRS Annual Report and Accounts
3. FIRS Statistical Bulletin
4. FIRS Conditions of Service
5. Departments and Individual Scheme of Duty
6. Daily and Global Staff Position
7. Physical Assets Register

To answer the research questions and achieve the objectives of this study, data collected from each method were interpreted. The methods used in interpretation varied across the methods used, as discussed in the next section.

4.5 Methods of Data Analysis

The survey data was analyzed and interpreted using descriptive statistics while interview data was interpreted in the present study using thematic analysis. Each method was supported by document evidence. The discussion of how interview data were interpreted in the present study is presented in subsection 4.5.1.

4.5.1 Interview Analysis

In this study, to analyze the qualitative data collected from the interview, Nvivo₁₀ qualitative software and thematic analysis were used. The procedure of interview data analysis according to Denzin and Lincoln (2000), began with listening to the result obtained from the interview, i.e. records were listened to and transcribed verbatim. The transcription of each Informant was read and re-read for the transcriptions to be accurate. This stage

enabled the researcher to get a better understanding of the data. Each time the data were read, they gave the researcher a richer understanding of the information at hand (Elsbach, 2005). They equally enabled the researcher to import the transcribed data of each Informant into the software from which the coding began.

In terms of the coding scheme, the researcher followed three coding stages, i.e. open, axial and selective coding (Corbin & Strauss, 2008). In open coding, Corbin and Strauss (2008) suggested that fracturing data helps the researcher to reduce bias. The procedure of thematic analysis involved checking the information for commonalities components and afterward discovering relationships between the commonalities (Guest, MacQueen & Namey, 2011). To ensure good thematic analysis, the researcher assured that sorted transcriptions were placed under different arrangements and components. This required altering and re-altering both the arrangements and the components until the attainment of a satisfactory result (Braun & Clarke, 2006).

The thematic analysis of the interviewed data produced four main components, i.e., input, transformation process, output and outcomes. The components are divided into nineteen (19) sub- components (tax admin inputs: environment, resources and history; taxpayers' inputs: environment, resources and history; tax admin transformation process elements: employees, task, formal and informal; tax admin output: organization, unit and individual; tax admin outcomes: accountability, transparency and equity; and outcomes: economic, political and social) and then an examination of the components that characterized each component is carried out.

The researcher was careful during the categorization stage to identify and examine the meaning of the data by making comparisons and looking for similarities as well as differences between the components. This stage comprises reassembling data so that identical data fell under a similar component and dissimilar information was grouped under the separate appropriate component. Finally, to ensure validity and reliability of the data, the transcribed interview data were submitted to each Informant, asking them to confirm or otherwise their statement and each of the Informants stands with his/her opinion.

4.5.2 Survey Descriptive

Usually, raw data collected in a quantitative form cannot speak until they are further interpreted and analyzed. In much of the literature, transformations, estimation and interpretation are the terms used in making the data more meaningful (Myers, 2013). Thus, descriptive statistics were used in analyzing the collected data using Stata software version 12.0. According to Cooper and Schindler (2014) as well as Sekaran and Bougie (2013) descriptive statistics is a method of data analysis that provides the simplest way of summarizing data for a large group of respondents, so that specific values are read using simple percentages.

4.5.3 Document Study Analysis

Like other systematic methods in qualitative research, document study requires the data to be examined and interpreted to develop empirical knowledge, gain understanding and elicit meaning (Corbin & Strauss, 2008). However, within the context of the present study, document study was not used as the main source of the research data but was rather used to provide evidence on the accuracy and true position of the data collected from the

interview and survey methods. As a result, there was no single method used to analyze the supported data since no objective or research questions aimed to be achieved via this method.

To validate the interview data collected on the available resources at FIRS, the daily staff position and physical asset registrar of FIRS were the documents used. Data on formal and informal setting of FIRS were verified using FIRS conditions of service as well as departmental and individual schemes of duty. Virtually, all the data collected were verified by one or more documents available at the FIRS domain.

4.5.4 Validity and Reliability

The foregoing discussions have been about the specific methods and procedures adopted for conducting the investigation. Meanwhile, it is pertinent that the specific measures taken to ensure the validity and reliability of the procedures are equally documented. Thus, for the findings and conclusions of qualitative research to be acceptable as meeting quality standard and contributing to knowledge, they must be verified to be plausible, valid and reliable (Sekaran & Bougie, 2013).

There are four tests for establishing the quality of any qualitative research (Yin, 2014). These are construct validity, internal validity, external validity and reliability. The author recommends many tactics for guaranteeing each of these four measures of quality. The tactics maintained by the study for validity and reliability purposes included construct validity, internal validity, external validity and reliability, as discussed in the subsequent paragraphs.

Construct validity deals with outlining appropriate operational measures for the constructs under investigation. To meet this test, an attempt was made to define the key issues, elements and factors explored in this study. These are found throughout the chapter on literature review. Further, as the recommended tactics suggested by Yin (2014) for assuring constructs validity, this study used multiple sources of evidence (interviews, documents and observations), maintained a chain of evidence (by using digital recording device and software for handling data transcription and analysis) and had respondents review transcripts prior to final usage.

Internal validity is about establishing cause and effect relationship whereby some specific conditions are linked to the occurrence of other conditions. Although Cooper and Schindler (2014) argued that internal validity is not an issue for an exploratory study such as this, nonetheless the recommended tactics, such as explanation building and pattern making were useful and incorporated in analyzing the case data. External validity relates to establishing the basis on which findings from the study can be generalized beyond a immediate case. Yin (2014) suggested replication logic, a system of strengthening theory by applying the same questions derived from literature (theory-based) concepts. This was the approach adopted in this study as the same set of protocol was adhered to for each interview.

Reliability should do with showing evidence that the same findings will be arrived at if another researcher follows the same approach in data collection and analysis on the same case. Reliability is a test of the amount of error and biases in a study. Consistent with Yin's (2014) recommendations, this study utilized interview protocol, a manual of steps and

broad questions that guided the conduct of the interviews (please see Appendix B, C & D). The protocol is the blueprint of the processes and actions that were taken during the research process. It also helped the researcher to get a handle on the logistics of the data collection process and to stay on the subject matter of the study.

Thus, this section has outlined the key measures taken to guarantee the validity and reliability of the study. The measures were adapted from Yin (2014) and used as guides throughout the different stages of the investigation.

4.6 Chapter Summary

This study utilized the case study research design. Qualitative data were said to obtained from document study and semi-structured face-to-face interviews. Additionally, quantitative data were said to obtained from questionnaire survey to enable the researcher to apply the Performance-Governance Model of Tax Administration developed in Chapter 3 or achieve the objectives of the study, FIRS-Nigeria was selected for the case study. Interview data is analyzed thematically using Nvivo₁₀ software while the quantitative data of the study is analyzed using Stata_{12.0}.

CHAPTER FIVE

RESULTS OF THE CASE STUDY

5.1 Introduction

The previous chapter discussed the research methodology used in this study. The chapter discussed the philosophical assumption guiding the study, the methods of data collection and analysis and ended with a summary. The present chapter discusses the data collected from the case study method to provide answers to the research questions of the study.

5.2 Informants and Respondents Rate

Following Becker (2012), twenty Informants are considered acceptable in a case study interview. To achieve that, five FIRS staffs from the executive cadre were involved; five tax administrators from the managerial cadre and ten tax officers participated in the study, as seen in Table 5.1. Additionally, considering the required sample size of the survey study and the number of registered taxpayers found in the FIRS register (see Section 4.4.2), 38 questionnaires were added, which is equivalent to 10% of the required sample size. Thus, a total number of 419 questionnaires were distributed to available small businesses and individual taxpayers, who operated within the Federal Capital Territory of Nigeria. Table 5.1 provides the Informants' and respondent's information and their response rate.

Table 5.1
Informants and Responses Rate

Items	Frequency	%
Interview		
Executive cadre	5	25
Managerial cadre	5	25
Tax officers' cadre	10	50
Total	20	100
Survey		
Questionnaires distributed	419	100
Questionnaires retrieved	375	89
Invalid questionnaires	8	2
Valid questionnaires	367	88

Table 5.1 shows that 5 Informants (25% of the total interviewees) are executive members (Director or Assistant Director) from each of the five FIRS departments. Additionally, 5 Informants (25% of the managerial cadre: Senior Manager, Manager and Assistant Manager) of each department and, finally, 10 Informants (i.e. *Tax Officer I or II* from each FIRS department or 50% of the total interviewees) were involved in the tax collection process.

Table 5.1 additionally shows that out of 419 distributed questionnaires, only 375 were successfully retrieved by the researcher. Moreover, 8 were found uncompleted and were thereby rejected in the analysis. Thus, 367 or 88% of the sample were found valid for the analysis. The justification for 88% response rate is because the study used self-administered question on registered taxpayers situated in Abuja and as stated earlier the study added 10% of the required sample size to overcome the problem of no response rate.

5.3 Demographic Data of Informants and Respondents

This section provides the demographic data of the 20 tax administrators involved in the interview and the 367 taxpayers involved in the survey. The information analyzed includes age, marital status, and years of experience, educational qualification and main source of income, as presented in Table 5.2.



Table 5.2
Demographic Data of Informants/Respondents

Items		Frequency	%
Interview (Tax Administrators)			
Age	20-29years	2	10
	30 -39years	5	25
	40-49years	8	40
	50-60years	5	25
	Total	20	100
Marital Status	Married	16	80
	Single	1	5
	Widowed	3	15
	Total	20	100
Years of working experience	Below 3years	3	15
	3-5years	4	20
	6-10years	7	35
	Above 11years	6	30
	Total	20	100
Main Qualification	BSc/HND	6	30
	Accounting		
	BSC/HND Bus.	5	25
	Admin	4	20
	BSc Economics	5	25
	Others		
	Total	20	100
Survey Taxpayers			
Age	Less than 20	18	4.9
	20-29years	45	12.3
	30 -39years	71	19.3
	40-49years	95	25.9
	Above 50years	138	37.6
	Total	367	100
Marital Status	Married	254	69.2
	Single	68	18.5
	Widowed/Divorced	45	12.3
	Total	367	100
Educational Level	Primary School	35	9.5
	Secondary School	245	66.8
	Diploma	51	13.9
	BSc/HND	29	7.9
	MSc and above	7	1.9
	Total	367	100

Table 5.2 shows that that out of the 20 tax administrators that participated in the interviews, 2 or 10% are between the ages of 20 and 29 years. 5 Informants or 25% are within the age bracket of 30 to 39, while 40% or 8 FIRS staffs are between the bracket of 40 and 49. Finally, 5 Informants in the directorate cadre or 25% are between age brackets of 50-60.

In terms of marital status of the Informants, 16 or 80% are married, 1 Informant (5%) is a bachelor while 3 (15%) are widowed, respectively. Furthermore, in terms of working experience in FIRS, 3 (15%) have less than 3 years' experience, 4 (20%) have been working with FIRS for a period of 3-5 years while those with a 6-10-year experience are the majority, totaling 7 (35%). 30% or 6 interviewees have 11 years of experience in FIRS.

In term of Informants' qualification, 30% or 6 hold a BSc. Accounting certificate in the majority of the Informants. 25% or 5 staff have BSc. Business Administration, 4 (20%) obtained BSc. Economics and finally 5 (25%) a non-management related certificate among which include BA. History, BSc. Political Science and LLB. This shows that at least 3 out of every 10 employees of FIRS hold management related certificates.

Table 5.2 also shows that out 367 valid responses to this study, 18 (4.9%) are people less than 20 years of age, 45 (12.3%) are between the ages 20 and 29 years. 71 respondents (19.3%) are within the age bracket 30 to 39, while 25.9% or 95 taxpayers are between 40 and 49 years. Finally, 138 (37.6%) are above 50 years old. This shows that majority of the taxpayers in Nigeria are elderly personnel above 50 years of age.

In addition, in terms of marital status, 254 (69.2%) are married, 68 (18.5%) unmarried and 45 (12.3%) windowed/divorced. Finally, the education level of the taxpayers shows that 9.5% (35) hold the primary school certificate while the majority totaling 245 (66.8%) hold the secondary school option; 51 (13.9%) have the diploma certificate. 29 (7.9%) hold BSc/HND certificates whereas 7 (1.9%) hold higher degrees (Masters and above), thereby, resulting to the lack of adequate knowledge on what tax is all about. Taxpayer's knowledge and education is paramount in determining compliance level and in turn maximize tax revenue generation (Anane & Asamoah, 2015).

5.4 Results of the Study on Performance-Governance Model

The data collected from the case study followed the proposed model components, namely inputs, transformation processes, outputs and outcomes see Figure 5.1.

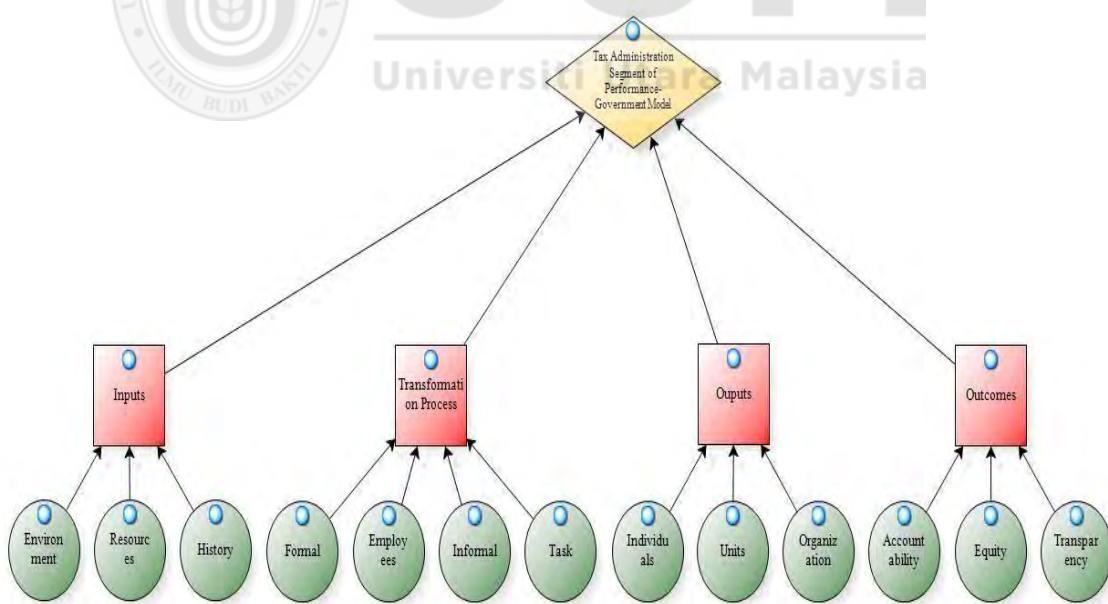


Figure 5.1
Main components and Sub-Components of Performance-Governance Model of Tax Administration

Figure 5.1 verified the Performance-Governance model of tax administration proposed by the study in chapter three, the data collected on each component and various sub-component are discussed in the following sections.

5.5 Inputs

The model developed in this study in Chapter Three (Figure 3.1) recommends that inputs should be considered from the perspectives of both tax administration and taxpayers. Hence, interview and survey approaches were conducted on tax administrators and taxpayers, respectively. The data collected from tax administration and taxpayer inputs are discussed in Sections 5.5.1 and 5.5.2, respectively.

5.5.1 Tax Administration Inputs

The result of the interview revealed that environment, resources and history are the inputs required by tax administration for revenue generation is presented in Figure 5.2.

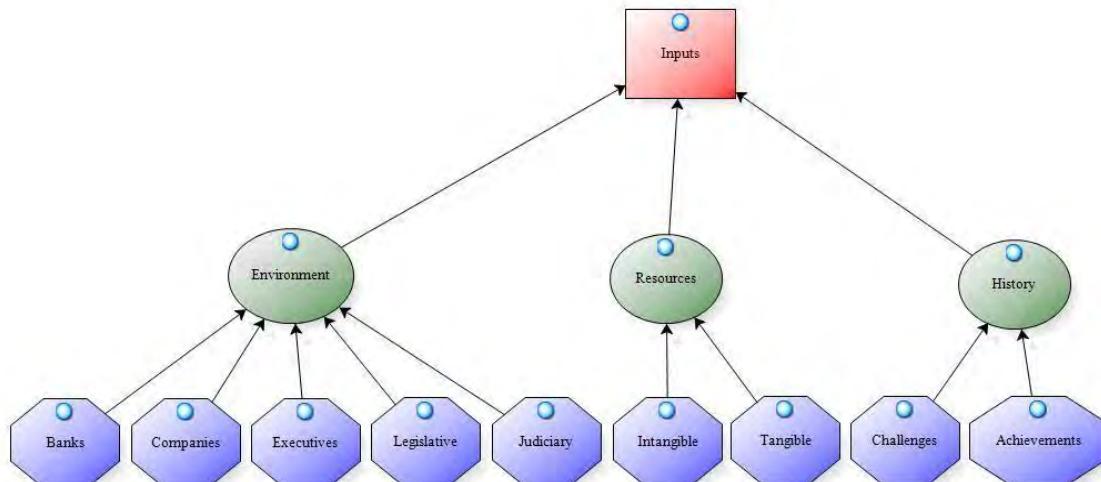


Figure 5.2
Main Component and Sub-Components of Tax Administration Inputs

Figure 5.2 expresses the vigorous functional relationship between the main component, i.e. inputs and its sub-components, which comprises environment, resources and history, as curtailed in the interview protocol and interview data. The next sub section 5.5.1.1 comprehensively discussed the first inputs required for tax administration exercise (i.e., environment).

5.5.1.1 Tax Administration Environment

The result of the interview conducted showed that the first input required for efficient and effective tax administration operation is the environment. There are five (5) major environmental stakeholders that determine the success of every tax administration, as presented in Figure 5.3.

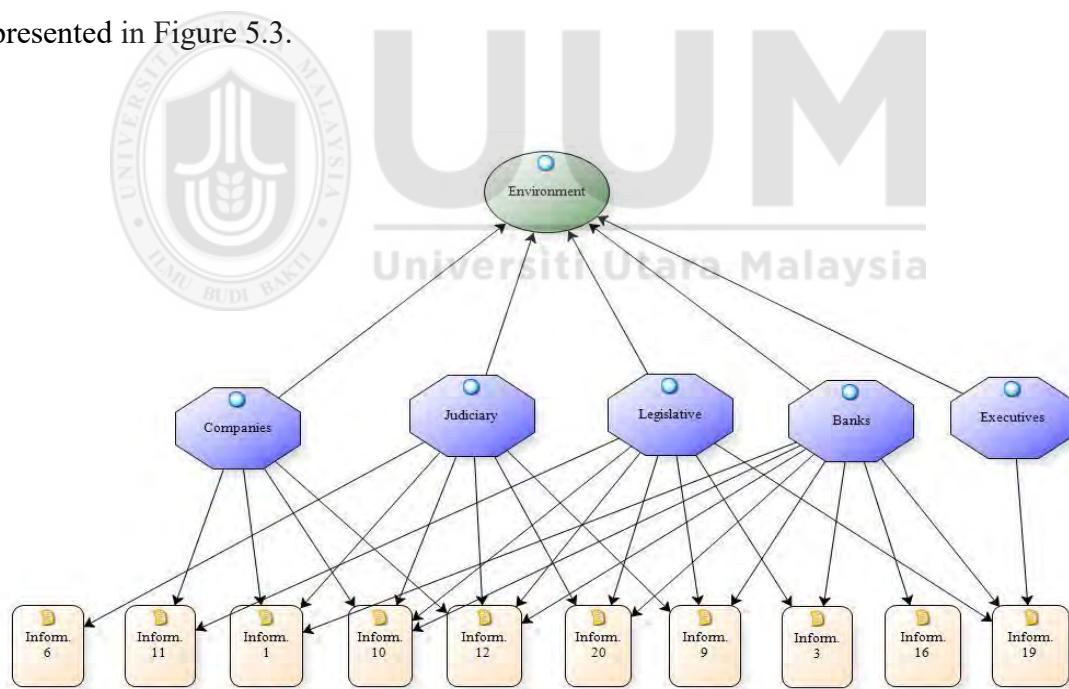


Figure 5.3
Environment as a Tax Administration Input

Figure 5.3 summarizes the responses of the 10 informants (1 *Assistant Directors*, 3 *Managers*, and 6 *Tax officers*) that express response to a question on how tax administration's relationships with other stakeholders have impacted on revenue generation. Evidence from the responses of the Informants shows that tax administration alone cannot achieve its objectives without numerous stakeholders. These stakeholders are companies, banks, executives, the judiciary and the legislature, which are itemized and discussed in the following paragraphs.

1. Legislative

Legislators are lawmakers that provide the rules and regulations governing government agencies and ministries, including tax administration. It is a complex practice that requires reforming tax laws and implementations. Therefore, to make it successful it must begin with determining the loopholes in the existing tax laws and regulations. Only then can it proceed with amendments or introducing new tax laws, which require legislative approval.

Based on the results of this study, the operation of tax administration is fully guided by the legislative arm of the government. How informants perceive the legislature as part of the environmental variable that plays a significance role in determining the success or otherwise of tax administration was captured in the view of an informant who said:

The inputs that are required by tax administration for tax revenue generation must do with clear regulatory laws in terms of processes and procedures the administration must follow. These processes and procedures are designed by legislative arm of government (informant 19, *Senior Manager*)

Responding on the same issue, one informant stated that:

There should be tax laws coming from the legislative in order for tax administration to be able to assess the level of taxpayers' compliance effectively and efficiently. In addition, tax administrations laws cannot be passed without going through the legislative processes. Therefore, they play a vital role (informant 12, *Senior Manager*)

Informant 20 (*Manager*) stated that: "The activities of Federal Inland Revenue Services are being guided by law, which was provided by the law makers known as legislatives".

Informant 3 (*Tax Officer II*) expressed that: "Legislative provide tax laws that serve as a guide for successful operations of tax revenue in Nigeria". In line with the above responses, informant 9 (*Manager*) stated that: "The legislature provides the laws governing FIRS".

Informant 10 (*Manager*) also expressed a similar view that: "Tax administration need legislative to design the principles of law in ensuring the revenue is well generated for the government".

The above statements show that national assembly passes the rules and regulations governing FIRS functions. The interviewees responded on the research question on how frequent the laws are reviewed and aligned with the current economic reality. Informant 11 replied:

To be able to collect tax you need the enabling laws. This is where legislators need to come in. In a situation where the existing laws are outdated, that will signify the need for the legislature to review those laws to be in tune with current realities as an additional input (Informant 11, *Tax Officer I*).

In summary, the legislature is the body that defines the responsibilities of tax administration. It provides policies and procedures governing the tax administration exercise. However, a document study carried on FIRS tax policies shows that tax policies

should be subjected to legislative review every four (4) years. However, the reality of FIRS is not in line with what the law stated. For instance, after 1980 tax policies in Nigeria were only reviewed in 1992 and 1993. The present tax laws were amended in 2011 and some policies have in existence since 1999 without any amendment.

In terms of the appointment of the FIRS Chairman, the Nigerian legislature played a vital role by inviting the presidential nominee to appear before a Senate panel for confirmation. He is not expected to go contrary to the policies and procedures designed and approved by the legislature. These approved tax policies and procedures are imposed on taxpayers. The taxpayers include the companies that formed part of the stakeholders of the tax administration environment, as discussed in the next section.

2. Companies

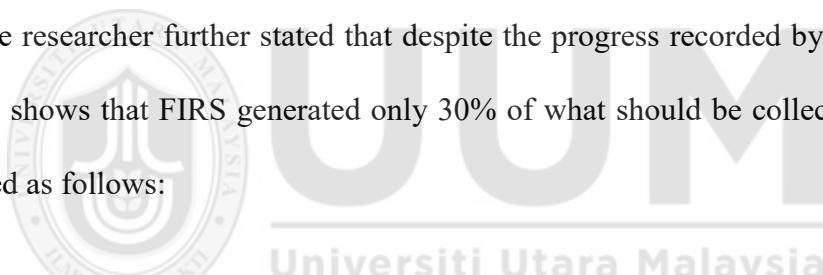
A company is an entity that is involved in day-to-day business activities. One or more persons usually own it. Companies are structured in form of corporation, they are the vital environmental players that tax administration relates with. Therefore, the attitude and sophistication of both groups toward tax compliance determine the success or otherwise of tax administration functions. Furthermore, companies form associations in the same line of business that contributes to the success of tax administration. The association serves as a mechanism used in passing information that should do with changes in tax policies and procedures and reporting problems and misconducts faced by companies. Additionally, these associations help tax administration to impose professional and ethical standards on their members.

In Nigeria, companies are the major contributors to tax revenue. The opinions of the informants confirmed this fact:

Companies as far as Nigerian economy is concerned are the major taxpayers. Our major source of income as far as FIRS is concerned is companies. Therefore, FIRS cannot do without companies and individual taxpayers because they are the main sources of revenue to the government. (Informant 10, *Manager*)

Regarding the kind of relationship that exists between FIRS and companies, Informant 12 (*Senior Manager*) said, “FIRS maintain a good relationship with companies in the friendliest manner which leads FIRS to generate adequate revenue more than previous years”.

When the researcher further stated that despite the progress recorded by FIRS, empirical evidence shows that FIRS generated only 30% of what should be collected, Informant 1 responded as follows:



This is because some companies have been fully briefed, they are aware of what to do when doing business while others do not know and that is where the problem of tax evasion comes in and that lead to lower tax revenue generation in the country. (Informant 1, *Tax Officer I*)

To ensure the full awareness of company responsibilities to tax administration, Informant 11 stated that: “To ensure voluntarily compliance to tax, companies’ representatives should be regularly educated to know what is obtainable and what their obligations to the government are” (Informant 11, *Tax Officer I*). In practice, taxpayer education and awareness programs are carried out only on newly established companies that are yet to start paying taxes which means that FIRS have no record of available education and

awareness programs carried out on companies' representatives (management) despite periodic changes in tax policies as that of 1993 and 2011.

Therefore, there is the need for FIRS to understand that its ability to relate and communicate changes in tax policies to companies in the most efficient and effective manner matters to tax administration success in revenue generation. However, a situation where companies are fully educated and found not to respect or honor tax laws calls for the involvement of the judiciary arm of government to tax administration exercise, as discussed in the next section.

3. Judiciary

The Judiciary is an arm of government that interprets and applies laws into action. The Judiciary impact on tax administration in extreme manner. For instance, in a situation where tax evasions are proved by the tax administration, such cases should be handed over to courts of law for investigation. The amount to be collected in such cases depends on the outcome of the investigation. At the point when the court established judgment, tax administration collects only what the tribunal or court decides to be the taxpayer's liability.

The Judiciary is also comprehensively used in the recovery of tax arrears. Furthermore, all criminal prosecutions for tax evasion must be filed and decided by the Judiciary. Therefore, its attitude in handling tax cases determines subsequent taxpayer decisions on tax liability. Informant 12 (*Senior Manager*) explained that: “.... judiciary is also needed to interpret the laws in circumstances where taxpayers prove to be stubborn”.

Informant 9 (*Manager*) shared the same view with Informant 12 on this point:

Judiciary is necessary in tax administration environment; it stands as the unit of government, which interprets the laws. Whenever there is tax evasion, we charge the company or individual to court. (Informant 9, *Manager*)

In addition, another informant highlighted that:

Tax administration environment should do with the implementations of what the laws say. If the tax authority can really go through what the law specifies, there will be no problem in the administration of tax. Also, there is an issue of taxpayers' non-informed, although ignorance is not an excuse of the law, but there are people who venture into business without having proper knowledge on how tax is applied on their businesses, which affects tax administration objectives. (Informant 1, *Tax Officer I*)

Informant 10 (*Manager*) further added that:

Tax administration cannot do without considering the law enforcement agencies that should help in making the laws (legislative) and the courts that ensure revenue is not evaded. (Informant 10, *Manager*)

In view of the responses, one Informant was quoted saying that: "Where taxpayers are found faulty, judiciary is the only body that helps tax administration to trace back tax liability". (Informant 6, *Assistant Director*)

When the researcher raises question on the extent of judiciary independence, role, efficiency and effectiveness in handling tax cases, Informant 20 (*Manager*) said that:

The judiciary system of the country does not really assist FIRS in fighting tax evasion cases. This is because there are various judges that are highly corrupt, and in fact they lack integrity, character and intellectual capability to seat in the position of judges. Tax evaders tend to buy their freedom from those corrupt judges thereby leading FIRS to lose revenue that could have been counted by the administration. (Informant 20, *Manager*)

Therefore, given the immediate impact of the judiciary on tax administration performance, it must be understood that FIRS cannot achieve its objectives without a sound and fair judicial system. The level of judges' knowledge about to tax laws and accounting and the level of corruption in the system are among the factors that play significant roles in the success or otherwise of tax administration.

On the other hand, the effectiveness of the judicial system requires a solid support of the executive arm of government. It is one of the environmental variables emanating from the responses of the Informants of this study on the parties that influence the tax administration operation in Nigeria.

4. Executives

Executives are arms of government that execute and enforce the law. In a political setting, the separation of powers is distributed among the three tiers, namely the executive, the legislature and the judiciary to prevent the concentration of control in the hands of a small group of people. The executive arm of government integrates various agencies of government among which include tax administration (Moore, 2004). However, the strength and commitment of government to tax reform have serious impacts on the success and failure of tax administration. Moore (2004) states that the more the legislative enforcement in a government setting, the better the support to the fight against tax evasion and vice versa.

The democratic system of government that produces executives through politics has serious implications on tax administration. For instance, the ideologies of political parties in power create constraints or opportunities for tax administration in administering taxes. Therefore, there is no doubt that the extent to which government supports tax administration in implementing tax laws impacts positively/negatively on the enforcement of tax liability. For instance, lack of political will to support tax administration in high profile cases of tax evasion sends a wrong message to taxpayers and discourages tax administrators from performing their functions diligently. This consequently affects the level of voluntary compliance.

In the context of the present study, Informant 19 (*Senior Manager*) mentioned that the executive as an environmental variable enhances tax administration operations. The interviewee said that:

We have a lot of parties that determine not only tax administration effectiveness and efficiency but also performance in term of revenue generation and tax compliance. Everything about tax is remittance, compliance and getting funds. You need legislative to make tax laws, we need executives to express political will to deal with whoever fails to comply and we need the judiciary for those who evade tax. Among these, executive support is the most important factor, for example they provide yearly budget allocation to FIRS. (Informant 19, *Senior Manager*)

The present study finds that only one out of 10 informants that responded to the question on how tax administration relationship with other stakeholders have impacted on revenue generation that appreciated the importance of executive power in tax administration even though in practice there is no doubt that FIRS performance is affected by the system of government in Nigeria. For example, in many scenarios government agencies are

politicized, including FIRS, and in such situations, employees and the management are being appointed based on political connections and not qualifications. This subsequently affects the productivity of FIRS and serves as a serious setback to the principle of equity, as some tax laws may not be enforced judiciously on taxpayers with political connections. Alternatively, FIRS used to harass opposition members who contradict the objective of voluntary compliance and thus affect the credibility of tax administration.

To be precise, in Nigeria the executive arm that assumed power on 29th May, 2015 under the All Progressive Congress (APC) party considered FIRS as the main source of revenue generation to the federation account since oil revenue was no longer promising. Furthermore, a document study was carried out by the researcher through observing a circular dated 22nd August 2016 and distributed to all FIRS employees mandating FIRS to adopt innovative strategies in ensuring 100 percent voluntary tax compliance. Additionally, executives do not play a greater role in providing FIRS with the resources required.

On the other hand, evidence shows that there was illegal recruitment in FIRS, which was politically motivated by the executives. For instance, a FIRS employee off the record said that:

FIRS plan to recruit 1200 staff but to my surprise, seven hundred automatic offers were given to National Assembly while the remaining five hundred were advertised to public from which more than 700,000 applications were received.

In summary, results implied that in Nigeria politics creates instability in tax administration. This is because there are so many uncertainties in the FIRS. For example, in a situation where there is a change of management which resulted from the change in the minister of finance or transition of power from one party to another, many employees are disengaged

and new ones are recruited into the FIRS. Consequently, tax administration may not have adequate time to embark on a longer time plan and there will be no continuity of operations.

Nevertheless, some executives expressed political will to support tax administration that boosts tax revenue generation remittance to banks. This shows that tax administration environmental variables cannot be completed without considering the role of banks in the process of revenue generation.

5. Banks

Banks are financial institutions licensed and regulated by the Central Bank of a given country to provide financial service, such as receiving deposits, make loans, currency exchange and deposits of other valuable items. There are three main types of banks, namely deposit money banks also known as commercial banks, retail banks and investment banks. Among these categories of banks, the activities of money deposit banks directly affect tax administration operations.

Apart from the fact that such banks are business ventures and therefore are required by law to pay their tax liability, money deposits banks are also being used for tax collection. They help taxpayers to remit taxes conveniently and reduce the administrative responsibility of tax administration. The use of banking channels simplifies business transactions and hence widens the potential scope of taxation and simplifies tax administration.

Furthermore, the efficacy of banks to enhance tax administration depends on many factors among which include the quality and nature of service delivered by the banks to tax administration, the availability of banks across the country, the advancement of the bank

information, technology and communication gadgets and the efficiency and effectiveness of the banks in administering tax returns and remitting tax proceeds to the federation account as well as administrative charges on the services delivered.

In the context of the present study, Informants were asked to express their views on how the tax administration relationship with other stakeholders' influences tax administration operations. Informants 1 (*Tax Officer I*) and 10 (*Manager*) shared these views: ...we need banks to serve as our only medium of collection. We don't collect cash. We only generate Taxpayer Identification Number (TIN) at Local, State and Federal levels and "we need banks in our operations as taxpayers use their TIN to pay tax liability through banks".

Informant 3 (*Tax Officer II*) further stressed that: "Banks help in facilitating tax administration using Bank Verification Number (BVN). It helps in giving us access to the records of companies". Furthermore, informant 20 (*Manager*) revealed that:.... "we need banks in our operations as they facilitate the remittance process. The FIRS does not collect cash, we ask taxpayers to pay their tax dues to the bank themselves and provide us with teller". (Informant 20, *Manager*).

In a similar view, another interviewee explained that:

Banks are the intermediaries between the taxpayers and FIRS. Every taxpayer whether individual or company must have an account to pay his or her taxes. Tax liability is charged according to the profit generated on a business. Thus, banks help us to know the transaction of a business. (Informant 9, *Manager*)

Informant 12 (*Senior Manager*) and 20 (*Manager*) stated further that “it is through banks that taxpayers remit to Central Bank of Nigeria (CBN)”. When Informants were further asked to air their views on how efficient and effective the services delivered by Nigerian banks were, Informant 19 (*Senior Manager*) admitted that:

This is a very simple thing. In the past, it would've been very difficult because you had to do a lot of paper work. But today, most of the transactions are done online. The government is now using *Remita* to assess all revenues (Informant 19, *Senior Manager*).

While the interview, another informant said that:

The accuracy and transparency in the system have improved. And because we are using banks as intermediaries between the taxpayers and the tax administrator, it is now very simple. There are no transactions that are done through cash. (Informant 16, *Tax Officer I*)

In summary, the result of the interview shows that banks in Nigeria are efficient and effective enough to assist FIRS in achieving its objectives. The bank acts as an intermediary between the FIRS and taxpayers. Its involvement improves transparency and accountability in the tax collection process.

Finally, to summarize data collection from tax administration environment, the data show that tax administration cannot operate well without the contributions of companies, which stand to be the major taxpayers in Nigeria but there is the need for FIRS to improve the companies’ awareness programs because interview data show that companies are not being educated when it comes to changes in tax policies.

Moreover, banks facilitate the process of collection and remittance. The interview data on banks show that Nigerian banks are efficient and effective enough to assist FIRS in achieving its objectives. The result of the interview also shows that the legislature is required to establish and amend the law. It was found that it plays a vital role when it comes to the appointment of the FIRS Chairman (for 5-year tenure) but tax laws in Nigeria are not being amended frequently, as stated in FIRS compendium. This means that tax laws do not reflect current economic realities.

Similarly, the Judiciary that are expected to play a vital role in interpreting the laws governing FIRS operations, especially when there is a clash between FIRS and taxpayers, are so corrupt to the extent that taxpayers buy their freedom from such judges, leading to lower tax revenue generation. Finally, executives are expected to play a role in demonstrating high political will to deal with taxpayers that fail to comply. It was found that the executive arm of government in Nigeria interferes with FIRS management by employing personnel that lack the necessary qualification, experiences and skills and in the long run affect administration performance. Having established a good relationship with the stakeholders, the next thing is to ensure the provision of resources is in place to aid the smooth running of tax administration operations.

Similarly, as soon as environment components support tax administration for example legislative provide tax administration with needed laws to guide tax functions or executives offer the needed support and annual budget then the next issue is to ensure tax administration judiciously make use of the budget to acquire other necessary resources aside the updated laws provided by the legislative. Resources emerged from the thematic

analysis using Nvivo₁₀ as the second inputs are required for the successful implementation of tax activities, as discussed in the next section.

5.5.1.2 Tax Administration Resources

This section discusses the resources which were constituted to be the second input of the Performance-Governance Model that must be made available for tax administration to perform its functions. The resources include employees, the yearly grant from the budget, information and communication technology, buildings, employee honesty, integrity and legal rights. Figure 5.4 provides the result of the interview conducted, which reveals two types of resources required for the successful implementation of tax administration operations in FIRS.

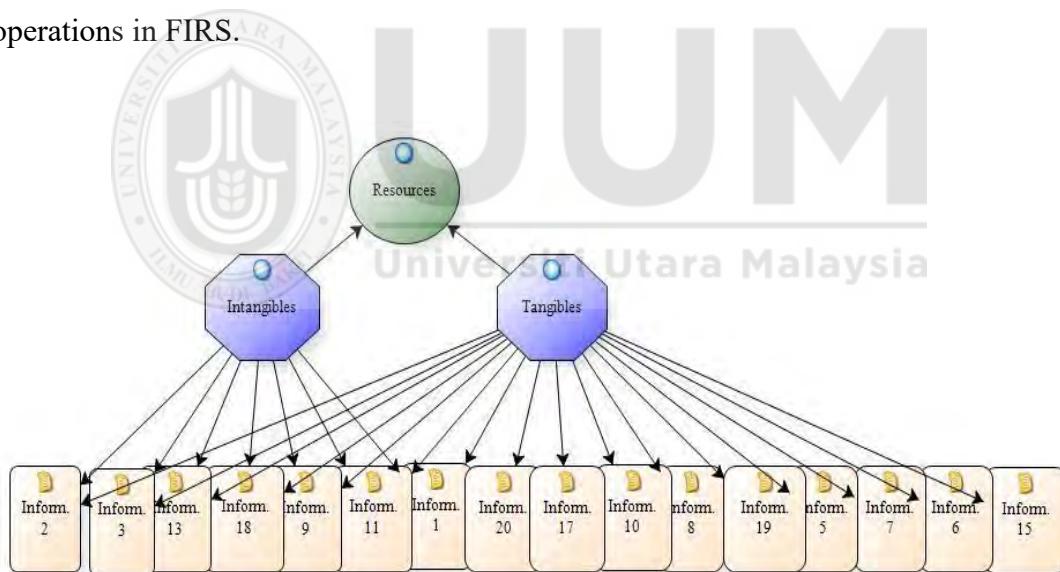


Figure 5.4
Resources as a Tax Administration Input

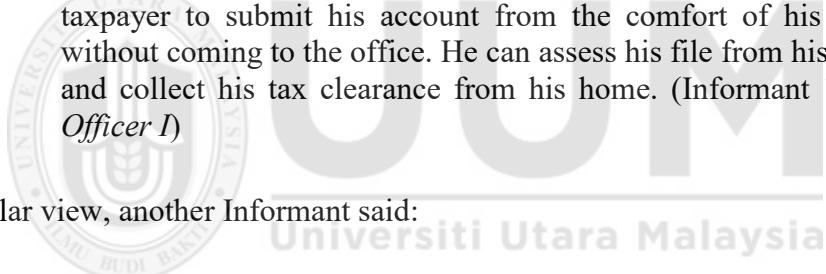
Figure 5.4 provides the responses of 16 Informants (comprises of 4 *Assistant Directors*, 4 *Managers*, and 8 *Tax officers*) that share light on the resources required for a successful implementation of tax administration operations. The evidence obtained was divided into 2 categories, namely tangible and intangible resources.

1. Tangible Resources

Tangible resources are essential elements for reforming tax administration that include annual budgetary allocations, managers and members of staff, information technology systems and infrastructure, which include structures, stationery or office equipment, vehicles, communication systems, records storage, etc. How informants recognize the importance of tangible resources in carrying out tax administration functions is explained in the opinion of an informant, who said:

Tax officers cannot do without any tangible resources. For instance, if you do not have logistics, you would not have the time to go through all the localities. In addition, the recently launched automated system has helped tax administration towards moving from manual operations to digital operations. A system that allows taxpayer to submit his account from the comfort of his home without coming to the office. He can assess his file from his home and collect his tax clearance from his home. (Informant 1, *Tax Officer I*)

In a similar view, another Informant said:



FIRS need to cover its jurisdiction, i.e., the entire Nigeria consisting of 36 states and the Federal Capital Territory as well as the 774 Local Government Areas. So, the requirement for effective tax revenue generation should do with logistics. Logistics here means the mobility or vehicles to cover those areas. There is also the need for materials such as computers that will have to be networked to get additional information on income of companies as well as individuals. With computers, we will be able to dictate or view whatever transaction every company has done without necessarily coming to the office. (Informant 11, *Tax Officer I*).

Informant 13 (*Tax Officer I*) further said that, "The necessary resources involve are logistics, vehicles and working tools". Informant 18 (*Tax Officer I*) further emphasized logistics. This is indicated in his views that "in tax functions we need funds, logistics and cooperation of law enforcement agencies".

Another view regarding tangible resources in tax administration was expressed in the interview session with Informant 17 (*Tax Officer I*). He stated that: “We also require infrastructural support like software and computers” and Informant 20 believed that “there must be technology, i.e. Information Communication Technology (ICT), infrastructure and mobility”. Consequently, Informant 3 mentioned “hard copies of tax laws, good working environment, computers as well as very good internet connection”.

According to Informants 7, 8 and 9, other tangible resources required are “good channels of communication”, “employees that will make use of the technology gadgets” and “office stationery such as files, pens and photocopiers”, respectively.

On the availability of the mentioned resources in FIRS, Informant 15 (*Tax Officer I*) revealed that: “FIRS have all the necessary resources including computers and mobile phones to call clients when the need arises to clarify the issues. That help us to generate much revenue, in fact we always supersede our target by almost 50%”.

Another informant insisted that “the success behind FIRS today is the fact that our employees are well equipped and diligent. There is availability of infrastructural support and office equipment like computers and the internet (Informant. 19, *Senior Manager*)”.

Another interviewee supported the above statement and added that:

We have all necessary tangible resources to administer tax. The only challenge is that some of our employees are ill-trained on how to make use of the resources. So, if you have equipment but ill-trained employees, it is like you have not done anything. Therefore, employees must be properly trained whenever new technology is provided. (Informant 6, *Assistant Director*)

To improve the performance of FIRS, Informant 2 said: “Government should increase tangible resources which comprises of money expended for tax revenue generation to enable FIRS to operate at full capacity” (Informant 2, *Tax Officer I*). Another Informant further expressed that:

What is badly needed in FIRS is the training on the use of Information and Communication Technology in the administration of tax. By the time we employ the ICT in the whole system, it is going to help us to monitor the administration of tax, which cannot be manually conducted. (Informant 5, *Assistant Director*)

The available tangible resources in FIRS are inadequate. This is because some employees are using their personal laptops for FIRS functions and some personal cars to perform the tasks assigned to them. The tax laws in place are outdated and some offices are affected by lack of adequate office stationery.

2. Intangible Resources

The intangible resources are non-material that enable tax administration effectiveness and include the experience and skill required to carry out tax functions properly. The intangible resources in tax administration also include the legal authority granted to the tax administration for the implementation of tax laws, the opinions of taxpayers and the public on the integrity, equality, accountability, transparency and the enforcement capability of the tax administration as well as the honesty, commitment and morale of tax administration personnel.

The perception of the study Informants on the intangible resources required for the successful accomplishment of tax administration tasks has to do with adequate training. This was in line with the opinion of Informant 1 (*Tax Officer I*), who said: “FIRS has all needed resources on place; the systems, the portal, etc. What we need now is training to make use of such resources”. In a separate session, Informant 3 (*Tax Officer II*) shared the same view with Informant 1 that “the major intangible resource required in FIRS is technical training from time to time by giving someone a topic to present”.

Additionally, Informant 11 contributed that:

We need requisite training from senior colleagues with experience, knowledge and skills to be able to persuade stubborn taxpayers. Also, additional intangible resource required is staff welfare. If members of staff are motivated, they will be able to carry out the mandate of revenue collection without compromising the standard.
(Informant 11, *Tax Officer I*)

In support of the above statement Informant 2 (*Tax Officer I*) expressed his opinion that: “The intangible resources required for the successful implementation of tax administration operations are the skilled and motivated employees” (Informant 2, *Tax Officer I*).

The opinion of Informant 13 (*Tax Officer I*) is that: “the required resource for a successful implementation of tax administration exercise has to do with skills and experience”. Informant 9 (*Manager*) further added that the intangible resources required for now had to do with human capital, which involved experience. Informant 18 added that: “professionalism in carrying-out our obligations is the intangible resources required”.
(Informant, 18, *Tax Officer I*).

In summary, the interview data collected show that FIRS have all the necessary tangible resources it requires in performing its mandates but some employees lack the requisite training, experience, professionalism and skills to operate such resources. Other employees lack the moral commitment, integrity, honesty and legal right as tax administrators in implementing tax laws. Intangible resources require experience gathered from previous years working in tax administration (i.e. history), as discussed in the next section.

5.5.1.3 Tax Administration History

The history of tax administration has a great impact on its present performance. Figure 5.5 demonstrates two most important history components that have an impact on tax revenue generation in FIRS Nigeria, i.e., achievements and challenges.

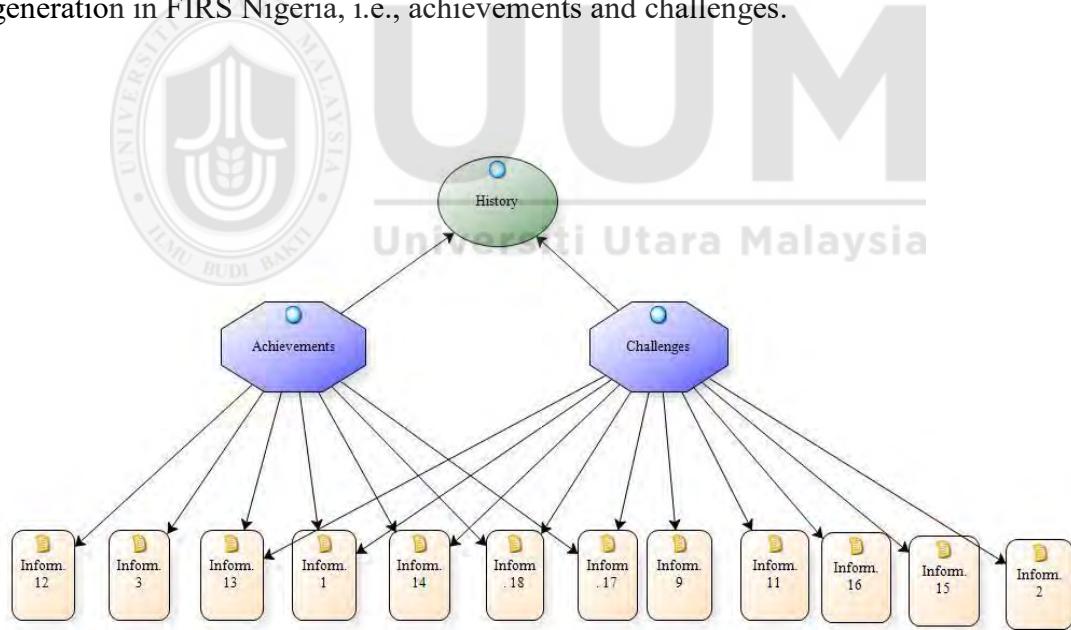


Figure 5.5
History as a Tax Administration Input

Figure 5.5 stipulates 12 Informant responses (comprises of 2 *Managers*, and 8 *Tax officers*) that response to a question on how history impacted on current and future tax revenue. The results obtained show that adequate knowledge on previous FIRS achievements and

challenges are paramount for future revenue generation. The details of how each category of history impacts on tax administration success and failure are discussed next.

1. Achievements

The purpose of tax administration is to assess, collect and account for tax on behalf of government. Improvement and enhancement in tax administration capacity is always needed. It is imperative to look at how previous decisions work in order to be able to restructure the policies towards greater achievements. An interviewee (Informant 18, *Tax Officer I*) backed the above statement by saying that: “History matters a lot. Even our revenue target settings are based on the previous ones”. Also, Informant 14 says: “Yes, the past history and present history are required before you build on the future” (Informant 14, *Tax Officer I*). An example of how previous achievement impacted on current and future performance is highlighted in a session with Informant 3.

In 2015, we recorded about 3 trillion Naira. Therefore, our target in 2016 is 4.957 trillion Naira. This ensures increases by at least 25% of what was generated in 2015. As an insider I can tell you from January 2016 to September of the same year, we recorded over what was generated last year. (Informant 3, *Tax Officer II*)

The opinion of female informants from the managerial cadre shows that history from both tax administration and taxpayers is required for successful tax administration:

Yes, it is because companies exist as going concern entities. There are companies that have existed for more than 100 years. So, if you do not have the history of such companies’ operations, how would you ascertain the truth position? So, you need previous knowledge to be able to get the required tax details. (Informant 12, *Senior Manager*)

In addition to the above statement, another informant gave further explanation:

Yes, previous knowledge allows us to know where we were, where we are now, and what we need to do to get to where we want to go. For example, every tax administrator in the world wants to see 100% compliance in tax payment thus, we should refer back to previous compliance record to allow us to set a new current and future compliance target. History matters in this situation (Informant 1, *Tax Officer I*)

Interestingly, Informant 13 (*Tax officer I*) with the academic qualification of BA History was of the view that: “It has, because before you start anything, you have to look at what has been done overtime, for example the revenue generated last year can serve as a yardstick of measuring this year’s performance in term of tax collections” (Informant 13, *Tax Officer I*). Informant 17 (*Tax Officer I*) supported the above view that: “... to me, history is very important in tax administration, it makes you know what has been achieved and how it was done”.

In practice, available documents that can educate tax administrators on previous years achievements on the revenue generated (for example, the rate of compliance) are inadequate, even though FIRS employees expressed that previous tax administration achievements are very fundamental. They predict the tax administration ability to perform better than what it was. However, it is not only those previous achievements that matter, but also the challenges that confront the system of tax administration.

2. Challenges

Tax administration might have encountered a certain number of challenges in the past. These might include challenges such as increase in taxpayers without a corresponding increase in tax offices, macroeconomic shocks and strikes, sudden changes in management, corruption cases, and tax evasion. The analysis of such challenges and the tax

administration's response to the cases might have different shapes. Some of them have worked out, while others might have not. To avoid the reoccurrence of mistakes, tax administration must make known such challenges and management must respond to them. Informant 9 (*Manager*) narrated the importance of history, especially when it comes to the previous challenges encountered in serving taxpayers: "History helps us to identify causes of tax revenue weaknesses for corrective measures to be taken".

Another informant's expression to the same issue is that: "Yes, history matters most, because if you do not know the history of previous challenges, you will not be able to accurately predict the future" (Informant 16, *Tax Officer I*).

Another informant stated that:

History is very vital especially now that we are using self-assessment system, which gives taxpayers the opportunity to assess themselves, bring the assessment to the tax authority, and where there are no defaults, the assessment is being welcomed by the tax authority. But where there are defaults, the tax authority will reassess the taxpayers, with this, it has great impact on revenue generation. (Informant 14, *Tax Officer I*)

Another informant also said:

Yes, you need to look at the past. What previously hinders tax collection process? Having knowledge of challenges will help you to proffer solutions to improve the quantum of revenue collection. If you want to improve on the collection month-by-month or year-by-year, you must look at the challenges. (Informant 1, *Tax Officer I*)

In the same point of view, one informant commented that: "Yes, we look at what hinders us from growing last year or from last month to the other. History is therefore necessary for every tax administration to improve its revenue base" (Informant 11, *Tax Officer I*).

In recognizing the importance of history, one of the Informants interviewed stated that:

The FIRS has a department called Planning, Research and Statistics (PRS). They gather all our challenges to help us to know where we are heading. The management has equally emphasized on the department to record employees' successes and failures. (Informant 15, *Tax Officer I*)

On the same issue, another informant pointed out that: "Here in FIRS, we ensure a routine check on our history especially the challenges. It has always been communicated to affected employees" (Informant 17, *Tax Officer I*).

When the Informants of the study were asked to express some of the previous challenges that affected FIRS, one informant narrated that: "The major challenge FIRS had was the inadequate knowledge of tax administrators to cover informal business settings" (Informant 13, *Tax Officer I*).

In a well coherent way, one informant stated that: "previous challenges so far have been identified and studying these challenges had enabled the government to create new policies that paved way to a better tax administration" (Informant 2, *Tax Officer I*).

Additionally, Informant 18 mentioned some of the previous challenges were an ill-motivated workforce and revenue leakages as well as lack of qualified tax collectors (Informant 18, *Tax Officer I*).

Having obtained evidence on the importance of previous FIRS achievements and challenges, the Informants were further asked on the availability of a database for knowledge management in FIRS. In responding to the questions, all of them pointed that

there was availability of a knowledge management database in FIRS. Informant 14 (*Tax Officer I*) was quoted saying that: “Yes, we have database like employee web portal, Virtual Library, FIRS website, etc.”.

Another informant expressed that:

FIRS have a strong database where all information of previous activities is stored. If you want to know which tax the government receives most in a year, you should visit our database repository. More so, you use the database to communicate with other organizations from home. The management also uses the database to communicate with staff whenever the need arises. In addition, in every unit there is an IT staff that is, a staff in charge of updating the database with the activities done by each employee in a day. (Informant 15, *Tax Officer I*)

In another development, Informants 11 and 16 commented that:

Yes, there is database for knowledge management. In addition to the database there are circulars that come up on a daily or monthly basis to offer clarification on certain principles or where the understanding of individuals falls short of what the law is saying. These circulars, laws and policies are being updated into the database of FIRS and staffs have access to it daily. (Informant 11, *Tax Officer I*)

Yes, there is. We have a website. Public circulars are always updated and you can ask questions on tax administration twenty-four hours every day (24/7). We have Resource Centre on the website where you can read circulars. We have toll-free lines or you can walk into any of our offices nationwide to ask questions. (Informant 16, *Tax Officer I*)

In practice, the researcher reviewed back monthly FIRS bulletins of at least 5 months to look at available information on the FIRS website. However, it did not spell out its previous challenges or achievements and lacked regular and routine updates and available

information on it was scanty to educate tax administrators on the previous success and challenges.

In summary, history is important to every tax administration but in FIRS information channels, such as database, files, pictures, videos and website was poor on the difficulties and achievements faced by FIRS which is paramount in educating tax administrators on how to perform their functions effectively. However, it must be understood that tax administration resources are used to manage taxpayers in the most efficient and effective manner. The result of the data collected further shows the need for taxpayers to be provided with basic inputs, as discussed in the next section.

5.5.2 Taxpayers' Inputs

Taxpayer inputs are elements that guide taxpayer decisions. There are three main categories of taxpayer input, namely Environment (EN), Resources (RS) and History (HS). The study further proposes that the Government should provide such categories of input to taxpayers in order to enhance their compliance. To explore the required inputs from the taxpayer perspective, questionnaires were distributed. Table 5.3 provides a statistical summary of the taxpayer inputs required for tax revenue generation.

Table 5.3

Statistics Summary of Required Taxpayers' Inputs

Statement on Taxpayers' Inputs	Items No.	Responses frequency					Mean (S.D)	Rank
		1(SD) Strongly Dis-	2(D) Dis-	3(U) Unde-	4(A) Agree	5(SA) Strongly agree		
		Disagree	agree	cided	Agree	strongly agree		
Activities of regulatory bodies influence my tax payment decision	EN3	4 1.1%	9 2.5%	18 4.9%	185 50.4%	151 41.1%	4.28 (0.76)	1
Safe environment will facilitate my business income	EN1	7 1.9%	19 5.2%	17 4.6%	149 40.6%	175 47.7%	4.27 (0.91)	2
Conducive environment will facilitate my tax payment	EN2	7 1.9%	21 5.7%	22 6%	153 41.7%	164 44.7%	4.22 (0.93)	3
Individuals with no source of income have every reason not to pay tax	RS2	7 1.9%	19 5.2%	17 4.6%	149 40.6%	175 47.7%	4.27 (0.91)	1
Tax knowledge provided by the government has impact on my tax payment	RS1	3 0.8%	12 3.3%	26 7.1%	182 49.6%	144 39.2%	4.23 (0.79)	2
Where government protects businesses, my level of tax compliance will increase	RS3	7 1.9%	19 5.2%	15 4.1%	173 47.1%	153 41.7%	4.22 (0.89)	3
Tax knowledge on previous tax revenue generated by the government influence my current tax payment decision	HS3	7 1.9%	21 5.7%	22 6%	153 41.7%	164 44.7%	4.22 (0.93)	1
Knowledge on previous infrastructures provided by the government has impacted on my tax payment decision	HS1	7 1.9%	21 5.7%	22 6%	153 41.7%	164 44.7%	4.02 (0.93)	2
Adequate knowledge on how government utilized previous tax revenue generated has impact on subsequent tax payment	HS2	21 5.7%	29 7.9%	15 4.1%	159 43.3%	143 39%	4.02 (1.13)	3

Table 5.3 arranged statements on taxpayers' inputs in accordance to their ranks. The table shows the respondents' opinions with regards to various statements used in evaluating taxpayers required inputs for revenue generation. Three items in each of the variables were used in measuring the extent to which environment, resource and history influence tax payment. The result obtained shows that 185 (50.4%), representing the majority, opted to agree with items EN3, which ranked 1 among environmental inputs statements with a measure of dispersion across the respondents of 0.76 and a mean value of 4.28. Furthermore, 175 (47.7%) strongly agreed with regard to the EN (Environment) 1 statement. The responses further show a standard deviation of 0.91 and a mean value of 4.27 while the statement was ranked 2 among environmental inputs. Lastly, the second statement with EN2 responses shows that majority or 164 (44.7%) 'strongly agree' with the statement. It ranked 3rd among environmental input statements with a standard deviation across the responses and a mean value of 0.93 and 4.22, respectively.

Similarly, to measure RS (Resources) required by taxpayers for revenue generation, three statements were asked. Responses on the RS2 statement, which was ranked 1 among the resources statements, show that majority totaling 175 (47.7%) opting for 'strongly agree' with a standard deviation and a mean value of 0.91 and 4.27, respectively. Secondly, the first statement (RS1) was ranked 2 among the resources statements. It reveals that 182 (49.6%) opted for 'agree' with a calculated standard deviation of 0.79 and a mean value of 4.23. Lastly, answers from the RS3 statement reveal that majority totaling 173 (47.1%) 'agree' with the statement with a mean and a standard deviation value of 4.22 and 0.89, respectively. The statement ranks 3 among the resources statements.

Furthermore, a statement with item number HS3 shows that 164 (44.7%) ‘strongly agree’ with the statement with the measure of dispersion across the respondents at 0.93 and a mean value of 4.22. Secondly, HS1 recorded that 164 (44.7%) ‘agree’ with the HS1 statement. The responses record a standard deviation of 0.93 and a mean value of 4.02. Finally, the second statement with item number HS2 responses reveals that 159 (43.3%) ‘agree’ with the statement. The standard deviation across the responses and the mean value of the statement stand at 1.13 and 4.02, respectively. The statements HS3, HS1 and HS2 were ranked according to their mean value as 1, 2 and 3, respectively.

In summary, the table 5.3 revealed that the statement EN3, RS2 and HS3 are ranked 1 across their groups. EN3 states that “Activities of regulatory bodies influence my tax payment decision”. Statement RS2 states that “Individual with no source of income have every reason not to pay tax”. Finally, HS3 states that “Where government protects businesses, my level of tax compliance will increase”.

Furthermore, across all the 9 items in Table 5.3, the top three, i.e., 1, 2 and 3, EN3 ranked 1 with a mean value of 4.28, EN1 and RS2, are ranked 2 with the mean value of 4.27. Finally, RS1 which states that “Tax knowledge provided by the government has impact on my tax payment” ranks 3 among the 9 items in Table 5.3. When the required tax administration and taxpayer inputs are put in place, the next issue of concern is how tax officers can transform the available inputs into output. This has been discussed extensively in the second segment of performance-Governance Model of Tax Administration, which is the transformation process.

5.6 Transformation Process

The result of the interview conducted shows that the transformation process of tax administration requires analysis of the compatibility between four main components, namely the task, employees as well as formal and informal organizational set up, as presented in Figure 5.6.



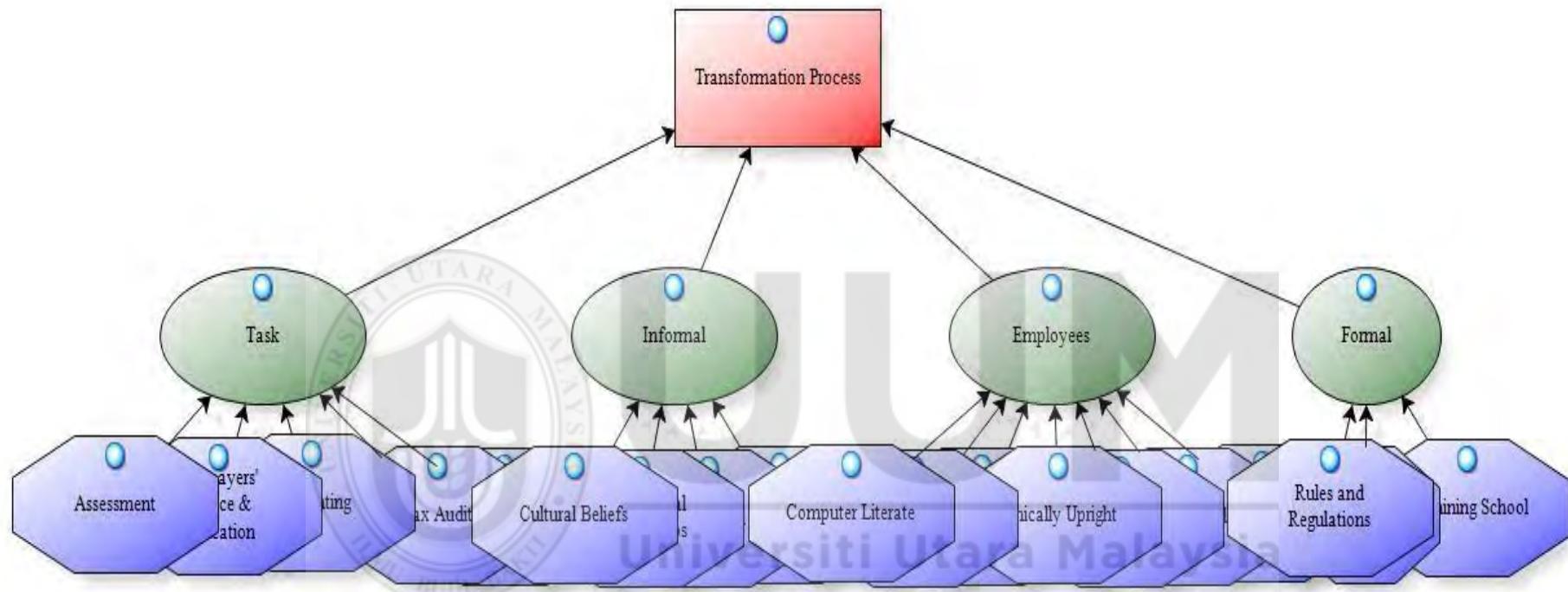


Figure 5.6
Main components and Sub-Components of Transformation Process

Figure 5.6 depicts the components involved in the tax administration transformation process, which stand to be the main-component. These components are task, employees and formal and informal setting serving as sub-components in the figure. As discussed earlier in section 5.2.1, tax administration inputs are required to enable tax administration to carry its functions in the most efficient and effective manner. These functions are known as tasks, which form part of the transformation process discussed in the next section.

5.6.1 Tax Administration Tasks

As discussed in Section 2.4.4, the functions carried out by tax administration include the technical tasks and the organizational management tasks. Figure 5.7 shows that FIRS was established by the Constitution of the Federal Republic of Nigeria in 1999 to assess, collect and account for taxes on behalf of the government.

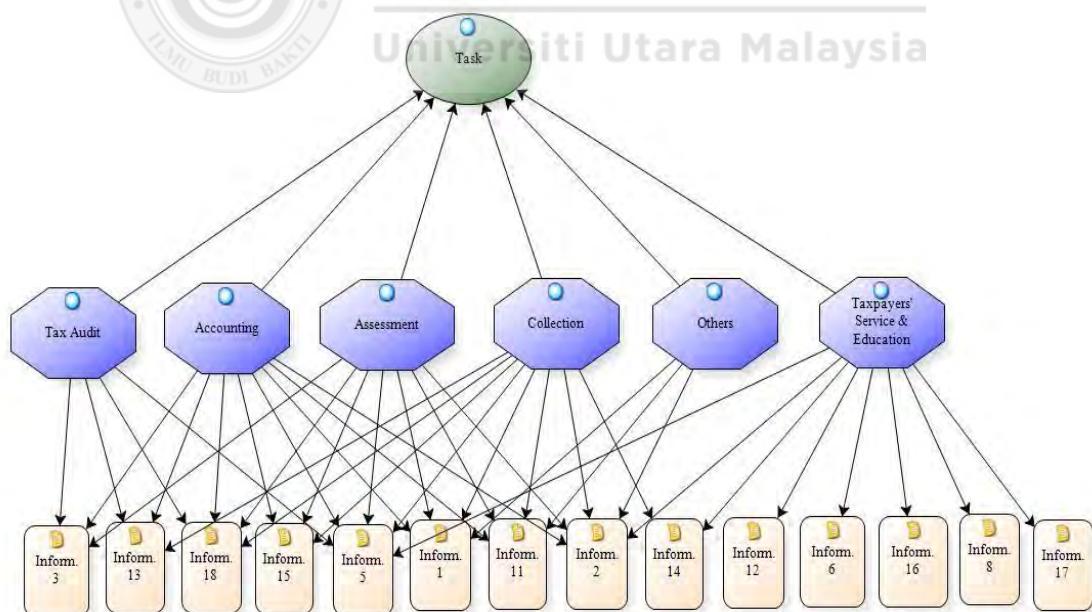


Figure 5.7
Tasks Component of Transformation Process

Figure 5.7 shows the responses of 14 informants (comprises of 3 *Assistant Directors*, 1 *Managers*, and 10 *Tax officers*) that answered question on how FIRS engages in carrying out so many functions among which include tax assessment, collection and accounting as the major functions of FIRS, it's also involved in tax audit, providing taxpayer services and education. Detailed explanations for each of the mentioned tasks are provided in the subsequent paragraphs.

1. Assessment

Tax assessment from the context of this study means a process through which the tax authority computes a taxpayer's liability. The system of self-assessment has replaced the old system where tax authorities assess taxpayers and come up with the amount due. How informants identify tax assessment among the functions of tax administration is captured from the experiences 1, 11, 15 and 18 (*Tax Officers I*). They pointed out that the basic function of tax administration is the assessment for all the revenues accruable to the government, i.e., the assessment of what is required by taxpayers to pay tax to the government. Informants 2 and 3 (*Tax Officers I & II respectively*) supported the statement and added that tax administration could not be separated from tax assessment.

In another interview, Informant 14 (*Tax Officer I*) said that:

We are in a self-assessment regime now where we trust taxpayers and give them the opportunity to assess themselves, bring the assessment to the tax authority and where there are no defaults, the tax authority is welcoming the assessment. Where there are defaults, the tax authority will re-assess the taxpayers. (Informant 14, *Tax Officer I*)

The above statement shows that the assessment function of tax administration has to do with confirming whether taxpayers do the right things by preparing their records and providing statement of accounts. In practice, due to the high level of illiterates in Nigeria, precisely 59.6% of people above the age of 15 years cannot read and write a short simple statement on their everyday life (NBS, 2017). The system of self-assessment has not been effective, thereby making the assessment of tax liability the major function of tax administrators. However, as soon as the assessment is accurately done the issue of collection arises, as discussed further.

2. Collection

Tax collection is a process by which tax authorities follow legal procedures to ensure tax liability has been collected on government's behalf. How informants identify collection as a function of tax administration is detailed from interactions with informants 1, 11, 13, 15 and 18 (*Tax Officers I*) and informant 5 (*Assistant Director*). They revealed that the mandate of every tax administration included the collection of what has been assessed and understood to be the liability of a taxpayer. Informant 2 (*Tax Officer I*) said that, "Tax administrators are responsible for tax collection". In a more comprehensive manner, another informant further added that "the basic function of the tax administration is the collection of various types of taxes, namely VAT, CIT, Capital Gains, PIT, among others" (Informant 14, *Tax Officer I*).

In practice, the collection function of FIRS needs serious improvement. This is because available documents unveiled to the researcher showed that FIRS generated less than the targeted revenue from 2012 to 2016. For example, in 2016 ₦4.957 trillion was targeted but FIRS generated only ₦3.303 trillion (FIRS, 2017). FIRS do not directly collect taxes; taxpayers are asked to pay directly into banks and bring payment slips to FIRS for record purposes. FIRS ensure that taxpayers have made the payment and submitted evidence of the transaction at the right time. Furthermore, as soon as the assessment and collection are done, the next point of concern is to begin accounting, i.e. remitting what has been collected to government.

3. Accounting/Remitting

As soon as tax assessment and collections are successful, tax administration performs the function of ensuring what has been collected has been remitted to the government account. Accounting/remitting in tax administration has to do with the time covered for any particular tax return to be remitted to government. This period covers usually one month in Nigeria. Document evidence shows that FIRS extends it to the 28th of the next month to allow registered personnel to adjust their accounts.

How informants classify accounting as a function of tax administration is captured from Informant 13's (*Tax Officer I*) experience. He stated that: "The obligation of every tax administration is to assess, collect and account for all revenues accruable to the government". Informant 2 (*Tax Officer I*) stressed further that the "Tax employees should account for all amount collected as prescribed by enabling laws at the right time". This

view was mentioned in Informant 3, 5, 15 and 18 sessions that tax administrators should remit what was collected on behalf of the government at the prescribed time.

Additionally, the remittance function of tax administration was captured in informants' statements that:

The function of tax administration begins with the taxpayers themselves. They make the assessment after which we go through it, calculate and see the accuracy. If the accounts are not properly prepared, we call their attention or we re-assess them, collect and finally remit what has been collected to federation account. (Informant 1, *Tax Officer I*)

Section 24 (4) of the constitution of the Federal Republic of Nigeria states clearly that part of the duties of the citizens is to pay their taxes. For them to pay their taxes, there must be an administrator. So, the mandate of the revenue agency is to collect tax on behalf of the government and remit the tax on monthly or annual basis. (Informant 11, *Tax Officer I*)

In practice, the current accounting system of FIRS is effective because at the end of the month, there are three bodies that participate in the accounting process: (1) banks come in to submit a statement of accounts of what has been received from taxpayers; (2) remitters (a private organization involved in issuing the “Remita Retrieval Reference [RRR]” on behalf of the government) have to submit the total number of RRR issued to taxpayers and the total amount expected; (3) FIRS submits the total number of payment slips indicating the amount paid by the taxpayers. These three records must agree with one another. On the event of inconsistency, reconciliation are done until each record agrees with the other before FIRS finally remit total amount generated into federation account and publish the total amount remits to the federation account in the Nigerian dailies. However, apart from

the basic functions of FIRS, i.e. assessing, collecting and accounting, there are other functions it carries, which include tax auditing, as discussed in the next section.

4. Tax Audit

The degrees to which taxpayers are subjected to auditing strongly determine the extent of their compliance. Therefore, tax administration should greatly consider audit functions as a serious issue of concern that enhances taxpayer compliance. The effectiveness of tax administration is determined by the ability of tax administrators to carry out the tax functions of registration as well as detect delinquent taxpayers and non-filers, while efficiency is determined by auditing intelligence and investigation to detect under-reporting and tax evasion.

How informants mentioned auditing as a function of tax administration is found clearly from the study's informants: "In FIRS there is a department in charge of auditing tax administration functions" (Informant 13, *Tax Officer I*). Another Informant stated that "we have a department called auditing that oversees audit planning and evaluations" (Informant 3, *Tax Officer II*). The auditing department of FIRS is equally involved in the examination of returns and books of accounts (Informant 18, *Tax Officer I*). Finally, a well experienced FIRS personal said the "functions of auditing department of FIRS include making inquiries from third party, collection of oral evidence and documents, assessment of further tax liabilities, interest and penalties" (informant 5, *Assistant Director*).

In practice, the tax audit department of FIRS is affected by lack of adequate manpower and some employees lack training, experience and skills to carry out tax audit functions. Some are yet to possess the professional certificate, which is a pre-requisite requirement in Nigeria for auditing, tax and accounting practices.

Despite the lack of adequate personnel, the department is able to contribute immensely to FIRS data record because available documents show that it did come up with a number of non-filers, delinquent taxpayers, tax evaders every quarter of the year (for example in 2015, 87% of the registered individuals in personal income tax did not file returns; with respect to VAT, it is 88% of non-compliance and the situation in corporate tax shows that 65% of those companies in the tax net did not file returns or pay taxes).

Furthermore, Informant 5 (*Assistant Director*) said “the function of audit department of FIRS is affected by lack of adequate employees and lack of business record maintenance from majority Nigerian business men and women”. However, lack of business record among taxpayers can be solved by another function of tax administration called taxpayer service and education, as discussed in the next section.

5. Taxpayers’ Service and Education

Excellent taxpayer service and education play a significant role in encouraging taxpayers to voluntarily comply with the tax laws. To achieve the highest compliance, tax administration should offer taxpayers impartial and consistent prompts and courteous service, too. Taxpayer service and education are effective when they involve programs like developing instructions and clear forms, provide taxpayers care centers, so that people can

reach tax administration everywhere at their convenient time to ask questions related to tax obligation and provide free tax education service to future and existing taxpayers.

The main goal of taxpayer service and education is to ensure that the public are informed about their responsibilities and duties under tax laws in the easiest way to be understood by everybody, including the less educated. Therefore, good tax administration should provide different types of education campaigns for different groups of taxpayers to publicize information on regulations, rulings, notifications and other decisions. Tax education will minimize the misinterpretation of tax laws and promote a high level of voluntarily compliance.

How informants register taxpayers' service and education as a function of tax administration was voiced by Informant 14 (*Tax Officer I*). The informant stated that "enlightenment to the general public on the need to pay taxes form part of tax administration responsibilities".

In a more comprehensive manner, a senior manager (Informant 14, *Tax Officer I*) with FIRS said that:

Tax administrators' function should include enlightenment as well. Enlightenment refers to making the taxpayers informed about taxes and their types as well as the implications of refusing to pay taxes and the modalities involved. After the enlightenment, the taxpayer will be captured into the tax net, and then enforcement follows where there is default. Along this, there must be persistence to make the taxpayers' pay their taxes when due. (Informant 14, *Tax officer I*)

I will call it a head-to-tail situation. The head will be the collection and the tail will be the issue of remittance. I do not know of a country in the world that has not been faced with the issue of tax evasion. So, the issue of enforcing compliance has become a very serious challenge. Compliance can happen logically if there is awareness and the money generated should be judiciously used. This boosts the morale of taxpayers. (Informant 17, *Tax Officer I*)

In a similar manner, another informant stated that: “The basic function of the tax administration is to inform taxpayers what is expected of them, to tell them when to file, where to file, how to file and to tell them what penalties are involved for evasion” (Informant 16, *Tax Officer I*).

On the issue of taxpayer education, the researcher raised a motion that there were inadequate programs for it in Nigeria. One interviewee stated that:

In most cases taxpayers are informed but decide to be stubborn. Therefore, tax administration has no option rather than to ask judiciary to take legal action. This is because by virtue of 1999 constitution of the Federal Republic of Nigeria, FIRS cannot take legal action against taxpayers. (Informant 20, *Manager*)

In practice, the researcher observed that taxpayer education programs in Nigeria as mentioned by Informant 20 (Manager) include passing information on billboards and fliers. However, these cannot be the best way of educating taxpayers, considering the high level of illiteracy (59.6%) in Nigeria. Other general functions of tax administration as found in the study interview are summarized and discussed in the next section.

6. Other Functions

There are numerous functions of tax administration among which include encouraging compliance and applying sanctions, as prescribed by law against offenders, which serve as a major function. Other functions of tax administration found in the Informants' views include: budget implementation, annual evaluations of employees' performance, the registration of taxpayers and processing complaints of tax evasion (Informant 2, *Tax Officer I*). The other functions also include the allocation of the Tax Identification Number, facilitating voluntary compliance and the recovery of tax arrears (Informant 5, *Assistant Director*). FIRS staffs are also involved in detecting unregistered taxpayers and non-filers and provide training to newly employed employees within every department (Informant 6, *Assistant Director*).

Similarly, another issue raised by the researcher is the modalities guiding the allocation of the above tasks to employees. Evidence obtained shows that work was allocated to departments and employees according to areas of specialization. This statement has been observed in Informant 16 (*Tax Officer I*) session that "works are allocated based on the structure of FIRS, there is the executive chairman at the top and tax officer II at the bottom) and each employee must have one department to work with".

In a detailed expressive manner, another informant stated that:

For FIRS we have taxpayers who are segregated into segment for easy administration of tax. There are those we call the large taxpayers who have the turnover of one billion and above. These taxpayers are being segregated into a segment or component and are being handled by Large Tax Office. We also have the Medium Tax Office, which handles cases that ranges from 200 million Naira to 999 million. We have about nine medium tax offices in

the service as well as nine large tax offices. We also have the small and medium tax office that handles cases that are within zero to 199 million. We have about 97 of them in the service. Each of the offices collects the company income tax, education tax, value added tax and capital gain tax. The large tax offices mostly deal with the oil and gas and petroleum, and those who handle the non-oil. In Lagos, we have non-oil and oil while in places like Kano and Abuja we only have the non-oil. (Informant 11, *Tax Officer I*)

In a similar statement, another informant said:

Works are allocated according to department and departments are categorized based on the nature of taxpayers' activities. For example, there are companies with turnover of 1 million Naira to 200 million and some from 200 million to 1 billion naira. As a result, different departments are designated to handle their tax services. (Informant 15, *Tax Officer I*)

Informant 14 (*Tax Officer I*) described how employees were being posted to different departments that assigned portfolio to them. "Employees are being posted to various departments in accordance to area of specialization. If you are good at administration, you will be posted to admin department. Everybody is given functions based on their specialization". Another informant viewed the available departments in FIRS as: It is divided according to departments. We have Front Desk Officer also call Taxpayers Service (TPS), Returns Processing Unit, Filing Debt Arrears Enforcement, Central Registry and Admin and Finance (Informant 18, *Tax Officer I*).

In a different opinion, Informant 1 (*Tax Officer I*) said: "functions are allocated according to various groups among which are Compliance Support Group (CSG), Domestic Tax Group (DTG), Modernization Support Group (MSG), Enforcement Support Group (ESG) and Support Services Group (SSG)".

To understand how tax administration functions are exactly allocated to employees, the most senior *Assistant Director* (Informant 8) stated that:

The first division of works is accordance to various departments. Furthermore, we divide departmental members into groups to ensure all the functions required are being catered for. We additionally have core- tax mandate officers like tax officers and assistant managers. So, tax is being attributed to their portfolio. They are core-tax men. They handle the issue of assessment, they handle the issue of collection, they also handle the issue of accounting what revenue they have collected. We also have employees who provide the needed service required for these taxmen to operate. We have the security and safety. They update us on current security challenge going on in the country. If there is hold- up in Abuja, they update us to ease our work. We have those on account and finance, payment of salaries, allowances etc. We have the corporate communications department, which is responsible for all internal and external communication. We have the ICT, which handles technology aspect. This is how employees within the service are structured. (Informant 8, *Assistant Director*)

Having established evidence that FIRS assigned work to every employee and expected them to accomplish the task within a stipulated time, the researcher further asked about the challenges that affected an employee from accomplishing the assigned schedules. Tax officers mentioned various factors that impeded them from achieving targets as lack of adequate training and tax knowledge and the time assigned to tasks, multi-tasking, lack of motivation, internet failure and frequent changes in management policies.

Specifically, Informant 11 said:

Hindrance to the non-achievement of task objectives is that, I came to FIRS with an existing knowledge but government as well as the management keeps changing policies. So, there is need for training and retraining on current economic challenges, which is seriously lacking. Another issue is looking at the current economic recession in the country. I find tax collection very difficult because the collection is based on the quantum of economic activity. The

economic activity in the country is down. That is also affecting my total collection. (Informant 11, *Tax Officer I*)

Another informant disclosed that:

Well, FIRS as an organization has provided working tools to the employees. The only factor that hinders my result has to do with poor Internet connection. Apart from that, everything has been produced for successful goals achievements. (Informant 13, *Tax Officer I*)

Similarly, another informant responded that:

The possible causes that hindered my performance are limited time allocated for a task to be performed. Additionally, there is change in management policies. Another problem is what I call 'multi-tasking', where so many responsibilities are being assigned to me and expecting to achieve all within the shortest possible time. (Informant 2, *Tax Officer I*)

In responding to the same issue another informant said: "At times management assign tasks which I am not conversant with and no training given to me to that effect, I call such tasks as unclear schedule and no motivation is given at the end (Informant 14, *Tax Officer I*).

In a contrary statement, Informant 8 (*Assistant Director*) said.

I don't believe management policies can really affects; this is because the national assembly enacts FIRS laws and no any government or management can change the laws, as they like. Multi-tasking is not also an issue because when there is no work, it is another problem. In each unit we provide training on how to manage time effectively. So, the problem with our employees today is that most of them lack the requisite skill and experience to administer tax. (Informant 8, *Assistant Director*)

In support of the above statement, another Informant said: “Some employees have little knowledge of tax. Some are not IT compliant. Some of them lack tax knowledge and some of employees cannot work under stress” (Informant 19, *Senior Manager*). In addition to that, Informant 10 (*Manager*) expressed that:

The environment itself is a factor. When you have a peaceful environment, it will ease your work. The government itself is another factor they do not provide motivation incentives. We need good leadership for a successful performance. Without good human relationship with taxpayers, work cannot be successfully done. There is also the issue of employee relationship. When employees do not have good working relationship within themselves, their work is bound to be affected. (Informant 10, *Manager*)

In summary, the main function of tax administration includes the assessment of tax, collection, remitting and auditing, among others. It was found that the function of tax collection by FIRS is not good enough because the actual revenue generated recently fell below the projected target (FIRS, 2017). Additionally, the function of the accounting/remitting process of FIRS involves three bodies: (i) FIRS, (ii) Banks (iii) Remitters who work together to ensure the transparency, accuracy and reliability of the tax revenue generated.

On the other hand, the system of self-assessment in Nigeria is not effective due to the high level of illiterates in the country. The audit function in FIRS is affected by lack of adequate personnel, some employees in the tax department lack the adequate training and professional certificate to carry out audit functions in the most efficient and effective manner. It was further found that FIRS departments fail to achieve work assigned to them due to the inadequate time given, inadequate manpower in some departments, lack of

motivation and other incentive programs, internet failure and frequent changes in FIRS policies.

However, it is worthy to note that tax administration functions cannot be achieved by just having tax administration as a system without employees. That is considered as the second sub-component of the transformation process discussed in the next section.

5.6.2 Tax Administration Employees

The success of every tax administration lies on employee experience, skills, dedication and qualifications, among others. Figure 5.8 demonstrates seven (7) major attributes of good employee in a tax administration setting.

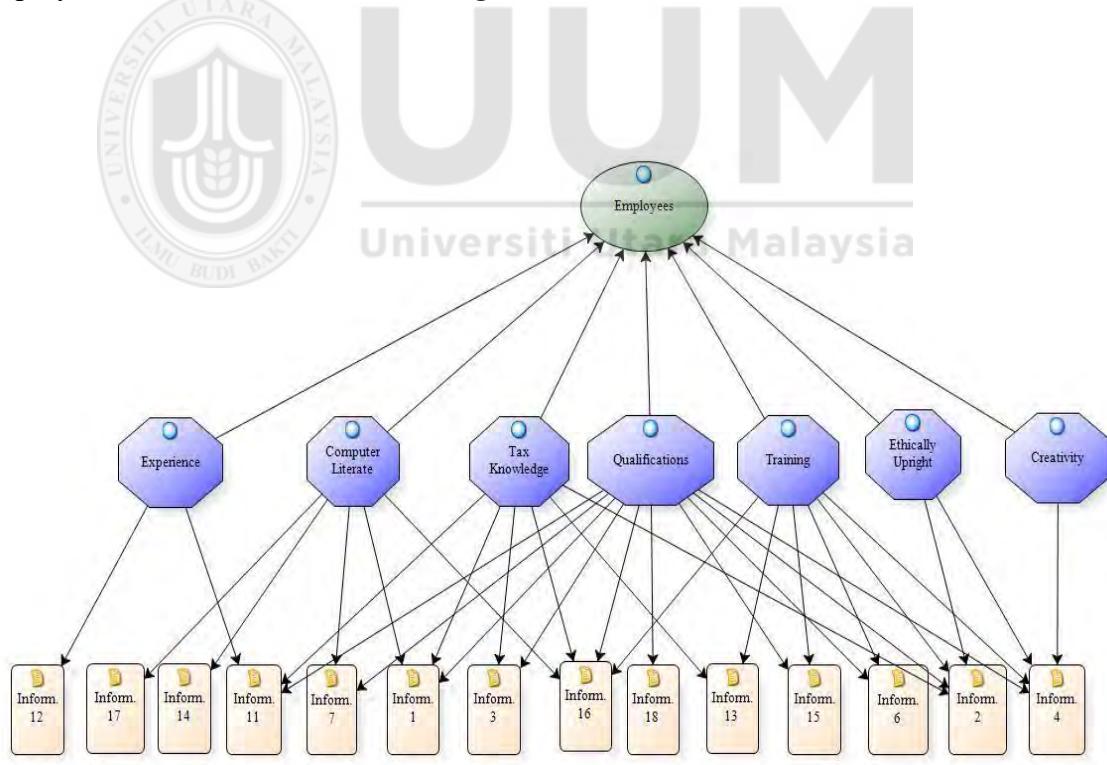


Figure 5.8
Employees Component of a Transformation Process

Figure 5.8 depicts responses of 14 informants (comprises of 3 *Assistant Directors*, 1 *Manager*, and 10 *Tax officers*) that responded to a question on the qualities that assist tax administrators to carry out their mandates effectively and efficiently. The detailed discussion of each of the attributes is highlighted in the subsequent paragraphs.

1. Qualification

Employee qualification is a key factor that determines an employee efficiency and effectiveness (Smith & Ridoutt, 2007) and is seen quite inversely in a diverse society, cultural context and countries. In the context of the present study, qualification is perceived as the recognition of knowledge, skills, loyalty and hard work in performing organizational functions effectively. How informants catalogue qualification as an attribute of good tax administrator is found comprehensibly captured in the experience of Informants 11, 15, 16 and 18 (*Tax Officers I*): “Qualifications form the basis of entry into FIRS and employees must possess a minimum of first degree or higher national diploma. So, qualification matters before joining the service”.

Furthermore, Informant 1 (*Tax Officer I*) added that: “You need to possess a minimum of Bachelor of Science (BSc) degree to be employed as a tax officer. However, there are preferences. We require more of accountancy, economics and any other quantitative related courses”. Informant 2 (*Tax Officer I*) shared the same view and said: “Well, the necessary skills and knowledge needed for a tax administrator is a minimum of BSc. degree in business and accounting related fields”.

In another development, Informant 7 (*Assistant Director*) said.

We should employ the right personnel. Right personnel are those qualified to do the work. You cannot employ a person who read chemistry in a tax organization. The work cannot be done accordingly. It has to be someone with the knowledge, skills and background. (Informant 7, *Assistant Director*)

On the other hand, Informant 3 (*Tax Officer II*) who coincidentally has a BSc degree in political science argued that:

I strongly believed that preference to be given on accounting, business, economics and other quantitative relative courses and at the same time anybody with a university degree in respective of the disciplines can be employed since even those from accounting discipline are being subjected to training. (Informant 3, *Tax Officer II*)

The researcher further asked Informant 3 (*Tax Officer II*) how well he delivered tasks assigned to him. Laughing, "...am doing very well" he said.

In a formal point of view another informant said.

We have what we call 'job training'. Even if you are not from financial related disciplines, you can still be employed and trained, because tax administration is not for those who go out to collect tax. We have programmers who are not from accounting disciplines or backgrounds. We benefit from each other. (Informant 4, *Assistant Director*)

Moreover, evidence from document study of 25 employee files randomly picked from central administration offices showed that 18 (72%) out of the selected employees had BSc. degrees in accounting, business and economics. It was further found that out of the 18, only 4 belonged to professionally recognized accounting bodies. This shows that majority of FIRS employees are yet to have professional accounting certificates. Thus, they lacked professional strategies, credibility and skills to perform tax functions in the most efficient

and effective manner. Along this, one informant argued that a person without a management related certificate or professional qualification can be employed to administer tax function provided he/she could be subjected to the pre-requisite training.

2. Training

Staff training is a central aspect of human resource management and its importance has been emphasized by the need for highly and properly trained employees to deal with tax administration challenges. Training is an educational program aimed to guide employees on the existing and new approaches of achieving organizational aim and objectives, thereby assuring high-quality standards.

Training cannot only be perceived as a mere knowledge transfer as it forms the origin for behavioral transformation and involves international best practices in employee training applicable in modern tax administration. Good training spells out tax administration new approaches, core value, mission and vision, considering the existing practice and regulatory framework.

How informants see the importance of training in tax administration is expressed clearly by Informant 4 (*Assistant Director*), who said “staff training will help us in reducing the challenges and enhanced tax revenue generation in the country”. Informant 2 (*Tax officer I*) further stated that “we are government representatives in tax and need to be updated through training and re-training in the field of tax management”. “Majority of employees obtain training before posted to various departments because of the complexity involved in tax collection” (Informant 6, *Assistant Director*)”.

Another informant said, “FIRS has capacity building; this is training and retraining, attending workshop and symposium” (Informant 13, *Tax Officer I*). The contributions of Informants 15 and 16 (*Tax Officers I*) on the same issue is that:

FIRS, however, makes it mandatory for members of staff to attend workshops and seminars every year. In addition, an opportunity is granted to any employee who wants to further his/her education (Informant 15, *Tax Officer I*) and Training goes a long way in motivating the staff and there should be incentive for it (Informant 16, *Tax Officer I*)

In practice, the document study showed that FIRS new employees are expected to attend training and there should be mandatory workshops and seminars at the end of every quarter but in reality, over the last 3 years FIRS did not consider training seriously. This is because even the newly recruited staffs from 2013 to date were not subjected to training. They learned basic FIRS functions from older employees and supervisors which is inadequate and may create serious problems in the long run. It was further found that FIRS did not have a unit to handle training, workshop and seminars. As a result, a private organization is consulted to do the training, which is very expensive. A successful training should be able to provide tax administrators with adequate tax knowledge.

3. Tax Knowledge

Tax knowledge plays a significant role in determining the compliance behavior of taxpayers. Therefore, to educate the general public on tax issues, tax authorities must possess a certain degree of knowledge on what tax is all about in the first place. This is because tax officers that lack tax knowledge cannot educate taxpayers on the same issue effectively. Along this line, tax administration should ensure effective monitoring and continuous education programs are placed on tax authorities to ensure each has a good

understanding and possesses reasonable knowledge on tax issues. This is because the attitude and awareness of taxpayers depend on the tax education impacted to them, which also depends on the level of their tax knowledge.

How informants register tax knowledge as a characteristic of good tax administrator was established- in the statements of Informants 1, 2, 13 and 16 (*Tax Officers I*) that the skills required had to do with the knowledge of relevant tax laws of the Federal Republic of Nigeria. Informant 3 (*Tax Officer II*) who had BSc. in political science further stated that “to widen the horizon of tax revenue, we must acquire tax knowledge in order to get tax terms, skills and tactical in approaches”.

According to the most senior man among the tax officers I:

You should also belong to any professional examination body, e.g. the Chartered Institute of Taxation, ICAN, ACCA etc. It shows you have the basic knowledge of tax laws in Nigeria. When you have that knowledge, you will be able to administer tax at the Federal, State or Local level. (Informant 16, *Tax Officer I*)

Another informant added that:

They should have inquiry minds because we are operating a self-assessment regime where we trust our taxpayers to do the right things by preparing their records and provide statement of accounts every year. That is the basis. But a tax administrator must have an inquiry mind to ask questions. You must also have the knowledge of the existing tax laws. These are some of the skills required (Informant 11, *Tax Officer I*)

In practice, due to lack of frequent training programs within FIRS over the last 3 years, many employees were not aware of the proper procedures and safety practices of basic tax functions. They lacked confidence and ability to administer tax functions properly because

poor employee performance often resulted when they didn't know exactly what to do and why they should do certain tasks in a certain manner. With training, employees should be able to gain basic tax knowledge, including the use of the advancement of technology. Tax administrations across the globe have shifted from being manual to using electronic systems. Thus, there is the need for employees to be computer literate.

4. Computer Literate

The computer is a fundamental component for modernizing or reforming tax administration. For tax administration to carry its functions effectively and efficiently, it must maintain computer pace. This is because the computer eases tax administration work and increases the capacity to process tax payments. Other advantages of the computer in tax administration include enhancing revenue forecasts and compiling statistics.

Therefore, in order for tax administration to gain the aforementioned advantage of the computer, tax administrators must be computer and IT literate to be able to collect the tax revenue prescribed by law in the most efficient and fairest way possible.

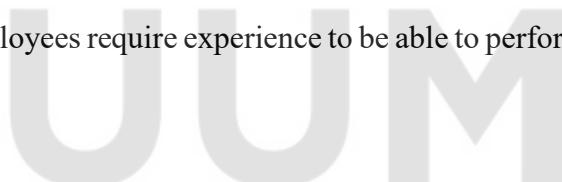
How informants disclosed computer literacy as a quality of good tax administrator was ascertained in the statement of Informant 7 (*Assistant Director*) that “for an employee to carry his functions effectively, he should be computer literate, this is because all information is being store on a database, this helps the management to regulate and monitor tax collection”. Informants 1, 14 and 16 (*Tax Officers I*) further stated that, although there were various skills required in the conduct of the tax administration exercise among which are administrative, accounting, managerial, technical and tax skills, the most important skill was computer compliance.

In support of computer literacy in the FIRS, Informant 17 said that:

For computer and IT compliance, FIRS recently launched software called 'Integrated Tax Administration System'. It tries to automate the manual tax process; therefore, employees' IT compliance is an added advantage. Also, employee must have the knowledge of the basics tax types to use the software effectively. (Informant 17, *Tax Officer I*)

In practice, despite the importance of the computer, there were many FIRS staffs that still believed in the manual way of operation because they lacked basic computer knowledge. Hence, there is the need to include them in training and seminars for better results. In addition, apart from employee qualifications, training, tax knowledge and computer literacy, the level of tax administrator experience plays a significant role in carrying out tax functions. Therefore, employees require experience to be able to perform their functions successfully.

5. Experience



For tax administrators to carry out their tasks in different positions, experience is highly required. Tax authorities' experience is extremely paramount in achieving adequate compliance and tax revenue.

How informants see experience as an element of good tax administrator was captured in the response of Informant 11 (*Tax Officer I*), as quoted: "Experience matters a lot, as you go up you encounter high profile cases that will expose you to certain things, as, the only skill that will help you out is experience". Additionally, Informant 12 (*Senior Manager*) said, "I think the inputs required to generate tax revenue include experience tax officers that will be able to use the law, interpret the law and come up with a particular tax liability

for taxpayers”. Therefore, experience along the way matters a lot in administering tax functions.

In practice, FIRS employees work based on department and areas of specialization, which, according to them enhanced their accuracy and speed. FIRS employees are not subjected to job rotation. As a result, they find it difficult to work with other departments other than in their areas of specialization. Job rotation motivates employees and increases their skills and experiences. In addition to experience, creativity is very important as one of the skills required for tax administrators.

6. Creativity

FIRS is still suffering from the issue of tax evasion. In several instances, taxpayers were found under-reporting profit or over-stating deductions. Therefore, for FIRS to deal with this issue in the most efficient and effective manner, tax officers must be creative, i.e. adopt technical and legal accounting practices and activities that are not conventionally practiced or accepted.

How informants indicate creativity as a valuable feature of good tax administrator was evidenced in an interview session with Informant 4 (*Assistant Director*) that: “There should be creativity from the tax authority. The world is changing, so if you stick to one way of collecting tax, as time goes on things will change. When you create something new, the taxpayers will device a means to avert”. However, of course experience and creativity matter a lot in dealing with tax evaders. When the researcher further raised questions on the available programs at FIRS that aimed to increase employee creativity, Informant 2

(*Tax Officer I*) said that “sometimes employees are given a case study topic which he/she is expected to present to other colleagues”.

In practice, every Monday FIRS holds a meeting and in every first Monday of the week and one employee presents a solution to a case study on first Monday of a month, which is subjected to further deliberation. The essence of this is to increase employee creativity while carrying out their functions. Furthermore, apart from creativity, ensuring taxpayer comfort with the tax administration and the issue of the ethical behavior of employees arises, as discussed in the next section.

7. Ethically Uprights

Being ethically upright comprehends tax authorities and taxpayer integrity, the ability to enforce tax laws excellently, deliver effective taxpayer service and collect tax liabilities depend on the integrity of the person performing the job. Therefore, unethical employees will result not only in the loss of tax revenue and compliance but also that of the integrity of the system. This will affect the level of taxpayers’ trust and subsequently non-compliance.

How informants see employee ethical uprightness as the quality of a good tax administrator was found in Informant 2 (*Tax Officer I*) statement that “the most important factor that derives tax revenue collection is ethical upright of the person in custody of administering the tax”. In a similar development, Informant 4 (*Assistant Director*) mentioned employee self-discipline in quote: “When employees are not self-disciplined, it will affect the aims and objectives of the tax authority that lead to corruption in the system”.

In practice, FIRS law requires tax administrators to treat taxpayers with respect and fairness. A document review showed that in 2013 five FIRS employees were reported to have treated taxpayers with harsh words, pressure and harassment. In 2014 and 2015, there were seven and nine cases respectively of tax administrators found to collect less than what was legally due from taxpayers for their own personal gain instead of encouraging taxpayers to go to the bank and remit to the FIRS account themselves. In the first quarter of 2016, there were three cases of tax administrators found to receive side payment and other benefits from taxpayers, which resulted to discrimination in the application of tax provisions.

Similarly, available documents with the Enforcement Support Group (ESG) show that disciplinary actions of warning, counseling, suspension, demotion and reduction in staff salary were among the steps taken against the staff involved. For FIRS to overcome the issue of the unethical behavior of tax administrators, employees must work in accordance with the provision of the formal requirements governing tax functions. FIRS must also work to ensure tax administrators carry out functions in a professional manner with integrity and honesty as well as abiding by the provision of the public service code of ethics to increase the level of taxpayer confidence to the system, thereby meeting their tax obligations.

5.6.3 Formal Setting of Tax Administration

Tax administration is expected to operate within the boundary of official settings. The interview conducted shows that three major official settings and the practices of tax administration enhance tax collection, as presented in Figure 5.9.

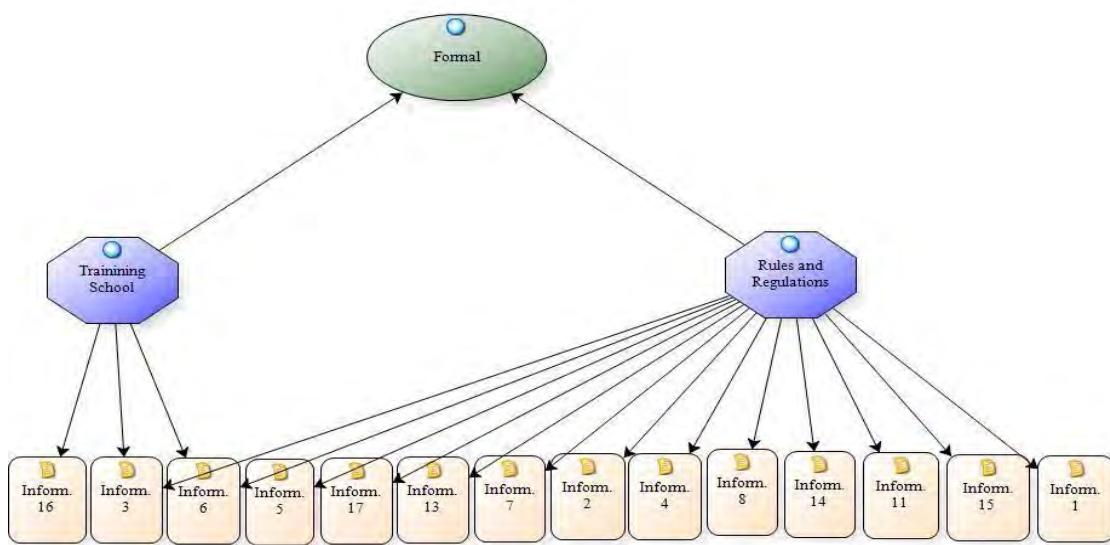


Figure 5.9
Formal Component of a Transformation Process

Figure 5.9 illustrates the responses of 14 informants (comprises of 5 *Assistant Directors*, and 9 *Tax officers*) that responded to a question on the formal setting that guides the successful operation of tax exercises. Evidence from the interviews conducted revealed training school, written rules and regulations and a prescribed code of dressing as sub-components of FIRS formal setting. The detail of each sub-component is presented in the next paragraphs.

1. Training School

Training school is an official designation introduced as an excellence center to facilitate employees, especially newly recruited ones with the skills required, competencies of learning and furnishing them with the practical aspects and experiences in tax administration. The school designs specific programs that employees need to know for successful implementation of tax operation.

How informants see the training school as a sub-component to the formal administrative arrangement was established in the statement of Informant 3 and 16 (*Tax Officers II & I respectively*) and 6 (*Assistant Director*) that good tax administration must have its own training school where newly recruited employees will obtain training and background before laying their hands-on operations.

In practice, when the researcher asked about the availability of a FIRS training school for training staff, both Informants replied that FIRS was using the service of consultants when the need arose which was found to be expensive. Consultants are profit-making organizations that lack the technical experience and skills to train tax administrators in the most efficient and effective manner because training should cover the difficulties previously faced in administering taxes consultants lack such experiences.

Therefore, FIRS need its own training school for training employees. Training tax personnel will bring a lot of benefits to FIRS among which will be enhancing employee productivity, developing employee skills, minimizing the need for supervision, providing opportunity for employees to use new technologies and helping them to meet targets. However, Informants in the training school should be given guidelines containing how they are expected to work officially. Anything official is written and anything written is certain.

2. Rules and Regulations

Rules and regulations are guidelines set by the legislative arms of government or the tax authority to achieve certain aims and objectives. If the laid down rules are not followed, it will affect the tax administration result. But if followed as instructed, then performance will be enhanced. How informants perceive standard rules and regulations as second sub-

components to the formal setting was vindicated in the statements of Informants 1, 13 and 15 (*Tax Officers I*) as well as Informant 8 (*Assistant Director*) that there must be policies and guides that govern the administration of tax. These policies and procedures are clearly stated in the FIRS Establishment Act. For instance, Informant 11 (*Tax Officer I*) said “the establishment act requires employees to open work by 8:00am and close by 5:00pm where daily targets have been achieved which also include management meeting every week”.

In another perception, Informants 2 and 3 (*Tax Officers I & II respectively*) as well as 5 and 6 (*Assistant Directors*) said that “written rules and regulations are the laws guiding and directing the affairs of employees’ operations”.

Informant 14 supported the discussion that:

Written rules and regulations are required for a successful implementation of tax administration laws. The laws must be there as a guide. Without guidance you will go astray. We also have written tax policies and programmes. (Informant 14, *Tax Officer I*)

In a similar manner, Informant 17 added that:

Written rules and regulations protect numerous FIRS stakeholders, for instance it protects the taxpayer because it states what he needs to do and what he needs not to do. It always protects employees as well. (Informant 17, *Tax Officer I*)

Informant 4 (*Assistant Director*) also said that:

We have the rules and regulations guiding our operations. Such rules must be followed religiously. We also have procedures and steps to be followed. This is clearly spelt out when an employee is going out for tax duty, so he knows the legal procedures to follow while discharging his task. (Informant 4, *Assistant Director*)

Another respondent from the directorate cadre disclosed that:

Employees must respect the FIRS laws. If the laws are respected and proper things are done accordingly, tax generation and compliance will be enhanced. The laws are to guide us on how tax should be collected and who is to do what and when. (Informant 7, *Assistant Director*)

In practice, prior to 2013 employees acquainted themselves with FIRS written rules and regulations through training. However, from 2013 to the first quarter of 2017 employees learnt those rules on their own through reading outdated FIRS bulletins, circulars and conditions of service governing its operations. Sometimes staffs learned from older employees.

In summary, Section 5.6.3 discussed on the interview data related to the formal setting of FIRS. It was found that FIRS did not have its own academy for training FIRS staff but employed the services of training consultants from time to time. Furthermore, it was found that since 2013 FIRS did not train its existing and newly recruited staff. As a result, employees must read on their own to operate within the boundary of the law found in written rules and regulations. In addition to that, there are also unwritten guidelines that enhance tax administration performance. These unwritten guidelines are called informal settings, as discussed in the next section.

5.6.4 Informal Setting of Tax Administration

Informal settings are mostly unwritten but have a great deal of influence within the organization, as they usually compliment and support the formal set up by either helping or obstructing organizational performance. Figure 5.10 presents four main informal set ups within FIRS Nigeria.

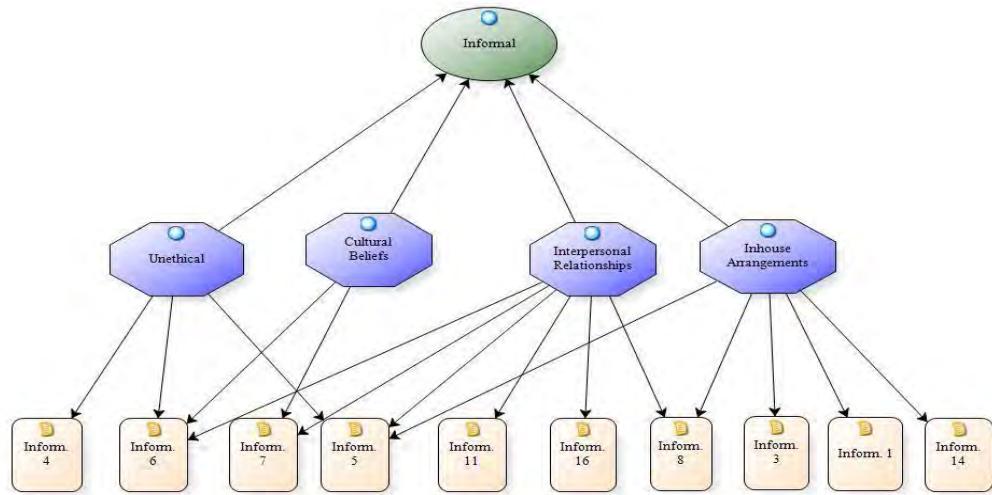


Figure 5.10
Informal Component of a Transformation Process

Figure 5.10 demonstrates responses of 10 informants (comprises of 5 *Assistant Directors*, and 5 *Tax officers*) that responded to a question on the informal organizational set up found within the context of FIRS involves cultural belief, interpersonal relationships and the in-house arrangements of employees. The following sub-sections discuss each of the informal settings.

1. Cultural Beliefs of Tax Administrators

Culture within the context of this study is the FIRS informal institution connected to the Nigerian tax system and practical execution. These include the role of social identity and structure to implement and create a regulative relationship within tax administration. A successful tax administration reform must consider the cultural beliefs of employees within the administration to establish a good relationship between the society (taxpayers) and tax authorities. Cultural belief is part of a country's specific norms and characteristics that govern external and internal surroundings and is reflected in tax administration.

How informants comprehend cultural beliefs as an informal element that influence tax administration performance was uncovered in an interview with Informant 6 (*Assistant Director*), who said that:

The values and attitude of employees within FIRS both positive and negative can be considered part of FIRS culture. For example, some employees believe that Nigerians should willingly accept the responsibility of paying tax whereas some employees feel that cheating the system does not matter. So, these types of perceptions can bring different postures. Positive values and attitudes can bring about positive outcome of tax collection and vice versa. (Informant 6, *Assistant Director*)

In addition, Informant 7 (*Assistant Directors*) added that trust was another concept related to the tax administration culture. The informant further stated that:

Tax administration must build trust within the system because if taxpayers have more trust in the tax administration, they expect respect and fair treatment which will increase their willingness to contribute with the taxes. (Informant 7, *Assistant Director*)

In practice, the behavior of tax administrators in FIRS is that majority of tax employees enforce tax laws intensively and ensure taxpayers comply with their tax obligations. They ensure taxpayers are treated equally with fairness and respect. In addition to culture, employees should respect each other, as discussed next.

2. Interpersonal Relationships

Employee interpersonal relationships among themselves play an important role in determining the success of tax administration. To ensure good relationship among tax employees, tax administration is encouraged to treat and value employees equally; recruit and promote them based on qualification, experience and skills; detect and resolve conflicts

in the most effective manner; ensure good communication among them and ensure they maintain high ethical standards.

Interviews disclosed how informant classified interpersonal relationships among employees fell under the informal attributes that impact tax administration performance. There is the need for a good relationship between employees and employers, between employees as well as taxpayers who are virtually our clients (Informant 11, *Tax Officer I*). Along this statement, the researcher asked about the type of relationships that existed within FIRS. Informants 6 and 7 (*Assistant Directors*) reacted that the relationship that existed among the functional units within FIRS was friendly for effective output that tied FIRS performances.

In line with the above statement, an informant suggested that:

The employees and their relationship with management should be a very good one. There should be cordial relationship between employees and the employer who employs the management as well as the employees. Where there is cordial relationship between them in this aspect means whatever is due for employees should be given to them as at when due. There should also be feedback so that the management should know where there is problem so that the aims and objectives of tax administration are achieved. (Informant 5, *Assistant Director*)

In a distinctive coherent manner, Informants 16 (*Tax Officer I*) and 8 (*Assistant Director*) stated that there were instances of interpersonal collaboration between tax authorities and business associations to enlighten taxpayers which can be considered more of an informal dealing.

In practice, FIRS ensure good interpersonal relationships among employees through effective communication, i.e., ensuring no scope of misunderstanding and conflicts among them within and outside FIRS. It has been further observed during this study that every employee exchanged early morning greetings before taking a seat. The cordial relationship among employees was affected where an employee was found to have acted on their personal interest instead of FIRS goals. To ensure the existence of such cordial relationships among FIRS employees, there were the presences of some in-house arrangements, as found in the study.

3. In-house Arrangements

In-house arrangements are social gatherings organized by FIRS. Such arrangements are mostly unofficial among which are whatsapp or facebook groups. Tax administration should have appropriate and transparent controls over such activities, as they may contribute positive or negative effects to the performance of employees. How informants perceived that in-house arrangements formed part of the informal organization setting was captured apparently by Informant 1 (*Tax Officer I*) as quoted:

In FIRS today, we have what we called in-house arrangements that can form part of informal dealings because they are not officials. Among these arrangements include ‘thrift’ which is voluntary savings made by employees. We only make use of some part of it in a situation where something happens to one of our staff like accident or ceremonial events. (Informant 1, *Tax Officer I*)

In addition to thrift, Informants 3 and 14 (*Tax Officers*) as well as 8 (*Assistant Director*) contributed that FIRS had a multi-purpose cooperative society where an amount of money was deducted from worker salaries and aimed to help them to solve emergency situations when in financial difficulties. Finally, Informant 5 (*Assistant Director*) who coincidentally

chaired a charity club of FIRS said, “we do not only carry out our official mandates but also contribute to charitable organizations like orphanages on a monthly basis”.

In practice, some of the informal arrangements like thrift, voluntary savings, multi-purpose cooperate groups and charity donations enhance the interpersonal relationship of FIRS employees. Others such as whatsapp and facebook group resulted to the poor performance of employees that were found active in such platforms. This is because they spent most of their time exchanging messages instead of working for FIRS.

In summary, Section 5.6.4 discussed on the interview data related to the informal setting of FIRS. It was found that FIRS established a culture of trust where employees were expected to treat taxpayers equally with fairness and respect but some went contrary to FIRS culture by collecting less than the tax obligation due to selfish interest, which led other employees to have doubtful perceptions on such employees and in the in turn affected their interpersonal relationships.

More so, some employees misused in-house arrangements, namely whatsapp and facebook groups, which in turn affected their performances. The fourth item of the informal setting found in the study interview was the unethical behavior of employees, which was discussed previously in Section 5.6.2 (7). Similarly, it is important to note that the whole aim of component two, i.e. the transformation process is to achieve a desired level of output by changing the inputs into outputs. Therefore, outputs operate as component three of the Performance-Governance Model of Tax Administration.

5.7 Outputs

Outputs are the results of what the transformation process achieved from the resources employed. These outputs are measures of how efficiently and effectively tax administration has been able to achieve its specific operational goals and objectives. Along this, Figure 5.11 shows different categories of outputs within the tax administration setting.

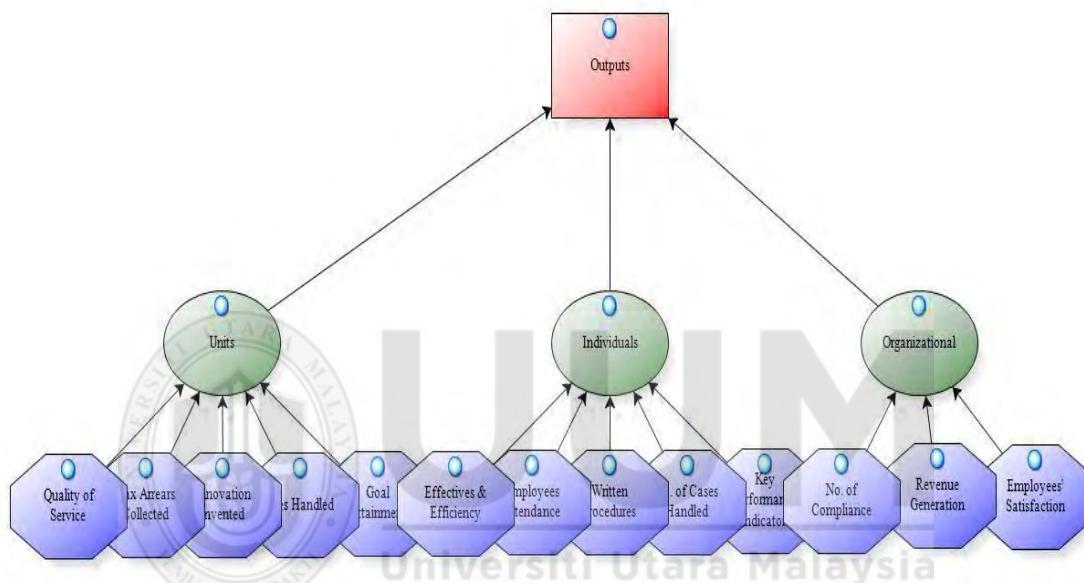


Figure 5.11
Main components and Sub-Components of Outputs

Figure 5.11 shows individual, unit and organization as sub-components of tax administration outputs that resulted from the Informants' responses. The detail of each sub-component is discussed in section 5.7.1.

5.7.1 Individual Output

As discussed earlier, there is the need for congruency among the transformation process components. This is because tax administration tasks should be carried out in accordance with the provision of formal and informal regulations. In addition, the tasks cannot be achieved without employees. The result of the interview conducted on FIRS revealed five

(5) main measures used in ascertaining the congruence between the transformation process and employee output in FIRS as presented in Figure 5.12.

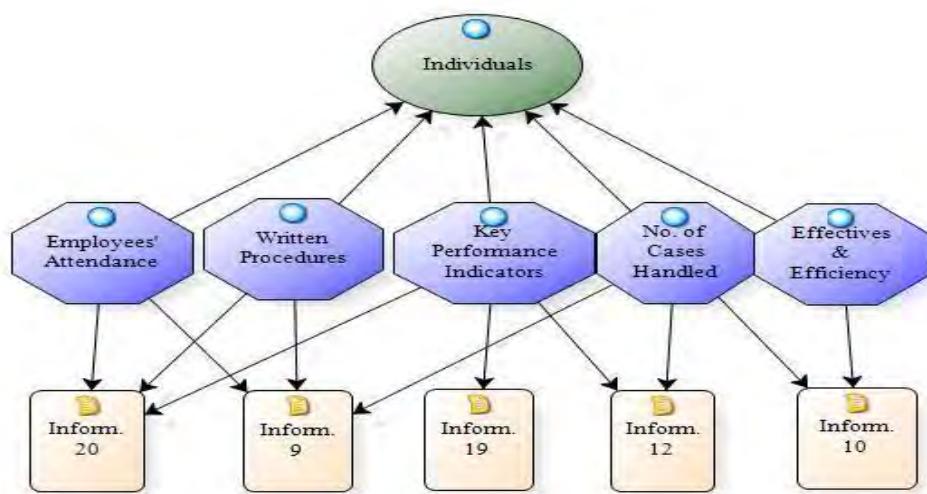


Figure 5.12
Determinants of Individual's Output

Figure 5.12 presents 5 Informant responses (*Managers*) that responded to a question on how FIRS assessed the employee results, which related to tasks assigned to them. The results obtained showed that FIRS consider employee attendance register, observing written rules and regulations while carrying out operations, key organizational performance variables and the number of cases handled in a month or year, as well as the efficiency and effectiveness of employees, as discussed in the following sub-section.

1. Employees' Attendance

Employee attendance has to do with regularly being at work by the employee which usually spells out the performance of an individual. The organization can control employee attendance by maintaining attendance by register, rewarding employees who come to office regularly or establishing punishment for absenteeism with no valid reason. How informants

see employee attendance as a determinant factor to productivity was apparently stated in a session with Informant 20 that:

The performance of FIRS depended on the employees' outputs and if employees work hard to achieve what they are supposed to achieve, then the departments will achieve higher and FIRS will record higher performances. However, the main determinant of employees' productivity is their attendance records. (Informant 20, *Manager*)

One of the Informants further stated that:

If employees' attendance record is excellent then their performance will as well be good and vice versa. So, to determine whether the works assign to employee is being achieved or otherwise, it is important to look at his/her regular attendance. (Informant 9, *Manager*)

Documented evidence shows that FIRS maintained attendance records by what it called "daily staff position", which was an excel sheet that indicated the position of every staff in a given date. The sheet contained columns for staff on tour and leave like casual, sick, maternity and study.

Therefore, FIRS expected employees to be in office and on time every working day and had to obtain an excuse in the event where he/she could not make it to the office. Employees with excellent attendance get their job done unlike that of the absent employee. Regular attendance enhances employee productivity efficiency and effectiveness. This means punctuality and attendance matter a lot in explaining performance records.

In practice, it was observed that some employees came to the office in the early hours, signed the attendance record and went back to their houses. Some took their children to school and stayed away for two or three hours before they resumed working. That may be

the reason why they were not achieving daily tasks on time. Furthermore, a punctual employee is expected to maintain written procedures in carrying out their mandates, as further discussed in the next paragraph.

2. Maintaining Written Procedures

For tax administration to be efficient and effective there should be principles guiding employee operations and each employee should work along the provided rules and regulations. How informants see adherence to standard rules and policies as a causal factor to employee performance was evidently provided by Informant 20 (*Manager*) that:

The productivity of employees is determined by the extent to which he/she maintains ethical way of carrying out the assigned task". In a similar manner, informant 9 (*Manager*) says "an employee who maintain standard rules and procedures while carrying his operation will achieve better results compare to those that did not follow the laid down policies. (Informant 20, *Manager*)

In practice, FIRS believed that for employees to achieve their assigned targets efficiently and effectively, the policies and procedures provided by the legislative should be adhered to. However, as the world is changing, written policies and procedures are becoming outdated. In Nigeria, for over 10 years the legislature has not played a role in updating FIRS laws to suit the current economic reality. Despite lack of updated conditions of service that spell out what employees are expected to carry out, their performances can be determined using Key Performance Indicators.

3. Key Performances Indicators

Tax administration is expected to have a key performance indicator to be used in evaluating and monitoring employee performance. This will ensure tax authorities work efficiently and effectively in line with the organizational performance appraisal among which is budgeted revenue, the percentage of filer and non-filers, taxpayer satisfaction with the integrity of tax officers and the quality of service delivered. Evaluation and monitoring result is solely a responsibility of the top management in FIRS.

How informants perceive key performance indicator as a basis of assessing employee performance was captured in an interview session with Informant 12 (*Senior Manager*) that:

FIRS' employees are perfect because we work with numbers. When you are given a task, you will be given a specific time to cover it. At the beginning of a year, you will be given your key performance indicator so that you work according to those appraisals. Therefore, to check on employee's performance, you simply go through his KPI record (Informant 12, *Senior Manager*)

In practice as indicated by Informants 19 and 20 (*Managers*) that in FIRS employee performance is rated at the end of the year using employee key performance indicators with the results assessed or examined by the employee's supervisor. An employee is expected to achieve at least 60% of his/her key performance indicators. One of the informants in the study off-record said that the reality of performance appraisal in FIRS was driven by how loyal an officer was to his supervisor and not based on the quality of the work delivered or the number of cases handled. Number of cases is spelt out in FIRS conditions of service as KPI measures.

4. Number of Cases Handled

Individual output in tax administration can be assessed by the average number of returns or cases handled by the tax authority in percentage of the targeted group of taxpayers. How informants perceive the number of cases handled by employees as a determinant factor that explains his/her performances from the interaction of transformation process components was established by Informants 9 and 12 (*Managers*) that FIRS looked at the number of cases or files treated by an individual/employee. In a more coherent manner, Informant 10 (*Manager*) said:

It is the contribution of individuals that give rise to units. So the more you have efficient employees, the more you have files handled and treated by individuals which contributed to the unit output that will aggregate make the whole system, which is the entire FIRS. (Informant 10, *Manager*)

Informant 10 (*Manager*) further added that:

The ability of employee to treat or handle files successfully has to do with his/her efficiency and effectiveness, the more you assign task to employees and they do it efficiently and effectively, the more you see their impacts.

In practice, FIRS expect every employee to achieve many cases/files assigned to him/her every day. Due to natural causes and education levels, some finished earlier than others. That caused those employees left behind to work without quality assurances.

In sum, the result of the case study shows that FIRS used four items, namely employee attendance, written procedures, key performance indicators and number of cases handled in evaluating employee performance. It was observed that employees came to work early, signed the attendance record and went back to their houses, some to take their children to school for two or three hours before they returned to work. In terms of respect to written

policies and procedures, the study observed that the laws were becoming outdated because for the past 10 years the legislature did not update FIRS laws to suit the current economic reality.

The key performance indicator of measuring employee output in FIRS is guided by the degree of loyalty of an officer to his supervisor and not based on quality of work delivered or the number of cases handled. Regarding employee performance on the number of cases handled, the result of case study showed that at least three out of ten files treated by FIRS were subjected to audit queries, which affected unit contribution, as discussed in the next section.

5.7.2 Units Outputs

Units are different departments, divisions and teams that make up tax administration. Figure 5.13 presents the five (5) main measures used in ascertaining the congruence between the transformation process and departmental output within FIRS.

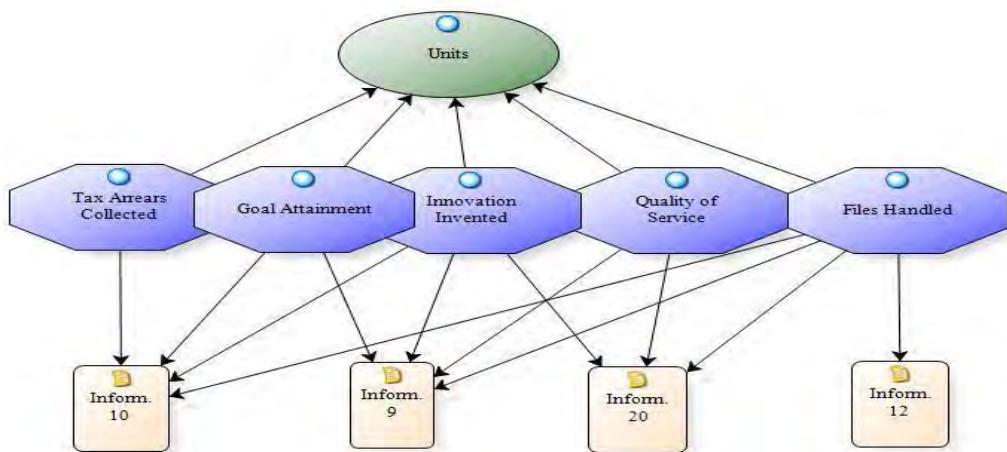


Figure 5.13
Determinants of Unit Outputs

Figure 5.13 authenticates 4 informant responses (*Managers*) that express views on how FIRS assessed the amount and accuracy of work produced by each unit in relation to the tasks allocated to them. Evidence obtained shows that FIRS considers the number of file handled, the quality of service and the innovation invented and goal attainment in determining the performance of each unit. The following sub-sections discuss each of the points as observed from Informant responses.

1. Total Number of Files Handled

Unit output in tax administration can be evaluated by considering the average number of files handled by the tax division in percentage of the targeted workload. All things being equal, the higher the number of files treated by a department, the higher the contribution of the unit toward achieving tax administration's overall goal. This depends on the effectiveness and efficiency of employee work within a given unit.

How informants perceive the total number of files or cases handled by units as a determinant factor of the amount of work and the accuracy of the job produced by each unit in relation to the tasks allocated to them is presented in the responses of Informants 9, 12 and 20 (*Managers*). They established that the contribution made by each department could be determined by considering the total number of files or cases treated by each department. Informant 10 (*Manager*) further expressed that even in the audit department, it was many audit cases treated every month or in a year that determined the performance of work done by the unit.

In practice, due to limited manpower in relation to the expected number of files to handle, it becomes very challenging for the Domestic Tax Group (DTG), the Modernization Support Group (MSG) and the Enforcement Support Group (ESG) to achieve their daily targets while other departments, such as the Compliance Support Group (CSG) and the Support Services Group (SSG) achieved their targets within the shortest possible time. However, it is not the number of files handled that matters a lot but the quality of the service delivered is also important, as discussed in the next section.

2. Quality of Services

“Quality” in service organizations should do with the degree to which service is delivered efficiently and effectively toward meeting customer expectations. The nature of FIRS service is such that it can be detected in the delivery process. This means the quality perception influenced by the service process and outcome.

In the context of the present study, for tax administration to enhance operational efficiency and effectiveness, tax authorities should improve the quality of service. This is because in every tax administration, taxpayers are the clients and their expectations are complex, diverse and frequently changing. Therefore, tax administration must take greater responsibility for responding and monitoring taxpayer expectations.

How informants perceive the quality of service delivered by units as a determinant factor of assessing the accuracy of work done by units in FIRS was established by Informants 9 and 20 (*Managers*). They stated that the amount of work done by every unit should not only be evaluated using the files handled but also the quality of services delivered by the departments.

In practice, quality of service in FIRS is checked by the most senior officer within a given FIRS department. At least 3 files out of 10 files handled by each unit are subjected to audit query. This shows that mathematically the quality of service across FIRS departments is only 70% achieved. However, apart from quality of service delivered by the department, innovation invented by a unit is also used in evaluating its accuracy of the work done.

3. Innovation Invented

Excellent tax administration should collect and utilize information in such a way as to assess, collect and remit tax revenue in accordance with the provision of the law in the most efficient and effective manner. To achieve this, tax administration or its units should be able to invent new technologies as well as bring in new ideas. This is because it is difficult to visualize modern tax administration without using new modern technology and innovations.

How informants recorded innovation in terms of modern technology invented by units can bring about accuracy of the work done in FIRS was additionally established by Informants 9 and 20 (*Managers*). In their opinion, another way was to look at new the ideas invented by every department as well as the success and achievements recorded by each department.

Informant 10 (*Manager*) supported the above view and stated that:

A good example of innovation in FIRS is the use of automation, which is a very important aspect of new ideas implemented that help not only units but also FIRS in more tax revenue generation. You can use the system to know how much you are going to pay, when it is due and equally pay your tax anywhere you are. (Informant 10, *Manager*)

In practice, FIRS assume that to be able to achieve greater revenue, innovations are inevitable in tax administration, especially with the fact that taxpayers are always looking for ways to evade or avoid tax payments. However, every innovation should not go contrary to organizational objectives. As such, it should be implemented to ease the attainment of FIRS goals in the most efficient and effective manner.

4. Goal Attainment

The essence of a tax administration is to ensure high tax compliance and revenue generation in the most efficient and effective manner. Efficient means high tax revenue is generated relative to administrative costs while being effective means there is a high level of compliance.

How informants documented goal attainment by units as an index of appraising the amount of work done by each department in FIRS was stated by Informant 9 (*Manager*): “The amount of work done by various units can be seen from the perspective of goal attainment”.

Additionally, Informant 10 (*Manager*) supported the statement and added that:

Tax revenue is contributed by each department. For example, if Domestic Tax Group (DTG) and Modernization Support Group (MSG) carryout similar operation and it happens that MSG contributes 5 million Naira weekly and DTG contributes 7 million Naira then by far we know DTG is contributing more than MSG though it may depend on the magnitude or sources from which these groups are collecting the funds. But from monetary point of view, you know these two are contributing differently. (Informant 10, *Manager*) In another development, the same informant 10 (*Manager*) states that works done and accuracy of the result achieved by units can as well be evaluated by looking at the tax arrears collected by each department.

In practice, the main goal of the DTG department was affected by lack of employee dedication to the department functions whereas the MSG department output was affected by lack adequate staffs to perform the department mandates while the ESG department was affected by lack of modern facilities to carry out their operations.

In summary, the result obtained in Section 5.7.2 shows that FIRS use four mechanisms, namely the total number of files handled by units, the quality of service delivered, innovation invented and goal attainment. On the reality in FIRS, the activity register unveiled to the researcher shows that some departments achieved their daily targets on time while others found it challenging, resulting to 70% overall quality achievement of FIRS. Innovation in FIRS is low due to lack of training and many employees did not want to further their education. Finally, the DTG department failed to attain their goal due to lack of employee dedication, MSG lacked adequate staff to perform the department mandates and ESG performance was affected by lack of modern facilities to carry out their operations.

Therefore, from the above findings, it is worthy to note that the contributions of individuals that give rise to units and the contributions of the units will aggregate make the whole system, i.e. FIRS, which is considered as the final sub-component of output.

5.7.3 Organizational Output

The contributions of the individual determine his/her unit performances, which eventually portray the overall administration goal. Figure 5.14 presents three (3) main organizational outputs within FIRS.

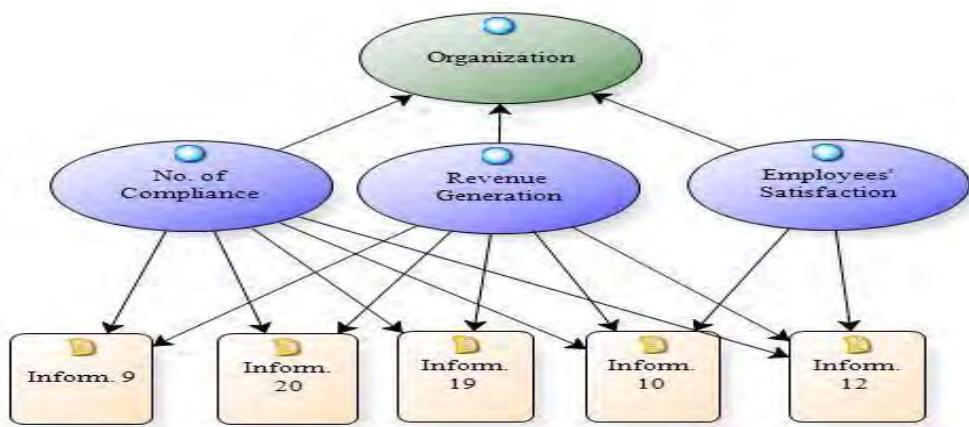


Figure 5.14
Determinants of Organization's Outputs

Figure 5.14 shows the responses of 5 informants (*Managers*) that responded to a question on a set of FIRS's performance metrics that provide a complete picture of the result achieved which include the number of voluntary compliance, revenue generation and employee satisfaction. The detailed discussion of each of the stated item is discussed next.

1. Number of Voluntary Compliance

The main function of tax administration is to ensure compliance for higher tax revenue and apply the sanctions prescribed by law against offenders. Along this, tax administration should work harder toward enhancing and monitoring compliance by minimizing opportunities for tax evasion. The idea behind monitoring tax compliance has to do with other functions of tax administration, which is to assess, collect and remit taxes and duties as prescribed by law. To achieve this, tax administration must build taxpayer confidence.

How informants documented tax compliance as a factor that provides a picture of the FIRS results achieved was established by Informants 10 and 12 (*Managers*). They expressed that “FIRS result is viewed in the number of compliances; the more taxpayers comply the more

the amount of revenue generated. Therefore, compliance is a major thing to consider". In a similar statement, Informant 20 (*Manager*) said that, "The goal of FIRS is to generate revenue and to measure the performance of the organization; we have to look at the number of taxpayers' compliance".

Another informant stated that "... another issue is to look at the compliance of taxpayers. This is what gives you the picture of the result achieved" (Informant 9, *Manager*). In a more comprehensive manner, Informant 19 (*Senior Manager*) stated that:

FIRS use different measures; the most vital measure is looking at the number of taxpayers that voluntarily complies. If we have 100 taxpayers, and 50 are complying, we automatically know we have 50%. And if 70% comply, we know we are going further. (Informant 19, *Senior Manager*)

In practice, the National Bureau of Statistics (NBS) shows that there were 77 million labour work force in Nigeria as at 2015 but the FIRS-PIT register on the other hand shows that only 13% of the Nigerian labour force was enrolled in the tax net although all the labour workforce are under normal circumstances supposed to be taxable at source, yet even government ministries and the largest employers of labour in Nigeria are not fully compliant in deducting and remitting taxes on the salaries of their workers (Ordu, Anele, & Island, 2015; Oyedele, 2016). VAT available documents (FIRS-Bulletin, 2017) show that the finance minister was quoted as saying the rate of VAT compliance as at 2015 was 12% from 14.3% as at 2014. For CIT, 75% of the registered companies with the Cooperate Affairs Commission (CAC) are not in the tax net while 65% of those in it do not pay taxes or file returns.

Informant 19 (*Senior Manager*) was asked to comment on the actual reasons for lower tax returns in Nigeria. He further stated that “it is due to carelessness, recklessness, ignorance, or deliberate actions of taxpayers”. Therefore, FIRS need to ensure greater tax compliance, which will result in greater revenue generation.

2. Tax Revenue Generation

Tax revenue is the income generated from various form of taxes within a given territory. It refers to the major component of the recurrent revenue in developed economies and the dominant source of the national income in modern government (Aminu & Eluwa, 2014). In the case of the United States of America that is the world’s largest economy generates its main source of revenue from tax (Bird, 2007). Ayodele (2006) mentioned that tax revenue in developing economies like Nigeria is affected by so many loopholes.

How informants noted tax revenue generation as a yardstick that provides a complete picture of FIRS was recognized by Informants 9, 10 and 20 (*Managers*). They expressed that “the fact that the goal of FIRS is revenue generation, then the measure of performance is based on revenue generated in a given period”. According to Informant 12 (*Senior Manager*), “the more the taxpayers comply, the more the amount of revenue to be generated. Therefore, the revenue generated is a major thing to look that can be obtained via the FIRS website as we update the collection of every state daily”.

Informant 19 (*Senior Manager*) further stated that:

Another issue is to look at the revenue FIRS generate in a year, this is what gives you the picture of the result achieved and to me is the most important figure since the goal of every tax

administration is to generate tax revenue. (Informant 19, *Senior Manager*)

The FIRS statistical bulletin shows that the tax revenue generated by FIRS was in a decreasing trend. For example, in 2012 FIRS generated ₦5, 007.7 that later decreased to ₦4, 805.6 in 2013. In 2014, the tax revenue generated by FIRS dropped to ₦4,714.6. It further decreased to ₦3,741.8 and ₦3, 303 in 2015 and 2016, respectively. Interestingly, the VAT revenue generated of about ₦700 billion in 2015 was less than 1% of Nigeria's spending on goods consumption, which is about ₦80 trillion. However, Kuvaas (2006) stated that the extent of employee good performance rely on how the organization satisfies their needs. The present study applied the concept of performance measurement and state that the degree to which FIRS satisfies employees' need will contribute to its tax revenue generation, as discussed in the next section.

3. Employees' Satisfaction

The term "employee satisfaction" is used to explain whether employees are happy and comfortable and achieving their needs and wants at work. Employee satisfaction is a cause in employee positive morale, goal achievement and motivation in an organization. Factors enhancing employee satisfaction in every organization include offering regular employee recognition, treating them with dignity and respect, providing incentives in some cases and appreciation of their effort.

How informants captured employee satisfaction as an index that provides a complete picture of the result achieved by FIRS was pinpointed by Informants 10 and 12, i.e. *Manager and Senior Manager*, respectively. They stated that employee satisfaction in form

of motivation and other incentives determine his/her commitment, which influences the contributions of each unit that eventually makes the overall administrative performance.

In practice, FIRS is a statutory body in Nigeria that enjoys a different salary scale from other public sectors. Despite FIRS employees' express dissatisfaction, the system did not recognize or reward employees that achieved targets within stipulated time or employees that work outside the normal working hours.

In summary, the transformation process produces organizational output, which is divided into individual, units and organization. Employee results are assessed in FIRS looking at attendance register, how he/she maintains the due process underlined by the act while performing tax functions, key organizational performance and the number of files handled during a given period.

Similarly, the amount and accuracy of work produce by each unit in FIRS is assessed based on the total number of files handed, the quality of the service delivered and new ideas invented as well as the goals attained. While the set of FIRS performance metrics provides a complete picture of the result achieved include voluntarily compliance, tax revenue generated and employee satisfaction. However, tax administration outputs should produce the final stage of the performance-governance model, i.e. outcomes as discussed in the next section.

5.8 Outcomes

Outcomes are the evaluation and determination of the results of a plan, activity, program or process and their comparison with planned results. The model developed by this study in Chapter Three Figure 3.1 proposed that there should be expected outcomes from tax administration and taxpayers. Interview and survey approaches were conducted on tax administration and taxpayers, respectively. The results obtained from each category are presented in Section 5.8.1 and 5.8.2 for tax administration and taxpayer outcomes, respectively.

5.8.1 Tax Administration Outcomes

Tax administration outcomes are the overall impact or benefits derived from input, transformation and output stages. Figure 5.15 shows the different categories of expected tax administration outcomes from a good tax system.

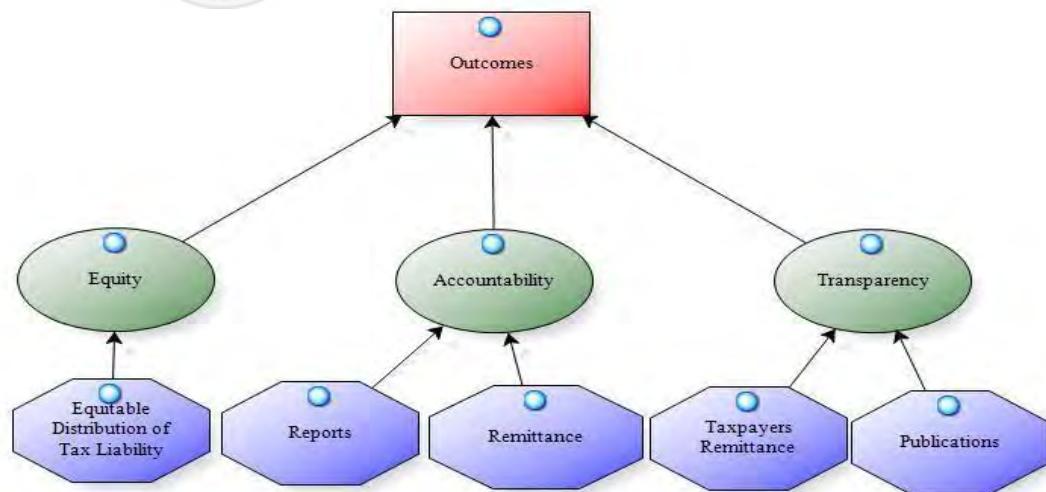


Figure 5.15
Main components and Sub-Components of Outcomes

Figure 5.15 shows equity, accountability and transparency as sub-components of tax administration outcomes revealed by the study. The detail of each sub-component is discussed next.

5.8.1.1 Equity in Tax Administration

Equity in taxation deals with assigning tax liability among taxpayers most fairly. Equitable tax assessment entails knowledge of where tax liability is imposed upon taxpayers. Equal treatment of taxpayers is view from two perspectives, i.e. the vertical and the horizontal.

According to Bird (2007), vertical equity states that “people with higher incomes should pay more taxes, such as the provision for the increasing marginal tax rates on higher income” while the horizontal equity states “that people with higher necessary expenses should pay less tax than someone else with equal income but without the expenses”. Figure 5.16 shows the equitable distribution of tax liability as the determinant of equity in FIRS.

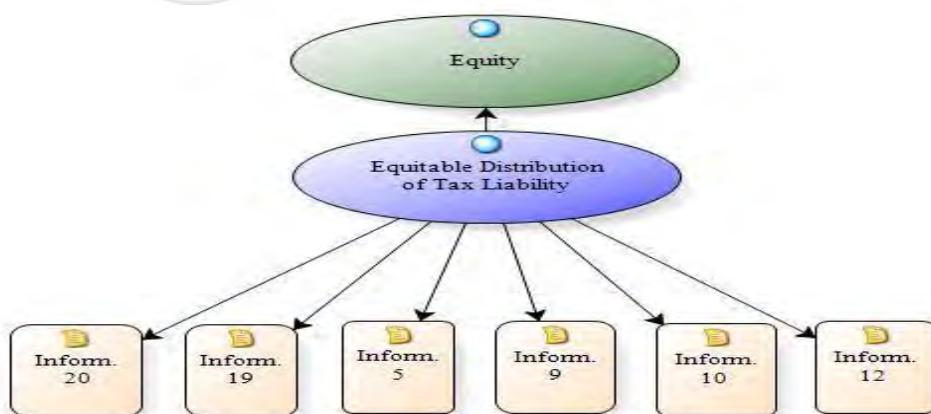


Figure 5.16
Determinants of Equity Outcomes

Figure 5.16 discloses responses of the 6 informants' responses (comprises of 1 *Assistant Director*, and 5 *Managers*) that responded to a question on FIRS ensures equitable distribution of tax liability. Evidence shows that Informants 9, 10 and 20 (*Managers*) believed that the principle of equity is adopted in Nigeria there is the equal treatment of taxpayers. This statement has been emphasized by Informant 12 (*Senior Manager*) as quoted: "I think from my experience; all taxpayers are treated equally". Furthermore, Informant 5 (*Assistant Director*) believed that "considering the FIRS integrity, mutual understanding, accountability and teamwork, we can comfortably conclude that there is equity in FIRS".

In a more precise manner, another informant added:

The level of equity in FIRS, I think, is fair. For instance, looking at Pay As You Earn (PAYE) system where a taxpayer is paying as he earns, it means he/she is paying based on a certain percentage from what he earns, this is equity in the system. FIRS do not increase or reduce tax because we hate or like you. It is based on regulations.
(Informant 19, *Senior Manager*)

The researcher further asked Informants to rate the level of equity in FIRS on the scale of 1-10 with 10 being completely excellent. Informants 9, 10, 12 19 and 20 from the *Managerial cadre* rated the magnitude of equity in FIRS as 8, 7, 8, 8 and 8, respectively. Specifically, Informant 19 (*Senior Manager*) was captured saying, "I can give that 8, this is because a day will come when someone will come up with a suggestion on how to improve equity in the system".

In practice, the level of equity in FIRS was affected by the system of governance in Nigeria (Meshak & Jeff, 2014) because individuals with political connections are not filing their returns or pay less than the legitimate tax liability. Appah (2010) further said that there is

no equal treatment in the distribution of tax liability. In addition to equity, the outcomes of every tax administration can be determined by the extent of accountability in the tax administration.

5.8.1.2 Accountability in Tax Administration

Accountability in public administration refers to establishing those recognized provisions to ensure that the coercive and authoritative powers of the state are not misused or abused by public officers. In tax administration, accountability should do with the nature of the reciprocal relationship that exists within the tax environment. For instance, taxpayers are expected to account for their tax liability to tax administrators. On the other hand, tax administrators are required by law to account for what has been collected to the government. Figure 5.17 presents two (2) main factors demonstrating the level of accountability in FIRS.

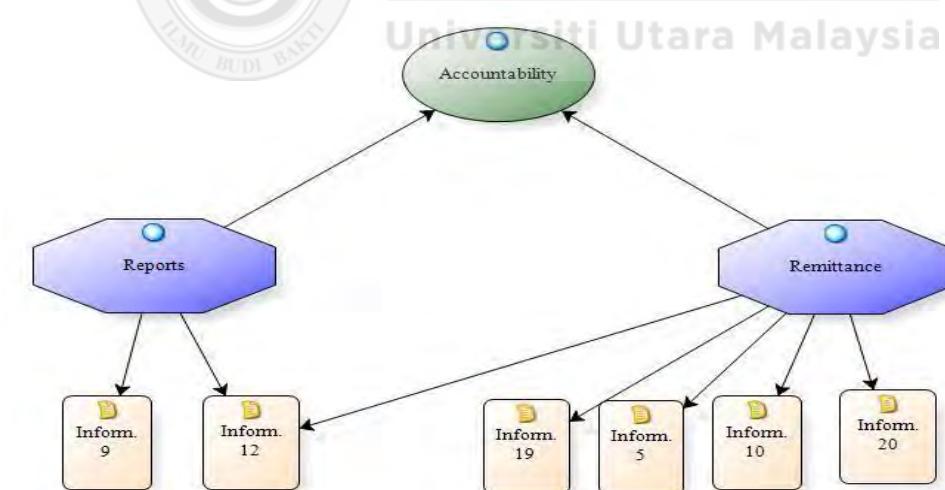


Figure 5.17
Determinants of Accountability Outcomes

Figure 5.17 shows responses of 6 informants (comprises of 1 *Assistant Director*, and 5 *Managers*) that responded to a question on the reporting and remittance systems as the determinants of accountability in tax administration. Works done are reported to superiors for assessment and evaluation, as discussed next.

1. Reporting System

The reporting system in an organization refers to the downward and upward flows of information. In the tax administration setting where there are numerous employees and tasks to perform, the question of who is accountable to report to who arises. Inappropriate flow of information can lead to negative consequences. As a result, tax administration should effectively manage the tax administration reporting system.

The opinion of Informant 12 (*Senior Manager*) on the issue confirmed this fact: “To ensure accountability in the system, every employee has to write monthly, quarterly and yearly report of his/her functions and submit to his/her supervisors. The report keeps us up-to-date regarding employees’ targets”. In addition, Informant 9 (*Manager*) stated, “To tax system, outcome is built on accountability, justice and fairness. Accountability in this case has to do with work reporting style within and outside FIRS”.

In practice, departments and individual schemes of duty unveiled to the researcher showed that employees submit quarterly and yearly reports to their respective supervisors and FIRS publishes the quarterly generated revenues on Nigerian dailies but the names of individuals and companies that voluntary pay are kept confidential. Furthermore, to ensure that FIRS achieves a high level of accountability, the system of taxpayer remittance has been changed from a manual to an automation remittance system.

2. Remittance System

Remittance in tax administration can be looked into two different dimensions: (i) the way and manner taxpayers remit their tax liability; (ii) the process in which tax administration remits what has been collected to government. In either of the above, remittance can be classified into three main systems or media. These are (i) online remittance; (ii) bank remittance; and (iii) manual remittance. To maintain accountability in tax administration, the medium used in generating tax revenue as well as the system used in transferring such revenue generated to government should be properly checked.

How an informant recognizes the remittance system in ensuring accountability was captured expressively in the opinion of Informant 12 (*Senior Manager*) who said that “the taxpayer accounting process in FIRS today is through the use of automation”. Automation is a process that allows taxpayers to go to the bank and pay their taxes and bring only bank teller (payment evidence) to FIRS. This process has drastically reduced allegations of corruption by tax employees.

In the same instance, Informants 10 and 19 (*Manager and Senior Manager*) also supported the above statement when asked to share accountability and transparency in tax administration. Their opinion portrays that FIRS does not collect cash but encourages taxpayers to go and remit it themselves. That is why FIRS is accountable and transparent today. Furthermore, Informants 5 and 20 (*Assistant Director and Manager respectively*) expressed satisfaction with the taxpayer remittance system since taxpayers pay their tax due themselves and bring payment receipts to FIRS for documentation. There is adequate transparency in the system.

In practice, evidence from FIRS annual reports and accounts showed that the amount of money generated by FIRS was remitted to the federation account monthly. FIRS annual report and accounts further showed that FIRS failed to meet its target. For instance, out of the ₦4,572.2 trillion tax targets for 2015, FIRS only generated ₦3,741.8 trillion. In 2016, FIRS generated ₦3,303 trillion out of a projected target of ₦4,957 trillion. However, accountability can only be achieved if the system is transparent as the final sub-component of tax administration outcomes, i.e. transparency.

5.8.1.3 Transparency in Tax Administration

As discussed earlier, transparency deals with enforcement and decisions which are done in a manner that follows organization rules and regulations. Transparency helps tax administration to build confidence and integrity and lead to effectiveness in revenue generation. Figure 5.18 presents two main determinants of transparency in Nigerian tax administration.

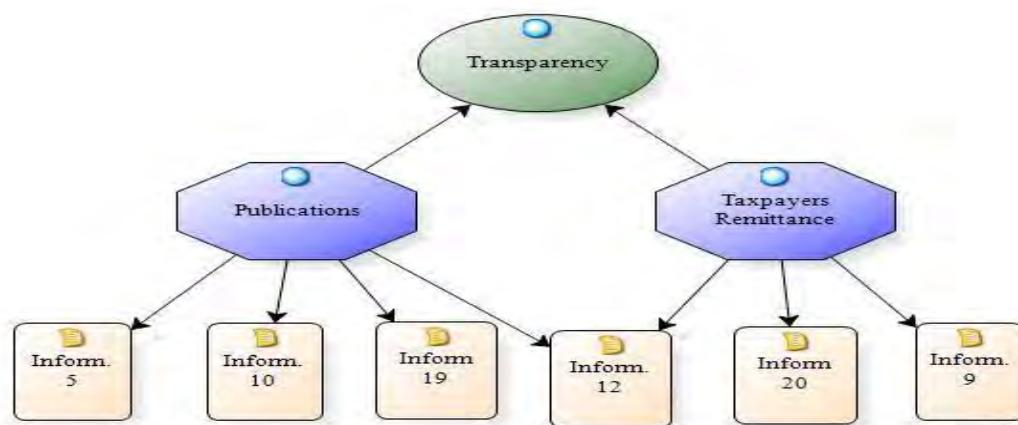


Figure 5.18
Determinants of Transparency Outcomes

Figure 5.18 demonstrates 6 informants' responses (comprises of 1 *Assistant Directors*, and 5 *Managers*) that responded to a question on FIRS strategies of ensuring transparency within the system. The findings of the interview reveal that FIRS considers taxpayer remittance (discussed in 5.8.1.2) and publications (national dailies, tax policies, monthly bulletins and tax compendium as well as annual reports and accounts) as the determinants of transparency in tax administration. Publication implies the medium in which information is shared.

To ensure transparency in tax administration, information on the performance of tax authorities should be made freely accessible and specifically available to the individuals who will be influenced by the information obtained from FIRS publications. Therefore, tax administration is expected to publicize the results of its operations to government and taxpayers in understandable structures through various media among which include electronics and the hardcopies of bulletins and annual reports.

How an informant comprehends publication as an element of transparency was captured in the view of Informant 10 (*Manager*) that "FIRS published revenue generated and accounted to federation account on monthly basis for transparency purpose and our website is accessible to every Nigerian". To add to that, another informant said that apart from the website that published FIRS performance, there are bulletins and reports on a daily basis that keeps updating Nigerians about FIRS performances (Informant 12, *Senior Manager*). Informant 19 (*Senior Manager*) stated that the revenue accounted to the Central Bank of Nigeria (CBN) defines which of the FIRS branches or types of tax contributed most and can be accessed through FIRS's website for details.

In another view, Informant 5 (*Assistant Director*) added:

You can also see the issue of automation. It makes people knowledgeable about what is happening. How much do I have, how much have I paid and how much have I remitted, which account does the money enter? If you look at these, then we can say there is not only accountability but also transparency in FIRS. (Informant 5, *Assistant Director*)

The researcher further asked Informants to rate the level of accountability and transparency in FIRS on a scale of 1-10 with 10 being completely excellent. Informants 9, 10, 12, 19 and 20 from the managerial cadre rated the extent of accountability and transparency in FIRS as 8, 9, 7, '6 or 7' and 8, respectively. This shows the existence of accountability and transparency in FIRS. In practice, FIRS published the amount of revenue generated every quarter and accounts the amount generated every month to the federation account monthly.

In summary, tax administration outcomes can be viewed from the perspective of equity, accountability and transparency. The issue of equity has to do with the equitable distribution of tax liability. It was found that equitable distribution has not been achieved in FIRS because people with political connections either pay less than the legitimate tax or completely file no returns (Meshak & Jeff, 2014). Additionally, accountability and transparency is achieved when adhering to reporting as well as the remittance system. It was found that employees submitted quarterly and yearly reports to their respective supervisors and FIRS published the quarterly generated revenues in Nigerian dailies, keeping the names of the contributors confidential.

Despite the efficiency of the remittance system, the amount of revenue remitted to the federation account by FIRS is decreasing, considering of the previous 5 years (i.e., from 2012 to 2016). Furthermore, when accountability, transparency and equity are observed by tax administration, taxpayers should expect high levels of economic, political and social outcomes, as discussed in the next section.

5.8.2 Taxpayers' Outcomes

To explore taxpayers' expected outcomes from effective tax administration, a questionnaire guided by the five Likert scale was distributed. Table 5.4 provides a statistical summary of the taxpayer outcomes required for tax revenue generation.



Table 5.4

Statistics Summary of Expected Taxpayers' Outcomes

Statement on Taxpayers' Outcomes	Items No.	Responses					Mean (S.D)	Rank
		1(SD) Strongly Disagree	2(D) Dis- agree	3(U) Unde- cided	4(A) Agree	5(SA) Strongly agree		
Tax brings about increase in the price of commodities.	EC3	1 0.3%	2 0.5%	9 2.5%	178 48.8%	176 48%	4.44 (0.60)	1
Tax liability has a serious impact on my disposable income	EC1	4 1.1%	9 2.5%	18 4.9%	185 50.4%	151 41.1%	4.28 (0.76)	2
High tax rates discourage my economic investment	EC2	7 1.9%	19 5.2%	15 4.1%	173 47.1%	153 41.7%	4.22 (0.90)	3
The government is not being transparent in spending taxpayers' money	PL1	1 0.3%	1 0.3%	6 1.6%	144 39.2%	215 58.6%	4.56 (0.54)	1
The services provided by the government are not comparable with the amount of taxes paid	PL2	0 0%	2 0.5%	14 3.8%	160 43.6%	191 52%	4.47 (0.60)	2
I believe that the Nigerian government is not spending public funds prudently	PL3	7 1.9%	19 5.2%	15 4.1%	173 47.1%	153 41.7%	4.22 (0.89)	3
Enlightenment on adequate utilization of tax revenue on public goods will encourage tax payment	SC3	1 0.3%	8 2.2%	36 9.8%	198 54%	124 33.8%	4.19 (0.72)	1
I usually make decisions to pay taxes based on my friends' experiences or suggestions	SC2	158 43.1%	97 26.4%	22 6%	23 6.3%	67 18.3%	2.30 (1.51)	2
My decision to pay taxes is mostly influenced by my surroundings social amenities	SC1	164 44.7%	153 41.7%	22 6%	7 1.9%	21 5.7%	1.82 (1.03)	3

Source: Survey on taxpayers

Table 5.4 arranged statements on taxpayer outputs in accordance to ranks. The Table shows respondent views about various statements used in evaluating taxpayer expected outcomes from revenue generation. Three items for each of the variables were used in measuring the extent of EC (Economic), PL (Political) and SC (Social) outcomes that have impacts on tax revenue generation. For example, in the EC3 statement which ranked 1 among economic statements, the results show that the measure of dispersion across the respondents is 0.60 with a mean value of 4.44. Majority of respondents (precisely 178 or 48.8 %.) “agree”. Secondly, the EC1 statement ranked 2 with a standard deviation of 0.76 and a mean value of 4.28. Additionally, 185 (50.5%) respondents to this question “agree”. Lastly, EC2 stood at number 3 with a standard deviation and a mean value of 0.90 and 4.22, respectively. Accordingly, 173 (47.1%) agreed with the statement.

Additionally, to measure political outcomes required by taxpayers for greater revenue generation, three statements were asked. Responses on PL1, which was ranked 1 among the political outcomes statements, show that out of 367 respondents, 215 (58.6%) “strongly agree” with the statement. The responses disperse by 0.54 and reveal a mean value of 4.56. In the second statement, i.e. PL2 which was ranked 2, the statement among the political outcome statements responses shows that majority of the respondents to (191 or 52%) “strongly agree” with the statement with a recorded a mean value of 4.47 and a standard deviation of 0.60. The final statement, i.e. PL3, shows that majority of the respondents (173 or 47.1%) “agree”. The statistics further show a mean value of 4.22 and a dispersion of 0.89 with the statement ranked 3 among the political outcome statements.

Statement SC3 which was ranked 1 among social outcome statements shows that majority of the respondents (198 or 54%) “agree” with the statement with the measure of dispersion at 0.73 and 4.19, respectively. Secondly, statement SC2 which was ranked as 2 among social outcome statements shows that the majority (158 or 43.1%) “strongly disagree” with the statement. The standard deviation across the responses and the mean value of the statement stands at 0.94 and 4.18, respectively. Lastly, in the case of the SC1 statement, majority (164 or 44.7%) “strongly disagree” with the statement. The responses record a standard deviation of 0.97 and a mean value of 4.14 and were ranked 3 among social infrastructure statements.

In summary, Table 5.4 revealed that statements EC3, PL1 and SC3 are ranked 1 across their groups. EC3 states that “Tax brings about increase in the price of commodities”. PL1 states that “The government is not being transparent in spending taxpayers’ money”. Finally, SC3 states that “Enlightenment on adequate utilization of tax revenue on public goods will encourage tax payment”. However, across all the 9 items in Table 5.4, the top three, i.e., 1, 2 and 3 are PL1, PL2 and EC3, respectively. PL1 has the highest mean of 4.56, followed by PL2, which states that “The services provided by the government are not comparable with the amount of taxes paid”. The statement recorded a mean value of 4.47 and finally EC3 a mean value of 4.44.

5.9 Chapter Summary

This chapter analyzed data collected using interview, survey and document study held with 20 FIRS employees, 367 taxpayers and 7 secondary published FIRS materials respectively, the collected data were used to guide the study in answering the research questions. The

categories of Informants to the interview are directorate, managerial and operational cadres while that of survey includes businesses and individual taxpayers within Abuja. The document study involved the FIRS monthly bulletin, conditions of service and circulars among others.

The qualitative data from interview were thematically analyzed using Nvivo version 10 and the quantitative data from survey were analyzed using STATA version 12, while the document data were used to support the interview and survey data. The result provides the inputs required for a successful tax administration operation. Informants to the study share views on how the transformation process can operate effectively and efficiently in changing inputs into outputs.

Furthermore, informants provided how individual, unit and overall tax administration output can be evaluated. Finally, how tax administration outcomes can be viewed was perceived from the point of equity, accountability and transparency. In addition, taxpayers expect economic, political and social infrastructure from a given tax payment. The next chapter will provide answers to the all research questions in this study.

CHAPTER SIX

DISCUSSION

6.1 Introduction

Chapter five previously discussed on the data collected from the interviews conducted with tax authorities and the questionnaires distributed to taxpayers as well document data. The present chapter synthesizes the results obtained from the qualitative and quantitative analysis, which was supported by document study toward answering the research questions in this study. To achieve that, this present chapter integrates the interview, questionnaire and document data to provide answers to the research questions presented earlier in Chapter and compared the present study findings and previous findings.

6.2 The Study Main Objective

As stated in Section 1.5, “the primary aim of this research is to recommend a model for efficient and effective tax administration reform that will ensure sustainable tax revenue generation in Nigeria”. In achieving the objective, a case study methodology was used.

The proposed Performance-Governance Model of Tax Administration (See Figure 3.1) is an extension of the congruence model (which was conceptually developed). The data from the case study verified the application of the Performance-Governance Model of Tax Administration in the real-life context using FIRS as a case study. The findings of the study supported the proposed model of the study to explain the phenomenon that Performance-Governance Model may enhance tax revenue generation of FIRS. After the data collection, the proposed model (See Figure 3.1) was a little bit amended by indicating a connection

between PL1 statement (see Table 5.4) which ranked 1 among taxpayers' political outcome statements and the interview findings (see section 5.8.1.3) which reveals that there is a transparency in FIRS with averagely 7 out 10 scales. Therefore, what FIRS considered as highest level of transparency is not enough as per as taxpayers' concern. The link between tax administration's transparency and taxpayer's transparency (political) show connection in the amended Performance-Governance Model of Tax Administration presented in Figure 6.1.



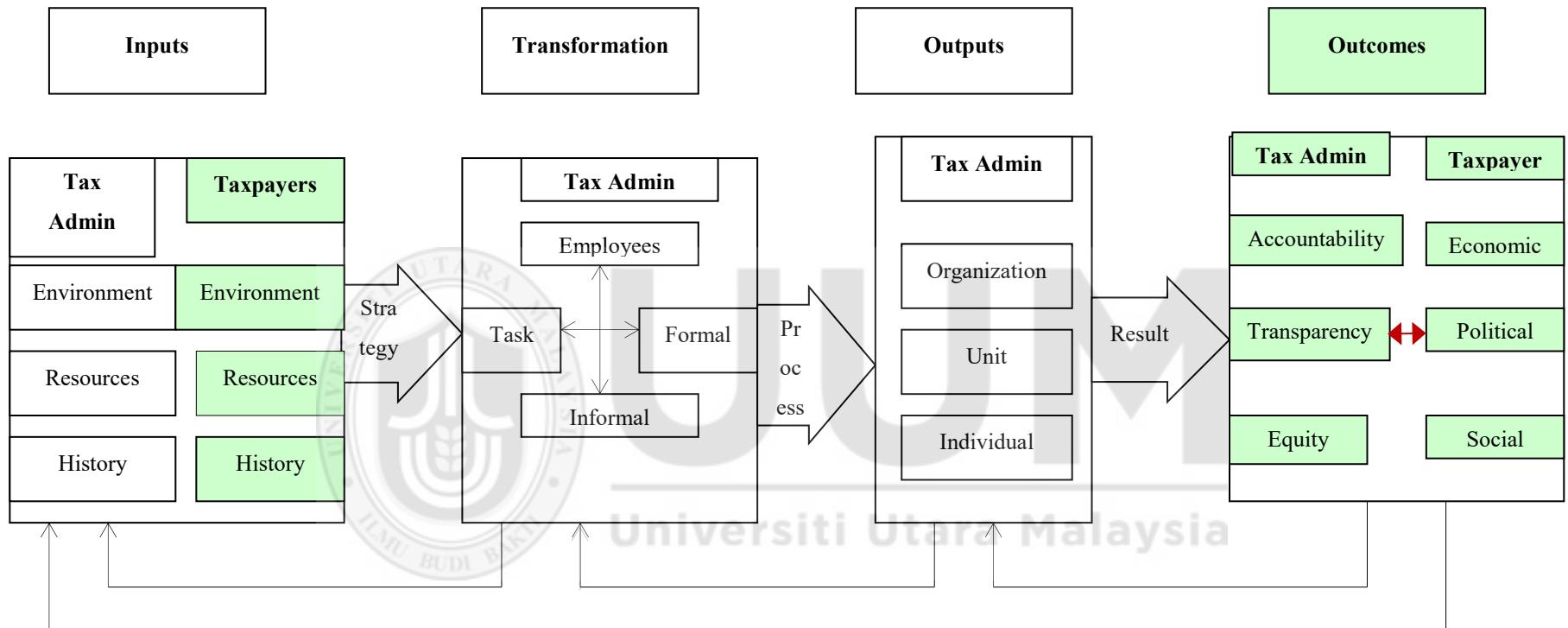


Figure 6.1
Performance-Governance Model of Tax Administration

Key: White colour represents Gill's components.

Light green colour represents the extended components by the present study.

Red colour arrow is the contribution of the present study after data collection.

Figure 6.1 verified Performance-Governance Model of Tax Administration. The model proved the earlier proposed components (presented in Figure 3.1). The model include the need for FIRS to develop response strategies that will improve greater trust and transparency. This finding is equally recommended by OECD (2015) that global forum of tax should work to improve international tax cooperation and tax transparency between stakeholders (i.e. between tax administration and taxpayers). The present findings support Lynn (2001) which explained the need for large bureaucratic organizations to adopt technology and develop strategies that promotes accountability and transparency in managing available resources.

The Performance-Governance Model of Tax Administration verified the process FIRS needs to follow to generate sufficient tax revenue. In line with the aim of this study, the model that can be applied to increase tax revenue generation becomes feasible where integration between the components in the model are observed. Based on the analysis provided in the model, the study asserts that for tax administration to generate adequate revenue, inputs should be used to form a strategy that can subsequently be utilized in the transformation of tax process activities. This in turn will determine the outputs of tax administration and eventually the outcomes that support the study of OECD (2008). The model further requires a continuous feedback between the components.

In summary, the Performance-Governance Model of Tax Administration verified that for tax administration to generate adequate revenue, inputs should be used to form a strategy subsequently to be utilized in the transformation process activities, which will determine the outputs of tax administration and eventually the outcomes. The model further requires

continuous feedback between the components. The detailed discussion of each research question of the study (i.e. the component of the model) is discussed in the following sections.

6.2.1 Tax Administration Inputs for Revenue Generation

Research Question 1: What are the tax administration inputs required for tax revenue generation?

In line with the first research question of this study, the analysis indicated in Section 5.5.1 reveals that there is an association between inputs (namely: environment, resources and history) and tax revenue generation, as shown in Figure 6.2.

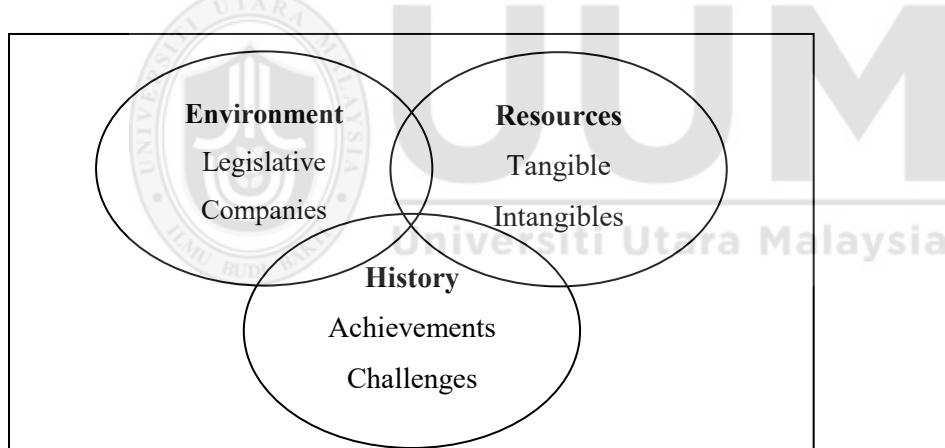


Figure 6.2
Tax Administration required Inputs

Figure 6.2 presents the three major inputs mutually and reciprocally connected in determining strategy of tax administration in generating tax revenue. The effects of one affect the other component. For example, the findings from the interview (see item 1 of Section 5.5.1.1) show that tax laws in Nigeria are not being amended frequently as stated in a FIRS compendium. On the other hand, part of the tangible required for the successful

implementation of tax are the guiding laws which are not been updated regularly and lead to the inadequate tangible resources required to administer tax functions. This is because the law in use does not reflect the current economic realities of Nigeria. Therefore, the legislative arm of government in Nigeria should constantly review tax laws to enable FIRS to operate within the boundary of the law. This finding is consistent with Gichuku (2015) where majority of developing countries' tax administrations problems are not reforming tax laws. Rather, they need to understand the fact that for a tax administration to function in the most effective and efficient manner, tax laws should reflect the economic reality of a nation.

Additionally, tax administration requires tangible and intangible resources in carrying out tax functions in the most efficient and effective manner but this has been affecting FIRS performances because the study has found that the executive arm of government does not provide FIRS with an adequate yearly grant (see Section 5.5.1.2 item 4), which resulted to lack of tangible resources, namely computers, infrastructures, nobilities and the stationery needed for tax exercises (as mentioned in Section 5.5.1.1 item 2). This finding is contradicting ANAO (1998) that tax administration cannot function in best way without being made available to their disposal.

However, lack of the required tangible resources (computers, tax circulars and compendium) and lack of the intangible resources (knowledge and skills to use database) in FIRS may be the reason why tax administrators in Nigeria lack a history of previous challenges or achievements as found by the study (see Section 5.5.1.3). Thus, this finding does not comply with the international requirement that demands high level of knowledge

and skills of tax administration's personnel (Bird & Zolt, 2008). FIRS's low performance might be due to a contradiction on the recommendation given by Bird and Zolt (2008). As noted, previous knowledge is very important in any organization. The reason being that, it provides ideas on how to reconsider previous decisions that yielded negative results. It allows room for better decisions that helps in maintaining and enhancing previous decisions and good results.

Therefore, when the executive arm of government provides FIRS with basic tangible and intangible resources, employees would be able to know about the previous FIRS successes and challenges, which would guide employee functions. Along this line, there is the need for FIRS to keep updating its Web portal, virtual library, monthly circulars and resources center as well as ensuring employees are utilizing it because Bird (2004) states that availability of resources (among which the present study include knowledge management instruments) is worthless if employees are not ready to learn.

Similarly, the study found that the executive arm of government in Nigeria interferes with FIRS in terms of appointments (See section 5.5.1.1 item 4). This role played by executives in employing their sons and daughters into FIRS may be the reason why some FIRS employees are identified with lack of experience, skills and professionalism (see 5.5.1.2 item 2). The present finding supports Enahoro and Jayeola (2012) findings that, politician's intervention in the tax system is one of the reason why tax administration in Nigeria recorded low performance. Although Gill (2003) argues that where there is no political support from the executive, tax administration may find it difficult to deal with tax evasion related cases. In Nigeria, executive intervention in tax administration tends to be more

influential on the appointment of tax officials, rather than supporting FIRS to deal with tax evasion cases, which stands in contradiction to Gill (2003).

Along this, for FIRS to generate sufficient tax revenue, the executive arm of government in Nigeria should grant absolute autonomy to FIRS to enable it to recruit employees with basic qualification, interest in tax administration, moral commitment, integrity and honesty. The study of Gordon and Li (2009) state that where employees possess the required qualities they should be able to carry out tax functions efficiently and effectively. Contradicting this by FIRS may be the reason why it is ineffective and inefficient in carrying tax functions among which include taxpayer education that is badly missing in the Nigerian context and is believed to be one of the factors that will enhance tax revenue contribution to government.

Lack of taxpayers' education programs as found in the study that taxpayers including companies' representatives are not fully educated in Nigeria regarding their tax obligations to the government and changes in the tax policies (see Section 5.5.1.1 item 2) violate the recommendation of (Olowookere & Fasina, 2013) that to strike a balance between tax revenue and tax evasion, taxpayers should be fully educated. The findings can be because of lack the required knowledge, experience, qualification and professionalism among tax administrators. Companies are the major taxpayers in Nigeria and belong to formal associations/unions that have a serious impact on FIRS performance. Therefore, good tax administration reform should educate companies on the need for them to pay tax and on administrative procedures and policies as well as the changes that affect taxpayers in the

most efficient and effective manner (Gill, 2003), which will in turn determine success or otherwise of the FIRS.

Furthermore, it was found that the executive influences the judicial system in Nigeria (see item 3 of Section 5.5.1.1). As a result, companies and individual taxpayers do evade tax liabilities and buy their freedom from the judiciary system. It was also found that the judiciary system in Nigeria is being interfered by politicians, who mostly form part of the executive (see item 4 of Section 5.5.1.1).

In a comparison of these findings with relevant literature, a similar finding is found in literature of Buscaglia and Dakolias (1998). The study noted that, corruption in judiciary or its inability of handling cases in a fair manner brought about distrust in government including tax administration. The present finding is also congruent with Daniels and Trebilcock (2004), that developing economies' politics should be reformed since it favors politically connected citizens which led to greater inefficiency and ineffectiveness in tax administration. Thereby bring about leaks in the revenue to be generated since people with political connections are exempted from the taxes or are charged lower than they are supposed to be.

Therefore, for FIRS to remit reasonable revenue to the federation account, the judiciary system must be fair, corrupt-free and work independently. Gill (2003) states the need of judges to have reasonable knowledge of the tax laws. This is only possible if the executive appointed judges based on merit. Where companies and individual taxpayers respect the judicial system, they may be scared to engage in tax evasion, thus maximizing the amount of tax revenue generation.

The study data shows that banks in Nigeria are efficient and effective enough to assist FIRS in achieving its objectives (see item 5 of Section 5.5.1.1). Banks act as intermediaries between FIRS and taxpayers. Such involvement improves transparency and accountability in the tax collection process because taxpayers go to the banks themselves and remit their legitimate tax liability. This finding is similar to previous studies by Bird and De-Jantscher, (1992), Fjeldstad and Moore (2008), as well as Mookherjee (1998).

Previous studies of Bird and De-Jantscher (1992); Fjeldstad and Moore (2008) as well as Mookherjee (1998) stated that bank is an important instrument toward simplifying the work of tax administration. Banks performed the function of tax administration in developed countries among which include receiving and processing tax declarations. In addition, Gill (2003) found that in Columbia, banks initiate records related to tax liability, receive the payment and pass on the information to tax administration for record.

Although in Nigeria, banks are not performing tax liability assessment but banks make it possible for taxpayers to remit their tax returns through an internet banking platform without administrative charges in order to enable taxpayers to pay from the comfort of their homes and there is availability of bank branches across the country, Thus, this study concludes that the present finding deposited that bank services in Nigeria as related to the tax administration exercise confirmed to be efficient and effective.

In summary, issues related to environment, resources and history must all be addressed by FIRS to generate sufficient tax revenue. This is because inefficiency in one component can lead to non-congruency among the others. Additionally, the Performance-Governance

Model of Tax Administration requires inputs from the perspective of taxpayers to be observed, as discussed in the next section.

6.2.2 Taxpayers Inputs for Revenue Generation

Research Question 2: What are the taxpayer inputs required for tax revenue generation?

In line with the second research question of this study, analysis of the descriptive statistics presented in Table 5.3 (see Section 5.5.2) shows that majority of the respondents have agreed with all the statements used in determining taxpayer environment, i.e., “Activities of regulatory bodies influence my tax payment decision”, “Safe environment will facilitate my business income” and “Conducive environment will facilitate my tax payment”.

The analysis from Table 5.3 (see Section 5.5.2) further shows that environmental factors that best determine the voluntary compliance of taxpayers is Environment 3 (i.e., EN3), which states that “Activities of regulatory bodies influence my tax payment decision”. This result was as well stated in an interview session with the Informants of the present study where tax administrators mentioned the need for FIRS to establish a friendly relationship with companies (see item 2 of Section 5.5.1.1).

To finding is consistent with previous studies of Abiola and Asiweh (2012) as well as Moh'd-Ali (2013) that there was positive relationship between regulatory bodies influence and tax payment. Although the methodology used differ from that of the present study. However, the findings is similar since both the studies believe that tax administration should relate with regulatory bodies in ensuring a greater tax compliance.

The regulatory body formed by companies serves as a useful media to circulate tax administration messages in relation to administrative procedures and policies as well as changes that affect taxpayers (Gill, 2003). Additionally, they serve as a strong interest group challenging government attempts to increase the tax rate, the institutional capacity of tax administration and tighten enforcement. Therefore, for FIRS to generate sufficient tax revenue, a good relationship with companies needs to be established, so that companies and their association would not go contrary to the provision of tax laws.

Furthermore, the findings from Section 5.5.2 presented in Table 5.3 show that the first Environmental statement (i.e. EN1), which states that “safe environment facilitate my business income and tax payment” emerged as the second environment factor that determines the compliance of taxpayers. This show that in a situation where government provides security to taxpayers, the performance of businesses will be improved, thereby positively respond to tax payment and vice versa. If the environment is not safe, it costs taxpayers to lose work hours, affecting their productivity. In the case of companies, sometimes they have to shut down operations. Thus, the amount of tax payment is as well affected.

A similar evidence was found in a quantitative study by Abiola and Asiweh (2012). It was established that a positive relationship between safe environment and tax revenue exists. Ability of tax administration to generate sufficient revenue according to Abiola and Asiweh (2012) depending on how government protect taxpayer's business environment from insecurity issues. For FIRS to generate sufficient tax revenue, the Nigerian government should ensure individual and company safety to enhance income generation.

Finally, the second statement on environment (i.e. EN2), which states that “conducive environment will facilitate my tax payment” is the last environmental item that influences taxpayer decisions on tax payment. Therefore, even if government does not provide a conducive environment for businesses if there is adequate security of lives and proper, taxpayers will still respond to tax payment voluntarily. Although no previous literature that specifically establish relationship between conducive environment and tax revenue generation, related studies such as Abiola and Asiweh (2012) and Alli (2009) confirmed that safe environment is one of the inputs that enhance taxpayer attitude toward compliance. This is because the availability of infrastructures promotes business operations. Where safety/security and conducive environment is not there, businesses may find it difficult to generate adequate income that will cater for their demand, thereby affecting their decision on tax payments.

Additionally, result from Table 5.3 in Section 5.5.2 shows that environment is not the only factor that facilitates taxpayer decisions. The result of the descriptive statistics in the same Table 5.3 shows that considering the independent mean value of RS2, which states that “Individuals with no source of income have every reason not to pay tax” (see Table 5.3 in Section 5.5.2), it is the most significant factor that discourages taxpayers from tax payments.

Although methodological differences are observed when comparing the recent finding with previous study of Mohd-Ali (2013), the finding of the study is similar that shows that state a significant relation between individual source of income and tax compliance. Therefore, as stated in Appah and Oyandonghan (2011), government should as much as possible

provide citizens with opportunities to earn income. Government should ensure that citizens are employed for the greater chance of generating tax revenue. Although government cannot have the capacity to employ the whole population, yet it has a role to play through providing the environment that can bring foreign investors.

Similarly, the analysis of the same Table 5.3 in Section 5.5.2 shows that RS1, which states that “tax knowledge provided by the government has impact on my tax payment” emerged as the second most important resources factor that guides taxpayers’ decision. Therefore, the study concluded that government commitment toward providing citizens with tax knowledge plays a significant role in influencing taxpayer compliance.

The present finding if relate to previous study that adopt different methodology is in line with the empirical study of Alli (2009), Palil and Lymer (2009) as well as Sheikh-Obid (2008) that identified tax knowledge as a significant factor that improves taxpayer compliance behavior. Thus, government should as much as possible provide citizens with tax knowledge through fliers, media and social networks.

Furthermore, statement RS3 which states that “where government protects certain business, the level of tax compliance will increase” emerged as the last resource factor. This shows that if government protects the business environment, businesses may increase their level of voluntary compliance. This finding supports the study of Abiola and Asiweh (2012) that state the need for government to protect businesses to enable successful business operation and enhance compliance level.

Finally, the descriptive statistics result on history statements, as shown in Table 5.3 Section 5.5.2), reveals that HS3, which state that “tax knowledge on previous tax revenue generated by the government influence my current tax payment decision” emerged as the first historical statement that may influence taxpayer decisions on tax payments. This indicates that the more the taxpayer knowledge on the previous tax revenue generated by the government, the greater the chance to comply voluntary, eventually leading to an increase in tax revenue generation. This result is in line with Alm, McClelland and Schulze’s (1992) as well as Moh’d-Ali (2013). Their findings revealed that there is a strong positive relation between taxpayer education compliance and the amount of taxes generated. In addition, the present findings support the study of Torgler (2003) that educating taxpayers and informing them about tax revenue collected improve taxpayer compliance behavior.

Additionally, the first history statement (i.e., HS1), which state that “Knowledge on previous infrastructure provide by the government have impact on my tax payment decision” emerged as the second historical statement that may influence taxpayer decisions on tax payments. This finding is similar to the result of Abiola and Asiweh (2012) that the more the taxpayer knowledge on government commitment toward providing them with adequate infrastructural amenities, the more the possibility of taxpayer compliance.

In a similar result, the second item used in explaining taxpayer perception on history, i.e., HS2, which states that “adequate knowledge on how government utilized previous tax revenue generated has impact on subsequent tax payment”, emerged as the last historical statement that may influence taxpayer decisions on tax payments. Thus, indicating that, taxpayers expects government to educate them on how revenue generated from tax is spent.

The finding of the present study is in line with the finding of Alli (2009) and Moh'd Ali (2013) that if tax revenue is judiciously utilized and the general public well informed that will boast their attitude toward compliance.

6.2.3 Transformation Process for Tax Revenue Generation

Research Question 3: How the tax administration's transformation processes should be undertaken for tax revenue generation?

In line with the third research question of this study, the Performance-Governance Model of Tax Administration suggests that for FIRS to generate adequate tax revenue there should be congruency between four basic transformation process components, namely: (i) tasks, (ii) employees, (iii) the formal, and (iv) the informal, as summarize in Figure 6.3.

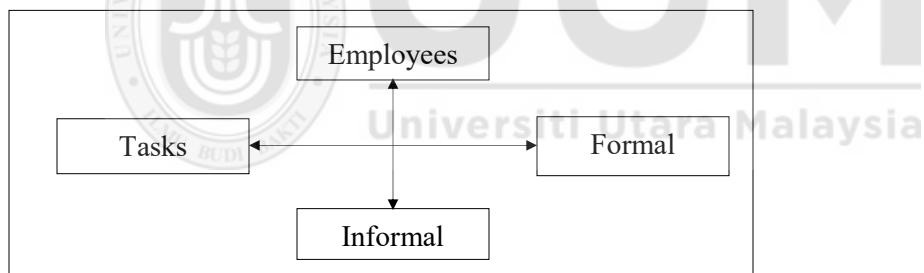


Figure 6.3
Tax Administration Transformation Process

Figure 6.3 summarizes how the transformation process component integrates with each other for greater tax revenue generation. For tax administration to generate adequate tax revenue there should be four components of the transformation process among which employees that carry the administration functions are considered as the most important component.

Employees in the transformation process are the tax officers that perform FIRS functions. The findings of the study (see Section 5.6.2) indicate that the success of FIRS depends on employee qualification, training, tax knowledge, computer literacy, experience, creativity and being ethically upright. The result from Table 5.2 further shows that FIRS employees possess in the minimum bachelor degrees from various areas of study. 30% graduated with Bachelor of Science Accounting, 25% and 20% Bachelor of Business Administration and Economics while 25% studied other courses from recognized institutions. This shows that most of the employees studied management science/ quantitative-related courses. Varanasi (1999) argued that to achieve efficiency and effectiveness in operation, majority of employees within an organization should possess qualifications related to the organization's product. The finding in this study is in line with Therkildsen (2004) who recommended that, a minimum qualification to work in a revenue administration must be bachelor's degree in taxation or its equivalent in a relevant field, from a recognized educational body.

However, the actual findings (see Section 5.6.2) show that majority of FIRS staffs are yet to possess professional recognized accounting certificates, resulting in lack of professional strategies, credibility and skills to perform tax functions in the most efficient and effective manner. There is the need for FIRS staff to possess certain tax knowledge, which can be obtained from professional bodies like the Chartered Institute of Taxation, the Institute of Chartered Accountants of Nigeria (ICAN) and the Association of Certified Chartered Accountants (ACCA). Although, the researcher was unable to find previous study that establish the importance of professional certificate on tax administration functions or tax

revenue generation. It is believed that professional bodies provide extra strategies, knowledge, skills and competency in addition to those provided by institution of learning.

Additionally, apart from professional certificates, employees can advance their tax knowledge through training. But the result of the study, as stated in Section 5.6.2 (2), shows that for over 3 years FIRS had not subjected its staff to training. The study further reveals that FIRS does not have its own training school but involves the services of consultants (see item 1 of Section 5.6.3), which is contrary to the suggestion of Therkildsen (2004). Therkildsen (2004) stated that a good tax administration system must have its own training school where newly recruited employees will obtain training and background before trying their hands-on operations.

Therefore, lack of a FIRS training school (as suggested by Therkildsen, 2004) affects FIRS employees from being updated with the FIRS written rules and regulation. In addition, lead employees to learn those tax rules from subordinates because rules to guide operations were not available. However, where employees obtain adequate training they will respect the formal setting governing FIRS functions that remove all unethical behaviors and increase the level of taxpayer confidence in the system, thereby enhancing tax revenue generation.

Therefore, for FIRS employees to perform their functions in the most efficient and effective manner, there is the need for them to acquire professional certificates and be trained from time to time. Bird (2015) as well as Bird and Jantscher (1992) emphasized on the need for high and proper training for revenue administration employees to deal with tax administration challenges. Staff training can be achieved where a department handles

capacity building, training, workshops and seminars, thereby cutting the cost of involving consultant services that are aimed to make a profit.

The training school or college should provide employees with basic tax knowledge and enhance employee creativity toward reducing the level of tax evaders. Bird and Oldman (2000) as well as Kamau, Mutiso and Ngu (2012) concluded that tax authorities should in some situations adopt technical and legal accounting practices, creativity and activities that are not conventionally practiced or accepted to be able to come up with tax dues in some critical situations. Training should train FIRS employees on how to use advancement in information technology, thus reducing the manual way of carrying out tax operations, which affect FIRS employee efficiency and effectiveness, as found in the study (see item 4 of Section in 5.6.2). Previous studies among which include Bird (2005 & 2015) as well as Silvani and Baer (1997) confirmed that computer literacy is essential to improve tax collection as a prescribed by law in the most efficient and effective manner.

Similarly, the study found that FIRS employees work based on department and area of specialization (see 5.6.2 item 5). As a result, they lack the capability, experience and skills to work in other departments. The present finding goes contrary to previous study of Enahoro and Jayeola (2012) as well as Mba (2012) that tax administration is supposed to be an area where employees will be rotating for transparency and fairness purposes.

Therefore, where employees are subjected to training they will acquire competency, skills and experiences to work with every department, and rotating employees will improve transparency in the system and reduce the unethical and illegal behavior of tax administrators affecting FIRS as found in the study (see item 7 of Section 5.6.2). This

finding is similar if compared with the study of Gerger *et al.*, (2014) that states unethical employees result not only in loss of tax revenue and compliance but also the integrity of the system. The data from the survey method further shows that majority of the respondents have lost confidence in FIRS (see section 5.8.2). Thus, illegal behavior of some FIRS employees is contrary to recommendation of Fagbemi, Uadiale and Noah (2010) that expressed the need for tax authorities trusted with the responsibility of task functions to respect the law, be objective and have integrity and fairness to taxpayers.

Furthermore, despite the FIRS effort to ensure a good relationship among employees, the cordial relationship is affected where employees are found to have acted in their personal interests (see item 2 of Section 5.6.4). Other employees tend to lose confidence in working with those found guilty. In addition, the present study found that the interpersonal relationship among FIRS staff was affected by employee working hours (see Section 5.6.4, item 2). The finding is consistent with Gill (2003) that for tax administration to understand the reason for weak tax revenue generation, tax administration must look at how its employees relate within one another and analyzed the effect of negative interpersonal relation among employees on revenue generation.

Therefore, FIRS should understand that employees appreciate the working environment when they work for an equal number of hours unlike what is obtainable in FIRS where some employees work for 9 hours and some work for 12 hours in trying to achieve their daily targets.

Similarly, the present study reveals the existence of an in-house arrangement within FIRS among which are a multi-purpose cooperative society, thrift, charity contribution, departmental whatsapp group and units and a facebook group (see Section 5.6.4, item 3). Although there is no empirical study that relates this kind of arrangements and tax administration outputs, FIRS should ensure such arrangements are carried out in the most efficient and effective manner toward strengthening employee interpersonal relationships. OECD (2001b) stressed that tax authorities' interpersonal relationships play an important role in determining the success of tax administration. Along this, FIRS should ensure that employees do not abuse the in-house arrangement, for example, the regular use of whatsapp and facebook chat while working would affect employee productivity.

To this end, the congruence of employees, formal and informal settings should be properly managed to ensure FIRS tasks are carried out in the most efficient and effective manner toward solving insufficient tax revenue affecting Nigeria. Kidd (2010) stated that an excellent tax administration should ensure taxpayer liability has been collected as and when due.

In Nigeria, the tax revenue generated is insufficient over the years. For instance, the present study found that FIRS generated less than the targeted revenue from 2012 to 2016 (see item 2 of Section 5.6.1). Similar to this result is equally found in the earlier Nigerian study among which Micah, Ebere and Umobong (2012) as well Odusola (2006) that actual tax revenue generation in Nigeria fall below the targeted amount for many years.

Furthermore, in comparison between previous findings of Micah, Ebere and Umobong (2012) as well Odusola (2006) and the recent FIRS performances, this study found similar result about revenue generation. For instance, considering the total tax revenue generated in 2015, which was ₦5.5 trillion equivalents to \$27.5 billion if compared to South Africa that generated R808 billion equivalents to \$57 billion, we can see that South Africa with a smaller economy and one-third of the Nigerian population generated twice as much tax revenue.

Therefore, FIRS should make use of its good remitting process found in the present study (see item 3 of Section 5.6.1) and ensure that the auditing department that is affected by lack of adequate manpower, training, experience and skills (see Section 5.6.1 item 4) is addressed through establishing its own training school that will train auditors on how to perform their function efficiently and effectively. Similar result is recommended by Therkildsen (2004) that call on the need for tax administration to have its own training school for training purposes.

Additionally, the present finding is similar to Pyle (1992) that tax administration should perform tax audit to ensure non-filers respond to queries that arised. In doing that, it is expected that adequate training should guide tax auditors on how to examine taxpayer returns, making inquiries from a third party, collecting oral evidence and document, assessing further tax liabilities as well interest and penalties.

Furthermore, the present study finds that taxpayer education carried out by FIRS was insufficient (see Section 5.6.1, item 5). Thus, the finding goes contrary to Alli (2009), Palil and Lymer (2009) as well as Sheikh-Obid (2008) studies which established positive

relation between taxpayers' education and compliance, although the methodology differs from the present study. Along this, FIRS should consider other channels of providing excellent taxpayer service and education, which can be achieved using various channels like television, radio and newspapers in local languages that can be understood by each taxpayer. This can be more meaningful than passing information on billboards and fliers.

In addition, FIRS should educate the public on its entire effort, including the amount of tax revenue generated, the compliance rate, tax evasion and the registration of new taxpayers, as well as the result of tax audits conducted. This can be tremendously effective in increasing tax revenue and encouraging compliance in the country. LeBaube and Vehorn (1992) as well Silvani and Baer (1997) emphasized on the need for tax administration to achieve the highest level of compliance through informing taxpayers about their responsibilities and duties under tax laws in an easier language to be understood by everybody, including the less educated.

6.2.4 Association between Transformation Process Tax Administration Outputs

Research Question 4: How are transformation processes associated with tax administration's output for tax revenue generation?

In line with the fourth research question of this study, data collected from and analyzed in Section 5.7 supported the study of Gill (2003) that a good integration in the transformation process will produce an excellent output at individual, units and organization levels, as demonstrated in Figure 6.4.

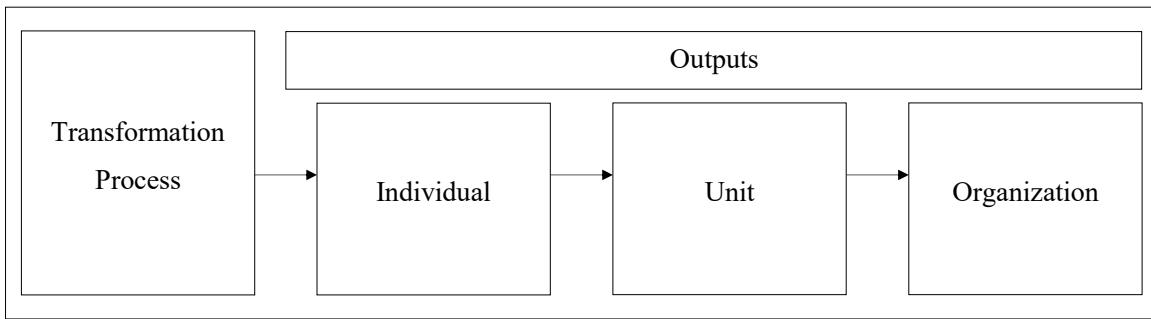


Figure 6.4
Tax Administration Outputs

Figure 6.4 shows that the transformation process results in outputs at individual, unit and organization levels. The findings of the study presented in Section 5.7.1 show that FIRS evaluate employees output using attendance record, how he/she follows the due process while carrying out tax functions, key performance indicators and the number of cases handled.

In comparing the measures used by FIRS to evaluate employees in relation to prior studies, key performance indicators were found to have been recommended by Spekle and Verbeeten (2014), that every organization should develop KPI for evaluating employees' performances. Although attendance record and due process maintained while carrying out tax function in several cases handled have not been recommended by Spekle and Verbeeten (2014), this difference may be because their studies were conducted on public sectors (education and health) that are not meant for revenue generation, unlike the present study that focus on tax administration.

More so, although FIRS staffs are expected to start work at 8:00am and finish at 5:00pm, yet the findings of the present study (see item 1 of Section 5.7.1) reveal that in reality some employees came to office early, signed the attendance record and went back to their homes;

others took their children to school and stayed away for 2 or 3 hours before they resumed. Although no previous study found to have explained the impact of attendance record on tax administration performance, but the study of Newman-Ford, Fitzgibbon and Thomas (2008) found a significant positive relationship between employees' attendance and performance, through the application of an innovative, electronic attendance monitoring system. Thus, this may be the reason why some FIRS employees are not accomplishing daily tasks effectively.

Therefore, FIRS should ensure that employees appear at work and leave as prescribed by its conditions of service provided by the legislature. This is because employee attendance can determine his/her productivity. An employee with an excellent attendance record tends to achieve much of the work assign to him/her compared to the absentee-employee. Studies like Newman-Ford *et al.*, (2008) as well as Stormer and Fahr (2013) found that employee attendance is one of the factors that determine his/her contribution to the organization's performance.

Similarly, written policies and procedures are expected to spell out the rules of employee attendance, such as the exact time for opening and closing as well as other rules governing FIRS functions. Along this, the present study found that FIRS laws are out-dated (see Section 5.7.1 item 2). It is possible to some extent to compare this finding with that of Gichuku (2015) that sees the success of tax administration on the degree to which tax employees followed updated laws while carrying tax administration functions. Where an employee follows rules and regulations religiously, he/she will achieve better results compared to those that fail to follow written policies and procedures. The rules and

regulations are what have been stated in the formal component of the transformation process.

Hence, there is the need for legislature to play a role and ensure that FIRS laws are kept up to date to suit the current economic reality of Nigeria to ensure that employee functions are guided by FIRS scheme of service. Gallagher (2005); Gichuku (2015) as well as Silvani and Baer (1997) found that to be effective in administering taxes, each employee should work along the provided rules and regulations.

Besides, FIRS laws should ensure that employee key performance indicators are strictly observed every end of the year. This is because the findings of the present study show that the reality of a performance appraisal in FIRS is driven by how loyal an officer is to his supervisor and not based on the quality of work delivered or the number of cases handled (see Section 5.7.1, item 4). Thus, the finding goes contrary to Spek and Verbeeten (2014) that highlighted the use of KPI for evaluating employees' performance. In a situation where promotion is based on loyalty, hardworking employees will feel reluctant. That may be the reason why some employees are being queried by the audit department, as found by the present study and stated in item 4 of Section 5.7.1.

Thus, in line with the recommendation of Crandall (2010) as well as Kidd and Crandall (2006) that to modernize tax administration there should be key organizational performance to be used in monitoring and evaluating employee performance. FIRS should have written rules and regulations (formal setting) that will clearly spell out what is expected to be achieved by each member of the administration.

Moreover, the present study found that some departments achieve their assigned tasks within the stipulated time while others find it very challenging due to limited manpower, as stated in Section 5.7.2 item (1). Therefore, lack of qualified personnel will affect the quality of the service delivered by each department, as found by the present study (see item 2 of Section 5.7.2). The finding goes contrary to the suggestions by Alli (2009), Palil and Lymer (2009) as well as Sheikh-Obid (2008) on the established positive relation between taxpayers' education and compliance, although the methodology differs from that of the present study.

Quality of service will be achieved where employees are highly innovated among which include the proper use of information and communication and technology gadgets. However, within the context of the present study, it was found that some employees lacked the requisite skills to operate computers in the most efficient and effective manner (see item 4 of Section 5.6.2). Thus, contradict the recommendation of Bird (2007) on the need of developing countries' tax administration employees and the system itself to be IT compliant.

Consequently, FIRS should ensure employee performances are strictly assessed by considering his/her average number of returns or the cases handled in percentage of the targeted group of taxpayers. This has been recommended by OECD (2004b & 2008) where conditions of service (formal setting) state the number of files expected to be handled by each employee at the end of the day, week, month or year. Every employee will try as much as possible to achieve the said target.

Furthermore, the present study found that the activities of individuals and units are done to achieve overall administration objectives among which include increase in compliance and revenue generation as well as enhancing employee satisfaction (see Section 5.7.3). The findings of the present study further show that there was a low level of tax compliance in Nigeria (see Section 5.7.3 item 1), which was a result of carelessness, recklessness, ignorance or the deliberate actions of taxpayers. The recent finding supported the study of Alabede, Ariffin and Idris (2011) as well as Atawodi and Ojeka (2012) that small and medium enterprise as well as individual taxpayers' level of compliance is dropping in Nigeria year after year and the degree of trust among taxpayers is equally dropping.

Along this, FIRS should emphasize on the need of strategies that would encourage voluntary compliance because government wants to discourage tax evasion to achieve the highest level of compliance, as compliance determines the amount of tax revenue generated. Bird (2015) recommended that the main function of tax administration should be to ensure compliance for higher tax revenue and apply the sanctions prescribed by law against offenders.

Moreover, lower level compliance in Nigeria can be connected to lack of proper taxpayer education programs, as found in item 5 of Section 5.6.1. This in turn leads to lower tax revenue generation, as found by the present study in item 2 of Section 5.7.3. The finding goes directly opposite to the study of Alli (2009), Palil and Lymer (2009) as well as Sheikh-Obid (2008) that found a significant positive relationship between taxpayers' education and compliance using purely quantitative study.

Among other factors that contributed to lower tax revenue generation include high level of tax non-compliance and lack of proper business records from perspective of taxpayers and lack of legislative and executive commitment, as well as lack of modern facilities from the perspective of tax administrators. In comparison to previous studies, this finding supports Gichuku (2015) that lack of business record in African economies bring about huge loss of taxable revenue. Therefore, FIRS need to enhance its tax education program, which will increase the level of voluntary compliance and the legislative and executive need to display serious commitment, so that FIRS can boost its performance toward generating more tax revenue.

Finally, the present study found that FIRS had no motivation and incentive programs (see item 3 of Section 5.7.3) to satisfy employee needs to enhance their performances. Although no previous studies were found to have discussed the effect of employees' motivation and tax administration, but the study of Tsigilis, Zachopoulou and Grammatikopoulos (2006) from the human resource management perspective, stated that employee satisfaction is the cause of employee positive morale, goal achievement and motivation in an organization. The same view was shared by Dieleman, Toonen, Toure, and Martineau (2006). Therefore, FIRS need to introduce incentive programs in order to keep hard working employees motivated.

6.2.5 Association between Tax Administration Outputs and Outcomes

Research Question 5: What are the associations between tax administration output and tax administration outcome for tax revenue generation?

In line with the fifth research question of this study, the analysis of the result obtained as presented in Section 5.8.1 shows that tax administration output is expected to produce three outcomes, namely accountability, transparency and equity, which are integrated to each other for greater tax revenue generation, as demonstrated in Figure 6.5.

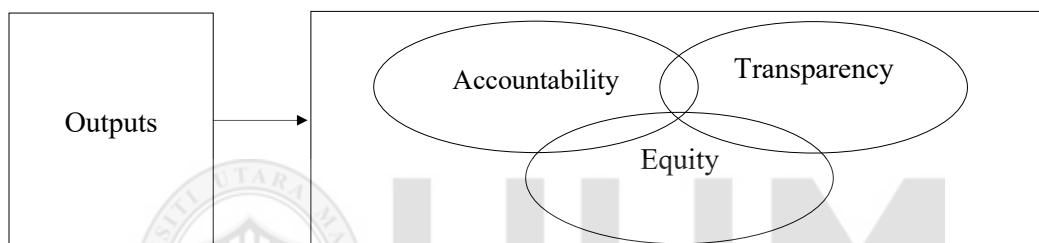


Figure 6.5
Tax Administration Outcomes

Figure 6.5 shows that the major outcome expected from successful tax administration are accountability, transparency and equity that are reciprocally connected to one another in determine tax administration outcome. The result of the study as indicated in Section 5.8.1.1 shows that the level of equity in FIRS is affected by the system of governance in Nigeria, a system where some individuals with political connections were found to have paid less than their legitimate tax liability and did not file their returns at all.

In comparison, the recent finding and that of Alli (2009) are similar. As noted by Alli (2009), unequal treatment for taxpayers in Nigeria affect the confidence level of taxpayers towards in the tax administration. This in turn leads to loss of tax revenue. Lack of equal treatment of taxpayers in Nigeria goes contrary to the study of Moser, Evans and Kim

(1995) that equity in the tax system have significant impact on the level of voluntary compliance. Although the methodology differs from that of the present study, the study of Moser Evans and Kim (1995) further recommend that tax administration should ensure equality treatment of taxpayers in accordance with their income level.

Therefore, for FIRS to generate the targeted tax revenue there should be equal treatment for taxpayers in the distribution of tax liability. Where taxpayers see the tax system to be unfair or discriminatory, the tax administration faces a difficulty in tax collection. Equally, FIRS should ensure that the overall outputs in terms of revenue generation are judiciously used in providing public services. In doing that there should be the equitable distribution of such social services across the country irrespective of the amount of tax paid.

Similarly, the amount of revenue generated from tax is remitted to the federation account (see item 2, Section 5.8.1.2). The present study further reveals that FIRS used an automation system of remittance where taxpayers assess themselves, go to the bank and lodge payment by themselves. This system drastically removes corrupt practices within FIRS. FIRS employees submit quarterly and yearly reports to their respective supervisors. The recent finding is in line with the recommendation of Kettaini *et al.*, (2009); Lynn (2001) and Taliercio (2004a & b) that a good tax administration should enable taxpayers to assess themselves and make tax payments from the comfort of their homes using electronic means.

Therefore, FIRS should keep up with the good system since it eases tax operations and eliminates corruption in the remittance process. The remittance system of FIRS encourages taxpayers to go to the bank themselves and pay their tax liability because FIRS does not collect cash.

Furthermore, the findings presented in Section 5.8.1.3 show that FIRS generated revenue is accounted to the federation account and published monthly on its websites, monthly bulletins and Nigerian dailies in order to ensure the highest level of transparency, although taxpayer names are kept confidential. Along this, FIRS should ensure the overall output is published in newspapers and other forms of communication. That will go along away in building trust in the administration in the eyes of the public. Along this, the present finding support Kettaini *et al.*, (2009); Lynn (2001); Ott (1998); Shah (2006) and Taliercio (2004b) that to ensure transparency in tax administration, information on tax operations should be made freely accessible and specifically available to the individuals who will be influenced by such information.

Therefore, publishing the amount of tax revenue generated by FIRS is in line with the prior literatures in tax and doing that will bring about greater tax compliance to FIRS. However, the present study recommend that publishing tax revenue should go alone names of taxpayers, where the names of taxpayers are published especially companies, that will encourage them to comply and discourage tax evaders, since companies consider their image in the eyes of the public as very important.

6.2.6 Association between Tax Administration Outputs and Taxpayers' Outcomes

Research Question 6: What are the associations between tax administration output and taxpayer outcome for tax revenue generation?

In line with the sixth research question of this study, the first taxpayers' outcome is economic and the analysis of the descriptive statistics on taxpayer economic outcomes (see Table 5.4) revealed that the third statement (i.e. EC3), which states that "Tax brings about increase in the price of commodities" ranked first as an economic effect of tax in Nigeria. The present findings sustain the findings of Abiola and Asiweh (2012) and Moh'd Ali (2013) that high tax rates bring general increase in the price of goods and services. Therefore, Nigeria should revisit its tax rate and ensure the rate is fair and does not significantly affect the price of goods and services.

Additionally, the second ranked economic outcome is the first statement, which said "Tax liability has a serious impact on my disposable income". This result is similar to that of Abiola and Asiweh (2012) and Gill (2003) that high tax rate makes taxpayers feel like they are working for the government and eventually give room for tax evasion which eventually lead to increase in the tax administration burden on enforcement. Therefore, as stated earlier to ensure greater compliance, tax rate should be fair and should not accept taxpayers' consumable income.

Finally, the second statement that "High tax rates discourage my economic investment" and ranked the third. This shows that in Nigeria taxes do bring about an increase in the price of goods and services. The result goes contrary to Moh'd-Ali (2013) that high tax

rates is against the objective of every tax system. Therefore, from the above findings, the present study understands that it will be good for FIRS that is suffering from the lowest level of compliance to reduce the tax rate that will not affect taxpayers' disposable income or discourage economic investment and neither bring about increase in the price of goods and services.

Secondly, analysis of the descriptive statistics result on political outcomes, as shown in Table 5.4, reveals that statements on the political effects of taxes, namely PL1, which states that "The government is not being transparent in spending taxpayers' money"; PL2, which states that "The services provided by the government are not comparable with the amount of taxes paid" and PL3, which states that "I believe that the Nigerian government is not spending public funds prudently" were ranked 1st , 2nd and 3rd, respectively.

In comparison of the above-mentioned findings with prior literatures, the first ranked statement is similar to the studies of Abiola and Asiweh (2012) that was conducted in Nigeria. These studies indicate that Nigerian taxpayers are largely unhappy with the government in terms of how taxpayer money is being spent. This is because there is no development in social infrastructure. The result is as well similar with Gillis (1991) and Kim (2002) who stated that to ensure fairness in the tax system, taxpayers deserve to know how tax payments are being used.

In comparison of the present result with second ranked statement and the reviewed literature, the actual result found in Nigeria contradict the studies of Alm, McClelland, and Schulze (1992) as well as Torgler (2003). These studies indicated a strong positive relationship between the taxes paid by taxpayers and the level of public goods provided by

the government. Along this, the Nigerian government is recommended to ensure that revenue generated from tax is used in the provision of public goods.

Furthermore, the implication of the third ranked statement (i.e. PL3) is that the Nigerian government is not spending public money judiciously. The actual findings go contrary to the study of Gillis (1991) as well as Sia, Salleh, Sambasivan, and Kasipillai (2008) that prudence of government towards spending tax revenue may encourage taxpayers to pay their legitimate tax liability, thereby increasing government revenue generation.

In another development, analysis of the descriptive statistics (see Table 5.4) shows that social statement 3 (i.e. SC3), which states that “enlightenment on adequate utilization of tax revenue on public goods will encourage tax payment” was ranked first among the statements. The implication of this is that the more government enlightens the general public on the how it utilizes the tax revenue generated, will enhanced the level of compliance. This finding is in line with the study of Alm, McClelland and Schulze (1992) and Kim (2002) that asserted that the level at which government informs the general public on how it utilizes the revenue generated from tax will increase the level of voluntary compliance.

Similarly, the analysis on SC2, which states that “I usually make decisions to pay taxes based on my friends’ experiences or suggestions” ranked as the second social outcomes of taxpayers. This finding indicates that taxpayer decisions in Nigeria are influenced by the experience or suggestion of other taxpayers. The finding is supported by the study of Frey and Torgler (2007) as well as Wenzel (2005) that the taxpayer perceptions of friends have a positive impact on their compliance attitude.

In addition, the data in Table 5.4 reveal that the first social statement, which states that “my decision to pay taxes is mostly influenced by my surroundings social amenities” is ranked as the third social outcome expected by taxpayers and shows that the available social amenities surrounding taxpayers in Nigeria influence their decisions to comply or otherwise. This finding is supported by the study of Moh'd-Ali (2013) that social environment has a significant impact on taxpayers' voluntary compliance. Thus, government should try as much as possible to provide the needed amenities that will influence taxpayers' business operation and in turn maximize tax revenue generation.

6.3 Congruency of the Components

The Performance-Governance Model of Tax Administration (See Figure 6.1) extended by the study is an extension of the congruence model (which was conceptually developed). Therefore, the data from the case study verified the application of the congruence model in the real-life context using FIRS as a case study. The findings of the study supported the proposed model to explain the phenomenon that the Performance-Governance Model will enhance tax revenue generation.

The data from the survey further shows that PL1 (see Table 5.4) was ranked 1 among taxpayers' political outcome statements. Although the finding from the interview (see Section 5.8.1.3) reveals that there is transparency in FIRS averagely in 7 out 10 scales, on the other hand, the taxpayers' survey shows that the Nigerian government is not being transparent in spending taxpayer money. Transparency forms part of tax administration outcome. Out of 3 statements that measure the taxpayer perspective on political outcomes, PL1, which stated that” Nigerian government is not being transparent in spending

taxpayers' money" ranked 1. Similar result is stated in Abiola and Asiweh (2012) and is confirmed to contradict Gillis (1991) and Kim (2002) that posits the need for tax administration to ensure fairness in the tax system by educating taxpayer on how tax payments have been spent.

Similarly, it is important to note that the Performance-Governance Model comprises components that work in an integrated manner. As a result, deficiency in one component may affect others and in turn affect tax administration performance. For example, the present study found that FIRS were affected by lack of inadequate resources among which are computers, mobility and office stationery (see Section 5.5.1 item 1). This brings about a difficulty in FIRS staffs to carry out tax mandates in the most efficient and effective manner, as discussed in Section 5.6.1. Such inabilities result not only in lowering individual and unit outputs, also the overall FIRS performance (see Section 5.7.3), thus resulting in lower tax revenue generation. This congruence is in line with the recommendation of Gill (2003) that incongruence between the components can lead to failure of tax administration.

Lower tax revenue generation by FIRS Nigeria brings about a difficulty in government to finance taxpayer economic and social outcomes found in Section 5.8.2. This is also connected to the reason of the lower level of voluntary tax compliance in Nigeria (refer to item 1 of Section 5.7.3). This is because it was found in the study (see Section 5.5.2) that taxpayers believe that where government provides an Informant with the tax revenue generated, its ability to protect businesses will enhance economic activities in the country and facilitate tax payment (voluntary compliance). The result is confirmed with the quantitative study of Abiola and Asiweh (2012) that established a positive relationship between safe environment and tax revenue.

On the other hand, the failure of government to judiciously use tax revenue generation resulted to a lower level of infrastructure development in Nigeria and hindered business performance. It was found in Section 5.5.2 that taxpayers with no or low sources of income have every reason not to pay tax. Thus, the need for Nigeria to educate taxpayers on the previous infrastructures provided by the government will boost the level of tax compliance. This result is in line with Alm, McClelland and Schulze's (1992); Moh'd-Ali (2013) and Torgler (2003) that documented significant positive relationship between taxpayer education, compliance and the amount of taxes generated.

Similarly, it was found in Section 5.5.1 that the Nigerian legislature has not reviewed tax laws from 2011 to date. This may be the reason why FIRS employees learn the formal way of operation through outdated FIRS bulletins, circulars and conditions of service, as found in 5.6.3. Although part of the tangible resources required in tax exercise include tax laws, yet the failure of the legislature to provide FIRS with up to date tax laws affected tax revenue collection (see Section 5.6.1 item 2). This finding is consistent with Gichuku (2015) that tax laws in developing countries are not up to date, and it is impossible for tax administration to generate sufficient revenue with laws that do not reflect current economic reality.

Furthermore, part of the intangible resources required for the tax operation include employee experience, knowledge and skills (see item 2 of Section 5.5.1), but it was found in the present study that within the FIRS context, most employees are yet to possess professional certificates and some lack basic computer knowledge, experience, creativity and ethical behavior to administer tax functions (see Section 5.6.2). This is because employment in FIRS is guided by political motives (see item 4 of Section 5.5.1), which

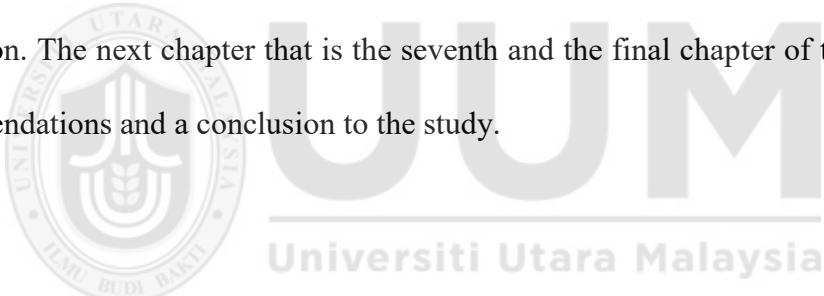
can be the reason why FIRS staffs lack experience, tax knowledge and skills. The result contradicts findings by Bird and Zolt (2008) and Gill (2003) that demand high level of knowledge and skills among tax administration's personnel.

Although it has been argued that such qualities can be obtained through training, yet Section 5.6.2 (1) of the present study found that from 2013 to date FIRS has not held any proper training due not having its own training school. An employee that does not obtain training may find it difficult to perform a task in the most efficient and effective manner and his/her achievements cannot be compared with those of the well-trained. Lack of training school within sensible organization like tax administration goes contrary to the suggestion of Therkildsen (2004) that a good tax administration system must have its own training school where newly recruited employees will obtain training and background before trying their hands-on operations.

In conclusion, the Performance-Governance Model developed for Tax Administration, developed by the present study may be able to identify the main reason(s) for weak tax revenue generation by FIRS which has to do with incongruence of components found in FIRS. Therefore, to improve tax revenue in FIRS there should be a broad congruency on all the components until positive results are being achieved. It is equally important to understand that deficiency in one component may lead to the failure of other components (this has equally been stated in Gill, 2003), which will result to a lower tax revenue generation since the components work in an integrated manner.

6.4 Chapter Summary

The chapter discusses the interview, questionnaire and document study data collected, analyzed and synthesized in order to make some validation on the components of the Performance-Governance Model of Tax Administration. Results generated from interviews conducted with FIRS tax officers, managers and directors identify the inputs required by tax administration in administering tax functions. The result analyzed the congruency of the transformation process and how tax administration output should be determined and further discussed how tax administration outcomes will enhance tax revenue generation. On the other hand, results from taxpayers as respondents to the study identify taxpayer inputs and outcomes that will enhance voluntary compliance and subsequently tax revenue generation. The next chapter that is the seventh and the final chapter of the study present recommendations and a conclusion to the study.



CHAPTER SEVEN

CONCLUSION

7.1 Introduction

Chapter six previously discussed the findings of the interview, questionnaire and document data collected, analyzed and synthesized to make validation on the Performance-Governance Model of Tax Administration Reform. The present chapter discusses the study's contributions to theory and methodology. The chapter also discusses the study policy and practical implications, limitations and recommendations for future research. Finally, a brief conclusion concludes the thesis.

7.2 The Research Contributions

The study contributes in both theory and methodology to the literature, as indicated in the analysis. The theory and methodology contributions of this study are discussed in the subsection 7.2.1 and 7.2.2 respectively.

7.2.1 Theoretical Contributions

First, over the years researchers have devoted time to identify the factors enhancing the performance of organizations. Previous researchers in the early 1990's among which included Derven (1990) and Perry and Petrakis (1988) examined the relevance of the organizational performance theory in the private sector and concluded on the need to consider organizational performance in the public sector because that of the private sector does not provide complete understanding and explanation of public sector performance (Bretz, Milkovich, & Read, 1992; Hedge & Kavanagh, 1988; Smither, Reilly, & Buda,

1988; Solomon, 1990; and Williams, Cafferty, & DeNisi, 1990).

Researchers have studied the relevance of previous theoretical work on organizational performance to the public-sector setting (Brown & Benson, 2003; Shah & Murphy, 1995). Halbesleben and Buckley (2009) as well as Schacter (1999) recommended that public or private organizations should develop a framework which will guide employees toward achieving organizational main goals. Dieleman, Toonen, Toure and Martineau (2006) as well as Clement and Stevens (1989) provided the performance measures of appraising the performance of health and education sectors, respectively.

Considering the previous mentioned literature and Khan (2016) that there is the need for every public organization to outline performance measures in line with its mission, vision and objectives, the present study contributed to the organizational performance theory by using it to form part of the existing literature on tax administration performance. The findings of the study found some attributes used in evaluating tax administration performance at the individual, unit and the organization levels, as discussed in Section 5.7.1, 5.7.2 and 5.7.3, respectively.

According to the Performance-Governance Model suggested by the present study, if the most qualified personnel and necessary resources are put in place, employee performances will be good and in turn lead to the achievement of overall organizational goals. Therefore, it is hoped that the modified model of this study may enhance FIRS's performance in the future.

Secondly, the study discovers how governance theory attributes (namely accountability, transparency and equity) can play a vital role in evaluating tax administration outcomes. This is because tax administration is a formal government structure by which decisions are arrived at and implemented. Therefore, in the absence of a good governance mechanism, tax administration decision making may lead to corrupt practices (Mba, 2012).

Therefore, adopting accountability, transparency and equity as the component factors of tax administration outcomes may eliminate the high corruption existing in many developing economies' tax administration (Taliercio, 2004a & Toikka, 2011). In addition, the model perceives that if tax administration is fair, transparent and accountable, it should spend the tax money to provide public goods and services judiciously. In return for the fair treatment, taxpayers may increase the voluntary compliance with the tax law, thereby improving tax administration performance towards tax revenue generation.

As a contribution to the literature, majority of previous studies among which include Alabede (2012); Alm (1999); Appah (2010); Bobek, Robert and Sweeney (2007) and Feld and Frey, (2003) as well as James and Alley (2002) concentrated mainly on taxpayer compliance to generate adequate tax revenue without considering the role of tax administration. Only a few studies are found in tax administration among which are Abiola and Asiweh (2012); Araki and Claus (2014); Bird and Jantscher (1992) and Mansor (2011) as well as Mansor and Tayib (2015). Therefore, developing the Performance-Governance Model of Tax Administration Reform that may ensure both tax compliance and tax revenue generation is a contribution of this study, thereby narrowing the gap of too much concentration on taxpayer compliance without considering the administration system. In

this study, concentration focuses on the role of tax administration in ensuring greater compliance and tax revenue generation. The findings of this study hope to benefit not only Nigerian tax administration but also other developing economies that share similar characteristics with Nigeria.

7.2.2 Methodological Contributions

From the methodological point of view, the present study used the case study. Yin (2009) stated that a case study can take multiple strategies, for instance, survey within case study or vice versa. Most important, the present study developed the Performance-Governance Model of Tax Administration Reform and employed case study methodology, collecting data from multiple sources, namely in-depth interviews of 20 FIRS officials, a valid 367 questionnaires filled by taxpayers and documented evidence. Previous studies in Nigeria among which include Alabede (2012); Aminu and Elawa (2014) as well as Appah and Oyandongham (2011) used the quantitative method and considered taxpayers as the unit of analysis to bridge this gap. The present study embarked on a case study, collecting data from tax administration and taxpayers as well as document support, which has never been done in Nigerian context.

7.3 Policy and Practice Implications of the Study

Based on the process of the investigation and the result obtained, the study proposed the Performance-Governance Model of Tax Administration, which may address non-compliance and insufficient tax revenue generation affecting Nigeria.

The study may help Nigerian policy makers on how to enhance FIRS administration. The Performance-Governance Model developed in this study may help tax administration to reform and enhance not only tax compliance but also tax revenue generation. Thus, it may bring Nigeria out of the insufficient revenue generation problem currently affecting the country that prompts the incapability of government to pay salaries and finance developmental projects.

Furthermore, the study may encourage the legislative arm of government to provide FIRS with updated tax laws, thereby guiding employee functions. Tax policies will reflect the current economic situation of Nigeria and a tax rate that would be acceptable by Nigerian taxpayers.

The study may as well benefit the executive arm of government to give full autonomy to FIRS to achieve its established aims and objectives efficiently and effectively, thus minimizing the role of executive in employing unqualified personnel that contribute to the inability of FIRS to function effectively and build taxpayer trust.

Additionally, this research may help the Nigerian government and FIRS on the best strategies to reach and educate companies and individual taxpayers about their obligations to government, which will enhance the level of voluntary compliance and in turn boost tax revenue generation. The study would as well help the Nigerian government in ensuring the proper utilization of tax revenue on infrastructure that has been affecting the Nigerian economy for decades, thereby smoothing economic activities in the country and subsequently tax compliance and revenue generation.

7.4 Limitation of the Study

Every research is faced with forces the researcher has no control over. They are influences, conditions and shortcomings that cannot be handled by the researcher and influence the interpretation of findings. The present study faced four basic limitations as discussed next.

First, it does not use other qualitative methods of data collection like focus group to complement the face-to-face interview or to serve as the main method of data collection, although this has been considered as a limitation of the study considering the argument of Kitzinger (1995), Morgan (1996) as well as Wellings and Branigan and Mitchell (2000) that focus group provides room for researchers to obtain information that may be difficult to access when using face-to-face interview.

Secondly, for the questionnaire distributed mainly to individuals and businesses located in Abuja-Nigeria, only the capital city was covered, which may not necessarily represent Nigeria. It has been argued by Burton, Karlinsky and Blanthorne (2005) that location plays a significant role in influencing taxpayer compliance, which in turn impacts on tax revenue.

Thirdly, the study revealed that those stakeholders, namely the legislature, banks, companies, the judiciary and the executive play significant roles in explaining the performance of FIRS. The limitation of this study is that it does not collect data from any representative of the stakeholders.

The fourth limitation of this study is the fact that the study includes the questionnaire used. Respondent bias was anticipated because they may be doubtful to express their true views, especially in a sensitive study survey (De-leeuw & Hox, 2011). Although the questionnaire

was designed to contain an introduction page where the researcher promised confidentiality of the respondents' information which may encourage them to supply their true views, yet sometimes respondents interpret questions differently.

Finally, the study considers tax administration functions with respect to administration of all direct and indirect taxes in Nigeria except for PPT. In addition, the Performance-Government Model of Tax Administration is specifically based on the congruence model and used only 3 out of 8 attributes of the governance theory.

7.5 Recommendations for Further Research

Future researchers are recommended to employ the use of focus group interviews and provide further information on the adoption of the Performance-Governance Model of Tax Administration reform to ensure tax compliance and revenue generation. Kitzinger (1995) as well as Wellings, Branigan and Mitchell (2000) argued that focus group is a dynamic method that encourages Informants to share views that may be difficult to share when using a one-on-one interview.

Future researchers should involve individual and business taxpayers from other 36 states of Nigeria to have fair representatives of Nigerian taxpayers. According to Burton, Karlinsky and Blanhorne (2005), location plays a significant role in influencing taxpayer compliance, which in turn impacts on tax revenue.

Furthermore, future researchers should study the role of the legislature, banks, companies, the judiciary and the executive in determining tax administration performance. Data should include responses from all the stakeholders.

Additionally, the study recommend that future researchers should consider the face-to-face interview and the focus group method of data collection on taxpayers that will provide information that is more accurate and reliable, as questionnaire may be interpreted differently by the respondents unlike interview where the researcher ensures every question is understood by the informant.

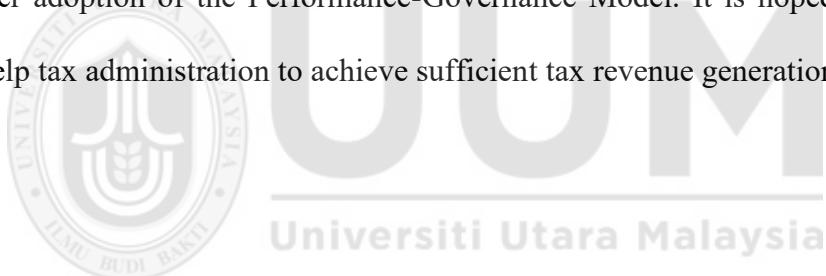
Finally, the study recommends that future researchers should look into petroleum profit tax administration in Nigeria and develop a model that will enhanced tax revenue collection from PPT. More so, future researchers should consider how other five attributes of governance theory (consensus-oriented, participatory, responsible, efficient and effective as well as rule of law) that are not considered in the present study can enhance tax administration performance.

7.6 Conclusion

The issue of adequate tax revenue generation in developing economies like Nigeria is a sensitive and a long-standing issue that has not yet been addressed fully. Although several studies made efforts yet none of the previous researches has brought a lasting solution to the problem of inadequate tax revenue generation affecting developing countries. This is due to several reasons among which include the fact that majority of the previous studies focus on either taxpayers or tax administration. The present study finds it worthy to consider both taxpayers and tax administrators in developing a Tax Administration Reform Model that will provide tax administrators with the necessary resources required for the tax administration exercise and build a positive compliance culture among taxpayers.

Furthermore, the study proposed a model called Performance-Governance Model of Tax Administration Reform which states that for tax administration to function in the most efficient and effective manner, several parties among which are taxpayers, the executive, the judiciary, the legislature, companies and banks are required to participate in the most acceptable and mutual relationship with tax authorities.

In conclusion, the Performance-Governance Model developed by the study may benefit not only tax administration but also taxpayers. The model hopes to ensure absolute congruence between tax administration and its stakeholders, as that will increase taxpayer willingness to comply for the betterment of the whole country at large. FIRS should ensure the proper adoption of the Performance-Governance Model. It is hoped that the model would help tax administration to achieve sufficient tax revenue generation.



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Appendix A
Structure of FIRS Departments

TIPS ABTO COPT'S

PANITANZ COPT



**Office of the Executive Chairman, FIRS
Headquarters, Abuja**

Ref: FIRS/HQ/OECFIRS/2015/05/03

Date: 3rd May, 2015

Coordinating Directors,
Directors/ Heads of Functions,
Deputy Directors,
Regional/Zonal Coordinators,
Tax Controllers/ State Monitors,
Heads of Units,
Officers.

NOTIFICATION OF REVISED ORGANISATIONAL STRUCTURE

APPROVED BY THE FIRS MANAGEMENT

- 1.0 In realisation of the need to constantly strive for efficiency and higher performance in the drive for delivering continuous and sustainable flow of revenues to government, our Management team has carried out a review of the current organizational structure and consequently approved some changes to the structure. The amended structure is aimed at ensuring that each and every officer of the Service is assigned a job schedule with clearly agreed performance criteria which is smart and on which officers will be regularly assessed for performance. The new structure retains the five (5) Group arrangements with an inclusion of the office of Senior Special Assistant (SSA) which will have responsibility for supervision and coordination of all Direct reports to the Executive Chairman.
- 2.0 The new structure will hopefully assist the Service to achieve efficient synergy in our operation, deliver higher performance, as well as help field officers to implement improved taxpayer delivery services; undoubtedly tax revenues will increase and our officers will be stronger, and more competent in their management of certain key tax

administration functions. The five (5) Groups are now to be known as *Domestic Taxes Group (DTG), Compliance Support Group (CSG), Enforcement Support Group (ESG), Modernisation Support Group (MSG), and Support Services Group (SSG)*. The highlight of the changes made to the current structure is presented here-under:

(A) Tax operation activity is now to be organized around the FIRS regional administration arrangement and placed under Domestic Taxes Group (DTG). Each Region will be headed by a Director, who, from time to time, will provide general oversight function to tax offices, as well as offer strategic and logistic support to all officers within his/her jurisdiction. The Tax offices' functions will henceforth be restricted to activities relating to Registration, Returns & payment processing, Filing & debt enforcement, Taxpayer assistance and Tax accounting processes. By this arrangement, tax audit and debt management activities are no longer to be performed in tax offices and this will to a large extent, protect and guarantee the independence of tax auditors.

(B) The Compliance Support Group (CSG) will oversee functions relating to Tax advisory/rulings, Tax audit, Taxpayers services and Policy & programmes monitoring. All Tax Audit offices across the country will henceforth report the outcome of audit activities directly to the Coordinating Director/Compliance Support through Director/Audit. The newly created Special Tax Audit (STA) will also report its activities through the Director/Audit. Regarding compliance monitoring in tax offices, only the Policy & Programmes Monitoring staff will be permitted to conduct visits to tax offices for the purpose of monitoring staff compliance with approved internal control codes and guidelines. In relation to taxpayer services, all the seven (7) Regional Taxpayer Service Offices (RTSOs) created are to manage taxpayers education/enlightenment services within their respective Regional jurisdiction, while Tax Information development and publications will be handled at the Headquarters' level by the Director/Taxpayer services, who in addition to his duties, will also supervise the Regional Taxpayers service supervisors, who in turn, will oversee the implementation of taxpayer delivery services and assistance at the tax office level.

(C) The Enforcement Support Group (ESG) will oversee the functions relating to Tax investigation, Debt management & enforcement, Legal services, International taxation and the Compliance research/intelligence. The Director/Investigation will have his office located in Lagos and will supervise the expected merger of the Northern and Southern service bureaus of TISED into a single office. With respect to Debt Enforcement activities, Regional Debt Enforcement Supervisors will pursue the recovery of all outstanding debts which are in existence for more than 60 days and report directly to CD/Enforcement Support Group through Director/Debt Management. Also, the activities of the Process Audit Monitoring Unit of TISED are to be transferred to the newly created Compliance Research & Intelligence Department. The newly created International Tax Department will supervise Transfer pricing policy and audit activities, develop BEPS operational policies for Nigeria and promote Tax information Exchange requirements.

(D) The Modernization Support Group (MSG) will continue to coordinate all modernization initiatives, alongside the development of information and communication technology to facilitate prompt tax delivery services. There would be a merger of the functions of the Project management offices for tax and non-tax projects and the new Director/PMO will henceforth drive all modernization initiatives within the FIRS for process efficiency and higher performance. In addition, the Planning, Reporting and Statistics function will be coordinated by the Group.

(E) The Office of Senior Special Assistant (SSA) has been created to provide support to the Acting EC/FIRS through supervision and coordination of all activities of the Direct Reports to the Chairman. The SSA will oversee the functions of Internal audit, Bank collection monitoring and Tax refund which are to be separately managed by Divisional Heads under the Revenue Assurance Department. The SSA will be expected to handle other duties as may be assigned or delegated by the Acting EC/FIRS.

3.0 All officers are requested to note the above changes and also to understand the impact that the numerous changes will have on our

various ICT projects. As may pertain to our functions, it is obvious that the amended structure will facilitate operational synergy and promote team work among members of staff, the combined effect of which will result in continuous higher revenues to government. The effective date of implementation of this amended organizational structure is 1st May, 2015.



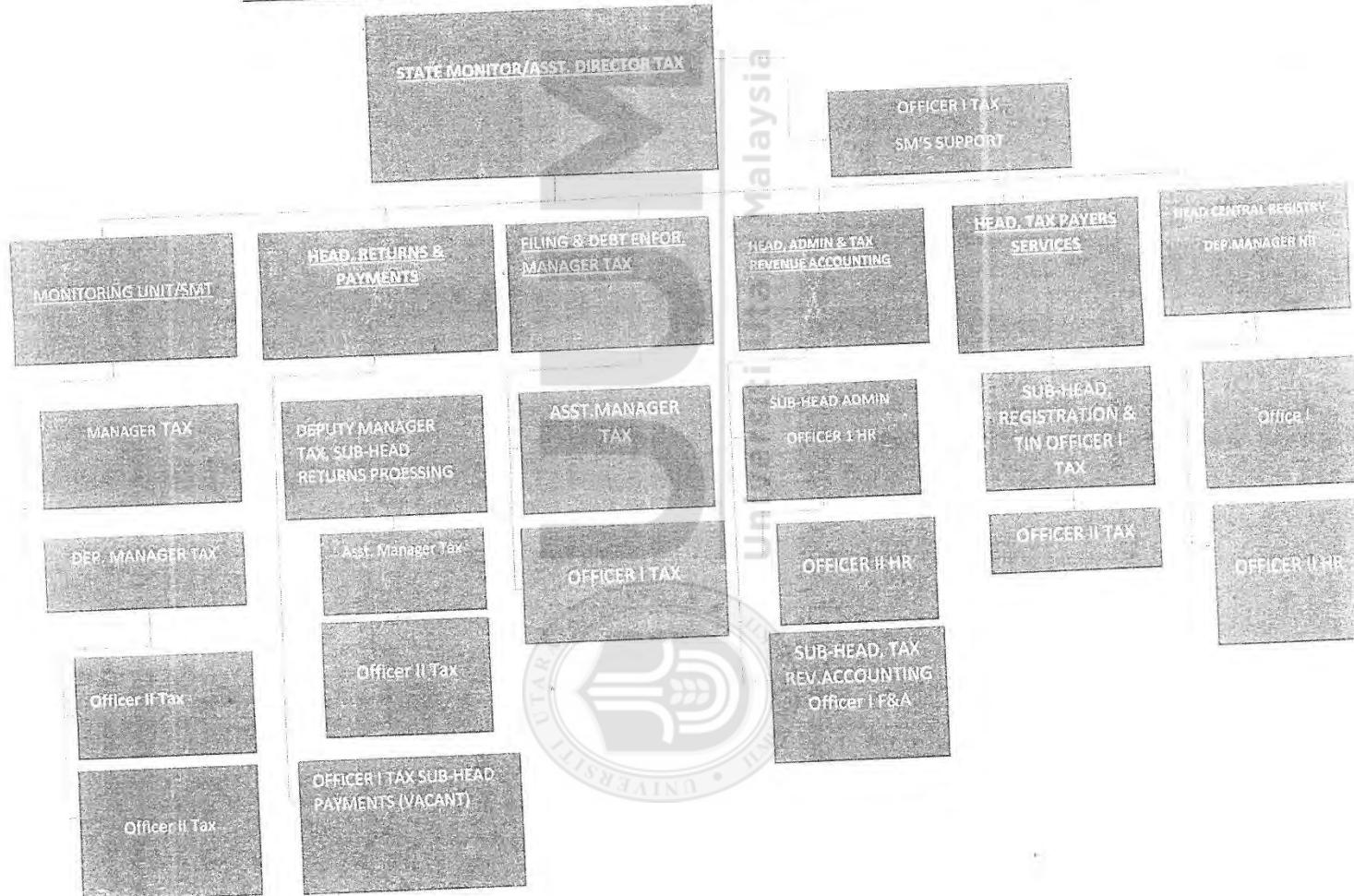
Ogungbesan, S.S

Ag. Executive Chairman
Federal Inland Revenue Service.

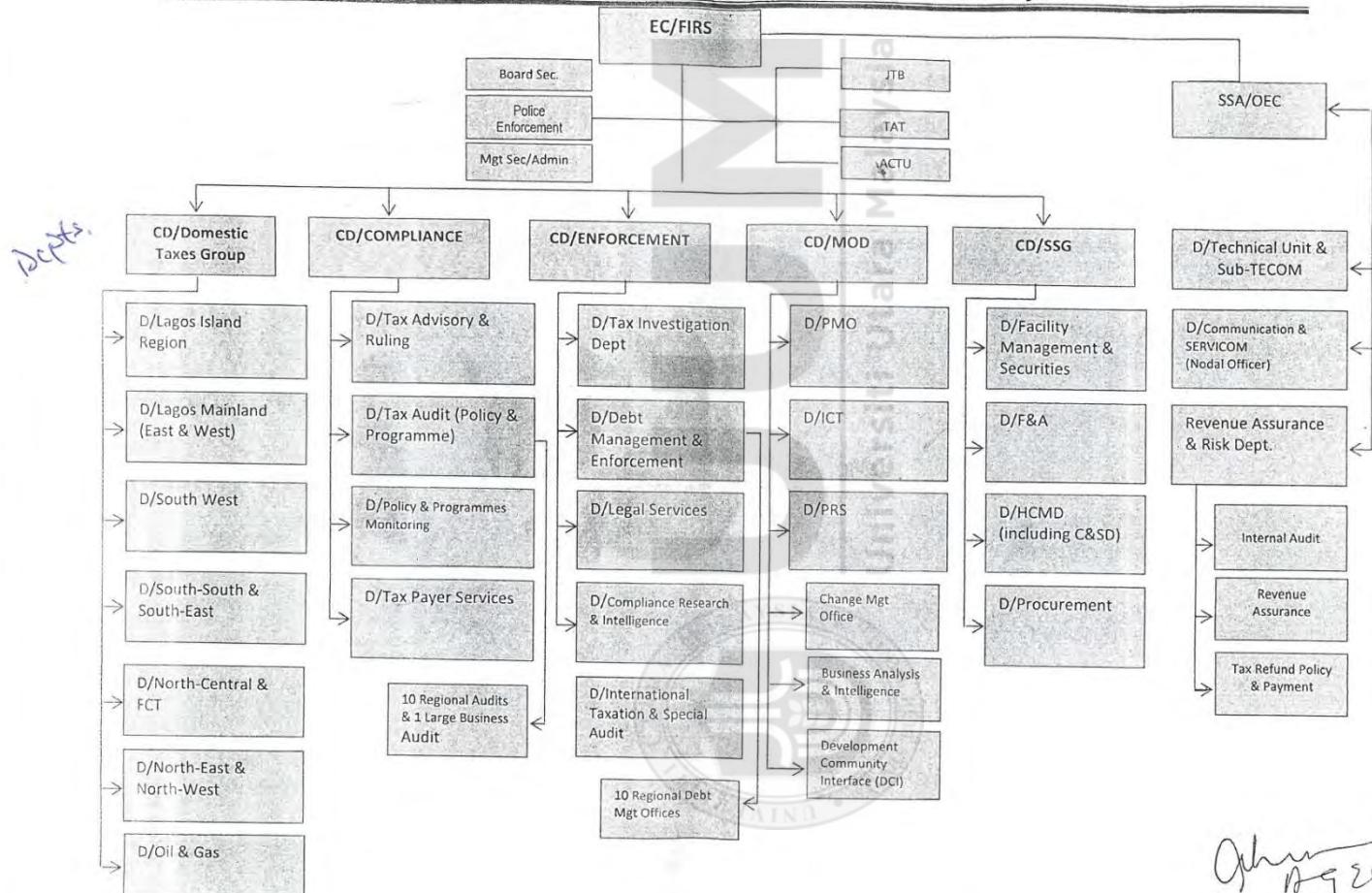


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FIRS, GOMBE GOVERNMENT BUSINESS TAX OFFICE ORGANOGRAM -2016



Federal Inland Revenue Service
Approved Organizational Structure as @ 1st May, 2015



*Akinwale Agboola
4/5/15*

Appendix B
Interview Protocol for Directors and Assistant Directors

Dear Participant,

I am a Ph.D candidate from Universiti Utara Malaysia, Malaysia. Carrying a research work on tax administration reform model for revenue generation in Nigeria. The objective of this research to come up with a tax administration reform model that would enhance tax revenue generation by developing economies like Nigeria.

Your participation in this interview is voluntarily and will take about one hour and twenty minutes (1hr, 20mins) of your valuable time. Information provided during the interview will be noted and recorded, and will be used solely for the research purpose, as part of the researcher's Ph.D. The result will equally be published in academic journal in an effort to meet the requirement of graduation of Ph.D in Accounting.

Any complains, or further enquiry should be channeled to my supervisors Assoc. Prof. Dr. Muzainah Bt Mansor(muzainah@uum.edu.my,+60133469628)/ Assoc. Prof. Dr. Zaleha Othman (zaleha@uum.edu.my,+60126762207) School of Accountancy, UUM, or the Dean Othman Yeop Abdullah, graduate School of Business (deanoyagsb@uum.edu.my), They will be happy to provide you with the individual responses.

Your kind and objective participation would be appreciated. as it will significantly contribute towards the achievement of the above-mentioned objective of the study.

Thank you.

Research Student Adamu A. Pantamee +601131061205; +2348035599936 <u>talk2pantamee@gmail.com</u>	Student Supervisors: Ass. Prof. Dr. Muzainah Mansor & Ass. Prof. Dr. Zaleha Othman +60133469628 <u>muzainah@uum.edu.my</u>	+60126762207 <u>zaleha@uum.edu.my</u>
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PART A: BASIC INFORMATION OF THE INTERVIEWER

Respondent Name/No.:

Date & Time of the Interview: Respondent Cadre:

PART B: INTERVIEW QUESTIONS RELATED TO PERFORMANCE-GOVERNANCE MODEL OF TAX ADMINISTRATION

Research Objectives	Research Questions	Interview Questions	Participants Responses	Probing Questions
To understand the tax administration's transformation processes for tax revenue generation.	How the tax administration's transformation processes undertaken for tax revenue generation?	General Question: What are the components involved in tax administration operation process?		-Task -Employees -Formal Setting -Informal Setting
		Specific Questions: (i)What are the official setting and practices of tax administration that can maximize tax revenue?		-Written guidelines of operation -Organized system, structure and procedures of performing
		(ii)Based on your experience, what are the casual setting that enhanced yours or overall tax administration performance?		-Cultural beliefs -Accepted behavioral values of employees -Unwritten guidelines and practices

Appendix C
Interview Protocol for Managers, Senior Managers, or Principal Managers

Dear Participant,

I am a Ph.D candidate from Universiti Utara Malaysia, Malaysia. Carrying a research work on tax administration reform model for revenue generation in Nigeria. The objective of this research to come up with a tax administration reform model that would enhance tax revenue generation by developing economies like Nigeria.

Your participation in this interview is voluntarily and will take about one hour and twenty minutes (1hr, 20mins) of your valuable time. Information provided during the interview will be noted and recorded, and will be used solely for the research purpose, as part of the researcher's Ph.D. The result will equally be published in academic journal in an effort to meet the requirement of graduation of Ph.D in Accounting.

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Your kind and objective participation would be appreciated. as it will significantly contribute towards the achievement of the above-mentioned objective of the study.

Thank you.

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talk2pantamee@gmail.com muzainah@uum.edu.my zaleha@uum.edu.my

PART A: BASIC INFORMATION OF THE INTERVIEWER

Respondent Name/No.:

Date & Time of the

Interview: Respondent

Cadre:

PART B: INTERVIEW QUESTIONS RELATED TO PERFORMANCE-GOVERNANCE

MODEL OF TAX ADMINISTRATION

Research Objectives	Research Questions	Interview Questions	Participants Responses	Probing Questions
To understand tax administrators' inputs required for tax revenue generation	What are the tax administrators' inputs for tax revenue generation?	General Question: From your experience, what are the inputs required by tax administration for tax revenue generation?		-Environment -Resources -History
		Specific Questions: Based on your experience, does tax administrations relationship with other parties have impact on tax revenue generation?		-Banks -Companies -Judiciary -Legislative & -Executive
To understand the association between transformation processes and tax administrators' output for tax revenue generation.	How the transformation processes are associated with tax administration's output for tax revenue generation?	General Question: Based on your experience, how tax administrations' transformation processes/operation components are associated with output/result?		-Orgnl. Output -Unit Output -Indiv. Output
		Specific Questions:		-Taxpayers compliance

		(i)What are the set of FIRS performance metrics that provides a complete picture of the result achieved?		-Revenue generation
		(ii)Can you please, tell me how you assess the amount and accuracy of work produce by your unit		<ul style="list-style-type: none"> -Files and cases handle by each department -Quality of services delivered and goal attained by the unit in the last 2 years -Innovation or new ideas implemented by the units in the last 5years
		(iii) Based on your experience, how do you assess the current employees' outputs/results as relate to task assigned to them?		<ul style="list-style-type: none"> -Procedures for assessing employees output -Process for assessing efficiency of employees' operation -Maintaining standard rules and procedures in providing tax administration services
To understand the association between tax	What are the association between tax	<p>General Question:</p> <p>From your opinion, how do you think tax</p>		<ul style="list-style-type: none"> - Accountability - Transparency -Equity

administration's output and tax administration's outcome for tax revenue generation.	administration's output and tax administration's outcome for tax revenue generation?	administration outcomes/consequences are viewed?		
		<p>Specific Questions:</p> <p>(i)Based on your experience, is there accountability and transparency in tax administration?</p> <p>-Out of 1 to 10 scales how much does you rate accountability and transparency?</p>		-Different types of accountability pressures in tax administration department
		(ii)From your experience, how do you assess the level of equity in tax administration?		<p>-Taxpayers voice in the tax system</p> <p>-Ability to pay</p> <p>-Favoritism to the detriment of another without good cause</p>

Appendix D

Interview Protocol for Tax Officers I and II

Dear Participant,

I am a Ph.D candidate from Universiti Utara Malaysia, Malaysia. Carrying a research work on tax administration reform model for revenue generation in Nigeria. The objective of this research to come up with a tax administration reform model that would enhance tax revenue generation by developing economies like Nigeria.

Your participation in this interview is voluntarily and will take about one hour and twenty minutes (1hr, 20mins) of your valuable time. Information provided during the interview will be noted and recorded, and will be used solely for the research purpose, as part of the researcher's Ph.D. The result will equally be published in academic journal in an effort to meet the requirement of graduation of Ph.D in Accounting.

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Your kind and objective participation would be appreciated, as it will significantly contribute towards the achievement of the above-mentioned objective of the study.

Thank you.

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talk2pantamee@gmail.com muzainah@uum.edu.my zaleha@uum.edu.my

PART A: BASIC INFORMATION OF THE INTERVIEWER

Respondent Name/No.:

Date & Time of the

Interview: Respondent

Cadre:

PART B: INTERVIEW QUESTIONS RELATED TO PERFORMANCE-GOVERNANCE

MODEL OF TAX ADMINISTRATION

Research Objectives	Research Questions	Interview Questions	Participants Responses	Probing Questions
To understand tax administrators' inputs required for tax revenue generation	What are the tax administrators' inputs required for tax revenue generation?	General Question: Based on your experience, what are the inputs required by tax administration for tax revenue generation?		-Environment -Resources -History
		Specific Questions: (i) Based on your experience what are the resources required for a successful implementation of tax administration exercise?		-Tangible -Intangible

		<p>(ii) Do you think adequate knowledge on previous FIRS challenges and achievements recorded by tax administrators have impact on subsequent tax revenue generation?</p> <p>-Is there database for knowledge management in FIRS?</p>		<p>-Previous strategic decision taken</p> <p>-Evolution of tax administration beliefs and values</p> <p>-Management responses to misunderstanding and crisis among tax administration</p>
To understand the tax administration's transformation processes for tax revenue generation.	How the tax administration's transformation processes should be undertaken for tax revenue generation?	<p>General Question: What are the components involved in tax administration operation process?</p>		<p>-Task</p> <p>-Employees</p> <p>-Formal Setting</p> <p>-Informal Setting</p>
		<p>Specific Questions:</p> <p>(i) Based on your experience, what are the functions of tax administration?</p> <p>How such functions are</p>		<p>-Collection of tax revenue</p> <p>-Ensure tax compliance</p> <p>-Taxpayers service and education</p> <p>-Returns processing and</p>

		<p>allocated to employees?</p> <p>What are the factors that sometimes lead you to non-achievement of the tasks objectives?</p>		<p>payment</p> <ul style="list-style-type: none"> -Audit and investigation -collection enforcement
		<p>(ii) What are the necessary skills, knowledge, preferences and perfection obtained from tax administrator?</p>		<ul style="list-style-type: none"> -Preference and needs in terms of financial and personal rewards -Qualifications -Experience



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Appendix E
Taxpayers Questionnaires Survey

**TAX ADMINISTRATION REFORM MODEL FOR REVENUE GENERATION IN
NIGERIA**

Dear Respondent,

I am a Ph.D candidate from Universiti Utara Malaysia, Malaysia. Carrying a research work on tax administration reform model for revenue generation in Nigeria. The objective of this research to come up with a tax administration reform model that would enhance tax revenue generation by developing economies like Nigeria.

Your kind and objective response would be appreciated as it will significantly contribute towards the achieving of the above-mentioned objective of the study. Please note that your response will be used solely for the research purpose. The result will equally be published in academic journal in an effort to meet the requirement of graduation of Ph.D in Accounting.

Any complains, or further enquiry should be channeled to my supervisors Assoc. Prof. Dr. Muzainah Bt Mansor (muzainah@uum.edu.my, +60133469628) / Assoc. Prof. Dr. Zaleha Othman (zaleha@uum.edu.my, +60126762207) School of Accountancy, UUM, or the Dean Othman Yeop Abdullah, graduate School of Business (deanoyagsb@uum.edu.my), They will be happy to provide you with the individual responses.

Your kind and objective responds would be appreciated.

Thank you.

Research Student

Student Supervisors:

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Questionnaire

Section A: Demographic Data: Information about the profile of taxpayers' respondent.

Please Tick (✓) in the box relevant to you.

A Age:

What is your age range?

- less than 20 years,
- 20-29yrs,
- 30-39yrs,
- 40-49yrs,
- 50yrs and above

B Marital Status:

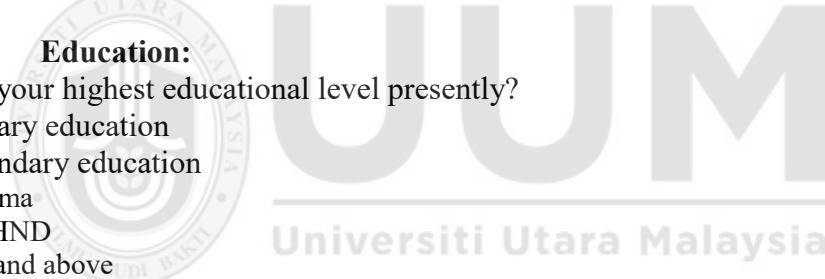
What is your marital status?

- Married,
- Single,
- Widowed/Divorced

C Education:

What is your highest educational level presently?

- Primary education
- Secondary education
- Diploma
- BSc/HND
- MSc and above



Section B:

Part I: The following statements describe the extent to which inputs facilitates taxpayers' compliance. Please **Tick (✓)** in the box between **1=strongly disagree, 2=disagree, 3= neutral, 4= agree, 5= strongly agree** that match your level of agreement most in each question.

		1	2	3	4	5
1	Safe environment facilitates my business income and tax payment.					
2	Conducive environment will facilitate my decision to tax payment.					
3	Activities of regulatory bodies influence my tax payment decision.					
4	Tax knowledge provided by the government has impact on my tax payment.					
5	Individual with no source of income have every reason not to pay tax.					
6	Where government protects my business, my level of tax compliance will increase.					
7	Knowledge on previous infrastructure provided by the government has impacted on my tax payment decision.					
8	Adequate knowledge on how government utilized previous tax revenue generated has impact on subsequent tax payment.					
9	Tax knowledge on previous tax revenue generated by the government influence my current tax payment decision.					

10. What are the other taxpayers' inputs in respect of environment, resources, and history that you think can facilitate taxpayers' payment?

.....
.....
.....

11. What are the current taxpayers' inputs received from tax administration in Nigeria?

.....
.....
.....

Part II: The following statements describe the extent of outcomes you expect from tax payment. Please Tick (✓) in the box between 1=strongly disagree, 2=disagree, 3= neutral, 4= agree, 5= strongly agree that match your level of agreement most in each question.

		1	2	3	4	5
1	Tax on my income has a serious impact on my disposable income.					
2	High tax rates discourage my economic investment.					
3	Tax brings about increase in the price of commodities.					
4	The government is not being transparent in spending taxpayers' money.					
5	The services provided by the government are not comparable with the amount of taxes paid.					
6	I believe that Nigerian government is not spending public funds prudently.					
7	My decision to pay tax is mostly influenced by surroundings social amenities.					
8	I usually make decisions to pay taxes based on my friends' experiences or suggestions.					
9	Enlightenment and adequate utilization of tax revenue on public goods will encourage taxpayment					

Universiti Utara Malaysia

10. What other benefits you expect from your tax payment as related to social, economic, and political infrastructure?

.....
.....
.....

11. What are the current taxpayers' benefits provided by Nigerian Government?

.....
.....
.....

Thank you for your kind response.

Appendix F

Tax Administration Contribution in Percentage of Total Government Revenue

Years	Tax Adminstration's Contribution		Total Government Revenue		Percentage
	Nigerian (₦)	USA(\$)	Nigerian(₦)	USA(\$)	
1970	0.500	0.001	0.6430	0.0020	80%
1971	0.940	0.003	1.1688	0.0036	81%
1972	1.100	0.003	1.4051	0.0044	78%
1973	1.400	0.004	1.6953	0.0053	81%
1974	3.500	0.010	4.5374	0.0141	78%
1975	3.700	0.010	5.5147	0.0171	68%
1976	4.700	0.013	6.7659	0.0210	70%
1977	5.900	0.016	8.7116	0.0270	68%
1978	5.600	0.016	7.3710	0.0229	77%
1979	6.900	0.019	10.9124	0.0339	63%
1980	10.900	0.030	15.2335	0.0473	72%
1981	9.200	0.026	13.2905	0.0412	69%
1982	7.900	0.022	11.4337	0.0355	69%
1983	6.300	0.018	10.5087	0.0326	60%
1984	7.200	0.020	11.2533	0.0349	64%
1985	9.900	0.028	15.0504	0.0467	66%
1986	7.700	0.021	12.5958	0.0391	61%
1987	17.300	0.048	25.3806	0.0788	68%
1988	14.100	0.039	27.5967	0.0856	51%
1989	18.300	0.051	53.8704	0.1672	34%
1990	24.900	0.069	98.1024	0.3044	25%
1991	33.200	0.092	100.9916	0.3134	33%
1992	80.800	0.224	190.4532	0.5910	42%
1993	112.500	0.313	192.7694	0.5982	58%
1994	140.4000	0.390	201.9108	0.6266	70%
1995	196.1000	0.545	459.9873	1.4274	43%
1996	237.7000	0.660	5,235.9700	16.2482	5%
1997	279.2000	0.776	591.1510	1.8344	47%
1998	317.6000	0.882	463.6088	1.4387	68%
1999	369.1000	1.025	947.1879	2.9393	39%
2000	455.3000	1.265	1,906.1597	5.9152	22%
2001	586.6000	1.629	2,231.5329	6.9248	24%
2002	433.9000	1.205	1,731.8000	5.3741	33%
2003	703.1000	1.953	2,575.1000	7.9910	23%
2004	1194.8000	3.319	3,920.5000	12.1660	17%
2005	1741.8000	4.838	5,547.5000	17.2149	13%

2006	1866.2000	5.184	5,965.1000	18.5108	11%
2007	1846.9000	5.130	5,727.5000	17.7735	14%
2008	2972.2000	8.256	7,866.6000	24.4115	11%
2009	2197.6000	6.104	4,844.6000	15.0337	22%
2010	2839.3000	7.887	7,303.7000	22.6647	16%
2011	4628.5000	12.857	111,169.9000	344.9803	1%
2012	5007.7000	13.910	10,654.7000	33.0635	19%
2013	4805.6000	13.349	7,020.2000	21.7849	31%
2014	4714.6000	13.096	No Data	No Data	-
2015	3741.8000	10.394	No Data	No Data	-
2016	3300.7000	9.169	No Data	No Data	-
2017	4000.0000	11.111	No Data	No Data	-

