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DOES INSTITUTIONAL FACTORS MATTERS IN INDIVIDUAL TAXPAYER'S COMPLIANCE BEHAVIOUR? EMPIRICAL EVIDENCE FROM SELECTED STATES IN SOUTH-WEST, NIGERIA

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Abstract

Tax revenue (TR) is one sources of fund available for financing government expenditure and enhancement of a nation's sustainable development. TR loss through tax evasion and avoidance by Individual Taxpayer (ITP) are perceived to have adversely affected government performance. Studies have been conducted on taxpayers' compliance behaviour (TPCB), but not many study the effect of Institutional Factors (INF). This study examined the probable influence of INF on TPCB in South-West, Nigeria. The study employed survey research design. 5,216,422 ITP was used as population. Sample size of 1,200 was determined with a response rate of 87.6% while data were collected with validated questionnaire. Descriptive and inferential statistics were used to analyse the data at 5% level of significance. The study revealed that INF positively influenced TPCB (Adj. R2 = .255, F(9, 1050) = 40.86, p = .000). The study concluded that INF influenced TPCB. Study recommended that tax administrators should simplify the process of filing tax returns while government should ensure transparency and accountability in TR in order to enhance trust in government and tax administration. Fairness in the application of tax laws should be entrenched while stiff measures should also be put in place to control corruption on TR.

Keywords: Accountability, Institutional factors, Sustainable development, Tax administrators, Tax compliance behaviour, Tax evasion, Tax revenue

INTRODUCTION

Tax payment is always a thing that is not cherished by citizens because nobody likes paying tax. Alm and Torgler (2011) reported that what remain constant in life is death and taxes. Therefore, individual normally takes different steps to reduce their tax liabilities by interpreting the tax laws in such a way to suit their intention and also achieved undue advantages (Olowookere & Fashina, 2013). Webber and Wildavsky (1986) in Slemrod (2007) asserted that right from the third century, tax evasion and avoidance had been in existence. This occurred when many wealthy Romans engaged in an act of burying their stocks of jewelries and gold coins in order to evade tax. It was further stated that in the eighteen centuries in England, landlords barricaded their homes with burn-fire in order to stopped tax officials from pasting tax demand notices in their homes. Al-Mustapha and Hamza (2016) opined that tax evasion is the intentional and deliberate attitude of individual taxpayer's refusal in making payment of appropriate tax out of his legal sources of income. It is a breach of relevant tax laws and illegal means of evading tax by potential taxpayers. This involved deceitful reporting of accurate income earned in order to reduce tax liability (Olowookere & Fashina, 2013). It is an intentional and deliberate action taken by the individual taxpayer in reducing his/her tax liabilities by means of breaking tax laws. Tax evasion is a social phenomenon which significantly reduce tax revenue and seriously affect country's economic growth and infrastructural development (Ajaz & Ahmad, 2010). Nigeria is one of the countries in the world where tax evasion is pronounced and practiced in a fashionable manner. The various institutions put in place by the government to guide and minimise tax evasion have not been properly coordinated or functional for effective control and monitoring. In line with this, it is possible to register a company with Corporate Affair Commission (CAC) in Nigeria without any form of tax registration for Tax Identification Number (TIN) with the tax authorities, this in most cases, leads to tax evasion (Oyebamiji, 2018).

Revenue derived from taxes in some developed economy is seen as a major sources of finance available to government for financing both the recurrent and capital expenditures on yearly basis (Alaaray, Mohammed & Bustamam, 2018). Therefore, Ofurum, Amaefule, Okonya and Amaefule (2018) opined that taxes is an important source of revenue in both developed and developing countries and this is ranked high in most developed countries while in some countries in Africa, revenue from taxes had positively contributed to the social, infrastructural and economic development of these countries. OECD (2017) reported that tax to Gross Domestic Product (GDP) ratio for eight African countries of Cameroun, Morocco, Mauritius Tunisia, Rwanda, South Africa, Senegal and Cote d'Ivoire which were surveyed in 2014 showed that a tax to GDP ratio ranges between 16.1% and 31.3%. In the Sub-Sahara African countries termed developing countries, the major challenge according to Dube and Casale (2016) was the failure of these countries to develop their tax system in a manner to capture most of the relevant informal and formal tax payers into the tax net. Therefore, there was lack of tax compliance on the part of taxpayers and the tax revenue loss as a result of non-compliance/ tax evasion by tax payers affects the operation and performance of government in providing the required infrastructural developments, public goods and other social services for the citizens. Some developing countries fails in generating required amount of revenue from taxes because they are faced with a number of institutional problems which rest on corruption and political instability (Ajaz & Ahmad, 2010). Lien (2015), Syadullah and Wibowo (2015) also posited that most developing countries suffered losses on tax revenue through bribery and corruption. In line with this, Azeez (2011) reported that this tax revenue loss is perpetuated through taxpayer's dishonest or immoral behaviour, which are against the generally acceptable rules, norms and standards established by a constituted authority.

The recent fluctuation in the oil price per barrel at the international market coupled with daily reduction in oil production per barrel had seriously affected the total earnings generated into the country's federation account which is available for sharing by the three tiers of government on monthly basis. This had posed a serious financial burden on the three tiers of government (Federal, States and Local governments). Some States in Nigeria had issue of payment of staff salaries and ability to carry out other recurrent and capital expenditure. This problem had necessitated the idea of revenue diversification by the three tiers of government and the best alternative strategies and focused are taxes but the high rate of tax non-compliance behaviour occasioned by tax evasion, avoidance and flight by individual taxpayers has become an issue for consideration by state government as this high rate of non-compliance had contributed to inability of states in achieving most political promises due to lack of funds.

The attitude of individual taxpayers to tax compliance might be influenced by many factors which also might influence the taxpayers' behaviour (Barbuta-misu, 2011). Kirchler (2007) posited that these factors differ from country to country and also from one taxpayer to another. Some of the earliest factors that had been considered in research are the use of punishment by fines and penalties (Allingham & Sandmo, 1972), tax audit and penalty rate (Alm, McClelland & Schulze, 1992), audit probabilities and fines (Andreoni, Erard & Feinstein, 1998), ethics and morality, tax system equity and use of demographic factors such as age, sex, education and income size (Murphy, 2004). However, some of the recent factors considered are public governance quality (Alabede, Ariffin & Idris, 2011), government accountability (Modugu, Eragbhe & Izedonmi, 2012), social, psychological, political and economic determinant (Batrancea, Nichita & Batrancea, 2012), tax fairness and tax compliance (Saad, 2012). Also, other factors such as industry, accounting, psychological, economy and tax administration

(Nguyen, 2013), tax knowledge and tax complexity (Saad, 2014), tax payer's education (Olowookere & Fasina, 2013), tax understanding, tax rates, tax penalties and fines and tax compliance cost (Thiga & Muturi, 2015), tax knowledge and penalties (Oladipupo & Obazee, 2016). Others are demographic factors (Alabede, 2014), power and trust (Faizal, Palil, Maelah & Ramli, 2017), taxpayer' moral (Redae & Sekhon, 2017), tax awareness and perception of taxpayers (Adimasu & Daare, 2017), institutional quality, tax revenue and economic growth (Lien, 2016), determinant of individual tax payers and tax compliance behaviour in Malaysia (Kiow, Salleh & Kassim, 2017) and tax justice and compliance of Nigerian tax payers (Oyebamiji, 2018).

The institution established by the government play a vital role on the compliance level of the tax payers. According to Hamilton, Ruta, Bolt, Markandya, Pedroso-Galinto, Silva, Ordoubadi, Lange and Tajibaeva (2006), developed countries all over the world is termed rich not basically because of the enormous natural resources being endowed with but the skills of the citizens as well as the quality of the institutions enhancing and supporting the various economic activities. Institutional factors, as posited by Lateef, Saheed and Onipe (2015), are the conventional standards established by government and tax authority to motivate tax payers' compliance with the tax laws and also ensure prompt payment of tax liability. Therefore, taking the various studies highlighted as earlier conducted into consideration, study on institutional factors with moderating variables of power and trust had not been probably considered.

The need and objective for this study was to determine how institutional factors influence the individual taxpayer's compliance behaviour in the selected states in South-West, Nigeria. Tax revenue generation is key to infrastructural development and economic growth of a state and the nation in general. In order to raise the revenue bar of each state, there is a need to address these institutional factors that might affect level of tax compliance among taxpayers in the region. According to Oyedele (2015), tax revenue generation from both the formal and informal sectors is key to the government for the provision of public goods required by the citizens. Therefore, good institutional factors would address this problem of low revenue generation being experienced in the selected states and also enhance individual willingness to pay tax without much force or coercion. Institutional factors and tax compliance behaviour are of importance to countries and states. Therefore, studying institutional factors as it influences taxpayers' compliance behaviour in selected states in Southwest of Nigeria is not only for academic interest but also important to policy makers, tax consultants, media and advocacy groups in the region and Nigeria as a whole. Attempts to broaden the tax base in selected states in Southwest, Nigeria should be based on the insights into how citizens of the state's experience and perceive the tax administration, tax service, accountability, transparency, corruption and rule of law factors and how all these correlate with taxpayers' behaviour. This study helped in making an appropriate recommendations and identification of other forms of strategies that would enhance willingness to pay taxes by relevant taxpayers which would lead to an increase in government's revenue. In order to address the study, the research hypothesis, which suggest a tentative answer to the problem or question under investigation was tested at 0.05 significance level.

Hypothesis: Institutional factors moderated by trust and power of authority does not have significant influence on the level of tax compliance behaviour among individual taxpayers in the selected states in South-West, Nigeria

This hypothesis was designed to explain the influence of institutional factors, moderated by trust and power of authority on tax compliance behaviour among individual taxpayers in South-West, Nigeria. The institution established by the government and the tax authority play a vital role on the compliance level of the tax payers. Despite the various measures and tax reform taken by the government and relevant stakeholders in Nigeria to enhance individual tax compliance, tax non-compliance still posed serious challenge to revenue generation which hinders management and efficient administration of the nation and states (Beale & Wyatt, 2017; Kira. 2017). According to Fakile (2011), Alabede *et al,* (2011) and Gach (2014), the perception of tax payers on the institution established by the government and the tax authority which affect tax payers' compliance behaviour as highlighted in their studies are tax fairness, quality of tax services, tax awareness, good governance and tax official roles. These factors, according to their studies, had played a key role in tax payers' compliance behaviour and tax payment decision but the problem of tax compliance still remains a mirage. This study therefore aims at investigating the relationship between institutional factors and individual taxpayers' compliance behaviour in selected states in South-West, Nigeria moderated with power on enforced tax compliance and trust on voluntary tax compliance. Finding solutions to this problem of influence of institutional factors on individual tax compliance behaviour in the selected states in South-West, Nigeria is the knowledge gap which this study tries to close.

REVIEW OF LITERATURE

Conceptual Review

Tax: A tax is a compulsory payment by individual and corporate taxpayers to support and enhance the administration of governance. Tax differs from fines and penalties as fines and penalties are imposed on taxpayer by constituted authority as a form of payment for wrong doing or failure to act within a stipulated time frame. Therefore, for this study, tax is defined as a compulsory payment imposed on individual or corporate taxpayer's income or property by constituted authorities (tax authority) in line with the approved relevant tax laws. A good tax system should be convenient, sufficient, efficient and fair in nature. A tax is considered convenient when the method of collection is clear, understandable and known to all taxpayers. A tax is regarded sufficient when it has the ability to generate enough fund to the government meant for financing government programmes and infrastructural developments. Tax efficiency means how taxpayers react to tax payment as a result of economic behavioural changes. The tax fairness therefore, represent the taxpayers' abilities to pay tax and these is characterised by horizontal and vertical equitable methods. Egwaikhide and Udoh (2012) also defined tax as compulsory payments made by taxpayers in line with the relevant tax laws. Tax payment is not an optional thing by individual in a society but one of the civic responsibilities. Therefore, Wahl, Kastlunger and Kirchler (2010) reported that tax payment by an individual is one of the civic responsibilities expected from such taxpayer in order to gives the government the desired revenue for financing government recurrent and capital expenditure and also enhancement of wealth distribution.

Institutional Factors: Institutional factors are the conventional values established by the government and its tax agencies for promoting tax administration system in a country. These factors had played a significant role in taxpayers' compliance decision on tax payment (Alabede, 2014). Taxation is very important to the government at all levels for the purpose of providing fund for financing public goods and provision of services in the best interest of the citizens. In developing countries, tax mobilisation levels are very low because of weak institutions. North (1989) defined institutions as set of rules, the enforcement features of rules and standards of behaviour that structured repeated interaction of individuals. An individual will be willing to pay taxes when the quality of an institution is perceived to be good or reluctant to pay taxes where the quality of institution is perceived to be bad. Acemoglu and Robinson (2012) in Nikiema and Zahonogo (2017) claimed that good institutions are those that are inclusive and characterised by provision of public goods and services, having fair law system, individual right of leaving, pluralistic and sufficiently centralised while the poor or bad quality institutions are those that are extractive and have features of bad political, social and economic incentives. The institutional factors derived from literatures and considered for this study are as follows quality of tax administration, quality of tax service, accountability, transparency, rule of law and control of corruption.

The Nigeria tax administration method from 1960 is in line with the one operated in Britain. In 1990 a self-assessment scheme operated in America was introduced (Enahoro &

Jayeola, 2012). There are three tiered tax structure in Nigeria with different tax administrator these are Federal, State and Local government. Walsh (2012) stated that the essence of tax administration is tax compliance, good customer service and happiness of the tax payers. In a country with high level of tax compliance, tax authority roles would be the provision of conducive environment for citizens to work and carry out their civic responsibility by promptly paying tax while in an environment of high level of tax non-compliance, tax authority will be seen and act as a policeman (Savic, Dragojlovic, Vujosevic, Arsic & Martic, 2015). Ali Al-Ttaffi and Abdul-Jabbar (2016) reported that quality of service is the degree of merit or superiority which can either be neutral or subjective. The type of quality of service rendered by the tax authorities to individual taxpayers is very important to tax revenue generation and taxpayers' compliance behaviour. The quality of service will show how the type of tax service provided by tax authority (client) is being perceived and enjoyed by taxpayers (customer). Therefore, the level of quality of service provided by the tax authority will dictates the ability of government to generate tax revenue on an annual basis and ability to provide the desired basic infrastructure to the citizens.

Accountability and transparency is very important in taxes revenue generation as any form of loss of confidence by taxpayers on the government and tax system might leads to tax non-compliance which in turn leads to high level of tax evasion or fraud (Kiow, Salleh & Kassim, 2017). Omolehinwa and Naiyeju (2015) reported that the international financial institution bodies such as International Monetary Fund (IMF) and World Bank also recognized the need to promote public accountability and transparency in government. It was reported that lack of public accountability and transparency has become a major challenge in developing countries and this affects the level of tax compliance and infrastructural development. Accountability and transparency allow the citizens to have full knowledge and information about government activities which brings the individual taxpayers closer to the government and gives a better opportunity to understand the government policy. According to Fadjar (2013), transparency in government provides the opportunity for the enhancement of taxpayers' compliance levels while lack of transparency will probably leads to tax non-compliance.

Government responsibility is to implement an effective and efficient tax laws that will enhance tax revenue generation. The Legislative arm of government is responsible for the enactment of relevant tax laws and this laws are normally enforced by the executive arm of government using its various government agencies. Murphy, Bradford and Jackson (2016) stated that tax laws are to be obeyed and complied with by individual taxpayers but in case of tax non-compliance, the tax laws enforcements will be carried out by the government through the relevant tax authority and other agencies in order to reduce cases of individual's tax avoidance or evasion. Hofmann, Hoelzl and Kirchler (2008) opined that at times, some taxpayers have difficulties in understanding the relevant tax laws while some exhibit poor knowledge of the prevailing tax rates and the basic knowledge of taxation. In decision making process, tax law should be the first element to be considered by the tax payers, the tax law will either make them to avoid or evade tax payment. This was affirmed by Batrancea, Nichita and Batrancea (2012) that tax law's difficulty is one of the constraints of tax compliance behaviour apart from fiscal policy and tax system complexity. Control of corruption as other institutional factors is key to enhancement of tax revenue and tax compliance. Corruption is defined by Picur and Riahi-Belkaoui (2006) as a process of using public or entrust power for private gain or benefit. According to United Nation (2004), the word corruption is derived from Latin word 'Corruptus" which mean spoiled. Corruption cases is more than officeholders but also involved individuals who lobby for gaining preferential advantages. Adeyeye and Otusanya (2015) stated that fiscal corruption in many countries has become a major challenge to enhancement of voluntary compliance. This has destroy the political, economic and social environment of a country. Fiscal corruption has therefore, remains a major concern of tax administration in both developed and developing countries. Feld and Frey (2007) reported that government acts of fairness, show of good governance and being perceived as non-corrupt government will make the taxpayers to reciprocate with prompt payment of tax and this will enhance high rate of tax compliance.

Tax compliance: Tax compliance is the ability to fulfil all tax obligation payments in line with the relevant tax regulations and laws (Thiga & Muturi, 2015). The desire of taxpayers' to comply with tax payment can be considered as behavioural norms. These norms can be categorised into two, these are personal and social norms. The personal norms means the combination of various factors which are associated with individual belief that guided taxpayers' positive behaviour's toward tax administrators but at times this is difficult to measure. Social norms affect tax behaviour where the majority of the citizens are tax compliant which lead to reduction on willingness to evade tax but where the rate of evasion is high in the country, the tax non-compliance rate will also be high. There had been various forms of approach to tax compliance, these are theoretical, experimental and empirical approaches in understanding the factors that influence tax compliance and taxpayers' behaviour. The essence is to improve compliance level of the taxpayers and also to further increase government revenue being generated for purpose of financing social, economic and infrastructural development of a nation. Tax compliance can be categorized as enforced (tax authorities' influence) or voluntary compliance (Kirchler, Hoelzl & Wahl (2008). While enforced compliance is achieved by means of penalty and detection, the voluntary compliance is achieved by form of taxpayer's willingness to pay tax timely and promptly without any form of coercion or enforcement from the tax authority. The enforced compliance is based on assumed power of authorities to pursue and coerce tax evaders while the voluntary compliance is based on individual willingness to respect and have trust in government (Muehlbacher & Kircchler, 2010). Kirchler (2007) reported that tax compliance involved three things; these are trust in authorities, power of authorities and tax compliance.

Theoretical Framework

Institutional Theories

Institutional theory explains how taxpayer's behaviour can be shaped by his surrounding institutional factors. This theory was founded in 1963 by two prominent Australians, Sociologist Lazarsfeld. P. F and the economist Morgenstern. O. These institutional factors can be classified into three; these are regulatory, cognitive and normative. According to Scott (2007), cited in Arasti, Pasvishe and Motavaseli (2012), regulatory institution represents organized sets of laws and regulation along with government policies which are put in place to enforce the structure set on ground to enhance taxpayers' tax payment compliance. Cognitive institution refer to individuals underlying knowledge, skills and belief toward tax compliance while the normative institutional dimensions refers to prevailing set of standards and values by which the taxpayers' behaviour are accepted in a country. At taxpayers' individual level, taxpayers' behaviour can be explained using four institutional theories, these are economic deterrence theory, fiscal exchange theory, political legitimacy theory and social interaction theory. The study adopts Fiscal exchange theory and political legitimacy theory. The justification for these theories was based on the fact that the two theories would capture the dependent variables (Tax compliance) and independent variables (Institutional factors). It is, therefore, reasonable to state that the individual taxpayer's behaviour is a function of the taxpayer's satisfaction or dissatisfaction from the government and its agencies. This belief or trust perception has effect on the level of tax compliance. An unjust system of tax will increase the level of tax evasion as there will be an attempt by taxpayer to adjust his behavioural relationship with the government and its agencies. In the fiscal exchange and political legitimacy framework, we expect individual taxpayer's behaviour to be positively correlated to satisfaction derivable from tax payment in return for government trust on accountability, openness, transparency and provision of desired goods and services for the citizens. Fiscal exchange and political legitimacy theories explain individual taxpayer's behaviour based on the expectation and trust regarding the provision of public goods and services by the government and its agencies especially the tax authorities. This theory is based on social, psychological or relational contract between the government and the taxpayers which is a form of tax bargaining between the taxpayer and the government. This is seen as crucial to building relationship of accountability, transparency, obligation, efficiency and mutual trust between the citizens and the state.

Empirical Review

Adimasu and Daare (2017) examined tax awareness and perception of tax payers and their influence on voluntary compliance decision. Findings from the study showed that tax awareness happened to be a major problem of voluntary compliance due to unfair tax system and high tax rate. Oladipupo and Obazee (2016) studied tax knowledge, penalties and tax compliance of small and medium scale enterprises in Nigeria. It was recommended that government should ensure an increase in tax education among the citizens. Rosid, Evans and Tran-Nam (2017) reported on the perception of corruption and intentional non-compliance behaviour and concluded that corruption is perceived to be high in developing countries and this affect individual taxpayer's trust in authorities and willingness to pay tax. In addition, Savic, Dragojlovic, Vujosevic, Arsic and Martic (2015) looked at the impact of the efficiency of the tax administration on tax evasion with Data Envelopment Analysis (DEA) and regression analysis of thirteen European countries. The study revealed that tax administration efficiency increase leads to lower level of the aged economy while capacity improvement is a key factor for fighting tax evasion. Faizal, Palil, Maelah and Ramli (2017) studied power and trust as factors that influence tax compliance behaviour in Malaysia where it was stated that power and trust have different ways of influencing tax compliance. While trust influences voluntary compliance, Power on the other hand influences enforced compliance. Therefore, study showed that only trust has significant effect on tax compliance.

Besides, Ali Al-Ttaffi and Abdul-Jabbar (2016) studied service quality and income tax non-compliance of small and medium enterprises in Yemen. The findings from the study revealed that tax service quality was perceived very low and this made the SMEs owner's managers to become dissatisfied with the quality of tax service offered by the tax authority. Sitardja and Dwimulyani (2016) studied the analysis of the influences of good public governance and trust on tax compliance of public companies listed in Indonesian stock exchange. The study showed a significant positive relationship between tax fairness and tax compliance. In addition, Kiow, Salleh and Kassim (2017) examined the determinant of individual taxpayer's tax compliance behaviour in Peninsular Malaysia. Outcome from the review of various study of previous researchers showed that taxpayer's compliance behaviour was influenced by ethical perception of the taxpayer and this perception was affected by public governance and transparency in government activities. Thiga and Muturi (2015) examined the factors that influence tax compliance using tax laws among enterprises in Kenya. The study revealed that tax understanding had a positive influence on the level of tax compliance while lack of tax laws knowledge probably lead to non-compliance and this negatively influenced tax compliance. Adeyeye and Otusanya (2015) studied the impact of taxpayers' perception of government accountability, transparency and corruption on voluntary tax compliance in Nigeria. The study revealed that the combined effects of corruption, accountability and transparency had a significant impact on voluntary tax compliance. The study concluded that for purpose of tax compliance on the part of the taxpayers', government must be seen to be accountable, transparent and ensure reduction on the level of corruption.

METHODOLOGY

A survey research design was employed to gather the relevant primary data from the states based on their disparity and number of individual taxpayers that are involved in the study. The study focused only on individual taxpayers in the selected states in the South West, Nigeria. The primary data used for the study were obtained from the validated questionnaires administered to individual taxpayer using random sampling techniques. The questions were structured to capture demographic control factors, institutional factors, trust, power, tax compliance. The questions highlighted in the questionnaire were adapted from the work of Abata (2014), Eneharo and Jaiyeola (2012), tax payers' compliance appraisal by Fisher, Wartick and Mark (1992), Kirchler and Wahls (2010), Lateef, Saheed and Onipe (2015), Olowookere and Fashina (2013). These questions were structured to reflect Nigeria's Characteristics and in scaled and closed ended form. For the purpose of this study, reliance was placed on the National Joint Tax Board's (NJTB) publication on Nigeria's individual taxpayers' population as at 2016. The NJTB statistic (2016) showed that there were 5,216,422 registered personal income tax payers in the three selected states of south-west, Nigeria (Oyedele. 2016; JTB 2016; Oyeanakwe, Bello and Ekezie *et al.,* 2017). Sample size of one thousand, two hundred (1200) copies of questionnaire at stratification of 400 per each state were administered to various individual taxpayers and this was determined using Yamane (1967) techniques. A total of 1051 copies of questionnaire were returned valid by respondents giving a response rate of 87.6%

Reliability of Research Instrument

The reliability test of the instrument based on the outcome from the pilot study carried out in Lagos with 100 questionnaire administered to various respondents showed that 80 respondents answered and returned the questionnaire and this represent 80% response rate. Measurements with Cronbach Alpha (α) showed that trust in State Internal Revenue Service (SIRS), trust in government, power, tax compliance, voluntary tax compliance, enforced tax compliance, quality of tax administration, quality of tax service, accountability, transparency, rule of law and corruption had Cronbach's alpha of 87%, 84%, 71%, 66%, 79%, 88%, 81%, 84%, 85%, 81%, 69% and 86% respectively. A composite reliability and Cronbach Alpha (α) calculated greater than 0.6 was affirmed by Taber (2016); Tavakol and Dennick (2011); as a reasonable reliability and acceptable while Cronbach Alpha (α) calculated greater than 0.7 was affirmed by Bolarinwa (2015); Taber (2016) as a good and robust reliability and acceptable. The pilot study results showed that the instrument was reasonable and reliable since the results of all the constructs were above the acceptable threshold and therefore suitable for the current study.

Measurement of Research Variables

The relevant dependent, independent, moderating variables used for the study were measured with series of questions relevant to each variable based on widely acceptable measurements for primary data. These were measured using six items drawn on six point Likert scale type ranging from 1 (very low) to 6 (very high). A high figure of (6) response showed high degree of positive response while 1(low) numerical figure indicated a low degree of response.

Model Specification

The study expected that the independent variables of institutional factors would enhance tax compliance. It is, therefore, expected that quality of tax administration (QTA), quality of tax service (QTS), accountability (ACT), transparency (TRP), rule of law (ROL) and control of corruption (COC) factors would enhanced tax compliance (TC). The dependent variable is tax compliance (TC)

$Y = f(X, M)$

The model specification will be:

$Y = \beta_0 + \beta_1 X_i + \beta_2 M_i$ +---------------------------+ ε_i

Tax Compliance and Institutional Factors

$TC = \beta_0 + \beta_1 TRUGOVT_i + \beta_2 TRUSIRS_i + \beta_3 POA_i + \beta_4 QTA_i + \beta_5 QTS_i + \beta_6 ACT_i + \beta_7 TRP_i + \beta_8 ROL_i + \beta_9 COC_i + \varepsilon_i$

Where:

Y= Tax compliance (TC)

X = Institutional factors

$X = (x_1, x_2, x_3, x_4, x_5, x_6)$

$x_1 =$ Quality of Tax Administration (QTA)

$x_2 =$ Quality of Tax Services (QTS)

$x_3 =$ Government Accountability (ACT)

$x_4 =$ Government Transparency (TRP)

$x_5 =$ Rule of Law (ROL)

$x_6 =$ Control of Corruption (COC)

M = Moderating variables

M_1 = Power of Authority (POA)

M_2 = Trust in State Internal Revenue Service (TRUSIRS)

M_3 = Trust in Government (TRUGOVT)

ε = Error terms

β_0 = Intercept or the constant

$\beta_1 - \beta_9$ = Partial regression coefficient of the explanatory variables.

ANALYSIS AND FINDINGS

The study adopts the cross-sectional analysis to provide the required answers to the research question and hypothesis. Descriptive and inferential statistics were used to analysed the primary data employed for the study. The descriptive statistics involved the use of tables in the form of frequency distribution, mean, percentage and standard deviation while inferential statistics involved the use of the Ordinary Linear Square (OLS) Regression Analysis and Analysis of Variance (ANOVA). Adjusted R^2 was employed to determine the power of the model. The p-values of the t-statistics and F-value were also employed in making decision on the acceptance or rejection of the specified hypothesis using 5% level of significance in line with what is obtainable in management and social science.

Descriptive Analysis of the Test Items

Table 1. Respondents Responses on Tax Compliance

S/N	Test Items		SD 1	D 2	PD 3	PA 4	A 5	SA 6	Mean	SDV
1	Paying tax even when the actual amount of tax is not paid to the tax authority can still be regarded as tax compliance.	Freq	95	164	96	309	327	60	3.75	1.42
		%	9	15.6	9.1	29.4	31.1	5.7		
2	When one pays his/her tax even at the expiration of the payment period, such can be regarded as compliant.	Freq	43	104	82	377	342	103	4.12	1.24
		%	4.1	9.9	7.8	35.9	32.5	9.8		
3	If I have the possibility, I would evade paying tax.	Freq	152	173	137	222	282	85	3.54	1.57
		%	14.5	16.5	13	21.1	26.8	8.1		
4	I feel immorally obliged to pay all my taxes.	Freq	114	188	82	274	304	89	3.70	1.52
		%	10.8	17.9	7.8	26.1	28.9	8.5		
5	I resent paying tax in my state	Freq	196	169	100	239	266	81	3.43	1.63
		%	18.6	16.1	9.5	22.7	25.3	7.7		
	Mean & Standard Deviation								3.71	1.48

Table 1 describes the responses of respondents on the level of tax compliance in Lagos, Ogun and Oyo States. The mean of 3.75 indicates that majority of the respondents agreed that paying tax even when the actual amount of tax is not paid to the tax authority can still be regarded as tax compliance. The mean of 4.12 further suggests that majority of the respondents agreed that when one pays his/her tax even at the expiration of the payment period, such can be regarded as compliant. The mean of 3.54 suggests that majority of the respondents agreed to the test item that if they have the possibility, they would evade paying tax. The mean of 3.43 further suggests that majority of the respondents agreed that they feel immorally obliged to pay all their taxes. The mean of 3.43 further suggests that majority of the respondents agreed that the respondents resent paying tax in their respective states. On the overall, a mean of 3.71 further indicates that majority of the respondents agreed that they resent paying tax in their respective states. A standard deviation of 1.42, 1.24, 1.57, 1.52 and 1.63 respectively, suggests that the responses of the respondents are less likely to change over time.

Table 2. Respondents Responses on Institutional Factors

S/N	Test Items	Mean	Standard Deviation
1	Trust from Internal Revenue Service	4.11	1.20
2	Trust from Government	3.80	1.38
3	Power from State Internal Service	4.48	1.11
4	Tax Compliance	3.71	1.48
5	Quality of Tax Administration	4.18	1.18
6	Quality of Tax Service	4.35	1.20
7	Government Tax Accountability	4.52	1.30
8	Government Tax Transparency	4.73	1.18
9	Rule of Law	4.27	1.18
10	Control of Corruption	4.75	1.11

Table 2 shows the respondents responses on institutional factors and moderating variables. On the overall, a mean of 4.11, 3.8, 4.48, 3.71, 4.18, 4.35, 4.52, 4.73, 4.27 and 4.75 respectively indicates that majority of the respondents agreed that there is trust from internal revenue service, the government and that the three States Internal Revenue Services have the power to exercise their duties. Majority of the respondents shows resent in paying tax in their respective state, there is quality of tax administration among the three states while more than 72% of the respondents agreed that there is quality of tax service among the three states. More than 75% of the respondents agreed that there is high level of tax accountability among the three States with high level of tax transparency while there is also high level of rule of law among the three States. In conclusion, majority of the respondents agreed that there is high level of control of corruption among the three States, accordingly.

Table 3: Institutional Factors and Tax Compliance Behaviour

Dependent Variable: TC

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
TC	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-.280	.236		-1.183	.237		
QTA	.174	.039	.137	4.449	.000	.749	1.336
POA	.066	.038	.056	1.726	.085	.669	1.494
QTS	.310	.042	.256	7.400	.000	.593	1.687
TRUSIRS	.051	.034	.052	1.486	.138	.575	1.739
TRUGOVT	.104	.032	.120	3.266	.001	.530	1.887
ACT	.138	.038	.143	3.650	.000	.464	2.153
TRP	.082	.040	.081	2.040	.042	.456	2.195
ROL	.059	.041	.047	1.436	.151	.656	1.524
COC	-.057	.040	-.048	-1.416	.157	.624	1.602

Notes: TC (tax compliance) represents the dependent variable. The independent variables are quality of tax administration (QTA), power of authority (POA), quality of tax service (QTS), trust from state Inland Revenue service (TRUSIRS), trust from government (TRUGOVT), accountability (ACT), government transparency (TRP), rule of law (ROL) and control of corruption (COC).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.511[a]	.261	.255	.90382

ANOVA[a]

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	300.404	9	33.378	40.860	.000[b]
Residual	850.391	1041	.817		
Total	1150.795	1050			

Table 3 shows the results of regression analysis for the effect of institutional factors on tax compliance behaviour of individual taxpayers in the selected states in South-West, Nigeria. The results showed that quality of tax administration (0.174), power of authority (0.066), quality of tax service (0.310), trust on State Internal Revenue Service (0.051), trust on government

(0.104), government accountability (0.138), government transparency (0.082) and rule of law (0.059) have positive relationships with tax compliance behaviour of individual taxpayers in the selected states in South-West, Nigeria, while respondents' control of corruption (-0.057) has negative relationships with tax compliance behaviour of individual taxpayers in the selected states in South-West, Nigeria. There was evidence that quality of tax administration, quality of tax service, trust on government, government accountability and government transparency have significant relationships with tax compliance behaviour of individual taxpayers in the selected states in South West, Nigeria (QTA= 0.174, *t*- test= 4.449, $p < 0.05$, QTS= 0.310, *t*- test =7.400, $p < 0.05$, TRUGOVT = 0.104 *t*- test= 3.266, $p < 0.05$, ACT= 0.138, *t*- test= 3.650, $p < 0.05$, TRP= 0.082, *t*- test= 2.042, $p < 0.05$). Conversely, power of authority, trust on State Internal Revenue Service, rule of law and control of corruption are not significant factors that influenced changes in tax compliance behaviour of individual taxpayers in selected states in South West, Nigeria (POA= 0.066, *t*- test=1.726, $p > 0.05$, TRUSIRS= 0.051, *t*- test= 1.486, $p > 0.05$, ROL= 0.059, *t*- test=0.1.436, $p > 0.05$, COC= -0.057, *t*- test= -1.416, $p < 0.010$). This implies that quality of tax administration, quality of tax service, trust on government, government accountability and government transparency are significant factors that influenced changes in the tax compliance behaviour of individual taxpayers in the selected states in South-West, Nigeria.

The Adjusted R^2 measures the proportion of the changes in tax compliance behaviour in Nigeria as a result of changes in quality of tax administration, power of authority, quality of tax service, trust on State Internal Revenue Service, trust on government, government accountability, government transparency, rule of law and control of corruption. The Adjusted R^2 of 0.255 explained about 25.5 percent changes in tax compliance behaviour of individual taxpayers in the selected states in South West, Nigeria, while the remaining 74.5 percent were other factors explaining changes in tax compliance behaviour of individual taxpayers in the selected states in South-West, Nigeria but were not captured in the model. The F- test of 40.860 is statistically significant with $p < .005$. This indicates that the variables used in the model have a goodness of fit which was a good predictor of the main variables and that quality of tax administration, power of authority, quality of tax service, trust on State Internal Revenue Service, trust on government, government accountability, government transparency, rule of law and control of corruption jointly explains changes in voluntary tax compliance behaviour of individual taxpayers in the selected states in South-West, Nigeria. The variance inflation factor which was used to checked for the presence of multicollinearity showed that all the explanatory variables were not related because the variance inflation factor for all the variables were less than 5. The F-statistic of 40.860 is statistically significant with $p < 0.05$. This indicates that on the overall, the statistical significance of the model showed that the null hypothesis that institutional factors does not have significant influence on tax compliance behaviour of individual taxpayers in the selected states in the South-West, Nigeria was rejected. Thus, the alternative hypothesis that institutional factors have significant influence on tax compliance behaviour of individual taxpayers in the selected states in the South-West, Nigeria was accepted at 5 percent level of significance

DISCUSSION OF FINDINGS

In relation to concept, the study reveals the nexus between the institutional factors and individual tax compliance behaviour. In respect of the concept of tax administration and power of authority, the study reveals that these had a positive relationship with enforce tax compliance while trust, quality of tax service, accountability, transparency, rule of law and control of corruption had a positive relationship with voluntary tax compliance. This reveals that tax as a concept is very important as it benefit the government and the citizens whereby taxpayers' behaviour is based on the justifiable usage of tax revenue by the government on the best interest of the citizens. In relation to theories, findings from the study reveal that individual taxpayers' behaviour was a function of taxpayers' satisfaction or dissatisfaction from the government and its agencies. This belief or trust perception has effect on the level of tax compliance behaviour. An unjust system of tax will increase the level of tax evasion as there will be an attempt by taxpayers to adjust their behavioural relationship with the government and its agencies. The findings are consistent with Fiscal exchange theory traced to Spicer (1974) and Vogel (1974) and political legitimacy framework traced to political economy theory which was derived from the concept of organisation legitimacy defined by Dowling and Pfeffer (1975). The study aligns with these two theories, which expect individual taxpayer's compliance behaviour to be positively correlated based on the satisfaction derived from tax payment in return for government trust on accountability, openness, transparency, control of corruption, rule of law, good tax administration and provision of desired goods and tax services.

Empirical findings from the test of Institutional factors on tax compliance behaviour of individual taxpayers in South West, Nigeria as shown in Table 3 revealed that quality of tax administration, power of authority, quality of tax services, trust from State Internal Revenue Service, trust from government, government's accountability, government's transparency and the rule of law have positive relationships with tax compliance behaviour of individual taxpayers in the selected states in South-West, Nigeria, while respondents' control of corruption has a negative relationships with tax compliance behaviour of individual taxpayers in the selected states in South-West, Nigeria. There was evidence that quality of tax administration, quality of tax service, trust on government, government accountability and government transparency have significant relationships with tax compliance behaviour of individual taxpayers in the selected states in South West, Nigeria. Conversely, power of authority, trust on State Internal Revenue Service, rule of law and control of corruption are not significant factors that influenced changes in tax compliance behaviour of individual taxpayers in selected states in South West, Nigeria. The F-statistic of 40.860 is statistically significant with $p < 0.05$ indicating that on the overall, the statistical significance of the model showed that the null hypothesis that institutional factors does not have significant influence on tax compliance behaviour of individual taxpayers in the selected states in the South-West, Nigeria was rejected. Thus, the alternative hypothesis that institutional factors have significant influence on tax compliance behaviour of individual taxpayers in the selected states in the South-West was accepted at 5 per cent level of significance.

IMPLICATION OF THE FINDINGS

The implication of corruption in tax revenue and award of government contract revealed that tax compliance would be affected while tax revenue would be minimised. State governments should ensure more transparency in the usage of tax revenue. The high level of percentage recorded on resent to tax payment showed that enforced compliance is necessary to enhance tax revenue by the state governments but this will leads to additional cost on the part of government and tax authority. Besides, the complex and cumbersome approach in tax administration showed the basic reason of non-compliance. This is added to the poor service delivery render by the state internal revenue service which contributed to level of tax evasion. The perception of government's accountability and transparency implies that state governments care less in making public details of tax collection while majority of taxpayers feel that tax revenue were used by the government in most cases on meaningless activities and this had led to non-accountability and non-provision of report on tax revenue utilisation. The implication of these are loss of tax revenue but in order to enhance tax compliance, state governments needs to be accountable and also render report on tax revenue utilisation promptly in line with relevant laws and International Public Sectors Accounting Standards (IPSAS). The perception of the rule of law implies widespread unfair application of personal income tax laws, capital gain tax law, land used charges law and stamp duties law by State Inland Revenue Service (SIRS) and violation of individual taxpayers' rights of normal assessment with Best of Judgment (BOJ). The SIRS should promote fairness in the application of personal income tax laws and other relevant tax laws applicable to individual taxpayers. The essence of this is to allow individual taxpayers have full understanding of the law for easy process, filing and payment of tax liability. The perception of control of corruption by the state governments implies that state government is not doing or providing enough control measure in reducing wide spread corruption on tax revenue in the states. This was corroborated by 87.8 percent respondents that strategies of state governments in controlling corruption is not effective and this had resulted in the loss of state government revenue through high incidence of extortion by tax officials from individual taxpayers and deliberate diversion of tax revenue by the tax officials. The study revealed that the federal anti-corruption agencies were not effective in handling fraudulent tax practices at the state level due to overburden responsibility at the federal level. The implication of this is for each state to establish its own anti-corruption agencies at state level and also ensure stiff punishments for any fraudulent activity on tax revenue.

CONCLUSION

The study examined the institutional factors and individual taxpayers' compliance behaviour in the selected states in South-West, Nigeria with emphasis on individual taxpayers assessable to capital gain tax, PAYE, direct assessment on income, stamp duties, withholding tax on economic activities, land used charges/property tax, other levies and charges imposed by State Internal Revenue Service (SIRS). The study revealed that institutional factors has effect on the level of individual tax compliance behaviour and tax revenue generation by government. Enhancing tax payers' level of education and behavioural changes in filling tax returns and making the process more seamless to handle by taxpayers will ensure tax compliance while the government transparency and accountability with prompt financial report tax revenue in line with relevant laws and IPSA will minimise tax evasion. This will enhance trust in government which will metamorphose to increase in collection of tax revenue. The study also concluded that state government should ensure more transparency in usage of tax revenue with behavioural changes in respect of tax officials for prompt service delivery while States Internal Revenue Services should promote fairness in the application of tax laws rather than using consultant or best of judgment (BOJ) assessment.

RECOMMENDATIONS

Based on the findings and conclusion derived from the study, the following recommendations are proposed for implementation:

The perception of quality of tax administration in respect of filing tax returns required urgent attention, therefore, the state government and the tax authority should ensure making tax return a simple exercise and less cumbersome with the introduction electronic tax return system.

Proper penalties for individual defaulters and organisation representative who refuse to remit tax deducted at source on time to SIRS should be enforced and entrenched in the tax laws in order to enhance tax compliance and reduce the loss of tax revenue due to evasion. Quality of tax services perception in respect of tax awareness, information service, interaction service and transaction service seem lacking these add to high level of tax non-compliance. The state government and its agencies tax authority should ensure carrying out tax education, awareness and transaction and interaction service to individual taxpayers promptly while the tax officials should trained on human management, new technology for tax service delivery while modern day tools and technology that enhances opportunity for efficient service delivery should also be provided.

The perception of state government's accountability and transparency by respondents implies that state government care less in making public details of tax collection while majority of individual taxpayers feel that tax revenues were used by the government in most cases, on meaningless activities which are not felt directly by the citizens. The implication of these are loss of tax revenues but in order to enhance tax compliance, the state government needs to be more accountable by making details of tax collection and its usage available to the citizens promptly in line with relevant laws and IPSAS. State Accountability and transparency on tax revenue should be seen and practice at all time. The perception of rule of law by respondents shows widespread unfair application of tax laws by SIRS based on the use Best of Judgment (BOJ). Therefore, the SIRS should promote fairness in the application of various tax laws such as PITA, CGT, LUC/property tax, Stamp Duties and other individual tax laws. The perception of control of corruption by the state government from the view of the respondents implies that state government is not doing or providing enough control in reducing wide spread corruption on tax revenue in the states. The study also revealed federal anti-corruption agencies and were not effective in handling fraudulent tax practices at the state level due to their overwhelm activities at federal level. State government should establish its own anti-corruption agencies that will focus on state matters with stiff punishment for any fraudulent activity on tax revenue.

SCOPE FOR FURTHER STUDIES

The study has found out that within the context of individual taxpayers, institutional factors statistically has influence on individual taxpayers' compliance behaviour in South-West, Nigeria. Future researcher could also work on corporate tax payers, focus on other Geo-political zones and other factors such as religiosity, social economy and political thought that might influence tax compliance behaviour among the tax payers

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