



Gusau Journal of Accounting and Finance (GUJAF)

Vol. 5 Issue 2, October, 2024 ISSN: 2756-665X

A Publication of
Department of Accounting and Finance,
Faculty of Management and Social Sciences,
Federal University Gusau, Zamfara State -Nigeria

© Department of Accounting and Finance

Vol. 5 Issue 2
October, 2024
ISSN: 2756-665X

A Publication of
Department of Accounting and Finance,
Faculty of Management and Social Sciences,
Federal University Gusau, Zamfara State -Nigeria

All Rights reserved

Except for academic purposes no part or whole of this publication is allowed to be reproduced, stored in a retrieval system or transmitted in any form or by any means be it mechanical, electrical, photocopying, recording or otherwise, without prior permission of the Copyright owner.

Published and printed by:

Ahmadu Bello University Press Limited, Zaria
Kaduna State, Nigeria.

Tel: 08065949711, 069-879121

e-mail: abupress2013@gmail.com

abupress2020@yahoo.com

Website: www.abupress.com.ng

EDITORIAL BOARD

Editor-in-Chief:

Prof. Shehu Usman Hassan

Department of Accounting, Federal University of Kashere, Gombe State.

Associate Editor:

Dr. Muhammad Mustapha Bagudo

Department of Accounting, Ahmadu Bello University Zaria, Kaduna State.

Managing Editor:

Dr. Umar Farouk Abdulkarim

Department of Accounting and Finance, Federal University Gusau, Zamfara State.

Editorial Board

Prof. Ahmad Modu Kumshe

Department of Accounting, University of Maiduguri, Borno State.

Prof Ugochukwu C. Nzewi

Department of Accounting, Paul University Awka, Anambra State.

Prof Kabir Tahir Hamid

Department of Accounting, Bayero University, Kano, Kano State.

Prof. Ekoja B. Ekoja

Department of Accounting, University of Jos.

Prof. Clifford Ofurum

Department of Accounting, University of PortHarcourt, Rivers State.

Prof. Ahmad Bello Dogarawa

Department of Accounting, Ahmadu Bello University Zaria.

Prof. Yusuf. B. Rahman

Department of Accounting, Lagos State University, Lagos State.

Prof. Suleiman A. S. Aruwa

Department of Accounting, Nasarawa State University, Keffi, Nasarawa State.

Prof. Muhammad Junaidu Kurawa

Department of Accounting, Bayero University Kano, Kano State.

Prof. Muhammad Habibu Sabari

Department of Accounting, Ahmadu Bello University, Zaria.

Prof. Okpanachi Joshua

Department of Accounting and Management, Nigerian Defence Academy, Kaduna.

Prof. Hassan Ibrahim

Department of Accounting, IBB University, Lapai, Niger State.

Prof. Ifeoma Mary Okwo

Department of Accounting, Enugu State University of Science and Technology, Enugu State.

Prof. Aminu Isah

Department of Accounting, Bayero University, Kano, Kano State.

Prof. Ahmadu Bello

Department of Accounting, Ahmadu Bello University, Zaria.

Prof. Musa Yelwa Abubakar

Department of Accounting, Usmanu Danfodiyo University, Sokoto State.

Prof. Salisu Abubakar

Department of Accounting, Ahmadu Bello University Zaria, Kaduna State.

Prof. Isaq Alhaji Samaila

Department of Accounting, Bayero University, Kano State.

Prof. Sunusi Sa'ad Ahmad

Department of Accounting, Federal University Dutse, Jigawa State.

Prof. OnipeAdebenege Yahaya

Department of Accounting, Nigerian Defence Academy, Kaduna State.

Prof. Saidu Adamu

Department of Accounting, Federal University of Kashere, Gombe State.

Prof. Farouk Adeza

School of Business and Entrepreneurship, American University of Nigeria, Yola.

Prof. Fatima Alfa

Department of Accounting, University of Maiduguri, Borno State.

Dr. Nasiru A. Ka'oje

Department of Accounting, Usmanu Danfodiyo University Sokoto State.

Dr. Aminu Abdullahi

Department of Accounting, Usmanu Danfodiyo University Sokoto, State.

Dr. Nasiru Yunusa

Department of Accounting, Ahmadu Bello University Zaria.

Dr. Aisha Nuhu Muhammad

Department of Accounting, Ahmadu Bello University Zaria.

Dr. Lawal Muhammad

Department of Accounting, Ahmadu Bello University Zaria.

Dr. Bashir Umar Farouk

Department of Economics, Federal University Gusau, Zamfara State.

Dr Emmanuel Omokhuale

Department of Mathematics, Federal University Gusau, Zamfara. State

ADVISORY BOARD MEMBERS

Prof. Kabiru Isah Dandago, Bayero University Kano, Kano State.

Prof A M Bashir, Usmanu Danfodiyo University Sokoto, Sokoto State.

Prof. Muhammad Tanko, Kaduna State University, Kaduna.

Prof. Bayero A M Sabir, Usmanu Danfodiyo University Sokoto, Sokoto State.

Prof. Aliyu Sulaiman Kantudu, Bayero University Kano, Kano State.

Editorial Secretary

Yazid Kabir Ibrahim

Department of Accounting and Finance, Federal University Gusau, Zamfara State.

CALL FOR PAPERS

The editorial board of Gusau Journal of Accounting and Finance (GUJAF) is hereby inviting authors to submit their unpublished manuscript for publication. The journal is published in two issues of April and October annually. GUJAF is a double-blind peer reviewed journal published by the Department of Accounting and Finance, Faculty of Management and Social Sciences, Federal University Gusau, Zamfara State Nigeria. The Journal accepts papers in all areas of Accounting and Finance for publication which include: Accounting Standards, Accounting Information System, Financial Reporting, Earnings Management, , Auditing and Investigation, Auditing and Standards, Public Sector Accounting and Auditing, Taxation and Revenue Administration, Corporate Governance Issues, Corporate Social Responsibility, Sustainability and Environmental Reporting Issue, Information and Communication Technology Issues, Bankruptcy Prediction, Corporate Finance, Personal Finance, Merger and Acquisitions, Capital Structure, Working Capital Management, Enterprises Risk Management, Entrepreneurship, International Business Accounting and Finance, Banking Crises, Bank's Profitability, Risk and Insurance Issue, Islamic Finance, Conventional and Islamic Banks and so forth.

GUIDELINES FOR SUBMISSION AND MANUSCRIPT FORMAT

The submission language is English and must be a well-researched original manuscript that has not previously been submitted elsewhere for publication. The paper should not exceed more than 15 pages on A4 type paper in MS-word format, 1.5-line spacing, 12 Font size in Times new roman. Manuscript should be tested for plagiarism before submission, as the maximum similarity index acceptable by GUJAF is 25 percent. Furthermore, the length of a complete article should not exceed 5000 words including an abstract of not more than 250 words with a minimum of four key words immediately after the abstract. All references including in text citation and reference list, tables and figures should be in line with APA 7th Edition publication manual. Finally, manuscript should be send to our email address elfarouk105@gmail.com and a copy to our website on journals.gujaf.com.ng

PUBLICATION PROCEDURE

After receiving a manuscript that is within the similarity index threshold, a confirmation email will be sent together with a request to pay a review proceeding fee. At this point, the editorial board will take a decision on accepting, rejecting or making a resubmission of the manuscript based on the outcome of the double-blind peer review. Those authors whose manuscript were accepted for publication will be asked to pay a publication fee, after effecting all suggested corrections and changes made on the manuscript. All corrected papers returned within the specified time frame will be published in that issue.

PAYMENT DETAILS

Bank: FCMB

Account Number: 7278465011

Account Name: Gusau Journal of Accounting and Finance

FOR INQUIRY, CONTACT

Dr. A.U. Farouk

Department of Accounting and Finance,

Federal University Gusau, Zamfara State.

elfarouk105@gmail.com

+2348069393824

FOR MORE INFORMATION, CONTACT

The Editor-in-Chief on +2348067766435

The Associate Editor on +2348036057525

OR visit our website on www.gujaf.com.ng or journals.gujaf.com.ng

TABLE OF CONTENTS

The Impact of Gender Diversity on Earnings Quality of Listed Financial Services Firms in Nigeria: Analysis of Two-Stage Least Squares <i>Joseph Olorunfemi AKANDE, PhD</i>	1-18
The Impact of Audit Quality on Firm’s Performance of Listed Consumer Goods Firms in Nigeria <i>Fatima Shehu Giwa, Prof. Benjamin Kumai Gugong, Gloria Pam Dachomo</i>	19-33
Women in Top Echelon Positions and their Effects on Carbon Emission Disclosure: Evidence from an Emerging Nation. <i>Saheed Olanrewaju Issa, Abdulkadri Toyin Alabi, Abdulbaki Teniola Ubandawaki</i>	34-47
CEO Characteristics and Financial Performance of Listed DMBs in Nigeria <i>Florence Bosede Ajagbonna, Benjamin Kumai Gugong, Augustine Ayuba, Idris Mohammed, Isuwa Dauda</i>	48-69
Post Covid-19 Pandemic: Comparative Study in the Value Relevance of Accounting Information Between Listed Manufacturing Firms and Listed Service Firms in Nigeria <i>Abbas, Abdulrahman Ngadi, Abubakar, Aliyu, Abdu, Abubakar</i>	70-87
Environmental and Social Information Disclosure Quality and Financial Performance of Listed Manufacturing Companies in Nigeria.: <i>Saka Tunde Abdulsalam, Ph.D</i>	88-108
The Impact of Corporate Social Responsibility on Bank Performance in Nigeria <i>Ibrahim Yinka Agbeyinka</i>	109-123
The Impact of Firm Characteristics on Accruals and Real Earnings Management of Listed Manufacturing Firms in Nigeria: <i>Muhammad, Aisha Chado</i>	124-142
The Impact of ESG Practices on the Risk Portfolio of Listed Oil and Gas Firms in Nigeria Using a Multilayered Criterion: <i>Joseph Olorunfemi Akande</i>	143-155
Effect of Selected Macroeconomic Variables on Stock Market Volatility in Nigeria <i>Hauwa Bayero Tijjani, Prof Sheikh Ahmad Abdullahi, Dr Ibrahim Mohammed, Dr Isma’il Tijjani Idris</i>	156-171
Moderating Effect of Audit Quality on Value Relevance of Fair Value Measurements Hierarchy of Listed Financial Services Companies: <i>Tesleem Olayinka Adeyemi</i>	172-202
Effect of Audit Quality Attributes and IFRS Adoption on Financial Reporting Quality of Listed Manufacturing Firms in Nigeria: <i>Muhammad, Aisha Chado</i>	203-221
Electronic Banking and Performance of Banking Sector in Nigeria <i>Kayode David Kolawole</i>	222-234

Do Audit Committee and Board Attributes Influence Environmental Disclosure: An Empirical Investigation of Listed Firms in Nigeria. Haruna Muhammed Musa	235-248
Impact of External Debts on Economic Growth in Nigeria Ibrahim Yinka Agbeyinka	249-261
Effect of Compliance Cost and Tax Burden on Tax Compliance of Small and Medium-Scale Enterprises in Benue State, Nigeria Okpe Caleb John, Prof. Aliyu Nuraddeen Shehu, Prof. Bello A. Ahmad, Ahmed Aliyu Abdullahi PhD, Mohammed Musa Abdulkarim PhD	262-282
The Effect of Bank Sectoral Credit and Exchange Rate on Financial Performance of Listed Manufacturing Firms in Nigeria. Ibrahim Kabir Adedeji, Dr Ibrahim Muhammed, Prof. Muhammed Habibu Sabari Prof. Abiodun Popoola	283-297
The Effects of Interest rate and Money Supply on Systematic Risk Associated with Return in Nigerian Exchange Adedokun Rofiat, Prof. Sani Abdullahi, Dr. Ibrahim Mohammed, Prof. Ahmad Dogarawa	298-314
Effect of Firm Attributes on the Growth of Healthcare Companies Listed on The Nigerian Exchange Group Salisu Isyaku Dahiru, Adeyemi Tesleem, PhD, Suleiman Salami, PhD	315-331
Corporate Social Responsibility and Performance of Firms in Lagos State Nigeria Kayode David Kolawole	332-343
Does Taxation Affect Banks' Profitability: Evidence from Nigeria Emmanuel Imuede Oyasor	344-356
Working Capital Management and Manufacturing Performance in Nigeria Adedeji Daniel Gbadebo	357-368
The Multidimensionality Foreign Direct Investment's Impact on The Economy Emmanuel Imuede Oyasor	369-383
Private Capital Formation, Public Sector Capital Formation and Economic Growth in South Africa. Ahmed Oluwatobi Adekunle ,.....	384-396
Macroeconomic Determinants and Stock Market Volatility amidst the Period of Economic Recession in Nigeria Hauwa Bayero Tijjani, Prof Sheikh Ahmad Abdullahi, Dr Ibrahim Mohammed Dr Isma'il Tijjani Idris	397-413

EFFECT OF COMPLIANCE COST AND TAX BURDEN ON TAX COMPLIANCE OF SMALL AND MEDIUM-SCALE ENTERPRISES IN BENUE STATE, NIGERIA

Okpe Caleb John

Department of Accounting
ABU Business School

okpecalebsmith@gmail.com 08069676289

Prof. Aliyu Nuraddeen Shehu

Department of Accounting
ABU Business School

nsaliyu99@yahoo.com 08038281578

Prof. Bello A. Ahmad

Department of Accounting
ABU Business School

belloma2000@gmail.com 08035296555

Ahmed Aliyu Abdullahi PhD

Department of Accounting
ABU Business School

aliyuaahmedabdullah@gmail.com 08023584830

Mohammed Musa Abdulkarim PhD

Department of Local Government and Development Studies,
Ahmadu Bello University Zaria, Nigeria.

mmusaq@gmail.com 07062021860

DOI: <https://doi.org/10.57233/gujaf.v5i2.16>

Abstract

Tax compliance is critical for small and medium-scale enterprises (SMEs) in Benue State, Nigeria, significantly affecting their growth and sustainability. The SME sector is pivotal to the economic growth and development of any nation and Nigeria is no exception. As a result, this study examined the effect of cost of compliance and tax burden on tax compliance of small and medium-scale enterprises (SMEs) in Benue State of Nigeria with the view to further provide empirical evidence on the factors affecting tax compliance. To achieve this, a survey of SMEs in the three senatorial districts of Benue state was conducted to collect data on the perceptions of SMEs on the effect of cost of compliance and tax burden on tax compliance in Benue State of Nigeria. The study's population comprised the 25,913 registered SMEs in Benue state of Nigeria. The sample size was 552 SMEs. This study employed the use a cross-sectional survey and correlational research designs. The sampling technique adopted stratified proportionate random. Data were collected through the use of questionnaires and analyzed using Partial Least Squares -Structural Equation Modelling (PLS-SEM). The study found that the cost of compliance and tax burden showed a positive and significant effect on the tax compliance of SMEs in Benue State of Nigeria. The study recommends that tax authorities to work astutely towards making compliance more affordable and straightforward for SMEs while also strengthening enforcement measures to discourage non-compliance. Tax authorities should come up with a simple, sufficient, tax return system to help taxpayers to complete their tax returns accurately. Government should formulate policies that aim to reduce the cost of compliance while ensuring a balanced tax burden could enhance voluntary compliance, leading to a broader tax base and more sustainable public finance.

Keywords: Tax payers, cost of compliance, tax burden, tax compliance, small and medium scale enterprises

1.0 Introduction

Tax compliance is an issue for any government the world over. This is because the government uses taxes as one of the economic tools for generating revenue. Taxes are enforced in nearly all nations of the world, mostly to increase money aimed at government expenditure, though they also have further uses (Mclure et al., 2015). This consists of providing funds for government and public developments as well as fostering a climate in the country that is conducive to corporate development. Deprived of taxes, governments would be incapable of satisfying the needs of their citizens (David, 2014). A few examples of these social factors are the provision of high-quality healthcare, high-quality education, strong governance, and infrastructure expansion such as roads, bridges, and transportation networks (Etim, 2020). Taxes serve as more than just a foundation for economic growth. Making the government liable to its taxpayers also helps to strengthen societies, markets, and democracies. According to Owen and Perry (2014), the lack of tax systems in emerging countries is a major cause of poor, ineffective governance, which results in an excessive reliance on financial support.

Due to the strict fiscal policies like the balance of payments deficits reduction through currency devaluation and budget deficits reduction through higher taxes and lower government spending adopted as part of the structural adjustment programmes (SAPs) that the World Bank and the International Monetary Fund (IMF) imposed on the Nigerian government in the 1990s, taxes in Nigeria account for 80% of the government's financial resources, with donations and credits providing a negligible portion (Muriithi & Moyi, 2003). Every business must submit tax returns and pay income taxes to the federal and state governments. Ignorance of the regulations is not a defense for breaking them (Adekoya et al., 2020). The more tax revenue the government can collect, the better for the people of the country and the businesses that operate there. Governments will be able to use the generated monies to build good roads, hospitals, good schools, provide steady power, pay workers on time and so much more. It therefore becomes important that individuals and businesses pay their taxes without defaulting any.

Without taxes, no nation would have survived. Tax payments are viewed as a mandatory civic obligation of both individuals and corporations. Without the direct and indirect collecting of money from their inhabitants in one way or another, whether they did so voluntarily or not, many of the world's great nations might not have existed. In both Europe and America, paying taxes is a civic obligation, and those who fail to do so may be sentenced to jail time. Nigeria and the majority of Africa, whose tax compliance is incredibly low, do not experience a situation that is comparable (Etim, 2017). The author continued by saying that Nigeria has realized the significance of the tax compliance issue to the country's current and future survival in the face of diminishing oil revenues. In a number of emerging nations, low tax compliance is a major cause for concern. This is because it restricts the government's ability to raise money for development initiatives. Every tax system deals with the issue of tax non-compliance, but given the scope of fraud that is practiced in Nigeria, the situation in Nigeria seems particularly unusual.

As earlier highlighted, SMEs in Nigeria most times blatantly and voluntarily refuse to pay taxes by registering losses each year (Etim et al., 2020). The author claims that many of these professional live lifestyles that are at odds with their reported wages because those incomes are unreasonably low given the nature of their jobs or their high-end lifestyle enterprises. The individual group of people in Nigeria who pay true taxes are governments employees and those on Pay as you Earn (PAYE). Nearly every taxpayer in Nigeria claims child allowance for four children! Similar to this, are those running their businesses who engaged in difference strategies to avoid, reduce or not pay their tax liabilities, in spite of tax provisions designed to

close gaps through which taxable persons can reduce their tax obligation (Salaudeen, 2022). This call for concern whether the relevant tax authority who are saddled with the responsibilities to check the taxpayer are doing their job in this capacity. Furthermore, tax reform initiatives that have been implemented in Nigeria to date have largely been directed at preventing and correcting issues brought on by the complexity of the tax system, the great tax burden, and the high cost of filing returns and paying tax, rather than addressing issues brought on by a lack of awareness and unfairness in the tax system (Olaniyi, 2023).

Most of the time, issues with poor tax compliance are only addressed in terms of potential causes, such as tax burden and complexity, without taking into account other variables that are also important in determining compliance behavior among SMEs (Oladipo, 2022). Taxation is undeniably a cornerstone of meaningful development. However, in Nigeria, the tax burden often feels disproportionately heavy, especially given the current socio-economic climate.

A thorough examination of the literature shows how many researches have looked into the factors that could affect SMEs' tax compliance. Nduruchi et al., (2017), for instance, looked at the one and only correlation between the cost of compliance and actual compliance. In contrast, Atawodi and Ojeka (2012) evaluated the impact of tax awareness on compliance, and Dlamini (2017) looked at the impact of compliance costs, good governance, and awareness on the degree of tax compliance among SMEs. Nearly in the same vein, Inasius (2018) evaluated the link between SMEs tax compliance, tax fairness, and tax awareness.

The cost of compliance was chosen for the study as a variable that might affect tax compliance. Ahmad, Abdul-Jabbar, and Samsudin (2019) also looked at the connection between tax compliance by SMEs and tax fairness. On the other side, Yusof, Ling, and Wah (2014) evaluated the impact of cost of compliance as a key predictor of tax compliance by SMEs. The effects of tax burden, tax fairness, and tax complexity on tax compliance were explored by (Korir et al., 2015). On the other hand, Kuug (2016) looked at compliance costs as a factor in determining the amount of tax compliance among SMEs. In their study, Daniel et al., (2016) examined the connection between tax compliance and awareness among SMEs in Nigeria.

These aforementioned studies have either studied one or more of the earlier highlighted independent variables in this study. This explicitly shows the individual importance of the independent variables of this study to may be influence tax compliance. However, none of the reviewed studies examined the effect of cost of compliance and tax burden among SMEs in Benue of Nigeria. It therefore becomes imperative that these two mentioned variables by different authors be incorporated into a single study; to examine the likely outcome they will have on the tax compliance level of SMEs in Benue State of Nigeria. This knowledge is not known in the literature. Therefore, this will amount to a great addition to the body of knowledge. Thus, this study will assess the influence of cost of compliance and tax burden on tax compliance level of SMEs in Benue State of Nigeria.

The overall objective of this study is to examine effect of tax compliance in small and medium scale enterprises in Benue State of Nigeria. The specific objectives of the study are to:

- i. Examine the effect of compliance cost on tax compliance level of small and medium scale enterprises in Benue State, Nigeria.
- ii. Explore the effect of tax burden on tax compliance level of small and medium scale enterprises in Benue State, Nigeria.

In line with the research objectives stated above, the following hypotheses are formulated in null form.

H₀₁: Compliance cost has no significant effect on tax compliance level of small and medium scale enterprises in Benue State, Nigeria.

H₀₂: Tax burden has no significant effect on tax compliance level of small and medium scale enterprises in Benue State, Nigeria.

The SMEs functioning in Benue State of Nigeria shall be the subject of this study. Benue State is predominantly agricultural state where the majority are farmers. It will be important to know the factors that influence tax compliance among the registered SMEs in Benue State of Nigeria. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) (2021) Benue State has 1,580 Nano businesses, 9,479 Micro businesses, 13,271 Small businesses and 1,580 Medium-sized enterprises totaling 25,913 registered SMEs cut across all the sectors of the economy of the state. It is thought that the study of SMEs in Benue State of Nigeria's food basket of the nation, is appropriate. The nature of this study will be cross-sectional survey and correlational research designs. This is viewed as the most appropriate for this study as the researcher would have to describe data and administer questionnaires. The respondents to this study will be any representative of the SMEs in Benue State of Nigeria who are knowledgeable about tax issues because they would have the data needed for the study. To measure tax compliance, two variables; compliance cost and tax burden were applied. Compliance cost and tax burden are the independent variables in this study. While the dependent variable in this study is the tax compliance level of SMEs in Benue State of Nigeria.

The findings of the study will guide tax authorities in their decision-making and policy to minimize the state's small and medium-scale businesses' failure to comply with their tax duties. The government will gain from this study by learning the effects of compliance cost and tax burden on SMEs' tax compliance. The government will also be aware of the key factors influencing SMEs' tax compliance as a consequence of this study. This will enable the government to modify its policies by the crucial factors that this study will disclose to influence tax compliance. This study may be used as a crucial reference point by future researchers who may desire to work on a related topic to obtain the materials they require.

The remainder of the paper is organized as follows. Section two reviews relevant literature relating to tax compliance, cost of compliance and tax burden, the underlying theory and the research framework, Section three deals with methodological issues of the paper, Section four analyzes the data and discusses the findings of the study, Section five concludes the study and proffers recommendations.

2.0 Literature Review

This section begins with the definition of key concepts central to the study, including tax compliance, compliance cost, and tax burden. It then provides a review of empirical studies related to these concepts. Finally, the section concludes with a discussion of the theoretical framework that underpins the research.

Tax Compliance

Tax compliance is a term that is often difficult to define in the literature. At its core, tax compliance refers to the voluntary and complete fulfillment of all legal tax obligations. It measures the extent to which taxpayers adhere to their nation's tax laws. James and Alley

(2004) define tax compliance as the ability of a taxpayer or taxable entity to comply with tax laws and regulations without the need for enforcement actions. Non-compliance can take various forms, such as failure to file a tax return on time, underreporting income, overstating deductions, or failing to pay taxes due by the required deadline. The compliance risk model identifies two primary factors that contribute to tax non-compliance: the rationality of economic systems and social challenges.

Effects of Tax Compliance

Various researchers, scholars, and stakeholders have identified several factors influencing tax compliance among small and medium-sized enterprises (SMEs). This study focuses on two specific factors compliance cost and tax burden which serve as the independent variables in the research.

Tax Burden

Tax burden refers to the financial obligation imposed by governments on individuals, businesses, or property. It is a complex concept often analysed to understand its broader implications on economic behaviour, social equity, and public policy. The tax burden is a critical variable in studies across economics, public finance, and sociology, offering insights into how taxation interacts with societal outcomes.

Smith and Johnson (2017) investigated the relationship between tax burden and tax compliance in OECD countries. Using secondary data from OECD databases, the study focused on tax-to-GDP ratios and tax compliance rates. Through panel regression analysis, which controlled for country-specific effects and time trends, the study revealed a non-linear relationship between tax burden and tax compliance in these countries.

Adenuga et al., (2019) explored the impact of tax burden and compliance costs on tax evasion among SMEs in developing economies. Using a mixed-method approach, the data was analysed through descriptive statistics and logistic regression. The study found that high tax burdens, coupled with significant compliance costs, often drive SMEs to evade taxes.

Gómez and Martínez (2018) examined the effect of tax burden on tax compliance within the informal sector in Latin American countries. A sample of 10,000 households and informal businesses was used for data collection, with Probit regression and cross-tabulation analyses. The findings revealed that a high tax burden significantly deters informal businesses from formalizing. However, lowering tax rates and simplifying registration processes could encourage formalization, thereby increasing tax compliance.

Kraus and Schneider (2016) studied how perceptions of the tax burden affect taxpayer compliance behaviour. Using a sample of 2,000 respondents (1,000 from each country), the data was collected via questionnaires and analysed using structural equation modelling (SEM). The study concluded that perceptions of fairness and efficiency in tax administration play a crucial role in shaping tax compliance behaviour.

Compliance Cost

Compliance cost refers to the expenses that taxpayers or businesses incur to meet tax regulations and fulfil their tax obligations. These costs go beyond the taxes paid and include expenses associated with understanding, preparing, and filing tax returns. According to Ayuba

et al., (2016), tax compliance reflects the ability and willingness of taxpayers to adhere to tax laws and regulations. Sapiei and Kasipillai (2013) assert that tax compliance involves the accurate reporting of income and deductions according to legal guidelines, while Marziana et al., (2010) define it as the degree to which taxpayers follow their country's tax rules. Agbadi (2011) emphasizes the importance of tax compliance for national development, as tax revenue plays a vital role in driving economic progress.

Mahangila (2017) investigated the impact of tax compliance costs on taxpayer behavior, using a laboratory experimental method. The sample included 75 SME entrepreneurs in Dar es Salaam, Tanzania. The results indicated that high tax compliance costs have a significant negative effect on tax compliance.

Marcuss et al. (2013), using survey data and secondary information from the US Internal Revenue Service (IRS), found that the complexity of the income tax system is positively associated with higher tax compliance costs. Similarly, Mogeni (2014) conducted a census survey of all 62 listed companies in Kenya. Data was collected via structured questionnaires and analysed using both descriptive and inferential statistics through SPSS. The results indicated that compliance costs negatively affect tax compliance levels.

Abdul Ghani et al. (2020) examined the effect of tax knowledge, compliance costs, complexity, and morale on tax compliance among the self-employed in Malaysia. Using a sample of 384 respondents, data was analysed using Smart PLS version 3. The study found that tax compliance costs significantly impact tax compliance among the self-employed.

Adhiambo and Theuri (2019) studied the effect of tax awareness and compliance costs on tax compliance among small-scale traders in Nakuru, Kenya. The study employed a descriptive research design, with a sample of 302 respondents drawn from a target population of 1,416 licensed small traders. Data was collected through structured questionnaires and analysed using both descriptive and inferential statistics. The findings indicated that compliance costs significantly influence tax compliance levels, among other factors.

Compliance Cost and Tax Compliance

Several studies have explored the effects of the compliance cost on tax compliance. Irefe-Esema and Akinmade (2020) examined the impact of tax automation on tax compliance in Nigeria, using the tax compliance metrics of the Organization for Economic Cooperation and Development (OECD), including registration, filing, reporting, and payments. The paper described the Nigerian e-tax system as semi-automated, with several manual processes involved in these compliance activities. Through structured interviews with tax professionals, including tax consultants and staff from the Federal Inland Revenue Service (FIRS), the study found that automation significantly improved tax registration and payment compliance, but not filing and reporting compliance. The lack of improvement in filing and reporting was attributed to technical barriers and the complex nature of Nigeria's e-tax system. The study highlighted how automation reduces tax evasion and corruption by eliminating physical contact between tax officials and taxpayers. However, the complexity of the electronic platform hindered the full benefits of automation in the Nigerian tax system. The findings emphasized the potential for achieving higher compliance with complete automation, prompting policymakers and tax authorities to consider full tax automation.

Oladele et al. (2019) assessed the effectiveness of tax enforcement tools in improving tax compliance and revenue generation in Ondo State, Nigeria. Using a survey research design, 150 respondents from the FIRS and the State Board of Internal Revenue were selected. The study found that tax audits ($p=0.03$) and penalties ($p=0.000$) had significant positive effects on tax compliance, with an increase in these enforcement measures leading to higher compliance levels. However, the study found no significant relationship between tax amnesty and tax compliance, likely due to the newness of the tax amnesty program. The study recommended sustaining tax audits and penalties to improve compliance and enhance government revenue in the face of dwindling oil revenues.

Mahangila (2017) evaluated the effect of tax compliance costs on tax compliance behavior, focusing on SMEs in Tanzania. The study found that as tax compliance costs increased, tax non-compliance also rose significantly. Similarly, Abdul and Wang'ombe (2017) studied the relationship between tax costs and compliance behavior in Kenya, particularly among small and medium-sized enterprises (SMEs). Using structural equation modeling (SEM), the study identified that tax compliance costs, especially those related to understanding and adapting to complex tax laws, negatively affected compliance.

Mogeni (2012) also assessed the impact of compliance costs on tax compliance for companies listed on the Nairobi Securities Exchange. Data collected via structured questionnaires revealed that higher compliance costs led to lower tax compliance among firms. This suggests that companies are less likely to meet their tax obligations when compliance costs are high.

These studies collectively focus on the impact of compliance costs on tax compliance behavior. However, this study distinguishes itself by incorporating additional variables that have not been widely explored. The review of literature underscores the need for further research on how compliance costs influence tax compliance, particularly among SMEs in specific regions.

Tax Burden and Tax Compliance

Few studies have investigated the relationship between tax burden and tax compliance. Vincent (2021) tested the reliability and validity of a new version of the tax compliance scale, extending Fischer's et al. (1992) model by incorporating constructs such as tax system complexity, noncompliance opportunities, deterrence measures, tax rate, attitudes, fairness perceptions, compliance costs, and information. The final questionnaire, administered to 392 SME owners across Nigeria, demonstrated strong internal consistency and reliability. The study concluded that the new scale effectively measures tax compliance and could be used to gauge compliance across different regions.

Ya'u et al. (2020) conducted an empirical analysis of the effects of economic deterrence variables and royalty rates on petroleum profit tax compliance (PPTC) in Nigeria's oil and gas sector. The study found a negative relationship between tax rate and royalty rates with tax compliance, while penalties and detection probability had a positive impact on compliance. The study highlighted the importance of using deterrence mechanisms to improve compliance in the oil and gas sector, which is crucial to Nigeria's economy.

Havrylyshyn (2018) evaluated the influence of tax burden on tax compliance behavior, focusing on corporate tax. The study found that both individual and corporate tax compliance were affected by the level of tax burden, revealing a significant gap in understanding the relationship between tax burden and compliance. This gap points to a need for further research,

which this study seeks to address by examining the influence of tax burden on compliance behavior.

In conclusion, a review of the literature shows that both compliance costs and tax burden play crucial roles in tax compliance behavior. However, existing research has not fully explored the combined effect of these variables on SMEs in specific contexts, such as Benue State, Nigeria. This study aims to fill that gap by investigating how both compliance costs and tax burden impact tax compliance behavior among SMEs in the region

Theoretical Framework

Benefit Received Theory

The Benefit Received Theory, also known as the Benefit Principle, is a concept in public finance and taxation that suggests that individuals and businesses should be taxed in proportion to the benefits they receive from government goods and services. This theory asserts that those who benefit more from public services or infrastructure should bear a larger share of the tax burden. The Benefit Received Theory posits a direct relationship between the taxes paid by individuals or businesses and the benefits they receive from government services (Gregory & Ndu, 2023). Those who receive more benefits should contribute more in taxes. User fees and charges for specific government services are often aligned with the Benefit Received Theory. Taxes on highways, entrance fees to parks, and utility charges may be considered forms of taxation where individuals directly pay for the services they use. The theory is frequently applied at the local level, where residents are taxed based on the specific services provided by the local government. Property taxes may fund local schools, and residents with higher property values may contribute more to the local education system (Pecenka, 2023).

Proponents of the Benefit Received Theory argue that it promotes fairness in taxation by linking the tax burden to the benefits derived from public services (Putri & Prihatiningtias, 2023). This principle suggests that individuals or businesses with higher incomes or greater usage of public services should pay a proportionally higher amount in tax. Benefit Received Theory is more commonly associated with regressive taxation (where the tax burden falls more heavily on lower-income individuals), it may conflict with the principles of progressive taxation, which aim to place a higher burden on those with higher incomes (Sasidharan & Duggal, 2023). Implementing the Benefit Received Theory in practice requires careful consideration of the relationship between specific taxes and the corresponding benefits. Policy decisions need to be made regarding the allocation of tax revenue to various public services (Yan, James & Cole, 2023).

The theory can be adapted to various types of services. Allocation of taxes can be used for road maintenance based on residents' proximity to and use of those roads, or a water utility might charge fees based on the volume of water consumed. The Benefit Received Theory represents one approach to designing a fair and equitable tax system, particularly at the local level (Tajuddin, Muhammad & Ibrahim, 2023). However, its practical application requires careful consideration of the specific services provided, measurement challenges, and the broader principles of taxation and fiscal policy.

Research Framework

The independent variables in this study are cost of compliance and tax burden. The dependent variable is tax compliance. It is expected that the independent variables in this study significantly influences the dependent variable of the study. The relationship between the dependent variable and independent variables is depicted in the figure below

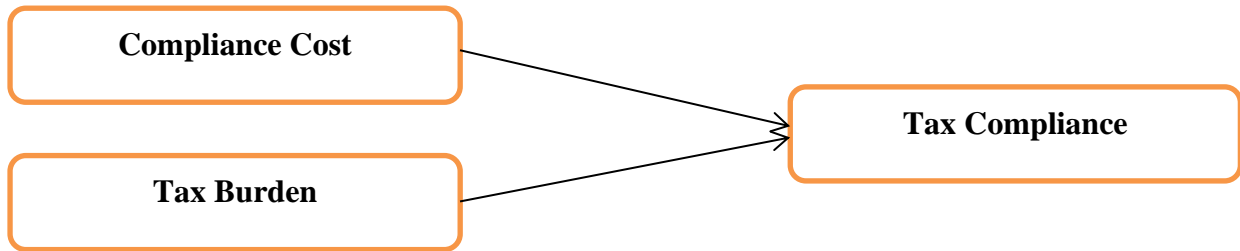


Figure 1: Research Framework

Source: The Author

3.0 Methodology

This study employed the use of a cross-sectional survey and correlational research designs. This is viewed as the most appropriate for this study as the researcher would have to administer questionnaires. The majority of researchers favor cross-sectional surveys since they are time and money efficient (Sekaran & Bougie, 2010). Thus, cross-sectional surveys are preferred by the majority of researchers (Kothari & Garg, 2014).

According to SMEDAN (2021), there are 1,580 Nano businesses, 9,479 Micro businesses, 13,271 small businesses and 1,580 medium-sized enterprises, adding up to 25,913 SMEs in Benue state of Nigeria. Therefore, 25,913 is the population for this study. The study utilized the formula of Dillman (2000) to arrive at a minimum sample size of the study.

Going by the formula of Dillman (2000), the minimum sample size for this study is 368. However, to cater for non-response bias, or for questionnaires not to fall short of the minimum sample size of the study, the minimum sample size is increased by 50% from 368 to 552 as suggested by Israel (2013). Therefore, the researcher distributes 552 copies of questionnaires to the respondents of the study. The respondents of this study will constitute any representative of SMEs who are knowledgeable about taxation operating in Benue State, Nigeria.

The survey uses a proportionate stratified sampling technique to distribute questionnaires to respondents. Stratified sampling is suitable where the sample to be drawn does not constitute a homogeneous group and the stratified sampling technique is generally applied to obtain a representative sample (Kothari & Garg, 2014). The SMEs in this study will be stratified based on the number of senatorial districts in Benue State of Nigeria. This will be done so that the whole of Benue state of Nigeria will be duly covered in this study. There are three senatorial districts in the State. The names are; Benue North Senatorial District, Benue South Senatorial District and Benue East Senatorial District. Table 1 presents information on the number of SMEs to be selected from each senatorial district of Benue State of Nigeria.

SMEs were arranged in order of senatorial district with the highest number of SMEs. Proportionate stratified sampling is calculated as: the number of SMEs in each senatorial district divided by the total number of SMEs in Benue, multiplied by the number of questionnaires to be distributed to respondents (e.g., Benue North-west will be calculated as $10,365/25,913 * 552 = 221$).

It can be seen as an attachment in appendix that Benue North-west has the highest number of SMEs operating in Benue State, while Benue South has the lowest number of SMEs. Consequently, Benue North-west will have the highest number of SMEs to be represented in this study, since it has the highest number of SMEs in the survey, and Benue South will have the least number of SMEs to be represented in this study. The data collected undergo processing using Partial Least Square Structural Equation Modeling (PLS-SEM) on SmartPls3.

4.0 Results and discussions

Response Rate

A total of 552 questionnaires were distributed and 436(79%) were retrieved. Data screening was carried out on the retrieved questionnaire out of which 318 (73%) were found to be useful. Thus, the analysis was based on 318 questionnaires duly filled and returned which represent (73%) of the total questionnaire retrieved. This response rate is considered sufficient for statistical reliability and generalization (Tabachnick & Fidell, 2014).

Demographic Profile of Respondents

Table 1

Demographic Characteristics of Respondents (n=318)

Characteristics	Frequency	Percentage	Cumulative Percentage
Gender			
Male	208	65.5	65.5
Female	110	34.5	100.0
Position			
Owner	223	70.2	70.2
Manager/CEO	95	29.8	100.0
Others	0	0	100.0
Academic Qualification			
O'Level	17	5.2	5.2
ND/NCE	33	10.4	15.6
HND/B.Sc.	214	67.3	82.9
Postgraduate	54	17.1	100.0

Source: Author compilation from field work, 2024.

Table 1 present the gender, position and academic qualification of the respondents. A significant portion of the respondents were male 65.5%, while female constitute 34.5%. This implies that more male gender owns/manage SMEs operations in Benue State of Nigeria. The job position of respondent is presented in table 2. 70.2% of the sampled respondents are owners of the business while 29.8% are Managers. This implies that there are more respondents as owner than managers. Lastly, the qualification of respondents indicates that majority of the respondents have HND/B.Sc. as minimum qualification 67.3% no of respondents. 17.1% has Postgraduate Certificate, 10.4% has ND/NCE Certificate and 5.2% has Secondary School Certificate. Thus, majority of the respondent which constitutes 94.8% have attained higher education.

Instrumentation and Measurement of Variables

Table 2: Variables Construct, Sources and Itemizations

Construct	Items	
Tax Compliance	5	Dependent
Cost Compliance	4	Independent
Tax Burden	4	Independent

Sources: Musimenta *et al.*, (2017), Andinata (2015) and Serem *et al.*, (2017)

Analysis and Results

Common method variance (CMV) that was also known as monomethod is applied when data was collected using questionnaire for both the dependent and independent variables from one single individual (Podsakoff *et al.*, 2003). In order to verify the possibility of CRV study adopted two procedural remedies. First, the study used elimination of ambiguous items from the adapted questionnaire and secondly, respondents' anonymity assured.

Based on what is obtainable in the literature on structural modeling, testing PLS-SEM path model involves two processes (Henseler, Ringle, & Sarstedt, 2015). These involve testing of measurement model and structural model.

Measurement Model Assessment

The outer loadings of the indicator should be higher than 0.70, but basis on the criterion outer loading indicators with a value of 0.40 and 0.70 should be considered for removal if such removal will result in an increased of composite reliability (Bagozzi & Yi1988; Hair *et al.*,2011; Hair *et al.*, 2014). The outer loading are higher than 0.70 as shown in Table 2. Similarly, when the outer loadings of an indicator is 0.40 and 0.70 as per each construct are said to be met the Individual item reliability requirement (Hair *et al.*, 2014) also shown in table 2. Furthermore, for an indicator to have a value of 0.70 or higher is said to meet with the internal consistency reliability requirement. Table 2 provides further details in this regard.

Convergent validity involves the degree of which each indicator reflects a convergence in relation to a construct and in comparison, to other indicators measuring other constructs (Urbach & Ahlemann 2010). This study assessed average variance extracted (AVE) scores, based on recommendations of Fornell and Larcker (1981). Therefore to have an adequate convergent validity, not less than 50% (0.5) of the assigned indicator's variance should be accounted by individual construct Chin (1998). Based on the above recommendation, the AVE of the latent for this study exceeded the minimum acceptable value of 0.5.

Measurement

model

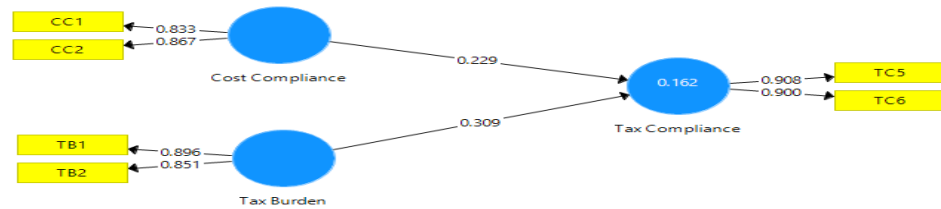


Figure 2: Measurement model

Table 3: Validity and reliability for construct

Construct	Item	Loadings	AVE	CR
Tax Compliance	We pay all our taxes with no outstanding	0.908	0.818	0.9
	We pay the actual taxes we are levied	0.9		
Tax Burden	Paying taxes is a big burden	0.896	0.763	0.866
	Sometimes we find paying taxes a problem	0.851		
Compliance Cost	The taxes we pay are on the low side	0.833	0.722	0.839
	We normally do not struggle to raise fund to pay our taxes	0.867		

Sources: Smart PLS output

Composite reliability values, which show the degree to which the construct indicators specify the latent construct, recommended value was 0.7 our result exceeded the recommended value, while average variance extracted, recommended value was 0.5 and that reflects the overall amount of variance in the indicators accounted for by the latent construct, our results exceeded the recommended value (Hair et al., 2013).

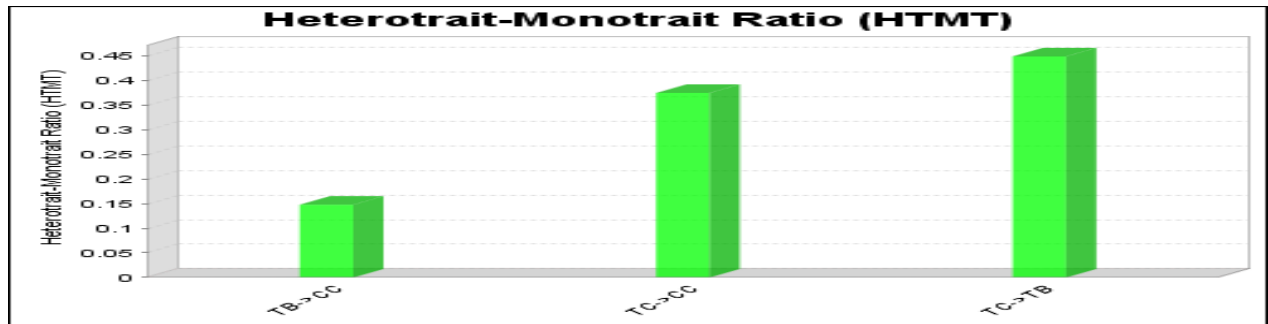
Table 4: Discriminant validity

	CC	TB	TC
CC	0.850		
TB	0.098	0.874	
TC	0.259	0.332	0.904

Sources: Smart PLS output

Discriminant validity assess the degree to which indicators differentiates across constructs.in other refers to the extent to which the measures are not a reflection of some other variables; this is indicated by low correlations between the measure of interest and the measures of other constructs. Table 4 shows that the square root of the AVE (diagonal values) of each construct is larger than its corresponding correlation coefficients pointing towards adequate discriminant

validity (Fornell & Larcker, 1981). Some recent criticism of the Fornell and Larcker (1981) criteria suggests that they do not reliably detect lack of discriminant validity in common research situations (Henseler, Ringle, & Sarstedt, 2015). Henseler et al.(2015) have suggested an alternative approach, based on the multitrait-multimethod matrix, to assess discriminant validity: the heterotrait-monotrait (HTMT) ratio of correlations (Henseler et al., 2015).



Source: Smart PLS 3 reports, 2024.

The study used the new method and tested Discriminant validity the result was presented in Table 3. Two methods were suggested to assess discriminant validity through HTMT: (i) criterion and (ii) statistical test., when you have the HTMT value that is greater than HTMT.85 value of 0.85 (Kline, 2011) or HTMT.90 value of 0.90 (Gold et al. 2001) this reveals a problem of discriminant validity. The second criterion by Henseler et al. (2015), is to test the null hypothesis ($H_0: HTMT \geq 1$) against the alternative hypothesis ($H_1: HTMT < 1$) and if the confidence interval contains the value one (i.e., H_0 holds) this shows an absent of discriminant validity. As presented in Table 4 all the values reported have passed the HTMT.90 (Gold et al., 2001) and also the HTMT.85 (Kline, 2011) and also the HTMT Suggestion also showed that the confidence interval upper limit is less than one on any construct thus indicate that all HTMT values are significantly difference from one therefore discriminant validity is ascertained.

Structural model

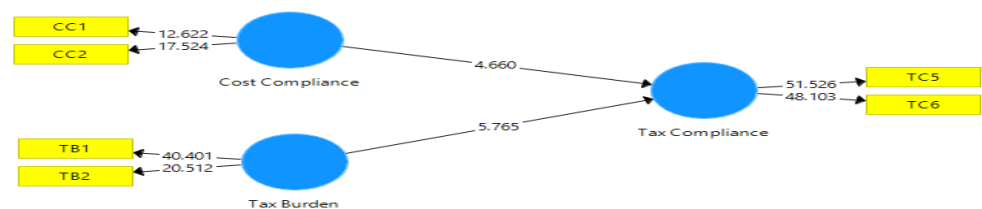


Figure 3: Structural model

Source: Smart PLS 3 reports, 2024

Table 5: Path Coefficient assessments

Path coefficient	Standard Deviation	T Statistic	P Value	Decision
------------------	--------------------	-------------	---------	----------

Cost Compliance ->Tax Compliance	0.234	0.049	4.660	0.000	Rejected
Tax Burden -> Tax Compliance	0.313	0.054	5.765	0.000	Rejected

Source: Smart PLS 3 reports, 2024.

To assess the structural model, Hair et al. (2013) states that by checking at the R^2 , beta, and corresponding t-values through a bootstrapping procedure using a resample of 5000. They further state that; the study needs to present a report on the predictive relevance (Q^2) and the effect sizes (f^2). First, the study looked at the relationships between the variables. Cost of Compliance positively and significantly affected Tax Compliance ($\beta=0.228$; $t=4.660$; $p < 0.00$). Tax Burden positively and significantly affected Tax Compliance ($\beta=0.309$; $t=5.765$; $p < 0.00$). Additionally, Tax Burden and Cost of Compliance explain 16.2% of the variance in Tax Compliance (R^2 , 0.162). The R^2 values as suggested by Falk and Miller (1992) that, for variance explained for a particular endogenous construct to be seen as adequate, R-square value should be equal to or greater than 0.10. Therefore 0.162 was higher this suggests that the model is substantial. However, in behavioral and social science studies, lower R values are in evitable or common because human behavior is influenced by different unobserved factor. For instance, tax compliance decisions are not only affected by cost compliance and tax burden but some other notable factors like trust in government, peer influence and enforcement mechanisms. Prior studies reported similar findings for example Alm and Togler (2006) reported that psychological and social factors, which are difficult to quantify play a significance role in compliance behavior. Next, the study checked for the effect sizes (f^2). In this study results, p-value reveals significance relationships among the variables but it does not reveals the size of an effect. Therefore, substantive significance (f^2) and statistical significance (p) must be ascertained and reported. In order to measure the effect size, the study used Cohen's (1988) suggestions, which are 0.02, 0.15 and 0.35 for small, medium and large effects respectively. The result reported reveals that all relationships possessed large effect. As brought forward by the blindfolding procedure, Q^2 indicates how fit data can be remodeled empirically using the model and the PLS parameters. In this study, Q^2 was attained using cross-validated redundancy procedures. If a Q^2 is greater than 0 is clear indication that the model possessed a predictive relevance, whereas a Q^2 less than 0 mean the model lacks predictive relevance. The study reported Q^2 of 0.126 which shows that the model is within the acceptable predictive relevance.

Discussion and conclusions

Among SMEs in Benue State, Nigeria, this study shows a strong positive correlation between tax compliance and tax burden as well as between tax compliance and compliance costs. The results indicate that SMEs are more likely to comply when the perceived costs of non-compliance, such as fines, legal action, and reputational concerns, exceed the costs of meeting tax responsibilities, even though higher compliance costs are often linked to lower compliance. This aligns with prior studies, such as Oladele et al. (2019), which highlight the deterrent role of enforcement mechanisms, and Irefe-Esema and Akinmade (2020), who emphasized the importance of addressing system complexities in Nigeria’s tax processes. Similarly, the positive relationship between tax burden and compliance suggests that SMEs perceive the tax system as credible and fair, aligning with Kirchler (2007) and Torgler (2003), who emphasize the role of equity and trust in fostering compliance. Effective enforcement methods that guarantee non-compliance is punished and serve as a psychological deterrent may also be reflected in this. In contrast to earlier research that looked at tax burden and compliance costs separately, this study emphasizes their combined impact in a setting where resource limitations, enforcement, and trust all have a big impact on SME behavior. These results imply that, although while SMEs might comply with more expenses and burdens because of perceived

justice and deterrent, compliance could be further improved by streamlining tax procedures, guaranteeing balanced tax rates, and bolstering enforcement measures. Fostering a more conducive tax environment for SMEs in Benue State requires a comprehensive strategy that strikes a balance between affordability, fairness, and openness.

Policy implications

The implication for policymakers and tax authorities is that reducing the cost of compliance could potentially lead to increased tax compliance. Simplifying the tax filing process, reducing paperwork, and providing clear guidance could lower compliance costs and enhance the willingness of SMEs to comply. Additionally, offering incentives, such as tax credits or deductions for compliant businesses, could further encourage voluntary compliance. Furthermore, this finding highlights the importance of maintaining a balanced tax burden. While higher taxes can lead to increased compliance, there is a threshold beyond which excessive tax burdens could lead to tax evasion or avoidance. Policymakers should ensure that tax rates are fair and justifiable, with adequate taxpayer education and enforcement mechanisms in place to maintain and even increase compliance levels. On a final note, this study also provides a methodological contribution to the body of knowledge by using partial least squares based structural equation modelling (PLS-SEM) to analyze the proposed model. Therefore, our results support the arguments forwarded by many scholars that the PLS approach should be used more because it can model latent constructs under conditions of non-normality in small to medium sample sizes (Hair et al., 2013), maximizing the explained variance of the endogenous variables, and prediction of values for latent variables using multiple regressions (Chin et al., 2008). Similarly, the study adopted the proposed measure of assessing the discriminant validity of the constructs, the heterotrait-monotrait (HTMT) ratio of correlations which is termed as a contribution to the field's methodology (Henseler et al., 2015), proposed based on the failure of the Fornell and Larcker (1981) criterion. Following their recent study, Voorhees et al., (2016) suggested and recommended the use of HTMT as an improved process of revealing discriminant validity.

5.0 Conclusion and Recommendations

The study's findings provide valuable insights into the tax compliance behavior of SMEs in Benue State, Nigeria. By understanding the critical roles that Cost of Compliance and Tax Burden play, tax authorities and policymakers can design more effective strategies to improve tax compliance. Balancing tax burden while reducing compliance costs could lead to better compliance rates, increased revenue, and a more robust business environment. Therefore, the study recommends:

1. **Simplified Tax Procedures:** To cut down on complexity and compliance expenses, implement a simplified tax regime with tiered structures, easily navigable digital platforms, and automated tax systems.
2. **Education and Outreach:** To inform SMEs about their tax responsibilities and the advantages of compliance, regularly offer training sessions, workshops, and easily accessible materials in their native tongues.
3. **Incentives for Compliance:** To reward companies that comply and inspire others to do the same, provide tax rebates, rate breaks, and public recognition initiatives.
4. **Fair and Equitable Tax rules:** To prevent overtaxing SMEs and expanding the tax base, make sure revenue rules are reasonable, equitable, and routinely reviewed.

5. Enhanced Enforcement: Employ data analytics, focused audits, and partnerships with financial institutions to discourage tax evasion.

Future directions and limitations

The study focuses exclusively on SMEs in Benue State, Nigeria. As a result, the findings may not be generalizable to SMEs in other regions of Nigeria or other countries with different tax environments, economic conditions, or compliance cultures. Depending on the sample size used in the study, there may be limitations in the representativeness of the findings. A small or non-representative sample could affect the reliability and validity of the conclusions drawn. By addressing these limitations and exploring these areas for further study, future research can build on the current findings to develop a more comprehensive understanding of tax compliance behavior among SMEs. Therefore, future studies should take into consideration the omitted variables in the model as highlighted above for example, peer influence and enforcement mechanisms. Similarly, studies could include behavioral elements like tax morale and trust in order to have a better understanding of compliance dynamics.

References

- Abdul Ghani, H. H., Abd Hamid, H., Sanusi., S & Shamsuddin, R. (2020). The effect of tax knowledge, compliance costs, Complexity and morale towards tax compliance among self-employed in Malaysia. *Global Business and Management Research: An International Journal*, 12, (1), 18-32
- Abdul-Jabbar, H., & Pope, J. (2008). Tax compliance costs of small and medium enterprises in Malaysia: Policy implications. *Open Journal of Business and Management*, 5(2), 145-152.
- Adekoya, A. A., Olaoye, A., & Lawal, A. (2020). Informal sector and tax compliance in Nigeria-challenges and Opportunities. *International Journal of Emerging Trends in Social Sciences*, 8(2), 57-69.
- Adenuga, F., Mwangi, K., & Boateng, A. (2019). Tax burden, compliance costs, and tax evasion: A study of SMEs in developing economies. *International Journal of Tax Research*, 18(4), 98-113.
- Agbadi, S. B (2011) Determinants of tax compliance: A case study of vat flat rate scheme traders in the Accra Metropolis. Thesis submitted to the Institute of Distance Learning, Kwame Nkrumah University of Science and Technology
- Ahmad, F. A., Abdul-Jabbar, H., & Samsudin, R. S. (2019). [The effect of tax moral on sales tax compliance among Jordanian SMEs](#) *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 9(1), 30-41.
- Alm and Togler (2006) Culture differences and tax morale in the United States and in Europe. *Journal of Economic Psychology*, 27(2), 224-246.
- Allingham, M., G., & Sandmo, A., (1992). Income tax evasion: A theoretical analysis. *Journal of Public Economics*, 2(4), 34-41.
- Andinata, M. C. (2015). Analysis of factors affecting compliance individual taxpayers in paying taxes (Case Study in Pratama Tax Service Office in Surabaya Rungkut in Surabaya). Surabaya: University of Surabaya

- Arachi, G., & Santoro, A. (2007). Tax enforcement for SMEs: Lessons from the Italian experience? *Journal of Tax Research*, 5(2), 225-243.
- Atawodi, O. W., & Ojeka, S. A. (2012). Factors that affect tax compliance among small and medium enterprises (SMEs) in North Central Nigeria. *International Journal of Business and Management*, 7(12), 12-21.
- Ayuba, A., Saad, N & Ariffin, Z. Z (2016). Does perceived corruption moderate the relationship between economic factors and tax compliance? A proposed framework for Nigerian small and medium Enterprises. *Mediterranean Journal of Social Sciences MCSEER Publishing, Rome-Italy Vol. 7 No 1*.
- Bagozzi, R. P., & Yi, Y. (1988). The evaluation of structural equation models. *Journal of the academy of marketing vol. 16*, 74-94.
- Bisrat, A. (2010). An examination of the link between tax administration and value added tax compliance in Ethiopia, Addis Ababa Ethiopia.
- Chin, W.W., Johnson, N., & Schwar, A. (2008). A fast form approach to measuring technology acceptance and other constructs. *Journal of management information systems research center, university of Minnesota vol. 32 no.4 pp. 687-703*.
- Chin, W.W (1998), Commentary issues and opinion on structural equation modeling. *Journal of management information systems research center, university of Minnesota vol. 22 no.1 pp. vii-xvi*
- Cohen, J. (1988). *Statistical power analysis for the behavioral sciences*, Hillsdale, NJ: Lawrence Erlbaum
- Daniel, A., & Akowe, A., & Awaje, A. (2016). Tax compliance behaviour of small scale enterprises in Bassa local government area of Kogi state. *Journal of Good Governance and Sustainable Development in Africa*, 3(1), 58-72.
- David, C. (2014). The importance of taxes. Retrieved from <https://richardklein CPA.com/importance-of-taxes/>. Accessed on 11/09/19
- Dejan, R. (2019). Tax-related burden on SMEs in the European Union: The case of Slovenia. *Mediterranean Journal of Social Sciences*, 10(2), 69-79.
- Dillman, D. A. (2000). Mail and internet surveys: The tailored design method. In Lindner, J. R., Murphy, T. H. & Briers, G. E. (2001). Handling nonresponse in social science research. *Journal of Agricultural Education*, 42(4), 43-53.
- Dlamini, B. (2017). Determinants of tax non-compliance among small and medium enterprises in Zimbabwe. *Journal of Economics and Behavioural Studies*, 9(4), 242-250.
- Etim, R. S., Jeremiah, M. S., & Dan, P. B. (2020). Tax compliance and digitalization of Nigerian economy: The empirical review. *American International Journal of Social Science*, 9(2), 42-50.
- Etim, R. S., Jeremiah, M. S., & Dan, P. B. (2020). Tax compliance and digitalization of Nigerian economy: The empirical. *Review. American International Journal of Social Science*, 9(2), 42-50.

- Etim, U. (2017). Voluntary tax compliance in Nigeria: Beyond the Silhouette of VAIDS. Retrieved from <http://accountingbychoice.com/voluntary-tax-compliance-in-nigeria/>. Accessed on 10/09/19.
- Falk, M. & Miller, A. G. (1992), Infrared spectrum of carbon dioxide in aqueous solution vibrational spectroscopy vol.4 issue 1, pp. 105-108.
- Fornell, C. & Larcker, D. F. (1981) Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Science*, Vol. 18, issue 1, pp. 39-50.
- Gold, A. H., Malhotra, A., & Segars, A. H., (2001), Knowledge management: An organizational capabilities perspective. *Journal of Management Information Systems* Vol. 18, issue 1, pp. 185-214.
- Gómez, R., & Martínez, P. (2018). The Impact of Tax Burden on Tax Compliance in the Informal Sector: Evidence from Latin America. *Journal of Development Studies*, 54(7), 987-1005.
- Gregory, A. A., & Ndu, O. M. (2023). Tax collection, utilization systems and the performance of small and medium scale enterprises in Nigeria: A multivariate approach. *Journal of Tax Reform*, 9(2), 134-144.
- Hair, J., Black, W., Babin, B., & Anderson, R. (2014). *Multivariate data analysis (7th ed.)*. UK: Pearson New International Edition.
- Hair, J., Ringle, C. M., & Sarstedt, M. (2013), Partial least squares structural equation modeling rigorous applications, better results and higher acceptance. *Long range planning* Vol. 46, Issue 1-2 pp 1-12.
- Hair, J., Ringle, C. M., & Sarstedt, M. (2011), PLS-SEM: Indeed a silver bullet. *Journal of Marketing Theory and Practice* Vol. 19, 139-152.
- Hansford, A. & Hasseldine, J. (2012). Tax compliance costs for small and medium sized enterprises: The case of the UK. *E-Journal of Tax Research*. 10. 288-303
- Henseler, J., Ringle, C. M., & Sarstedt M. (2015). A new criterion for assessing discriminant validity in variance-based structural equation modeling. *Journal of the Academy of Marketing Science*. Vol.43, pp 115-135
- Inasius, F. (2018). Factors influencing SME tax compliance: Evidence from Indonesia. *International Journal of Public Administration*, 1–13.
- Irefe-Esema, J., & Akinmade, B. (2020). Automation and tax compliance: Empirical evidence from Nigeria. *American Journal of Theoretical and Applied Business*, 8(3), 45-58.
- Isreal, G.D. (2013). Determining sample size. Institute of Food and Agriculture Sciences (IFAS), University of Florida, PEOD-6, 1-5
- James, S. & Alley, C. (2004) Tax compliance, self-assessment and tax administration. *Journal of Financial and Management in Public Services*, 2, 27-42.
- Kline, B. (2011), The Bayesian and frequentist approaches to testing a one-sided hypothesis about multivariate mean. *Journal of Statistical Planning and Inference* Vol. 141 issue 9 pp. 3131-3141.

- Korir, J., Adoyo, P., Isaac, N., Aila, F. O., Mule, R. K., Ogut, A. S., Onchonga, D. M., Okungu, A. E., Omoke, J. O., & Momanyi, G. (2015). Determinants of tax compliance among small taxpayers in Western Kenya. *Greener Journal of Economics and Accountancy*, 4(1), 9-20.
- Kothari, C. R., & Garg, G. (2014). *Research methodology; Methods and techniques* (3rd ed.). New Delhi: New Age International Limited.
- Kraus, M., & Schneider, K. (2016). Behavioral responses to tax burden: The role of taxpayer perceptions in compliance decisions. *European Economic Review*, 75(1), 205-220
- Kuug, S. N. (2016). Factors influencing tax compliance of small and medium enterprises in Ghana. Thesis submitted to the University of Ghana, Legon.
- Mahangila D. N., (2017) The impact of tax compliance costs on tax compliance behaviour journal of Tax Administration Vol 3:1*
- Marziana, Bt. Hj. M., Norkhazimah Bt. A., & Mohmad, S. B. D. (2010), The relationship between perceptions and level of compliance under self-assessment system. A study in the east coast region. *Journal of Global Business and Economics*, Vol. 1. No.1 pp 241-257
- Mclure, C., Neumark, F., Cox, M. (2015). Taxation. retrieved from <https://www.britannica.com/topic/taxation>. Accessed on 11/09/19.
- Mogeni, E. D (2014) The effects of compliance cost on tax compliance of companies listed at the Nairobi Securities Exchange. Thesis submitted to the University of Nairobi
- Muriithi, M. M., & Moyi, E. (2003). Tax reforms and revenue mobilization in Kenya. *African Economic Research Consortium*, 1-28.
- Musimenta, D., Nkundabanyanga, S. K., Muhwezi, M., Akankunda, B., & Nalukenge, I. (2017). Tax compliance of small and medium enterprises: a developing country perspective. *Journal of Financial Regulation and Compliance*, 25(2), 149–175.
- Nduruchi, G. M., Makhoka, E. N., & Namusonge, G. (2017). Determinants of tax compliance among small and medium enterprises in Bungoman County, Kenya.
- Oladele, R., Aribaba, F. O., Ahmodu, A. L. O., Yusuff, S. A., & Alade, M. (2019). Tax enforcement tools and tax compliance in Ondo State, Nigeria. *Academic Journal of Interdisciplinary Studies*, 8(2), 27.
- Oladipo, O. A., Nwanji, T. I., Eluyela, F. D., Godo, B., & Adegboyegun, A. E. (2022). Impact of tax fairness and tax knowledge on tax compliance behavior of listed manufacturing companies in Nigeria. *Problems and Perspectives in Management*, 20(1), 41-48.
- Olaniyi, O. O., Ayoola, T. J., Wright, O., Aregbesola, O. D., & Kolawole, P. E. (2023). Tax administration and personal income tax compliance in Nigeria: A PLS-SEM approach. *International Journal of Applied Economics, Finance and Accounting*, 17(1), 117-126.
- Omondi, J. A. & Theuri, J. M. (2019). Effect of taxpayer awareness and compliance costs on tax compliance among small scale traders in Nakuru town, Kenya. *International Academic Journal of Economics and Finance*, 3(3), 279-295
- Owens, J., & Perry, R. (2014). Why tax matters for development. Retrieved from http://oecdobserver.org/news/archivestory.php/aid/2943/Why_tax_matters_for_development.html. Accessed on 10/09/19.

- Pecenka, J. (2023). *Development on Decline: Enterprise Zone Policy, Austerity Governance, and Employment Outcomes* (Doctoral dissertation, University of Colorado at Denver).
- Putri, S. A., & Prihatiningtias, Y. W. (2023). The mechanism and benefits of receiving government facilities in bonded zone for tax and financial report: A Case Study. *Telaah Ilmiah Akuntansi dan Perpajakan, 1*(4).
- Podsakoff, P. M., Mackenzie S.B., Lee J.Y., & Podsakoff, N. P. (2003) Common method biases in behavioral research: A critical review of the literature and recommended remedies. *Journal of applied psychology, 88*(5), 879
- Salaudeen, Y. M., & Abdulwahab, S. S. (2022). Corporate governance mechanism and tax compliance: The Nigerian Experience. *European Journal of Business and Management Research, 7*(2), 45-54.
- Sandford, C. (2000). *Why tax systems differ? A comparative study of the political economy of taxation*. Bath: Fiscal Publications.
- Sapieil, N. S., & Kasipillai, J. (2013), Impacts of the self-assessment system for corporate taxpayers. *American Journal of Economics, 2013, 3*(2): 75-81
- Sasidharan, A., & Duggal, M. (2023). Does sustainability matter for firm value: Evidence from China. *International Journal of Management and Business Research, 7*(3), 12-22.
- Schoonjans, B., Van Cauwenberge, P., Reekmans, C., & Simoens, G. (2011). A survey of tax compliance costs of Flemish SMEs: Magnitude and determinants. *Environment and planning. Government and Policy, 29*(4), 605–621. -143.
- Sekaran, U., & Bougie, R. (2013). *Research methods for business: a skill-building approach* (6th ed.). West Sussex: John Wiley & Sons Ltd
- Serem, W., Robert, K., & Phillip, O. (2017) The effect of tax system simplicity on tax compliance among the rental income earners in Kenya. A case of Eldoret Central Business District. *European Journal of Business and Innovation Research, Vol.5, No.5*, pp 13-22.
- Small Medium Scale Enterprise Development Agency Nigeria and National Bureau of Statistics Collaborative Survey: Selected Findings (2021).
- Smith, J., & Johnson, L. (2017). The relationship between tax burden and tax compliance: evidence from OECD Countries. *Journal of Public Economics, 45*(3), 229-245.
- Tabachnick, B. G., Fidell, L. S. (2014). *Using multivariate statistic* (6th ed). Boston: Pearson
- Tajuddin, T. S., Muhammad, I., & Ibrahim, M. A. (2023). Trust in tax authorities, tax fairness and tax Morale: *A Conceptual Review. I-iECONS e-proceedings, 136-149*.
- Urbach, N., & Ahlemann, F. (2010). Structural equation modelling in information systems research using partial least squares. *Journal of Information Technology Theory, 11*(2), 5–40.
- Vincent, O. (2021). The development of a scale to measure SMEs tax compliance in Nigeria: An adaptation of Fischers model. *Journal of Accounting and Taxation, 13*(3), 132-143.
- Voorhees, C. M., Brady, R. C., & Ramirez, E. (2016), Discriminant validity testing in marketing: an analysis, causes for concern and proposed remedies. *Journal of Academy of Marketing Science, Vol. 44*, pp. 119-134.

- Yan, Y., James III, R. N., & Cole, C. (2023). Racial disparities in charitable giving: Evidence from health retirement Study. *Consumer Interests Annual*, 69.
- Ya'u, A., Saad, N., & Mas'ud, A. (2020). Effects of economic deterrence variables and royalty rates on petroleum profit tax compliance in Nigeria: an empirical analysis. *International Journal of Energy Sector Management*, 14(6), 1275-1296.
- Yusof, A. M., Ling, N. M., & Wah, Y. (2014). Tax non-compliance among SMCs in Malaysia: tax audit evidence. *Journal of Applied Accounting Research*, 15(2), 215-234.