

Tax morale and taxpayers' compliance among SMEs in Nigeria

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Abstract. This research delved into the dynamics of tax compliance among Small and Medium Enterprises (SMEs) in Nigeria, focusing on the influence of tax morale. The study examined key dimensions of tax morale, including religious beliefs; trust in governance, income levels, financial literacy, and educational attainment. Adopting a descriptive survey design, the investigation encompassed the entirety of the 386,655 registered SMEs across selected Nigerian states. Utilizing Taro Yamane's statistical formula and a multistage sampling method, a representative sample of 400 SMEs was meticulously selected. The ensuing regression analysis revealed compelling insights. Religious convictions, trust in governance, and higher income levels emerged as substantial and positive determinants of taxpayer compliance, encompassing both voluntary and enforced aspects. Financial literacy exhibited a positive influence on compliance, though statistically insignificant, hinting at a potential impact that lacks statistical robustness. Educational attainment, while positively affecting compliance, demonstrated significance primarily in enforced compliance, with no statistically significant impact on voluntary compliance. In conclusion, the study underscores the pivotal role of tax morale in shaping compliance behaviour among SMEs in Nigeria. The findings advocate for governmental initiatives aimed at augmenting transparency and accountability in tax administration to cultivate a positive tax morale, consequently fostering enhanced compliance within the SME sector.

Keywords: Educational attainment, Financial literacy, Governance, Income level, Religions, Tax morale, Taxpayers compliance.

1 | INTRODUCTION

Government revenue is essential for fostering growth and development in any nation, and globally, tax revenue stands out as the most prevalent source of public income (Agbetunde, Akinrinola, & Odinakachi, 2020). However, in many developing nations, such as Nigeria, effective harnessing of tax revenue, especially from Small and Medium Scale Enterprises (SMEs), remains a challenge due to the lack of sufficient incentives for tax payment. Taxes, as constitutionally mandated compulsory levies, form a social contract between the government and citizens, where citizens fulfil their tax obligations in exchange for the government's execution of specified responsibilities (Okoye, Isemla, & Oseni, 2018). When the government falls short in fulfilling these responsibilities, citizens may become demoralized, potentially leading to non-compliance with their tax obligations.

Adekoya, Olayo, and Lawal (2020) assert that taxpayers' compliance serves as a metric for evaluating the willingness of taxpayers to adhere to recognized tax authorities by fulfilling their tax obligations. A crucial aspect of tax compliance involves the preparedness of individuals or entities to fulfil their tax responsibilities. However, there is a suspicion that compliance levels among SMEs are relatively low, as evident by personal observations indicating a tendency among SME owners to prefer non-compliance if given the option. Over time, this pattern has deprived the government of critical revenue needed for vital developmental projects. Despite being a substantial sub-sector, SMEs not only significantly outnumbered large corporations but also employed a considerable workforce. The issue of taxpayers' compliance has long been a subject of debate in scholarly literature. Different perspectives exist, with some arguing that tax payments should align with the benefits citizens receive from the government, while others assert that taxation should be based on the taxpayers' ability to pay, with the wealthy subjected to higher levies than the less affluent (Abodher, Ariffin, & Saad, 2020; Dabor, Kifordu, & Abubakar, 2021). Tax compliance can take the form of either voluntary or enforced actions. Regardless of these differing views and their associated criticisms, taxpayers are more likely to be motivated when they observe tangible outcomes of their tax contributions, such as improved social infrastructure, amenities, and healthcare services (Sebele-Mpofu, 2020).

This study posits that tax morale is a significant factor influencing taxpayers' compliance, defining it as intrinsic motivation to pay taxes (Okoye et al., 2018). The challenge of tax compliance presents distinctive complexity. Despite existing tax provisions aimed at closing loopholes through which taxable individuals or organizations could minimize their tax liabilities, taxpayers continue to employ various avoidance schemes, but it has also led to the neglect of other potential sources of tax revenue. This raises questions about the efficacy of tax officials in their roles. This situation underscores broader issues within Nigeria's tax administration system, encompassing both its design and the attitudes of some taxpayers towards taxation. State governments heavily rely on Pay-As-You-Earn (PAYE) for revenue generation due to its predictability. However, an excessive focus on PAYE has not only increased the burden on taxpayers within the scheme but has also led to the neglect of other potential sources of tax revenue. This neglect, in turn, has facilitated the activities of tax evaders and avoiders. In Nigeria, widespread mistrust of the government and its institutions, tainted with corruption, bribery, and embezzlement, further diminishes taxpayers' morale in fulfilling their civic duty (Sritharan, Salawati, & Cheuk, 2020). Many SMEs struggle to generate significant profits, providing little motivation to incur additional expenses in the form of tax liabilities. Moreover, not all SMEs are registered with tax authorities, which poses a challenging task for tax return accountability.

Tax compliance issues could abound when there is inadequate manpower to monitor, enforce, and execute tax laws and functions (Saruji, Mohdali, & Mohamed, 2019). As a nation, Nigeria has a lot of taxpayers, both individuals and firms, thus, enforcement and monitoring of the returns from these taxpayers could be a herculean task. The low manpower encourages non-tax compliance in the economy, especially among SMEs. Furthermore, we should encourage compensation for tax authority staff. This would reduce the motivation to take bribes from tax offenders. Sensitization and training would help staff of tax authorities know how to reduce tax non-compliance.

Numerous studies have investigated the nexus between tax morale and tax compliance. From the studies at the disposal of the researcher, few were conducted in Nigeria; and from these few, only Agbetunde et al. (2020) performed their study among SMEs, depicting the need for further

investigation to be performed in Nigeria and among SMEs; a feat the current study hopes to achieve. Furthermore, a good number of the available studies focused on religion as a component of tax morale (Abodher et al., 2020; Agbetunde et al., 2020; Hanifah & Yudianto, 2019; Jun & Yoon, 2018; Kurniawati & Purba, 2017; Nicholson, 2019; Purnamasari, Sari, Sukartha, & Gayatri, 2021; Sakirin, Darwanis, & Abdullah, 2021; Tomy, 2021). However, this current study would improve tax morale and capture it with religion, trust in governance, financial literacy, educational attainment, and income level. Thus, the study would examine tax morale and taxpayer compliance among SMEs in Nigeria.

2 | LITERATURE REVIEW

2.1 | Conceptual Review

2.1.1 | Tax Morale

Tax is a compulsory levy that eligible citizens (taxpayers) render to the government without any commensurate benefits for the amount rendered (Timothy & Abbas, 2021). Tax revenue is the most common source of government revenue globally, as almost all nations, if not all, derive it (Fonseca, 2024). A nation's constitution enshrines tax payment as a civic responsibility. However, problems arise when eligible taxpayers refuse to render tax to the government. This is usually found in the informal sector, particularly the SMEs industry, but tax morale, if properly utilized, could bring about an increase in tax compliance among taxpayers. Tax morale is the internal motivation to file tax returns (Timothy & Abbas, 2021). Compliance with taxes is mainly viewed from two perspectives: enforcement and morale. Enforcement covers the external prompting and motivation through which taxpayers render their tax returns, while morale describes the personal and intrinsic justification to adhere to tax rules and regulations (Mayowan, 2019). According to Agbetunde et al. (2020) tax morale is better than tax enforcement, because it comes from within and cannot be easily influenced. On the other hand, tax enforcement could be easily manipulated, causing less favourable outcomes than intended.

2.1.1.1 | Religion

Religion refers to the belief in a supreme deity (Tomy, 2021). In a nation like Nigeria, there are three major religions: Christianity, Islam, and traditional religions. In the context of this study, religion denotes the extent to which taxpayers are influenced by their faith and apply the beliefs to their behaviour in tax compliance. Notably, the religions in Nigeria support tax payment, but not all their followers adhere to these teachings. However, if there is emphasis on obedience to civic responsibilities in religious circles and gatherings, there could be visible improvement in tax compliance levels (Hanifah & Yudianto, 2019).

2.1.1.2 | Trust in Governance

This concept defines the principles of fairness, perceived justice, and faithfulness that citizens have towards the government (Timothy & Abbas, 2021). Technically, when taxpayers believe that their taxes are being used for the good of the nation, there is willingness to comply with tax levies. In contrast, when taxpayers feel that their taxes are being embezzled, there will be forced or low compliance with tax levies (Widuri & Irawan, 2019). Personal observations reveal that a major bane in tax compliance in Nigeria, particularly among SMEs, stems from the distrust of taxpayers towards those in government. Thus, the government should restore taxpayers' trust in them by doing peoples' bidding.

2.1.1.3 | Income Level

This concept denotes the amount of revenue made by a taxpayer (Okoye et al., 2018) and in the context of this study, SMEs. In Nigeria, the SMEs industry is plagued by incidences of multiple and double taxation. Some SMEs pay tax to the federal, state and, local government areas from the same revenue. Such unconstitutional actions demoralize taxpayers and reduce their income. When their income level is low, SMEs might decide to evade or avoid tax. On the other hand, some SMEs might willingly pay tax to the tax authorities simply because they have enough income. However, to prevent unfair taxation of SMEs, tax bodies should strengthen their reforms and rules.

2.1.1.4 | Financial Literacy

This term can be defined as the degree to which taxpayers understand the applications, rules, and regulations guiding tax obligations in the economy (Kurniawati & Purba, 2017). Financial literacy appears to be a concept that has been ignored over time, due to low level of compliance with tax laws by both the tax regulators (the government) and the taxpayers. The government has refused to acknowledge the place of tax reforms in administering tax to taxpayers (Hardika, Wicaksana, & Subratha, 2021). This has resulted in people not seeking to understand these reforms and principles because they feel it is unnecessary, as the custodians of the law are also the rule-breakers. However, understanding tax rules and regulations is crucial for ensuring tax compliance.

2.1.1.5 | Educational Attainment

Education in the context of this study is streamlined to formal education (learning within the walls of a recognized institution) (Fonseca, 2024). SME owners who are formally educated might understand better what taxes are used for, prompting them to render their tax liabilities on time and accurately. On the other hand, SMEs owners who are not so formally educated might prefer to avoid or evade tax due to their low knowledgebase. Educational attainment denotes the status, class, and knowledge of a taxpayer. A taxpayer who has more educational degrees might prefer to do the right thing in a bid to avoid humiliation or frustration (Adekoya, 2019). Taxpayers education, in the other words, a taxpayer who is not so concerned about educational attainment might be less concerned about rendering tax liabilities, leading to low tax compliance.

2.1.2 | Taxpayers' Compliance

Taxpayers' compliance denotes the degree of willingness with which taxpayers render their tax liabilities void to the appropriate tax body (Mayowan,

2019). Basically, the degree of tax compliance in a nation would correspond directly to the revenue derived from taxes. In the opinion of [Sritharan et al. \(2020\)](#) taxpayers' compliance refers to the instinct that comes to an entity to honestly perform his or her tax obligations. Compliance, in all honesty, might not come easy to taxpayers; they could be compelled to render their tax returns (tax enforcement), or there could be an intrinsic motivation to pay tax (tax morale). Taxpayers' compliance is a conscious action on the part of the taxpayer to fulfil or not to fulfil tax reforms and provisions in the constitution ([Agbetunde et al., 2020](#)). This concept has been defined by [Augustine and Enyi \(2020\)](#) as the action of wholesomely rendering and imputing necessary information accurately and timely, to facilitate prompt payment of taxes. In essence, tax compliance is not only the degree of willingness, but also the actions that should be undertaken for tax to be gotten from taxpayers. When tax compliance is low, the resulting impact is that tax revenue will be low, but when it is high, tax revenue will be correspondingly high.

2.2 | Theoretical Review

2.2.1 | Economic Deterrence Theory

It is widely accepted that [Beccaria \(1764\)](#) and [Bentham \(1781\)](#) are the authors of this theory. The core tenet of this theory is that taxpayers could be motivated to render their tax liabilities when there is more to gain or avoid by adhering to tax rules and regulations. Basically, the theory views taxpayers as rational beings who make decisions based on how it affects them. Thus, if being tax non-compliant favours them, they would not pay tax. On the other hand, if being tax compliant favours them, they would pay tax. Economic deterrence theory encourages tax administrators to improve the tax compliance of taxpayers by ensuring that non-payment is not a viable option for them. This could be by enforcing sanctions, penalties, or by improving incentives and commendations.

Economic deterrence theory is a theory that emphasizes rationality. After all, when the benefits of being tax non-compliant are greater than the benefits of being tax compliant, there is a greater propensity not to pay tax. Despite the validity of the theory, its limitations have led to criticism. Firstly, it is impossible to specifically identify the causes or reasons behind crime, especially tax evasion ([Perabavathi & Zainol, 2017](#)). Thus, saying that evading tax has more benefits than paying tax, might not actually be the reason for tax evasion; after all, some people go to jail for tax evasion. Furthermore, it is challenging to empirically test the theory due to the unpredictable nature of human behavior. Finally, not all taxpayers evade tax based on rationality; for some, it might simply be on a whim, or because the opportunity presented itself.

Despite the criticisms of economic deterrence theory, it is relevant to the study at hand because it brings to light the reasons for low tax compliance among SMEs. Moreover, having a high tax morale could reduce incidents of tax evasion and avoidance among SMEs. Thus, financial literacy, trust in governance, and income level could be boosted in a bid to improve tax compliance among SMEs. Another key point in this theory is that taxpayers are rational beings who seek to maximize their benefits, even at the expense of public tax revenue. Thus, tax administrators need to be better at carrying out sensitizations and awareness campaigns concerning tax compliance.

2.2.2 | The Theory of Reasoned Action (TRA)

The authors of this theory, [Fishbein and Ajzen \(1975\)](#) have gained widespread acceptance. The core tenet of the theory is that taxpayers are rational beings who properly analyze their decisions before executing them. Essentially, this theory functions as a psychological theory, scrutinizing the thinking of a taxpayer and the rationale behind their tax compliance decisions. A similarity between the theory of reasoned action and the economic deterrence theory is the view that the decision to comply or not to comply with tax rules and regulations is deliberate and does not happen by chance. The opportunity might come by chance, but the action is deliberate.

This theory does not believe that taxpayers who do not pay tax, do so in ignorance. It assumes that there is enough knowledge and access to information for taxpayers, in such a way that taxpayers know the consequences of not rendering their tax returns ([Chalfin & McCrary, 2017](#)). In Nigeria, some businesses that fall under the category of SMEs do not have tax certificates (that is, tax identification numbers). Some of these businesses simply register their names with the corporate affairs commission (C.A.C.) and do not bother about their tax obligations. The reason for this cannot be adequately explained, but failure to get a tax certificate can also be seen as tax non-compliance.

The theory of reasoned action showcases the rationality in the decisions of taxpayers. Some SMEs may intentionally fail to register with tax authorities in order to avoid tax. SME owners, after getting their business name, would use their personal bank account for the business. Actions like these are deliberate and result in low tax compliance, as most SMEs are in the informal sector where there is no proper regulation. Nevertheless, there should be better efforts on the part of the government and tax bodies to enforce regulations for the sector and commit SME owners to getting tax certificates, as this would improve tax compliance.

2.3 | Empirical Review

Numerous scholars have investigated tax morale and taxpayers' compliance overtime in various contexts. More so, variables of tax morale, including religion, trust in government, financial literacy, income level, and educational attainment, among others, have also been studied in relation to taxpayers' compliance. However, findings have been mixed, thereby prompting further investigation. In Portugal, [Sá, Martins, and Gomes \(2015\)](#) thought it good to examine the factors influencing tax morale. Through a structural equation model (SEM) analysis, it was uncovered that tax morale was influenced by taxpayers' trust in the government, religiosity, and trust in others. However, [Eiya, Ilaboya, and Okoye \(2016\)](#) examined the influence of religiosity on tax compliance in Nigeria. Through descriptive statistics, Analysis of Variance (ANOVA) and Ordinary least square regression analysis, it was proven that there was no significant difference in the tax compliance behavior of Christians and Muslims in Nigeria. The reviewed studies did not consider SMEs as a viable research sector, a limitation that the present study seeks to address. In Indonesia, [Mayowan \(2019\)](#) performed a focused literature review coupled with the model from Torgler to examine the relationship between tax morale and taxpayers' compliance level. The results revealed that taxpayers' perceived tax benefit was a strong indicator of tax morale to raise compliance with tax legislation. Similarly, in Indonesia, [Hanifah and Yudianto \(2019\)](#) aimed to investigate the effect of religious belief, nationalism, and perceptions of tax corruption on MSMEs taxpayer compliance in Bandung City. The multiple linear regression findings disclosed that religious belief and nationalism had a significant positive effect on MSMEs taxpayer compliance, while the perceptions of tax corruption did not influence taxpayer compliance. One of the reviewed studies considered SME industry, same as this current study. However, uniqueness lies in the use of income level and educational attainment to predict taxpayers' compliance, a feat none of the reviewed studies achieved, but the current study hopes to achieve.

[Felix and Rufus \(2021\)](#) explored the effect of good governance on personal income tax compliance among the staff of Adekunle Ajasin

University, Akungba-Akoko, Ondo State, Nigeria. The results of the Panel Least Squares (PLS) regression technique revealed a significant relationship between good governance and personal income tax among the staffers of the University. Tomy (2021) aimed to prove the effect of taxpayer religious beliefs, tax amnesty, and tax penalties on tax compliance of MSME business owners. Through multiple linear regression method, it was seen that there was a significant influence of taxpayer religious beliefs, tax amnesty, and tax penalties on taxpayer’s compliance with MSMEs in Indonesia. The reviewed studies considered both the formal and informal sectors, but did not consider educational attainment, income level, or trust in government as factors that can influence the compliance level of taxpayers. Fonseca (2024) used bibliometric analysis of studies from 1998-2022 to examine tax morale as a link between cultural approach and economics in tax revenue. The findings indicated that religion, ethnic identity, patriotism, or trust could influence tax morale, thereby further impacting the overall tax revenue. The reviewed study did not use primary data to perform its research, relying rather on already established findings. In contrast, the current study would use primary data as it would investigate the SME industry.

The researcher can assess available studies that explore tax morale as a predictor of taxpayers’ compliance in various contexts. However, a closer examination of these studies reveals disparities in findings, various methodologies, diverse variables, and different sectors. These gaps prompted the researcher to investigate the subject matter using the trust in governance, educational attainment, income level, religion, and financial literacy. These predictors, based on available studies to the researcher, were not jointly used in one context to predict taxpayers’ compliance. Furthermore, the current study would perform its research in the informal sector, streamlining its effort for the SMEs industry, a feat only few of the available studies conducted. Hence, the following hypotheses are formulated:

- i. There is no significant effect of religion on taxpayers’ compliance among the SMEs in Nigeria.
- ii. There is no significant effect of trust in governance on taxpayers’ compliance among the SMEs in Nigeria.
- iii. There is no significant effect of income level on taxpayers’ compliance among the SMEs in Nigeria.
- iv. There is no significant effect of financial literacy on taxpayers’ compliance among the SMEs in Nigeria.
- v. Educational attainment has no significant effect on taxpayer compliance among Nigerian SMEs.

3 | METHODOLOGY

Analysing the influence of tax morale on taxpayers’ compliance requires robust resignations, which capture the complexities of this relationship. Thus, this study adopted a descriptive survey research design. This is because this design provides a comprehensive overview of the targeted population respondents and the relationship between the two constructs. Correspondingly, this study adopted quantitative, deductive, and positivist research approaches, given that specific interrelated objectives, questions, and hypotheses were formulated for this study. The population of this study covered all the registered SMEs in some selected states across the six geopolitical zones in Nigeria. The leading three states with highest Gross Domestic Product (GDP) in each geographic zone, according to the National Bureau of Statistics Report (2022) were chosen to be the study's population. According to the Small and Medium Enterprise Development Agency of Nigeria SMEDAN (2021) there are 386,655 registered SMEs across the selected states in Nigeria. Using Yamane (1967) a sample size of 400 SMEs was selected across the sampled states in Nigeria using a multistage sampling method. Firstly, a proportionate sampling method was adopted to ascertain the number of SMEs to be selected from selected states. Secondly, SMEs in the state capital were used and this was achieved using a purposive sampling method.

The formula from Yamane (1967) is given as:

$$n = \frac{N}{1 + N(e)^2} = \frac{386,655}{1 + 386,655(0.05)^2} = 400$$

The summary of the procedure is presented below.

Table 1 presents the authors’ computation of number of sampled SMEs from each geo-political zone using Taro Yamane statistical model.

Table 1: Population and sample size.

S/N	Geopolitical zones	Selected states	Registered SMEs	Sampled SMEs
1	North-Central	Niger	23197	$n = \frac{23197(400)}{386655} = 24$
		Benue	14851	$n = \frac{14851(400)}{386655} = 15$
		Kogi	12517	$n = \frac{12517(400)}{386655} = 13$
2	North-East	Adamawa	15321	$n = \frac{15321(400)}{386655} = 16$
		Bauchi	15319	$n = \frac{15319(400)}{386655} = 16$
		Gombe	19454	$n = \frac{19454(400)}{386655} = 21$
3	North-West	Kaduna	21615	$n = \frac{21615(400)}{386655} = 22$
		Kano	42969	$n = \frac{42969(400)}{386655} = 44$
		Katsina	21610	$n = \frac{21610(400)}{386655} = 22$
4	South-East	Imo	8348	$n = \frac{8348(400)}{386655} = 7$
		Anambra	9230	$n = \frac{9230(400)}{386655} = 10$
		Abia	14905	$n = \frac{14905(400)}{386655} = 15$
5	South-South	Rivers	42306	$n = \frac{42306(400)}{386655} = 44$
		Akwa Ibom	17263	$n = \frac{17263(400)}{386655} = 18$
		Delta	26651	$n = \frac{26651(400)}{386655} = 28$
6	South-West	Lagos	42067	$n = \frac{42067(400)}{386655} = 45$
		Ondo	7899	$n = \frac{7899(400)}{386655} = 8$
		Ogun	31133	$n = \frac{31133(400)}{386655} = 32$
Total			386,655	400

We adopted a closed-ended questionnaire as the research instrument to obtain the necessary data for this study. This instrument was administered

to the targeted respondents, after which the primary data collected were subjected to statistical analysis using descriptive and inferential statistics. The characteristics of the respondents' businesses were analysed using frequency and percentage tools of descriptive analysis. Thereafter, factor analysis was conducted to evaluate the relevance of the items raised in the research instrument. We used the most relevant items for further analysis. These items were analysed using descriptive analysis (percentage and frequency). Also, Pearson correlation and multiple regression analysis were conducted in line with the specific objectives of the study.

To achieve the main objective of this study, which is to examine the nexus between tax morale and tax compliance, the study has adapted the model used by Sebele-Mpofu (2020). The study captured tax morale with trust in government and religiosity, while tax compliance was captured holistically. However, to suit the specific objectives of this study, tax morale was represented with religious belief, trust in governance, income level, financial literacy, and educational attainment, while taxpayers' compliance was represented with voluntary and enforced taxpayers' compliance. These models have the following functional and linear representations:

$$VLC = f(REL, TIG, INC, FIL, EDA) \quad (3.1)$$

$$ENC = f(REL, TIG, INC, FIL, EDA) \quad (3.2)$$

Linear:

$$VLC = \alpha_0 + \alpha_1REL + \alpha_2TIG + \alpha_3INC + \alpha_4FIL + \alpha_5EDA + + Ut \quad (3.3)$$

$$ENC = \alpha_0 + \alpha_1REL + \alpha_2TIG + \alpha_3INC + \alpha_4FIL + \alpha_5EDA + + Ut \quad (3.4)$$

Where: VLC is Voluntary Taxpayers' Compliance, ENC is Enforced Taxpayers' Compliance, REL is Religion, TIG is Trust in Government, INC is Income Level, FIL is Financial Literacy, EDA is Educational Attainment.

4 | RESULTS AND DISCUSSION

The data collected from the respondents were subjected to statistical analysis using descriptive and inferential statistical analysis.

Table 2: Analysis of the administered questionnaire.

S/N	Geopolitical zones	States	Nos distributed	Nos returned	Return rate
1	North-Central	Niger	24	23	5.75
		Benue	15	15	3.75
		Kogi	13	12	3.00
2	North-East	Adamawa	16	14	3.50
		Bauchi	16	16	4.00
		Gombe	21	20	5.00
3	North-West	Kaduna	22	22	5.50
		Kano	44	42	10.50
		Katsina	22	22	5.50
4	South-East	Imo	7	7	1.75
		Anambra	10	10	2.50
		Abia	15	15	3.75
5	South-South	Rivers	44	40	10.00
		Akwa Ibom	18	18	4.50
		Delta	28	28	7.00
6	South-West	Lagos	45	44	11.00
		Ondo	8	8	2.00
		Ogun	32	31	7.75
Total			400	387	96.75

4.1 | Analysis of the Administered Questionnaires

Table 2 presents the analysis of the administered questionnaires. As presented, 387 (96.75%) copies of the questionnaire were returned, while the remaining 13(3.25%) were not returned. On this basis, the analysis was established based on the returned questionnaires.

Table 3: Characteristics of the respondents' businesses.

Firms' specific characteristics	Detailed characteristics	Frequency	Percent
Income level	Less than 100,000 naira	114	29.5
	100,001-500,000 naira	108	27.9
	500,001-1,000,000 naira	104	26.9
	Above 1,000,000 naira	61	15.8
Nature of business	Manufacturing	60	15.5
	Mining and quarrying	27	7.0
	Accommodation and food services	30	7.8
	Agriculture	43	11.1
	Wholesale and retail trade	159	41.1
	Construction	6	1.6
	Information and communication	62	16.0
Number of employees	Less than 5	56	14.5
	6-10	111	28.7
	11-15	139	35.9
	16 and above	81	20.9
Assets and liabilities	Below 1 million naira	66	17.1
	1-5 million naira	110	28.4

Firms' specific characteristics	Detailed characteristics	Frequency	Percent
Capital base	6-10 million naira	176	45.5
	Above 10 million naira	35	9.0
	Below 1 million naira	21	5.4
	1-5 million naira	90	23.3
	6-10 million naira	182	47.0
Age of the business	Above 10 million naira	94	24.3
	1-5 years	39	10.1
	6-10 years	57	14.7
	11-15 years	15	3.9
	16-20 years	155	40.1
Legitimate status of the business	21 years and above	121	31.3
	Sole proprietorship	186	48.1
	Partnership	94	24.3
	Joint venture	57	14.7
	Cooperative	28	7.2
	Private limited liability company	22	5.7

4.2 | Descriptive Analysis of Characteristics of the Respondents' Businesses

As presented in Table 3, 114(29.5%) of the respondents had an income level less than 100,000, 108(27.9%) had an income level ranging from 100,001 to 500,000, 104(26.9%) had an income level ranging from 500,001 to 1,000,000 and 61(15.8%) had an income level above 1,000,000. This indicated that among the SMEs under consideration, the majority had an income level below 100,000. Also, 60(15.8%) of the SMEs under consideration are manufacturing firms, 27(7%) of the SMEs under consideration are mining and quarrying firms, 30(7.8%) of the SMEs under consideration are accommodation and food services firms, 43(11.1%) of the SMEs under consideration are agricultural firms, 159(41.1%) of the SMEs under consideration are wholesale and retail trading firms, 6(1.6%) of the SMEs under consideration are construction firms and 62(16%) of the SMEs under consideration are categorized under Information and Communication Technology (ICT) industry. This indicated that most of the SMEs under consideration are wholesale and retail trading businesses. In addition, 56(14.5%) of the respondents had less than 5 employees, 111(28.7%) of the respondents had employees ranging from 6-10, 139(35.9%) of the respondents had employees ranging from 11-15 while 81(20.9%) of the respondents had employees ranging from 16 and above. This implies that most of the respondents had employees ranging from 11-15. Considering the assets and liabilities of SMEs under consideration, 66(17.1%) had less than N1 million worth of assets and liabilities, 110(28.4%) had assets and liabilities ranging from N1 - N5million, 176(45.5%) had assets and liabilities ranging from N6 - N10million while 35(9%) had assets and liabilities ranging above N10 million. This shows that most of the SMEs under consideration had assets and liabilities ranging from N6 - N10 million. As for the capital base of the SMEs under consideration, 21(5.4%) had a capital base than N1 million, 90(23.3%) had a capital base ranging from N1 - N5million, 182(47%) had a capital base ranging from N6 - N10 million while 94(24.3%) had capital base ranging above N10 million. This shows that most of the SMEs under consideration had a capital base ranging from N6 - N10 million. Also, 39(10.1%) of the SMEs under consideration had a year of existence ranging from 1-5 years, 57(14.7%) of the SMEs under consideration had a year of existence ranging from 6-10 years, 15(3.9%) of the SMEs under consideration had a year of existence ranging from 11-15 years, 155(40.1%) of the SMEs under consideration had a year of existence ranging from 16-20 years, and 121(31.3%) of the SMEs under consideration had a year of existence ranging from 21 years and above. This shows that most of the SMEs under consideration had a year of existence ranging from 16-20 years. Finally, 186(48.1%) of the SMEs under consideration are sole proprietorships, 94(24.3%) of the SMEs under consideration are partnership forms of business, 57(14.7%) of the SMEs under consideration are joint ventures, 28(7.2%) of the SMEs under consideration are cooperatives, and 22(5.7%) of the SMEs under consideration are private limited liability companies. This indicates that the majority of the businesses under consideration operate as sole proprietorships.

4.3 | Factor Analysis

Table 4 presents the KMO and Bartlett's test findings. The stated KMO of sampling adequacy score of 0.635 shows that the data is scalable since there is enough variation in the data obtained. Therefore, we can argue that component analysis is necessary to eliminate unnecessary items from the variable constructions. The reported p-value of Bartlett's Test of Sphericity, which was 0.003, suggested a strong correlation between the items and variance that could be separated using component analysis. We removed items with a value of less than 0.5 during the extraction process. As a result, entries with coefficient values lower than 0.5 became unimportant.

Table 4: KMO and Bartlett's test.

KMO and Bartlett's test		
Kaiser-Meyer-Olkin measure of sampling adequacy.		0.635
Bartlett's test of sphericity	Approx. chi-square	2837.123
	Df	231
	Sig.	0.003

4.4 | Descriptive Analysis of Variable Item Responses

The respondents' responses on the relevant items raised for each construct were analyzed in Table 5 and 6 below:

Table 5: Descriptive statistics on responses to tax morale.

S/N	Items	Responses					Total
		SA	A	U	D	SD	
1	Religion						
	My religion supports payment of tax as and when due	205 53%	175 45.2%	-	7 1.8%	-	387 (100%)
	My religion highly influences my conduct in carrying out my responsibility	180 48.5%	205 53%	-	2 0.5%	-	387 (100%)
	I use my religious principles as a guide for my decisions related to tax compliance	217 56.1%	149 38.5%	-	21 5.4%	-	387 (100%)
2	Trust in governance						
	The present government is transparent	22 5.7%	195 50.4%	-	170 43.9%	-	387 (100%)
	The government supports the growth of businesses	42 10.9%	136 35.1%	-	209 54%	-	387 (100%)
	I am satisfied with the performance of the government	-	62 16%	-	162 41.9%	163 42.1%	387 (100%)
3	Income level						
	Changes in my income level influence my commitment to tax compliance	113 29.2%	243 62.8%	-	-	31 8%	387 (100%)
	The financial health of my business determines my ability to meet tax obligations	93 24%	273 70.5%	21 5.4%	-	-	387 (100%)
	High-income levels stimulate voluntary compliance	-	187 48.3%	164 42.4%	26 6.7%	10 2.6%	387 (100%)
4	Financial literacy						
	My knowledge of financial management determines my decision regarding tax compliance	255 65.9%	102 26.4%	10 2.6%	20 5.2%	-	387 (100%)
	The financial report /analysis of my business determines my level of compliance	173 45%	174 45%	-	40 10.3%	-	387 (100%)
	Proper financial management is required for a sustainable business	235 60.7%	104 26.9%	-	24 6.2%	24 6.2%	387 (100%)
5	Education attainment						
	I undertake additional training on business survival amidst tax regulations in Nigeria	32 8.3%	265 68.5%	-	90 23.3%	-	387 (100%)
	I have adequate knowledge of tax regulation practices in Nigeria		218 56.35%	-	169 43.7%	-	387 (100%)
	Considering my level of education, I comply with the tax regulation often	20 5.2%	157 40.6%	-	210 54.3%	-	387 (100%)
	Among taxpayers, educational background navigates their tax-related decision	156 40.3%	206 53.2%	-	-	25 6.5%	387 (100%)

4.4.1 | Descriptive Analysis of Responses on Tax Morale

As presented in Table 5, the proxies of tax morale are religion, trust in governance, income level, financial literacy, and education attainment. For religion, 205(53%) of the respondents strongly agreed that their religion supports the payment of taxes as and when due to the government, 175(45.2%) agreed while 7(1.8%) disagreed. On whether their religion highly influences their conduct in carrying out their responsibilities to the government, 180(48.5%) strongly agreed, 205(53%) agreed and 2(0.5%) disagreed. Also, most of the respondents, 2017(56.1%) strongly agreed that they use their religious principles as a guide for their decisions related to tax compliance, 149(38.5%) agreed while 21(5.4%) disagreed.

For trust in government construct, 22(5.7%) strongly agreed that the present government is transparent, 195(50.4%) agreed, while 170(43.9%) disagreed. On whether the government supports the growth of businesses, a few of the respondents 42(10.9%) strongly agreed, 136(35.1%) agreed, and 209(54%) disagreed. 62(16%) of the respondents agreed that they are satisfied with the performance of their governments, 162(41.9%) disagreed and 163(42.1%) strongly disagreed.

As regards income level, 113(29.2%) of the respondents strongly agreed that changes in their income level influence their commitment to tax compliance, 243(62.8%) agreed and 31(8%) strongly disagreed. Also, 93(24%) of the respondents strongly agreed that the financial health of their businesses determines their ability to meet tax obligations, 273(70.5%) agreed while 21(5.4%) could not decide. On whether high income levels stimulate voluntary compliance, 187(48.3%) agreed, 164(42.4%) could not decide, 10(2.6%) disagreed, while 10(2.6%) strongly disagreed.

For the financial literacy construct, most of the respondents 255(65.9%) strongly agreed that their knowledge of financial management determines their decision regarding tax compliance, 102(26.4%) agreed, 10(2.6%) could not decide and 20(5.2%) disagreed. 173(45%) strongly agreed that the financial report or analyses of their businesses determine their level of compliance, 174(45%) agreed while 40(10.3%) disagreed. Also, on whether proper financial management is required for a sustainable business, 235(60.7%) strongly agreed, 104(26.9%) agreed, 24(6.2%) disagreed and 24(6.2%) strongly disagreed.

Considering the education attainment construct, 32(8.3%) of the respondents strongly agreed that they undertake additional training on business survival amidst tax regulations in Nigeria, 265(67.8%) agreed while 90(23.3%) disagreed. Also, most of the respondents 218(56.35%) agreed that they have adequate knowledge of tax regulation practices in Nigeria while 169(43.7%) disagreed. In addition, 20(5.2%) of the respondents strongly agreed that considering their level of education, they comply with the tax regulations often, 157(40.6%) agreed, while 210(54.3%) disagreed.

This analysis result indicated that the respondents were mostly in agreement with the structured items on the questionnaire. Their responses indicated that there is a positive influence of tax morale on taxpayers' compliance since the constructs of tax morale directly influence taxpayers' compliance among SMEs in Nigeria. This finding is in line with other researchers' findings on the impact of tax morale on taxpayer compliance in Nigeria.

Table 6: Descriptive statistics on responses to taxpayers’ compliance in Nigeria.

S/N	Items	Responses					Total
		SA	A	U	D	SD	
1	Voluntary taxpayers’ compliance						
	Considering the performance of the government, I declare all my income to the tax officers	133 34.4%	145 37.5%	18 4.7%	41 10.6%	50 12.9%	387 (100%)
	I pay my tax dues as and when due	120 31.0%	136 31%	-	107 27.6%	24 6.2%	387 (100%)
	I support the government by paying my taxes regularly	202 52.2%	173 44.7%	-	12 3.1%	-	387 (100%)
2	Enforced taxpayers’ compliance						
	The penalty enforced by the government motivates me to pay my taxes	133 34.4%	174 45.0%	-	80 20.7%	-	387 (100%)
	I pay my taxes only when the tax officers come for it	201 51.9%	139 35.9%	-	47 12.1%	-	387 (100%)
	Most times I avoided paying taxes and didn’t declare my actual income level to the tax officers	257 66.4%	21 5.4%	21 5.4%	88 22.7%	-	387 (100%)

4.4.2 | Descriptive Analysis of Responses to Taxpayer Compliance in Nigeria

Table 6 consists of the analysis of the constructs of taxpayers’ compliance, which are voluntary and enforced taxpayers’ compliance in Nigeria. As for the voluntary taxpayers’ compliance construct, 133(34.4%) strongly agreed that considering the performance of the government, they declare all their incomes to the tax officers, 145(37.5%) agreed, 18(4.7%) could not decide, 41(10.6%) disagreed and 50(12.9%) strongly disagreed. Also, 120(31%) of the respondents strongly agreed that they pay their tax dues as and when they are due, 136(31%) agreed, 107(27.6%) disagreed and 24(6.2%) strongly disagreed.

On whether they support the government by paying their taxes regularly, 202(52.5%) strongly agreed, 173(44.7%) agreed and 12(3.1%) disagreed.

For the enforced taxpayers’ compliance construct, 133(34.4%) strongly agreed that the penalty enforced by the government motivates them to pay their taxes, 174(45%) agreed while 80(20.7%) disagreed. Also, most of the respondents 201(51.9%) strongly agreed that they pay their taxes only when the tax officers come for it, 139(35.9%) agreed while 47(12.1%) disagreed.

Finally, most of the respondents, 257(66.4%) strongly agreed that most times they avoid paying their taxes and do not declare their accrual income level to the tax officers, 21(5.4%) agreed, 21(5.4%) could not decide while 88(22.7%) disagreed.

According to the analysis results, the majority of respondents strongly agreed with the items raised regarding taxpayer compliance among SMEs in Nigeria. As a result, the responses gathered described the level of compliance among Nigerian SMEs.

Table 7. Result of Pearson correlation.

Var.	VLC	ENC	REL	TIG	INC	FIL	EDA	VIF
VLC	1							
ENC	0.574***	1						
REL	0.053	0.115**	1					1.073
TIG	0.110**	0.013	0.183	1				1.179
INC	0.012	0.053	0.031	.241***	1			1.575
FIL	0.049	0.021	0.068	0.385***	0.574***	1		1.678
EDA	0.162**	0.280***	0.220***	0.031	0.183***	0.052	1	1.105

Note: (**, ***) connotes significance at 5% and 10% level of significance – VIF: Variance inflation factor.

4.5 | Correlation Analysis

Table 7 presents the Pearson correlation matrix, which discloses the relationship between the pairs of the variables under consideration. In Nigeria, a positive relationship exists between the variables across the sampled SMEs. This implies that the constructs of tax morale have an independent capacity to stimulate an increase in taxpayers’ compliance among SMEs in Nigeria. Attached to the Pearson correlation matrix result, is the multicollinearity test result, which indicated an absence of multicollinearity as the correlation coefficient values are moderate and not too high.

4.6 | Multiple Regression Analysis

We adopt the multiple regression analysis method in line with the linear regression models established for this study. We then conducted the necessary evaluation tests to confirm the compliance with the assumptions of linear regression. Table 8 presents the results of the regression analysis of Models I and II that have been formulated for voluntary taxpayers’ compliance and enforced taxpayers’ compliance, respectively.

Table 8: Regression analysis.

Model I						Model II					
$VLC = \alpha_0 + \alpha_1 REL + \alpha_2 TIG + \alpha_3 INC + \alpha_4 FIL + \alpha_5 EDA + + Ut$						$ENC = \alpha_0 + \alpha_1 REL + \alpha_2 TIG + \alpha_3 INC + \alpha_4 FIL + \alpha_5 EDA + + Ut$					
Ind. var.	Unstd. coe.		Std. coe.	T	P-val	Ind. var.	Unstd. coe.		Std. coe.	T	P-val
	B	Std. error	Beta				B	Std. error	Beta		
Constant	5.814	1.815	-	3.204	0.001	Constant)	4.289	1.457	-	2.944	0.003
REL	0.218	0.117	0.008	2.155	0.017	REL	0.354	0.094	0.257	1.116	0.005
TIG	0.175	0.068	0.140	2.585	0.010	TIG	0.324	0.054	0.123	0.437	0.003
INC	0.379	0.089	0.055	3.878	0.000	INC	0.213	0.072	0.425	0.086	0.000

Model I						Model II					
$VLC = \alpha_0 + \alpha_1 REL + \alpha_2 TIG + \alpha_3 INC + \alpha_4 FIL + \alpha_5 EDA + Ut$						$ENC = \alpha_0 + \alpha_1 REL + \alpha_2 TIG + \alpha_3 INC + \alpha_4 FIL + \alpha_5 EDA + Ut$					
FIL	0.173	0.098	0.126	0.940	0.063	FIL	0.312	0.172	0.329	0.140	0.889
EDA	0.195	0.114	0.159	0.233	0.083	EDA	0.268	0.052	0.268	5.197	0.000
R = 0.617 R ² = 0.381 Adj. R ² = 0.353 Std error = 1.74971 F stat = 3.774(0.002) Dependent variable: Voluntary compliance						R = 0.487 R ² = 0.237 Adj. R ² = 0.231 Std error = 1.40448 F stat = 6.819(0.000) Dependent variable: Enforced compliance					

4.6.1 | Interpretation for Model I

The reported coefficient correlation value (R), which stood at 0.617, indicates that a cordial relationship exists between the variables under consideration. The adjusted R² value also indicates that a 35.3% rise in voluntary compliance among SMEs in Nigeria could be traced to the constructs of tax morale (i.e., religious belief, trust in governance, income level, financial literacy, and educational attainment). We could allocate the remaining 64.7% change to other tax morale constructs not included in this model. Also, the reported F-statistic and probability value of 3.774(0.002) indicate that the model is fit. The regression result indicated that religious belief, trust in governance, income level, financial literacy, and educational attainment all have a positive effect on voluntary taxpayers' compliance among SMEs in Nigeria. However, the positive effect is only significant for religion, trust in governance, and income level to the tunes of 0.218(p=0.017<0.05), 0.175(p=0.010<0.05) and 0.379(p=0.000<0.05) respectively, against the insignificant positive effect of financial literacy and educational attainment to the tune of 0.173(p=0.063>0.05) and 0.195(p=0.083>0.05) respectively.

4.6.2 | Interpretation for Model II

The regression result indicated that religious belief, trust in governance, income level, financial literacy, and educational attainment all have a positive effect on enforced taxpayers' compliance among SMEs in Nigeria. However, the positive effect is only significant for religious belief, trust in governance, income level, and educational attainment to the tunes of 0.354(p=0.005<0.05), 0.324(p=0.003<0.05), 0.213(p=0.000<0.05) and 0.268(p=0.000<0.05) respectively, as against the insignificant positive impact of financial literacy to the tune of 0.172(p=0.889>0.05). The reported R value, which stood at 0.487 indicates that there exists a moderate relationship between the constructs of tax morale and enforced taxpayers' compliance among the SMEs in Nigeria. The adjusted R² value reported to be 0.231 implies that a 23% change in enforced taxpayers' compliance could be attributed to the constructs of tax morale under consideration. Consequently, other variables not included in this model could be responsible for the remaining 77%. Also, the reported F-statistic and probability value of 6.819(0.000) indicated that the model is fit.

4.7 | Discussion of Findings

This study investigated how tax morale influences taxpayers' compliance among the SMEs in Nigeria. The study focused on religious belief, trust in governance, income level, financial literacy, and educational attainment as the constructs of tax morale, while taxpayers' compliance was represented by voluntary and enforced taxpayers' compliance. This discussion was based on empirical findings from the multiple regression analysis.

In line with the first hypothesis, it was discovered that religious belief has a significant positive impact on taxpayers' compliance among SMEs in Nigeria, represented by voluntary and enforced taxpayers' compliance to the tune of 0.218(p=0.017<0.05) and 0.354(p=0.005<0.05) respectively. This indicates that with just a 0.05 increase in religious practices, both voluntary and enforced taxpayers' compliance will increase by 22% and 35%, respectively. This progressive effect aligns with the teachings of both Islamic and Christian religions, which emphasize tax compliance as a responsibility of every citizen to the government. This significant effect indicates that the citizens of Nigeria put the teachings of their religion into practice by complying with the established rules and regulations, as the majority of the respondents practiced Christian and Islamic religions. This finding supports the discovery of [Eiya et al. \(2016\)](#) that religiosity stimulates a positive and significant impact on tax compliance in Nigeria. However, [Kondelaji, Sameti, Amiri, and Moayedfar \(2016\)](#) discovered, among other things, that religion did not have a significant effect on tax compliance in Iran.

Concerning the second hypothesis, the results revealed that trust in governance has a significant positive effect on both voluntary and enforced taxpayers' compliance among the Nigerian SMEs to the tune of 0.175(p=0.010<0.05) and 0.324(p=0.003<0.05). This is an indication that, voluntary and enforced taxpayers' compliance would increase by 18% and 32% with just a 1% increase in trust in governance. The corollary of this discovery is that trust in governance has the capacity to engender an increase in taxpayers' compliance among SMEs in Nigeria at a significant level. In other words, when citizens trust the government, they are more likely to voluntarily comply with tax obligations. Citizens are more likely to comply with tax obligations when they believe that the tax system is fair and equitable. A transparent and just taxation system, where everyone pays their fair share, fosters trust. People are more likely to comply willingly when they believe the government is adequately accounting for their taxes and using them for the collective benefit of society. This finding supports the findings of [Okoye et al. \(2018\)](#) that good governance significantly enhances personal income tax compliance in Nigeria. Also, [Widuri and Irawan \(2019\)](#) concluded that trust in the government for tax compliance had positive and significant effects, among other things.

In line with the third hypothesis, it was revealed that income level has a significant positive effect on voluntary and enforced taxpayers' compliance among SMEs in Nigeria to the tune of 0.379(p=0.000<0.05) and 0.213(p=0.000<0.05) respectively. This indicated that income level has an independent capacity to stimulate 38% and 21% increases in voluntary and enforced taxpayers' compliance among SMEs in Nigeria. The significant effect might be attributed to the fact that most of the SMEs in Nigeria have an income base ranging from 6-10 million. Thus, there is an adequate fund available from which taxes are paid to the government. Generally, every SMEs income level determines the tax rates. Expectedly, SMEs with a high income level would have the greater financial capacity to meet their tax obligations. They are more likely to be able to pay off their tax obligations without significant financial strain, making compliance more feasible. This finding is in line with the findings of [Timothy and Abbas \(2021\)](#) that income level significantly enhances tax compliance in Nigeria.

Considering the fourth hypothesis, it was discovered that financial literacy has a positive but insignificant effect on taxpayers' compliance among SMEs in Nigeria, with the coefficient and probability values of 0.173(p=0.063>0.05) and 0.312(p=0.889>0.05) respectively. This indicated

that a 1% increase in financial literacy would engender 17% and 31% increase in taxpayers' compliance. When business owners are financially literate, they have a better understanding of financial concepts, including tax regulations, which can result in more informed and responsible financial behaviour. However, this insignificant effect could be because the tax regulations are overly complex for business owners who face challenges in applying their financial knowledge to navigate intricate tax regulations. This finding contradicts Mayowan (2019) conclusion that that financial literacy serves as a strong indicator of the tax morale, thereby enhancing compliance with tax laws.

Finally, relating to the fifth hypothesis, it was discovered that education attainment has a positive effect on taxpayers' compliance with voluntary and enforced compliance, with the coefficient values of 0.195 and 0.268, respectively. This indicated that a 1% increase in education attainment among entrepreneurs could cause a 20% and 27% increase in voluntary and enforced compliance, respectively. This is because educational qualifications and training would expose the entrepreneurs to the need for tax compliance and the established penalties for tax defaulters in the country. However, this effect is only significant for enforced compliance, with the p-value of $0.000 < 0.05$ against the insignificant effect on voluntary compliance. The insignificant effect might be a result of the fact that access to education on tax matters is limited among business owners, particularly for those who did not receive specific training or education in finance or related fields. Even individuals with high levels of education might not receive comprehensive tax education during their formal schooling. This corresponds with the discovery by Tilahun (2016) that tax education had a significant influence on tax compliance attitudes. Also, Adekoya (2019) reported that taxpayers' education had a significant, positive effect on tax compliance.

5 | CONCLUSION AND RECOMMENDATION

We cannot underestimate the relevance of tax morale in stimulating increased taxpayers' compliance among business owners in Nigeria. The level of tax morale within society significantly influences the readiness of individuals and businesses to voluntarily fulfill their tax obligations. This assertion appears to have become a subject of controversy among scholars within and outside the shores of Nigeria. However, findings appear inconclusive, as some of the scholars reported that tax morale has an independent capacity to stimulate a progressive effect on taxpayers' compliance at a significant level, while others concluded otherwise, depicting the need for further investigation to be performed in Nigeria and among SMEs; a feat the current study hopes to achieve. Also, limited studies considered religion, trust in governance, income level, financial literacy, and educational attainment as the constructs of tax morale. We establish this study to examine the influence of tax morale on taxpayers' compliance among SMEs in Nigeria, in an effort to bridge these gaps. We propose the following recommendations based on our findings:

- i. Religious leaders should incorporate messages on ethical financial practices and tax compliance into their religious teachings. This would promote the compliance of taxpayers with tax regulations in Nigeria. Additionally, we could conduct several religious gatherings and events to raise awareness about the importance of tax compliance and its alignment with ethical principles in the country.
- ii. The government at all levels should introduce policies aimed at increasing transparency and accountability in tax administration. This would ensure that adequate information on filing procedures, tax regulations, and allocation and utilization of tax revenues is disclosed to taxpayers to promote their trust in government. The government should promote open dialogue between SME representatives and government officers to address concerns and build trust.
- iii. The government should design a flexible tax structure, considering the varying income levels of SMEs. To reflect the capacity of businesses to contribute based on their earnings, the government could implement a progressive tax rate.
- iv. The government should introduce financial literacy training programs focusing on tax obligations, record-keeping, and effective tax planning for SME owners. This would stimulate effective financial management practices among SMEs aimed at promoting tax compliance.
- v. The government should collaborate with various educational institutions to enhance their curricula to include practical aspects of tax compliance and financial literacy. This will better prepare individuals for entrepreneurship and tax obligations. For existing business owners, the government should organize workshops, webinars, and seminars to provide updates on tax laws and regulations.

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The authors state that the manuscript is honest, truthful, and transparent, that no key aspects of the investigation have been omitted, and that any differences from the study as planned have been clarified. This study followed all writing ethics.

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The authors declare that they have no competing interests.

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All authors contributed equally to the conception and design of the study. All authors have read and agreed to the published version of the manuscript.

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