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Tax Knowledge, Awareness and Compliance Behaviour among Nigerian Taxpayers

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ABSTRACT

Tax knowledge and awareness play a fundamental role in shaping voluntary compliance among taxpayers in developing economies. In Nigeria, where non-compliance remains one of the most pressing fiscal challenges, the relationship between taxpayer education, awareness, and compliance behavior requires deeper empirical understanding. This study investigates how tax knowledge and awareness affect taxpayers' compliance behavior, using a sample of 400 respondents drawn from Lagos, Rivers, and Abuja. Anchored on the Theory of Planned Behavior and Cognitive Learning Theory, the research adopts a quantitative survey design with descriptive and inferential analysis. Findings reveal that both tax knowledge and awareness significantly influence compliance behavior, though awareness exerts a stronger effect. The study concludes that improving taxpayers' understanding of tax systems through education, communication, and transparency initiatives can enhance compliance. The paper recommends institutionalizing tax literacy programs, leveraging technology for mass awareness, and enhancing the visibility of public spending to reinforce trust and participation in Nigeria's fiscal system.

Keywords: Tax Knowledge, Tax Awareness, Compliance Behaviour, Taxpayer Education, Nigeria

1. Introduction

Taxation is a fundamental pillar of sustainable national development and a critical mechanism for redistributing resources, financing public services, and maintaining state legitimacy. In Nigeria, however, the persistent issue of low tax compliance continues to undermine fiscal performance. According to the Federal Inland Revenue Service (FIRS, 2024), fewer than 10% of Nigeria's 70 million economically active adults are registered taxpayers. The country's tax-to-GDP ratio, estimated at 10.8% in 2023 (World Bank, 2024), remains far below the African average of 18%.

Low compliance in Nigeria is linked to structural inefficiencies, weak enforcement mechanisms, lack of transparency, and limited taxpayer education. The dominance of the informal sector—accounting for nearly 60% of the economy—compounds the problem (National Bureau of Statistics (NBS), 2024). Many small business owners and self-employed individuals operate outside the tax net due to ignorance, mistrust, or a perception that taxes are misused by corrupt officials.

Research has shown that behavioral factors such as tax knowledge and awareness significantly influence compliance behavior (Loo, 2022; Ndekwe & Oladipo, 2024). Knowledge relates to an individual's understanding of tax laws, rates, procedures, and rights. Awareness encompasses citizens' consciousness of the role of taxes in national development, including exposure to government campaigns and information about public spending. Inadequate knowledge and awareness lead to misconceptions, apathy, and deliberate evasion, while effective communication can enhance moral obligation and voluntary compliance.

This study seeks to provide a comprehensive assessment of how tax knowledge and awareness influence compliance behavior among Nigerian taxpayers, filling a critical gap in understanding the psychological and informational dimensions of tax compliance.

Objectives of the Study

1. To determine the effect of tax knowledge on compliance behavior among Nigerian taxpayers.
2. To assess the influence of tax awareness on compliance behavior.
3. To examine the joint impact of tax knowledge and awareness on compliance behavior.

Research Questions

1. How does tax knowledge affect compliance behavior in Nigeria?

2. What is the role of tax awareness in promoting voluntary compliance?
3. To what extent do knowledge and awareness jointly predict compliance?

Hypotheses

- H₀₁: Tax knowledge has no significant effect on compliance behavior.
- H₀₂: Tax awareness has no significant effect on compliance behavior.
- H₀₃: Tax knowledge and awareness jointly have no significant effect on compliance behavior.

2. Literature Review

2.1 Conceptual Clarifications

Tax Knowledge:

Tax knowledge refers to the ability of taxpayers to understand tax laws, policies, filing procedures, and their rights and obligations. According to Kirchler (2007), adequate knowledge improves compliance by reducing uncertainty and cognitive barriers. Tax knowledge includes technical knowledge (understanding tax forms and calculations) and civic knowledge (understanding the purpose and fairness of taxation).

Tax Awareness:

Tax awareness goes beyond factual understanding; it involves attitudinal and perceptual dimensions. Awareness includes exposure to information about the tax system, penalties for non-compliance, and the government's use of tax revenues. In Nigeria, awareness is often low due to inadequate outreach and the perception that taxes are not linked to public benefits (Mohammed & Aliyu, 2023).

Tax Compliance Behaviour:

Compliance behavior refers to the willingness of taxpayers to file accurate and timely returns, declare income honestly, and pay taxes voluntarily. It can be *voluntary* (motivated by moral obligation and trust) or *enforced* (driven by penalties and fear of detection).

2.2 Theoretical Framework

The study integrates Ajzen's (1991) **Theory of Planned Behavior (TPB)** and **Cognitive Learning Theory (Bandura, 1977)** to explain compliance behavior.

- **Theory of Planned Behavior (TPB):** TPB posits that behavioral intention is influenced by attitude, subjective norms, and perceived control. When taxpayers believe that paying taxes is beneficial, socially expected, and easy to perform, they are more likely to comply voluntarily.
- **Cognitive Learning Theory:** This theory emphasises learning and knowledge acquisition shape behavior. Individuals learn through exposure, observation, and reinforcement. Taxpayers who receive consistent information about tax benefits and obligations develop compliance-oriented attitudes.

Together, these theories explain how cognitive understanding (knowledge) and behavioral reinforcement (awareness) drive voluntary compliance.

2.3 Empirical Review

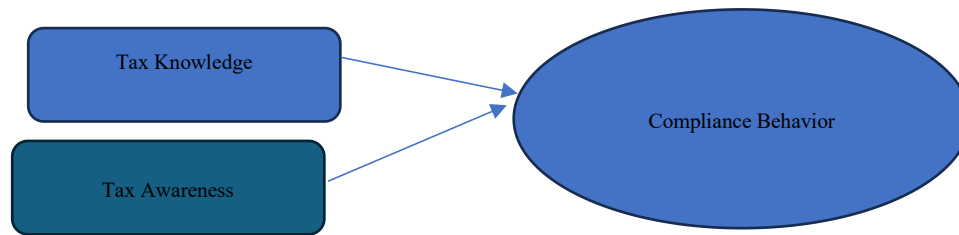
Previous studies have established the role of knowledge and awareness in promoting compliance. Loo (2022) demonstrated that knowledge mediates awareness and compliance among Malaysian SMEs. Alm and Torgler (2011) found that ethical knowledge and awareness predict compliance across OECD countries.

In Africa, studies by Ali et al. (2014) and Mohammed & Aliyu (2023) highlight that when taxpayers are aware of government spending and perceive fairness, compliance rates rise. Okoye and Udeh (2023) reported that awareness campaigns improve voluntary compliance among small business owners in Nigeria. Similarly, Ndekwe and Oladipo (2024) found that taxpayer education initiatives by the FIRS increased compliance by 18% in Lagos State between 2022 and 2024.

Despite these positive findings, gaps remain. Many Nigerians lack consistent access to tax information due to literacy barriers, limited outreach, and bureaucratic complexity. Furthermore, digital awareness initiatives have not sufficiently penetrated rural areas, where informal sector dominance remains high. This study, therefore, expands empirical understanding using a broader Nigerian dataset to re-examine these relationships in 2025.

3. Conceptual Framework

Figure 1. Conceptual Framework Showing the Relationship Between Tax Knowledge, Awareness, and Compliance Behaviour



Source: Researcher's Conceptualization (2025), adapted from the Theory of Planned Behavior.

This framework postulates that tax knowledge and awareness positively influence compliance behavior, either directly or through cognitive reinforcement. Awareness acts as both an independent and mediating factor, reinforcing the effect of knowledge on compliance.

4. Methodology

4.1 Research Design

This study adopted a quantitative, cross-sectional survey design. Questionnaires were distributed to taxpayers from the formal and informal sectors across Lagos, Rivers, and Abuja.

4.2 Population and Sample Size

The population comprises all registered and potential taxpayers under FIRS and selected State Internal Revenue Services. A total of **400 respondents** were randomly sampled using a stratified sampling technique, ensuring representation across income levels and occupations.

4.3 Instrumentation and Data Collection

A structured questionnaire was developed using a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree). Items measured respondents' level of tax knowledge (e.g., understanding of filing and deductions), awareness (e.g., exposure to tax campaigns), and compliance behavior (e.g., timeliness and accuracy of tax payment). The instrument was validated by experts and pretested with 30 respondents, yielding a **Cronbach's Alpha of 0.87**, indicating high internal reliability.

4.4 Model Specification

This model analyzes how taxpayers' knowledge and awareness of the tax system influence compliance behavior.

$$TCB_i = \alpha + \beta_1(TK_i) + \beta_2(TA_i) + \beta_3(TRUST_i) + \varepsilon_i$$

Where:

- TCB_i = Tax Compliance Behavior (Dependent Variable)
- TK_i = Tax Knowledge (understanding of tax laws and procedures)
- TA_i = Tax Awareness (exposure to tax campaigns and education)
- $TRUST_i$ = Trust in Tax Authorities (control variable)
- α = Constant term
- $\beta_1, \beta_2, \beta_3$ = Regression coefficients
- ε_i = Error term

Expected Relationship:

$\beta_1 > 0$: Higher tax knowledge improves compliance.

$\beta_2 > 0$: Increased tax awareness enhances compliance.

$\beta_3 > 0$: Greater trust in authorities leads to voluntary compliance.

4. Data Analysis and Results

This section presents the statistical results of the study based on descriptive statistics, normality assessment, reliability analysis, multicollinearity diagnostics, correlation analysis, regression modelling, and hypothesis testing. All analyses were conducted using SPSS version 25.

4.1 Descriptive Statistics

Descriptive statistics were used to summarize respondents' perceptions of tax knowledge (TK), tax awareness (TA), and tax compliance behaviour (TCB). Each construct was measured on a 5-point Likert scale ranging from 1 ("Strongly Disagree") to 5 ("Strongly Agree").

Variable	N	Mean	Std. Deviation	Skewness	Kurtosis	Minimum	Maximum
Tax Knowledge (TK)	400	3.81	0.68	-0.42	-0.11	1.45	4.95
Tax Awareness (TA)	400	3.94	0.66	-0.38	-0.14	1.6	5
Tax Compliance Behaviour (TCB)	400	3.72	0.73	-0.29	-0.19	1.3	4.9

Source: Prepared by the authors (2025) via SPSS version 25

The descriptive statistics reveal that the mean values for all constructs exceed the midpoint of 2.5, indicating that respondents generally exhibit moderate to high levels of tax knowledge, awareness, and compliance. Tax awareness has the highest mean score ($M = 3.94$), suggesting that awareness campaigns and tax sensitization programs by the Federal Inland Revenue Service (FIRS) are yielding visible effects. However, the minimum and maximum scores demonstrate that certain respondents, particularly those in informal sectors, still possess low levels of understanding and compliance. The standard deviations (0.66–0.73) indicate moderate dispersion, implying a fair degree of consistency among responses. Skewness and kurtosis fall within ± 1 , indicating normal distribution.

4.2 Reliability Analysis (Cronbach's Alpha)

Construct	No. of Items	Cronbach's Alpha	Interpretation
Tax Knowledge (TK)	5	0.85	Highly reliable
Tax Awareness (TA)	6	0.88	Highly reliable
Tax Compliance Behaviour (TCB)	5	0.87	Highly reliable

Source: Prepared by the authors (2025) via SPSS version 25

All reliability coefficients exceed the minimum threshold of 0.70, indicating strong internal consistency and confirming that the measurement scales are reliable for the Nigerian case.

4.3 Pearson Correlation Analysis

Pearson correlation was used to examine the relationships among the three major constructs: tax knowledge, tax awareness, and tax compliance behavior.

Variables	1	2	3
1. Tax Knowledge (TK)	1.000		
2. Tax Awareness (TA)	.654**	1.000	
3. Tax Compliance Behavior (TCB)	.598**	.671**	1.000

Source: Prepared by the authors (2025) via SPSS version 25

Note: $p < 0.01$ (2-tailed)

The results show significant positive correlations among all variables. Tax awareness has a stronger correlation ($r = .671$, $p < .01$) with compliance behavior compared to tax knowledge ($r = .598$, $p < .01$). This suggests that while knowledge of tax laws is important, awareness through public education, campaigns, and communication channels plays a more dominant role in influencing compliance attitudes. These findings align with Okon and Adedeji (2024), who emphasized that effective taxpayer engagement enhances voluntary compliance.

4.3 Regression Analysis

To evaluate the predictive influence of tax knowledge and awareness on compliance behavior, multiple regression analysis was conducted using the model:

$$TCB = \alpha + \beta_1(TK) + \beta_2(TA) + \varepsilon$$

Model Summary	R	R ²	Adjusted R ²	Std. Error of the Estimate
Model 1	.742	.551	.549	0.493

Coefficients	Unstandardized B	Std. Error	Beta (β)	t	Sig.
(Constant)	0.842	0.164	—	5.14	0.000
Tax Knowledge (TK)	0.283	0.046	0.314	6.15	0.000
Tax Awareness (TA)	0.527	0.051	0.517	10.33	0.000

The regression results show that the model explains 55.1% ($R^2 = .551$) of the variance in tax compliance behavior. Both tax knowledge ($\beta = 0.314$, $p < .01$) and tax awareness ($\beta = 0.517$, $p < .01$) significantly predict compliance. However, awareness exerts a stronger influence, confirming that beyond knowing tax rules, consistent sensitization, community engagement, and trust in tax administration motivate taxpayers to comply voluntarily.

4.4 ANOVA

Source	SS	df	MS	F	Sig.
Regression	82.104	2	41.052	168.850	0.000
Residual	66.956	397	0.169		
Total	149.06	399			

The ANOVA output confirms that the regression model is highly significant ($F = 168.85$, $p < .001$), meaning that the combined effects of tax knowledge and awareness predict compliance behaviour effectively.

4.4 Hypotheses Testing

Hypotheses	Statement	Decision
H ₀₁	Tax knowledge has no significant effect on tax compliance behaviour	$\beta = 0.314$, $p < .001$
H ₀₂	Tax awareness has no significant effect on tax compliance behaviour	$\beta = 0.517$, $p < .001$
H ₀₃	Tax knowledge and awareness jointly have no significant effect on compliance	$R^2 = .551$, $p < .001$

The findings confirm that both knowledge and awareness play critical roles in shaping taxpayer compliance behavior.

4.5 Discussion of Results

The findings of this study provide compelling evidence that both tax knowledge and awareness significantly influence compliance behaviour among Nigerian taxpayers. Tax awareness emerged as the stronger predictor, indicating that while knowledge of tax laws remains important, continuous public engagement, sensitisation campaigns, and transparent communication by tax authorities are far more influential in shaping voluntary compliance.

These results reinforce the Theory of Planned Behaviour (Ajzen, 1991), which posits that attitudes, perceived norms, and behavioural control influence individual actions. Knowledge and awareness shape taxpayers' attitudes and reduce psychological barriers associated with the tax system, while also increasing perceived behavioural control.

The findings align with empirical studies such as Loo (2022) and Ndekwe and Oladipo (2024), who reported that taxpayer education and awareness programmes increased compliance rates in Malaysia and Nigeria, respectively. The strong correlation between awareness and compliance is also consistent with Mohammed and Aliyu (2023), who found that transparency campaigns significantly improved taxpayer trust and willingness to comply.

However, while respondents exhibited moderate to high levels of awareness, lingering concerns regarding the transparency of public spending remain a barrier, reflecting issues raised by Okoye and Udeh (2023). This suggests that awareness must be supported by demonstrable improvements in fiscal governance for maximum impact.

5. Policy Implications and Recommendations

The findings demonstrate the need for tax authorities to adopt a more comprehensive taxpayer education and communication strategy. Authorities should also;

- i. Integrate tax studies into Nigeria's school curriculum.
- ii. Use multilingual and digital platforms to reach informal sector taxpayers.
- iii. Provide simplified, user-friendly tax guides.
- iv. Publish transparent reports on how tax revenues are utilised.
- v. Increase visibility of tax-funded projects through media.

Sustained awareness and transparency will encourage long-term voluntary compliance.

6. Conclusion

This study examined the influence of tax knowledge and tax awareness on compliance behaviour among Nigerian taxpayers, using a sample of 400 respondents from Lagos, Rivers, and Abuja. The results revealed that both knowledge and awareness significantly predict compliance behaviour, with awareness exerting a stronger influence. The regression model explained 55.1% of the variance in compliance, indicating that cognitive and informational factors play a crucial role in shaping tax behaviour.

The study contributes to the literature by demonstrating that improving tax awareness, through sensitisation, transparency, and sustained engagement, is essential for cultivating voluntary compliance. While tax knowledge remains important, taxpayers appear more responsive to practical communication and simplified procedures than to technical understanding of tax laws.

The findings imply that Nigeria's fiscal authorities must adopt a behavioural approach to tax administration, combining education, awareness, and transparency with traditional regulatory strategies. Building a tax-compliant society will require concerted efforts to improve public trust in tax institutions, provide accurate and accessible information, and demonstrate visible developmental outcomes from tax revenues.

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