A Survey of Tax Morale among Self-Employed Taxpayers in South-West Nigeria

ENYI P. Enyi1, ADEGBIE F. Folajimi2, AGBETUNDE L. Ayodele3

Abstract— Sustainability of human societies hinges on social contract between the rulers and the ruled, whereby the rulers provide public goods and service for the ruled and the ruled pay tax as the price for the benefits derived. Meanwhile, tax compliance has been an issue of concern from its inception and may continue, as long as government needs funds for its projects. Studies have revealed the inadequacy of tax morale, the driver of tax compliance, in fully explaining tax compliance due to complexities in identifying latter’s causative factors. Not many studies have examined this tax morale among self-employed especially in developing country like Nigeria. This study examined tax morale with a view to assessing its predictors among self-employed taxpayer in selected South-West Nigeria. It adopted descriptive and survey designs. Population of the study was 9,381,736 potential taxpayers in the jurisdiction. Sample size of 500 was determined using purposive sampling technique for individuals above 18 years. Validated structured questionnaire was used to collect data. The instrument’s reliability was measured with Cronbach alpha coefficients ranging from 0.75 to 0.89. Copies of questionnaire were administered with 73.6% response rate. The data were analysed using descriptive and inferential statistics. The study found that the factors examined collectively exerted significant effect on tax morale of self-employed taxpayers in South-West Nigeria (Adjusted R² = 0.325; F(4, 363) = 242.128, p < 0.05). Each factor was also found to have significant individual contribution (Sentiment, norms and values: β = 0.285, t(363) = 8.360, p < 0.05; fairness of tax system: β = 0.240, t(363) = 6.812, p < 0.05; attitude: β = 0.354, t(363) = 11.221, p < 0.05; and governance quality and trust in government: β = 0.333, t(363) = 10.655, p < 0.05). The study concluded that sentiment, norms and values, taxpayers’ attitude, perception of fairness of tax system, governance quality and trust in government affected tax morale among self-employed taxpayers. The study recommended that governments should ensure taxpayers service paradigm, accountability, transparency and law commitment to enhance tax morale among self-employed.

Index Terms— Fairness of tax system, Governance quality and trust, Self-employed, Sentiment, norms and values, Taxpayers’ attitude, Tax morale

Word Count— 335

1 INTRODUCTION

Governments over ages have been providing public goods and services for consumptions of their citizens. The citizens that consume the public goods and services pay tax as price in return. Besides revenue generation, taxes also help in management of the economy. Therefore, the importance of a well-functioning tax system to sustainable symbiosis relationship between the governments and the citizens can be argued at any time. Despite this fact, Chude and Chude (2015), Eiya, Ilaboya and Okoye (2016), Kira (2017) and World Bank/PwC (2016, 2017) affirmed that evidences exist that Roman taxpayers in the third century were reluctant to pay taxes, as well as among the 18th century English homeowners. According to Ramona-Anco and Larissa-Magreta (2013), taxation will continue to be issue of interest to major stakeholders, so far governments continue to tax citizens.

Efforts at researching tax compliance was traced by Franzoni (1999) to the work of Beccaria (1764), but the former credited the application of modern economic tools to Allingham and Sandmo (1972). Earlier studies on tax compliance were found to be more of the classical economic view, focusing on identifying deterrence factors that could prevent people from evading taxes. Factors identified by this classical theory include audit probability, tax rate, and penalty. Practical evidences globally however refuted the predictions of this perspective, especially with first set of evidences from studies on Americans. These established its inadequacy in explaining taxpayers’ compliance, as actual level of tax compliance significantly exceeded predictions of the classical theory.

The experiences made the subject of tax compliance remaining a puzzle (Devos, 2014; Kira, 2017). Attentions thus started to expand the focus towards incorporating behavioural issues like sociological and psychological factors into tax compliance model. Alm and Torgler (2011), Palli, MdAkir and Wan Ahmad (2013) as well as Torgler and Schneider (2007) in this new direction, claimed that major discovery of this view is that understanding of the concept of tax morale could unravels the puzzle of tax compliance. This tax morale serves as motivating factor and thereby contributing immensely to the degree of taxpayers’ compliance. Meanwhile, it was argued that this perspective of incorporating moral, sentiments, attitudes and social dynamics to tax compliance model is still an underdeveloped research area (Torgler & Schneider, 2007, 2009).

Narrowing down the review to developing economies, it was

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observed that, countries in the region generally are losing $285 billion yearly from non-compliance (Isbell, 2017). Specific to Nigeria, the country was found to rank too low on the ease of paying taxes for fiscal sustainability. The World Bank/PwC (2017) established that, out of 190 countries, Nigeria ranked 183rd on the ease of paying taxes with a low point of 28.09 out of 100 countries, compared to Sub-Sahara African regional average of 55.58.

Udoh (2015) also observed that, tax compliance studies have so long ignored taxpayers in the informal sectors, especially self-employed individuals. The World Bank/PwC (2017) emphatically established that self-employed taxpayers formed the highest proportion of taxpayers in developing economies. According to Ameyaw, Oppong, Abraquah, and Ashalley (2016), operators in this sector include small and medium scale enterprises. Usually they were neither registered nor monitored by any public regulations. In most cases their incomes were not captured in the tax net, thereby, creating injustice relative to other compliant taxpayers. Verifying their tax data were challenging, even sometimes impossible especially in cash transaction. These made them form greater proportion of tax defaulters in developing economies (Mohdali, Benk, Budak, Isa & Yussof, 2018). Ameyaw et al (2016) and Udoh (2015) however observed that despite acknowledgement of this critical situation, this group of taxpayers are being neglected for so long.

Arising from these, this study surveyed tax morale of self-employed taxpayers across South-West Nigeria, with a view to testing the following research hypotheses stated in null form as follows:

1. Sentiments, norms and values do not have significant effect on tax morale of self-employed taxpayers in South-West Nigeria;
2. Attitude of taxpayers do not have significant effect on tax morale of self-employed taxpayers in South-West Nigeria;
3. Fairness of tax system does not have significant effect on tax morale of self-employed taxpayers in South-West Nigeria;
4. Governance and trust do not have significant effect on tax morale of self-employed taxpayers in South-West Nigeria.

2 LITERATURE/THEORETICAL UNDERPINNING

2.1 Tax Morale

Ramona-Anca and Larissa-Margareta (2013) opined that Gunter Schmolders, a Gerann scholar, coined the word “tax morale” in 1960. Schmolders argued that, instead of looking for reasons why people evade taxes; focus should be on reasons why people decide to pay taxes. Tax morale was therefore considered to be the appropriate answer. Tax morale is “the attitude of a group or the whole population of taxpayers regarding the question of accomplishment or neglect of their tax duties. This hinges on tax mentality and citizenship consciousness that form basis for acceptance of tax duties in surrender to state’s sovereignty (Schmolders, 1960 in Ramona-Anca & Larissa-Margareta, 2013).

Tax morale is the internalized obligation, the willingness, and the intrinsic motivation to pay tax (Alm & Torgler 2006). It is considered as the belief in contributing to common purse, the moral obligation to pay tax. According to Palil, MdAjir and Wan Ahmad (2013), tax morale measures attitude of taxpayers unlike tax evasion that measure their behaviour, it is related to civic duty and linked to ethics (Torgler & Murphy, 2005). It is the intrinsic motivation to comply, it is not a legal but a moral obligation to contribute to the general welfare (Torgler & Schneider, 2009).

2.2 Theoretical Framework

This study adopted behavioural perspectives, therefore hinged on the Theory of Planned Behaviour (TPB). The theory was propounded by Ajzen (1991) as an extension to Theory of Reasoned Action. According to Armitage and Conner (2001), TPB is one of the most commonly behavioural theories used to investigate pro-social behaviour. It is applicable in different situations, meanwhile, it is always situation specific. Ajzen (1988) suggested that the best prediction of behaviour is assumed by enquiring from individuals if they intend to behave in a certain way. On this assumption, one needs to understand the determinants of behavioural intention. The theory postulated that subjective norms, attitudes and perceived behavioural control are the predictors of intention, which in turn dictates the behaviour. Attitudes are opinions of individual about the behaviour; while subjective norms are opinions of others about the behaviour; and the perceived behavioural control refers to self-efficacy of individual towards the behaviour. The “perceived behavioural control is seen as “an estimate of the skills needed for expressing the behaviour and the tendency of overcoming barriers to the behaviour. Contextual factors like demographic variables are expected to influence the behaviour through these three determinants. Relating to tax compliance, major factors influencing behaviour under the TPB are individuals’ attitude to taxes, subjective norms towards tax payment, and perceived behavioural control over barrier to paying taxes.

2.3 Studies on Tax Morale

According to Philips (2011), extensive research on tax compliance factors started with the theoretical studies of Allingham and Sandmo (1972) and Yitzhaki (1974). Tax compliance research from earlier time has been dominated by the economic rational actor perspective claiming that taxpayers try to evade when the costs of sanctions if caught is less than the gains of evasion. They rationally, and without concerns for ethics and moral, choose the option that promises greatest net-gains. However, studies have established that tax compliance seems to depend upon several other factors beyond deterrence factors (Alm & Torgler, 2011). These studies argued that deterrents model forecast too high tax evasion and too low tax compliance (Alm, McClelland & Schulze, 1992). Similarly, some taxpayers were found to be basically inclined “not to evade”, so do not seek for ways to cheat (Alm & Torgler, 2011). Mere observation even revealed that it is not every individual that think as amoral utility maximizer but some majority of taxpayers do behave honestly (Pyle, 1991). The viewpoint
opines that taxpayers behave based on their moral and ethical beliefs and are influenced by social consensus about the moral justification for tax evasion (Wenzel, 2007).


**Tax Morale Determinant Factors**

OECD (2013) examined the effects of socio-economic and institutional factors on tax morale. The socio-economic factors assessed include marital status, age, gender, religion, education level, economic status, employment status and economic problem, while the institutional factors were perception of how governments spend tax revenue, democracy, trust in government and preference for redistribution. The results suggested that understanding institutional and socio economic factors are relevant factors explaining individuals’ tax morale. Results of the analysis of institutional factors revealed that public support for government and its institutions as well as transparency may induce higher compliance than only enforcement. Major factors found include perception of democracy as best system, trust in national government and perception of fiscal redistribution. On a general note, support for democracy had highest marginal influence on tax morale in Africa among all the factors examined by OECD (2013). Of note also were, age, trust in government, education level, satisfaction with public services and perception of corruption.

Chan, Supriyadi and Torgler (2018) empirically examined relationship of trust with tax morale at both individual and country levels using WVS and EVS dataset of 400,000 observations from 108 nations. The overall results showed that vertical trust is relevant, but horizontal trust did not show any link with tax morale. The study also established inter-country variation which necessitated further investigation. Generalized trust uncertainty was also demonstrated to show negative correlation with tax morale, while vertical trust uncertainty positively correlated with tax morale.

The work of Vythelingum, Soondram and Jugurnath (2017) found positive association between tax morale and each of fairness, trust (in government, tax authority and legal system), social norms, and fiscal exchange equity. The study however, did not find significant relationship between tax morale and any of moral sentiment, civic duties, taxpayers’ preference, complexity of tax system and respect for tax authority. Torgler and Schneider (2007) examined attitude of Austrian citizens’ towards tax morale to postulate that tax morale could be key factor to explain people’s honesty in tax payment. They argued that very few studies theoretically and empirically explored the concept. After analysing with EVS and WVS, major factors identified are trust in government, national pride (identification with the country), and social perception of general compliance. Social factors like trust and pride were not among major determinants of tax morale, but perception of low tax compliance generally among taxpayers reduced tax morale, indicating that peer or social norms had influence on tax morale. These findings are supported by results in Torgler (2003) and Tjondro (2018).

Fakile (2011) examined tax morale among Nigerian taxpayers. The study focused on interactions of predictors of tax morale like social norms, attitude towards tax evasion, governments, tax avoidance, legal system, traditional institutions, and tax compliance. Findings from the study suggested that significant predictors of tax morale are social norms, attitude of taxpayers towards legal system and traditional institutions. The study was however found to be limited by addressing social norms alone, thereby ignoring other predictors of tax morale like values and ethics of the taxpayer as shaped by personal norms, sentiments, fairness of tax system, governance quality and group identification factors. Another limitation of Fakile (2011) is that more than 80% of the sample comprised of employee group of taxpayers.

Akan and Odita (2013) used regression analysis and established significant impact of each of taxpayers’ attitude towards government, social norms, tax evasion and tax avoidance on tax morale. Conversely, it found no significant effect of taxpayers’ attitudes towards legal system and traditional institutions on tax morale. Similar results were got by Ubesie and Edeh (2016) using cross-sectional survey with questionnaire administration on respondents from Nigeria.

From this review, major determinants of tax morale can be grouped into four as: sentiment, norms and values, fairness of tax system, attitude to taxes, and governance quality and trust in government. These are reviewed as follows.

(a) Sentiment, norms and values: These are individuals’ beliefs of referents’ approval of their specific behavior (Devos, 2014). These referents include family members, colleagues, friends, peers and play groups, that individuals compare themselves with or refer to. Subjective norms therefore serve as social pressures on the taxpayer to either comply or evade tax. Studies gave theoretical evidences suggesting influence of social factors on tax compliance (Ajzen & Fishbein, 1980; Ajzen, 1991; Chau and Leung, 2009). Empirically, Torgler (2003) and Torgler and Schneider (2007) established significant effects of social norms on both tax compliance behaviour and tax morale in Costa Rica and Switzerland. Ramona-Anca and Larissa-Margareta (2013) also gave evidence that taxpayers’ inner attitude towards honesty and social stigma, influenced tax morale. Torgler and Murphy, (2005) adopted data from World Value Survey (1981-1995) on Australian taxpayers to identify key determinants of tax morale as moral beliefs. This finding is supported by Tjondro (2018). Similarly, Keenan and Dean (1980) in Palit et al (2013) found that some individuals feel moral justification (though feel it is legally wrong) for persons to evade taxes when public money is spent immorally or wasted. The study therefore concluded that ethics and moral values of tax administrators, and taxpayers’ significant others determined tax morale/compliance.
Hofmann, Hoelzl and Kirchler (2008), Torgler and Schneider (2007) and Vythewingum et al. (2016) affirmed that critical areas where social factors manifest are personal norms, social norms and peer influence by revealing that a range of potential economic, social, psychological, political and institutional factors. Meanwhile, Torgler (2003) and Tjondro (2018) did not find social factors to be significant determinants of tax morale.

(b) Attitudes of taxpayers: Attitudes are evaluation of an object, concept or living thing by an individual (Ahmed & Kedir, 2015). This attitude is believed to encourage or induce person to act in certain way. Fischer, Waltick and Mark (1992) argued that culture manifests through social norms and ethical values and the duo would then influence the attitudes and perception of taxpayers toward compliance. Specifically, Chau and Leung (2009) suggested that taxpayers’ behaviour is directly predicted by their intentions and that these intentions are determined by individuals’ attitudes towards behaviour (personal factor) plus perception of subjective norms and behavioural control.

(c) Perception of fairness of the tax system: Following the opinion expressed by Jackson and Milliron (1986), Barbutamisu (2011) explained that tax fairness involves two dimensions; one concerning the benefits received while the other relates to equity on the burden taxpayers bear compared to what other taxpayers bear. Tax fairness/equity is also considered in respect to the direction of consideration. It is also considered at vertical or horizontal direction. According to Barbutamisu (2011), consideration of fairness under the social psychology suggests three different forms of fairness/equity. These are distributive, which involves exchange of resources (costs-benefits analysis); retributive justice, which concerns individual’s perception of the appropriateness or otherwise of corrective measures against non-compliance; and procedural justice, referring to procedure of administration, especially tax audit or sanction procedures (Kirchler, Hoelzl & Wahl, 2008).

(d) Perception of governance quality and trust: According to Kaufmann and Kraay (2016), “governance consists of the traditions and institutions by which authority in a country is exercised”. It comprises of the procedure by which governments are “selected, monitored and replaced”; its capacity to effectively formulate and implement sound policies; and the respect of citizens and the government for the institutions governing social and economic interactions among the two. According to Tjondro (2018), Torgler and Murphy (2004), as well as Torgler, Schaffner and Macintyre (2010), perceptions of the citizens about the governance quality in a country have certain degree of influence on their tax morale based on the principle of reciprocity.

Taxpayers’ belief or trust in government authorities, institutions and social arrangements with respect to their proper, appropriate and just operation for the common good of all is considered a key determinant of tax compliance (Torgler and Murphy, 2004). Similarly, investigation by Torgler, Schaffner and Macintyre (2010) justified emphasis on the relevance of governance and institutional qualities. Findings of Torgler (2003) and Tjondro (2018) support these findings. OECD (2013) examined impact of institutional factors on tax morale. The result suggested that understanding institutional factors are relevant when explaining individual’s tax morale. Result of the analysis of institutional factors revealed that public support for government and its institutions as well as transparency induced higher compliance than enforcement alone. Major factors found include perception of democracy as best system, trust in national government, perception of fiscal redistribution as being essential in democracy. Similarly, Gang, Hofmann and Kirchler, (2015) established that legitimacy and trust in tax authorities had positive influence on voluntary compliance. On the other hand, Torgler and Schneider (2007) got contrary results. It was therefore inferred that, attention of studies are now toward understanding tax morale as fundamental factor explaining the reason behind people’s willingness to pay tax, even when penalties and audit probability are low. The review however established existence of remarkable gaps and unresolved discussions on the underlying factors for tax morale. Therefore, knowledge areas are identified for further examinations.

3 METHODOLOGY

The study adopted survey design using questionnaire as data collection instrument. The instrument was validated via peer review and a pilot test that gave construct validity results between 0.75 and 0.84. Similarly, reliability results gave cronbach alpha coefficients ranging from 0.77 to 0.84. Population for the study covered 9,381,736 individuals above 18 years of age selected from three states in South-West Nigeria (Lagos, Oyo and Osun). Sample size of 500 self-employed taxpayers (mainly artisans and traders) were purposefully selected using Taro Yamani (1976) formula plus a mark-up of 25% to compensate for attritions. The questionnaire was administered on the respondents in their natural environments, with help of prior-tutored research assistants selected from managers of cooperative societies and market leaders of respondents. To ensure further reliability, it was ensured that all the research assistants had up to first degree or equivalent with adequate understanding of the respective respondents’ languages. A total of 368 valid responses (73% response) were processed and analysed.

Tax morale was operationalized as the dependent variable, while independent variables were sentiments, norms and values, fairness in tax system, attitude plus governance and trust. This relationship was expressed as:

\[ TM = \beta_0 + \beta_1 SNV + \beta_2 FNS + \beta_3 ATTD + \beta_4 GVN + \epsilon_i \]  

Where:

- TM = Tax morale, SNV = sentiments, norms and values, FNS = tax fairness, ATTD = attitude to taxation, GVN = governance quality and trust, \( \beta = \) coefficient of each independent variable, \( \epsilon = \) error factor.

\textit{A-priori} expectations (\( \beta_{1,4} > 0 \)): Positive relationship was expected between each of the independent variables and TM.

4 RESULTS AND FINDINGS

Descriptive analysis were made to determine the levels of tax morale using mean and stadev values of the opinions ex-
pressed. The effects of the independent variables on tax morale was tested using F-test and t-test values. The results of the descriptive analysis are presented on Table 1.

4.1 Level of Tax Morale of Self-Employed Taxpayers

Table 1: Descriptive Statistics of the Variables

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>S D</th>
<th>Remark</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Morale</td>
<td>3.21</td>
<td>0.69</td>
<td>Somewhat True</td>
<td>2</td>
</tr>
<tr>
<td>Sentiments Norms</td>
<td>3.44</td>
<td>0.79</td>
<td>Somewhat True</td>
<td>3</td>
</tr>
<tr>
<td>Fairness of Tax System</td>
<td>3.07</td>
<td>0.67</td>
<td>Somewhat True</td>
<td>4</td>
</tr>
<tr>
<td>Attitude of Taxpayers</td>
<td>3.58</td>
<td>1.01</td>
<td>True</td>
<td>5</td>
</tr>
<tr>
<td>Governance &amp; Trust</td>
<td>2.84</td>
<td>0.90</td>
<td>Somewhat not True</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Extract from SPSS Output (2019)

Interpretations: Table 1 shows the descriptive statistics for perceptions of self-employed taxpayers in South-West Nigeria on their tax morale level. The results gave a mean value of 3.21 on a scale of 5 as their level of tax morale. This implies that respondents were of the opinion that it was somewhat true that tax morale of self-employed taxpayers in South-West Nigeria was high. This is not considered encouraging for effective tax system that can ensure sustainable government revenue generation target or useful for effective sustainable management of the economy. Nonetheless, the result had supported in studies like World Bank/PwC (2017) on Nigerians which established that tax morale among Nigerians generally to be low.

Results of the perception of individual tax morale sub-variables indicate similar level. For instance respondents expressed opinion that each of sentiments, norms & values as well as fairness of tax system showed values of 3.44 and 3.07 respectively. These suggest that it was somewhat true that sentiments, norms & values towards taxation and perception of fairness of tax system were high among self-employed taxpayers in South-West Nigeria.

The perception on the Attitude of self-employed towards tax payment was a bit higher at 3.58, which was found to be true that attitude of self-employed towards taxation was high. It was however observed that perception of respondents on governance quality and trust indicated that it was somewhat not true that perception of governance quality and trust were high (mean = 2.84).

On the whole, the policy implication of these is that significant room for improvement still exists on the level of tax morale of self-employed individuals in South-West Nigeria. Therefore relevant stakeholders need to direct their attention and efforts towards enhancing tax morale of self-employed taxpayers by introducing policies and strategies that can induce tax morale of self-employed taxpayers in South-West Nigeria to a level which can sustain the revenue generation efforts and economic management/control at a desirable level.

Substituting the beta values into mathematical equation (1) gives the following:

\[ TM = 0.363 + 0.221SNV + 0.221FNS + 0.215ATTD + 0.227GVN + E_1 \]  \hspace{1cm} (2)

4.2 Test of Hypotheses

Results of the multiple regression analysis adopted to assess the effects of the independent variables on tax morale using equation (1) are presented on Table 2.

Table 2: Contributions of Tax Morale Factors

<table>
<thead>
<tr>
<th></th>
<th>Unstd Coefs</th>
<th>Std Coef</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>3.860</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SNV</td>
<td>2.85</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FNS</td>
<td>6.812</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ATTD</td>
<td>11.242</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GVN</td>
<td>10.655</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R</td>
<td>.853</td>
<td>.727</td>
<td>.325</td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>.727</td>
<td>.325</td>
<td>.325</td>
<td>.000</td>
</tr>
</tbody>
</table>

Source: SPSS Output (2019)

Interpretations

The result gave \( R^2 = 0.727, Adjusted R^2 = 0.325; F(4, 363)=242.128, p < 0.05 \). These suggest that the four elements of tax morale (sentiments, fairness, attitude and governance & trust) had combined effect of 0.325 on tax morale level. This implies that a unit improvement in these factors would collectively induce level of tax morale by 32.5%. The ANOVA result \( (p < 0.050) \) suggests that the model regressed was found to be fit, therefore the results can be reliably generalised to the entire population and by extension used for future prediction and adopted to other jurisdictions found to have similar characteristics to the examined area.

Hypothesis 1: Sentiments, norms and values does not have significant effect on tax morale of self-employed taxpayers in South-West Nigeria

The result of individual contributions of tax morale factors and their level of significance showed that, sentiments, norms and values gave \( \beta_1 = 0.221, t(359) = 8.360, p < 0.05 \). These suggest that sentiments, norms and values made 0.221 as individual contribution to variation in tax morale. These testify that a unit improvement in sentiments, norms and values among self-employed taxpayers would induce their tax morale by 22.1%.

Since the \( p \)-value was found to be less than 0.05, it was inferred that the result was significant at 5% level. The study therefore, decided not to accept the null hypothesis, and rather accepted the alternate hypothesis to conclude that sentiments, norms and values had significant effect on tax morale of self-employed taxpayers.

Hypothesis 2: Fairness of tax system does not have significant effect on tax morale of self-employed taxpayers in South-West Nigeria

Similarly, the result of individual contributions with respect to fairness of tax system gave \( \beta_1 = 0.221, t(359) = 6.812, p < 0.05 \). These suggest that perception tax fairness among self-employed taxpayers gave 0.221 as individual contribution to variation in tax morale. These testify that a unit improvement in perception tax fairness among self-employed would induce their tax morale by 22.1%.

Since the \( p \)-value was found to be less than 0.05, it was inferred that the result was significant at 5% level. The study therefore, decided not to accept the null hypothesis, and rather accepted the alternate hypothesis to conclude that perception of
fairness of tax system had significant effect on tax morale of self-employed taxpayers in South-West Nigeria.

Hypothesis 3: Attitude to taxes does not have significant effect on tax morale of self-employed taxpayers in South-West Nigeria

Similarly, the result of individual contributions with respect to attitude gave $\beta_1 = 0.215$, $t(359) = 11.242$, $p < 0.05$. These suggest that attitude to taxes among self-employed taxpayers gave 0.215 as individual contribution to variation in tax morale. These testify that a unit improvement in attitude to taxes among self-employed would induce their tax morale by 21.5%.

Since the $p$-value was found to be less than 0.05, it was inferred that the result was significant at 5% level. The study therefore, decided not to accept the null hypothesis, and rather accepted the alternate hypothesis to conclude that attitude to taxes had significant effect on tax morale of self-employed taxpayers in South-West Nigeria.

Hypothesis 4: Governance quality and trust does not have significant effect on tax morale of self-employed taxpayers in South-West Nigeria

Similarly, the result of individual contributions with respect to governance quality and trust gave $\beta_1 = 0.227$, $t(359) = 10.655$, $p < 0.05$. These suggest that perception of governance quality and trust among self-employed taxpayers gave 0.227 as individual contribution to variation in tax morale. These testify that a unit improvement in perception of governance quality and trust among self-employed would induce their tax morale by 21.5%.

Since the $p$-value was found to be less than 0.05, it was inferred that the result was significant at 5% level. The study therefore, decided not to accept the null hypothesis, and rather accepted the alternate hypothesis to conclude that governance quality and trust had significant effect on tax morale of self-employed taxpayers in South-West Nigeria.

Comparative analysis of individual contributions ($\beta$) of the factors showed that the value of the unstandardized beta coefficients indicate that the independent variables contributed closely similar values of 0.221 for Sentiments, 0.221 for fairness, 0.215 for attitude, and 0.227 for governance and trust. Meanwhile, when the coefficients were standardised, it showed that attitude exerted the highest contribution of 0.354 ($t = 11.242$), followed by governance & trust giving 0.333 ($t = 10.655$), then sentiment, norms and value contributing 0.285 ($t = 8.360$) and lastly fairness contributing 0.240 ($t = 6.812$). The implications of these is that if attitudes of self-employed taxpayers generally improve, tax morale would increase by 35.4%, while enhancement of perceptions of quality of governance as well as trust of self-employed taxpayers in the government would induce their tax morale as their readiness to pay tax by 33.3%. Where sentiment, norms and value towards taxation of self-employed taxpayers are favourably improved, the expected inducement would be expected to be 28.5% in their level of motivation to pay taxes. An improvement of 24% is expected to be experienced in readiness to pay taxes by self-employed taxpayers, if their perception of tax being fair is improved.

These revealed that attitude to taxes had the greatest effect on tax morale of self-employed taxpayers and fairness had the lowest.

5 DISCUSSION OF FINDINGS

It was found to be somewhat true that tax morale of self-employed taxpayers in South-West Nigeria was high (mean = 3.21). Furthermore, all the four factors examined collectively exerted significant effect on tax morale of self-employed taxpayers in South-West Nigeria ($R^2 = 0.727$, Adjusted $R^2 = 0.325$; $F(4,363) = 242.128$, $p < 0.05$). Each of the factors were also found to show individual contributions that were significant {sentiment, norms and values: $\beta = 0.285$, $t(363) = 8.360$, $p < 0.05$; fairness of tax system: $\beta = 0.240$, $t(363) = 6.812$, $p < 0.05$; attitude: $\beta = 0.354$, $t(363) = 11.221$, $p < 0.05$; and Governance quality and trust in government: $\beta = 0.333$, $t(363) = 10.655$, $p < 0.05$}.

These results established that sentiment, norms and values had significant effect on tax morale is supported by theoretical propositions of Ajzen 1991, Ajzen and Fisbein (1980) and Chau and Leung (2009) that social factors had influence on readiness of taxpayers to pay tax. Similarly, empirical findings of Torgler (2004) in Costa Rica and Switzerland, Dell’Anno (2009), Torgler and Murphy (2004) using WVS on Australian, Tjondro (2018) that established moral values, social stigma and moral justifications to be predictors of tax morale. Meanwhile, findings of Vyheilingium et al (2016) and Torgler and Scheneider (2007) did not.

The result establishing that attitude of taxpayers towards tax significantly affect tax morale is also supported by early studies like Chau and Leung (2009) suggesting that attitude towards behaviour predicts the intention to behave in a certain way. Similarly, finding that perception of fairness of tax system as significant predictor of tax morale has supported from Barbutamisu (2011) and Kirchler, Hoezi and Wahl (2008) that suggested tax fairness especially procedural fairness had significant effect on intention to pay tax.

The result on perception of governance quality and trust in government having significant effect on prediction of tax morale has support in studies like Tjondro (2018), Torgler (2003), Torgler and Murphy (2004), as well as Torgler, Schaffner and Macintyre (2010) that established that perceptions of the citizens about the governance quality in a country have certain degree of influence on their tax morale. Further supports also exist in Gang, Hoffman and Kirchler (2015) that established trust and legitimacy of tax authority have positive influence on voluntary tax compliance. On the other hand findings of Torgler and Schneider (2007) gave contrary findings.

6 IMPLICATIONS TO RESEARCH AND PRACTICE

One major implication of the findings in this study is in areas of validation of the Theory of Planned Behaviour (TPB). TPB was validated empirically by evidences establishing that subjective norms, attitudes and perceived behavioural control of self-employed taxpayers foretold their tax morale (intention) which consequently dictated their tax compliance (behaviour). It also
gave results establishing that sentiments, norms and values, fairness of tax system, attitude and good perception of governance quality and trust in government institutions can induce self-employed taxpayers' willingness to pay tax.

Another implication is in the area of policy formulation. In a bid to induce tax morale to a sustainable level, governments can formulate and implement policies and strategies that would improve sentiment, norms and values favourable to taxation, enhance taxpayers' attitude towards tax, improve individuals' perception of fairness of tax system, as well as perception of governance quality and trust in government.

7 CONCLUSION
From the results, the study concluded tax morale among self-employed taxpayers in South-West Nigeria was far below maximum, therefore not at level high enough for sustainable taxation. It was also concluded that sentiment, norms and values, taxpayers' attitude, perception of fairness of tax system, governance quality and trust in government, collectively and individually, affected tax morale among self-employed taxpayers in South-West Nigeria. Furthermore, attitude exerted the greatest contribution to variation in tax morale.

8 RECOMMENDATIONS
This study therefore made recommendations to major stakeholders in taxation as follows:

Government should ensure commitment to law enforcement, accountability and transparency on budgeting, execution and accounting for government activities. This would enhance taxpayers' trust in government to motivate taxpayers to pay more. More so, it is recommended that payment of taxes be facilitated through the banking system by allowing for simple cross tax deductions or source withholding. This would reduce not only compliance costs to taxpayers but also administration costs to tax authorities thereby improve perceptions on the fairness of tax system. Likewise, taxpayers' participation in decision making on tax matters and issues should be encouraged through calling for memoranda, organizing symposia, public debate and others on matters relating to taxes and taxation/tax system from time to time, more especially for review of government programme, policies and activities. This would give taxpayers feelings that they have voice in ways they are being taxed, and offer a sense of commitment to these collective decisions made and/or reviewed together. There are empirical evidences confirming that tax compliance is influenced by taxpayers' sentiments from collective decision making, especially under democratic governance (Alm, Jackson & McKee, 1993, Alm, McClelland & Schulze, 1999, Torgler & Schaltegger, 2995, Frey & Torgler, 2007).

To the tax authorities, the study recommended taxpayers' service paradigm emphasising tax administrators are service providers and facilitators to taxpayers as customers of public goods and services. This measure would go a long way to enhance fairness of tax system and attitudes of self-employed taxpayers which could ultimately induce their motivation to pay taxes.

In order to improve taxpayers' attitude, and even sentiments, tax authorities should endeavour to have efficient and effective taxpayers' education and enlightenment programmes regularly. The existing tax and fiscal institutional framework should be improved upon for effective and efficient operation. The existing policy of specialization of tax administrators into low and high net worth should be encouraged and emphasized to have strategies that are specific taxpayers' target.

To the academics, it is recommended that “Taxation and Revenue Administration” be introduced as a compulsory general study course for all students in Nigerian tertiary institutions irrespective of the field of studies. This would ensure that students have good understanding of taxation, its essence, and administrative procedures as prospective taxpayers before they start getting income that would be taxed. This would immensely assist these prospective taxpayers on developing favourable attitudes toward taxes and taxation.

Further study is recommended to replicate this study in other jurisdictions, especially outside developing economies, as well as comparative study between developing and developed economies, or within same economic region. Similarly, further studies that would use other methods like experimental study is recommended.

REFERENCES