EFFECT OF TAX MORALE AND TAX COMPLIANCE IN REVENUE GENERATION IN NIGERIA

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ABSTRACT

This study analyses tax morale and tax compliance in Nigeria. Taxation is one of the most volatile subjects in governance both in the developing and developed nations. Tax refers to a compulsory contribution, imposed by government, and while taxpayers may receive nothing identifiable in return for their contribution, they nevertheless have the benefit of living in a relatively educated, healthy and safe society. The advent of democratic rule in 1999 has put greater pressure on the three-tier of governments to generate enough revenue and meet electoral promises in terms of provision of basic necessities and infrastructure for the economic empowerment of the people. To achieve these goals, high tax morale is required to achieve a high degree of tax compliance. The general objective of this study is to determine the effect of Tax Morale on the taxpayer in compliance to tax policies of government in Nigeria. Cross-sectional survey was used with questionnaire as the major tool of data collection. Six organizations in the public, private, and informal sector form the sample size of this study. Questionnaire was administered to 600 randomly selected respondents. In treating and analysis of data collected extensive use of tabular and percentage will be paramount. The data collected will be presented in table and analyzed with percentage. The hypothesis will be analyzed by the uses of non-parametric (Chi-square) formula. The result shows that there are a number of significant correlations between tax compliance and tax morale. The study recommended that: there is a need to provide strong taxpayer’s services particularly during the tax filing stage, tax returns be scrutinized under the supervision, or be jointly examined with a senior tax official so that the discretionary powers being exercised by tax officials are not abused. Tax officials should be exposed to adequate and continuous training for better understanding & application of recent domestic and international tax issues and strategies. The implication of the result of this study if fully applied will increase the total revenue generation and will also ensure maximum participation of all taxable adults hence will ensure capital development in Nigeria. Keywords: Tax Compliance, Tax Morale, Tax Evasion, Social Norms, Traditional Institution

Keywords: Tax Morale, Tax Compliance, Revenue Generation and Nigeria.

INTRODUCTION

The subject of taxation has received considerable intellectual and theoretical attention in the literature. Taxation is one of the most volatile subjects in governance both in the developing and developed
Tax refers to a "compulsory levy by a public authority for which nothing is received directly in return" [1]. According to Nightingale (2001), [2], "a tax is compulsory contribution, imposed by government, and while taxpayers may receive nothing identifiable in return for their contribution, they nevertheless have the benefit of living in a relatively educated, healthy and safe society". She further explains that taxation is part of the price to be paid for an organized society and identified six reasons for taxation: provision of public goods, redistribution of income and wealth, promotion of social and economic welfare, economic stability and harmonization and regulation.

In other words, a tax is an imposed levy by the government against the income, profits, property, wealth and consumption of individuals and corporate organizations to enable government obtain the required revenue to provide basic amenities, security and well-being of the citizens. First detailed information about taxation can be found in Ancient Egypt [3]. The Pharaohs appointed tax collectors (called scribes) and paid them high salaries to reduce the incentives to enrich them. Furthermore, scribes working in the field were controlled by a group of special scribes from head office. Today, corruption of the tax agency is still a problem, especially in developing countries. According to the traditional model of tax compliance by Allingham and Sandmo (1972), [4], taxpayers choose how much income to report on their tax returns by solving a standard expected utility-maximization problem that trade off the tax savings from underreporting true income against the risk of audit and penalties for detected non compliance. In this framework, both the threat of penalty and audit makes people pay their taxes [4].

Some preliminary tax morale research was conducted during the 1960s by the Cologne School of Psychology, that tried to narrow the bridge between economics and social psychology by emphasizing that economic phenomena should not only be analyzed from the traditional neoclassical point of view but also from social psychology
perspective. In particular, they saw tax morale as an important and integral attitude that was related to tax non compliance.

Tax morale is defined as the "intrinsic motivation to pay taxes". Torgler (2002), [5], and Fred (2003), [6], stress its relevance to understand the high observed level of compliance. Three key factors are important in understanding tax morale: they are, moral rule and sentiments, fairness and the relationship between taxpayer and government. According to James, Murphy and Reinhart (2005), [7], tax laws cannot cope with every eventuality and has to be supplemented with administrative procedures and decisions and just as importantly, in order to work, it has to have a reasonable degree of willing compliance on the part of the taxpayers themselves. Therefore, a more appropriate definition of compliance could include the degree of willingness with tax laws and administration that can be achieved without the immediate threat or actual application of enforcement activity. Tax compliance may be viewed in terms of tax avoidance and evasion. The two are conventionally distinguished in terms of legality, with avoidance referring to legal measures to reduce tax liability and evasion as illegal measures. Compliance might therefore be better defined in terms of compliance with the spirit as well as the letter of the law [7].

Nigeria is governed by a Federal system and the government’s fiscal power is based on a three-tier tax structure divided among the Federal, State, and Local governments, each of which has different tax jurisdictions. The Nigerian tax system is lopsided. The federal government controls all the major sources of revenue like import and excise duties, mining rents and royalties, petroleum profit tax and company income tax, value added tax among other revenue sources. State and local government taxes are minimal, hence, this limits their ability to raise independent revenue and so they depend solely on allocation from Federation Account.

In 1992, the government introduced self assessment scheme, under
which a taxpayer is expected to fill a tax assessment form to determine his taxable income. Here, the intrinsic motivation to pay tax (that is, tax morale) will determine the level of compliance with reporting requirements. Which means that the taxpayer files all required tax returns at the proper time, and that the returns accurately report tax liability in accordance with the law? The advent of democratic rule in 1999 has put greater pressure on the three-tier of governments to generate enough revenue and meet electoral promises in terms of provision of basic necessities and infrastructure for the economic empowerment of the people. To achieve these goals taxpayers must pay their taxes willingly as and when due. In other words, high tax morale is required from the taxpayer in order to achieve a high degree of tax compliance.

Webley, (1991), [8], detect a positive relationship between government performance and tax compliance. But in spite of all the researches that have been done, more empirical work is needed to confirm the existence of these relationships and to measure the strength of their influence on tax compliance. This is particularly so, since tax compliance is of obvious importance for most countries. This work aims to study tax compliance in Nigeria, thereby supplementing empirical research on this important international problem. This is therefore an opportunity to take a stroll through theoretical and empirical findings in the tax morale literature, focusing on Personal Income tax morale.

**STATEMENT OF PROBLEM**

Low tax compliance is a matter of serious concern in many developing countries. This is because it limits the capacity of government to raise revenue for developmental purposes [9]. This implies that the higher the revenue, the more likely government will put in place developmental plans for the enhancement of the living standard of the people. This is because when people pay taxes more revenue accrues to the government. The major problem of this research therefore, is to determine the effect of tax morale on the taxpayer in
compliance with tax policies of government as a useful avenue for revenue generation.

The more modern approach to tax compliance has benefited from many contributions from different disciplines. There is a range of factors that might influence taxpayer’s behavior. For instance, work in sociology has identified a number of relevant variables such as age, gender, race and culture. The role of individuals in the society and accepted norms of behavior have also shown to have a strong influence [10]. Also Polinsky and Shavell (2000), [11], present a survey of the economic theory of public enforcement of law, and emphasize the aspect of social norms, that can be seen as a general alternative to law enforcement in channeling individual behavior.

There are limits for a government to increase compliance using traditional policies such as audits and fines. Therefore, if the government can influence a norm, tax evasion can be reduced by policy activities. Most researchers on tax compliance for example, (Torgler, 2003), [9], (Mc. Barnet, 2003), [12], and (Murphy and Harris, 2007), [13], focused their attention on the Western World and some Asian countries. Socio-cultural factors are important components in the lives of a people and given the deep-rooted and pervasiveness of these in the Nigerian societies, there is a clear need for more empirical research on the factors involved in the decision making process regarding compliance, since a better understanding of these factors can give birth to strategies that improve compliance. It is therefore, the focus of this study to subject tax compliance to empirical analysis in the Nigerian context.

**OBJECTIVES OF THE STUDY**

The general objective of this study is to determine the effect of Tax Morale and tax compliance in revenue generation in Nigeria.

The Specific Objective spells out the variables, indices, and bases upon which the search study will be done. There are meant to highlight individual proxies, which will be used to measure the relationship as portrayed in the study’s topic (Onyekwelu, 2015), [14],
in the light of the above, this study seeks to:

- Determine the extent of tax morale on the tax payer and its effect on tax compliance.
- Ascertain the effect of trust in government on tax compliance.
- Examine the effect of Nigerian Traditional Institution on tax morale of tax payers.
- Determine the effect of cultural norms on the tax payer’s morale.
- Ascertain the tax payer's confidence in the tax legal system

**RESEARCH QUESTIONS**

- This study is an effort at understanding the effect of tax morale and on tax compliance in the Revenue generation in Nigerian. Therefore, the study is hinged on the following questions;
- What is the effect of tax morale on taxpayer's compliance?
- How would trust in government affect tax compliance?
- What is the relationship between Traditional Institution and tax morale?
- To What extent do social norms have relationship with tax morale?
- To what extent has confidence in the legal system affect tax compliance?

**HYPOTHESIS**

Hypotheses are intelligent guess regarding some pertinent variables [15]. It tests the level of significance between the independent and dependent variables [14]. The hypothesis on which this research study is based is stated in null form as follows:

- Tax Morale and compliance have no significant effect on revenue generation.
- There is no significant relationship between trust in government and tax compliance.
- There is no significant relationship between the Membership of Nigerian Traditional Institutions and tax compliance.
• There is no significant relationship between taxpayer’s cultural norms and the extent of their tax compliance
• There is no significant relationship between the taxpayers’ confidence in the legal system and tax compliance.

**METHODOLOGY**

This study used cross-sectional survey design. This is a process where data are collected from the population through questionnaires. Under this research design, data relating to the variables are collected at about the same time to basically describe the relationship between the variables under study.

**Population of study**

The population for this study comprised of employees who are 18 years and above, in the public and private sectors of the Nigerian economy. According to 2006 population census conducted by the National Population Commission, about 87 million Nigerians are of age 18 years and over. Therefore, the total population of this study is 87 million.

**Sample Size Determination**

In order to get a representation of the entire population as well as gaining the advantage of an in-depth study and effective coverage. Taro Yamani statistical formula was employed. According to Taro Yamani (1964), \[16\], formula is stated as follows:

\[ n = \frac{N}{1 + \left(\frac{Ne^2}{N}ight)} \]

Where \( n \) = is the sample size to be determined
\( N \) = is the population
\( e \) = is the error limit (0.05 on the basis of 95% confidence/significance level
\( i \) = constant

Therefore, \( n = \frac{87,000,000}{1 + 87,000,000 \cdot (0.05)^2} \)
\( n = 87,000,000/217500 \)
\( n = 400 \)

Using a population of approximately 87,000,000 Nigerians with an
error limit of 5%, a sample size of 400 is considered adequate as computed above.

**Instruments of Data Collection**

The major instrument used to gather information for the study was though questionnaire administered on the respondents. The questionnaires were distributed to various respondents thereby giving the researcher goal opportunity of making first hand observation and independent judgment of the study.

In this study, the questionnaire used by the researcher was highly structured and the contains close ended questions to elicit relevant reactions from their respondents. It was also carefully designed to accommodate two sections. The first section is personnel data which will generate proper data regarding to the respondents characteristics like, sex age, educational level, while the other deals on relevant aspect of the topic under study.

**Method of Data Analysis**

In the treating and analysis of data collected extensive use of tabular and percentage will be paramount. The data collected will be presented in table and analyzed with percentage. The hypotheses will be analyzed by the uses of non-parametric (Chi-square) formula.

The formula is shown below:

\[ X^2 = \frac{\sum (o_i - e_i)^2}{e_i} \]

Where  
- \( X^2 = \) Chi-square
- \( O = \) Observe frequency
- \( e = \) Expected frequency
DATA PRESENTATION AND ANALYSIS

Data Presentation

Data Analysis

Table 1: Frequency Distribution of Socio-demographic attribute

<table>
<thead>
<tr>
<th>S/NO</th>
<th>Variable</th>
<th>No. of Respondent</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>198</td>
<td>66.0</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>102</td>
<td>34.0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>300</td>
<td>100.00</td>
</tr>
<tr>
<td>2</td>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>18-29</td>
<td>127</td>
<td>42.3</td>
</tr>
<tr>
<td></td>
<td>30-39</td>
<td>113</td>
<td>37.7</td>
</tr>
<tr>
<td></td>
<td>40-49</td>
<td>38</td>
<td>12.7</td>
</tr>
<tr>
<td></td>
<td>50+</td>
<td>22</td>
<td>7.3</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>300</td>
<td>100.00</td>
</tr>
<tr>
<td>3</td>
<td>Marital Status</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Married</td>
<td>1345</td>
<td>44.7</td>
</tr>
<tr>
<td></td>
<td>Single</td>
<td>163</td>
<td>54.3</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>3</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>300</td>
<td>100.00</td>
</tr>
<tr>
<td>4</td>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Primary</td>
<td>16</td>
<td>5.3</td>
</tr>
<tr>
<td></td>
<td>Secondary</td>
<td>58</td>
<td>19.3</td>
</tr>
<tr>
<td></td>
<td>Polytechnic</td>
<td>80</td>
<td>26.7</td>
</tr>
<tr>
<td></td>
<td>Universality</td>
<td>146</td>
<td>48.7</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>300</td>
<td>100.00</td>
</tr>
<tr>
<td>5</td>
<td>Religion</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Christian</td>
<td>219</td>
<td>73.00</td>
</tr>
<tr>
<td></td>
<td>Muslim</td>
<td>77</td>
<td>25.7</td>
</tr>
<tr>
<td></td>
<td>Tradition</td>
<td>4</td>
<td>1.3</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>300</td>
<td>100.00</td>
</tr>
<tr>
<td>6</td>
<td>Working</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>For government</td>
<td>112</td>
<td>37.3</td>
</tr>
<tr>
<td>Gender</td>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------</td>
<td>-------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>66%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>34%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Age**

The age category 18-29 was 42.3% this was followed by age category 30-39 with 37.7%. Respondents who fell between age 40 and 49 years accounted for 12.7% while 7.3% was for age categories 50 and above.

**Marital status**

About 45% of respondents were married. The breakdown of the responses shows that 44.7% of the respondents were married, 54.3% were single while the other category, which encompassed the divorced, the separated and the widowed had 1%.

**Education**

Likely responses on the level of education, of respondents were in four categories; primary education, secondary education, polytechnic and university education. About 48.7% of the respondents had university education, 26.7% had polytechnic education while secondary and primary education had 19.3% and 5.3% respectively. One thing that is observable among the respondents is high level of education.
Religion
There were three categories in which religious affiliation was delineated; Christianity, Islam and Traditional. The pattern of response was as follows; Christians 73.0%, Muslim 25.7% and Traditional had 1.3%

Working
Likely responses on the work of respondents were in three categories; working for government, working for private organization and self employed. About 37.3% of the respondents work for government (that is, the public sector) 32.3% work for private organization (that is, the organized sector) whiled 30.4% of the respondents are self employed (that is, informal sector).

Class
Respondents were asked to state whether they belong to the upper, middle and lower class of the society. Of the three categories, respondents belonging to the middle class constituted 63%. This was followed by respondents in the upper class with 25% while lower class had 12%.

Table 2: How does Tax Morale affect taxpayer’s compliance in Nigeria?

<table>
<thead>
<tr>
<th>Options</th>
<th>No of Respondent</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>57</td>
<td>19.0</td>
</tr>
<tr>
<td>Agree</td>
<td>88</td>
<td>29.3</td>
</tr>
<tr>
<td>Undecided</td>
<td>34</td>
<td>11.3</td>
</tr>
<tr>
<td>Disagree</td>
<td>94</td>
<td>31.4</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>27</td>
<td>9.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>300</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Study, 2016

The table above shows that 19% of the respondents strongly agree that tax morale affect taxpayer's compliance in Nigeria, 29.3% agree, 11.3% were undecided, 31.4% of them disagree while 9% strongly disagree.
Table 3: How does Trust in Government affect Tax compliance in Nigeria?

<table>
<thead>
<tr>
<th>Options</th>
<th>No of Respondent</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>90</td>
<td>30.0</td>
</tr>
<tr>
<td>Agree</td>
<td>89</td>
<td>29.7</td>
</tr>
<tr>
<td>Undecided</td>
<td>41</td>
<td>13.7</td>
</tr>
<tr>
<td>Disagree</td>
<td>18</td>
<td>6.0</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>62</td>
<td>20.6</td>
</tr>
<tr>
<td>TOTAL</td>
<td>300</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Study, 2016

The table above shows that 30% of the respondents strongly agree that trust in government strongly affect the revenue generation in Nigeria, 29.7% agree, 13.7% were undecided, 6% disagree while 20.6% strongly disagree.

Table 4: How does Traditional Institution affect the attitude of Taxpayers in Nigeria?

<table>
<thead>
<tr>
<th>Options</th>
<th>No of Respondent</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>90</td>
<td>30.0</td>
</tr>
<tr>
<td>Agree</td>
<td>56</td>
<td>18.7</td>
</tr>
<tr>
<td>Undecided</td>
<td>54</td>
<td>18.0</td>
</tr>
<tr>
<td>Disagree</td>
<td>83</td>
<td>27.6</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>17</td>
<td>5.7</td>
</tr>
<tr>
<td>TOTAL</td>
<td>300</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Study, 2016

The table above shows that 30.0% of the respondents strongly agree that the Traditional Institution affect the attitude taxpayers in Nigeria, 18.7% agree, 18.0% were undecided, 27.6% disagree while 5.7% strongly disagree.

Table 5: How does Cultural Norm affect Tax Compliance in Nigeria?

<table>
<thead>
<tr>
<th>Options</th>
<th>No of Respondent</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>61</td>
<td>20.4</td>
</tr>
<tr>
<td>Agree</td>
<td>16</td>
<td>5.3</td>
</tr>
<tr>
<td>Undecided</td>
<td>43</td>
<td>14.3</td>
</tr>
<tr>
<td>Disagree</td>
<td>109</td>
<td>26.3</td>
</tr>
</tbody>
</table>
The table above shows that 20.4% of the respondents strongly agree that cultural norm affect tax compliance in Nigeria, 5.3% agree, 14.3% were undecided, 36.3% disagree while 23.7% strongly disagree.

Table 6: How does Legal System affect Tax Compliance in Nigeria?

<table>
<thead>
<tr>
<th>Options</th>
<th>No of Respondent</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>99</td>
<td>33.0</td>
</tr>
<tr>
<td>Agree</td>
<td>79</td>
<td>26.3</td>
</tr>
<tr>
<td>Undecided</td>
<td>32</td>
<td>10.7</td>
</tr>
<tr>
<td>Disagree</td>
<td>50</td>
<td>16.7</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>40</td>
<td>13.3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>300</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Study, 2016

The table above shows that 33.0% of the respondents strongly agree that the Legal system affect tax compliance in Nigeria, 26.3% agree, 10.7% were undecided, 16.7% disagree while 13.3% strongly disagree.

**Test of Hypothesis;**

The research at this point the hypothesis formed earlier to accept or reject them as well as determining the extent of reliability. In order to achieve this, researcher used chi-square ($X^2$) test.

**Hypothesis One**

**Ho:** Tax morale has not significantly affect taxpayers compliance in Nigeria  
**Hi:** Tax morale has significantly affect taxpayers compliance in Nigeria

The statistical test is $X^2 = \frac{\sum(o_i - e_i)^2}{e_i}$  

The Level of significance use is 5%, that is 0.05  
The degree of freedom is given by $(k - l)$. that is, DF = $(k - l)$  
Where $k$ = number of rows a columns  
The critical value is given as $X^2 = 7.3777$, this value was determined
from the table of chi-square ($X^2$) using the degree of freedom and level of significance.

Computation of the test statistic using table 2
Where $o_i =$ observed frequency
$e_i =$ expected frequency
to get the expected frequency, the research divided the total frequency by the number of options, this we have;

$$e_i = \frac{300}{5} = 60$$

$$X^2 = \frac{\sum (o_i - e_i)^2}{e_i} = \frac{(57 - 60)^2 + (85 - 60)^2 + (34 - 60)^2 + (94 - 60)^2 + (27 - 60)^2}{60}$$

$$= \frac{9 + 784 + 676 + 1156 + 1089}{60} = \frac{3714}{60} = 61.9$$

Comparing the test statistic with critical value 61.9 > 7.3777
Decision Rule;
Since the calculated value of $X^2$ is greater than critical value, we reject the null hypothesis and accept the alternative hypothesis.
We conclude that tax moral will positively affect the taxpayer’s compliance in Nigeria.

**Hypothesis Two**

**Ho:** Trust in Government has not significantly affect taxpayers compliance in Nigeria

**Hi:** Trust in Government has significantly affect taxpayers compliance in Nigeria

The statistical test is $X^2 = \frac{\sum (o_i - e_i)^2}{e_i}$

The Level of significance use is 5%, that is 0.05
The degree of freedom is given by ($k - l$). that is, $DF = (k - l)$
Where $k =$ number of rows a columns
The critical value is given as $X^2 = 7.3777$, this value was determined from the table of chi-square ($X^2$) using the degree of freedom and level of significance.
Computation of the test statistic using table 3
Where \( o_i \) = observed frequency
\( e_i \) = expected frequency
to get the expected frequency, the research divided the total frequency by the number of options, this we have:

\[
e_i = \frac{300}{5} = 60
\]

\[
X^2 = \frac{\sum (o_i - e_i)^2}{e_i} = \frac{(90 - 60)^2 + (89 - 60)^2 + (41 - 60)^2 + (18 - 60)^2 + (62 - 60)^2}{60}
\]
\[
= \frac{900 + 841 + 361 + 1764 + 4}{60} = \frac{3870}{60} = 64.5
\]

Comparing the test statistic with critical value 64.5 > 7.3777

Decision Rule;
Since the calculated value of \( X^2 \) is greater than critical value, we reject the null hypothesis and accept the alternative hypothesis.
We conclude that trust government will positively affect the taxpayers compliance in Nigeria.

**Hypothesis Three**

**Ho**: Traditional Institution has not significantly affect taxpayers compliance in Nigeria
**Hi**: Traditional Institution has significantly affect taxpayers compliance in Nigeria

The statistical test is \( X^2 = \frac{\sum (o_i - e_i)^2}{e_i} \)

The Level of significance use is 5%, that is 0.5
The degree of freedom is given by \( (k - l) \). that is, \( DF = (k - l) \)
Where \( k \) = number of rows a columns
The critical value is given as \( X^2 = 7.3777 \), this value was determined from the table of chi-square \( (X^2) \) using the degree of freedom and level of significance.
Computation of the test statistic using table 4
Where \( o_i \) = observed frequency
to get the expected frequency, the research divided the total frequency by the number of options, this we have;

\[ e_i = \frac{300}{5} = 60 \]

\[ X^2 = \frac{\sum (o_i - e_i)^2}{e_i} = \frac{(90 - 60)^2 + (56 - 60)^2 + (54 - 60)^2 + (83 - 60)^2 + (17 - 60)^2}{60} \]

\[ \frac{900 + 16 + 36 + 529 + 1849}{60} = \frac{3330}{60} = 55.5 \]

Comparing the test statistic with critical value 55.5 > 7.3777

Decision Rule;

Since the calculated value of \( X^2 \) is greater than critical value, we reject the null hypothesis and accept the alternative hypothesis.

We conclude that traditional institution will positively affect the taxpayer’s compliance in Nigeria.

**Hypothesis Four**

**Ho**: Cultural norms has not significantly affect taxpayers compliance in Nigeria

**Hi**: Cultural norms has significantly affect taxpayers compliance in Nigeria

The statistical test is \( X^2 = \frac{\sum (o_i - e_i)^2}{e_i} \)

The Level of significance use is 5%, that is 0.5

The degree of freedom is given by \( (k - l) \). that is, \( DF = (k - l) \)

Where \( k \) = number of rows a columns

The critical value is given as \( X^2 = 7.3777 \), this value was determined from the table of chi-square \( (X^2) \) using the degree of freedom and level of significance.

Computation of the test statistic using table 5

Where \( o_i = \) observed frequency
ei = expected frequency

to get the expected frequency, the research divided the total frequency by the number of options, this we have;
\[ ei = \frac{300}{5} = 60 \]

\[ X^2 = \frac{\sum (oi - ei)^2}{ei} = \frac{(61-60)^2 + (16-60)^2 + (43-60)^2 + (109-60)^2 + (71-60)^2}{60} \]

\[ = \frac{1 + 1936 + 289 + 2401 + 121}{60} = \frac{4748}{60} = 79.13 \]

Comparing the test statistic with critical value 79.13 > 7.3777

Decision Rule;
Since the calculated value of \( X^2 \) is greater than critical value, we reject the null hypothesis and accept the alternative hypothesis. We conclude that cultural norms will positively affect the taxpayers compliance in Nigeria.

**Hypothesis Five**

**Ho:** Legal System has not significantly affect taxpayers compliance in Nigeria

**Hi:** Legal System has significantly affect taxpayers compliance in Nigeria

The statistical test is \[ X^2 = \frac{\sum (oi - ei)^2}{ei} \]

The Level of significance use is 5%, that is 0.5
The degree of freedom is given by \((k - l)\). that is, \(DF = (k - l)\)
Where \(k\) = number of rows a columns

The critical value is given as \( X^2 = 7.3777 \), this value was determined from the table of chi-square \((X^2)\) using the degree of freedom and level of significance.

Computation of the test statistic using table 6
Where \(oi\) = observed frequency
\[ ei = \text{expected frequency} \]
to get the expected frequency, the research divided the total frequency by the number of options, this we have;

\[ e_i = \frac{300}{5} = 60 \]

\[
X^2 = \frac{\sum(o_i - e_i)^2}{e_i} = \frac{(99 - 60)^2 + (79 - 60)^2 + (32 - 60)^2 + (50 - 60)^2 + (40 - 60)^2}{60}
\]

\[
\frac{1521 + 361 + 784 + 100 + 400}{60} = \frac{3166}{60} = 52.77
\]

Comparing the test statistic with critical value 52.77 > 7.3777
Decision Rule;

Since the calculated value of \(X^2\) is greater than critical value, we reject the null hypothesis and accept the alternative hypothesis. We conclude that legal system will positively affect the taxpayers compliance in Nigeria.

**CONCLUSION AND RECOMMENDATIONS**

- The tax morale and compliances will positively and significantly affect revenue generation in Nigeria. Tax compliance may be evaluated in terms of tax avoidance and evasion.
- Trust in government policy and traditional institution will positively and significantly enhance tax compliance and revenue generation.
- Understanding what people want in a legal procedure help to explain public dissatisfaction with the law and point toward direction of building public support for the law in future. Therefore tax payer when treated fairly and respectfully by the tax authority, tends to cooperate better.
- Cultural norms will positively and significantly affect tax compliance in Nigeria. Laws may not cope with every eventuality but have to be supplemented with administrative cultural norms procedures and decisions. In order to work, it will have a
reasonable degree of cultural acceptance and willing compliance on the part of the taxpayer’s themselves.

**Conclusion**

The study examined the effect of tax morale and tax compliance in revenue generation in Nigeria. Government establishment have often times intensified efforts to ensure that government have enough revenue to meet up the high expenditure expected of her; providing her citizenry with all necessary social amenities. But unfortunately not much has been achieved through these efforts. This study however incorporates non-economic factors into the economic analysis of tax compliance. Tax compliance is not just a function of opportunity, tax rates, probability of detection and so on but of each individual's willingness to comply shaped by tax morale. This means that if tax morale is high, tax compliance will be relatively high.

Tax payers may follow laws they know or trust to produce good results. But laws are not only chosen according to past experiences; they are also influenced by the attributions tax payers give to them (for example, fairness and efficiency). Putting into consideration that a society is heterogeneous, a person's type plays an important role in determining which laws are followed and which are not. In general tax payers are more inclined to comply with the laws if the relationship between the tax paid and the performed government services is found to be equitable. Thus, government and tax administration’s strategy aimed at creating confidence in their credibility and their capacity is rewarded with higher tax morale.

**Recommendations**

This study has brought to the fore the imperative of tax morale in the achievement of high tax compliance. Based on the findings in this study, we hereby make recommendations that may guide programmes, policy formulation and implementation of government that seek to increase tax payer's level of tax compliance.
• If taxpayers do not understand what their obligations are, any intervention to enforce compliance will be perceived as unfair. Thus, there is a need to provide strong taxpayer's services particularly during the tax filing stage. This will include dissemination of information in order to enhance taxpayer compliance and also introduce taxpayer education programs. Taxpayer's service can also be improved by: providing proper guidance on how the tax return forms are to be completed correctly, introducing automated systems to record and answer tax payers’ queries and wider use of the mass media to publicize important tax deadlines and so on.

• The capability to detect fraud or evasion is crucial to tax compliance. As it would not be practical to audit all cases, the fear of being caught would be sufficient to act as a deterrent. Ideally, when a case is selected for audit a tax official will be required to visit the premises of the taxpayer. The tax returns will have to be scrutinized under the supervision, or be jointly examined with a senior tax official so that the discretionary powers being exercised by tax officials are not abused. The tax authorities should undertake criminal prosecution in respect of cases involving fraud or evasion, and where appropriate publish the names of tax evaders which will act as a deterrent.

• It is very important to educate the young (who are the next generation of taxpayers) on the significance and role of taxes. There is need to create an environment for tax education in schools through the establishment of councils for promotion of tax education. Tax education should be viewed in the medium and long-term perspectives, and as a means to enhance taxpayer consciousness. It would be more appropriate to target students in secondary and tertiary institutions. The overall effort should involve both the education and finance ministries in order to come up with an effective tax education curriculum.

• The monarchs (Obi, Oba and Emir) are very close to the people
they rule over. The tax authorities should therefore maintain close relationship with the monarch and explore such relationship to bring more people into the tax net and also increase the level of taxpayer's compliance. Town hall meeting should be encouraged and through this, the general public can more fully understand taxation issues, changes in the law, filing obligations and so on.

- (v) Tax officials should be exposed to adequate and continuous training; both at home and abroad, for a better understanding of recent domestic and international tax issues, which could then be utilized, to formulate successful tax compliance strategies. The working conditions of tax officials also need to be improved in order to motivate them to carry out their duties in a more efficient and professional manner.

References


