

GENDER DIVERSITY AND TAX COMPLIANCE IN LAGOS STATE

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Abstract

The expected tax revenue in Lagos State based on its legal or tax law is much larger than the tax revenues that are actually collected. This shows that some tax payers are not complying with tax law and it creates tax gap. The main objective of this study is to ascertain the effect of gender diversity on tax compliance in Lagos State. The specific objectives of the study are to ascertain how gender differences among small scale entrepreneurs and tax administrators affect income tax compliance in Lagos State. Cross sectional survey design was used for the study. The population of the study was made up of total population of tax payers in all 20 Local Government Areas of Lagos State. Purposive sampling technique was used in selecting sample population. The study reveals significant relationship between gender differences among tax administrators and income tax compliance. The study recommends among others that policy formulators and tax consultants should review the composition of tax administrators in line with gender diversity. Women should be given equal opportunity in the position of authority as tax administrators.

Keyword: gender diversity; income tax, tax compliance; small scale entrepreneurs; tax administrators

JEL classification: H22

1. INTRODUCTION

Nigeria government has a primary responsibility for catering for the welfare of her citizens. In performing her responsibilities to her citizens, government needs money to finance her activities. This make it necessary for government to device means of generating revenue both internally and from either

international financial bodies like International Monetary Fund (IMF), Paris Club among others or friendly countries to meet her expenses in creating social infrastructures, sustaining economic development and sustain governance business among others (Gylych, Samir, & Abdurahman, 2016). Over the years, governments at all levels in Nigeria have relied heavily on revenue from crude oil and neglected tax revenue. With the current price crisis of crude oil in International market, it is now clear that reliance on oil is not sustainable, therefore government needs to source for fund through non-oil sector in which raising money or revenue through tax is the main focus.

According to the Webster Dictionary (2017), tax is defined as a charge imposed by the government on property, individual, companies, or transactions to raise money for public purpose. Abomaye-Nimenibo (2017) describes tax as an involuntary payment made by citizens to government purse in obedience to levy imposed by a constituted authority of a sovereign state. Adeniyi & Adesunloro (2017) opines that tax is an important avenue for government to raise money to finance her activities and redistribute social welfare among her citizens. Therefore, tax serves as a bond between tax payers and government. Paying tax empowered the tax payers to hold government accountable for spending public fund in performing their statutory duties.

The different taxes in Nigeria are: Capital Gains Tax Act, 1990; Companies Income Tax Act, 1990; Customs and Excise Management Act of 1990; Minerals and Mining Act of 1999; Stamp Duties Act of 1990; Education Tax Act, 1993; Personal Income Tax Act, 1993 (amended, 2011); Petroleum Profits Tax Act, 1990; Stamp Duties Act, 1990 and Value Added Tax Act, 1993 (Abomaye-Nimenibo, 2017). The taxes collected by Lagos State are Personal Income Tax in respect of : Pay-As-You-Earn (PAYE); and direct taxation (Self-Assessment).; Withholding tax (individuals only).; Capital gains tax (individuals only).; Stamp duties on instruments executed by individuals; Pools betting and lotteries, gaming and casino taxes.; Road taxes; and Business premises registration fee (LIRS, 2018).

According to Nightingale (2001), money raised by government through taxes are used for provision of public goods, redistribution of income and wealth, promotion of social and economic welfare, economic stability and harmonization and regulation. Hence the relevance of tax cannot be overemphasized. What is worrisome, however, has been the tax gap; the difference between the tax amount tax payers pay voluntarily and on time and what they should pay under the law has been a long-standing problem. When most tax payers fail to comply with tax law, the burden of funding the nation's commitment falls heavily on the few compliant taxpayers.

LIRS (2017) notes that there are eight million taxable Lagosians but only 4.5 million are so far captured in the tax net of the state, with the rest evading tax. According to LIRS (2018), the internally generated revenue for Lagos State in 2013, 2014, 2015, 2016 and 2017 are: =N= 236,195,308,396.71; =N=276,163,978,675.95; =N= 268,224,782,435.23; =N= 302,425,091,964.78 and

=N=333,967,880.44. Lagos State budgeted revenue was not equal to actual tax collected by the government.

The poor compliance of tax payers distort government plan in providing good governance and fulfilling electoral promises made by the government to the electorate during electioneering campaign. Many tax payers indulge in tax evasion and tax avoidance without adequate consideration for its adverse effects on the masses. Efforts through the various tax reforms undertaken by Nigerian government to increase tax revenue by reducing non-tax compliance over the years have not yield the expected returns. Kiabel & Nwokah (2009) said the contribution of income taxes to the government's total revenue is consistently low and is shrinking.

It is observed that all tax payers comes from different households that comprises of husband and wife or men and women. Gender, age, educational attainment and marital status may influence tax payers perception and orientation towards tax compliance. Scholars have not paid sufficient attention to the impact of households on tax compliance from the point of view of gender differences among small scale entrepreneurs and tax administrators affect income tax compliance. Hence, this study tends to examine the relationship between gender diversity and tax compliance in Lagos State.

The main objective of this study is to ascertain the effect of gender diversity on tax compliance in Lagos State. The specific objectives of the study are:

- i. To ascertain how gender differences among small scale entrepreneurs affect income tax compliance in Lagos State.
- ii. To determine how gender differences among tax administrators affect income tax compliance in Lagos State.

This study will be guided by the following null hypotheses:

- i. There is no significant relationship between gender differences among small scale entrepreneurs and income tax compliance in Lagos State
- ii. There is no significant relationship between gender differences among tax administrators and income tax compliance in Lagos State.

This study focused on gender differences (male and female) among small scale entrepreneurs and tax administrators with income tax compliance in Lagos State. Lagos State was taken as a case study because it is observed that the state serve as commercial headquarter of Nigeria and second most populous state in Nigeria.

2. EMPIRICAL REVIEW

Kasipillai & Jabbar (2006) examined gender and ethnicity differences in tax compliance among tax payers in Malaysia. Interview was conducted by researchers to generate data for the study. The data generated was analysed by multivariate regression analysis. The study reveals a negative relationship between

gender diversity and tax compliance among tax payers in Malaysia. However in the study, tax compliance was captured using hypothetical scenarios which are most likely different from what taxpayers will do actually or in reality.

Igbeng, Tapang & Usang (2012) study the relationship between tax morale and tax compliance in Nigeria. The researcher used cross sectional survey design and generates her data through questionnaires. Multivariate analysis was used to analyse the data collected. The study found a positive relationship between social norms and tax compliance among the sample population. It is observed that the study focused on the attitude of tax payers towards tax compliance.

Asante & Baba (2011) examine the effect of gender diversity, age and marital status on tax compliance among self-employed in Ghana. The study used survey design and collected data through questionnaires. Simple random sampling technique was used to select the sample population. The study discovered positive significant relationship between gender diversity and tax compliance. The study shows that female genders are less tax complaints when compared with male gender.

Nangih & Nkemakola (2018) examine the relationship between sexes, income level and tax morale on tax evasion among informal sector operators in Port Harcourt. Ex – post facto design was used for the study while questionnaire was used to collect data. Sample population was selected through purposive sampling techniques. The study found that sex, and tax morale has positive significant relationship with tax evasion. The methodology employed for the study may not be appropriate because secondary data is more appropriate for the study that uses ex- post facto design. This will not make the findings of the study valid or tenable. However, the sample population of 50 informal sector and SME operators used to represent all informal operators in River State is too small. To make the study more robust, they should have increase the sample population and use survey research design.

D'Attoma, Volintiru & Malezieux (2018) investigate the influence of gender, social value orientation on tax compliance. Experimental research design was conducted for the period of two years (2015-2017) in Italy, U.K., U.S., Sweden, and Romania. The study found that women are more honest and tax compliant than men across a large sample of countries.

Aronmwan, Ehichioya, & Izedonmi (2014) examine the determinants of personal income tax compliance. The survey research design was adopted and questionnaire was distributed to elicit responses from self-employed persons. The study discovered that there is on positive significant between gender of tax payers and tax compliance.

Gërkhani (2007) examines the effect of gender differences on tax evasion in Tirana, Albania.

The researcher tried to explain differences in tax behaviours between men and women through the activities which embedded within the framework of human

interaction. Survey research design was used for the study. The study found significant relationship between female gender and tax compliance. It shows that male gender evades tax than female gender.

3. METHODS AND DESIGN

A cross sectional survey design was used for the study. The choice of survey research design was formed by the assertion of Saunders, Lewis, & Thornhill (2007) that survey design allowed for the collection of large amount of data from the population in a highly economical way. The population of the study was made up of total population of tax payers in all 20 Local Government Areas of Lagos State. To determine population size for each Local Government Areas, Cochran (1963) cited in Adeniyi & Adesunloro (2017) developed this equation to yield a representative sample for proportions:

$$No = \frac{Z^2Pq}{E^2}$$

Where:

No = Sample size

$Z^2 = 1 - \alpha$ equals the desired level of confidence level, e.g. 90%, 95%

E = Desired level of precision

P = Estimated proportion of an attribute that is present in the population.

$q = 1 - P$

The value for Z is found in statistical tables which contain the area under the normal curve..

$$No = \frac{Z^2Pq}{E^2}$$

$$(1.645)^2 (5) (5)$$

$$(.05)^2$$

$$= 271$$

271 Tax Payers from each Twenty (20) Local Government Areas makes the total population for the study.

Table 1. Population of the study

S/N	Local Government Areas	No of Tax Payers (Both man and woman)
1	Agege	271
2	Ajeromi – Ifelodun	271
3	Alimosho	271
4	Amuwo – Odofin	271
5	Apapa	271
6	Badagry	271
7	Epe	271

8	Eti – Osa	271
9	Ibeju/ Lekki	271
10	Ifako – Ijaiye	271
11	Ikeja	271
12	Ikorodu	271
13	Kosofe	271
14	Lagos Island	271
15	Lagos Mainland	271
16	Mushin	271
17	Ojo	271
18	Oshodi – Isolo	271
19	Shomolu	271
20	Surulere	271
Total		5,420

Source: Researcher, 2020

Purposive sampling technique was used in selecting sample population for the study. This sampling technique was used for convenience sake and it will enable the researcher to focus on both man and woman that are tax payers and residence of Lagos State. One Hundred and forty (140) participants were judgmentally selected from each Local Government Areas and the total sample population will be Two Thousand and Eight hundred participants.

Table 2. *Sample population of the study*

S/N	Local Government Areas	No of Tax Payers (Both man and woman)
1	Agege	140
2	Ajeromi – Ifelodun	140
3	Alimosho	140
4	Amuwo – Odofin	140
5	Apapa	140
6	Badagry	140
7	Epe	140
8	Eti – Osa	140
9	Ibeju/ Lekki	140
10	Ifako – Ijaiye	140
11	Ikeja	140
12	Ikorodu	140
13	Kosofe	140
14	Lagos Island	140
15	Lagos Mainland	140
16	Mushin	140
17	Ojo	140
18	Oshodi – Isolo	140
19	Shomolu	140
20	Surulere	140
Total		2,800

Source: Researcher, 2020

Structured questionnaires were administered by hand to the respondents. Four point Likert scale was used to extract data. Weight given to each point in the scale is as follows: It is very correct (VC) = 4 points; It is correct (C) = 3 points ; I do not know (K) = 2 points; It is not correct (NC) = 1 point.

Two thousand and eight hundred copies of questionnaires were purposively administered by researchers. Two thousand and one hundred copies were successively retrieved from respondents.

This represents seventy five percent of the number of questionnaires administered.

Table 3. Administration of questionnaire details

S/N	Administration of questionnaire	Number of copies	Percentage (%)
1	Copies administered	2,800	100
2	Copies returned	2,100	75
3	Wrongly filed/unreturned copies	700	25

Source: Researcher, 2020

Linear regression analysis was used, with the aid of statistical package for social sciences (SPSS) 20.0 software, to analyse data collected statistically at 5% or 0.5 level of significant to find out the significant relationship between gender diversity and tax compliance.

The functional form of model for this study is:

$$\text{TaxComp} = f(\text{genent}, \text{genadmi}) \quad \text{eq 1}$$

The statistical test of the hypotheses formulated in this study was based on the following models:

$$\text{TaxCompt} = \beta_0 + \beta_1 \text{genentt} + \varepsilon_t \quad \text{eq.2}$$

$$\text{TaxCompt} = \beta_0 + \beta_1 \text{genadmit} + \varepsilon_t \quad \text{eq3}$$

Where:

$$\beta_1 > 0; r^2 > 0$$

β_1 is a measure of the effect of gender diversity on tax compliance.

TaxCompt = tax compliance

genentt = gender differences among small scale entrepreneurs

genadmit = gender differences among tax administrators

ε_t = error term

β_0 = regression coefficient

4. RESULTS AND DISCUSSION

Hypothesis One

Hi: There is significant relationship between gender differences among small scale entrepreneurs and income tax compliance in Lagos State

Ho: There is no significant relationship between gender differences among small scale entrepreneurs and income tax compliance in Lagos State

Table 5. ANOVA^a Result : Gender differences among small scale entrepreneurs and income tax compliance

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	509.390	1	509.390	.044	.836 ^b
Residual	206785.560	18	11488.087		
Total	207294.950	19			

a. Dependent Variable: tax compliance

b. Predictors: (Constant), gender differences among small scale entrepreneurs

Source: Extract from SPSS output

Table 6. Regression coefficient for gender differences among small scale entrepreneurs and income tax compliance

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	356.754	126.693		2.816	.011
gender differences among small scale entrepreneurs	.092	.436	.050	.211	.836

Source: Extract from SPSS output

Table 7. Model Summary for gender differences among small scale entrepreneurs and income tax compliance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.050 ^a	.002	-.053	107.18249	1.908

Note: $r^2 = .002$, $f(1, 18) = 0.44$, $p = .836$

Source: Extract from SPSS output

The f -ratio (0.44) reveals that gender differences among small scale entrepreneurs is not the main determinant of tax compliance in Lagos State. It is observed gender differences (male or female) among small scale entrepreneurs do not significantly affects tax compliance. Differences in gender among entrepreneurs explain 2 percent variation experienced in tax compliance among the entrepreneurs. Tax compliance among small scale entrepreneurs is not affected by

differences in sex of entrepreneurs because it is not statistically significant because its value is 0.83, which means $P > 0.05$.

Decision:

Based on the analysis above, the alternative hypothesis (Hi) is rejected while null hypothesis (Ho) is accepted; which state that there is no significant relationship between gender differences among small scale entrepreneurs and income tax compliance in Lagos State.

Hypothesis Two

Hi: There is significant relationship between gender differences among tax administrators and income tax compliance in Lagos State.

Ho: There is no significant relationship between gender differences among tax administrators and income tax compliance in Lagos State.

Table 8. ANOVA^a Result : Gender differences among tax administrators and income tax compliance

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	117537.918	1	117537.918	78.633	.000 ^b
Residual	26905.882	18	1494.771		
Total	144443.800	19			

a. Dependent Variable: tax compliance

b. Predictors: (Constant), gender differences among tax administrators

Source: Extract from SPSS output

Table 9. Regression coefficient for gender differences among tax administrators and income tax compliance

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	33.885	17.824		1.901	.073
1 gender differences among tax administrators	.771	.087	.902	8.868	.000

Source: Extract from SPSS output

Table 10. Model Summary for gender differences among tax administrators and income tax compliance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.902 ^a	.814	.803	38.66227	2.191

Note: $r^2 = .814$, $f(1, 18) = 78.633$, $p = .000$

Source: Extract from SPSS output

The *f*-ratio (0.81) reveals that gender differences among tax administrators is one of the main determinants of tax compliance in Lagos State. It is observed gender differences (male or female) among tax administrators have significant effect on tax compliance. Differences in gender among entrepreneurs explain 81 percent variation experienced in tax compliance among the entrepreneurs. Tax compliance among small scale entrepreneurs is affected by differences in sex of tax administrators because it is statistically significant because its value is 0.000, which means $P < 0.05$.

Decision:

Based on the analysis above, the null hypothesis (Ho) is rejected while alternative hypothesis (Hi) is accepted; which state that there is significant relationship between gender differences among tax administrators and income tax compliance in Lagos State.

Discussion

Hypothesis one shows that there is no significant relationship between gender differences among small scale entrepreneurs and income tax compliance in Lagos State. The analysis shows that both male and female small scale entrepreneurs do not feel bad for not paying their tax based on the fact there is low quality of service enjoyed from government in return for taxes paid. The study shows that both genders perceived that their personal income tax burden is unreasonable and unfair. This result is consistent with Kasipillai & Jabbar (2006); Gërkhani (2007); Nangih & Nkemakola (2018) that reveals that there is no significant relationship between gender differences among small scale entrepreneurs and income tax compliance.

Hypothesis two shows that there is significant relationship between gender differences among tax administrators and income tax compliance in Lagos State. The analysis reveals that females tax administrators do encourage tax payers to pay their tax as when due. It shows that male tax collectors do intimidate and extort money from tax payers than women administrators. These attitudes do reduce tax compliance among tax payers. Most of the respondents opinions reveal that women tax administrators induce tax compliance among tax payers. This result is consistent with Asante & Baba (2011); Gërkhani (2007) that shows that there is significant relationship between gender differences among tax administrators and income tax compliance.

10. CONCLUSION AND RECOMMENDATIONS

Based on the finding of this study, there is no significant relationship between gender differences among small scale entrepreneurs and income tax compliance in Lagos State. It shows that both men and women that are small scale entrepreneurs have similar attitude towards income tax compliance.

There is significant relationship between gender differences among tax administrators and income tax compliance in Lagos State. The study reveals that women tax administrators are friendlier and encourage tax payers to pay their tax liability than men.

In view of the finding of this study, the following recommendations are made:

- i. The study did not reveal any significant relationship between gender differences among small scale entrepreneurs and income tax compliance. This shows that both women and men small scale entrepreneurs needs to be more educated on the importance of paying their tax liability as at when due. Gender differences should not be considered when fixing personal income tax rates.
- ii. The study shows significant relationship between gender differences among tax administrators and income tax compliance. This shows that policy formulators and tax consultants should review the composition of tax administrators in line with gender diversity. Women should be given equal opportunity in the position of authority as tax administrators.

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