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## Determinants of Tax Compliance Behaviour and Sustainable Economic Growth Among MSMEs in Nigeria

**Appah, Ebimobowei (Ph.D)**

Isaac Jasper Boro College of Education, Sagbama, Bayelsa State, Nigeria

**Duoduo, Godspower**

Isaac Jasper Boro College of Education, Sagbama, Bayelsa State, Nigeria

doi: <https://doi.org/10.37745/ijdes.13/vol11n370105>

Published May 14, 2023

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**Citation:** Appah, E. and Duoduo, G. (2023) Determinants of Tax Compliance Behaviour and Sustainable Economic Growth Among MSMEs in Nigeria, *International Journal of Development and Economic Sustainability*, Vol.11, No.3, pp.70-105

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**ABSTRACT:** *This study examined the effects of determinants of tax compliance behaviour on sustainable economic growth of micro, small and medium enterprises (MSMEs) in South-South, Nigeria. The study anchored on the economic deterrence theory and cross sectional survey research design was used on a sample of MSMEs in South-South, Nigeria. The primary data was collected using a questionnaire with a five-point Likert scale and a sample size of 535 using convenience sampling. The data collected were analysed using descriptive statistics, bivariate analysis while multivariate analysis was used in the estimation of the regression model developed for the study. The findings revealed that tax penalty has positive and significant influence on sustainable economic growth among MSMEs in south-south of Nigeria; tax fairness has positive and significant influence on sustainable economic growth among MSMEs in south-south of Nigeria; perceived opportunities of tax evasion has negative and insignificant influence on sustainable economic growth among MSMEs in south-south of Nigeria; tax audit has positive and significant effect on sustainable economic growth among MSMEs in south-south of Nigeria; and tax system has positive and significant influence on sustainable economic growth among MSMEs in south-south of Nigeria. On the basis of the findings, the study concluded that tax determinants such as tax penalty, tax fairness, tax audit, tax system and opportunity for evasion affects the level of sustainable economic growth among micro, small and medium enterprises in South-South Nigeria. The study recommended amongst others that government should expand the tax administration system in Nigeria and strengthen tax collection schemes and follow up procedures on MSMEs. Also frequent tax reforms designed and implemented that would increase revenue generation through tax collection and consequently stimulating sustainable economic growth of Nigeria.*

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**KEYWORDS:** tax penalty, tax fairness, tax audit, sustainable economic growth, Nigeria

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## INTRODUCTION

The growth and development of any nation economically depends on the capacity of government to generate sufficient revenue for the provision of social goods and services. According to Assfaw and Sebhat (2019), the provision of social goods and services by the government in any given country hinges on the volume of revenue generated to finance goods and services for the benefit of individuals in that nation. Hence taxes remain the main source of generating revenue for the provision of social goods and services to members of any given society. According to Nyamapheni and Robinson (2021), taxes are obligatory monetary contributions imposed by a government agency on the income, trade, profession and vocation of corporate and non-corporate entities for the provision public sector infrastructure. Omesi and Appah (2021) argued that tax is a mandatory contribution made by individuals and organisations of any given nation to the state or even an alien, subject to the jurisdiction of the government, for reasons of residence or property and this contribution is for the provision of social amenities for the well-being of that given society. Anyaduba and Otubugbu (2019) also state that the main objective of taxes in any given nation is to ensure that government uses the revenue obtained for the acceleration of sustainable economic growth, economic stabilization, income redistribution, promoting fairness and equity, fiscal responsibility and accountability, as well as for the provision of national goods and services. Twun et al (2020) maintained that the taxes collected from corporate and non-corporate entities contribute greatly to a nation's sustainable economic growth. Amaning et al (2021) argued that greater tax revenue will allow the government to embark on more developmental projects to support an increase the living standards of the citizenry and sustainable economic growth.

Kundt et al. (2017) argued that the deployment of internal resources in developing nations, primarily through an effective and efficient tax system, is regarded as a necessary means of achieving sustainable economic growth. Nyamapheni and Robinson (2021) noted that over the years, tax has continued to be a major instrument of public policy, both as a means of financing government expenditures and finance the livelihoods of the low-income population. Weerawickrama and Tilakasiri (2020) argued that governments could increase or decrease taxes to accomplish sustainable economic growth, or to attain political acceptance with certain groups. Ningi et al (2019) maintained that micro, small and medium enterprises (MSMEs) positively and significantly impact sustainable economic growth in Nigeria. However, the level of tax compliance among MSMEs is poor and the key issue is the failure of countries to come up with strategies to minimize the level of non-compliance to tax (Dlamini, 2017). This is due to the fact that MSMEs are the major employer of labour and they play a very significant role in the development and growth of the Nigerian economy, but their contribution to sustainable economic growth is minimal. The insignificant feature of MSMEs does not influence their impact to the economy due to the multiplier effect and synergy which surpass those of the bigger firms because MSMEs are recognized bases that could increase sustainable economic growth. However, in spite

of the potentials of MSMEs and their potentials of improved economic activities, leading to good revenue generation and sustainable economic growth several governments have failed to achieve the desired economic growth using tax revenue from MSMEs (Gitu & Ngugi, 2015).

Different researchers have investigated certain aspects of tax determinants. Among such researchers, but not limited to them, are (Mansor & Gurama, 2016; Adekoya, 2019; Appah, 2023; Assfaw and Sebhat, 2019; Ningi et al, 2019; Twum et al, 2020; Nangih & Nkemakola, 2018; Akintoye et al, 2019; Weerawickrama & Tilakasiri, 2020; Nyamapheni & Robinson, 2021; Mannan et al, 2020; Deyganto, 2018; Oladipupo & Obazee, 2016). Some of these studies were done in countries other than Nigeria. Furthermore, they have not supplied sufficient empirical evidence on how determinants of tax compliance affect sustainable economic growth among MSMEs in Nigeria. It is expedient to empirically investigate the extent to which tax determinants affect the sustainability of economic growth among MSMEs either favourably or unfavourably in Nigeria. This is the research knowledge gap in the literature which this study seeks to fill with empirical evidence. Hence, the main objective is to investigate the effect of tax determinants on sustainable economic growth among MSMEs in South – South, Nigeria. The specific objectives of the study include:

1. to investigate the effects of tax penalty on sustainable economic growth among MSMEs in south-south of Nigeria.
2. evaluate the relationship between tax fairness on sustainable economic growth among MSMEs in south-south of Nigeria.
3. determine the relationship between perceived opportunities of tax evasion on sustainable economic growth among MSMEs in south-south of Nigeria.
4. investigate the relationship between tax audit on sustainable economic growth among MSMEs in south-south of Nigeria.
5. evaluate the relationship between tax system on sustainable economic growth among MSMEs in south-south of Nigeria.

The following research questions guided this study:

1. What is the relationship between tax penalty and sustainable economic growth among MSMEs in south-south of Nigeria?
2. What is the relationship between tax fairness and sustainable economic growth among MSMEs in south-south of Nigeria?
3. What is the relationship between perceived opportunities of tax evasion and sustainable economic growth among MSMEs in south-south of Nigeria?
4. What is the relationship between tax audit and sustainable economic growth among MSMEs in south-south of Nigeria?
5. What is the relationship between tax system and sustainable economic growth among MSMEs in south-south of Nigeria?

The study tested the following null hypotheses:

**H0<sub>1</sub>:** Tax penalty has no positive and significant influence on sustainable economic growth among MSMEs in south-south of Nigeria.

**H0<sub>2</sub>:** Tax fairness has no positive and significant effects on sustainable economic growth among MSMEs in south-south of Nigeria.

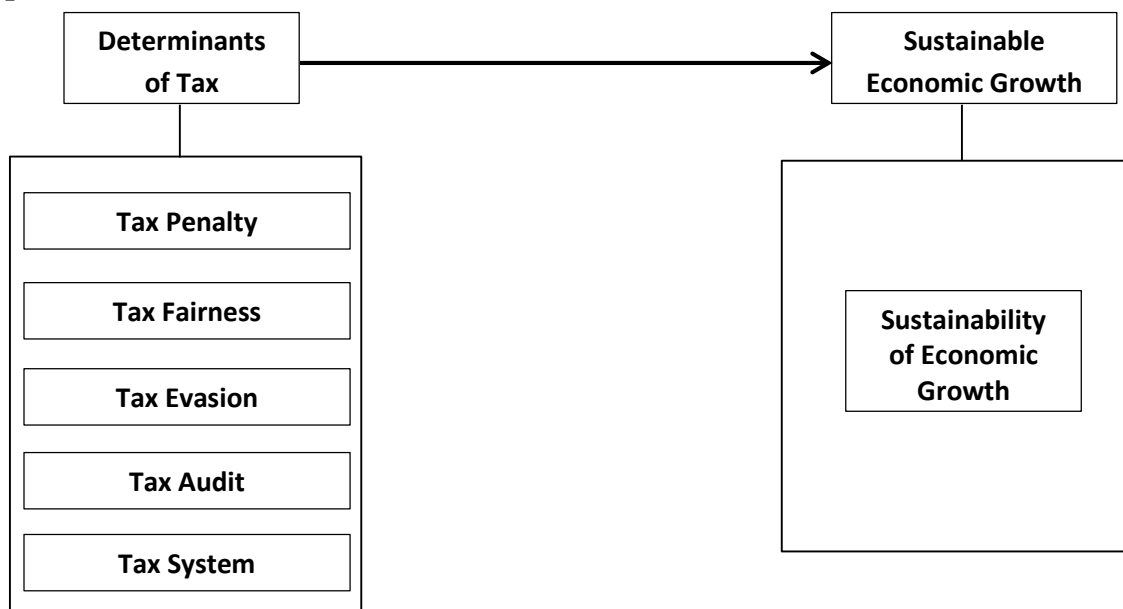
**H0<sub>3</sub>:** Perceived opportunities of tax evasion has no positive and significant influence on sustainable economic growth among MSMEs in south-south of Nigeria.

**H0<sub>4</sub>:** Tax audit has no positive and significant effects on sustainable economic growth among MSMEs in south-south of Nigeria.

**H0<sub>5</sub>:** Tax system has no positive and significant influence on sustainable economic growth among MSMEs in south-south of Nigeria.

## REVIEW OF RELATED LITERATURE

### Conceptual Review



**Figure 1: Conceptual Framework**

### Concept of Tax Determinants

The payment of tax is a global issue that has a key significant influence on the generation of revenue and sustainable growth of any given society (Ningi et al, 2019). According to Omes and Appah (2021), tax is a compulsory contribution made by the citizens of any given nation to the state or even an alien, subject to the authority of the government, for reasons of residence or property and this contribution is for the delivery of social services for the well-being of that given nation. Anyaduba and Otubugbu (2019), Omes and Appah (2020) argue that the primary objective

of tax in any given nation is to generate revenue for the acceleration of sustainable economic growth, economic stabilization, income redistribution, promoting fairness and equity, fiscal responsibility and accountability, as well as for the provision of social goods and services. However, the high level of tax evasion by MSMEs in Nigeria impacts on the amount of revenue government generates for the provision of social goods. Hence, it is important for MSMEs to always pay the right tax as this will improve the revenue generation of government that will improve the growth and development of businesses in Nigeria. Therefore, this study investigates the tax penalty, tax fairness, tax evasion, perceived opportunity for tax evasion, tax audit and tax system as determinants of tax compliance behaviour.

**Tax Penalty:** This is a disciplinary action that the tax law enforces for the performance of an act that is proscribed in the tax laws, or for the failure to perform a required act such as failure to timely file return or filling wrong or undervalued returns. According to Assfaw and Sebhat (2019), tax penalty is money paid to the relevant tax authority, as a punishment for tax evasion. the study of Yunus, et.al (2017) which indicates that the rate of tax penalties has a positive influence on the tax compliance behaviour. Ahmed and Kedir (2015) showed that the penalty magnitude is significantly positively related to tax compliance intentions; that is when taxpayers perceived that there is high penalty rate for any non-compliance, the level of non-compliance will decrease. However, the study of Tilahun (2016) conducted on factors influencing tax compliance attitude in Ethiopia indicated that offences and penalties are not significant variables in explaining tax compliance behaviour. Similarly, the study conducted by Waithira (2016) Assfaw and Sebhat (2019) indicated that there exists an insignificant negative association between tax penalties and residential rental income tax compliance behaviour.

**Tax Fairness:** This is a determinant of taxation that evaluates that a good tax system should be equitable, fair and just to all taxpayer. It is an equitable tax system. According to Amina and Saniya (2015), fairness of the tax system is believed by taxpayers and tax authority as one of determinants of compliance behaviour and sufficient revenue generation in any given tax jurisdiction. A number of studies explain the positive relationship between tax fairness and tax compliance. Maseko (2015) established that perception of the fairness of the tax system significantly influence the tax compliance behaviour. Similarly, Geletaw (2017) research in Ethiopia indicated a positive and significant association between tax fairness and tax compliance levels in formal sector. However, studies conducted by Assfaw and Sebhat (2019) indicated statistical insignificant relationship between tax fairness and tax compliance behaviour. Tadesse and Goitom (2014) study revealed that the fairness of a tax system and taxpayer compliance intention are not statistically significant.

**Perceived Opportunity for Evasion:** A number of studies have been conducted on the prerequisite to recognize perceived opportunities for tax evasion. Berk et (2015) stated that members of the society do not perceive tax evasion as a serious crime. In their study conducted in Turkey, it discovered that average person classified tax evasion as only somewhat serious as

compared to the white collar crimes. Karlinsky et al (2014) contends that MSMEs perceive tax fraud and shop lifting are almost equivalent offences. Baru (2016) maintains that the taxpayers perceive and associate paying tax with social responsibility and the firm should pay its fair share of taxes. Mugenda (2015) concluded that MSMEs tend to follow the policies they feel that they can support their businesses. Hence, micro, small and medium enterprises normally operate in the informal sector and therefore they believe that there is no way the authorities can be able to get them. This is because most of this businesses engage in activities that are not properly documented other than being registered by the local authorities leading to noncompliance. Consequently, MSMEs have high possibility for evading tax because they are not in the tax net.

**Tax Audit:** This is an independent examination of a taxpayer's financial accounts, tax returns, tax payments, and other documents to confirm compliance with tax laws, rules, and regulations, as well as accuracy and correctness of tax paid and observance to generally applicable accounting principles and standards (Appah, 2019). It is the advanced process of auditing practice that requires the analysis of the accounting documents and records of a taxpayer in order to ascertain whether the tax payer's assessable profit is accurate (Oladele et al, 2021). Muoki et al (2014) argued that tax audit is an examination performed by tax inspectors to ascertain if the taxpayer paid the correct amount of tax. It does play a major role in enhancing tax administration and generally taxpayer compliance by influencing taxpayer behaviour. Inasius (2015), Daba (2017) argued that the probability of being audited positively and significantly affects the level of tax compliance. This shows that the level compliance rate increases if the propensity of being tax-audited is high. Aff (2018) study on audit productivity and tax investigation on tax compliance indicated that audit productivity positively and significantly affects the level of voluntary tax compliance. Contrary study conducted by Ahmed and Kadir (2015) suggests that tax audit negatively and significantly affects taxpayers compliance behaviour. Other prior studies on tax audit disclosed a positive and significant relationship with compliance (Olaoye & Ekundayo, 2019; Olaoye et al., 2018). Consequently, Oladipo et al (2021) study indicated that tax audit positively and significantly influences compliance behaviour. The increase in the amount of taxes to be paid by the taxpayer would definitely enhance revenue generation to the government. Hence, the increase in revenue generation through tax audit would enhance sustainable economic growth.

**Tax System:** This is a system that consists of tax legislation, tax policy and tax administration. According to Mansor and Gurama (2016), tax system is a system that consists of revenue usage, tax administration, tax collection, tax policy, and tax laws in any given country. Appah (2019) stated that the tax system in Nigeria comprises of the tax policy, tax legislation and tax administration. Tax Policy sets out the guidelines, the principles and the objectives to be accomplished through the mechanism of taxation (Appah 2019). It enumerates monetary charges the government imposed on companies, properties, transactions and individuals in order to generate revenue. Tax Legislation explains the tax types, impose rates, recommend penalties for defaulters and in general make provision that enables legal and regulatory structure for the system.



Tax Administration involves the carrying out the tax laws through the activities of the authorities assigned with the obligation of assessing, collecting and accounting for tax revenue. A number of prior empirical studies utilised tax system as a variable in an attempt to investigate the courses and problems of tax evasion actions of taxpayers in both developed and developing nations. Mughal and Akram (2012) study revealed a significant connection between tax evasion and tax system in Pakistan. The results of their study demonstrate that the tax system in country contributes positively to taxpayers' perspective and stimulates evasion behaviors. The study further concludes that tax system will encourage taxpayer to comply with the tax authority. Fakile and Uwuigbe (2013) study indicates that effective tax system are one of the critical elements employed by tax authorities for having excellent revenue collection. The effective and efficient collection of tax revenue by government further stimulates sustainable economic growth.

### **Concept of Sustainable Economic Growth**

The sustainability of economic growth is the basis of increasing the prosperity of a given country. It is an economic development that attempts to satisfy the needs of people but in way that sustains natural resources and environment for future generation. Economic growth simply refers to as an increase in the value of goods and services produced by a country over a period and can be used to reflect the size of a country. According to Appah (2022), economic growth is a sustained increase in per capita national output or net national product over an extended period. It implies that the rate of increase in total output must be higher than the rate of population growth thereby resulting to improvement or increased in standard of living of the citizens. Ningi et al (2019) argued that sustainable economy is an economy that meets the needs of the present generation without affecting the ability of future generations to meet their needs. The authors further stated that sustainable economic growth is intended to explore all available sectors of the economy. Olayinka (2012) noted that MSMEs has been found to be the bedrock of a sustainable economy. This study measured sustainable economic growth using several dimensions such as

### **Theoretical Review**

This study is also anchored on the economic deterrence theory advanced by Allingham and Sandmo (1972). This theory stated that the attitude of a taxpayer is typically predisposed by the issues that govern the cost and advantages of tax evasion (Wanjiru, 2020). According to Amaning et al (2021), this theory incorporates the concept of an economically rational taxpayer who will evade taxes so long as the merits from such activities surpass the visualized disciplinary actions of being caught. Walsh (2012) state that this theory views taxpayer as a rational economic entity, who measures the costs and benefits of evading taxes, and consequently selects not to pay, if the benefit of non-compliance exceed the costs. The theory explains that taxpayer maximizes expected benefits of non-compliance tax risk. This theory implies that, taxpayers will only pay their taxes due to the fear of being punished for noncompliance. Amaning et al (2021) noted that the theory of planned behaviour provides that a taxpayer may willingly obey tax payments responsibilities even when the possibility of detection is low. Thus, this theory stresses on fluctuating individual

attitudes towards tax systems. Appah (2023), contend that a rise in punishment as a result of fines and penalties will improve the level of tax revenue that would improve sustainable economic growth and development in any given society. Awa and Ikpor (2015) argued that an increase in sanctions or fines and penalties will increase tax revenue. It is on the basis of this assumption that the model recommends rigorous audits and severe penalties for offenders as a basis for reducing non-compliance (Fjeldstad, et al, 2012). Taxpayer education is to a great extent done during tax audit exercises. This theory is relevant in tax compliance in that when there are fewer audits and penalties, tendency for evasion by taxpayers rises, while if there is a high chance for detection and penalties are severe, fewer taxpayers will evade.

## Empirical Review

**Table 2.1: Summary of Empirical Review**

| S/N | Authors/Year                | Methodology Used   | Findings  |
|-----|-----------------------------|--|---|
| 1.  | Nangih and Nkemakola (2018) | The study employed ex post facto research design and the population consisted of informal sector and small and medium enterprises in Port Harcourt, Rivers State while purposive sampling technique of 50 informal sector and SME operators while questionnaire were well structured and validated. The questionnaire responses were analysed using descriptive and inferential statistics.  | The inferential statistics results indicated that sex and tax morale positively and significantly affects tax evasion while income negatively and significantly affects tax evasion in Port Harcourt, Rivers State, Nigeria.  |
| 2.  | Akintoye et al (2019)       | The study employed ex post facto research design and purposive sampling technique while secondary data was collected from the Central Bank of Nigeria (CBN) from 1984 to 2017. The study dependent variable tax revenue and the independent variable political stability and absence of violence while the control variables were share of agriculture in GDP, trade openness, inflation, industry share in GDP and lag of tax revenue of the federal government and data obtained were analysed using descriptive and inferential statistics. | The study auto regressive distributive lag (ARDL) showed positive and significant association between political stability and absence of violence/terrorism and tax revenue. There were positive and insignificant associations with control variables which may be due to subsistence farming, a large number of small-scale enterprises that evades tax, trade restriction and nonpayment of personal income tax by a larger informal sector. |



|    |                                     |   |   |
|----|-------------------------------------|---|---|
| 3. | Weerawickrama and Tilakasiri (2020) | The study employed survey research design and the population consisted of all small and medium enterprises in Colombo District, Sri Lanka. This study administered randomly 120 questionnaires to owners of SMEs and 100 were collected and used for data analysis. The dependent variable tax compliance while independent variables include demographic factors, compliance with tax system, government accountability and understanding of tax laws. The study employed primary data from a structured questionnaire while secondary data from books and journal articles. The responses obtained from questionnaires were analysed using univariate, bivariate and multivariate analysis. | The findings from the multivariate analysis indicated a positive and significant relationship between compliance with tax system, government accountability and understanding of tax laws and tax compliance while a positive and insignificant relationship between demographic factors and tax compliance in Colombo District, Sri Lanka.                         |
| 4. | Ningi et al (2019)                  | The study employed stratified random sampling and a population of 944,503 MSMEs with a sample size of 400. The study used questionnaire as the source of data collection while the dependent variable sustainable economic growth and the independent variable tax knowledge and tax aware. The data was analysed using regression analysis.  | The findings from the multiple regression analysis indicated a positive and significant relationship between tax knowledge and sustainable economic growth of MSMEs in North East, Nigeria. The findings of the study also indicated a positive and significant relationship between tax awareness and sustainable economic growth of MSMEs in North East, Nigeria. |
| 5. | Mannan et al (2020)                 | The investigation used cross – sectional quantitative research approach and the population consisted of 740,925 individual taxpayers with 724,063 self-assessments and 6,824 general assessment. The sample of the study was based on proportional  | The findings from the ordered logistic regression revealed that perception of government spending and penalty positively and significantly affects tax compliance while cost of compliance and tax rate   |

|    |                 |  |  |
|----|-----------------|--|--|
|    |                 | <p>allocation based on different strata. The study utilized convenient sample technique with a sample size of 385 universal self-assessment return taxpayers and 376 general assessments. The investigation obtained data from structured questionnaire with a dependent variable of tax compliance while independent variables consists of tax rates, compliance cost, fairness of the tax system, penalty, perception of government spending and effect of referrals. The responses obtained from the administered questionnaires were analysed using descriptive statistics and ordered logistic regression.</p>  | <p>negatively and significantly affects tax compliance. The study also revealed a negative and insignificant association between referrals and tax compliance.</p>   |
| 6. | Deyganto (2018) | <p>The study used quantitative and qualitative methods with cross-sectional research design while primary and secondary data collection methods were used. The primary data collection method employed structured questionnaire administered to respondents and personal interview while the target population consisted of category A taxpayers of 1069 and Yamane methods was utilized to determine the sample size. The study used tax compliance attitude as the dependent variable while the independent variables consisted of gender, age, education status, probability of being audited, simplicity of tax system, perception of fairness and equity, tax knowledge, organizational efficiency of tax authority, penalty and perception of tax rate structure. The data collected</p> | <p>The result from the binary logistic regression analysis indicated that age, simplicity of tax system, penalty for tax evasion, probability for being audit, and perception of tax rate structure positively and significantly affects tax compliance of taxpayers while tax knowledge and perception of fairness and equity negatively and significantly impact on tax compliance of taxpayers. The study further disclosed that education of taxpayers and organizational efficiency of tax authority negatively and insignificantly influences tax compliance of taxpayers.</p> |

|    |                             |   |   |
|----|-----------------------------|---|---|
|    |                             | from the structured questionnaires were analysed using univariate, bivariate and multivariate analysis.   |   |
| 7. | Oladipupo and Obazee (2016) | The target population of 400 questionnaires was administered to small and medium enterprises in Benin City and two hundred and seventy-seven (277) were collected for analysis. The study used tax compliance as the dependent variable while tax knowledge and tax penalties as the independent variable. The responses from the administered questionnaire were analysed using descriptive statistics and multiple regression analysis. | The findings from the study indicated that tax knowledge positively and significantly influences tax evasion while tax penalties positively and insignificantly affects tax evasion on small and medium enterprises in Benin City.  |
| 8. | Adekoya (2021).             | The study employed survey research design and the population of the study consists of four million two hundred and sixteen thousand seven hundred and fifty one (4,216,751) individual taxpayers in Lagos State and a sample size of 400 while 348 was used for analysis. Questionnaire was employed as the main source of data collection and univariate, bivariate and multivariate analysis was employed for the analysis of data.     | The result of the multivariate analysis suggested a positive and significant relationship between tax education and tax compliance in Lagos State, Nigeria.   |
| 9. | Twun et al (2020)           | The study employed cross sectional research design. A total of 139 respondents and 130 completed the study questionnaire. Questionnaire was the primary source of data collection while univariate, bivariate and multivariate methods of data analysis was employed.   | The results of the multivariate analysis disclosed that knowledge of tax rights and responsibilities, knowledge of employment income, and awareness of sanctions established a positive and significant relationship with tax compliance. While Knowledge of business income was not statistically related to tax |

|     |                           |   |  |
|-----|---------------------------|---|--|
|     |                           |   | compliance. The findings of the study suggest that knowledge of tax rights and responsibilities, and awareness of sanctions are the strongest determinants of tax compliance in the SME.   |
| 10. | Assfaw and Sebhat (2019). | The study utilized descriptive and explanatory research designs. A population of 1397 and a sample size of 311 using Yamane method. Questionnaire was used as the primary source of data collection while univariate, bivariate and multivariate methods of data analysis was adopted in the study. | The study logistic regression analysis suggested that that tax compliance was positively affected by education level of tax payers, tax knowledge and awareness of tax payers, simplicity of the tax system, attitude of tax payers towards tax, perceived role of government expenditure, and rewarding scheme for loyal tax payers.  |
| 11. | Twun et al (2020)         | The study employed cross sectional research design. A total of 139 respondents and 130 completed the study questionnaire. Questionnaire was the primary source of data collection while univariate, bivariate and multivariate methods of data analysis was employed.                               | The results of the multivariate analysis disclosed that knowledge of tax rights and responsibilities, knowledge of employment income, and awareness of sanctions established a positive and significant relationship with tax compliance. While Knowledge of business income was not statistically related to tax compliance. The findings of the study suggest that knowledge of tax rights and responsibilities, and awareness of sanctions are the strongest determinants of tax compliance in the SME. |

Source: Researchers Compilation (2023)

## METHODOLOGY

This study investigated determinants of tax compliance and sustainable economic growth of MSMEs in South – South, Nigeria. The study employed survey research design and the population consisted of all MSMEs in Akwa – Ibom, Bayelsa, Cross Rivers, Delta, Edo and Rivers States of Nigeria and purposive sample of 600 MSMEs were selected as sample size. The study collected data from primary and secondary sources. The primary source was from a well – designed questionnaire titled “Tax Determinants and Sustainable Economic Growth Questionnaire” (TADSUEGQ) after content validity of the questionnaire while reliability of the instrument was done using Crobach Alpha ( $\alpha$ ) with a statistical reliability of the research instrument at 0.87 and the items were considered reliable as Crobach Alpha ( $\alpha$ ) values were higher than 0.70. The responses from the administered questionnaires were analysed using univariate (or descriptive) analysis, followed by bivariate analysis and lastly, multivariate analysis and the study shall be guided by the model below:

$$SUG = \beta_0 + \beta_1TAP + \beta_2TAF + \beta_3POT + \beta_4TAU + \beta_5TAS + \varepsilon \text{ ----- (1)}$$

Where:

SUG = Sustainable Economic Growth; TAP = Tax Penalty; TAF = Tax Fairness; POT = Perceived

Opportunity of Tax Evasion; TAU = Tax Audit; TAS = Tax System and  $\varepsilon$  = error term. The priori expectation:  $\beta_1$ - $\beta_5 > 0$ .

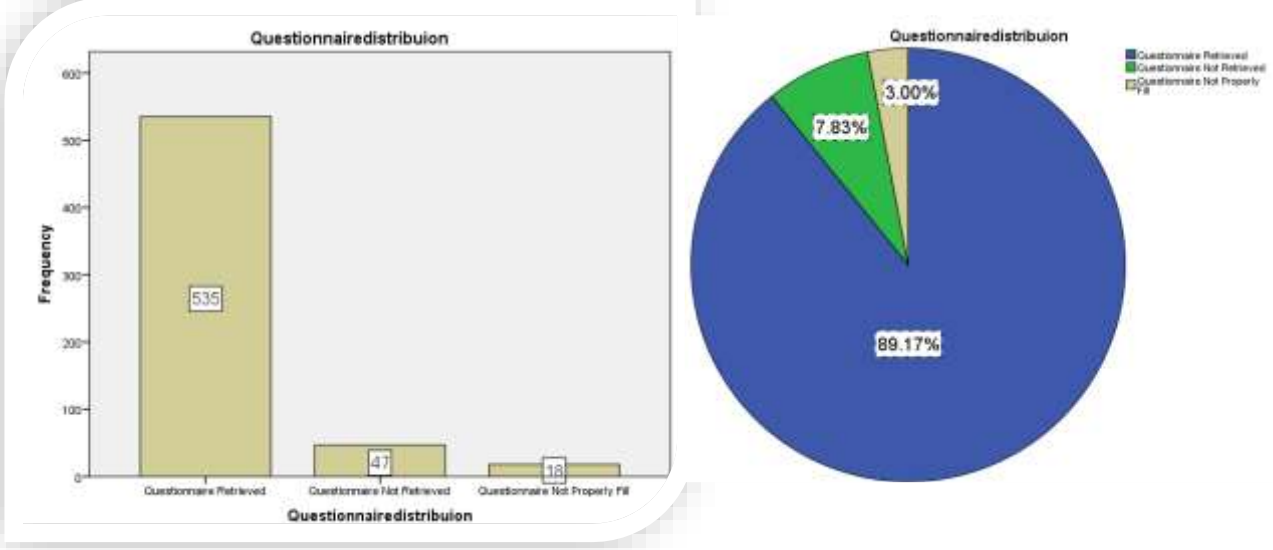
E-view was applied in data analysis. The E-view p value shows what is the smallest level at which we would be able to accept the null hypotheses of a test. The study utilised a 5% level of significance; hence we conclude that the coefficient is significantly different from zero at the 5% level if the p-values is less than or equal to 0.05. If it is greater than 0.05 then we cannot reject the null hypothesis that the coefficient is actually zero at our 5% significance level.

## RESULTS AND DISCUSSIONS

This study was an active period of field work where the researcher had directly and indirectly contacts with the proposed respondents at different time. This section was designed to enable the researchers present the primary data collected from the descriptive survey and the results obtained are analysed with the help of statistical package for social sciences (SPSS).

**Table 2: Response Rate of Questionnaire Distributed**

|                                       | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------------------------------------|-----------|---------|---------------|--------------------|
| Questionnaire Retrieved               | 535       | 89.2    | 89.2          | 89.2               |
| Questionnaire Not Retrieved           | 47        | 7.8     | 7.8           | 97.0               |
| Valid Questionnaire Not Properly Fill | 18        | 3.0     | 3.0           | 100.0              |
| Total                                 | 600       | 100.0   | 100.0         |                    |



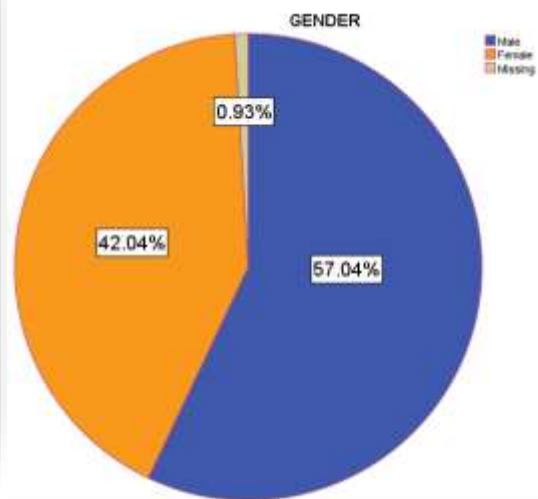
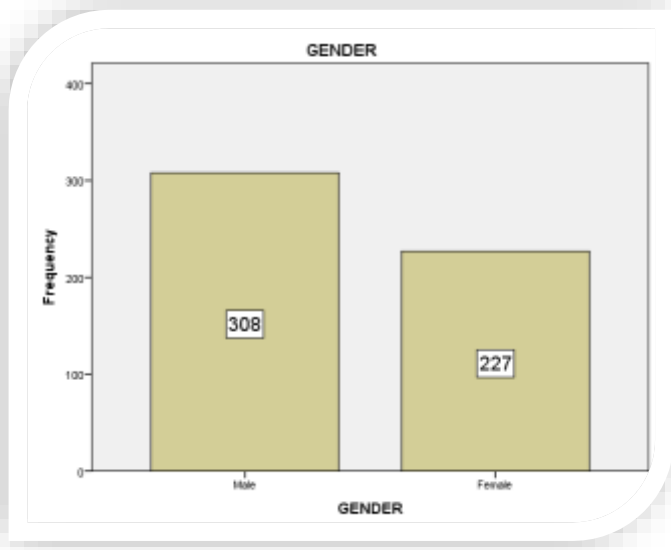
Source: SPSS Output of Field survey (2023)

Table 2 Bar chart and Pie chart above showed that, the researchers distributed a total of six hundred (600) questionnaires to the Micro, Small and Medium Enterprises (MSME) in South-South Zone in Nigeria, out of these, five hundred and thirty-five (535) respondents representing 89.2% filled the questionnaires correctly and returned the questionnaires, whereas forty seven (47) respondents representing 7.8% did not return the questionnaires while eighteen (18) respondents representing 3.0% filled the questionnaires wrongly and returned the questionnaires. Due to time constraints the researchers could not continue waiting for the respondents who were not available to return their questionnaires at the appointed date. Therefore, five hundred and thirty-five (535) representing a response rate of 89.2% was used as new respondents sample size for the study.



**Table 3 Response rate of Gender**

|       |        | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|--------|-----------|---------|---------------|--------------------|
| Valid | Male   | 308       | 57.0    | 57.6          | 57.6               |
|       | Female | 227       | 42.0    | 42.4          | 100.0              |
|       | Total  | 535       | 99.1    | 100.0         |                    |

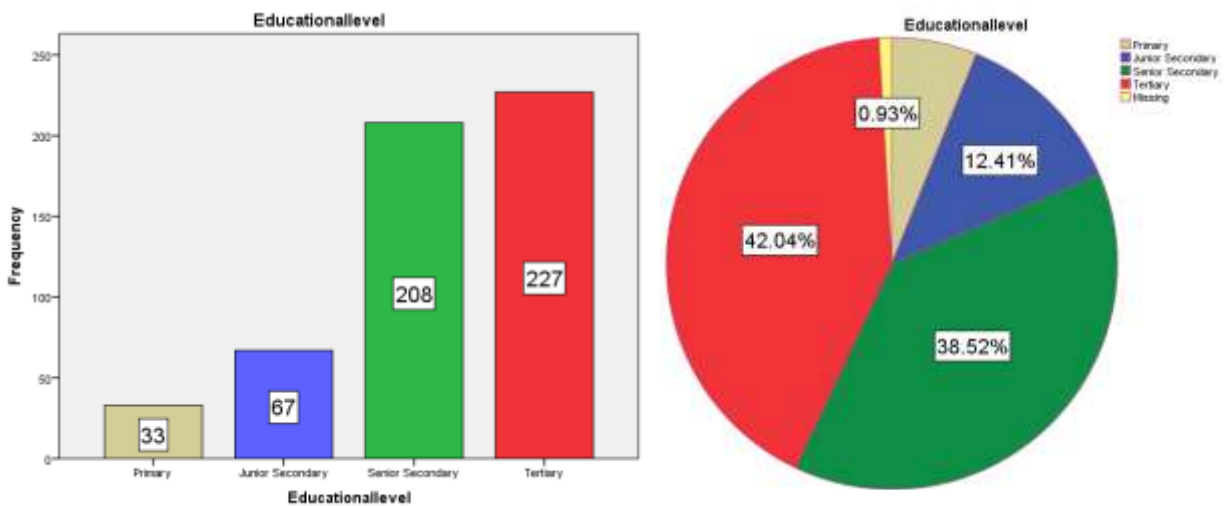


Source: SPSS Output of Field survey (2023)

From the results in table 3, Bar Chart and Pie Chart disclosed the gender distribution data analysis, it showed that out of the five hundred and thirty-five (535) respondents sampled constituted managers, account officers, supervisors and department heads of the Micro, Small and Medium Enterprises (MSME) in South-South Zone in Nigeria. The study revealed that three hundred and eight (308) representing 57.6% response rates were male, while two hundred and twenty seven (227) representing 42.4% response rates were female. The bar chart and pie chart discovered that there were more male employers and employees than females in the Micro, Small and Medium Enterprises (MSME) in South-South Zone in Nigeria.

**Table 4 Response rate of Educational level**

|       |                  | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|------------------|-----------|---------|---------------|--------------------|
| Valid | Primary          | 33        | 6.1     | 6.2           | 6.2                |
|       | Junior Secondary | 67        | 12.4    | 12.5          | 18.7               |
|       | Senior Secondary | 208       | 38.5    | 38.9          | 57.6               |
|       | Tertiary         | 227       | 42.0    | 42.4          | 100.0              |
| Total |                  | 535       | 99.1    | 100.0         |                    |

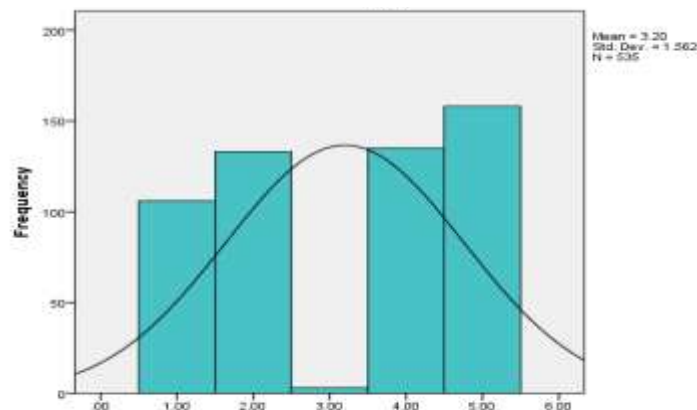


Source: SPSS Output of Field survey (2023)

The bar chart, Pie chart and table 4 revealed that thirty-three (33) of the respondents representing 6.1% have Primary school certificate, six-seven (67) respondents representing 12.5 were Junior secondary school certificate holders, two hundred and eight (208) respondents representing 38.9% have Senior secondary school certificate (SSC) while two and twenty-seven (227) respondents representing 42.4% have tertiary certificate or Degree. This implied that respondents were well educated and they were able to respond to research questions with ease. The bar chart discovered that tertiary school level has more respondents rate, follow by senior secondary level, junior school level and primary school level, while the pre chart discovered the percentage rate of the bar chart.

**Table 5 Items and Scores on Tax Penalty**

|    |  | SD    | D     | N     | A     | SA    | Total | Mean  | Std D |
|----|--|-------|-------|-------|-------|-------|-------|-------|-------|
| 1. | Penalty for failure to file tax returns affects my level of voluntary compliance to income tax                 | 135   | 169   | 46    | 111   | 74    | 100%  | 2.663 | 1.405 |
|    |  | 25.2% | 31.6% | 8.6%  | 20.7% | 13.8% | 535   |       |       |
| 2. | Penalty for failure to pay tax influence my voluntary compliance to income tax                                 | 78    | 69    | 145   | 175   | 175   | 100%  | 3.504 | 1.428 |
|    |  | 14.6% | 12.9% | 27.1% | 32.7% | 32.7% | 535   |       |       |
| 3. | Penalty for understatement of tax liability affects my level of voluntary compliance to income tax             | 71    | 84    | 90    | 131   | 159   | 100%  | 3.416 | 1.396 |
|    |  | 13.3% | 15.7% | 16.8% | 24.5% | 29.7% | 535   |       |       |
| 4. | Penalty for the overvaluation of deductible property influences my level of voluntary compliance to income tax | 106   | 133   | 3     | 135   | 158   | 100%  | 3.198 | 1.562 |
|    |  | 19.8% | 24.9% | 0.6%  | 25.2% | 29.5% | 535   |       |       |
| 5. | Failure to pay estimated tax penalty affects my level of voluntary compliance to income tax                    | 62    | 80    | 92    | 174   | 127   | 100%  | 3.418 | 1.309 |
|    |  | 11.6% | 15.0% | 17.2% | 32.5% | 23.7% | 535   |       |       |
| 6. | The penalty that taxpayers have paid in the past affect the amount of tax they are reporting                   | 74    | 67    | 60    | 155   | 179   | 100%  | 3.557 | 1.414 |



Source: SPSS Output of Field survey (2023)

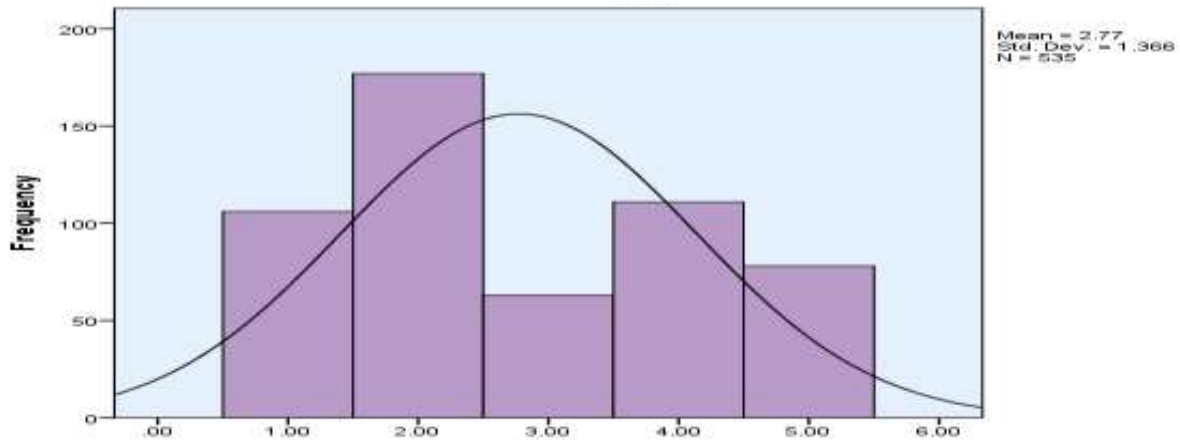
Results in Table 5 disclosed that a majority 169(31.6%) and 135(25.2%) of the respondents strongly disagreed and disagreed that penalty for failure to file tax returns affects their level of voluntary compliance to income tax. In Q2, majority of respondents 175(32.7%) and 175(32.7%)

strongly agreed and agreed that penalty for failure to pay tax influence their voluntary compliance to income tax. Furthermore, in (Q3), majority of the respondents 159(29.7%) strongly agreed that penalty for understatement of tax liability affects their level of voluntary compliance to income tax. in Q4, 158(29.5%) of the respondents agreed that penalty for the overvaluation of deductible property influences their level of voluntary compliance to income tax. In Q5 174(32.5%) and 127(23.7%) of the respondents strongly agreed and agreed that failure to pay estimated tax penalty affects their level of voluntary compliance to income tax. Finally, in Q6, majority of respondents 179(33.5%) strongly agreed that the penalty that taxpayers have paid in the past affect the amount of tax they are reporting.

Furthermore, the result in the bar chart indicates that, strongly agreed had the highest response rate about tax penalty in term of tax determinants. The highest Mean value of 3.55 from question 6 statements whiles the highest standard deviation of 1.562 from question 4 statements about tax penalty. This implied that tax penalty endeavor to meet the set goals/objectives about tax determinants in the micro, small and medium enterprises in South – South, Nigeria.

**Table 6 Items and Scores on Tax Fairness**

|    |   | SD    | D     | N     | A     | SA    | Total | Mean  | Std D |
|----|---|-------|-------|-------|-------|-------|-------|-------|-------|
| 1. | It is fair for me to pay a similar share of income tax compared with other taxpayers earning an equivalent amount of income | 109   | 131   | 89    | 147   | 59    | 100%  | 2.843 | 1.324 |
|    |   | 20.4% | 24.5% | 16.6% | 27.5% | 11.0% | 535   |       |       |
| 2. | It is fair for individuals with similar amounts of income to pay a similar amount of income tax                             | 95    | 123   | 47    | 66    | 204   | 100%  | 3.300 | 1.582 |
|    |   | 17.8% | 23.0% | 8.8%  | 8.8%  | 38.1% | 535   |       |       |
| 3. | Two taxpayers who earn the same income should pay the same amount of income tax   | 106   | 177   | 63    | 111   | 78    | 100%  | 2.772 | 1.365 |
|    |   | 19.8% | 33.1% | 11.8% | 20.7% | 14.6% | 535   |       |       |
| 4. | Two identical taxpayers should pay the same amount in income tax  | 192   | 65    | 50    | 122   | 106   | 100%  | 2.785 | 1.592 |
|    |   | 35.9% | 12.1% | 9.3%  | 22.8% | 19.8% | 535   |       |       |
| 5. | It is fair that high-income earners are subject to tax at progressively higher rates than middle-income earners             | 67    | 82    | 43    | 177   | 166   | 100%  | 3.547 | 1.398 |
|    |   | 12.5% | 15.3% | 8.0%  | 33.1% | 31.0% | 535   |       |       |
| 6. | It is fair that middle-income earners are taxed at a lower rate than high-income earners to improve on revenue generation   | 47    | 65    | 32    | 202   | 189   | 100%  | 3.786 | 1.283 |
|    |   | 8.8%  | 12.1% | 6.0%  | 37.8% | 35.3% | 535   |       |       |

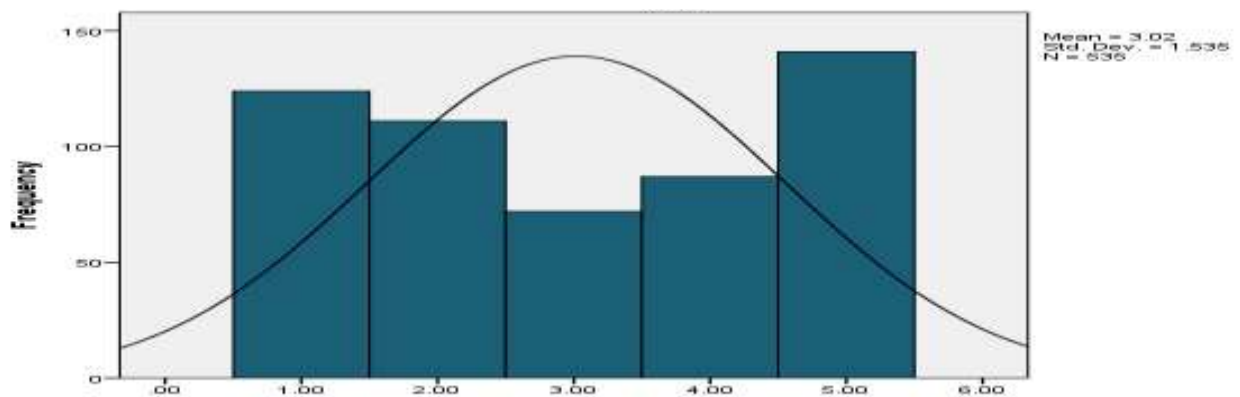


Source: SPSS Output of Field survey (2023)

Results in Table 6 disclosed that a majority 147(27.5%) of the respondents agreed that it is fair for them to pay a similar share of income tax compared with other taxpayers earning an equivalent amount of income. In Q2, majority of respondents 204(38.1%) strongly agreed that It is fair for individuals with similar amounts of income to pay a similar amount of income tax. Furthermore, in (Q3), majority of the respondents 177(33.1%) disagreed that two taxpayers who earn the same income should pay the same amount of income tax. in Q4, 192(35.9%) of the respondents strongly disagreed that two identical taxpayers should pay the same amount in income tax. In Q5 177(33.1%) and 166(31.0%) of the respondents strongly agreed and agreed that it is fair that high-income earners are subject to tax at progressively higher rates than middle-income earners. Finally, in Q6, majority of respondents 202(37.8%) and 189(35.3%) strongly agreed that it is fair that middle-income earners are taxed at a lower rate than high-income earners to improve on revenue generation. Furthermore, the result in the bar chart indicates that, disagreed had the highest response rate about tax fairness in term of tax determinants. The highest Mean value of 3.55 came from question 6 statement while the highest standard deviation of 1.592 from question 4 statements about tax fairness. This implied that tax fairness endeavor to meet the set goals/objectives about tax determinants in the micro, small and medium enterprises in South – South, Nigeria.

**Table 7 Items and Scores on Perception to Opportunity on Tax Evasion**

|    |  | SD    | D     | N     | A     | SA    | Total | Mean  | Std D |
|----|--|-------|-------|-------|-------|-------|-------|-------|-------|
| 1. | The under-declaration of tax might not be punishable if not detected by the tax authority.   | 83    | 79    | 54    | 171   | 148   | 535   | 3.415 | 1.423 |
|    |  | 15.5% | 14.8% | 10.1% | 32.0% | 27.7% | 100%  |       |       |
| 2. | Taxpayers can manipulate accounting records to evade tax.                                    | 82    | 225   | 53    | 83    | 92    | 535   | 2.772 | 1.352 |
|    |  | 15.3% | 42.1% | 9.9%  | 15.5% | 17.2% | 100%  |       |       |
| 3. | Tax evasion is ethical if the probability of getting caught is low.                          | 124   | 111   | 72    | 87    | 141   | 535   | 3.018 | 1.534 |
|    |  | 23.2% | 20.7% | 13.5% | 16.3% | 26.4% | 100%  |       |       |
| 4. | There is high degree of being detected for nonpayment of that is why I pay my tax obligation | 167   | 91    | 46    | 129   | 102   | 535   | 2.828 | 1.534 |
|    |  | 31.2% | 17.0% | 8.6%  | 24.1% | 19.1% | 100%  |       |       |
| 5. | Some MSMEs evade tax because other MSMEs do the same.  | 55    | 69    | 45    | 189   | 177   | 535   | 3.680 | 1.325 |
|    |  | 10.3% | 12.9% | 8.4%  | 35.3% | 33.1% | 100%  |       |       |
| 6. | Tax evasion is not immoral if everyone is doing it   | 79    | 78    | 59    | 211   | 108   | 535   | 3.357 | 1.346 |
|    |  | 14.8% | 14.6% | 11.0% | 39.4% | 20.2% | 100%  |       |       |



Source: SPSS Output of Field survey (2023)

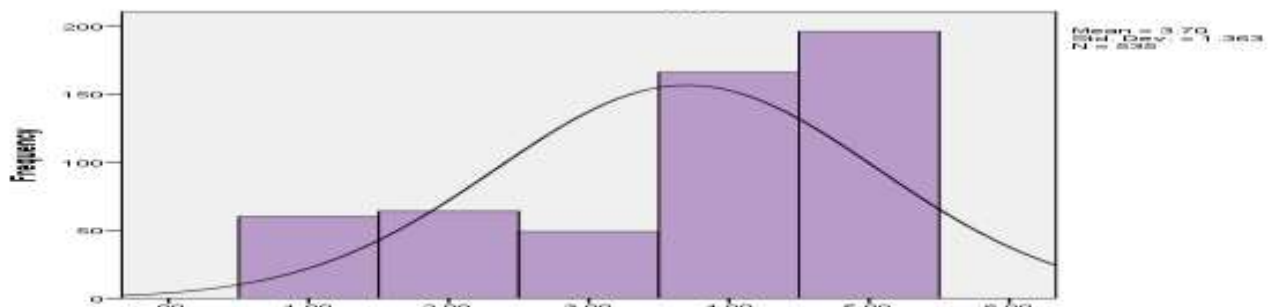
Results in Table 7 disclosed that a majority 171(32.0%) of the respondents agreed that the under-declaration of tax might not be punishable if not detected by the tax authority. In Q2, majority of respondents 225(42.1%) disagreed that taxpayers can manipulate accounting records to evade tax. Furthermore, in (Q3), majority of the respondents 141(26.4%) agreed that tax evasion is ethical if the probability of getting caught is low. in Q4, 167(31.2%) of the respondents strongly disagreed that there is high degree of being detected for nonpayment of that is why I pay my tax obligation. In Q5 189(35.3%) and 177(33.1%) of the respondents strongly agreed and agreed that some MSMEs evade tax because other MSMEs do the same. Finally, in Q6, majority of respondents 211(39.4%) and 108(20.2%) strongly agreed that tax evasion is not immoral if everyone is doing it. Furthermore, the result in the bar chart indicates that, strongly agreed and strongly disagreed



had the highest response rate about perception to opportunity on tax evasion in term of tax determinants. The highest Mean value of 3.680 from question 5 statement while the highest standard deviation of 1.534 question 4 statement about perception to opportunity on tax evasion. This implied that perception to opportunity on tax evasion endeavor to meet the set goals/objectives about tax determinants in the micro, small and medium enterprises in South – South, Nigeria.

**Table 8 Items and Scores on Tax Audit**

|    |  | SD    | D     | N     | A     | SA    | Total | Mean  | Std D |
|----|--|-------|-------|-------|-------|-------|-------|-------|-------|
| 1. | High probability of being audited will enhance tax compliance behaviour of the company                       | 60    | 64    | 49    | 166   | 196   | 535   | 3.699 | 1.363 |
|    |  | 11.2% | 12.0% | 9.2%  | 31.0% | 36.6% | 100%  |       |       |
| 2. | Field tax audit promotes revenue collection that effectively stimulates sustainable development              | 117   | 142   | 80    | 144   | 52    | 535   | 2.760 | 1.320 |
|    |  | 21.9% | 26.5% | 15.0% | 26.9% | 9.7%  | 100%  |       |       |
| 3. | Desk tax audit promotes effective tax compliance and revenue collection                                      | 75    | 62    | 39    | 188   | 171   | 535   | 3.594 | 1.398 |
|    |  | 14.0% | 11.6% | 7.3%  | 35.1% | 32.0% | 100%  |       |       |
| 4. | Tax audit assists MSMEs to comply to with relevant laws and policies   | 57    | 77    | 68    | 122   | 211   | 535   | 3.659 | 1.394 |
|    |  | 10.7% | 14.4% | 12.7% | 22.8% | 39.4% | 100%  |       |       |
| 5. | Revenue generation can be enhanced through effective and efficient tax audit practices                       | 124   | 111   | 72    | 87    | 141   | 535   | 3.018 | 1.534 |
|    |  | 23.2% | 20.7% | 13.5% | 16.3% | 26.4% | 100%  |       |       |
| 6. | Tax authorities conduct tax audits on taxpayers in order to verify tax documents and increase tax compliance | 106   | 133   | 3     | 135   | 158   | 535   | 3.198 | 1.562 |
|    |  | 19.8% | 24.9% | 0.6%  | 25.2% | 29.5% | 100%  |       |       |



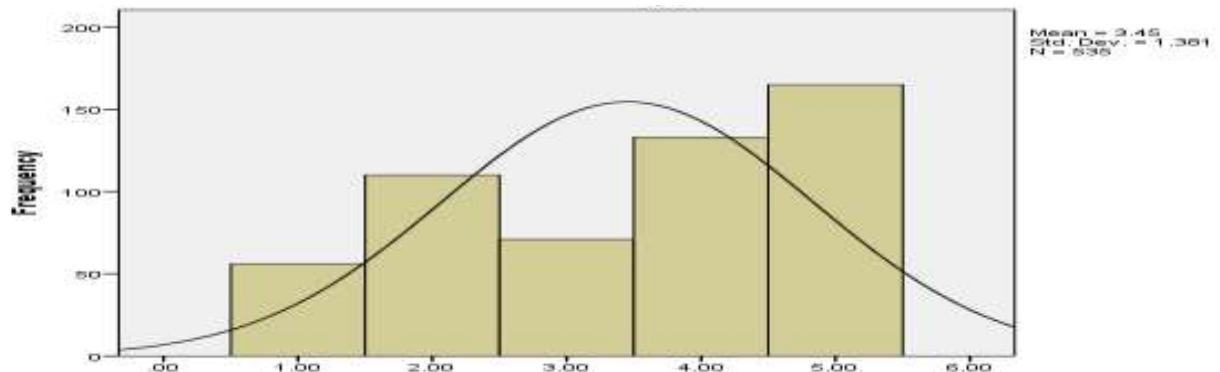
Source: SPSS Output of Field survey (2023)

Results in Table 8 disclosed that a majority 196(36.6%) and 166(31.0%) of the respondents strongly agreed and agreed that high probability of being audited will enhance tax compliance behaviour of the company. In Q2, majority of respondents 144(26.9%) agreed that field tax audit promotes revenue collection that effectively stimulates sustainable development. Furthermore, in (Q3), majority of the respondents 181(35.1%) and 171(32.0%) strongly agreed that desk tax audit promotes effective tax compliance and revenue collection. in Q4, 211(39.4%) of the respondents

strongly agreed that tax audit assists MSMEs to comply to with relevant laws and policies. In Q5 141(26.4%) of the respondents strongly agreed that revenue generation can be enhanced through effective and efficient tax audit practices. Finally, in Q6, majority of respondents 158(29.5%) strongly agreed that tax authorities conduct tax audits on taxpayers in order to verify tax documents and increase tax compliance. Furthermore, the result in the bar chart indicates that, strongly agreed had the highest response rate about tax audit in term of tax determinants. The highest Mean value of 3.760 came from question 2 statement while the highest standard deviation of 1.562 from question 6 statement about tax audit. This implied that tax audit endeavor to meet the set goals/objectives about tax determinants in the micro, small and medium enterprises in South – South, Nigeria.

**Table 9 Items and Scores on Tax System**

|    |  | SD    | D     | N     | A     | SA    | Total | Mean  | Std D |
|----|--|-------|-------|-------|-------|-------|-------|-------|-------|
| 1. | The regular and timely review of tax policy to accommodate significant changes in tax legislation will enhance tax compliance and revenue generation | 56    | 110   | 71    | 133   | 165   | 535   | 3.450 | 1.381 |
|    |  | 10.5% | 20.6% | 13.3% | 24.9% | 30.8% | 100%  |       |       |
| 2. | I know all that is required from me in respect of my tax obligations   | 157   | 171   | 69    | 80    | 58    | 535   | 2.459 | 1.337 |
|    |  | 29.3% | 32.0% | 12.9% | 15.0% | 10.8% | 100%  |       |       |
| 3. | Tax laws are easy to understand for better revenue generation  | 57    | 83    | 52    | 162   | 201   | 535   | 3.723 | 1.352 |
|    |  | 10.7% | 11.8% | 9.7%  | 30.3% | 37.6% | 100%  |       |       |
| 4. | Tax administration procedures make tax payment easy  | 78    | 69    | 68    | 145   | 175   | 535   | 3.504 | 1.428 |
|    |  | 14.6% | 12.9% | 12.7% | 27.1% | 32.7% | 100%  |       |       |
| 5. | Proper and effective tax policy stimulates sustainable economic growth   | 83    | 101   | 56    | 92    | 203   | 535   | 3.431 | 1.522 |
|    |  | 15.5% | 18.9% | 10.5% | 17.2% | 37.9% | 100%  |       |       |
| 6. | Revenue collection can be enhanced through a fair and equitable tax system   | 152   | 169   | 68    | 86    | 60    | 535   | 2.500 | 1.347 |
|    |  | 28.4% | 31.6% | 12.7% | 16.1% | 11.2% | 100%  |       |       |

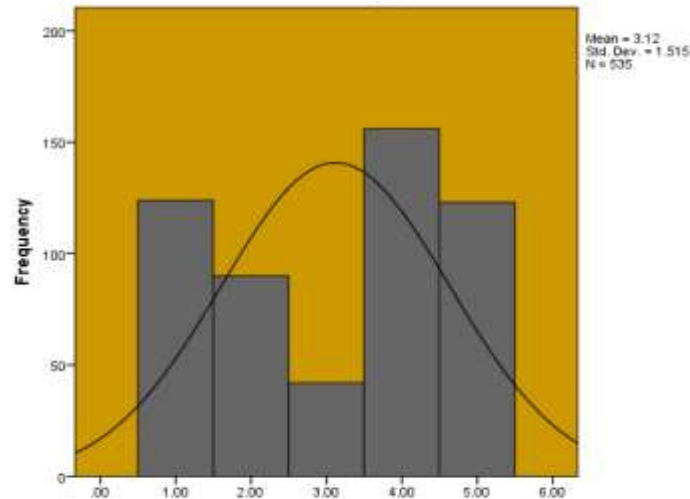


Source: SPSS Output of Field survey (2023)

Results from Table 9 disclosed that a majority 165(30.8%) and 133(24.9%) of the respondents strongly agreed and agreed that regular and timely review of tax policy accommodate significant changes in tax legislation. In Q2, majority of respondents 157(29.3%) strongly disagreed that they know all that is required from them in respect of their tax obligations. Furthermore, in (Q3), majority of the respondents 201(37.6%) and 162(30.3%) strongly agreed that tax laws are easy to understand for better revenue generation. in Q4, 175(32.7%) of the respondents strongly agreed that tax administration procedures make tax payment easy. In Q5 203(37.9%) of the respondents strongly agreed that proper and effective tax policy stimulates sustainable economic growth. Finally, in Q6, majority of respondents 168(31.6%) and 152(28.4%) strongly disagreed and disagreed that revenue collection can be enhanced through a fair and equitable tax system. Furthermore, the result in the bar chart indicates that, strongly agreed had the highest response rate about tax system in term of tax determinants. The highest Mean value of 3.723 from question 3 statement while the highest standard deviation of 1.522 from question 5 statement about tax system. This implied that tax system endeavor to meet the set goals/objectives about tax determinants in the micro, small and medium enterprises in South – South, Nigeria.

**Table 10 Items and Scores on Sustainability of Economic Growth**

|    |   | SD    | D     | N     | A     | SA    | Total | Mean  | Std D |
|----|---|-------|-------|-------|-------|-------|-------|-------|-------|
| 1. | The payment of taxes improves the level of public sector governance             | 49    | 50    | 84    | 192   | 160   | 535   | 3.680 | 1.246 |
|    |   | 9.2%  | 9.3%  | 15.7% | 35.9% | 29.9% | 100%  |       |       |
| 2. | The payment of taxes improves the provision of health facilities in the country | 50    | 62    | 114   | 141   | 168   | 535   | 3.588 | 1.290 |
|    |   | 9.3%  | 11.6% | 21.3% | 26.4% | 31.4% | 100%  |       |       |
| 3. | The payment of taxes enhances the provision of quality educational facilities   | 118   | 180   | 58    | 77    | 102   | 535   | 2.747 | 1.437 |
|    |   | 22.1% | 33.6% | 10.8% | 14.4% | 19.1% | 100%  |       |       |
| 4. | The payment of taxes enhances the sustainability of public finance              | 80    | 97    | 49    | 155   | 154   | 535   | 3.385 | 1.440 |
|    |   | 15.0% | 18.1% | 9.2%  | 29.0% | 28.8% | 100%  |       |       |
| 5. | The payment of taxes improves consumption and production patterns               | 159   | 188   | 67    | 76    | 45    | 535   | 2.364 | 1.271 |
|    |   | 29.7% | 35.1% | 12.5% | 14.2% | 8.4%  | 100%  |       |       |
| 6. | The payment of taxes reduces the level of poverty and income inequality         | 124   | 90    | 42    | 156   | 123   | 535   | 3.119 | 1.515 |
|    |   | 23.2% | 16.8% | 7.9%  | 29.2% | 23.0% | 100%  |       |       |



Source: SPSS Output of Field survey (2023)

Results from Table 10 disclosed that a majority 192(35.9%) and 160(29.9%) of the respondents strongly agreed and agreed that the payment of taxes improves the level of public sector governance. In Q2, majority of respondents 168(31.4%) strongly agreed that the payment of taxes improves the provision of health facilities in the country. Furthermore, in (Q3), majority of the respondents 180(33.6%) and 118(22.1%) strongly disagreed that the payment of taxes enhances the provision of quality educational facilities. in Q4, 154(28.8%) and 155(29.0%) of the respondents strongly agreed that the payment of taxes enhances the sustainability of public finance. In Q5 159(29.7%) and 188(35.1%) of the respondents strongly disagreed that the payment of taxes improves consumption and production patterns. Finally, in Q6, majority of respondents 156(29.2%) and 123(23.0%) strongly agreed and agreed that the payment of taxes reduces the level of poverty and income inequality. Furthermore, the result in the bar chart indicates that, agreed had the highest response rate about sustainability of economic growth. The highest Mean value of 3.680 from question 1 statement while the highest standard deviation of 1.515 from question 6 statements about sustainability of economic growth. This implied that sustainability of economic growth endeavor to meet the set goals/objectives of micro, small and medium enterprises in South – South, Nigeria.

**Table 11: Correlation Matrix**

|     |                     | TAP    | TAF    | POT    | TA     | TAS    | SUG    |
|-----|---------------------|--------|--------|--------|--------|--------|--------|
| TAP | Pearson Correlation | 1      | .499** | .642** | .629** | .533** | .383** |
|     | Sig. (2-tailed)     |        | .000   | .000   | .000   | .000   | .000   |
|     | N                   | 535    | 535    | 535    | 535    | 535    | 535    |
| TAF | Pearson Correlation | .499** | 1      | .039   | .643** | .433** | .407** |
|     | Sig. (2-tailed)     | .000   |        | .364   | .000   | .000   | .000   |
|     | N                   | 535    | 535    | 535    | 535    | 535    | 535    |
| POT | Pearson Correlation | .642** | .039   | 1      | .097*  | .459** | -.005  |
|     | Sig. (2-tailed)     | .000   | .364   |        | .024   | .000   | .147   |
|     | N                   | 535    | 535    | 535    | 535    | 535    | 535    |
| TA  | Pearson Correlation | .629** | .643** | .097*  | 1      | .615** | .607** |
|     | Sig. (2-tailed)     | .000   | .000   | .024   |        | .000   | .000   |
|     | N                   | 535    | 535    | 535    | 535    | 535    | 535    |
| TAS | Pearson Correlation | .533** | .433** | .459** | .615** | 1      | .273** |
|     | Sig. (2-tailed)     | .000   | .000   | .000   | .000   |        | .000   |
|     | N                   | 535    | 535    | 535    | 535    | 535    | 535    |
| SUG | Pearson Correlation | .383** | .407** | -.005  | .607** | .273** | 1      |
|     | Sig. (2-tailed)     | .000   | .000   | .147   | .000   | .000   |        |
|     | N                   | 535    | 535    | 535    | 535    | 535    | 535    |

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

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

Source: SPSS Output of Field survey (2023)

Table 11 shows the direction of the relationship that exists between each independent variables and dependent variable. The independent variables is tax determinants measured by Tax Penalty (TP), Tax Fairness (TAF), Perceived Opportunity of Tax Evasion (POT), Tax Audit, (TA) and Tax System (TAS), while the dependent variable is Sustainable Economic Growth (SUG). The table shows that tax audit has strong positive relationship with sustainable economic growth (0.607). Furthermore, the table discloses that tax fairness has a moderate positive relationship with sustainable economic growth (0.407). Tax penalty and tax system has weak positive association with sustainable economic growth (0.383 and 0.273). Finally, perceived opportunity of tax evasion has very weak negative relationship with sustainable economic growth (-0.005).

**Table 12 Model Summary<sup>b</sup>**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| 1     | .693 <sup>a</sup> | .480     | .470              | .08914                     | 1.604         |

a. Predictors: (Constant), TAS, TAF, TAP, TA, POT

b. Dependent Variable: SUG

Source: SPSS Output of Field survey (2023)

In order to answer the research hypotheses, a standard multiple regression analysis was conducted using Sustainable Economic Growth (SUG) as the dependent variable while Tax Penalty (TP), Tax Fairness (TAF), Perceived Opportunity of Tax Evasion (POT), Tax Audit, (TA) and Tax System (TAS) as independence variables. Adjusted R squared is coefficient of determination which tells us the variation in the dependent variables due to change in the independent variables. Result from the above table disclosed R-squared value of 0.693 which indicates that there is a strong correlation between the prompt dependent variable of sustainable economic growth and independent dimensions of tax knowledge, cost of compliance, tax awareness, tax accountability, tax rate, tax penalty, tax fairness, perceived opportunity of tax evasion, tax audit and tax system. Whereas R Square stood at 0.480 which implies that about 48% of variations in the dependent variable (prompt sustainable economic growth) attributed to changes in the independent variables of tax knowledge, cost of compliance, tax awareness, tax accountability, tax rate, tax penalty, tax fairness, perceived opportunity of tax evasion, tax audit and tax system. The remaining variation is the error term and is attributed to other factors not included in the model. The remaining value for sustainable economic growth is high since the unexplained variation is 52%. The Durbin-Watson  $d = 1.604$  which is inside the two critical values of  $1.5 < d < 2.5$  and therefore we can assume that there is no serial correlation present in the model; hence, there is no need for higher order autocorrelation tests.

**Table 13 ANOVA<sup>a</sup>**

| Model |            | Sum of Squares | df  | Mean Square | F      | Sig.              |
|-------|------------|----------------|-----|-------------|--------|-------------------|
| 1     | Regression | 3.837          | 10  | .384        | 48.290 | .000 <sup>b</sup> |
|       | Residual   | 4.164          | 524 | .008        |        |                   |
|       | Total      | 8.001          | 534 |             |        |                   |

a. Dependent Variable: SUG

b. Predictors: (Constant), TAS, TAF, TAP, TA, POT

Source: SPSS Output of Field survey (2023)

From the ANOVA statistics disclosed in table 4.20, the processed data which is the population parameters had a significance level of 0.5% which shows that, the data is ideal for making a conclusion on the population's parameter as the value of significance (P- value) is less than 5%. The result in the table gives a regression F-statistics ( $F = 48.290$ ),  $P = 0.000 < 0.05$  which measured the collective association of the explanatory variables in the model and it indicates that the explanatory variables have joint significant relationship between tax determinants dimensions of tax penalty, tax fairness, perceived opportunity of tax evasion, tax audit and tax system and sustainable economic growth.



**Table 14 Coefficients<sup>a</sup>**

| Model      | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|------------|-----------------------------|------------|---------------------------|--------|------|
|            | B                           | Std. Error | Beta                      |        |      |
| (Constant) | 2.663                       | .141       |                           | 18.888 | .000 |
| TAP        | .022                        | .024       | .092                      | .928   | .004 |
| TAF        | .186                        | .041       | .234                      | 4.562  | .000 |
| TOP        | -.052                       | .035       | -.354                     | -1.452 | .147 |
| TA         | .214                        | .028       | .635                      | 7.506  | .000 |
| TAS        | .128                        | .047       | .193                      | 2.710  | .004 |

a. Dependent Variable: SUG

Source: SPSS Output of Field survey (2023)

**H<sub>01</sub>:** Tax penalty has no positive and significant influence on sustainable economic growth among MSMEs in south-south Nigeria.

**Decision:** The result in table 11 and table 14 discovered a significant level between tax penalty (TAP) and sustainable economic growth (SUG). The R-value = 0.383 in table 4.18 indicated that there is a moderate positive influence of tax penalty (TAP) on sustainable economic growth (SUG). The probability (Sig) value in table 4.21 = 0.004 < 0.05 which revealed that the significant influence of tax penalty (TAP) on sustainable economic growth (SUG) is statistically significant at 0.05 alpha level. Thus the null hypothesis six is rejected which implied that tax penalty has positive and significant influence on sustainable economic growth among MSMEs in south-south Nigeria.

**H<sub>02</sub>:** Tax fairness has no positive and significant influence on sustainable economic growth among MSMEs in south-south Nigeria.

**Decision:** The result in table 11 and table 14 discovered a significant level between tax fairness (TAF) and sustainable economic growth (SUG). The R-value = 0.407 in table 4.18 indicated that there is a moderate positive influence of tax fairness (TAF) on sustainable economic growth (SUG). The probability (Sig) value in table 4.21 = 0.000 < 0.05 which revealed that the significant influence of tax fairness (TAF) on sustainable economic growth (SUG) is statistically significant at 0.05 alpha level. Thus the null hypothesis seven is rejected which implied that tax fairness has positive and significant influence on sustainable economic growth among MSMEs in south-south Nigeria.

**H<sub>03</sub>:** Perceived opportunity of tax evasion has no positive and significant influence on sustainable economic growth among MSMEs in south-south Nigeria.

**Decision:** The result in table 11 and table 14 discovered a significant level between perceived opportunities of tax evasion (TOP) and sustainable economic growth (SUG). The R-value = -0.005 in table 4.18 indicated that there is a very weak negative influence of perceived opportunities of tax evasion (TOP) on sustainable economic growth (SUG). The probability (Sig) value in table 4.21 = 0.147 > 0.05 which revealed that the significant influence of perceived opportunities of tax evasion (TOP) on sustainable economic growth (SUG) is statistically insignificant at 0.05 alpha level. Thus the null hypothesis eight is accepted which implied that perceived opportunities of tax evasion has no positive and significant influence on sustainable economic growth among MSMEs in south-south Nigeria.

**Ho4:** Tax audit has no positive and significant effects on sustainable economic growth among MSMEs in south-south of Nigeria.

**Decision:** The result in table 11 and table 14 discovered a significant level between tax audit (TA) and sustainable economic growth (SUG). The R-value = 0.607 in table 4.18 indicated that there is a strong positive effect of tax audit (TA) on sustainable economic growth (SUG). The probability (Sig) value in table 4.21 = 0.000 < 0.05 which revealed that the significant effect of tax audit (TA) on sustainable economic growth (SUG) is statistically significant at 0.05 alpha level. Thus the null hypothesis nine is rejected which implied that tax audit has positive and significant effect on sustainable economic growth among MSMEs in south-south Nigeria.

**Ho5:** Tax system has no positive and significant influence on sustainable economic growth among MSMEs in south-south of Nigeria.

**Decision:** The result in table 11 and table 14 discovered a significant level between tax system (TAS) and sustainable economic growth (SUG). The R-value = 0.273 in table 4.18 indicated that there is a weak positive influence of tax system (TAS) on sustainable economic growth (SUG). The probability (Sig) value in table 4.21 = 0.000 < 0.05 which revealed that the significant influence of tax system (TAS) on sustainable economic growth (SUG) is statistically significant at 0.05 alpha level. Thus the null hypothesis ten is rejected which implied that tax system has positive and significant influence on sustainable economic growth among MSMEs in south-south Nigeria.

## DISCUSSION OF FINDINGS

**Tax Penalty and Sustainable Economic Growth:** The result of the analysis showed that tax penalty has positive and significant influence on sustainable economic growth among MSMEs in south-south of Nigeria. The outcome of this research concur with the studies of Ahmed & Kadir (2015), Paper et al. (2016), Yunus, et.al (2017) that penalties positively and significantly affects the level of tax compliance. This result suggests that the magnitude of tax penalty clearly affects the level of tax compliance objectives of taxpayers; that is when taxpayers observed that there is

high rate of tax penalty for any non-compliance to tax, the level of non-compliance will decrease and sufficient revenue would be generated to stimulate sustainable economic growth and development. However, contrary to the result of this study Tilahun (2016) revealed that tax penalties negatively affect the level of tax compliance behaviour.

**Tax Fairness and Sustainable Economic Growth:** The findings from the study revealed that tax fairness has a positive and significant impact on sustainable economic growth among MSMEs in South – South of Nigeria. The result from this study concur with the studies of Maseko (2015), Gerger, et al (2014), Aemiro and Dinberu (2014), Sawyer et al. (2014), and Gberegbe et al (2015) that the perception of fairness of the tax system significantly influence tax compliance behavior of micro, small and medium scale enterprises. However, several other studies disagree with the findings of this study that tax fairness positively and significantly affects sustainable economic growth among MSMEs such as Ahmed and Kedir (2015), and Tadesse and Goitom (2014). The result of this study provides that the fairness of a system would propel owners of MSMEs pay tax as at when due to the government thereby generating sufficient revenue for the provision of infrastructural and social services.

**Perception to Tax Evasion and Sustainable Economic Growth:** The result from the analysis indicated that perceived opportunities of tax evasion has negative and insignificant influence on sustainable economic growth among MSMEs in south-south of Nigeria. This finding concur with the study of Ningi et al (2019) noted that the members of the public do not recognize tax as a serious crime. The authors in their study revealed that the average individual classified tax evasion as only somewhat severe as compared to the white collar crimes. Aff (2018) argues that MSMEs identify tax cheating and shop lifting are almost equivalent offences. Baru (2016) maintains that the taxpayers identify and relates paying tax with corporate social responsibility and the firms should pay its fair share of taxes. However, some studies such as Daba (2017) indicate that MSMEs do not support tax evasion mainly in developed nations as it hinders economic growth and development of any nation. Micro, small and medium enterprises generally function in the informal sector and therefore they believe that there is no way the tax authorities can be able to get them. This is because most of the owners of MSMEs engage in business that are not documented other than being registered by the authorities leading to noncompliance. Consequently, perceived opportunity results from the fact that an individual does self-assessment on their own and therefore does manipulate accounting records to match the amount to be paid as tax.

**Tax Audit and Sustainable Economic Growth:** The findings of the analysis revealed that tax audit has positive and significant effect on sustainable economic growth among MSMEs in south-south of Nigeria. This result concurs with the research conducted by Modugu and Anyaduba (2014), Inasius (2015), Daba (2017), Aff (2018) that the possibility of being audited was establish positive and significant influence on the level of tax compliance. The result submits that the compliance rate increases if the propensity of being audited by tax inspectors from the tax authority

is high. However, the results from this study contradicts that of Ahmed & Kedir (2015) that disclosed that tax audit negatively and significantly influence the level of compliance behavior of taxpayers. The result of the study shows that the higher the probability of detection of tax fraud improves tax compliance behaviour and improve revenue generation that would stimulate sustainable economic growth of the country.

**Tax System and Sustainable Economic Growth:** The result of the analysis disclosed that tax system has positive and significant influence on sustainable economic growth among MSMEs in south-south of Nigeria. Some empirical studies conducted used tax system as a variable in an attempt to investigate the determinants of evasive behavior of the taxpayers in both developed and developing countries. Mughal and Akram (2012) study revealed a significant association between tax evasion and tax system in their study on tax evasion and tax avoidance in Pakistan. The result of the study demonstrates that tax system in the Pakistan positively influence tax evasion behaviors. The study also concludes that the tax system influence taxpayer to comply or not to comply voluntarily with the payment of tax. In other studies by Fakile and Uwuigbe (2013) study indicated that tax system negatively impact tax evasion. Fakile and Uwuigbe's (2013) study on the influence of tactical tax behavior on corporate governance in Nigeria shows that effective tax system are one of the key determinants used by tax authorities for having excellent revenue generation. The result of this study indicates that owners of MSMEs consider that an effective and efficient tax system is meaningless without the existence of effective and efficient tax administration. Even if a country has a good tax system, poor implementation of the system could affect the integrity of the tax authority from the perspectives of the taxpayers, hence encouraging tax evasion which affects revenue generation that influences sustainable economic growth. Moreover, according to Abiola and Asiweh (2012), when the tax system lacks effective administration and proper implementation, taxpayers would not be concerned with reporting the true position of their income and tax evasion will increase simultaneously which would affect revenue generation and sustainable economic growth among MSMEs in Nigeria.

## **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

This research investigated determinants of tax compliance such tax penalty, tax audit, tax fairness, tax system and perceived opportunity for tax evasion on sustainable economic growth of micro, small and medium enterprises in South-South Nigeria. The study reviewed several related literature while conceptual framework was developed and the research anchored on the economic deterrence theory. The investigation was carried out with the use of research questionnaires which were administered to MSMEs in south-south states of Nigeria. The study distributed six hundred (600) questionnaires to the respondents; five hundred and thirty-five (535) were returned and subjected to reliability and validity test as well as univariate, bivariate and multivariate analyses was used to test the formulated hypotheses. The multiple regression results indicated that tax penalty has positive and significant influence on sustainable economic growth among MSMEs in

south-south of Nigeria; tax fairness has positive and significant influence on sustainable economic growth among MSMEs in south-south of Nigeria; perceived opportunities of tax evasion has negative and insignificant influence on sustainable economic growth among MSMEs in south-south of Nigeria; tax audit has positive and significant effect on sustainable economic growth among MSMEs in south-south of Nigeria; and tax system has positive and significant influence on sustainable economic growth among MSMEs in south-south of Nigeria. On the basis of the findings, the study concluded that tax penalty positively and significantly impact on the sustainable economic growth among MSMEs in south-south of Nigeria; tax fairness positively and significantly impact on the sustainable economic growth among MSMEs in south-south of Nigeria; perceived opportunities of tax evasion negatively and insignificantly impact on the sustainable economic growth among MSMEs in south-south of Nigeria; tax audit positively and significantly impact on sustainable economic growth among MSMEs in south-south of Nigeria and tax system positively and significantly impact on sustainable economic growth among MSMEs in south-south of Nigeria. Therefore, for sustainable economic growth to be achieved in Nigeria using micro, small and medium enterprises (MSMEs) the following were recommended based on the findings of the research:

1. There should be reasonable and applicable levels of penalties as a result of tax evasion of the owners of MSMEs in tax administration. Hence the moderation of tax penalties would encourage owners of businesses to pay tax as at when due to improve the revenue generation capacity of government for the sustainability of economic growth of the country.
2. The fairness of the tax system is also vital for enhancing tax payers' compliance level. Thus, the tax authorities should ensure that the tax system is equitable and fair to all taxpayers mostly the owners of MSMEs to comply voluntarily. In other words, the tax system should be designed fairly to make owners of MSMEs to pay the required amount of tax to the government to meet the developmental aspirations of the citizens for stimulating sustainable economic growth of Nigeria.
3. The government tax authorities should engage in a more balanced methodology to tax enforcement that would discourage tax evasion by using a combination of persuasive methods as well as the conventional coercive methods to reduce the high levels of tax evasion among owners of MSMEs in Nigeria.
4. The government should create a strong tax audit strategy in ways that will improve the collection and generation of sufficient revenue through voluntary compliance behaviour of the MSMEs that would contribution to sustainable economic growth of Nigeria.
5. The government should expand the tax administration system in Nigeria and strengthen the tax collection schemes and follow up procedures on MSMEs. Also frequent tax reforms designed and implemented that would increase revenue generation through tax collection and consequently stimulating sustainable economic growth of Nigeria.



### **Acknowledgement**

The researchers wish to acknowledge all the contributors for the successful completion of this study especially Tertiary Education Trust Fund (TETFUND) in Nigeria for the funding of this research and Isaac Jasper Boro College of Education, Sagbama, Bayelsa State, Nigeria.

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