

Determinants of Tax Compliance Among Small and Medium-Scale Enterprises in Ekiti State, Nigeria

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Abstract:

The study investigated the factors influencing tax compliance among small and medium-scale enterprises (SMEs) in Ekiti State. The population of the study consisted of all full-time staff members of Ekiti State Internal Revenue Services, totaling 321 individuals. Taro Yamane formula was used to determine the sample size. The primary data for this study was collected through a survey questionnaire. Both descriptive and inferential statistical techniques were applied to analyze the data. Descriptive statistics, including mean, standard deviation, and frequency distribution, were employed to provide a comprehensive overview of the variables under investigation. The findings from the study indicated that the social-cultural factor exhibited a negative and statistically insignificant influence on tax compliance among SMEs. Similarly, the political factor showed a positive but statistically insignificant effect on tax compliance. However, the religious factor exerted a positive and statistically significant impact on tax compliance among SMEs in Ekiti State. The study concluded that government has a vital role to play in enhancing the benefits of taxation to taxpayers and fostering a more positive relationship between taxpayers and tax authorities. The study therefore recommended that in order to improve a better understanding in the dynamics of tax compliance among SMEs in the region, tax revenues should be allocated towards public goods that benefit society as a whole, whereby taxpayers may perceive their contributions as part of a strategic collective action, enhancing their commitment to paying taxes to the government in return.

Keywords: Compliance, Political factors, Religion factors, Social Cultural Factors, Tax determinants.

1. Introduction

Taxes stand as the foremost and dependable streams of revenue for different tiers of governments worldwide due to their significant contributions compared to other revenue sources (Olaoye & Ekundayo, 2019). In this dispensation of technological advancement too, effectiveness in tax administration would aid economic growth and fiscal development (Akinadewo, Kayode, Dagunduro, & Akinadewo, 2023). Consequently, nations continually seek to reform and fortify their tax systems to bolster revenue generation (Yinka & Okeke, 2021). Taxation represents a levy imposed by governments on the income, profits, or wealth of individuals, families, communities, corporate entities, or unincorporated bodies to fund public expenditures, primarily focused on providing social amenities for citizens. It serves as a vital tool for governments to generate the necessary revenue for

essential infrastructure and services (Olaoye et al., 2019). It is also relevant in fostering infrastructural growth and government fiscal operations regardless of geographical disparities (Akinadewo, Yinka-Obasa, Oluwagbade, Ogundele, & Akinadewo, 2023). Challenges such as high tax rates, compliance costs, burdensome registration processes, inconsistent enforcement of tax laws, and corruption, however, burden the informal sector in African nations when it comes to taxation (Eddie & Dickson, 2022). Non-compliance is also influenced by factors like the absence of formal business locations, political affiliations, business nature, high collection costs, religious beliefs, actors' aggressive behavior, lack of patriotism, socio-cultural factors, and the absence of reliable data (Eddie & Dickson, 2022). To foster the growth of small and medium-sized businesses and encourage proactive tax payment, governments always strive to create a conducive environment. Achieving this goal requires governments to take

substantial measures to address tax non-compliance. However, governments face challenges due to non-compliance with tax laws, leading to fluctuating revenue collections that negatively impact national spending plans and the state's ability to project required household income and assets. In many developing nations, small and medium-sized enterprises (SMEs) play a dominant role in the business industry, significantly influencing government revenue (Atawodi & Ojeka, 2018). Taxpayers' attitudes toward compliance can be either positive or negative, with a positive attitude reflecting a favorable evaluation of government activities and a negative attitude indicating the opposite. Taxpayers with positive attitudes tend to be more compliant, with political influence, religion, and socio-cultural factors being major determinants of tax compliance (Damayanti, Nastiti, Supramono, Allingham, & Sandmo, 2020). Government's revenue policies prioritize preventing tax evasion and maximizing compliance with tax laws, aiming to encourage taxpayers to adhere to tax regulations. The inability of the Ekiti state government to meet its obligations has raised concerns about the adequacy of the state's revenue, despite the presence of numerous local SMEs operating within it. These SMEs are expected to contribute to the state's revenue base through tax and other legally mandated levies. A significant portion of tax defaulters and the increase in tax evasion can be attributed to the informal sector and SMEs (Aremu & Siyanbola, 2021). In many instances, overall tax compliance levels remain low, and a substantial portion of the informal sector and SMEs manage to evade taxation altogether (Oladipupo & Obazee, 2016). This raises questions about the effectiveness and efficiency of the Ekiti State Internal Revenue Services, which is tasked with generating revenue to supplement the state's statutory allocations (Promise, 2020). Numerous studies have explored tax determinants and compliance. Eddie & Dickson (2022) investigated the factors influencing tax compliance among SMEs in Tanzania, specifically focusing on Ilala Municipality. The present study however centered on the tax determinants and compliance in Ekiti State, Nigeria. Also, most of the reviewed literature focused on a single variable to measure determinants of tax, while this research uses a series of variables like political influence, religion and social-cultural factors. The study, therefore, contributed to the body of knowledge by appraising various tax determinant variables and compliance among small and medium-scale enterprises (SMSs) in Ekiti State, Nigeria.

2. Literature Review

The relevant concepts, theories and empirical studies were adequately reviewed for a more informed understanding of the connectivity of the variables.

Tax Determinants

Governments globally face significant challenges in generating tax revenues due to widespread tax evasion by taxpayers in many countries (Eddie et al, 2022). It is estimated that tax revenues lost to tax evasion worldwide exceed US\$ 3.1 trillion, equivalent to approximately 5.1% of the world's GDP. The loss represents a substantial portion, approximately 54.9%, of healthcare spending lost to tax evasion (Tax Justice Network, 2011; Edward, Christian & Alexander, 2015). Developing countries are particularly hard-hit by the consequences of deliberate tax non-compliance. In African and South American countries, tax evasion results in the loss of 97.7% and 138.5% of healthcare budgets, respectively. The inclination to evade taxes is a pervasive phenomenon observed in all countries, prompting extensive scholarly investigation into its underlying factors. Social factors, as identified by Kirchler, Erich, Erik Hoelzl, and Ingrid Wahl (2008), play a significant role in tax compliance determinants.

These factors encompass various mechanisms such as social norms, social conformity, rational imitation, social learning, strategic interaction, and fairness effects. They all contribute to shaping taxpayers' behavior and compliance. Additionally, the culture of a country, particularly its tolerance for uncertainty and adherence to ethical standards, also influence a firm's tax avoidance activities, with strong uncertainty avoidance cultures promoting greater adherence to tax regulations (Alfred, Msizi & Harumi, 2023). More also, tax compliance is closely tied to the level of trust citizens have in their governments.

The political legitimacy theory suggests that citizens' trust in government significantly impacts tax compliance. Establishing transparent and fair regulations is crucial for governments to maintain a strong relationship with taxpayers and create an environment that encourages private sector growth (Tayler, 2006; Persson, 2008; Khizar & Danish, 2021). Religious values and beliefs shape individuals' attitudes towards tax compliance. Religiosity is expected to encourage voluntary tax payment among taxpayers, as it reinforces positive attitudes and reduces negative ones. This perspective challenges the assumption that taxpayers inherently dislike paying taxes and instead focuses on why some willingly comply (Ogiedu, 2020).

Tax Accrual to States

In Nigeria, the taxation of trade or profession falls under the purview of the Personal Income Tax Act (PITA). PITA underwent an amendment in 2011, changing the filing deadline for taxpayers to within 30 days of the year's end, compared to the previous 90 days. Personal income tax encompasses income from sources within and outside Nigeria, including gains from trade, business, profession, remuneration, dividends, interest, rent, charges, annuities, and profits arising from property rights.

The tax rate varies based on the taxable income, serving as the foundation of the revenue tax system (Adeyemi & Mieseigha, 2019). As defined by Olayode and Omodero (2021), personal income tax is a direct tax levied on individuals, sole owners, communities, families, executors, trustees, or settlements. The amount of tax payable depends on the taxable income of the individual responsible for taxation, serving as the core component of the tax system.

In summary, tax evasion poses significant challenges to government revenue generation worldwide, with factors such as social and cultural influences, political trust, and religiosity playing pivotal roles in shaping taxpayers' compliance behavior. Additionally, the accrual of personal income tax in Nigeria follows the guidelines set forth in the Personal Income Tax Act

Road tax, mainly, has been magnified by all the states in Nigeria to fulfil their responsibilities as the controller of the State within their purview. Road tax has been redesigned to reduce or minimize tax evasion in terms of collections, administration and monitoring so that the revenue realized is magnified to offset anticipated responsibilities by the Government. Road tax (motor vehicles tax) is levied based on numerous factors, including seating capacity, engine capacity, cost price and un-laden weight. Each State has different regulations and rules in charging road tax in Nigeria, which also includes registration of a motor vehicle; that is, every motor vehicle brought into Nigeria, other than temporarily by a visitor, must be registered with state inland revenue within thirty (30) days arrival in the country (Alfred, Msizi & Harumi, 2023).

Road taxes may affect people's resolutions on the kind of vehicles, maintenance, and expected cost to be expended. This is imperative because motoring increases social expenses not reflected in vehicle purchase prices, such as services, congestion, maintenance, air pollution, accidents, gas emissions, and noise. Clever-designed Road taxes are employed to sway these behaviors and lessen social costs connected with driving (Adegbite & Azeez, 2022). The pertinent responsibility of any tax component is to upsurge revenue generation in such a state (Ogbodo & Nweze, 2021; Adegbite *et al.*, 2022).

For decades, road tax has been neglected in many states because of crude oil proceeds disbursed to the State by the Federal Government. Many road users have been circumventing the road tax payment, while some do not even register their car and motorcycle, which have been on the road for many years. Also, most of the residents in Nigeria trivialize road tax because of the carefree attitude of the State to collect the tax. Even some states considered it irrelevant to the State's revenue because income realized daily from road tax is minute compared to other taxes. But recently, to minimize road tax evasion, automated registration and renewal of the vehicle license have been invested because of the scarcity of crude oil proceeds, making it difficult for

road users to evade road tax. Automated vehicle registration and renewal have also assisted in several areas, such as vehicle owner's security and parochial data processing system disengagement. With the current development in collecting road tax by the state government in Nigeria, it is expected to lead to upward movement in the relative revenue (Adegbite *et al.*, 2022).

Theoretical Framework

The study is underpinned with deterrence theory of tax compliance.

Deterrence Theory of Tax Compliance

The Deterrence Theory of Tax Compliance, initially proposed by Casey and Scholz in 1991, offers insights into addressing tax compliance challenges by exploring enforcement mechanisms that can either complement or substitute appeals to citizens' tax morality (Ortega & Sanguinetti, 2013). Alm (2018) concluded that there is widespread evidence that tax evasion, or intentional efforts to reduce tax obligations, is prevalent in almost all countries. The theoretical frameworks for understanding tax compliance are commonly categorized into economic deterrence theory and the broader behavioral theory, which encompasses social and fiscal psychological theories (Frey & Feld, 2002).

The deterrence theory, primarily employed in the examination of tax evasion, are implemented through various approaches, both punitive and persuasive. These approaches include increasing the likelihood of detection, raising tax rates, imposing harsher penalties, enhancing taxpayer education, and promoting incentives for compliance. Different tax systems grapple with the challenge of non-compliant taxpayers, while the economic deterrence theory has been a favored approach in addressing this issue. According to the International Monetary Fund (2015), addressing non-compliance often revolves around emphasizing deterrence as a means to improve revenue collection. In practice, taxpayers make decisions that involve a delicate balance. They weigh the amount they could potentially evade against the potential tax savings and the risk of detection and penalties.

Taxpayers assess the probability of being caught, the associated costs of punishment, and then make decisions based on this evaluation. The economic deterrent theory plays a significant role in influencing tax compliance, but it has evolved alongside the development of social and psychological models. The Deterrence Theory of Tax Compliance offers a framework for addressing tax evasion by considering enforcement mechanisms and behavioral factors. While economic deterrence theory remains crucial, it is complemented by insights from social and psychological models to better understand and address tax compliance challenges

3. Methodology

Research Design

The research design for the study is a descriptive survey. A descriptive survey design is a method used to gather data from a sample of individuals or groups to describe the characteristics or opinions of a population of interest (Sharma & Sharma, 2019).

Area of Study

The study's primary focus was on tax determinants and compliance in Ekiti State, Nigeria. Voluntary tax compliance is a process in which individuals or corporate organizations willingly and proactively prepare and file tax returns without the need for government enforcement. This form of tax compliance involves taxpayers making their tax payments without any external compulsion, driven by a sense of positive cooperation and mutual understanding between the taxpayer and the tax authorities (Imo & Okee, 2023).

Population of the study

The population of the study is anchored on the entire full-time staff of the Ekiti State Internal Revenue Services, which is 321 in number. The information was sourced from the personnel office of Ekiti State Internal Revenue Services, Mutual Hourse, Fajuyi, Ado-Ekiti, on 13 June, 2023.

Sampling Technique and Sample Size

A proportionate sampling technique was used to get the total number of respondents from the population. Proportionate sampling techniques are defined as techniques that take each stratum in the sample as equal to the population size of the stratum. The sample size was calculated with the Taro Yamane formula (1967), and the formula is stated below:

Sample size:

$$n = \frac{N}{1 + Ne^2}$$

where, n = anticipated total sample size;

N = population size; (321)

e = acceptable error term (0.05)

$n = 321 / (1 + 321 \times 0.05^2)$

$n = 321 / (1 + 321 \times 0.0025)$

$n = 321 / (1 + 0.8025)$

$n = 321 / 1.8025$

$n = 178$.

However, a 30% attrition rate was added to the sample size to account for the potential dropouts in the study. This ensures adequate statistical power and representativeness of the final sample (Kim & Lee, 2018). The new sample size with the 30% attrition rate added to the original sample size 178 was then adjusted to 231.

Sources of Data

The data for this study was collected from primary

sources using a survey questionnaire. The questionnaire was distributed to the selected full-time employees of the Ekiti State Board of Internal Revenue Services. Before the actual survey, a pretest was conducted to ensure that the questionnaire was clear, easily understood, and effectively measured the intended variables. The pretest helped refine the questionnaire and ensure its quality and reliability in gathering relevant data for the study.

Validity and Reliability of the Instrument

The instrument was also subjected to both validity and reliability tests, which were rigorously assessed in the study. To ensure validity, content validity was employed by subjecting the questionnaire to a panel of experts well-versed in tax enforcement. These experts reviewed the questionnaire to verify that it adequately covered all pertinent aspects related to tax enforcement and compliance. Additionally, construct validity was assessed by conducting a factor analysis to confirm whether the questionnaire items effectively measured the intended constructs. To assess the instrument's reliability, a test-retest method was employed, involving a sample of 23 Ekiti State Internal Revenue Service staff, which represented 10% of the total sample size. Reliability tests were conducted for the variables Tax Audit (TA), Social-Cultural Factors (SCF), Political Factors (PF), and Religious Factors (RF) using Cronbach's Alpha statistics. The statistical results indicated reliability coefficients of 0.710, 0.742, 0.761, and 0.750 for TA, SCF, PF, and RF, respectively. These values, which represent 71.0%, 74.2%, 76.1%, and 75.0% reliability, respectively, demonstrate that the questionnaire items were consistent and reliable in assessing the determinants of tax compliance among SMEs in Ekiti State, Nigeria.

Method of Data Analysis

The collected data underwent a comprehensive analysis utilizing both descriptive and inferential statistical techniques. Descriptive statistics, including measures such as the mean, standard deviation, and frequency distribution, were employed to succinctly summarize the data and offer an initial understanding of the variables under investigation. Also, inferential statistics, specifically multiple regression analysis, were applied to assess the hypotheses and ascertain the extent to which tax determinants influence compliance in Ekiti State. The data analysis process was facilitated through the use of statistical software, notably SPSS, which allowed for efficient and accurate computation of the statistical measures and tests necessary for the study. The results of these analyses were presented in tables and graphs, providing visual representations of the data and statistical findings. Additionally, discussions were included to elucidate the implications of the study's findings for both theoretical understanding and practical applications in the field of tax compliance.

Model Specification

The model used by Bruce-Twum, Schutte and Asare (2022) was adapted to establish the determinants of tax compliance among SMEs in Ekiti State. The study was conducted in Ghana. The model is modified by replacing all the dependent and independent variables to suit the environment in which the present research is conducted and stated as follows:

$$TA = f(SCF, PF, RF) + \epsilon \dots\dots\dots (1)$$

By writing it in equation form and taking the log of both sides of equation one

$$lnTA = \alpha_0 + \alpha_1 lnSCF + \alpha_2 lnPF + \alpha_3 lnRF + \epsilon$$

Where:

- TA = Tax Audit (To Measure Compliance)
- SCF = Social-Cultural Factors (To Measure Determinant)
- PF = Political Factor
- R = Religion Factor (To Measure Determinant)
- ε is the error term (To Measure Determinant)

Ethical Consideration

The study strictly adhered to ethical principles, ensuring confidentiality, informed consent, and voluntary participation. Participants were informed about the study's purpose, risks, and benefits, and were given the option to withdraw at any time. Data was treated confidentially and securely, accessible only to authorized individuals. This ethical approach prioritized participant rights and data protection, upholding the study's integrity.

4. Results and Discussion of Findings

The section of the study analysed and discussed the results which emanated from statistical packages. Descriptive statistics was employed to discuss the nature of the data, followed by the interpretation and discussion of the regression results on the determinants of tax compliance among SMEs in Ekiti State. Finally, a diagnostic test was passed to check the model's fitness.

Preliminary Analysis

Table 1 presents a comprehensive overview of the descriptive statistics for the model's series. The summary encompasses measures such as the mean, maximum, minimum, and standard deviation, providing insight into the central tendencies and variability of the data. Furthermore, the distributional characteristics are assessed through skewness and kurtosis, which illuminate the shape and symmetry of the data distribution. To evaluate the normality of the distribution, the Jarque-Bera test statistic is employed, offering insights into the data's adherence to a normal distribution.

Table 1 presents a comprehensive overview of the descriptive statistics for the model's series, shedding light on various characteristics of the data. Descriptive statistics serve as an initial exploration of the dataset, providing crucial insights into its central tendencies, variability, and distributional properties. The mean represents the sum of all values in a dataset divided by the number of observations. In this context, Table 1 reveals that TA (Tax Audit), SCF (Tax Compliance Factors), PF (Public Finance), and RF (Revenue Forecast) have respective means of 8.244131, 8.004695, 8.441315, and 8.389671. These mean values offer a snapshot of the typical or average value for each variable. The minimum and maximum values in the dataset provide information about the range of values that each variable can take. For all the variables under study, the minimum value is 5.00, while the maximum values are 13.00 for TA, SCF, and RF, and 14.00 for PF. This range illustrates the spread of data and highlights the variability within each variable. Standard deviation measures the degree of variability or spread in a dataset. A higher standard deviation suggests greater variability, while a lower one indicates less variability. In this case, the variable PF exhibits the highest standard deviation, indicating a relatively wider spread of data.

Conversely, RF shows the lowest standard deviation, suggesting less variability within that variable. Skewness is a measure of the symmetry of the data distribution. A skewness value of zero suggests a perfectly symmetric distribution, while positive skewness indicates a distribution with a long right tail, and negative skewness suggests a long left tail. In this analysis, all the variables display positive skewness, signifying that TA, SCF, PF, and RF have right-skewed distributions. The magnitude of the skewness coefficients (0.495215, 0.858780, 0.771677, and 0.304986) indicates the extent of skewness, with higher values corresponding to more pronounced right-skewness. Kurtosis measures the degree of peakedness or flatness of a distribution compared to a normal distribution. Positive kurtosis indicates a more peaked distribution (leptokurtic), while negative kurtosis suggests a flatter distribution (platykurtic). A kurtosis value greater than 3 indicates a leptokurtic distribution. In this case, all the variables exhibit kurtosis values greater than 3, indicating that they are leptokurtic, with distributions that are more peaked than a normal distribution.

The Jarque-Bera test is a statistical test used to assess whether the data follows a normal distribution based on skewness and kurtosis. Higher values of the Jarque-Bera statistic indicate a departure from normality. The Jarque-Bera values in the results indicate that the data for TA, SCF, and PF do not follow a normal distribution, as evidenced by probability values below the 5% significance level. However, for RF, the Jarque-Bera test returns a lower value along with an insignificant probability level of

5%, suggesting that RF's data distribution is less significantly departures from normality compared to the other variables. Table 1 therefore provides a robust foundation for understanding the characteristics of the data in the model. Descriptive statistics, including mean, minimum, maximum, standard deviation, skewness, kurtosis, and the Jarque-Bera test, offer valuable insights into the

distribution and variability of the variables under investigation. These statistics lay the groundwork for subsequent analyses, including correlation analysis, which explores the relationships among the variables and helps to determine their impact on the research model. Overall, the comprehensive examination of these statistical measures ensures a rigor

Table 1: Descriptive Statistics

	TA	SCF	PF	RF
Mean	8.244131	8.004695	8.441315	8.389671
Median	8.000000	8.000000	8.000000	8.000000
Minimum	5.000000	5.000000	5.000000	5.000000
Maximum	13.00000	13.00000	14.00000	13.00000
Std. Dev.	1.672904	1.528033	1.948047	1.502604
Skewness	0.495215	0.858780	0.771677	0.304986
Kurtosis	3.389874	4.269004	3.949007	3.474095
Jarque-Bera	10.05498	40.47343	29.13271	5.296875
Probability	0.006555	0.000000	0.000000	0.070762
Sum	1756.000	1705.000	1798.000	1787.000
Sum Sq. Dev.	593.3052	494.9953	804.5164	478.6573
Observations	213	213	213	213

Source: Authors' Computation (2023)

Correlation Analysis Result

Correlation analysis was employed in the study to examine how tax audit and compliance variables are interconnected and to assess the presence of multicollinearity among these variables. Table 2 represents a correlation matrix on the four variables: tax audit (TA), social-cultural factor (SCF), political factor (PF) and religion factor (RF). The numbers in the table represent the correlation coefficients between pairs of variables. Correlation between the understudied variables indicates a linear but weakly positive correlation among the variables. Evidence

shows that the coefficient of 0.03 and 0.17 are less than +0.5. Hence, a "weak positive correlation" exists between the variables, while the coefficient of 0.60 is greater than +0.5, indicating a strong positive correlation. Nonetheless, the result suggests that an increase in social-cultural, political, and religious factors by 3%, 17% and 60% determine the level of tax compliance among SMEs in Ekiti State. Interestingly, multicollinearity is less than 1. Still, a variance inflation factor test was conducted further to ascertain the existence of multicollinearity in the model.

Table 2: Correlation Analysis

	TA	SCF	PF	RF
TA	1.000000			
SCF	0.030919	1.000000		
PF	0.179554	0.365354	1.000000	
RF	0.607493	0.034124	0.224591	1.000000

Source: Authors' Computation (2023)

Stationarity Test

The study conducted Augmented Dickey-Fuller (ADF) unit root tests on tax audit (AT), social-cultural factor (SCF), political factor (PF), and religion factor (RF). This analysis aimed to ensure that our conclusions regarding the critical issue of stationarity were not unduly influenced by the selection of testing methods. The outcomes of the stationarity tests for these variables are displayed in

Table 3. The outcomes of the ADF tests in Table 3 indicate that all variables at the initial level are stationary. This is evident from the consistently negative signs and their associated probabilities. Therefore, the variables exhibit an integrated order of one, denoted as (I(1)). In light of these findings, the results of the unit root test analysis offer strong support for the utilization of multiple regression as the chosen analytical tool.

Table 3: Unit Root Test Using Augmented Dickey-Fuller (ADF) at Level

Variable	Level		Status
	ADF Critical Value	Prob*	
TA	-18.40031	0.0000***	I(0)
SCF	-4.521521	0.0002**	I(0)
PF	-12.58064	0.0000***	I(0)
RF	-18.77969	0.0000***	I(0)

Source: Authors' Computation (2023)

Notes: * Statistically significant at the 1% level; ** Statistically significant at the 5% level; *** Statistically significant at the 10% level.

The values in Table 4 represents the regression coefficients between the exogenous and endogenous variables, which are mathematically expressed as:

$TA = 2.381484 - 0.007669_{SCF} + 0.041260_{PF} + 0.664597_{RF} + \mu_t$. The regression finding reveals a positive and significant relationship between the studied variables. The coefficient of SCF is -0.007669, which indicates a negative and insignificant relationship with tax audit (a measure of compliance) among SMEs in Ekiti State. The result implies that at any given time within the scope of the study, SCF will always affect tax audits negatively. A 1 per cent increase in SCF will amount to 0.007% negative and insignificant effect on tax audit (compliance) among SMEs in Ekiti State.

This result has provided an answer to the objective that the social-cultural factor is not a good determinant affecting SME tax compliance in Ekiti State. Also, the coefficient of political factor (PF) denotes a coefficient of 0.0412060, suggesting that the existing relationship between political factor and tax audit (compliance) among SMEs in Ekiti State is

insignificant. Hitherto, an attempt to gear up PF by 1 percent will amount to a 0.41% increase in tax audit (compliance) among SMEs in Ekiti State with an insignificant effect. Therefore, objective two has been answered that the political factor has a positive relation, yet it is not a good determinant of tax audit (compliance) among SMEs in Ekiti State. Lastly, the religious factor has a coefficient of 0.664597 on tax audit (compliance) among SMEs in Ekiti State. This implies that any effort to raise religious factors by a 1 percent increase will positively and significantly affect tax audit (compliance) among SMEs in Ekiti State by a 6.64% increase. The result is laudable as it answers objective three, that religious factor is a good and instrumental determinant that affects tax audit (compliance) among SMEs in Ekiti State.

Furthermore, the changes in the level of variation, which stood at 37.10%, imply that the R² is averagely low, which could be attributed to the coefficients of the studied variables. However, the value of F-stat (41.09) and its probability P<0.05 suggests that the overall model is statistically significant.

Table 4: Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.381484	0.708783	3.359962	0.0009
SCF	-0.007669	0.064609	-0.118700	0.9056
PF	0.041260	0.051977	0.793812	0.4282
RF	0.664597	0.062764	10.58887	0.0000

R-squared	0.371048	F-statistic	41.09953
Adjusted R-squared	0.362020	Prob(F-statistic)	0.000000
Observation	213	Durbin-Watson stat	2.315792

Source: Authors' Computation (2023)

Table 5 shows the Breusch-Godfrey test result for autocorrelation from the value of the prob. Chi-Square of 0.1274, we cannot reject the null hypothesis of no autocorrelation, which is desirable

in the model and shows that there is no autocorrelation in the model.

Diagnostic Test

Table 5: Autocorrelation Test

F-statistic	3.619408	Prob. F(2,207)	0.2285
Obs*R-squared	7.196958	Prob. Chi-Square(2)	0.1274

Source: Authors' Computation (2023)

Table 6 displays the outcomes of the heteroscedasticity test, where the probability chi-square value is 0.5798. Based on this result, we do not have sufficient grounds to reject the null

hypothesis of homoscedasticity, which is a desirable characteristic for the model. Therefore, this suggests that the model exhibits homoscedasticity.

Table 6: Heteroscedasticity Test

Heteroskedasticity Test: ARCH

F-statistic	0.304105	Prob. F(1,210)	0.5819
Obs*R-squared	0.306557	Prob. Chi-Square(1)	0.5798

Source: Authors' Computation (2023)

Subsequently, the conducted the VIF test, as presented in Table 7. The multicollinearity test checks if the explanatory variables depend on each other. This test was conducted with the use of Variance inflation factors (VIF); the expectation is that all the centred VIFs should be less than 10. From the output of the VIF estimation, all the variables have a centred VIF lesser than 10. This result indicates that the regressors are independent of each other. Hence, the model passed the multicollinearity test.

Table 7: Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centred VIF
C	0.502373	59.93169	NA
SCF	0.004174	33.06571	1.157277
PF	0.002702	24.18275	1.217333
RF	0.003939	34.13391	1.056069

Source: Authors' Computation (2023)

5. Conclusion and Recommendations

The study empirically investigated the determinants of tax compliance among Small and medium-sized enterprises in Ekiti State, Nigeria. Particularly, the study was developed to test the effect of social-cultural, political, and religious factors on tax audit (compliance) among selected SMEs in Ekiti State. Evidence from the output of the result established that against all odds and expectations, social-cultural factors negatively and insignificantly affect tax compliance, and the political factor has a positive effect on tax compliance, leaving only religious factors which have a positive and significant effect on tax compliance among SMEs in Ekiti State. Based on the result, it can be affirmatively stated and established that religious factor strongly, positively and significantly determines tax compliance among SMEs in Ekiti State, Nigeria. The finding implies that owners and managers of SMEs have little or no trust in the Government or political office holders. This is not far-fetched from the current happenings in the economy whereby the Government has unanimously failed its citizens and yet expect tax return from its citizen. Khizar and Danish (2021) admonish the need for governments to build and maintain a healthy relationship with taxpayers to regain public trust and interest in tax matters. The willingness outplays the significance of the religious factor as a determinant of tax compliance volunteer and individual religious values (Ogiedu, 2020).

This is not to say that the Government cannot coerce anyone into payment of taxes, but considering the failure of the Government in many areas, such as infrastructures and basic amenities, food insecurity, fuel subsidies, etc., it becomes clear that the Government needs to provide answers on the usefulness of previous taxes for it to create a new relationship where taxpayer would be re-enacted into regular payment of taxes. In general, there is a prevailing belief that when government revenue is allocated to the creation of public goods that benefit society as a whole, taxpayers are more likely to view their contributions as part of a strategic collective action. This perspective implies that taxpayers recognize the importance of their role in financing public goods and are committed to fulfilling their tax obligations to the government in exchange for the provision of these benefits.

The study, therefore, recommended that in order to improve a better understanding in the dynamics of tax compliance among SMEs in the region, tax revenues should be allocated towards public goods that benefit society as a whole, whereby taxpayers may perceive their contributions as part of a strategic collective action, enhancing their commitment to paying taxes to the government in return. It is only when this recommendation is enforced that a reasonable compliance in the payment of taxes can be achieved among the tax payers in Ekiti State, Nigeria.

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