

Full Length Research Paper

Individual taxpayers' attitude and compliance behaviour in Nigeria: The moderating role of financial condition and risk preference

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Accepted 25 July, 2011

A number of factors may be responsible for low compliance in income tax administration in Nigeria. However, taxpayers' attitude has been identified as one factor that play important role in influencing tax compliance behaviour. Besides, the influence of taxpayers' attitude on compliance behaviour may be moderated by financial condition and risk preference. This study investigated the moderating effect of financial condition and risk preference on relationship between taxpayers' attitude and compliance behaviour. The data of the study, which were collected through a survey of individual taxpayers' opinion, were treated statistically using moderated multiple regression. The result of the study indicates that taxpayer's attitude towards tax evasion is positively related to compliance behaviour. Furthermore, the study also reveals that taxpayer's risk preference has strong negative moderating impact on the relationship between attitude towards tax evasion and compliance behaviour.

Key words: Tax compliance, attitude, income tax administration.

INTRODUCTION

Income taxes are important source of revenue to government in both developing and developed countries (Teera and Hudson 2004). But the amount of revenue to be generated by government from such taxes for its expenditure programme depends among other things, on the willingness of the taxpayers to comply with tax laws of a country (Eshag, 1983). The failure to follow the tax provisions suggests that a taxpayer may be committing an act of noncompliance (Kirchler, 2007). Tax non-compliance occurs through failure to file tax return, misreporting income or misreporting allowable subtractions from taxable income or tax due (Roth et al., 1996; Soos, 1991).

Following the increasing cases of tax noncompliance, especially tax evasion and its consequences on the capacity of government to raise public revenue, great amount of attentions have been paid to the issue of tax compliance globally by public policy makers and researchers

for the past few decades now. However, bulk of the researches on tax compliance is on developed countries especially the US, it is limited on developing countries (Chau and Leung, 2009; Torgler, 2003).

As part of these research efforts, Allingham and Sandmo (1972) developed a theory known as A-S models to explain tax compliance behaviour. This theory was derived from Becker's (1968) deterrence theory. The general conclusion of the theory is that compliance depends largely on tax audit and penalty. However, the theory had been criticized for paying more emphasis on economic factors and ignoring completely social and psychological perspective of tax noncompliance (Fischer, 1993). Scholars suggested that tax noncompliance decision may be affected by factors not considered in the basic model, or may be affected in ways not captured approximately by the theory (Alm, 1999; Spicer and Lundstedt, 1976).

The failure of the traditional theory to provide a comprehensive understanding of tax noncompliance created avenue for a research gap into the phenomenon. This research opportunity made many researchers (Andreoni et al., 1998; Chan et al., 2000; Jackson and

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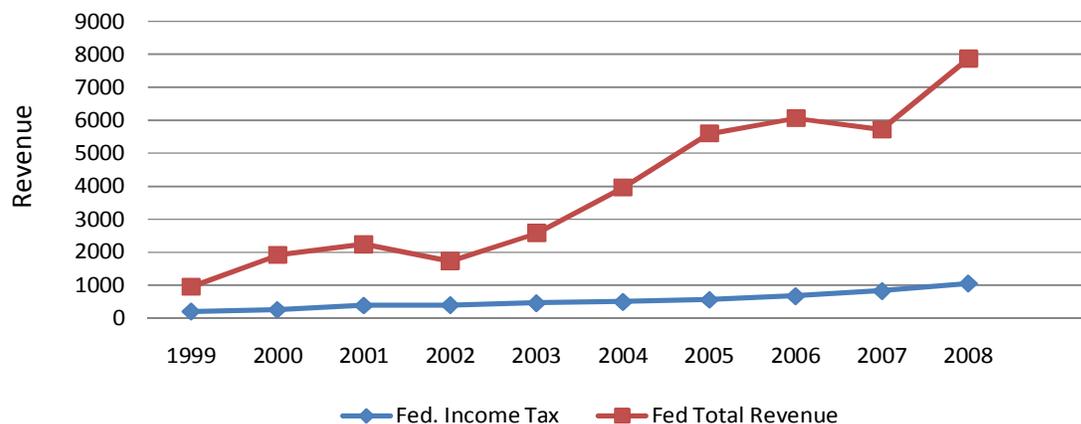


Figure 1. Nigeria's federal revenue (N'B). Note: Data for the chart derived from "Annual report and statement of account," by Central Bank of Nigeria, 2008, Abuja: Central Bank of Nigeria.

Milliron, 1986; Manaf, 2004; Yaniv, 1999; Torgler, 2003 etc) to extend A-S model to cover other factors. In the first major work on tax compliance, Jackson and Milliron (1986) identified fourteen factors as factors influencing tax compliance and these fourteen key factors were later categorized by Fisher et al. (1992) into four main determinants. However, Fischer et al. (1992) did not consider the fact that the relationship between tax compliance and some of its determinants may be moderated by other variable(s) as suggested in Kirchler et al. (2007).

The present study contributes to tax compliance literature by taking advantage of the weaknesses noted in previous studies (Allingham and Sandmo, 1972; Chan et al., 2000; Fischer et al., 1992). First, the focus of the study is on individual tax compliance behaviour in a developing economy. Secondly, the study further extended Fischer's model by incorporating the moderating effects of taxpayer's financial condition and risk preference. However, the study is primarily undertaken to determine the relationship between taxpayer's attitude and tax compliance behaviour as well as the moderating effects of taxpayer's financial condition and risk preference on the relationship.

For this purpose, the remaining part of this paper is organised as follows: the second part reviews the relevant literature while third part is on materials and methods used in the study. The result, discussion and conclusion of the study followed in the fourth, fifth and sixth part, respectively.

LITERATURE REVIEW

Tax compliance behaviour in Nigeria

Administration of income tax in Nigeria as in some other developing countries is characterised by low compliance level and despite Nigeria's human and natural

endowment as well as economic potentiality, the country has continued to record one of the lowest tax compliance level in Africa (CITN, 2010). Even with all efforts through the various tax reforms¹ undertaken by Nigerian government to increase tax revenue over the years, prior statistical evidence has proven that the contribution of income taxes to the government's total revenue remained consistently low and is relatively shrinking. However, of all the taxes, personal income tax has remained the most disappointing, nonperforming, unsatisfactory and problematic in Nigerian tax system (Asada, 2005; Kiabel and Nwokah, 2009; Nzotta, 2007; Odusola, 2006; Sani, 2005). The statistical data indicated that contributions of non oil income tax to total revenue of Government in Nigeria dropped from 19.8% in 1999 to 11.7% in 2008 and the tax ratio in 2009 was 11% the lowest in West Africa and below 15% recommended for low income countries (CBN, 2008; Cobham, 2005; CITN, 2010). Specifically, the contribution of personal income tax remained marginal and comparatively low in Nigeria's tax revenue. At the state and local government levels, where the major source of internal revenue is expected to be individual income tax, its contribution to the total revenue of these levels dropped from 20.18 and 7.7% in 1999 to 12.4 and 1.6% in 2008, respectively (CBN, 2008). Figure 1, 2 and 3 show the performance of tax revenue of different level of government in Nigeria.

Taxpayers' attitude and compliance behaviour

An individual's attitude towards tax system may predict (his tax compliance behaviour. Theoretically, Ajzen 1991), Fishbein and Ajzen (1975) and Oskamp (1991)

¹ Some tax reforms in Nigeria include Structural Adjustment Program in 1986, Shehu's Task Force on Tax, 1978; Dr Sylvester's Study Group on Tax, 1999; Economic Empowering Development Strategies, 2002; Professor Dotun's Study Group on Tax, 2002.

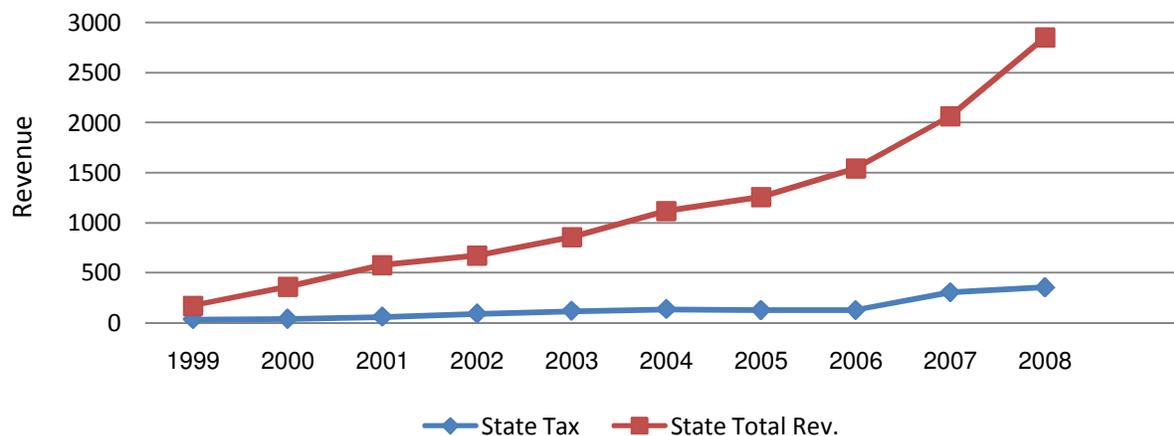


Figure 2. Nigeria states revenue (N'B). Note: Data for the chart derived from "Annual report and statement of account," by Central Bank of Nigeria, 2008, Abuja: Central Bank of Nigeria.

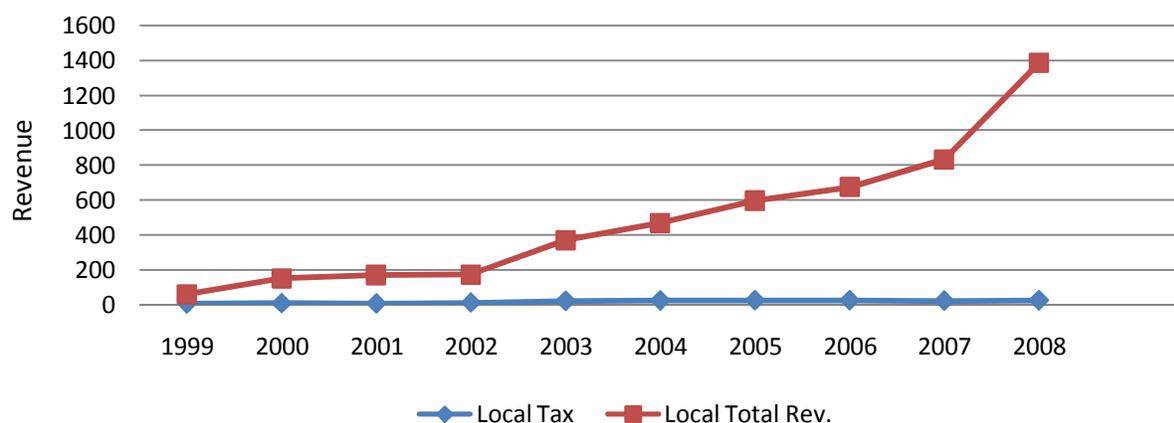


Figure 3. Nigeria's local government revenue (N'B). Note: Data for the chart derived from "Annual report and statement of account," by Central Bank of Nigeria, 2008, Abuja: Central Bank of Nigeria.

have indicated that attitude is a partial indication of behaviour. Attitude towards an event, object, function or person may be favourable or unfavourable. According to Ajzen (1991) and Fishbein and Ajzen (1975), individual evaluates an event or object positively or negatively and positive and negative evaluation is the main dominant characteristic of an individual's attitude. In agreement with the statements of Ajzen (1991) and Fishbein and Ajzen (1975), Kirchler et al. (2008) suggested that taxpayer who has favourable attitude towards tax evasion is expected to be less compliant and equally taxpayer with unfavourable attitude is likely to be more compliant. In his own submission, Bobek (1997) argued from the perspective of the theory of functional attitude that the motive of the attitude will determine whether it will be positive or negative. The taxpayer, whose motive of attitude towards tax system is to express his belief in the system, is expected to judge the fairness of the system objectively and the taxpayer whose attitude is motivated with what benefit to derive from the system may label tax

system fair if he is benefiting from the system (Bobek, 1997). Eriksen and Fallan (1996) said that dimensions of attitude towards tax evasion include: attitude to one's own tax evasion which is referred to as tax ethic, fairness of tax system, attitude to other people's tax evasion and attitude to general crime.

There are empirical evidences suggesting that ethical value may play significant role in the compliance decision of an individual taxpayer. In line with this, Ho and Wong (2008) submitted that individuals with stronger ethical mind may have favourable compliance attitude as they will regard complying with rule and regulation as an obligation that must be honoured. Chau and Leung (2009) equally stated that ethical value may affect tax compliance decision of an individual. The study of Recker et al. (1994) found that tax compliance is higher where there is a stronger belief that tax evasion is unethical. The result of Bobek and Hatfield (2003) also indicated that the ethical beliefs of individuals are the best means of improving tax compliance. Manaf (2004) reported that

taxpayers who see tax evasion as unethical are likely to comply more than those who regarded tax evasion as not unethical. Similar result was also reported in the study of Ho and Wong (2008).

Also, within literature of tax compliance, the perception of the taxpayers about the fairness of the tax system is recognized as an important factor that can have significant influence on tax compliance behaviour. According to Gilligan and Richardson (2005), the tax system that is perceived as unfair by the citizens may likely to be less successful and this will encourage the taxpayers to engage in noncompliant behaviour. Kirchler (2007) and Wenzel (2004) suggested that fairness can be conceptualized as distributive justice, procedural justice and retributive justice. Distributive justice is concerned with fairness in exchange of resources in both the benefit and cost, while procedural justice refers to fairness in the process of resources distribution and retributive justice is concerned with about the fairness in appropriateness of sanctions when rules are broken. However, Kirchler (2007) stated that research relating to fairness and tax compliance only focuses on distributive justice.

With regard to distributive justice, comparisons are made on the basis of individuals, groups and societal level and at individual level; taxpayers will be interested in the fairness of his tax burden, if it is perceived to be too high compare to other individuals' tax burden, his rate of compliance is likely to decrease. At the group level, the taxpayers are interested on the fairness of treating their groups compare to other groups, when a group perceived that it is not fairly treated in respect to tax burden in relation to other groups that may lead tax noncompliance in the group. At societal level, the taxpayers are concerned with the fairness of tax system of the whole society, where they perceived the tax system to be unfair, tax noncompliance is likely to increase in the society (Kirchler, 2007). The study of Spicer and Lundstedt (1976) reported that the respondents believe that when the tax system is unfair they are not more likely to comply with the tax laws. Porcano (1984) indicated that taxpayers' needs and ability to pay are the important factors that determined the fairness of tax system. Mustafa (1997) also reported that taxpayers perceived tax law to be unfair. In another study, Richardson (2006) reported a significant negative relationship tax system fairness and tax evasion.

Equally, studies have established relationship between attitudes of taxpayers and compliance. The study of Eriksen and Fallan (1996) revealed that taxpayer's attitude towards tax system has influence on reinforced desire toward tax evasion and compliance. Chan et al. (2000) reported that Hong Kong taxpayers have less favourable attitude towards tax system as a result lower level of compliance. The study of Oriviska and Hudson (2002) examined the attitudes to tax evasion and reported that evasion is condoned by large number of people who are particularly benefiting from it. Trivedi et

al. (2005) also revealed that there is a relationship between attitude and compliance.

Financial condition as a moderator for attitude and tax compliance

The inconsistency of findings on the relationship between tax compliance and some of its determinants most especially the deterrents factors (Dubin et al., 1987; Dubin and Wilde, 1988), has encouraged suggestion in the literature that the relationship may be moderated by certain variables (Kirchler et al., 2007). There are indications in other behavioural studies that financial condition (requirement) and family obligations moderate the relationship individuals' commitment and performance (Mathieu and Zajac, 1990; Brett et al., 1995). Empirically, some behavioural studies have shown support for the moderating effects of financial requirement on individual's behaviour (Doran et al., 1991; Brett et al., 1995).

The implication of moderating effect of individual financial condition on tax compliance and its determinants may be more obvious in the society where there is high family responsibility and poverty rate as the case in some developing countries including Nigeria (Brett et al., 1995). Therefore, financial condition of individual may have positive or negative effect on the relationship between his/her attitude and compliance behaviour. Bloomquist (2003) identified financial strain as one of the sources of taxpayer's stress and said that individual taxpayer with meagre financial resources may be tempted by his bad financial condition to be noncompliant where the expenses of his household are more than his income. In a cross national study, Stack and Kposowa (2006) reported financial dissatisfaction to be significant predictor of tax evasion.

Risk preference as a moderator for attitude and tax compliance

Risk preference is one characteristic of individual that influences his behaviour (Sitkin and Pablo, 1992). In a complete conceptualization of risk preference, three ranges are possible. These include: risk aversion, risk neutrality and risk seeking. A number of researchers and scholars have suggested that the attitude of taxpayer to risk cannot be underestimated in his/her compliance behaviour (Alm and Torgler, 2006; Hite and McGill, 1992; Torgler, 2003). Torgler (2007) submitted that individual taxpayers' decision could be affected by their attitude toward risk. Individual risk preference is one of the components of several theories relating to decision making including tax compliance theories like expected utility theory, prospect theory etc. According to Kahneman and Tversky (1979), individual tends to be inconsistent in their decision making as a result of

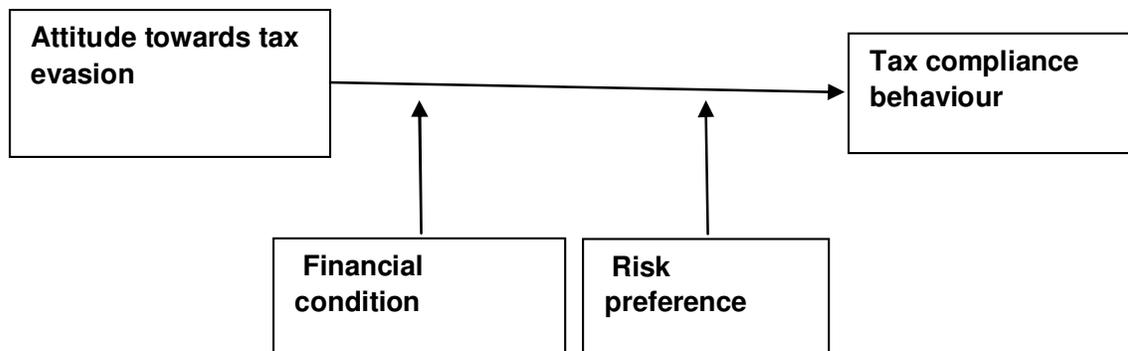


Figure 4. The research framework of tax compliance behaviour.

changing situation. Therefore, when attitude and tax compliance are predicted to have strong positive relationship it may not be so because of the effect of individual taxpayers' risk preference which varies according to situation and individual to individual.

Model and hypotheses

Based on the literature review, the tax compliance model which only incorporate individual taxpayers' attitude towards tax evasion with financial condition and risk preference as moderators is set out in Figure 4.

In the light of theoretical framework in Figure 1, the following hypotheses are developed for test:

H₁: Taxpayer with unfavourable attitude towards tax evasion is more likely to exhibit positive compliance behaviour.

H₂: Taxpayer's financial condition moderates the relationship between his/her attitude towards tax evasion and compliance behaviour.

H₃: Taxpayer's risk preference moderates the relationship between his/her attitude towards tax evasion and compliance behaviour.

H₄: The financial condition and risk preference moderate the relationship between taxpayer's attitude towards tax evasion and compliance behaviour.

MATERIALS AND METHODS

Participants

The target population of this study was individuals whose incomes are taxable under the provisions of Personal Income Tax Act Cap P8 2004² in Nigeria. Samples were selected from the target population using multi cluster random sampling technique. Under this technique, the samples were selected in three stages. In the

first stage, the Abuja city³ (Federal capital city of Nigeria) were selected as sampling area and in the second stage, organizations, enterprises as well as government establishments that filed tax returns and PAYE⁴ to tax offices operating within the sampling area were chosen. At third stage, the individual taxpayers that participated in the study were selected from the chosen organizations and government establishments. The total population⁵ of individual taxpayers in the Abuja city was 175,609 and the sample size of 382 was determined using Krejcie and Morgan's (1970) rule of thumb⁶. However, the sample size was increased to 550 to compensate for non response as suggested by Sekaran and Bougie (2010). A total of 550 questionnaires were administered to these individuals. At the end of the field work, total of 332 of usable questionnaires were retrieved representing approximately 60% response rate or 87% of predetermined sample size.

Procedure

As part of the procedure for data collection, questionnaire⁷ which contains likert-type, dichotomous and categorical items was designed and subjected to content and face validity tests with the assistance of tax and research methodology experts. In addition, pre test study was conducted on the instrument using working students of a tertiary institution in Nigeria. The survey questionnaire had a cover letter which explained the purpose of the study and in order to encourage candid response to the study, the letter also explained the anonymity of the respondents would be maintained. The full survey was conducted from 17th October, 2010 to 6th December, 2010. After series of consultations with relevant Nigerian revenue officers and other individuals, the actual distribution of questionnaires to the respondents commenced through the research assistants⁸ on the 8th November, 2010. Respondents were given up to 25th November 2010 to return completed questionnaires to the research assistants. However, at

² Personal Income Tax Act P8 LFN 2004 is the law that imposes tax on income of individuals in Nigeria.

³ Abuja city is Nigeria capital city and has representation from every spectrum of Nigeria society.

⁴ Pay as you earn (PAYE) is a scheme under which tax is deducted at point of earning income most especially by employees.

⁵ The total population of individual taxpayers as at 3rd November, 2011 (Federal Inland Revenue Service).

⁶ Reported in Cavana, Delahaye and Sekaran (2001).

⁷ The questionnaire was written in English Language, which is the official language in Nigeria. A copy of the questionnaire can be obtained from the corresponding author

⁸ A total of 22 of research assistants were appointed for the survey exercise.

Table 1. Demographic Information of the Taxpayers.

Category	Frequency (N = 332)	Percentage (Total = 100)
Gender		
Male	204	61.3
Female	128	38.6
Age groups		
20 – 30 years	75	22.6
31 – 40 years	148	44.6
41 – 50 years	85	25.6
Above 50 years	24	7.2
Education		
Primary education	7	2.1
Secondary education	58	17.5
Higher education	267	80.4
Occupation		
Professional	141	42.5
Non Professional	191	57.5
Source of income		
Public sector	171	51.5
Private sector	81	24.4
Sole proprietor	80	24.1
Income level		
Low income	218	65.7
Middle income	83	25.0
High income	31	9.3
Race		
Hausa	113	34.0
Yoruba	72	21.7
Igbo	61	18.4
Minority	86	25.9
Religion		
Islam	96	28.9
Christian	225	67.8
Traditional religion	11	3.3

the end of dateline, followed up was made for non response and the completed questionnaire forms were finally retrieved from all research assistants on the 6th December 2010.

Measures

Attitude towards tax evasion

The attitude towards tax evasion is defined as the taxpayer's disposition to respond favourably or unfavourably to tax cheat (Ajzen, 1991; Fishbein and Ajzen, 975). Attitude of the taxpayer to tax evasion comprises his belief about tax evasion; feeling about tax evasion and behaviour. The three dimensions of the taxpayer's attitude towards tax evasion were measured using 8 items. These

items measured the respondents' tax ethical behaviour as well as their feeling about other tax evaders, tax system fairness and general crime. The items were structured on 5 point likert scale and they followed after the study of Eriksen and Fallan (1996). High score (above 3) is interpreted as unfavourable attitude towards tax evasion while low score (below 3) is favourable attitude towards tax evasion.

Financial condition

Personal financial condition is a moderating variable and it is defined as the extent to which the taxpayer is satisfied with his/her financial condition and that of his/her household (Lago-Penas and Lago-Penas, 2009; Torgler, 2003). It was measured categorically

using options of “dissatisfy” and “satisfy” as was done in Torgler (2007) and was re-coded into dichotomous values of 0 and 1, respectively. The score of (0) indicates that the respondents are not satisfied with their financial conditions while the score of 1 suggests that they are satisfied with their financial conditions.

Risk preference

Taxpayer's risk preference is a moderating variable and it is operationally defined as risk-laden opportunities which a taxpayer considers are more desirable than other possible available choices (Atkins et al., 2005; Guthrie, 2003). The study measured the general preference of taxpayer in taking financial risk, social risk, health risk, career risk and safety risk using five items on 5 point agreed/disagree likert-scale as provided in Nicholson et al. (2005). High score (above 3) suggests that respondents are risk seeker while low score (below 3) is an indication that respondents are risk averse.

Tax compliance behaviour

Also in the context of this study, tax compliance is operationally considered as complying with tax laws in the act of true reporting of the tax base, correct computation of the tax liabilities, timely filing of tax returns and timely payment of the amount due as tax (Chatopadhyay and DasGupta, 2002; Franzoni, 2000). Any behaviour by the taxpayer contrary to the foregoing statement is noncompliant. Tax compliance behaviour was measured with four items using hypothetical scenario case as was done in Bobek (1997) and Chan et al. (2000). Respondents were asked to indicate (1) the Naira⁹ amount of income and deduction they would report on their tax return if they were in a similar situation to the scenario case (2) the date they would file their income tax returns if they were in a similar situation to the scenario case (3) how many days after receiving an assessment notice it would take them to pay their income tax if they were in a similar situation to the scenario case. The score (1), (2) and (3) were assigned to the options under each items of the scenario case and the values are interpreted as somewhat compliant, moderately compliant and fully compliant.

RESULT

Respondents profile

The demographic information on the respondents as presented in Table 1 indicates that about 61% of the respondents were male leaving 39% as female and that the age grouping of majority of the respondents falls between 20 and 40 years (72.2%). Equally, approximately 80% of the respondents had higher education background either as graduates of polytechnic, university or other tertiary institutions. On occupation, the Table reveals that about 58% of the respondents were not professionals leaving 42% of the respondents as professionals. The source of income for a little more than half of the respondents was the public sector and also majority of the respondents (66%) were low income

⁹ The official name for Nigeria's currency note is Naira and coin is Kobo. Naira was introduced in 1973 to replace Pound. Naira is coded as NGN and the sign is ₦. A unit of Naira is subdivided into 100 Kobo.

earners. Table 1 equally reveals that all the ethnic and religious groups in Nigeria were represented in the study but Hausa (34%) and Christian (67.8%) were more prominent in the study. Generally, the composition of the respondents to a greater extent fairly reflected the characteristic of population distribution of Nigeria.

Factor analysis

In order to check the construct validity of the research instrument, the items of metric latent variables were submitted to factor-analysis using principal component analysis with varimax rotation.

Attitude towards tax evasion factors

The values of Bartlett's Test of Sphericity (0.000) and KMO (0.802) as reported in Table 2 suggest that the data on attitude towards tax evasion were appropriate for factor analysis. Three factors were extracted from factor analysis using varimax rotation just as stated in the theory. These factors pulled variance explained of 29.09, 24.14 and 15.81%, respectively with eigen value of each factor greater than 1. Other results of the analysis indicate that the factor loading of items of the three factors range from 0.623 to 0.868 while the lowest values of communalities and anti-image correlation coefficient were recorded on item ATT6 (0.584) and ATT1 (0.596), respectively. Furthermore, the reliability tests on the eight produced cronbach alpha of 0.740. With result of analysis presented in Table 2 the assumption of construct validity may be assumed for Attitude towards Tax Evasion.

However, this study is interested in the total scale of the taxpayer's attitude towards tax evasion rather than each of the dimensions (factors) similar to what was done in Fauzi and Kamil (2009).

Risk preference

The factor analysis on the items of risk preference yielded one factor which accounts for about 73% of the variance with eigenvalue of 3.64 (Table 3). Each of the five items has factor loading of value above 0.80 while the lowest value of communalities and anti-image correlation coefficient are 0.667 and 0.672, respectively. The appropriateness of the data on Risk Preference was also assured with the values of Bartlett's Test of Sphericity (0.000) and KMO (0.846). These results also met the criteria of factor analysis and therefore provide evidence of construct validity on Risk Preference. Furthermore, the reliability test on the five items gave cronbach alpha 0.917

Tax compliance behaviour

With values of Bartlett's Test of Sphericity (0.000) and

Table 2. Factor analysis for attitude towards tax evasion.

Factor	Code	Load	Communal	Anti-image	Total variance (%)
Factor 1					29.09
Other people underreporting their income	ATT4	0.868	0.798	0.771	
Taxpayer claiming nonexistent tax deductions	ATT2	0.805	0.709	0.815	
Feeling about other involvement in tax evasion	ATT5	0.793	0.664	0.845	
Factor 2					24.14
Seriousness of stealing money from wallet	ATT9	0.845	0.740	0.788	
Seriousness of embezzlement of funds	ATT8	0.837	0.751	0.771	
Seriousness of robbing a kiosk small amount	ATT7	0.623	0.620	0.871	
Factor 3					15.81
Taxpayer not declaring extra income	ATT1	0.808	0.656	0.596	
Defend evasion on tax system unfairness	ATT6	0.753	0.584	0.754	
KMO : 0.802			Total variance explained : 69.04%		
Bartlett's test of Sphericity: Sig : 000					

Note: 1. Load = Factor loading, communal = communality, anti-image = anti-image correlation. 2. Item ATT3 was deleted in analysis.

Table 3. Factor analysis for risk preference.

Factor	Code	Load	Communal	Anti-Image	Total Variance
Factor 1					72.89%
Financial risk taking	RP1	0.888	0.667	0.837	
Social risk taking	RP2	0.872	0.760	0.815	
Health risk taking	RP3	0.870	0.789	0.821	
Career risk taking	RP4	0.820	0.883	0.756	
Safety risk taking	RP5	0.817	0.886	0.672	
KMO : 0.846		Total variance explained : 72.89%			
Bartlett's Test of Sphericity: Sig : 000					

Note: 1. Load= factor loading, communal = communality, anti-image=anti-image correlation.

KMO (0.726), the factor analysis of the data collected on tax compliance behaviour is assumed. The analysis yielded one factor which accounts for about of 53% of the variance with Eigen value of 2.25. Item TCB4 has lowest factor loading of 0.653 while the minimum value of communality and anti-image correlation coefficient are 0.426 and 0.681, respectively. The result conforms to the minimum criteria of factor analysis and therefore supports construct validity of tax compliance behaviour. The reliability test on the 4 items gave cronbach alpha 0.740 (Table 4).

Descriptive analysis

Attitude toward tax evasion

The attitudes of the respondents towards tax evasion were evaluated in items ATT1 to ATT9 and the descriptive analysis of these items is shown in Table 5.

ATT1 and 2 evaluated the ethical behaviour of the respondents and with the mean score above 3 for each of the items; it implies that the respondents had fair ethical behaviour towards tax system. In this regarding, majority of the respondents (59% for ATT1 and 52% for ATT2) admitted that not declaring their extra income and claiming nonexistent deduction on tax return were serious offences. The feeling of the respondents towards tax fairness and tax evasion of other taxpayers were captured in item ATT4 to ATT6 and each of these items has mean scores above 3 indicating that the respondents felt bad about the involvement of others in tax evasions and tax fairness. On general crime, the majority of respondents considered stealing and embezzlement serious illegality. The attitudes of the respondents towards general crime were captured in item ATT7 to ATT9 and these items also have mean scores above 3. On the whole, going by the overall mean score of 3.58 and standard deviation of 0.90, the respondents had an

Table 4. Factor analysis for tax compliance behaviour.

Factor	Code	Load	Communal	Anti-image	Total variance
Factor 1					56.36%
Income reporting	TCB1	0.833	0.504	0.810	
Tax deductions reporting	TCB2	0.793	0.426	0.788	
Return filing	TCB3	0.710	0.629	0.695	
Tax payment	TCB4	0.653	0.694	0.681	
KMO: .726		Total Variance Explained : 56.36%			
Bartlett's test of Sphericity: Sig .000					

Note: 1. Load = factor loading, communal = communality, anti-image = anti-image correlation.

unfavourable attitude towards tax evasion.

Risk preference

The preferences of the respondents to take risk were appraised using item RP1 to RP5 and the result of the descriptive statistics on these items (Table 6) indicate that each of the items has mean score below 2. On disagreement scale, majority of the respondents (76%) did not agreed taking health risk of smoking etc (RP1) while at the agreement scale, 16% of respondents agreed to have engaged in social risk. On the whole, the overall mean score of 1.91 and standard deviation of 1.12 suggested that the respondents were risk averse.

Tax compliance behaviour

The compliance behaviour of the respondents towards tax rule and regulations are presented in Table 7. The Table reveals that about 28% of the respondents complied with tax rule and regulations in declaring their income for tax purpose and this leaves about 76% of the respondents as noncompliant. Almost the same result as in income reporting compliance was also obtained on tax claims reporting as only minority (22%) of the respondents were compliant. This result was expected considering the tax claims normally accompany income reporting. Moreover, the result reflected the fact that most of the respondents (52%) derived their income from salaries whose tax is withheld at point of payment and they did not consider it necessary to report other extra source of income for tax. Table 7 also indicates that about 48% of the respondents fully complied with tax rules regarding return filing while the remaining 52% of the respondents did not comply with the tax rule. This result is not surprising considering that a great number of the respondents were salary earners and had their taxes deducted at point of payment perhaps this might have influenced their behaviour. The descriptive statistics on tax payment compliance indicate that about 40% of the respondents fully complied and that leaves 60% as

noncompliant. However, in the overall compliance, only about 11% of the respondents complied with income reporting, tax claims reporting, return filing and tax payment as stipulated by tax rule and regulations; therefore leaving majority of the respondents (89%) as noncompliant. The result indicates that tax noncompliance is a great problem in Nigeria.

Moderated multiple regression

For the purpose of testing the hypotheses of this study, moderated multiple regression analysis was adopted and used. The procedures used in the regression analysis were as recommended by Darrow and Kahl (1982), Hair et al. (2010) and supported by Evans (1987). In this case, tax compliance behaviour was regressed on Attitude towards Tax Evasion in the first stage to obtain the main effect while in the second stage; the dependent variable was regressed on independent variable, moderator(s) and the product of the independent variable and moderator(s). Before the multiple regressions, the continuous variables were centered to reduce the effect of multicollinearity as suggested by Aiken and West (1991). The results of the regression are documented in Table 8.

The result of the main effect in model 1 shows taxpayer's attitude towards tax evasion ($\beta = 0.391$; $P < 0.10$) significantly positively related to compliance behaviour. In model 2, financial condition and the product term of attitude towards tax evasion and financial condition were entered and the regression result indicates that financial condition ($\beta = -0.215$; $P < 0.01$) negatively related to tax compliance behaviour. The result also indicates that financial condition ($\beta = 0.032$; $P > 0.10$) has insignificant positive effect on the relationship between attitude towards tax evasion and tax compliance behaviour.

Risk preference was included in model 3 as a moderator (while holding financial condition constant) and the regression result reveals a significant negative relationship between risk preference and tax compliance behaviour ($\beta = 0.126$; $P < 0.05$). In addition, the result also indicates that risk preference ($\beta = -0.111$; $P < 0.05$) has a

Table 5. Descriptive statistics for attitude towards tax evasion.

Code	Items	M	Std D	S A /Agree	Neutral	S D/ Disagree
ATT1.	Not declaring my extra income of NGN 20,000 on my tax return is serious offence	3.54	1.33	185 (59)	61 (18)	77(23)
ATT2.	Claiming a nonexistent deduction of NGN 5,000 on my tax return is serious offence	3.51	1.48	174 (52)	52 (16)	106 (32)
ATT4.	One can criticize a person who declares lower income than was the case on his/her tax return when there are so many others doing the same.	3.43	1.50	156 (47)	63 (19)	113 (34)
ATT5.	One can criticize others who exploit the many possibilities there are to evade taxes	2.98	1.53	136 (41)	55 (17)	141 (42)
ATT6.	You can defend people who evade taxes because the tax system is unfair	3.93	1.59	215 (65)	73 (22)	44 (13)
ATT7.	I think robbing a kiosk of NGN1,000 is a serious illegality	3.78	1.46	196 (59)	46 (14)	90 (27)
ATT8.	I think embezzling NGN 10,000 from an association which I am a member is a serious illegality	3.52	1.55	187 (56)	44 (13)	101 (31)
ATT9.	I think stealing a wallet containing NGN 500 is a serious illegality	3.93	1.43	214 (65)	34 (10)	85 (25)

Note: 1. M = Mean, Std D = standard deviation, SA = strongly agree, SD = strongly disagree. 2. Percentage in parenthesis.

Table 6. Descriptive statistics for risk preference.

Code	Items	M	Std D	S A/agree	Neutral	SD/ disagree
	Indicate the extent to which any of the following have ever applied to you.					
RP1	Health risks (eg smoking, poor diet, high alcohol consumption).	1.81	1.26	37 (11)	44 (13)	251 (76)
RP2	Financial risks (eg gambling, risky investment).	1.95	1.36	49 (15)	42 (13)	241 (72)
RP3.	Career risks (eg quitting a job without another to go to)	1.92	1.32	48 (15)	47 (14)	237 (71)
RP4.	Safety risks (eg fast driving, city cycling without a helmet)	1.96	1.34	52 (16)	46 (14)	234 (70)
RP5.	Social risks (eg standing for election, publicly challenging a rule)	1.96	1.35	53 (16)	48 (15)	231 (69)

Note: 1. M = Mean, Std D = standard deviation, SA = strongly agree, SD = strongly disagree. 2. Percentage in parenthesis.

Table 7. Descriptive statistics for tax compliance behaviour.

Component	M	SD	Noncompliance			Compliance
			Somewhat	Compliance	Moderately compliance	
Income reporting	2.00	0.74	90 (27)		149 (45)	93 (28)
Tax claims reporting	1.86	0.75	120 (36)		140 (42)	72 (22)
Return filing	2.19	0.85	94 (28)		80 (24)	158 (48)
Tax payment	2.16	0.78	79 (24)		120 (36)	133 (40)
Overall	2.06	0.59	94 (28)		238 (61)	36 (11)

Note: 1. M=Mean, Std D= standard deviation, 2. Percentage in parenthesis.

Table 8. The effects of financial condition and risk preference on tax evasion and compliance behaviour.

Variable	Model 1	Model 2	Model 3	Model 4
ATT	0.139 (2.547)**	0.089 (1.206)	0.151 (2.793)*	0.118 (2.205)**
FIN CON		-0.215 (-3.993)*	-	-0.205 (-3.828)*
R P		-	0.126(2.314)**	0.114 (-2.116)*
ATT X FIN CON		0.032 (.431)	-	-
ATT X R P			-0.111(-2.045)**	-
ATT X FIN CON X RP				-0.069 (-1.290)
R ²	0.091	0.065	.051	0.085
Adjusted R ²	0.061	0.057	.043	0.073
Change R ²	0.091*	0.001	.021**	0.005
F Value	6.488*	7.660*	5.909*	7.557*

Note: (1). *p< .01, ** p< .05,*** p< .10 (2) T Statistics in parenthesis. (3) ATT = Attitude towards tax evasion, FIN CON = Financial Condition, RP = Risk Preference.

significant negative moderating effect on relationship between attitude towards tax evasion and tax compliance behaviour.

Model 4 combines financial condition and risk preference as joint moderators and as with other models, attitude towards tax evasion is still positively related to tax compliance behaviour in the model ($\beta = 0.118$; $P < 0.05$). The regression result also shows financial condition to be strongly related to tax compliance behaviour in the model ($\beta = -0.205$; $P < 0.01$). The result equally indicates that risk preference is positively related with tax compliance behaviour ($\beta = 0.114$; $P < 0.10$). However, the regression analysis reveals that the joint moderating effect of financial condition and risk preference is weak ($\beta = -0.69$; $P > 0.10$) on the relationship between attitude towards tax evasion and tax compliance behaviour.

DISCUSSION

Although we found evidence from the regression analysis in this study, the nature of support varies among the hypotheses. Specifically, the regression analysis provides evidence in support of the prediction in hypothesis (H₁) which indicates that taxpayers' attitude towards tax

evasion is significantly positively related to their compliance behaviour and this suggests that taxpayers with unfavourable attitude towards tax evasion are more likely to show positive behaviour towards complying with tax rule and regulations. This finding is consistent with the theoretical prediction that attitude is indication of behaviour (Ajzen, 1991; Fishbein and Ajzen, 1975; Oskamp, 1991). The result equally agrees with previous studies which reported significant positive relationship between attitude to tax evasion and compliance behaviour (Eriksen and Fallan, 1996; Kirchler et al., 2008; Chan et al., 2000; Trivedi et al., 2005). However, the evidence provided by the finding indicates that the relationship between taxpayers' attitude to tax evasion and compliance behaviour is not a strong relationship. The possible explanation for the fairly strong relationship between two variables may be attributed to the fairly weak attitude of the respondents against tax evasion as well as low compliance level as indicated by descriptive statistics. This suggests that weak unfavourable attitude to tax evasion may be responsible for low compliance behaviour in Nigeria. This finding is not surprising for a developing country like Nigeria given that the attitude towards tax evasion may be influenced by other factors as corruption, lack of public accountability, religion, economic situation etc (Abdulazq, 1985; Kiable and

Nwokah, 2009). This suggests why tax evasion remains the greatest challenge confronting tax administration in Nigeria (Abdulazq, 1985; Asada, 2005; Kiabile and Nwokah, 2009; Nzotta, 2007; Sani, 2005).

In testing hypothesis (H_2), there was no evidence to show that financial condition has statistically significant moderating effect on the relationship between attitude to tax evasion and compliance behaviour. This finding suggests that financial conditions do not exert significant effect on the impact of taxpayers' attitude on tax compliance. This result is contrary to the finding of Stack and Kposowa (2006) that financial dissatisfaction is significant predictor of tax evasion. The result demonstrates that the interacting effect of financial condition is not important in understanding relationship between taxpayer's attitude and tax compliance in Nigeria. The possible reason for this finding may perhaps be the reasonable number of respondents which indicated that they were satisfied with their financial condition.

However, for a country like Nigeria where more than half of its population is below poverty line, it is right to expect that financial condition would play influential role on the relationship between taxpayers' attitude towards tax evasion and compliance behaviour as suggested in the literature (Bloomquist, 2003; Stack and Kposowa 2006).

For the moderating effect of risk preference, the study provides evidence consistent with hypothesis (H_3) indicating that risk preference demonstrated significant effect on the influence of attitude towards tax evasion on tax compliance behaviour. Surprisingly, the effect of risk preference altered the direction of the relationship between the two variables from positive as previously reported to negative. This suggests that in the presence of risk preference, attitude towards tax evasion is likely to make taxpayers to be less compliant. This is an indication that the effect of risk preference renders the impact of taxpayers' attitude on tax compliance weak and unfavourably. In the light of this finding, it would appear that interacting effect of risk preference is a relevant factor for better understanding of the influence of taxpayers' attitude on tax compliance. This result equally suggests that individuals' risk preference had contributed in making taxpayers' attitude to have negative influence on compliance behaviour in Nigeria. The possible explanation for this pattern of finding may still be connected with weak attitudes of the respondents against tax evasion (Table 4).

Furthermore, contrary to the prediction of hypothesis (H_4), the regression result provides evidence showing that financial condition and risk preference jointly exerted insignificant effect on the relationship between attitude and tax compliance behaviour. This suggests that the influence of taxpayers' attitude on compliance behaviour is not significantly affected by the presence of joint effect of financial condition and risk preference.

The findings of this study have some theoretical and managerial implications. First, this study provided proof that environmental, situational, social and cultural factors may also play important role in influencing tax compliance behaviour not only economic factors as assumed in deterrence theory (Becker, 1968). As identified in Fischer et al. (1992), this study also confirms that attitude plays vital role in shaping compliance behaviour of individual taxpayers in a developing country. The most outstanding contribution from this study is its finding which demonstrated significant opposite moderating effect of risk preference on the influence of attitude on tax compliance behaviour. This finding indicates the relevance of the moderating effect of risk preference in the relationship between attitude and tax compliance behaviour and such effect cannot be underestimated theoretically. Moreover, this result provides proof to researchers that it is possible that certain factors may have moderating effects on the relationship between tax compliance and its determinants as suggested in Kirchler et al. (2007). In the light of the finding on the effect of risk preference, Fischer model would have to be extended to incorporate the moderating of risk preference on taxpayers' attitude for better understand of tax compliance behaviour.

On practical implication, the result from study suggests that policy makers, particularly those in Nigeria should adopt strategies that would prop up taxpayers' attitudes against tax evasion, such strategies would likely have positive effect on taxpayers' compliance behaviour and consequently improve tax revenue collections. Furthermore, policy makers may also be concerned with mapping out policy to mitigate the negative effect of risk preference on the relationship between attitude and tax compliance behaviour.

Conclusion

This study is undertaken primarily to determine the relationship between attitude towards tax evasion and tax compliance behaviour and how such relationship is moderated by taxpayers' financial condition and risk preference. This study has found a significant positive relationship between attitude towards tax evasion and tax compliance behaviour. It equally provides evidence showing taxpayers' risk preference strongly moderated the relationship between attitude towards tax evasion and tax compliance behaviour. Moreover, other findings of this study suggest that the effect of financial condition is not significant on relationship between attitude towards tax evasion and compliance behaviour. Similar evidence is also provided for the joint moderating effect of financial condition and risk preference.

This study has a number of limitations. In the first place, the focus of this study was on individual taxpayers but corporate taxpayers may have different opinion,

perception and behaviour from the individual taxpayers. In addition, this study relied on self-reported behaviour of the taxpayers like most compliance researches. The behaviour that taxpayers portray under this method may not be truth representation of their actual behaviour (Tanzi and Shome, 1993). Also, this study only considered influence of taxpayers' attitude towards tax evasion on tax compliance behaviour but the literature has provided evidence to suggest that the influences of attitude towards government as well as the effect of individual religiosity on tax fraud are equally relevant (Stack and Kposowa, 2006).

Moreover, this study provides some guide for future research into tax compliance behaviour. More researches are needed on moderating effect of risk preference on relationship between taxpayer's attitude towards tax evasion and his/her compliance behaviour to check the consistency of the results produced by this study on this moderator. In addition, research studies are desired on taxpayers' attitude towards government and the effect of individual religiosity on tax fraud as well as on other factors influencing tax compliance behaviour particularly in developing countries.

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