IPSAAS Attributes Dissensions and SMEs Tax Payment Compliance Integrity

Shakirat Adepeju Babatunde[1*]

[1]*Crescent University Abeokuta, Nigeria, yasinfatiha1995@gmail.com*
*Corresponding author

Abstract

This study analyses International Public Sector Accounting Standards' effects on the integrity of Small and Medium Enterprises (SMEs) tax payment compliance. This study uses a cross-sectional survey design based on primary data from a questionnaire administration. The sample size is three hundred and nine SMEs. This study employs Descriptive, Pearson Correlation and Multivariate Analysis of Variance (MANOVA) statistical analysis. Findings show that among the tax payment compliance impeding factors are the government's inability to satisfy SMEs in service delivery improvement and developmental goal promise actualisation. SMEs' resistance to pay tax results from a flawed tax dispute resolution system at a severe mitigating significant level. The governance responsiveness through IPSASs attributes dissension contradicts John Locke's social contract doctrine of civil society rights and benefits. Hence, this study recommends that officeholders should enhance the SMEs' tax payment compliance level. Public officers' approach to governance should reduce taxpayers' exploitation for self-aggrandisement.

Keywords: Tax payment compliance, Integrity, International Public Sector Accounting Standards, Small and Medium Enterprises, Government Responsiveness

Ipsass Atribusikan Pertikaian dan Integritas Kepatuhan Pembayaran Pajak UKM

Abstrak

Penelitian ini menganalisis pengaruh Standar Akuntansi Sektor Publik Internasional terhadap integritas kepatuhan pembayaran pajak Usaha Kecil dan Menengah (UKM). Penelitian ini menggunakan desain survei cross-sectional berdasarkan data primer dari pemberian kuesioner. Besar sampelnya adalah tiga ratus sembilan UKM. Penelitian ini menggunakan analisis statistik Deskriptif, Korelasi Pearson dan Multivariate Analysis of Variance (MANOVA). Temuan menunjukkan bahwa salah satu faktor penghambat kepatuhan pembayaran pajak adalah ketidakmampuan pemerintah memuaskan UKM dalam peningkatan pemberian layanan dan realisasi janji tujuan pembangunan. Penolakan UKM untuk membayar pajak disebabkan oleh sistem penyelesaian sengketa pajak yang cacat dan pada tingkat mitigasi yang signifikan. Responsivitas tata kelola melalui IPSAS mengaitkan pertikaian yang bertentangan dengan doktrin kontrak sosial John Locke tentang hak dan manfaat masyarakat sipil. Oleh karena itu, penelitian ini merekomendasikan agar pejabat meningkatkan tingkat kepatuhan pembayaran pajak UKM. Pendekatan pejabat publik terhadap pemerintahan harus mengurangi eksploitasi pembayar pajak untuk membesarkan diri sendiri.

Kata kunci: Kepatuhan pembayaran pajak, Integritas, Standar Akuntansi Sektor Publik Internasional, Usaha Kecil dan Menengah, Responsif Pemerintah

INTRODUCTION

Tax is a revenue source promoting a bond between the governed and the Government. Tax revenue promotes economic development, which enhances wealth creation and redistribution. However, currently, this study observes that the SMES tax payment compliance (TPC) rate in Nigeria has not been encouraging because of the economic downturn arising from the COVID-19 challenges on businesses in lockdown without disposable income. Hence, due to the prevailing economic condition, TPC has attracted organisations such as the African Development Bank and PricewaterhouseCoopers (PwC) Nigeria. Hence, it is necessary to concentrate on the fundamental canons of a sound tax system, such as the integrity of the taxpayers and that of the Government, cautiously because how the tax system fulfils the integrity objective could determine the extent to which the taxpayers comply. For instance, the Government's role in tax collection involves tax administration and usage; The usage roles include a concise intention for raising revenue, usually for public expenditures such as roads, education, health and security. It could be challenging to convince taxpayers who ration their income over wages, rent, and other business sustainability ideas if the Government is not responsive to their expectations.

This study focuses on the attitude to governance cum TPC efforts of the Government. This study attempts to match the integrity of both governed and the Government in TPC as an innovation in research. The study adopts the IPSASs attribute as a variable because IPSASs expected role in the Government's financial reporting integrity could improve tax compliance integrity. IPSAS attribute improves accountability and government responsiveness to the citizens (E. O. Omolehinwa & Naiyeju, 2018). IPSAS attribute improves government responsiveness, as in financial reports (Ademola, Adegoke, & Oyeleye, 2017). The responsiveness could encourage tax compliance practices of the SMEs.

Furthermore, going by the basics of tax as a compulsory levy by the Government to the governed, in which case the governed has no choice but to pay (Iraman, Ono, & Kakinaka, 2021). Dwindling tax compliance could complicate economic development (World Bank, 2020). Accordingly, improving internally generated revenue could serve four purposes reducing a country's dependence on external aids, improving government responsiveness, institutional growth and development, and assisting in the poverty alleviation programme in low-income economies (World Bank, 2020).

This study critically examines the contract between the Nigerian State's taxpayers and the Government in line with the social contract theories. The Government must play its part if it expects revenue. For instance, IPSAS 42 on social benefits is necessary because the delivery of social amenities is the primary duty of the Government, and the expenditure is enormous. (International Public Sector Accounting Standards Board (IPSASB), 2021a). Hence, the IPSAS would improve government responsiveness. However, such expenditure should translate into more resources to maintain government spending and revenue realisation contract with the people. Hence, focusing on TPC is timely because the country is just recovering from a recession based on the declining oil revenue price, which is the mainstay of the economy (British Broadcasting Corporation (BBC), 2021).

This study is with particular reference to SME tax attitude in Nigeria because the SMEs group is the highest contributor to the Gross Domestic Product (GDP) of any nation (PricewaterhouseCoopers (PwC), 2020). According to PwC (2020), formal SMEs constitute about 99.8 % of the total business in Nigeria. Their contribution to GDP and employment stands at 48% and 84%, respectively. PwC (2020) establishes that taxpayers perceive local government taxes and levies as the most difficult to comply with within Nigeria without specifying why. Furthermore, scholars such as Sabando-Vera et al. (2022). Tax practices hamper SMEs' growth, which could devastate an economy if care is not taken (Nnam, Amara, Ekete, Okeke, & Chukwunwike, 2022). Hence, the current study further probes SMEs, tax burden and Government financial reporting to provide insightful information for policy formulation on SMEs, Taxation and economic growth. This study analyses the worries of fund providers such as the World Bank about tax payment compliance in low-income economies such as Nigeria. This study from a developing economy fills the need for similar studies in such an economy. This study's methodology is novel, covering a rare variable of IPSAS attributes in tax compliance research. As an innovation, this study introduces nine constructs to proxy the research variables. The constructs of IPSASs are novel as they add to the existing knowledge in tax compliance research.

Assuming the integrity essential in TPC, the Organisation for Economic Co-operation and Development (OECD) is concerned about an appropriate measure of TPC concerning the integrity of the taxpayer in furtherance of usual audit practice because mutual trust between the authority and the taxpayers could improve voluntary TPC (Organisation for Economic Co-operation and Development (OECD), 2014). However, this study measures the integrity of tax collectors through their responsiveness to the taxpayers' plight. Hence, the study anchors on IPSASs attribute being an avenue to measure government responsiveness. This study opines that only truthful coexistence can withstand time under a social contract arrangement. Moreover, taxpayers are likely to respond to TPC in how they perceive the tax authorities' responsiveness (Rotimi, 2021). However, OECD proposes the integrity outcome as a measure of the TPC rate in an economy OECD (2014). However, developments since 2014 could have affected the outcomes. For instance, Ayuba, Saad, and Ariffin (2016) This study observes that cohesion and force should fail in TPC because enforcement is against the rule of equity, which expects mutual integrity among the taxpayers and the tax authorities. Rotimi (2021) explores the inconclusive gap in the tax compliance literature; the study contributes that tax compliance and standard of living show a linear relationship but still needs to disclose the extent. Given the earlier scenarios, the scholarly debates on TPC could be more conclusive, requiring further study such as the current study.

Aim and objectives

The arguments documented by earlier scholars about the devastating effect of TPC failure on an economy's GDP inform this study. GDP issues could deteriorate to poor developmental outcomes, resulting in waning disposable income against the economy. Therefore, the motivation for this study is the premise that tax payment non-compliance

could affect an economy negatively when everyone suffers, including those who comply, which is not desirable. Hence, this study aims to analyse IPSASs attribute effects on SMEs' tax payment compliance integrity in Nigeria to influence taxpayers towards improved revenue. Hence, the research question is; To what extent does IPSAS attribute affect SMEs' tax payment compliance integrity? This question is pursued under three objectives as follows:

1. Investigate if the IPSAS attribute of officeholders' receptive decision significantly affects SMEs' tax payment compliance integrity.
2. Examine if the IPSAS attribute of the government service delivery system significantly affects SMEs' tax payment compliance integrity.
3. Examine if IPSASs attribute of government actualisation of developmental goal significantly affects SMEs tax payment compliance integrity.

SMEs and Tax payment compliance

SMEs have an annual turnover of less than One Hundred Million Naira per annum with less than three hundred employees (Central Bank of Nigeria (CBN), 2020). SMEs are usually educated sole proprietors and contribute about 20% to the national GDP. SMEs have many problems in Nigeria, such as infrastructural deficiency Small and Medium Enterprises Development Agency of Nigeria SMEDAN (2013). Nevertheless, they need to pay taxes which is a compulsion no matter their problems. They are unique to an economy and of concern to this study in line with the expectation from the United Nations Development Programme Organisation Small and Medium Enterprises Development Agency of Nigeria SMEDAN (2013). Moreover, it is a global phenomenon for a Country to engage in tax revenue mobilisation for developmental purposes.

However, taxation involves four different steps, from initiation to payment. They are categorised as timely registration, filing of returns, reporting integrity, and payment (OECD, 2004). The taxpayer should comply with all the categories. Nonetheless, this study is specific about the payment compliance angle, although all the categories are important as one leads to another. However, tax payment is an issue in practice, especially for SMEs, because of many problems encountered in business operations, such as providing an enabling environment at a personal cost instead of trusting the government for support. SMEs TPC often leads to tax dispute challenges.

Nigeria encourages administrative procedures in handling tax disputes, in which the taxpayer lodges objections to the tax authority. The tax authority either upholds or rejects the objection. They communicate refusal by a Notice of Refusal to Amend (NORA). The Petitioner can progress to court if contented. The government also establishes the courts and tax appeal tribunals to handle tax complaints in line with the Constitution of the Federal Republic of Nigeria1999 (Richard, 2017): the Taxes and Levies Act, LFN 2004 covers tax collection for Nigeria. The dispute jurisdiction depends on whether or not the complaint relates to the Federal, State or Local governments (Uwa, Aderemi, Owhor, & Agbada, 2021).

Moreso, the tax authorities trust the revenue court as part of a tax dispute resolution system, but the taxpayers sometimes do not trust the system. Nonetheless, of concern to the SMEs are timeliness, fairness and integrity of the tax authorities PricewaterhouseCoopers (PwC) (2020). This study observes that SMEs are disadvantaged because they cannot resolve sovereign revenue matters through arbitration or dispute resolution. Moreover, the court process is time-consuming and may discourage the filing of objections to the detriment of the taxpayers (AndersonTaxLP, 2019). For example, the study observes that trust could be a problem when the Federal Inland Revenue Service suddenly issued a freezing order on the bank accounts of some organisations that were assumed to be in tax payment defaults without due process in 2018. Tax disputes affect SMEs struggling to survive in the face of other problems, such as inefficient processes and infrastructure deficits. Rotimi (2021) argues that the inefficient tax system has an unfavourable effect on TPC in Nigeria.

Nonetheless, The Federal Inland Revenue Service (2020); PwC (2020) note that the Federal Government of Nigeria has amended some of the earlier tax provisions to the advantage of SMEs, such as early payment incentives. The concessions should affect SMEs' TPC attitude, especially with a more transparent financial report in line with the IPSASs attribute. Furthermore, the contract between the Nigerian State and SMEs in the TPC system has to improve to enhance mutual trust as enshrined in the social contract theory.

Social contract theory
Social contract theory originated in 1651. It places a moral obligation on the sovereign who should provide man's basic needs, such as security Giddens (2015). The primary advocates of the social contract theory, Hobbes, Locke and Rousseau, encouraged varied pictures of the 'State of nature, the contract positions and the dominion features arising as an ingress of the State (Gauba, 2019). The trio contemplates the State of nature as the pre-votive stage of anthropological existence. Hobbes' doppelgänger of the State is melancholic, where human life is offensive and ruthless because there are no laws or principles regulating human conduct. To avert war, every person must enter into a treaty with one another, not to oppress or injure one another (Mouritz, 2010). The climax of Hobbes's message is that members of the society willingly empowered a sovereign to have absolute power in controlling the affairs of the State.

Henceforth, the imposition of tax is agreeable to the people, but it is in exchange for their welfare and protection against injustice, fairness and integrity. Consequently, Social contract theory places a moral obligation on the sovereign to provide man's basic needs, such as security. Hence, the Hobbesian theory expects returns from the sovereign though the taxpayers are to obey them. Moreover, the concern of this study is about the socio-psychological issue concerning TPC, which is no longer a case of the might is always right but man's freedom to decide what to obey.

Oboh and Otulugbu (2021) argue that the tax compliance notion is a question of justice and fairness. However, this study argues that Hobbes's concept of despotism during the primitive era is now archaic in democratic settings. However, in developing economies with dictatorship and favouritism, Hobbes's style still manifests in the governance system.

Nonetheless, such economies suffer from serious tax payment non-compliance; they result in heavy borrowing and debt servicing to the detriment of their economy, which is expensive and counterproductive with dire consequences for the taxpayers. Hence, the challenge should improve by embracing a responsive financial reporting system based on IPSASs attribute.

IPSASs attributes concerning service recipients and resource providers

IPSASs attribute enhances the opportunity for trusting government systems. For instance, IPSASB (2021a) explains that the core objective of IPSASs is to improve the quality of general-purpose financial reports (GPFR) by government enterprises for an informed assessment of the verdicts to distribute resources and improve efficiency. According to International Public Sector Accounting Standards Board (IPSASB) (2021b), the IPSASs financial reporting framework satisfies the information requirements of service recipients and resource providers, such as taxpayers on government assets, liabilities, revenue, expenses and cash for better users' understanding of the financial reports. Furthermore, the benefits of IPSASs include improving government responsiveness to the yearnings of the governed (Omolehinwa & Naiyeju, 2018). (Adeyeye, Otusanya, & Arowomole, 2016) aver that government responsiveness is crucial for improving tax compliance. Hence, relying on Müller and Berger (2018), this study perceives that responsiveness involves paying back to the taxpayers through receptive decisions, service delivery improvement, and actualisation of developmental promises by officeholders.

Officeholders' receptive decision and SMEs tax payment compliance integrity.

The citizens should feel the impact of government decisions on their resources. Taxpayers' perception of government decisions matters because negative perception could affect the government's image and, in turn, government fiscal capacity. Some scholars argue that government decision promotes tax payment compliance (Ayuba et al., 2016).

Furthermore, other scholars find a robust positive association between SMEs' trust in tax establishments and voluntary compliance (Mutanga, Ncube, Mbuyisa, & Magodhini, 2021). In line with the social contract principle as aforementioned, from the early origin, man has assumed the taxpayer's position who has surrendered part of his resources to the leader in return for protection such as security and continuous harmonious decision in the State of nature (Weale, 2017). However, the assumption sometimes needs a commensurate responsive decision. Henceforth, SMEs' tax compliance attitude could be complex (Mas'ud, Aliyu, & Gambo, 2014). Hence, Hypothesis 1: Ho1: Officeholder receptive decision does not significantly affect SMEs' tax payment compliance integrity.

Government service delivery system and SMEs tax payment compliance integrity

Government pulls resources together from the governed because it is easier for them in sovereignty and might. However, standard governance practice beholds the government to use the resources for efficient service delivery to the resource owners. Nonetheless, studies such as Omolehinwa (2012) argue that the government still needs to meet the service

delivery expectation of Nigerians. Gangl, Hofmann, and Kirchler (2015) aver that trust, not coercion, could improve sustainable tax payment compliance. They argue that with dynamism and reciprocated stimulus, TPC may improve. Given the arguments mentioned earlier, this study investigates the extent to which the government service delivery system significantly affects SMEs' tax payment compliance integrity through hypothesis two. Ho2: The service delivery system does not significantly affect SMEs' tax payment compliance integrity.

Developmental goal actualisation and SMEs tax payment compliance integrity

Government developmental goal actualisation, such as providing programmes and amenities that give the people hope and trust in the government, could attract SMEs because they require basic infrastructure, such as roads and transportation, to facilitate the smooth running of their businesses. For example, tax reprieve can improve tax compliance (Aladejebi, 2018). However, developmental goals actualisation in developing nations has been criticised by scholars such as Acho and Abuh (2016). In addition, Appah and Wosowei (2016) aver that the government's outlook towards public establishments affects TPC. As a result, this study interrogates the way forward through Hypothesis 3. That is Ho3: Developmental goal actualisation has no significant effect on SMEs' tax payment compliance integrity. This study's conceptual model is per Figure 1.
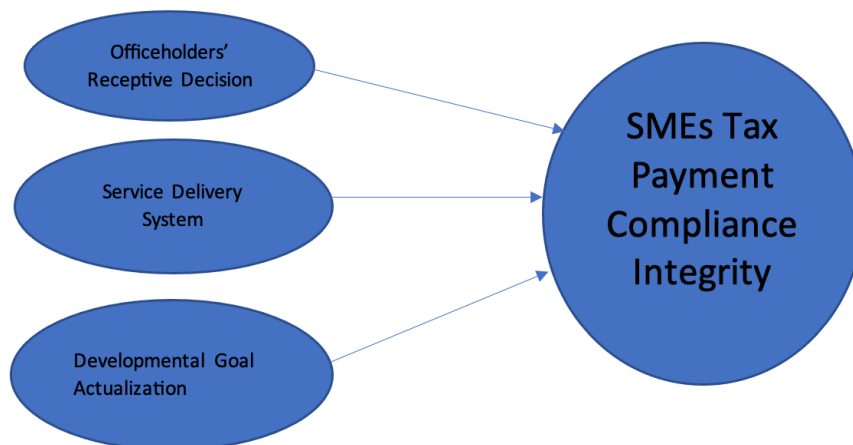
Figure 1. Conceptual framework of the relationship between the International Public Sector Accounting Standards attributes and SMEs tax payment compliance integrity.

Discussion of the Conceptual Model

Figure 1 depicts the model for this study. The model explains that the IPSAS attributes of enhancing Officeholder receptive decision, Service delivery system and Developmental goal actualisation as dependent variables could influence SMEs' tax payment compliance. The arrows in the model show the interrelatedness of the variables. Hence, essential contributions to understanding accounting changes have been built into a model to allow for a better understanding of this study. The variables are further discussed in the methodology.

METHOD

This study uses a cross-sectional survey design based on primary data from a questionnaire administration. The cross-sectional survey design is quick, easy and affordable to perform. Earlier studies on Tax compliance have established that responses are efficiently obtainable through survey methods Ismail and Naqshbandi (2022); AbuBakar, Palil, and Maelah (2021).

Sampling

The population for this study comprises all the SMEs in Lagos State, Nigeria, estimated at eight thousand three hundred and ninety-five (8395) entities (SMEDAN, 2017). The focus is on SMEs because of their catalytic characteristics in economic development (SMEDAN, 2013).

The research environment is chosen because Lagos State is one of the places for a technology renaissance in Africa, which can serve the technological need of SMEs. Hence, the State hosts the most significant SMEs in Nigeria (SMEDAN, 2017). Moreover, Lagos State's economy is more extensive than all other economies in the ECOWAS sub-region, with a high impact on Nigeria's economic growth (Lagos State Government, nd). This study uses Yamane's (1967) formula to ascertain a representative sample size (Madow, 1968) as follows:

$$n = \frac{N}{1 + N(e)2}$$

where n is the sample size, N is the target population size and e is the margin of error.

$$N = 8395$$
$$e = 0.05$$
$$n = \frac{8395}{1 + 8395\,(.05)2}$$

However, because of the effect of sample size on reliability assessment, this calculated sample size is adjusted to accommodate no returns and non-responses to some items in the questionnaire. Hence, the sample analysed reduces to three hundred and nine (309) respondents.

This study uses a questionnaire as the instrument designed on a five-point Likert-type scale as per Balogun (2016); Sullivan and Artino (2013). The questionnaire covers IPSASs benefit of responsiveness and Tax payment compliance integrity constructs relying on Organisation for Economic Co-operation and Development (OECD) (2014). The questionnaire contains two main sections, I and II. Section I covers the respondents' bio-data, including the respondents' education and business age, for easy and correct analyses. Section II captures questions in the form of statements of assertion and allows for open-ended responses, following Acho and Abuh (2016).

The applicable five-point Likert scale is outlined and interpreted according to the degree of agreement. For instance, Strongly Agree scores 5, Agree scores 4, Undecided scores 3, Disagree scores 2 and Strongly Disagree scores 1. The research instrument undergoes validity and reliability tests through a test-re-test process and Cronbach's alpha

statistics, which reports .73. The alpha result meets the acceptable standard of .7, as suggested by prior literature (Nunnally & Bernstein, 1994). Hence, the results indicate that the instrument is reliable. This study adopts a convenience sampling technique.

The responses analysis is with the aid of descriptive and inferential statistics in a frequency distribution, multivariate analysis of variance and Pearson correlation statistical analyses with the aid of the SPSS, IBM version 23. Regression analysis is adopted because a regression assesses whether independent variables account for variability in a dependent variable, which is the import of this study. Moreover, its power of prediction and precision is concrete, Salkind, 2014). Therefore, this study satisfies the requirement for regression analysis regarding large sample size, following the rule in the Central Limit Theorem (CLT) (Fischer, 2021).

Measurement of Variables

A linear regression model is essential to measure the effects of research variables on one another (Fagbemi, Abogun, & Salami, 2013). Hence, for testing hypotheses 1 to 3, the independent variable IPSASs attribute is broken down into three viz:

Officeholders' receptive decision (OHD), Government service delivery system (SDS), and Government developmental goal actualisation (DGA). The dependent variables are three tax payment compliance integrity measures (OECD, 2014). That is, the proportion of SMEs that: trust the government revenue dispute resolution system (TRDRS); believe that government would capture cheaters (GCC); believe that tax authorities are instituting an adequate programme to diminish non-compliance (APDNC); Hence, this study expresses linear regression statistics through the following equation of a straight line:

$$Y1 = a1 + bX1$$
$$Y2 = a2 + bX2$$
$$Y3 = a3 + bX3$$

Where X is the independent variable and Y the dependent variable

$$Y1 \ is \quad TRDRS-$$
$$Y2 \ is \quad GCC \quad -$$
$$Y3 \ is \quad APDNC-$$

a_i is the intercept of model i; & b_i is the slope of model I

The Y_1, Y_2 and Y_3 are computed as a single variable to arrive at Small and Medium Enterprises tax payment compliance (SMETPC). Hence, the equations result into to the following models.

$$Model\ 1: SMETPC = f\ OHD$$
$$Model\ 2: SMETPC = f\ SDS$$
$$Model\ 3: SMETPC = f\ DGA$$

FINDING AND DISCUSSION
Finding

Table 1. *Respondents' Bio-data*

S/N	Respondents' bio-data		Number of Respondents	Percentage (%)
1	Highest academic qualification	Primary school leaving certificate	143	46.2
		Technical college certificate	59	19.09
		HND/BSc,	74	23.9
		MSc./MBA	33	10.6
		Total	**309**	**99.79**
2.	Enterprise type	Hospitality	35	11.32
		Cosmetology	37	11.97
		Furniture maker	19	6.1
		Fashion designer	40	12.94
		Trader	23	7.4
		Motor mechanic	53	17.12
		Electrician	59	19.09
		Dry cleaner	11	3.5
		Leather/Wool work	11	3.5
		Carpentry	21	6.8
		Total	**309**	**99.74**
3.	Respondent's Gender	Male	167	54.04
		Female	142	45.95
		Total	**309**	**100**
4.	Enterprise age	10 years and below	166	53.73
		Above 10 years	143	46.27
		Total	**309**	**100**

Table 1 shows that the responses are from knowledgeable SMEs with the highest qualification of at least a primary school leaving certificate at 46.2% and first degree at 23.9%. The SMEs cover ten enterprise types. They are primarily Electricians and Motor Mechanics at 19.09% and 17.12%, respectively. About 45.95% are owned or managed by the female gender, while 46.27% have existed for over ten years. Hence, the respondents' experience cut across many life works with gender balance tendency. Hence, the respondents could contribute meaningfully to actualising the research objectives.

Table 2 shows that SMEs believe that they should not cheat the government ($\mu = 4.35$). They also agree that government would capture cheaters ($\mu = 4.39$), Sufficient efforts to improve tax payment ($\mu = 3.61$), and Identification of failure to comply with tax payment ($\mu = 3.66$). In Lagos State, SMEs do not agree that the government is instituting sufficient efforts to improve tax payments at a high standard deviation of 2.65. Some also doubt the government's ability to identify tax payment failure with a high standard deviation of 1.36. That tax payment compliance assists officeholders' decisions are unanimous with an acceptable standard deviation of .79; ($\mu = 4.31$).

Table 2: *Descriptive Statistics of the IPSASs attribute of Government responsiveness and Tax payment compliance integrity measurements*

S/N	Questionnaire item	Mean	Std. Deviation
1.	SMES should not cheat government.	4.35	.80
2.	Government would capture cheaters.	4.39	.86
3.	Government is putting sufficient efforts to improve tax payment.	3.61	2.65
4.	Government would identify failure to comply with tax payment.	3.66	1.36
5.	Tax payment compliance assists officeholders' decisions.	4.31	.79
6.	Tax revenue improves service delivery.	4.18	1.03
7.	Tax revenue allows government to actualise developmental goals.	3.97	1.28
8.	Government displays integrity and fairness to the tax payers.	3.03	1.55
9.	Tax dispute/ Appeal resolution system is satisfactory.	4.15	2.52

N = 309; Scale: Max. = 5; Min. =1

In Table 2, SMEs express scepticism in all four areas of government responsiveness tested. They all return high standard deviations for service delivery improvement, the government's ability to actualise developmental promise. SMEs are sceptical about government integrity and fairness to taxpayers, with a flawed appeal/dispute resolution system resulting in a high standard deviation from the mean at 1.55 and 2.52, respectively. These results imply that SMEs understand the merits of tax payment compliance but are hesitant to comply because they perceive that government responsiveness to taxpayers yearning could be better.

Table 3. *Correlations of the determinant and dependent variables*

			Tax payment compliance integrity	IPSASs attributes
SMEs Tax payment compliance integrity		Pearson Correlation	1	.
		Sig. (2-tailed)		
		N	309	
IPSASs attributes		Pearson Correlation	.492**	1
		Sig. (2-tailed)	.000	
		N	309	

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

Table 3 shows that IPSAS attributes tested in this study generally have a significant relationship with SMEs' tax payment compliance integrity at a .01 level of significance. Hence, the responses merit further examination for effects. This study, therefore, examines the effects of the individual components of the determinant and the independent variables, as shown in Tables 4 to 6.

Table 4. *Multivariate Tests^a For The Dependent and Independent Variables*

Effect		Value	F	Hypothesis df	Error df	Sig.
Intercept	Pillai's Trace	.151	17.380^b	3.000	293.000	.000
	Wilks' Lambda	.849	17.380^b	3.000	293.000	.000
	Hotelling's Trace	.178	17.380^b	3.000	293.000	.000
	Roy's Largest Root	.178	17.380^b	3.000	293.000	.000
Officeholders' decision	Pillai's Trace	.467	85.719^b	3.000	293.000	.000
	Wilks' Lambda	.533	85.719^b	3.000	293.000	.000
	Hotelling's Trace	.878	85.719^b	3.000	293.000	.000
	Roy's Largest Root	.878	85.719^b	3.000	293.000	.000
Service delivery system improvement	Pillai's Trace	.012	1.234^b	3.000	293.000	.298
	Wilks' Lambda	.988	1.234^b	3.000	293.000	.298
	Hotelling's Trace	.013	1.234^b	3.000	293.000	.298
	Roy's Largest Root	.013	1.234^b	3.000	293.000	.298
Developmental goal actualization	Pillai's Trace	.106	11.570^b	3.000	293.000	.000
	Wilks' Lambda	.894	11.570^b	3.000	293.000	.000
	Hotelling's Trace	.118	11.570^b	3.000	293.000	.000
	Roy's Largest Root	.118	11.570^b	3.000	293.000	.000

a. Design: Intercept + Officeholders' decision + Service delivery system improvement + Developmental goal actualization
b. Exact statistic

In table 4, the result of the multivariate test shows a significant wilks' lambda of .849 at a .05 level of significance for the effects of officeholders' receptive decision, government service delivery system and government developmental goal actualisation on smes tax payment compliance integrity.

Table 5. *Parameter Estimates of The Regression Analysis for The Dependent And Independent Variables*

Dependent Variable	Parameter	B	Std. Error	t	Sig.	95% Confidence Interval Lower Bound	Upper Bound	Partial Eta Squared
Government would capture cheaters belief	Intercept	1.072	.214	5.01	.000	.65	1.49	.078
	Officeholders' decision	.698	.050	13.91	.000	.59	.79	.396
	Service delivery system improvement	-.082	.044	-1.85	.065	-.17	.01	.012
	Developmental goal actualization	.167	.034	4.93	.000	.10	.23	.076
Adequacy of compliance improvement programme	Intercept	-.193	.389	-.49	.620	-.95	.57	.001
	Officeholders' decision	.709	.091	7.76	.000	.52	.88	.170
	Service delivery system improvement	-.043	.081	-.53	.593	-.20	.11	.001
	Developmental goal actualization	.200	.061	3.24	.001	.07	.32	.035
Satisfactory Revenue Appeal/ Dispute resolution system	Intercept	3.881	.892	4.35	.000	2.12	5.63	.060
	Officeholders' decision	.130	.209	.62	.535	-.28	.54	.001
	Service delivery system improvement	.062	.185	.33	.739	-.30	.42	.000
	Developmental goal actualization	-.137	.141	-.97	.331	-.41	.14	.003

However, Tables 5 and 6 generally show that officeholders' actions significantly affect government would capture cheaters construct with a high impact beta.698 at a .05 level of significance. The service delivery system reports an insignificant effect on the adequacy of the compliance improvement programme with a negative impact at Beta of -.082 at.05 level

of significance. The three responsiveness constructs of officeholders' decision, service delivery system improvement and developmental goal actualisation have no significant effect on satisfactory appeal/ dispute resolution system at a .05 level of significance. The Partial Eta Squared of the regression model is high at.488, which shows that the proportion of the variances explained by the regression model is significant.

Table 6. *Tests of Between-Subjects Effects*

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	Government would capture cheaters	105.60[a]	3	35.201	93.87	.000	.488
	Adequacy of compliance improvement programme	124.46[b]	3	41.489	33.42	.000	.254
	Satisfactory Appeal/ Dispute resolution system	8.20[c]	3	2.734	.419	.739	.004
Intercept	Government would capture cheaters	9.41	1	9.414	25.10	.000	.078
	Adequacy of compliance improvement programme	.30	1	.305	.24	.620	.001
	Satisfactory Appeal/ Dispute resolution system	123.42	1	123.419	18.92	.000	.060
Officeholders' receptive decision	Government would capture cheaters	72.58	1	72.586	193.57	.000	.396
	Adequacy of compliance improvement programme	74.90	1	74.900	60.33	.000	.170
	Satisfactory Appeal/ Dispute resolution system	2.52	1	2.518	.386	.535	.001
Service delivery system improvement	Government would capture cheaters	1.29	1	1.290	3.44	.065	.012
	Adequacy of compliance improvement programme	.35	1	.355	.28	.593	.001
	Satisfactory Appeal/ Dispute resolution system	.72	1	.724	.11	.739	.000
Developmental goal actualization	Government would capture cheaters	9.14	1	9.137	24.36	.000	.076
	Adequacy of compliance improvement programme	13.08	1	13.086	10.54	.001	.035
	Satisfactory Appeal/ Dispute resolution system	6.18	1	6.179	.94	.331	.003
Error	Government would capture cheaters	110.62	295	.375			
	Adequacy of compliance improvement programme	366.22	295	1.241			
	Satisfactory Appeal/ Dispute resolution system	1923.41	295	6.520			
Total	Government would capture cheaters	6026.00	299				
	Adequacy of compliance improvement programme	4122.00	299				
	Satisfactory Revenue Appeal/ Dispute resolution system	7099.00	299				
Corrected Total	Government would capture cheaters	216.22	298				
	Adequacy of compliance improvement programme	490.68	298				
	Satisfactory Appeal/ Dispute resolution system	1931.61	298				

a. R Squared = .488 (Adjusted R Squared = .483)
b. R Squared = .254 (Adjusted R Squared = .246)
c. R Squared = .004 (Adjusted R Squared = -.006)

None, for hypothesis 1, the regression result shows a statistically significant β coefficient for the effect of Officeholders receptive decision on SMEs tax payment compliance integrity with a high impact beta of .698, .709 and.062 for all the three SMETPC criteria tested at a .05 level of significance. Therefore, null hypothesis 1 is not supported.

Hence, officeholders' receptive decision (OHD) has a significant effect on SMEs tax payment compliance integrity (SMETPC).

In Table 4, the result of the multivariate test shows a significant Wilks' Lambda of .849 at a .05 level of significance for the effects of officeholders' receptive decision, government service delivery system and government developmental goal actualisation on SMEs' tax payment compliance integrity.

However, Tables 5 and 6 generally show that officeholders' actions significantly affect government would capture cheaters' construct with a high impact beta.698 at a .05 level of significance. The service delivery system reports an insignificant effect on the adequacy of the compliance improvement programme with a negative impact at Beta of -.082 at.05 level of significance. The three responsiveness constructs of officeholders' decision, service delivery system improvement and developmental goal actualisation have no significant effect on a satisfactory appeal/ dispute resolution system at a .05 level of significance. The Partial Eta Squared of the regression model is high at.488, which shows that the proportion of the variances explained by the regression model is significant.

Moreover, for hypothesis 1, the regression result shows a statistically significant β coefficient for the effect of Officeholders' receptive decision on SMEs' tax payment compliance integrity with a high impact beta of .698, .709, and.062 for all the three SMETPC criteria tested at a .05 level of significance. Therefore, null hypothesis 1 is not supported. Hence, officeholder receptive decision (OHD) significantly affects SMEs' tax payment compliance integrity (SMETPC).

Henceforth, in line with $Model\ 1: SMETPC\ =\ f\ OHD\ posts\ that\ SMETPC = 1.072 + .698 + .709 + .130 = 2.609 OHD.$ This finding supports the dynamic density principle of society, in which society knows its right and can decide to exercise them as necessary (Ritzer & Stepnisky, 2021). Hence, SMEs exercise tax payment compliance obligations intensely along the path of the officeholders' decision. SMEs believe that government would capture tax revenue cheaters though their trust in government tax appeal and dispute resolution system is low.

Service delivery system improvement reports that the B coefficient exhibits no significant effect on all the SMEs' tax compliance integrity criteria with a negative low impact beta of -.193 -.082, -.043 for all the three SMETPC criteria tested at a .05 level of significance. Hence, null hypothesis 2 is supported. Therefore, the Service delivery system (SDS) negatively, not significantly, affects SMEs' tax payment compliance integrity. Henceforth, in line with posts that. This result shows that the SMEs know their responsibility and the implication of non-compliance. However, they revolt against compliance for an unsatisfactory service delivery system which fails to protect business gains. This result supports Nbete's (2012) findings, which suggest that the State should protect the governed.

Developmental goal actualisation (DGA) outcome shows that the B coefficient is not statistically significant on SMEs' tax compliance integrity criteria of government would capture cheaters' belief, and adequacy of the compliance improvement programme, with Beta of .167 and .2, respectively. However, the effect is negative but not significant for good

revenue appeal criterium at −.137. Therefore, null hypothesis 3 is supported. Henceforth, DGA does not significantly affect SMEs' tax payment compliance integrity. Rizzo (2007) finds that government responsiveness affects tax decisions. Therefore, Government developmental goal actualisation does not significantly affect SMEs' tax payment compliance integrity. Hereafter, in line with *Model* 3: $SMETPC = fDGA$ posts that

$$SMETPC = .167 + .2 - .137 = 0.23DGA$$

Furthermore, findings from the R Squared results in Table 6 show that the variables tested only account for.488, .254 and .004 of SMEs' tax payment compliance integrity regarding Officeholders' receptive decision, Service delivery system improvement and developmental goal actualization. This finding implies that apart from the IPSAS attributes constructs tested in this study, SMEs are not satisfied with the tax appeal/dispute resolution system. Hence, other factors apart from those tested in this study could affect TPC.

Result discussion

The SMEs in Nigeria need help to earn resources because the government needs to meet their business needs expectations, as depicted in the results. For instance, service delivery system improvement reports that the B coefficient exhibits no significant effect on all the SMEs' tax compliance integrity criteria. Furthermore, the developmental goal actualisation outcome shows that the B coefficient is not statistically significant on SMEs' tax compliance integrity criteria of government would capture cheaters' belief and adequacy of the compliance improvement programme. Therefore, this result shows why some developing economies that side-line their economic movers, such as SMEs, continue to wax in abject poverty. However, this study has proven that an oil-rich country like Nigeria would likely have economic problems unless government responsiveness to SMEs improves. A mono-economic system based on oil richness seems too narrow to grow an economy successfully. A diversified economic system would produce resources upon which taxpayers would thrive and comply with tax responsibility. Tax impacts society, but Horbe was sceptical and pessimistic about the role of the more able people as a part of the contract. He argues that they will oppress the less able because they tend to be cruel. However, without a contract, the alternative is to return to the State of nature, which is primitive and complex for a modern human. Nonetheless, further work on Locke's social contracts phenomenon is more comforting, in which case a mutual contract must not be in default by either party to the contract.

Hence, SMEs' perception of government, the tax payment and tax utilisation contract has negatively affected tax payment compliance integrity in the modern Nigerian State. The good news is that the trend could improve through technological innovation (Nguyen & Ngo, 2022). This study's methodology is peculiar because its foundation rests on sound theoretical arguments with a robust outcome which is a pathway to further research. This study uses a multidisciplinary approach of political science, governance, taxation, economics and accounting for buttressing its arguments. It covers a contemporary SME issue in development economics, as shown in Table 1. Its approach centres on The World Bank's concern over poverty eradication and dwindling tax compliance (World Bank, 2020). This study intuitively

exposes numerous types of SMEs in various constructs to highlight their agitation over tax dispute resolution, as shown in Tables 4 to 6. This study is trendy and instinctive, coming after earlier similar studies from developing economies such as Nguyen and Ngo (2022).

CONCLUSION

This study establishes that SMEs and society deserve an efficient service delivery system with developmental goal actualisation to comply with tax payment towards informed officeholders' receptive decisions. However, since no party to the contract should go back to the State of nature, this study recommends that:

Adequate publicity about tax revenue shortages consequences among SMEs is crucial to improve efficiency. Government should exhibit tax integrity through IPSAS-based financial reports of the actual collection and utilisation as a routine. In this current moment of a pandemic crisis, the government should show more responsiveness to the plight of SMEs. Periodical Stakeholders' town hall meetings between the government and the SMEs are necessary to improve tax payment compliance integrity. Furthermore, tax payment compliance integrity would improve if SMEs reflected on their tax obligation roles as contributing survival factors to strengthen their relationship with the government. All the 42 IPSASs in issue as of January 2021 have the attributes to aid government responsiveness to the plight of SMEs, such as IPSAS 17 on Property, Plant and Equipment, IPSAS 22 on disclosure of financial information about the general government sector and IPSASs 42 on accounting for social benefits expenditure. Moreover, this study covers SMEs. Further studies could cover other classes of taxpayers, such as listed Companies.

REFERENCES

AbuBakar, M. A. A., Palil, M. R., & Maelah, R. (2021). Governance quality and tax compliance behaviour in East Malaysia. *Asian Journal of Accounting and Governance*, 1-14. doi:10.17576/AJAG-2021-15-07

Acho, Y., & Abuh, P. A. (2016). Corruption and accountability in the Nigerian public sector: An empirical discourse. *International Journal of Public Administration and Management Research, 3*(3), 47-54. Retrieved from Retrieved from http://rcmss.com/2016/ijpamr/Corruption%20and%20Accountability

Ademola, O. A., Adegoke, K. A., & Oyeleye, A. O. (2017). Impact of International Public Sector Accounting Standards (IPSAS) adoption on financial accountability in selected local governments of Oyo state, Nigeria *Asian Journal of Economics, Business and Accounting, 3*(2), 1-9. doi:10.9734/AJEBA/2017/33866

Adeyeye, B. G., Otusanya, O. J., & Arowomole, S. S. A. (2016). Honesty, tax fairness, government's responsiveness and voluntary tax compliance in Nigeria doi:org/10.1504/IJEA.2016.083134. *International Journal of Economics and Accounting, 7*(4), 326-344. doi:org/10.1504/IJEA.2016.083134

Aladejebi, O. (2018). Measuring Tax Compliance among Small and Medium Enterprises in Nigeria. *International Journal of Accounting and Taxation, 6*(2), 29-40. doi:10.15640/ijat.v6n2a4

AndersonTaxLP. (2019). Tax dispute resolution in Nigeria: Challenges and practical steps. Retrieved from https://www.mondaq.com

Appah, E., & Wosowei, E. (2016). Tax Compliance Intentions and the Behaviour of the Individual. . *Research Journal of Finance and Accounting, 7*(13), 1-9. doi: https://www.iiste.org

Ayuba, A., Saad, N., & Ariffin, Z. Z. (2016). Does perceived corruption moderate the relationship between economic factors and tax compliance? Aproposed framework for Nigerian Small and medium enterprises. . *Mediterranean Journal of Social Science, 7*(1). doi:10.5901/mjss.2016.v7n1p402

Balogun, E. O. (2016). The impacts of International Public Sector Accounting Standards in the Nigerian public sector *International Journal of Advanced academic research social & management sciences, 2*(7), 15-33. Retrieved from https://www.ijaar.org/articles/volume2-number7/Social-Management-Sciences/ijaar

British Broadcasting Corporation (BBC). (2021). Nigerian recession: Nigerian economy dey recession under Muhammadu Buhari watch- See wetin dey happun during economic recession. Retrieved from bbc.com

Central Bank of Nigeria (CBN). (2020). Financial System Strategy 2020. Retrieved from https://www.cbn.gov.ng/fss/wed/SME_Issues,%20Challenges%20and%20-

Fagbemi, T. O., Abogun, S., & Salami, M. O. (2013). The influence of corporate governance on creative accounting. Advances in Management. *Advances in Management, 11*(1), 1-20. Retrieved from https://uilspace.unilorin.edu.ng/bitstream/handle/2

Federal Inland Revenue Service. (2020). *Finance Act 2020*

Retrieved from https://www.firs.gov.ng/wp-content/uploads/2021/01/finance-act-2020_signed.pdf

Fischer, H. (2021). *A history of the central limit theorem from classical to modern probability theory* (18th ed.). New York, United States of America: Springer.

Gangl, K., Hofmann, E., & Kirchler, E. (2015). Tax authorities' interaction with taxpayers: A conception of compliance in social dilemmas by power and trust. *New Ideas in Psychology, 37*, 13-23. doi:10.1016/j.newideapsych.2014.12.001

Gauba, O. (2019). *An introduction to Political Theory*. New Delhi, India: Mayur Pub.

Giddens, A. (2015). *Studies in social and polital theory*. New York:NY: Routledge.

International Public Sector Accounting Standards Board (IPSASB). (2021a). *Handbook of international public sector accounting pronouncements*(2021 ed., Vol. 1). Retrieved from https://www.ipsasb.org/publications/2021-handbook-international-public-sector-accounting-pronouncements

International Public Sector Accounting Standards Board (IPSASB). (2021b). *Handbook of international public sector accounting standards pronouncements* (Vol. 2). Retrieved from https://www.ipsasb.org/publications/2021-handbook-international-public-sector-accounting-pronouncements

Iraman, E., Ono, Y., & Kakinaka, M. (2021). Tax compliance and social desirability bias of taxpayers:Experimental evidence from Indonesia *Journal of Public Policy*, 1-18. doi:10.1017/S0143814X21000040

Ismail, A. K., & Naqshbandi, M. (2022). Factors Affecting Success and Survival of Small and Medium Enterprises in the Middle East. *Knowledge, 2*, 525-538. Retrieved from https://doi.org/10.3390/

Lagos State Government. (nd). *About Lagos*. Lagos Retrieved from https://www.lagosstate.gov.ng

Madow, W. G. (1968). Elementary Sampling Theory *Technometrics, 10*(3), 621-622. doi:10.1080/00401706.1968.10490610

Mas'ud, A., Aliyu, A. A., & Gambo, E. J. (2014). Tax rate and tax compliance in Africa. *European Journal of Accounting Auditing and Finance Research, 2*(3), 22-23. Retrieved from https://www.eajournals.org/wp-content/uploads

Mouritz, T. (2010). Comparing the social contracts of Hobbes and Locke. *The Western Australian Jurists, 1*, 123-127. Retrieved from http://classic.austlii.edu.au/au/journals/WAJurist/2010/6.html

Müller, T., & Berger, M. (2018). *IPSAS explained: A summary of International Public Sector Accounting Standards* (3rd ed.). West Sussex United Kingdom: Wiley,Ey.

Mutanga, M., Ncube, N., Mbuyisa, E. N., & Magodhini, P. (2021). The influence of mental accounting, perceived trust and power of revenue authorities on tax compliance among SMEs in Zimbabwe. *Journal of Taxation, 13*(2), 89-98. doi:10.5897/JAT2019.0352

Nguyen, T., & Ngo, T. N. (2022). The role of technological advancement, supply chain, environmental, social, and governance responsibilities on the sustainable development goals of SMEs in Vietnam. *Economic Research-Ekonomska Istraživanja, 35*(1), 4557-4579. doi:10.1080/1331677X.2021.2015611

Nnam, I. J., Amara, F. M., Ekete, L. I., Okeke, S. E., & Chukwunwike, O. D. (2022). Taxation Practices and the Survival of Small and Medium-Sized Enterprises (SMEs). *Universal Journal of Accounting and Finance, 10*(2), 399-410. doi:10.13189/ujaf.2022.100204.

Nunnaly, J. C., & Bernstein, I. H. (1994). *Psychometric theory* (3rd ed.): McGraw-Hill.

Oboh, T., & Otulugbu, P. O. (2021). Factors affecting tax compliance behaviour under self-assessment scheme in Nigeria. *Hallmark University Journal of Management and Social Sciences (HUJMSS), 3*(2), 116-125. Retrieved from https://hallmarkuniversity.edu.ng/portal/FileUploads/Hallmark%

Omolehinwa. (2012). *Accounting for peoples money, (Inaugural Lecture).* : University of Lagos Press.

Omolehinwa, E. O., & Naiyeju, J. K. (2018). *Government accounting in Nigeria: An IPSAS Approach* (2nd ed.). Lagos, Nigeria: Pumark.

Organisation for Economic Co-operation and Development (OECD). (2014). Guiding principles for measuring tax compliance outcomes: A practical guide. Paris: OECD. . doi:doi:https://doi.org/10.1787/9789264223233-5-en

PriceWaterHouseCoopers (PwC). (2020). PwC'S MSME Survey 2020 Building to last Nigera report. Retrieved from https://www.pwc.com/ng

Richard, N. (2017). An examination of tax dispute resolution mechanisms in Nigeria:A case for the adoption of alternative dispute resolution methods. *UNIPORT Law Review*, 195-211. Retrieved from www.uniportlawjournals.com

Ritzer, G., & Stepnisky, J. (2021). *Modern Sociological Theory* (9th ed.). London: SAGE.

Rizzo, L. (2007). Local government responsiveness to federal transfers: theory and evidence *International Tax and Public Finance, 15*(3), 316-337. doi:10.1007/s10797-007-9025-0

Rotimi, O. (2021). Impact of Tax compliance on Standard of living in Nigeria. *Journal of Accounting and Management, 11*(1), 237-250. Retrieved from https://dj.univ-danubius.ro/index.php/JAM/article/view/933

Sabando-Vera, D., Yonfa-Medranda, M., Montalván-Burbano, N., Albors-Garrigos, J., & Parrales-Guerrero, K. (2022). Worldwide Research on Open Innovation in SMEs. *Journal of Open Innovation: Technology, Market, and Complexity, 80*(1), 1-25. doi:10.3390/joitmc8010020

Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). (2017). *National Survey of Micro Small & Medium Enterprises (MSMEs).* Retrieved from http://smedan.gov.ng/images/NATIONAL%20SURVE..f

Small and Medium Enterprises Development Agency of Nigeria SMEDAN. (2013). *National Policy on Small and Medium enterprises.* Retrieved from https://www.smedan.gov.ng/images/PDF/MSME-National-Policy.pdf

Sullivan, G. M., & Artino, A. R. (2013). Analysing and interpreting data from Likert-type scales. *Journal of Graduate Medical Education, 5*(4), 541-542. doi:10.4300/JGME-5-4-18

Uwa, E., Aderemi, A., Owhor, V., & Agbada, S. A. (2021). The Tax Disputes and Litigation Review: Nigeria. LAW REVIEWS. . Retrieved from https://thelawreviews.co.uk/title/the-tax-disputes-and-litigation-review/nigeria

Weale, A. (2017). Associative Obligation and the Social Contract *Philosophia, 45*(2), 463-476. Retrieved from https://doi.org/10.1007/s11406-016-9797-5

World Bank. (2020, August 2 2021). Innovations in Tax Compliance-World Bank Group. Retrieved from https:// www.worldbank.org