

INFORMAL SECTOR TAXPAYERS' PERCEPTION OF INFLUENCE OF GOVERNMENT ACCOUNTABILITY ON VOLUNTARY TAX COMPLIANCE AND THE MODERATING ROLE OF FISCAL EXCHANGE

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Abstract

This study examines informal sector taxpayers' perception of influence of government accountability on voluntary tax compliance and the moderating role of fiscal exchange in Edo State, Nigeria. The study is motivated by the quality of public accountability, the level of tax compliance by informal sector operators and persistent budget deficit at all levels of governments in Nigeria. Primary data are utilised for the study. The study adopts cross-sectional survey research design. Nine hundred and nineteen (919) copies of valid questionnaire were used for the study; this represents approximately 73% of the respondents. The collected data were analysed using both descriptive and inferential statistics. The proposed hypotheses for the study were tested using regression analysis. Results of the study indicate that government accountability has positive significant influence on voluntary tax compliance. The results showed that government accountability alone could account for 16.3% of the variation in voluntary tax compliance. Another interesting revelation of the study is that the results further indicated positive substantial increase in the level of voluntary tax compliance from 16.3% to 31.7% as a result of the interaction of fiscal exchange and government accountability. The study has also provided evidence to show that there is low level of voluntary tax compliance in Edo State informal sector. The study concludes that fiscal exchange is more influential in encouraging taxpayers' willingness to comply with tax laws and regulation. It is, therefore, recommended that Edo State government should be accountable, transparent and strive for excellence in the delivery of quality public goods and services in order to encourage voluntary tax compliance in informal sector.

Keywords: Tax, Government, Accountability, Fiscal exchange theory, Moderator, Voluntary compliance

Introduction

Public accountability is one of the critical elements of public governance quality. Accountability is synonymous with responsibility and answerability. It simply means that those that are charged with drafting and implementing policies should oblige to give explanation(s) of their actions and/or inactions



to the entire citizenry (Moore & Rakner, 2002; Adeyeye, 2013; Adeyeye, Otusanya & Aromowole, 2016). This suggests that accountability involves two parties - the one that confers the responsibility and the other who accepts the obligations to discharge the responsibility (Ibrahim & Okwoli, 2012). Monguno (2008) states that a highly accountable individual or government is transparent in everything they do. They are open minded; follow rules, follow regulations and procedures to the letter; give information freely, clearly, sincerely and completely; leave no room for doubts; do not harbour hidden agenda; are highly dependable, and exhibit high degree of probity.

It is generally believed that there is poor level of tax compliance in Nigeria (Kiabel & Nwokah, 2009; CITN, 2010; Mark, 2014; Elemah, 2015). This could be a serious problem because it has drastically reduced the needed revenue to provide public services and increase the tax burden of individuals and corporate entities that comply with tax laws. Although a number of factors are attributed to low tax compliance level in Nigeria, the relevance of government accountability and fiscal transparency cannot be underestimated (Adeyeye & Otusanya, 2015; Modugu, Evagbhe & Izedonmi, 2012; Akpo, 2009; Odinkonigbo, 2009; Oluba, 2008; Bird & Zolt, 2005). When governments and tax authorities are not accountable, transparent and are corrupt the result is likely to have some influence on taxpayers' compliance (Adeyeye, 2013; Ibrahim & Ahmad, 2017; Nzotta, 2007).

As reported by Mbaye (2014), the informal sector has high revenue potentials which account for about 60-65% of National Gross Domestic Product (GDP) of developing countries, about 80% of total employment and generating about 90% of the new jobs in African low income countries. Notwithstanding, records indicate that its contribution to the national revenue in the form of tax is not significant. It has been observed that some of the informal sector operators with substantial income evade and avoid tax due to lack of government accountability, fiscal transparency, effective and efficient tax administration (Joshi, Prichard & Heady, 2014). There seems to be high level of non-tax compliance in Nigerian informal sector and this is a source of hindrance to revenue generation.

Joshi et al. (2014) remarks that the states' responsiveness and accountability to taxpayers may encourage quasi-voluntary compliance. Prichard (2010) remarks that taxation is a social contract which is pivoted around bargaining between the state and its citizens as it involves a quid pro quo. The state is expected to provide public goods and services from the revenues collected from taxes. It has been reported that citizens' perception that the taxes they pay are not spent on public services is one of the problems undermining tax compliance (Odd-Helge, Ngalewa & Katera, 2006). Bodea and Lebas (2014) remark that individuals are more likely to support the State's right to tax if they have positive evaluation of the delivery of public goods and services. It can be inferred from the foregoing that the visible presence of government (infrastructural development, good roads, quality education and healthcare, efficient transportation system and power supply among others) can increase the magnitude of voluntary tax compliance.

Few studies have investigated the influence of government accountability on informal sector voluntary tax compliance (Modugu et al., 2012; Adeyeye, 2013; Saleheen, 2013; Adeyeye & Otusanya, 2015). It appears that none of these studies has taken into consideration the role of fiscal exchange as a moderator in the relationship between government accountability and compliance behaviour of informal sector taxpayers. Thus, this study focuses on the influence of informal sector taxpayers' perception of government accountability on voluntary tax compliance and the moderating

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role of fiscal exchange in Edo State, Nigeria.

This study aims at proffering possible solution to problem of low tax compliance by informal sector operators in Edo State, Nigeria. The specific objectives of the study are to:

- (I) Ascertain the level of tax compliance of informal sector operators.
- (ii) Investigate the influence of government accountability on informal sector operators' voluntary tax compliance.
- (iii) Examine the impact of fiscal exchange on the relationship between government accountability and informal sector operators' voluntary tax compliance.

The study is carried out to provide answers to the following research questions:

- i. What is the level of tax compliance of informal sector operators?
- ii. To what extent does government accountability influence informal sector operators' voluntary tax compliance?
- iii. What is the impact of fiscal exchange on the relationship between government accountability and informal sector operators' voluntary tax compliance?

In order to provide empirical answers to the research questions the following null hypotheses were tested.

Ho1: Government accountability has no significant influence on informal sector operators' voluntary tax compliance.

Ho2: Fiscal exchange has no significant impact on the relationship between government accountability and informal sector operators' voluntary tax compliance.

This paper is organised into five sections. Section one deals with the introduction, section two presents review of related literature and the theoretical framework of the study. The third section describes the research methods adopted for the study. The fourth section focuses on data analysis and presentation of results, and section five provides the summary, conclusion and recommendations.

Literature Review

Theoretical Framework

This study is anchored on the theory of fiscal exchange. The fiscal exchange theory has been developed from the economic deterrence and the social psychology models (Mckerchar & Evans, 2009), and it is founded on the existence of a social, relational, or psychological contract between the government and the taxpayers (Torgler, 2003; Fjeldstad, Schulz-Herzenberg & Sjursen, 2012). The theory adds social dynamics and moral sentiments to models of tax compliance. Taxation is based on the principle of reciprocity between the state and the government (Prichard, 2009). It appears that citizens voluntarily comply with tax laws when they are satisfied with the quality of public goods and services they receive in exchange.

The fiscal exchange theory suggests that the presence of government expenditures may motivate compliance and that governments can increase compliance by providing quality public goods and services; and making them more accessible to the people (Levi, 1988; Moore, 2004). One of the key propositions of the model is that of tax bargaining between taxpayers and the government which is fundamental to building accountability, mutual rights and obligations between the state and the citizenry. This theory posits that people tend to pay taxes when they perceive that the government is doing a good job. Individuals' willingness to pay their taxes depends on the extent to which the use of

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tax revenues by the state is beneficial to them and the society as a whole (Daniel & Pablo, 2013). This implies that a high level of tax compliance is influenced by taxpayers' decision to cooperate with the governments in the tax/expenditure game of financing the state.

In the extant fiscal contract literature, there is no consensus on the association between fiscal exchange and tax compliance. Ross (2004) and Timmons (2005) find support for the fiscal exchange theory, while Feld and Frey (2010) find no clear relationship between fiscal exchange and compliance. The main objective of this study is to propose the role of fiscal exchange as a moderator in the relationships between government accountability and voluntary tax compliance. The combination of obligation on the part of taxpayers and reciprocity in response to the fulfillment of that duty on the part of government forms the new paradigm on which rests the conceptual framework of this study. Hence, fiscal exchange theory serves as framework for this study.

Conceptual Framework for the Study

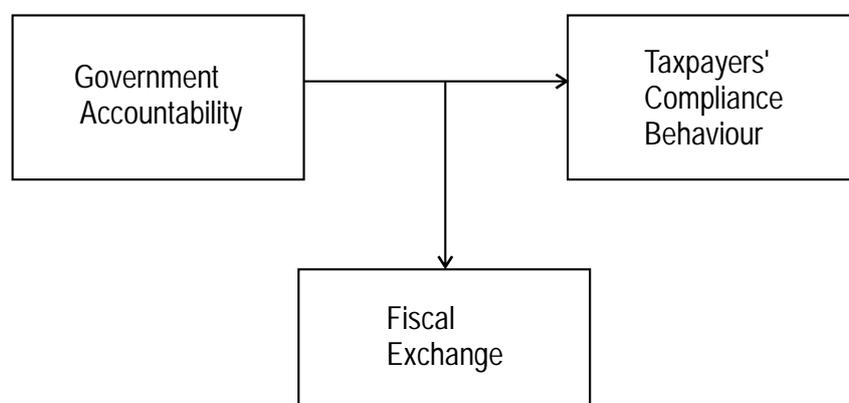


Figure 2: Proposed Conceptual Framework

Source: Designed for the Study by the Author (2018)

A model is proposed for the study which shows the relationships among the variables. The conceptual framework as depicted in Figure 2 shows the moderating role of fiscal exchange in the relationships between government accountability and taxpayers' compliance behaviour. The theoretical model suggests that government accountability is likely to affect compliance behaviour of taxpayers, but the magnitude is moderated by fiscal exchange. The consideration of taxpayers' perception of fiscal exchange as a moderator may provide a better understanding of the link between government accountability and voluntary tax compliance. Such insight is useful based on reviews of literature that emphasize the need for richer theoretical model to better explain how government accountability influences taxpayers' compliance behaviour. Hence, the magnitude to which economic, psychological, institutional or structural factors will be effective in explaining tax compliance behaviour of informal sector taxpayers may depend on the accessibility of public goods and services provided by the government. This study applied the analytical framework suggested by Levi (1988, 1997) and Slemrod (2003) to examine the impact of fiscal exchange on taxpayers' compliance. Drawing on fiscal exchange, it seems that citizens assent to pay taxes voluntarily if they are satisfied with the service in exchange.

Voluntary Tax Compliance

Tax compliance is basically concerned with reporting of tax liability to the relevant tax authority in accordance with applicable tax laws and regulations (Jackson & Milliron, 1986). Oyedele (2009) describes tax compliance as the process of fulfilling taxpayer's civic duty for tax payment and provision of necessary documents and explanations required by the tax authority at the appropriate time. Tax compliance is the process by which taxpayers sincerely file their tax returns by declaring all income(s) accurately and paying the correct tax liability in line with the applicable tax laws and regulation (Palil & Mustapha, 2011). It is mandatory for taxpayers (individuals and corporate bodies) to pay their taxes as and when due. It is their contributions to the state to enable government undertake huge expenditure to provide basic infrastructure and social amenities.

It is therefore, clear that tax compliance simply refers to the degree to which taxpayers meet their civic duty under the tax laws. Compliance can either be enforced by relevant tax authority or voluntarily by the taxpayers (Kastlunger, Lozza, Kirchler & Schabmann, 2013; Kirchler, Hogmann, & Gangl, 2012; Muehlbacher, Kirchler, & Schwarzenberger, 2011; Wahl, Kastlunger & Kirchler, 2010; Adeyeye, 2013). It is crucial at this juncture to state that compliance with tax laws and regulation is not negotiable, but compulsory. It is one of the civic responsibilities of all citizens with sources of income (earned and/or unearned income) and corporate organisations. However, it has been observed that most people are not willing to pay their taxes; thus, they must be compelled to do so.

Voluntary tax compliance consists of filing and reporting of tax returns, correct self-assessment of tax and payment of taxes before or at the appropriate time by individual or corporate organisation out of their own volition (Helhel & Ahmed, 2014). Voluntary compliance is ignited or prompted by honesty of the taxpayers to pay willingly. Taxpayers are expected to file tax returns and statements disclosing factual information relating to all sources of income, computations of the right amount of tax due and pay the tax on time. Extant literature revealed that voluntary tax compliance is ascribed to a set of inherent motivation or attitude generally referred to as tax morale (Feld & Tyran, 2002).

Government Accountability and Voluntary Tax Compliance

Public accountability is one of the critical elements of public governance quality. It is concerned with leadership that must be ready to account for their actions and inactions. Transparency and accountability are essential for democratic governance that induce the public and private sectors as well as civil society to focus on results, seek clear objectives, develop effective strategies, monitor and report on performance (United Nations Development Programme (UNDP, 2008). The desirability of public accountability has prompted most countries of the world to establish public accountability institution and by extension the office of auditor general (Oladipupo & Izedonmi, 2011).

The general public needs accountability reports in order to evaluate the performance of political office holders. Therefore, those entrusted with public resources must regularly give account of their stewardship. To ensure optimization in the use of public resources and accountability, Section 85 of the 1999 Constitution of the Federal Republic of Nigeria specifically provided for the audit of public accounts by Auditor General for the Federation (AGF). Section 85 (2) of the Constitution states that "the public accounts of the Federation and of all offices and courts of the Federation shall be audited and reported on by the Auditor-General who shall submit his reports to the National Assembly, and for that purpose, the Auditor General or any person authorised by him shall have access to all the books, records, returns and other documents relating to those accounts".

The oversight function of the National Assembly as provided for in Section 88 (2)(b) of the 1999 Constitution of the Federal Republic of Nigeria (CFRN) is to enable it "expose corruption, inefficiency, or waste in the execution or administration of laws within its legislative competence and in the disbursement or administration of funds appropriated by it". It is glaring that the public sector has been facing governance and accountability challenges in Nigeria. There is a growing concern for accountability and transparency at all levels of governments. Modugu, Eraghe and Izedonmi (2012) point out that expectation from government is on the decline due to lack of accountability amidst representative democracy.

Rotberg and Gisselquist (2009) report that there is an association between perception of governance accountability score and income tax revenue performance. Extant literature indicated that the state must be perceived and seen to be accountable and responsive for the citizens to support the government (Adeyeye & Otusanya, 2015; Adeyeye, Otusanya & Aromowole, 2016). Modugu et al., (2012) posit that if governments are perceived as accountable, more people will pay their taxes voluntarily which reduces the need for coercion and the costs of tax collection. Conversely, people are likely to develop negative attitude to tax payment if the government is not accountable. Everest-Phillip and Sandall (2009) also report that public perception of government accountability influences tax morale and by extension voluntary compliance.

Fagbemi, Ajibolade, Arowomole and Ayadi (2011) argue that poor compliance attitude by companies income taxpayers in Nigeria is significantly influenced by lack of accountability, inadequacies of tax administrative procedures and structure, and low tax knowledge among taxpayers. To support this position, Akintoye (2014) asserts that the willingness to pay taxes by individuals and corporate bodies is a function of efficient and effective tax system, accountability and transparency in tax administration, trust in government and quality of public goods delivered by the government. In a similar vein, Onuba (2011) reports that one of the challenges facing tax authorities is the taxpayers' perception of lack of government accountability.

Fiscal Exchange and Voluntary Tax Compliance

The rationale for Public governance is to provide political goods to the citizens and quality public governance exists when the government delivers essential public goods and services to the people (Besancon, 2003). Extant literature also revealed that taxpayers' assessment of the level of infrastructure development is an indicator of the public governance quality which can influence tax morale (Everest-Phillip & Sandall, 2009). Besancon (2003) further states that there is social contract between government and taxpayers which is encapsulated in effective and efficient delivery of public goods. Taxation is an implicit contractual relationship which involves mutual respect, loyalties and duties for the parties involved (Feld & Frey, 2010). Neglecting the obligations or duties of either party would necessitate the psychological sanctions of the contract for the other party (D'Arcy, 2011).

The Organisation for Economic Cooperation and Development (2007) observes that delivery of quality goods and services to taxpayers will strengthen their willingness to comply with tax rules and regulation voluntarily and, as a result, will contribute to overall level of tax compliance. Akpabio (2014) alleges that good governance, transparency and visible features of development are elixir to boosting the morale of citizens to obey tax laws voluntarily. If citizens perceive that their interests are properly represented in political institutions and they receive an adequate supply of public goods, their identification with the state and willingness to contribute will increase (Kaufmann, Kraay & Mastruzzi,

2007; Torgler & Schneider, 2007). It would be difficult to have citizens fully complying with tax obligations if government fails to provide basic infrastructure for taxpayers (Mark, 2014). This suggests that unwillingness to pay taxes might not be unconnected with lack of transparency, accountability and reciprocity on the part of governments and tax authorities.

Research Methods

Survey research design was employed in this study. This research design was adopted because of its ability to provide adequate answers to the research questions raised in the study (Denscombe, 2003; Spector, 1981). Cross-sectional survey was used based on accessibility and geographical spread of the respondents. The estimated population of this study is 60,240 informal sector operators. This consists of self-employed professionals (fabricators), traders, spare parts dealers, auto mechanics, transporters, farmers, fashion designers, barbers/hair dressers, micro and small scale business owners, carpenters, panel beaters/welders, bricklayers, painters, electricians, restaurant operators, lenders (Esusu), shoe-makers and vulcanizers in Edo State. The estimated population figure was obtained from the various self-employed professionals, trade and artisan associations to which the taxpayers belong. It has been observed that governments (state and local) and regulatory authorities in Edo State do not have reliable register of members and actual statistics of informal sector operators. Hence, the researcher sought the cooperation and assistance of the various associations with a view to getting the list of their members from which the respondents were randomly selected.

Stratified sampling technique was used in this study. The self-employed professionals, traders and artisans were categorised into eighteen (18) homogenous groups based on business lines. The sample size is 398, on the average, approximately 23 members per group category. Yamane's (1967) formula was used to determine the expected sample size. Notwithstanding, the study is based on a survey of 1,260 respondents, on the average, 70 participants were targeted from each of the eighteen (18) respondent groups. The choice of this sample size is guided by literature on the maximum and minimum practical sample size for statistical testing. It has been suggested that a sample size equal to or greater than thirty (30) subjects per group category is appropriate for any statistical test (Balian, 1994; Descombe, 2003; Avwokeni, 2013). The choice of 70 participants from each group was based on the opinion of Kothari and Garg (2014); they remark that the precision of the sampling plan can be improved upon by increasing the size of the sample. This is particularly very important in informal sector where the actual population of the study is difficult to ascertain.

Primary data were utilised in the study. The primary data were obtained from the respondents through administration of questionnaire. The questionnaire was designed to capture the demographic data of respondents and their opinions with respect to the research questions. The questionnaire is divided into two (2) sections. Section 'A' seeks to obtain demographic information of respondents. Section 'B' consists of statements measuring the perceptions of respondents on government accountability, fiscal exchange and voluntary tax compliance.

The questionnaire was constructed using a five-point Likert scale. The five-point Likert scale (ranging from 5 = strongly agree to 1 = strongly disagree) was adopted for opinion items. This provides a basis for generating data required for answering the research questions and testing the proposed hypotheses. The measurement items for dependent and independent variables were adopted with some modification from previous studies.

The reliability of the questionnaire was tested using the Cronbach's Alpha coefficient. Nunnally and Bernstein (1994) remark that a Cronbach Alpha score exceeding 0.6 is deemed satisfactory in terms of construct reliability. The results obtained from SPSS are presented in Table 3.1. All Cronbach's Alpha values reported in this study are above 60%. Based on these results, the questionnaire was considered reliable for the study.

Table 1: Reliability Statistics

Construct	No of items	Cronbach s Alpha
Voluntary tax compliance	7	0.862
Government accountability	7	0.910
Fiscal exchange	5	0.930

Source: Authors' Survey (2018).

Method of Data Analysis and Model Specifications

The data collected were analysed using both descriptive and inferential statistics. The descriptive method describes the demography of respondents using percentages, frequency count, mean and standard deviation. The hypotheses formulated for the study were tested using regression analysis. The study adopts 0.05 level of significance. If p-value is less than 0.05, then dismiss the claim of the null hypothesis and hence conclude that the result is statistically significant.

A model was designed for the study. The influence of government accountability on voluntary tax compliance is represented in equation one:

$$TC = b_0 + b_1GA + e \dots\dots\dots (1)$$

The impact of fiscal exchange (the moderator) on the relationship between government accountability and voluntary tax compliance is represented in equation two:

$$TC = b_0 + b_1GA + b_3FE + b_3GA*FE + e \dots\dots\dots (2)$$

Where: TC = Voluntary Tax Compliance; GA= Government Accountability

FE = Fiscal Exchange; e = Error Term

b_0, b_1, b_2 = Regression Coefficients

Note: b_3 measures the interaction effect of independent variable and moderating variable on dependent variable.

Data Analysis and Presentation of Results

The results are presented in the following tables.

Table 2: Questionnaire Distribution and Responses.



Respondent Groups	No of Survey	No of Responses	Percent
Self-employed professionals	70	67	95.71
Traders	70	62	88.57
Spare-parts dealers	70	48	68.57
Auto mechanics	70	45	64.29
Transporters	70	68	97.14
Farmers	70	65	92.86
Fashion designers	70	69	98.57
Barbers and hair dressers	70	61	87.14
Micro and small scale business owners	70	66	94.29
Carpenters	70	43	61.43
Panel beaters	70	39	55.71
Bricklayers	70	35	50
Painters	70	40	57.14
Electricians	70	43	61.43
Restaurant operators	70	63	90
Lender (Esusu)	70	37	52.86
Shoe-makers	70	33	47.14
Vulcanizers	70	35	50
Total	1260	919	72.94

Source: Authors' Field Survey (2018)

Out of one thousand two hundred and sixty (1260) copies of questionnaire administered, a total of nine hundred and nineteen (919) copies of the questionnaire were returned and used for the analysis. This represents an overall response rate of 72.94% for all the respondent groups. These responses were used in providing answers to the questions raised in the study.

Table 3: Demographic Profile of Respondents

		Frequency	Percent
Gender	Male	616	67.03
	Female	303	32.97
	Total	919	100
Age (in years)	21-30 years	231	25.14
	31-40 years	312	33.95
	41-50 years	285	31.01
	Above 50 years	91	9.90
	Total	919	100
Work experience	Below 10 years	357	38.85
	10 - 20 years	451	49.08
	Above 20 years	111	12.07
	Total	919	100

Academic qualifications	SSCE/NCE/OND	321	34.93
	HND/BA/B.Sc.	395	42.98
	MA/MBA/M.Sc.	176	19.15
	PhD	27	2.94
	Total	919	100
Annual income	Below N300, 000	68	7.40
	N300,000 - N599,999	225	24.48
	N600,000 - N899,999	313	34.06
	N900,000 - N1,199,999	197	21.44
	N1,200,000 and above	116	12.62
	Total	919	100

Source: Authors' Field Survey (2018)

The demographic profile of respondents in Table 3 reveals that majority of the respondents were male, constituting approximately 67% of all the respondents while 33% were female; thus, this shows that the respondents cut across sex. Respondents who were 31 years and above make up 74.86% of all the respondents, hence it is quite clear that a high number of the respondents are mature individuals. Those who were above 50 years constitute only 9.9%. In terms of work experience, 61.15% have 10 years and above. Respondents who were holders of bachelors' degree or its equivalent constitute 42.98%, while 19.15% of the respondents obtained Master's Degree. Only 2.94% of the respondents obtained Doctorate Degree. It should be noted that the respondents have obtained reasonable level of education that would help provide useful information relevant to successful completion of the study. With regard to annual income, 68.12% of the respondents earned N600,000 and above, while only 7.4% earned below N300,000 per annum. This indicates that some informal sector operators generate high income and, hence, should be made to pay taxes.

S/No	Statements	SD/D	N	A/SA	Mean	Std/D
1	I have registered with tax authority as required	845	0	74	1.8618	.52957
2	I have obtained my taxpayer identification number (TIN)	856	0	63	1.9771	.39951
3	I make full disclosure of my income from all sources to allow proper assessment of my tax liability	716	137	66	2.1828	.74044
4	I always file my tax returns on time	846	0	73	2.1393	.77836
5	My tax liability is correctly reported	565	282	72	2.4548	.65336
6	I keep all records as required in terms of accounts and other documents	714	73	132	2.2535	.66824
7	Overall, I pay my tax voluntarily	876	0	43	1.7519	.52956

Source: Authors' Field Survey (2018)

Std/D = Standard Deviation; SD/D = Strongly Disagree and Disagree; N = Neutral
 A/SA = Agree and Strongly Agree. Note: SD/D, N and A/SA Columns are Frequencies of Respondents.
 The first research question sought to ascertain the perception of respondents on the level of voluntary

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tax compliance. Seven items were used in providing answers to the level of voluntary tax compliance and the results are presented in Table 4. The mean value is based on a five-point scale of Strongly Agree (5), Agree (4), Neutral (3), Disagree (2) and Strongly Disagree (1). Thus, the population mean is 3.00 (Okoye, Isemla & Oseni, 2018). For the purpose of this study, a mean score less than 3.00 suggests lack of voluntary tax compliance, while a mean score above 3.00 implies voluntary tax compliance. It should be noted that a mean score of precisely 3.00 indicates that the respondents are uncertain. From Table 4 all statements relating to voluntary tax compliance have mean scores below 3.00. On the average, voluntary tax compliance has a mean score of 2.088 and standard deviation of .46366. This indicates lack of voluntary tax compliance. To support this position, the taxpayers' registration with tax authority has mean score of 1.86 and standard deviation of .52957. From results of the study eight hundred and forty-five five (845) of the respondents, representing 92%, agreed that they have not registered with tax authority as required under personal income tax laws. One of the revelations of the study is that eight hundred and fifty-six (856) of the respondents, approximately 93%, have stated that they do not have taxpayer identification number (TIN).

Table 5: Government Accountability

S/No	Statements	SD/D	N	A/SA	Mean	Std/D
1	Governments at all levels regularly render accounts of their stewardship in terms of financial statements	623	146	150	2.4842	.88778
2	Governments publish financial and non-financial information both in hard and soft copies about their activities	536	181	202	2.5713	1.10509
3	I have access to the published annual reports and accounts of government	697	93	129	2.1970	1.05994
4	Government ministries, departments and agencies prepare their annual reports and accounts on time and are available to intended users	779	13	127	2.0104	.99885
5	Governments accounts (public accounts) are always audited and reported on without delay	645	121	153	2.3166	1.11577
6	Political office holders and government officials accept responsibility and are answerable for their decisions and actions.	638	134	147	2.2775	1.07671
7	House of Assembly effective oversight of government revenue and expenditure	620	82	217	2.3395	1.26976

Source: Authors' Field Survey (2018)

Std/D = Standard Deviation; SD/D = Strongly Disagree and Disagree; N = Neutral
 A/SA = Agree and Strongly Agree. Note: SD/D, N and A/SA Columns are Frequencies of Respondents. Seven items were used to ascertain the perception of respondents on the level of government accountability. The results are presented in Table 5. The mean value is based on a five-point scale of Strongly Agree (5), Agree (4), Neutral (3), Disagree (2) and Strongly Disagree (1). Thus, the population mean is 3.00 (Okoye et al., 2018). For the purpose of this study, a mean score above 3.00 implies the respondents perceived that the government is accountable, while a mean score below 3.00 suggests lack of government accountability. It is worth noting that a mean score of precisely 3.00 indicates that

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the respondents are uncertain. All statements relating to government accountability have mean scores below 3.00. On the average, government accountability has a mean score of 2.31 and standard deviation of .86932. This suggests lack of government accountability. Specifically, 623(67.79%) of the respondents generally disagreed with the statement that government regularly gives accounts of its stewardship in terms of financial statements. On the issue of responsibility and answerability of public officials for their decisions and actions, 638(69.42%) of the respondents disagreed with the statement. Legislative oversight of the House of Assembly has a mean score of 2.34 and standard deviation of 1.26976; this suggests that most of the respondents were of the view that the House of Assembly is not only weak, but also ineffective in carrying out its oversight functions. Majority of the respondents, 697(75.84%) are of the opinion that published annual reports and accounts of government are not readily accessible to intended users. It is worthy of note that majority of the respondents disagreed with all statements relating to government accountability. Hence, it is reasonable to conclude that there is lack of government accountability.

Table 6: Fiscal Exchange and Voluntary Tax Compliance

S/No	Statements	SD/D	N	A/SA	Mean	Std/D
1	Government provision of security and welfare for the citizens enhance willingness to pay tax	128	0	791	4.0392	.93503
2	Government provision of basic health services and addressing educational needs motivate the willingness to pay tax	158	0	761	3.7343	1.17558
3	Infrastructure development (e.g., government's provision of water and sanitation sources, reliable supply of electricity, good transport system, maintaining roads and bridges) boost the willingness to pay tax	96	0	823	3.6865	.91807
4	I resent paying tax considering lack of infrastructure and social amenities provided by government	119	100	700	3.6115	1.11061
5	Citizens assent to tax because they are satisfied with the quality of public goods and services they received in exchange	133	184	602	3.6953	1.04927

Source: Authors' Field Survey (2018)

Std/D = Standard Deviation; SD/D = Strongly Disagree and Disagree; N = Neutral
 A/SA = Agree and Strongly Agree. Note: SD/D, N and A/SA Columns are Frequencies of Respondents.
 Table 6 probed the perception of respondents on the influence of fiscal exchange on voluntary tax compliance. Five (5) items were used in order to ascertain the perception of the respondents. It is should be noted that a mean score above 3.00 suggest that fiscal exchange influences voluntary tax compliance, while a mean score below 3.00 implies that fiscal exchange does not influence voluntary tax compliance. It is worth noting that a mean score of 3.00 indicates that the respondents are not sure. The results of the study have shown that all statements relating to fiscal exchange as a framework for voluntary tax compliance have mean scores above 3.00. On the average, fiscal exchange has a mean



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score of 3.71 and standard deviation of .92200. This suggests that the respondents generally agreed that provision of welfare and security and infrastructure development increase tax morale and by extension voluntary tax compliance. The results have also revealed that 65.51% of the respondents agreed that citizens assent to payment of tax because they are satisfied with the quality of goods and services received in exchange.

Test of Hypotheses

Hypothesis One

H01: Government accountability has no significant influence on voluntary tax compliance

To test the hypothesis, regression analysis is performed using SPSS (Version 21). The results are presented in Table 7(a-c) as follows:

Table 7a: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.403	.163	.162	.42452

- a. Predictors: (Constant), Government Accountability
- b. Dependent Variable: Voluntary Tax Compliance

The column labeled R is the value of the correlation coefficients between the predictor and the outcome. The value of R² (.163), from Table 7a above, suggests that government accountability can account for 16.3% of the variation in voluntary tax compliance. This suggests that there are other drivers of voluntary tax compliance which are not included in this study. These could be fiscal transparency, control of corruption, effective tax administration and other economic factors.

Table 7b: ANOVA Tests

Model	Sum of squares	df	Mean square	F	Sign.
1 Regression	32.094	1	32.094	178.089	.000 ^a
Residual	165.257	917	.180		
Total	197.351	918			

Source: Authors' Field Survey (2018).

- a. Predictors: (Constant), Government Accountability
- b. Dependent Variable: Voluntary Tax Compliance

Table 7b shows the SPSS output for analysis of variance (ANOVA). For these data, F is 178.089 and P < .05. This indicates that government accountability has significant influence on voluntary tax compliance. Hence, the null hypothesis cannot be retained.

Table 7c: Summary of Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	1.591	.040		39.941	.000
Government accountability	.215	.016	.403	13.345	.000

Source: Authors' Field Survey (2018)



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Table 7c, reveals that the relationship between government accountability and voluntary tax compliance is positive and statistically significant with a coefficient of correlation, $r = .403$, $t(13.345)$, $p < .05$.

Hypothesis Two

H02: Fiscal exchange has no significant impact on the relationship between government accountability and voluntary tax compliance.

To test the hypothesis, moderated regression analysis is performed using SPSS (Version 21) following the procedures recommended and employed by Darrow and Kahl (1982), Evans (1987), Hair, Black, Babin and Anderson (2010), Alabede et al., (2011). This involves two stages. In the first stage voluntary tax compliance was regressed on government accountability to obtain the influence of the predictor on the outcome as stated in Model 1. In the second stage the dependent variable was regressed on independent variable, moderator and the product of the independent variable and the moderator in order to ascertain the interaction effect as stated in Model 2 and the results are presented in Table 8(a-c).

Table 8a: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.563	.317	.315	.38379

a. Predictors: (Constant), GA, FE, GAFE

b. Dependent Variable: Voluntary Tax Compliance

The column labeled R is the value of the correlation coefficient between the predictors and the outcome. The value of R² (.317), from Table 8a above, indicates that the interactions of government accountability and fiscal exchange (the moderator) can account for 31.7% of the variation in voluntary tax compliance.

Table 8b: ANOVA Tests

Model	Sum of squares	df	Mean square	F	Sign.
1 Regression	62.573	3	20.853	141.602	.000 ^a
Residual	134.778	915	.147		
Total	197.351	918			

Source: Field Survey (2018).

a. Predictor: (Constant), GA, FE, GAFE

b. Dependent Variable: Voluntary Tax Compliance

Table 8b above shows the SPSS output for analysis of variance (ANOVA). For these data, F is 122.669 and $P < .05$. This shows that fiscal exchange has significant positive impact on the relationship between government accountability and voluntary tax compliance.

Table 8c: Summary of Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	.371	.154		2.417	.016
Government accountability	.571	.111	1.070	5.120	.000
Fiscal Exchange	.391	.034	.778	11.385	.000
GA*FE	.116	.024	1.213	4.863	.000

Source: Field Survey (2018)

a. Dependent Variable: Voluntary Tax Compliance.

From Table 8c, the results suggested that the moderating effect of fiscal exchange on government accountability increases the magnitude of voluntary tax compliance.

Discussion of Findings

This study is driven by three (3) major research questions and hypotheses were formulated and tested in order to provide empirical answers to research questions (ii) and (iii). The first research question was answered using descriptive statistics only. First, the study has provided evidence to show that there is extremely low level of voluntary tax compliance by informal sector operators (taxpayers). To be precise, the mean score of voluntary tax compliance is 2.08 and the standard deviation is 0.46366. These results have confirmed the opinion and findings of previous studies (Oyedele, 2009; Modugu et al. 2012; Adeyeye, 2013; Adeyeye & Otusanya, 2015). The high rate of non-tax compliance in informal sector is a serious concern because it results in huge loss of tax revenue accruable to government that would have been used to provide welfare and security for the people and to finance budget deficit that is now a recurring decimal. One of the astounding revelations of the study is that 89% of the respondents have not obtained taxpayers identification numbers (TINs). This seems to support Elamah's (2015) allegation that 80% of taxable Nigerians do not have taxpayer identification number and are, therefore, not paying taxes.

Second, results of the study indicated that government accountability has a mean score of 2.31 and standard deviation of .86932. This clearly suggests that the level of government accountability is very low. In other words, the government is perceived as unaccountable. The results also revealed statistically significant positive relationship between government accountability and voluntary tax compliance ($r = .403$; $p < .05$). This implies that the higher the level of government accountability, the higher will be the level of voluntary tax compliance. This substantiates the findings of Adeyeye (2013), Akintoye (2014), Adeyeye and Otusanya (2015), Everest Phillip and Sandall (2009), Fagbemi et al. (2011), Onuba (2011), Daniel and Pablo (2013).

Third, the results of the study have also shown that government accountability could account for 16.3% of the variation in voluntary tax compliance. It is crucial to highlight the relevance of fiscal exchange on the relationship between government accountability and voluntary tax compliance. The study has revealed that the moderating effect of fiscal exchange has significantly increased the level of voluntary tax compliance from 16.3% to 31.7%. Hence, it appears that fiscal exchange is one of the key drivers of voluntary tax compliance ($\beta = .391$, $p < .05$); there is significant positive relationship between fiscal exchange and voluntary tax compliance.

Summary

This study investigated informal sector taxpayers' perception of influence of government accountability on voluntary tax compliance and the moderating role of fiscal exchange and proffers solution to the problem of low tax compliance in Edo State. In order to understand the dynamic and reciprocal relationship between government accountability and voluntary tax compliance, a simple model was developed where government accountability and fiscal exchange is believed to trigger voluntary tax compliance. The study is motivated by growing concern for government accountability, dearth of infrastructure and the level of tax compliance in informal sector. The study utilised survey research design and made use of descriptive and inferential statistics in analysing the data.

Conclusion

The results showed that the mean score for voluntary tax compliance is 2.08 and the standard deviation is 0.46366. Thus, the respondents unanimously agreed that there is low level of voluntary tax compliance. The results indicated that majority of the respondents, at least 92%, have not registered for tax purposes and do not have taxpayers' identification numbers; let alone filing their tax returns. This is a serious challenge to the governments at all levels and tax authorities. One of the outstanding revelations of this study is that government accountability could account for 16.3% of the variation in voluntary tax compliance and the interaction of government accountability and fiscal exchange could explain 31.7% of the variation in voluntary tax compliance.

Recommendations

The following recommendations are made based on the findings of the study:

(i) The study has provided evidence to show that the level of tax compliance in Edo State informal sector is extremely low. Tax authorities in Edo State should intensify efforts not only to identify and register all eligible taxpayers operating in informal economy especially those with substantial income, but also issue them taxpayers' identification numbers (TINs) with a view to capturing them into the tax net. The tax authorities should also collaborate with Nigerian banks and various professional bodies, tradesmen and artisans associations with a view to identifying and capturing most of the informal sector operators into the tax net.

(ii) The results of the study indicated that government accountability has significant influence on voluntary tax compliance and could account for 16.3% of the variation in tax compliance. This suggests that there is positive relationship between the independent and dependent variables (the higher the level of government accountability, the higher will be the level of voluntary tax compliance). Therefore, governments at all levels should make accountability and transparency their watchwords in order to earn public trust and motivate taxpayers to voluntarily comply with tax laws.

(iii) The results have provided evidence to show that fiscal exchange is one of the key drivers of taxpayers' compliance behaviour. Therefore, governments at all levels should intensify their efforts in massive infrastructure development and provision of social amenities with a view to gaining public approval and support that will motivate their willingness to pay taxes voluntarily.

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