

Tax Knowledge, Compliance Cost and among Small Scale Enterprises in Ibarapa East Local Government Council of Oyo State, Nigeria

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Abstract

The study investigated the influence of tax knowledge and compliance cost on tax compliance among small scale enterprises in Ibarapa East local Government council of Oyo state with a particular emphasis on the sachet water industry. The research adopted the descriptive survey design. The study populations are the entire staff of all the pure water factories from the selected local government councils of Oyo state. The data was collected by administering the questionnaire to a total number of 625 members of staff. Inferential conclusions were formed from the coding of quantitative data in the Statistical Package for Social Sciences (SPSS) data editor, and the analysis's findings were presented using descriptive statistics such response frequencies. Findings showed that there is a strong positive relationship between tax compliance and tax knowledge of small-scale enterprises operators in Oyo state and also there is significant relative influence among compliance cost, tax knowledge and legal frame work of small-scale enterprise on tax compliance in sachet water industry. Based on the above findings, this study concludes that there is the need for a more nuanced and comprehensive approach to enhancing tax compliance among small-scale industries, as exemplified by the sachet water factories in Oyo State. Recognizing that enforcement alone is insufficient, the study advocates for the cultivation of a culture of compliance through education, simplified procedures, and tailored support programs. The study therefore recommended that the government can effectively bridge the knowledge gap that often hinders small sachet water businesses from navigating the complexities of taxation by designing and executing such educational campaigns and also develop tailored support programs targeted at small-scale sachet water enterprises.

Keywords: Compliance Cost, Sachet Water Industry, Tax Compliance, Tax Knowledge

Word Count: 269

Introduction

The significance of tax administration difficulties has also been emphasized by tax history scholars, according to them, corporate income and progressive individual income taxes have usually replaced excise, customs, and property taxes in the formation of current tax structures (Olalere & Adeyemo, 2020). The growth of the market sector, the relative decrease of the rural sector, the concentration of employment in larger businesses, and the rising literacy rate of the populace have all contributed to this transition. Globalization and financial innovation may now be pushing us away from progressive income taxes and toward tax systems that rely more on broad-based consumption taxes like the value-added tax (VAT), flatter tax rates, and other improvements in tax administration technology (Lumumba et al., 2019).

The primary duty of any responsible government, be it local, state or federal, includes provisions of security, educational and social amenities. In order to perform all these duties effectively, and appropriately, the government will need a lot of money (Mankiw et al., 2020). This is one of the major reasons why governments always looks into different ways of getting funds to execute it governmental responsibility, apart from the neutral resources that may accrue to the government on its physical, environment and social jurisdiction, government also has a way of making all the citizenry contributing their quota towards obtaining the needed fund (James & Alley, 2019).

This is carefully done through introduction of various taxes by government i.e government always imposes tax on it subject for the benefit of the subject too. Thus, the issue of tax is second to none in the process of good governance. What then is regarded as tax?

Tax is a mandatory payment given to the government by people or corporations that is usually based on income or profits produced. Governments utilize taxes to raise income, which is then used to pay public services and programs like healthcare, education, and infrastructure development. In this response, according to two researchers (Adewuyi & Akintoye, 2020), it is a crucial tool for supporting economic development and lowering income inequality. According to authors, an efficient tax system can assist the government collect money, minimize income disparity, and encourage economic growth. They also point out that taxation can be utilized to promote environmental sustainability by incentivizing enterprises to use environmentally friendly activities.

Income tax, sales tax, property tax, and corporate tax are all examples of taxation. The tax rate and structure may differ based on the country and the tax system in existence. In general, government institutions such as the Internal Revenue Service (IRS) in the United States or the Nigeria Revenue Authority (NRA) in Nigeria collect taxes (Ahmad & Bird, 2020)

The administration and collection of taxes by tax authorities involves a number of phases and operations, collectively referred to as the tax process (Igbokwe-Ibeto et al., 2021). It covers the entire spectrum of tax compliance, from the registration of taxpayers to the estimation, collection, and prospective audit of taxes due. Despite possible variations among countries, the tax system generally adheres to a similar foundation. Taxpayer registration is the first step in the tax procedure. Taxpayers must register with the appropriate tax authorities on behalf of themselves or their businesses. In order to establish their tax identity and reporting responsibilities, this entails giving the appropriate data and supporting paperwork (McBarnet, 2019). Taxpayers must keep thorough records of their financial activities, income, outgoings, and other pertinent data in order to file their taxes on time. Through tax returns that detail their tax liability in accordance with the relevant tax rules and regulations, they are required to transmit this information to the tax authorities on a periodic basis (Ogundele, 2020)

The purpose of this study is to look into the factors that influence tax compliance in Small scale enterprises Ibarapa East local Government council of Oyo state using sachet water industry as our point of focus. The specific objectives are to:

- i. Investigate the legal framework of small-scale enterprises and determine if it enhances compliance in Oyo state.
- ii. Determine how small-scale operators tax knowledge affects their tax compliance in Oyo state.
- iii. Examine how tax compliance cost affect the small-scale enterprise tax compliance in Oyo state.
- iv. Proffer solutions for improving tax compliance among Oyo state small scale enterprises.

Literature Review

Concept of Tax

A tax is a financial charge or levy that the government imposes on citizens, businesses, or other organisations in order to fund public goods and services. Taxes must be paid in accordance with the law, and failing to do so may result in fines or other repercussions (Bamberg & Möser, 2020). Taxes are essential for the government's revenue-generation, infrastructure development, provision of public goods and services, and wealth redistribution. Taxes are used to support a variety of government functions, including paying for public services including infrastructure, healthcare, education, and social welfare as well as sustaining the rule of law. Additionally, they play a role in economic regulation and use incentives and disincentives to change people's behavior (Bamberg, Hunecke, Blöbaum & Reusswig, 2019). Taxation guidelines are the ability to give direction on the application and administration of taxes, the government or tax authorities adopt a set of rules, regulations, and principles. These rules provide a foundation for understanding the rights, obligations, and processes relating to taxation for taxpayers, tax experts, and tax administrators. They seek to guarantee the tax system's consistency, justice, and transparency. The following are some significant areas that tax regulations cover.

The ability-to-pay concept states that in order to achieve a fair distribution of the tax burden, people with greater incomes should be required to pay a higher percentage of taxes. The benefit principle states that those who gain more from government services and programs need to pay more in taxes. Equity: Taxation systems that employ progressive tax rates in which the tax burden rises with income levels—aim for justice and equity. Ease of Use and Efficiency: An effective tax system reduces taxpayers' administrative expenses and compliance requirements while attaining revenue targets (Brose, West & Michie, 2021).

Governments impose a number of different taxes to raise money and pay for public spending. Here are some descriptions of typical tax types: Income taxes are imposed on both individuals and businesses depending on their earnings or income. Since income tax rates are frequently progressive, those with higher incomes must pay a larger share of it in taxes.

Concept of Tax Compliance

The act of adhering to the rules and obligations established by the government regarding the payment of taxes is referred to as tax compliance. It entails accurately reporting income, figuring out how much tax is required and paying it, as well as completing tax returns and other relevant paperwork by the deadlines. Tax law violations may incur penalties, fines, or

legal repercussions. There are two major types of Tax Compliance which are as follows.

Voluntary Compliance: When people and organizations willingly and proactively meet their tax duties without being coerced or subject to enforcement proceedings, it is said to be involuntary compliance. It depends on the willingness of taxpayers to follow the law and their sense of duty (Akers & Sellers, 2019).

Mandatory Compliance: When taxpayers are made to abide by tax regulations by means of penalties, fines, or other legal repercussions, this is referred to as a scenario of mandatory compliance. To ensure compliance, it makes use of audits, inquiries, and sanctions. The term "tax compliance" describes how people and corporations comply with tax rules and regulations. It include carrying out tax obligations, such as disclosing income, correctly computing and paying taxes, and filing tax returns and other paperwork within the required deadlines. Maintaining an equitable and effective tax system and ensuring that governments are able to raise the necessary funds to support public services and programs depend on tax compliance.

Concept of Tax Knowledge

Understanding and being aware of the rules, regulations, and procedures relating to taxes are referred to as having tax knowledge. It includes an understanding of the tax laws, regulations, and policies put in place by the government to control how taxes are collected from people, businesses, and other entities (Bahr, Masters & Taylor, 2020). The idea of tax knowledge entails learning about and understanding many facets of taxation, such as:

Understanding the laws governing taxes, such as income tax, sales tax, property tax, and corporate tax, is important. This includes being aware of the local laws, rules, and tax codes that are in effect.

Identifying the situations and actions that result in tax obligations (taxable occurrences). Understanding when sales tax is necessary, when capital gains tax is required, or when income is taxable are a few examples. Tax obligations: Being aware of one's duties as a taxpayer, such as submitting tax returns, keeping records, paying taxes on time, and meeting reporting requirements.

Tax planning is the process of comprehending ways to legally reduce one's tax obligations. Knowing how to use deductions, exemptions, credits, and other tax advantages to maximize your tax results is necessary for this. Understanding the steps and standards for meeting tax obligations, such as correctly filling out tax forms, figuring out taxes due, and following to filing and payment dates. Understanding the various tax systems, such as

progressive, regressive, or flat tax systems, that are used around the world as well as their effects on people, businesses, and the economy.

Understanding how tax decisions will affect one's personal or corporate finances, investments, and broader economic activities.

For individuals, corporations, accountants, tax experts, and lawmakers, having an understanding of taxes is crucial. It makes it possible for people to fulfill their tax duties, make wise financial decisions, abide by the law, and perhaps even improve their tax position. Similar to individuals, businesses can manage their tax payments, engage in tax planning, and guarantee compliance with tax laws by having a working knowledge of taxes (Cullen & Agnew, 2011).

Concept of Tax Compliance Cost

Tax compliance costs are the monetary and non-monetary expenditures made by people, companies, and other entities in order to abide with the rules and obligations of the tax system. It includes all expenses related to upholding the obligations of adhering to tax rules and regulations.

The following components are included in the idea of tax compliance costs:

Costs of administration: These expenses result from the administrative work necessary to comply with tax legislation. They cover the costs of maintaining records, keeping books, preparing and filing tax returns, as well as the time and effort put into comprehending and interpreting tax regulations. **Professional Fees:** To guarantee accurate compliance with tax rules, taxpayers frequently seek the advice of tax experts like accountants or tax consultants. The cost of tax compliance includes the fees paid to these professionals for their services. **Costs associated with software and technology:** To make tax compliance procedures easier, some people and companies may decide to invest in specialized tax software or other tech solutions. These expenses cover the price of acquisition, upkeep, and training. **Personnel in charge of compliance:** Larger companies may have departments or personnel wholly focused on tax compliance. The expenses related to hiring, educating, and compensating these workers go toward the cost of tax compliance (Marlatt & Donovan, 2005). **Fines and Interest:** Tax authorities have the right to levy fines and interest fees for failure to comply with their tax responsibilities. Errors, late filing, late payment, or other non-compliant activity can result in these extra costs.

Research and education linked to compliance is necessary to stay current on the constantly evolving tax rules and regulations. The cost of tax compliance includes expenses linked to seminars, classes, publications, and professional development activities. Tax compliance may also have non-financial expenses, such as the time and effort required to comprehend and comply with complicated tax regulations as the psychological burden or stress associated with tax-related activities.

Concept of Tax Legal Framework

The imposition, collection, and administration of taxes within a jurisdiction are governed by a set of laws, regulations, norms, and principles that are collectively referred to as the tax legal framework (Warr, 2022). It establishes the legal foundation for the taxation system and spells out the rights, duties, and obligations of taxpayers in addition to the authority and methods used by the taxing authority. The tax legal framework includes a variety of components, such as:

Tax Laws: These are the main statutes or pieces of legislation that the government or legislative bodies have passed that specify the taxes that will be levied, the tax rates, the taxable events, the exemptions, deductions, and other important facets of the tax system. Tax codes, acts, or legislation are frequently used to implement new tax laws. **Regulations and Administrative Rules:** To give comprehensive instructions and clarification on the interpretation and implementation of tax legislation, tax authorities frequently issue additional regulations, rules, or guidelines. Specific areas of tax administration, reporting requirements, filing processes, or the interpretation of tax rules may be covered by these regulations (Hagger, Chatzisarantis, Biddle & Orbell, 2012). **Case law and judicial decisions:** The evolution of the tax legal system is aided by court judgments and judicial interpretations of specific tax statutes. These legal rulings set precedents and offer direction for how tax laws should be interpreted and applied. **International Tax Treaties and Agreements:** The tax law framework may contain international tax treaties and agreements in situations involving cross-border transactions and international tax difficulties. These agreements lay forth guidelines for the distribution of taxing authority between nations and may have clauses that forbid double taxation or tax evasion.

Administrative Procedures: The legislative framework for taxes also includes administrative processes and procedures, such as tax registration, taxpayer identification, filing requirements, payment options, audits, appeals, and dispute resolution systems (Jia, & Lu, 2021).

To maintain compliance with tax laws, manage the tax system, and make wise judgments

within the confines of the law, people, corporations, tax professionals, and legislators must have a thorough understanding of the tax legal framework.

Concept of Small-Scale Enterprise

A small-scale enterprise is a company or economic activity that works on a modest scale, often with few employees, little capital outlay, and a modest level of market penetration. Small-scale organizations are frequently distinguished from larger corporations or businesses by their size, scope, and level of activities¹⁸. Due to various economic circumstances and legal frameworks, small-scale enterprise definitions might differ among nations and industries. However, other definitions and traits that are frequently applied to small businesses are as follows: Size of Workforce: Small-scale businesses often only have a few employees. Although the precise criterion for what constitutes a small business or corporation may vary, it is frequently far lower than the requirement for bigger enterprises or corporations.

Revenue or Turnover: When compared to larger companies, small businesses may have smaller revenue or turnover. Depending on the country and industry, several revenue limits might be used to define small-scale businesses. **Investment Requirement:** Compared to large-scale firms, small-scale enterprises typically require a comparatively low level of capital or investment. To launch and maintain their business, they can rely on personal savings, loans, or a few sporadic outside financial sources. **Market Presence:** Small-scale businesses frequently target a particular consumer group or operate in specialized markets. They might only cover a small area or cater to a small number of clients. **Independence and Ownership:** Individuals or a small group of proprietors frequently own and run small-scale businesses. They might be more independent and autonomous in their decision-making than larger organizations.

Flexibility and Adaptability: Small-scale businesses are frequently praised for their capacity to react swiftly to market developments and modify their offerings to meet changing consumer demands. Their smaller size enables them to make decisions more quickly and implement changes with greater agility. Small businesses are essential to the economy because they help create jobs, encourage innovation, and support local entrepreneurship (Oseifuah, 2016). They frequently act as a breeding environment for businesses by allowing people to develop their business ideas with only modest admission requirements. Particularly in rural or underdeveloped areas, small businesses can help with local development and economic diversity.

Businesses that fall under the category of Small and Medium-sized Enterprises (SMEs) include both Small Scale Enterprises (SMEs) and Medium Scale Enterprises (MSEs). Although the definition of a small or medium-sized enterprise is not universally accepted, many nations and organizations frequently use different standards to categorize businesses according to their size. However, the following general distinctions between small and medium-sized businesses can be made.

Size: The primary distinction between small and medium-scale enterprises lies in their size. Small-scale enterprises are typically smaller in terms of total assets, revenue, and number of employees compared to medium-scale enterprises. The specific thresholds for size classification vary across countries and industries.

Scope of Operations: Small-scale enterprises often have limited operations and are primarily focused on serving a local or niche market. They may operate on a smaller scale, catering to a specific geographic area or a targeted customer segment. In contrast, medium-scale enterprises tend to have a broader scope of operations, potentially serving larger markets or expanding their reach beyond a single region.

Resources and Infrastructure: Small-scale enterprises typically have limited resources and infrastructure. They may have fewer employees, simpler organizational structures, and rely heavily on the owner's involvement and personal skills. Medium-scale enterprises, on the other hand, often possess more resources and infrastructure, enabling them to undertake larger projects, serve more customers, and have more complex operations.

Growth Potential: Medium-scale enterprises generally have higher growth potential compared to small-scale enterprises. They have a stronger foundation in terms of resources, customer base, and operational capabilities, which allows them to expand their operations more rapidly and pursue growth opportunities.

Regulatory Considerations: The classification of a business as small or medium-scale can have implications for regulatory compliance, incentives, and support programs offered by governments and organizations. Some countries may have specific regulations, tax benefits, or financial assistance programs tailored for small and medium-sized enterprises, with varying criteria based on the size category.

It's important to note that the exact definitions and distinctions between small and

medium-scale enterprises may vary across different contexts and countries. The number of employees, annual revenue, total assets, or a combination of these factors may all be taken into account when determining a company's size. It's advisable to refer to the specific definitions and guidelines provided by the relevant authorities in a particular jurisdiction for precise classification.

It's vital to remember that depending on the nation, industry, or particular legal frameworks in place, the specific definitions and requirements for small-scale firms might differ greatly. Different nations may have unique laws, plans, or support systems aimed at fostering the expansion and improvement of small-scale businesses.

Theoretical Review

This study is anchored on Economic Deterrence Theory. The economic deterrence theory was first developed by Becker in the late 1960s. Becker used a financial model to break down illegal activity and show how taxpayer behavior is influenced by factors like the tax rate, which determines the benefits of evasion, and the likelihood of detection and penalties for extortion, which determine the expenses (Gitaru, 2019). This suggests that few people will avoid paying taxes if location is likely and penalties are severe. There are several corrective and alluring approaches that can be used to achieve deterrence.

The idea behind the economic deterrence theory, which is related to tax compliance, is that people and firms are more inclined to follow tax laws when the perceived costs of not doing so outweigh the advantages. According to this approach, tax rules should be enforced and administered with an eye toward having a deterrent impact by making tax evasion seem riskier and more expensive. The Economic Deterrence Theory (Gatora & Mokaya, 2018) contends that taxpayers weigh the benefits of noncompliance, such as decreased tax liabilities or increased disposable income, against the costs of detection and facing penalties, such as financial penalties, legal repercussions, and reputational harm. Taxpayers are more likely to comply with their duties when the perceived costs of noncompliance are large and there is a high likelihood that they will be caught and punished (Brose, West, & Michie, 2021). In essence, the theory contends that tax authorities can affect taxpayers' behavior and raise voluntary compliance rates by effectively discouraging tax evasion through strict enforcement measures, such as audits, fines, and the provision of clear information about the repercussions of noncompliance.

Empirical Review

Kupoluyi, Oloyede and Oyedokun (2022) examined taxpayer compliance and tax administration. In many democracies throughout the world, taxation is acknowledged as a crucial step in achieving national growth. When a country is endowed with plenty of resources, growth and development can be encouraged through economic activities that function as a catalyst for creating worthwhile employment for the populace and support the construction of social and infrastructure amenities for the nation. The majority of the government's income comes from taxes. A good tax system requires the timely and accurate payment of taxes, making it a crucial part of Nigeria's governmental finances. Tax compliance requires taxpayers to fulfill their duties to regulatory organizations. Based on a comparison of tax management in Nigeria and a few other selected nations, there is a functional connection between tax administration and compliance. This study looked at how tax administration in Nigeria affects taxpayer compliance. The Expectancy Theory of Motivation served as the theoretical foundation for this qualitative study, which also incorporated secondary data sources. According to research, effective tax administration will boost tax compliance in Nigeria, which will increase tax collections, deter tax evasion, promote good governance, and foster efficient public administration. According to the study, tax administration and compliance should both be pursued in Nigeria for healthy public finances and overall national growth.

Obal and Udofia (2021) studied the impact of tax administration and taxpayer education on tax compliance behavior. As noted in this study, the Cross River State government launched a comprehensive tax campaign across the state in order to increase revenue from income taxes. It's unclear if this has increased taxpayer compliance levels or not. In order to better understand how tax administration and taxpayer education affect tax compliance in Calabar Metropolis, a study was conducted. Its specific objective was to ascertain if tax administration and taxpayer education (represented by electronic taxpayer education, print media education, and stakeholder sensitization program) have an impact on registered small- and medium-sized firms' tax compliance (SMEs). A self-reported questionnaire was used to collect data from 213 registered SMEs under the survey research design. The multiple regression analysis was carried out to help with the hypothesis testing. The data showed that whereas print media education had a significant but unfavorable association with SMEs' tax compliance behavior, electronic taxpayer education had a significant relationship with tax compliance. Additionally, the impact of stakeholder awareness campaigns and tax administration on SMEs' tax compliance behavior was negligible. This has ramifications for how the State Internal Revenue Service manages its efforts to raise tax revenues for the government.

Onoja and Odoma (2021) evaluated the impact of tax administration on the degree of SME tax compliance in Kogi State. The generation of tax income depends on efficient tax administration. It has been noted that ineffective and inefficient tax administration in Nigeria is to blame for the loss of income brought on by widespread tax evasion and avoidance. Understanding the instructions in the tax package is the most frequent issue encountered by taxpayers. In Kogi State, the impact of tax administration on taxpayer compliance was evaluated in this study. The population of this study consists of taxpayers from small enterprises who are registered in Kogi State, with a sample size of 378. The data were collected via a questionnaire, and the null hypotheses were tested using a one sample chi-square test. The outcome demonstrates that the degree of tax compliance in Kogi State is significantly impacted by administrative compliance costs. The study suggests that in order to increase the level of tax payment in the State, the tax authority should simplify tax administration in the areas of tax procedures, tax laws, and tax computation.

Orumwense and Aiwoho (2021) assessed the determinants of tax morale and tax compliance and morale in Nigeria. The study's goals are governmental trust; culture; age; religion; education; and employment. The study's method of investigation was a cross-sectional research survey design. The premise for the analysis was four (4) public limited firms that are listed on the Nigerian Stock Exchange, which also served as the source of the sample size for the study. A total of three hundred and eighty-two (382) questionnaire copies were distributed as a research tool to elicit responses, and all three hundred and eighty-two copies were retrieved. To analyze the data, multiple regression was employed. The analysis revealed that in Nigeria, faith in the government, employment, religion, and age had substantial relationships with tax compliance and morale, whereas culture and education have negligible relationships. The study comes to the conclusion that the government was underperforming in terms of openness, accountability, people-oriented tax policies, and using non-economic factors to describe the concept of tax compliance. These issues need to be addressed. The study suggests that tackling the problem of tax compliance in Nigeria and assisting the government in developing better tax-related policies will benefit from a knowledge of the social psychological (demographic) characteristics of a taxpayer as they relate to tax morale.

De Neve, Imbert, Spinnewijn, Tsankova and Luts (2021) examined how to improve tax compliance with evidence from population-wide experiments in Belgium. The effects of simplification, deterrent, and tax compliance were evaluated. Four natural field experiments that varied how the tax administration communicated with the entire population of income taxpayers in Belgium throughout the tax process were conducted.

Across tests, a clear picture emerges: deterrent messages have an additional beneficial impact, tax morale invocations are ineffective and frequently have the opposite effect of what is intended. We can contrast simplification with conventional enforcement methods using a discontinuity in enforcement strength and the experimental variation. According to the study, simplicity is far more cost-effective and allows for significant savings on enforcement expenditures.

Nasution, Santi, Husaini, Fadli and Pirzada (2020) analyzed the effect of tax knowledge, tax complexity, and tax justice on taxpayers' trust and tax compliance as well as the differences in tax compliance levels in South Sumatra. The research is explanatory and takes a quantitative approach. The method of data collection used a questionnaire containing the variables and documentation outlined by the study. The research questions were tested using hypothetical compliance scenarios, with 900 registered individual taxpayers from five major cities in South Sumatra as participants. The researchers used confirmatory factor analysis (CFA) with the structural equation modeling (SEM) approach. Results of the research show that tax knowledge has no effect on taxpayers' trust, tax complexity has no effect on taxpayers' trust, tax justice has an effect on taxpayers' trust, tax knowledge has no effect on tax compliance, tax complexity has no effect on tax compliance, tax justice has an effect on tax compliance, taxpayers' trust has an effect on tax compliance, and there were differences in the level of tax compliance after the implementation of the SMS blast program.

To determine whether a lack of tax expertise related to high instances of tax noncompliance among Zimbabwean SMEs, a quantitative research approach was employed to do this, with a sample of 35 SMEs and 40 tax officers. The results show that SMEs in Zimbabwe have a basic understanding of taxes but lack a deeper understanding of ideas like the contrast between presumed taxation and income-based taxation. However, this has little effect on their noncompliance behavior. It was discovered that in order for tax knowledge to positively influence tax compliance, tax rates and corruption must also be addressed. Despite these findings, ZIMRA should continue to educate uneducated and inexperienced SMEs on the benefits of paying taxes, as well as urge appropriate record keeping through taxpayer education and social media initiatives

Methodology

The study adopted a descriptive survey design. The population of the study consist of the entire staff of all the pure water factories from the selected local government councils of Oyo state. Five pure water factories was purposively selected from each of the chosen local

government councils. This implies that 125 pure water factories will be involved in the research. The data was collected by administering the questionnaire to a total number of 625 members of staff. Both descriptive and inferential statistics were used in the analysis of the data. Inferential conclusions were formed from the coding of quantitative data in the Statistical Package for Social Sciences (SPSS) data editor, and the analysis's findings were presented using descriptive statistics such response frequencies. Using correlation and coefficient analysis, the strength of the relationship between the dependent and independent variables was evaluated (r). The STATA 11 economic analysis program performed a logistic regression analysis.

Results and Presentation of Data

Descriptive Statistics

Owners, managers, and marketers of sachet water in Oyo State received a total of 625 questionnaires. The response rate can be seen from the table below. A response rate of 97.6% was obtained from the survey, with 610 of the 625 sampled respondents completing and returning the questionnaires.

Table 1. Background Information

Age of	4-5 years	34	27.2
Organization	6-7 years	36	28.8
	8-9 years	40	32
	10 years	15	12

Source: Field Report, 2023

Table 2: Descriptive Statistics

Variables	Characteristics	Frequency	Percentage
Gender	Male`	205	33.6
	Divorced	405	66.4

	Total	610	100
Gender	Male`	205	33.6
	Divorced	405	66.4
	Total	610	100
Educational Qualification	Account Relate Courses	201	36.4
	Other Courses	409	49.0
	Total	610	100

Source: Field Report, 2023

Table 2 shows the classification of respondents according to gender and educational qualification. It shows distinction between male and female in the pure water factories from the selected local government councils of Oyo state. 205 (33.6%) of the respondents are male while 405 (66.4%) % are female respondents. Thus, majority of the respondents were females. It is also observed that 201 (36.4%) of the respondents studied account related in educational qualifications, while 409 (49%) did not study account related courses. Thus the majority of the respondents did not study account related courses.

Presentation of Test of Hypothesis

Ho1: There is no significant relationship between tax compliance and legal framework of small-scale enterprises in Oyo state.

Table 3: Correlations between tax compliance and legal framework of small-scale enterprises in Oyo state

		Legal Framework	Tax Compliance
Legal Framework	Pearson Correlation	1	.790**
	Sig. (2-tailed)		.000
	N	610	610
Tax Compliance	Pearson Correlation	.790**	1
	Sig. (2-tailed)	.000	
	N	610	610

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Field Report 2023

Table 3 describes the value our correlation coefficient(r) is 0.00 value which is less than 0.05. The test hypothesis should be rejected if the test result is statistically significant (P 0.05).Therefore, we can reject our H₁ hypothesis which says there is no significant relationship between tax compliance and legal framework of small-scale enterprises in Oyo state. While we accept our alternative hypothesis which says there is significant relationship between tax compliance and legal framework of small-scale enterprises in Oyo state. In general, there is strong positive significant relationship between tax compliance and legal framework of small-scale enterprises in Oyo state.

Ho2: There is no significant relationship between tax compliance and tax knowledge of small-scale enterprises operators in Oyo state.

Table 4: Correlations between tax compliance and tax knowledge of small -scale enterprises operators in Oyo state

		Tax Knowledge	Tax Compliance
Tax Knowledge	Pearson Correlation	1	.746**
	Sig. (2-tailed)		.000
	N	610	610
Tax Compliance	Pearson Correlation	.746**	1
	Sig. (2-tailed)	.000	
	N	610	610

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Field Report 2023

Table 4 shows the value of correlation coefficient(r) to be 0.746 which indicate a strong positive relationship between tax compliance and tax knowledge of small scale enterprises operators in Oyo state. The table also shows 0.00 as our P value which is less than 0.05. A statistically significant test result ($P \leq 0.05$) means that the test hypothesis is false or should be rejected. Therefore, we can reject our H_1 hypothesis which says there is no significant relationship between tax compliance and tax knowledge of small scale enterprises operators in Oyo state.

While we accept our alternative hypothesis H_0 which says there will be a significant relationship between tax compliance and tax knowledge of small scale enterprises operators in Oyo state. In general there is strong positive significant relationship between tax compliance and tax knowledge of small scale enterprises operators in Oyo state.

H03; There is no significant relationship between tax compliance and compliance cost of small scale enterprises in Oyo state.

Table 5: Correlations between tax compliance and compliance cost of small scale enterprises in Oyo state

		Compliance cost	Tax Compliance
Compliance cost	Pearson Correlation	1	.546**
	Sig. (2-tailed)		.000
	N	610	610
Tax Compliance	Pearson Correlation	.546**	1
	Sig. (2-tailed)	.000	
	N	610	610

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Field Report 2023

Table 5 shows the value of correlation coefficient(r) to be 0.546 which indicate a moderate positive relationship between tax compliance and compliance cost of small scale enterprises operators in Oyo state.

The Table also shows 0.00 as our P value which is less than 0.05. A statistically significant test result ($P \leq 0.05$) means that the test hypothesis is false or should be rejected. Therefore we can reject our H_1 hypothesis which says there is no significant relationship between tax compliance and compliance cost of small scale enterprises operators in Oyo state.

While we accept our alternative hypothesis H_0 which says there will be a significant relationship between tax compliance and compliance cost of small-scale enterprises operators in Oyo state. In general. there is moderate positive significant relationship between tax compliance and tax knowledge of small scale enterprises operators in Oyo state.

Ho4: There is no significant relative influence among compliance cost, tax knowledge and legal frame work of small-scale enterprise on tax compliance in sachet water industry

Table 6: Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	Tax knowledge, Compliance Cost, Legal Framework ^b		. Enter

a. Dependent Variable: Tax compliance

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.890 ^a	.802	.790	.186

Source: Field Report 2023

The correlation between the dependent and independent variables is shown in the example above by the R-value. The value in this instance is .890, which is favorable.

R-square displays the overall variation for the dependent variable that the independent factors may account for. A number higher than 0.5 indicates that the model is capable of identifying the relationship. The value in this instance is .802, or 80%.

In multiple regression, the adjusted R-square demonstrates the generalization of results, or the variation of the sample results from the population. A minimal difference between R-square and Adjusted R-square must exist. It is satisfactory in this instance because the value is .790, which is close to .802.

Table 7

ANOVA ^a					
Model	Sum of Squares	Df	Mean Square	F	Sig.
1	15.525	3	7.762	223.318	.000 ^b
Residual	4.067	117	.035		
Total	19.592	119			

a. Dependent Variable: Tax compliance b. Predictors: (Constant), Tax knowledge, Compliance cost, Legal framework P-value/Sig value: For most studies, a 95% confidence interval or 5% level of significance is utilized. As a result, the p-value should be less than 0.05. It is .000 in the above table. Therefore, the outcome is significant.

F-ratio: It reflects an improvement in variable prediction by fitting the model after accounting for model imperfection. A value greater than one indicates that the ratio of F-yield efficient model. The value in the preceding table is 223.318, which is satisfactory. These results estimate that as the p-value of the ANOVA table is below the tolerable significance level, thus we reject H₁ hypothesis and says there is significant relative influence among compliance cost, tax knowledge and legal frame work of small-scale enterprise on tax compliance in sachet water industry.

Discussion of Findings

In the study, four hypotheses were tested under each determinant. The variables measured were statistically significant. This may be used to support the evidence on the link between tax structure, tax knowledge, tax compliance, of small business or enterprise focus on water industry. It could also be supported by the results of other studies in this area. There is a significant positive relationship between tax compliance and legal framework of small-scale enterprises in Oyo state. According to a study on Attitudes, Incentives, and Tax Compliance, the study's findings showed that, even while levels of compliance varied among industries, using an online system for small taxpayers' registration, filing, and payments significantly improved their ability to comply with tax laws (Shehata & Trivedi,

2005).

The study also discovered a strong positive relationship between tax compliance and tax knowledge of small-scale enterprises operators in Oyo state. A study on Enhancing Tax Compliance Among Briefcase Companies in Kenya, found that the primary goal of tax compliance certification was to make sure that any company doing business with the government was in conformity with all tax laws, including filing reports and paying any taxes that were due (Okore, 2019). There is a positive relationship between tax compliance and compliance cost of small scale enterprise operators in Oyo state. A study on designing a small business tax system that enhances growth discovered that giving taxpayers the option of paying taxes or making a charitable donation resulted in a considerable rise in tax compliance rates (Stern & Barbour, 2018).

Furthermore, there is significant relative influence among compliance cost, tax knowledge and legal framework of small-scale enterprise on tax compliance in sachet water industry. A study on the economic psychology of tax behavior, noted an extremely tenuous inverse link between corporate tax compliance at MRA and technology tax improvements (Kirchler, 2019). The findings of the regression analysis further supported the idea that technical tax innovations had a detrimental influence on corporation compliance rates.

Conclusion and Recommendation

The primary objective of this research was to assess the extent of tax compliance within the realm of small-scale industries operating in Oyo State. Specifically, the study concentrated on the sachet water factories that constitute a notable portion of these industries. The findings of this investigation shed light on a range of crucial facts that underscore the significance of devising effective strategies to enhance tax compliance among small-scale enterprises in the state. One of the pivotal conclusions drawn from this research is the recognition that a multifaceted approach is imperative to engender substantial improvements in tax compliance rates. Focusing solely on rigorous enforcement measures is unlikely to yield substantial and sustainable outcomes. While enforcement does play a role, a more holistic strategy is necessary to cultivate a culture of tax compliance among small-scale businesses. To this end, it has become evident that a combination of various initiatives is necessary to facilitate the desired transformation. The research underscores the importance of educational activities that illuminate the benefits of tax compliance, not only in terms of contributing to the state's revenue but also in terms of fostering a stable business environment that ultimately benefits these enterprises themselves.

In conclusion, the research clearly underscores the need for a more nuanced and comprehensive approach to enhancing tax compliance among small-scale industries, as exemplified by the sachet water factories in Oyo State. Recognizing that enforcement alone is insufficient, the study advocates for the cultivation of a culture of compliance through education, simplified procedures, and tailored support programs. By adopting these strategies, the state can pave the way for increased levels of tax compliance and ultimately foster a more prosperous and cooperative business landscape.

This study offers the following recommendations:

1. The government plays a pivotal role in fostering tax compliance among small sachet water businesses through the implementation of tailored tax education initiatives. These comprehensive programs are essential in imparting an understanding of the significance of tax adherence, clarifying tax responsibilities, and providing valuable insights on efficient record-keeping and accurate tax reporting.
2. The government can effectively bridge the knowledge gap that often hinders small sachet water businesses from navigating the complexities of taxation by designing and executing such educational campaigns.
3. Simplifying tax procedures and enhancing tax compliance processes for small businesses is crucial for fostering economic growth, reducing administrative burdens, and ensuring fair revenue collection. To achieve this, it's essential to focus on multiple fronts that collectively lead to a more efficient and effective tax environment.
4. Develop tailored support programs targeted at small-scale sachet water enterprises. These initiatives aim to furnish these businesses with specialized technical aid, guidance, and capacity-enhancing workshops, facilitating their understanding of tax obligations, fostering adept record-keeping, and proficiently maneuvering through tax compliance protocols. These assistance endeavors could encompass various components.

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