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Tax Morale and Tax Compliance in Nigeria

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ABSTRACT

Tax, acknowledged globally as a fundamental revenue source for both developed and developing countries, faces challenges associated with non-compliance. Tax compliance, a complex concept, encompasses payment compliance, filing compliance, and reporting compliance. Taxpayers' behaviour is influenced by their attitudes toward public institutions, perceptions of fairness, and adherence to social norms, collectively shaping tax morale. This study investigated the relationship between tax morale and tax compliance in Nigeria. Tax morale is explored through dimensions such as trust in government, tax knowledge and awareness, and the quality of public service whereas Tax Compliance has proxies such as Legal tax system compliance, tax avoidance reduction, and tax evasion reduction. The research adopted a cross-sectional survey design, utilizing structured questionnaires for primary data collection. Analysis, employing Pearson Product Moment Correlation and multivariate regression tools with econometric procedures using E-view version 13, that reveals mixed findings regarding the influence of tax morale constructs on tax compliance during the study period. The study concludes that, as per the empirical findings, tax morale has not demonstrated a significant and effective relationship with tax compliance in Nigeria. Based on the results, the study recommends that relevant tax authorities in Nigeria should adopt a tax morale model of compliance, considering internal taxpayer motivations and emphasizing a more individualized approach. Additionally, the study suggests that the tax payer education and media programs should be enhanced by the government to promote voluntary compliance. A more positive and friendly interactions between taxpayers and relevant tax officers are also proposed to increase overall tax compliance and revenue.

Keywords: Taxation System, Tax Morale and Tax Compliance,

Introduction

Taxation has been a subject of extensive intellectual, practical and theoretical inquiry, representing a cornerstone of modern societies which furnishes essential funds for public goods and services and for the development of critical infrastructure. Governments all over the world source revenue mainly from taxation to enable them provide for the welfare and social amenities to the people, political and economic guidance, exercise the executive function and regulatory powers. Besides, governments saddled with the responsibility of providing for healthcare, education, defense (internally and externally), economic efficiency and growth, and fair distribution of income through its budgetary system. However, despite government pivotal role, the challenge of tax compliance persists in numerous developing countries, with Nigeria being no exception. Some of the factors that may influence tax compliance are economic factors, such as the level of income, audit probabilities, tax audit, tax rate, tax benefits, penalties, fines and other non-economic factors such as personal attitudes toward taxes, the role of social and national norms, and perceived fairness (Misu, 2011). Most importantly, the legal tax system and its enforcement rate, tax evasion, tax avoidance, level of tax rate and penalty are factors capable of influencing tax compliance.

There has been misconception that compliance rises when tax rate rises, when in actual fact most empirical works find that a higher tax rate discourages compliance (Clotfelter, 1983). In recent decades many scholars in economics, sociology, political science, history, psychology, law and developmental studies have begun to recognize the central importance of taxation to economic modernity and development. Martin et al (2009), have written that research has the potential to challenge conventional understanding of the world in which we live, rewriting conventional accounts of economic modernity itself by placing the social relations of taxation at the center of any historical or comparative account of social change.

Taxes formalize our obligations to public authority and among citizens, in many contemporary democracies it is one of the most relevant and diffused process that daily connect private and public sphere, including the constant instable balance between rights and duties. In Nigeria, the effective utilization of tax revenue by Federal, State and Local Governments is a pressing concern. Government spending consistently surpasses revenue, thereby hindering capital formation and economic growth in Nigeria, the Africa's largest economy. Despite a vast population, Nigeria's tax revenue collection falls significantly short of its potential because of low morale to pay tax. Tax morale is an intrinsic motivation to voluntarily comply with the tax laws and regulations. It has the potentials to increase tax compliance and revenue. High tax morale can encourage the taxpayers to fulfill their civic obligation willingly and not because they are forced to do so. It has also been observed that better tax morale is linked to both a perception of harsher penalties and more difficulty dodging taxes. The more people consider these consequences, the more people trust tax inspectors and the less often they have to pay bribes, and the more they think other Nigerians pay taxes, the higher tax morale.

It has been observed that the majority of research on tax morale and tax compliance have mainly been conducted by international scholars. In contrast, there is a limited body of research on the subject matter in Nigeria. Even the existing studies primarily focus on the economic and financial dimensions of tax morale. Unfortunately, the realms of psychology and sociology have been largely overlooked and the few spotted considered other psychological and sociological aspects of tax morale and tax compliance without using the variables used in this study. Paying taxes is legally mandatory even if there is no state that can obtain tax revenue without a large share of quasi-voluntary compliance or coercion (Levi, 1988). Empirical observations and economic analysis show how punitive approach can be the wrong choice, since control and punishment are usually costly and reduce intrinsic motivation of citizens to share the cost of the state administration. Government policy has to mix carrot and stick, taxation involves the dimension of imagined community and the rulers; according to Anderson (1991), government need to maintain credibility and consensus simultaneously.

Historically taxation draw a distinction between the insiders and outsiders of a community (Adams, 1993), it describes different boundaries from citizenship but it is directly connected with political representation: probably all of the readers remember the famous episode of the Boston Tea party, when the famous principle 'no taxation without representation' was stated stronger. Thinking at the classic lessons of Locke (1690) we understand how tax payment and tax revenue administration are the contemporary exemplification of the social contract (Martin et al., 2009). Taxation entails that private resources are spent – at least, theoretically – in favour of public interest, giving substance to the concept of generalize reciprocity and defining the inequalities that we accept and those we collectively seek to regress (see Tilly, 2009). Rights and taxation are strictly related because exercising rights is always costly, promoting social policies is clearly expansive and modern welfare state is possible - thanks to structured – and heavy – fiscal system. Also negative rights, apparently without cost (such as the right of property) need to be supported by a public authority to be effective (Holmes and Sunstein, 2000). Where the state prefers to collect public resources, and consequently where it prefers not to collect the private ones, influence reproduction of class and income inequality.

Literature Review

Theoretical Framework: In examining the relationship between tax morale and tax compliance, this study delves into several pertinent theories that provide a solid foundation for our research. These encompass Trust Theory, Intrinsic Motivation Theory, Perceived Fairness Theory, Ipsative Theory, Theory of Crime and Social Norms Theory. However, the central framework for this study is rooted in Trust Theory.

Trust Theory

Trust Theory, as applied to tax morale and tax compliance, focuses on the pivotal role of trust in government institutions and tax authorities by tax payers. This theory posits that individuals' trust in the fairness, transparency, and efficiency of the tax system significantly influences their willingness to comply with tax laws (Torgler & Schneider, 2009). Trust Theory revolves around the concept of trust, which is defined as the belief or confidence that individuals have in the reliability, integrity, and competence of institutions or individuals (Mayer, Davis, & Schoorman, 1995). In the case of taxation, trust refers to the confidence that taxpayers have in government institutions and tax authorities to use their tax contributions effectively and for their common good (Torgler & Schneider, 2009). This trust has not been justified in Nigerian situation over the years.

Impact of Trust on Tax Morale: Trust in government institutions and tax authorities foster tax morale—the willingness of individuals to voluntarily comply with tax laws (Torgler & Schneider, 2009). When taxpayers trust that their contributions will be used for public services and that the tax system is administered fairly, they are more likely to have a positive attitude toward taxation.

Trust and Compliance Behavior: High levels of trust can influence compliance behavior (Torgler & Schneider, 2009). Taxpayers who trust that the government is honest, accountable, and responsive to their needs are more inclined to comply willingly with tax obligations.

Transparency and Trust: Transparency in government operations and tax policies is closely linked to trust (Torgler & Schneider, 2009). Transparent governance practices, including clear communication, open decision-making, and accountability, enhance trust levels.

Fairness and Trust: The perception of fairness in the tax system is a significant component of trust (Wenzel, 2002). When taxpayers believe that the tax system is equitable and just, it reinforces their trust in the system.

Building Trust: Trust can be built through consistent, fair, and respectful interactions between tax authorities and taxpayers (Torgler & Schneider, 2009). These interactions contribute to a positive taxpaying experience and reinforce trust in the tax system. Trust Theory highlights the critical role of trust in government and tax authorities in shaping tax morale and tax compliance. High levels of trust can lead to increased tax morale and voluntary compliance, while low levels of trust may result in resistance to taxation and non-compliance. Understanding and cultivating trust is essential for tax authorities and policymakers to maintain effective tax systems and foster a culture of tax compliance. Trust in government institutions plays a pivotal role in intrinsic motivation for tax compliance (Torgler & Schneider, 2009). Transparent and accountable governance fosters trust, reinforcing individuals' intrinsic motivation to fulfill their tax obligations.

Intrinsic Motivation Theory

Intrinsic Motivation Theory, as defined by Deci and Ryan (1985), is a psychological framework that has gained prominence in understanding human behavior, particularly in the realms of tax morale and tax compliance. This theory posits that individuals are driven by internal factors, such as personal satisfaction, a sense of accomplishment, or a genuine interest in the task at hand, rather than external rewards or punishments (Deci & Ryan, 1985). In the case of taxation, Intrinsic Motivation Theory suggests that people may be more inclined to comply with tax laws when they perceive paying taxes as

intrinsically meaningful or when they derive a sense of satisfaction from contributing to the common good. Here are some key insights regarding the application of Intrinsic Motivation Theory to tax morale and tax compliance:

Altruism and Civic Duty: Individuals with a strong intrinsic motivation to comply with tax laws may do so out of a sense of altruism and civic duty (Feld & Frey, 2002). They see paying taxes as a way to contribute to the well-being of society, support public services, and promote the common good of the people.

Ethical Considerations: Intrinsic motivation can be closely tied to ethical considerations (Braithwaite & Reinhart, 2006). Taxpayers who believe in the fairness and legitimacy of the tax system are more likely to comply voluntarily, even in the absence of external enforcement.

Psychological Rewards: Intrinsic motivation theory suggests that people may experience a sense of psychological reward or satisfaction when they fulfill their tax obligations (Andreoni, Erard, & Feinstein, 1998). This internal satisfaction can reinforce tax compliance behavior.

Autonomy and Self-Determination: Individuals value a sense of autonomy and self-determination (Deci, Vallerand, Pelletier, & Ryan, 1991). When tax systems are perceived as transparent, equitable, and responsive to taxpayer needs, taxpayers are more likely to intrinsically motivate themselves to comply.

Communication and Education: Governments can leverage Intrinsic Motivation Theory by communicating the positive impact of taxes on society (Torgler, 2007). Educating taxpayers about how their contributions are used for public goods and services can enhance their intrinsic motivation to comply.

Limitations: It's essential to recognize that intrinsic motivation alone may not be sufficient to ensure complete tax compliance. External factors, such as audit risk, penalties, and incentives, also influence taxpayers' decisions (Slemrod, 2007).

3. Perceived Fairness Theory

For research focused on the fairness perceptions of taxpayers and how these perceptions influence their compliance decisions, Perceived Fairness Theory is highly relevant. This theory is often used to assess the impact of tax policies and their perceived fairness on compliance behavior. Taxpayers are more likely to voluntarily comply with tax obligations when they perceive the tax system as fair and just. Fairness can encompass aspects such as progressive taxation, equitable distribution of tax burdens, and transparent tax policies (Wenzel, 2002).

Ipsative Theory

Ipsative Theory, as it pertains to tax morale and tax compliance, is a psychological framework that explores how individuals' internal comparisons and self-evaluations influence their attitudes and behaviors toward taxation. This theory posits that people assess their tax compliance decisions in relation to their own past actions, values, and standards, rather than external benchmarks or comparisons with others (Torgler, 2003). In the case of taxation, Ipsative Theory suggests several key factors such as:

Self-Consistency: Ipsative Theory underscores the importance of self-consistency in tax compliance (Torgler, 2003). Taxpayers tend to evaluate their tax behaviors against their own moral and ethical standards, aiming to maintain consistency with their past actions, records and values.

Internal Reference Points: Ipsative Theory suggests that individuals develop internal reference points based on their past tax compliance experiences (Torgler, 2003). These reference points shape their attitudes and behaviors regarding future tax compliance decisions.

Motivation for Improvement: Ipsative Theory implies that individuals may be motivated to improve their tax compliance behavior to align with their personal standards and values (Torgler, 2003). Taxpayers strive for self-consistency and may adjust their actions to meet their internal benchmarks.

Personal Morality: Ipsative Theory highlights the role of personal morality in tax compliance (Torgler, 2003). Taxpayers may view tax compliance as a reflection of their own moral integrity, driving them to meet their internal standards.

Policy Implications: Understanding Ipsative Theory can inform tax policy strategies. Governments can design tax policies and communication campaigns that emphasize self-consistency and aligning tax compliance with taxpayers' personal values (Torgler, 2003).

Theory of Crime

The Theory of Crime, in the case of tax morale and tax compliance, provides insights into the factors that influence individuals' decisions to engage in tax evasion or tax fraud. This theory, often associated with criminology and economics, posits that tax compliance can be analyzed through the lens of criminal behavior, with individuals weighing the benefits and costs of engaging in non-compliance (Becker, 1968).

In the Theory of Crime, several key principles apply to the study of tax morale and tax compliance:

Cost-Benefit Analysis: Becker's (1968) Theory of Crime suggests that individuals engage in a cost-benefit analysis when considering tax evasion. Taxpayers weigh the potential benefits of evading taxes against the expected costs, such as fines, penalties, and the risk of detection.

Deterrence: Deterrence plays a central role in this theory. Tax authorities aim to deter non-compliance by increasing the perceived costs and risks of evasion. Effective deterrence measures, such as penalties and audits, can influence taxpayers' decisions (Andreoni, Erard, & Feinstein, 1998).

Perceived Probability of Detection: The Theory of Crime emphasizes the importance of the perceived probability of detection (Alm, Jackson, & McKee, 1993). Taxpayers are more likely to comply when they believe that tax authorities can detect non-compliance effectively and its consequence.

Rational Decision-Making: Becker's theory assumes that individuals are rational decision-makers (Becker, 1968). Taxpayers assess the expected utility of compliance or non-compliance, taking into account the potential gains and losses and decide to comply.

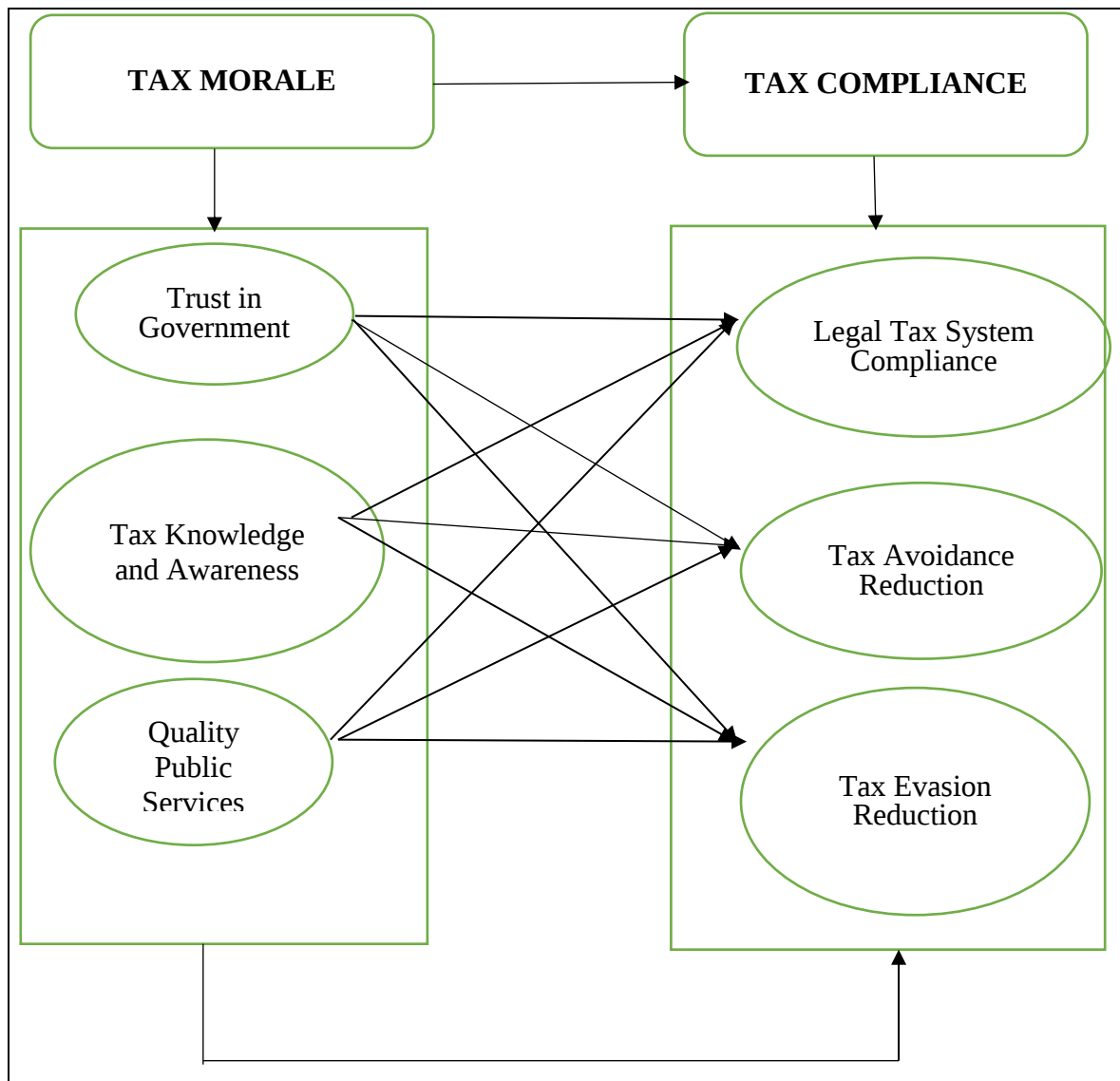
Information and Auditing: Adequate information and auditing procedures are essential in the Theory of Crime. Tax authorities must provide clear information about tax obligations and employ effective auditing techniques to enhance deterrence (Alm et al., 1993).

Tax Morale Influence: While the Theory of Crime primarily focuses on economic incentives, it does not discount the role of tax morale. High tax morale, driven by a sense of fairness or civic duty, can complement deterrence measures and encourage compliance (Torgler, 2005).

Incorporating the Theory of Crime into the study of tax morale and tax compliance helps policymakers and researchers better understand the behavioral and economic factors that influence taxpayer decisions. By aligning tax policies and enforcement strategies with the principles of this theory, governments can work to deter tax evasion and promote voluntary compliance.

Conceptual Framework: A conceptual framework is a foundational structure that an expert deems most suitable for elucidating the anticipated progression of the phenomenon under investigation (Camp, 2001). It encompasses the ideas, in-depth analysis, and significant theories employed to organize and systematize the information adopted by the researcher (Peshkin, 1993). It functions as the roadmap for how the research question will be explored. The conceptual framework provides a holistic perspective on the subject of interest (Liehr and Smith, 1999). From a quantitative perspective, the conceptual framework delineates the relationships between the core concepts or constructs in a study. It is logically structured to facilitate a visual representation of how ideas within a study are interconnected (Grant and Osanloo, 2014). Taxation originated from Latin word: "taxare" meaning, "to estimate and evaluate" the system of compulsory contribution usually in monetary terms, legally levied by a government upon income of persons, investments, properties, trustees and profits of companies etc, primarily for fiscal purposes (i.e. as a source of public revenues to be used for governmental expenses in respect of socio-economic and other public purposes).

Operational Framework – The following is the operational framework of the study:



Source: Researchers' desk, 2023.

Adam Smith's Principles or Canons of Taxation

In 1776, Adam Smith propounded what is known today as the canons of taxation. He argued that taxation should follow the four fundamental principles of fairness, certainty, convenience and efficiency (FCCE). Fairness, in taxation, means that it should be compatible with taxpayers' conditions, including their ability to pay in line with and considering personal and family needs. According to him, they are the fundamental principles upon which any good tax system must be based. These principles are as follows:

Principle of Equity

According to this principle, the tax burden and impact must be felt equally by the taxpayers. This means that both the rich and the poor must share the impact and severity of the tax in an equitable manner. This principle requires that the bigger the income of a person or company, the higher should be the tax payment and vice versa.

Principle of Certainty

This principle requires that any person or company liable to pay tax must know how much tax to pay and when the tax is due for payment. The tax to be paid must not be subjected to the whims and caprices of dubious tax officials.

Principle of Convenience

Under this principle, any tax imposed must be capable of being collected with ease and convenience. "That is, those who are liable to be taxed, must be easily located, the bases of taxing them easily known and assessed. There must be no deliberate room or possibility for tax evasion. It should be noted that while tax evasion is illegal and the evader may be liable to fines, penalties or imprisonment, tax avoidance is not a criminal act. The latter is a

legitimate means of taking best advantage of all tax reliefs, exemptions and allowances available to the tax payer. It also involves the process of identifying the loop-holes in the tax laws and using such loop-holes to reduce the tax payable.

Prior Empirical Studies

Orumwense and Aiwoho (2021) investigated the determinants of tax morale and compliance in Nigeria. They also examined factors like trust in government, culture, age, religion, education, and employment. Using a cross-sectional research survey design; they surveyed four publicly traded companies on the Nigeria Stock Exchange, collecting and analyzing 382 questionnaire responses. The study found significant relationships between trust in government, employment, religion, and age with tax morale and compliance. However, culture and education were found to have insignificant relationships with tax morale and compliance. The study emphasized the need for improved transparency, accountability, and people-centric tax policies while considering non-economic factors in tax compliance. The authors recommended understanding taxpayers' social and psychological characteristics to enhance tax compliance and policy formulation.

Olufemi et al. (2022) This study delves into the influence of tax fairness on the compliance behavior of listed manufacturing enterprises in Nigeria. It reveals that tax compliance is significantly shaped by the perception of fairness held by business taxpayers and their level of tax knowledge.

Ubesie and Edeh (2016) investigates the interplay of tax morale and tax compliance in the context of revenue generation in Nigeria. The research underscores the pressure on the government to meet electoral promises and provide essential services, necessitating high tax morale for optimal tax compliance. Their cross-sectional survey involved 600 respondents from diverse sectors. The study revealed significant correlations between tax compliance and tax morale. Recommendations include enhancing taxpayer services, scrutinizing tax returns to prevent misuse of discretionary powers, and providing continuous training for tax officials.

Implementation of these recommendations could lead to increased revenue generation and broader participation among taxable adults, fostering economic development in Nigeria.

Torgler and Schaltegger (2007) noted that an individual knowledgeable about certain fiscal policy is able to put into perspective the relationship between paying taxes and the accruing benefits. Highly educated tax payers are also able to process the extent of possible wastages by government and might eventually become less compliant.

Lago-Peñas and Lago-Peñas (2010) provide a concise overview of factors influencing tax morale based on prior research. They highlight that tax morale tends to be positively correlated with age, religious affiliation, financial stability, and alignment with government policies, while it inversely relates to educational attainment and self-employment status. Additionally, stronger tax morale tends to correspond with reduced shadow economic activities (Torgler & Schneider, 2009). Torgler (2003) extends this observation by noting that Central and Eastern European nations tend to exhibit higher tax morale compared to former Soviet Union member states. Cummings et al. (2009) contribute empirical evidence from field studies in Botswana and South Africa, as well as a comprehensive African survey, affirming that increased tax morale leads to greater tax compliance.

Dell'Anno (2009) introduces a theoretical framework demonstrating that tax evasion is predominantly influenced by tax morale, which hinges on individuals' attitudes regarding honesty and the social consequences of tax evasion. This model also incorporates the effectiveness of policymakers in mitigating tax evasion, accounting for various economic and institutional factors. Furthermore, Lee (2016) devises a theoretical model encompassing morality, tax evasion behavior, and its implications for tax system equity. His findings emphasize that heightened societal morality amplifies the moral costs associated with tax evasion, resulting in reduced tax evasion rates. In this context, high-income taxpayers are inclined to engage in less tax evasion and contribute a larger share to tax revenues.

Edmond Ofori (2020) conducted a study in Ghana to investigate the impact of tax morale and compliance costs on tax compliance among Micro and Small Scale Enterprises. Using a cross-sectional and correlational design and employing judgment purposive sampling, the research found a strong, statistically significant positive relationship between tax morale, compliance costs, and tax compliance. Tax morale and compliance costs were shown to explain 64.4 percent of the variance in tax compliance among these enterprises. It's important to note that the study specifically focused on this sector in Ghana and did not encompass other sectors of the economy. The findings highlight the significant influence of tax morale and compliance costs on the tax compliance behavior of Micro and Small Scale Enterprises in Ghana.

Cummings, Martinez-Vazquez, McKee, and Torgler (2005) investigates the impact of tax morale on tax compliance. While enforcement actions can increase compliance, variations in compliance levels across countries and cultures cannot be solely explained by these actions. The study suggests that differences in tax administration fairness, perceived fiscal exchange, and citizens' attitudes toward governments influence compliance behavior. Their research includes laboratory experiments across multiple countries, and these findings are substantiated by survey responses, underscoring the significant role of tax morale in shaping tax compliance.

Alasfour, Samy, and Bampton's (2016) study delves into the determinants of tax morale and tax compliance in Jordan. They employ a questionnaire survey and multivariate tests to unravel the intricate dynamics of tax behavior in the country. Their findings reveal that tax evasion is sometimes considered morally acceptable, particularly in a context where the government is perceived as highly corrupt. The study emphasizes the significant influence of government corruption on tax morale and non-compliance, while efficient expenditure of tax revenues positively impacts tax morale and compliance. Additionally, individual factors such as gender, age, education, occupation, and religious background play pivotal roles in shaping an individual's tax morale and compliance choices. Overall, the study underscores the complex interplay of individual and contextual factors in influencing tax morale and compliance in Jordan.

Hypotheses – Bases for the Study

The relevant literature has been reviewed and the hypotheses which serve as bases for prediction and research findings of this study were formulated in null form as follows:

Ho₁. There is no significant relationship between trust in government and legal tax system Compliance in Nigeria.

Ho₂. Trust in government has no significant relationship with tax avoidance Reduction in Nigeria.

Ho₃. There is no significant relationship between trust in government and tax evasion Reduction in Nigeria.

Ho₄. Tax knowledge and awareness has no significant relationship with legal tax system Compliance in Nigeria.

Materials and Methods

An ex-post facto research design has been carefully chosen for this study. This design turns out to be the best option since it makes it easier to examine correlations and causation in circumstances where the researcher cannot control the independent variable, in this case Tax Morale and dependent variable Tax Compliance in Nigeria. Extant data can be examined to see how they affect dependent variables, particularly tax compliance data. Non-probability sampling is a sampling strategy where samples are chosen by the researcher based on their subjective assessment rather than by chance. It is a less strictive approach. The proficiency of the researchers is a major factor in this sampling process. Researchers frequently employ it for qualitative research because it is observation-based. Therefore, according to the population report from ZhujiWorld.com dated September 7th, 2023, Rivers State population was a total over 7 million, with more than 4 million residents meeting the age criterion of 18 years and above. Hence, the relevant population size for the study is approximately 4 million, has been chosen based on this method.

Model Specification

Aligned with the previously outlined conceptual framework and hypotheses, the model specification for this study is stated as follows:

Functional form of the model:

$$LTS = f(TIG, TKA, QPS) \dots\dots\dots (1)$$

$$TA = f(TIG, TKA, QPS) \dots\dots\dots (2)$$

$$TE = f(TIG, TKA, QPS) \dots\dots\dots (3)$$

Where;

LTS = Legal Tax System

TA = Tax Avoidance

TE = Tax Evasion

TIG = Trust in Government

TKA = Tax Knowledge and Awareness

QPS = Quality Public Services

Mathematical form of the model:

$$LTS = \alpha_0 + \alpha_1 TIG + \alpha_2 TKA + \alpha_3 QPS \dots\dots\dots (4)$$

$$TA = \beta_1 + \beta_1 TIG + \beta_2 TKA + \beta_3 QPS \dots\dots\dots (5)$$

$$TE = \gamma_0 + \gamma_1 TIG + \gamma_2 TKA + \gamma_3 QPS \dots\dots\dots (6)$$

The above equation 1 is trans-modified into **econometrics** form by adding constant term (β) and error term (ϵ) in the model below:

Econometrics form of the Model

$$LTS = \alpha_0 + \alpha_1 TIG + \alpha_2 TKA + \alpha_3 QPS + \epsilon \dots\dots\dots (7)$$

$$TA = \beta_1 + \beta_1 TIG + \beta_2 TKA + \beta_3 QPS + \mu \dots\dots\dots (8)$$

$$TE = \gamma_0 + \gamma_1 TIG + \gamma_2 TKA + \gamma_3 QPS + \gamma \dots\dots\dots (9)$$

Results and Discussion

HO₁: There is no significant relationship between trust in government and legal tax system in Nigeria.

If the P-value is less than (or equal to) Alpha ($\alpha = 0.05$), then the relationship is significant and thus, the null hypothesis is rejected. But if the P-value is greater than Alpha (α), then the relationship is not significant and thus, the null hypothesis is accepted.

From table 4.17 of panel A, LTIG with ($\beta = 0.867$ & $P = 0.0007$) positively related with LLTS. This means that a unit change in the trust in government would improve LLTS by about 0.867 of the taxpayers. Interestingly, the p-value of 0.0007 is less than 0.05% standard alpha value. Therefore, the null hypothesis was rejected and on the basis of this, the study concluded that LTIG significantly relates to LLTS in the period of this study.

HO₂: Trust in government does not significantly relate to tax avoidance in Nigeria.

From table 4.18 of panel B, LTIG with ($\beta = 0.110$ & $P = 0.629$) positively related with LTA. This means that a unit change in the trust in government would discourage LTA by about 0.110 of the taxpayers. However, the p-value of 0.629 is greater than 0.05% standard alpha value. Therefore, the null hypothesis was accepted and on the basis of this, the study concluded that LTIG insignificantly relates to LTA in the period of this study.

HO₃: There is no significant relationship between trust in government and tax evasion in Nigeria.

Table 4.19 of panel C, revealed that LTIG with ($\beta = 0.136$ & $P = 0.713$) positively related with LTE. This implies that a unit change in the trust in government would reduce the tendency of tax evasion LTE by about 0.136 of the taxpayers. However, the p-value of 0.713 is more than 0.05% standard alpha value. Therefore, the null hypothesis was accepted and on the basis of this, the study concluded that LTIG is statistically and insignificantly relates to LTE in the period of this study.

HO₄: There is no significant relationship between tax knowledge/awareness and legal tax system in Nigeria.

Table 4.17 of panel A, LTKA with ($\beta = 0.595$ & $P = 0.034$) positively related with LLTS. This means that a unit change in the trust in government would improve LLTS by about 0.595 and invariably improves tax compliance of the taxpayers. Equally, the p-value of 0.034 is less than 0.05% standard alpha value. Therefore, the null hypothesis was rejected and on the basis of this, the study concluded that LTIG significantly relates to LTKA in the period of this study.

Conclusion and Recommendations

After investigating tax morale and tax compliance of the taxpayers in Nigeria, especially the perspectives of trust in government, tax knowledge/awareness and quality of public service, tax avoidance and tax evasion, the study concludes that trust in government by tax payers influences tax morale, tax avoidance, tax evasion, tax compliance and tax revenue. Based on the findings and conclusion, the study recommends that relevant tax authorities in Nigeria should apply tax morale model of compliance that incorporates internal taxpayer motivations and emphasizes a more individual carrot and stick approach. The relevant tax authorities should also put in place a permanent department devoted specifically to voluntary tax compliance issues.

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