

Tax Payers' Attitudes and Demographic Analysis of SMEs Operators in River and Akwa-Iboms States – Nigeria

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Article Information:

Received: January 31, 2023, Accepted: February 13, 2023, Published: March 31, 2023

Abstract

The study focused on taxpayers' attitude and demographic analyses of SMEs operators in Rivers and Akwa-Ibom States – Nigeria. It was motivated by the need for Nigerian tax authority to create a well-planned and comprehensive approach to enhance favourable tax attitude in order to deal with the problem of tax evasion; coupled with the lag in sufficient empirical works on tax payers' attitudes in Nigeria. The objectives of the study were to examine the differential effect of gender, age differences, marital status and educational level on tax payers' attitudes in Nigeria. Survey research design was adopted. The study was limited to SMEs operators in Rivers and Akwa-Ibom States. From a population of 28,585 SMEs operators, a sample size of 1150 was used. ANOVA was used to test the hypothesis. The findings show that: there is no significant difference on the effect of genders, age differences and marital status on tax payers' attitudes in Nigeria. However, there is a significant difference on the effect of educational level on tax payers' attitudes in Nigeria. It was therefore recommended that tax authority should always consider the educational stratification of SMEs operators before developing approaches to instigate favourable tax compliance; and SMEs Operators with high compliance track records should be celebrated by tax authority and they should be encouraged to engage in word-of-mouth communication to communicate to others on the benefits of tax payment.

Keywords: Taxpayer; Attitudes; Demographic variables; Tax obligation

1. Introduction

The challenges of voluntary tax compliance have steadily increased, requiring the Nigerian tax authority to create a well-planned and comprehensive approach to enhance favourable tax

attitude. This is premised on understanding the demographic characteristics underlying individual taxpayer's decision whether to pay or evade taxes (Ali, Fjeldstad & Sjursen, 2014; Aladejebi, 2018). Tax payers' attitudes in relation to their demographic variable forms the major template upon which this article revolves. This hinges on the effect of age, sex, educational level and marital status on taxpayer's attitude; with special focus on SMEs operators in Nigeria.

The role of SMEs in the Nigerian economy continues to be crucial for strengthening economic performance, particularly in the light of the recent slowdown in economic growth (Etale & Light, 2021). Available statistics reveal that SMEs, account for over 95% of enterprises and 70% of total employment and contributes over 40% of the GDP (UNIDO, 2013). In spite of these laudable SMEs' activities, their contribution to the nation's tax revenue remains abysmal; and most of the operators are traceable to the informal sector, which constitute persons of unique demographic stratification that is susceptible to the characteristics of the group they belong; they might choose not pay tax because their groups are non-compliance to tax. This form of tax evasion is particularly severe in all countries particularly developing economies like Nigeria (Beredugo, Azubike & Mefor, 2019).

We should not also forget in a hurry that one of the major causes of the Aba women riot of 1929 was the imposition of taxes on women. They feared that the tax would drive many of the market women out of business (Evans, 1989). This action was no doubt met with stiff resistance from the women, even when such tax was meant for the development of the State. The big question is: Are gender differences and other demographic characteristics, determinants of tax payers' attitudes in our present day Nigeria? These are some of the questions; the study as clamored to answer.

Asante and Baba (2011) have it that, tax payers' demographic characteristics may influence their perception and orientation on tax compliance. These characteristics cannot be undermined or discarded in a whim; therefore, making it imperative to evaluate the effect of demographic characteristics on tax payers' attitudes. As a corollary, the Nigerian tax authority is yet to focus their attention on individuals with specific demographic characteristics who are less responsive to voluntary tax compliance, even when there are lingering perceptions that tax payer's attitude is independent of demographic characteristics.

Several studies have also been carried out on factors responsible for unfavourable tax attitude. Among such factors are corruption (Abati, 2009), poor tax administration (Bahl & Bird, 2008), financial condition of individual taxpayers (Stack & Kposowa, 2006), public accountability (Igbeng, Beredugo & Adu, 2015), utilization of tax funds (Odusola, 2003), the presence of large informal economy (Terkper, 2003), while, the effect of demographic variable on favourable tax attitude is sparsely researched in Nigeria. Tax authorities are expected to know who the tax payers are, and the demographic stratification they belong, so as to know the best approach to adopt in promoting tax compliance. It is against this background, the study examine tax payers' attitudes and demographic analysis of SMEs operators in Rivers and Akwa-Iboms States. The specific objectives of the study include:

1. To identify the differential effect of gender on tax payers' attitudes in Nigeria
2. To examine the differential effect of age differences on tax payers' attitudes in Nigeria
3. To identify the differential effect of marital status on tax payers attitudes in Nigeria
4. To examine the differential effect of educational level on tax payers' attitudes in Nigeria.

2. Literature Review

2.1 Demographic variables and tax payers' attitudes

This study on tax attitudes and demographic characteristics draws inference from the social influence theory, which establishes that the attitudes of a tax payer is, affected by the social norms of an individual's reference group. Compliance attitude towards tax may be affected by an individual's social interactions and exposures (Banerjee, 1992). If the group an individual belong evades tax, he or she may be swayed to act in response to the group's action. This can be replicated in the demographic characteristics of tax payers and by extension the amount they pay as tax. By this reason, these demographic factors were considered important because of their likely effects on the individual's tax compliance level.

2.1.1 Age and tax payers' attitudes

People of different ages think differently. So is their disposition toward tax payment. Old self-employed or SMEs operators usually come to term with tax compliance than their young counterparts. Young and old in this regard include people within the ages of 18 to 45 years as young and 46 years and above as old. Haelhel and Ahmed (2014) established that age has a positive correlation with tax compliance. He reiterated that younger generation have low moral standard and high tendency to take risk by evading, while, defiling any sanction that could come afterwards. Dubin and Wilde (1988) on the other hand adjudicated that old tax payers are less tax compliance when compared to younger tax payers. In Nigeria, the relationship between age and tax attitude is yet to be fully established.

Although, after taking some issues into consideration, it is a well-known fact that most senior citizens might tend to defile any sanction on the ground that they played a significant role that brought the incumbent government to power. This therefore left a poser as to if there is a significant difference between the young and old tax payer on favorable tax attitude?

2.1.2 Gender and tax payers' attitudes

According to Ilias, Razak and Yaso (2009) gender provides no difference in terms of tax payer's attitudes in complying with the tax system. A study undertaken in New Zealand by Oxley (1993) shows that, women exhibit favourable tax attitudes when compared to men. Women predominantly live a conservative life and hardly give to immoral conducts. However Richard and Sawyer (2001) noted that the compliance gap between male and female are presently narrowing down, due to social changes in women who now live independent life. Fredrick and Peter (2019) however confirmed in their study carried out in Uganda that gender significantly influences tax attitude.

2.1.3 Marital Status and tax payer attitudes

Married couples always exhibit a high sense of responsibly. This is partly attributable to the fact that women who are accustomed to tax compliance persuade their spouse into favourable tax compliance, unlike most single that could defiles their civil responsibility.

2.1.4 Educational level and tax payer attitudes

Education has been found to have an inconsistent association with tax attitude. Ilias, Razak and Yasoa' (2009) opined that the education background of taxpayers also plays an important role in encouraging the attitudes of taxpayers to file in their tax liabilities. Kassipillai (2003) also added that there is a positive relationship between taxpayer's educational level and voluntary tax compliance. Moreover, Abdul-Razak¹ and Adafula (2013) found out that educated people are more capable of comparing the benefits derived from government in relation to the amounts they contribute to the state, as compared to less educated people. Education simply provides the required exposure an individual needs to comply with tax matter.

3. Research Method

This study adopts the survey research design. This choice is dependent on the already existing influence of demographic variable on tax payers' attitude. The population size of the study is estimated at 28,585 SMEs operators in Rivers and Akwa-Ibom State. Data were collected from 1150 SMEs operators in Rivers and Akwa-Ibom states, on the basis of stratified sampling techniques. The questionnaire instrument was used for data collection. This was initially evaluated to verify its capacity to measure was ought to be measured using Crobach' Alpha reliability test, which gave a reliable value of 0.725. The statistical instrument for hypotheses tests was ANOVA.

4. Result & Discussion

4.1 Data analysis and discussion of findings

Primary data were specifically used for our empirical evaluation. The response rate of 74 percent amounted to 851 returned questionnaire. These questionnaires were duly completed and used accordingly. Table 1 presents the demographic characteristics of the respondents.

TABLE 1: Responses according to Demographic characteristics

		Frequency	Percent
Age	21-30yrs	159	18.7
	31-40yrs	286	33.6
	41-50yrs	273	32.1
	51yrs and above	133	15.6
	Total	851	100.0
Gender	Male	657	77.2
	Female	194	22.8
	Total	851	100.0

Marital Status	Single	365	42.9
	Married	486	57.1
	Total	851	100.0
Education level	FSLC	240	28.2
	SSCE	272	32.0
	Polytechnic diploma university	226	26.6
	Degree	113	13.3
	Total	851	100.0

Source: Process, 2022

4.2 Test of Hypotheses

4.2.1 Differential effect of genders on tax payers' attitudes in Nigeria

H_0 1: There is no significant difference on the effect of genders on tax payers' attitudes in Nigeria.

H_1 1: There is a significant difference on the effect of genders on tax payers' attitudes in Nigeria.

This hypothesis is tested using ANOVA

The table 2a shows the descriptive statistics of the differences between male and female in fulfilling their tax obligation as they fall due. The table reveals a mean similarity as shown between Male ($M = 2.5053$ and $SD = 1.25562$) and Female ($M = 2.4639$ and $SD = 1.24727$) with a mean difference of 0.0414. The rate of compliance also falls within the lower bound of 2.4116 and higher bound of 2.5802., signifying an average level of compliance between the groups. Information from table 2b shows the F statistics of 0.163. This indicates that there is no significant difference on the effect of genders on tax payers' attitudes in Nigeria. The eta squared of 0.000 also shows no differential effect between male and female. H_0 is therefore accepted and H_1 rejected.

This finding is in line with Ilias, Razakand Yaso (2009) who established that gender provides no difference in terms of tax payer's attitudes in complying with the tax system. The study also contradicts Oxley (1993) who affirmed that that women exhibit favourable tax attitudes when compared to men. However, the study pitch its tent with Richard and sawyer (2001) who noted that the compliance gap between male and female are presently narrowing down due to social changes in women who now live an independent life.

Table 2a: Descriptive
I find it obligatory to pay my tax

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Male	657	2.5053	1.25562	.04899	2.4091	2.6015	1.00	5.00
Female	194	2.4639	1.24727	.08955	2.2873	2.6405	1.00	5.00
Total	851	2.4959	1.25311	.04296	2.4116	2.5802	1.00	5.00

Source: Process, 2022

Table 2b: ANOVA

I find it obligatory to pay my tax

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.257	1	.257	.163	.686
Within Groups	1334.479	849	1.572		
Total	1334.736	850			

Source: Process, 2022

TABLE 2c: Measures of Association

	Eta	Eta Squared
Tax_obligation * Sex	.014	.000

Source: Process output, 2022

4.2.2 Differential effect of age differences on tax payers' attitudes in Nigeria

H₀₂: There is no significant difference on the effect of age differences on tax payers' attitudes in Nigeria

H₁₂: There is a significant difference on the effect of age differences on tax payers' attitudes in Nigeria

The table 3a shows the descriptive statistics of the differences between age distributions in fulfilling their tax obligation as they fall due. The table reveals a mean similarity as shown between ages 21-30yrs (M = 2.6352 and SD=1.24992); 31-40yrs (M= 2.5070 and SD =1.26697); 41-50yrs (M= 2.4396 and SD =1.23855); and 51yrs and above (M= 2.4211 and SD =1.26697).Information from table 4.3b shows that the F statistics of 1.005 indicates that there is no significant difference on the effect of age differences on tax payers' attitudes in Nigeria. The eta squared of 0.004 also shows that the differential effect of the age differences of tax payers was very small. H_0 is therefore accepted and H_1 rejected.

TABLE 3a: Descriptive

I find it obligatory to pay my tax

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
21-30yrs	159	2.6352	1.24992	.09912	2.4394	2.8310	1.00	5.00
31-40yrs	286	2.5070	1.26697	.07492	2.3595	2.6545	1.00	5.00
41-50yrs	273	2.4396	1.23855	.07496	2.2920	2.5871	1.00	5.00
51yrs and above	133	2.4211	1.25656	.10896	2.2055	2.6366	1.00	5.00
Total	851	2.4959	1.25311	.04296	2.4116	2.5802	1.00	5.00

Source: Process output, 2022

TABLE 3b ANOVA

I find it obligatory to pay my tax

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	4.733	3	1.578	1.005	.390
Within Groups	1330.003	847	1.570		
Total	1334.736	850			

Source: Process output, 2022

TABLE 3c: Measures of Association

	R	R Squared	Eta	Eta Squared
tax obligation * AGE	-.056	.003	.060	.004

Source: Process output, 2022

This finding contradicts Haelhel and Ahmed (2014) who established that age has a positive correlation with tax compliance, while reiterating that younger generation have low moral standard; and either does our study corroborates Dubin and Wilde (1988) who adjudicated that old tax payers are less tax compliance when compared to younger tax payers.

4.2.3 Differential effect of marital status on tax payers' attitudes in Nigeria.

H₀₃: There is no significant difference on the effect of marital status on tax payers' attitudes in Nigeria.

H₁₃: There is no significant difference on the effect of marital status on tax payers' attitudes in Nigeria.

TABLE 4a Descriptive

I find it obligatory to pay my tax

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Single	365	2.5589	1.32804	.06951	2.4222	2.6956	1.00	5.00
Married	486	2.4486	1.19295	.05411	2.3422	2.5549	1.00	5.00
Total	851	2.4959	1.25311	.04296	2.4116	2.5802	1.00	5.00

Source: Process output, 2022

TABLE 4b: ANOVA

I find it obligatory to pay my tax

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	2.538	1	2.538	1.617	.204
Within Groups	1332.198	849	1.569		
Total	1334.736	850			

Source: Process output, 2022

TABLE 4c: Measures of Association

	R	R Squared	Eta	Eta Squared
Tax_attitudes * EDUCATION_LEVEL	.131	.017	.163	.026

Source: Process output, 2022

The table 4a shows the descriptive statistics of the differences in marital status in fulfilling their tax obligation as they fall due. The table reveals a mean similarity as shown between singles (M

= 2.5589 and SD=1.32804) and Married (M= 2.4486 and SD =1.19295). Information from table 4b shows the F statistics of 1.617. This indicates that there is no significant difference on the effect of marital status on tax payers' attitudes in Nigeria. The eta squared of 0.026 also shows that the differential effect of marital status was moderate. H_0 is therefore accepted and H_1 rejected.

The finding of this study contradicts our a priori expectation which opined that married couples always exhibit a high sense of responsibility when compared to singles. This is because from our empirical evaluation there exist no significant difference between the two groups. The mean statistics also shows that Singles obliged to tax payment far more than the married, although the mean differences is not significant.

4.2.4 Differential effect of educational level on tax payers' attitudes in Nigeria

H_{04} : There is no significant difference on the effect of educational level on tax payers' attitudes in Nigeria.

H_{14} : There is a significant difference on the effect of educational level on tax payers' attitudes in Nigeria.

TABLE 5a: Descriptive

I find it obligatory to pay my tax

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
FSLC	226	2.3097	1.12412	.07478	2.1624	2.4571	1.00	5.00
SSCE	269	2.4944	1.27438	.07770	2.3414	2.6474	1.00	5.00
Polytechnic Diploma	223	2.4215	1.21991	.08169	2.2605	2.5825	1.00	5.00
University Degree	133	2.9398	1.37488	.11922	2.7040	3.1757	1.00	5.00
Total	851	2.4959	1.25311	.04296	2.4116	2.5802	1.00	5.00

Source: Field survey, 2022

TABLE 5b ANOVA

I find it obligatory to pay my tax

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	35.280	3	11.760	7.665	.000
Within Groups	1299.456	847	1.534		

TABLE 5b ANOVA

I find it obligatory to pay my tax

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	35.280	3	11.760	7.665	.000
Within Groups	1299.456	847	1.534		
Total	1334.736	850			

Source: Field survey, 2022

TABLE 5c: Measures of Association

	R	R Squared	Eta	Eta Squared
Tax obligation * Education_Level	.131	.017	.163	.026

Source: Field survey, 2022

The table 5a shows the descriptive statistics of the differences between the educational level of tax payers in fulfilling their tax obligation as they fall due. The table reveals mean differences as shown between FSLC (M = 2.3092 and SD=1.12412); SSCE (M= 2.4944 and SD =1.27438); Polytechnic diploma (M= 2.4215 and SD =1.21991); and University degree (M= 2.9398 and SD =1.37488). Information from table 5b shows that the F statistics of 7.665 that is accompanies with a p-value of 0.000. This indicates that there is a significant difference on the effect of educational level on tax payers' attitudes in Nigeria. The eta squared of 0.026 also shows a moderate differential effect of educational level on tax payers. H_1 is therefore accepted and H_0 rejected.

This finding corroborates Ilias, Razak and Yaso (2009) who opined that the educational background of taxpayers play important role in encouraging favourable tax attitudes. The study also supports Kassipillai (2003) also added that there is a positive relationship between taxpayer's educational level and voluntary tax compliance. Education simply provides the required exposure an individual needs to comply with tax matter.

5. Conclusion

The study revolves on the evaluation of demographic characteristics of tax payers as a means of formulating tax enforcement strategy that could be used to curb tax evasion among the Nigerian citizenry. Individuals with unique characteristics can be easily enticed with a specific approach to ensure compliance with certain directives. The empirical evaluation of the demographic characteristics of age, gender, marital status and educational level on the tax attitudes of SMEs operators reveals that age is not a very good criterion that could be used by tax authority to enforce tax compliance. This is because, response in relation adherence to tax obligation by the different age distribution was unison. Gender differences do not significantly affect the tax payers' attitudes of SMEs operators. Same can be seen from marital status; where both the married and single behave in a similar manner when it comes to adhering to tax compliance.

However, SMEs operators with university or higher education are more tax compliant compared to other educational levels.

It can therefore be recommended that tax authority should always consider the educational stratification of SMEs operators before developing approaches to instigate favourable tax compliance. All tax payers must be overly informed on the relevance of tax payment, using adequate communication medium and understandable languages. Trusted SMEs operators should also be recruited as tax agents that would help tax authority to sensitize others on the relevance of tax payment. SMEs Operators with high compliance track record should be celebrated by tax authority and they should be encouraged to engage in word-of-mouth communication on the benefits of tax payment.

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