International Review of Management and Marketing

ISSN: 2146-4405

available at http: www.econjournals.com

International Review of Management and Marketing, 2024, 14(5), 166-181.

An Evaluation of Taxpayers' Perception of Value Added Tax and Cost of Living in Nigeria

Johnson Adenike Oluwatobi[1], Cordelia Onyinyechi Omodero[1]*, Babatunde Moses Ololade[2], Gbenga Ekundayo[3], Festus Onosakponome Odhigu[4]

[1]Department of Accounting, College of Management and Social Sciences, Covenant University Ota, Ogun State, Nigeria, [2]Department of Accounting, Faculty of Management Sciences, Redeemer's University, Ede, Nigeria, [3]Oman College of Management and Technology, Muscat, Oman, [4]Department of Management Studies, Middle East College, Oman.
*Email: onyinyechi.omodero@covenantuniversity.edu.ng

Received: 27 April 2024 **Accepted:** 08 August 2024 **DOI:** https://doi.org/10.32479/irmm.16781

ABSTRACT

This study evaluates taxpayers' perception of value added tax (VAT) and cost of living in Nigeria. The main focus of this research is to evaluate the awareness and opinion of individuals, households and organizations regarding VAT, and to understand the relationship between perception and compliance with VAT regulations. Furthermore, the study examines how VAT affects cost of living and provision of social amenities funded by the revenue generated from this tax. Questionnaires were used to collect data and outcomes were analysed using mean of simple percentage and frequency count. Statistical Package for Social Sciences (SPSS 20.0) and the SEM-PLS (4) were used to evaluate the hypotheses. The analysis showed that there is significant relationship between the level of VAT awareness and provision of social amenities. The result showed that perception about VAT has a significant influence on provision of social amenities, level of VAT awareness significantly influences compliance with VAT regulations, perceptions about VAT significantly influences compliance with VAT regulations and lastly perception about VAT significantly influence cost of living. It is recommended that the government should enhance awareness about VAT and address diverse opinions on perception in order to increase compliance with VAT regulations leading to efficient provision of social amenities and an improved of cost of living. Implementing strategies that could inform more effective tax policies and compliance strategies is essential to support economic growth and development.

Keywords: Value Added Tax, Cost of Living, Taxpayers Perception, Compliance
JEL Classifications: D10, E60, H20

1. INTRODUCTION

VAT is considered as a type of tax levied on some specific goods (products) or services at the point of ultimate consumption. However, it is gathered throughout the entire production and distribution processes. VAT is levied on sales to all purchases and collected by all organisations offering taxable products and services. The introduction of VAT makes it possible to significantly enhance overall tax administration; in fact, the adoption of the VAT is frequently viewed as a chance to modernise and improve overall tax administration.

VAT is considered a major source of government revenue. However, not enough researches have been carried out to examine taxpayer's perception of VAT and how it would also affect tax compliance and revenue mobilization. It is important to evaluate tax payers' perception of VAT and how it will affect the cost of living in Nigeria. We need to know how informed or educated a tax payer understands or is aware of it. We need to know if the tax payer is compliant when paying VAT.

The Federal Government of Nigeria has worked hard to persuade the citizens that VAT is necessary and the public has been made

This Journal is licensed under a Creative Commons Attribution 4.0 International License

aware of advantages of VAT, including how it helps increases government revenue. However, even though the tax payer might not share government's viewpoint, they will undoubtedly refuse to make the payment. Therefore, the issue is: How do the general public and tax payers see tax systems? Do they value it the same way the government does? This researcher therefore wishes to ascertain and assess the tax payers' perspective of the VAT and how it impacts on cost of living in Nigeria.

By assessing taxpayer perceptions on VAT and its effect on cost of living, this study seeks to close this gap. This research will aid in developing ways to enhance taxpayer comprehension and maybe lessen the impact of VAT on the cost of living by identifying the underlying causes of unfavourable impressions, such as ignorance, concerns about price increases, and doubts regarding the efficiency of VAT.

1.1. Objectives of the Study

The overall objective of this study is to evaluate tax payers' perception on VAT in Nigeria. However, this study will specifically serve to:

i. Find out the level of VAT awareness by individuals, households and organizations in Nigeria.
ii. Investigate the perceptions of individuals, households and organizations in Nigeria about VAT.
iii. Examine individuals, households and organizations' opinions on the provision of social amenities based on the income generated from VAT by the Nigerian government.
iv. Evaluate how well individuals, households and organizations in Nigeria comply with VAT regulations.
v. Assess the impact of tax perception of VAT on the cost of living of individuals, households and organizations in Nigeria.

1.2. Research Hypotheses

H_{01}: There is no significant relationship between the level of VAT awareness and provisionof social amenities in Nigeria.
H_{02}: There is no significant relationship between the perceptions about VAT and provision of social amenities in Nigeria.
H_{03}: There is no significant relationship between the level of VAT awareness and compliance with VAT regulations in Nigeria.
H_{04}: There is no significant relationship between the perceptions about VAT and compliance with VAT regulations in Nigeria.
H_{05}: There is no significant relationship between perception about VAT and cost of living in Nigeria.

2. LITERATURE REVIEW

2.1. Conceptual Review

The conceptual framework in Figure 1, is a guide to the entire work. It is a collection of all the variables used in this work.

2.1.1. VAT historical trend in Nigeria

In 1993, Nigeria also adopted VAT and the trend in shown in Table 1. For many reasons, many other nations have changed from sales tax to VAT. In Nigeria, the typical VAT rate is now 7.5%. It is crucial to remember that changes in legislation and governmental policy could affect the VAT rate. In order to guarantee correct computation and adherence, businesses need to be informed about any modifications to VAT rates.

Figure 1: Conceptual Review

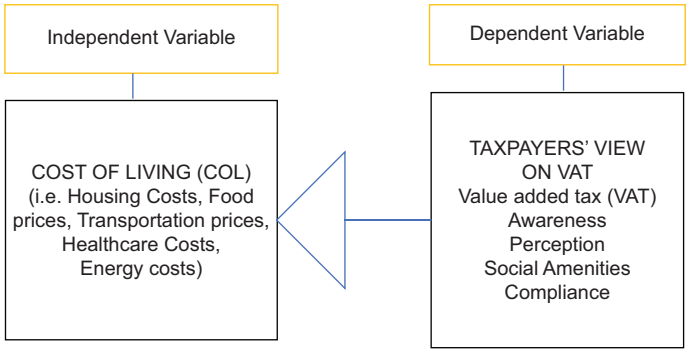


Table 1: Nigeria's Historical VAT Rate

Year	Nigeria's standard VAT Rate used (%)
2007	5
2012	10
2014	5
2015	5
2020 to date	7.5

2.1.2. Taxpayers perception and awareness

Tax knowledge can be acquired through official education, informal education, and self-study. The government also takes a lot of steps to make tax laws and regulations more widely known so that taxpayers can benefit from them. Regretfully, not everyone pays close attention to the regulations; some believe that paying taxes is an unnecessary burden. The problem of tax avoidance is supported by ongoing tax scandals. According to Artiningsih (2013), taxpayer awareness refers to the behaviour of the taxpayer themselves, expressed as views or perceptions that include knowledge, reasoning, and beliefs, as well as a tendency to act in a way that is consistent with the system's stimulus and any applicable tax laws. The degree of order and discipline among taxpayers in their tax payment, as well as their readiness to pay taxes and file tax returns, are indicators of their awareness (Rahayu, 2010; James et al., 2024; Masri et al., 2024). According to Rahayu (2010), there are various tax-paying awareness campaigns that motivate people to file their taxes.

2.1.3. Compliance

Tax payers' compliance denotes tax payers' ability to fulfil their tax responsibilities and exercise their rights**.** According to Devano and Rahayu (2006), a number of factors, including the nature of a nation's taxation system, tax law enforcement, and the nature of services provided have an impact on taxpayer compliance.

2.2. Theoretical Underpinning

2.2.1. Theory of attitude and behaviour intention

The concept of reasoned action holds that attitudes directly influence behavioural intention. Numerous studies have discovered that attitudes significantly predict behavioural intention. According to Ajzen (1991), sentiments of favouritism about compliance often reflect in attitudes towards compliance. Hanno and Violette (1996) pointed out that there was a strong relationship between attitudes and the intention to comply with tax guidelines. Mohdali et al. (2014) confirmed that threat and punishment do not enhance taxpayers' compliance but trigger their intention

to be less compliant. According to a recent study by Loo et al (2009), opinions regarding the tax system had a favourable impact on compliance behaviour. They postulated that taxpayer compliance would increase with every increase in positive or constructive attitudes towards taxation. It was therefore expected that taxpayers who had positive opinions of the tax system would be more inclined to feel the same way about the system and, as a result, be more motivated to comply. Thus, according to Savitri and Musfialdy (2016), the standard of service has played a vital part in moderating the relationship between taxpayer knowledge, tax fines, costs associated with compliance, and compliance by taxpayers.

2.3. Empirical Review

Adesina and Izedonmi (2013) examined the attitude and perception of Nigerians towards VAT by dividing their respondents into three groups. Their study revealed that there was very little knowledge about VAT law in the country and there was no significant difference in the amount of awareness of VAT law amongst these three groups of respondents. Therefore, public enlightenment on VAT was suggested as a possible solution to lack of awareness of VAT laws. Abdullah and Almoosa (2019) also analysed the level of VAT awareness and perception in Bahrain. It was discovered that the awareness level was low and this affected the VAT implementation in the country. It was further discovered that the people of Bahrain were indifferent towards VAT.

Azaka (2022) assessed tax attitude, knowledge, and perception as the predictors of tax compliance among technology workers in Lagos state, Nigeria. In this survey, 163 information technology workers took part. Purposive sampling was used to recruit participants, meaning that only those who meet the study's eligibility requirements were included. The research sought to ascertain the correlation between tax compliance and attitude, relationship between tax compliance and perception, and the relationship between tax knowledge and its compliance among the respondents. The questionnaire was drafted to contain elements such as tax compliance, attitude, knowledge and perception. The study revealed that perception positively influenced and predicted tax compliance. Based on this, appropriate intervention programmes which can positively modify tax compliance was suggested.

Beredugo and Ekpo (2023) investigated the influence of tax payers' demographic variables of SMEs in Akwa-Ibom and River States, Nigeria. This study was done due to the necessity to develop an all-encompassing strategy to improve and promote positive tax attitudes and eliminate issues such as tax evasion, among others. The study used a survey research approach, focused only on SMEs in the states of Rivers and Akwa- Ibom, and sought to determine the effects of demographic variables on tax payers' views. A sample size of 1150 SMEs operators was selected. The hypothesis was tested using ANOVA. The result indicates that the impact of age, gender, and marital status on the attitudes of Nigerian taxpayers are not significantly different. On the other hand, the impact of educational attainment on the views of taxpayers varies significantly throughout Nigeria.

Bojuwon et al. (2022) studied on the influence of taxpayer education on self-assessment tax system in Lagos state, Nigeria. The level of tax compliance in Nigeria rose as a result. A survey of 38 instruments was used to gather data from primary sources, and a statistical programme for social sciences (SPSS, 26) was used to examine the results. The results indicate that taxpayer education has a large impact on the tax self-assessment system, which in turn leads to higher tax compliance. The at-value of taxpayer awareness is 2.622, and the consistent, substantial/prospect value (t-tabulated) is 2.325. PV is 2.622 and 2.325. An at-value of 2.328 and a matching substantial/prospect value (t-tabulated) of 2.325 were determined by the taxpayer education enforcement. PV = 2.328, 2.325. Additionally, the taxpayer measurements showed a consistent, substantial/prospect value (t-tabulated) of 2.325 and an at-value of 4.606 (PV = 4.606 2.325). Thus, it can be concluded that taxpayer knowledge, enforcement, and measurement have a significant impact on the self-assessment system practice in Lagos State and that the null hypothesis is rejected.

Ayonete (2023) researched on Economic development in Nigeria: Does value added tax matter? Ayonete (2023) examined the impact of VAT on the economic development of Nigeria form 1994 to 2019. The unit root test verified that the consumer price index and inflation rate were stationary at level, whereas the human development index and value added tax were stationary at first level difference. The study used the Auto Regressive Distributed Lag (ARDL) technique. The results of the bound test established that there exists a connection between the variables. Also, the ARDL result indicated that the consumer price index was non-significant at 5% when considered in the short run but positive when considered in the long run; the inflation rate was significant at both the short and long runs; and value added tax was positive and significantly related to the human development at both the short and long runs. The study concluded that while consumer price index volatility worsens economic development in Nigeria, value added tax and a little rise in general prices level boost it.

While working on 'Understanding the VAT System in Nigeria', Folorunsho (2023) provided an extensive overview of Nigeria's VAT system. He examined the administrative procedures, legislative framework, registration process, compliance requirements, historical background, and important factors that should be considered for companies doing business in Nigeria.

Agbo and Nwadialor (2020) also looked at the history or origin, appeal and current problems with VAT system around the world, as well as any caused consequences. Further studies have also suggested that, in spite of its several bottlenecks, VAT has gained a lot of recognition globally and it is thus speculated that, in no time, VAT might replace retails sales taxes. In Nigeria, the most recent of the VAT amendment of VAT law resulted into a rise in its rate and this led to a serious debate among concerned groups.

Nurkhin et al. (2018) researched on the influence of tax awareness, understanding and amnesty towards the compliance of tax payers in Semarang City, Central Java. This study is worthwhile in the light of government's recent tax amnesty programme. Tax payers enrolled with the Pratama Tax Office in East Semarang comprised

the research population. Convenience sampling was the method of sampling used in this investigation. There were 200 (samples) used in this investigation. A questionnaire that was created based on earlier research was used as the data gathering method in this study. The author then employed descriptive statistics and multiple linear regression. The study's findings demonstrated that tax awareness, knowledge, and perception jointly significantly and favourably impacted tax payers' compliance. The remaining findings suggested that sex (gender) can also have an impact on taxpayer compliance. Compared to male taxpayers, female taxpayers are more compliant. The tax office is thus advised to consistently implement tax education programmes for taxpayers in order to raise their level of knowledge and awareness.

According to Hastuti (2014), taxpayers using the self-assessment system must fully understand all applicable tax laws. High school students are viewed as future taxpayers because they will eventually generate income that is taxable. Previous study has demonstrated that a complete understanding of taxes is what motivates tax evasion; for this reason, tax education is essential.

Okoh and Ofor (2024) examined on tax policy inconsistencies and tax policies and tax administration in Nigeria: emphasis from value added tax system. The work was motivated by the need to find an efficient tax system. The findings showed that there is a strong correlation between Nigeria's value-added tax system, tax administration techniques, and inconsistent tax policies.

3. METHODOLOGY

The location of this study is Lekki, Lagos State. This location is selected because it has all kinds of individuals, households and organizations who pay tax there. Also, this location is, to this researcher, convenient in terms of time, reduced costs, and the whole processes of data collection. Non-probabilistic sampling method is the technique used in selecting the required sample size from an in deterministic population. In selecting the sample size, convenience sampling method which is a non-probabilistic sampling technique used in selecting the readily available samples will be used to select 100 individuals, 50 households and 50 organizations to fill out the questionnaire. This will make the overall sample size for this study 200 respondents.

Inclusion and exclusion criteria included:

1. Individuals that could have worked for minimum of 2 years.
2. Individuals that paid VAT in the past year.
3. Individuals with minimum of 2 households and at least one adult that pay VAT.
4. Registered organizations that pay VAT.
5. Individuals below and above 18 years of age.

3.1. Data Collection Methods

This section is concerned with the ways and processes by which data used for study were collected. The data was used to obtain opinions and views specifically related to the research topic. In this study, data collection was quantitative in nature and data were collected with the use of structured questionnaire (see Appendix 1). The instrument was designed using the major elements associated with this research such as: awareness, perception, social amenities, compliance, VAT, cost of living etc.

3.2. Validity and Reliability of Research Instrument

In order to ascertain the face validity of the instrument, the questionnaire will be subjected to correction by the project supervisor since she is an expert and authority in the field. The instrument was further subjected to pilot study and in order to establish its internal reliability, Cronbach's Alpha was used to determine the instrument's consistency. The instrument must have an alpha coefficient of 70% in order to be considered dependable. The research instrument can be considered poor, uncertain or even unacceptable, and the results can be considered unreliable, if the reliability coefficient is <70%, or 0.7. Thus, the test on Table 2 indicates that the research instrument is reliable.

3.3. Data Analysis

Descriptive statistics, specifically frequency and percentage distribution, will be used to analyse the research objectives. SEM-PLS (4) will be used to test the research hypotheses at 0.05 significance level. These analyses will be done by using Statistical Package for Social Sciences (SPSS) and partial least squares structural equation modelling (PLS-SEM) the results will be clearly interpreted. From the first to the fifth hypothesis, a regression analysis was done.

Statistical product and service solutions (SPSS) formally called Statistical package for social science is a software package used by many researchers to carry out complex statistical data analysis and PLS-SEM which is called partial least squares structural equation modelling. The data was processed manually, SPSS and PLS-SEM were the instrument used. Models are conceptions that are tighter in range and frequently more tangible but are typically applied to a specific component of a given theory, offering a more limited explanation or perspective on a phenomena (Eiko, 2020). This study's model is a straightforward regression model.

The regression equation is computed as follows:

$Y= \beta 0+\beta 1+\beta 2...+\beta 4+\mu it$

Where

Y=Cost of Living (dependent variable)

X=Taxpayers perception of Value added tax (independent variable)

B=coefficient

μit=error term

This above model can be specifically applied to this research study as:

Aw=Awareness ($\beta 1$)

P=Perception ($\beta 2$)

SA= Social Amenities ($\beta 3$)

C=Compliance ($\beta 4$)

$B0$=coefficient of the parameter estimates

$\beta 1$-$\beta 4$= intercept

Table 2: Reliability test- Cronbach's alpha

Cronbach's alpha	N of Items
0.859	39

$Y_1 = \beta_0 + \beta_1$ Awareness + β_2 Perception + β_3 Social amenities + β_4Compliance + β_5Cost of Living + μit

Table 3 indicates the variable type and unit of measurement.

4. DATA ANALYSIS AND INTERPRETATION

Section four explains how the study's data was presented, analysed, and represented. The data was given in tabular form, and the data was analysed in frequency and percentage tables using the Statistical Package for Social Sciences (SPSS 20.0) and the SEM-PLS (4). To get accurate results, these data was organized, sequenced, modified, and evaluated in accordance with the research objective. Before being used to test the various hypotheses, the data was analysed, the questionnaires were filled out by various individuals, households and organizations previously specified. The analysis began with the respondents' personal information, followed by sections that gathered information about the research topic.

4.1. Analysis of Response Rate

4.1.1. Interpretation

From the Table 4, a Google form link was administered to individuals, households and organizations expecting a number of 200 responses to fill, but only 156 (which includes 114 of individuals, 24 of household and 18 of organization) filled the Google form link. Representing 78%, while 46 (22%) were not filled. When comparing the quantity of questionnaires to the actual number filled, the 78% filled indicates a fair level upon which the research can be founded.

4.2. Demographic Information

The demographic profile and sample distributions are displayed in this part, including their gender, age, highest educational qualification, status, and average income per month.

4.2.1. Demographics profile of respondent

According to Table 5, the results shows that 73 (46.8%) of the respondents were male, while 83 (53.2%) were female. The majority of respondents were female. The purpose of including gender of respondents were to ascertain whether there was gender balance and inclusion in the study. From the analysis above, the majority of the respondents were within the average income per month of below 100,000.

Table 3: Measurement of variables

Variables	Variable type	Unit of measurement
Value added tax	Dependent	Questionnaire
Awareness	Independent	Questionnaire
Perception	Independent	Questionnaire
Social amenities	Independent	Questionnaire
Compliance	Independent	Questionnaire
Cost of living	Independent	Questionnaire

Table 4: Total number of respondents

Questionnaire	No. of. respondents	Respondents' percentage (%)
Filled	156	78
Not filled	46	22
Total administered	200	100

4.3. Test of Hypotheses

$H_{01:}$ VAT awareness does not significantly influence provision of social amenities.

A four-point Likert scale was used in a standardised questionnaire to analyse the research variables. VAT awareness, which is the latent variable, was measured with 3 items, and provision of social amenities was measured with 3 items. According to Fornell and Larcker (1981) and Newkirk and Lederer (2006), the factor loading items were over the minimal level of 0.6 for all pieces of VAT awareness and provision of social amenities. Figures 2 and 3 respectively, demonstrates the outcomes of inner structural model.

Figure 2 depicts that 14.0% variance of social amenities is explained by VAT awareness.

The predictive strength of the association between the variables was also displayed in Figure 2. The findings showed that a unit adjustment in VAT awareness will result in a 37.4% improvement in social amenities while keeping all other variables unchanged. This suggests that individual, households and organization chosen

Table 5: Demographics profile of respondent

Details of respondents	Frequency	Percent
Gender		
Male	73	46.8
Female	83	53.2
Total	156	100.0
Age		
<20	23	14.7
20-29	67	42.9
30-39	48	30.8
40-49	13	8.3
50-59	5	3.2
60 and above	0	0
Total	156	100.0
Highest educational qualification		
No formal education	0	0
Primary	0	0
SSCE	44	28.2
NCE	0	0
OND	5	3.2
HND	11	7.1
Bachelor's	71	45.5
Master's	24	15.4
Ph.D.	1	0.6
Total	156	100.0
Status		
Individuals	114	73.1
Households	24	15.4
Organizations	18	11.5
Total	156	100.0
Average income per month		
Below 100,000	66	42.3
100,000-500,000	61	39.1
500,001-1,000,000	12	7.7
1,000,001-1,500,000	4	2.6
1,500,001-2,000,000	3	1.9
2,000,000 and above	10	6.4
Total	156	100.0

Figure 2: Predictive relevance (path coefficient) of VAT awareness and provision of social amenities

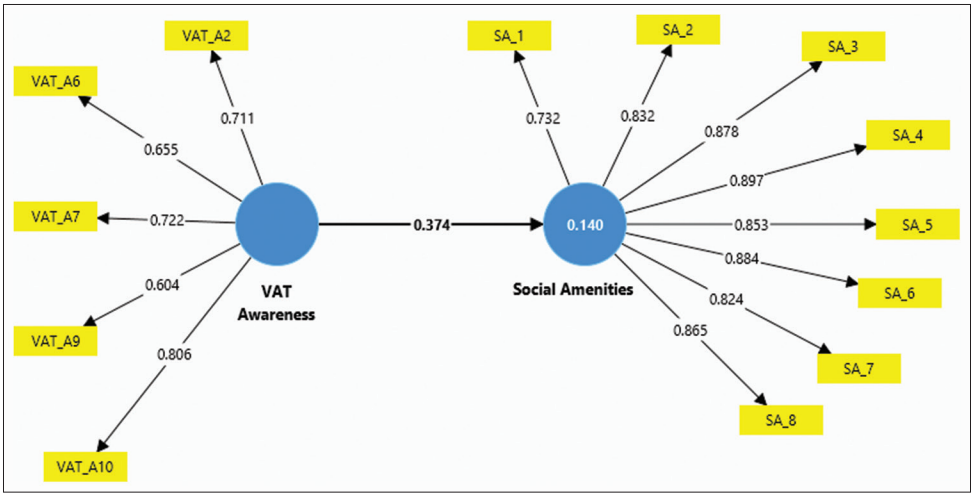
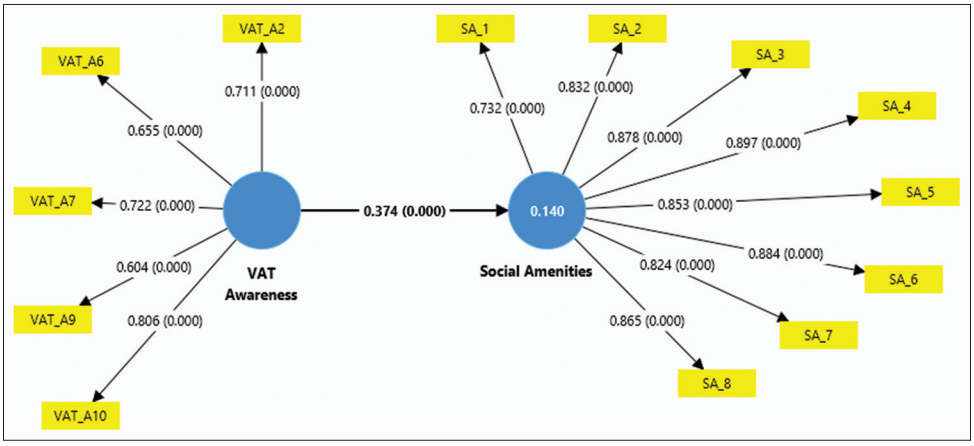


Figure 3: Bootstrapping for VAT awareness and provision of social amenities



must enhance VAT awareness in order promote social amenities A bootstrapping was performed to establish the significant level, and the results are shown in Figure 3.

Figure 3 gives a standardised examination of bootstrapping for VAT awareness and social amenities. The Partial Least Square (PLS) method was used to estimate the Path Coefficients (β) and the T-statistics. The β value was used to test the hypothesis's significance. The larger the β value, the more significant the impact on the intervening and endogenous latent constructs. All of the P-values for VAT awareness and social amenities proxies are <0.05, as shown in Figure 4. Given the relationship between and among the factors, which is shown in Table 6, it appears that VAT awareness significantly affects social amenities.

4.3.1. Interpretation

The Table 6 shows the path coefficient and their corresponding P-value; it also shows the t-value associated with the variables. The path coefficient is employed to evaluate the connection among the various latent variables. VAT awareness and social amenities in the analysis are indicated by the path co-efficient at <0.5. In other words, b = 0.374, f2 = 0.163, P < 0.05 show that there is a direct significant.

In general, the beta value of the constructs above indicates a moderate degree of correlation, particularly with regard to VAT awareness, supporting the direct significance of the relationship between VAT awareness and social amenities. The path co-efficient was significant throughout, as the significance level is <0.05. The outcome indicated that the null hypothesis ought to be rejected because the model's significance level is smaller than 0.05.

4.3.2. Hypothesis 2: Perceptions about VAT and provision social amenities in Nigeria

Models for both structural and measurement were applied to the data analysis. The lowest allowable factor loading value of 0.60 (Fornell and Larcker, 1981) applies to all reflective elements in the measurement model; nevertheless, all constructs have values >0.60, and the corresponding results are displayed in Figures 3 and 4. According to Hussain et al. (2018), the inner model that displays the path co-efficient, R2 values, and bootstrapping is the structural model. For the purpose of figuring out the significance level, bootstrapping becomes necessary (Chin, 2010). To show how VAT awareness affects provision of social amenities in Nigeria. The significance level and path co-efficient value were established using bootstrapping. The hypothesis formulated thus:

$H_{02:}$ Perception about VAT does not significantly influence provision of social amenities.

A four-point Likert scale was used in a standardised questionnaire to analyse the research variables. Perception, which is the latent variable, was measured with 3 items, and provision of social amenities was measured with 3 items. According to Fornell and Larcker (1981) and Newkirk and Lederer (2006), the factor loading items were over the minimal level of 0.6 for all pieces of perception and provision of social amenities. Figures 5 and 6 respectively, demonstrates the outcomes of inner structural model.

Figure 5 depicts that 27.4% variance of perception is explained by social amenities.

The findings showed that a unit adjustment in perception will result in a 52.4% improvement in social amenities while keeping all other variables unchanged. This suggests that individual, households and organization chosen must enhance perception about VAT in order to promote provision of social amenities A bootstrapping was performed to establish the significant level, and the results are shown in Figure 7.

Figure 7 gives a standardised examination of bootstrapping for Perception and social amenities. The Partial Least Square (PLS) method was used to estimate the Path Coefficients (β) and the T-statistics. The β value was used to test the hypothesis's significance. The larger the β value, the more significant the impact

Table 6: Path co-efficient for VAT awareness and social amenities

Variable		Path coefficient	F-square	Std. Dev (STDEV)	t-statistics	P-value
VAT awareness →	Social amenities	0.374	0.163	0.062	6.032	0.000
			R- Square		**R-square adjusted**	
VAT Awareness →	Social amenities		0.140		0.135	

(Source: field survey, 2024)

Figure 4: Path co-efficient and t-values for VAT awareness and social amenities

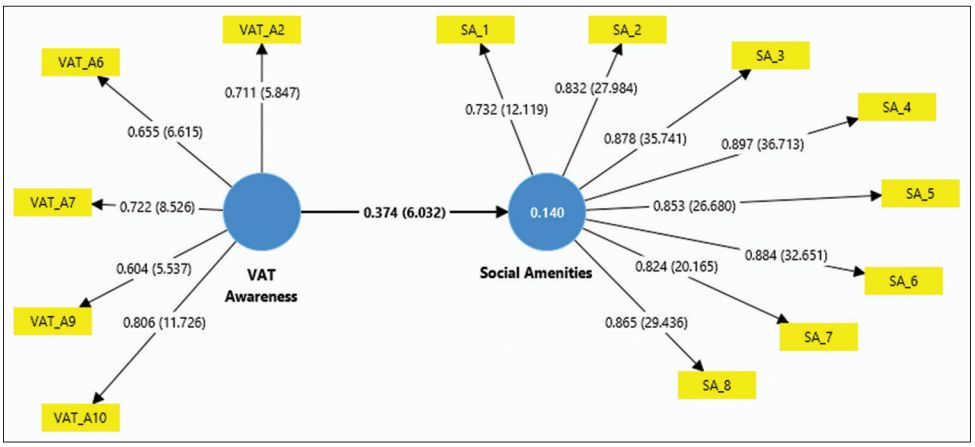


Figure 5: Predictive relevance (path-coefficient) of for perception and social amenities

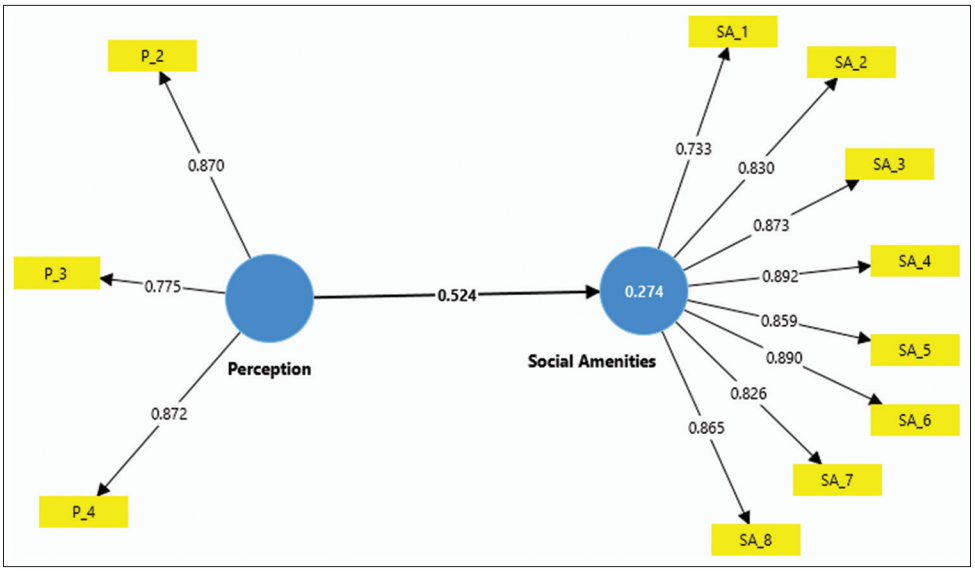


Figure 6: Path Co-efficient and t-values for perception and social amenities

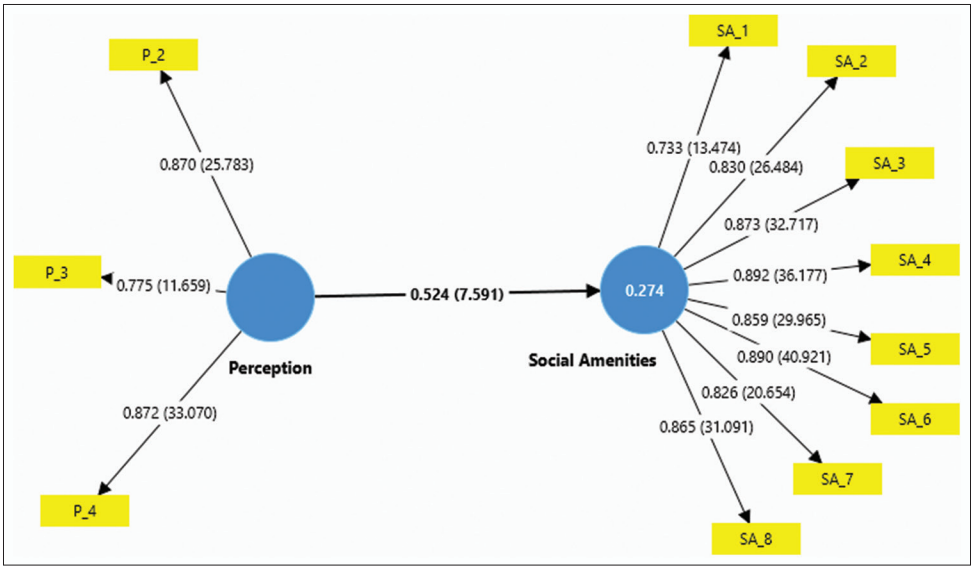
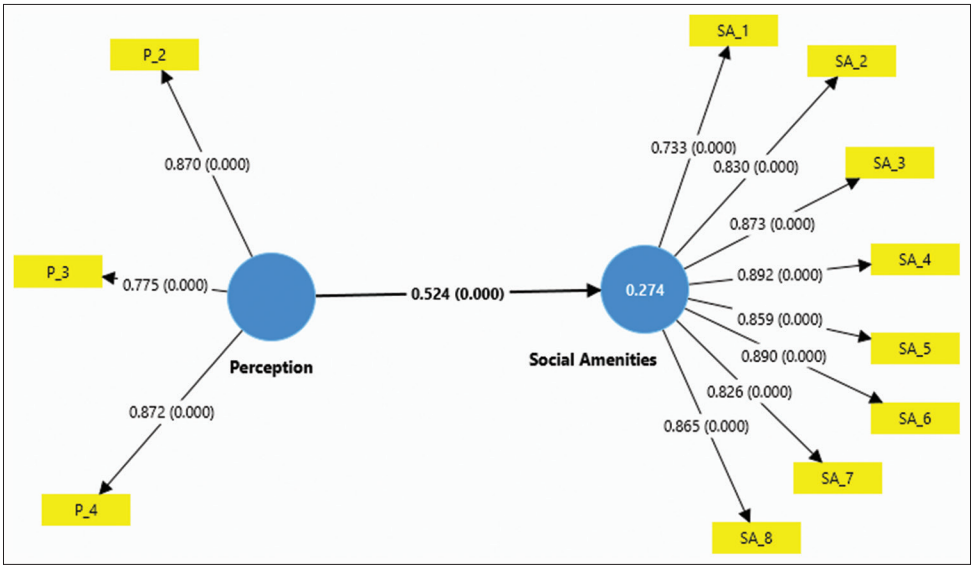


Figure 7: Path Co-efficient and T-values for Perception and Social amenities for H_{02}



on the intervening and endogenous latent constructs. All of the P-values for perception and social amenities proxies are <0.05, as shown in Figure 6. Given the relationship between and among the factors, which is shown in Table 7, it appears that Perception significantly affects social amenities.

4.3.3. Interpretation

The Table 7 shows the path coefficient and their corresponding P-value; it also shows the t-value associated with the variables. The path coefficient is employed to evaluate the connection among the various latent variables. Perception and social amenities in the analysis are indicated by the path co-efficient at <0.5. In other words, b = 0.524, f2 = 0.378, P < 0.05 show that there is a direct significant.

In general, the beta value of the constructs above indicates a moderate degree of correlation, particularly with regard to Perception, supporting the direct significance of the relationship between Perception and social amenities. The path co-efficient was significant throughout, as the significance level is <0.05. The outcome indicated that the null hypothesis ought to be rejected because the model's significance level is smaller than 0.05. This implies that perception is predicted by social amenities.

4.3.4. Hypothesis 3: VAT awareness and compliance with VAT regulations

Models for both structural and measurement were applied to the data analysis. The lowest allowable factor loading value of 0.60 (Fornell and Larcker, 1981) applies to all reflective elements in the measurement model; nevertheless, all constructs have values >0.60, and the corresponding results are displayed in Figures 6 and 7. According to Hussain et al. (2018), the inner model that displays the path co-efficient, R2 values, and bootstrapping is the structural model. For the purpose of figuring out the significance level, bootstrapping becomes necessary (Chin, 2010). To show how VAT awareness affects provision of social amenities

Table 7: Path Co-efficient for Perception and Social amenities

Variable			Path coefficient	F-Square	Std. Dev (STDEV)	T-statistics	P-value
Perception	→	Social amenities	0.524	0.378	0.069	7.591	0.000
				R- Square		R-Square adjusted	
Perception	→	Social amenities		0.274		0.269	

(Source: field survey, 2024)

in Nigeria. The significance level and path co-efficient value were established using bootstrapping. The hypothesis formulated thus:

$H_{01:}$ Level of VAT awareness does not significantly influence compliance with VAT regulations

A four-point Likert scale was used in a standardised questionnaire to analyse the research variables. VAT awareness, which is the latent variable, was measured with 3 items, and compliance with VAT regulations was measured with 3 items. According to Fornell and Larcker (1981) the factor loading items were over the minimal level of 0.6 for all pieces of VAT awareness and compliance with VAT regulations. Figures 8 and 9 respectively, demonstrates the outcomes of inner structural model.

Figure 8 depicts that 25.7% variance of compliance is explained by VAT awareness.

The findings showed that a unit adjustment in VAT awareness will result in a 50.7% improvement in social compliance while keeping all other variables unchanged. This suggests that individual, households and organization chosen must enhance VAT awareness in order promote compliance. A bootstrapping was performed to establish the significant level, and the results are shown in Figure 9.

Figure 9 gives a standardised examination of bootstrapping for VAT awareness and social amenities. The Partial Least Square (PLS) method was used to estimate the Path Coefficients (β) and the T-statistics. The β value was used to test the hypothesis's significance. The larger the β value, the more significant the impact on the intervening and endogenous latent constructs. All of the P values for VAT awareness and compliance proxies are <0.05, as shown in Figure 8. Given the relationship between and among the factors, which is shown in Table 8, it appears that VAT awareness significantly affects compliance.

4.3.5. Interpretation

The Table 9 shows the path coefficient and their corresponding P-value; it also shows the t-value associated with the variables. The path coefficient is employed to evaluate the connection among the various latent variables. VAT awareness and social amenities in the analysis are indicated by the path co-efficient at <0.5. In other words, b = 0.507, f2 = 0.347, P < 0.05 show that there is a direct significant.

In general, the beta value of the constructs above indicates a moderate degree of correlation, particularly with regard to VAT awareness, supporting the direct significance of the relationship between VAT awareness and Compliance. The path co-efficient was significant throughout, as the significance level is <0.05. The outcome indicated that the null hypothesis ought to be rejected because the model's significance level is smaller than 0.05. This implies that VAT compliance is predicted by VAT awareness.

4.3.6. Hypothesis 4: Perceptions about VAT and compliance with VAT regulations

Models for both structural and measurement were applied to the data analysis. The lowest allowable factor loading value of 0.60 (Fornell and Larcker, 1981) applies to all reflective elements in the measurement model; nevertheless, all constructs have values >0.60. According to Hussain et al. (2018), the inner model that displays the path co-efficient, R2 values, and bootstrapping is the structural model. For the purpose of figuring out the significance level, bootstrapping becomes necessary (Chin, 2010). To show how VAT awareness affects provision of social amenities in Nigeria. The significance level and path co-efficient value were established using bootstrapping. The hypothesis formulated thus:

H_{01} Perception about VAT does not significantly influence compliance with VAT regulations.

A four-point Likert scale was used in a standardised questionnaire to analyse the research variables. Perception about VAT, which is the latent variable, was measured with 3 items, and compliance with VAT regulations was measured with 3 items. According to Fornell and Larcker (1981), the factor loading items were over the minimal level of 0.6 for all pieces of perception about VAT and compliance with VAT regulations. Figures 10 and 11 respectively, demonstrates the outcomes of inner structural model.

Figure 10 depicts that 24.2% variance of compliance is explained by perception.

The findings showed that a unit adjustment in perception will result in a 49.2 % improvement (increase) in compliance while keeping all other variables unchanged. This suggests that individual, households and organization chosen must enhance perception about VAT in order promote compliance with VAT regulations. A bootstrapping was performed to establish the significant level, and the results are shown in Figure 11.

Figure 11 gives a standardised examination of bootstrapping for VAT awareness and social amenities. The Partial Least Square (PLS) method was used to estimate the Path Coefficients (β) and the T-statistics. The β value was used to test the hypothesis's significance. The larger the β value, the more significant the impact on the intervening and endogenous latent constructs. All of the P values for VAT awareness and social amenities proxies are <0.05, as shown in Figure 12. Given the relationship between and among the factors, which is shown in Table 9, it appears that perception

Figure 8: Predictive relevance (Path co-efficient) of VAT awareness and compliance

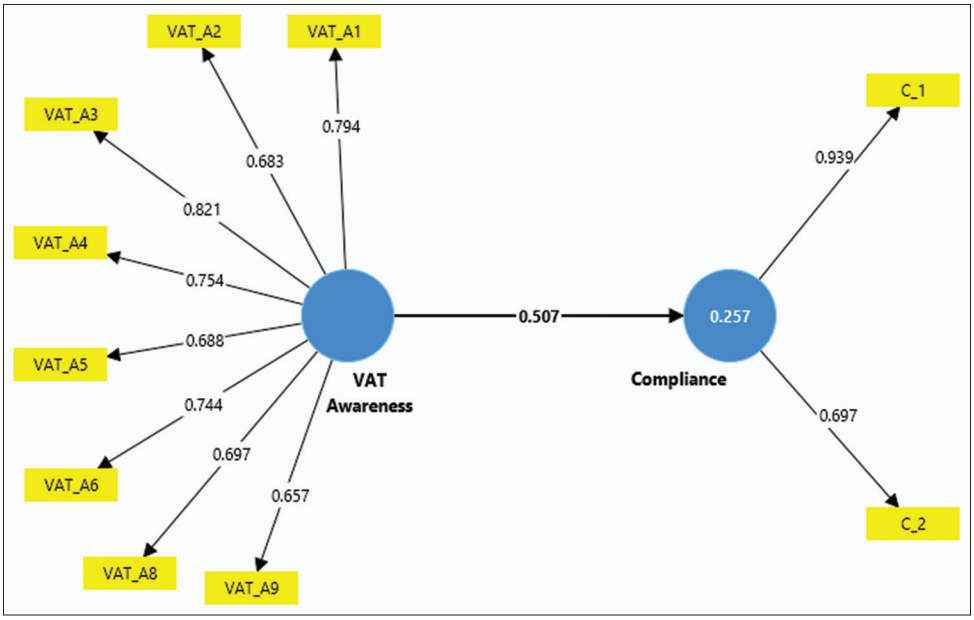


Figure 9: Bootstrapping for VAT awareness and compliance

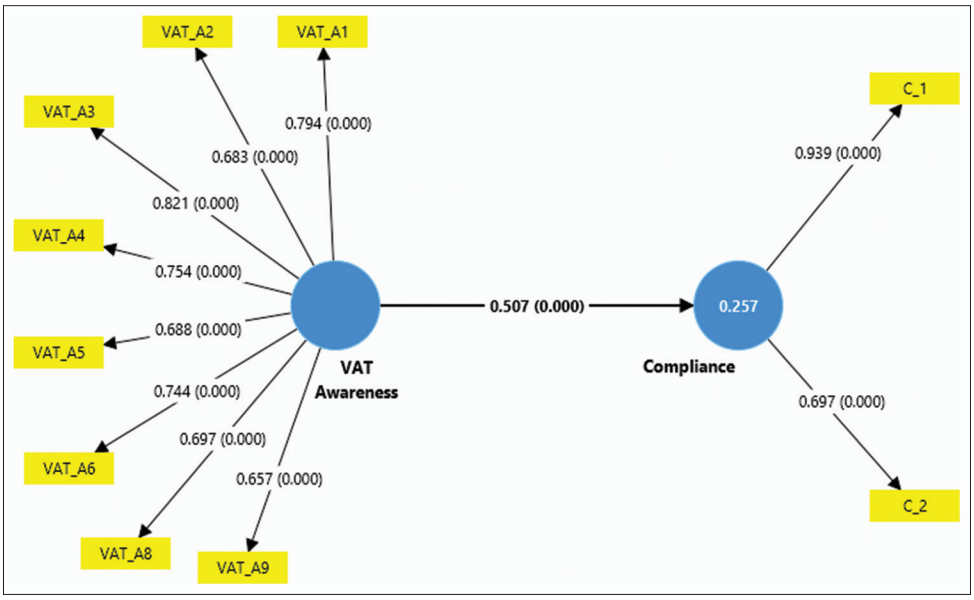


Table 8: Path co-efficient for VAT awareness and compliance

Variable			Path coefficient	F-square	Std. Dev (STDEV)	T-statistics	P-value
VAT awareness	→	Compliance	0.507	0.347	0.062	8.215	0.000
				R- Square		R-Square adjusted	
VAT awareness	→	Compliance		0.257		0.253	

(Source: field survey, 2024)

Table 9: Path co-efficient for perception and compliance

Variable			Path coefficient	F-square	Std. Dev (STDEV)	T-statistics	P-value
Perception	→	Compliance	0.492	0.319	0.063	7.802	0.000
				R- Square		R-Square adjusted	
Perception	→	Compliance		0.242		0.237	

(Source: field survey, 2024)

about VAT significantly affects compliance with VAT regulations.

4.3.7. Interpretation

The Table 9 shows the path coefficient and their corresponding P-value; it also shows the t-value associated with the variables. The path coefficient is employed to evaluate the connection among the various latent variables. Perception and compliance in the analysis are indicated by the path co-efficient at <0.5. In other words, b = 0.492, f2 = 0.319, P < 0.05 show that there is a direct significant.

Figure 10: Predictive relevance (path co-efficient) of perception and compliance

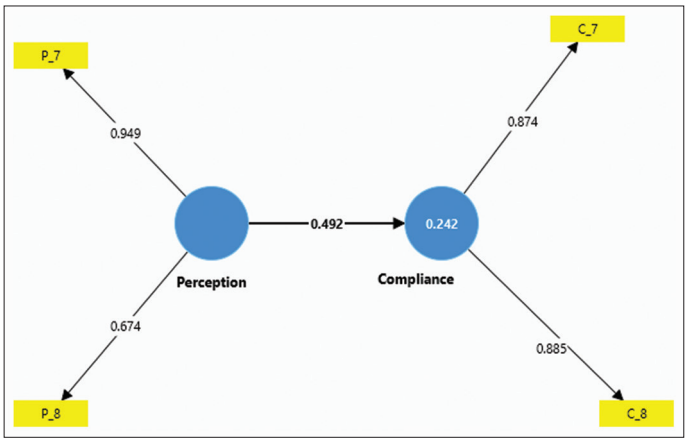


Figure 11: Bootstrapping for Perception and Compliance

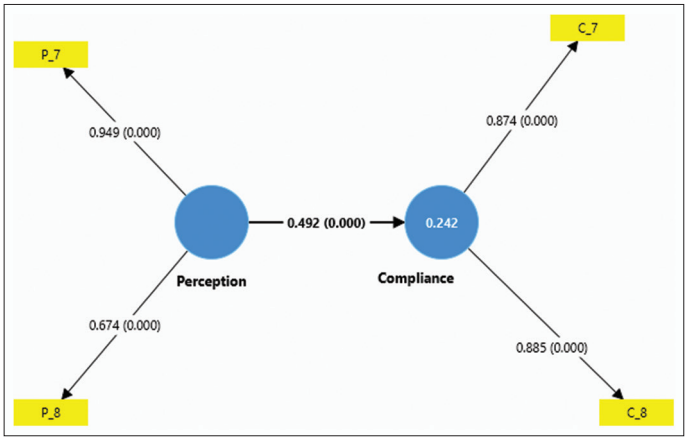
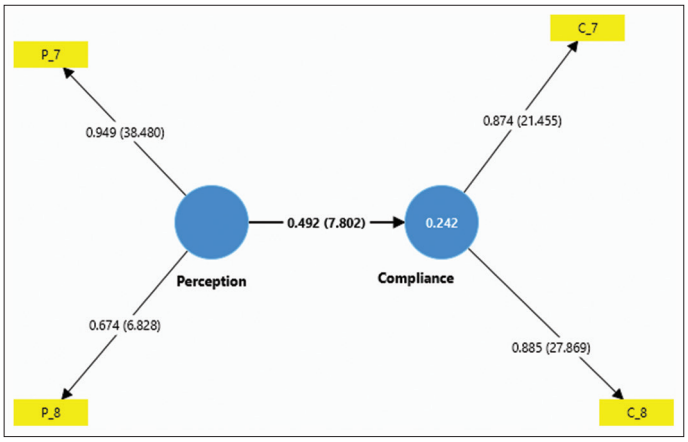


Figure 12: Path co-efficient and t-values for perception and compliance



In general, the beta value of the constructs above indicates a moderate degree of correlation, particularly with regard to perception, supporting the direct significance of the relationship between perception and compliance. The path co-efficient was significant throughout, as the significance level is <0.05. The outcome indicated that the null hypothesis ought to be rejected because the model's significance level is smaller than 0.05. This implies that perception about VAT is predicted by compliance with VAT regulations.

4.3.8. Hypothesis 5: Perception about VAT and cost of living

Models for both structural and measurement were applied to the data analysis. The lowest allowable factor loading value of 0.60 (Fornell and Larcker, 1981) applies to all reflective elements in the measurement model; nevertheless, all constructs have values >0.60. According to Hussain et al. (2018), the inner model that displays the path co-efficient, R2 values, and bootstrapping is the structural model. For the purpose of figuring out the significance level, bootstrapping becomes necessary (Chin, 2010). To show how VAT awareness affects provision of social amenities in Nigeria. The significance level and path co-efficient value were established using bootstrapping. The hypothesis formulated thus:

H_{01} Perception about VAT does not significantly influence cost of living

A four-point Likert scale was used in a standardised questionnaire to analyse the research variables. Perception about VAT, which is the latent variable, was measured with 3 items, and cost of living was measured with 3 items. According to Fornell and Larcker (1981), the factor loading items were over the minimal level of 0.6 for all pieces of perception and cost of living. Figures 13 and 14 respectively, demonstrates the outcomes of inner structural model.

The findings showed that a unit adjustment in perception about VAT will result in a 27.8% improvement (increase) in cost of living while keeping all other variables unchanged. This suggests that individual, households and organization chosen must enhance perception in order promote cost of living. A bootstrapping was performed to establish the significant level, and the results are shown in Figure 14.

Figure 13: Predictive relevance (path co-efficient) of perception and cost of living

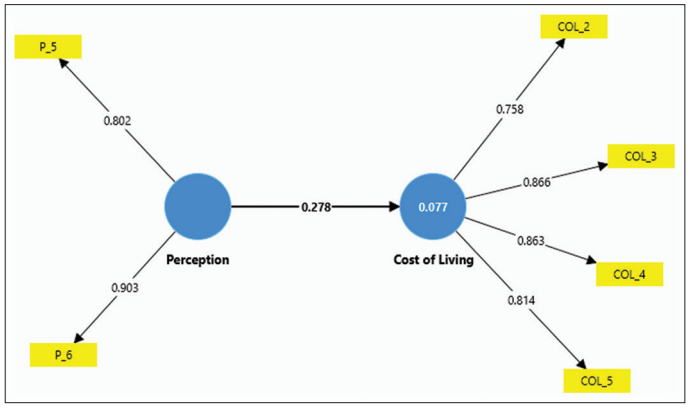


Figure 14: Bootstrapping for perception and compliance

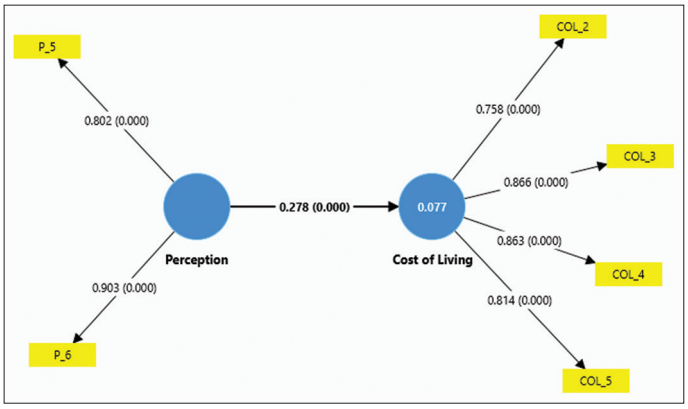


Figure 15: Path co-efficient and t-values for perception and cost of living

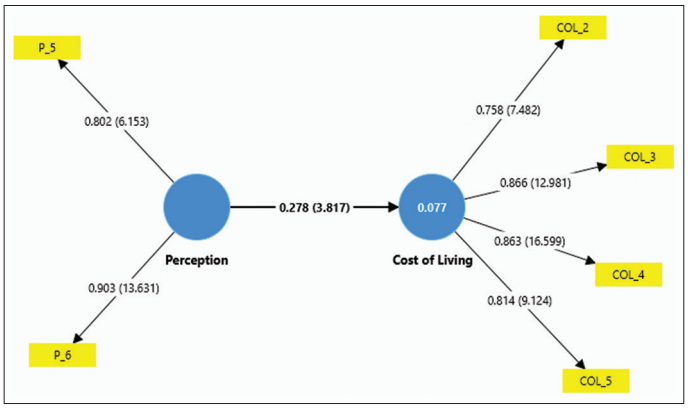


Figure 15 gives a standardised examination of bootstrapping for Perception and Cost of Living. The Partial Least Square (PLS) method was used to estimate the Path Coefficients (β) and the t-statistics. The β value was used to test the hypothesis's significance. The larger the β value, the more significant the impact on the intervening and endogenous latent constructs. All of the P-values for Perception and cost of living proxies are <0.05, as shown in Figure 16. Given the relationship between and among the factors, which is shown in Table 10, it appears that perception significantly affects cost of living.

4.3.9. Interpretation

The Table 10 shows the path coefficient and their corresponding P-value; it also shows the t-value associated with the variables. The path coefficient is employed to evaluate the connection among the various latent variables. Perception and Cost of living in the analysis are indicated by the path co-efficient at <0.5. In other words, b = 0.278, f2 = 0.084, P < 0.05 show that there is a direct significant.

In general, the beta value of the constructs above indicates a moderate degree of correlation, particularly with regard to Perception, supporting the direct significance of the relationship between Perception and cost of living. The path co-efficient was significant throughout, as the significance level is <0.05. The outcome indicated that the null hypothesis ought to be rejected because the model's significance level is smaller than 0.05. This implies that perception about VAT is predicted by cost of living.

Figure 16: Path co-efficient and t-values for perception and cost of living

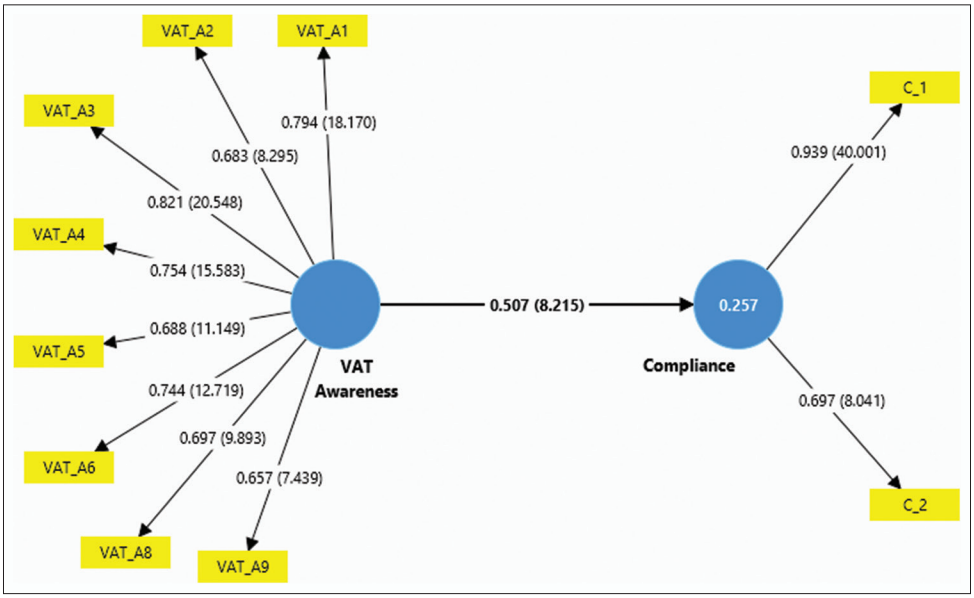


Table 10: Path co-efficient for perception and cost of living

Variable			Path coefficient	F-square	Standard Deviation	T-statistics	P-value
Perception	→	Cost of living	0.278	0.084	0.073	3.817	0.000
				R- Square		R-square adjusted	
Perception	→	Cost of living		0.077		0.071	

(Source: field survey, 2024)

5. CONCLUSION

This study endeavours to fully understand an evaluation of taxpayers' perceptions of value added tax and the cost of living in Lagos, Nigeria. Ultimately, though, the research is based on the conclusions drawn from the formulated hypothesis that were developed and put to the test. Individuals, households, and organisations were given questionnaires to complete in order to gather their thoughts on the subject at hand. However, our investigation found out that level VAT awareness has a significantly influences provision of social amenities. It is believed that improving the level of VAT awareness is essential to expanding the provision of social amenities. Furthermore, the study highlighted that perception about VAT has a significantly influences provision of social amenities. Diverse perspectives among individuals, households, and organisations about the VAT will result in increased provision of social amenities throughout the country. Additionally, this study highlights that the level of VAT awareness significantly influences compliance with VAT regulations. Individual, households and organizations are more like to comply with VAT regulations if they have the level of awareness required. Additionally, the study highlights that perception about VAT significantly influences compliance with VAT regulations. It is believed that perception about VAT critically depends on enhancing compliance with VAT regulations. That enhancing compliance with VAT legislation depends critically on how people perceive VAT. And lastly this study concludes that perception about VAT significantly influences cost of living. This is believed that perception about VAT will critically enhance the cost of living in the country. When individuals, households and organizations are able to express their diverse opinions about VAT it improves their cost of living since they are well aware and informed about it.

5.1. Recommendations

These are the recommendations based on this research study:

1. In Nigeria, tax authorities need to provide adequate tax education programmes to improve VAT awareness among taxpayers which will lead to better compliance system.
2. Through public campaigns and advertising and open transparent or ethical use of tax revenues to clearly improve infrastructure and social amenities should be used to improve positive perception about the opinion of VAT.
3. The Government should provide more awareness platforms that talks about VAT and educate them on it.
4. In other to boost tax efficiency and reduce tax complexity, tax laws and administrative procedures should be simple and easy, which will encourage taxpayers to willingly comply with the law.

6. LIMITATIONS AND CONTRIBUTION OF THE STUDY

Data collection was slow due to use Google Form link. It was challenging to locate and obtain auricles, publications, journals, and previous projects of similar type. Consequently, the research suggests that additional research be done on the topic using a larger population. Since this study is focused on a single approach, more research may employ a mixed strategy (quantitative and qualitative) with the use of a questionnaire and interviews increasing the data's resilience as a result. The study is focused on how taxpayer's perception of value added tax would affect cost of living in Nigeria. Due to all of the factors evaluated, the study is unique in its own right and provides a stronger foundation for future research.

7. ACKNOWLEDGEMENT

Johnson Adenike OLUWATOBI thanks her project supervisor Dr. Cordelia O. Omodero for her unwavering support and professional guidance during this research. Thank you for always being ready to listen to me and give direction to the work. Being under your supervision was indeed rewarding. I wish you God's immeasurable blessings in all ramifications. I appreciate all contributors' efforts, as well as the constructive criticism provided by the editors and anonymous reviewers of IRMM, which brought significant value to this work.

REFERENCES

Abdullah, A., Almoosa, R.A. (2019), An analysis of value-added tax (VAT) awareness and perception in Bahrain. International Journal of Business and Economic Affairs, 4(1), 12-20.

Adesina, O.O., Izedonmi, F.P. (2013), Public perception and attitude towards Value Added Tax (VAT) in Nigeria. iBusiness, 5(1), 126-135.

Agbo, E.I., Nwadialor, E.O. (2020), The genesis and development of value added Tax administration: Case study of Nigeria. International Journal of Academic Research in Accounting, Finance and Management Sciences, 10(1), 15-30.

Ajzen, I. (1991), The theory of planned behavior. Organizational Behavior and Human Decision Processes, 50(2), 179-211.

Artiningsih. (2013). Pengaruh Kesadaran Wajib Pajak Badan dan Pelayanan Perpajakan terhadap Kepatuhan Wajib Pajak di KPP Pratama Sleman. Jurnal Akuntansi Keuangan. 3(2) 38-47.

Ayonete, S.J. (2023) Economic development in Nigeria: Does value added tax matter? Research Journal of Business and Economic Management, 6(3), 51-57.

Azaka, L. (2022), Tax knowledge, tax attitude, and perception of tax fairness as predictors of tax compliance among tech workers in Lagos State, Nigeria. African Journal for the Psychological Studies of Social Issues, 25(2), 1-7.

Beredugo, S.B., Ekpo, B.O. (2023), Tax payers' attitudes and demographic analysis of SMEs operators in river and akwa-iboms states-Nigeria. Journal of Accounting and Taxation, 3(1), 65-76.

Bojuwon, M, Williams, B.Y, Olaleye, B.R., Agbaje, A.A., Olaniyi, R.B. (2022), Taxpayer's education and self-assessment system in Nigeria. Fuoye Journal of Management, Innovation and Entrepreneurship, 1(1), 243-256.

Chin, W.W. (2010), How to write up and report pls analyses. In Esposito Vinzi V., Chin, W.W., Henseler, J., Wang, H., editors. Handbook of Partial Least Squares: Concepts, Methods, and Application. London, New York: Springer. p0655-690.

Devano, S., Rahayu, K.S. (2006), Taxation (Concept, Theory and Issues) Indonesia, Issue One. Jakarta: Publisher Kencana.

Eiko, F.I. (2020), Theories and models: What they are, what they are for, and what they are about. Psychological Inquiry, 31(4), 336-344.

Folorunsho, L. (2023), Understanding the Value Added Tax System in Nigeria. England: SGA World.

Fornell, C., Larcker, D. (1981), Evaluating structural equation modela with unobservable variables and measurement error. Journal of

marketing research, 18(1), 39-50.

Hanno, D.M., Violette, G.R. (1996), An Analysis of moral and social influences on taxpayer behavior. Behavioral Research in Accounting, 8(1), 57-75.

Hastuti, R. (2014), Tax awareness and tax education: A perception of potential taxpayers. International Journal of Business, Economics and Law, 5(1), 83-90.

Hussain, S., Shujahat, M., Malik, M.I., Iqbal, S., Mir, F.N. (2018), Contradictory results on the mediating roles of two dimensions of trust between transformational leadership and employee outcomes. Journal of Organisational Effectiveness, 5(1), 39-63.

James, D., Omodero, C.O., Nwobodo, H., Odhigu, F.O., Adeyemo, K.A. (2024), Taxation and consumers' spending patterns in Nigeria: An autoregressive distributed lag and error correction model approach. International Journal of Economics and Financial Issues, 14(3), 157-169.

Loo, E.C., Mckerchar, M., Hansford, A. (2009), Understanding the compliance behaviour of Malaysian individual taxpayers using a mixed method approach. Journal of the Australasian Tax Teachers Association, 4(1), 181-202.

Masri, I., Chasbiandani, T., Rasyid, D.K., Nur'Aini, N. (2024), Reciprocal relationship between taxpayer's compliance and governance quality. International Journal of Economics and Financial Issues, 14(4), 131-137.

Mohdali, R., Isa, K., Yusoff, S.H. (2014), The Impact of threat of punishment on tax compliance and non-compliance attitudes in Malaysia. Procedia-Social and Behavioral Sciences, 164(1), 291-297.

Muslichah, M. (2015), The effect of tax simplification on taxpayers' compliance behaviour: Religiosity as moderating variable. Jurnal Keuangan dan Perbankan, 19(1), 98-108.

Newkirk, H.E., Lederer, A.L. (2006), The effectiveness of strategic information systems planning under environmental uncertainty. Information and Management, 43(4), 481-501.

Nurkhin, A., Novanty, I., Muhsin, M., Sumiadji, S. (2018), The influence of tax understanding, tax awareness and tax amnesty towards taxpayer compliance. Jurnal Keuangan dan Perbankan, 22(2), 240-255.

Okoh, S.K., Ofor, T.N. (2024), Tax Policy Inconsistencies and Tax Administration in Nigeria: Emphasis from Value Added Tax System. British International Journal of Applied Economics, Finance and Accounting, 8(1), 94-114.

Rahayu, S. (2010), Perpajakan Indonesia, Konsep dan Aspek Formal. Bandung: Graha Ilmu.

Savitri, E., Musfialdy, M. (2016), The effect of taxpayer awareness, tax socialization, tax penalties, compliance cost at taxpayer compliance with service quality as mediating variable. Procedia-Social and Behavioral Sciences, 219(1), 682-687.

APPENDIX 1

Questionnaire

Section A: Demographic characteristics of respondent

Please tick the appropriate options as applicable

1. Gender: Male () Female ()
2. Age: < 20 () 20 - 29 () 30 - 39 () 40 - 49 () 50 - 59 () 60 and above ()
3. Highest Educational Qualification: No formal education () Primary () SSCE () NCE () OND ()HND () Bachelor's () Master's () Ph.D. ()
4. Status: Individuals () Households () Organizations ()
5. Average Income Per Month: Below 100,000 () 100,000 - 500,000 () 500,001 - 1,000,000 () 1,000,001 - 1,500,000 () 1,500,001 - 2,000,000 () 2,000,000 and above ()

INSTRUCTIONS: Kindly indicate the extent to which you agree to disagree in the following statements

Section B: Level of vat awareness

6. What is your level of VAT awareness?

	Awareness on Value Added Tax	SA	A	D	SD
a	I am aware Value Added Tax (VAT) exists				
b	I am aware of how the government charges VAT in the country				
c	I am aware that products and services are subject to VAT				
d	I understand that every time I buy something or get services, I have to pay VAT				
e	I understand that the government levies a VAT rate on products and services				
f	I am aware that when producers pay VAT, customers also have to pay for it				
g	I am aware that Nigeria has increased its VAT rate from 5% to 7.5%				
h	I am aware that there are various VAT awareness programmes offered by the government				
i	I am aware that the retail prices of products and services would rise due to VAT.				
J	I know the earnings from VAT are a major source of revenue for the government				
k	Do you know the rules governing Value added tax in Nigeria?				

Section C: Perception about vat

7. Perception about VAT refers to the subjective view (diverse opinions) of people about VAT

		SA	A	D	SD
a	I consider VAT as a good source of revenue for the government				
b	I think the government spends the VAT revenue judiciously				
c	I think the government has done enough enlightenment on VAT for its payers				
d	I suggest a rise in VAT for better governance and more income generation				
e	VAT, in my opinion, drives up the cost of products and services unnecessarily				
f	I think VAT rate is supposed to be less than the current rate of 7.5%				
g	I consider VAT totally unnecessary				
h	I think the government exploits VAT payment from citizens				

Section D: Provision of social amenities based on the income from vat

8. Social amenities refer to some facilities that make living, staying or working in a place comfortable

	Provision of social amenities based on the income from vat	SA	A	D	SD
a	The government uses the VAT revenue to improve the needed public goods				
b	The government provides free public services funded by VAT revenue				
c	The government provides good and motorable roads from VAT revenue				
d	The government provides pipe-borne water from VAT revenue				
e	The government provides stable electricity from VAT revenue				
f	The government provides affordable healthcare from VAT revenue				
g	The government provides free and standard education from VAT revenue				
h	Generally, the government provides adequate social amenities from VAT revenue				

Section E: Cost of living

9. The cost of living refers to the amount of money needed to cover basic expenses such as housing, food, healthcare, etc. in a certain place and time

	Cost of Living	SA	A	D	SD
a	I spend more on necessities like housing, food, healthcare, etc., because of VAT				
b	Paying VAT reduces my spending power				
c	VAT makes facilities such as electricity, water, etc., unaffordable				
d	VAT has led to increased spending on essentials, yet the value I receive in return for my money has diminished.				
e	Have you observed any alterations in transportation costs subsequent to the rise in VAT rates, concerning the cost of living in Nigeria?				

Section F: Compliance with vat regulations.

What is your level of compliance with VAT regulations?

		SA	A	D	SD
a	I usually pay VAT on the products and services that I need or buy				
b	Does my company have a Federal Inland Revenue Service (FIRS) registration?				
c	I make everyone around me pay VAT because I'm a patriot				
d	I pay VAT because I am unable to afford the penalties for not complying.				
e	I want additional information before I begin paying the VAT				
f	I have several strategies for staying away from paying VAT				
g	I pay VAT as the government doesn't keep accurate records of those who do				
h	I pay VAT since it makes no sense to me				