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Research Article

Tax Administration in Nigeria: A Primary Determinant for Effective Revenue Generation

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Abstract: The lack of government accountability and fiscal openness, organisational approaches to tax laws, and technology are all factors that contribute to Nigeria's poor tax compliance level. The study's goal was to concentrate on the factors that affect how effectively taxes are administered in Nigeria. The study used a quantitative research methodology based on survey research. Selected corporate tax payers in seven (7) locations in Nigeria-Abuja, Kaduna, Kano, Maiduguri, Lagos, Ibadan, and Port Harcourt-were given the adopted questionnaires. General managers, operations officers, and tax officials received 1600 questionnaires. 1300 of them were sent back for analysis. The PLS approach was the method employed to carry out the study's intended goal. According to the results, accountability, organisational style, tax regulations, and technology all significantly and positively influence how well taxes are administered in Nigeria. Although motivation is a good thing, it is not significant at all. This demonstrates that motive has little bearing on how effectively taxes are administered in Nigeria. The study suggested that because these factors play a crucial role in increasing efficiency, tax authorities should take into account expanding and tightening accountability, organisational strategy, tax laws, and technology.
Keyword: Accountability, organizational approach, tax laws, motivation, technology, tax administration.

Introduction

Nigeria currently offers a wide range of opportunities for taxable activities, and if these opportunities are adequately gathered and managed, the government will get sizable tax revenue. However, due to the ineffectiveness and inefficiency of the tax administration system as well as other factors, the nation has seen a large number of cases of tax evasion and dodging. According to Out and Adejumo (2013), revenue mobilisation is a crucial economic issue since it determines how the government will obtain the funds necessary to fund its operations. Government may choose to wisely use tax revenue as needed to carry out its traditional duties, including the supply of public goods, upkeep of law and order, protection against external aggression, and regulation of commerce and business to preserve social and economic stability. According to Joshi, *et al.,* (2014), "*some informal sectors operate with significant levels of income evasion and avoidance due to lack of government accountability, fiscal transparency, effective and efficient tax administration*". According to Baunsgaard and Keen (2005), "*tax revenue collection largely depends on government ability and efficiency in tax collection process".*

Statement of the Problem

It has been noted that low tax compliance levels in Nigeria are a contributing factor to a number of problems; therefore, "*the significance of fiscal responsibility and transparency, organizational* *strategy, tax laws, and technology cannot be understated*" (Adeyee and Otusanya, 2015). According to Mrak (2014), the widespread perception of tax compliance in Nigeria is bad. This is regarded as a serious worry since it will lead to a reduction in the essential tax revenue, which is desired to pay for public services, as well as an increase in the tax burden for individuals and companies that follow the law.

Objective of the Study

To focus on the elements of tax administration efficiency in Nigeria.

Literature Review

Tax Revenue

Tax revenue is viewed as a tool the government uses to cover costs and assist in reaching long-term growth objectives. As a result, "*taxes' characteristics can aid in forecasting a growth pattern*" (Romer and Romer, 2010). According to Umoru and Anyiwe (2013), "*Nigeria's taxation policy is geared at achieving a number of specific goals, including generating income and supporting economic growth".* According to Musgrave and Musgrace (2004), *the employment, prices, and growth that taxes has on the economy also have micro implications on how income is distributed and how effectively resources are used. Meanwhile, the government's top priority has been the efficient collection and wise use of taxes to promote economic prosperity using all existing materials".*

According to Bassey (2013), a tax is a mandatory levy that people and organisations must pay to the government in line with set standards, but for which the taxpaying party receives no direct or particular benefit. Nzotta (2007) identified four crucial factors that, in terms of taxation-related issues, need to be understood. A tax imposes a common duty on the taxpayer in addition to being an obligatory contribution given by the public to the government for a common good. Thirdly, the benefits obtained are presumed to be greater than the tax payer's contribution to public revenue. Lastly, a person is not subject to taxation by the government just because it has provided him or his family with a specific service. As a result, it has been observed that a sound tax system can play a diversity of roles in a nation's economic growth, and Nigeria is no different (Appah, 2010).

Efficient Tax Administration

Ogbonna (2009) cited a few reasons for inefficient tax administration. A number of factors contribute to inefficient tax administration, such as a lack of appropriately skilled workers, a lack of independence, poor record-keeping, a lack of openness and accountability, dishonesty, and poor service. Usually, tax administrations confront a variety of problems with tax collection due to the state of the economy and the attitudes of taxpayers. Additionally, the incapacity of tax administration leads to poor management.

According to Gurama and Mansor (2015), any contemporary and effective tax management must assess its tax laws and tax administration methods in order to implement new tactics and effective tax procedures that encourage accountability and openness throughout all administrative procedures. Joon and Kim (2011) emphasise that by creating effective tax policies, tax laws, self-sufficient administration, staff and taxpayers' motivation, as well as an important responsibility by the government, the job of the tax administration might be improved.

Empirical Review

Attempting to highlight the essential components of the study, Aliyu, Kumai, and Mustapha (2022) used a systematic conceptualization and the usage of pertinent related theories. In light of the impact of globalization and the prevalence of profit shifting, they assessed Nigeria's tax administration. The report suggests that in order to identify weak spots and strengthen them, the Nigerian tax administration conduct a thorough evaluation of its policy and information technology infrastructure. Ogbonna and Appah (2016) look at the influence of tax collection and administration on Nigeria's economic expansion. The findings show an essential correlation between personal income tax revenue (PITR) and per capita income, corporate income tax revenue and Nigeria's GDP, VAT revenue and PCI, petroleum profit tax revenue and GDP, and tax administration and GDP. Therefore, the study draws the conclusion that, throughout the study period, tax administration and revenue did have an impact on Nigeria's economic progress. It suggests, among other things, that more reforms in tax administration and collection are required in order to, if at all possible, eliminate the areas that may result in revenue leakage because of flaws in tax collection and payments from the establishments, which is proficient of restraining the country's economic progress.

In their research, Ogbonna and Appah (2012) examined the effects of petroleum revenue on Nigeria's economy. Secondary and primary data were employed in the investigation. Questionnaires were used to collect primary data, while the central bank of Nigeria's statistical bulletin from 1970 to 2009 was used to gather secondary data. According to their findings, which were backed by descriptive statistics and ordinary least square regression, petroleum revenue had a beneficial impact on Nigeria's per capita income and GDP.

Yahaya (2009) used the survey research method to conduct a study to look into the difficulties with taxation in the Kwara state. The Kwara State Board of Internal Revenue used an administrative questionnaire to gather primary data on tax officers. Statistics that are both descriptive and inferential were used to analyse the data. The main social problems impeding efficient taxation, according to the report, are dishonesty, unawareness of tax law, and tax dodging. It also demonstrates that the main managerial issues that prevented Kwara State from implementing effective and efficient taxation included faulty recordkeeping, failure to enforce tax laws, inefficient use of collected taxes, and a lack of capacity to monitor tax payments, among others.

Theoretical Framework

Benefit Received Theory (BRT)

According to this view, the state should tax citizens in proportion to the value of their benefits from public spending. An individual should pay more tax to the government the more benefits they received from the state's operations. In other words, this idea operates under the premise that a tax payer and the state essentially have a business or commercial relationship. The government is intended to use tax income to offer typical advantages to the people. It is not meant to benefit any one person directly or specifically. By taxing the rich more heavily than the poor, one goal of taxation is to redistribute income. Therefore, if the BRT argument is to be used, the poor pays more than the rich as the majority of government spending is made with the intention of helping the poor more. Second, taxation centred around the BRT won't generate sufficient revenue for the state as numerous individuals who are able to pay high taxes could actually end up paying less since they receive little benefit from state initiatives. This viewpoint is in opposition to the notion of justice.

Research Method

The investigation used a quantitative research methodology based on survey research. Selected corporate taxpayers received the adopted questionnaires. The sample size was drawn at random from the company taxpayers in six (6) states, one in each of the country's six (6) geopolitical zones, and Abuja, the federal capital territory, out of the total population of corporate taxpayers in Nigeria. All the seven (7) towns are Abuja, Kaduna, Kano, Maiduguri, Lagos, Ibadan and Port Harcourt. 1600 questionnaire were distributed to general managers, operations officers and tax officers. Out of which 1300 were returned for the analysis.

The Model

TA = F(AT, MV, OA, TL, TC)…………1

Where:

TA = Tax administration

AT = Accountability

MV = Motivation

OA = Organization approach
TL = Tax laws
TC = Technology

Data Analysis

A sample size of 1300 people was used to estimate the model for this study, and the PLS technique was the instrument employed to achieve the intended research goals. SEM analysis is typically approached in two ways. The measurement model's validity and reliability were examined as part of the first step of the methodology. Testing the hypotheses is the second part of the process.

Utilising the composite reliability, which is less biased than the Cronbach alpha, it was determined whether surveys were internally consistent. The study used the composite reliability of 0.7 as a benchmark to establish the internal consistent reliability.

Table 1. Outer Model Measurements

Constructs	Composite Reliability	Cronbach's Alpha	Communality
AT	0.805	0.678	0.509
MV	0.734	0.521	0.410
OA	0.769	0.660	0.330
TA	0.813	0.723	0.424
TL	0.721	0.555	0.346
TC	0.761	0.606	0.453
Source: Author's computation (2023)			

Table 1's report displays a minimum value of 0.72, which is higher than the cutoff value. It demonstrates that the objects' measurements were accurate. According to the model's R^2, its assumptions account for 83 percent of the data. While 17% provided other explanations that were not included in the current study's model.

Table 2. Latent Variable Correlation Matrix

Constructs	AT	MV	OA	TA	TL	TC
AT	1.000					
MV	0.786	1.000				
OA	0.396	0.764	1.000			
TA	0.215	0.560	0.697	1.000		
TL	0.395	0.463	0.572	0.752	1.000	
TC	0.056	0.107	0.199	0.255	0.216	1.000
Source: Author's computation (2023)						

The requirements for measuring discriminating validity have been met, according to the table above. There is no value greater than the AVE's square root.

Table 3. Estimated Path Coefficients

Constructs	Coefficients	Standard Deviation	T-statistics	Decision
AT	0.446	0.465	4.148***	Maintained
MV	0.069	0.074	0.754	Not maintained
OA	0.222	0.198	2.152**	Maintained
TL	0.397	0.387	4.622***	Maintained
TC	0.093	0.084	1.999*	Maintained
Note: *** *** * significant at 1, 5 and 10 percent level respectively.				
Source: Author's computation (2023)				

The Structural Model and Hypotheses Testing

After determining that enough testing of the constructs' validity and reliability had been done, the SEM estimation approaches were used to evaluate the hypotheses. The outcome that was obtained after bootstrapping and running the algorithm. The findings show that accountability (AT) and tax administration efficiency (TA) have a positive and significant connection (=0.4458, t = 4.1479, 0.001). This suggests that tax management in Nigeria is becoming more effective because of accountability. The association between motivation (MV) and the effectiveness of tax administration is positive and negligible (= 0.0687, t = 0.7542, 0.100). Connection between organizational approach (OA) and tax administration effectiveness is positive and significant at 5% (= 0.2219, t = 2.1519, 0.005).This demonstrates how organizational strategy greatly enhances the effectiveness of tax administration. Tax laws (TL) result (= 0.3969, t = 4.6218, 0.001) demonstrates a positive and substantial connection with efficient tax administration at 1%. The technology (TC) result revealed a substantial and favorable association between tax administration efficiency at 10% (= 0.2219, t = 2.1519, 0.005).

Research Findings

Accountability, organizational style, tax legislation, and technology all significantly and favorably influence how effectively taxes are administered in Nigeria. While incentive is strong, it is not at all substantial, demonstrating that it has no bearing on how effectively taxes are administered in Nigeria.

Conclusion and Recommendation

The government and other stakeholders are concerned about the requirement for proper or adequate tax administration since poor tax administration could have negative effects on the nation's overall ability to maintain a stable revenue base at any given time. The study finds a strong connection between responsibility, organisational style, tax laws, technology, and the effectiveness of tax administration. The study suggests that because these factors play a key part in enhancing the effectiveness of tax administration, tax authorities should take into account expanding and tightening accountability, organisational strategy, tax laws, and technology. So as to increase efficiency, which will result in more revenue creation for the nation. Given that taxation as a form of revenue collection for the nation is projected to persist given its large influence on the revenue base, further initiatives may be needed to maintain a competitive atmosphere and improve the involved institutions for efficiency and profitability.

Declarations

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