# Service Quality Delivery at State Government Level and Tax Compliance Behavior of Small Business

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## Abstract

*The study investigated the effect of service quality delivery at the state government level on tax compliance behavior of small business owners in Nigeria. Specifically, the research examines how two key dimensions of service quality—citizen satisfaction with government services and the accessibility of government services—affect the willingness of small business owners to comply with tax regulations. Utilizing a survey design, data were collected from 400 small business owners across Nigeria through a structured questionnaire based on a five-point Likert scale. The study employed both descriptive and inferential statistical methods, including regression analysis, to assess the effect of the independent variables (citizen satisfaction and service accessibility) on the dependent variable (tax compliance behavior). The results indicate a significant positive effect of both dimensions of service quality on tax compliance, with citizen satisfaction exerting a slightly stronger influence. The findings suggest that improving the quality and accessibility of government services could serve as a critical strategy to enhance tax compliance among small businesses, a sector vital to Nigeria's economic growth. The study concludes that increased professionalism, transparency, and ease of access to government services can lead to higher tax compliance rates. Based on these findings, the study recommends that state governments invest in service delivery improvements, enhance digital access to services, and engage small businesses through awareness campaigns on the importance of tax compliance for national development.*

***Keywords:*** *Tax compliance, Service quality, Citizen satisfaction*

## 1. INTRODUCTION

Effective governance at the state level is largely assessed through the quality-of-service delivery provided to citizens. In many countries, the state government plays a crucial role in ensuring that essential services, such as healthcare, education, infrastructure, and security, are accessible and efficient. These services form the bedrock of socio-economic development and the well-being of the population. Therefore, the effectiveness of state governance is often measured by how well

these services are delivered to meet the demands of the public, particularly in addressing disparities in access and quality across different regions and communities (Fiszbein et al., 2011). Service delivery is a multifaceted concept, encompassing the mechanisms, policies, and institutions that allow for the provision of public goods and services to citizens. It is often influenced by a variety of factors including political leadership, institutional frameworks, public finance, and bureaucratic efficiency (Grindle, 2017). State governments, operating as intermediaries between federal directives and local implementation, are responsible for adapting national policies to meet local needs. This adaptation process often requires creative problem-solving, especially in states with diverse demographics and socio-economic profiles. The capacity of state governments to effectively manage resources and ensure transparency and accountability in service provision is vital to the achievement of sustainable development (World Bank, 2019).

The challenges in state government service delivery is the issue of fiscal capacity. States with lower revenue-generating abilities often struggle to provide adequate services, leading to uneven development and inequality (Wong, 2018). This disparity is evident in many federal systems where wealthier states tend to perform better in service delivery due to higher local tax revenues or better access to federal funds. Consequently, resource-poor states may rely heavily on federal transfers or international donor support, which can create inefficiencies and dependencies that further weaken service provision. Understanding the fiscal dynamics of state governments is thus critical in addressing the gaps in service delivery (Shah, 2007). Additionally, governance structures play a significant role in determining the efficiency of service delivery. Decentralized systems of governance, which delegate authority to local governments, often allow for greater responsiveness to local needs. However, decentralization can also introduce complexities, particularly when local governments lack the capacity or resources to effectively manage service provision (Rondinelli & Nellis, 1986). Coordination between state and local governments is crucial to avoid overlaps, inefficiencies, and conflicts of interest. Ensuring that the roles and responsibilities of each level of government are clearly defined is essential to improving service delivery outcomes.

Furthermore, effective service delivery by governments often relies on sufficient revenue generation, primarily through taxation. For small businesses, the quality of services they receive, such as infrastructure, security, and access to business support programs, can influence their perceptions of government and, by extension, their tax compliance behavior. When businesses see tangible benefits from the taxes they pay, such as improved roads, reliable electricity, or streamlined bureaucratic processes, they are more likely to comply willingly with tax obligations (Kirchler, 2007). Conversely, poor service delivery can create frustration and lead to tax evasion or avoidance as businesses perceive little return on their contributions.

Tax compliance behavior among small businesses is shaped by a combination of factors, including the perceived fairness of the tax system, the complexity of tax laws, and the risk of penalties for non-compliance. Many small businesses operate with limited resources and often face challenges in understanding and navigating tax regulations. When tax policies are perceived as overly burdensome or complicated, business owners may be tempted to underreport income or engage in informal activities to avoid taxation (Alm & Torgler, 2006). On the other hand, simplified tax

regimes and supportive tax administration can encourage compliance by reducing the cost and effort involved in meeting tax obligations. In addition to policy design, social norms and trust in government play a significant role in shaping tax compliance among small businesses. Business owners are more likely to comply with tax laws when they trust that the government will use tax revenues effectively and fairly. A culture of compliance can develop in environments where there is transparency in public spending and accountability mechanisms in place (Feld & Frey, 2007). Therefore, fostering trust and maintaining a transparent, efficient tax administration are essential to improving tax compliance behavior, particularly among small businesses that are often more vulnerable to inefficiencies in government systems.

## 2. PROBLEM STATEMENT AND HYPOTHESES FORMULATION

Governments at all levels rely on taxation as a key mechanism to generate revenue, which is used to finance public services such as infrastructure, healthcare, education, and security. The effectiveness of these services often dictates public perception of governance and can influence individuals' and businesses' willingness to contribute to public funds. Particularly for small businesses, which operate within tighter financial constraints and are more sensitive to the immediate business environment, the quality of government services can significantly impact their operational costs and prospects for growth (Abiola et al., 2017). When these services are deficient, small business owners may question the rationale behind paying taxes, which they perceive as not translating into direct benefits for their businesses or communities.

Tax compliance behavior has been the subject of extensive academic inquiry, with numerous studies examining the factors that motivate or dissuade individuals and businesses from adhering to tax laws (Adekoya et al., 2020; Agbetunde et al., 2020). Alm and McClelland (1999) identified that trust in government institutions, alongside the perceived equity of the tax system, plays a crucial role in fostering compliance. Similarly, Kirchler (2007) emphasized the importance of psychological factors, such as the moral obligation to pay taxes and the social norms within a business community, which can either promote or undermine tax compliance. For small businesses, the burden of navigating complex tax systems and the cost-benefit analysis of compliance versus evasion are central to decision-making processes. A significant body of research has explored how tax compliance is influenced by a combination of external factors, including enforcement measures, penalties for non-compliance, and audits. Studies like those by Slemrod and Yitzhaki (2002) suggest that increased enforcement and the likelihood of detection through audits can improve compliance. However, such approaches may not address the underlying reasons for non-compliance, particularly in contexts where businesses feel disconnected from the benefits of paying taxes. Beyond enforcement, recent studies have highlighted the importance of fostering voluntary compliance by improving the business environment, simplifying tax procedures, and ensuring that businesses can see the tangible benefits of their contributions (Feld & Frey, 2007).

While existing research has thoroughly explored the effects of enforcement, audits, and simplified tax systems on compliance, there is a growing need to examine how the quality of government

services directly affects the tax behavior of small businesses. Small business owners, particularly in states where service delivery is inconsistent or inadequate, may feel disillusioned about the role of taxation. When businesses do not perceive significant improvements in infrastructure, business support, or security—services they rely on for growth and sustainability—they may resort to informal economic activities to avoid the financial burden of taxes (Adekoya et al., 2020). This issue is particularly relevant in developing economies where the public service infrastructure is still being built, and tax evasion can erode the government's revenue base, thereby creating a vicious cycle of poor service delivery and non-compliance. The gap in the literature lies in understanding the relationship between the perceived quality of government services and the tax compliance behavior of small business owners, particularly at the state level. While several studies have investigated tax compliance from the lens of enforcement and moral obligation, few have focused on how the actual service quality provided by state governments influences small businesses' willingness to pay taxes. The current study aims to fill this gap by examining how two key dimensions of service delivery—citizen satisfaction with government services and accessibility to those services—affect tax compliance behavior among small business owners. In states where business owners are satisfied with the level and quality of services provided, tax compliance may be higher due to a sense of reciprocity and trust in government. Thus, the primary focus of this study is to investigate the effect of service quality delivery on tax compliance behavior at the state government level.

## Hypotheses

The following hypotheses were formulated for the study:

**Ho1**: Citizen's satisfaction with state government services do not significantly affect tax compliance behavior of small business owners.

**Ho2**: Accessibility of state government services do not have any significant effect on tax compliance behavior of small business owners.

## 3. LITERATURE REVIEW

### Service Delivery

Service delivery refers to the mechanisms, processes, and institutions through which governments or organizations provide essential public goods and services to citizens. It includes a broad spectrum of services such as healthcare, education, infrastructure, sanitation, and security. Effective service delivery is central to the functioning of governments and significantly impacts the quality of life for citizens. It also plays a crucial role in socio-economic development, as the provision of quality services ensures that citizens' basic needs are met, fostering an environment that encourages economic productivity and stability (World Bank, 2019). Governments, particularly at the local and state levels, are responsible for ensuring that these services are accessible, efficient, and equitable.

The effectiveness of service delivery is often evaluated based on accessibility, affordability, quality, and citizen satisfaction. Accessibility refers to how easily citizens can avail themselves of public services, while affordability is concerned with the financial burden of accessing these services. Quality, on the other hand, pertains to how well the services meet citizens' expectations and needs, often reflected in the outcomes of healthcare systems, educational institutions, and infrastructure projects. Citizen satisfaction is crucial, as it reflects the level of trust and confidence in the government's ability to provide services. When citizens are satisfied with service delivery, they are more likely to have a positive perception of the government and its legitimacy (Grindle, 2017).

Service delivery is often influenced by a range of factors, including governance structures, political stability, fiscal capacity, and institutional efficiency. In decentralized systems of governance, where authority is delegated to local governments, service delivery tends to be more tailored to the specific needs of local populations. However, the success of decentralized service delivery depends on the capacity of local governments to manage resources effectively and avoid corruption or mismanagement (Rondinelli & Nellis, 1986). Moreover, public accountability mechanisms such as audits, citizen feedback systems, and performance evaluations are critical in ensuring that service delivery remains transparent, efficient, and aligned with public needs (Fiszbein et al., 2011).

**Tax Compliance**

Tax compliance refers to the extent to which taxpayers fulfill their tax obligations in accordance with the legal requirements of the tax system. It includes timely and accurate reporting of income, the correct calculation of tax liability, and the prompt payment of taxes owed. Tax compliance behavior is influenced by a variety of factors, ranging from economic considerations such as tax rates and penalties to psychological factors such as social norms, trust in government, and moral obligation (Kirchler, 2007). For governments, especially in developing economies, improving tax compliance is crucial for generating the necessary revenue to fund public services and achieve socio-economic development goals.

Several studies have identified both voluntary and enforced tax compliance behaviors. Voluntary compliance occurs when taxpayers willingly meet their tax obligations due to a sense of civic duty or moral responsibility, often driven by trust in the government and its effective use of tax revenues (Alm & Torgler, 2006). Conversely, enforced compliance arises when taxpayers meet their obligations primarily because of fear of legal penalties, audits, or other forms of enforcement. The balance between these two types of compliance varies depending on the effectiveness of the tax administration, the fairness of the tax system, and the level of transparency in public spending (Feld & Frey, 2007). The complexity of tax laws pose a challenge, especially for small businesses and individual taxpayers who may lack the resources or knowledge to navigate these systems. Simplifying tax codes and providing adequate taxpayer education can help mitigate these challenges. Moreover, studies have shown that when taxpayers perceive the tax system as fair and equitable, and when they see clear benefits from their tax contributions, such as improved

infrastructure and services, they are more likely to comply voluntarily (Torgler & Schneider, 2009).

Furthermore, tax compliance is significantly influenced by the trust between taxpayers and the government. Trust in government is built when taxpayers believe that their contributions are being used effectively for the provision of public services and that tax revenues are managed transparently and responsibly. On the other hand, when there is widespread corruption or misuse of tax revenues, tax morale can erode, leading to lower levels of compliance. Thus, promoting transparency, improving public accountability, and ensuring that taxpayers see tangible returns on their contributions are essential for fostering higher levels of tax compliance (Kirchler, 2007).

**Empirical Review**

Gurama et al. (2015) conducted an empirical study to investigate tax evasion and tax compliance in Nigeria, with a focus on small and medium-scale enterprises (SMEs). Their research sought to identify the factors that lead to non-compliance among SMEs in Nigeria and the consequences for revenue generation. Using a sample of 223 SMEs in Lagos State, the authors applied both descriptive and inferential statistical methods to analyze the data. The study revealed that a significant proportion of SMEs engage in tax evasion due to a combination of factors, including complex tax systems, high tax rates, and a lack of awareness about tax obligations. Additionally, the study found that poor service delivery from the government, such as inadequate infrastructure and insecurity, contributed to a perception that taxes were not used effectively, further encouraging non-compliance. The authors recommended simplifying the tax system, providing better taxpayer education, and improving government transparency in utilizing tax revenue to encourage compliance.

Alabede et al. (2011) explored the attitudes of Nigerian taxpayers and how these attitudes influence compliance behavior. The research focused on individuals and corporate taxpayers in Lagos and Ogun States. The authors employed a survey approach, distributing questionnaires to 500 participants, and analyzed the responses using logistic regression. Their findings indicated that taxpayer attitudes toward tax compliance are largely influenced by perceived fairness and equity in the tax system. The study revealed that when taxpayers feel the tax system is unjust or biased in favor of the wealthy or large corporations, they are more likely to engage in tax evasion. Furthermore, the study emphasized that improving public awareness of the importance of taxes and ensuring transparency in the allocation of tax revenues would promote voluntary compliance. The authors concluded that a well-functioning tax system must address both structural and perceptual issues to improve overall compliance rates.

Appah and Wosowei (2016) investigated the role of tax education in improving tax compliance among small and medium-sized enterprises in Nigeria. The study, conducted in the Federal Capital Territory (FCT), Abuja, adopted a mixed-method approach, combining quantitative surveys and qualitative interviews with SME owners and tax officials. The authors found that a lack of adequate tax education was a major factor contributing to low compliance rates among SMEs. Many

business owners were unaware of their tax obligations or did not understand the benefits of paying taxes, leading to unintentional non-compliance. Furthermore, the study showed that tax education initiatives organized by the government and tax authorities were either insufficient or poorly targeted, leaving many taxpayers uninformed. The authors recommended that tax authorities should invest in robust, continuous education campaigns tailored to the needs of SMEs and other business groups. This approach, they argued, would significantly improve voluntary compliance, reduce tax evasion, and ultimately increase government revenues.

Augustine and Rufus (2019) explored the link between government accountability and tax compliance in Nigeria. The study focused on whether citizens' trust in government institutions and perceptions of accountability affected their willingness to pay taxes. Using a sample of 450 respondents from both the formal and informal sectors in Kano State, the study employed structural equation modeling to analyze the data. The findings suggested that when taxpayers believe that the government is accountable and transparent in its use of tax revenue, they are more likely to comply with tax laws. Conversely, when there is widespread corruption and misuse of funds, tax morale decreases, leading to higher rates of evasion. The study also highlighted that enhancing accountability through regular audits, public disclosure of tax revenue allocations, and citizen engagement in budget processes could improve compliance rates. The authors concluded that trust and accountability are critical elements in fostering a positive tax culture in Nigeria.

Okoye (2019) conducted a study on the relationship between tax awareness and voluntary compliance among individual taxpayers in Nigeria. The authors used a cross-sectional survey design, distributing questionnaires to 600 participants in Edo and Delta States. Their analysis, using correlation and regression models, revealed a strong positive relationship between tax awareness and voluntary compliance. The study found that individuals who were more knowledgeable about tax laws, the importance of taxes for national development, and the penalties for evasion were more likely to comply voluntarily. The authors emphasized that public awareness campaigns, as well as tax education programs organized by government agencies, were critical in increasing compliance. They also recommended the use of digital platforms, such as social media and mobile apps, to disseminate information on tax policies and encourage broader engagement from the public, especially among the youth.

Adeyeye and Otusanya (2017) examined how taxpayers' perceptions of government service delivery influence tax compliance behavior in Nigeria. The study was conducted in Rivers State, where the researchers surveyed 400 small business owners. The results showed that when taxpayers perceived that the government was delivering quality public services—such as reliable electricity, good road networks, and security—they were more willing to comply with tax obligations. Conversely, when government services were deemed inadequate or non-existent, tax compliance rates dropped significantly. The study highlighted the importance of linking tax revenues to visible improvements in public services as a strategy to increase compliance. The authors recommended that the government improve its service delivery and communication efforts to create a sense of reciprocity among taxpayers, thus fostering a positive compliance culture.

Adegboye et al. (2018) focused on the role of enforcement measures in ensuring tax compliance among small businesses in Nigeria. The study sampled 300 small business owners across three states: Lagos, Ogun, and Oyo. The authors used regression analysis to examine the impact of enforcement strategies, such as tax audits, penalties, and prosecution, on compliance behavior. The findings indicated that the threat of penalties and audits was a significant deterrent to tax evasion among small businesses. However, the study also revealed that while enforcement increased compliance, it also created resentment among taxpayers, particularly when enforcement was seen as arbitrary or discriminatory. The authors suggested that enforcement should be combined with positive incentives for compliance, such as tax breaks for timely payments or amnesty programs for first-time offenders, to reduce the perception of taxation as purely punitive.

Sadress et al. (2019) conducted a study examining the relationship between trust in government and tax compliance in Nigeria. The authors used a sample of 500 individuals from both the formal and informal sectors in Lagos State. Their study employed a mix of surveys and interviews to gauge public perceptions of government trustworthiness, efficiency, and integrity. The results indicated a strong correlation between trust in government and tax compliance, with higher levels of trust associated with greater compliance. When taxpayers trusted that the government would use tax revenues for public goods and services, they were more likely to comply voluntarily. On the other hand, widespread corruption and mismanagement of public funds eroded trust and led to higher levels of tax evasion. The authors concluded that improving transparency and reducing corruption were essential for enhancing tax compliance in Nigeria.

Olatunbosun (2022) explored the impact of tax simplification on compliance rates among small and medium-sized enterprises (SMEs) in Nigeria. Using a sample of 350 SMEs across various industries, the study investigated whether simplifying tax procedures, reducing documentation requirements, and offering clearer guidelines could improve tax compliance. The authors used both descriptive and inferential statistics to analyze the data and found that simplifying the tax process led to a significant increase in compliance rates. Many business owners cited the complexity of the tax system as a major reason for non-compliance, noting that they often lacked the resources to hire professional accountants to handle their taxes. The study recommended that the government continue efforts to streamline the tax system and make it more accessible to small businesses, potentially through the use of digital platforms to ease the filing process.

Abiola et al. (2017) conducted a study focusing on taxpayer morale and compliance within Nigeria's informal sector, which accounts for a significant portion of the country's economy. The authors surveyed 500 informal business operators in the northern part of Nigeria, employing questionnaires and interviews to collect data. The study found that tax morale—defined as the intrinsic motivation to pay taxes—was low among informal sector participants. Many of the respondents felt disconnected from the formal tax system and saw little benefit in compliance, particularly in light of poor government service delivery and rampant corruption. The study highlighted that improving government accountability, ensuring that tax revenues are visibly reinvested into public services, and creating formal structures to integrate the informal sector into

the tax net were critical for improving compliance. The authors also suggested that policy reforms aimed at reducing the tax burden on informal businesses could foster greater compliance.

## 4. METHODOLOGY

The study adopts a survey design, which is appropriate for collecting data from a large population. The population consists of 670,447 SMEs in Nigeria, as reported by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) 2020 report. Given the size of the population, a sample of 400 SMEs was selected using the Taro Yamane formula, a statistical method that helps determine sample size based on the desired confidence level and margin of error. The sample ensures that the findings are both reliable and representative of the larger population. Data was gathered through a structured questionnaire, using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), which measured respondents' views on service delivery, government service accessibility, and their tax compliance behavior. The collected data was analyzed using both descriptive and inferential statistical methods. Descriptive statistics, such as mean and standard deviation, summarized the survey responses, while inferential statistics, including regression analysis, was used to examine the effect the study variables.

The general form of the model can be expressed as:

$$TCB = \beta_0 + \beta_1(CSGS) + \beta_2(AGS) + \epsilon$$

Where:

- TCB= Tax compliance behavior of small business owners (dependent variable)
- CSGS = Citizen satisfaction with government services (independent variable)
- AGS = Accessibility of government services (independent variable)
- $\beta_0$= Intercept (constant)
- $\beta_1, \beta_2$ = Coefficients of the independent variables
- $\epsilon$ = Error term, accounting for other variables not included in the model

## 5. RESULTS, CONCLUSION AND RECOMMENDATIONS

**Descriptive Statistics Results**

**Descriptive Statistics on Citizen Satisfaction with Government Service**

| Question Item | N | Min | Max | Mean | Std. Deviation |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Government services are reliable and meet all business needs. | 286 | 3.00 | 5.00 | 4.3333 | .75107 |
| The services provided by the government are helpful in supporting the growth of businesses within the state. | 286 | 4.00 | 5.00 | 4.6970 | .46309 |
| The level of professionalism in government service delivery is satisfactory. | 286 | 2.00 | 5.00 | 3.3485 | .91974 |
| Government services for businesses are transparent and free from corruption. | 286 | 2.00 | 5.00 | 3.1818 | 1.09417 |
| I am confident that the taxes paid are used effectively for public services and infrastructure. | 286 | 3.00 | 5.00 | 4.0000 | .82275 |
| Grand Mean | 286 | | | 3.7657 | |

**Source:** *Field Survey, 2024*

From the table above, the mean values range from 3.18 to 4.70, indicating a mix of moderately positive to highly positive ratings on government services. Specifically, the statement "The services provided by the government are helpful in supporting the growth of businesses within the state" has the highest mean of 4.70 with a standard deviation of 0.46, reflecting a strong consensus that government services contribute significantly to business growth. Similarly, the statement "Government services are reliable and meet all business needs" also has a high mean of 4.33, indicating that most respondents agree that government services are dependable, though there is a moderate variability (standard deviation of 0.75) in responses. On the other hand, areas like "Government services for businesses are transparent and free from corruption" and "The level of professionalism in government service delivery is satisfactory" received lower mean scores of 3.18 and 3.34, respectively. These results suggest that respondents are less satisfied with transparency and professionalism in service delivery, with more variability in responses (standard deviations of 1.09 and 0.92). The grand mean for the overall perception of citizen satisfaction is 3.77, indicating that while respondents generally express moderate satisfaction, there are specific areas, such as transparency and professionalism, that require improvement.

**Descriptive Statistics on Accessibility of Government Services**

| Question Item | N | Min | Max | Mean | Std. Deviation |
|---|---|---|---|---|---|
| It is convenient to access government offices or online platforms for business registrations and tax-related matters. | 286 | 1.00 | 5.00 | 4.5297 | .71477 |
| The cost of accessing government services is affordable for small business owners. | 286 | 1.00 | 5.00 | 4.0735 | 1.05136 |
| The government provides adequate information on how to access services for small businesses. | 286 | 1.00 | 5.00 | 3.6697 | .59818 |
| The process of obtaining government services is simple and straightforward. | 286 | 1.00 | 5.00 | 3.0586 | .34468 |

| Government services for small businesses are available in a timely manner. | 286 | 2.00 | 5.00 | 4.3681 | .81228 |
|---|---|---|---|---|---|
| Grand Mean | 286 | | | 3.9963 | |

*Source: Field Survey, 2024*

The descriptive statistics on Accessibility of Government Services provide insight into respondents' perceptions of how easily they can access government services. The statement "It is convenient to access government offices or online platforms for business registrations and tax-related matters" has the highest mean of 4.53, with a standard deviation of 0.71, indicating that most respondents find it highly convenient to access these services, with relatively low variation in their responses. Similarly, the statement "Government services for small businesses are available in a timely manner" has a mean of 4.37, showing that respondents generally agree that services are provided promptly. However, the statement "The process of obtaining government services is simple and straightforward" received a lower mean of 3.06, which indicates that respondents find this aspect of service accessibility less favorable, and it has a lower standard deviation of 0.34, reflecting a more consistent perception of dissatisfaction. Additionally, "The cost of accessing government services is affordable for small business owners" has a moderate mean of 4.07, but with a higher variability (standard deviation of 1.05), suggesting mixed opinions on the affordability of accessing government services.

**Descriptive Statistics on Tax Compliance**

| Question Item | N | Min | Max | Mean | Std. Deviation |
|---|---|---|---|---|---|
| The tax process for small businesses is clear and easy to follow. | 286 | 1.00 | 5.00 | 3.5973 | 1.13975 |
| I feel a responsibility to comply with tax laws to support the government developmental projects. | 286 | 1.00 | 5.00 | 3.4844 | 1.23824 |
| Paying taxes is important for the overall growth of the economy. | 286 | 1.00 | 5.00 | 2.6539 | 1.36463 |
| I am aware of the tax regulations that apply to my business. | 286 | 1.00 | 5.00 | 3.4821 | 1.28124 |
| I accurately report my business income and expenses for tax purposes. | 286 | 2.00 | 5.00 | 3.4501 | .76194 |
| Grand Mean | 286 | | | 3.4752 | |

*Source: Field Survey, 2024*

The descriptive statistics on Tax Compliance provide an overview of how respondents perceive their compliance with tax obligations and the clarity of the tax process. The statement "The tax process for small businesses is clear and easy to follow" has a mean of 3.60 and a standard deviation of 1.14, indicating that while some respondents find the process relatively clear, there is noticeable variability in responses, suggesting that others may find it confusing. Similarly, the statement "I feel a responsibility to comply with tax laws to support the government developmental

projects" has a mean of 3.48 and a higher standard deviation of 1.24, indicating a moderate sense of responsibility among respondents, though with diverse opinions. Interestingly, the statement "Paying taxes is important for the overall growth of the economy" has a lower mean of 2.65 and a standard deviation of 1.36, reflecting that many respondents are less convinced about the role of tax compliance in economic growth. This shows a potential gap in understanding or belief in the benefits of tax contributions. On the other hand, "I accurately report my business income and expenses for tax purposes" has a moderate mean of 3.45 with relatively low variation (standard deviation of 0.76), suggesting that respondents generally believe they are compliant in reporting their income and expenses.

## REGRESSION ANALYSIS RESULT

**Model Summary for Service Quality Delivery and Tax Compliance**

**Model Summary**[b]

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | | Durbin-Watson |
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | .675[a] | .454 | .451 | 1.13242 | .454 | 176.247 | 1 | 286 | .000 | 1.932 |

 a. Predictors: (Constant), CSGS, AGS

 b. Dependent Variable: TCB

The regression model summary presents the relationship between the independent variables—Citizen Satisfaction with Government Services (CSGS) and Accessibility of Government Services (AGS)—and the dependent variable, Tax Compliance Behavior (TCB). The R value of 0.675 indicates a moderately strong positive correlation between the predictors and tax compliance behavior. The R Square ($R^2$) value of 0.454 means that 45.4% of the variance in tax compliance behavior among small business owners can be explained by the satisfaction and accessibility of government services. The adjusted $R^2$, which accounts for the number of predictors in the model, is 0.451, indicating a very slight adjustment due to the number of predictors.

The Standard Error of the Estimate is 1.132, suggesting the average deviation of the observed TCB values from the predicted values, which is relatively moderate. The F Change value of 176.247 and a Significance (Sig.) F Change value of 0.000 indicate that the model is statistically significant at the 1% level, meaning the relationship between the independent variables and tax compliance behavior is unlikely to have occurred by chance. Finally, the Durbin-Watson statistic of 1.932 is close to 2, suggesting that there is no significant autocorrelation in the residuals, and thus the model's assumptions are valid.

**Regression Coefficient**
**The Regression Coefficient of Service Quality Delivery and Tax Compliance**
**Coefficientsᵃ**

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| 1  (Constant) | 1.070 | 1.007 | | 1.217 | .141 | | |
| CSGS | 1.085 | 1.001 | .312 | 2.146 | .000 | .113 | 3.216 |
| AGS | 1.651 | 1.107 | .217 | 1.121 | .016 | .116 | 2.147 |

 a. Dependent Variable: TCB

The regression coefficient table above reveals the specific contributions of Citizen Satisfaction with Government Services (CSGS) and Accessibility of Government Services (AGS) to Tax Compliance Behavior (TCB). The Unstandardized Coefficients (B) show the direct effect of each independent variable on the dependent variable. For CSGS, the coefficient is 1.085, meaning that for each unit increase in citizen satisfaction, tax compliance behavior increases by 1.085 units, holding all other factors constant. Similarly, the coefficient for AGS is 1.651, suggesting that each unit increase in accessibility of government services results in a 1.651-unit increase in tax compliance behavior, assuming other variables remain constant.

The Standardized Coefficients (Beta) allow for the comparison of the relative importance of the independent variables. The beta coefficient for CSGS is 0.312, while for AGS, it is 0.217. This indicates that while both variables significantly influence tax compliance behavior, citizen satisfaction with government services has a slightly stronger relative impact compared to accessibility of services. The t-values and Significance (Sig.) values help to determine whether these coefficients are statistically significant. For CSGS, the t-value is 2.146, with a p-value of 0.000, indicating a highly significant effect on tax compliance behavior. For AGS, the t-value is 1.121, with a p-value of 0.016, showing that accessibility also has a statistically significant impact, though less than that of citizen satisfaction. The Collinearity Statistics indicate whether multicollinearity is an issue. The Tolerance values for both CSGS (0.113) and AGS (0.116) are close to zero, and the Variance Inflation Factor (VIF) values for CSGS (3.216) and AGS (2.147) are below 10, suggesting that multicollinearity is not a major concern in this model

**Test of Hypotheses**

***Ho1: Citizens' satisfaction with state government services does not significantly affect the tax compliance behavior of small business owners.***

From the regression results: The t-value for Citizen Satisfaction with Government Services (CSGS) is 2.146. The p-value (Sig.) is 0.000. Since the p-value is less than the commonly accepted significance level of 0.05, we reject the null hypothesis (Ho1). This means that citizen satisfaction with state government services does significantly affect the tax compliance behavior of small business owners.

***Ho2: Accessibility of state government services does not have any significant effect on the tax compliance behavior of small business owners.***

From the regression results: The t-value for Accessibility of Government Services (AGS) is 1.121. The p-value (Sig.) is 0.016. Similarly, since the p-value is less than 0.05, we also reject the null hypothesis (Ho2). This indicates that accessibility of state government services does have a significant effect on tax compliance behavior among small business owners.

## CONCLUSION

The study concludes that both citizen satisfaction with government services and the accessibility of government services significantly influences the tax compliance behavior of small business owners in Nigeria. The findings reveal that when business owners are more satisfied with the quality, reliability, and professionalism of government services, they are more likely to comply with tax regulations. Similarly, easier access to government services, whether through physical offices or online platforms, also promotes higher tax compliance. The statistical analysis demonstrates that citizen satisfaction has a slightly stronger influence on tax compliance than accessibility, though both factors are significant. These results underscore the importance of improving both service quality and accessibility as key strategies for enhancing tax compliance among small businesses, ultimately supporting government revenue generation and economic development.

## RECOMMENDATIONS

The following recommendations were made for the study;

1. State governments should prioritize improving the reliability, professionalism, and transparency of services provided to small businesses. Initiatives such as regular staff training, streamlined procedures, and reducing corruption within service delivery systems can boost satisfaction and foster greater tax compliance among business owners.
2. Governments should increase the accessibility of their services by expanding digital platforms, simplifying service procedures, and offering clear, easily accessible information on business-related processes. Ensuring timely service delivery and reducing the cost and complexity of accessing these services can significantly improve tax compliance behavior.
3. The government should implement targeted awareness campaigns to educate small business owners on tax regulations, the importance of tax compliance, and how taxes support economic growth and infrastructure. By fostering a sense of responsibility and demonstrating the benefits of compliance, businesses may be more inclined to adhere to tax laws.

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