

Boosting Tax Revenue in Nigeria: A Reflection of Revenue Authority's Tax Monitoring Model

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Abstract
The study examined the effect of tax monitoring and education on government's internally generated revenue by State governments in Nigeria. To achieve the objective of the study, two hypotheses were formulated and stated thus: There is no significant relationship between revenue authority's tax monitoring and internally generated revenue and there is no significant relationship between education/literacy and internally generated tax revenue. Survey research design was adopted while the study objectives guided the empirical review. Primary data were collected using structured questionnaires, while formulated hypotheses were analyzed using regression and Pearson product moment correlation in SPSS. The result of the study showed that there was a significant positive relationship between continuous tax monitoring and internally generated revenue. The study also found out a positive relationship between tax education/literacy and tax compliance among tax payers. It was recommended that effective tax monitoring by the authorities and regular education of tax payers on the benefits of paying tax, would ensure improved revenue generation in Nigeria.
Keywords: Taxation, Revenue Generation, Tax Monitoring, Tax Education.

1.0 Introduction

Governments, the world over, exist primarily to better the life of its citizens through the protection of lives and property of its citizens, maintenance of law and order, provision of social amenities and other infrastructure. These responsibilities can only be carried out where there exists adequate revenue to embark on them. Such government revenue must be generated internally or externally as the case may. Tax revenue (being one of the internally revenue sources) seems to be the obvious choice and remains the most reliable source of revenue to government, be it state, federal or the local government tier to meet their expenditure needs. 'Oil booms are no more hence most developing countries now struggles' (Obara & Nangih 2016). Osundina & Olarewaju (2012) opined that tax is a major player in every society of the world and the tax system put in place is an opportunity for government to collect additional revenue needed in discharging its obligations. Dennis & Emmanuel (2014) asserted that taxation has a significant contribution to revenue generation. It is therefore very essential for government's tax policies and administration to be properly designed and tailored to achieve efficiency in revenue generation.Over the years, some studies have been carried out on taxation problems facing Nigeria and other developing economies. Kanu et al (2014) identified inherent problems of poor governance, lack of transparency and accountability and administrative bottlenecks as those that have prevented most state revenue authorities from actualizing their set internally generated revenue targets. To the best of our knowledge, scholars in Nigeria have not done enough to examine the effect of tax monitoring and education on internally generated revenue by states' Internal Revenue Services. This constitutes a knowledge-gap which needs to be explored. This study was intended to fill that gap.

2.0 Literature Review

The ineffective taxation of entities could be linked to the depleted government coffers. Nigeria's economy is oil-based. As such government, has been battling with the problem of how to raise enough revenue to meet its cash obligations. Currently, over 70 percent of Nigeria's budget is spent on recurrent expenditure chiefly on wages, utilities, and rents. This action has led serious decay in infrastructure and health facilities. However, a report by World Bank showed that government was doing little to drag the SMEs into the tax net as a way to increase its revenue base. The inability of government to collect revenue was forcing it to depend on the ever-dwindling oil revenue, import tariffs and duties. This overdependence on the import duties constitute anti-competition, which in turn affect the prices of goods and services adversely.

2.1 Theoretical Framework

The researchers based the study on some key taxation theories. These include: The Taxable Capacity and the Equal Sacrifice Theories of Taxation. The Theory of taxable capacity is essentially connected with the Theory of ability to pay. The theory emphasizes that the capacity of the tax payers should be considered in the setting of tax policies and the amount of taxes to be paid. It advocates that on no account, should the burden be so high to deter the tax payers from voluntarily complying with tax payment. Stamp (2000) defines "Taxable capacity as that maximum amount which the community is able to bear towards the expenses of public authorities without having a really unhappy and down-trodden existence and without dislocating the economic, organization too much".

The theory of equal sacrifice on the other hand emphasizes fairness, which is the hall mark of a good tax system or policy. The principle of equity and fairness in tax states that tax payers with different amounts of resources and different amount of income should pay taxes at different rates to the government. A traditional justification for progressive taxation is that it causes all taxpayers to sacrifice equally. The equal sacrifice doctrine can be traced back to J. S. Mill, who argued for it as a principle of distributive justice. Taxes must only be fair but must be seen to be fair. It only at that point the tax paying public will see the tax system to be acceptable. Wartick (1994) summarized "that there is a greater tendency for tax evasion when the tax system is perceived to be inequitable, and that it is often said that if there is widespread tax evasion, then it is the system of taxation that is at fault and not the tax payer.

2.2 Concepts of Tax, Tax Compliance, and Revenue Generation

Tax can be defined as "a charge on income of individuals and corporate bodies by the government" (Abdulahi 2012). In simple terms, a tax is a compulsory contribution levied by a sovereign power (usually the government or its agencies) on the incomes profits, goods, services, or property of individual and corporate persons, trusts and settlements. Such taxes when collected are used in carrying out governmental activities; for example, maintenance of law and order, provision of infrastructures, health, and education of her citizens, or as a fiscal tool for controlling the economy. Taxation, on the other hand, is the process involved in administering and collecting taxes. It involves formulation up to utilization (Abdulahi 2011).

Internally generated public revenue could be defined as the revenue or funds generated by the government internally to finance government activities. It means the total fund generated by government (Federal, state, local government/ to meet their expenditure for a fiscal year. Obara and Nangih (2016) posits that Taxation is seen globally as the best means of generating revenue internally.

Revenue Generation on the other hand is the process of sourcing for revenue by the government to carry out its activities. Fayemi (1991) defined revenue as all tools of income to government such as taxes, rates, fees, fines, duties, penalties, rents, dues, proceeds and other receipt of government to which the legislature has the power of appropriation. He further classified government revenue into two kinds – recurrent revenue and capital revenue.

2.3 Revenue Authority's Tax Monitoring, Tax Education and Illiteracy of Tax Payers

The socio-demographic traits have some positive bearing on tax revenues. Accordingly, the citizens' level of education has a strong impact on tax compliance level. Essentially, the capacity to read and to write is very crucial for the tax payer's understanding of the tax laws, processes, and procedures. Machogu and Amayi (2013) revealed that education has a positive relationship with voluntary tax compliance. This agreed with similar studies carried out by Khalfan (2010), Lubua (2014) and Nyamwanza, et al (2014). Ameyaw et all (2016) argued that tax compliance can only be measured when the tax payer's liability is accurately computed. They further argued that illiterate tax payers can either be under paying or over paying tax. They concluded that most tax payers in Nigeria's lack of expertise to interpret tax laws and computations could be responsible for their low compliance level. International Adult Literacy Survey (IALS) defines literacy as "the ability to understand and employ printed information in daily activities, at home, at work and in the community - to achieve one's goals, and to develop one's knowledge and potential." Similarly, the UNESCO describes "literacy is the ability to identify, understand, interpret, create, communicate and compute, using printed and written materials associated with varying contexts." Thus, through the literacy level, the tax compliance levels differ as the level of understanding of taxation and tax issues vary with the citizens.

The effect of literacy level and tax revenue is evidenced by some studies that underpin the relevance of the administration costs of taxes. Riezman and Slemrod (1987) investigated the importance of tax collection costs on fiscal decisions in developing countries. The result of their findings was that a low literacy imposes countries to rely more on import and export taxes and, on the other hand, an increase in literacy is associated with a decline in the percentage of revenue accounted for by the trade taxes. That evidences that the literacy level of the citizens of a country and tax payers by extension, has a positive impact on their level of tax compliance. This is because they know why they should pay tax and the effect of not paying tax.

Tax authority's regular tax monitoring has a relationship with level of tax compliance by citizens. The high level of illiteracy among tax payers in developing countries requires some level of deliberate policy of tax monitoring to ensure compliance. Such monitoring exercises, are done on regularly basis, usually monthly, to remind tax payers of their tax obligations. Evidence show that tax monitoring has been used as a tool by the Rivers State Internal Revenue Services to boosts revenue generation. Revenue staff are formed into monitoring groups, charged with mobilizing taxes in sectors or zones; as the case may be. They are made to be responsible for their individual group or sector. Incentives are given to those who meet revenue targets and or bring more tax payers into the tax net.

2.4 Development of Research Hypotheses

From the above literature review, the following hypotheses were developed in the study;

H01: There is no significant relationship between Revenue Authorities' Tax monitoring and revenue generation.

H02: There is no significant relationship between tax education and literacy and tax compliance among tax payers in Nigeria.

3.0 Research Methodology

The researcher adopted the survey approach. The study was limited to State revenue authorities in the south-south region of Nigeria, including Rivers, Bayelsa, Edo, Delta, Akwa-Ibom and Cross Rivers States. 222 respondents consisting of Senior staff of States Internal Revenue Services, particularly staff of their Tax monitoring and Collection Units, were randomly selected by the researchers. These constituted the sample size used for the study. Administered questionnaires were well structured; validated and reliably tested to ensure high quality of the study result. Formulated hypotheses were tested with statistical tools simple regression and correlation analysis. The Statistical Package for Social Sciences(SPSS) Version 21 was used for the analyses. The hypotheses testing was done at a 0.05 level of significance. If the probability level which was computer generated, was equal to or less than 0.05, the null hypotheses was rejected, and the alternative hypotheses accepted and vice versa.

4.0 Data Analysis, And Discussion of Findings

Hypothesis 1: Effective Tax Monitoring does not significantly influence government's revenue generation in Nigeria.

Table 4.1 shows that 222 respondents were used in the analysis. The Pearson correlation analysis yielded a coefficient of .933 which indicates a high positive relationship between responses on Revenue Authority's Tax monitoring and Revenue Generation. This implies that as the respondents' scores on Revenue Authority's Tax Monitoring increase, their scores on the Revenue Generation increase likewise.

Table 4.2 above shows the summary table of the regression analysis of the influence of Tax monitoring on Revenue Generation. The coefficient of correlation (r) = .933 while the coefficient of determination (R2) = .871. This implies that about 87.1% changes in Revenue Generation are accounted for by changes in Tax Monitoring. Hence the remaining 12.9% changes in Revenue Generation are due to changes in other factors than Tax monitoring. It therefore implies that Tax monitoring has high positive influence on the Revenue Generation in Nigeria. This provides an answer to the research question one which asks: "How does Revenue Authority's Tax Monitoring and Education affect Revenue Generation in Nigeria?"

Table 4.2 also shows that the correlation coefficient of .933 is significant at 0.05 level of significance because the sig. for 2-tailed (at df=1,91) which equals 0.000 < 0.05. Therefore, reject the null hypothesis which states that Tax Monitoring does not significantly influence Government's Revenue Generation in Nigeria. Hence, accept the alternative hypothesis.

Therefore, effective Revenue Authority's tax monitoring has high positive and significant influence on the government' revenue generation of State governments in Nigeria. This result is expected and not surprising because one of the dwindling Internally generated revenue currently being experienced by governments at all levels, especially in developing countries. Due to continuous poor revenue generation, governments may fail in its responsibilities to its citizens which may lead to anarchy, insecurity and at the very extreme a failed-state. This agrees with the findings of Kenny and Winer (2006). It also concurred with the studies embarked upon by Reizman and Slemrod, where they used the average years of educational attainment in the adult population as a measure for literacy/literary.

Hypothesis 2: Effective Tax education/literacy does not significantly influence Tax compliance in Nigeria.

Table 4.3 shows that 222 respondents were used in the analysis. The Pearson correlation analysis yielded a coefficient of .721 which indicates a high positive relationship between responses on Effective tax education/literacy and Tax compliance by tax payers. This implies that as the respondents' scores on Effective Tax education/literacy increase, their scores on Tax compliance increase likewise.

Table 4.4 above shows the summary table of the regression analysis of the influence of Effective tax education and Tax compliance. The coefficient of correlation (r) = .721 while the coefficient of determination (R2) = .698. This implies that about 69.8% changes in tax compliance are accounted for by changes in Effective Tax education/literacy. Hence the remaining 30.2% changes in Tax Compliance are due to changes in other factors than Effective tax education/literacy. It therefore implies that Effective tax education/literacy has high positive influence on Tax compliance in Nigeria. This provides an answer to the research question one which asks: "How does Effective Tax education/literacy affect Tax compliance in Nigeria?"

Table 4.8 also shows that the correlation coefficient of .721 is significant at 0.05 level of significance because the sig. for 2-tailed (at df=1,91) which equals 0.000 < 0.05. Therefore, reject the null hypothesis which states that

Effective Tax education/literacy does not significantly influence voluntary tax compliance in Nigeria. Hence, accept the alternative hypothesis.

Therefore, effective Tax education/literacy has high positive and significant influence on the tax payers' voluntary compliance to tax payment in Nigeria. This result is expected and not surprising because one of the dwindling Internally generated revenue currently being experienced by governments at all levels, especially in developing countries. Due to continuous poor revenue generation, governments may fail in its responsibilities to its citizens which may lead to anarchy, insecurity and at the very extreme a failed-state. This agrees with the works of Adeniran et al (2013).

5.0 Summary, Conclusion, and Recommendations.

The result of this study revealed the following that Effective Revenue Authority's Tax Monitoring has a significant contribution to Government's Revenue generation among state governments in Nigeria. While Effective Tax education/literacy impacts positively on the level of voluntary compliance to tax.

The study concludes that the ability of tax authorities to ensure tax monitoring and education/literacy will greatly enhance governments generation.

Learning from the summary of findings and conclusions above, the researchers therefore made the following recommendations:

1. Tax laws should be made simple and to the understanding of the tax payers. This will enhance voluntary compliance. Tax filing should also be simplified and automated.
2. The tax authorities or the government carry out tax census aimed at capturing all tax payers and bring in more into the tax net. An up to date tax data base of tax payers, well classified into formal and informal sectors, should be maintained by the authorities for effective monitoring.
3. The authorities should embark on aggressive monitoring and effective enforcement of all tax laws. Logistics should be provided in that regard to make for seamless and effective monitoring.
4. Public establishments and sensitization campaigns should be regularly carried out by the revenue authorities on the benefits of paying taxes. Such methods as radio, television, and newspaper programmes, adverts in local languages, holding of town hall meetings should be regularly carried out by tax authorities.
5. The tax authorities should recruit, train and properly motivate high level skilled personnel to administer taxes in their various jurisdictions.

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Table 4.1: Correlation Analysis of the Responses on Revenue Authority's tax monitoring/education and revenue generation

		Rev Generation	Tax monitoring
Pearson Correlation	Revenue Generation	1.000	.933
	Tax monitoring	.933	1.000
Sig. (1-tailed)	Revenue Generation	.	.000
	Tax monitoring	.000	.
N	Revenue Generation	222	222
	Tax monitoring	222	222

Source: Research Output 2017.

Table 4.2: Regression Analysis of the Responses on Tax Monitoring and Revenue Generation

Model	R	R Square	Change Statistics		
			df1	df2	Sig. F Change
1	.933[a]	.871	1	95	.000

Source: Research Output 2017.

Table 4.3: Correlation Analysis of the Responses on Effective Tax education/literacy and Tax compliance

		Tax Compliance	Effective Tax education/literacy
Pearson Correlation	Tax Compliance	1.000	.721
	Effective Tax education/literacy	.721	1.000
Sig. (1-tailed)	Tax Compliance	.	.000
	Effective Tax education/literacy	.000	.
N	Tax Compliance	222	222
	Effective Tax education/literacy	222	222

Source: Research Output 2017.

Table 4.4: Regression Analysis of the Responses on Effective Tax education/literacy and Tax compliance

Model	R	R Square	Change Statistics		
			df1	df2	Sig. F Change
1	.721[a]	.698	1	95	.000

Source: Research Output 2017.