

TAX KNOWLEDGE AND TAX COMPLIANCE OF MICRO AND SMALL ENTERPRISES IN GOMBE STATE, NIGERIA: MODERATING EFFECT OF RECORD KEEPING PRACTICE

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Abstract

Tax income is undoubtedly one of the major sources of revenue of most countries, hence tax compliance is one of the troubling issue faced by tax authorities. Therefore this study evaluated the moderating effect of record keeping practice on the relationship between tax knowledge and tax compliance behaviour of Micro and Small Enterprises (MSE) in Gombe state Nigeria. The study employed web based method of data collection where 360 responses were retrieved from the online questionnaire distributed to the entire 480 MSEs registered with Small and Medium Enterprises Development Agency (SMEDAN) and corporate Affairs Commission (CAC) in Gombe state Nigeria. Partial Least Squared-Structural Equation Modelling (SmartPLS3) was employed to analyse the data. The study found out that tax knowledge has a significant positive effect on tax compliance behaviour in MSEs in Gombe state-Nigeria. Similarly, record keeping practice was found to moderate the relationship between tax knowledge and tax compliance behaviour of MSEs. Hence, the study recommends that

tax authorities to put more effort in the provision of sensitization program that can boost MSEs record keeping practice and tax knowledge as well.

Keywords: Tax knowledge, Tax compliance behaviour, Record keeping practice, Micro and Small Enterprises

Introduction

Tax compliance refers to the disposition of taxpayers to conform with tax laws to attain an economic stability in a country (Mebratu, 2024). It is reporting tax liability to the relevant tax authority in compliance with applicable tax laws and regulations (Jackson & Milliron, 1986). Palil (2010), viewed tax compliance as a process in which taxpayers file all required tax returns by declaring all income accurately and paying the exact tax liability using applicable tax laws and regulations. Taxpayers complying with appropriate tax laws have become a disturbing phenomenon globally which affect revenue generation for both developed and developing countries (Bello et al., 2021; Mas'ud, 2017; Mebratu 2024, Muhibudeen, 2018). Tax noncompliance is a common predicament experienced in both developed and developing countries (Mas'ud, 2017). Moreover, problem of noncompliance is more prevalent in the developing countries than the developed countries (Bello et al., 2021; Kim, 2008; Sarsiti, Trisnowati, Widiastuti, & Budiwinarto, 2018), it may be due to the existence of large unregistered businesses and absence of accurate database of taxpayers (Mas'ud, 2017; Terkper, 2003).

Personal income tax is categorised into either Direct Assessment Tax or Pay as You Earn (PAYE) (Bello, Dandago & Samaila, 2023a). PAYE is a method of collecting PIT from employees' salaries and wages through deduction at source by an employer as provided by the relevant sections of the Personal Income Tax Act (PITA). Direct Assessment is an assessment raised directly on the income of self-employed persons usually micro and small enterprises (Bello, Dandago & Samaila, 2023). Where taxpayers under this category will, without notice or demand, file a return of income earned in the preceding year using appropriate tax form (LSIRS, 2016). It is a method through which personal income generated by self-employed persons are assessed and taxed. The self-employed persons include but not limited to: Professionals (such as Accountants, Lawyers, Surveyors, Architects, Consultants, etc), Mechanics, Contractors, Traders, Vulcanizes, Welders, Farmers, Tailors, Carpenters, Butchers, Hairdressers, Dyers, Artisans, Bricklayers, Comedians, Athletes, Musicians, and any residents in a given State with legitimate source of income (Omofojoye, 2020). Taxpayers under this category are to pay their taxes not under appeal or objection within two months after notice of assessment has been given while the collection of tax on assessments that are subject to appeal or objection will remain in abeyance until the objection or appeal is settled and must be paid after one month (PITA, 2011).

International monetary fund (IMF) reported that only 5% of self-employed individuals from developing countries population paid PIT as against 50% in the developed countries. Consequently, revenue from PAYE constitutes about 95% of revenue from PIT in developing countries (Mas'ud, 2017), and for this reason there is need for more effort towards improving tax revenue from self-employed individuals (Direct Assessment Tax).

Studies on tax knowledge and tax compliance revealed significant relationship (Asrinanda, 2018; Bello, et al. 2021; Daniel & Olusola, 2019; Eric, Solomon, Nicholas, Agyeiwaa, & Antwi, 2019; Hamza & Mulugeta, 2018; Holly, Soewandi, & Tuwo, 2019; Inasius, 2018; Natasha & Yustina, 2020; Nurkhin, Novanty, Muhsin, & Sumiadji, 2018; Onu, Oats, Kirchler, & Hartmann, 2019; Setiawan & Harnovinsah, 2019; Wadesango, Mwandambira, Mhaka, & Wadesango, 2018; Yahaya, Abba, & Suleiman, 2018). However, (Fauziati, Minovia, Muslim, and Nasrah (2016); Manual and Xin (2016); Taing and Chang (2020)) reported that tax knowledge does not explain taxpayers compliance. Moreover, few

researches were conducted on the relationship between financial record keeping practices and tax compliance both in developed and developing economies where (Ayariga (2020); Smulders, Stiglingh, Franzsen, and Fletcher (2016)), argued that proper accounting record keeping practice and accounting system have significant effect on taxpayers compliance.

A survey by the National Bureau of Statistics (NBS) in partnership with the Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN) indicates that there are about 37,062,746 micro and small enterprises (MSEs) in Nigeria, however, only 73,081 (0.2%) are duly registered with corporate affairs commission (NBS, 2019). More than fifty nine (59) million Nigerians constituting more than 84% of the total national labour force are employed by MSEs (Kale, 2017). Compliance with tax payment as in other regions of the country is badly experienced in Gombe state, Nigeria. However, direct assessment tax (DAT) paid by micro and small enterprises suffered seriously in Gombe state despite the large number of self-employed persons amounting to about 4,246,011 micro and small enterprises in the region (NBS, 2019). This is evident where the tax collection for the three quarters of 2019, indicates that DAT collection of the entire six states in the north-east. Nigeria was very low with a total of N344,574,395 which constituted only 1.34% of the total DAT collection (NBS, 2019), hence NBS, ranked Gombe state among the last states in terms of direct assessment tax collection in 2019 where collection of the entire states in the region represents only 1.34% of the entire DAT collected in the country.

Despite the numerous studies conducted both in the developed and the developing countries in regards to tax compliance non was on the moderating effect of record keeping practice on the relationship between tax knowledge and tax compliance more specifically in the north east states of Nigeria. Previous studies were conducted much earlier than now where their findings must have been overtaken by events which necessitate this study. This study will differ from the previous studies by introducing moderator on the existing relationship between tax knowledge and tax compliance. Personal income tax, direct assessment tax to be specific, which is a product of level of output or income suffered significantly during the period of covid 19 pandemic and the insecurity situation in the region, hence the need for this study. Therefore, in view of the above mentioned gaps and the suggestions for further studies, this study examined the moderating effect of record keeping practice on the relationship between tax knowledge and tax compliance of MSEs in Gombe state, Nigeria.

Empirical review and Hypotheses Development

Mebratu (2024) examine the factors that influence voluntary tax compliance among large taxpayers in Ethiopia based on the theoretical foundation of tax compliance. The study used an ordinary logit regression model, a closed-ended questionnaire with 1550 taxpayers, and quantitative data analysis. The regression analysis shows that tax compliance behavior is positively and significantly influenced by taxpayers' tax knowledge. To improve voluntary tax compliance, the government and tax authorities need to increase tax awareness among taxpayers through websites, seminars, and the media.

Appah and Aganaba (2024) investigated the moderating effects of public trust on tax knowledge and voluntary tax compliance of informal sector operators in Bayelsa State, Nigeria. The study employed cross sectional survey research design with a population of 30,450 informal sector operators and stratified sampling technique was adopted. Primary data was obtained from questionnaires after validity and reliability tests were carried out and the responses obtained from the administered questionnaire were analysed using univariate, bivariate and multivariate analysis. The results from the analysis indicated a positive and significant relationship between general tax knowledge and voluntary tax compliance of

informal sector operators in Bayelsa State, Nigeria; a positive and significant relationship between procedural tax knowledge and voluntary tax compliance of informal sector operators in Bayelsa State, Nigeria; a positive and significant relationship between legal tax knowledge and voluntary tax compliance of informal sector operators in Bayelsa State, Nigeria; and Public trusts positively and significantly moderates the relationship between tax knowledge and voluntary tax compliance of informal sector operators in Bayelsa State, Nigeria.

Ellawule, Bashir, Dalhat and Suleiman (2024) evaluated the strength of the relationship between tax rates and tax compliance of MSMEs by introducing tax knowledge as the moderating variable. From 500 questionnaires administered, 325 were collected and from data cleansing 304 respondents were tested. Stratified and proportional sampling techniques were used in selecting the samples. The study found that tax knowledge moderated the relationship that exists between the tax rates and tax compliance of MSMEs in Nigeria. Also, the study found that tax rates and tax knowledge have a significant effect on the tax compliance of MSMEs in Nigeria. Tax literacy is important in improving the basic tax education of the citizens and trust in government.

Kurniawan, Meliala & Febrianto (2022) examines factors (awareness, knowledge, obstacles, sanctions, and tax regulations) impacting taxpayer compliance. The study uses the literature review method, where the results concluded that awareness, knowledge, obstacles, sanctions, and the existence of tax regulation have an indication or influence to increase tax compliance in Indonesia. The study provides knowledge about the current conditions regarding tax compliance in Indonesia based on existing factors and new information related to the recent tax regulation in the pandemic of 2022.

Bello et al. (2021), evaluates the effect of tax knowledge on tax compliance behaviour of Micro, Small and Medium Enterprises (MSME) in Gombe state Nigeria. The study retrieved 360 questionnaires from the entire 480 MSEs registered with Small and Medium Enterprises Development Agency (SMEDAN) and corporate Affairs Commission (CAC) in Gombe state Nigeria. Partial Least Squared Structural Equation Modelling (SmartPLS3) was employed to analyse the data. The study found out that tax knowledge has a significant positive effect on tax compliance behaviour in MSEs in Gombe state, Nigeria. The finding of this study is not different from similar studies conducted, hence the need to introduce a moderating variable.

Natasha and Yustina (2020), analyzes the influence of tax knowledge on tax compliance and the moderating effect of gender differences in Cikarang. Questionnaire was administered for data collection. PLS-SEM was used to analyse the data collected and the result of the study revealed that tax knowledge affects tax compliance significantly, but gender differences do not moderate the relationship between tax knowledge and tax compliance. The measurement of the variables used by the researcher are weak to explain them well, hence there is a need for a more robust measurement for both the explanatory and explained variables.

Eric, Solomon, Nicholas, Agyeiwaa, and Antwi (2019), examines the effect of tax knowledge on self-assessment system tax compliance in Sunyani Municipality, Ghana. The data collected through administration of Semi-structured questionnaire was analysed using T-test, ANOVA & regression analysis. The study revealed that tax knowledge has significant effect on tax compliance. This study was conducted in Ghana taking both pay as you earn and direct assessment tax all together, had it been the study is specific to particular taxpayers their behaviour will be ascertain with almost certainty.

Assfaw and Sebhat (2019), identifies tax compliance and its determinants in Kaffa, Bench Maji and Sheka Zones category 'B' business income tax payers, Ethiopia. Ordered Logistic Regression was used to analyse the data collected through administered structured questionnaire to category 'B' business income taxpayers. The result of the study shows that tax knowledge has significant positive effect on tax compliance. The study fails to capture

category C of taxpayers who are the self-employed individuals thereby making the findings of this study not applicable in ascertaining tax compliance of direct assessment taxpayers.

Hoa, Lien, and Tuan (2019), explore the determinants of taxpayers' compliance of enterprises in Vietnam. PLS-SEM was used to analyse the data collected through administering questionnaire to business owners in Vietnam. The study found out that tax compliance is improved when an increase in tax knowledge is significantly increased. This study engaged only managers of businesses but fails to accommodate business owners who are responsible for tax payment.

Setiawan and Harnovinsah (2019), analyzes factors affecting Individual taxpayer's compliance in KPP Pratama Jakarta Cengkareng. The data collected via distribution of structured questionnaire was analysed using multiple linear regression model. The study reveals that tax knowledge have significant positive effect on taxpayer's compliance. This study engaged individual taxpayers who are registered with tax office but fails to capture unregistered individuals.

Sada, Indrijawati, and Saudi (2019), analyzes the effect of tax knowledge and tax service quality on tax compliance on restaurant taxpayers in Palopo City. Questionnaire was used to collect data where SEM-AMOS was employed to analyse the data. The study shows that tax knowledge have positive and significant effect on tax compliance and tax awareness mediated the relationship. This study was on restaurant business and the tax involve was not specific as either PIT or CIT, hence the findings cannot be generalised for the self-employed individuals.

Sihombing, Chaniago, and Nasib (2019), determines the influence of tax knowledge on taxpayers' compliance in Binjai, Indonesia. Questionnaire was used to collect data which was analysed using tined linear regression analysis. The study reveals that tax knowledge have positive and significant effect on taxpayers' compliance. This study employed accidental sampling technique where taxpayers who conduct a transaction in the reporting and payment of personal taxes were studied. Therefore, the sample fails to represent the behaviour of the population because the non-compliant taxpayers will not report to tax office. Hence, appropriate method needs to be put in place to ensure respondents are selected without bias.

Wadesango, Mutema, Mhaka, and Wadesango (2018), identifies factors affecting compliance to Self-assessment system (SAS) of tax by small and medium enterprises. The study identified tax fairness and equity, tax Knowledge, level of income, tax morale and social norms. The study further recognised Digital Tax Assessment System as an Alternative Means to be used in improving SME taxpayers' compliance. However, the study's conclusion is tentative and not conclusive due to the lack of application of quantitative data analysis for the empirical study.

Karma, Jaya, Taun, and Lestari (2018), determines the effect of taxpayer knowledge about Tax amnesty and tax compliance in the Bali Province. Both quantitative and qualitative data were sourced for the study. Structural equation modelling was used to analyse data. Knowledge of taxpayer on tax amnesty have a positive influence on the compliance of taxpayers in Bali Province. This study claimed to have employed mixed method approach where data was collected from both primary and secondary sources, but fails to disclose the kind of data collected via secondary source and also the qualitative data collected and its method of analysis because SEM was deficient to analyse qualitative data.

Purnamasari and Sudaryo (2018), evaluates the relationship between taxpayer knowledge and tax compliance in KPP Pratama Tegalega Bandung. The result from the data collected through questionnaire administration and analysed using regression model reveals that knowledge of taxpayer have significant positive effect on taxpayers' compliance. This study

was on taxpayers who actively pay their taxes but fails to account for the noncompliant taxpayers, hence the finding could not be generalised.

Using behavioural model of tax compliance, Hamza and Mulugeta (2018), examines the determinants of tax compliance in Dire Dawa Administration. Data generated through questionnaire administration was analysed using descriptive statistics and regression analysis. The study revealed that low level tax knowledge has significant negative effect on taxpayers' compliance. This study fails to address the problem of tax non-compliance in the self-employed sector of the economy.

Deyganto (2018), evaluates factors influencing voluntary tax compliance of taxpayers in Gedeo Zone. Mixed Research approach was employed where data was collected from both primary (questionnaire and interview) and secondary (documented data) sources. The data collected was analysed using binary logistic regression model and the result shows that tax knowledge influences taxpayers' voluntary tax compliance. The study employed mixed method where qualitative data from interview was collected. However, binary logistic regression is deficient to analyse both quantitative and qualitative data.

Manaye (2018), identified determinants of voluntary tax compliance of taxpayer's in Wolaita Sodo town and Tercha Town in Dawuro Zone. Data was sourced through interview, documents and questionnaire administered to the respondents. Multiple linear regression was used to analysed the data collected. The study revealed that tax knowledge significantly determinants voluntary tax compliance. The study used interview, questionnaire and documents to collect data and multiple regression model to analyse the data. However, the qualitative data collected was not analysed.

Asrinanda (2018), examines the influence of tax knowledge, self-assessment system and tax awareness on taxpayers' compliance in Banda Aceh City. The study sourced its data through structured questionnaire administered to taxpayers in Banda Aceh City. The results of multiple linear regression analysis shows that tax knowledge have significant effect on taxpayer compliance. This study could not relate specifically as to whether direct assessment tax compliance is influenced by tax knowledge, self-assessment system and tax awareness.

Using descriptive research design, Aondo and Sile (2018), evaluates the effect of taxpayer's knowledge on tax compliance amongst SMEs in Nakuru County Kenya. The data collected by way of questionnaire administration was analysed using both descriptive statistics and regression analysis. The result of the regression analysis reveals that taxpayers' knowledge has significant positive effect on tax compliance amongst SMEs in Nakuru County Kenya. However, the study only sampled respondents from manufacturing, trade and services sectors of the economy only, which cannot be enough to represent the entire SMEs in Nakuru County, Kenya. Moreover, the sample size of 10% was not justified by the researchers and no mention was made as to the response rate.

Olaoye, Ayeni-Agbaje, and Alaran-Ajewole (2017), evaluates the impact of tax information, administration and knowledge on tax payers' compliance of Block Moulding Firms in Ekiti State, Nigeria. The data collected with the help of questionnaire was analysed using OLS regression. The study reveals that tax knowledge have significant positive impact on tax compliance. This study was on block moulding industry in Ekiti and it lacks the ability of generalization on the entire SMEs in the state.

Sinnasamy and Bidin (2017), examines the moderating effect of probability of detection on the relationship between tax audit, tax knowledge and peer influence on excise duty non-compliance. Questionnaire was distributed to the respondents and the data generated was analysed using PLS. Significant positive relationship was observed between tax knowledge and tax compliance. Therefore, probability of detection moderated the relationship between

tax knowledge and tax compliance. This study was on indirect taxpayers compliance cannot be applied on other type of taxes such as direct assessment tax.

Azmi, Zainuddin, Mustapha, and Nawawi (2016), assesses the mediating role of tax fairness on the relationship between tax knowledge, tax complexity, and voluntary tax compliance using questionnaire to source data. The result of the study was arrived at after subjecting the data collected to PLS-SEM. The study shows that tax knowledge increases tax fairness perceptions, which, consequently, increases tax compliance. This study fails to be generic in the sense that it only selects only those taxpayers who visited Inland Revenue Board for assistance. This implies that only taxpayers who have one problem or another are studied hence the result may not depict the actual behaviour of Malaysian taxpayers.

Manual and Xin (2016), study was on the effect of tax knowledge, tax deterrence and tax compliance costs on tax compliance of self-employed taxpayers in West Malaysia. Online questionnaire was used to generate data for the study. Multiple regression and Pearson correlation were employed to test the hypotheses. The result from regression analysis revealed that tax knowledge has no any relationship with tax compliance. This study distributes 150 questionnaires to represent about 600,000 self-employed individuals in Malaysia which is not sufficient for good representation.

Oladipupo and Obazee (2016), examines the impacts of taxpayers' knowledge and penalties on tax compliance amongst small and medium enterprises in Nigeria. The data for the study was collected with the help of questionnaire whereas Ordinary Least Square regression method was employed to analyse the data. Tax knowledge was found to have positive significant impact on tax compliance. This study is a right effort to explain tax compliance issue in Nigeria's SMEs. However, the study fails to separate between different forms of taxes as whether it's CIT or PIT (PAYE or direct assessment) which has different tax jurisdiction.

Maseko (2014), investigates effect of SMEs' operators unique business conditions, perceptions towards taxation levels of personal tax knowledge and compliance costs on tax compliance. Face-to-face interview and Discussion was conducted in order to obtain the data for the study. Tax knowledge and perceptions of SME operators about tax fairness, tax service quality and government spending priorities greatly affect their tax compliance decisions positively. This study was on PAYE neglecting the direct assessment tax which is charged on self-employed persons which is very difficult to assess. It's therefore, the suitable tax to be use in determining the actual tax compliance of individuals not the tax charge on income directly at source.

Engida and Baisa (2014), determines of taxpayers' compliance with the tax system. Questionnaire was distributed and retrieved data was analysed using ordered logistic regression and Spearman correlation. The study found out that tax knowledge has no significant relationship with tax compliance. This study was specifically on direct assessment tax where hard to tax segment of the economy was studied. This study would have been better if a moderator is introduced in order to strengthen the relation.

Evans, Carlon and Massey (2024) explore the relationship between the record keeping practices of small businesses and their potential exposure to tax and related business compliance problems. The research used a mixture of qualitative (focus group) and quantitative (survey) methodologies and involved more than 500 small business owners and managers, over 300 tax practitioners, and a small number of Australian Taxation Office (ATO) auditors. Overall, the research showed that there was some dissonance between perceptions and reality. All of the key stakeholders: SME owners/managers, practitioners and ATO auditors – perceived (to varying degrees) direct relationships between poor SME record keeping practices and adverse tax compliance outcomes.

Based on the empirical literatures reviewed the study therefore hypothesised as follows:

HO: Record keeping practice does not moderate the relationship between tax knowledge and tax compliance behaviour of Micro and Small Enterprises in Gombe state, Nigeria.

Theoretical Review

Psychology Theory

Psychology theory which is traced from the work of Jackson and Millron (1986) and Alm, McClelland, and Schulze (1999) which maintained that psychological factors are what influences taxpayers to comply with the tax obligations or not to. This theory stressed ethics and morals of the taxpayers. The theory have it that likelihood of being detected do not determine compliance however tax payers are driven by their moral and ethical values to comply. Therefore, this theory is advocating for changing taxpayers attitude toward tax obligations as the only way to achieve improved compliance as against the deterrence theory that emphasises on increase penalty. Therefore, improving taxpayers' knowledge on tax obligations is major tool for changing taxpayers' attitude toward tax compliance. It is therefore believed that improved tax knowledge may increase tax compliance and vice-versa. Therefore this study adopted psychology theory as an underpinning theory. This is considering the fact Psychology theory clearly explains the relationship between the study variables. Hence, this study would attempt to validate this theory.

Methodology

This study employed taxpayer's opinion survey research designed where the data is sourced with the aid of a structurally designed questionnaire administrated to the owners of MSEs in Gombe state, Nigeria. The population of the study consist of the entire 480 MSEs registered with Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN) and Corporate Affairs Commission (CAC) in Gombe state as at December 2018. A census survey was employed and the questionnaires were sent to the respondents by means of an online method of data collection using web-based method (Google form), this method was found to be widely used in accounting researches (Bello, et al. 2023b). Cooper et al. (2006) and Benfield and Szlemko (2006) argue that web based data collection is effective and efficient taking into consideration it's cost effectiveness and time management in distribution, retrieval, coding, entry and verification. SmartPLS was employed to analyse the measurement and structural model. For the measurement of tax compliance, tax knowledge and record keeping practices the tool was adopted from the studies of (Alabede (2012); Bello, (2021); (2023a); Dauna & Masdupi, (2023); Evans, Carlon, and Massey (2005)).

Results and Discussion

The measurement model was first tested and the analysis of the structural model was subsequently carried out. Out of the 480 questionnaires sent to various MSEs in Gombe state 360 responses were found to be valid for analysis.

Measurement model evaluation

Variable	Cronbach's Alpha	Convergent Reliability	Average Variance Extracted
Tax Compliance behaviour	0.881	0.914	0.68
Tax Knowledge	0.863	0.902	0.60
Record Keeping Practice	0.887	0.912	0.64

Source: Author's Computation using SmartPLS3.0

Convergent validity is the degree to which the variable converges to explain the variation of its questions (Hair, Risher, Sarstedt, & Ringle, 2019) which is determined by examining the

Cronbach’s Alpha, Composite Reliability (CR) and Average Variance Extracted (AVE). From table 1 below the construct of this study has achieved the loadings above 0.6, with excellent Alpha coefficients of 0.881, 0.863 and 0.887 for tax compliance behaviour, tax knowledge and record keeping practice respectively. In addition, the CR of the constructs is in line with that of the alpha coefficient with all the values above 0.8. The AVE for constructs are above 0.5 as recommended by Hair et al. (2019).

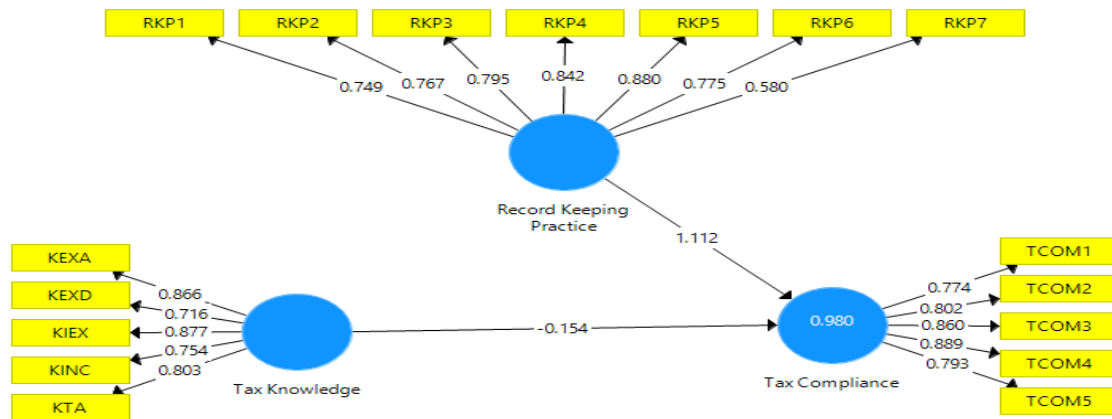


Fig. 1: Measurement Model

Predictive accuracy (Q^2) of the model was also calculated, using blindfolding method and the results indicated that the dependent latent constructs have exhibited predictive relevance with Q^2 of 0.665 which is greater than zero, hence portrayed high predictive accuracy of the PLS-path model (Hair et al., 2019).

Table 2: Model Summary

	R^2	t stat	Coef.	Std Dev	Q^2	P value	Decision
Tax Compliance Behaviour	0.98	423.919	.979	0.002	0.665	0.000	Supported

Source: Author’s Computation using SmartPLS3.0

The summary of PLS-Path model presented in table 2 above showed R^2 of 0.98 which indicated that about 98% variation in tax compliance behaviour is explained by tax knowledge as moderated by record keeping practice and the result is significant at 1% level. This is further justified by the coefficient of 0.979, which indicated that a unit increase in tax knowledge moderated by record keeping practice will improve tax compliance by about 98%.

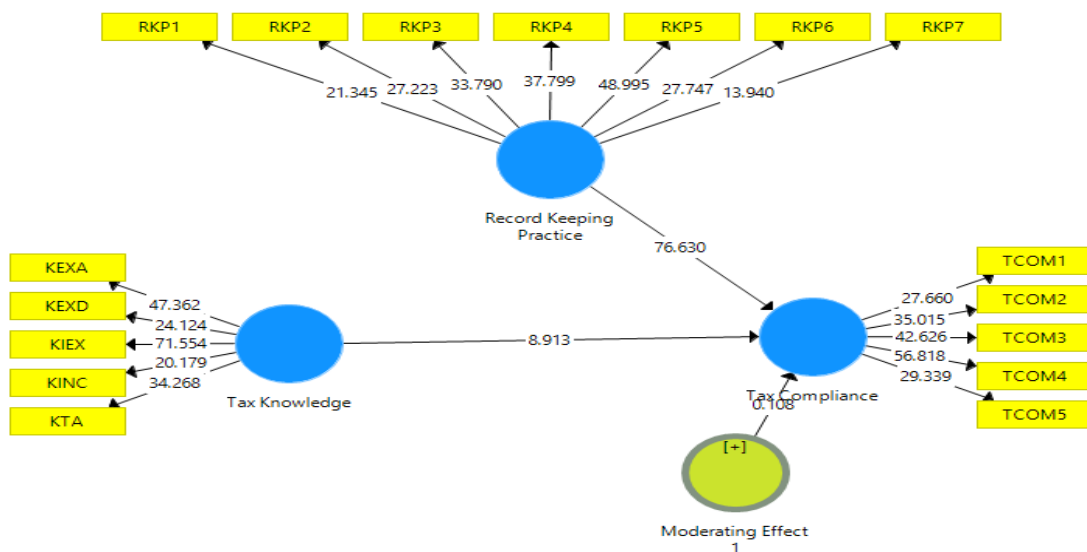


Fig. 2: Structural Model

The paper empirically assessed the structural model of the moderating effect of record keeping practice on the relationship between tax knowledge and tax compliance behaviour of MSEs in Gombe State-Nigeria. The hypothesis of the study was tested using SmartPLS3 where the statistical results supported the hypothesis which states that “record keeping practice does not moderate the relationship between tax knowledge and tax compliance behaviour of MSEs in Gombe state”.

Conclusion

This study examines the moderating effect of record keeping practice on the relationship between tax knowledge and tax compliance behaviour. The study concludes that record keeping practices moderated the relationship between tax knowledge and tax compliance behaviour of MSEs in Gombe state. Therefore, the study concludes based on the findings on the need for tax authorities to dwell more on taxpayers’ enlightenment campaigns, organising seminars and workshops for MSEs in order to improve their record keeping practice and knowledge of tax laws and policies which can consequently improve tax compliance. However, despite the contribution made by this study, it has some limitations, one major constraint that the finding cannot be generalized to the entire MSEs in the country since the data collected during the study was limited to MSEs in Gombe state-Nigeria only. To overcome the limitations of this study, future research should widen the scope to enable better generalization. In addition, future studies can consider a qualitative and/or case study approach as against this study with quantitative research approach.

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