CHAPTER ONE

1.0 INTRODUCTION

1.1. BACKGROUND TO THE STUDY

Good governance, with respect to how organisations or states are managed has assumed a prominent position in the private and public domains (Abdellatif, 2003; Mbao and Komboni, 2008; Owojori, Akintoye and Adidu, 2009). A review of literature suggests that good governance is very key to tax compliance (Maffry, 1997; Carstens, 2005; Ribadu, 2006; Friedman, 2009; Iwuagwu, 2009; Lu, Huang and Lo, 2010). According to Graham and Bruhn (2009), the decision to impose taxes is not based simply on sober fiscal analysis, but is rather an intensely political decision. They remarked further that “in a democracy, government tax decisions are the outcomes of a critical relationship underlying taxing and spending: the relationship between citizens and their elected government” (Graham and Bruhn, 2009, p. 2). Good governance in this study essentially refers to accountability and transparency, reduction in fiscal corruption, efficient and effective tax administration, efficient and effective tax laws and tax policies and socio-economic considerations (such as the social life style of taxpayers, influence of money on individuals as a result of harsh economic condition, income level of taxpayers, family pressure, influence of peer group and colleagues in the work place).

Government at all levels (i.e. Federal, State or Local government), exists to carry out some important basic social functions in their areas of jurisdiction for the benefit of the governed. The primary concern of any government, either in the developing or developed countries, is the provision of certain basic social goods and services for its citizens, maintenance of law and order for the protection of lives and properties within the confine of its territory and also the protection of its country's territorial integrity against any external aggression (Adeyeye, 2004, 2009; Didziulyte and Vaitukaitis, 2008; Dude, 2007; Fabayo, 2009). These important basic social responsibilities of government require a huge amount of funds for their proper execution. One of the major sources through which government could fund the execution of these numerous programmes is the imposition of taxes on various economic activities of their citizens. In this study, the process through which an individual or group of individuals, community or society in a sovereign state are made to contribute their own quota to the growth and developmental programmes in such community, society or the entire nation by a sovereign authority is described as taxation.

According to Adeyeye (2009), taxes, broadly, are of two types – Direct and Indirect taxes. Direct taxes are those imposed on the incomes of individuals and corporate entities by the government. The incidence of the tax falls directly on the taxpayer, that is, the taxpayer bears the burden of the tax. These taxes include Personal Income Tax such as Pay-As-You-Earn (PAYE), taxation of sole traders, taxation of partners in partnership businesses and taxation of estates, trusts and settlements; companies income tax, petroleum profits tax, education tax, and capital gains tax. Taxation of companies referred to as pioneer companies is covered by the Industrial Development (Income Tax Relief) Act - otherwise referred to as "Pioneer Legislation" and is available for any industry that is certified by government as a "pioneer industry", and any product of the company within the industry is termed "pioneer product" (Abiola, 2002). The aforementioned taxes are giving legal backing by the following Acts.

The Personal Income Tax is covered by the provisions of Personal Income Tax Act, No. 104, 1993 (up-dated by Personal Income Tax Act, Cap. P8, LFN, 2004 as amended by Personal Income Tax (Amendment) Act, 2011). Taxes paid by companies are covered under the provisions of the Companies Income Tax Act, Cap. 60, LFN, 1990 (up-dated by Companies Income Tax (Amendment) Act, Cap. C21, LFN, 2004 as amended by Companies Income Tax (Amendment) Act, 2007). Others taxes include Petroleum Profits Tax which is provided for under the Petroleum Profits Tax Act, Cap. 354, LFN, 1990 (as up-dated by Petroleum Profits Tax, Cap. P.13, LFN, 2004); Education Tax is provided for by Education Tax Act, No. 7 of 1993 (as up-dated by the Education Tax Act, Cap. E4, LFN, 2004); Capital Gains Tax is covered under the provisions of Capital Gains Tax Act, Cap. 42, LFN, 1990 (as up-dated by Capital Gains Tax Act, Cap. C1, LFN, 2004); and Industrial Development (Income Tax Relief) Act, Cap. 179, LFN, 1990).

On the other hand, indirect taxes are those that have no direct impact on the income of the taxpayer. They are those whose incidences do not fall directly on the taxpayer. They have separate points of impact and burden. They are meant to be shifted to the final consumer of goods and services. Hence, they can be technically described as taxes imposed by government, on the production and consumption of goods and services. These types of taxes include casino tax, import duties, export duties, excise duties, stamp duties, mineral royalties, sales tax, service charge, property tax, and Value Added Tax (Adeyeye, 2009; Anyaduba, 1999; Fabayo, 2009).

Taxes may also be categorised into Personal and In-rem taxes. Personal taxes are levied in accordance with the taxpayer’s ability-to-pay, while In-rem taxes are levied on activities or possessions of taxpayer without regard to ability-to-pay. For example, while income tax is personal tax, tenement rate is In-rem tax (Fabayo, 2009). According to Fabayo (2009), government's traditional functions include resource allocation, income redistribution and economic stabilisation. There are modern functions too, notably provision of justice, law and order, and domestic security. Government also formulates and implements broad macroeconomic policies and also provides the regulatory framework to support an enabling environment for sustainable development. Government provides public goods and services, such as basic education, healthcare, and other basic infrastructure. To perform the foregoing functions, government needs to attract purchasing power (that is, raise revenue) from the economy.

According to Yetmar and Eastman (2000), tax is one of the fiscal tools used by many government, both local and the central, to raise money to execute various government's social, economic and politcal obligations. Furthermore, Fabayo (2009) explains that there are many sources of government revenue, notably taxes, charges, printing of money, proceeds from investments, fines and borrowing, but taxation is the most important. Taxation is a system of raising money to finance government activities. All governments (Federal, State and Local) require payment of money-taxes from people. Therefore, "tax is a compulsory payment by economic agents to finance government activities and/or regulate level of economic operations" (Fabayo, 2009, p. 1).

Adeyeye (2009) posits that taxation and its product tax, have been very important vehicles for economic policies of many countries of the world and that for a very long time tax has been a major source of revenue for various levels of governments. A number of authors also submit that taxation is needed to keep the state alive. For instance, Didžiulytē and Vaitukaitis (2008) explain that:

> *The key idea arises from the fact that people tend to live in communities. As there are issues relevant to all the members of a community, they agree that some administrative institution is required to solve such common problems in a more efficient way. Hence, government is elected. For the purpose of serving the collective problems, government raises resources by taxing the public. Here, the primary goal of taxation emerges – taxation provides government with funds needed to serve the public needs (pp 1-2).*

Imposition of taxes by sovereign authorities and the payment of such taxes by the subjects have been long time practices which have become a tradition in all human societies of the world. In modern societies, imposition and payment of taxes are provided for in the Constitutions. For example, Section 24 Sub-section (f) of the Constitution of the Federal Republic of Nigeria (CFRN), (1999) states that it shall be the duty of every citizen to declare his income honestly to appropriate and lawful agencies and pay his tax promptly. Also, under the provisions of the 1999 Constitution of the Federal Republic of Nigeria, some taxes are to be collected by the Federal government (Item 59 on the Exclusive Legislative List) while some are prerogatives of the State government (Item D - Collection of taxes, on the Concurrent Legislative List). In addition, the provisions of "Taxes and Levies (Approved List for Collection) Act No. 21 of 1998" specifically state the taxes and levies that are collectable by each of the three tiers of government in Nigeria.

It has been argued that taxation and taxes are often contestable and debatable issues which for many years had aroused serious interest amongst various people. People have debated and in some cases contested the amount and kinds of taxes that government should impose on the governed as well as how government should distribute the burden of those taxes across the society. Unpopular taxes have caused public protests, riots, and even revolutions. In addition, in political campaigns, candidates' views on taxation may partly determine their popularity among voters (Fabayo, 2009). Reacting to the "Tax Cuts" proposed by President George Bush of United States of America, Richman (2001) argues that:

> *To tax is to take by force. Everything the government has, it has by virtue of its having threatened reprisals if the owners did not surrender it. No one who sweats over a 1040 Form as April 15 approaches should be surprised by this. If you are in doubts, look up what the government has in store for you if you neglect to tell the IRS about some money you earned. There are people spending long terms in prison because they didn't give the government what it claimed it was entitled to. Taxes should be cut – better, repealed! – because the money belongs to those who earn it. It's bad enough the politicians take our incomes from us. At least we should make them justify their morally felonious activities (pp. 1-2).*

Dude (2007) also argues that taxes are the bane of our existence. We all hate paying them, we love to complain about them, and we wonder what we get in return for paying taxes. He however, gave ten reasons why people should not complain about paying taxes. These are the roads on which we drive, which are government subsidized, unemployment benefits, police, fire protection services, medicare, social security benefits i. e. financing elders' retirement, disaster recovery and control; for instance, the Federal Emergency Management Authority (FEMA), public education, welfare, small business assistance, and workers protection legislation like minimum wage. Based on the experience in Nigeria, while all of the above may be obtainable, managed and working well in the developed countries, many of them are not obtainable in Nigeria presently. Those that are presently obtainable in Nigeria such as roads, police, fire protection services, medicare, social security benefits, which could be likened to the Nigeria Social Insurance Trust Fund (NSITF), Federal Emergency Management Authority (FEMA) and small business assistance through the establishment of Bank of Industry (BOI) and Microfinance institutions appear not to be properly conceived and not properly managed. Hence, the various sources through which incomes could be generated and upon which taxes could be imposed seems to be limited. The effect of this is that those who are struggling to manage their small businesses are not likely to be keen in paying taxes.

Expressing views on taxation, Spiritus-Temporis (2009) states that many say that the activities funded by taxes are beneficial to society and that progressive taxation used in most modern countries is a net benefit to the majority of the population. Others disagree. But as payment of tax is not optional, some individual taxpayers hold that taxation is tantamount to theft. This view is most common among political school of thought such as *libertarianism* and *anarcho-capitalism* which accuse governments of levying taxes through a system of *coercion.* However, most libertarians, particularly *monarchists,* recommend taxation as a necessary evil as long as only enough money is taken as is necessary for a government to maximise the protection of liberty. Many maintain that taxation is not theft since government is the party performing the act, and moreover that if there is a democracy in place, then, it is the society as a whole that decides (through the government) what the level and form of taxation should be.

The American Revolution's *No taxation without representation* slogan took this view. Others assert that the stature of any act, such as slavery or taking of a person's property without his consent, is not contingent upon its legality or who is performing it or whether a majority approves of it. Furthermore, there are several justifications that are offered for compulsory taxation. Taxation of business is justified with the claim that business necessarily involves the use of publicly established and maintained economic infrastructure, and businesses are in effect charged for their use. Compulsory taxation of individuals, such as income tax, is based on similar arguments to those of universality of law, territorial sovereignty, and the social contract (Spiritus-Temporis, 2009).

The aforementioned statements show that it is not in the developing countries alone that taxpayers have apathy towards payment of taxes. Hence, the perception of taxpayers on the tax system in a country may have serious effect on tax administration and compliance, revenue generation, good governance and growth and development. In the light of this, it is necessary to ascertain how government is resolving the issue of non-tax compliance. A number of studies have explained the importance of taxation and its product tax, in an economy. For example, Oni (1998) describes taxation as an important fiscal instrument employed in every modern economy to promote economic activities and growth while ensuring that there is balance and fair play among the actors. In the same vein, Tinubu (2005) emphasises that all over the world, taxation is a major source of public revenue. He opines that tax systems are as varied as the nations that devise them, ranging in complexity from the most basic arrangement to the highly computerised. Yahaya (2009) states that taxation is an ingredient of development in different parts of the world. This is due to the fact that the revenue derived from taxation can be used to provide for the needs of the people.

Fashola (2008a), during a one-day meeting with professional groups in Lagos State opines that taxes on incomes, sales, consumption, properties and several other charges beside, are standard fare in every developed country. Without these, a government simply cannot deliver on its mandate. Rather, it will have to look on helplessly as public health, education, security and other social services deteriorate. According to Friedman (2009), taxes are often seen as the domain of the rich and commerce, that is, the more conspicuous taxpayers. However, taxes do affect the poor and actually the poor usually pays a larger proportion of their income into state coffers in form of sales taxes, Value Added Tax (VAT) and user-charges (Sheketoff, 2009). According to Deller (2004), one of the attributes of a good tax is that such tax must be able to generate enough revenue for the purpose for which it is imposed. Revenue from tax should grow in proportion to the growth of the local economy. He opines that as a community grows, the revenue base must be able to keep pace with increase demand for government services. He explained further that the tax must not only reflect the growth of the economy but also affords local officials with some degree of stability for budgeting and planning purposes.

The above attributes and objectives of a good tax would likely be achieved if there is an efficient and effective tax administration in place. The relevant tax authorities responsible for the administration of taxes in Nigeria are the Federal Inland Revenue Service (FIRS), State Internal Revenue Service (SIRS) and Local Government Revenue Committee (LGRC) at the Federal, State and Local government levels respectively. However, it has been argued that tax administration in Nigeria is fraught with multiplicity of taxing authorities at all the three tiers of government. For example, Ahunwan (2009) argues that a major problem in Nigerian tax system is the multiplicity of tax-imposing and tax-collecting entities at the Federal, State and Local government levels. According to him, there is little clarity on their jurisdiction competencies, and also remarks that many observers doubt whether there is genuine fiscal federalism in Nigeria. Obasanjo (2005) argues that people do not like paying taxes and cited Nigerian case as an example when he stated that:

> *The funding of a nation determines the development of the nation. This is because the revenue base has far-reaching implications for*

> *government's ability to meet set objectives and ensures holistic socio-economic growth and development. If we get our funding wrong, we get the factors that truly drive the economic performance wrong. In most developed jurisdictions, personal income tax contributes a significant portion of the overall revenue profile. Yet in Nigeria, most of the citizenry do not pay taxes, and those that pay, do not pay the right taxes (p. 20).*

As common with many democracies, it appears that one of the biggest challenges facing Nigeria's governments, at the Federal, State and Local levels is how majority of the taxable adults could be persuaded to pay their taxes. This may be attributable to the fact that a huge amount of public money meant for the provision of social goods and services are usually diverted by corrupt public officials at all levels of government in the past, and still persists almost unabated (Bukar, 2004). Thus, as a consequence, a number of taxpayers do not feel obliged to pay taxes (Bukar, 2004; Omoigui, 2004; Dude, 2007; Heather, 2008). It has also been argued that taxpayer's tax compliance is subject to accountability and transparency in the way the public funds are managed by the elected leaders (Maffry, 1997; Rosser, 2000; Walsh, 2002; Carstens, 2005; Kallas, 2006; Ribadu, 2006; Fair, Daniker and Greeves, 2008). Accountability and transparency are regarded as some of the essentials of good governance in this study. In addition, for the purpose of this study, other essentials of good governance are reduction in fiscal corruption, efficient and effective tax administration, efficient and effective tax laws and tax policies and socio-economic considerations (such as the social life style of the taxpayers, influence of money on individuals as a result of harsh economic condition, income level of taxpayers, family pressure, influence of peer group and colleagues in the work place).

Omoigui (2004) notes that if the hard-earned money they pay to the government's coffers is being stolen or misused, taxpayers will do everything to evade tax. In the same vein, Bukar

(2004), expressing his frustration after coming back to Nigeria from the United States, argues that the lack of infrastructures, such as power and water, has been a bit frustrating and one begins to wonder why people have to pay taxes. Bukar (2004) argues further that:

> *When you consider the fact that people with means end up buying their own water, getting generators to guarantee constant electricity, not to mention educating their children privately, is there a rationale for paying tax? With the exception of those who work for the government and blue-chip company – where tax is deducted at source – it has been a mission impossible to convince people to make honest tax returns. Most taxpayers understate their turnover in order to pay the barest minimum that would be accepted by the authorities (pp. 1-2).*

Bukar (2004) further explains that one of his friends, now in private law practice, freely admitted that he is one of those who fiddle their figures. According to Bukar, his friend puts up a defence that would most likely be supported by many Nigerians disenchanted with the government when he argues that:

> *When you pay tax, there is a presumption that it will be used by government to provide the basic infrastructure that is needed for any society to function effectively. But the reality is that they are not doing this and they have squandered the revenue from oil that could have made life more comfortable for us here. So why should we hand over our hard-earned money to people we believe will put the money in their pockets? (p. 2).*

Omoigui (2004), the chairman of the Federal Inland Revenue Service, remarks that she can understand why people are averse to paying tax, but two wrongs do not make a right. She accepts that government also needs to win the trust and confidence of the people if we are to get them to pay taxes. Fabayo (2009) submits that without tax revenue to fund its activities, government would find it difficult to exist. Hence, non-payment of taxes does not only mean deprivation of what is due to government, but also it is tantamount to denying the entire nation of what rightfully belongs to it. It also means, by extension, denying the people the privilege of enjoying certain services that are tied to the provision of public services and which could improve welfare. Also, justifying payment of tax by taxable persons, Fashola (2008b) argues that:

> *Without a steady source of funding for maintenance, even existing infrastructures will decay and collapse. As tax resistance inch upwards, standards of living will dive downwards. Eventually and surely, the affected government will lose the reason for being. This explains the obvious correlation between the efficacy of a country's tax regime and the standard of living the government is able to entrench. In short, the appropriate aphorism is "no contribution no enjoyment (p. 1).*

The views of Fashola (2008a, 2008b) and that of Fabayo (2009) as stated above, are in agreement with that earlier expressed by Dude (2007) when he submits that "so when you think about cheating the government out of taxes you really owe, think about how you're cheating yourself" (Dude, 2007, p. 2).

Taxation in developing countries such as Nigeria still appears to be ineffective. For example, Idalu (2009) cited the Director of Income Tax (Legal Services Department), Edo State Board of Internal Revenue who remarks that "taxation in a developing economy with particular reference to Nigeria was still very porous. The elements of taxation are concealed or not fully disclosed. The affluent in the society do not pay tax yet they display wealth at the open glare of tax authorities. According to Idalu (2009), "the tax authorities are handicapped because in most cases these are the ruling class, the untouchable" (p. 1). Ajayi (2004) also remarks that there are too many corporate and individual tax dodgers in Nigeria. He states further that most Nigerians hated to pay taxes; their prominent reason being that the money will only end up looted and bring no returns for the public and larger society. The above remark by Ajayi (2004), accords substantially with those of Bukar (2004), Obasanjo (2005), Dude (2007) and Idalu (2009) as earlier mentioned.

The arguments as enumerated above, appears to suggest that “Good governance” by those saddled with the responsibility of managing the resources of any nation is very crucial to voluntary tax compliance by the taxpayers. Good governance by sovereign authorities may likely have positive impact on the administration of taxes in a nation and this would most likely translate to voluntary tax compliance which in turn could probably have positive impact on tax revenue yield with the tendency of enhancing economic growth and development of a nation.

1.2. STATEMENT OF THE PROBLEM

The responsibilities of responsive governments all over the world are enormous. Improving the standards of living of all the residents in a country and creating enabling environment for economic growth and development, are vital responsibilities of government. Government needs adequate fund to execute these numerous social responsibilities. It has been argued in the literature that one of the means through which government can source funds to carry out its social responsibilities is tax, through taxation (Oni, 1998; Tinubu, 2005; Didžiulytē and Vaitukaitis, 2008; Fashola, 2008a, 2008b; Adeyeye, 2004, 2009; Fabayo, 2009). However, review of literature also suggests that most people have apathy towards payment of taxes (Richman, 2001; Ajayi, 2004; Bukar, 2004; Omoigui, 2004; Obasanjo, 2005; Dude, 2007; Heather, 2008; Idalu, 2009; Spiritus-Temporis, 2009). For instance, it has been remarked that “with the exception of those who work for the government and blue-chip companies where tax is deducted at source, it has been a mission impossible to convince people to make honest tax returns” (Bukar, 2004, pp. 1-2). To this end, it remains unknown the extent to which taxpayers in

Lagos State, Nigeria comply with timely and regular remittance of taxes due from them to the government. This, therefore, constitutes a problem of non-tax compliance which requires urgent and purposeful solution.

In the quest to find a solution to this fiscal problem of enhancing payment of taxes, that is, for taxpayers to be “Tax Compliant”, a number of studies have illuminated the role of efficiency and effectiveness of tax administration (Asada, 2010; Iwuagwu, 2009; Lu, Huang and Lo, 2010; Kiabel and Nwokah, 2009; Muhtar, 2009; Oloyede, 2010). Tax policies and tax laws have also been identified as factors that may likely influence tax compliance (Ahunwan, 2009; American Institute of Certified Public Accountants (AICPA), 2001; Friedman, 2009; Gillis, 2001; Odusola, 2006; Organisation for Economic Co-operation and Development (OECD), 2009; Zeeuw and Abdulrazaq, 2005). The impact of non-tax compliance with respect to tax avoidance and tax evasion on a nation’s economy has been investigated and documented in the literature (Arias, 2005; Bayer and Kupzowa, 2006; Kiabel and Nwokah, 2009; Burton, 2008; Guyana Revenue Authority, 2008; Guruge, 2002; Hassan, 2009; Sheketoff, 2009; Otusanya, Adeyeye and Arowomole, 2010; Otusanya, 2011; Otusanya and Adeyeye, 2011). In addition, taxpayers’ perceptions of tax fairness and tax morale have been found to have influence on tax compliance (Alm and Torgler, 2006; Duff, 2008; Kelsey, 2008; Choong, Tong, and Tan, 2008; Fjeldstad, Ngalewa and Katera 2008; Fatt and Ling, 2010; Baba, 2008; Torgler, Schneider and Schaltegger, 2010). Determinants of taxation have been studied by a number of researchers (Eltony, 2002; Gupta, 2007) while a number of studies have examined the impact of accountability and transparency on good governance (Chaudhry, Malik, Kahn and Rasool, 2009; Owojori, Akintoye and Adidu, 2009).

Despite the huge literature on tax compliance, there appears to be a dearth of empirical study on the impact of taxpayers' perception of good governance on voluntary tax compliance in Nigeria. Therefore, an empirical study is considered necessary to determine whether or not taxpayers' perception of good governance would impact on voluntary tax compliance in Nigeria. In summary, this study constitutes an effort to proffer solutions to a number of problems facing tax administration and those militating against voluntary tax compliance in Nigeria.

1.3. AIM AND OBJECTIVES OF THE STUDY

The aim of this study is to provide both theoretical and empirical evidence that may likely assist in proffering solution to the problems of non-tax compliance in Nigeria in general and Lagos State in particular. This is done by carrying out investigation on whether or not the perception of good governance by taxpayers in Nigeria may affect them positively, towards having a good disposition to voluntary tax compliance. For the purpose of achieving this aim, the specific objectives of the study are to:

i. Examine the impact of taxpayers' perception of government's accountability and transparency on voluntary tax compliance in Lagos State, Nigeria.

ii. Examine how taxpayers' perception of reduction in fiscal corruption induces voluntary tax compliance in Lagos State, Nigeria.

iii. Investigate how taxpayers' perception of efficient and effective tax administration influences voluntary tax compliance in Lagos State, Nigeria.

iv. Assess the impact of taxpayers' perception of the adequacy of the prevailing tax laws and tax policies on voluntary tax compliance in Lagos State, Nigeria.

v. Assess the impact of taxpayers' perception of socio-economic considerations on voluntary tax compliance in Lagos State, Nigeria.

vi. Investigate the impact of the three factors of the theory of planned behaviour (TPB) (attitude, subjective norms, and perceived behavioural control) on tax compliance intention and hence, voluntary tax compliance in Lagos State, Nigeria.

1.4. RESEARCH QUESTIONS

The aforementioned specific objectives of the study were arranged into ten (10) problems which were used as basis for defining the objectives of the research and stated as research questions for the purpose of guiding the study. Thus, the study was designed as an attempt to answer the questions as stated below:

i. How does taxpayers' perception of government's accountability and transparency impact on voluntary tax compliance in Lagos State, Nigeria?

ii. To what extent does taxpayers' perception of reduction in fiscal corruption induce voluntary tax compliance in Lagos State, Nigeria?

iii. In what way does taxpayers' perception of efficient and effective tax administration encourage voluntary tax compliance in Lagos State, Nigeria?

iv. To what extent do taxpayers perceive the prevailing tax laws and tax policies in Lagos State, Nigeria as adequate for voluntary tax compliance?

v. In what way does taxpayers' perception of socio-economic considerations impact on voluntary tax compliance in Lagos State, Nigeria?

vi. How does taxpayers' attitude towards tax compliance influence tax compliance intention in Lagos State, Nigeria?

vii. In what way does taxpayers' perception of subjective norms impact on tax compliance intention in Lagos State, Nigeria?

viii. How does perceived behavioural control influence taxpayers' tax compliance intention in Lagos State, Nigeria?

ix. To what extent does taxpayers' tax compliance intention impact on voluntary tax compliance in Lagos State?

x. What is the nature of the relationship between perceived behavioural control and voluntary tax compliance in Lagos State, Nigeria?

Note: Questions (i) to (v) were designed to investigate the impact of taxpayers' perception of good governance on voluntary tax compliance in Lagos State, Nigeria while questions (vi) to (x) were designed to investigate the efficacy of the theory of planned behaviour with respect to voluntary tax compliance in Lagos State, Nigeria.

1.5. HYPOTHESES

In order to assist in answering these research questions, ten (10) hypotheses were formulated. These hypotheses in their null forms are as stated below:

H_{01}: Taxpayers' perception of government's accountability and transparency does not have a significant impact on voluntary tax compliance in Lagos State, Nigeria.

H_{02}: There is no significant impact of taxpayers' perception of reduction in fiscal corruption on voluntary tax compliance in Lagos State, Nigeria.

H_{03}: Taxpayers' perception of efficient and effective tax administration does not have a significant impact on voluntary tax compliance in Lagos State, Nigeria.

H_{04}: There is no significant impact of taxpayers' perception of efficient and effective tax laws and tax policies on voluntary tax compliance in Lagos State, Nigeria.

H_{05}: Taxpayers' perception of socio-economic considerations does not have a significant impact on voluntary tax compliance in Lagos State, Nigeria.

H_{06}: Taxpayers' attitude towards tax compliance does not have a significant impact on tax compliance intention in Lagos State, Nigeria.

H_{07}: There is no significant impact of taxpayers' perception of subjective norms on tax compliance intention in Lagos State, Nigeria.

H_{08}: Perceived behavioural control does not have a significant impact on tax compliance intention in Lagos State, Nigeria.

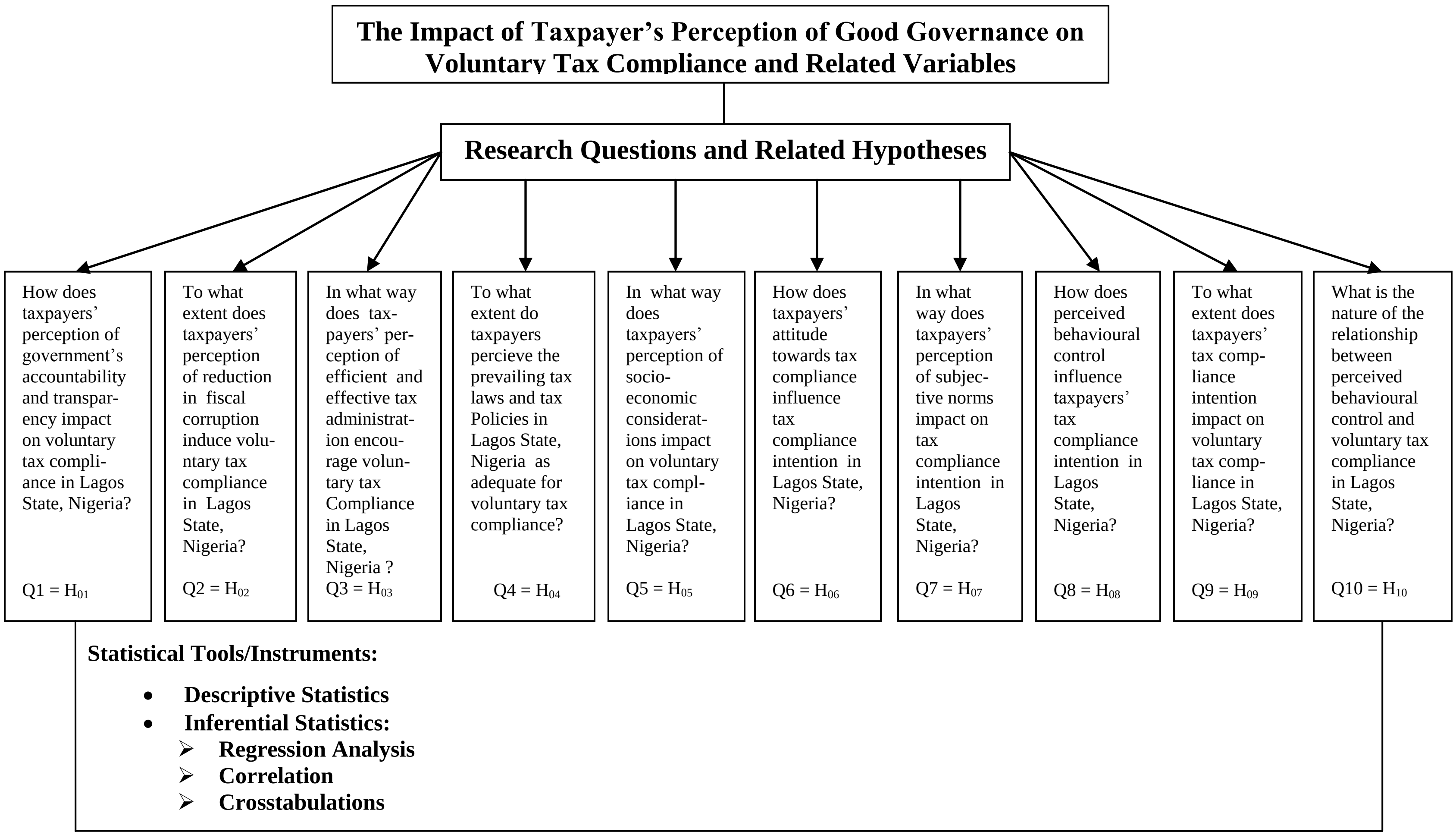
H_{09}: Taxpayers' tax compliance intention does not have a significant impact on voluntary tax compliance in Lagos State, Nigeria.

H_{010}: There is no significant impact of perceived behavioural control on voluntary tax compliance in Lagos State, Nigeria.

The research questions which are based on the specific objectives of the study and used for the purpose of guiding the study, together with the related hypotheses formulated to profer solutions to the research questions are presented in form of an organogram in Figure 1.1 for quick glance and better understanding of the stated objectives.

Figure 1.1

ORGANOGRAM OF THE RESEARCH PROBLEM



Source: Designed for the current study by the Author, 2011

1.6. SIGNIFICANCE OF THE STUDY

Available literature on tax compliance suggests paucity of empirical evidence in the studies on the impact of taxpayers' perception of good governance on voluntary tax compliance, particularly with respect to tradesmen and artisans in Nigeria. Furthermore, most of the studies carried out on tax compliance were done in the developed countries of the Western Europe (Allingham and Sandmo, 1972; Joulfaian and Rider, 1998; Joulfaian, 2000, and 2009; Wenzel, 2002; Bayer and Cowell, 2009; Feld and Frey, 2007a, 2007b; Verboon and Dijke, 2007; Murphy, 2008; Mataira and Prescott, 2010;) and United States of America (Alm, Jackson and Mckee, 1992; Andreoni, Erard and Feinstein, 1998; Ali, Cecil and Knoblett, 2001; Belkaoui, 2004; Henderson and Kaplan, 2005; Laury and Wallace, 2005; Kambas, 2005; Kopezuk, 2006; Kornhauser, 2007; Nur-tegin, 2008) with few from developing countries in Asia (Hsu, 2008; Sapiei and Abdullah, 2008; Mohamad, Ahmad and Deris, 2010) and Africa (Kiabel and Nwokah, 2009; Owojori, Akintoye and Adidu, 2009; Alabede, Ariffin and Idris, 2010; Oloyede, 2010; Fagbemi, Ajibolade, Arowomole and Ayadi, 2011).

These studies were conducted in those areas with greater focus on their immediate environments and circumstances. This current study is therefore, an attempt to fill this gap by adding to the literature in this area of research, particularly with special focus on tradesmen and artisans. Moreso, it appears that no published study had been conducted on these categories of taxpayers with respect to how good governance would likely influence their voluntary tax compliance in Nigeria.

In the above context, the study seeks to contribute to the literature on tax compliance and effective governance in developing countries generally and Nigeria in particular with Lagos State as “reference state”. The study may therefore, make a number of contributions towards a greater awareness, good regulations, efficient and effective administration of taxes in Nigeria in general and Lagos State in particular. Hence, this study is expected to be of significance to a number of stakeholders such as: the taxpayers, the government, and the tax authorities as it is anticipated that it give more insight into the responsibilities, obligations, duties and powers of both the government and the governed.

In summary, this study is considered significant because of the following reasons: (i) taxation is a major sourse of revenue for the governments of most countries of the world (Oni, 1998; Dude, 2007; Didžiulytē and Vaitukaitis, 2008; Fabayo, 2009); (ii) tax revenue if properly harnessed and well managed, would be used to provide social amenities to the citizens of a nation (Deller, 2004; Adeyeye, 2009); (iii) taxation is an important aspect of the syllabus for students of accounting, thus the outcome of this study would be a platform for training students; and (iv) future researchers would find the results of the study to be a useful reference point. Therefore, it is anticipated that the findings of this current research will ginger good governance on the part of the government which in turn, will re-shape the attitude and behaviour of taxpayers in Nigeria towards voluntary tax compliance. Fashola (2008b) posits that:

> *There are two sides to the process of building an efficient tax system. Government has a role to play, no doubt, but the citizens have an even greater one. While Government’s role is to set up, apply and enforce the rules and processes, we all know that no society thrives on coercion. That is why voluntary compliance on the part of the taxpayers is so crucial. Every one of us must see the payment of tax not only as a legal and social obligation but also as a contribution to our personal welfare (pp. 1-2).*

Thus the study is expected to be of immense benefits to the government, taxpayers, policy makers, practitioners, academics, researchers, students of accounting, society at large and the economy in general.

1.7 DEFINITION OF TERMS

For the purpose of this study, the following terms and the definitions stated against them are used:

Good Governance: This is perceived as a normative principle of administrative law, which obliges the State to perform its functions in a manner that promotes the value of efficiency, non-corruptibility, and responsiveness to civil society. Good governance is envisaged as a multilevel continuum of national policymaking and cross-cutting international regulatory frameworks. For the purpose of this study, good governance encompasses accountability and transparency, reduction in fiscal corruption, efficient and effective tax administration, efficient and effective tax laws and tax policies, and socio-economic considerations.

Accountability: This refers to the act of rendering the account of stewardship by the government to the governed. Thus accountability means government officials being responsible to the citizens for their actions and inactions in running the State.

Transparency: This connotes the openness of government to the citizens of a country in running the affairs of the country and all its constituent parts.

Fiscal Corruption: This is an act which involves the violation of established rules to secure personal wealth or power at the expense of the public; or simply put, a misuse of public power/ or office for private and personal benefit.

Efficient and Effective Tax Administration: This connotes the processes of managing taxation and tax matters, through proper application of tax laws, tax policies and other administrative procedures as provided for by the Constitution, the various tax Acts and other legislations in Nigeria.

Efficient and Effective Tax Laws and Tax Policies: Tax laws are described as those enactments or legislations passed by the legislative authorities of a country or a State within the country and assented to by the President of the country or the Governor of a state as the case may be, for the smooth and proper administration of taxes within their areas of jurisdiction. On the other hand, tax policies are explained to mean those salient rules, regulations and procedures that are put in place by the government to guide the administration and implementation of the tax laws in a country.

Socio-economic Considerations: This relates to the social and economic factors affecting the taxpayers, such as the social life style of the taxpayer, influence of money on individuals as a result of harsh economic condition, income level of taxpayers, family pressure, influence of peer group and colleagues in the work place.

Tax Avoidance: This is a situation whereby the taxpayer arranges his financial affairs in such a manner that will make him pay the least possible amount of tax without flouting the tax Laws. From the legal perspective, it is regarded as a legal way of minimising the taxpayer's tax liability.

Tax Evasion: This is regarded as an illegal act of fraudulently, dishonestly and intentionally distorting or concealing facts and figures relating to the taxpayer's financial affairs with the aim of escaping payment of tax entirely, or reducing the amount of tax that would have been payable.

Tax Compliance: This refers to the ability of the taxpayers and the tax authorities to ensure that they apply all the legitimate rules and regulations in the tax laws and tax policies as appropriate, in order to pay correct taxes.

Voluntary Tax Compliance: This term refers to the ability and willingness of the taxpayers to comply with the tax laws by paying the appropriate taxes to the government as and when due without being forced or coerced to do so.

Taxpayer: A taxpayer is described as a taxable adult, male or female, or a corporate entity, who engages in economic activities that result into earning of income by such taxable adult or corporate entity. For instance, these economic activities may be in form of paid employment (earning of salaries and wages), or self employment, such as the services provided by the professionals, tradesmen and artisans or vocation. However, the term "taxpayers", for the purpose of this study essentially refers to Personal Income Taxpayers in the category of tradesmen and artisans.

1.8 SCOPE OF THE STUDY

The study covers the taxation of sole proprietorships under the provisions of Personal Income Tax Act, No. 104, 1993 (as amended by Personal Income Tax (Amendment) Act, 2011). Specifically, this study focuses on the economic activities of “Tradesmen and Artisans” operating in Lagos State and the mode of taxing them in Nigeria. Members of this particular group of taxpayers are of interest to this study because authors have argued that they are the ones that are more prone to non-tax compliance. This group appears to have been identified by Kiabel and Nwokah (2009) when they argued that under the direct personal taxation as practiced in Nigeria, the major problem lies in the collection of taxes especially from the self-employed such as businessmen, contractors, professionals like lawyers, doctors, accountants, architects and traders in shops among others. According to Ayua (1999), these sets of self-employed people blantantly refuse to pay tax by reporting losses every year. He states further that many of these professionals live a lifestyle that is not consistent with reported income, which is usually unrealistically low for the nature of their businesses. Obasanjo (2005) also remarks that these categories of taxpayers in most cases, pay little or do not pay taxes at all.

Furthermore, the study targets only tradesmen and artisans who are educated with minimum qualification of primary school leaving certificate as it excludes those who could neither read nor write simple English language (that is, the tradesmen and artisans with no formal western education). The justification for excluding uneducated tradesmen and artisans is that only those who understand simple English language and can read and write the language fairly, would be able to answer the questions contained in the questionnaire designed for the study.

1.9 PLAN OF THE STUDY

The theme of this thesis is discussed under six chapters: Chapter 1 contains the introductory part of the study. This is followed by Chapter 2 under which related literature on tax compliance, components of good governance (that is, accountabilty and transparency; tax administration; tax laws and tax policies; and socio-economic considerations) are discussed. Chapter 3 is concerned with the explanation of the methodology used in the research. It covers such areas as research design, population, choice of sample and sampling techniques, instrumentation, description of variables and their measurement, choice of statistical tools and analytical procedure. Chapter 4 presents the data collected for the study, the results of data analysis and the results of the tests of hypotheses formulated for the study. Chapter 5 is concerned with the discussion of findings and their implications for tax management in Nigeria, while Chapter 6 deals with summary, conclusion and recommendations with respect to the findings of the study. Chapter 6 also discusses the contributions to knowledge by this current study, the limitations experienced by the study, and also offers suggestions on some possible areas for future research.

Specific references cited in the thesis from chapters 1 to 6 are listed at the end of chapter 6 of the Thesis. The Thesis adopted the American Psychology Association (APA) style of referencing which appears to be more acceptable by reputable international accounting journals (Ajibolade, 2008).

CHAPTER TWO

2.0 LITERATURE REVIEW

Taxpayers' willingness to voluntarily comply with subsisting relevant tax laws and tax policies in a country, and thus pay appropriate taxes due from them to government as a result of the economic activities in which they are engaged, had for a long time, been a prominent subject of debate amongst the academics, professional accountants, tax practitioners and tax administrators, spanning over four decades. Evidence has shown that it is a major concern which cuts across both the developed and developing economies of the world (Allingham and Sandmo, 1972; Hasseldine and Bebbington, 1991; Collins, Milliron and Toy, 1992; Andreoni, Erard and Feinstein, 1998; Organisation for Economic Co-operation and Development (OECD), 2001).

The first major research effort relating to the problem of non-tax compliance, in form of tax evasion, was conducted by Allingham and Sandmo (1972) as a result of the inspiration they got from Mirrlees (1971) who suggested tax evasion as a topic for theoretical investigation (Allingham and Sandmo, 1972). Since then, a number of researchers have developed interest in this area of study. Available studies suggest that tax compliance can be explained theoretically from various dimensions. Some studies suggest that tax compliance can be explained under three major theoretical perspectives. First is the theory that perceives tax compliance purely from an economic point of view (Allingham and Sandmo, 1972). Second is the theory which perceives that fear of sanctions leads to significant curtailment of deviance (non-tax compliance), that is, the theory which percieves non-tax compliance as being deterred by sanctions (Title, 1980), while the third theory perceives tax compliance as being determined by non-economic factors such as demographic attributes, attitudes and perceptions towards taxation (Kinsey, 1986; Kinsey, Grasmick and Smith, 1991). On the other hand, Andreoni, Erard and Feinstein (1998) state that the economics of tax compliance can be approached from many perspectives: it can be viewed as a problem of public finance, law enforcement, organisation design, labour supply, or ethics, or a combination of all of these variables.

This chapter therefore, examines the extant relevant studies that have been documented in the literature for better understanding of the issues concerning voluntary tax compliance. The chapter is further divided into two sections. Section one examines the extant literature on tax compliance such as the concept of tax compliance, tax avoidance and tax evasion, and tax morale. Section two reviews good governance and tax compliance to illuminate the empirical relationship that may exist between the components of good governance and voluntary tax compliance. That is, it examines accountability and transparency; efficient and effective tax administration; efficient and effective tax laws and tax policies; and socio-economic considerations, with a view to determining their impact on voluntary tax compliance. Various tax reforms in Nigeria and an overview of administration of taxes and tax revenue generation efforts in Lagos State (being the "reference State" for study in this Thesis), are also discussed.

2.1 CONCEPTUALISATION OF TAX COMPLIANCE

The conceptualisation of the term "tax compliance" is intertwined with ideological, moral, cultural, economic and political perspectives, hence, there are competing views about tax compliance and its effect on tax revenue generation (see Alm, Jackson and Mckee, 1992a and

1992b; Moser, Evans and Kim, 1995; Joulfaian, 2000; Nur tegin, 2008). Tax compliance may be explained to mean the assessment and payment of tax due from individuals or corporate entities to government, in accordance with the laid down procedures which are usually premised on the prevailing tax laws and tax policies in a country. A body of literature has attempted to define tax compliance. The earlier literature tends to associate the term "tax compliance" with the degree to which a taxpayer complies or fails to comply with the tax rules in their country (Mohamad, Ahmad and Deris, 2010).

There have always been problems of complying with the tax laws and tax policies, mostly by taxpayers, and sometimes by tax practitioners and tax administrators. For instance, in attempting to measure compliance, the Organisation for Economic Co-operation and Development (OECD) (2001) states that it is important to know what is to be measured - whether it is evasion, avoidance, compliance or non-compliance. Another salient question to be asked is how is compliance defined? Is it compliance according to tax authority's or the taxpayer's interpretation of the law and its application to the facts? Or is it from another more neutral perspective? Thus, OECD (2001) suggests that in considering definitions of tax compliance, it is convenient to divide compliance into two key categories:

(i) Administrative compliance (complying with the administrative rules of lodging and paying on time, what some would include within their definitions of compliance with reporting requirements, procedural compliance or regulatory compliance); and

(ii) Technical compliance (i.e. taxes calculated in accordance with the technical requirements of the tax laws or taxpayers pay their share of tax in accordance with the provisions of the tax laws).

The suggestion by OECD (2001) above accords with Franzoni (1999) who earlier stated that compliance with the tax law typically means; (i) true reporting of the tax base, (ii) correct computation of the liability, (iii) timely filing of the return, and (iv) timely payment of the amount due. He explains that the bulk of tax evasion involves the first point (i. e. true reporting of the tax base) as most evaders either do not declare their liability at all, or declare it only in part. Andreoni, Erard and Feinstein (1998) remarked that the problem of tax compliance is as old as taxes themselves and that characterising and explaining the observed patterns of tax non-compliance, and ultimately finding ways to reduce it, is of obvious importance to nations around the world.

A number of studies have been conducted on tax compliance following the first attempt by Allingham and Sandmo (1972) to investigate the factors that may induce non-tax compliance by taxpayers; and the empirical study of the relationship between marginal tax rates and tax evasion carried out by Clotfelter (1983), which findings suggest that marginal rates have a significant effect on the amount of tax evasion. Alm, Jackson and Mckee (1992a) note that despite these efforts, researchers' understanding of compliance remains limited as the fundamental difficulty in empirical work is the absence of detailed and reliable information on individual compliance choices.

Collins, Milliron and Toy (1992) conducted a research on tax compliance in the U. S. which was anchored on the exploration of an approach for segmenting non-compliant taxpayers based on a contingency model framework. Firstly, they examined how the contingency factors of taxpayers objective (correct return or minimise taxes) and tax preparation mode (self-preparation versus use of a professional preparer) affect the relation between taxpayer characteristics and non-compliance behaviour. Secondly, the scope of taxpayer characteristics tested was expanded to include personality variables, tax knowledge, and anticipated benefits of non-compliance. The results of their study indicate that the relations between the predictor variables and non-compliance behavior varied across the subgroups identified by the contingency factors – taxpayer objective and preparation mode. Also, the additional predictor variables of tax knowledge, anticipated benefits of non-compliance, and the personality characteristics (conformity, responsibility, value orthodoxy, and risk propensity) were especially helpful in distinguishing the profiles of the different groups of non-compliant taxpayers (Collins, Milliron and Toy, 1992).

Interactions between Taxpayers and the Internal Revenue Service

The way the tax officials interact with the taxpayers may also affect tax compliance in a country.

For instance, Sansing (1993) examines a model of taxpayer/Internal Revenue Service (IRS) interactions and analyses the effects and value of a signal regarding the taxpayer's type. His analysis gives rise to four insights. First, the results of his study show that an improvement in the Internal Revenue Service's ability to detect tax evasion can induce more tax evasion in equilibrium. This is due to the fact that each player anticipates the other's behavioural response. Thus, it is appropriate that empirical studies of taxpayer compliance should consider these effects so as to guide against erroneous conclusions. Second, the results show that given that some level of compliance is achieved, expected gross government revenues do not depend on the precision of the signal. Third, the results show that the quality of the signal affects expected audit costs; however, this effect does not need to be positive. The implication of this is that information about taxpayers may have negative value to the IRS. Finally, the results indicate that the optimal level of investment in information acquisition by the IRS is not monotone in tax rates, the proportion of high types, the magnitude of tax shelter losses or audit costs. Sansing (1993) claims that while this analysis is done in the context of deductibility of losses from tax shelter partnerships, it is applicable to any tax compliance issue in which the important tax issue features a binary choice.

Moser, Evans and Kim (1995) conduct an experiment to examine whether taxpayers' responses to a tax-rate change depend on both economic effects and perceptions of horizontal and exchange inequity. According to them, a general prediction from the economic theory of tax reporting is that taxpayers will report more income as the tax rate increases, however, this prediction has produced related mixed empirical evidences. Alm *et al.*, (1992a) had earlier noted that most theoretical models of tax compliance conclude that compliance actually increases with greater tax rates, since a higher tax rate lowers income and, with decreasing absolute risk aversion, the lower income increases the individual's willingness to take risks. However, the empirical results of the study by Alm *et al.*, (1992a) indicate that tax compliance increases in income and audit rates and decreases in tax rates.

Moser *et al.* (1995) explains that Horizontal inequity arises when taxpayers perceieve that they are treated inequitably relative to other taxpayers with the same income, expenses and so on. On the other hand, exchange inequity arises when taxpayers perceive that their exchange with government is inequitable, that is, when they believe that the tax they pay exceed the benefits of the public goods and services they receive. Findings from the results of their study however, reconcile the previously inconsistent empirical results by identifying conditions under which perceptions of inequity drive taxpayers' reporting decisions. In summary, the outcome of their study shows that subjects reported less (more) income as tax rates increased (decreased) when they were inequitably treated relative to others, but not when they were equitably treated relative to others (Moser, Evans and Kim, 1995).

Joulfaian and Rider (1998), also conduct a study on tax evasion by small businesses and their main conclusions are that evasion is higher with lower audit rates, higher incomes, and higher tax rates. However, Joulfaian (2000) investigated the role of managerial preferences in shaping corporate income tax evasion by using non-compliance with the personal income tax as a measure of taste for evasion. The empirical results from a sample of corporate income tax returns show that managerial preferences play an important role in determining non-compliance with the corporate income tax. The results also indicate that, when compared to compliant firms, non-compliant firms are three times more likely to be managed by executives who have understated personal income taxes (Joulfaian, 2000).

By their very nature, people have an incentive to hide information on their evasion behaviour and this concealment makes empirical work quite difficult (Alm *et al.,* 1992a). In their study of tax compliance, Alm *et al.* (1992a) rely on the work of Allingham and Sandmo (1972) who posit that tax declaration decision is under uncertainty. Allingham and Sandmo (1972) remark that the approach used in their study is related to the studies of economics of criminal activity in the paper by Becker (1968) and by Tulkens and Jacquemin (1971). "The taxpayer has choice of two main strategies: (a) He may declare his actual income. (b) He may declare less than his actual income. If he chooses the later strategy his payoff will depend on whether or not he is investigated by the tax authorities. If not, he is clearly better off under strategy (a) above. However, if he is investigated by the tax authorities, he is worse off**.** Allingham and Sandmo (1972) examine the static and dynamic aspects of the decision to evade income tax, using simple special economic model that seems to yield insight into the structure of the problem" (Allingham and Sandmo, 1972, pp. 323-324).

However, the study conducted by Alm *et al.* (1992a) was based on data collected from series of laboratory experiments which were then used to estimate the individual responses to various policy changes. They state that there are other factors that seem likely to affect the compliance decision such as government expenditure which is obviously and largely neglected. As reported by Alm *et al.* (1992a), Cowell and Gordon (1988) emphasise that this seems a curious oversight, since while the government taketh away, it also giveth back, and the later activity surely exerts some influence on evasion. The empirical results from the study by Alm *et al.* (1992a), indicate that tax compliance increases in income and audit rates and decreases in tax rates. Compliance is also greater when the individuals perceive some benefits from a public good funded by their tax payments, while changes in fine rates appear to have little effect on tax compliance behaviour (Alm *et al.*, 1992a).

The empirical results of the study conducted by Nur-tegin (2008) by analysing Firm level survey data from 4,538 firms in 23 transition economies, using both standard determinants, such as tax rates and probability of detection, and non-traditional factors, such as trust in government, compliance cost and corruption, indicate that fighting corruption is more important in deterring tax evasion than conventional methods. The results also indicate that the degree of business tax evasion is not likely to be lessened by lower tax rates. This accords substantially with the results of the earlier study by Friedman, Johnson, Kaufmann and Zoido-Lobaton (2000) which is based on the analysis of data from 69 countries and which indicate that there is no evidence which suggests that higher tax rates are associated with larger unofficial economies. In their own opinion, Friedman *et al.* (2000) posit that higher tax rates generate revenue that provides productivity which enhances public goods and a strong legal environment. The implication of this is that only few firms would be forced to go into the shadow economy, especially those firms that are run by managers with criminal intentions and who are themselves non-tax compliant.

According to Alm *et al.* (1992a), taxpayer uncertainty about enforcement and tax policies may affect tax compliance. Such uncertainty may stem from several sources, such as imprecision in tax code, lack of uniform training of government auditors, frequent changes in the tax code, and taxpayer ignorance of the factors that trigger an audit. Alm *et al.* (1992a) carry out a study on "estimating the determinants of taxpayer compliance with experimental data. They use laboratory experiments to examine the effects of uncertainty on taxpayer compliance. The role of fiscal uncertainty is analysed by comparing the compliance behaviour of individuals when the key parameters (the tax rate, probability of detection, and the penalty rate) are known with certainty against compliance when each of these parameters is made uncertain by randomly drawing the value of the parameter from a known distribution.

They also examine the impact of government expenditure by introducing a public good in some sessions. The results of their experiment provide mixed support for the hypothesis that greater uncertainty increases tax compliance. It also shows that introducing uncertainty in the available fiscal parameters affects compliance in opposite ways, depending upon the presence or absence of a public good. According to them, when individuals receive nothing for their tax payments, uncertainty increases compliance, a result consistent with much of the literature and the apparent views of the Internal Revenue Service (IRS), while when individual perceive that they receive a public good in exchange for their taxes, uncertainty always lowers compliance (Alm *et. al.*, 1992a, 1992b; Moser, Evans, and Kim, 1995).

In addition, the research conducted by Hsu (2006) in which both public good funded by taxes and public good established through voluntary contributions are considered, provides experimental evidence which shows that a more preferable publicly provided public good will significantly improve tax compliance and induce more voluntary contributions. However, a more preferable privately provided public good has only the latter effect. The implication of this is that the privately provided public good is complementary to the publicly provided, but the inverse does not hold. The study also found that the increase in the audit probability can curb tax evasion, and that changes in income and tax rates have no effect on either tax compliance or voluntary contribution (Hsu, 2006).

Kirchler, Hoelzl and Wahl (2008) in their study of “Enforced versus voluntary tax compliance”, use the “Slippery Slope” framework to gain an understanding as to the efficacy of tax compliance through the power of tax authorities (enforcement of laws) and taxpayer’s voluntary compliance as a result of trust in tax authorities. The “slippery slope” framework provdes a better understanding of taxpaying behaviour and of regulatory practices by highlighting the necessity to consider the power of authorities, the trust in authorities, and their dynamic interaction. They conclude that considering the distinctions between enforced and voluntary compliance calls for rethinking the role of tax authorities and suggest that taxpaying can be percieved not exclussively as an onerous duty, but also as well-accepted duty.

Alli, Cecil and Knoblett (2001) presented an econometric analysis of taxpayer compliance by exploring its relationship with audit rates, penalty if detected, tax rate schedule, income level, and sources of employment income. They used data collected from the Annual Report of the Commissioner of Internal Revenue Service and Data Book for 1980 to 1995. The results of their investigation indicate that audit rate and penalty are both effective deterrents of non-compliance and that the effectiveness of these two policy instruments depends upon individual's level of income. Their results suggested that the higher the income level, the more effective these instruments are and that in general, compliance increases with the level of income but at a decreasing rate. They also found that individuals tend to comply less as the marginal tax rate rises with such tendency being more pronounced for high-incometaxpayers than for low-income taxpayers.

A number of studies have been conducted on the impact that non-economic variables could have on tax compliance. For instance, Parasuraman, Zeithaml and Berry (1988) suggested five relatively important dimensions of service quality that could influence customers in predicting overall quality. These are: tangibles (physical facilities, equipment, and appearance of personnel), reliability (ability to perform the promised service dependably and accurately), responsiveness (willingness to help customers and provide prompt service), assurance (knowledge and courtesy of employees and their ability to inspire trust and confidence) and empathy (caring, individualised attention the firm provides its customers). However, the perception of customers in different countries, based on these criteria may be different.

Richardson (2006b) also argues that taxpayers' level of compliance could be influenced by their satisfaction towards service quality provided by the tax authorities. Based on data collected from 45 countries, the results of the ordinary least squares (OLS) regression analysis show that non-economic determinants have the strongest impact on tax evasion.

Overall, their results indicate that the lower the level of complexity and the higher the level of education, services, income sources, fairness and tax morale, the lower is the level of tax evasion across the countries (Richardson, 2006b). The result of his study is in agreement with the earlier study by Belkaoui (2004) whose empirical evidence based on data from 30 countries indicates that tax compliance internationally is positively related to the level of economic freedom, the level of importance of the equity market and the effectiveness of competition laws and high moral norms (Belkaoui, 2004). The implication of this is that it appears that if taxpayers are satisfied with the effectiveness of the tax law, they would be more willing to comply with the tax law.

Alm and Mckee (2004) use laboratory experiments to investigate compliance behaviour using selected returns based upon the degree of deviation of each individual tax report from the average report of all other taxpayers. The results of their study indicate that individuals find it difficult to coordinate their reporting behaviour on the zero-compliance outcome. Thus, the outcome of the experiment suggests that a "Discriminant Index Function" (DIF) rule, a formula devised by the Internal Revenue Service (IRS) to determine which tax returns to audit, based upon the items reported on the current returns is often able to achieve high levels of compliance. However, Alm and Mckee (2004) explained further that a certain amount of luck may be involved, and that evidence from the cheap-talk session reveals that information-sharing may be very successful in aiding taxpayers to achieve an extremely low compliance rate. They therefore, suggest that the use of an additional audit rule may be very useful to the tax authority as it may generate compliance that is significantly above the level achieved by a conditional audit rule alone. In summary, "as long as taxpayers are unable to coordinate perfectly on the zero-compliance equilibrium, a DIF audit rule in combination with a conditional random audit rule generates no more audits than a DIF rule by itself" (Alm and Mckee, 2004, pp. 310-311).

Laury and Wallace (2005) conducted a laboratory experiment to analyse the relationship between the perception of confidentiality and taxpayer compliance. They found some evidence suggesting that when individuals perceive a breach in confidentiality, they actually increase their level of compliance. Alabede, Ariffin and Idris (2010) also study the relationship between perceived tax service quality and compliance behaviour together with moderating effect of taxpayer's financial condition. The results of their study indicate that the determinants of the perceived tax service quality (interaction quality, physical environment quality and service outcome quality) possibly have direct relationship with compliance behaviour but the relationships could be moderated by the financial condition of the taxpayers. These results accord substantially with the results of the earlier study by Parasuraman *et al.*, (1988) discussed above.

2.1.1 Quality of Tax Practitioners

The perception of taxpayers with respect to the quality of tax practitioners could also impact on tax compliance. For instance, the results of the study carried out by Choong, Tong and Tan (2008) on individual taxpayer's perception of tax practitioners in Malaysia indicate that most taxpayers prefer to have an honest tax practitioner to help them comply with the income tax laws as most of the taxpayers rated the honesty of the tax practitioner as the most important attribute. In essence, the results suggest that the tax practitioner's ethical behaviour may be strongly influenced by the taxpayer's perception. This is expected to increase the voluntary compliance rate amongst the taxpayers.

Lai and Choong (2009) also carry out a study in Malaysia to assess the experience of tax practitioners in the era of self-assessment and also to examine tax compliance complexity faced by tax practitioners when representing corporate taxpayers. A total of 208 returned and usable survey questionnaires out of 700 administered to tax practitioners who attended "Budget 2008 Tax Seminar" organized by the Malaysian Institute of Chartered Accountants were analysed. The results of their examination show that respondents had the opinions that self-assessment system (SAS) provides more benefits to the authorities than the taxpayers and that self-assessment system has actually increased taxpayers' compliance costs.

Tax compliance appears to be a complex area of study in tax administration and management both in the developed and developing countries. In recent times, a number of literature reveals that tax compliance decision is not strictly rationally based, rather, variables such as personal values, social norms, and non-rational cognitive processes also strongly affect tax compliance decision (Kornhauser, 2007). Hence, a review of the literature and discussion of tax compliance under some relevant variables, as explained under the subsequent sub-heads, is considered necessary.

2.2 TAX AVOIDANCE AND TAX EVASION

This section examines some of the debates on tax avoidance and tax evasion in order to help explain why taxpayers may choose to avoid or evade payment of tax. Researchers have tried to explain the meaning of tax avoidance and tax evasion and also their unique distinctions. According to Robben, Webley, Weigel, Wärneryd, Kinsey, Hessing, Martin, Elffers, Wahlund, Langehove, Long and Scholtz (1990), there is a distinction between non-compliance arising from unintentional errors and non-compliance due to deliberate evasion behaviour. Lewis (1982) also remarks that deliberate evasion behaviour may result from specific courses of action undertaken by the taxpayer: this is termed "evasion by commission"; or from non-action, which is referred to as "evasion by omission".

Franzoni (1999) explains that tax evasion is said to occur when individuals deliberately fail to comply with their tax obligations. He states further that the resulting tax revenue loss may cause serious damage to the proper functioning of the public sector, threatening its capacity to finance its basic expenses. According to him, by distancing effective payments from statutory taxes, tax evasion defines a specific revenue deficiency, known as "tax gap". Kasipillai, Aripin and Amran (2003) remark that tax evasion is meant to be deliberate acts of non-compliance resulting in payment of lower taxes than are actually owed and therefore, an illegal act. They opine that not paying "ones" lawful share of tax is evasion of tax. On the other hand, they explain that tax avoidance which denotes the taxpayer's ingenuity to arrange his affairs in a proper manner so as to reduce the incidence of tax is legal. They submit that as long as the provisions of the law are not violated and transactions *bona fide*, any attempt to minimise tax is acceptable.

Slemrod (2004) also distinguish between tax evasion and tax avoidance. He explains that technically, tax evasion is illegal while tax avoidance is legal. According to Slemrod (2007), the dividing line between illegal tax evasion and legal tax avoidance is blurry. He explains that under the U.S. law, tax evasion refers to a case in which a person, through commission of fraud, unlawfully pays less tax than the law mandates. Tax evasion is a criminal offence under federal and state statutes, subjecting a person convicted to a prison sentence, a fine, or both. An overt act is necessary to give rise to the crime of income tax evasion; therefore, the government must show willfulness and an affirmative act intended to mislead (Slemrod, 2007).

Sandmo (2005) also submits that the conceptual distinction between tax evasion and tax avoidance hinges on the legality of the taxpayer's actions. Tax evasion is a violation of the law: when the taxpayer refrains from reporting income from labour or capital which is in principle taxable, he engages in an illegal activity that make him liable to administrative or legal actions from the authorities. In evading taxes, taxpayer worries about the possibility of his actions being detected. On the other hand, tax avoidance is within the legal framework of the law. It consists of exploiting loopholes in the tax law in order to reduce one's tax liability. For instance, converting labour income into capital income that is taxed at a lower rate provides one class of examples for tax avoidance. Sandmo (2005) states further that unlike in the case of tax evasion, in engaging in tax avoidance, taxpayer has no reason to worry about possible detection. However, he noted that "it is necessary that the taxpayer makes a detailed statement about his transactions in order to ensure that he gets the tax reduction that he desires" (Sandmo, 2005, p. 645).

Nzotta (2007) distinguishes tax avoidance and tax evasion thus: tax avoidance refers to arrangement through which a person acting within the letters of the law reduces his true tax liability, infringing in the process both the spirit and intention of the law. For instance, an individual may convert his sole proprietorship business into a limited liability company or may resort to procuring life insurance policies as legal means of avoiding taxes. In this wise, tax liability will generally reduce through these purely legal arrangements. On the other hand, he describes tax evasion to denote an outright defrauding of tax revenues through illegal acts and deliberate suppression or falsification of facts relating to one's true tax liability. Thus, "while tax avoidance is legal, tax evasion is illegal and criminal in nature" (Nzotta, 2007, p. 41).

In their own view, Kiabel and Nwokah (2009b) state that tax avoidance arises in a situation where the taxpayer arranges his financial affairs in a way that would make him pay the least possible amount of tax without infringing the legal rules. According to them, the term is used to denote those various devices which have been adopted with the aim of saving tax and thus sheltering the taxpayers' income from greater liability which would have been otherwise incurred. They state further that while the law regards tax avoidance as a legitimate game, tax evasion is seen as immoral and illegal as tax evasion is an outright, dishonest action whereby the taxpayer endeavours to reduce his tax liability through the use of illegal means.

Comparing various definitions given in the literature, Fagbemi, Uadiale and Noah (2010) note that paying less tax or not at all than what one is legally obliged to pay is described as tax evasion while tax avoidance is an act of doing everything possible within the confines of the law to reduce the tax paid. Hence, the main difference between them is the legality of the taxpayer's action. Heather (2008) explains that tax evasion has posed a formidable challenge to federal and state tax authorities since the inception of tax laws. This is because people do not want to pay taxes at all or do not want to pay (or lack the resources to pay) their full tax obligation. He explains further that tax evasion creates a serious problem in that the lost revenues decrease the funds available to the government to run its operations and places a strain on compliant taxpayers who may face tax increase in an effort to make up for the uncollected taxes.

In view of the various descriptions and explanations of tax avoidance and tax evasion mentioned above, it could be said that both actions (tax avoidance and tax evasion) reduce the tax revenue that would ordinarily accrue to the government (Kopezuk, 2006; Otusanya, 2010). Thus, it could be justifiably inferred that tax avoidance and tax evasion are fiscal twin-evils that reduce or limit the volume of tax revenue accruing to governments at both the Federal, State and Local government levels.

2.2.1 Possible Causes of Tax Avoidance and Tax Evasion

Some possible causes of tax avoidance and tax evasion and how these fiscal twin-evils could be addressed to generate optimal tax revenue have been suggested by a number of researchers. The following is the review of some of these research efforts.

According to Hechler (2009b), taxpayer behaviour is influenced by factors such as the difference between the amount of tax that is to be paid without evasion, and that with evasion (that is, factors which determines the benefits of evasion), as well as the probability of detection and the resulting penalties (that is, factors which determines the cost). He listed such factors to include (a) opportunity for evasion; (b) likelihood of detection and punishment; (c) high taxes as well as cumbersome tax regulations and procedures; and (d) taxpayers' trust in the government.

Skinner and Slemrod (1985) perform a selective overview of economic literature on tax evasion by examining several economic aspects of tax evasion and policies towards increasing tax compliance. According to them, an explanation for why individuals do pay taxes is that there are more than monetary costs of being investigated and possibly charged for a crime. Those who would find such an investigation especially humiliating would be unlikely to evade, while those who view evasion as a challenge or a political statement would be more likely to evade. They remark that evidence from numerous surveys suggests, among other things, that tax evasion is more prevalent among those who think they are paying an unfairly high level of taxes.

According to Skinner and Slemrod (1985), the degree to which tax evasion is a stigma, or whether it might be a badge of honour, is also likely to stem from the individual's attitude towards the government activities financed by the revenue. They view the costs of tax evasion to include violations of horizontal equity, vertical equity and efficiency. Thus the options that are opened to tax policy makers include changes in enforcement and penalties, tax simplification, and reductions in marginal rates (Skinner and Slemrod 1985). Furthermore, in their opinion, increased enforcement will generate more revenue, but often at a substantial resource cost. Increasing penalties, while entailing a few government costs, will impose an inequity between those few that are caught and those that escape detection. Generally, "tax simplification has the benefit of reducing the loopholes that are breeding grounds for tax evasion schemes and the reduced marginal rates have been associated with a significant decline in tax evasion" (Skinner and Slemrod, 1985, p. 352).

Hasseldine and Bebbingtion (1991) review recent studies on tax evasion and outline a framework of responses available to government and/revenue authorities in the context of economic deterrence and fiscal psychological models. They use this to evaluate a wide ranging reforms set in place in New Zealand between 1984 and 1990. Their investigation reveals that the quantum of and reasons for tax evasion raise important policy issues for any government, as evasion has significant fiscal, social and economic ramifications. These include the ability to meet revenue needs and the significant audit and collection costs incurred by revenue authorities to detect and recover tax evaded. Also, there could be a wide range of social consequences such as a redistribution of the tax burden unto those who do not evade tax and reducing the level of horizontal equity in the tax system. Horizontal equity arises when people in the same economic circumstances pay the same amount of tax. Evasion may also reduce vertical equity which usually occurs when people who have greater capacity to pay tax bears relatively higher tax burden, if evasion is undertaken primarily by above average income earners.

Another possible cause of evasion is “economic deadweight” which is caused by a diversion from otherwise economically productive activity into other areas with greater opportunity for evasion. According to Hasseldine and Bebbington (1991), from an individual view point, there is a gain to individual evaders of the amount of tax that is successfully evaded. However, they explain that for this benefit to be realised, certain costs such as professional fees, information search costs in determining if evasion is possible, and the costs of setting up the structures and processes which allow successful evasion may be incurred. They state further that costs incurred by taxpayers in facing an audit are also associated with the above mentioned costs. Weigel, Hessing and Elffers (1987), argue that evasion is not a two-person zero-sum game because the costs may be psychological in nature, and it is possible that evasion may damage self-image and self-respect depending on individual attitudes about propriety of the behaviour.

Hasseldine and Bebbington (1991) remarks that taxpayer may be ignorant about the disposition of tax revenue because if taxpayers know what they are funding, their attitudes to paying tax may be altered. In addition, taxpayers sometimes believe that other taxpayers obtain superior tax advantages over them. Evasion may therefore, stem from this perception of inequity. Hence, they conclude that “tax policy makers must necessarily consider a blend of response options from economic and psychological models, thereby implicitly embracing both short- and long-term viewpoints of this international social problem” (Hasseldine and Bebbington, 1991, p. 299).

Kasum, Akinniyi and Ibrahim (2005) investigate a sample of one hundred and twenty (120) investors to evaluate the effect of tax differential on choice of business form. The result of their study reveals that tax differential affects investors decision on choice of business form and that the existing differential reduces government revenue potential. For instance, according to them, Personal income tax system is one that brings together employment and some businesses under one umbrella as against company income tax system. Their findings suggest that lower taxes make investors in sole trade and partnership prefer the forms to company incorporated. They therefore, conclude that this encourages a form of tax avoidance.

Otusanya, Adeyeye and Arowomole (2010) argue that tax evasion and aggressive tax avoidance raise major question about the assumed social responsibility and ethics of Multinational Companies, but such issues attract little attention in the corporate social responsibilty and accounting literature eventhough some of the cases are regularly reported in newspapers and in regulatory investigation reports. They argue further that the payment of democratically agreed taxes represent a litmus test for claims of social responsibilities and that the possibility of social responsibilty rest on the alignment of enterprise culture with the social expectations that corporations will honour their publicly espoused claims. According to them, tax evasion and tax avoidance thus effectively veto the will of the people and, in the process, undermine public confidence in the democratic process.

Feinstein (1991) use econometrics to analyse income tax evasion based on individual-level data drawn from the Internal Revenue Service (IRS) for 1982 and 1985 Taxpayer Compliance Measurement Programmes (TCMPs). The empirical results are summarised as follows. First, the likelihood and magnitude of evasion increases with taxpayer income and marginal tax rate in both 1982 and 1985 when data from these years are analysed separately. Second, a number of socio-economic characteristics significantly affect the evasion decision. For instance the results indicate that those filers who own businesses and farms are much more likely to evade than the average taxpayer. The results also reveal that individuals who claim over 65 years exemption (who may or may not be retired) are less likely to evade and married individuals are more likely, while the effect of capital gains on evasion is slight in most of the models.

2.2.2 Ethical Attitude Versus Tax Avoidance and Tax Evasion

The ethical attitudes of individuals is also said to affect taxpayer compliance. For instance, the results of a study on tax ethics conducted in the United States of America by Reckers, Sanders and Roark (1994) indicate that individual moral beliefs are highly significant in tax compliance decisions. They explain that when tax evasion is seen as a moral issue, individuals are less likely to evade taxes regardless of the tax situation. On the other hand, individuals who do not view tax evasion as an ethical issue are influenced by framing factors.

Mann and Smith (1998) conducted a study on tax attitudes and tax evasion by using survey data from a sample of upper income working professionals in Pueto Rico to gauge the relationships between the perceived equity of the individual income tax and the taxes paid-benefits received trade-off and tax compliance behaviour. In the study, the linkages between tax attitudes, tax ethics, and tax compliance were explored. They found tax resistance to be a positive function of perceived tax structure inequities, the opportunity for greater than average tax fraud, contact with tax evaders, self-employment job status and steeply rising marginal tax rates. This study is in agreement with others studies on tax compliance (Slemrod, 1985; Feinstein, 1991; Hasseldine and Bebbington, 1991; Alm *et al.*, 1992; Parasuraman *et al.*, 1988; Hsu 2006).

In addition, the results of an experimental investigation on ethical standards, attitudes toward risk, and intentional non-compliance by Ghosh and Crain (1995) demonstrate that personality characteristics are psychologically salient aspects in tax non-compliance. Specifically, the results of their study reveal that a taxpayer who is more (less) ethical will have lower (greater) intentional non-compliance, while a taxpayer who is more (less) risk averse will have lower (greater) intentional non-compliance.

Slemrod, Blumenthal and Christian (2001) use a group of 1724 randomly selected taxpayers in Minnesota, United States of America who are informed by letter that the returns they are about to file would be "closely examined" with a view to determining taxpayers' response to an increased probability of audit. They compare this randomly selected group with a control group that does not receive this letter. According to them, the experiment is an interesting one because under certain assumptions, the response of taxpayers provides an estimate of the extent of tax evasion. They use sampled data for two years (1993 and 1994) of the same taxpayers as collected from the Department of Revenue with a view to enabling comparison of changes in reported income, deductions, and tax liability between those taxpayers who receive the treatments and similar groups of taxpayers who are not subject to any treatment (the control group). The results of their experiment indicate that low and middle-income taxpayers in the treatment group on the average increase tax payments compared to the previous year which the researchers interpret as indicating non-compliance. Furthermore, the effect is much stronger for those with more "opportunity" to evade, as measured by their source of income.

Cowell, Bayer and Fiorio (2002) examine the issues in modeling tax compliance by firms and argue that in principle, firms can evade by misreporting or making false declaration about profits, sales or input use and other costs. They suggest that some of the key questions to be addressed in the construction of an appropriate model of firms' decisions include (i) Does the assumed market environment of the firm make a difference to its compliance behaviour? (ii) What assumptions should be made about firms' motivation? and (iii) How should time and uncertainty be modelled? According to them, when the situations of the personal and corporate sector as they are commonly conceived within microeconomic analysis are compared, it is reasonable to argue that individuals –and perhaps even families and households - exist as exogenously given entity; the set of potential taxpayers could be imagined as exogenously given.

However, this is not the case with firms: firms are born and dissolved; they merge and change their shape; they do all this in response to economic incentives. In addition, tax system and its enforcement mechanism are essential components of those economic incentives. Therefore, there should be a reasonable model of firm behaviour before anything intelligible could be said about the impact of tax and enforcement policy. They explain that the contrast is with the household sector which is somewhat overstated, but nonetheless, this contrast contains an important component of the problem (Cowell *et al.*, 2002).

In their own contribution to the studies on tax evasion across Italy, Brosio, Cassone and Riccuiti (2002) suggest an explanation for the geographical dimension of tax evasion that focuses on the structure of territorial government as taxes administered by the central government in a democratic government are not differentiated by regions. Earlier, Putnam, Leonardi and Nanetti (1994), carry out a study of twenty regional Italian governments which were similar in institutions but deffered in social, economic and cultural context since 1970. Their experiments provide empirical results which suggest that "social capital" is key to high institutional performance and maintenance of democracy and that evasion of taxes may be a manifestation of inadequate civic concern, and that civic concern in turn, may vary from area to area. Putnam, *et.al.*(1994) find that regional government performed best, if other factors are held contant, where there were strong traditions of civic engagement.

Furthermore, the use of uniform tax schedules nation-wide imposes a welfare burden on relatively poorer areas because while the tax rates of local taxes can be adjusted to local preferences, centrally tolerated tax evasion may be tacitly accepted as a form of compensation for the welfare loss arising from too high tax rates set by the central government. It is also argued that in a setting where law enforcement is low because of inadequate civic concern, free riding in tax compliance in excess of the level that is centrally tolerated cannot be excluded (Brosio, *et al.*, 2002). Therefore, taxpayers resident in the poorer regions could choose on their own the optimum level of tax evasion if tax administration is insufficient and/or civic concern is missing. They therefore, categorise tax evasion into two distinct components - the part that is centrally tolerated as a compensation for the higher tax rates imposed nation-wide; and another part that derives from “free riding” induced by poor enforcement of tax law. They however, caution that it is unfeasible to empirically separate the two components (Brosio *et al*., 2002).

Bloomquist (2003) tested the hypothesis that rising income inequality contributes to tax evasion in the United States. The empirical analysis which he carried out for the period 1947-2000 finds a correlation between the underreporting rate for wage and salary income and the top decile wage share. The finding suggests that enforcement policies aimed at reducing income tax evasion may lose some effectiveness in an environment of increasing inequality. He therefore argues that widening income inequality contributes to the propensity to evade by both reducing the probability of detection and increasing compliance opportunity costs. He explains further that lower detection probability occurs as rising inequality gradually alters the composition of income from being employment-based (i. e., matchable) to investment-based (i. e., non-matchable).

In addition, Bloomquist (2004a and 2004b) used field computational modeling called Multi-Agent Based Simulation (MABS) to study what might likely influence taxpayers to evade tax. He compares three computational models of income tax evasion to learn how MABS can be used to advance public understanding of tax evasion. The models are similar in their treatment of individuals' willingness to evade as a function of the level of enforcement activity and social interaction among agents. The models are also similar in their assumption of yearly time intervals, homogeneity of audits (audits are identical in intensity and resource used) and number of agents initiated. However, the models differ in the way they portray the taxpayer's evasion decision. The results of this experiment agree with recent evidence from random audit studies and controlled laboratory experiments which indicate that evasion behaviour is affected by myriad of factors such as opportunity, social norms, prior audit experience, knowing someone who evades successfully and awareness of enforcement efforts.

Fortin, Lacroix, and Villeva (2007) develop a theoretical framework for analysing the impact of social interactions on tax evasion behaviour in a laboratory setting. They use the nomenclature propounded by Manski (1993) but their approach takes into consideration social conformity effects (expressing endogenous interactions) and fairness effects (expressing exogenous interactions). The latter reflect the taxpayer's perception of how he is treated by the tax system relative to others. Their model allows for individual unobservable attributes common among reference group members. The results of their study indicate the presence of a fairness effect relative to taxation. Those individuals whose tax rate is higher than their mean group tax rate (for a given level of income) tend to evade more in order to restore equity in taxation. The implication of this is that perceived unfair taxation encourages tax evasion. The result also suggests that at the policy level, a taxation system that is more equitable both horizontally and vertically is likely to improve tax compliance. The researchers however, advise that one should be cautious when extrapolating their findings to the population of taxpayers as the groups of taxpayers in their laboratory experiment are formed artificially for the sake of the experiment, thus may not likely represent the true life situation.

Molero and Pujol (2004) also build a theoretical model of tax evasion which encompasses non-economic considerations, usually referred to as “psychological costs”. They propose an empirical study on the determinants of the psychological costs to tax evasion, based on the theoretical taxonomy earlier proposed by Lagares (1994), using data from a questionnaire filled by 781 university students. They use the percentage of students who consider it acceptable to evade taxes to represent the dependent variable, and using a binomial model, they found that the justification of tax evasion is statistically related to the presence of grievance in absolute terms (those who feel that taxes are too high and waste of public funds), grievances in relative terms (the suspected level of tax evasion by others and those accepting black economy labour), the sense of duty (such as having had a drink in a bar without having paid for it or buying pirated CDs) and the level of solidarity (e.g. people having made donations to NGOs and disposition to help other to solve academic doubts).

Arias (2005) investigates the sensibility of indirect tax evasion models to assumptions about tax function, audit probability function, risk aversion and how tax evasion decisions occur. He found out that under perfect competition: (i) the optimum level of tax evasion for ad valorem and specific taxes are equal but static comparative are not (ii) ad valorem tax evasion is lowest if the audit probability is decreasing with respect to the firm output (iii) risk aversion models produce similar results than direct costs of evasion models, but results are more conclusive when the risk is additive. They explain that based on their understanding of tax evasion literature, a key feature of using models to explain indirect tax evasion lies in the fact that their results are usually very divergent according to each model's assumptions. They conclude that some assumptions are not always explicit and it is not clear what would happen with results under different assumptions because many questions would arise and one could think of many different theoretical exercises.

Burton, Karlinsky and Blanthorne (2005) carry out a study to investigate the perception of United States of America taxpayers with respect to the severity of tax evasion. The researchers surveyed 205 people to determine how seriously they perceived tax evasion to be. The overall results indicate that tax evasion is viewed as somewhat serious. They also find that geographical location have effect on tax evasion as people from a "conservative" part of the country seem to rate tax evasion as more serious than people from a "liberal" location. Finally, their results indicate that most personal characteristics (age, gender, education, income level or political affiliation) do not seem to be related to perceptions of tax evasion.

2.2.3 Consequences of Tax Avoidance and Tax evasion

Walker and Sennoga (2007) develop and test a revenue-maximising tax structure model using data from both the Organisation for Economic Co-operation and Development (OECD) and East African countries. Their findings not only confirm the conventional fact that tax evasion reduces the GDP share of total taxes, but also reveal that the GDP shares of taxes on income and property decline with tax evasion. According to Kopezuk (2006), the ideal compliance policy should target both tax avoidance and tax evasion. He explains further that "while there is a legal distinction between the two, from economic point of view, the difference is less explicit as both types of activity involve a loss of revenue and both involve a loss of economic welfare. The loss of revenue suggests an incremental economic cost because revenue must be recouped by resorting to further distortionary taxation" (Kopezuk, 2006, p. 1).

Nzotta (2007) trace the genesis of tax evasion problem in Nigeria to the colonial era. He found out that during this period, taxes were looked upon by the restive natives and rural population as an instrument of opperession available to the British colonial masters. He also expalains further that the problems of tax evasion and avoidance in Nigeria have assumed an alarming dimension, especially under the military dictatorships witnessed in the country between 1983 and 1999. In his opinion, the contradictions in the development planning process in the past and the distortions in various macro-economic aggregates in Nigeria (especially the depreciating exchange rates, high unemployment levels and high inflationary rates) over the years which exacerbated the poverty problems and living conditions in Nigeria, have generally hardened the attitude of taxpayers to taxes.

In their examination of the role of local entrepreneurs in tax evasion in Nigeria, Otusanya and Adeyeye (2011) remark that tax evasion in Nigeria is a recurring feature of media coverage. The coverage relates to a wide range of activities, such as underpayment of taxes, non remittance of taxes as at or and when due, falsification of records and other related activities. They argue that anti-social practices conducted by local entrepreneurs are producing negative effect as local entrepreneurs are increasingly willing to increase their profits and capital accumulation through indulgence in tax evasion practices that show low regard for social norms and even law.

Otusanya (2011) also emphasises that tax evasion and tax avoidance reduce government revenue with its significant detrimental effect on the provision of infrastructures, public services and public utilities. His study locates the role of multinational companies' tax practice within the broader dynamics of globalisation and the pursuit of profits, thus he argues that the drive of multinational companies for higher profits undersatandably accounts for why some multnational companies engage in tax evasion and tax avoidance at almost any cost. The evidence from his study shows that tax havens and offshore financial centres, shaped by globalisation, are major structures facilitating the anti-social tax practices of multinational companies. His findings also suggest that the local business elites and local professionals are key actors in facilitating these anti-social tax practices in Nigeria for their own financial gains. He therefore argues that tax reforms are needed to reduce the problems created by The multinational companies and their affiliates operating in Nigeria.

2.2.4 Curbing Tax Avoidance and Tax Evasion in Nigeria

The fiscal injury usually inflicted on the economy of a nation by the twin-evils of tax avoidance and tax evasion cannot be under-estimated and it has aroused ideas from scholars and authors on the possible ways of curbing these menace. For example, the use of tax consultants appears to have been endorsed by both Federal and State governments in Nigeria to complement the work of tax officials in order to curb tax evasion and tax avoidance, with the intention of boosting revenue generation at these levels of government. Kiabel and Nwokah (2009a) carry out a critical review of the various shades of opinion and the facts on ground with respect to the use of tax consultants. The outcome of their study suggests that external tax consultants should be retained by state governments and indeed all tiers of governments in Nigeria as a way of curbing these non-tax compliance menace and ultimately boosting the internally generated revenue of these governments.

Kiabel and Nwokah (2009b) also carry out a study on how tax evasion and avoidance in personal income tax administration can be curbed. The survey involved state tax authorities and individual taxpayers in the five South-South States of Nigeria. The study sought to identify the causes of tax evasion and avoidance amongst individual taxpayers, various methods of perpetrating them and the social and economic consequencies that may arise from these twin problems. The results of their study reveal among others, that poverty, lack of adequate public enlightenment and loopholes in the tax laws, are responsible for the problem. They argue that the taxpayer perpetrates these unpatriotic acts through such means as concealment of profit and interference with Revenue agents through bribery and corruption.

The results of the study by Hasseldine and Bebbington (1991) suggests that tax policy makers must necessarily consider a blend of response options from economic and psychological models, thereby implicitly embracing both short- and long-term viewpoints of this international social problem. Evidence from the study by Fagbemi, Uadiale and Noah (2010) suggests that tax evasion is justified by taxpayers when there are indications of government corruption, unfair treatment of citizens, tax affordability and unfavouable tax system. They conclude that the response of government in terms of accountability, human right treatment and optimal tax rate play a significant role in the payment of taxes. Olabisi (2010) suggests that for the problems of tax evasion and tax avoidance to be solved , there should be a complete overhaul of the Nigeria tax system. He states further that tax avoidance can largely be checked by plugging the loopholes in the tax law and carefully drafting of new tax legislations.

In addition, all the tax laws should be further codified and harmonised while the enforcement machinery should be strengthened with a view for stricter punishment and the legal provision for doing so should be clearly stated (Olabisi, 2010). In the same vein, Otusanya, (2011) argues that tax reforms are needed to reduce the problem of tax evasion and tax avoidance in Nigeria. He states that “if loopholes in the tax laws are not closed, then the rule of and the effective administration of tax will not be strengthened in Nigeria and, as a result, the country may continue to lose billions of dollars due to the activities of multinational companies and their facilitators” (Otusanya, 2011, p.14).

However, this study proposes that the combination of the components of good governance with respect to accountability and tranparency on the part of the government, reduction in fiscal corruption, efficient and effective tax administration, efficient and effective tax laws and tax policies together with government’s consideration and provision of social welfare package (that is, socio-economic considerations) for taxpayers will go a long way to curb tax evasion and tax avoidance in Nigeria.

2.3 THE ROLE OF TAX MORALE IN VOLUNTARY TAX COMPLIANCE

Tax morale had been argued to be an important factor that can influence voluntary tax compliance. Many researchers have stressed that tax morale, seen as the intrinsic motivation to pay taxes, is a key instrument that explains tax compliance (Torgler and Schaltegger, 2005). According to Kirchgässner (2010), tax morale is a crucial determinant of taxpaying behaviour, that is, the willingness of taxpayers to pay taxes. Cummings, Martinez-Vazquez, Mckee and Torgler (2009) define tax morale as the intrinsic motivation to pay taxes, arising from the moral obligation to pay taxes or the believe in contributing to society by paying taxes. It has been established that “taxpaying behaviour cannot be explained in a satisfactory way without taking tax morale into account” (Frey, 2003, p. 389).

A number of researchers have studied this important aspect of tax compliance. For example, the study by Feld and Frey (2001) on deterrence and tax morale: how tax administration and taxpayers interact provides evidence which indicates that the way tax authorities interact with taxpayers has an impact on the intrinsic motivation to pay taxes. “A respectful treatment of taxpayers by the tax authorities and its interaction with institutional factors, such as direct democracy, contribute to the social capital of a jurisdiction. They create an environment in which it pays for citizens to perform their civic duty” (Feld and Frey, 2001, p. 15).

Torgler, Schneider and Schaltegger (2010) investigate the relationship among local autonomy, tax morale and shadow economy in Switzerland by using Swiss data at the micro and macro (cantonal) levels. The findings from their study provide evidence which indicates that local autonomy is highly relevant to understand why people cooperate with societies’ rules. In addition, they explain that “institutions that respect the preferences of the citizens will have more support by the people than a state that acts as a Leviathan, and thus a responsive government will enhance tax morale” (Torgler, *et al.*, 2010, p. 313). In essence, the findings suggest that there is a positive (negative) relationship between local autonomy and tax morale with respect to the size of the shadow economy.

Furthermore, Aguirre and Rocha (2010) remark that empirical literature on tax morale stresses the importance of institutional as well as socio-demographic variable such as interpersonal trust, trust in government, corruption perceptions about justice, gender, age, marital status and religiosity. For instance, the results of the study by Aguirre and Rocha (2010) on "trust and tax morale in Latin American and Caribbean countries" indicate that there is a strong correlation between tax morale and the perception that money collected is well spent and voice. As remarked by Aguirre and Rocha (2010), voice is nothing but a basic portion and function of any political system, known sometimes also as "interest articulation". Thus, if the individuals believe that taxes will be well spent, tax morale is higher as expected. The results also show that the perception of being caught for not paying tax does not affect tax morale while demographic variables were important to the explanation of tax morale.

The study conducted by Frey and Torgler (2004) using survey data from thirty (30) European countries, provides an empirical evidence for the relevance of conditional cooperation in tax compliance. Their study proposes that taxation is a social act and that conditional compensation is an important factor, explaining the extent of tax morale and therewith tax evasion. The study reveals that an individual taxpayer is strongly influenced by what he or she perceives to be the behaviour of other taxpayers. If taxpayers believe tax evasion to be common, their tax morale decreases; if they believe others to be honest, their tax morale increases. The results of their study also suggest that trust in the judicial systems and in parliament, as well as positive attitudes towards democracy, tend to raise tax morale. This is in agreement with the submission of Frey (2003) who states earlier that tax morale is lowered when the citizens have little trust in their state, and feel badly treated by the tax office. It is also in line with the thoughts that "if taxpayers perceive that their preferences are adequately represented and they are supplied with public goods, their identification with the state increases, and thus the willingness to pay taxes rises" (Torgler and Schneider, 2009, p. 228).

Alm and Torgler (2006) investigate the impact of cultural differeces on tax morale in the United States of America and in Europe by utilising a data set from the World Value Survey- which contains information on individuals in a wide range of countries. The findings from their study indicate a significantly higher tax morale in the United States of America than in Spain, being the two countries where a cross-section of individuals were first analysed using the World Value Survey, and controlling for multivariate analysis for additional variables. They further extended their multivariate analysis to include fourteen (14) European countries in the estimations. The results of their experiment again indicate that the United States of America has the highest tax morale across all the countries, followed by Austria and Switzerland.

However, their results suggest a strong negative correlation between the size of shadow economy and the degree of tax morale in the countries investigated. In their own contribution, Feld and Frey (2007a) state that a psychological tax contract goes beyond the traditional deterrence model and that tax morale is a complicated interaction between taxpayers and the government. They explain that tax morale is a function of (i) the fiscal exchange where taxpayers get public services for the tax prices they pay; (ii) the political procedures that lead this exchange; and (iii) the personal relationship between the taxpayers and the tax administrators.

In the same vein, Alm and Gomez (2008) carry out a study on "social capital and tax morale in Spain", using a unique data set from Spain's Survey of Fiscal Policy. This allows for a much richer exploration of the role of various new measures of "social capital" as determinants of tax morale than has been possible before, where social capital refers to the institutions, norms, and networks that promote cooperation and enable collective action. The results of their study indicate the important role of social capital measures as determinants of tax morale. They also find, in particular, that an idividual's tax morale is significantly and positively associated with his or her perception of the benefits derived by society from the public delivery of goods and services.

2.4 GOOD GOVERNANCE AND TAX COMPLIANCE

The term "Good governance" has assumed a very prominent height in public discourse with respect to societal development both in the developing and developed economies of the world. A number of individuals, national and international organisations have attempted to investigate what constitutes good governance and how it can be established and sustained in a nation (Abdellatif, 2003; Aubut, 2004; Chowdbury and Skarstedt, 2005; Doma, 2007; Mbao and Komboni, 2008; Azeez, 2009; Owojori, Akintoye and Adidu, 2009; Ogundiya, 2010). The contributions of the above mentioned authors and researchers to "good governance" are discussed in the following sub-sections. However, it is hoped that a good understanding of what constitutes "governance" will enhance the understanding of "good governance".

2.4.1 Meaning of Good Governance

The meaning of Good Governance would be well appreciated by a thorough understanding of the term "Governace". According to Mbao and Komboni (2008), there is no universally accepted definition of "governance", however, the popular usage of the term comprehends how a given country is governed; how the affairs of a state are administered and regulated and how a nation's political system functions in relation to the management or conduct of public affairs. It also embraces how national resources are managed and how relations among the state, citizens and the private sector are regulated (Mbao and Komboni, 2008). Governance has been described by United Nations Development Programme (UNDP) (1997) as "the exercise of the economic, political and administrative authority to manage a country's affairs at all levels. It comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences" (UNDP, 1997, p. 3).

Reilly (2009) perceives governance as the way organisations are directed and controlled to ensure that they are effective in achieving their objectives. He argues that whatever governance arrangements are in place in any complaint-handlings scheme, it is vital that they support and promote the integrity of the scheme and office holder and, above all, protect the independence of the office holder, particularly from those over whom the scheme has jurisdiction. Ribadu (2006) explains governance to mean the process whereby public institutions conduct public affairs, manage public resources and guarantee the realisation of human rights. He argues that the quality of governance is an issue of increasing concern in the countries around the world – both developed and developing. He states further that while the evidence suggests governance matters for development, there is little understanding as to what aspects matter most and how to improve governance. He submits that the main problem is the lack of reliable, valid and comparable data on key governance issues.

According to Oyewo (2010), governance refers broadly to the exercise of power through a country's economic, social, and political institutions in which the institutions represent the organisational rules and routines, formal laws, and informal norms that together shape the incentives of public policy-makers, overseers, and providers of public services. In the view of Keefer (2004), definitions of governance tend to encompass one or both of the following: the extent to which governments are responsive to citizens and provide them with certain core services, such as secure property rights and, more generally, the rule of law; and the extent to which the institutions and processes of government give government decision makers an incentive to be responsive to citizens.

Fourie (2005) argues that governance is fundamentally a political imperative and should not be reduced to purely public administration due to the conflation of the political-administrative role. He therefore states the three critical functions of government as, to: (i) facilitate redistribution to assist those marginalised by market forces; (ii) enable the level of economic activity and the rate of economic growth; and (iii) allocate resources to the production of goods required collectively by the society and which if the market were to produce it, would be too costly for citizens. He emphasises that to ensure these functions, government must act in a responsible, participative, transparent and accountable manner as the guiding principles of good governance. Thus governance is a relational concept which entails a triangular relationship among government, legislature and civil society. According to UNDP (1997), governance has three legs: economic, political and administrative. Economic governance includes decision-making processes that affect a country's economic activities and its relationships with other economies. In essence, it has major implications for equity, poverty and quality of life. Political governance is the process of decision-making to formulate policy while Administrative governance is the system of policy implimentation.

In line with the above analysis, “Good Governance” has been described as the processes and structures that guide political and socio-economic relationships while “Bad Governance” is being increasingly regarded as one of the root causes of all evil within our societies (UNDP, 1997; United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), 1997). According to Annan (1998), Good governance is perhaps the single most important factor in eradicating poverty and promoting development as it means creating well-functioning and accountable institutions - political, judicial and administrative. In addition, Annan (1999) states that:

> *In practice, good governance involves promoting the rule of law, tolerance of minority and opposition groups, transparent political processes, an independent judiciary, an impartial police force, a military that is strictly subject to civilian control. It also involves a free press and vibrant civil society institutions, as well as meaningful elections; and above all, good governance means respect for human rights (p.1).*

It has been remarked that good governance is a notion that is very much used in the modern times but is ill defined, as it appears to be something that is more than putitng constitutional limits to the powers of government (Gorbak, 2003). UNDP (1997) has earlier noted in its policy document on good governance and sustainable human development that much has been written about the characteristics of efficient government, successful businesses and effective civil society organisations, but the characteristics of good governance defined in societal terms remain elusive. This is examined in the next subsection.

2.4.2 Characteristics of Good Governance

Many of the characteristics of good governance suggested by both individuals and international organisations are similar to the ones officially released by the United Nations Development Programme through its UNDP Policy Document of 1997. For instance, UNDP (1997) listed nine (9) characteristics, namely, participation; rule of law; transparency; responsiveness; consensus orientation; equity; effectiveness and efficiency; accountability; and strategic vision. The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) listed eight (8) characteristics, namely, participation; rule of law; transparency; responsiveness; consensus orientation; equity and inclusiveness; effectiveness and efficiency; and accountability. According to the World Bank cited in the United Nations Economic and Social Council (2006), good governance entails sound public sector management (efficiency, effectiveness and economy), accountability, exchange and free flow of information (transparency), and a legal framework for development (justice, respect for human rights and liberties). Standards Australia (2003) outlines a set of seven (7) ethical principles that underpin good governance as: accountability; transparency; fairness; honesty; dignity; legal; and goodwill.

The Committee of Ministers of the Council of Europe (2008) listed twelve (12) principles of good governance as: fair conduct of elections, representation and participation; responsiveness; efficiency and effectiveness; openness and transparency; rule of law; ethical conduct; competence and capacity; innovation and openness to change; sustainability and long-term orientation; sound financial management; human rights, cultural diversity and social cohesion; and accountability. The British and Irish Ombudsman Association (2009) listed six (6) guides to principles of good governance as: independence; openness and transparency; accountability;

integrity; clarity of purpose; and effectiveness. Graham and Bruhn (2009), argue that there are five universally applicable principles of good governance. These are: responsiveness or performance and voice; increased government emphasis on prosperity of citizens (i. e. direction and performance); more political engagement of citizens, who monitors how revenues are spent (i. e. accountability, legitimacy and voice); Over time, citizens comply with tax regime in exchange for influence over taxation levels and the form and uses of tax revenue, i. e. voice, accountabilty and legitimacy.

Chowdbury and Skarstedt (2005) perceive good governance as a normative principle of administrative law, which obliges the state to perform its functions in a manner that promotes the value of efficiency, non-corruptability, and responsiveness to civil society. It is therefore a principle that is largely associated with statecraft. They state further that while the government is not obliged to substantively deliver any public goods, it must ensure that the process for the identification and delivery of such goods responsiveness to public demands; transparent in the allocation of resources; and equitable in the distribution of goods. According to them, the principle of good governance has also been espoused in the context of the internal operations of private sector organisations where corporate decision-making strategies integrate the principle of good governance and ensure that the shareholder interests (i. e. in public limited companies) and employees are taken into account.

Nishtar (2008) posits that good governance is all about fairness, transparency and accountability in the policy formulation and its implementation. He explains that:

> *Many a times those at the helm of affairs violate these principles – often inadvertently. When authority is misused, procedures are circumvented, laws are manipulated, nepotism and cronyism is furthered, state capture*

> *by vested interest groups is silently enabled, when a blind eye is turned to regulatory collusion or administrative malpractices, or when political patronage becomes the norm, key principles of governance and democratic values are violated. With every action, the state's institutional fabric is weakened (p. 2).*

According to Oyewo (2010), good governance should ensure that political, social and economic priorities are based on broad consensus in the society and that the voices of the poorest and most vulnerable are heard in decision-making over the allocation of development resources. The European Economic Area (EEA) Financial Mechanism and Norwagian Financial Mechanism (2005) believe that good governance is fundamental to the economic and social development process of all countries, and hence it is inherently linked to the objectives of the financial mechanisms. They believe that the existence of a good regulatory framework provides a sound structure for the management of a country's resources, thus a good governance approach usually encompasses the core elements of good governance such as, accountability; transparency; participation; equality; rule of law; capacity and competence; and responsiveness to people's needs.

2.4.3 The Role of Political Elites in Good Governance and Tax Compliance

The role of "political will" cannot be under-estimated in the quest for good governance in any economy. Politicians also influence the activities of the tax authorities. Hechler (2009d) argues that few public agencies are as powerful and as interwoven with the society as the revenue administration, which monitors and appraises the economic activities of a country's citizens and businesses. He states further that tax administration often have important financial information about the economic operations of these actors, making it possible to extract high political dividends by controlling the tax administration.

For instance, Hechler (2009d) explains that politicians can intervene in the tax administration to grant favours such as tax exemptions to supporters, or to harass political opponents through audits. In addition, tax administrations are attractive targets for political interference in personnel matters, because the authority offers both relatively well-paid jobs and considerable rent-seeking opportunities. Lastly, political interference in recruitment processes has been a source of dissatisfaction and unease among staff in tax administration in many developing countries, who sees this as causing job insecurity and also further exposing the revenue administration to accusations of corruption with the consequence of negative impact on tax compliance (Hechler, 2009d).

According to Kenya Revenue Authority (KRA) in the Commonwealth Association of Tax Administrators (CATA) (2006), all tax administrations operate within the political frameworks of their jurisdictions. The will of the political powers to promote and encourage integrity therefore plays a central role. The political leadership has to provide the legislative and institutional framework, and administrative capacity to enforce integrity programmes in the entire public service. They stated further that government must provide leadership, commitment and support for integrity programmes, and must also institutionalise systems of good governance on a sustainable basis. In the same vein, Yahaya (2009) argues that the purpose of leadership is to tap the available economic resources of the nation, put in place appropriate mechanisms to assess and collect direct, indirect, personal and corporate taxes. He states further that it is the responsibility of the political leadership to utilise the economic resources and the revenue from taxes for the development of the society. This is essentially good governance.

The Centre for the Future State (2010) posits that taxation is fundamental to sustainable development as revenue generation supports the basic functions of an effective state and enables economic growth. The Centre states further that taxation is not only a financial issue as increased revenue from tax will not produce developmental outcomes if it is not translated into productive public expenditure through effective governance arrangements. According to the Centre, a governance approach recognises that taxation can be an important catalyst for the development of wider state capacity. It can also increase state responsiveness and accountability through the attainment of a mutually beneficial "tax bargain" or "fiscal contract", whereby citizens comply with taxes in exchange for government provision of effective services, the rule of law and accountability.

Feld and Frey (2001, 2007a, 2007b) explain that as a contract relationship implies duties and rights for each contract party, tax compliance is increased by sticking to the fiscal exchange paradigm between citizens and the state. According to them, citizens are willing to honestly declare income even if they do not receive a full public good equivalent to tax payments as long as the political process is perceived to be fair and legitimate. Moreover, friendly treatment by the tax office in auditing processes increases tax compliance. Joulfaian (2009) investigates the determinants of business tax evasion with a special emphasis on the role of governance, using data from a sample of businesses in twenty seven (27) transition economies in Europe, the former Soviet Union and Turkey.

The results of his study suggest that governance, as measured by the frequency of tax related bribes, is a significant determinant of compliance behaviour. He explaines further that basic statistics show that, when compared to tax regime with no bribes, non-compliance is larger under where bribes are common. Also, multivariate analysis further confirm these estimates and shows that evasion rises with bribes to tax officials. The findings of his research also suggest that organisational choices may have important implications for compliance, as corporations, particularly those listed on an exchange, or of foreign nationality, conceal less of their activities than other forms of business.

In the same vein, the study by Cummings, Martinez-Vazquez, Mckee and Torgler (2009), shows that cross-cultural differences in tax compliance behaviour have foundations in the institution of tax administration and citizen assessment of the quality of governance. For instance, their experimental and survey results provide support for the hypothesis that tax compliance increases with individual perceptions of good governance and that the responses to the usual enforcement mechanisms (audits and penalties) are shown to be enhanced by these perceptions, which they called "tax morale" (Cummings *et al.*, 2009).

Chaudhry, Malik, Khan and Rasool (2009) did an empirical analysis of the factors that affect good governance in Pakistan using macroeconomic variables (democracy, economic openness, population size, peace years, unemployment, exchange rate, budget deficit, life expectancy and educational levels) as determinants of good governance. The result of their study reveals that all the stated variables affect the degree of good governance according to their levels. They found that social and economic variables have a positive impact on good governance even when subjected to a number of statistical controls.

2.4.4 Good Governance in Developing Countries: The Nigeria Context

The importance of good governance cannot be over-emphasised in developing countries in general and in Nigeria in particular. A number of debates and studies on good governance have been carried out in Nigeria in the recent time. For example, Owojori, Akintoye and Adidu (2009) in their study note that good governance and stewardship accounting promotes good management of public funds, increases accountability and probity in the public sector, discourages embezzlement of public funds and promotes economic growth. Azeez (2009) argues that good governance is governance that springs from deep thought about how to better the lot of the downtrodden and genuine desire to leave legacies that would compete with diamond of longevity. Therefore, good governance is also about getting leaders who will manage the abundant resources in the country well and for the benefit of all Nigerians not only for the selected cronies and opportunists, that is, leaders who will put the welfare of all Nigerians first above individual personal interest.

It has been argued that good governance motivates donor countries in allocating aid to poor and developing countries (Aubut, 2004). Aubut (2004) conducted a study on what factors of good governance motivate donor countries to allocate aid to poor and developing nations using the six "aggregated subjective data" of good governance indices identified by Kaufmann, Kraay and Zoido-Lobaton (2002). These six factors are: voice and accountability; political stability and violence; government effectiveness; regulatory quality; rule of law; and control of corruption (graft). The result of his study indicates that donors do not use most aspects of good governance as a basis for selection, as only one of the six good governance indicators suggested by Kaufmann, Kraay and Zoido-Lobaton (2002), that is, "regulatory quality" was statistically significant. He therefore challenged the development practitioners (the donor countries) to find a way to help people in poor countries without good governance or willingness to change, while still creating the right incentives to foster the development of good governance.

The study by Bayer and Kupzowa (2006) reveals that the potential existence of bad and extortionist governments (i. e. absence of good governance) provides incentives for corporate tax evasion, which undermines good government's ability to raise revenue. In addition, to provide a better climate for investment and reduce expenditure for tax enforcement, such government should reform its governance systems to curb evasion and extortion.

Everest-Philips and Sandall (2009) argue that governance and taxation are mutually reinforcing. According to them, governance shapes tax systems, while how taxes are raised influences the creation of effective state institutions and the dynamics of the investment climate and economic growth. They explain that investment climate reforms of the tax system should aim explicitly at a virtuous circle: taxation that reinforces both state legitimacy and instititional effectiveness, which in turn improve tax compliance by increasing taxpayer consent and reducing the cost of tax coercion. In their view, the linkages between governance, taxation, and the investment climate are reflected in three key dynamics: good governance delivers good tax systems; better tax systems deliver better governance; and governance and tax systems shape investment climate.

The importance of good governance in a country like Nigeria cannot be over-emphasised because good governance encompasses many factors relating to the politcal, economic and social aspirations of the nation. Assessing the performance of government in Nigeria since the inception of democratic rule in 1999, Azeez (2009) remarks that:

> *The only way to avert the looming chaos and violence in the society is to ensure that Nigerians feel the impact of government accountability and prudence, in form of democratic dividends, that every Nigerian citizen who is ready and willing to work get something to do. Even after this, those employed should be given commensurate wages that can cater for their immediate requirement for a good living condition. This is what is considered good governance, especially in the African understanding (p. 223)* .

Akpo (2007) describes good governance as a catalyst for voluntary tax compliance because ineffective utilisation of funds appropriated by the National Assembly and State Houses of Assembly for projects specified in the budget estimates, will undermine taxpayers tax compliance. Akpo (2007) notes futher that, there is no where in the world where people talk of 40% - 60% budget implementation as budgets are meant to be implemented 100% with marginal variations if at all, especially when funds are available. Doma (2007) emphasises the importance of good governance, accountability and transparency as vital ingredients of democracy and that the objective of good governance as being implemented by the current administration in Nigeria is to ensure the provision of better quality of life for all Nigerians.

In the view of Azeez (2011), without good governance, democratic reforms for sustainability have limited impact as good governance includes issues like transparency, accountability, the absence of rent seeking behaviour, proper enforcement of rights and the rule of law, and more importantly attracting legitimacy and performance of civic rights. Ping (2010) submits that good governance is not self-evident, it does not just happen; it is built and nurtured through sustained effort and must be willingly accepted by both the government and the governed. Graham and

Bruhn (2009) had earlier argued that broad-based taxation that is fairly and effectively administered would lead to some beneficial governance outcomes.

Therefore, in line with the explanation above, for the purpose of this study, the essential elements of good governance considered are accountability and transparency, reduction in fiscal corruption, efficient and effective tax administration, efficient and effective tax laws and tax policies, and socio-economic considerations. To further put good governance into the context of this study, the aforementioned components of good governance are examined in the next sub-section.

2.4.5 Accountability and Transparency

Accountability and transparency are critical for the efficient functioning of a modern economy and for fostering social well-being. Carstens (2005) views the twin concepts of "accountability" and "transparency" as important pillars of democratic governance in modern societies. He posits that in most societies, many powers are *delegated* to public authorities, thus some assurances must then be provided to the *delegators* – that is, society at large – that this transfer of power is not only effective, but also not abused. According to Wallen (2009) elected officials have dual objectives of being an effective representative and to foster a healthy democracy by encouraging citizen engagement. The way to accomplish these objectives is to promote an open and transparent government that expects citizens to hold elected officials accountable (Wallen, 2009; Otusanya, 2012).

2.4.5.1 Accountability

Accountability has been described as a key requirement of good governance (UNESCAP, 1997). According to Iyoha and Oyerinde (2010), accountability in the control and management of public funds is one of the most sensitive aspects of the activities of government in all democracies. This is corroborated by Otusanya (2012) who also explains that accountability is a key to the effective control and management of public funds by governments in all democracies. It is imperative that both the governmental institutions, private sector and civil society organisations must be accountable to the public and to their institutional stakeholders. However, this accountability differs depending on the organisation and whether the decision is internal or external to an organisation. Specifically, it is those that would be affected by the decisions or actions of the organisation that the organisation would be accountable to.

In the same vein, Omolehinwa (2012) argues that it is by rendering of accounts that the information about the behaviour of a public organisation can be obtained. He explains futher that "rendering of accounts is not enough to promote accountability, rather the accounts rendered must be prepared in a simple language that reader can understand, otherwise the reports will be useless for the purpose of decision-making" (Omolehinwa, 2012, p. 23). Thus accountability simply means that it is possible to identify and hold public officials to account for their actions.

Carstens (2005) refers to the term "accountability" as the obligation or willingness to accept responsibility or to account for ones actions. Hence, it is the degree to which governments have to explain or justify what they have done or failed to do for their citizens **(**Iyoha and Oyerinde, 2010; Otusanya, 2012**)**. According to Iyoha and Oyerinde (2010), accountability comprises the obligation of persons or entities entrusted with public resources to be answerable to the fiscal, managerial and programme responsibilities that have been conferred on them, and to report to those who have conferred these responsibilities. Raga and Taylor (2005) argue that accountability is the fundamental prerequisite for preventing the abuse of power and for ensuring that power is directed towards the achievement of efficiency, effectiveness, responsiveness and transparency. They argue further that open, transparent and accountable government is an imperative prerequisite for community-oriented public service delivery because without it covert unethical behaviour will result.

Primarily, accountability is concerned with effective performance and result, however, recent research observes that it also involves systematic efforts to strengthen organisations in at least four different dimensions:

(i) **Compliance Accountability:** In the narrowest aspect, it involves enforcement of standards of performance or procedure;

(ii) **Negotiated Accountability:** This refers to improvement of management and governance in response to changed conditions and demands from those to whom the organisation is accountable;

(iii) **Professional/ Discretionary Accountability:** This involves the voluntary initiatives taken to enhance the professional standards, management systems and technologies, and service of the organisation; and

(iv) **Anticipatory Accountability:** This helps to shape and prepare for new accountability standards.

The above mentioned dimensions of accountability are interconnected and government should endeavour to apply them logically for the purpose of shaping taxpayers' attitude and behaviour, positively towards voluntary tax compliance in Nigeria.

2.4.5.2 Transparency

Transparency may be explained to mean a situation where reliable, relevant and timely information about the activities of government is available to the public. Transparency ensures that information is available that can be used to measure the authorities' performance and to guard against any possible misuse of powers. In essence, transparency serves to achieve accountability, which means that authorities can be held responsible for their actions. Thus without transparency and accountability, trust will be lacking between a government and those whom it governs and this would result into social instability and an environment that is less than conducive to economic growth (Carstens, 2005).

Fair, Daniker and Greeves (2008) believe that the importance to a healthy democracy of efficient reporting of government financial information is difficult to overstate. This is because without accurate fiscal information, delivered regularly and in an easily-understandable format, citizens would lack the knowledge they need to interact with, which will enable them to cast informed votes for their leaders. In this regard, a lack of government accountability and transparency undermines democracy and gives rise to cynicism and mistrust (Fair *et al.*, 2008). Lack of government accountability and transparency may also prevent the emergence of institutions which support the development of competitive market (Johnston, 1996; Iyoha and Oyerinde, 2010; Otusanya, 2012).

Fair *et al.* (2008) conduct a survey in other to establish a baseline understanding of public attitudes, concerning transparency and accountability progress, or lack of it, which could be tracked annually. Also, the objective of the survey was to use its findings to raise the profile of this important issue and help to drive understanding of it among policy-makers, government employees and the public. The result of the suvey reveals deep dissatisfaction among the American public with both the availability of government financial information and the way it is delivered to the people. According to the result, much of this dissatisfaction has to do with issues of trust and gap between what the public expects and what is actually delivered.

Kallas (2006) argues that in a complex governance system, increased transparency is a win-win situation as it is beneficial to both the administrations and the citizens. Transparency plays a huge role in promoting a more citizen-friendly nation and therefore, helps to increase public trust towards the government. According to Truman (2007), transparency promotes horizontal accountability among the interested parties and stakeholders (domestic and international) as well as vertical accountability within the policy process. He believes that in practice, tranparency should involve at least annual reports and preferably qurterly reports as it would be desirable to have substantial quantitative disclosure of the activities of government.

While declaring open the African Tax Administration Forum's Third Steering Group meeting in Abuja, Muhtar (2009), notes that the high level of tax evasion and avoidance is occasioned by ignorance and the perception that government is not accountable. According to Torgler and Schneider (2009), if citizens and authorities interact with a sense of collective responsibility where good institutional structures are established, the system may be better governed and policies more effective, as accountability promotes effectiveness through its impact on government behaviour. However, in spite of the much publicised anti-corruption legislations and prosecution of public officials, the general public believe that public office holders are not entirely accountable to them for their actions (Nzotta, 2007). This may be adduced to the fact that the acceptable level of accountability and transparency for good governance has not been achieved (Otusanya, 2010, 2011, 2012).

Ribadu (2006) emphasises that adequate transparency and accountabilty are critical for ensuring that resources or wealth of a nation are harnessed and properly managed for the benefit of the whole population. He states further that where there is an entrenched culture of accountability in the entire business process, it is likely to trigger the development of systems, strategies and regulations in the public sector that will anchor transparency. The need for government to be transparent in dealing with the state's affairs also came to fore during the Nigeria Governor's Forum held in Abuja where Oshiomole (2009), governor of Edo State, counsels his fellow governors to be responsible with revenues collected via taxes when he states that "if the peoples' votes count, they will willingly pay their taxes because they trust their leaders. But if the leaders are not the true representatives of the people, they will resist whatever tax imposition. They will tell you that we didn't put you there" (Oshiomole, 2009, p. 2).

The import of this is that a transparent government would most probably embrace accountability; and accountability and transparency have the tendency of curbing fiscal corruption as discussed in the subsequent sub-section.

2.4.6 Reduction in Fiscal Corruption

Fiscal corruption has become a canker-worm that has the tendency to discourage voluntary tax compliance, with the ability to destroy the social, economic and political fabrics of any corporate organisation, be it private or public. It has been argued that what constitutes fiscal corruption has no general acceptability, what seems to be generally agreed upon is that fiscal corruption remains a major feature of tax administration all over the world. Fjeldstad (1999) argues that a large part of fiscal corruption occurs during the interactions between the tax officials and the taxpayers who are looking for opportunities to reduce their tax liabilities. Furthermore, Fjeldstad (1999) remarks that problem of effective coordination of different activities would arise in a public institution, where such activities are managed by individuals who have personal gains as their primary concern to the detriment of the success of the institution.

According to Li (1997), fiscal corruption refers to behaviour on the part of tax officials to improperly and unlawfully enrich themselves or those close to them, by the misuse of the public power entrusted to them. In his own view, Pashev (2005) states that "tax-related corruption is the misuse of official powers for private gains in connection with the delivery of services to taxpayers and the collection of taxes, or most broadly in connection with the application and enforcement of tax legislation by administration" (Pashev, 2005, p.17). Azeez (2011) defines corruption simply as a dishonest or immoral behaviour which is not in line with the generally accepted norms and standards; or perpetration of a vice against the public well-being. According to Gray and Kaufmann (1998), a general definition of corruption is the use of public office for private gain. This includes bribery and extortion, which necessarily involve at least two parties, and other types of malfeasance that a public official can carry out alone, including fraud and embezzlement.

Gray and Kaufmann (1998), observe that there is the willingness of many public officials in emerging economies to discuss openly the challenges of corruption in their countries. This revelation arises from a survey conducted by Gray and Kaufmann (1998) of more than one hundred and fifty (150) high-ranking public officials and key members of civil society from more than sixty (60) developing countries. The respondents ranked public sector corruption as the most severe impediment to development and growth in their countries.

Rosser (2000) submits that corruption is a universal problem and that no nation is immune, but developing countries where the state is often the largest and most obvious source of wealth, often have a more difficult struggle to address corruption. He states further that corruption is likely to flourish where imbalances exist in the relative strength of public and private actors, i. e. public official and citizens, bureaucrats and investors. This imbalance occurs where public officials have wide authority, little accountability, and a distorted incentives framework. Martinez-Vazquez, Arze and Boex (2006) believe that corruption is present when public officials abuse their positions of public authority for private gain, and that corruption is, in the first place, a failure in ethics and moral standards of public officials. They argue that strict adherence to a code of conduct and integrating ethics sensitisation in the training, evaluation, and promotion of public officials should be considered a first step in the fight against corruption.

According to Martinez-Vazquez, *et al.*, (2006), corruption is not just the result of an intrinsic lack of ethics and morals in the public sector or in society, rather, "corruption very often arises from conscious decisions by economically rational public officials that face a system of incentives and opportunities to engage in corrupt activities" (Martinez-Vazquez, *et al.*, 2006, p. 3). Several factors affect this decision, some of which can be influenced by policymakers to foster an environment in which less corruption occurs. Therefore, the design of effective anti-corruption measures needs to take into account these rational responses to incentives and opportunities.

Otusanya (2011) argues that the conceptualisation of the term "corruption" is intertwined with ideological, moral, cultural and political perspectives, and there are competing views about corruption to the point of losing sight of its detrimental and parasitic symbiosis with many polities and their citizens all over the world. Findings by Otusanya (2011) reveal that socio-political and economic development, politics, power, history and globalisation have continued to reproduce and transform the institutional structures and actors which have facilitated corrupt practices in developing countries. As a consequence of this, Otusanya (2011) states that "large sums of government revenue have been undermined by the corrupt practices of the political and economic elites (both local and international), which have enriched a few, but impoverished most" (Otusanya, 2011, p. 387).

Obasanjo (2003) reports that until 1999, Nigeria had practically institutionalised corruption as the foundation of governance, thus institutions of society easily decayed to unprecedented proportion leading to opportunities being privatised by the powerful. Furthermore, the legitimacy and stability of the state became compromised as citizens began to devise extra-legal and informal ways of survival. Obasanjo (2003) explains that “at the root of the corruption quagmire in Nigeria, is the failure and virtual collapse of governance, the contamination of democratic values, the erosion of accountability procedures, and the prevalence of bad leadership” (Obasanjo, 2003, p. 1).

Ogundiya (2010) remarks that evidence and consequence of failure in Nigeria is political and bureaucratic corruption. He states further that corruption is rampant at all levels of government, crippling basic health, education services and other social infrastructures, and that good governance is an allusion in a state where corruption is endemic and persistent. According to him, when corruption is prevalent as witnessed in the last decade, instructions of governance are abused by illicit and self-serving behaviours of political leaders thus making poverty unavoidable as a major problem in Nigeria. The remarks by Ogundiya (2010) appears to be in agreement with the submission of Obasanjo (2003) stated above, and also with that made by Wallace and Parker (1991) when they stated that the problem with highly corrupt societies is that “almost every government measure or business endeavour, however rational its goal, is a source of corruption because forces which deter corruption are often weak” (Wallace and Parker, 1991, p. 13 cited in Okike, 2004, p. 710).

According to Adamu (2005), “few people would disagree with the contention that in Nigeria today, nepotism, extortion and bribery have become a way of life, not just with the politicians, except that in their case, it is exhibited more shamelessly as corruption has become systemic” (Adamu, 2005 p. 1). Heidenheimer and Johnston (2007) remark that corruption has been elaborately described as "behaviour which deviates from the normal duties of a public role because of private–regarding (family, close private clique), pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influences. This includes such behaviour as bribery (use of rewards to pervert the judgment of a person in a position of trust); nepotism (bestowal of patronage by reason of ascriptive relationship rather than merit); and misappropriation (illegal appropriation of public resources for private-regarding uses)" (Nye, 1967: 966 cited in Heidenheimer and Johnston, 2007).

Mbao and Komboni (2008) also remarks that the direct opposite or antithesis of good governance is the scourge of corruption and that it is regarded as the enemy of good governance. According to Nwaobi (2004), corruption in most cases, is entrenched and embeded in a social setting that both shows its consequences and help sustain it. He explains further that entrenched corruption can be political, bureaucratic or both; grows out of and helps perpetuate the developmental problems as well as diverting developmental resources and saps the political and social vitality societies need to use aid effectively. Generally, corruption occurs when a person in a position of trust and responsibility, in defiance of prescribed norms, suppresses the rules to advance his personal interest at the expense of the public interest he or she has been entrusted to guard and promote (Johnston, 1996; Nwaobi, 2004; Martinez-Vazquez, *et. al.*, 2006; Azeez, 2011).

Fiscal corruption and its associated problems have seen growing public recognition and discussion in the past few years. For instance, addresses to the World Bank-IMF annual meetings, the increasing influence of non-governmental organisation (NGO) such as Transparency International, the Organisation for Economic Co-operation and Development's

(OECD) recent landmark resolution to criminalise bribery abroad, and a rapidly growing body of theoretical and empirical literature on corruption and its economic impact (Gray and Kaufmann, 1998). According to United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) (1997), formal government structures are one means by which decisions are arrived at and implemented. However, at the national level, informal decision-making structures, such as “kitchen cabinets” or informal advisors may exist and that in urban areas, organised crime syndicates such as the “land mafia” may influence decision-making. Also, in some rural areas, locally powerful families may make or influence decision-making and such informal decision-making is often the result of corrupt practices or leads to corrupt practices which may have adverse impact taxpayers’ voluntary tax compliance.

In the view of Hechler, (2009c), Revenue officers may also be motivated to enagage in corruption for personal gain. Revenue collectors usually do not operate on their own, but are influenced by the behaviour of their reference group, such as colleagues and friends. Social sanctions by peer members are probably a very important determinant of effort behaviour in work relations. Therefore, if revenue officers know that colleagues are getting more corrupt, their commitment to honest behaviour will probably be weakened. He suported his view by the following three arguments: (i) internalised moral feelings of guilt by fraudulent behaviour become weaker as the number of corrupt tax officers increase; (ii) when many others are involved in corruption, the loss reputation (stigma) for each collector when discovered decreases; and (iii) when many others are corrupt, this lowers the probability of being revealed due to the fact that the capacity of internal and external investigation units is constrained. The submission above implies that “corruption may corrupt” and that “an increase in fiscal corruption may over time initiate a vicious circle in the tax administration” (Hechler, 2009c, pp. 1-2).

According to Joulfaian (2009), business tax compliance is critical to the fiscal viablity of government because the bulk of government's tax revenues, such as taxes on profits, Value Added Tax, sales tax, income tax withholding, and employment taxes are collected or paid by business. Therefore, Joulfaian (2009) explores how bribes to tax officials shape business tax evasion in transition economies. The results of his exploration "suggest that governance, particularly as it relates to tax administration, is an important determinant of business tax compliance behaviour. Furthermore, basic sample statistics show that non-compliance is much higher when firms perceive bribes to be widespread than when they believed never to take place" (Joulfaian, 2009: 227).

The European Economic Mechanism and the Norwegian Financial Mechanism (2005) assert that of all the elements that threaten good governance, corruption is seen by donor states as among the most destructive. Corruption and mismanagement cripple economic growth and development, thus the donor states adhere to a strict zero-tolerance policy on corruption. Corruption being the abuse of entrusted authority for private gain represents a major hurdle on the road to social and economic development. The donor states of the financial mechanisms are strongly opposed to all forms of corruption including bribery, embezzlement, fraud, extortion, favouritism, and nepotism.

Nigeria established a new partnership with the G8 with the intension to cooperate with members of the group in a "Compact to Promote Transparency and Combat Corruption". The G8 is a group of eight industialised, advanced, civilised and wealthy nations, which comprise the United States of America, Canada, Japan, Britain, France, Germany, Italy and Rusia. Nigeria and the G8 share the view that corruption is a threat to democratic institutions, economic development and to the integrity of the international system of trade and investment. The G8 group and Nigeria recognise that promoting transparency and integrity, and fighting corruption require commitments and actions on all sides. It was the wish of Nigeria to commit to partnership and cooperation with the G8 in the continuing implementation of the comprehensive national anti-corruption strategy as a pivotal step for accelerating the rebuilding of our National Integrity System. The anti-corruption strategy is situated within the framework of a whole set of structural reforms designed to lay a foundation for sustained economic growth and development for the country. These reforms are anchored around:

(i) Maintenance of macro-economic stability;

(ii) Public expenditure/budget reforms and Public revenue reforms;

(iii) Public sector reforms;

(iv) Accelerated privatisation and liberalisation; and

(v) Anti-corruption, transparency and accountability reforms (G8, 2004).

At present, none of these laudable refoms could be said to have met the desire and aspirations of the Nigerian people since their inception as Nigerians are still paying for the incompetence, inefficiency, ineffectiveness and the political, social and economic ineptitude of Nigerian leaders both past and present.

While addressing the members of the Institute of Chartered Accountants of Nigeria on "Ethical Crisis of Governance in Nigeria", Lamorde (2008) argues that the major obstacle to the emergence of such a context of social equity in Nigeria is the degree of "grand corruption" that has choked Nigeria. He states further that in the same measure, the barrier to development is the endemic, systemic, and pervasive nature of grand corruption which manifests in the following socio-economic malaise: less revenue income, reduced growth, investment aversion, higher consumer prices, higher investment costs, bigger informal sector, a reduced competition, massive capital flight, less access to justice, inefficient contracting, non-transparent decisions, perverted elections, less accountability, greater inequality, exclusion based on ethnicity, less participation, reduced social capital, and weakened civil society. According to Lamorde (2008), corruption in Nigeria actually underscores the core reason why we have been unable to build a democratic and economically viable state that guarantee the promise of a fair community with accessible opportunities for all.

The empirical evidence from the study by Picur and Belkaoui (2006) in thirty (30) developed and developing countries on the impact of bureaucracy and corruption on tax compliance, shows that bureaucracy and corruption have a negative impact on tax compliance. According to them, tax compliance internationally is negatively related to the levels of bureaucracy and positively related to the successful control of corruption. They argue that a powerful deterrent is the creation of a tax morale, where citizens are protected from corruption and bloated bureaucracies.

Fiscal corruption may, to some extent, be understood in the context of a political economy in which access to social resources depends on patron-client links which exist independently of the revenue administration, yet it influences its performance (Hechler, 2009a). Hechler points out that Patrimonial networks and social obligation in developing countries, especially in Africa where many tax officers and managers remain under strong influence of traditional patterns of social relations, and where they recognise the benefits of large extended families and strong kinship ties may considerably influence corruption. In essence, “Patrimonial networks may have a strong influence on the behaviour of both tax officers and taxpayers - as well as on politicians - by impacting on their motivations and opportunities for corruption” (Hechler, 2009a: 1).

Fjeldstad (2006) also asserts that corrupt tax officers often operate in networks, which also include external actors. These corruption networks seem to have strenthened because many of those fired (i. e. tax officers) were recruited to the private sector as “tax experts”. Azeez (2011) remarks that the proliferation of political and official corruption of an enormous magnitude has had severe negative consequences on Nigerians. According to Iwuagwu (2009), corruption in tax collection administration and management has resulted in the rich paying far less than the poor. He argues that what is collected from the poor is used to provide for the rich and attributed this apparent inefficiency in governance to why several Nigerians often refuse to pay tax. According to Iwuagwu (2009), further to this are, lack of proper awareness, low productive capacity and prevalence of a largely illiterate population, compounded by the fact that Nigeria’s fiscal regime is characterised by unnecessary complex, distortionary and largely inequitable taxation laws that have limited application especially in the formal sector (Iwuagwu, 2009, p. 1).

Nzotta (2007) argues that the basic cause of tax evasion in Nigeria is the high level of corruption by government officials at all levels and lack of fiscal transparency. According to him, this affects the willingness to pay taxes in two ways. Firstly, taxpayers watch in amazement as top government officials and public office holders openly pocket their tax money with little or no sanctions. This affects the willingness to make further payments, as the general public believe that all governments of the federation are corrupt. Secondly, the corrupt practices of some tax officials encourage tax evasion since dishonest members of the public believe that a small payment to corrupt tax officials is better than a larger payment to the government. In like manner, the result of the study conducted by Fagbemi, Uadiale and Noah (2010) shows that the level of tax evasion when government is corrupt is significantly higher than when it relates to their views expressed on government discrimination, unjust treatment, tax affordability and unfavourable tax system.

The results of the study by Alm and Gomez (2008) indicate that the perceived size of fiscal corruption also influences directly and negatively the intrinsic motivation to pay taxes. It has been reported that companies, institutions and ministries, including departments and agencies (MDAs) owe the federal government of Nigeria over N260 billion and over $260 million in Withholding Tax (WHT), Pay As You Earn (PAYE) and Value Added Tax (VAT) (Babalola, 2009; Iwuagwu, 2009). Babalola (2009) attributed the reasons for this phenomenon to include collusion between tax consultants and tax officials to defraud the government of needed revenue; negative attitude to tax on the part of citizens; incomplete and inaccurate tax returns; under-assessment by tax officials and submission of tax returns by quack and non-professionals; diversion of tax payments by banks and other collecting agents like the MDAs; as well as competency gaps on the part of revenue officials and inadequate deployments of modern Information Technology (IT) tools in tax administration.

Condemning the rot and fiscal corruption that are endemic in the administration of taxes in Nigeria, Fashola (2010) revealed that the government of Lagos State of Nigeria fought hard against corrupt revenue officers, who demanded gratifications and extort taxpayers in the State contrary to the law. He pointed out that the major problems of taxation in Lagos State were those of inadequate information flow giving room for illegal levies, fake tax collectors and other crooked practices. He stated further that the State government's determination to eliminate illegal taxes, touting and extortion informed the passage of the Local Government Levies (Approved List for Collection) Law 2010, which the State House of Assembly enacted earlier in the year 2010, and which has come to fruition. According to Ahunwan (2009), tax collectors in Nigeria have a reputation for corruption. Therefore, institutionalising automated systems and encouraging tax authorities to reward integrity and transparency would be helpful. In the same manner, the citizenry should be encouraged to report fraudulent tax collectors to their superiors or prosecutorial agencies for discipline and prosecution.

The activities of some foreigners who collude with tax officers and other revenue officials cannot be under-estimated (Otusanya, Arowomole and Adeyeye, 2013). For instance, the Vaswani Brothers are notorious in Nigerian economy because of their sharp practices. According to Waziri (2009), the Vaswani Brothers are among many that want to corrupt institutions in the country, commit money laundering and economic sabotage, a thing they cannot do one quarter of, in their country or anywhere in the world. For example, in China, they will be executed straight away. But it is the perception that Nigeria is corrupt and you can get away with anything here, they want to come here and get rich by flouting our laws. She explains further that it is the responsibility of government to deport any alien or foreigner who is involved in economic sabotage in the country and such a person is regarded as a security threat to the country.

The spate of corruption is so high in Nigeria to the extent that some honest and genuine business men and women from the international communities dread the Nigerian business environment. For instance, Maffry (1997) remarks that:

> *Nigerian interest in U.S. products and services is intense, and honest Nigerian business men and women are eager to form partnerships with Americans. The problem is that too many U.S. companies, especially those unfamiliar with this market, shy away from exploring genuine opportunities in Nigeria, usually because of Nigeria's image of corruption and fraud, and concern about possible additional sanctions (p. 3).*

Fiscal corruption in Nigeria has assumed an alarming height to the extent that the Transparency International's Global Corruption Barometer for 2007 indicates that Nigerians perceive tax revenue authorities to be corrupt and that many individuals avoid paying taxes or are able to underpay through the use of bribes. This is at the "Individual corruption" level. At the "Business Corruption" level, it has been reported that the Nigerian tax system is very cumbersome and time-consuming, thus encouraging tax evasion, with the complicity of tax authorities, to be widespread amongst individuals and companies. Also, it was stated further that the practice, whereby "tax consultants", police or military forces extort companies for tax payments is declining, but it still occurs (Business Anti-Corruption Portal of the Global Advice Network, 2009).

In the same vein, the Transparency International's Global Corruption Barometer for 2013 reveals that on bribery rates around the world, 44% of the people surveyed in Nigeria are people who report having paid a bribe to one of eight sevices. Perceptions of corruption by institution also shows that Nigeria is among the countries with the most corrupt instutions. According to Transparency International, the Score scale used for the survey is 1-5, where 1 means not at all corrupt, while 5 means extremely corrupt. The institutions scoring highest on perceived level of corruption among a set of twelve major institutions, by country/territory and the positions of these institutions in Nigeria on the score scale are: political parties (4.7); parliament/legislature (4.2); military (3.2); non-governmental organisations (2.7); media (2.8); religious bodies (2.4); business/private sector (3.0); educatuion system (3.4); judiciary (3.9); medical and health (3.0); police (4.7); and public officials/civil servants (4.0) (see Transparency International Corruption Barometer, 2013).

The barometer shows that except for the religious bodies with the lowest score of 2.4 which is below the average of 2.5, all other institutions have their scores above the average, with the political parties and the police topping the list for Nigeria with a score of 4.7 each. This is not a healthy situation, thus there is an urgent need to address the issue in a more pragmatic approach than ever before, in order to save Nigeria's image. Furthermore, the Transparency International's 2009 corruption index ranked Nigeria to be very high in corruption, attaining 130th position (score = 2.5) amongst the least corrupt nations in the world, (total number of countries rated being 180). Nigeria was in the same position with five other countries (Maldives, Mauritania, Mozambique, Nicaragua and Uganda).

In 2010, Nigeria assumed a worst position of 134th out of one hundred and seventy eight (178) countries, with a score of 2.4 compared to 2009 Transparency International corruption index. This position was occupied with eight other countries (Azerbaijan, Bangladesh, Honduras, Philippines, Sierra Leone, Togo, Ukraine and Zimbabwe). In 2011, Nigeria's position rose to a one-time high of 143rd amongst the least corrupt nations in the world but still maintained its score of 2.4. Nigeria shared this position with eight other countries (Azerbaijan, Belarus, Comoros, Mauritania, Rusia, Timor-Leste, Togo and Uganda). The total number of countries rated was one hundred and eighty three (183). Furthermore, the 2012 Transparency International Corruption Perception Index (CPI) recently released on Wednesday December 5, 2012, placed Nigeria in the 135th position among the 176 countries surveyed in the report. According to the report, Nigeria shares the position with Pakistan and Nepal, to remain one of the most corrupt countries in the world (Nweke, 2012).

These ratings appear not to be encouraging and need to be improved upon through a well co-ordinated and concerted efforts of the people in authority in order to improve the image of Nigeria internationally among the comity of nations. In order to reduce this phenomenon to the barest minimum, Adebayo, (2001) submits that:

> *Anti-corruption laws should be strictly applied without fear or favour and that government should be ready to make examples of people found guilty of corruption. Where there is no determination to enforce the laws, the anti-corruption crusade will remain at the level of mere talk (p. 11).*

It could, therefore, be inferred that corruption appears to be the most destructive phenomenon that may militate against taxpayers' voluntary tax compliance, with its adverse effect on economic growth and development of any nation, while accountability and transparency appears to be the appropriate remedies for it. In essence, based on the submissions above, it appears that reduction in fiscal corruption as percieved by the taxpayers will most like encourage voluntary tax compliance.

2.5 EFFICIENT AND EFFECTIVE TAX ADMINISTRATION

Tax administration is considered to be an important factor that impacts voluntary tax compliance. For instance, Nzotta (2007) remarks that the nature of tax administration in Nigeria creates room for tax evasion. He posits that the Board of Internal Revenue of the various State governments of the federation and the Federal Inland Revenue Service lack adequate data base and information system for effective tax planning, correct tax assessment, timely investigation and follow-up. Thus, these variables affect the ability of government at various levels to optimise the tax revenue and the level of efficiency achieved in the revenue mobilisation process.

Tanzi and Pellechio (1995) explain that improving revenue performance is an important objective of public sector reform in many developing countries. They state further that the options and reform priorities for tax policy reform are often clear and the necessary process to prepare changes in tax legislation is pre-determined. However, the development of a tax administration reform strategy often involves overcoming various bottlenecks simultaneously without a clear indication of priorities and limits. Six essential elements required for successful tax administration reform have been identified in the literature to include: an explicit and sustained political commitment; a team of capable, hardworking officials dedicated full-time to tax administration reform; a well-defined and appropriate strategy; relevant training for staff; additional resources for the tax administration or, at least, some reallocation of resources; and changes in incentives for both taxpayers and tax administrators (Tanzi and Pellechio, 1995).

A good tax system, ordinarily, is characterised by several factors prominent of which are: economic efficiency (i. e. should not prevent efficient allocation of resources); administrative simplicity (i. e. easy and inexpensive to administer); flexibility (i. e. capable of responding easily to changes in economic conditions); transparent (i. e. tax burden should be ascertanable and tailored to what the society considers desirable); and fairness (comprising both horizontal equity - same level to pay accordingly, and vertical equity – the better off should pay accordingly) (Iwuagwu, 2009; DeBoer, 1997). However, according to the Federal Inland Revenue Service (FIRS) (2002), a good tax system for a developing country should satisfy most of the following salient features: economic growth facilitator; tolerable tax burden; minimum sacrifice; common good and maximum social advantage; highly canonical (i.e. simple to administer in order to minimise the chances of tax evasion and tax avoidance and also avoid multiplicity of taxes); and employment stimulator.

In common with other Federating States, the administration of taxes in Nigeria lies with three tiers of government, that is, the federal, state and the local governments. The Federal Inland Revenue Service (FIRS), the State Internal Revenue (SIRS) and the Local Government Revenue Committee (LGRC), being the tax authorities in each of these three levels of governance respectively. "Whereas taxes to some extent are used to redistribute income and bridge the gap between the rich and the poor (i. e. responding to forces of demand and supply), in Nigeria the reverse is the case" (Iwuagwu, 2009, p. 1). Asada (2010) also argues that the problem with Nigerian tax system is not necessarily that of absence of necessary structure for the administration of income tax but that of assessment, corruption and general lack of competence amongst tax officials. Yahaya (2009) identifies high rate of poverty, corruption, illiteracy, ignorance of tax procedure and tax evasion as the major societal factors hindering effective taxation in Nigeria. In addition, Yahaya (2009) submits that:

> *Ineffective utilization of collected taxes, poor remuneration of tax officials, improper record keeping, non-enforcement of tax*

policies and inadequate facilities to monitor tax payment and access taxable resources were expressed as the major administrative factors retarding effective and efficient taxation (p. 1).

In an attempt to improve the efficiency and effectiveness of tax administration and compliance with tax laws around the world, the Centre for Tax Policy and Administration (CTPA), an arm of OECD, in 2005 advocated for the delivery of a balanced programme of ‘service’ and ‘enforcement’ activities. The terms ‘service’ and ‘enforcement’ are used in their widest sense and addresses key tax compliance risks. In addition, they suggested that improved services can be expected to promote improved compliance where taxpayers are willing to abide by the rules but are not able to do so, either because of lack of information or from meeting difficulties when trying to fulfil their obligations. Further, targeted enforcement actions can be expected to improve compliance directly by addressing individual cases of non-compliance and indirectly by increasing other taxpayers’ perceptions of the risk of being detected if they attempt to cheat the system. The forum noted however, that “striking the right balance in delivering these activities across non homogeneous groupings of taxpayers for all of the key risks to be addressed is by no means a simple undertaking” (OECD, 2005, p. 2).

According to Heather (2008), the administartion of the federal and state tax systems requires that all taxpayers required by law to file tax return actually do so. Further, the tax systems depend on taxpayers to submit accurate information and full payment when required. However, the reality is that many taxpayers fail to submit tax returns or may submit inaccurate or incomplete information. They may do so because they simply misundertood the law, because they are actively attempting to avoid their tax obligations or perhaps because they simply become overwhelmed by the process of their tax liability and fail to complete the tax return process.

D’ascenzo (2006) argues that just as taxation is important in economic and social terms, the way tax system is administered also reflects the nature of the society as it could reflect public fiat over the rule of law or disengagement by the general public from the law and its administration. Feld and Frey (2001) note that the way tax authorities interact with taxpayers has an impact on the intrinsic motivation to pay taxes. An effective tax system ought to satisfy the twin purpose of raising maximum revenue and at the same time encourage production. Asada, (2010) was of the view that in an effectively managed tax system, the two purposes are not irreconcilable provided that the beneficial effects of governmental expenditure and incentive for production exceed the unfavourable effects of taxation.

Heather (2008) argues that efficient and effective tax administration requires an active exchange of information between federal and state tax authorities to support taxpayer compliance with and agency enforcement of individual and corporate tax obligations. According to him, these arrangements are aimed primarily at improving tax compliance and enforcement for both federal and state agencies. For instance in Nigeria, each state has its own tax administration agency i.e. State Board of Internal Revenue (SBIR) that is responsible for collecting taxes imposed by the state, and each state enacts statutes that authorise the exchange of return information with other states and the federal government under appropriate safequards. Likewise, the Federal Inland Revenue Service (FIRS) is responsible for collecting taxes under the tax jurisdiction of the federal government, and to provide federal tax information with a view to enhancing efficient and effective tax administration.

Smith and Stalans (1994) conducted a study on how negotiating strategies for tax disputes can enhance efficient and effective tax administration by using data from pre-audit interviews with taxpayers and state tax auditors. The results of their findings indicate that the nature of the dispute and the perceived role obligations of auditors influence the strategic preferences of both parties. Auditors placed more emphasis on reaching concensus on legal correctness and were less likely to select the strategies of compromise and capitulation than were taxpayers. The results also indicate that the difference in formal power looms large in shaping the negotiating preferences of auditors and taxpayers. For instance, auditors are more likely to include holding firm as one of their strategic choices, while taxpayers are more likely to prefer the cooperative strategies, especially those taxpayers whose objective is to minimise the time and effort they devout to the audit. However, perhaps especially for the subordinates, negotiating preferences reflect perceptions of the possible; and taxpayers who believe they can influence the decision making of the auditor are more likely to prefer the assertive strategies (Smith and Stalans, 1994).

In line with the above aforementioned studies, the main finding of the thesis of Fjeldstad (2006) also shows that tax administration decisions and practices - as much as declared tax policies and legislation, shape how taxation affects different groups of taxpayers. The study by Gupta and Mookherjee (1998) on taxation policies against the background of the inability of governments to enforce income tax laws suggests that tax administration practices involves the interactions between taxpayers and tax authorities concerning the identification of tax liabilities, actual tax payment and collection, and prosecution and penalty of tax evaders. To ensure an efficient and effective tax administration, tax authorities should uphold their ethical standard to a high esteem as this will likely instil confidence in the taxpayers to willingly pay their tax liability as part of their social responsibility.

According to Gjokutaj (2010), it is very important that inspectors are looked upon with confidence, security and reliability by the taxpayers they audit. They can encourage this confidence by mastering and applying the ethical requirements specified in the ethical code of conduct of tax administrators and practitioners while exercising their functional duty. Every violation of professional behaviour or inappropriate behaviour in their personal lives affects the integrity of the entire tax office (i.e. organisational integrity) as well as the quality of their work and they can create suspicions as to the credibility of audit itself. Organisational integrity has been defined as "the characteristics of an organisation acknowledged by the organisation, those responsible for its governance and its stakeholders, as being consistent with its value and goals, and the expectations of the society in which it operates" (Linton, 2006, p. 1).

2.6 EFFICIENT AND EFFECTIVE TAX LAWS AND TAX POLICIES

To promote efficient and effective tax administration in any tax jurisdiction, efficient and effective tax laws and policies are very important keys. Therefore, to fully understand this, the next sub-section examines the effects of tax laws and tax policies on tax compliance.

2.6.1 Tax Laws

Tax laws may be described as those enactments or legislations passed by the legislative authorities of a country or a State within the country and assented to by the President of the country or the Governor of a State as the case may be, for the smooth and proper administration of taxes within their areas of jurisdiction. However, OECD (2001) maintains that generally, income tax laws are not clear cut, especially those applying to large corporations. There are significant areas within these laws which are uncertain or ambiguous (or grey), where taxpayers and tax administrations (and others) might have reasonable but differing interpretations of what tax laws require. Kirchler (2007) also remarks that tax laws are not always clear and this confirms the submission earlier made by Slemrod, Blumenthal and Christian (2001) that the conceptual problem of ascertaining the extent, characteristics and determinants of tax evasion is that:

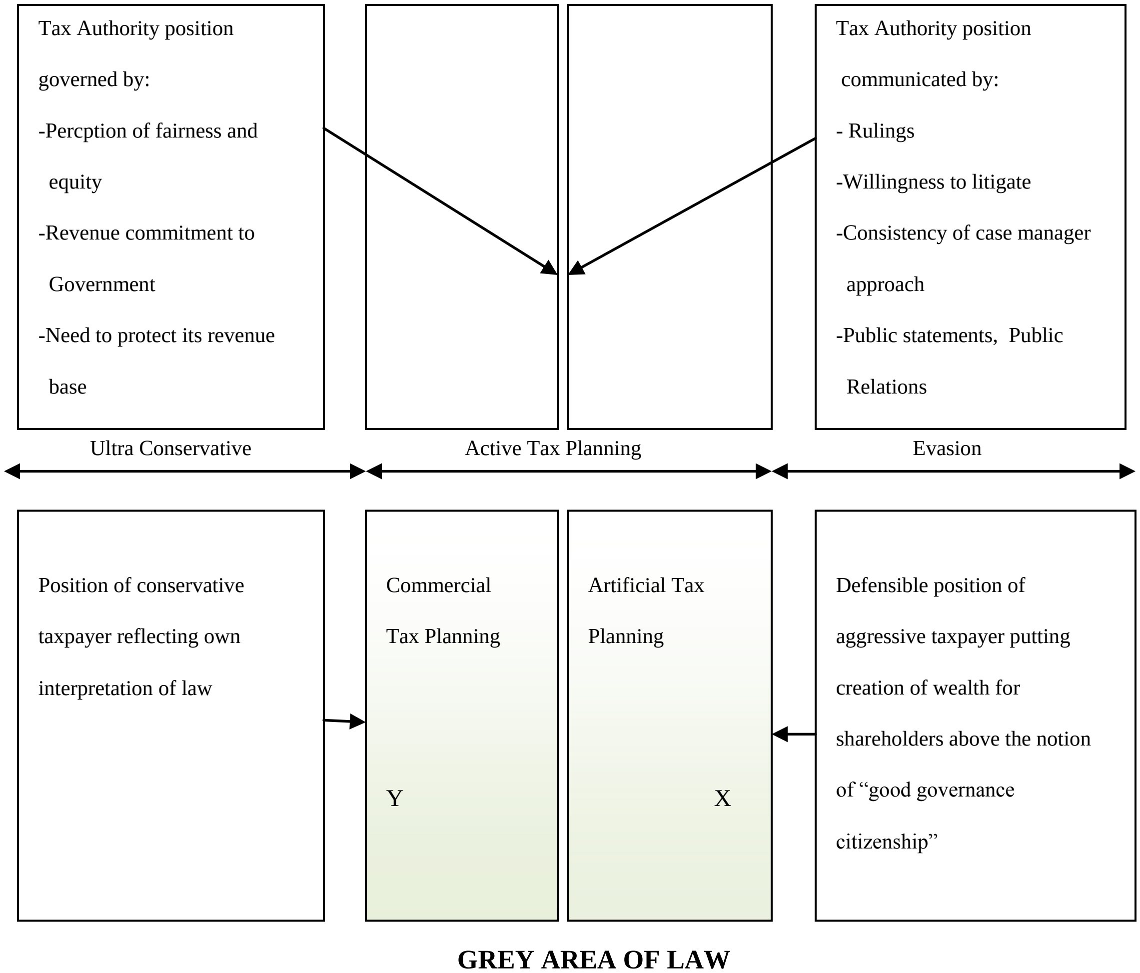
> *Although one can assert that legality is the dividing line between evasion and avoidance, in practice the line is often blurry; sometimes the law itself is unclear, sometimes it is clear but not to the taxpayer, sometimes the law is clear but the administration effectively ignores a particular transaction or activity (P. 459).*

The discussion above suggests that tax laws could be complex in nature. Beck, Davis and Jung (1991) argue that tax law complexity and ambiguity may result in uncertainty about taxable income and are of concern to policy-making bodies in any nation. Tax authorities and taxpayers often take different positions in defining compliance where the law is uncertain or grey. The results of the study by Milliron (1985) indicate that taxpayers define complexity in terms of four distinct dimensions, (i. e. four aspects of complexity): (i) the nature of the topic (personal versus financial); (ii) the quantitativeness of the presentation; (iii) the vulnerability of the law to misuse; and (iv) the readability of the passage. However, the complexity assessment of the subjects in different groupings did not appear to relate to any particular background or attitudinal measures. The results also show that complexity significantly influenced tax-reporting positions and this held true for all the four cases across all the three reporting positions, indicating that the complexity effect was insensitive to the task.

The OECD gave a graphic illustration of the difference in positions which might be adopted by a tax authority, by an aggressive tax-minimising taxpayer and by a tax-conservative taxpayer as depicted in the Figure 2.1 below. A taxpayer who aggressively seeks to exploit the law may take a position at point X, say, in the range of possible interpretations of compliance with an uncertain law, whereas point Y represents the position which a quite conservative taxpayer might take. The tax authority's position will often lie somewhere between the two extremes (OECD, 2001, p. 4).

According to OECD (2001), compliance with the tax laws as interpreted or confirmed by the judiciary may be a truer definition of compliance. It is believed, but arguably, that this will remove the uncertainty or greyness, as both the taxpayer and the tax authority's interpretation is expected to merge at that point. It should be noted that "with more complex areas of the law often applicable to large corporations, court interpretations often turn on the facts of the case. Further, the time lags associated with litigation often mean the judiciary's position will not be known at that earlier point in time. Thus in practical terms, in the absence of a pertinent judicial decision, the dilemma remains, compliance according to whose perception – whether it is that of the taxpayer, the tax authority or someone else" (OECD, 2001, p. 5).

Figure 2.1



Characteristics of Tax Authority and Taxpayer Attitudes to Compliance
Source: Adapted from Centre for Tax Policy and Administration (OECD, 2001)

In Nigeria, the legal basis for imposing taxes on taxable adults are the Constitution of the Federal Republic of Nigeria (CFRN), 1999 and various tax laws enacted by the National Assembly and the State Houses of Assembly. For instance, at the federal level, the Federal Inland Revenue Service (FIRS) was established by virtue of the Federal Inland Revenue Service (Establishment) Act, No. 13 of 2007. The law provides that the Federal Inland Revenue Service (in this Act referred to as the "the Service") shall have such powers and duties as are confered on it by this Act or by any other enactment or law on such matters on which the National Assembly has

power to make law. The Act also provides that the object of the Federal Inland Revenue Service shall be to control and administer the different taxes and laws specified in the First Schedule or other laws made or to be made, from time to time, by the National Assembly or other regulations made thereunder by the Government of the Federation and to account for all taxes collected.
The Legislations administered by the Service as listed in the First Schedule are contained in Appendix 2.

However, it is worthy of note that Education Tax Act, No. 7, LFN, 1993 is inadvertently ommited from the list of taxes administered by the Service in the First Schedule. In addition, Section 51 (1) of this Act states that a Tax Appeal Tribunal (hereinafter-referred to as "the tribunal") shall be established as provided for in the Fifth Schedule to the Act, to exercise the jurisdiction, powers and authority conferred on it by or under the said Schedule while Section 59 (2) provides that the Tribunal shall have power to settle disputes arising from the operations of this Act under the First Schedule. Paragragh 11 of the Fifth Schedule to the Act deals with the jurisdiction of the Tax Appeal Tribunal. Paragragh 11(1) provides that the Tribunal shall have power to adjudicate on disputes, and controversies arising from the various tax laws under the Federal Government (hereinafter-referred to as " the tax laws"). Further, Paragragh 11 (2) states that the Tribunal shall apply such provisions of the tax laws referred to in subparagragh (1) of this paragragh as may be applicable in the determination or resolution of any dispute or controversy before it.

Regulatory laws are at their root concerned with the redistribution of wealth and power. Tax laws, in addition to meeting the resource needs of government, are likewise often designed for redistributive purposes as indeed, taxes are often used to encourage or enforce the

"internalisation" of " externalities" (Kagan in Smith and Stalans, 1994, p. 367). Odusola (2006) notes that Nigeria's tax system is characterised by unnecessary complex, distortionary and largely inequitable taxation laws that have limited application in the informal sector that dominate the economy.

According to Smith and Stalans (1994), tax and regulatory laws and their enforcement have many features in common. For instance, tax and regulatory laws are both generally prescriptive and complex, imposing considerable burden on the affected citizens. Tax and regulatory laws lay more emphasis on proper record-keeping and documentation because in part, documentation is critical for determining if other types of non-compliance have occurred. They explain further that most tax statutes and regulations like many regulatory rules, moreover, do not embody traditional, *malum in se*, that is, norms that we learn from childhood. The laws, instead, are largely *malum prohibitum*, that is, so that general societal norms about proper and acceptable behaviour do not provide an adequate guide for compliance with the laws.

Oputa (2004) explains that several billions of Naira are lost in tax revenue every year to unreformed tax regimes and ineffective tax legislations which aided tax avoidance and tax evasion perpetrated by national and international corporate organisations. Muhtar (2009) also noted that obsolete tax laws (which are now being updated), weak and incapacitated tax administration machinery, coupled with inappropriate personnel skill mix are some of the challenges to battle with in the Nigerian tax system.

Nzotta (2007) argues that the complexity of tax laws and bye-laws in Nigeria create room for evasion as the average citizen, most times, does not appreciate the requirements of the different laws, the methods of tax assessments or the rights and duties of a taxpayer under the different tax laws. Also, the tax laws are not properly codified and are not constantly revised based on the prevalent economic realities. This makes them to resort to seeking the service of tax advisers who eventually assist in achieving tax avoidance. Ajayi (2004) suggests that taxation laws in Nigeria need urgent review to a level that will make collection of tax returns, filing of returns, imposition of late filing and remittance penalties more realistic and feasible. Also such review should encompass certification of tax debt through the filing writs, director's liability to ensure that directors of companies are held liable individually and collectively if their companies failed to pay taxes or comply.

The review should also include collection restrictions, opportunities for fairness, imposition of interest on tax debts, non-arms' length transfers and legal warning to tax debtors for failure to pay their taxes. Furthermore, the review should make the requirement to file, garnishments and requirement for information from individuals and corporate bodies possible. He suggests further that an Income Tax Act (ITA) as well as an Excise Tax Act (ETA) must be introduced to take care of most taxation issues that may impede the collection of tax debts. Their introduction would make enforcement and compliance very easy as there are too many people in business in Nigeria who own so much and make so much money, yet they do not pay tax at all.

The importance of negotiation in tax disputes cannot be under-estimated as most often than not, taxpayers and the tax officials seldom agree on the amount of tax payable without any reservation by the taxpayers. For instance, Bentley (1996) explains that negotiation takes place where the parties in a dispute, with or without partisans in support of the respective disputants, approach each other without the assistance of any third party and seek a mutually acceptable outcome through discussion (this is a feature of tax audits). He remarks futher that the tax audit has become a vitally important tool in tax enforcement because the aim of the tax audit process is to identify where taxpayers have failed to comply with the tax law. However, due to the inherent uncertainties in the interpretation and application of much of the tax law, audits often conclude with a negotiated settlement.

Smith and Stalans (1994) have argued that general attitudes and orientations toward taxpaying and tax administration also affect negotiating preferences as taxpayers who support taking advantage of loopholes and ambiguities in the law tend to prefer the assertive strategies, and those who want to minimise their involvement are more likely to prefer the capitulating and cooperative strategies. Power imbalance also play an important role in the implementation of tax laws and tax policies as taxpayers usually focus on the perceieved attitudes and orientations of those with the formal power. Finally, the findings from the study by Smith and Stalans (1994) suggest that the procedural justice criteria (such as perceptions of fairness, good-faith, trust and even-handed competence) that citizens use to evaluate the resolution of disputes and encounters with tax officials are also used by them in forming their preferences for disputing with tax officials.

2.6.2 Tax Policies

Tax Policies could be explained to mean those salient rules, regulations and procedures that are put in place by the government to guide the administration and implementation of the tax laws in a country. It is imperative for every country to have a national tax policy that provides a set of rules, *modus operandi* and guidance to which all stakeholders in the tax system will subscribe. Thus, national tax policy is usually conceived to be a set of rules and regulations upon which all stakeholders would ultimately be judged and held accountable (Federal Government of Nigeria-Technical Committee on National Tax Policy, 2008).

Taxpayers respond to government policies and these responses, in turn, can inform government policy design (Auerbach, 2004). According to Katz and Ott (2006), public policymakers always wonder about the unintended consequences of changes to policies. They develop and test a model of individual decision-making that separates the external factors from decisions at individual levels. They find that self-interest have a more dominant effect than potential monitoring, based on the level of tax situation complexity. They explain that although existing taxpayers may be concerned about the complexity of the current legislations, the results of their study suggest that taxpayers with complex tax situations will be less supportive of a simplified system than taxpayers with simple situations. In their view, this is true when both benefit from the change to a simplified tax system. According to them, the reason for this is the ability to have more control over their tax liabilities under the current system than those taxpayers with simple returns.

In the opinion of Katz and Ott (2006), policymakers have two issues to consider. First, they may continue to make rules that make the tax scheme more complex to achieve non-revenue objectives or they can simplify the system. However, if they choose the former, an explanation on why the tax law is so complex should be offered, thereby providing reasonable rationale for the existing structure. Secondly, attempting to simplify the tax system may achieve little success as some would argue that tax law has become more complex at any attempt to simplify it. They therefore suggest that "attempts to simplify the tax structure should be considered from macro-economic, as well as the individual taxpayer level, to assess the potential impact" (Katz and Ott, 2006, p. 41).

Reviewing tax policies and reforms in Nigeria, Odusola (2006) notes that Nigeria's fiscal policy measures have been largely driven by the need to promote macro-economic objectives as promoting rapid growth of the economy, generating employment, maintaining price levels and improving the balance-of-payment conditions of the country. He reasons that although policy measures change frequently, these objectives have remained relatively constant, because until the mid 1980s, tax policies were geared to achieving such specific objectives as:

i. Ensuring effective protection for local industries;
ii. Encouraging greater use of local raw materials;
iii. Enhancing the value added of locally manufactured and primary products;
iv. Promoting greater geographical dispersion of domestic manufacturing activities; and
v. Generating increased government revenue.

However, the recently approved national tax policy in Nigeria stipulates that the main goal of the national tax policy is to provide direction for the future of the Nigerian tax system in order to help stimulate the economy in a way that will be of benefit to all Nigerians. Thus, the national tax policy document provides a set of guiding principles for all taxation in Nigeria and it is to provide a stable point of reference for all stakeholders in the system and a standard on which they would be accountable.

In order to achieve the main goal of the national tax policy, the objectives highlighted in the document are as summarised: (i) stakeholders' accountability; (ii) fewer number, broad based and high revenue-yielding tax system; (iii) fairness of nigerian tax system; (iv) shift from direct taxation to indirect taxation; (v) avoidance of internal multiple taxation by various tier of government; (vi) minimising and streamlining the number of tax incentives; (vii) Ministry of Finance to oversee collection and disbursment of tax revenue and other revenues accruing to government; (viii) National assembly shall have power over tax rates; (ix) The Joint Tax Board to be given legal powers to function as a policy making body and not a mere advisory body; (x) Comprehensive review of the Nigerian tax system every three (3) years; (xi) respect for international tax obligations and tax treaties; and (xii) Tax to be collected by career tax administrators and not by consultants or agents in ad-hoc capacity.

The objectives highlighted above accord substantially with the ten guiding principles of good tax policy recommended by the American Institute of Certified Public Accountants (AICPA) (2001). The Institute suggests that this ten-principle framework be used to analyse proposals to change a tax system rule, as well as to change an entire tax system, such as by changing it from an income tax system to a consumption tax system, or to better address e-commerce transactions. The ten principles which are commonly cited and used as indicators of good tax policy are: (i) Equity and Fairness; (ii) Certainty; (iii) Convinience of Payment; (iv) Economy in Collection; (v) Simplicity; (vi) Neutrality; (vii) Economic Growth and Efficiency; (viii) Transparency and Visibility; (ix) Minimum Tax Gap; (x) Appropriate Government Revenue.

The effect of fiscal measures cannot be under-estimated or over-looked in any economy (either positive or negative). Thus Odusola (2006) remarks that although fiscal measures are aimed at promoting rapid economic growth, they also generate some unintended effects, making taxation a double-edge sword. He explains that apart from encouraging (or discouraging) activities that are socially or environmentally friendly (unfriendly), fiscal policy is also used as a tool to provide direct assistance to society or individuals. For instance, “as an economic development tool, taxation provides the financial base for providing and maintaining, among others, infrastructure such as roads, electricity, telecommunications, and water that have direct impact on living conditions” (Odusola, 2006, p. 18).

Mamud (2008) identifies some problems that should be addressed if the national tax policy is to be effective. These are (a) administrative problems (i. e. institutional capacity, staffing, skill and information technology); (b) compliance problems; (c) lack of equality (i. e. between Pay as You Earn, Sole trader and so on); (d) multiplicity of taxes; and (e) poor tax drive from the tiers of government. However, he offered some suggestions on the way forward to include: (i) government to implement the National tax policy; (ii) improve compliance strategy; (iii) improve administration of tax; and (iv) Stakeholders’ consultation. Gillis (2001) earlier remarks that tax reform has played a notable role in helping many African nations to regain their economic footing since 1990. He suggests rebuilding tax enforcement mechanisms across the region, and that more ambitious efforts should be made to utilise tax policy to promote investment and growth and also to enhance income redistribution.

2.7 SOCIO-ECONOMIC CONSIDERATIONS

Social and economic factors referred to in this study as socio-economic considerations are considered to be important elements of good governance that would likely impact on taxpayers' voluntary tax compliance in Nigeria. According to Wenzel (2004), social factors may substantially impact on and qualify the deterrence process. He argues further that socially mediated deterrence should be reflected in an interaction between variables of deterrence (e. g., sanction probability, sanction severity) and the perceived prescriptive norms regarding the behaviour (e.g., paying one's taxes). Wenzel (2004) classifies norms into two that is, personal norms and social norms. He defines personal norms as people's own standards, acquired, for instance, through the internalisation of social norms. "internalisation occurs through a process of self-categorisation in terms of, or identification with, the group to which people attribute the norms; the group becomes part of self, and the person feels committed to norms and values shared within the group" (Wenzel, 2004, p.551).

In addition, Wenzel (2004) defines social norms as moral standards attributed to a social group or collective. Thus people may know about the prevailing social norms without necessarily regarding them as their own, for instance, because they do not identify with the respective group. According to Kornhauser (2007), both social and personal norm affect tax morale. He explains that social norms, that is, shared beliefs concerning the manner in which people should behave are enforced by informal social sanctions. In the same vein, Kirchler, Hoelzl and Wahl (2008) expain that social norms are related to the behaviour of reference groups, such as friends, acquaintances, or vocational goups and that "if taxpayers believe that non-compliance is widespread and approved behaviour in their reference group, they are likely to be non-compliant as well" (Kirchler, Hoelzl and Wahl, 2008, p. 218). Jones (2009) also remarks that social norm is a potential critical factor in a person's decision to be tax compliant.

Economic benefit is also recognised as a motivation for tax compliance. For instance, Feld and Frey (2007) emphasise that in contrast to the standard model of tax evasion, which raises the relative cost of not paying taxes, rewards raise the benefits of paying taxes. According to Feld and Frey (2007), "a reward given to taxpayers for correctly fulfilling their tax duties changes the relative prices in favour of paying taxes, and against evading them" (Feld and Frey, 2007, p.109). Karran (2009) also notes that economic factor such as inflation causes money values, including taxable income to rise, even with the tax rates and coverage constant. He states further that economic growth may increase tax revenues by increasing the real value of the tax base; and that economic growth can change the purchasing patterns, thus altering the revenues raised by particular taxes. However, it seems that economic growth would be achieved and sustained if there is good governance in place in a country. For the purpose of this study, socio-economic considerations (as one of the components of good governance) refers to how the social life-style of a taxpayer, negative perception on payment of tax by peer group or co-wokers, family pressure and taxpayer's income would impact on voluntary tax compliance.

2.8. THEORETICAL FRAMEWORK

This section examines the theoretical framework of this study. Efforts are made to review some extant theories with a view to finding a suitable one to be adopted for the study. This section therefore, examines the theoretical framework of this study to enable a good understanding of the various factors or variables that have impacted on non-compliance of taxpayers to payment of taxes in Nigeria in general and Lagos State in particular. A number of theories have been advanced in the literature for the purpose of explaining tax compliance. For instance, some authors have used Contingency theory approach to study taxpayers' compliance behaviour (Collins, Milliron and Toy, 1992). Some have used stakeholder theory with empasis on (i) the principle of *corporate effects* which states that the corporation and its managers are responsible for the effects of their actions on others; and (ii) the principle of *corporate rights* which suggests that the corporation and its managers may not violate the legitimate rights of others to determine their own future (Freeman, 1984; Evan and Freeman, 2004; Beauchamp and Bowie, 2004; Greenwood and Cieri, 2005). While some have used the theory of reasoned action (TRA) designed and developed by Fishbein and Ajzen (1975). The theory of reasoned action was intended to take care of the inadequacies in the traditional theory of the explanatory power of attitude and behaviour (Ajzen, 1991; Hale, Householder and Greene, 2003; Pavlou and Fygenson, 2006; Zawawi, Jusoff, Rahman and Idris, 2008; Arif, Alwi and Tahir, 2011; Hai and See, 2011). However, for the purpose of this study, the impact of taxpayers' perception of good governance on voluntary tax compliance in Lagos State, Nigeria can be explained by an insight into the Traditional or Deterrence Theory (DT) and the Theory of Planned Behaviour (TPB). These two theories and the reason for adopting the theory of planned behaviour for this study are briefly discussed below.

2.8.1 The Traditional or Deterrence Theory (DT)

The traditional theory of tax compliance is reffered to as “deterrence theory” which is based principally on the assumption of fear of detection and punishment (Allingham and Sandmo, 1972). However, Kornhauser (2007) argues that the deterrence theory which is based on the methods of enforcement through audit and penalties explains only a small fraction of actual voluntary tax compliance levels, as it has such poor explanatory power because it assumes that the decision to comply is based solely on a cost-benefit analysis in which people rationally weigh the benefits of non-compliance against the cost of detection and penalties. Korrnhauser (2007) therefore, explores the normative and cognitive aspects in his review of literature on tax compliance in order to explain why people pay or fail to pay taxes in the United States of America.

According to Devos (2007), from a deterrent point of view, certain problems and limitations are evident. He explained further that deterrence by its nature is a complex and difficult concept. For instance, it is not possible to measure directly the number of people deterred from a particular criminal act with deterrence theory because a number of other factors including social, economic and political, also come into play as all of these factors ultimately impact upon the accuracy and reliability of various research methods employed. Frey (2003) posits earlier that even though deterrence has been the prevalent strategy to enforce tax revenue, throughout history and in economic theory, the approach appears to be problematic because it is inconsistent with empirical reality. Feld and Frey (2007a) also corroborate the discussions of Sandmo (2006) as to the extent a traditional economic approach is able to explain tax compliance.

Feld and Frey (2007a) remark that Sandmo (2006) acknowledges that the classic economic model developed by Allingham and Sandmo (1972), which in turn is based on Becker's (1968) economic theory of crime, has difficulties explaining empirically why people are so honest and pay taxes to such a large extent. Earlier, Sandmo (2005) tacitly accepts that the original Allingham and Sandmo (1972) model may not satisfactorily solve the entire problem relating to tax compliance when he took a retrospective look at the theory of tax evasion. He reviews the main problems and developments in the theoretical literature on tax evasion and relates it to other issues that have traditionally been central in the theory of public finance. In essence, the traditional or deterrence theory is deficient because its does not consider the impact of attitude and behaviour of taxpayers on tax compliance. Therefore, based on the above explanation, this study examines the impact of social and economic factors (in relation to good governance) on voluntary tax compliance in Lagos state, Nigeria. The social and economic factors are referred to as "socio-economic considerations" in this study.

2.8.2 Theory of Planned Behaviour (TPB)

The Theory of Planned Behaviour (TPB) is an improvement on the Theory of Reasoned Action designed and developed by Fishbein and Ajzen (1975). This modified theory was developed by Ajzen (1991) to address the shortcomings identified in the theory of reasoned action. It differs from the theory of reasoned action in the sense that it takes into account perceived as well as actual control over the behaviour under consideration. Furthermore, in applying the theory of planned behaviour, percieved behavioural control, together with behavioural intention can be used directly to predict behavioural achievement (Ajzen, 1991, 1985).

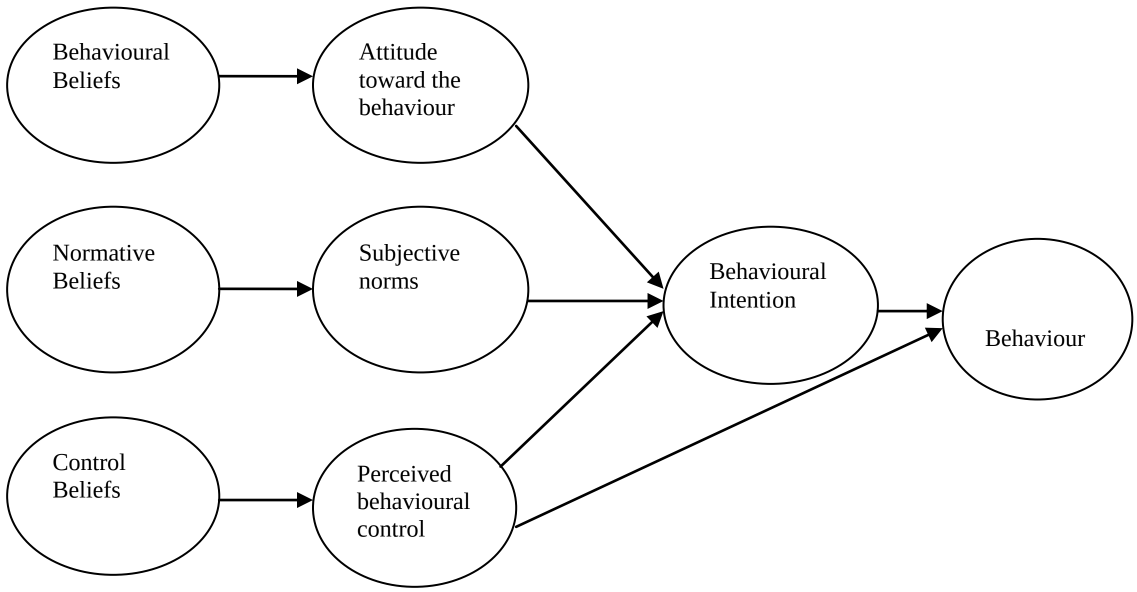
According to Ajzen (1985), the theory of reasoned action was shown to represent a special case of the proposed theory of planned behaviour. He explains that "the two theories are identical when the subjective probability of success and the degree of control over internal and external factors reach their maximum values. When this is the case, we are dealing with purely volitional behaviour to which the theory of reasoned action can be directly applied. When subjective probability of success and actual control are less than perfect, however, we enter the domain of planned behaviour" (Ajzen, 1985, p. 36). Relying on Ajzen (1985), Kraft, Rise, Sutton and Røysamb (2005) posit that it is by taking efficacy expectancies into consideration that the theory of planned behaviour differs from the theory of reasoned action. Kanat and Özkan (2009) note that the actual performance in the theory of reasoned action was dependent only on the motivation of the individual while the actual performance of a behavior is affected by the capability and the motivation of the individual.

In order to overcome these shortcomings, Ajzen (1991) introduces another variable called 'Perceived Behavioural Control' into the model to take care of behaviours that do not fall under complete control. He explains further that, consistent with an emphasis on factors that are directly linked to a particular behaviour, perceived behavioural control refers to people's perception of the ease or difficulty of performing the behaviour of interest, and that perceived behavioural control together with behavioural intention, can be used directly to predict behavioural achievement (Ajzen, 1991, 2002). According to McClelland (2001), the theory of reasoned action was modified by Ajzen (1991) to accommodate incomplete volitional control and that the constraint enters not as a structural constraint but as an additional set of beliefs that influence the statement of intention. In other words, the theory of planned behaviour is designed to predict the behaviour and essentially, it is based on the expectancy-value model of attitude-behaviour relationship, and has been used to predict a variety of behaviours with significant degree of success (Huang and Chuang, 2007).

The theory of planned behaviour is an important theory which belongs to the field of social psychology with the aim of explaining human behaviours. Studies have shown that the theory of planned behaviour is well supported by empirical evidence (Ajzen 1991; Armitage and Conner, 2001). The quantitative integration and review of research contained in a database of 185 independent studies published up to the end of 1997 reveals that theory of planned behaviour accounts for 27 per cent and 39 per cent of the variance in behaviour and intention, respectively. The study further shows that the perceived behavioural control (PBC) construct accounted for significant amounts of variance in intention and behaviour, independent of theory of reasoned action variables (Armitage and Conner, 2001).

The theory suggests that intentions to perform behaviours of different kinds can be predicted with high accuracy from attitudes toward the behaviour, subjective norms and perceived behavioural control; and these intentions together with perceptions of behavioural control, account for considerable variance in actual behaviour. In addition, attitudes, subjective norms, and perceived behavioural control are shown to be related to appropriate sets of salient behavioural, normative and control beliefs about the behaviour, but the exact nature of these relations is still uncertain (Ajzen, 1991). Thus the original model as propounded by Ajzen (1991) has been modified to incorporate various beliefs as depicted in the Figure 1.2.

Figure 2.2



Schematic Diagram of the Modified Theory of Planned Behaviour
Source: Armitage and Conner, 2001 (Modified-Ajzen, 1991)

Erten (2002) explains that the theory of planned behaviour stipulates that the behaviours of the individuals within the society are under the influence of definite factors, which originate from certain reasons and emerge in a planned way. The results of the study by Erten (2002) show the effects of the salient beliefs, that is, “attitudes”, “subjective norms”, and “perceived behavioural control” on the “intention of behaviour”, and this suggests statistically, significant differences among the subjects used for the study. The ability to perform a particular behaviour depends on the fact that the individual has a purpose towards that behaviour while attitudes towards behaviour (i.e. one’s own personal view about a behaviour), subjective norms and perceived behavioural control suggested by Ajzen (1991) are factors determining the purpose towards the behaviour. These factors consequently, are influenced by behavioural beliefs, normative beliefs and control beliefs (Ajzen, 1991, 2002).

Armitage and Conner (2001), in their meta-analytic review find support for the efficacy of the theory of planned behaviour as a predictor of intentions and behaviour. Their result reveals that although prediction is superior for self-reported behaviour than to observed behaviour, the theory of planned behaviour is still capable of explaining twenty percent (20%) of the variance in prospective measures of actual behaviour (i.e. a medium to large effect size). In essence, theory of planned behaviour posits that individuals' intentions together with their perceived control over the bahaviour determine whether or not they will actually engage in the behaviour (Benk, Çakmak and Budak, 2011).

2.9 CONCEPTUAL MODEL

A number of scholars and researchers have suggested some variables that could possibly affect tax compliance in a given economy based on a variety of theoretical and empirical evidence (Allingham and Sandmo, 1972; Joulfaian and Rider, 1998; Joulfaian, 2000, 2009; Wenzel, 2002, 2004; Bayer and Cowell, 2009; Feld and Frey, 2007a, 2007b; Verboon and Dijke, 2007; Murphy, 2008; Nur-tegin, 2008; Mataira and Prescott, 2010). However, efforts in this study are basically to investigate the anticipated impact of taxpayers' perception of good governance with respect to the interrelatedness of all the identified behavioural variables on voluntary tax compliance in Nigeria.

This study adopts the application of the "Theory of Planned Behaviour (TPB)" to examine the impact of taxpayers' perception of good governance on voluntary tax compliance in Nigeria for the following reasons: (i) the theory of planned behaviour has received a considerable attention in the literature and is well supported by empirical evidence (Ajzen, 1991; Armitage and Conner, 2001); (ii) the theory is designed to predict the behaviour: it is based on the expectancy-value model of attitude-behaviour relationship and has predicted a variety of behaviours with significant degree of success (Ajzen, 1991, 2002; Huang and Chuang, 2007; Jones, 2009); (iii) the theory provides a better understanding of individuals' intention and behaviour and may most likely provide more effective guidance to policy and decision-makers (Taylor and Todd, 1995).

Thus, the Theory of planned behaviour is considered an appropriate theoretical framework which may provide a better understanding of taxpayers' intention and behaviour towards voluntary tax compliance in Nigeria and therefore may be better suitable for this study than the other aforementioned theories. However, the salient beliefs in the theory of planned behaviour are decomposed in this current study to incorporate some related constructs which are considered relevant factors that may impact on voluntary tax compliance in Lagos State, Nigeria (see Ajzen, 1991; Pavlou and Fygenson, 2006; Huang and Chuang, 2007).

2.9.1 Explanation of Variables in the Model

Based on the modified theory of planned behaviour, as depicted in Figure 1.2, it is proposed that the combined effects of the essential components of good governance (GG)
(as represented by accountability and transparency (AT); reduction in fiscal corruption (RFC); efficient and effective tax administration (ETA); efficient and effective tax laws and tax policies (ETLP); and socio-economic considerations (SEC)) may have significant positive effects on voluntary tax compliance in Lagos State, Nigeria. The approach adopted by the study is to first segregate the salient behavioural, normative and control beliefs which relate to attitude towards behaviour, subjective norms and perceived behavioural control, which are shown as single entity each (in Figure 1.2) into their individual components.

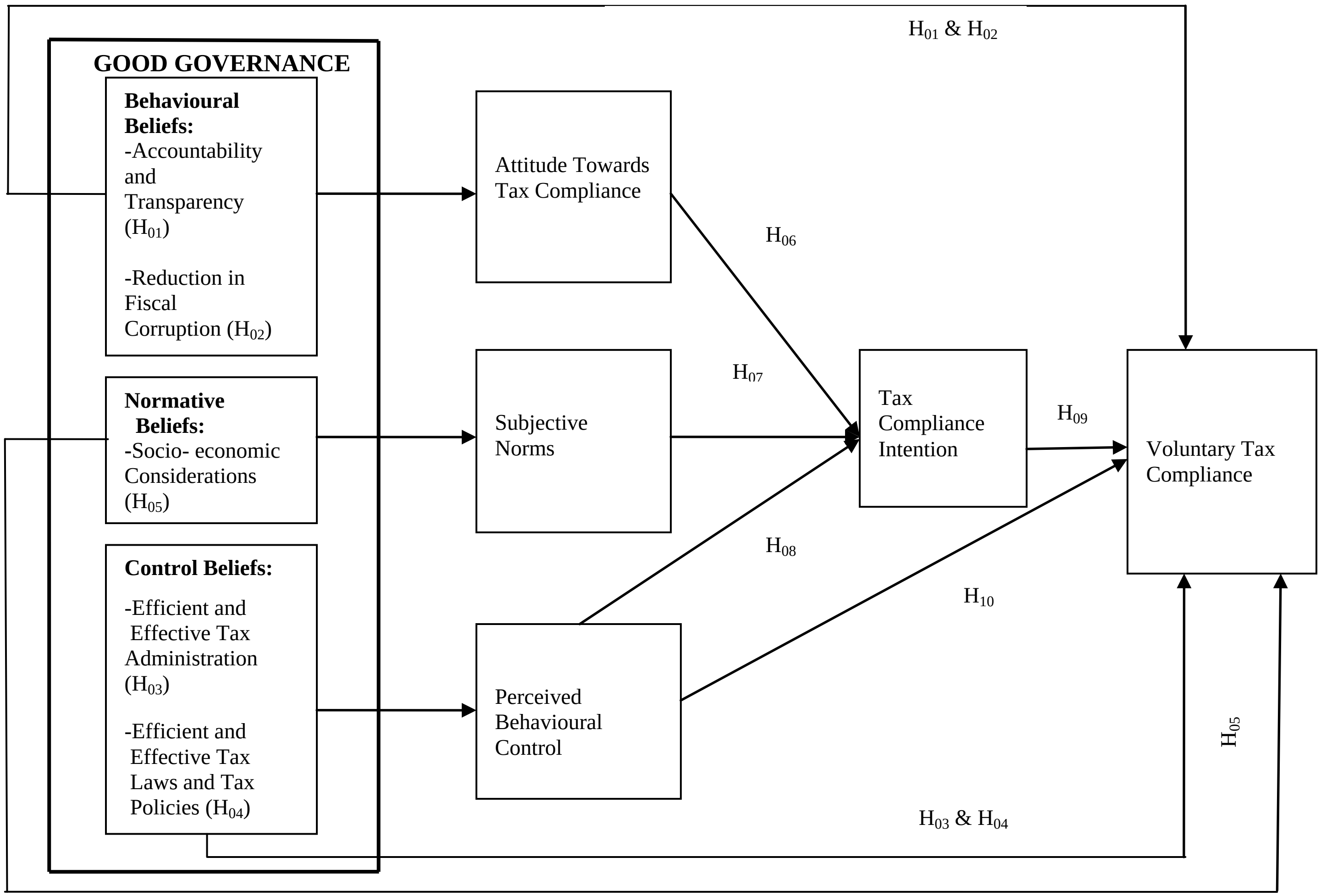
Thus behavioural beliefs (BB) which results in attitude towards the behaviour (ATB), that is, the degree to which a person has a favourable or unfavourable evaluation or appraisal of the behaviour in question (Ajzen, 1991), is assumed to be determined jointly by accountability and transparency (AT) and reduction in fiscal corruption (RFC) in this study. The Normative beliefs (NB) which relate to subjective norm (SN) (i. e. how individual's behaviour is influenced by the society or environment: for example, the perceived social pressure to perform or not to perform the behaviour, (Ajzen, 1991)), is also assumed to be determined by socio-economic considerations (SEC). Control beliefs (CB) relate to perceived behavioural control (PBC) which according to Ajzen (1991), refers to people's perception of the ease or difficulty of performing the behaviour of interest.

It also suggests that people's behaviour is strongly influenced by their confidence in their ability to perform it (Ajzen, 1991; Armitage and Conner, 2001; Chu and Wu, 2005). Control beliefs are proposed to be the summation of efficient and effective tax administration (ETA) and efficient and effective tax laws and tax policies (ETLP) in this model. It has been argued that as a general rule, the more favourable the attitude and subjective norm with respect to a behaviour, and the greater the perceived behavioural control, then the stronger should an individual's intention to perform the behaviour under consideration (Ajzen, 1991).

The arrows in the model (Figure 1.3) below indicate the interrelatedness of the variables, that is, the influences exerted by the variables on each other. More importantly, the conceptual framework hinges on the notion that voluntary tax compliance (VTC), that is, the "dependent variable" is a function of some fundamental components of the "independent variables". These components of the independent variables are in three categories (i) behavioural beliefs (BB); (ii) normative beliefs (NB); and (iii) control beliefs (CB). Both the dependent variable and the independent variables form the basis for applying the theory of planned behaviour (TPB) in this study. The relationships between the variables (both dependent and independent), are formulated into a mathematical model which could assist in predicting theoretically, the level of tax compliance by the taxpayers at any point in time. The variables and their *modus operandi* are discussed in Chapter 2 (Literature Review) and Chapter 3 (Research Methodology) of this thesis.

In the light of the above explanation, it is proposed that good governance (comprising accountability and transparency; efficient and effective tax administration; efficient and effective tax laws and tax policies; and socio-economic considerations (i.e. the independent variables) as identified in the above model will have significant impact on voluntary tax compliance (the dependent variable) in Nigeria. In order to investigate the efficacy of the theory of planned behaviour in Nigeria, it is also proposed that the salient variables in the theory of planned behaviour, that is, attitude towards tax compliance, subjective norms and perceived behavioural control will have significant impact on tax compliance intention and that tax compliance intention and perceived behavioural control will also have significant impact on voluntary tax compliance. The proposed model for these relationships is depicted in Figure 1.3.

Figure 2.3



PROPOSED MODEL FOR STUDYING THE IMPACT OF TAXPAYERS' PERCEPTION OF GOOD GOVERNANCE ON VOLUNTARY TAX COMPLIANCE IN NIGERIA
Source: Designed for the current study by the Author, 2011

2.10 PRIOR STUDIES OF TAX COMPLIANCE BASED ON THE THEORY OF PLANNED BEHAVIOUR (TPB)

The application of the theory of planned behaviour has continued to gain prominence in the study of taxpayers' behaviour towards tax compliance or tax non- compliance in the recent time. Thus a number of studies have utilised this theory to examine and explain tax compliance behaviour of taxpayers. For instance, Chu and Wu (2005) explore the key factors of the electronic tax filing system (EFS) from the behavioural perspectives of the end users using the theory of planned behaviour. They utilised two hundred (200) participants to investigate taxpayers' behavioural intentions for using electronic tax filing system (EFS). The results of their study show that perceived behavioural control significantly affects the end users' intention for the electronic tax filing system (EFS). However, "the study was limited by its small sample size due to the problem of limited EFS users. Thus there is a need for further studies with larger sample size in order to access the generalisability of the research results" (Chu and Wu, 2005, p. 36).

Huang and Chuang (2007) examine ways of expanding the theory of planned behaviour model into the specific area of post-merger employee system performancethrough inclusion of variables such as pressue, experience and security. They used a small number of participants for their study. They sent out two hundred and forty-nine (249) copies of questionnaire and collected two hundred and twenty-four (224) back out of which only one (1) was invalid. Thus two hundred and twenty-three (223) valid copies were used for their study. The results of their study indicate that behaviour can be predicted reasonably well from attitude, subjective norms and risk. The results also reveal that compatibilty is a major determinant of attitude, peer's influence is a major determinant of subjective norms, while pressure is a major determinant of risk.

In the same vein, Jones (2009) seeks to understand specific factors that are pertinent to individuals when making a "use-tax" compliance decision and to test a remedy to improve use-tax compliance by using the theory of planned behaviour. He made use of one hundred and six (106) participants. The results of his study reveal that a number of factors such as: the effort of complying with the use-tax, potential revenue to the state if the individual complied, fairness of the use-tax, monetary concerns of the individual, perceived knowledge of the use-tax and social influences contribute significantly to individuals' use-tax compliance decisions. Aside the fact that the sample size is small, according to Jones (2009), "all the participants came from one state in the USA where there is no income tax, thus the participants do not have an income tax return to fill out that has a line item pertaining to the use-tax. This is because different states have different use-tax compliance rules and regulations and, perhaps, publicity regarding their use-tax" (Jones, 2009, p. 67). This is contrary to the situation in Nigeria where the same Personal Income Tax Law is applicable in all the thirty-six (36) States of the federation and the federal capital territory (that is, Abuja and its environs).

Lu, Huang and Lo (2010) integrate the technology acceptance model (TAM) and theory of planned behaviour (TPB) to investigate the determinants affecting taxpayers' on-line filing in Taiwan. They utilised a bit larger sample size than those used in the three studies mentioned above. They sent out one thousand (1000) copies of questionnaire through the internet and received only four hundred and twenty-two (422) valid response copies of the questionnaire back. Their empirical results show that: (i) Attitude is the primary factor affecting on-line tax filing but “attitude” is also affected by “perceived usefulness”, “perceived ease of use ”, “tax equity” “social norm” and “moral norm”; and (ii) Both technology acceptance model (TAM) and theory of planned behaviour (TPB) could be successfully integrated to explain on-line tax filing behaviours, and correlation was found between technology acceptance model factors and theory of planned behaviour factors (Lu *et al.*, 2010). However, “the shortcoming of their research efforts is that since there are numerous scams or hacking problems on the internet, there could have been data leakages during on-line tax filing” (Lu, Huang and Lo, 2010, p. 809).

Sapingi, Ahmad and Mohamad (2011) apply the theory of planned behaviour to study the factors that influence academics’ intention to pay zakah on their employment income. Sapingi, Ahmad and Mohamad (2011) also, utilised two hundred and one (201) valid returned copies of questionnaire out of the six hundred (600) copies sent out. This accounted for only about thirty-four per cent (34%) of the total sent out and could be considered a low response rate which may call the generalisation of the results of the study to questioning. However, the outcome of their results portrays only “attitude” and “perceived behaviour control” show significant relationship with intention to pay zakah.

In their study of tax compliance, Benk, Çakmak and Budak (2011) rely on the theory of planned behaviour to examine the compliance intentions of individual taxpayers. They examine the extent to which perceived tax equity (vertical, horizontal and exchange), normative expectations (social and moral norms), and legal sanctions (detection risk and penalty magnitude) affect tax compliance intentions. Benk, Çakmak and Budak (2011) obtain the set of data used for their study from the survey applied to three hundred and sixty-nine (369) individual taxpayers in the city of Zonguldak in Turkey. Their results reveal that normative expectations of compliance and penalty magnitude indicate the most significant effects on tax compliance intentions, while equity perceptions of tax system have no significant statistical effect. Although, the population of the city of Zonguldak in Turkey was not given in their study, it appears that a sample size of three hundred and sixty-nine (369) individual taxpayers may not be a true representation of the total taxable persons in that city.

Despite the application of the theory of planned behaviour by a number of studies to investigate tax compliance behaviour of individual taxpayers, it appears non of the studies has applied this theory to examine the impact of taxpayers' perception of good governance on voluntary tax compliance in Nigeria. Thus there is a need to test the efficacy of the theory to investigate taxpayers' tax compliance behaviour in Nigeria.

2.11 OVERVIEW OF TAX POLICY AND TAX ADMINISTRATION IN LAGOS STATE, NIGERIA

The impact of taxpayers' perception of good governance on voluntary tax compliance as a topic is very wide and can be addressed from many possible dimensions. These dimensions include researching into such areas as tax administration, tax laws and tax policies, tax avoidance and tax evasion, tax morale, tax fairness, and fiscal corruption to mention just a few, as they affect individuals and corporate entities in a nation. The individuals in a country are usually assessed to tax, for example in Nigeria, under the provisions of the Personal Income Tax Act, No. 104, 1993 as ammended in 2011.

The application of the Personal Income Tax (Amendment) Act, 2011 include taxation of persons under Pay-As-You-Earn (PAYE) scheme, taxation of partners in partnership businesses, taxation of sole proprietorships, and taxation of estates, trust and settlements. Basically, this section focuses on the tax policies and administration of taxes in Lagos State, Nigeria. These are explained in the following sub-sections.

2.11.1 Tax Policies and Legislative Powers

The legislative power for the formulation of national tax policy in Nigeria lies with the National Assembly as contained in the exclusive legislative list. The national tax policy is a broad tax policy for the whole country and limits the enactment of laws on taxes to be collected by State governments in Nigeria. Thus, Schedule 2, Part 1(59) of the 1999 Constitution of the Federal Republic of Nigeria provides for taxation of incomes, profits and capital gains under the exclusive legislative power of the National Assembly. According to the 1999 Constitution of the Federal Republic of Nigeria, such taxes as Value Added Tax (VAT), Customs duties, Excise duties and Stamp duties are not subjects of State tax policy. Also the Federal Land Use Act covers the right of occupancy fees in Nigeria.

The legislative power over the road taxes was removed from the States in the year 2000. Thus, the area for tax policy making at the State level (Lagos State inclusive) was restricted to the following:

(i) The taxes enumerated in Part 2 of the Schedule attached to Decree 21 (Annex 4) of 1998 are (i) pool betting, gaming, lottery and casino tax; (ii) business premises registration fees; (iii) development levy; (iv) naming of street registration fees in State capital; (v) right of occupancy fees; and (vi) market taxes and levies where State finance is involved.

(ii) With respect to national tax policy in Nigeria, some taxes are allowed to be collected by the State governments. These taxes include Personal Income Tax such as Pay-As-You-Earn Scheme, and all other forms of personal income tax like withholding tax (for individuals) and capital gains tax (for individuals). Lagos State like other States in Nigeria have been collecting these taxes even though it does not have legislative power to do so. In addition, there are some taxes that are not listed in Part 2 of the Schedule attached to Decree 21, but which can still be collected by the Lagos State Government. As reported by Zeeuw and Abdulrazaq (2005) in their report of "tax policy assessment for Lagos State Government', entertainment tax, inheritance tax and Livestock control post (animal tax) are amongst the category of taxes that Lagos State can collect from the inhabitants of the State.

(iii) There are also some Local Government taxes over which Lagos State government has administrative powers or can seek to acquire. Such taxes include but are not limited to: property tax (also referred to as Land Use Charge), of which tenement rates, a Local Government tax, are an important part, and whose administration has been taken over by Lagos State government from the Local Government. Zeeuw and Abdulrazaq (2005) report that the reason for taken over the administration of tenement rates by Lagos State government is an alleged lack of the capacity to enforce their payments.

(iv) Specifically, the Laws of Lagos State of Nigeria, 1994 (which were consolidated in 2004), provides the listing of laws on tax. The tax laws and the relevant tax rates are: (i) Betting Duty Law Cap 11 (10%); (ii) Entertainment Tax Law Cap 43 (10%); (iii) Land Rates Law Cap 112 – rates vary in accordance with the location and use of the land or property; (iv) Merriment Tax Law Cap 131 – a fixed fee is charged depending on the area; (v) Pool Betting Tax Law Cap 146 (10% to 20%); (vi) Produce Sales Tax Law Cap 154 (vii) Sales Tax Law Cap 175 (5% to 10%); (viii) Special Development Levy Law Cap 179 (₦100); (ix) Tenement Rates Law Cap 186 – varying rates on tenements and buildings depending on the area.

It is noted that the Special Development Levy Law Cap 179 only applies to workers on paid employment who receive their salaries net of all imposed taxes. Those who are not salary workers seldom pay the levy except they needed patronage or favour from government. Thus this levy constitutes another burden on those in paid employment. According to Adeyeye (2004), "the payment of ₦100 flat rate per annum by employees is considered as imposition of double taxation on the income of individuals in employment. This is because personal income tax would have been deducted from their income through the Pay-As-You-Earn scheme before this additional ₦100" (Adeyeye, 2004, p. 32).

2.11.2 Tax Administration in Lagos State

Each State of the federation has the statutory power to impose certain taxes on the residents of the State in accordance with the provisions of Item D - Collection of taxes, on the Concurrent Legislative List of the Constitution of the Federal Republic of Nigeria (CFRN), 1999.

The Lagos State Revenue Administration Law (2006), provides for “A law to make provision for the administration and collection of revenue due to the Government of Lagos State and Local Government Councils in Lagos State to establish the relevant administrative structures and for connected purposes” (Lagos State Revenue Administration Law, 2006, p. C 161).

Thus, the Lagos State House of Assembly enacts that “there is established a Board to be known as the Lagos State Board of Internal Revenue (referred to in this Law as “the Board”) whose opearational arm shall be known as the Lagos State Internal Revenue Service (referred to in this Law as “the Internal Revenue Service”)” (Lagos State Revenue Administration Law, 2006, Section 1(1), p. 1). The administration of taxes in Lagos State is therefore, vested in the Lagos State Board of Internal Revenue (LBIR), with the Lagos State Internal Revenue Service (LIRS) as its administrative arm. Section 1(2) of the Law provides that the Board:

(a) Shall be a body corporate with perpetual succession and a common seal;
(b) May sue or be sued in its own name; and
(c) May acquire, hold and dispose of any property or interest in property, movable or immovable for the purpose of carrying out its functions under the Law.

Section 1(3) provides that the Board shall have such powers and duties as are conferred on it by this Law or by any other Law. In addition, Section 2(1) provides that members of the Board shall be appointed by the Governor and shall comprise: the Chairman to be appointed by the Governor, a Director or Head of Department from the Ministries of Finance, Budget and planning, Lands, Commerce and transportation; two persons from the Internal Revenue Service, the Honourable Attorney-General or his representative, three other persons who shall be members of a relevant professional body and knowledgeable in tax matters to be nominated by the Governor on their personal merit; and the secretary to the Internal Revenue Service who shall also be the Secretary and an ex-officio member of the Board. Furthermore, Section 2(2) of the Law provides that the appointment of the Chairman of the Board shall be subject to the approval of the House of Assembly, while Section 3(1) of the Law provides that members of the Board shall hold office for a period of 5 years in the first instance but may remain in office after the expiration of their term pending the reconstitution of the Board. In addition, Section 3(2) provides that the Chairman and members of the Board excluding the ex-officio members shall be paid such emoluments, allowances and benefits as the Governor may, from time to time determined.

The powers of the Board are contained in Section 10(1) of the Law which provides that the Board shall be autonomous in the day-today running of the technical, professional and administrative affairs of the Internal Revenue Service. In addition, Sub-Section 2 of Section 10 of the Law provides that the Board may appoint such other persons to be employees of the Service in positions createdby the Board and on such terms and conditions as shall be laid down by the Board subject to the provisions of this Law or any other enactment. Furthermore, Sub-Section 10(3) states that the Board may, by notice in the Gazette of the State Government or in writing authorise any person within or outside Nigeria to:

(a) perform or exercise on behalf of the Board, any function, duty or power conferred on the Board; and

(b) receive any notice or other document to be given or delivered to or in consequence of this Law or any subsidiary legislation made under it.

Section 10(4) of the law provides that whenever the Board shall consider it necessary with respect to any revenue due to the State, the Board may acquire, hold and dispose of any property taken as security for or in satisfaction of the sum due or of any judgment debt due in respect of any revenue and shall account for any property and the proceeds of sale thereof in a manner to be prescribed by the Governor. In addition, Section 10(5) states that the Board may subject to such conditions as it may determine, appoint and employ practising tax practitioners or chartered accountants as monitoring agents to collect information through tax audit and to monitor compliance with relevant tax laws except as it relates to Income Tax Assessment, to do any act, the aim of achieving the Internally Generated Revenue target of the State Government.

Furthermore, Section 10(6) provides that the Board may, subject to prevailing conditions, appoint and employ consultants, including tax consultants or accountants, and agents to transact any business or do any act required to be transacted or done in the execution of its functions or for carrying into effect the purpose of this Law. Finally, Section 12(1) of the law provides for the establishment of a Technical Committee of the Board (referred to in this Law as "the Technical Committee") whose responsibilities include to consider all matters that require professional and technical expertise and make recommendations to the Board; advise the Board on all its powers and duties specifically mentioned in Section 9 and 10 of this Law; and attend to such matters as may, from time to time, be referred to it by the Board.

In order to achieve efficiency and effectiveness of its operations, the Board maintains local tax offices in all the twenty (20) consitutionally recognised Local Government Areas (LGAs) and the thirty-seven recently established Local Council Development Areas (LCDAs) in Lagos State.

According to Adeyeye (2004), “Lagos State being the commercial nerve centre of the country with so many types of industries, and employees working in those industries, appears to derive bulk of its internally generated revenue from taxes through Pay-As-You-Earn (PAYE) scheme and withholding taxes” (Adeyeye, 2004, p. 19). Furthermore, the statistics provided by the Lagos State government also comfirm that the State derives the largest chunk of its revenue from taxes (Lagos State Internal Revenue Service – Collection and Accounting, 2012) (see Appendix 8).

In view of the different dimensions through which the subject matter could be addressed, it is necessary to delimit the scope of the research. Thus the study covers only the artisans and trademen in the informal sector of Lagos State. Essentially, taxation of tradesmen and artisans in all the twenty Local Government Areas in Lagos State, recognised by the 1999 Constitution of the Federal Republic of Nigeria are covered by the Personal Income Tax (Amendment) Act, 2011. The major reason for investigating these groups of taxpayers is that they constitute a bulk of the informal sector participants in Nigeria. It is anticipated that through their various economic activities they would contribute immensely to the economic growth and development of Nigeria. However, because they are informally constituted, there appears to be no efficient and effective formal methods of subjecting them to tax unlike those who are in the formal sector whose taxes are being deducted at source through the system of Pay-As- You-Earn (PAYE) before being paid their net pay. Hence, many of the participants in the informal sector groups are believed to be avoiding or evading payments of taxes, except they are compelled to pay, in most cases when they need something from the government.

For instance, Fashola (2008b) states that government is determined to capture operators in the informal sector of the economy in the tax net. According to Fashola (2008b), this business class hardly performs its civic obligation except when it needs government patronage. He states further that to tighten the noose on informal business people, government is set to strictly enforce the rule on the the presentation of tax clearance cards when anyone is transacting any business with the state. Sheketoff (2009) argues that tax compliance is often in the interests of those working in the informal sector since instead of trying to regularise payments they make to authorities, which already exist in the form of bribes and protection money, tax compliance would enforce their position and protect them from threats to their livelihood. It is hoped that the choice of Lagos State as the location for the research will fairly represent the perception of majority of the taxpayers with respect to the impact of good governance on voluntary tax compliance in Nigeria.

2.12 SUMMARY OF GAPS IN LITERATURE

There is paucity of empirical study in the area of tax compliance with special focus on tradesmen and artisans. Specifically, it appears not much published studies had been conducted on these categories of taxpayers with respect to how good governance would likely influence taxpayers' voluntary tax compliance in Nigeria. That is, dearth of empirical study on the impact of taxpayers' perception of good governance on voluntary tax compliance in Nigeria. Thus, this constitutes a gap in the studies that have been conducted on tax compliance in Nigeria.

Furthermore, most of the studies carried out on tax compliance were done in the developed countries of the Western Europe (Allingham and Sandmo, 1972; Joulfaian and Rider, 1998;

Joulfaian, 2000, Feld and Frey, 2007a, 2007b) and United States of America (Alm, Jackson and Mckee, 1992a, 1992b; Andreoni, Erard and Feinstein, 1998; Kornhauser, 2007) with few from developing countries in Asia (Hsu, 2006; Huang and Chuang, 2007; Lu, Huang and Lo, 2010; Benk, Çakmak and Budak, 2011) and Africa (Kiabel and Nwokah, 2009; Alabede, Ariffin and Idris, 2010; Otusanya, Adeyeye and Arowomole, 2010; Otusanya, 2011; Otusanya and Adeyeye, 2011).

These studies were conducted in those areas with greater focus on their immediate environments and circumstances. Therefore, an empirical study is considered necessary to determine whether or not taxpayers' perception of good governance would impact on voluntary tax compliance in Nigeria. This is with a view to proffering solutions to some of the problems confronting tax administration and those militating against voluntary tax compliance in Nigeria.

CHAPTER THREE

3.0 RESEARCH METHODS

This chapter is concerned with the methods employed in the study. Method can be explained to mean a particular way or procedure used in collecting data, summarising, analysing and interpreting the data collected with a view to answering the research questions. This chapter, therefore, addresses the issues of research design, population, sample and sampling techniques, data collection, research instrument, statistical tools and procedures for analysing and interpreting the data collected. The theoretical and conceptual framework of tax compliance has been discussed extensively in Chapter two of this Thesis. However, it is deemed fit to give empirical support to the subject matter “the impact of taxpayers’ perception of good governance on voluntary tax compliance in Lagos State, Nigeria”.

From the review of literature on good governance, it could be noted that almost all the principles or elements of good governance espoused are in conformity with the ones recommended by the United Nations Development Programme’s Policy Document on good governance (1997). In line with this notion, this current study adopts: (i) accountability and transparency; (ii) reduction in fiscal corruption (iii) efficient and effective tax administration; (iv) efficient and effective tax laws and tax policies; and (v) socio-economic considerations as measures of good governance. All the above measures of good governance as stated in research questions (i) to (v) are hypothesised for the purpose of this study.

3.1 RESEARCH DESIGN

In chapter one of this thesis it was mentioned that virtually in all over the world, both developed and developing economies, there exist some inadequacies that lead to taxpayers' apathy towards payment of taxes, hence non-tax compliance. These constitute fiscal problems in those economies in general and in Nigeria in particular. This therefore, necessitated the conduct of a cross-sectional survey through a structured questionnaire to ascertain the impact of good governance (as represented by accountability and transparency; reduction in fiscal corruption; efficient and effective tax administration; efficient and effective tax laws and tax policies; and socio-economic considerations) on voluntary tax compliance in Lagos State, Nigeria. According to Osuagwu (1999), cross-sectional survey designs produce a picture of the business phenomena in which the decision-maker is interested. The use of survey is justified considering the fact that there appears to be no available reliable secondary data in Nigeria in general and in Lagos State in particular, for the categories of taxpayers (tradesmen and artisans) that were investigated.

In order to address these perceived problems, research questions considered necessary were formulated in chapter one of this thesis. The research questions led to the formulation of hypotheses tested in order to arrive at logical conclusions based on the findings of the study. This survey design is consistent with the studies by Jones (2009) who used the theory of planned behaviour to investigate "Use-tax" compliance intention of individual taxpayers and Benk, Çakmak and Budak (2011) who relied on the theory of planned behaviour to examine the compliance intentions of individual taxpayers.

3.2 POPULATION

The population size of this study was 11,900 made up of sole proprietors, specifically, major tradesmen and artisans operating in Lagos State, Nigeria (Tradesmen and Artisans Register of Members, 2012). These tradesmen and artisans of interest to this study, identified by their types of trades are barbing/hairdressing, battery charging, bricklaying/building, carpentery, electrical/ rewiring, electronics, motor driving, motorcycle (Okada) riding, motor mechanics, motorcycle mechanics, panel beating /welding, photography, printing, refrigeration, tailoring, trading and vulcanizing.

It was observed that the records available from the government and regulatory authorities do not contain the comprehensive list and the actual statistics (i. e. official figures for the total number of tradesmen and artisans) for these categories of taxpayers. Therefore, the researcher sought the co-operation and assistance of the "trade associations" to which the taxpayers belong in order to get the list of their registered members from which the respondents were selected randomly for the purpose of this research. In addition, where such list of members is not available, the number of the tradesmen and artisans of interest in each category of trade-type was determined by counting the members during their weekly meetings to know how many of the respondents that were operating in the area of coverage.

The motive of the study, as an exercise which may likely be of greater benefits to both the government and the governed was explained to the respondents so that they can freely and voluntarily participate in the exercise. This field exercise in March, 2012 revealed that on the average, the number of attendees at meetings ranged between twenty (20) and fifty (50) members during the weekly meetings held every Tuesday or Thursday (as the case may be for different trade associations), in each local government area. Thus an estimate of the population of these categories of tradesmen and artisans was established to be eleven thousand nine hundred (11,900) on the average, for the seventeen (17) trade associations taken across all the twenty (20) local government areas in the State.

3.3 AREA OF STUDY

Lagos State is the study site chosen for this research. The choice of Lagos State as "reference State" for the study was informed by the fact that the State has been acknowledged and referred to as the economic hub and commercial nerve centre of Nigeria and indeed West Africa (Adeyeye, 2004; Adeyemi, 2006; Nigerian Information Guide, 2006; BECANS Business Environment Reports, 2007; The Academy of Business Strategy, 2011; The Lagos State Ministry of Commerce and Industry, 2011). According to BECANS Business Environment Reports (2007), Lagos State is Nigeria's commercial, financial and economic nerve centre. It is also the gateway for international trade. The report states that Lagos State scores 60.45% on the business environment index and 73.25% on business support and investment promotion.

As the nation's economic nerve centre, Lagos State harbours over 2,000 industries while 65% of the country's commercial activities are carried out in the state (Nigerian Information Guide, 2006). In addition, according to Bamidele (2008), in recognition of the economic potentials of Lagos State, the Federal Government's Vision 2020 and the National Financial Sector Strategy (FSS) have envisioned Lagos as the nation's hub. The Lagos State Ministry of Commerce and Industry (2011) also confirmed that commerce and industry are the mainstay of the State's economy with some 60% to 70% of commercial transactions in Nigeria either confirmed or finalised in Lagos State. As reported by The Academy of Business Strategy (2011), Lagos State alone harbours 60% of the country's total industrial investments and foreign trades and also attracts 65% of the commercial activities in Nigeria. Furthermore, it has also been said that despite the movement of the Federal Capital from Lagos to Abuja, the State still contributes about 40% to Nigeria's non-oil Gross Domestic Product (GDP) (Olokesusi, 2011).

Lagos State occupies areas of land mass and water totalling three thousand five hundred and seventy-seven-point-two-eight square kilometres (3,577.28 sq. kms), with a total population of seventeen million five hundred and fifty-two thousand, nine hundred and forty-two (17,552,942) inhabitants (Lagos State Government - Digest of Statistics, 2012). In addition, most of the tradesmen and artisans in almost all the spheres of trades are found in large numbers in Lagos State because of the economic importance of the State. Thus as a result of all the above mentioned economic advancements and achievements, Lagos State is regarded as a highly *cosmopolitan State* in Nigeria and therefore, considered a relevant, reliable and suitable location to be the "research site" for the study since the same personal income tax law applies to all the States in Nigeria.

3.4 SAMPLE AND SAMPLING TECHNIQUES

The tradesmen and artisans used in this study are the ones with visible presence in Lagos State and are categorised into seventeen (17) strata. The study used a total sample size of three thousand four hundred (3,400) respondents among the seventeen categories of tradesmen and artisans in all the twenty (20) local government areas in Lagos State, that are recognised by the 1999 Constitution of the Federal Republic of Nigeria out of the total estimated population size of eleven thousand nine hundred (11,900).

The study adopted the use of stratified random sampling technique to select the sample for the study from the population of these categories of taxpayers. The identified members were assigned numbers for the purpose of random sampling. Using simple random sampling technique, through the aid of scientific calculator, ten (10) subjects were selected for the research from each stratum. This translated to one hundred and seventy (170) respondents from the seventeen strata in each local government area, and a total of three thousand four hundred (3,400) respondents in all the twenty (20) local government areas of Lagos State, Nigeria. The reason for selecting equal number of subjects from each of the trade associations, and using equal sample size of one hundred and seventy (170) respondents from each of the local government areas is that the study regards all the trade associations and their branches as "equally important". The distribution and collection of copies of the questionnaire was done between March, 2012 and September, 2012 with the assistance of four research assistants who had been trained earlier on the procedures for the administration and collection of the copies of the questionnaire.

The choice of a sample size of three thousand four hundred (3,400) respondents is borne out of the fact that available literature has suggested acceptable practical sample size that could be used for statistical testing. For instance, appropriate sample sizes based on an analysis of acceptable confidence levels in behavioural research studies have been suggested to be at least thirty (30) and need not be larger than five hundred (500), (Roscoe, 1975; Alreck and Settle, 1995; Industrial/Organisational Solutions, 2010). In addition, Asika (2005) explains that "most survey organisations in the United States of America consider a sample size of one thousand two hundred (1,200) to one thousand three hundred (1,300) randomly selected from the entire USA as being ‘adequate’ for generalisation for the country” (Asika, 2005, pp. 104-105). Thus the sample size of three thousand four hundred (3,400) respondents selected randomly for this current study is considered appropriate and adequate for the study.

3.5 DATA COLLECTION

The study adopted the use of both primary and secondary sources of data collection. This is to ensure that the data obtained and analysed are robust, reasonable and reliable. Survey research method was employed for the purpose of collecting primary data. The survey instrument used for this study was a carefully structured questionnaire which was used to elicit the importance of the variables that impact on the perception of taxpayers with respect to how good governance would likely influence voluntary tax compliance in Lagos State, Nigeria. It was envisaged that the following advantages would be derived from using a well structured questionnaire:

(i) Direct information will be gathered from the respondents; (ii) It is economical to use considering the cost of covering the whole country in terms of time and money; (iii) It is a good first attempt at true scaling in behavioural research; and (iv) The respondents are free to give correct type of information to, or answer fully the questions contained in the questionnaire. This is made possible because of the assurance of confidentiality given by the researcher.

However, the greatest shortcoming of questionnaire is the possible bias of the respondents, which may result in low response rate. This envisaged bias, however, does not have much effect on the response rate in this study as depicted in Tables 3.1 and 3.2. Table 3.1 shows the rate of responses to the questionnaire by categories of trades while Table 3.2 shows the rate of usable responses to the questionnaire by categories of trades in each local government area of Lagos State, Nigeria.

Table 3.1: RATE OF RESPONSES TO THE QUESTIONNAIRE BY CATEGORY OF TRADES

DETAILS OF COPIES	CATEGORIES OF TRADES																	TOTAL
	BH	BC	BB	CP	ER	EL	MD	MR	MM	MC	PW	PG	PR	RF	TF	TR	VZ	
COPIES GIVEN OUT	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	3,400
COPIES RETURNED	172	145	138	109	116	137	154	167	152	139	106	152	146	101	114	173	91	2,312
% RETURNED	86%	72½%	69%	54½%	58%	68½%	77%	83½%	76%	69½%	53%	76%	73%	50½%	57%	86½%	45½%	68%
USABLE RESPONSE	168	136	124	101	109	134	145	165	146	136	97	149	142	65	110	169	80	2,176
% OF USABLE RESPONSE	84%	68%	62%	50½%	54½%	67%	72½%	82½%	73%	68%	48½%	74½%	71%	32½%	55%	84½%	40%	64%
UNUSABLE RESPONSE	4	9	14	8	7	3	9	2	6	3	9	3	4	36	4	4	11	136
% OF UNUSABLE RESPONSE	2%	4½%	7%	4%	3½%	1½%	4½%	1%	3%	1½%	4½%	1½%	2%	18%	2%	2%	5½%	4%

Source: Author's Survey (2012) -Values generated from administered questionnaire.

Key to Table 3.1: Categories of Trades

(1) BH = Barbing/Hairdressing
(2) BC = Battery Charging
(3) BB = Brick laying/ Building
(4) CP = Carpentry
(5) ER = Electrical/Rewiring
(6) EL = Electronics
(7) MD = Motor driving
(8) MR = Motorcycle riding
(9) MM = Motor mechanic
(10) MC = Motorcycle mechanic
(11) PW = Panel beating/Welding
(12) PG = Photography
(13) PR = Printing
(14) RF = Refrigeration repairs
(15) TF = Tailoring/Fashion designing
(16) TR = Trading
(17) VZ = Vulcanizing

Table 3.1 shows the rate of responses by categories of trade. From Table 3.1, it could be seen that the highest response rate of eighty-six and a half per cent (86½%) is from trading (i. e. the traders) while the lowest response rate of forty-five and a half per- cent (45½%) is from vulcanizing (i. e. the vulcanizers patching punctured tyres and tubes). It is assumed that low level of education may be a major limitation for the vulcanizers. On the average, the overall response rate of the total copies returned in relation to the total copies given out is sixty-eight per cent (68%). In the same vein, the highest rate of eighty-four and a half per cent (84½%) attributable to usable responses is from trading while the lowest rate of forty per cent (40%) is attributable to vulcanizing. In all, two thousand one hundred and seventy-six (2,176) copies of the questionnaire, representing sixty-four per cent (64%) of the total three thousand four hundred copies of the questionnaire given out were usable. One hundred and thirty-six (136) responses were not usable. This represents four per cent (4%) of the total copies of the questionnaire sent out. Lastly, a total of one thousand and eighty-eight (1,088) copies of the questionnaire which represents thirty-two per cent (32%) of the three thousand four hundred (3,400) copies given out were not returned despite moral suations and several visits to the respondents. The overall response rate of sixty-four per cent (64%) may likely be due to the fact that "many people, especially taxpayers, do not always like to give the true position of their financial dealings" (Alm *et al.*, 1992a, p. 107).

Table 3.2: RATE OF USABLE RESPONSES TO THE QUESTIONNAIRE BYCATEGORIES OF TRADE IN EACH LOCAL GOVERNMENT AREA OF LAGOS STATE

S/N	LGA	BH	BC	BB	CP	ER	EL	MD	MR	MM	MC	PW	PG	PR	RF	TF	TR	VZ	TOTAL
1.	AG	8	9	6	3	6	7	8	10	9	6	6	8	10	3	6	10	3	118
2.	AJ	7	7	5	4	5	5	7	7	8	5	5	7	9	2	5	9	4	101
3.	AL	9	8	5	7	6	8	9	10	9	8	6	8	8	4	5	10	3	123
4.	AM	8	6	6	4	5	5	6	8	8	5	4	7	3	5	4	8	2	94
5.	AP	7	7	5	4	4	6	5	7	8	8	5	8	9	2	7	7	4	103
6.	BD	8	5	4	5	6	5	8	8	7	5	3	6	2	3	4	6	3	88
7.	EP	6	4	4	2	5	6	6	5	6	5	2	6	2	2	4	5	2	72
8.	ET	9	6	5	6	6	7	7	8	8	6	4	10	9	5	7	8	6	117
9.	IL	7	7	7	4	4	6	6	7	7	8	7	7	5	2	6	9	5	104
10.	IJ	10	7	10	6	6	7	9	8	9	7	4	8	8	4	5	8	5	121
11.	IK	9	5	8	5	6	9	9	9	7	6	6	9	9	7	4	9	6	123
12.	KR	8	5	5	4	5	6	5	7	8	8	5	8	6	2	3	9	3	97
13.	KO	7	5	7	5	6	5	7	8	8	6	3	5	7	3	5	8	4	99
14.	LI	10	7	9	7	6	6	7	7	6	4	5	7	7	4	6	9	5	112
15.	LM	10	9	8	5	6	7	10	10	7	10	4	8	8	2	5	10	3	122
16.	MS	10	7	4	6	5	7	10	10	10	10	6	7	10	3	6	10	5	126
17.	OJ	9	7	6	5	3	8	5	8	3	6	4	8	4	2	4	7	4	93
18.	OI	10	8	8	7	7	9	8	10	5	6	7	7	8	3	9	9	3	124
19.	SM	10	9	6	6	5	7	6	10	7	10	6	6	10	4	8	10	6	126
20.	SL	6	8	6	6	7	8	7	8	6	7	5	9	8	3	7	8	4	113
TOTAL		168	136	124	101	109	134	145	165	146	136	97	149	142	65	110	169	80	2,176

Source: Author's Survey (2012) -Values generated from administered questionnaire.

Key to Table 3.2: Local Government Areas (LGAs)

(1) AG = Agege
(2) AJ = Ajeromi-Ifelodun
(3) AL = Alimosho
(4) AM = Amuwo-Odofin
(5) AP = Apapa
(6) BD = Badagry
(7) EP = Epe
(8) ET = Eti-Osa
(9) IL = Ibeju-Lekki
(10) IJ = Ifako-Ijaye
(11) IK = Ikeja
(12) KR = Ikorodu
(13) KO = Kosofe
(14) LI = Lagos Island
(15) LM = Lagos Mainland
(16) MS = Mushin
(17) OJ = Ojo
(18) OI = Oshodi-Isolo
(19) SM = Shomolu
(20) SL = Surulere.

The data collected from the secondary source are both quantitative and qualitative and are mostly information disclosed in the Digest of Statistics (2012) issued by the Lagos State Bureau of Statistics; State Treasury Office, Lagos State Ministry of Finance (2010); Lagos State Board of Internal Revenue (2011); and Lagos State Internal Revenue Service – Collection and Accounting (2010 and 2012). The relevant data are then analysed to obtain useful information to assist in the research. Gathering data through the secondary source is considered to be cost efficient and faster than the primary source because there are ready made data available for would-be user (s). The two sources of data mentioned above, were relied upon as veritable sources of information which provided the researcher with reasonable insight into the research problem and also allowed indepth investigation to be accomplished.

3.6 RESEARCH INSTRUMENT

The measurement scale of the data collected from the field is ordinal. According to Groebner, Shannon, Fry and Smith (2011), ordinal, or rank data are one notch above nominal data on the measurement hierarchy. At this level, it is possible for data elements to be ranked on the basis of some relationship among them, with the assigned values indicating this order. In essense, ordinal measurement allows decision makers to equate two or more observations or to rank-order the observations. Thus the study adopted the 5-point-Likert linear scale questionnaire type which gives the respondents the opportunity to answer the questions contained in the questionnaire with relative ease. The options range from “1” (Strongly Disagree) to “5” (Strongly Agree) with “3” as Undecided. The questionnaire is divided into two parts as follows:

Part one of the questionnaire seeks information about the demographic details of the respondents. The required details are gender, age, marital status, highest qualification, work experience and types of trade of the respondents. Part two of the questionnaire is divided into nine sections (A to I) and seeks information regarding taxpayers' perception of the impact of accountability and transparency, and reduction in fiscal corruption on voluntary tax compliance; taxpayers' perception of the impact of tax administration on voluntary tax compliance; taxpayers' perception of the impact of tax laws and tax policies on voluntary tax compliance; socio-economic impact on taxpayers' voluntary tax compliance; number of apprentices under the supervision of the taxpayer; average income generated per month from the taxpayer's trade; average tax paid per annum by the taxpayer, when last the taxpayer paid tax and how and where the taxpayer paid his tax (see appendix 1).

3.7 MEASUREMENT OF VARIABLES

Essentially, good governance (GG), as an independent variable was examined in this study for the purpose of determining its impact on voluntary tax compliance (dependent variable) in Lagos State, Nigeria. The essential elements used in examining good governance are Accountability and transparency (AT); Reduction in fiscal corruption (RFC); Efficient and effective tax administration (ETA); Efficient and effective tax laws and tax policies (ETLP); and Socio-economic considerations (SEC). These elements were measured using some carefully selected items which appear to be relevant for the prevailing social, economic and political circumstances in Lagos State in particular and Nigeria in general. These elements and the items used to measure them are contained in the relevant sections of the questionnaire.

The target respondents are the tradesmen and artisans who are subjects of taxation in Lagos State, Nigeria. The measurements and the construction of the variables contained in the survey instrument are described as follows:

i. Accountability and Transparency, and Reduction in Fiscal Corruption

Accountability and transparency, and reduction in fiscal corruption (which are regarded as relevant components of good governance) were dealt with in Section A of Part II of the structured questionnaire. In this study, accountability and transparency, and reduction in fiscal corruption are regarded as behavioural beliefs which result in attitude towards the behaviour (tax compliance behaviour) and which are expected to create tax compliance intention that would influence voluntary tax compliance. Thus accountability and transparency; and reduction in fiscal corruption were hypothsised. The hypotheses are re-stated below.

H_{01}: Taxpayers' perception of government's accountability and transparency does not have a significant impact on voluntary tax compliance in Lagos State, Nigeria.

H_{02}: There is no significant impact of taxpayers' perception of reduction in fiscal corruption on voluntary tax compliance in Lagos State, Nigeria.

These components of good governance mentioned above are represented by item numbers 1-5 in the questionnaire.

ii. Efficient and Effective Tax Administration

Section B of Part II of the questionnaire deals with how efficient and effective administration of tax (an essential element of good governance) could impact on voluntary tax compliance in Lagos State. In this study, efficient and effective tax administration is regarded as one of the constituents of control beliefs that relates to perceived behavioural control which would probably create tax compliance intention and would most likely influence voluntary tax compliance. The third hypothesis formulated for this is re-stated below:

H_{03}: Taxpayers' perception of efficient and effective tax administration does not have a significant impact on voluntary tax compliance in Lagos State, Nigeria.

Seven items were used to measure the impact of tax administration on voluntary tax compliance in Lagos State. Thus tax administration was measured in terms of: inadequacy of tax personnel, poor remuneration of tax officials, inadequate facilities, unfriendly (poor) attitude of some tax officials, involvement of trade associations in tax administration, fraudulent practices by some tax officials and tax education. The measures of tax administration mentioned above were represented by item numbers 6-12 in the questionnaire.

iii. Efficient and Effective Tax Laws and Tax Policies

Section C, Part II of the questionnaire seeks to measure the level of efficiency and effectiveness of tax laws and tax policies (as essential elements of good governance) in Lagos State, Nigeria with the objective of determining the impact of these twin factors on voluntary tax compliance in Lagos State. In this study, efficient and effective tax laws and tax policies are also regarded as one of the constituents of control beliefs relating to perceived behavioural control which would probably create tax compliance intention that will most likely influence voluntary tax compliance. Hypothesis four formulated for this is re-stated below.

H_{04}: There is no significant impact of taxpayers' perception of efficient and effective tax laws and tax policies on voluntary tax compliance in Lagos State, Nigeria.

Tax laws and tax policies were measured in terms of: enough awareness of tax laws, legal implications of non-tax compliance, simplicity and easy understanbility of tax laws by taxpayers, adequate application of tax laws, friendliness of tax policies to taxpayers, and efficacy of the prevailing tax laws and tax policies. These instruments were represented by item numbers 13-18 in the questionnaire.

iv. Socio-economic Considerations

Section D of Part II of the questionnaire was designed to measure the impact of some percieved socio-economic variables on taxpayers' voluntary tax compliance in Lagos State. In this study, socio-economic considerations (an essential element of good governance) is regarded as one of the constituents of normative beliefs which relates to the subjective norms, and which would probably create tax compliance intention and most likely influence voluntary tax compliance. The fifth hypothesis is formulated for this and is as re-stated below.

H_{05}: Taxpayers' perception of socio-economic considerations does not have a significant impact on voluntary tax compliance in Lagos State, Nigeria.

Socio-economic considerations was measured in terms of: the social life-style of the taxpayer, negative perception on payment of taxes by peer group, family pressure, artisans with large number of apprentices and high volume of job (turnover), artisans with small number of apprentices and high volume of job (turnover), artisans with large number of apprentices but low volume of job (turnover), and artisans with small number of apprentices and low volume of job (turnover). These are all represented by item numbers 19-25 in Section D of the questionnaire. All the hypotheses formulated are also shown in Figure 2.3, page 126 in Chapter 2 of this thesis.

3.8 VALIDATION OF RESEARCH INSTRUMENT

The purpose of using questionnaire as the measuring instrument is to be able to measure the research variables in line with the objectives of the research in order to arrive at a logical, reasonable and reliable conclusion. However, it is important to determine the validity or otherwise of the measuring instrument. This study used the methods of content validity and construct validity for the validation of the research instrument as explained below.

3.8.1 Content Validity

The purpose of content validity was to ensure that the research instrument adequately covered the scope of the research topic. Thus the questionnaire was subjected to content validity test in order to ensure that it measured the essential elements that the study was set to investigate. The first and the second drafts of the questionnaire were given to five senior lecturers; one holder of Ph.D. in Mathematics, one holder of Ph.D. in Statistics both in the Department of Actuarial Science and Insurance and three doctoral degree holders in Accounting, for objective critique and recommendations for improvement. The third draft was the final instrument used for this study after the necessary adjustments have been carried out on the questionnaire. The final draft of the questionnaire is provided in Appendix 1.

3.8.2 Construct Validity

In an attempt to confirm the validity of the constructs, a pilot study was carried out by first administering eighty (80) copies of the questionnaire on the seventeen categories of tradesmen and artisans mentioned earlier in this study in three Local Government Areas of Lagos State. (Distribution: Agege (30 copies), Alimosho (30 copies) and Ikeja (20 copies)). Fifty-seven (57) copies of the questionnaire, representing approximately seventy-one per cent (71%) of the pilot copies were returned. Out of the fifty-seven returned copies, six (6), representing seven and a half per cent (7½%) of the pilot copies sent out were found not to be properly filled and thus unusable.

The usable fifty-one returned copies of the questionnaire, representing approximately sixty-four per cent (64%) of the copies sent out, appears to suggest the adequacy of the research instrument with respect to its ability to measure the intended as well as the actual meaning of the constructs. Thus the result of the pilot test formed the basis of the final administration of the questionnaire. However, the fifty-one usable copies of the pilot study were excluded from the final processing of the copies of the administered questionnaire to avoid the error of double counting.

3.8.3 Reliability Test of the Research Instrument

In order to test the reliability of the constructs, the study adopted the use of the Cronbach's Alpha, Guttman Split-Half and Spearman-Brown Equal Length tests in the determination of the level of reliability of the instrument. Cronbach's Alpha determines the internal consistency or average correlation of items in a survey instrument to gauge its reliability. It is an index of reliability associated with the variation accounted for by the true score of the "underlying construct" (Santos, 1999, p. 2). According to Santos (1999), the higher the score, the more reliable the generated scale is. It has been indicated that Cronbach's Alpha with a value of 0.70 is considered an acceptable reliability coefficient but lower thresholds are sometimes used in literature (Nunnally, 1978 cited in Santos, 1999; Gliem and Gliem, 2003).

It has also been established that using alpha equal to or higher than 0.60 but less than 0.70 is sometimes considered acceptable for exploratory research, but this practice is controversial (Garson, 2011). However, the results of the tests for this current study show that the overall Cronbach's Alpha Coefficient (α) for the twenty-five items used for the research questions as captured in the questionnaire was 0.83. The Cronbach's Alpha for each of the multi-item statements in the questionnaire for the study also indicated appreciable and satisfactory indices of reliability as depicted in Table 3.3. Guttman-Split-Half Coefficient was 0.58 while Spearman-Brown Coefficient Equal Length test was 0.60. In addition, the values of Lambda tests, 1(0.79), 2(0.85), 3(0.83), 4(0.58), 5(0.83) and 6(0.88) showed appreciable level of reliability. Thus, based on the results of these reliability tests, it was considered that the questionnaire was reliable for the study.

Table 3.3: INSTRUMENT RELIABILITY INDICES (STATISTICS)

S/N	Variable	Number of Items	Cronbach's Alpha
1.	Accountability and Transparency & Reduction in Fiscal Corruption	5	0.828
2.	Efficient and Effective Tax Administration	7	0.716
3	Efficient and Effective Tax Laws and Tax Policies	6	0.863
4.	Socio-economic Considerations	7	0.747
5.	Voluntary Tax Compliance	25	0.827

Source: SPSS Values generated from Author's Survey (2012).

3.8.4 Procedures for Data Analysis

In this study, hypotheses were formulated based on the five research questions which contains variables (that is, component of good governance) that appear likely to influence voluntary tax compliance in Lagos State, Nigeria, and which are in consonant with the salient beliefs in the theory of planned behaviour. These variables are accountability and transparency; reduction in fiscal corruption; efficient and effective tax administration; efficient and effective tax laws and tax policies; and socio-economic considerations (all of which are essential components of good governance).

Accountability and transparency; and reduction in fiscal corruption relate to “behavioural beliefs”, both the efficient and effective tax administration; and efficient and effective tax laws and tax policies relate to “control beliefs” while socio-economic considerations relates to the “normative beliefs” as dipicted in the model for theory of planned behaviour (TPB) adopted and decomposed for this study (Figure 2.3, Chapter 2, p. 126). In order to provide reliable answers to the research questions, the analysis of data was carried out, using descriptive statistics. Business statistics comprises those procedures that are specially designed to describe data, such as charts, graphs, and numerical measures (Groebner, Shannon, Fry and Smith, 2011), hence a descriptive statistic is a numerical index that describes or summarises some characteristic of a frequency or relative frequency distribution (Frank and Althoen, 1995). Thus descriptive statistics such as minimum, maximum, mean, standard deviation, percentages and frequencies were used to examine each of the identified variables in the study.

The data generated for this study were also analysed using inferential statistics and tests of the hypotheses formulated in chapter one were also conducted with a view to lending credence to the study. PLUM-Ordinal Regression analysis (simple and multiple), Correlation coefficient (r), Pseudo R-Square (i.e., Coefficient of determination (r^2)), Chi-square (χ^2) and Crosstabulations were employed to analyse the research questions and also to test the hypotheses. Regression may be described as the measure of the average relationship between two or more variables in terms of the original units of the data. Thus the term "regression analysis" may be explained to mean the methods by which estimates are made of the values of a variable from a knowledge of the values of one or more other variables and to the measurement of the errors involved in this estimation process (Gupta, 2011).

Ordinal Regression procedure (as against Ordinary Least-Square (OLS) regression analysis) allows the researcher to build models, generate predictions, and evaluate the importance of various predictor variables in cases where the dependent (target) variable is ordinal in nature (Trochim, 2006; Carroll, 2012). According to DeCarlo (2003), the recent addition of a procedure in Statistical Package for Social Sciences (SPSS) for the analysis of ordinal regression models offers a simple means for researchers to fit the unequal variance normal detection model and other extended signal detection models. On the other hand, Ordinary Least Square is appropriate where the scale of measurement of the data is interval or ratio (Nachmias and Guerrero, 2000).

Simple PLUM-Ordinal regression analysis was therefore employed in determining the variations in the dependent variable that is traceable to, or associated with the variations (changes) in each of the variables which constitute the components of the independent variable (good governance). In addition, ***Multiple PLUM-Ordinal regression analysis*** was also used to examine the combined impact of the components of the independent variable, that is, good governance (GG), (represented by Accountability and transparency; Reduction in fiscal corruption; Efficient and effective tax administration; Efficient and effective tax laws and tax policies; and Socio-economic considerations) on the dependent variable, that is, Voluntary tax compliance (VTC).

White and Korotayev (2004) remark that inferential statistics includes determining relationships using correlation coefficients and testing hypotheses with significance tests. Gupta (2011) explains that the degree of the relationship between the variables under consideration is measured through correlation analysis and that the measure of correlation called the correlation coefficient or correlation index summarises, in one figure, the direction and degree of correlation. Thus, correlation analysis may be explained to mean the techniques used in measuring the closeness of the relationship between the variables (Gupta, 2011). Spearman's Correlation was therefore, used to examine if there is any relationship between the variables. Also, Pseudo R-Square was used to test the dependability and reliability of the variables. According to Field (2005), Statistical Package for Social Sciences (SPSS) uses Cox and Snell's R^2_{cs} (1989) and that "in terms of interpretation, Pseudo R-Square is similar to the coefficient of determination R^2 in linear regression in that it provides a guage of the substantive significance of the model" (Field, 2005, p. 223).

The Chi-Square, represented by χ^2, "is a measure of the discrepancy existing between the observed and expected frequencies" (Spiegel and Stephens, 1999, p. 261). According to Wagner (2006), Crosstabulation (or crosstabs for short) is used to analyse relationships between two or more variables because it allows the researcher to explore the relationship between variables by examining the intersections of categories of each of the variable involved. Crossman (2011) describes a crosstabulation as a combination of two or more frequency tables arranged such that each cell in the resulting table represents a unique combination of specific values of the included variables. Crossman (2011) states further that crosstabulations allow the relationships between variables to be identified, but advised that only categorical (ordinal) or nominal variables or continuous variables with a small number of values should be crosstabulated so that the table will be easy to analyse and interpret.

Crosstabulations are also referred to as "contingency tables" because they are used to test hypotheses about how some variables are contingent upon others, or how increases in one affect increases, decreases or curvilinear changes in others" (White and Korotayev, 2004, p. 1). Each of the ten research questions and their corresponding hypotheses are analysed and tested in turn using the above mentioned inferential statistics with the aid of the Statistical Package for Social Sciences, (SPSS version 15). In addition, Socio-economic considerations, an important component of good governance was further analysed using Crosstabulations. However, the comprehensive analysis of the research instrument is carried out in chapter 4 which deals with the analysis of data and presentation of results.

3.9 FORMULATION OF ECONOMETRIC MODEL FOR THE STUDY

The main aim of this study is to investigate the impact which the perception of taxpayers on good governance has on their willingness to pay the appropriate taxes voluntarily to the government. For the purpose of this study, five important variables considered to be appropriate measures of good governance which might impact on the willingness of taxpayers to pay their taxes voluntarily are investigated. The variables are accountability and transparency; reduction in fiscal corruption; efficient and effective tax administration; efficient and effective tax laws and tax policies; and socio-economic considerations. These variables are expected to function optimally, only if good governance is well enshrined in the management of a nation's human and natural resources.

The regression model is stated as follows:

$VTC = \beta_0 + \beta_1 GG + \varepsilon$

Where:

VTC = Voluntary tax compliance

GG = Good governance (comprising accountability and transparency; reduction in fiscal corruption; efficient and effective tax administration; efficient and effective tax laws and tax policies; and socio-economic considerations)

$\beta_{0 \ldots}\beta_1$ = Regression coefficients

ε = Error term

3.10 LIMITATIONS OF THE RESEARCH METHODS USED

This study made use of both primary and secondary sources for data collection. For the primary source of data collection, this study employed a cross-sectional survey method through the use of questionnaire. One of the possible limitations of using primary source for collecting data, especially the use of questionnaire, is bias which could be exhibited by the respondents. This cannot be said to be totally guided against in this study. In addition, the items used in the questionnaire to address the research questions are not exhaustive. The use of other items to address the research questions could have produced different results. The secondary data used are also not exhaustive as it was difficult to get reliable and comprehensive data and, or information from government agencies.

This study used PLUM-Ordinal regression, Spearman's correlation, Pseudo R-Square, Chi-Square and cross tabulation to analyse the variables used for the study. Using other statistical tools such as Ordinary least-square regression, Pearson correlation, coefficient of determination R^2 in linear regression and Kruskal-Wallis statistics would have produced different results. Furthermore, crosstabulation statistics were only used for socio-economic considerations which is one of the components of good governance because of its significance based on the outcome of the study. Using it for other components of good governance would have produced different results. Therefore, the statistical tools employed for this study were consciously applied in accordance with the ordinal nature of the scale of measurement of the data collected.

CHAPTER FOUR

4.0 ANALYSIS OF DATA AND PRESENTATION OF RESULTS

This chapter focuses on the analysis and interpretation of data used to examine the impact of taxpayers' perception of good governance, efficient and effective tax administration, efficient and effective tax laws and tax policies, and socio-economic considerations on voluntary tax compliance in Lagos State, Nigeria. The study adopted the theory of planned behaviour (TPB) propounded by Ajzen (1991). The TPB had been found empirically, to be very useful for predicting the behaviour of individuals with respect to the performance of an action(s) (Ajzen, 1991; Armitage and Conner, 2001). This chapter is divided into various sub-sections as subsequently discussed.

4.1 ADMINISTRATION OF THE QUESTIONNAIRE

The distribution of the questionnaire and the returned copies in each of the twenty (20) local government areas in Lagos State are as depicted in Table 4.1. Table 4.1 shows that Mushin and Shomolu local government areas have the highest number of one hundred and twenty-six (126) usable copies each, respresenting seventy-four per cent (74%) of the one hundred and seventy (170) copies of the questionnaire given to each of the two local government areas. Epe local government has the lowest number of seventy-two (72) usable copies, representing forty-two per cent (42%) of the total number of one hundred and sventy (170) copies of the questionnaire given to Epe local government.

In all, the total usable responses of two thousand one hundred and seventy-six (2,176) copies of the questionnaire represents sixty-four per cent (64%) of the total of three thousand four hundred

(3,400) copies given out. One hundred and thirty-six responses were not usable. This represents four per cent (4%) of the total copies of the questionnaire sent out. Lastly, a total of one thousand and eighty-eight (1,088) copies of the questionnaire, which represent thirty-two per cent (32%) of the three thousand four hundred (3,400) copies given out, were not returned despite moral suations and several visits to the respondents.

Table 4.1: SUMMARY OF DISTRIBUTION OF QUESTIONNAIRE AND RESPONSES BY LOCAL GOVERNMENT AREAS

S/N	Local Government Area	Copies Given Out	Copies Returned	Returned Copies Approx (%)	Usable Responses	Usable Responses Approx (%)	Unusable Responses Number & Approx (%)
1.	Agege	170	126	74%	118	69%	8 (6%)
2.	Ajeromi-Ifelodun	170	111	65%	101	59%	10 (9%)
3.	Alimosho	170	132	78%	123	72%	9 (7%)
4.	Amuwo-Odofin	170	99	58%	94	55%	5 (5%)
5.	Apapa	170	109	64%	103	61%	6 (5½%)
6.	Badagry	170	92	54%	88	52%	4 (4%)
7.	Epe	170	76	45%	72	42%	4 (5%)
8.	Eti-Osa	170	123	72%	117	69%	6 (5%)
9.	Ibeju-Lekki	170	109	64%	104	61%	5 (4½%)
10.	Ifako-Ijaye	170	128	75%	121	71%	7 (5½%)
11.	Ikeja	170	132	78%	123	72%	9 (7%)
12.	Ikorodu	170	98	58%	97	57%	1 (1%)
13.	Kosofe	170	102	60%	99	58%	3 (3%)
14.	Lagos Island	170	119	70%	112	66%	7 (6%)
15.	Lagos Mainland	170	133	78%	122	72%	11 (8½%)
16.	Mushin	170	136	80%	126	74%	10 (7%)
17.	Ojo	170	97	57%	93	55%	4 (4%)
18.	Oshodi-Isolo	170	139	82%	124	73%	15 (11%)
19.	Shomolu	170	130	76%	126	74%	4 (3%)
20.	Surulere	170	121	71%	113	66%	8 (7%)
Total		3,400	2,312	68%	2,176	64%	136 (4%)

Source: Author's Survey (2012) -Values generated from administered questionnaire.

4.2 DEMOGRAPHIC DATA ANALYSIS

This section analyses the demographic data of the respondents used for this study. The analysis is in terms of the respondents' gender, age, marital status, qualification, working experience and types of trade of the respondents. The frequency distribution of the demographic variables are shown in Table 4.2. The Table shows that a total of one thousand eight hundred and seventy-three (1,873) respondents are males while three hundred and three (303) are females. These represent approximately, eighty-six per cent (86%) and fourteen per cent (14%) respectively. The reason for the wide gap between the gender is because a number of the trades are dominated by men or exclusively reserved for men, for example, bricklaying/building, carpentry, motorcycle riding, panel beating/welding and vulcanizing to mention just a few.

Table 4.2 also reveals that the majority of the respondents were adults with their ages ranging between twenty (20) and sixty (60) years while only a few were below twenty (20) years of age. These represent approximately ninety-eight per cent (98%) and two (2%) per cent respectively. The reason for the low frequency of respondents below twenty year is that by law and tradition, minors (infants) are not eligible to engage in trade. Also as depicted in Table 4.2, approximately seventy-eight per cent (78%) of the respondents are married, nineteen per cent (19%) were single, one per cent (1%) were separated while one per cent (1%) were divorced. The result shows that marriage institution is highly recognised in Nigeria based on the high frequency recorded for married respondents. The few respondents who are single are in their twenties and likelyto be awaiting marriage.

An approximately seventy-eight per cent (78%) of the respondents had WASC/GCE/NECO, OND, HND, B.Sc. and other certificates while approximately twenty-two per cent (22%) of the respondents had only primary six school leaving certificate which is set as the minimum qualification for the participants in this study. This is as shown in Table 4.2. It is believed that those with the above qualifications could read and write simple English Language fairly well, thus being able to complete the questionnaire correctly. In addition, Table 4.2 shows that approximately eighty-two per cent (82%) of the respondents had working experience of six (6) years and above, while about eighteen per cent (18%) of the respondents had working experience ranging from one (1) to five (5) years.

Table 4.2: DEMOGRAPHY OF RESPONDENTS

Gender	Frequency	Valid Per cent	Cumulative Per cent
Male	1873	86.1	86.1
Female	303	13.9	100.0
Total	2176	100.0	
Age (Years)	**Frequency**	**Valid Per cent**	**Cumulative Per cent**
20 and below	34	1.6	1.6
20-30	551	25.3	26.9
31-40	804	36.9	63.8
41-50	525	24.1	88.0
51-60	262	12.0	100.0
Total	2176	100.0	
Marital Status	**Frequency**	**Valid Per cent**	**Cumulative Per cent**
Married	1707	78.4	78.4
Single	420	19.3	97.7
Separated	23	1.1	98.8
Divorced	26	1.2	100.0
Total	2176	100.0	
Type of Qualification	**Frequency**	**Valid Per cent**	**Cumulative Per cent**
First School Leaving Certificate (Primary Six)	475	21.8	21.8
WASC/GCE/NECO	1098	50.5	72.3
OND	327	15.0	87.3
HND	103	4.7	92.0
B.Sc.	85	3.9	96
Others	88	4.0	100.0
Total	2176	100.0	
Working Experience (Years)	**Frequency**	**Valid Per cent**	**Cumulative Per cent**
1-5	396	18.2	18.2
6-10	709	32.6	50.8
11-15	566	26.0	76.8
16-20	237	10.9	87.7
Above 20	268	12.3	100.0
Total	2176	100.0	

Source: Author's Survey (2012)

4.3 DESCRIPTIVE AND INFERENTIAL ANALYSIS OF TAXPAYERS' PERCEPTION OF THE COMPONENTS OF GOOD GOVERNANCE

Research questions 1–5 (RQs 1-5) sought to investigate the impact of good governance on voluntary tax compliance in Lagos State, Nigeria. Thus the five research questions formulated based on the components of good governance in chapter one were analysed in this section. The analysis was done by carefully interpreting the frequency tables generated from the descriptive statistical procedures and the inferential statistical tables. This is as discussed in the subsequent sub-sections.

4.3.1 The Impact of Taxpayers' Perception of Government's Accountability and Transparency on Voluntary Tax Compliance in Lagos State, Nigeria

This sub-section aims at establishing the perception of taxpayers on government's accountability and transparency. The question to test the understanding of the impact of these variables on voluntary tax compliance is stated below.

Research Question 1 (RQ 1): How does taxpayers' perception of government's accountability and transparency impact on voluntary tax compliance in Lagos State, Nigeria?

Research question one is intended to determine the extent to which accountability and transparency, which are a part of the fundamental principles of good governance, impact on voluntary tax compliance in Lagos State, Nigeria. The set of items perceived to be fair measures of these components of good governance in relation to voluntary tax compliance for this study were contained in serial numbers 1-3, Part II, Section A of the questionnaire on the five-point Likert scale basis.

The Table 4.3 shows the frequencies for accountability and transparency in relation to the willingness of taxpayers to pay their taxes voluntarily. A total of two thousand one hundred and thirty six (2,136) respondents srongly agree/agree that taxpayers will be more willing to pay their taxes if government is accountable to the governed and also transparent in it's operations. This represents approximately ninety-eight per cent (98%) of the total responses. However, thirty seven (37) respondents or one-point-seven per- cent (1.7%) strongly disagree/disagree with the notion that taxpayers will be more willing to pay their taxes if government is accountable to those they governed and also transparent in its operations, while three (3) or zero-point-one per cent (0.1%) of the total respondents were undecided. From the results explained above, it could be inferred that the majority of the respondents are of the opinion that accountability and transparency will impact positively on taxpayers' behaviour towards voluntary tax compliance.

Table 4.3: THE IMPACT OF TAXPAYERS' PERCEPTION OF GOVERNMENT'S ACCOUNTABILITY AND TRANSPARENCY ON VOLUNTARY TAX COMPLIANCE

Measuring Scale	Frequency	Valid Per cent	Cumulative Per cent
Strongly Disagree	6	0.3	0.3
Disagree	31	1.4	1.7
Undecided	3	0.1	1.8
Agree	753	34.6	36.4
Strongly Agree	1383	63.6	100
Total	2176	100	

Source: Author's Survey (2012)

Furthermore, the data relating to research question 1 were analysed and the corresponding hypothesis tested using Spearman's correlation, Pseudo R-Square (that is, Coefficient of determination) and PLUM-Ordinal Regression. The results are as presented in the Tables 4.4, 4.5 and 4.6 respectively.

Table 4.4: CORRELATIONS FOR ACCOUNTABILITY AND TRANSPARENCY WITH VOLUNTARY TAX COMPLIANCE (RQ 1)

Description		Voluntary Tax Compliance	Accountabilty and Transparency
Spearman's rho	Voluntary Tax Compliance		
	Correlation Coefficient	1.000	0.104**
	Sig. (2-tailed)	.	0.000
	N	2176	2176
	Accountability and Transparency		
	Correlation Coefficient	0.104**	1.000
	Sig. (2-tailed)	0.000	.
	N	2176	2176

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Author's Survey (2012) -Values generated from administered questionnaire.

The results depicted in Table 4.4 suggests that there is a positive correlation between voluntary tax compliance and accountability and transparency ($r = 0.104$) and that the relationship is significant at $p = <0.01$. Thus, the result suggests that there is a relationship between voluntary tax compliance and taxpayers' perception of government's accountability and transparency in Lagos State, Nigeria.

The Pseudo R-Square that is, coefficient of determination, r^2 for research question 1 is 0.014 or one-point-four per cent (1.4%) as shown in Table 4.5. An R-Square (r^2) in this case is a measure of the proportion of voluntary tax compliance (Dependent variable) that is explained by accountability and transparency (i. e. two of the components of the Independent variable). Thus, the Pseudo R-Square (r^2) of 0.014 implies that only about one per cent (1%) of voluntary tax compliance can be determined or explained by accountability and transparency.

Table 4.5: Pseudo R-Square for Research Question 1

Cox and Snell	0.014
Nagelkerke	0.017
McFadden	0.008

Source: Author's Survey (2012)

Test of Hypothesis 1 (H_{01}): Taxpayers' perception of government's accountability and transparency does not have a significant impact on voluntary tax compliance in Lagos State, Nigeria.

Hypothesis 1 (H_{01}) sought to answer research question 1 with respect to accountability and trasparency which are two of the fundamental components of good governance used in the modified model of the theory of planned behaviour (TPB). The measurement scale of the data collected from the field is ordinal. To establish whether or not accountability and transparency have significant impact on voluntary tax compliance, a PLUM-ordinal regression as against the ordinary least-square regression was used (see Table 4.6).

In addition, the result reported in Table 4.6 shows that there is a significant Chi-Square statistic which indicates that the model gives a significant improvement over the baseline intercept-only model. This basically shows that the model appears to give better predictions than just a mere guess based on the marginal probabilities for the outcome categories. For instance, as shown in Table 4.6, there is a significant Chi-Square statistic which indicates that Chi-square is 31.386 and $p = 0.000$. $p < \alpha$; where $\alpha = 0.05$. Therefore, the hypothesis (H_{01}) which states that taxpayers' perception of government's accountability and transparency does not have a significant impact on voluntary tax compliance in Lagos State, Nigeria is rejected.

Table 4.6: PLUM-Ordinal Regression Model Fitting Information For Research Question 1

Model	-2 Log Likelihood	Chi-Square	df	Significance
Intercept Only	239.602			
Final	208.217	31.386	4	0.000

Source: Author's Survey (2012)

4.3.2 The Impact of Taxpayers' Perception of Reduction in Fiscal Corruption on Voluntary Tax Compliance in Lagos State, Nigeria

This sub-section sought to determine through research question 2, the extent to which taxpayers' perception of fiscal corruption induces non-tax compliance in Lagos State, Nigeria. This simply means determining how perceived reduction in fiscal corruption may likely influence taxpayers to be more willing to pay their taxes voluntarily. Reduction in fiscal corruption is assumed to be a component of good governance and is expected to have influence on taxpayers' voluntary tax compliance. The following question is designed to test this relationship.

Research Question 2 (RQ 2): To what extent does taxpayers' perception of reduction in fiscal corruption induce voluntary tax compliance in Lagos State, Nigeria?

Research question 2 sought to determine the extent to which fiscal corruption induce non-tax compliance in Lagos State, Nigeria. This simply means determining how perceived reduction in fiscal corruption may likely influence taxpayers to be more willing to pay their taxes voluntarily. Research question 2 is represented by item numbers 3 and 5 in Part II, Section A of the questionnaire. Table 4.7 shows the frequencies for reduction in fiscal corruption in relation to the willingness of taxpayers to pay their taxes voluntarily. A total of two thousand and eighty-eight (2,088) respondents srongly agree/agree that taxpayers will be more willing to pay their taxes if there is perceived reduction in fiscal corruption. This represents approximately ninety-six per cent (96%) of the total responses.

However, forty-nine (49) respondents or approximately two per cent (2%) of the total respondents strongly disagree/disagree with the notion that taxpayers will be more willing to pay their taxes if there is reduction in fiscal corruption while thirty-nine (39) or less than two per cent

(1.8%) of the total respondents were undecided. From the results shown in the Table 4.7, it could be inferred that the majority of the respondents are of the opinion that reduction in fiscal corruption will impact positively on taxpayers' voluntary tax compliance.

Table 4.7: THE IMPACT OF TAXPAYERS' PERCEPTION OF REDUCTION IN FISCAL CORRUPTION ON VOLUNTARY TAX COMPLIANCE

Measuring Scale	Frequency	Valid Per cent	Cumulative Per cent
Strongly Disagree	6	0.3	0.3
Disagree	43	2.0	2.3
Undecided	39	1.8	4.0
Agree	1016	46.7	50.7
Strongly Agree	1072	49.3	100.0
Total	2176	100.0	

Source: Author's Survey (2012)

Furthermore, the data relating to research question 2 were analysed and the corresponding hypothesis tested using Spearman's correlation, Pseudo R-Square (that is, Coefficient of determination) and PLUM-Ordinal Regression to determine the effect of fiscal corruption on voluntary tax compliance.. The results are as presented in the Tables 4.8, 4.9 and 4.10 respectively. The results depicted in Table 4.8 suggest that there is a positive correlation between voluntary tax compliance and reduction in fiscal corruption ($r = 0.154$) and that the relationship is significant at $p = <0.01$. Thus the result also suggests that there is a relationship between voluntary tax compliance and reduction in fiscal corruption in Lagos State, Nigeria.

Table 4.8: CORRELATIONS FOR REDUCTION IN FISCAL CORRUPTION WITH VOLUNTARY TAX COMPLIANCE (RQ 2)

Description		Voluntary Tax Compliance	Fiscal Corruption
Spearman's rho	Voluntary Tax Compliance		
	Correlation Coefficient	1.000	0.154**
	Sig. (2-tailed)	.	0.000
	N	2176	2176
	Fiscal Corruption		
	Correlation Coefficient	0.154**	
	Sig. (2-tailed)	0.000	1.000
	N	2176	2176

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Author's Survey (2012)

The Pseudo R-Square that is, coefficient of determination, r^2 for research question 2 is 0.076 or seven-point-six per cent (7.6% or ≈ 8%) as shown in Table 4.9. Therefore, r^2 of 0.076 implies that only about eight per cent (8%) of voluntary tax compliance can be determined or explained by reduction in fiscal corruption.

Table 4.9: Pseudo R-Square for Research Question 2

Cox and Snell	0.076
Nagelkerke	0.089
McFadden	0.042

Source: Author's Survey (2012)

Test of Hypothesis 2 (H_{02}): There is no significant impact of taxpayers' perception of reduction in fiscal corruption on voluntary tax compliance in Lagos State, Nigeria.

Hypothesis 2 (H_{02}) sought to answer research question 2 with respect to reduction in fiscal corruption which is also one of the components of good governance used in the modified model of the theory of planned behaviour (TPB). To establish whether or not reduction in fiscal reduction has significant impact on voluntary tax compliance, an ordinal regression as against the ordinary least-square regression was used (see Table 4.10). Furthermore, Table 4.10 shows that there is a significant Chi-Square statistic which indicates that the model gives a significant improvement over the baseline intercept-only model. It shows that the model appears to give better predictions than just a mere guess based on the marginal probabilities for the outcome categories. For instance, as shown in Table 4.10, there is a significant Chi-Square statistic which indicates that Chi-square is 171.211 and p = 0.000. $p < \alpha$; where $\alpha = 0.05$. Therefore, the hypothesis (H_{02}) which states that there is no significant impact of taxpayers' perception of reduction in fiscal corruption on voluntary tax compliance in Lagos State, Nigeria is rejected.

Table 4.10: PLUM-Ordinal Regression Model Fitting Information For Research Question 2

Model	-2 Log Likelihood	Chi-Square	df	Significance
Intercept Only	256.482			
Final	85.271	171.211	4	0.000

Source: Author's Survey (2012)

4.3.3 The Impact of Taxpayers' Perception of Efficient and Effective Tax Administration on Voluntary Tax Compliance in Lagos State, Nigeria

This sub-section examines the impact of taxpayers' perception of efficient and effective tax administration on voluntary tax compliance in Lagos State, Nigeria. To investigate this, the study used the question 3 as stated below.

Research Question 3 (RQ 3): In what way does taxpayers' perception of efficient and effective tax administration encourage voluntary tax compliance in Lagos State, Nigeria?

Research question 3 is intended to determine the extent to which efficient and effective tax administration encourages voluntary tax compliance in Lagos State. Research question 3 is covered by item numbers 6 to 12 in Part II, Section B of the questionnaire. Efficient and effective tax administration is measured in terms of : (i) inadequacy of tax personnel (ii) poor remuneration of tax officials (iii) inadequate facilities (iv) unfriendly or poor attitude of some tax officials (v) involvement of officials of trade associations (vi) fraudulent practices by some tax officials, and (vii) tax education. Table 4.11 shows the outcome of data relating to research question 3.

Table 4.11: THE IMPACT OF TAXPAYERS' PERCEPTION OF EFFICIENT AND EFFECTIVE TAX ADMINISTRATION ON VOLUNTARY TAX COMPLIANCE

Measuring Scale	Strongly Disagree		Disagree		Undecided		Agree		Strongly Agree	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Inadequacy of Tax Personnel	32	1.5	108	5.0	38	1.7	1368	62.9	630	29.0
Poor Remuneration of Tax Officials	36	1.7	130	6.0	50	2.3	1255	57.7	705	32.4
Inadequate Administ-rative Facilities	21	1.0	136	6.3	89	4.1	1260	57.9	670	30.8
Unfriendly (Poor) Atti-tudes of Tax Officials	34	1.6	179	8.2	59	2.7	1391	63.9	513	23.6
Effect of Using Trade Associations on Tax	36	1.7	83	3.8	75	3.4	1298	59.7	684	31.4
Fraudulent Practices by Some Tax Officials	43	2.0	184	8.5	61	2.8	1112	51.1	776	35.7
Tax Education and VTC	4	0.2	112	5.1	64	2.9	1136	52.2	860	39.5

Source: Author's Survey (2012)

From Table 4.11, the result shows that a total of one thousand six hundred and ninety-eight (1,998) or ninety-two per cent (92%) of the respondents strongly agreed/agreed that inadequacy of personnel may hinder tax administration, thus encourages non-tax compliance in Lagos State. Also a total of one hundred and forty (140) or approximately six per cent (6%) of the respondents strongly disagreed/disagreed with the notion while thirty-eight respondents or approximately two percent (2%) were undecided. In addition, poor remuneration of tax officials is used to measure efficient and effective tax administration. Table 4.11 also shows that a total of one thousand nine hundred and sixty (1,960) or approximately ninety per cent (90%) of the respondents strongly agreed/agreed that poor remuneration of tax officials may affect the effectiveness of tax administration in Lagos State. A total of one hundred and sixty-six (166) respondents strongly disagreed/disagreed while fifty (50) respondents were undecided. These represent aproximately eight per cent (8%) and two per cent (2%) respectively.

On whether inadequate facility (such as pool vehicles to transport tax officials to rural areas for tax assessment) could hinder effctive tax administration in Lagos State, Table 4.11 shows that a total of one thousand nine hundred and thirty (1,930) or approximately eighty-nine per cent (89%) of the respondents strongly agreed/agreed, a total of one hundred and fifty-seven (157) or approximately seven per cent (7%) strongly disagreed/disagreed while eighty-nine (89) or approximately four percent (4%) were undecided. In addition, the study examines the impact of unfriendly (poor) attitude of some tax officials in shaping their actions towards non-tax complinace. As shown in Table 4.11, those respondents who strongly agreed/ agreed that unfriendly or poor attitudes of some tax officials may encourage non-tax compliance are one thousand nine hundred and four (1,904) or approximately eighty-seven per cent (87%), a total of two hundred and thirteen (213) i. e. approximately ten per cent (10%) strongly disagreed/disagreed while fifty-nine (59) or approximately three per cent (3%) were undecided. Furthermore, the study sought the respondents' perception on the impact of engaging officials of trade associations in tax administration. That is, whether their involvement may encourage voluntary tax compliance because they are closer to and understand their members. The results in Table 4.11 also reveal that in total, one thousand nine hundred and eighty-two (1,982) or approximately ninety-one per cent (91%) of the respondents strongly agree/agree that involvement of officials of trade association may encourage voluntary tax compliance in Lagos State, Nigeria, a total of one hundred and nineteen (119) or approximately five and a half per cent (5½%) did not agree while seventy-five (75) responedents representing approximately three and a half percent (3½%) of the total respondents were undecided.

Fraudulent practices by some tax officials was another factor that may encourage non-tax compliance as observed in this study. Table 4.11 shows that one thousand eight hundred and eighty-eight (1,888) or aproximately eighty-seven per cent (87%) of the respondents strongly agreed/agreed with that factor, two hundred and twenty seven (227) or aproximately ten per cent (10%) did not agree while sixty-one (61) or approximately per cent (3%) of the respondents were undecided.

Finally, tax education such as public awareness campaign and enlightenment programmes on tax matters may likely encourage voluntary tax compliance as observed from the study. For instance, as reported in Table 4.11, a total of one thousand nine hundred and ninety-six (1,996) or approximately ninety-two percent (92%) of the respondents strongly agree/agree with the above notion, a total of one hundred and sixteen (116) or approximately five percent (5%) strongly disagree/disagree while sixty-four (64) or approximately three percent (3%) of the respondents were undecided. In summary, the results as presented in this study suggest that efficient and effective tax administration would encourage voluntary tax compliance in Lagos State, Nigeria.

Furthermore, the data relating to research question 3 stated above were analysed and the corresponding hypothesis tested using Spearman's correlation, Pseudo R-Square (that is, Coefficient of determination) and PLUM-Ordinal Regression. The results are as presented in the Tables 4.12, 4.13 and 4.14. The result as shown in Table 4.12 suggests that there is a positive correlation between voluntary tax compliance and efficient and effective tax administration ($r = 0.223$) and that the relationship is significant at $p = <0.01$. Thus, the result suggests that there is a relationship between voluntary tax compliance and efficient and effective tax administration in Lagos State, Nigeria.

Table 4.12: CORRELATIONS FOR EFFICIENT AND EFFECTIVE TAX ADMINISTRATION WITH VOLUNTARY TAX COMPLIANCE (RQ3)

Description		Voluntary Tax Compliance	Efficient and Effective Tax Administration
Spearman's rho	Voluntary Tax Compliance		
	Correlation Coefficient	1.000	0.223**
	Sig. (2-tailed)	.	0.000
	N	2176	2176
	Efficient and Effective Tax Administration		
	Correlation Coefficient	0.223**	1.000
	Sig. (2-tailed)	0.000	.
	N	2176	2176

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Author's Survey (2012)

The Pseudo R-Square that is, coefficient of determination, r^2 for research question 3 is 0.066 or six-point-six per cent (6.6% or ≈ 7%) as shown in Table 4.13. Therefore, r^2 of 0.066 implies that only about seven per cent (7%) of voluntary tax compliance can be determined or explained by efficient and effective tax administration in Lagos State. Thus, it could be implied that even though tax administration appears to be fairly efficient and effective in Lagos State, the level of efficiency and effectiveness appears not to be as high as it should be.

Table 4.13: Pseudo R-Square for Research Question 3

Cox and Snell	0.066
Nagelkerke	0.077
McFadden	0.036

Source: Author's Survey (2012)

Test of Hypothesis 3 (H_{03}): Taxpayers' perception of efficient and effective tax administration does not have a significant impact on voluntary tax compliance in Lagos State, Nigeria.

Hypothesis 3 (H_{03}) sought to answer research question 3 with respect to efficient and effective tax administration used in the modified model of the theory of planned behaviour (TPB). To establish whether or not efficient and effective tax administration has significant impact on voluntary tax compliance, an ordinal regression as against the ordinary least-square regression was also used. In addition, Table 4.14 shows significant Chi-Square statistic which indicates that the model gives a significant improvement over the baseline intercept-only model. For instance, as shown in Table 4.14, there is a significant Chi-Square statistic which indicates that Chi-square is 147.942 and p = 0.000. $p < \alpha$; where $\alpha = 0.05$. Therefore, the hypothesis (H_{03}) which states that taxpayers' perception of efficient and effective tax administration does not have a significant impact on voluntary tax compliance in Lagos State, Nigeria is rejected.

Table 4.14: PLUM-Ordinal Regression Model Fitting Information For Research Question 3

Model	-2 Log Likelihood	Chi-Square	df	Significance
Intercept Only	317.450			
Final	169.508	147.942	3	0.000

Source: Author's Survey (2012)

4.3.4 The Impact of Taxpayers' Perception of Efficient and Effective Tax Laws and Tax Policies on Voluntary Tax Compliance

The main aim of this sub-section is to determine the adequacy of the prevailing tax laws and tax policies with respect to voluntary tax compliance in Lagos State, Nigeria. Research question 4 stated below was used to test this proposition.

Research Question 4 (RQ 4): To what extent do taxpayers perceive the prevailing tax laws and tax policies in Lagos State, Nigeria as adequate for voluntary tax compliance?

Research question 4 is covered by item numbers 13 to 18 in Part II, Section C of the questionnaire. Efficient and effective tax laws and tax policies are measured in terms of : (i) enough awareness of tax laws (ii) knowledge of the legal implication of non-tax compliance (iii) simplicity and easy understandabilty of tax laws (iv) adequacy of the application of tax law when there is non-tax compliance (v) taxpayer friendliness of tax policies and administration, and (vi) the impact of the prevailing tax laws and tax policies. Essentially, the respondents were asked if there are enough awareness of tax laws to influence voluntary tax compliance in Lagos State.

The results of the study obtained from the data collected as reported in Table 4.15 show that a total of one thousand four hundred and forty-one (1,441) or approximately sixty-six per cent (66%) of the respondents strongly agreed/agreed that there is enough awareness of tax laws in Lagos State, a total of six hundred and forty-four (644) or approximately thirty per cent (30%) strongly disagreed/disagreed while ninety-one (91) or approximately four per cent (4%) of the respondents were undecided. In addition, the study examines if the taxpayers are aware of the legal implication of non- tax compliance in Lagos State. Table 4.15 shows that a total of one thousand three hundred and eighty-six (1,386) or approximately sixty-four per cent (64%) of the respondents strongly agree/agree that they have knowledge of the legal implication of non-tax compliance, seven hundred and eighteen (718) in total, or approximately thirty-three per cent (33%) strongly disagree/disagree that they have the knowledge of the legal implication of non-tax compliance, while seventy-two (72) or approximately three per cent (3%) were undecided.

Furthermore, the study also examines whether or not the tax laws are simple and easy to understand by the taxpayers. The result as contained in Table 4.15 reveals that a total of one thousand four hundred and seventy-seven (1,477) or approximately sixty-eight per cent (68%) of the respondents strongly agreed/agreed that tax laws in Lagos State are simple and easy to understand, six hundred and forty-six (646) in total or approximately thirty per cent (30%) did not agree while fifty-three (53) or approximately two per cent (2%) of the respondents were undecided. The respondents' perception was sought on the adequacy of the application of tax laws in Lagos State when there is a case of non-tax compliance. Table 4.15 also shows that one thousand four hundred and thirty-three (1,433) in total, or approximately sixty-six per cent (66%) of the respondents believed that tax laws in Lagos State are being adequately applied when there is a case of non-tax compliance. However, a total of six hundred and eighty-four (684) or approximately thirty-one per cent (31%) did not believe that assertion while fifty-nine (59) or approximately three per cent (3%) of the respondents were undecided.

The study also looks at whether or not tax administration and policies in Lagos state are taxpayer-friendly. The result as reported in Table 4.15 reveals that a total of one thousand two hundred and fifty-seven (1,257) or approximately fifty-eight per cent (58%) of the respondents strongly agree/agree that tax policies and administration in Lagos State is taxpayer-friendly, eight hundred and thirty-eight (838) or approximately thirty-eight per cent (38%) strongly disagreed/disagreed with that notion while eighty-one (81) or approximately four per cent (4%) of the respondents were undecided. Furthermore, the study examines the impact of the prevailing tax laws and tax policies in Lagos State on taxpayers' voluntary tax compliance. The result as shown in Table 4.15 reveals that a total of one thousand four hundred and eight (1,408) or approximately sixty-five per cent (65%) of the respondents strongly agree/agree that the prevailing tax laws and tax policies in Lagos State have positive impact on taxpayers' voluntary tax compliance, six hundred and eighty-nine (689) or approximately thirty-two per cent (32%) in total did not agree while seventy-nine (79) or approximately three per cent (3%) of the respondents were undecided. In summary, the results suggest that the prevailing tax laws and tax policies are adequate for voluntary tax compliance in Lagos State, Nigeria.

Table 4.15: THE IMPACT OF TAXPAYERS' PERCEPTION OF EFFICIENT AND EFFECTIVE TAX LAWS AND TAX POLICIES ON VOLUNTARY TAX COMPLIANCE

Measuring Scale	Strongly Disagree		Disagree		Undecided		Agree		Strongly Agree	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
There is Enough Awareness of Tax Laws	99	4.50	545	25.0	91	4.2	919	42.2	522	24.0
Legal Implication of Non-tax Compliance	57	2.6	661	30.4	72	3.3	1155	53.1	231	10.6
Taxpayers' Understanding of the Tax Laws	66	3.0	580	26.7	53	2.4	1115	51.2	362	16.6
Adequate Application of Tax Laws	33	1.5	651	29.9	59	2.7	1241	57.0	192	8.8
Friendliness of Tax Policies & Administration	69	3.2	769	35.3	81	3.7	1005	46.2	252	11.6
Good Impact of Tax Laws and Tax Policies on VTC	75	3.4	614	28.2	79	3.6	1139	52.3	269	12.4

Source: Author's Survey (2012)

The data relating to research question 4 were also further analysed and the corresponding hypothesis tested using Spearman's correlation, Pseudo R-Square (that is, Coefficient of determination) and PLUM-Ordinal Regression. The results are as presented in the Tables 4.16, 4.17 and 4.18. The result as reported in Table 4.16 suggests that there is a positive correlation between voluntary tax compliance and efficient and effective tax laws and tax policies (r = 0.407) and that the relationship is significant at p = <0.01. Thus the result of the study suggests that there is a relationship between voluntary tax compliance and efficient and effective tax laws and tax policies in Lagos State, Nigeria.

Table 4.16: CORRELATIONS FOR EFFICIENT AND EFFECTIVE TAX LAWS AND TAX POLICIES WITH VOLUNTARY TAX COMPLIANCE (RQ4)

Description		Voluntary Tax Compliance	Efficient and Effective Tax Laws and Tax Policies
Spearman's rho	Voluntary Tax Compliance		
	Correlation Coefficient	1.000	0.407**
	Sig. (2-tailed)	.	0.000
	N	2176	2176
	Efficient and Effective Tax Laws and Tax Policies		
	Correlation Coefficient	0.407**	1.000
	Sig. (2-tailed)	0.000	.
	N	2176	2176

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Author's Survey (2012)

The Pseudo R-Square that is, coefficient of determination, r^2 for research question 4 is 0.209 or twenty-point-nine per cent (20.9% or ≈ 21%) as shown in Table 4.17. Therefore, r^2 of 0.209 implies that only about twenty one per cent (21%) of voluntary tax compliance can be determined or explained by efficient and effective tax laws and tax policies in Lagos State. Thus it could also be implied that even though tax laws and tax policies appears to be fairly efficient and effective in Lagos State, the level of efficiency and effectiveness appears not to be as high as it should be.

Table 4.17: Pseudo R-Square for Research Question 4

Cox and Snell	0.209
Nagelkerke	0.246
McFadden	0.124

Source: Author's Survey (2012)

Test of Hypothesis 4 (H_{04}): There is no significant impact of taxpayers' perception of efficient and effective tax laws and tax policies on voluntary tax compliance in Lagos State, Nigeria.

In order to test the impact of efficient and effective tax laws and tax policies on voluntary tax compliance, Hypothesis 4 (H_{04}) was formulated. Hypothesis 4 (H_{04}) relates to Research question 4 with respect to efficient and effective tax laws and tax policies used in the modified model of the theory of planned behaviour (TPB). To establish whether or not efficient and effective tax laws and tax policies have significant impact on voluntary tax compliance, an ordinal regression as against the ordinary least-square regression was also used. The Chi-Square reported in Table 4.18 shows that there is a significant Chi-Square statistic which indicates that the model gives a very significant improvement over the baseline intercept-only model. For instance, as shown in Table 4.18, there is a significant Chi-Square statistic which indicates that Chi-square is 509.634 and $p = 0.000$. $p < \alpha$; where $\alpha = 0.05$. Therefore, the hypothesis (H_{04}) which states that there is no significant impact of taxpayers' perception of efficient and effective tax laws and tax policies on voluntary tax compliance in Lagos State, Nigeria is rejected.

Table 4.18: PLUM-Ordinal Regression Model Fitting Information For Research Question 4

Model	-2 Log Likelihood	Chi-Square	df	Significance
Intercept Only	687.341			
Final	177.707	509.634	4	0.000

Source: Author's Survey (2012)

4.3.5 The Impact of Taxpayers' Perception of Socio-economic Considerations on Voluntary Tax Compliance in Lagos State, Nigeria

This sub-section is intended to determine the extent to which socio-economic considerations influence taxpayers' voluntary tax compliance in Lagos State, Nigeria. This is tested using Research question 5 as stated below.

Research Question 5 (RQ 5): In what way does taxpayers' perception of socio-economic considerations impact on voluntary tax compliance in Lagos State, Nigeria?

Research question 5 consists of items numbers 19 to 25 in Part II, Section D of the questionnaire. Socio-economic consideration is measured mainly in terms of : social life style of a taxpayer, negative perception on payment of tax by peer group and family pressure. The outcome of the investigation with respect to the above variables are contained in Table 4.19.

Table 4.19 shows the influence of the social life style of a taxpayer on voluntary tax compliance. As revealed in Table 4.19, the results of the study shows that a total of one thousand seven hundred and ninety-eight (1,798) or approximately eighty-three per cent (83%) of the respondents strongly agreed/agreed that the socio-economic life-style of a taxpayer may influence their voluntary tax compliance in Lagos State. A total of three hundred and thirteen (313) or approximately fourteen per cent (14%) strongly disagreed/disagreed while sixty-five (65) or approximately three per cent (3%) of the respondents were undecided. The impact of negative perception of payment of taxes by peer group on non-tax compliance was also examined in this study. The result is shown in Table 4.19. The Table shows that a total of two thousand and twelve (2,012) respondents or approximately ninety-two per cent (92%) strongly agreed/agreed that negative perception on payment of taxes by peer group may encourage non-tax compliance, one hundred and four (104) respondents in total, or approximately five per cent

(5%) strongly disagreed/disagreed while sixty respondents (60) or approximately three per cent (3%) of the respondents were undecided.

Furthermore, the results of the influence of family pressure such as paying for school fees, medical bills and demands from in-laws on individual taxpayer are also presented in Table 4.19. As shown in Table 4.19, a total of two thousand and twelve (2,012) respondents or approximately ninety-two per cent (92%) strongly agreed/agreed that family pressure such as paying for children school fees, medical bills, demands from in-laws on individual taxpayer may encourage non-tax compliance, ninety-nine (99) respondents in total, or approximately five per cent (5%), strongly disagreed/disagreed with this assertion while sixty-five (65) or approximately three per cent (3%) of the respondents were undecided. The results of the influence which large number of apprentices and high volume of job (turnover) has on artisans' voluntary tax compliance are also contained in Table 4.19. The results of the study as shown in Table 4.19 reveal that majority of the respondents totalling one thousand eight hundred and sixty-four (1,864) or approximately eighty-six per cent (86%) strongly agree/agree that artisans with large number of apprentices and high volume of job (turnover) pay their taxes voluntarily to government. In the same vein, the results of the influence which small number of apprentices and high volume of job (turnover) has on artisans' voluntary tax compliance are also contained in Table 4.19.

Table 4.19 shows that majority of the respondents totalling one thousand eight hundred and forty-eight (1,848) or approximately eighty-five per cent (85%) strongly agree/agree that artisans with small number of apprentices and high volume of job (turnover) pay their taxes voluntarily to government. Also, the results of the influence which large number of apprentices but low volume of job (turnover) has on artisans' voluntary tax compliance shows that majority of the respondents totalling one thousand seven hundred and fifty-two (1,752) or approximately eighty-one per cent (81%) strongly agree/agree that artisans with large number of apprentices but low volume of job (turnover) pay taxes voluntarily to government (see Table 4.19).

Lastly, in line with the above trend, the results of the influence which small number of apprentices and low volume of job (turnover) has on artisans' voluntary tax compliance are presented in Table 4.19. Table 4.19 shows that majority of the respondents totalling one thousand seven hundred and forty-one (1,741) or approximately eighty per cent (80%) strongly agree/agree that artisans with small number of apprentices and low volume of job (turnover) pay taxes voluntarily to government. In essence, based on the analysis of the artisans in relation to their apprentices and their turnover as stated above, it appears that there is a strong indication that majority of the artisans pay their taxes voluntarily to government.

Table 4.19: THE IMPACT OF TAXPAYERS' PERCEPTION OF SOCIO-ECONOMIC CONSIDERATIONS ON VOLUNTARY TAX COMPLIANCE

Measuring Scale	Strongly Disagree		Disagree		Undecided		Agree		Strongly Agree	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Influence of Social Life-Style of Taxpayers	34	1.6	279	12.7	65	3.0	1144	52.6	654	30.1
Negative Perception of tax by Peer-Group on VTC	35	1.6	69	3.2	60	2.8	1582	72.7	430	19.8
Influence of Family Pressure on VTC	53	2.4	46	2.1	65	3.0	1277	58.7	735	33.8
Artisans with Large No. of Apprentices & High Turnover	33	1.5	184	8.5	95	4.4	1560	71.7	304	14.0
Artisans with Small No. of Apprentices & High Turnover	49	2.3	228	10.5	51	2.3	1596	73.3	252	11.6
Artisans with Large No. of Apprentices & Low Turnover	49	2.3	298	13.7	77	3.5	1507	69.3	245	11.3
Artisans with Small No. of Apprentices & LowTurnover	66	3.0	298	13.7	71	3.3	1511	69.4	230	10.6

Source: Author's Survey (2012)

The data relating to research question 5 were further analysed and the corresponding hypothesis tested using Spearman's correlation, Pseudo R-Square (that is, Coefficient of determination), PLUM-Ordinal Regression and Crosstabulations. The results of the correlation and regression analysis are as presented in the Tables 4.20, 4.21 and 4.22. The result depicted in Table 4.20 indicates that there is a very high positive correlation between voluntary tax compliance and socio-economic considerations (r = 0.789) and that the relationship is significant at p = <0.01. Thus the result as shown in the Table 4.20 suggests that there is a relationship between voluntary tax compliance and socio-economic considerations of taxpayers in Lagos State, Nigeria. This appears to be the most outstanding outcome of the study.

Table 4.20: CORRELATIONS FOR SOCIO-ECONOMIC CONSIDERATIONS WITH VOLUNTARY TAX COMPLIANCE (RQ 5)

Description		Voluntary Tax Compliance	Socio-economic Considerations
Spearman's rho	Voluntary Tax Compliance		
	Correlation Coefficient	1.000	0.789**
	Sig. (2-tailed)	.	0.000
	N	2176	2176
	Socio-economic Considerations		
	Correlation Coefficient	0.789**	1.000
	Sig. (2-tailed)	0.000	.
	N	2176	2176

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Author's Survey (2012)

The Pseudo R-Square that is, coefficient of determination, r^2 for research question 5 is 0.569 or fifty six-point-nine per cent (56.9% or ≈ 57%) as shown in Table 4.21. Therefore, r^2 of 0.569 implies that about fifty seven per cent (57%) of voluntary tax compliance can be determined or explained by socio-economic considerations in Lagos State, Nigeria. This is the highest of all the Pseudo R-Square for all the components of good governance used for this study.

Table 4.21: Pseudo R-Square for Research Question 5

Cox and Snell	0.569
Nagelkerke	0.669
McFadden	0.444

Source: Author's Survey (2012)

Test of Hypothesis 5 (H_{05}): Taxpayers' perception of socio-economic considerations does not have a significant impact on voluntary tax compliance in Lagos State, Nigeria.

Hypothesis 5 (H_{05}) sought to answer research question 5 with respect to socio-economic considerations used in the modified model of the theory of planned behaviour (TPB). To establish whether or not socio-economic considerations have significant impact on voluntary tax compliance, an ordinal regression as against the ordinary least-square regression was used. The Chi-Square reported in Table 4.19 shows that there is a significant Chi-Square statistic which indicates that the model gives a significant improvement over the baseline intercept-only model. For instance, as shown in Table 4.19, there is a significant Chi-Square statistic which indicates that Chi-square is 1830.043 and $p = 0.000$. $p < \alpha$; where $\alpha = 0.05$. Therefore, the hypothesis (H_{05}) which states that taxpayers' perception of socio-economic considerations does not have a significant impact on voluntary tax compliance in Lagos State, Nigeria is also rejected.

Table 4.22: PLUM-Ordinal Regression Model Fitting Information For Research Question 5

Model	-2 Log Likelihood	Chi-Square	df	Significance
Intercept Only	1885.218			
Final	55.174	1830.043	3	0.000

Source: Author's Survey (2012)

4.4 FURTHER DESCRIPTIVE ANALYSIS OF SOCIO-ECONOMIC CONSIDERATIONS AND VOLUNTARY TAX COMPLIANCE

Further analysis of the data as presented in appendices 3 to 7 suggest that four hundred and fifty (450) or approximately twenty-one per cent (21%) of the respondents were on the average monthly generated income of less than five thousand Naira (< N5,000) bracket; one hundred and thirteen respondents or approximately five per cent (5%) are earning on the average, between five thousand and seven thousand Naira per month (N5,000-N7,500); two hundred and thirty-five respondents, representing approximately eleven per- cent (11%) of the respondents are generating income on the average between seven thousand five hundered Naira and ten thousand Naira (N7,500-N10,000); three hundred and eight respondents (308) or approximately fourteen per cent (14%) earns between ten thousand Naira and fifteen thousand Naira (N10,000-N15,000) per month on the average; four hundred and eight (408) respondents which represents approximately nineteen per cent (19%) earns between fifteen thousand Naira and twenty thousand Naira (N15,000-N20,000) per month on the average while six hundred and sixty-two (662) respondents, which is approximately thirty per cent (30%) generate average monthly income of above twenty thousand Naira (> N20,000) (Appendix 3).

Finally, the results show that one thousand three hundred and eighty-two (1,382) or sixty-three and a half per cent (63.50%) of the respondents pay taxes ranging between one thousand five hundred Naira and two thousand five hundred Naira (N1,500-N2,500) per annum. Two hundred and eighteen (218) representing ten per cent (10%) of the respondents pay taxes ranging between two thousand five hundred Naira and three thousand Naira (N2,500-N3,000) per annum; one hundred and eighty-two (182) respondents which represents approximately eight per cent (8%) pay taxes of between three thousand Naira and four thousand Naira per annum. Also, two hundred and seventy-one (271) or twelve and a half per cent (12.50%) of the respondents pay an average of four thousand Naira and five thousand Naira (N4,000-N5,000) as taxes per annum; sixty-eight (68) respondents which is approximately three per cent (3%) of the respondents pay taxes of between five thousand Naira and six thousand Naira (N5,000-N6,000); forty-nine (49) respondents or approximately two per cent (2%) pay taxes of between six thousand Naira and ten thousand Naira (N6,000-N10,000) per annum while only six (6) respondents representing less than one per cent (0.3%) of the total respondents pay taxes in excess of twenty thousand Naira (> N20,000) per annum (Appendix 4).

From the results, investigation about how often the taxpayers pay their taxes reveals that majority of the taxpayers pay their taxes every year. This accounts for one thousand eight hundred and eighty-five (1,885) respondents or approximately eighty-seven per cent (87%) of the total respondents. One hundred and fifty-two (152) respondents or seven per- cent (7%) paid a year ago; sixty-two (62) respondents, representing approximately three per-cent (3%) paid two years ago, forty-eight (48) respondents, which is appoximately two per-cent paid three years ago; one taxpayer paid four years ago and five taxpayers paid five years ago; both of the taxpayers who paid their taxes four and five years ago are less than one per cent (< 1%) of the total respondents, while twenty-three (23) respondents or approximately one per cent (1%) claimed that they paid their taxes last over five years ago (Appendix 5).

In addition, the results revealed that majority of the artisan and tradesmen pay their taxes through their trade associations. For instance, one thousand seven hundred and three (1,703) respondents pay their taxes to the government through their trade associations. This respresents approximately seventy-eight per cent (78%) of the total respondents. Three hundred and eighty-nine (389), representing approximately eighteen per cent (18%) of the respondents pay their taxes by themselves at the tax office in their local government areas; eighty-one (81) respondents, which is approximately four per cent (4%) pay their taxes by themselves at the approved banks by the State Government while only three (3) respondents or less than one per cent (< 1%) of the total respondents pay their taxes at the State Board of Internal Revenue (Appendix 6).

Lastly, the results show that two hundred and eighty-two (282) respondents representing thirteen per cent (13%), do not have any apprentice; three hundred and sixty-one (361) respondents representing about seventeen per cent (17%) have an apprentice each; five hundred and thirty-six (536) respondents representing about twenty-five per cent (25%) have two apprentices each; four hundred and eighty-four (484) respondents or about twenty-two per cent (22%) have three apprentices each; three hundred and fifteen (315) respondents or about fifteen per cent (15%) have four apprentices each; one hundred and forty (140) respondents representing about six per cent (6%) have five apprentices each; twenty-seven (27) respondents or about one per cent (1%) have six apprentices each; fourteen (14) respondents or less than one per cent (< 1%) have seven apprentices each; sixteen (16) respondents or less than one per cent (< 1%) have eight apprentices each while only one (1) respondent which represents zero per cent has ten apprentices (Appendix 7).

It is envisaged that all the variables in the appendices discussed above, (although they are not hypothesised and tested statistically), may have influence on taxpayers' voluntary tax compliance. In addition to the socio-economic variables analysed above, the influence of some variables, as measures of socio-economic considerations, such as average income generated per month by taxpayer and average tax paid per annum by taxpayer over voluntary tax compliance were analysed using crosstabulation statistics. The results of the crosstabulation statistics are explained below.

4.4.1 The Effect of Average Income Generated Per Month on Voluntary Tax Compliance

This sub-section attempts to determine how average income generated by the taxpayers per month affects the taxpayers' voluntary tax compliance. The results of the cross tabulation are shown in Table 4.23.

Table 4.23: CROSSTABULATION FOR AVERAGE INCOME GENERATED PER MONTH AND VOLUNTARY TAX COMPLIANCE

	Voluntary Tax Compliance					
Description	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total
Average Income Generated Per Month from your trade – My monthly average total income is in the region of:						
Less than N5,000	20	279	100	44	7	450
N5,000-N7,500	8	22	27	32	24	113
N7,500-N10,000	4	36	85	97	13	235
N10,000-N15,000	11	38	82	121	56	308
N15,000-N20,000	17	107	93	138	53	408
Above N20,000	15	132	248	151	116	662
Total	75	614	635	583	269	2176

Source: Author's Survey (2012)

Table 4.23 shows that two hundred and ninety-nine (299) respondents or approximately sixty-six point four-four per cent (66.44%) of the total respondents of four hundred and fifty (450) that earn average income of less than five thousand Naira (< N5,000) per month strongly disagreed/disagreed that their income influences their voluntary tax compliance. Fifty-one (51) respondents, representing approximately eleven point three-three per cent (11.33%) Strongly agreed/agreed that their voluntary tax compliance is influenced by their income while one hundred (100) respondents or approximately twenty-two point two-two per cent (22.22%) were undecided on whether or not their income has impact on their voluntary tax compliance.

Out of the one hundred and thirteen (113) respondents on the average monthly income bracket of five thousand Naira to seven thousand five hundred Naira (N5,000-N7,500), thirty (30) respondents, which represents approximately twenty-six point five-zero per cent (26.50%) strogly disagreed/disagreed that their income has influence on their voluntary tax compliance; fifty-six (56) which is approximately forty-nine point five-zero per cent (49.50%) of the respondents strongly agreed/agree while twenty-seven (27) respondents or approximately twenty-four per cent (24%) were undecided as to whether or not their income influences their voluntary tax compliance.

A total of two hundred and thirty-five (235) respondents were on the average income bracket of between seven thousand five hundred Naira and ten thousand Naira (N7,500-N10,000). Forty (40) out of these respondents, representing approximately seventeen point zero-two per cent (17.02%) strongly disagreed/disagreed that their voluntary tax compliance is influenced by their average monthly income, one hundred and ten (110) respondents, which represents approximately forty-six point eight-one per cent (46.81%) strongly agreed/agreed that their voluntary tax compliance is influenced by their average monthly income, while eighty-five (85) respondents, which is approximately thirty-six point one-seven per cent (36.17%) were undecided. Taxpayers on the average monthly income bracket of between ten thousand Naira and fifteen thousand Naira (N10,000-N15,000) are three hundred and eight (308) in total. Forty-nine (49), representing approximately sixteen per cent (16%) of these respondents strongly disagreed/disagreed that voluntary tax compliance is influenced by their income, one hundred and seventy-seven (177) that is, approximately fifty-seven per cent (57%) of the respondents strongly agreed/agreed that their income influences their voluntary tax compliance while eighty-two (82) or approximately twenty-seven per cent (27%) were undecided.

Four hundred and eight respondents (408) are on the average monthly income level of between fifteen thousand Naira and twenty thousand Naira (N15,000-N20,000). One hundred and twenty-four (124) or approximately thirty per cent (30%) of the respondents in this income level strongly disagreed/disagreed that their income influences their voluntary tax compliance, one hundred and ninety-one (191) or approximately forty-seven per cent (47%) of the respondents strongly agreed/agreed that their voluntary tax compliance is influenced by their income while ninety-three (93) or approximately twenty-three per cent (23%) were undecided.

Finally, one hundred and forty seven (147) or approximately twenty-two point two-one per cent (22.21%) of the total six hundred and sixty-two (662) respondents in the average income bracket of above twenty thousand Naira (> N20,000) strongly disagreed/disagreed that their income influences their voluntary tax compliance, two hundred and sixty-seven respondents (267) or approximately forty point three-three per cent (40.33%) of the respondents strongly agreed/agreed that their voluntary tax compliance is influenced by their income while two hundred and forty-eight (248), which is approximately thirty-seven point four-six per cent (37.46%) of the respondents were undecided as to whether or not their voluntary tax compliance is influenced by their income level.

4.4.2 The Impact of Average Tax Paid Per Annum on Voluntary Tax Compliance

This sub-section is concerned with the determination of whether or not average tax paid per annum has impact on taxpayers. The result of the cross tabulation exercise in this regard is as shown in Table 4.24.

Table 4.24: CROSSTABULATION FOR AVERAGE TAX PAID PER ANNUM AND VOLUNTARY TAX COMPLIANCE

	Voluntary Tax Compliance					
Description	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total
Average Tax Paid by you per annum – My yearly average tax paid is in the region of:						
N1,500-2,500	46	464	358	384	130	1382
N2,500-N3,000	15	34	71	64	34	218
N3,000-N4,000	11	55	46	23	47	182
N4,000-N5,000	3	51	117	77	23	271
N5,000-N6,000	0	10	24	9	25	68
N6,000-N10,000	0	0	17	22	10	49
Above N10,000	0	0	2	4	0	6
Total	75	614	635	583	269	2176

Source: Author's Survey (2012)

Table 4.24 shows that five hundred and ten (510) respondents, representing approximately thirty six point nine-zero per cent (36.90%) of the total respondents of one thousand three hundred and eighty-two (1,382) that paid average tax of between one thousand, five hundred Naira and two thousand, five hundred Naira (N1,500-N2,500) per annum strongly disagreed/disagreed that the tax paid by them influenced their voluntary tax compliance. Five hundred and fourteen (514) respondents, which represents approximately thirty-seven point one-nine per cent (37.19%) strongly agreed/agreed that their voluntary tax compliance is influenced by the tax paid by them while three hundred and fifty-eight (358) respondents which is approximately twenty-five point nine-zero per cent (25.90%) were undecided on whether or not the tax paid by them has impact on their voluntary tax compliance.

Out of the two hundred and eighteen (218) respondents on the average tax paid per annum bracket of two thousand five hundred Naira to three thousand Naira (N2,500-N3,000), forty-nine (49) respondents, that is, approximately twenty-two point four-seven per cent (22.47%) strogly disagreed/disagreed that the tax paid by them has influence on their voluntary tax compliance, ninety-eight (98) or approximately forty-four point nine-five per cent (44.95%) of the respondents strongly agreed/agree that the tax paid by them do influence their voluntary tax compliance while seventy-one (71) respondents or approximately thirty-two point five-seven per cent (32.57%) were undecided as to whether or not the tax paid by them influences their voluntary tax compliance.

A total of one hundred and eighty-two (182) respondents were on the average tax paid per annum bracket of between three thousand Naira and four thousand Naira (N3,000-N4,000). Sixty-six (66) out of these respondents, which is approximately thirty-six point two-six per cent (36.26%) strongly disagreed/disagreed that their voluntary tax compliance is influenced by the average tax paid per annum by them; seventy (70) respondents representing approximately thirty-eight point four-six per cent (38.46%) strongly agreed/agreed that their voluntary tax compliance is influenced by the average tax paid by them per annum while forty-six (46) respondents, which represents approximately twenty-five point two-seven percent of the respondents were undecided.

Taxpayers on the average tax paid bracket of between four thousand Naira and five thousand Naira (N4,000-N5,000) are two hundred and seventy-one (271) in total. Fifty-four (54), that is, approximately twenty per cent (20%) of these respondents strogly disagreed/disagreed that voluntary tax compliance is influenced by the tax paid by them, one hundred (100) or approximately thirty-seven percent (37%) of the respondents strongly agreed/agreed that the tax paid by them influences their voluntary tax compliance while one hundred and seventeen (117) or approximately forty-three per cent (43%) were undecided.

Sixty-eight respondents (68) are on the average tax paid per annum bracket of between five thousand Naira and six thousand Naira (N5,000-N6,000), ten (10) or approximately fifteen per cent (15%) of the respondents in this tax paid per annum bracket strongly disagreed/disagreed that the tax paid by them per annum influences their voluntary tax compliance, thirty-four (34) representing fifty per cent (50%) of the respondents strongly agreed/agreed that their voluntary tax compliance is influenced by the tax paid by them per annum while twenty-four (24), which represents approximately thirty-five per cent (35%) were undecided. Thirty-two (32) or approximately sixty-five per cent (65%) of the total forty-nine (49) respondents in the average tax payable per annum bracket of six thousand Naira to ten thousand Naira(N6,000-N10,000) strongly agreed/agreed that the tax payable by them per annum influences their voluntary tax compliance, seventeen (17) respondents, which is approximately thirty-five per cent (35%) of the respondents were undecided as to whether or not their voluntary tax compliance is influenced by the tax they pay while no single respondent either strongly disagreed or disagreed as the case may be.

Finally, only six (6) respondents pay taxes above ten thousand Naira. Out of this figure, four (4) respondents, that is approximately sixty-seven percent (67%) strongly agreed/agreed that their voluntary tax compliance is influenced by the tax paid by them, no respondent strongly disagreed/disagreed while two (2) respondents or approximately thirty-three per cent (33%) were undecided as to whether or not tax paid by them influences their voluntary tax compliance.

4.5 SYMMETRIC STATISTICS ANALYSIS OF SOCIO-ECONOMIC CONSIDERATIONS AND VOLUNTARY TAX COMPLIANCE

This section intends to determine the symmetric relationship between socio-economic considerations and voluntary tax compliance. Thus, the symmetric measure statistics shown in Tables 4.25 and 4.26 further lend credence to the relvance and significance of socio-economic considerations in the determination of its impact on voluntary tax compliance.

4.5.1 The Effect of Average Income Generated Per Month on Voluntary Tax Compliance

This sub-section attempts to determine how average income generated by the taxpayers per month is related to taxpayers' voluntary tax compliance. The results of the symmetric analysis are shown in Table 4.25. As a result of the crosstabulations, Table 4.25 shows that ordinal-by-ordinal, there is positive correlation between the average income generated per month and voluntary tax compliance ($r = 0.237$) and the relationship is significant at $p = <0.05$. This implies that there is a significant relationship between average income generated per month and voluntary tax compliance.

Table 4.25: SYMMETRIC MEASURES FOR AVERAGE INCOME GENERATED PER MONTH VERSUS VOLUNTARY TAX COMPLIANCE

Description	Value	Asymp. Std. Error	Approx. T	Approx. Sig.
Inreval by Interval - Pearson's R	0.266	0.019	12.874	0.000
Ordinal by Ordinal - Spearman's Correlation	0.237	0.021	11.386	0.000
Nunmber of Valid Cases	2176			

Source: Author's Survey (2012)

4.5.2 The Impact of Average Tax Paid Per Annum on Voluntary Tax Compliance

Table 4.26 also shows an ordinal-by-ordinal positive correlation between average tax paid per annum and voluntary tax compliance (r = 0.134) and that the relationship is significant at p = <0.05, however, this relationship appears not to be strong enough.

Table 4.26: SYMMETRIC MEASURES FOR AVERAGE TAX PAID PER ANNUM VERSUS VOLUNTARY TAX COMPLIANCE

Description	Value	Asymp. Std. Error	Approx. T	Approx. Sig.
Inreval by Interval - Pearson's R	0.141	0.020	6.638	0.000
Ordinal by Ordinal - Spearman's Correlation	0.134	0.021	6.285	0.000
Nunmber of Valid Cases	2176			

Source: Author's Survey (2012)

4.6 REGRESSION ANALYSIS (PLUM – ORDINAL REGRESSION) AND CORRELATIONS FOR THE COMPONENTS OF GOOD GOVERNANCE AND VOLUNTARY TAX COMPLIANCE

This sub-section deals with the examination of the combined effects of all the components of the independent variable on the dependent variable. Thus in addition to the computations and tests above, an ordinal regression was done to measure the impact of all the components of the independent variable, that is, good governance (accountabilty and transparency, reduction in fiscal corruption, efficient and effective tax administration, efficient and effective tax laws and tax policies; and socio-economic considerations) on the dependent variable (voluntary tax compliance). The results of the ordinal regression are presented below. Table 4.27 shows that Pseudo R-Square, that is, coefficient of determination (r^2) is 0.611 representing approximately sixty-one per cent (61%). This implies that approximately sixty-one per cent (61%) of voluntary tax compliance is influenced by all the components of the independent variable (combined), which were considered for the study.

Table 4.27: Pseudo R-Square For Research Questions 1-5

Cox and Snell	0.611
Nagelkerke	0.719
McFadden	0.498

Source: Author's Survey (2012)

The Chi-square reported in Table 4.28 is the difference between 2 Log likelihood for the intercept-only model and that for the final model within the rounding error. In addition, the Chi-square statistic is very significant and this indicates that the model gives a significant improvement over the baseline intercept-only model. Hence, it could be impplied that the model gives a better predictions than just a mere guess based on the marginal probabilities for the outcome categories. For instance, as shown in Table 4.28, Chi-square is 2054.365 and p = 0.000. $p < \alpha$; where $\alpha = 0.05$. Therefore, all the hypotheses which state that accountability and transparency, reduction in fiscal corruption, efficient and effective tax administration, efficient and effective tax laws and tax policies; and socio-economic considerations do not have significant impact on voluntary tax compliance in Lagos State, Nigeria are rejected.

Table 4.28: PLUM-Ordinal Regression Model Fitting Information For Research Questions 1-5

Model	-2 Log Likelihood	Chi-Square	df	Significance
Intercept Only	2890.306			
Final	835.941	2054.365	17	0.000

Source: Author's Survey (2012)

Finally, a measure of how the components of the independent variable interact with each other is indicated by the non-parametric correlation presented in Table 4.29. It is noted that it appears that a weak relationship exists between voluntary tax compliance and acountability and transparency, voluntary tax compliance and reduction in fiscal corruption, voluntary tax compliance and efficient and effective tax administration; and also between voluntary tax compliance and efficient and effective tax laws and tax policies while there appears to be a very strong relationship between voluntary tax compliance and socio-economic considerations, as explained below.

Table 4.29: NONPARAMETRIC CORRELATIONS FOR THE COMPONENTS OF GOOD GOVERNANCE AND VOLUNTARY TAX COMPLIANCE

Description		Accountability and Transparency	Reduction in Fiscal Corruption	Efficient and Effective Tax Administration	Efficient and Effective Tax Laws and Tax Policies	Socio-Economic Considerations	Voluntary Tax Compliance
Spearman's rho	**Accountability and Transparency**						
	Correlation Coefficient	1.000	0.426**	-0.001	0.132**	0.105**	0.104**
	Sig. (2-tailed)	.	0.000	0.972	0.000	0.000	0.000
	N	2176	2176	2176	2176	2176	2176
	Reduction in Fiscal Corruption						
	Correlation Coefficient	0.426**	1.000	0.062**	0.053*	0.177**	0.154**
	Sig. (2-tailed)	0.000	.	0.004	0.014	0.000	0.000
	N	2176	2176	2176	2176	2176	2176
	Efficient and Effective Tax Administration						
	Correlation Coefficient	-0.001	0.062**	1.000	0.229**	0.224**	0.223**
	Sig. (2-tailed)	0.972	0.004	.	0.000	0.000	0.000
	N	2176	2176	2176	2176	2176	2176
	Efficient and Effective Tax Laws and tax Policies						
	Correlation Coefficient	0.132**	0.053*	0.229**	1.000	0.337**	0.407**
	Sig. (2-tailed)	0.000	0.014	0.000	.	0.000	0.000
	N	2176	2176	2176	2176	2176	2176
	Socio-Economic Considerations						
	Correlation Coefficient	0.105**	0.177**	0.224**	0.337**	1.000	0.789**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	.	0.000
	N	2176	2176	2176	2176	2176	2176
	Voluntary Tax Compliance						
	Correlation Coefficient	0.104**	0.154**	0.223**	0.407**	0.789**	1.000
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	.
	N	2176	2176	2176	2176	2176	2176

****. Correlation is significant at the 0.01 level (2-tailed)**
***. Correlation is significant at the 0.05 level (2-tailed)**

Source: Author's Survey (2012)

Table 4.29 shows the correlation matrix for all the considered variables in this study. The results indicate that all the variables, that is, accountability and transparency; reduction in fiscal corruption; efficient and effective tax administration; efficient and effective tax laws and tax policies; and socio-economic considerations, are positively correlated with voluntary tax compliance ($r = 0.104$, $r = 0.154$, $r = 0.223$, $r = 0.407$ and $r = 0.789$ respectively). In addition, the relationships between voluntary tax compliance with respect to accountability and transparency; reduction in fiscal corruption; efficient and effective tax administration; efficient and effective tax laws and tax policies; and socio-economic considerations are significant at $p = <0.01$.

However, the result implies that accountability and transparency, reduction in fiscal corruption and efficient and effective tax administration appear to have weak relationship with voluntary tax compliance while efficient and effective tax laws and tax policies appear to have fair relationship with voluntary tax compliance. On the other hand, socio-economic considerations has the highest correlation with voluntary tax compliance ($r = 0.789$). Further, the relationship between voluntary tax compliance and socio-economic considerations is significant at $p = <0.01$. This implies that socio-economic considerations appears to have a strong positive relationship with voluntary tax compliance. Thus the result of the relationship between voluntary tax compliance and socio-economic considerations is probably the most outstanding outcome of the study.

The results as contained in Table 4.29 further reveal that accountability is positively correlated with fiscal corruption, efficient and effective tax laws and tax policies and socio-economic considerations while it is negatively correlated with effective and efficient tax administration ($r = 0.426$, $r = 0.132$, $r = 0.105$ and $r = -0.001$ respectively). In addition, the relationships between accountability and transparency with respect to reduction in fiscal corruption, efficient and effective tax laws and tax policies and socio-economic considerations are significant at $p = <0.01$.

The relationship between accountability and tranparency with respect to efficient and effective tax administration is negative and is not significant ($r = -0.001$). It is discovered that reduction in fiscal corruption is correlated with efficient and effective tax administration, efficient and effective tax laws and tax policies; and socio-economic considerations ($r = 0.062$, $r = 0.053$ and $r = 0.177$ respectively). The relationship between reduction in fiscal corruption , efficient and effective tax administration and socio-economic considerations is significant at $p = <0.01$, while the relationship between reduction in fiscal corruption and efficient and effective tax laws and tax policies is significant at $p = <0.05$.

The results also indicate that efficient and effective tax administration is positively correlated with efficient and effective tax laws and tax policies; and socio-economic considerations ($r = 0.229$ and $r = 0.224$ respectively). These relationships are significant at $p = <0.01$. This implies that efficient and effective tax administration appears to have a weak relationship with efficient and effective tax laws and tax policies; and socio-economic considerations. Finally, as indicated in Table 4.29, efficient and effective tax laws and tax policies is also positively correlated with socio-economic considerations ($r = 0.337$). The relationship between efficient and effective tax laws and tax policies and socio-economic consideration is significant at $p = <0.01$.

4.7 ANALYSIS OF THE MEAN INDICES FOR THE COMPONENTS OF GOOD GOVERNANCE AND VOLUNTARY TAX COMPLIANCE

A further analysis is done to determine the mean index of taxpayers' perception of good governance on voluntary tax compliance. Accountability and transparency; and reduction in fiscal corruption are items 1, 2 and 3 in the questionnaire and are measured using an index computed from the items in the questionnaire. The sum of the scores on each set of items, rated on 5-point Likert scale is averaged and regarded as an index of each component of good governance. Taxpayers' perception of accountability and transparency, and reduction in fiscal corruption on voluntary tax compliance was determined from the examination of this index. An index below 3.0 would mean that taxpayers have poor perception about good governance on voluntary tax compliance. This implies that the taxpayers may not perceive that anything good will be coming from government, thus, this may adversely affect their voluntary tax compliance.

However, indexes that are between 3.0 and 5.0 imply that taxpayers have good perception about good governance on voluntary tax compliance but with varying degrees, which ranges between fairly good or moderately good perception and very good perception. This suggests that taxpayers may be favouarably disposed to paying taxes voluntarily if they perceived that there is accountability and transparency, and reduction in fiscal corruption on the part of the government, hence good governance is perceived to be in place. From the Table 4.30, the mean indexes of the impact of taxpayers' perception for accountabilty and transparency; and reduction in fiscal corruption on voluntary tax compliance are approximately 4.60, and 4.43 respectively, Since the mean of each of these components of good governance as reported in Table 4.30 is 3.0, it implies that taxpayers have a good perception of the impact of good governance on voluntary tax compliance. In addition, a further analysis was carried out to determine the mean index of taxpayers' perception of the impact of efficient and effective tax administration on voluntary tax compliance.

Table 4.30: MEAN INDICES OF THE IMPACT OF TAXPAYERS' PERCEPTION OF GOOD GOVERNANCE ON VOLUNTARY TAX COMPLIANCE

Variables	N	Minimum	Maximum	Mean	Standard Deviation
Accountability and transparency	2176	1	5	4.5974	0.60166
Reduction in fiscal corruption	2176	1	5	4.4269	0.65754
Efficient and effective tax administration	2176	2	5	4.1282	0.58220
Efficient and effective tax laws and tax policies	2176	1	5	3.5170	0.93301
Socio-economic considerations	2176	2	5	3.8874	0.58699
Valid N (listwise)	2176				

Source: Author's Survey (2012)

Table 4.30 also shows the mean indices obtained from taxpayers' perception of the impact of efficiency and effectiveness of tax administration on voluntary tax compliance using items 6-12 in the questionnaire. The mean of the efficient and effective tax administration as shown in Table 4.30 is approximately 4.13. The implication of this is that taxpayers have a good perception of the impact which efficient and effective tax administration will have on voluntary tax compliance, since the mean of efficient and effective tax administration is above 3.0 regarded as the mean index, which is the average of the scores of the sum of each of the items used to mesure efficient and effective tax administration, rated on 5-point Likert scale.

Furthermore, the mean index of taxpayers' perception of efficient and effective tax laws and tax policies on voluntary tax compliance is also shown in Table 4.30, using items 13-18 in the questionnaire. The mean of the efficient and effective tax laws and tax policies as shown in

Table 4.30 is approximately 3.52. This suggests that taxpayers appears to have a fair or moderate perception of the impact which efficient and effective tax laws and tax policies will have on voluntary tax compliance, since the mean of efficient and effective tax laws and tax policies is above 3.0 regarded as the mean index, which is the average of the scores of the sum of each of the items used to measure efficient and effective tax laws and tax policies, rated on 5-point Likert scale. The implication of this is that taxpayers may be having mixed feeling about the efficiency and effectiveness of tax laws and tax policies in relation to voluntary tax compliance with respect to its awareness, simplicity, adequacy and enforcement.

Lastly, Table 4.30 shows the mean obtained for taxpayers' perception of socio-economic considerations on voluntary tax compliance using items 19-25 in the questionnaire. The mean of taxpayers' perception of socio-economic considerations as shown in Table 4.30 is approximately 3.89. Also, this suggests that taxpayers appears to have a fair or moderate perception of the impact which socio-economic considerations will have on voluntary tax compliance, since the mean of taxpayers' perception of socio-economic considerations is above 3.0 regarded as the mean index, which is the average of the scores of the sum of each of the items used to measure socio-economic considerations, rated on 5-point Likert scale. The implication of this is that taxpayers may be having mixed feeling, specifically about their social life style, negative perception on payment of taxes by peer group and family pressure in relation to their voluntary tax compliance.

4.8 INVESTIGATION OF THE EFFICACY OF THE THEORY OF PLANNED BEHAVIOUR IN RELATION TO VOLUNTARY TAX COMPLIANCE IN LAGOS STATE, NIGERIA

The theory of planned behaviour as proposed by Ajzen (1991) hinges of the notion that a particular behaviour (which in this study is voluntary tax compliance) will be achieved through the interplay of some key variables which are attitude towards behaviour (that is, attitude towards tax compliance; this relates to behavioural beliefs), subjective norms (these relate to normative beliefs), perceived behavioural control (this relates to control beliefs) and behavioural intention (that is, tax compliance intention). The five research questions (RQs 6-10) formulated for investigating the efficacy of the theory of planned behaviour in relation to voluntary tax compliance in Lagos State, Nigeria were tested and analysed in this section. The relationships which exist amongst these key variables together with voluntary tax compliance are tested in turns and the analysis was done by carefully interpreting the frequency tables generated from the descriptive statistical procedures and the inferential statistics in order to determine whether or not the theory as proposed holds true in Lagos State, Nigeria. Findings from the study are explained below.

4.8.1 The Influence of Taxpayers' Attitude Towards Tax Compliance on Tax Compliance Intention in Lagos State, Nigeria

Research Question 6 (RQ 6): How does taxpayers' attitude towards tax compliance influence tax compliance intention in Lagos State, Nigeria?

Research question 6 is intended to determine the extent to which taxpayers' attitude towards tax compliance influences tax compliance intention in Lagos State, Nigeria. The set of items perceived to be fair measures of taxpayers' attitude towards tax compliance in relation to tax compliance intention for this study were contained in serial numbers 1 - 3 in Part II, Section A of the questionnaire on the Likert's five-point scale basis. Table 4.31 shows the outcome of research question 6.

Table 4.31: THE INFLUENCE OF TAXPAYERS' ATTITUDE TOWARDS TAX COMPLIANCE ON TAX COMPLIANCE INTENTION

Measuring Scale	Frequency	Valid Per cent	Cumulative Percent
Strongly Disagree	6	0.28	0.28
Disagree	20	0.92	1.20
Undecided	37	1.70	2.90
Agree	1031	47.38	50.28
Strongly Agree	1082	49.72	100.0
Total	2176	100.0	

Source: Author's Survey (2012)

The result of the investigation as reported in Table 4.31 indicates that a total of two thousand one hundred and thirteen (2,113) respondents, representing approximately ninety-seven-point-one per cent (97.1%) of the total respondents strongly agree/agree that attitude towards tax compliance will have impact on tax compliance intention in Lagos State. Twenty six (26) respondents, representing one-point-two per cent (1.2%) strongly disagree/disagree that attitude towards compliance will have impact on tax compliance intention, while thirty seven (37) respondents, representing one-point-seven per cent (1.7%) were undecided.

Furthermore, the data relating to research question 6 were analysed and the corresponding hypothesis tested using Spearman's correlation, Pseudo R-Square (that is, Coefficient of determination) and PLUM-Ordinal Regression. The results of the correlation and regression analysis are as presented in the Tables 4.32, 4.33 and 4.34. The results depicted in Table 4.32 indicate that there is a positive correlation between attitude towards tax compliance and tax compliance intention (r = 0.439) and that the relationship is significant at p = <0.01. Thus the result as shown in Table 4.32 suggests that there is a relationship between attitude towards tax compliance and tax compliance intention in Lagos State, Nigeria.

Table 4.32: CORRELATIONS FOR ATTITUDE TOWARDS TAX COMPLIANCE WITH TAX COMPLIANCE INTENTION (RQ 6)

Description		Attitude Towards Tax compliance	Tax Compliance Intention
Spearman's rho	Attitude Towards Tax Compliance Correlation Coefficient	1.000	0.439**
	Sig. (2-tailed)	.	0.000
	N	2176	2176
	Tax Compliance Intention Correlation Coefficient	0.439**	1.000
	Sig. (2-tailed)	0.000	.
	N	2176	2176

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Author's Survey (2012)

The Pseudo R-Square that is, coefficient of determination, r^2 for research question 6 is 0.232 or twenty three-point-two per cent (23.2% or ≈ 23%) as shown in Table 4.33. Therefore, r^2 of 0.232 implies that about twenty three per cent (23%) of tax compliance intention can be determined or explained by attitude towards tax compliance in Lagos State, Nigeria.

Table 4.33: Pseudo R-Square for Research Question 6

Cox and Snell	0.232
Nagelkerke	0.305
McFadden	0.185

Source: Author's Survey (2012)

Test of Hypothesis 6 (H_{06}): Taxpayers' attitude towards tax compliance does not have a significant impact on tax compliance intention in Lagos State, Nigeria.

Hypothesis 6 (H_{06}) sought to answer research question 6 with respect to attitude towards tax compliance used in the modified theory of planned behaviour (TPB). To establish whether or not attitude towards tax compliance has a significant impact on tax compliance intention, an ordinal regression as against the ordinary least-square regression was used. The Chi-Square reported in Table 4.34 shows that there is significant Chi-Square statistic which indicates that the model gives a significant improvement over the baseline intercept-only model. For instance, as shown in Table 4.34, Chi-square is 575.351 and $p = 0.000$. $p < \alpha$; where $\alpha = 0.05$. Therefore, the hypothesis (H_{06}) which states that taxpayers' attitude towards tax compliance does not have a significant impact on tax compliance intention in Lagos State, Nigeria is also rejected.

Table 4.34: PLUM-Ordinal Regression Model Fitting Information For Research Question 6

Model	-2 Log Likelihood	Chi-Square	df	Significance
Intercept Only	624.420			
Final	49.069	575.351	4	0.000

Source: Author's Survey (2012)

4.8.2 The Impact of Taxpayers' Perception of Subjective Norms on Tax Compliance Intention in Lagos State, Nigeria

Research Question 7 (RQ 7): In what way does taxpayers' perception of subjective norms impact on tax compliance intention in Lagos State, Nigeria?

Research question 7 sought to determine the extent to which taxpayers' perception of subjective norms impacts on tax compliance intention in Lagos State, Nigeria. The set of items perceived to be fair measures of taxpayers' perception of subjective norms in relation to tax compliance intention for this study were contained in serial numbers 19-25 in Part II, Section B of the questionnaire on the Likert's five-point scale basis. Table 4.35 shows the outcome of the data analysis relating to research question 7.

Table 4.35: THE IMPACT OF TAXPAYERS' PERCEPTION OF SUBJECTIVE NORMS ON TAX COMPLIANCE INTENTION

Measuring Scale	Frequency	Valid Per cent	Cumulative Per cent
Strongly Disagree	12	0.55	0.55
Disagree	43	1.98	2.53
Undecided	306	14.06	16.59
Agree	1278	58.73	75.32
Strongly Agree	537	24.68	100.0
Total	2176	100.0	

Source: Author's Survey (2012)

Table 4.35 shows that a total of one thousand one hundred and fifteen (1,815) respondents, representing approximately eighty-three-point four-one per cent (83.41%) of the total respondents strongly agree/agree that subjective norms will have influence on their tax compliance intention in Lagos State. Fifty five respondents in total, representing approximately two-point-five-three per cent (2.53%) strongly disagree/disagree that sujective norms will have impact on their tax compliance intention, while three hundred and six (306) respondents, representing approximately fourteen-point-zero-six per cent (14.06%) were undecided.

The data relating to research question 7 were further analysed and the corresponding hypothesis tested using Spearman's correlation, Pseudo R-Square (that is, Coefficient of determination) and PLUM-Ordinal Regression. The results of the correlation and regression analysis are as presented in the Tables 4.36, 4.37 and 4.38. The results depicted in Table 4.36 indicates that there is a positive correlation between subjective norms and tax compliance intention (r = 0.165) and that the relationship is significant at p = <0.01. Thus the result as shown in the Table 4.36 suggests that there is a relationship between subjective norms and tax compliance intention in Lagos State, Nigeria.

Table 4.36: CORRELATIONS FOR SUBJECTIVE NORMS WITH TAX COMPLIANCE INTENTION (RQ 7)

Description		Subjective Norms	Tax Compliance Intention
Spearman's rho	Subjective Norms Correlation Coefficient	1.000	0.165**
	Sig. (2-tailed)	.	0.000
	N	2176	2176
	Tax Compliance Intention Correlation Coefficient	0.165**	1.000
	Sig. (2-tailed)	0.000	.
	N	2176	2176

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Author's Survey (2012)

The Pseudo R-Square that is, coefficient of determination, r^2 for research question 7 is 0.037 or three-point-seven per cent (3.7% or ≈ 4%) as shown in Table 4.37. Therefore, r^2 of 0.037 implies that only about four per cent (4%) of tax compliance intention can be determined or explained by subjective norms in Lagos State, Nigeria.

Table 4.37: Pseudo R-Square for Research Question 7

Cox and Snell	0.037
Nagelkerke	0.048
McFadden	0.026

Source: Author's Survey (2012)

Test of Hypothesis 7 (H_{07}): There is no significant impact of taxpayers' perception of subjective norms on tax compliance intention in Lagos State, Nigeria.

Hypothesis 7 (H_{07}) sought to answer research question 7 with respect to subjective norms used in the modified theory of planned behaviour (TPB). To establish whether or not subjective norms have a significant impact on tax compliance intention, an ordinal regression as against the ordinary least-square regression was used. The Chi-Square reported in Table 4.38 shows that there is significant Chi-Square statistic which indicates that the model gives a significant improvement over the baseline intercept-only model. For instance, as shown in Table 4.38, Chi-square is 81.471 and p = 0.000. $p < \alpha$; where $\alpha = 0.05$. Therefore, the hypothesis (H_{07}) which states that there is no significant impact of taxpayers' perception of subjective norms on tax compliance intention in Lagos State, Nigeria is also rejected.

Table 4.38: PLUM-Ordinal Regression Model Fitting Information For Research Question 7

Model	-2 Log Likelihood	Chi-Square	df	Significance
Intercept Only	189.847			
Final	108.376	81.471	4	0.000

Source: Author's Survey (2012)

4.8.3 The Influence of Perceived Behavioural Control on Tax Compliance Intention in Lagos State, Nigeria

Research Questions 8 (RQ 8): How does perceived behavioural control influence taxpayers' tax compliance intention in Lagos State, Nigeria?

Research question 8 is intended to determine the extent to which perceived behavioural control influences tax compliance intention in Lagos State, Nigeria. The set of items perceived to be fair measures of perceived behavioural control in relation to tax compliance intention for this study were contained in serial numbers 6-12 in Part II, Section B and serial numbers 13-18 in Part II, Section C of the questionnaire on the Likert's five-point scale basis. The proposition is tested using the variables stated above and Table 4.39 shows the outcome of the analysis.

Table 4.39: INFLUENCE OF PERCEIVED BEHAVIOURAL CONTROL ON TAX COMPLIANCE INTENTION IN LAGOS STATE

Measuring Scale	Frequency	Valid Per cent	Cumulative Percent
Strongly Disagree	-	-	-
Disagree	34	1.56	1.56
Undecided	561	25.78	27.34
Agree	1375	63.19	90.53
Strongly Agree	206	9.47	100.0
Total	2176	100.0	

Source: Author's Survey (2012)

Table 4.39 reveals that a total of one thousand five hundred and eighty-one (1,581) respondents, representing approximately seventy-two-point-six-six per cent (72.66%) of the total respondents strongly agree/agree that perceived behavioural control will have impact on tax compliance intention in Lagos State. Thirty four (34) respondents in total, representing approximately one-point-five-six per cent (1.56%) disagree that perceived behavioural control will have impact on tax compliance intention, while five hundred and sixty-one (561) respondents, representing approximately twenty six per cent (25.78%) were undecided.

Furthermore, the data relating to research question 8 were analysed and the corresponding hypothesis tested using Spearman's correlation, Pseudo R-Square (that is, Coefficient of determination) and PLUM-Ordinal Regression. The results of the correlation and regression analysis are as presented in the Tables 4.40, 4.41 and 4.42. The results depicted in Table 4.40

indicates that there is a negative correlation between perceived behavioural control and tax compliance intention (r = -0.015) and that the relationship is not significant. Thus the result as shown in the Table 4.40 suggests that there is an insignificant negative (adverse) relationship between perceived behavioural control and tax compliance intention in Lagos State, Nigeria.

Table 4.40: CORRELATIONS FOR PERCEIVED BEHAVIOURAL CONTROL WITH TAX COMPLIANCE INTENTION (RQ 8)

Description		Perceived Behavioural Control	Tax Compliance Intention
Spearman's rho	Perceived Behavioural Control Correlation Coefficient Sig. (2-tailed) N	1.000 . 2176	-0.015 0.000 2176
	Tax Compliance Intention Correlation Coefficient Sig. (2-tailed) N	-0.015 0.000 2176	1.000 . 2176

Source: Author's Survey (2012)

The Pseudo R-Square that is, coefficient of determination, r^2 for research question 8 is 0.007 or zero-point-seven per cent (0.7% or < 1%) as shown in Table 4.41. Therefore, r^2 of 0.007 implies that less than one per cent (< 1%) of tax compliance intention can be determined or explained by perceived behavioural control in Lagos State, Nigeria.

Table 4.41: Pseudo R-Square for Research Question 8

Cox and Snell	0.007
Nagelkerke	0.009
McFadden	0.005

Source: Author's Survey (2012)

Test of Hypothesis 8 (H_{08}): Perceived behavioural control does not have a significant impact on tax compliance intention in Lagos State, Nigeria.

Hypothesis 8 (H_{08}) sought to answer research question 8 with respect to perceived behavioural control used in the modified theory of planned behaviour (TPB). To establish whether or not perceived behavioural control has a significant impact on tax compliance intention, an ordinal regression as against the ordinary least-square regression was used. The Chi-Square reported in Table 4.42 shows that there is significant Chi-Square statistic which indicates that the model gives a significant improvement over the baseline intercept-only model. For instance, as shown in Table 4.42, Chi-square is 14.299 and $p = 0.003$. $p < \alpha$; where $\alpha = 0.05$. Therefore, the hypothesis (H_{08}) which states that perceived behavioural control does not have a significant impact on tax compliance intention in Lagos State, Nigeria is also rejected.

Table 4.42: PLUM-Ordinal Regression Model Fitting Information For Research Question 8

Model	-2 Log Likelihood	Chi-Square	df	Significance
Intercept Only	125.768			
Final	111.470	14.299	3	0.003

Source: Author's Survey (2012)

4.8.4 The Impact of Taxpayers' Tax Compliance Intention on Voluntary Tax Compliance in Lagos State, Nigeria

Research Question 9 (RQ 9): To what extent does taxpayers' tax compliance Intention impact on voluntary tax compliance in Lagos State, Nigeria?

Research question 9 sought to determine the extent to which taxpayers' tax compliance intention impacts on voluntary tax compliance in Lagos State, Nigeria. The set of items perceived to be fair measures of taxpayers' attitude towards tax compliance in relation to tax compliance intention for this study were contained in serial numbers 4 and 5 in Part II, Section A of the questionnaire on the Likert's five-point scale basis. The proposition is tested using the variables stated above and Table 4.43 shows the outcome of the test.

Table 4.43: THE IMPACT OF TAXPAYERS' TAX COMPLIANCE INTENTION ON VOLUNTARY TAX COMPLIANCE

Measuring Scale	Frequency	Valid Per cent	Cumulative Percent
Strongly Disagree	-	-	-
Disagree	19	0.87	0.87
Undecided	20	0.92	1.79
Agree	679	31.20	32.99
Strongly Agree	1458	67.01	100.0
Total	2176	100.0	

Source: Author's Survey (2012)

Table 4.43 shows that the majority of the respondents totalling two thousand one hundred and thirty seven (2,137) or approximately ninety-eight-point-two-one per cent (98.21%) strongly agree/agree that taxpayers's tax compliance intention will have impact on voluntary tax compliance in Lagos state, Nigeria.

The data relating to reseach question 9 were further analysed and the corresponding hypothesis tested using Spearman's correlation, Pseudo R-Square (that is, Coefficient of determination) and PLUM-Ordinal Regression. The results of the correlation and regression analysis are as presented in the Tables 4.44, 4.45 and 4.46. The results depicted in Table 4.44 indicates that there is a positive correlation between tax compliance intention and voluntary tax compliance (r = 0.087) and that the relationship is significant p = <0.01. Thus the result as shown in the Table

4.44 suggests that there is a significant relationship between tax compliance intention and voluntary tax compliance in Lagos State, Nigeria.

Table 4.44: CORRELATIONS FOR TAX COMPLIANCE INTENTION WITH VOLUNTARY TAX COMPLIANCE (RQ 9)

Description		Tax Compliance Intention	Voluntary Tax Compliance
Spearman's rho	Tax compliance Intention Correlation Coefficient	1.000	0.087**
	Sig. (2-tailed)		0.000
	N	2176	2176
	Voluntary Tax Compliance Correlation Coefficient	0.087**	1.000
	Sig. (2-tailed)	0.000	.
	N	2176	2176

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Author's Survey (2012)

The Pseudo R-Square that is, coefficient of determination, r^2 for research question 9 is 0.025 or two-point-five per cent (2.5%) as shown in Table 4.45. Therefore, r^2 of 0.025 implies that only two-point-five per cent (2.5%) of voluntary tax compliance can be determined or explained by tax compliance intention in Lagos State, Nigeria.

Table 4.45: Pseudo R-Square for Research Question 9

Cox and Snell	0.025
Nagelkerke	0.029
McFadden	0.013

Source: Author's Survey (2012)

Test of Hypothesis 9 (H_{09}): Taxpayers' tax compliance intention does not have a significant impact on voluntary tax compliance in Lagos State, Nigeria.

Hypothesis 9 (H_{09}) sought to answer research question 9 with respect to the impact of tax compliance intention on voluntary tax compliance used in the modified theory of planned behaviour (TPB). To establish whether or not tax compliance intention has a significant impact on voluntary tax compliance, an ordinal regression as against the ordinary least-square regression was used. The Chi-Square reported in Table 4.46 shows that there is significant Chi-Square statistic which indicates that the model gives a significant improvement over the baseline intercept-only model. For instance, as shown in Table 4.46, Chi-square is 54.795 and $p = 0.000$. $p < \alpha$; where $\alpha = 0.05$. Therefore, the hypothesis (H_{09}) which states that taxpayers' tax compliance intention does not have a significant impact on voluntary tax compliance in Lagos State, Nigeria is also rejected.

Table 4.46: PLUM-Ordinal Regression Model Fitting Information For Research Question 9

Model	-2 Log Likelihood	Chi-Square	df	Significance
Intercept Only	139.987			
Final	85.193	54.795	3	0.000

Source: Author's Survey (2012)

4.8.5 The Relationship between Perceived Behavioural Control and Voluntary Tax Compliance in Lagos State, Nigeria

Research Question 10 (RQ 10): What is the nature of relationship between perceived behavioural control and voluntary tax compliance in Lagos State, Nigeria?

Research question 10 is intended to determine the nature of the relationship between perceived behavioural control and voluntary tax compliance in Lagos State, Nigeria. The set of items perceived to be fair measures of perceived behavioural control in relation to tax compliance intention for this study were contained in serial numbers 6-12 in Part II, Section B and serial numbers 13-18 in Part II, Section C of the questionnaire on the Likert's five-point scale basis. The proposition is tested using the variables stated above and Table 4.47 shows the outcome of study. The result in Table 4.47 shows that the majority of the respondents totalling one thousand seven hundred and ninety two (1,792) or approximately eighty-two-point-three-five per cent (82.35%) strongly agree/agree that perceived behavioural control will have influence on voluntary tax compliance in Lagos state, Nigeria.

Table 4.47: THE IMPACT OF PERCEIVED BEHAVIOURAL CONTROL ON VOLUNTARY TAX COMPLIANCE

Measuring Scale	Frequency	Valid Per cent	Cumulative Percent
Strongly Disagree	4	0.18	0.18
Disagree	115	5.29	5.47
Undecided	265	12.18	17.65
Agree	1503	69.07	86.72
Strongly Agree	289	13.28	100
Total	2176	100.0	

Source: Author's Survey (2012)

In addition, the data relating to research question 10 were further analysed and the corresponding hypothesis tested using Spearman's correlation, Pseudo R-Square (that is, Coefficient of determination) and PLUM-Ordinal Regression. The results of the correlation and regression analysis are as presented in the Tables 4.48, 4.49 and 4.50. The results depicted in Table 4.48 indicates that there is a positive correlation between (r = 0.421) and that the relationship is significant p = <0.01. Thus the result as shown in the Table 4.48 suggests that there is a significant relationship between perceived behavioural control and voluntary tax compliance in Lagos State, Nigeria.

Table 4.48: CORRELATIONS FOR PERCEIVED BEHAVIOURAL CONTROL WITH VOLUNTARY TAX COMPLIANCE (RQ 10)

Description		Perceived Behavioural Control	Voluntary Tax Compliance
Spearman's rho	Perceived Behavioural Control Correlation Coefficient	1.000	0.421**
	Sig. (2-tailed)	.	0.000
	N	2176	2176
	Voluntary Tax Compliance Correlation Coefficient	0.421**	1.000
	Sig. (2-tailed)	0.000	.
	N	2176	2176

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Author's Survey (2012)

The Pseudo R-Square that is, coefficient of determination, r^2 for research question 10 is 0.211 or twenty one-point-one per cent (21.1%) as shown in Table 4.49. Therefore, r^2 of 0.211 implies that approximately twenty one per cent (21%) of voluntary tax compliance can be determined or explained by perceived behavioural control in Lagos State, Nigeria.

Table 4.49: Pseudo R-Square for Research Question 10

Cox and Snell	0.211
Nagelkerke	0.249
McFadden	0.125

Source: Author's Survey (2012)

Test of Hypothesis 10 (H_{10}): There is no significant impact of perceived behavioural control on voluntary tax compliance in Lagos State, Nigeria.

Hypothesis 10 (H_{10}) sought to answer research question 10 with respect to the impact of perceived behavioural control on voluntary tax compliance used in the modified theory of planned behaviour (TPB). To establish whether or not perceived behavioural control has a significant impact on voluntary tax compliance, an ordinal regression as against the ordinary least-square regression was used. The Chi-Square reported in Table 4.50 shows that there is significant Chi-Square statistic which indicates that the model gives a significant improvement over the baseline intercept-only model. For instance, as shown in Table 4.50, Chi-square is 516.722 and p = 0.000. $p < \alpha$; where $\alpha = 0.05$. Therefore, the hypothesis (H_{10}) which states that there is no significant impact of perceived behavioural control on voluntary tax compliance in Lagos State, Nigeria is also rejected.

Table 4.50: PLUM-Ordinal Regression Model Fitting Information For Research Question 10

Model	-2 Log Likelihood	Chi-Square	df	Significance
Intercept Only	618.360			
Final	101.638	516.722	3	0.000

Source: Author's Survey (2012)

4.9 SUMMARY OF THE RESULTS OF THE PLUM-ORDINAL REGRESSION AND CONCEPTUAL MODEL FOR THE STUDY

Table 4.51 shows the summary of the results of the PLUM-Ordinal Regression analysis for all the hypotheses tested.

Table 4.51: PLUM-Ordinal Regression Model Fitting Information For Null Hypotheses 1-10

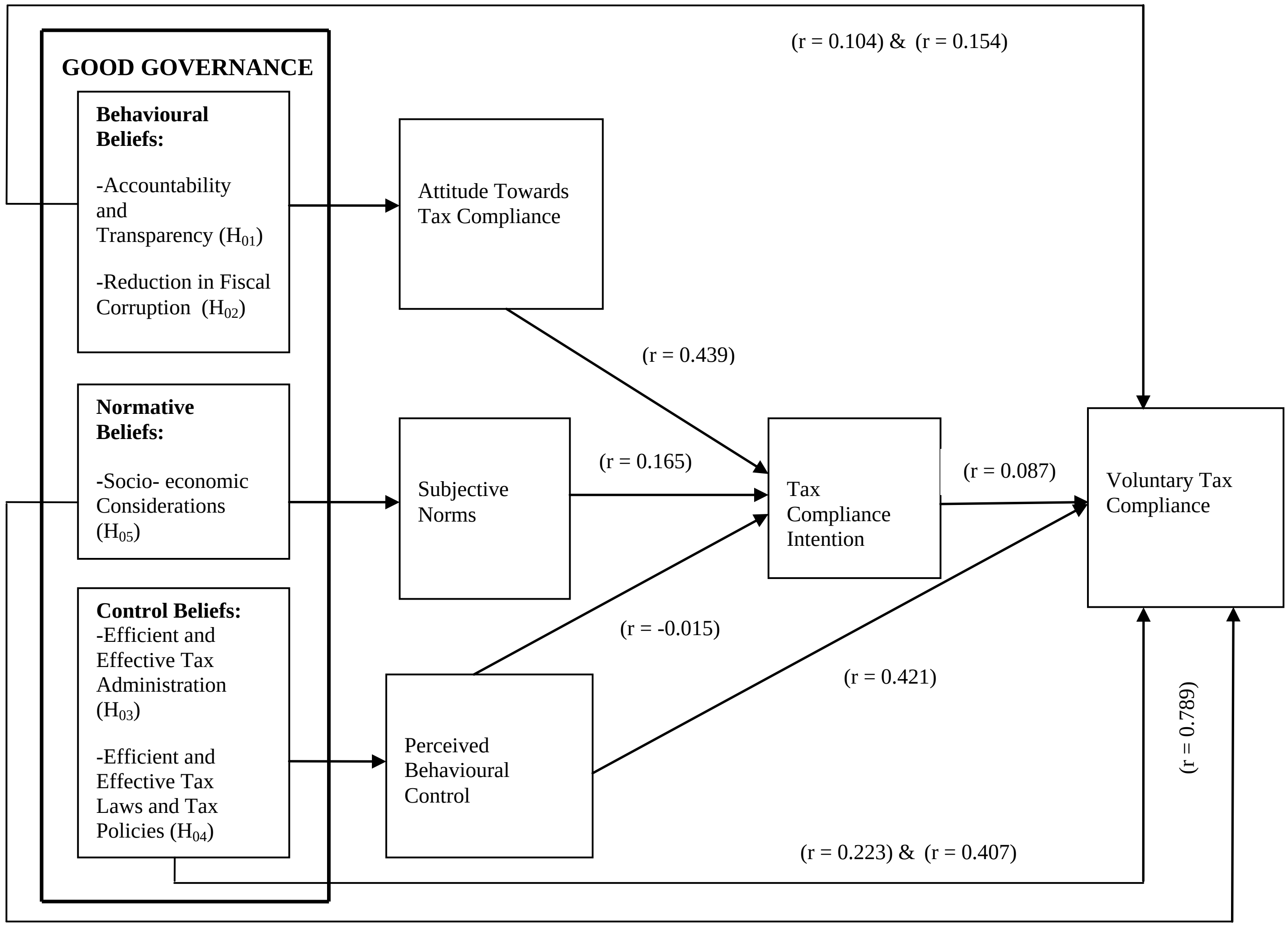
Hypothesis	Variables	Model	-2Log Likelihood	Chi-Square	df	Significance	Decision
H_{01}	AT & VTC	Intercept only Final	239.602 208.217	31.386	4	0.000	Reject
H_{02}	RFC & VTC	Intercept only Final	256.482 86.271	171.211	4	0.000	Reject
H_{03}	ETA & VTC	Intercept only Final	317.450 169.508	147.942	3	0.000	Reject
H_{04}	ETLP & VTC	Intercept only Final	687.341 177.707	509.634	4	0.000	Reject
H_{05}	SEC & VTC	Intercept only Final	1885.218 55.174	1830.043	3	0.000	Reject
H_{06}	ATTC & TCI	Intercept only Final	624.420 49.069	575.351	4	0.000	Reject
H_{07}	SN & TCI	Intercept only Final	189.847 108.376	81.471	4	0.000	Reject
H_{08}	PBC & TCI	Intercept only Final	125.768 111.470	14.298	3	0.003	Reject
H_{09}	TCI & VTC	Intercept only Final	139.987 85.193	54.795	3	0.000	Reject
H_{010}	PBC & VTC	Intercept only Final	618.360 101.638	516.722	3	0.000	Reject

Source: Author's Survey (2012) – SPSS values generated from administered Questionnaire

Where: AT = Accountability & Transparency; RFC = Reduction in Fiscal Corruption; ETA = Efficient & Effective Tax Administration; ETLP = Efficient & Effective Tax Laws & Tax Policies; SEC = Socio-economic Considerations; ATTC = Attitude Towards Tax Compliance; SN = Subjective Norms; PBC = Perceived Behavioural Control; TCI = Tax Compliance Intention; and VTC = Voluntary Tax Compliance.

The above relationships amongst the variables used to investigate the impact of good governance on voluntary tax compliance in Lagos State, Nigeria and those used to investigate the efficacy of the theory of planned behaviour in relation to voluntary tax compliance in Lagos State, Nigeria are further illustrated in Figure 4.1 based on the outcome of the study. The arrows show how each of the variables (both dependent and independent) is related to another, that is, the interrelatedness between the considered variables for this study.

Figure 4. 1



OUTCOME OF THE ANALYSIS OF THE MODEL FOR STUDYING THE IMPACT OF TAXPAYERS' PERCEPTION OF GOOD GOVERNANCE ON VOLUNTARY TAX COMPLIANCE
Source: Author's Survey (2012)

Figure 4.1 shows the interrelatedness of the independent and dependent variables. There is positive correlation between voluntary tax compliance and accountability and transparency; and reduction in fiscal corruption ($r = 0.104$ & $r = 0.154$ respectively). This relationships are significant at $p = <0.01$. Thus Hypothesis 1 (H_{01}) which states that taxpayers' perception on government's accountability and tranparency does not have a significant impact on voluntary tax compliance in Lagos State, Nigeria is rejected. Similarly, Hypothesis 2 (H_{02}) which states that there is no significant impact of taxpayers' perception of reduction in fiscal corruption on voluntary tax compliance in Lagos State, Nigeria is also rejected.

Therefore, the result suggests that both accountability and transparency; and reduction in fiscal corruption appear to have significant impact on voluntary tax compliance in Lagos state, Nigeria as depicted by the arrows from the box containing components of good governance (that is, behavioural beliefs box) in Figure 4.1, to the voluntary tax compliance box (that is, the behaviour box). The inference from this is that behavioural beliefs, that is, good governance as percieved by taxpayers would affect the attitude of taxpayers towards tax compliance intention which would then lead to voluntary tax compliance in Lagos state, Nigeria.

As shown in Figure 4.1, there is also a positive correlation between efficient and effective tax administration and voluntary tax compliance ($r = 0.223$) and this relationship is significant at $p = <0.01$. Therefore, Hypothesis 3 (H_{03}) which states that taxpayers' perception of efficient and effective tax administration does not have a significant impact on voluntary tax compliance in Lagos State, Nigeria is rejected. Thus it appears that administration of taxes in Lagos State, Nigeria has an effect on voluntary tax compliance in Lagos State, Nigeria. There is also a positive correlation between efficient and effective tax laws and tax policies, and voluntary tax compliance in Lagos, Nigeria ($r = 0.407$) and that the relationship is significant at $p = <0.01$. Therefore, Hypothesis 4 (H_{04}) which states that there is no significant impact of taxpayers' perception of efficient and effective tax laws and tax policies on voluntary tax compliance in Lagos State, Nigeria is also rejected.

Both the efficient and effective tax administration; and efficient and effective tax laws and tax policies are considered to be elements of control beliefs in this study and contained in the control beliefs box. They are expected to shape the percieved behavioural control of the taxpayers which would in turn influence the tax compliance intention, thus leading to voluntary tax compliance in Lagos state, Nigeria. This is as shown by the arrows drawn from the control beliefs box to the perceived behavioural control box, to the tax compliance intention box and then to the voluntary tax compliance box (Figure 4.1).

The impact of socio-economic considerations on voluntary tax compliance was also examined. Figure 4.1 shows that with respect to the other components of good governance earlier examined, there is a comparatively high positive correlation between socio-economic considerations and voluntary tax compliance in Lagos State, Nigeria ($r = 0.789$) and that this relationship is significant at $p = <0.01$. This implies that Hypothesis 5 (H_{05}) which states that taxpayers' perception of socio-economic considerations does not have a significant impact on voluntary tax compliance in Lagos State is rejected. The result suggests that socio-economic considerations appears to have a significant strong impact on voluntary tax compliance in Lagos State, Nigeria as depicted by the arrows originating from the box containing socio-economic considerations (that is, normative beliefs box) to the voluntary tax compliance box.

The inference from this is that normative beliefs, that is, socio-economic considerations by taxpayers would affect the subjective norms of the taxpayers towards tax compliance intention which would then induce voluntary tax compliance in Lagos state, Nigeria. The findings are consistent with that of Ajzen (1991); Chu and Wu (2005); Pavlou and Fygenson (2006), Jones (2009); Lu, Huang and Lo (2010); and Benk, Çakmak and Budak (2011).

In summary, it could be said that the results of this study largely support its propositions. The findings indicated that voluntary tax compliance is influenced by behavioural beliefs, measured by accountability and transparency; and reduction in fiscal corruption; normative beliefs, measured by socio-economic considerations; and control beliefs, measured by efficient and effective tax administration and efficient and effective tax laws and tax policies. Furthermore, the major highlight of the findings of this study suggests that voluntary tax compliance is highly influenced by the normative beliefs, particularly socio-economic considerations, with the highest correlation coefficient (r = 0.789).

CHAPTER FIVE

5.0 DISCUSSION OF FINDINGS AND IMPLICATIONS FOR TAX MANAGEMENT

This chapter is concerned with the discussion and interpretation of the findings of the study. The study sought to investigate and provide empirical evidence for the taxpayers' perception of the impact of good governance (represented by accountability and transparency; reduction in fiscal corruption; efficient and effective tax administration; efficient and effective tax laws and tax policies; and socio-economic considerations) on voluntary tax compliance in Lagos State, Nigeria. The Theory of Planned Behaviour (TPB) developed by Ajzen (1991) was modified and adopted for this current study. The theory of planned behaviour had been extended earlier by Huang and Chuang (2007) to form a model to explain post-merger employee behaviour of IS use while Pavlou and Fygenson (2006) also expanded Ajzen's (1991) theory of planned behaviour to explain and predict the process of e-commerce adoption by consumers. In addition, Jones (2009) also adopted and expanded the model of theory of planned behaviour to investigate specific factors that are pertinent to individuals when making a use-tax compliance decision and to test a remedy to improve use-tax compliance.

5.1 DISCUSSION OF FINDINGS

The findings from this current study suggest that taxpayers have good perception of the impact that good governance would have on voluntary tax compliance. For instance, as indicated in Table 4.30, accountability and transparency has a mean score of 4.5974 (≈ 4.60), reduction in fiscal corruption has a mean score of 4.4269 (≈ 4.43), the mean score for efficient and effective tax administration is 4.1282 (≈ 4.13), efficient and effective tax laws and tax policies has a mean score of 3.5170 (≈ 3.52), while socio-economic considerations has a mean score of 3.8874 (≈ 3.89). Thus the results indicate the lowest mean of 3.5170 (≈ 3.52) and the highest mean of 4.5974 (≈ 4.60) which are all above the pre-determined mean index of 3.0 as stated earlier.

In summary, the findings indicate that taxpayers appears to have fairly good perception of the impact of accountability and transparency, reduction in fiscal corruption, efficient and effective tax administration, efficient and effective tax laws and tax policies; and socio-economic considerations on voluntary tax compliance in Lagos State, Nigeria. Specifically, the discussions of the outcomes of the current study are as explained below.

Firstly, the findings of the current study suggest that taxpayers in Lagos State, Nigeria still do not have implicit confidence in the government with respect to accountability and transparency, and reduction in fiscal corruption by government officials in Lagos State. This is evidenced in the empirical results which suggest a weak relationship between accountability and transparency, and voluntary tax compliance; and also between reduction in fiscal corruption and voluntary tax compliance. The coefficient of correlation for acountability and transparency, and voluntary tax compliance is 0.104 ($r = 0.104$) and this relationship is significant at $p = <0.01$. In the same manner, the coefficient of correlation for reduction in fiscal corruption is 0.154 ($r = 0.154$) and this relationship is also significant at $p = <0.01$. These coefficients of correlation, that is, the degrees of the relationship between accountability and transparency; and reduction in fiscal corruption with respect to voluntary tax compliance appear to be weak.

In addition, the Pseudo R-Square, that is, a measure of the coefficient of determination, r^2 for accountability and transparency, and reduction in fiscal corruption are 0.014 (1.4%) and 0.076 (or 7.6%). This implies that only about one per cent (1%) of voluntary tax compliance can be determined or explained by accountability and transparency, while about eight per cent (8%) of voluntary tax compliance can be determined or explained by reduction in fiscal corruption. This may be due to the doubts that the taxpayers have about the integrity and sincerity of purpose on the part of government with respect to the government being accountable to the governed, carrying out the business of governance in a transparent manner and the government's ability to reduce the fiscal corruption level to the barest minimum.

Secondly, the results of the study further show that the relationship between efficient and effective tax administration and voluntary tax compliance appears to be fair, with coefficient of correlation of 0.223 ($r = 0.223$). This relationship is significant at $p = <0.01$ but is not as strong as anticipated. This might probably be as a result of the way the taxpayers perceive the tax officials and the entire tax system in Lagos State, Nigeria. In addition, the Pseudo R-Square, that is, a measure of the coefficient of determination, r^2 is 0.066 (6.6%). This implies that only about seven per cent (7%) of voluntary tax compliance can be determined or explained by efficient and effective tax administration.

This finding appears to be a pointer to the imperative that tax administration in Lagos State, and in deed Nigeria needs to be completely overhauled for better efficiency and effectiveness so that taxpayers could have implicit confidence in the integrity and sincerity of purpose of the tax officials who ultimately operate and manage the tax systems in Nigeria.

Thirdly, tax laws and tax policies is also found to be positively correlated with voluntary tax compliance with the coefficient of correlation of 0.407 ($r = 0.407$). This relationship appears to be a moderate one and it is also significant at $p = <0.01$. The implication of this is that tax laws and tax policies has significant influence on voluntary tax compliance but the impact is not as strong as anticipated. In addition, the Pseudo R-Square, that is, a measure of the coefficient of determination, r^2 is 0.209 (20.9%). This implies that about twenty-one per cent (21%) of voluntary tax compliance can be determined or explained by tax laws and tax policies in Lagos State, Nigeria.

Fourthly, the results of the study reveal that there appears to be a very strong relationship between socio-economic considerations and voluntary tax complinace. This is evidenced empirically by the high coefficient of correlation of 0.789 ($r = 0.789$) which is significant at $p = <0.01$. The Pseudo R-Square, that is, a measure of the coefficient of determination, r^2 is 0.569 (or 56.9%). This is higher than that of any of the other components of good governance measured. The implication of this is that taxpayers' perception of the impact of socio-economic considerations on voluntary tax compliance appears to be strong and that fifty-six-point- nine per cent (56.9%) or approximately fifty-seven per cent (57%) of the factors that impact on taxpayers' voluntary tax compliance can be explained by socio-economic considerations in Lagos State, Nigeria. This finding appears to be the most remarkably outstanding of all the results of the study.

Fifthly, taxpayers' perception of the impact of all the variables combined, on voluntary tax compliance is remarkable as a relatively high Pseudo R-Square, that is, a measure of the coefficient of determination, r^2 of 0.611 (or 61.1%) is achieved. Thus the result of the study confirms that confidently, it appears that sixty one-point-one per cent (61.1%) or approximately sixty-one per- cent (61%) of taxpayers' voluntary tax compliance would be determined by the combined effects of all the components of the independent variable (that is, good governance). Furthermore, the study has demonstrated that all the components of the independent variable combined, that is, good governance have greater impact on the dependent variable, that is, voluntary tax compliance than any of the individual components of good governance; and

Lastly, one of the major findings of the study is that majority of the taxpayers, about eighty-seven per cent (87%) of them, pay their taxes every year while only about thirteen per cent (13%) of the taxpayers defaulted in paying their taxes every year. Also, majority of the taxpayers, seventy-eight per cent (78%) of them, pay their taxes to the government through their trade associations while only a few of the taxpayers, just about twenty-two per cent (22%), pay their taxes to the government by themselves. (see Apendices 5 and 6).

The results of this study are consistent with the earlier studies in this direction which suggested that behavioural beliefs, normative beliefs and control beliefs (the salient beliefs) as explained earlier in the theory of planned behaviour in chapter one, have great influence on behavioural intention (tax compliance intention) with the resultant impact on behaviour (voluntary tax compliance). For instance, Chu and Wu (2005) find out that percieved behavioural control most significantly affects the end-users' intention for the electronic tax filing system (EFS). The study conducted by Huang and Chuang (2007) also find support for and consistent with the salient beliefs mentioned above. Jones (2009) reports that a number of factors such as: the effort of complying with the use-tax, potential revenue to the state if the individual complied, fairness of the use-tax, monetary concerns of the individual, perceived knowledge of the use-tax and social influences contribute significantly to individuals' use-tax compliance decisions.

Furthermore, the empirical results of the study by Lu, Huang and Lo (2010) show that attitude was the primary factor affecting on-line tax filing, but "attitude" was also affected by "perceived usefulness", "perceived ease of use ", "tax equity" "social norm" and "moral norm". The outcome of the study by Sapingi, Ahmad and Mohamad (2011) portrays only attitude and perceived behaviour control show significant relationship with intention to pay zakah. Benk, Çakmak and Budak (2011) find out in their study that normative expectations (social and moral norms) of compliance and penalty magnitude indicate the most significant effects on tax compliance intentions. Uremadu and Ndulue (2011) find among other discoveries from their study that majority of the self-employed people that were interviewed aggreed that they evade and avoid tax. Lastly, the result of the study by Alabede, Ariffin and Idris (2011) indicates that taxpayer's attitude towards tax evasion is positively related to compliance behaviour.

The findings of this current study however, appear to be more intensive and explicit than those obtained from the earlier studies mentioned above. This is because the findings are supported by a more intensively robust data that are subjected to explicit analytical procedures. For instance, for this current study, three thousand four hundred (3,400) copies of questionnaire were sent out to seventeen (17) different categories of tradesmen and artisans in Lagos State, Nigeria. Two thousand three hundred and twelve (2,312) copies were returned out of which two thousand one hundred and seventy-six (2,176) copies were found to be usable and, therefore, used for the study. This represents sixty-four per cent (64%) of the total copies of the questionnaire sent out. Thus the population size of eleven thousand nine hundred (11,900) for the identified categories of tradesmen and artisans and the sample size of three thousand four hundred (3,400) used for this current study provides a more robust data which enables in-depth and explicit analytical procedures to be carried out.

5.2 IMPLICATIONS OF FINDINGS FOR TAX MANAGEMENT

The implications of these findings, especially with respect to efficient and effective tax administration, efficient and effective tax laws and tax policies; and socio-economic considerations are as follows:

(1) With regards to the correlation between voluntary tax compliance and efficient and effective tax administration, coefficient of correlation is 0.223 ($r = 0.223$). Although this relationship is significant at $p = <0.01$, the finding implies that tax administration in Lagos State is not as efficient and effective as it should be. This suggests that there appears to be a need for an urgent and honest re-structuring of tax administration in Lagos State in order to promote good relationship between the tax officials and the taxpayers. It is believed that if the taxpayers have positive perception about the tax officials and the entire tax system, there may likely be an improvement in the efficiency and effectiveness of the administration of taxes in Lagos State.

(2) With respect to the correlation between voluntary tax compliance and efficient and effective tax laws and tax policies, coefficient of correlation is 0.407 ($r = 0.407$). There is a significant relationship between the two variables ($p = <0.01$). This implies that

taxpayers in Lagos State seems to have a fair perception of the enforcement of tax laws and tax policies to influence voluntary tax compliance in Lagos State. Thus the government can re-invigorate the tax legal system in Lagos State to serve as a veritable tool for enforcement of tax compliance in the State.

(3) With respect to the correlation between voluntary tax compliance and socio-economic considerations, coefficient of correlation is 0.789 ($r = 0.789$). There is a significantly high relationship between the two variables ($p = <0.01$). This suggests that taxpayers in Lagos State appears to have a very high perception of the efficacy of socio-economic considerstions to influence voluntary tax compliance in Lagos State. Thus the government can improve on the provsion of social amenities such as construction of new roads to link the rural areas with the urban areas and repairs of the existing roads, electicity, pipe borne water, quality health care delivery, free and quality education at all levels, safety and security of lives and properties and maitainance of law and order in Lagos State. If the government can live up to expectations in respect of the provision of the above social welfare for the citizens, it would most likely encourage voluntary tax compliance in the State.

In summary, the results of this current study, generally, and to a large extent, support the propositions of the study and consistent with expectations. The study also find support for the efficacy of the theory of planned behaviour in relation to the impact of taxpayers’ perception of good governance on voluntary tax compliance in Lagos State, Nigeria. This is with respect to the implications of the “salient beliefs” as the findings of the current study were consistent with the expectancy-value of attitude-behaviour relationship proposed by Ajzen (1985, 1991, 2002). The theory of planned behaviour has been tested with reliable confirmation of its efficacy by many studies (Armitage and Conner, 2001; Chu and Wu, 2005; Huang and Chuang, 2007; Jones, 2009; Kanat and Özkan, 2009; Lu, Huang and Lo, 2010; Alabede Ariffin and Idris, 2011; Benk, Çakmak and Budak, 2011; Sapingi, Ahmad and Mohamad, 2011). The expectancy-value of attitude-behaviour relationship suggests that the behaviour of an individual is determined by his attitudes towards behaviour, subjective norms and perceived behavioural control.

The inference to be drawn from the above explanation is that all things being equal, all the components of the independent variable, that is, good governance - accountability and transparency and reduction in fiscal corruption (bavioural beliefs); efficient and effective tax administration; efficient and effective tax laws and tax policies (both belonging to control beliefs); and socio-economic considerations (normative beliefs) which are all referred to as “salient beliefs” would have positive impact on taxpayers towards paying their taxes voluntarily to the government. Thus the regression model ($VTC = \beta_0 + \beta_1 GG + \varepsilon$) explained in chapter three appears to be appropriate for this study. It is envisaged that this model could be used by the tax authorities, tax administrators, tax practitioners and researchers to estimate the level of voluntary tax compliance in Nigeria and in other developing economies.

The propositions and the results of findings with respect to the impact of taxpayers’ perception of good governance on voluntary tax compliance are as summarised and presented in Table 5.1.

Table 5.1: SUMMARY OF PROPOSITIONS AND RESULTS OF FINDINGS

Hypotheses	Dependent variables	Independent variables	Anticipated impact of the variables in the model	Remarks (Results)
H_{01}	Voluntary Tax Compliance (VTC)	Accountability and Transparency (AT)	Significant impact of AT on VTC	Weakly Supported
H_{02}	Voluntary Tax Compliance (VTC)	Reduction in Fiscal Corruption (RFC)	Significant impact of RFC on VTC	Weakly Supported
H_{03}	Voluntary Tax Compliance (VTC)	Efficient and effective Tax Administration (ETA)	Significant impact of ETA on VTC	Supported
H_{04}	Voluntary Tax Compliance (VTC)	Efficient and effective Tax Laws and Tax Policies (ETLP)	Significant impact of ETLP on VTC	Supported
H_{05}	Voluntary Tax Compliance (VTC)	Socio-economic considerations (SEC)	Significant impact of SEC on VTC	Strongly Supported
H_{06}	Tax Compliance Intention (TCI)	Attitude Towards Tax Compliance (ATTC)	Significant impact of ATTC on TCI	Supported
H_{07}	Tax Compliance Intention (TCI)	Subjective Norms (SN)	Significant impact of SN on TCI	Weakly Supported
H_{08}	Tax Compliance Intention (TCI)	Perceived Behavioural Control (PBC)	Significant impact of PBC on TCI	Not Supported
H_{09}	Voluntary Tax Compliance (VTC)	Tax Compliance Intention (TCI)	Significant impact of TCI on VTC	Weakly Supported
H_{010}	Voluntary Tax Compliance (VTC)	Perceived Behavioural Control (PBC)	Significant impact of PBC on VTC	Supported

Source: Author's survey (2012).

CHAPTER SIX

6.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

This study investigated and provided empirical evidence for the impact of taxpayers's perception of good governance on voluntary tax compliance in Lagos State, Nigeria. Data were collected, analysed, summarised and interpreted. Hypotheses were formulated for the study and were tested with respect to the relationships between voluntary tax compliance, accountability and transparency; reduction in fiscal corruption; efficient and effective tax administration; efficient and effective tax laws and tax policies; and socio-economic considerations.

In addition, investigation of the efficacy of the theory of planned behaviour in understanding tax compliance in Lagos State with respect to the salient behavioural beliefs, normative beliefs and control beliefs were carried out. Explanations for the empirical examination and findings arising from the study have been provided. The summary of the research, conclusion based on the findings, recommendations and contributions to knowledge with respect to tax and taxation literature are presented in this chapter. The limitations in the findings are also discussed in this chapter and some suggestions for future research directions were made.

6.1 SUMMARY

The motivation for this research efforts is as a result of the growing concern among researchers, authors and governments at all levels in Nigeria, particularly the State governments, regarding avoidance and evasion of taxes (that is, non-voluntary tax compliance) menace among the self-employed people who are in the private "informal" sector of the economy, particularly the tradesmen and artisans. This non-voluntary tax compliance phenomenum inevitably reduces the funds that should have been available for the provision of “good governance” through the execution of various socio-economic projects to improve the living condition of the masses. Uremadu and Ndulue (2011) argue that mobilisation of tax income from self-employed people has always posed a serious problem to local government authorities in Nigeria as millions of Naira have been lost due to prevalence of tax evasion and tax avoidance among self-employed people.

According to Kiabel and Nwokah (2009), taxpayer perpetrates the unpatriotic act of non-tax compliance through such means as concealment of profit and interference with the Revenue agents through bribery and corruption. In the same vein, Alabede, Ariffin and Idris (2011) remark that as a result of the increasing cases of tax non-compliance, especially tax evasion and its consequences on the capacity of government to raise public revenue, great amount of attentions have been paid to the issue of tax compliance globally by public policy makers and researchers for the past few decades. However, the menace of non-voluntary tax compliance appears not to have been given adequate attention it deserves by government, experts and researchers in Nigeria as well as in many other developing countries.

The prime aim of this study was basically to examine the variables that may have impact on the perception of taxpayers towards voluntary tax compliance and to provide empirical evidence as to how these variables would influence voluntary tax compliance in Lagos State, Nigeria. In order to accomplish the aim of the study, a model was developed showing the proposed relationships between the components of the independent variable, that is, good governance and the dependent variable, that is, voluntary tax compliance. Ten research questions were proposed from the specific objectives of the study and these culminated in the formulation of ten (10) null hypotheses. The first five (5) research questions with their corresponding hypotheses were designed to investigate the impact of taxpayers' perception of good governance on voluntary tax compliance in Lagos State, Nigeria, while the last five (5) research questions with their corresponding hypotheses were formulated to investigate the efficacy of the theory of planned behaviour in relation to voluntary tax compliance in Lagos State, Nigeria.

These hypotheses were tested using the data collected from two thousand one hundred and seventy-six (2,176) tradesmen and artisans in the twenty constitutionally recognised Local Government Areas of Lagos State, Nigeria. The data were analysed using descriptive statistical tools such as frequency counts, percentages, minimum, maximum, mean and standard deviation; and inferential statistics such as correlation, regression analysis, chi-square and crosstabulation statistics with the aid of the Statistical Package for Social Sciences, (SPSS version 15). The hypotheses and the results of the hypotheses testing were incorporated into the model which was anchored on the theory of planned behaviour (TPB), (Figure 4.1, p. 230). The accomplishment of the specific objectives of the study are explained below.

The first and second specific objectives of the study were to examine the impact of taxpayers' perception of government's accountability and transparency on voluntary tax compliance; and also the impact of taxpayers' perception of reduction in fiscal corruption on voluntary tax compliance in Lagos State, Nigeria. Accountability and transparency; and reduction in fiscal corruption were amongst the principles of good governance which the study examined. The mean values of the impact of taxpayers' perception of accountabilty and transparency; and reduction in fiscal corruption on voluntary tax compliance as its components were 4.5974 (or ≈ 4.60) and 4.4269 (or ≈ 4.43) respectively (Table 4.30, Chapter 4, p. 210).

These are all above the benchmark of 3.0 mean index determined for them as earlier explained. This implies that taxpayers have a better perception of the impact of accountability and transparency; and reduction in fiscal corruption (with respect to good governance) on voluntary tax compliance. However, the relationships between voluntary tax compliance, accountability and transparency; and reduction in fiscal corruption, eventhough significant at $p = <0.01$, appear to be weak ($r = 0.104$ and $r = 0.154$ respectively). Thus government needs to create an enabling environment for people not to doubt its integrity and sincerity of purpose with respect to its being accountable and transparent to the people.

The third specific objective of the study determined the extent to which taxpayers' perception of efficient and effective tax administration (also, a component of good governance in this study) influences voluntary tax compliance in Lagos State, Nigeria. The mean value of taxpayers' perception of efficient and effective tax administration as reported in Table 4.30 in Chapter 4 indicates that the mean is 4.1282 (or ≈ 4.13) This is also above the mean index of 3.0 determined earlier for efficient and effective tax administration in Lagos State, Nigeria.

This also signifies that taxpayers have a better perception of the impact of tax administration in Lagos State. There is also a positive correlation between voluntary tax compliance and efficient and effective tax administration in Lagos State, Nigeria ($r = 0.223$). The relationship however, appears not to be as strong as anticipated but is still significant at p = <0.01. As said earlier, the result suggests that taxpayers may still be doubting the integrity and sincererity of purpose of the tax officials and the government.

The determination of the extent to which taxpayers percieve tax laws and tax policies as adequate for voluntary tax compliance was objective number four. The mean value for the taxpayers' perception of the adequacy of tax laws and tax policies in Lagos State, Nigeria is 3.5170 (or ≈ 3.52) as shown in Table 4.30 in Chapter 4. This implies that taxpayers have a fair perception of the impact of tax laws and tax policies on voluntary tax compliance since the mean value is above the mean index earlier determined for this component of good governance. The empirical evidence shows that there is a significantly relationship between the two variables (p = <0.01). The correlation coefficient of the association between voluntary tax compliance and efficient and effective tax laws and tax policies is a bit higher than for the first three components of good governance (r = 0.407).

This implies that taxpayers in Lagos State have a good perception of the enforcement of tax laws and tax policies to influence voluntary tax compliance in Lagos State. In addition, the Pseudo R-Square, that is, the coefficient of determination, r^2 of 0.209 (20.9%) or approximately twenty-one per cent (21%) implies that about twenty-one per cent (21%) of the variation in the voluntary tax compliance (that is, the dependent variable) could be explained by efficient and effective tax laws and tax policies (that is, a component of the independent variable). The result of the study also suggests that there is a relationship between voluntary tax compliance and efficient and effective tax laws and tax policies in Lagos State, Nigeria.

The fifth specific objective was to examine the influence of taxpayers' perception of socio-economic considerations on taxpayers' voluntary tax compliance in Lagos State, Nigeria. The mean value for this component of good governance is 3.8874 (or ≈ 3.89) and this is above the bench-mark of 3.0 earlier determined for this component. Furthermore, the findings of the study indicate that there is a very high positive correlation between voluntary tax compliance and socio-economic considerations and that the relationship appears to be strong and it is significant at $p = <0.01$ and $r = 0.789$. The correlation coefficient of the association between voluntary tax compliance and socio-economic considerations is the highest of all the results obtained for this study.

The implication of this is that socio-economic considerations appears to have a greater influence on voluntary tax compliance in Lagos State, Nigeria than any of the other components of good governance used in this study. In addition, the Pseudo R-Square, that is, the measure of coefficient of determination, r^2 of 0.569 (56.9%) or approximately fifty-seven per cent (57%) implies that about fifty-seven per cent (57%) of the variation in the voluntary tax compliance (that is, the dependent variable) could be explained by socio-economic considerations (that is, a component of the independent variable). The result of the study also suggests that there is relationship between voluntary tax compliance and socio-economic considerations in Lagos State, Nigeria. This is the most outstanding outcome of the study and therefore, implies that socio-economic considerations is germane to the accomplishment of voluntary tax compliance in Lagos State, Nigeria.

Lastly, the sixth objective was to investigate the impact of the three salient factors of the theory of planned behaviour (attitude, subjective norms and perceived behavioural control) on tax compliance intention and hence, voluntary tax compliance in Lagos State, Nigeria. The findings of the study indicate that there is a positive correlation between attitude towards tax compliance and tax compliance intention ($r = 0.439$) and that the relationship is significant at $p = <0.01$. In addition, the Pseudo R-Square, that is, the coefficient of determination, r^2 of 0.232 (23.2%) or approximately twenty-three per cent (23%) implies that about twenty-three per cent (23%) of the variation in the tax compliance intention could be explained by attitude towards tax compliance in Lagos State, Nigeria. The result of the study also suggests that there is a relationship between attitude towards tax compliance and tax compliance intention in Lagos State, Nigeria.

The findings of the study also indicate that there is a positive correlation between subjective norms and tax compliance intention ($r = 0.165$) and that the relationship is significant at $p = <0.01$. In addition, the Pseudo R-Square, that is, the coefficient of determination, r^2 of 0.037 (3.7%) or approximately four per cent (≈ 4%) implies that only about four per cent (≈ 4%) of the variation in the tax compliance intention could be explained by subjective norms in Lagos State, Nigeria. Thus the result of the study also suggests that there is a relationship between subjective norms and tax compliance intention in Lagos State, Nigeria. Furthermore, the findings of the study reveal that there is a negative correlation between perceived behavioural control and tax compliance intention ($r = -0.15$) and that the relationship is not significant. This is corroborated by the Pseudo R-Square that is, coefficient of determination, r^2 of 0.007. This implies that only 0.7% or less than one per cent (< 1%) of tax compliance intention could be explained by perceived behavioural control. The result therefore, suggests that there is an insignificant negative (adverse) relationship between perceived behavioural control and tax compliance intention in Lagos State, Nigeria.

The findings of the study further indicate that there is a positive correlation between tax compliance intention and voluntary tax compliance ($r = 0.087$) and that the relationship is significant at $p = <0.01$. In addition, the Pseudo R-Square, that is, the coefficient of determination, r^2 of 0.025 (2.5%) implies that only two and a half per cent (2½%) of the variation in the voluntary tax compliance could be explained by tax compliance intention in Lagos State, Nigeria. Finally, The results of the study indicate that there is a positive correlation between perceived behavioural control and volunary tax compliance ($r = 0.421$) and that the relationship is significant at $p = < 0.01$. Furthermore, the Pseudo R-Square, that is, the coefficient of determination, r^2 of 0.211 (21.1%) implies that about twenty-one per cent (21%) of the variation in the voluntary tax compliance could be explained by perceived behavioural control in Lagos State, Nigeria.

Essentially, the specific objectives of the study have been accomplished. The findings of the study are consistent with the propositions of the study which suggest that the interrelatedness of accountability and transparency; reduction in fiscal corruption; efficient and effective tax administration; efficient and effective tax laws and tax policies; and socio-economic considerations (the components of the independent variable, that is, good governance) would have significant impact on voluntary tax compliance (dependent variable). In the same vein, the findings of the study are, to a very large extent, consistent with the propositions of the study with respect to the efficacy of the theory of planned behaviour in relation to voluntary tax compliance in Lagos State, Nigeria.

6.2 CONCLUSION

This study proposed that good governance, represented by accountability and transparency; reduction in fiscal corruption; efficient and effective tax administration; efficient and effective tax laws and tax policies; and socio-economic considerations would have significant impact on voluntary tax compliance. These propositions were anchored on the theory of planned behaviour (TPB) which was a remarkable divergence from the traditional deterrence theory of tax compliance which was based on the assumption of fear of detection and punishment (Allingham and Sanmo, 1972).

In the light of the above, this research effort was embarked upon with a view to finding possible solutions that would mitigate the lingering problems associated with non-tax compliance generally experienced with tax administration in Lagos State in particular and Nigeria in general. The menace of non-tax compliance through avoidance and evasion has been robbing various governments in both the developed and developing economies of substantial amount of revenue for a very long time ago, and this inevitably limits the developmental efforts and capacity of governments to perform. The segment of the economy that appears to be highly prone to tax avoidance and evasion is the informal (un-organised) sector of the economy where the bulk of the tradesmen and artisans are to be found because of the nature of their economic activities.

A huge number of studies had been undertaken on tax compliance generally, mostly in the developed countries of the Western Europe and United States of America with few ones from developing countries in Asia and Africa. However, most of these research efforts were concentrated on non-tax compliance in the formal (organised) sector of the economy. Prior to this current study, there were only a few empirical studies conducted on non-tax compliance with respect to Personal Income Tax in Nigeria (Kiabel and Nwokah, 2009a; 2009b; Kasum, Akinniyi and Ibrahim, 2005; Alabede, Ariffin and Idris, 2011; Uremadu and Ndulue, 2011).

Kiabel and Nwokah (2009a) drew their conclusion of non-tax compliance from the comparative analysis of the Internally Generated Revenue in Rivers State for the period 1991 to 1998 which indicated that the total amount collected before the use of tax consultants was far much lower than the total amount collected when tax consultants were used. On the other hand, Kiabel and Nwokah (2009b) carried out a study into how tax evasion and avoidance in Personal Income Tax Administration could be curbed in the South-South States of Nigeria. They used one hundred and sixty (160) respondents drawn from the Internal Revenue Authority of Rivers, Bayelsa, Akwa-Ibom, Cross Rivers and Delta States, and taxpayers (individuals) in these States. However, they did not specify the type of individual taxpayers that were included in their study. In their evaluation of the effect of deferrential business taxation on investors' behaviour in Nigeria, Kasum, Akinniyi and Ibrahim (2005) used a sample size of one hundred and twenty (120) investors to evaluate the effect of tax differential on choice of business form, but they did not explain the type of trades or businesses which the investors they used were engaged in.

A total of three hundred and thirty-two (332) participants were involved in the study by Alabede *et al.* (2011) which investigated the individual taxpayers' attitude and compliance behaviour in Nigeria. The participants were drawn from chosen organisations and government establishments. Also, no efforts were made to classify the individual taxpayers that were selected from the chosen organisations. In addition, Uremadu and Ndulue (2011) utilised the valid responses of one hundred and ninety-five (195) respondents comprising self-employed people in the Federal Capital Territory (FCT), Abuja and employees of the Federal Inland Revenue Service (FIRS), Abuja to review the private sector tax revenue generation at local government level. However, the self-employed people were not categorised according to their trades, thus it made it impossible to identify the type of trades they were engaged in.

The current study examined a total of two thousand one hundred and seventy-six (2,176) valid participants. This is a much larger sample size which surpassed any previous sample size used by earlier researchers to study non-tax compliance in Nigeria. Essentially, this large sample size enhances the internal and external validity as well as the credibility of the study. The participants for this current study were randomly selected from seventeen different categories of tradesmen and artisans' associations in all the twenty (20) constitutionally recognised local government areas of Lagos State, Nigeria. This happened to be the first time that such a wide range and diverse sole proprietorship ventures would be investigated for tax compliance purposes in Nigeria.

This study which was an attempt to add to the existing literature on tax compliance provides an empirical explanation of the interrelatedness of the essential elements of good governance, that is, accountability and transparency; reduction in fiscal corruption; efficient and effective tax administration; efficient and effective tax laws and tax policies; and socio-economic considerations with voluntary tax compliance. In addition, the study, which is a unique and pioneer effort in Nigeria, yielded results which are in consonant with the findings of earlier studies in the developed countries that are based on the theory of planned behaviour to investigate tax compliance. The attributable inference arising from this study is that if properly coordinated, the above propostions will enhance the motivational intuition of taxpayers to have good disposition towards voluntary payment of taxes to government. In the light of the above, some policy recommendations aimed at enhancing and promoting voluntary tax compliance amongst taxpayers, are suggested.

6.3 RECOMMENDATIONS

The findings and results of the study have been discussed in detail. In the light of the findings and results emanating from the study, the following recommendations are suggested for possible adoption by the government, tax administrators and tax policy makers with a view to achieving the ultimate aim of taxpayers' voluntary compliance in Lagos State, Nigeria.

i. Re-direction of Taxing Efforts to the Informal Sector

The taxation of tradesmen and artisans in Nigeria appears not to have been given the required attention, hence, the high latitude for tax avoidance and tax evasion by the taxable self-employed people. More often than not, the efforts of government is usually directed at the taxation of employees under paid employment because it is easier to collect taxes from this set of workers as a result of the Pay-As–You-Earn (P.A.Y.E.) system under the Personal Income Tax Act, No.

104, 1993 (up-dated by Personal Income Tax Act, Cap. P8, LFN, 2004 as amended by Personal Income Tax (Amendment) Act, 2011), which makes the employers of labour to assume the status of unpaid agents of the government for tax purposes. In the light of the above submission, it is advised that governments at all levels through the taxing authorities should re-direct their attention to the informal sector of the economy for the purpose of setting up workable machinery for assessing and collecting taxes from the taxable tradesmen and artisans as voluntarily as possible.

ii. Up-holding and Sincere Practice of the Principles of Good Governance with Respect to Accountability, Transparency and Reduction in Fiscal Corruption

Good governance appears to be a topical phenomenon globally as explained earlier in chapter two. Governments at all levels of governance should be guided by the tenets of good governance, particularly the salient issues of accountability, transparency; and reduction in fiscal corruption. These salient issues should be paramount to government in managing the resources of the nation entrusted unto them. It is hoped that if taxpayers have good perceptions of government's sincerity to be guided by the principles of good governance, they would most likely be motivated to pay their taxes voluntarily to government as reported in the results of hypotheses one and two (H_{01} and H_{02}), which were tested, being parts of the components of good governance in this study.

This is in consonant with the remark by Akpo (2009) that "where there is good governance, the people see themselves as government as a result of such good governance and are therefore, motivated to pay their taxes voluntarily. This in-turn "encourages government to provide more infrastructure for the common good and a cycle of "good governance-voluntary tax payments" emerges in the interest of the commonwealth" (Akpo, 2009, pp. 28-29).

iii. Enshrining and Promoting Efficient and Effective Tax Administration

Government should as a matter of policy, continually re-invigorate and re-structure the tax system in order to achieve the much needed efficient and effective tax administration which is expected to promote voluntary tax compliance among taxpayers in Lagos State, Nigeria. Government would be able to achieve this if adequate number of tax personnel with good background and technical competence are employed and retained in the sysytem. As a matter of policy, tax officials should be adequately compensated by way of remuneration so that they could, as much as possible, resist the temptations of being lured into fraudulent practices by fraudulent politicians, taxpayers and unscrupulous top people in the society.

Tax officials should see themselves as part of the society and as much as possible be friendly to the taxpayers. This is likely to promote good relationships between the tax officials and the taxpayers and thus, encourage voluntary tax compliance. Tax officials should be given adequate working tools such as good and comfortable offices, as well as pool vehicles to transport tax officials to rural areas of the State for tax assessment, follow-up and eventual collection of taxes. In addition, tax officials should be constantly trained and re-trained on the modern approach to systems of taxation and tax administration generally, with the resultant effect of improving the interpersonal skills and interpersonal relationships of the tax officals and the taxpayers.

The findings of the study suggest that using officials of trade associations to be involved in an aspect of tax administaration by collecting taxes due from their members on behalf of the government and paying such in bulk to the government, as currently encouraged and being practiced in Lagos State, would most probably promote voluntary tax compliance (see Table 4.11). This appears to be a lofty idea and should be vigorously pursued in order to bring more taxpayers in the informal sector of the economy to the tax net. Lastly, tax education should be vigorously and aggressively embarked upon in order to raise the level of awareness of taxpayers. This should be done through public awareness campaigns and enlightenment programmes on the benefits and adverse consequences of non tax compliance.

Lagos State Internal Revenue Service and the Federal Inland Revenue Service appear to be going in the right direction with respect to tax education through their radio and television tax awareness and enlightenment programmes. The display of billboards and large posters about tax matters on strategic roads and public arenas in Lagos State is also laudable. However, a lot still needs to be done because these advertisements were only carried out in the urban areas of the State as many rural dwellers who seldom come to the cities may not be aware of such tax enlightement campaigns and programmes. Thus tax education, as explained above, has the motivational potential of arousing the sensibility of taxable adults with the resultant effect of developing positive voluntary tax compliance behaviour.

iv. Formulation and Enactment of Efficient and Effective Tax Laws and Tax Policies

The basis for punishing any tax defaulter is rooted in the formulation and enactment of efficient and effective tax laws and tax policies that are as much as possible, free from ambiguities. Ambiguity may be in terms of non-understandability, mis-interpretation- capability and non-coverage of some aspects of tax matters by the tax laws. It has been argued that the complexity of tax laws and bye-laws in Nigeria creates room for evasion as the requirements of different tax laws, the methods of tax assessments or the rights and duties of a taxpayer under different tax laws are not appreciated by average citizen (Nzotta, 2007). In this wise, people should have enough awareness of the extant tax laws and tax policies in a nation or state as the case may be.

The tax laws should be simple to understand, and adequately and equitably applied while the legal implications and consequences of non-tax compliance should be well communicated to the people. As far as possible, tax policies and administration should be taxpayer friendly, while the prevailing tax laws and tax policies should have good impact on taxpayers' voluntary tax compliance. As reported in chapters four and five of this study, and based on the empirical evidence from the current study, efficient and effective tax laws and tax policies as one of the components of the independent variable in this research efforts with $r = 0.407$ and $r^2 = 0.209$ (20.9% or ≈ 21%) suggests a good relationship with voluntary tax compliance in Lagos State, Nigeria.

In summary, there is an urgent need for a decisive, extensive and comprehensive review of the extant tax laws in Nigeria for these lofty ideals of taxation to be achieved. The establishment of Tax Appeal Tribunals recently, to replace the Body of Appeal Commissioners, is a welcome idea but should be given "strong teeth" and the wherewithal for the efficient and effective performance of its functions and responsibilities. In addition, the National Assembly recently passed the National Tax Policy into law and this has been assented to by Nigeria's President Goodluck Ebele Jonathan on 5th April, 2012. By the operation of this law, the president and his Vice together with their executives at the Federal level as well as Governor and his deputy together with their executives at the State level have all been brought into the tax net, and would henceforth be paying taxes. It is hoped that this will be a boost and a sort of encouragement for voluntary tax compliance in Nigeria.

v. Managing the Effects of Socio-Economic Considerations of Taxpayers

How to manage the socio-economic considerations of taxpayers by government is another major factor that should be tackled decisively for the aim of voluntary tax compliance to be accomplished. The outcome of this study suggests that taxpayers' perception of socio-economic considerations is the most critically outstanding and germane variable to the accomplishment of the prime aim of the study which is voluntary tax compliance by taxpayers in Lagos State, Nigeria. Government exists to perform certain functions by way of responsibilties. These responsibilities include the provision of social amenities such as electricity, pipe-borne water, tarred roads, medical facilities, basic education, security and safety of lives and properties, maintenance of law and order and protection of the territorial integrity of the sovereign nation from internal and external aggressions.

If the above mentioned social welfare functions are performed by any responsive government in a nation, the social life style of the average taxpayers would be positively affected, peer group may not think of any negative perception about payment of taxes and there will be less family preasure on taxpayers with respect to payment of children's school fees, settling medical bills and demands from in-laws. In effect, taxpayers may be motivated to willingly exercise their civic right by voluntarily paying their taxes to government as and when due.

6.4 CONTRIBUTIONS TO KNOWLEDGE

This study differs from the earlier studies discussed in many respects. The unique features that make this current study to be distinctively different from, and more scientifically reliable than the earlier studies, constitute significant contributions to the existing body of knowledge, especially to literature in the field of taxation in Nigeria. These unique features are stated below.

i. The study has been able to provide a relatively new approach for examining and improving taxpayers' voluntary tax compliance in an economy. This is achieved by designing a conceptual framework which incorporates the most salient principles of good governance (that is, accountability and transparency; reduction in fiscal corruption; efficient and effctive tax administration; efficient and effective tax laws and tax policies; and socio-economic considerations) as important factors in enhancing taxpayers' voluntary tax compliance. This conceptual framework is anchored on the theory of planned behaviour (TPB) developed by Ajzen (1991) but modified to suit the aim and objectives of this current study. This is a unique and novel achievement as there appears to be no known published study which has used this approach in Nigeria before.

ii. This study has provided empirical evidence which suggests that accountability, transparency and reduction in fiscal corruption, which are part of the essential components of good governance, have a significant positive relationship with voluntary tax compliance. It appears no known published study has clearly analysed the impact of these components of good governance on voluntary tax compliance in Nigeria before.

iii. The study has demonstrated through empirical evidence that there is a significant positive relationship between efficient and effective tax administration and voluntary tax compliance. This study contends that examining the entire systems of tax administration as a whole will enhance efficiency and effectiveness of tax administration. This holistic approach to examining the impact of tax administration on voluntary tax compliance appears not to have been preceded by any known published study in Nigeria.

iv. The study has provided empirical evidence which suggests that efficient and effective tax laws and tax policies examined and applied religiously and consciously would have good influence on voluntary tax compliance. The empirical evidence indicates that efficient and effective tax laws and tax policies have significant positive relationship with voluntary tax compliance. Examination of the impact of efficient and effective tax laws and tax policies on voluntary tax compliance appears not to have been preceded by any known published study in Nigeria.

v. The outcome of the current study reveals that socio-economic considerations as a component of good governance is the most outstanding finding, and therefore, germane to the accomplishment of voluntary tax compliance in Lagos State, Nigeria. This investigation has not been preceded by any known published study in Nigeria before.

vi. This study has provided empirical evidence demonstrating the veracity of the framework. The evidence suggests that all the components of good governance combined, (accountability and transparency; reduction in fiscal corruption; efficient and effective tax administration; efficient and effective tax laws and tax policies; and socio-economic considerations) that is, the independent variable have much greater impact on the dependent variable, that is, voluntary tax compliance than any of the individual components of good governance. The strength of this study is that it has clearly analysed the impact of these essential elements of good governance (individually and jointly) on voluntary tax compliance in Nigeria. Therefore, the approach of this work is novel in the study of voluntary tax compliance in Nigeria, hence it represents one of the unique contributions of the current study to knowledge.

In the light of all these findings, it is hoped that as a matter of determined policy, adherence by government to the ideals of all these components of the independent variable combined, would act as a motivational force that would shape the perception of taxpayers positively towards voluntary tax compliance in Lagos State in particular and Nigeria in general.

6.5 LIMITATIONS

It may be an over-rating of research efforts to conclude that a study has no limitations. Therefore, the results of, and conclusion drawn from this study should be considered and interpreted with caution. Some of the limitations that can be ascribed to this study, even-though they are not envisaged to have any adverse effect on the findings and utility of the study, include the veracity of primary and secondary data, paucity of reliable secondary data, reticence of the target participants (taxpayers and the tax officials), and personal attributes of the respondents. Gathering of relevant data and information for the purpose of research is a major problem in developing country like Nigeria. For instance, unfriendly attitude of most respondents to information dissemination and un-cooperative and lukewarm attitude of some government officials to assist in getting relevant data and information on government's activities with respect to taxation and taxes constitute a major limitation of the study.

In addition, the variables used in the study as having significant impact on voluntary tax compliance were those considered relevant, reasonable and appropriate for Nigerian environment and were extracted from the literature by the author for the purpose of this current study. Thus, they do not necessarily represent all possible variables that might have reasonable influence on voluntary tax compliance. Furthermore, the correlation coefficients resulting from the study only indicate the level of interrelatedness among the variables but do not necessarily suggest the cause of the resultant outcome.

The study utilised a larger sample size than any previous similar studies on voluntary tax compliance in Nigeria. The sample size was obtained from tradesmen and artisans who are members of seventeen (17) trade associations in Lagos State. The trade associations used were considered to be moderately acceptable in terms of fair coverage for the study. However, from experience, it is noted that there are more than seventeen trade associations in Lagos State but only seventeen of them were used for the study. This constitute a limitation of the study as not all the trade associations were included in the research.

Another limitation of the study which is worthy of note is that only those tradesmen and artisans who possess at least primary six school leaving certificate were investigated. This is because it is believed that only those who can read and write English language fairly well, would be able to answer the questions contained in the survey questionnaire used for the study. This implies that those who could not read and write English language were excluded from the research efforts, thus constituting a limitation of the study as the opinions of this category of tradesmen and artisans could not be obtained for the research.

Lastly, another important limitation which should not be ignored is the fact that despite the assurances given to the respondents that the study will be beneficial to both the government and the governed, and that it will not be used against them in any form, there still appears to be some traces of bias among the respondents. This is based on their uterances which resulted into some of them not answering the questions contained in the questionnaire at all, or that the questions are not appropriately answered. This accounted for the relatively high figure recorded for unreturned copies of the questionnaire, that is, one thousand and eighty-eight (1,088) copies; and the one hundred and thirty-six copies of the questionnaire that were adjudged invalid.

In the light of the above explanations, and notwithstanding the aforementioned limitations, as the research was design in such a way that mitigated the probable adverse consequences of the limitations, the study has succeeded in making significant contributions to contemporary literature in the field of taxation.

6.6 SUGGESTIONS FOR FUTURE RESEARCH EFFORTS

The enthusiasm for embarking on this study stemmed from the gap identified in the extant literature. This was with respect to how good governance, represented by accountability and transparency; reduction in fiscal corruption; efficient and effective tax administration; efficient and effective tax laws and tax policies; and socio-economic considerations could motivate taxpayers to carry out their civic responsibility by paying their taxes voluntarily to the government without any coercion to do so. The aim and objectives set out for this study have been accomplished. However, it could hardly be discountenanced that this novel approach will elicit ambitious interest of researchers in this ever-increasingly relevant and germane aspect of taxation. Thus the possible directions which future research efforts may like to exploit to complement the current study include:

1. Only three (accountability, transparency and reduction in fiscal corruption) out of the nine principles of good governance, as advanced by UNDP (1997) and adapted by many organisations including the World Bank, UNESCO and Standard Australia, were used in conjunction with efficient and effective tax administration, efficient and effective tax laws and tax policies and socio-economic considerations to respresent good governance in this current study. Future study might want to increase the number of the priciples of good governance to be used, or might utilise the whole principles. Perhaps, this might futher improve the quality of the findings.

2. This current study used seventeen (17) trade associations. The number of trade associations from where participants in the future research would be drawn may be

increased for possible improvement in the findings of the study. Also, the sample size may be enlarged for wider coverage of the study.

3. The current study excluded the illiterates among the tradesmen and artisans. Future research may consider the possibility of including both the literate and illiterate tradesmen and artisans in order to obtain a wider range of opinions which might likely affect the outcome of the study.

4. A number of professional firms belonging to different associations such as those for lawyers, accountants, surveyors, builders, architects, medical doctors, engineers and consultants may be considered for possible inclusion of their members as subjects for research in tax compliance. It has been established that most of the members in each of the professional associations who are self employed, do not like to pay tax and that when they do, they do not pay correct taxes (Ayua, 1999 ; Bukar, 2004; Obasanjo, 2005; Dude, 2007).

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APPENDICES

APPENDIX 1: RESEARCH QUESTIONNAIRE

UNIVERSITY OF LAGOS
SCHOOL OF POSTGRADUATE STUDIES
DEPARTMENT OF ACCOUNTING
AKOKA, YABA, LAGOS, NIGERIA
1st MARCH, 2012

Dear Sir/Madam,

QUESTIONNAIRE ON THE IMPACT OF TAXPAYERS' PERCEPTION OF GOOD GOVERNANCE ON VOLUNTARY TAX COMPLIANCE IN LAGOS STATE, NIGERIA

My name is Adeyeye, G. B., a doctoral candidate in the above named University.
I humbly request that you kindly assist in completing the attached questionnaire. The questionnaire is designed to gather information on the Impact of Taxpayers' Perception of Good Governance on Voluntary Tax Compliance in Lagos State, Nigeria.

I strongly solicit your co-operation in truthfully completing the questionnaire so that it can serve the research purpose.

The questionnaire is meant for completion by the Artisans who pay taxes in Lagos State.

Please, be assured that your responses obtained for the purpose of this research study will be treated with utmost confidentiality.

Thanking you in advance Sir/Ma.

Yours Sincerely,

G. B. ADEYEYE

PART I: DEMOGRAPHIC CHARACTERISTICS

Please put an ‘X’ or a tick (√) against the option chosen below as appropriate.

1. Gender: Male ( ) Female ( )

2. Age (Years): 20 & below ( ) 20-30 ( ) 31-40 ( ) 41-50 ( ) 51-60 ( ) Above 60( )

3. Marital status: Married ( ) Single ( ) Separated ( ) Divorced ( )

4. Highest Qualification: First School Leaving Certificate (Primary Six) ( ) WASC/GCE/NECO ( ) OND ( ) HND ( ) B.Sc. ( ) OTHERS ( )

5. Work Experience (Years): 1-5 ( ) 6-10 ( ) 11-15 ( ) 16-20 ( ) Above 20 ( )

6. Type of Trade:

i. Barbing/Hairdressing	( )	ii. Battery Charging	( )
iii. Brick laying/Building	( )	iv. Carpentry	( )
v. Electrical/Rewiring	( )	vi. Electronics	( )
vii. Motor driving	( )	viii. Motorcycle riding	( )
ix. Motor Mechanic	( )	x. Motorcycle Mechanic	( )
xi. Panel beating/ Welding	( )	xii. Photography	( )
xiii. Printing	( )	xiv. Refrigeration	( )
xv. Tailoring	( )	xvi. Trading	( )
xvii Vulcanizing	( )		

PART II

INSTRUCTIONS:

Please, tick (√) against your chosen option and you may need to express your views in clear terms where necessary. The Likert 5-points scale is used in the construction of the questionnaire to elicit your responses and options on each statement as appropriately as possible. The adopted response options and scales are as stated below:

Strongly Agree (SA) = 5; Agree (A) = 4; Undecided (U) = 3; Disagree (D) = 2; and
Strongly Disagree (SD) = 1.

Now, please tick as appropriate:

THE IMPACT OF TAXPAYERS' PERCEPTION OF GOOD GOVERNANCE ON VOLUNTARY TAX COMPLIANCE IN LAGOS STATE, NIGERIA

SECTION A: TAXPAYERS' PERCEPTION OF GOVERNMENT'S ACCOUNTABILITY, TRANSPARENCY AND REDUCTION IN FISCAL CORRUPTION

S/N	STATEMENTS	SA=5	A=4	U=3	D=2	SD=1
A 1.	**ATTITUDE TOWARDS TAX COMPLIANCE:** As a taxpayer in Lagos State, I will be more willing to pay my tax if government is **Accountable** to the people it governs.					
2.	As a taxpayer in Lagos State, I will be more willing to pay my tax if government is **Transparent** in its operations.					
3.	As a taxpayer in Lagos State, I will be more willing to pay my tax if there is **Reduction in Fiscal Corruption.**					
B 4.	**TAX COMPLIANCE INTENTION:** Government's **accountability and transparency** will enhance my **tax compliance intention** and hence my **voluntary tax compliance.**					
5.	**Reduction in fiscal corruption** will enhance my **tax compliance intention** and hence my **voluntary tax compliance.**					

SECTION B: TAXPAYERS' PERCEPTION OF THE IMPACT OF TAX ADMINISTRATION ON TAX COMPLIANCE INTENTION AND VOLUNTARY TAX COMPLIANCE (PERCEIVED BEHAVIOURAL CONTROL - 1)

6.	**Inadequacy of tax personnel** hinders **tax administration** in Lagos state and therefore, encourages **non-tax compliance intention**.					
7.	**Poor remuneration** of tax officials may hinder effective **tax administration** in Lagos State and thus affects taxpayers' **tax compliance intention.**					
8.	**Inadequate facilities** such as pool vehicles to transport tax officials to rural areas for tax assignments may hinder effective **tax administration** in Lagos State and thus encourages **non-tax compliance intention.**					
9.	**Unfriendly (poor) attitude** of some tax officials in Lagos State may encourage taxpayers' **non-tax compliance intention.**					

10.	If the officials of **trade associations** in Lagos State are involved in **tax administration,** it may enhance **tax compliance intention** and hence encourages **voluntary tax compliance** because they are closer to and understand their members.					
11.	**Fraudulent Practices** by some tax officials may encourage taxpayers' taxpayers' **non-tax compliance intention** in Lagos State.					
12.	**Tax education** i.e. Public awareness campaign and enlightenment programmes on **tax matters** in Lagos State may likely encourage **tax compliance intention** and hence **voluntary tax compliance**.					

SECTION C: TAXPAYERS' PERCEPTION OF THE IMPACT OF TAX LAWS AND TAX POLICIES ON TAX COMPLIANCE INTENTION AND VOLUNTARY TAX COMPLIANCE (PERCEIVED BEHAVIOURAL CONTROL - 2)

S/N	STATEMENTS	SA=5	A=4	U=3	D=2	SD=1
13.	There is enough awareness of **tax laws** in Lagos State, thereby enhancing **tax compliance intention** and by extension, **voluntary tax compliance.**					
14.	Taxpayers in Lagos State know the legal implication of **non-tax compliance;** therefore, it affects their **tax compliance intention** towards **voluntary tax compliance.**					
15.	**Tax laws** in Lagos State are simple and easy to understand by taxpayers thereby enhancing **tax compliance intention** towards **voluntary tax compliance.**					
16.	**Tax laws** in Lagos State are being adequately applied when there is a case of **non-tax compliance.** Thus, this encourages **tax compliance intention** towards **voluntary tax compliance.**					
17.	**Tax policies** and **administration** in Lagos State is taxpayer friendly, therefore, it promotes **tax compliance intention** towards **voluntary tax compliance.**					
18.	The prevailing **tax laws and tax policies** in Lagos State have good impact on taxpayers' **tax compliance intention** and therefore, enhance **voluntary tax compliance**.					

SECTION D: TAXPAYERS' PERCEPTION OF THE IMPACT OF SOCIO-ECONOMIC CONSIDERATIONS ON TAXPAYER'S TAX COMPLIANCE INTENTION AND VOLUNTARY TAX COMPLIANCE (SUBJECTIVE NORMS)

A 19.	**SOCIO-ECONOMIC CONSIDERATIONS (SUBJECTIVE NORMS):** The **social life style** of a taxpayer may influence his **tax compliance intention** towards **voluntary tax compliance**.					
20.	**Negative perception** on payment of taxes by **peer group** may encourage **non-tax compliance intention** and therefore, discourages **voluntary tax compliance**.					
21.	**Family pressure** such as paying for children school fees, medical bills, demands from in-laws on individual taxpayer may encourage **non-tax compliance intention** and thus discourages **voluntary tax compliance**.					

B 22.	**VOLUNTARY TAX COMPLIANCE (1)** **Artisans** with **large number** of apprentices and **high volume** of job (Turnover) pay taxes **voluntarily** to government.					
23.	**Artisans** with **small number** of apprentices and **high volume** of job (Turnover) pay taxes **voluntarily** to government.					
24.	**Artisans** with **large number** of apprentices but **low volume** of job (Turnover) pay taxes **voluntarily** to government.					
25.	**Artisans** with **small number** of apprentices and **low volume** of job (Turnover) pay taxes **voluntarily** to government.					

SECTION E: NUMBER OF APPRENTICES UNDER YOUR SUPERVISION

26.	My apprentices are	0	1	2	3	4	5	6	7	8	9	Above 10

SECTION F: AVERAGE INCOME GENERATED PER MONTH FROM YOUR TRADE

27.	My monthly average total income is in the region of:	Less than N5,000	N5,000 - N7,500	N7,500 - N10,000	N10,000 - N15,000	N15,000 - N20,000	Above N20,000

SECTION G: VOLUNTARY TAX COMPLIANCE (2) -AVERAGE TAX PAID BY YOU PER ANNUM

28.	My yearly average tax paid is in the region of:	N1,500 - N2,500	N2,500–N3,000	N3,000–N4,000	N4,000 – N5,000	N5,000-N6,000	N6,000-N10,000	Above N10,000

SECTION H: VOLUNTARY TAX COMPLIANCE (3) - WHEN LAST DID YOU PAY YOUR TAX?

29.	I pay (paid) my tax	Every year	A year Ago	2 years ago	3 years ago	4 years ago	5 years ago	Over 5 years ago

SECTION I: HOW AND WHERE DID YOU PAY YOUR TAX?

30.	I paid the tax	By myself at the Tax office in my Local Government Area.	By myself at the approved bank by the Lagos State Government.	By myself at the Lagos State Board of Internal Revenue, Alausa, Ikeja.	Through our Association who paid the tax to Government in bulk on behalf of members.	Through my Tax Consultant/ Accountant.

THANK YOU AND GOD BLESS.

APPENDIX 2: LEGISLATIONS ADMINISTERED BY THE FEDERAL INLAND REVENUE SERVICE

i. Companies Income Tax Act, Cap. 60 LFN, 1990 (as amended by the Companies Income Tax (Amendment) Act, 2007).

ii. Petroleum Profits Tax Act, Cap. 354 LFN, 1990.

iii. Personal Income Tax Act, No. 104, 1993 (as amended by the Personal Income Tax (Amendment) Act, 2011).

iv. Capital Gains Tax Act, Cap. 42 LFN, 1990.

v. Value Added Tax Act, 1993 No. 102, 1993 (now Value Added Tax (Amendment) Act, 2007).

vi. Stamp Duty Act, Cap. 411 LFN, 1990.

vii. Taxes and Levies (Approved List for Collection) Act, 1998 No. 2, 1998.

viii. All regulations, proclamation, government notices or rules issued in terms of these legislation.

ix. Any other law for the assessment, collection and accounting of revenue accruable to the Government of the Federation as may be made by the National Assembly from time to time or regulation incidental to those laws, conferring any power, duty and obligation on the Service.

x. Enactment or Laws imposing Taxes and Levies within the Federal Capital Territory.

xi. Enactment or Laws imposing collection of taxes, fees and levies collected by other government agencies and companies including signature bonus, pipeline fees, penalty for gas flared, depot levies and licences, fees for Oil Exploration Licence (OEL), Oil Mining Licence (OML), Oil Production Licence (OPL), royalties, rents (productive and non-productive), fees for licences to operate drilling rigs, fees for oil pipeline licences, haulage fees and all such fees prevalent in the oil industry but not limited to the above listed. (Federal Inland Revenue Service (Establishment) Act, 2007, Sections 2, 25 and 68).

APPENDIX 3: AVERAGE INCOME GENERATED PER MONTH FROM YOUR TRADE IS IN THE REGION OF:

Measuring Scale	Frequency	Per cent	Valid Per cent	Cumulative Percent
Less than N5,000	450	20.7	20.7	20.7
N5,000-N7,500	113	5.2	5.2	25.9
N7,500-N10,000	235	10.8	10.8	36.7
N10,000-N15,000	308	14.2	14.2	50.8
N15,000-N20,000	408	18.8	18.8	69.6
Above N20,000	662	30.4	30.4	100.0
Total	2176	100.0	100.0	

Source: Author's Survey (2012)

APPENDIX 4: AVERAGE TAX PAID BY YOU PER ANNUM IS IN THE REGION OF:

Measuring Scale	Frequency	Per cent	Valid Per cent	Cumulative Per cent
N1,500-N2,500	1382	63.5	63.5	63.5
N2,500-N3,000	218	10.0	10.0	73.5
N3,000-N4,000	182	8.4	8.4	81.9
N4,000-N5,000	271	12.5	12.5	94.3
N5,000-N6.000	68	3.1	3.1	97.5
N6,000-N10,000	49	2.3	2.3	99.7
Above N10,000	6	0.3	0.3	100.0
Total	2176	100.0	100.0	

Source: Author's Survey (2012)

APPENDIX 5: WHEN LAST DID YOU PAY YOUR TAX? I PAY (PAID) MY TAX

Measuring Scale	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Every year	1885	86.6	86.6	86.6
A year ago	152	7.0	7.0	93.6
2 years ago	62	2.8	2.8	96.5
3 years ago	48	2.2	2.2	98.7
4 years ago	1	0.0	0.0	98.7
5 years ago	5	0.2	0.2	98.9
Over 5 years ago	23	1.1	1.1	100.0
Total	2176	100.0	100.0	

Source: Author's Survey (2012)

APPENDIX 6: HOW AND WHERE YOU PAY YOUR TAX – I PAY THE TAX:

Measuring Scale	Frequency	Per cent	Valid Per cent	Cumulative Per cent
By myself at the Tax office in my Local Government Area	389	17.9	17.9	17.9
By myself at the approved Bank by the State Government	81	3.7	3.7	21.6
By myself at the State Board of Interna Revenue	3	0.1	0.1	21.7
Through our Association who pays the tax to Government in bulk on behalf of members	1703	78.3	78.3	100.0
Total	2176	100.0	100.0	

Source: Author's Survey (2012)

APPENDIX 7: NUMBER OF APPRENTICES UNDER YOUR SUPERVISION

Measuring Scale	Frequency	Per cent	Valid Per cent	Cumulative Per cent
0	282	13.0	13.0	13.0
1	361	16.6	16.6	29.5
2	536	24.6	24.6	54.2
3	484	22.2	22.2	76.4
4	315	14.5	14.5	90.9
5	140	6.4	6.4	97.3
6	27	1.2	1.2	98.6
7	14	0.6	0.6	99.2
8	16	0.7	0.7	100.0
Above 10	1	0.0	0.0	100.0
Total	2176	100.0	100.0	

Source: Author's Survey (2012)

APPENDIX 8: LAGOS STATE INTERNALLY GENERATED REVENUE (IGR) TREND FROM 2005 - 2011

DETAILS	2005	%	2006	%	2007	%	2008	%
Total IGR	48,145,289,674.55	100	66,874,438,807.69	100	94,854,379,863.51	100	156,093,785,351.38	100
LIRS - IGR	34,389,664,035.07	71	50,166,358,602.39	75	68,344,401,762.18	72	109,987,437,244.87	70
OTHER- IGR	13,755,625,639.48	29	16,708,080,205.30	25	26,509,978,101.33	28	46,106,348,106.51	30

APPENDIX 8: LAGOS STATE INTERNALLY GENERATED REVENUE (IGR) TREND FROM 2005-2011 CONTINUED

DETAILS	2009	%	2010	%	2011	%
Total IGR	178,552,976,486.93	100	173,447,725,478.21	100	202,992,755,790.78	100
LIRS – IGR	133,466,142,420.47	75	149,966,383,196.47	86	167,463,534,675.95	82
OTHER- IGR	45,086,834,066.46	25	23,481,342,282.00	14	35,529,221,114.83	18

Source: Lagos State Internal Revenue Service – Collection and Accounting (2012)