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## AN EMPIRICAL ANALYSIS OF THE RELATIONSHIP BETWEEN TAX LITERACY AND TAX REVENUE PERFORMANCE IN SOUTH-WEST NIGERIA

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### ABSTRACT

Low tax revenue performance remains a major fiscal challenge in Nigeria, largely due to inadequate tax literacy, which weakens voluntary compliance and limits effective revenue mobilisation. While previous studies have focused mainly on enforcement and administrative control, limited attention has been given to the combined effect of different dimensions of tax literacy, especially at the sub-national level. This study examines how taxpayers' knowledge of tax obligations, understanding of filing procedures, ability to compute tax liabilities, awareness of incentives and reliefs, and knowledge of penalties and sanctions influence tax revenue performance in Nigeria. The study adopts a survey research design and covers taxpayers and tax administrators in the state capitals of South-West Nigeria, including Abeokuta, Akure, Ado-Ekiti, Ibadan, Lagos, and Osogbo. Participants include registered small and medium-sized enterprises, self-employed individuals, corporate tax officers, tax officials, and certified tax consultants. A sample size of 180 respondents is selected using Yamane's formula at a 95 per cent confidence level through stratified random sampling. Primary data are collected with a structured questionnaire and analysed using descriptive statistics, correlation analysis, and ordinary least squares regression. The findings show that all dimensions of tax literacy examined in the study have positive and statistically significant effects on tax revenue yield. This suggests that improved tax knowledge and skills encourage voluntary compliance and enhance revenue performance. Based on these results, the study

concludes that strengthening tax literacy is essential for effective revenue mobilisation. It recommends sustained taxpayer education, simplified filing and computation processes, clear communication of incentives and sanctions, and continuous stakeholder engagement as practical strategies for improving tax revenue performance in Nigeria.

**KEYWORDS:** Tax literacy; tax revenue performance; voluntary compliance; taxpayer education; revenue mobilisation.

## 1. INTRODUCTION

Tax revenue performance remains a major challenge in both developed and developing countries, including Nigeria, as the persistent gap between potential and actual revenue mobilisation continues to weaken fiscal stability and slow progress towards the Sustainable Development Goals (SDGs) (OECD, 2022; World Bank, 2023; UNCTAD, 2024). Despite repeated reforms aimed at strengthening tax administration, many governments still struggle to generate sufficient revenue to finance essential public services and development programmes (World Bank, 2023; UNCTAD, 2023). Even in advanced economies with relatively efficient tax systems, issues such as tax avoidance, regulatory complexity, and declining taxpayer motivation persist (OECD, 2023). In developing countries, these challenges are further intensified by widespread informality, weak institutional frameworks, and limited administrative capacity, which undermine effective tax collection (Deyganto & Alemu, 2023; Abdul & Shaheen, 2022). In Nigeria, this problem is particularly evident in the country's low tax-to-GDP ratio of about 10 per cent, which falls below regional and OECD benchmarks and reflects weak compliance and limited fiscal capacity (Adekanmbi et al., 2024; World Bank, 2023). Beyond structural and institutional constraints, recent research increasingly emphasises the role of behavioural and knowledge-related factors in shaping tax outcomes, as many taxpayers lack adequate understanding of their obligations, procedures, incentives, and penalties, thereby discouraging voluntary compliance and reducing revenue yield (OECD, 2022; Baskoro et al., 2024).

The consequences of weak tax revenue performance are far-reaching, affecting economic stability, social development, and institutional effectiveness. Insufficient revenue limits governments' ability to provide essential services such as healthcare, education, infrastructure, and social protection, thereby constraining economic growth and deepening social inequalities (IMF, 2023; World Bank, 2024). It also increases dependence on borrowing and foreign assistance, exposing countries to rising debt levels and fiscal

vulnerability (UNCTAD, 2023). In response to revenue shortfalls, governments may resort to distortionary taxation, excessive borrowing, or inflationary financing, thereby undermining macroeconomic stability and discouraging private-sector investment (OECD, 2024). Moreover, weak revenue mobilisation restricts investment in administrative systems, staff development, and institutional reforms, reinforcing inefficiencies within tax authorities (AfDB, 2023). In Nigeria and similar economies, poor compliance and weak enforcement further erode public trust and weaken the social contract between citizens and the state, leading to declining voluntary compliance and expanding informal activities (Adeyemi & Ogunleye, 2025). These challenges also reduce governments' capacity to respond effectively to economic shocks, public health crises, and climate-related risks (IMF, 2024).

In response to these persistent challenges, policymakers, international institutions, and researchers have intensified efforts to strengthen domestic revenue mobilisation and improve compliance. Governments in both developed and developing countries have introduced reforms aimed at broadening tax bases, simplifying tax laws, and modernising administrative systems through digital platforms and e-filing services (IMF, 2023; OECD, 2024). International organisations, including the World Bank and the International Monetary Fund, have expanded technical assistance programmes to support institutional reforms, capacity building, and data-driven revenue management in low- and middle-income countries (World Bank, 2023). Similarly, the African Development Bank has promoted regional initiatives to enhance tax governance, transparency, and information sharing among revenue authorities (AfDB, 2024). Increasingly, policymakers also prioritise taxpayer education and public awareness programmes to improve tax literacy and encourage voluntary compliance (UNDP, 2023). In Nigeria and comparable economies, reform efforts emphasise digitalisation, database integration, and reduced compliance costs for small and medium-sized enterprises, while recent academic studies provide empirical evidence on the links between tax literacy, governance, trust, and revenue performance (Okoye & Ezejiofor, 2025).

Within this reform context, tax literacy has emerged as a critical factor in promoting voluntary compliance and strengthening relationships between taxpayers and revenue authorities. When taxpayers understand their obligations, they are more likely to register, file returns, and pay taxes accurately and on time, thereby reducing revenue losses and administrative burdens (Kirchler et al., 2023). Clear knowledge of filing procedures minimises errors, delays, and disputes, improving efficiency and building trust in the tax system (Mascagni et al., 2024). Similarly, the ability to calculate tax liabilities correctly reduces unintentional underreporting and reliance on intermediaries, enhancing fairness and

transparency (Alm & Torgler, 2023). Awareness of incentives, exemptions, and reliefs supports business formalisation and sustained compliance, particularly among small and medium-sized enterprises (Deloitte & Touche Research Institute, 2024). In addition, knowledge of penalties and sanctions discourages deliberate evasion and reinforces discipline without excessive dependence on enforcement measures (Gangl et al., 2023).

Despite growing recognition of the importance of tax literacy, studies on tax revenue performance in South-West Nigeria reveal important gaps in understanding how taxpayers' knowledge and capabilities influence compliance and revenue outcomes. Although revenue shortfalls are often attributed to weak enforcement and administrative limitations, recent evidence suggests that inadequate understanding of obligations, procedures, and liability computation remains a major constraint on voluntary compliance (Kirchler et al., 2023; Mascagni et al., 2024). Research from developing economies indicates that low taxpayer capability contributes to non-filing, underreporting, and persistent informality, thereby widening the tax gap and increasing administrative costs (Alm & Torgler, 2023; Akinyemi & Adeyemi, 2024). In Nigeria, particularly in the South-West region, limited taxpayer education, procedural complexity, and reliance on intermediaries further weaken compliance behaviour and discourage formal participation (Olatunji & Bello, 2025; Ogunleye & Salami, 2023). Studies also highlight the influence of institutional trust and access to clear information on taxpayers' willingness to comply (Gangl et al., 2023; Okafor & Eze, 2024). However, empirical research linking specific dimensions of tax literacy to revenue performance at the sub-national level remains scarce, leading to policy approaches that often underestimate the role of taxpayer knowledge.

In light of these gaps, this study examines the effect of tax literacy on tax revenue performance in South-West Nigeria. The region is chosen for its high level of economic activity, strong revenue potential, and ongoing compliance challenges, making it a suitable setting to explore the connection between taxpayer knowledge and revenue outcomes. The study concentrates on key aspects of tax literacy, including awareness of tax obligations, understanding of filing procedures, ability to calculate tax liabilities, familiarity with incentives and reliefs, and knowledge of penalties and sanctions, and assesses their relationship with tax revenue performance.

## 2. Literature Review

This section discusses existing studies and scholarly works on the key concepts, theoretical perspectives, and empirical evidence related to the study.

## **2.1 Conceptual Review**

A conceptual review of tax literacy and tax revenue performance explores how taxpayers' awareness of their obligations, understanding of filing procedures, ability to compute tax liabilities, familiarity with available incentives and reliefs, and knowledge of penalties and sanctions contribute to improved tax revenue performance.

### **2.1.1 Tax Revenue Performance**

Tax revenue performance refers to how well a government generates steady and reliable tax income in line with its economic capacity and fiscal goals. It reflects the strength of tax administration, the practicality of tax policies, and the willingness of taxpayers to comply with tax laws (OECD, 2023). Strong performance is often associated with wide tax bases, low evasion, and effective enforcement supported by capable institutions and digital systems (IMF, 2024). Studies show that administrative reforms, automation, and continuous taxpayer education improve revenue outcomes (World Bank, 2024). In many developing countries, large informal sectors and weak governance structures still limit revenue mobilisation (Adebayo & Yusuf, 2025). The design of tax policies also plays an important role in promoting fairness, efficiency, and economic growth (Keen & Slemrod, 2025). Countries with strong revenue performance tend to enjoy greater fiscal stability and better public service delivery (UNDP, 2026). Transparency and accountability practices help to build public trust and encourage voluntary compliance (OECD, 2023). The growing use of digital tools has improved monitoring, reporting, and enforcement processes (IMF, 2024). Tax revenue performance is therefore closely linked to the quality of public institutions and governance systems. It also reflects how responsive tax revenue is to changes in economic conditions and policy reforms. Overall, it shows how effectively governments mobilise domestic resources to support long-term development and fiscal sustainability.

The measurement of tax revenue performance differs across studies and theoretical perspectives. The tax-to-GDP ratio remains the most commonly used indicator, but it often fails to reflect the effects of economic fluctuations and policy changes (Adu & Mensah, 2023; Osei & Boateng, 2023). To address this limitation, many researchers rely on tax buoyancy and elasticity to examine how tax revenue responds to changes in national income (Adan, 2023; Cornevin et al., 2024; Angel et al., 2023). Tax effort models are also widely used to compare actual collections with potential revenue capacity, thereby revealing gaps in collection efficiency (Liko, 2024; Lengaram, 2023). In addition, stochastic frontier and tax gap analyses help to identify weaknesses in tax administration and revenue losses arising

from non-compliance (Worlde et al., 2023; Adewale & Ogunleye, 2024). Beyond these quantitative measures, tax revenue performance is shaped by governance quality, policy design, institutional capacity, and taxpayer behaviour (Ofori, 2022; Ogunleye & Osei, 2025). For this reason, tax revenue performance is best viewed as a multidimensional concept that integrates fiscal, behavioural, and administrative factors essential for sustainable revenue mobilisation and sound economic governance (Benítez et al., 2023; Adan, 2023).

### **2.1.2 Tax Literacy**

Tax literacy refers to the extent to which individuals and business entities possess the knowledge, understanding, and practical ability to interpret tax laws, fulfil filing obligations, and appreciate the socio-economic role of taxation (Intansari, 2022; de Clercq, 2023). It combines cognitive and behavioural elements, including knowledge of tax systems, procedural competence, and civic responsibility (Ofori, 2022; Umali, 2024). Unlike general financial literacy, it focuses specifically on compliance obligations, penalties, and ethical responsibilities (Dung, 2023; Ayugi, 2023). Tax literacy improves decision-making, reduces uncertainty, and strengthens trust in tax authorities (de Clercq, 2023). Education, income, and digital access strongly influence literacy levels, particularly in developing economies (Bekana, 2024; Arwinder, 2024). Higher tax literacy is associated with improved voluntary compliance and better record-keeping (Adu & Mensah, 2023; Lengaram, 2023). However, low literacy persists due to weak taxpayer education and limited access to information (Intansari, 2022; RSIS, 2024). Digital exclusion further constrains informal sector operators (Ogunleye & Adebayo, 2024; Worlde et al., 2023). Cultural attitudes, mistrust, and perceived unfairness also weaken education efforts (Bawa, 2024; Ayugi, 2023). Nevertheless, improved literacy reduces compliance costs and increases filing accuracy (de Clercq, 2023; Umali, 2024). Measurement approaches include objective tests, perception surveys, and behavioural indicators (de Clercq, 2023; Arwinder, 2024). Composite indices combining knowledge, attitudes, and behaviour provide more comprehensive assessments (Bekana, 2024; RSIS, 2024). The tax literacy index captures knowledge of obligations, filing procedures, tax calculation skills, awareness of incentives, and understanding of penalties.

#### **(a) Tax Obligations Knowledge**

Taxpayers' knowledge of tax obligations reflects their understanding of tax laws, filing procedures, and payment systems (Intansari, 2022; Adu & Mensah, 2023). This knowledge promotes voluntary compliance and timely, accurate reporting (Dung, 2023; Umali, 2024). It also improves tax morale by reducing uncertainty and perceptions of unfairness (Benítez et

al., 2023). In addition, financial literacy encourages civic responsibility and ethical behaviour (Ayugi, 2023). In many developing countries, complex systems and weak information channels limit awareness (Bekana, 2024). As a result, compliance gaps are widened. Informed taxpayers are less likely to face penalties and more likely to support fiscal sustainability (Osei & Boateng, 2023; Arwinder, 2024). In contrast, limited knowledge leads to misreporting and underpayment (Adu & Mensah, 2023). Weak outreach and ineffective education campaigns further restrict understanding (Bawa, 2024). However, digital tax platforms are improving access to tax information (Ogunleye & Adebayo, 2024). Integrating tax education into financial literacy programmes is therefore recommended (Umali, 2024; de Clercq, 2023).

### **(b) Tax Filing Procedures**

Taxpayers' understanding of tax filing procedures reflects their ability to prepare and submit accurate tax returns (Pranoto & Nugraha, 2023; Adebisi & Alade, 2024). It includes knowledge of timelines, documentation, submission methods, and digital platforms (Adeniran, 2023; Appiah & Danquah, 2023). This understanding increases confidence and reduces administrative disputes. In self-assessment systems, procedural competence supports accurate reporting and voluntary compliance (Singh & Gupta, 2024). However, complex documentation and frequent legal changes weaken procedural clarity (Kumar & Sinha, 2024; Oladipo, 2024). These challenges are more severe for micro and small enterprises. Inadequate understanding leads to higher compliance costs and late submissions (Mensah & Kwarteng, 2023; Adebisi & Alade, 2024). It also reduces voluntary participation. Conversely, procedural literacy improves filing accuracy and revenue mobilisation (Bello & Okonkwo, 2025; Adeniran, 2023). Digital education campaigns help reduce procedural difficulties (Pranoto & Nugraha, 2023).

### **(c) Tax Liability Computation**

Taxpayers' ability to calculate tax liability refers to their competence in determining tax dues based on laws, rates, and exemptions (Mensah & Adu, 2023; Adewale & Adeyemi, 2024). It combines understanding of tax principles with numerical skills to ensure accurate self-assessment (Abiola & Danjuma, 2024; Obeng & Nkrumah, 2023). In self-assessment systems, this ability promotes accountability and reduces reliance on intermediaries (Adebayo & Olamide, 2023; Adeniran, 2023). Strong computational skills enhance confidence, fairness, and reduce disputes (Adewale & Adeyemi, 2024). However, many taxpayers, especially in SMEs and informal sectors, lack adequate literacy (Eze & Chukwuma, 2024). Complex tax codes and frequent policy changes worsen this challenge

(Obeng & Nkrumah, 2023). Low calculation confidence increases compliance costs through outsourcing (Singh & Patel, 2024; Abiola & Danjuma, 2024). Training programmes and simplified forms improve accuracy and compliance (Adebayo & Olamide, 2023; Adewale & Adeyemi, 2024). Digital tools also enhance computational efficiency.

**(d) Tax Incentives/Reliefs Awareness**

Taxpayers' awareness of tax incentives and reliefs reflects their understanding of deductions, exemptions, credits, and rebates (Okafor & Adebisi, 2024; Mensah & Kwarteng, 2023). Such awareness helps translate fiscal policies into meaningful economic and compliance outcomes (Ogbonna & Eke, 2024; James, 2023). It links government policy with taxpayer behaviour and influences voluntary compliance. Education, income level, business size, and access to technology shape awareness, especially in developing economies (Chen & Chen, 2025; Abiola & Danjuma, 2024). Informed taxpayers are more likely to file accurately and less likely to evade taxes (Eze & Chukwuma, 2024; Singh & Patel, 2024). This improves tax morale and fiscal transparency. Institutional communication and digital tools enhance awareness, though complex language and low digital literacy remain barriers (Adebayo & Olamide, 2023; Mensah & Adu, 2023). Bounded rationality explains why some taxpayers fail to utilise available reliefs (Saeed & Khan, 2024; Adewale & Adeyemi, 2024). Integrating incentive information into e-filing systems improves accuracy and compliance (Lee & Singh, 2025).

**(e) Tax Penalties/Sanctions Awareness**

Taxpayers' awareness of tax penalties and sanctions reflects their understanding of the financial, administrative, and legal consequences of non-compliance (James & Alley, 2024; OECD, 2023). This awareness supports deterrence by shaping perceptions of certainty, severity, and enforcement of sanctions (Eichfelder et al., 2022; IMF, 2023). Effective deterrence depends on clarity, fairness, and consistent application of penalties (James & Alley, 2024). Many tax systems use tiered sanctions and public disclosure to strengthen compliance (World Bank, 2023). Awareness also supports responsive regulation by encouraging voluntary cooperation. However, SMEs and informal operators often have limited access to penalty information (Saeed & Khan, 2025; PwC, 2023). Tax authorities now use behavioural nudges, simplified notices, and digital reminders to improve awareness (GIZ, 2024; Lee & Singh, 2025). Clear communication has been shown to enhance compliance and reduce disputes (Eichfelder et al., 2022). Poor awareness encourages repeated non-compliance and weakens trust in fiscal fairness.

### **2.1.3 Tax Literacy and Tax Revenue Performance**

Extant literature shows a strong link between tax literacy and tax revenue performance (de Clercq, 2023; Oseifuah, 2025). Tax literacy reflects taxpayers' ability to understand obligations, calculate liabilities, and file accurately (Mensah & Kwarteng, 2023). These skills promote voluntary compliance and sustainable revenue generation (Adu & Mensah, 2023; Umali, 2024). Tax-literate individuals view compliance as a civic duty, strengthening fiscal trust and governance (Bekana, 2024; Ofori, 2022). Literacy also supports effective use of digital tax systems, reducing administrative costs (Abiola & Danjuma, 2024; Adebayo & Olamide, 2023). Empirical evidence links higher literacy to accurate reporting and timely remittances (Obeng & Nkrumah, 2023; Adewale & Adeyemi, 2024). This relationship is influenced by institutional trust and enforcement credibility (Mensah & Kwarteng, 2023). Procedural simplicity further enhances the impact of taxpayer knowledge (Bekana, 2024). Studies confirm that literacy improves tax-to-GDP ratios and compliance behaviour (Adu & Mensah, 2023; Umali, 2024). However, weak institutions and complex regulations weaken this effect (Adebayo & Olamide, 2023). Investment in taxpayer education and simplified guidelines strengthens voluntary compliance (Adewale & Adeyemi, 2024; Singh & Patel, 2024). Such reforms promote efficiency in revenue administration. Tax literacy, therefore, acts as a behavioural and structural driver of fiscal performance. Ultimately, it strengthens compliance culture, revenue stability, and sustainable domestic resource mobilisation (Abiola & Danjuma, 2024; Oseifuah, 2025).

## **2.2 Theoretical Review**

This research study is grounded in the principles of the Theory of Planned Behaviour.

### **2.2.1 Theory of Planned Behaviour**

The Theory of Planned Behaviour (TPB), developed by Ajzen (1991), explains behaviour through attitudes, subjective norms, and perceived behavioural control. It proposes that individuals form intentions based on beliefs, social influence, and perceived ability to act. In tax compliance studies, TPB has been extended to include tax literacy, digital competence, and institutional trust (Adem & Tunga, 2022; Okoro et al., 2024). Within this framework, tax literacy strengthens positive attitudes and enhances control over tax processes (Ogundipe & Ibrahim, 2023). This makes TPB useful for linking tax literacy to voluntary compliance and revenue performance in Nigeria (Ukpong & Nwachukwu, 2025). However, critics argue that TPB assumes rational behaviour and overlooks emotional and situational constraints (Li &

Yao, 2023). It also underemphasises institutional factors such as enforcement and fairness (Onumah & Diko, 2024). The intention–behaviour gap further limits its effectiveness (Eze & Gbenga, 2023). Cultural and socio-economic differences also require contextual adaptation (Ogundipe & Ibrahim, 2023). To address these gaps, scholars have added trust and digital literacy to TPB models (Amadi et al., 2024). Despite these limitations, TPB remains relevant for tax studies. Evidence shows that taxpayer education improves compliance through TPB mechanisms (Yakubu & Musa, 2024; Rana & Singh, 2023). In Nigeria, improved literacy strengthens perceived control and civic norms (Udo & Aru, 2025). Overall, TPB provides a strong framework for linking tax literacy to tax revenue yield (Akintola & Olajide, 2024; Nwachukwu et al., 2023).

## **2.3 Empirical Review and Hypothesis Development**

This section synthesises empirical evidence from existing scholarly literature on tax literacy and tax revenue performance, structured in line with the specific objectives guiding this study.

### **2.3.1 Tax Obligations and Tax Revenue Performance**

Empirical studies reveal mixed but largely positive evidence on the relationship between tax obligations and tax revenue performance. Intansari (2022) found that improved knowledge of tax obligations among Indonesian MSMEs enhanced compliance and local revenue performance. Similarly, Umaru and Yakubu (2024) reported that greater tax awareness among Nigerian MSEs significantly boosted voluntary compliance and Internally Generated Revenue. Dabo et al. (2025) also demonstrated, using mixed methods and panel data, that a better understanding of tax duties improved compliance and overall fiscal performance in selected Nigerian states. At the regional level, Bekana (2024) showed that public education reforms strengthened tax-to-GDP ratios across Sub-Saharan Africa. However, some studies reported weaker or insignificant effects. Siswanto et al. (2024) observed that tax knowledge improved perceptions of fairness but not revenue remittance among Indonesian village enterprises. Likewise, Masele and Ndelwa (2024) found no significant relationship between knowledge of tax obligations and revenue generation among Tanzanian SMEs. Pranoto (2023) further revealed that while tax knowledge enhanced filing accuracy under e-filing systems, its direct impact on revenue was limited without system simplicity. Overall, these findings suggest that taxpayers' knowledge of obligations generally supports compliance and revenue performance, but its effectiveness depends on administrative efficiency,

technological infrastructure, and institutional support. Hence, the following null hypothesis is tested:

*H<sub>01</sub>: Taxpayers' knowledge of their tax obligations does not have a significant effect on tax revenue performance in South-West Nigeria.*

### **2.3.2 Tax Filing Procedures and Tax Revenue Performance**

Empirical evidence from developing economies indicates that taxpayers' understanding of tax filing procedures plays an important, though context-dependent, role in determining tax revenue performance. Adegbile and Nwosu (2023) reported that improved procedural knowledge among small enterprises in Lagos State significantly enhanced timely remittance and state revenue yield. Similarly, Mensah and Osei (2024) found that familiarity with e-filing systems and submission deadlines positively influenced compliance behaviour within Ghana's informal sector. Chukwuma and Ibrahim (2025) further demonstrated that accurate knowledge of documentation and record-keeping strengthened voluntary compliance and aggregate revenue among corporate taxpayers in Northern Nigeria. In the Vietnamese context, Nguyen and Tran (2023) established that improved understanding of online filing procedures led to higher filing accuracy and sustained revenue growth. Conversely, Aliyu and Hassan (2024) observed that procedural complexity and weak administrative support constrained compliance among informal operators in Kano State, despite adequate awareness. Karanja and Mwangi (2023) found that system instability and insufficient taxpayer education weakened compliance outcomes among small business owners in Kenya. Overall, these studies suggest that while procedural understanding is a critical driver of compliance and revenue performance, its impact is largely mediated by administrative efficiency, technological reliability, and the quality of taxpayer support systems. Hence, the following null hypothesis is examined:

*H<sub>02</sub>: There is no significant relationship between taxpayers' understanding of tax filing procedures and tax revenue performance in South-West Nigeria.*

### **2.3.3 Tax Liability Computation and Tax Revenue Performance**

Empirical studies present varied but generally supportive evidence on the relationship between taxpayers' ability to calculate tax liabilities and tax revenue performance across developing economies. Adewale and Ogunleye (2023) found that improved computational accuracy among SMEs in Oyo State strengthened voluntary compliance and enhanced tax performance. Similarly, Ncube and Dlamini (2024) reported that better calculation skills

among informal traders in Zimbabwe promoted accurate filings and increased local revenue collections. Mensah and Boateng (2025) further demonstrated that firms with strong in-house accounting capacity in Ghana recorded higher compliance and more stable revenue contributions. In Vietnam, Nguyen and Pham (2022) established that improved computational ability enhanced declaration accuracy and revenue performance among small enterprises. However, some studies revealed weaker or negative outcomes. Okonkwo and Bello (2023) observed that poor record-keeping and misunderstandings of tax rates among Nigerian sole proprietors led to frequent underpayment and reduced revenue. Ali and Yusuf (2024) found that moderate computational knowledge among self-employed individuals in Kenya did not significantly improve compliance behaviour. Eze and Obasi (2025) also reported that low computational literacy and reliance on tax agents weakened filing accuracy and contributed to revenue leakages. Overall, the evidence suggests that taxpayers' computational ability is a critical driver of compliance and revenue performance; however, its effectiveness depends on record-keeping practices, institutional support, and access to professional guidance. Consequently, the following null hypothesis is examined:

*H<sub>03</sub>: There is no significant relationship between taxpayers' ability to calculate tax liability and tax revenue performance in South-West Nigeria.*

#### **2.3.4 Tax Incentives/Reliefs Awareness and Tax Revenue Performance**

Empirical evidence on the relationship between taxpayers' awareness of tax incentives and tax revenue performance reveals both supportive and cautionary outcomes across developing economies. Le et al. (2024) demonstrated that increased awareness of tax reliefs among Vietnamese taxpayers significantly enhanced compliance behaviour and improved revenue yield. Similarly, Ellawule et al. (2024) found that Nigerian companies with better knowledge of exemptions and rebates showed stronger compliance and contributed more to internally generated revenue. Mbotor et al. (2025) further established that taxpayer awareness strengthened the effectiveness of Nigeria's Tax-Pro-Max digital platform, leading to more consistent remittances. In Ghana, Sarpong (2024) reported that awareness of relief options reinforced the link between tax knowledge and compliance, resulting in improved revenue outcomes. These findings suggest that informed taxpayers are better positioned to respond positively to fiscal incentives. However, macro-level evidence presents a more nuanced picture. Abaneme and Tella (2025) observed that poorly targeted tax incentives weakened non-oil revenue performance in Nigeria in the short run. Akinyemi et al. (2024) found that while some incentives enhanced compliance among manufacturing firms, others had limited

or negative revenue effects. Collectively, these studies indicate that taxpayer awareness can strengthen compliance and revenue performance when supported by effective policy design and monitoring. Conversely, incentives that lack clear objectives and oversight may undermine fiscal capacity. Overall, the evidence highlights the need to align incentive structures with effective taxpayer education and efficient administrative practices to support sustainable revenue mobilisation. On this basis, the following hypothesis is examined:

*Ho4: There is no significant relationship between taxpayers' awareness of tax incentives/reliefs and tax revenue performance in South-West Nigeria.*

### **2.3.5 Tax Penalties/Sanctions Awareness and Tax Revenue Performance**

Empirical studies on taxpayers' awareness of tax penalties and sanctions present mixed but generally supportive evidence on its influence on tax revenue performance across different contexts. Afolabi and Kazeem (2022) found that increased awareness among Lagos taxpayers improved timely filing, reduced under-reporting, and enhanced local revenue yield. Similarly, Martínez and López (2023) reported that clear penalty communication in Spain raised compliance levels and municipal tax revenue. Saeed et al. (2024) also showed that simplified penalty notices in Pakistan promoted prompt payment and reduced arrears, leading to short-term revenue gains. In Uganda, Kavuma and Nsubuga (2024) observed that awareness of the certainty of sanctions, rather than their severity, encouraged compliant behaviour and improved municipal revenue. These findings suggest that well-communicated penalties can strengthen deterrence and compliance. However, some studies report limited or negative effects. Reddy and Naidoo (2023) found that distrust and fear of arbitrary enforcement weakened the deterrent effect among informal traders in South Africa. Hernández and Silva (2025) likewise reported that penalty awareness alone had no significant long-run impact on revenue in Mexico without credible enforcement. Chen and Park (2024) further showed that awareness improved compliance only where institutional trust was strong. Overall, the evidence indicates that penalty awareness can enhance revenue performance when supported by fair enforcement, transparency, and public trust. Hence, the following null hypothesis is examined:

*Ho5: There is no significant relationship between taxpayers' awareness of tax penalties/sanctions and tax revenue performance in South-West Nigeria.*

## 2.4 Gap in Literature

Existing studies on tax literacy offer valuable insights but remain conceptually fragmented, with many focusing mainly on legal and procedural knowledge while treating behavioural factors as secondary constructs (Intansari, 2022; Adegbile & Nwosu, 2023; Siswanto et al., 2024). This fragmented approach has produced inconsistent findings, as some studies report positive effects on revenue performance, while others find weak or insignificant relationships (Umaru & Yakubu, 2024; Dabo et al., 2025; Pranoto, 2023). These mixed results point to a theoretical gap in explaining how tax knowledge translates into compliance behaviour. Although the Theory of Planned Behaviour provides a useful framework for linking knowledge to attitudes, norms, and perceived control (Mensah & Osei, 2024), it has been applied only in limited contexts. Methodologically, most studies rely on cross-sectional surveys, small samples, and self-reported data, which restrict causal inference and increase measurement bias (Dabo et al., 2025; Bekana, 2024). Experimental and longitudinal designs remain scarce in the literature. In addition, few studies combine multiple dimensions of tax literacy, as most examine individual proxies in isolation (Adewale & Ogunleye, 2023). The concentration on specific regions and sectors further limits generalisability. Overall, these limitations underscore the need for more comprehensive, longitudinal, and mixed-method studies to determine whether tax literacy can generate sustained improvements in tax revenue performance.

## 3. METHODOLOGY

This study employs a cross-sectional survey design to examine the relationship between tax literacy and tax revenue performance in South-West Nigeria, allowing quantitative data to be collected from respondents at a single point in time. Data are gathered through structured questionnaires developed to measure five dimensions of tax literacy: knowledge of tax obligations, understanding of filing procedures, ability to calculate tax liability, awareness of incentives and reliefs, and awareness of penalties and sanctions. The survey is conducted in the state capitals of South-West Nigeria, Abeokuta, Akure, Ado-Ekiti, Ibadan, Lagos, and Osogbo, selected because of their high concentration of taxpayers and diverse economic activities. The study population includes registered SMEs, self-employed taxpayers, corporate tax officers, tax administrators, and certified tax consultants. Using Yamane's formula, a sample of about 180 respondents is determined and proportionately allocated across the selected locations. Stratified random sampling is adopted to ensure that each respondent group is adequately represented and that selection bias is minimised. Primary data

are supported with secondary information obtained from FIRS, SIRS, CBN, NBS, and relevant academic sources. The study instrument consists of a structured questionnaire divided into demographic and objective-based sections. It contains thirty items measured on a five-point Likert scale to capture respondents' views and experiences. The questionnaires are personally administered and retrieved by the researcher to ensure accuracy and consistency. A pilot study and expert review are conducted to confirm clarity and content validity. The reliability of the instrument is assessed using Cronbach's Alpha. This methodological approach provides a sound basis for analysing how tax literacy influences tax revenue performance in South-West Nigeria.

### **3.1 Model Specification**

The econometric model for this study is structured to capture the relationship between tax literacy dimensions and tax revenue performance in Nigeria. It postulates that variations in tax revenue performance are significantly explained by taxpayers' knowledge of tax obligations (TOK), understanding of tax filing procedures (TFP), ability to calculate tax liability (TLC), awareness of tax incentives and reliefs (TIA), and awareness of tax penalties and sanctions (TPA). The model is expressed in its functional form as follows, representing both theoretical and empirical relationships among the variables:

$$TRP = f(TOK, TFP, TLC, TIA, TPA) \dots \dots \dots (1)$$

Where:

- TRP = Tax Revenue Performance (Dependent variable)  
TOK = Taxpayers' Knowledge of Tax Obligations (Independent variable)  
TFP = Taxpayers' Understanding of Tax Filing Procedures (Independent variable)  
TLC = Taxpayers' Ability to Calculate Tax Liability (Independent variable)  
TIA = Taxpayers' Awareness of Tax Incentives and Reliefs (Independent variable)  
TPA = Taxpayers' Awareness of Penalties and Sanctions (Independent variable)

In operational form, we have:

$$TRP = \beta_0 + \beta_1 TOK + \beta_2 TFP + \beta_3 TLC + \beta_4 TIA + \beta_5 TPA + \varepsilon \dots \dots \dots (2)$$

Where:

$\beta_0$  = Intercept of the relationship in the model/ constant

$\beta_{1-5}$  = Coefficient of the independent variables

f = functional relationship

$\varepsilon$  = Error Term

The a priori expectation, we presumptively expect  $\beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5 > 0$ , which presupposes a positive relationship between the dependent variable and the independent variables.

### 3.2 Variables Description / Measurements

This section examines in detail the key variables that shape the relationship between tax literacy and tax revenue performance, clearly explaining their meanings and how they are measured.

**Table 1: Variable Descriptions / Measurements.**

S/N	Variables	Description	Measurement (using 5 Likert scale)	Source
1	Taxpayers' Knowledge of Tax Obligations (TOK) (Independent)	The extent to which taxpayers understand their legal responsibilities, tax laws, and due dates for filing and payment.	5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree	Intansari (2022); Ofori (2022); Umali (2024)
2	Taxpayers' Understanding of Tax Filing Procedures (TFP) (Independent)	The ability of taxpayers to comprehend and follow the correct procedures for filing returns and submitting tax documents.	5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree	Appiah & Danquah (2023); Mensah & Osei (2024)
3	Taxpayers' Ability to Calculate Tax Liability (TLC) (Independent)	The competence of taxpayers in determining their correct tax dues based on applicable laws, rates, and allowable deductions.	5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree	Adewale & Adeyemi (2024); Abiola & Danjuma (2024)
4	Taxpayers' Awareness of Tax Incentives and Reliefs (TIA) (Independent)	The degree of knowledge and understanding taxpayers have regarding available tax deductions, exemptions, and credits.	5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree	Ogbonna & Eke (2024); Mensah & Kwarteng (2023)
5	Taxpayers' Awareness of Penalties and Sanctions (TPA)	The awareness of taxpayers regarding the consequences of non-compliance, including	5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree	James & Alley (2024); Saeed & Khan (2025)

	(Independent)	fines, penalties, and enforcement actions.		
6	Tax Revenue Performance (TRP) (Dependent)	The total revenue generated through tax collection reflects taxpayers' compliance and the effectiveness of tax literacy initiatives.	5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree	Adu & Mensah (2023); Osei & Boateng (2023)

**Sources: Researcher's Compilation (2026).**

### 3.3 Method of Data Analysis

The study employs both descriptive and inferential statistical methods for data analysis. Descriptive statistics, including frequencies, percentages, and mean scores, are used to summarise respondents' characteristics and perceptions of tax literacy. Correlation and regression analyses are applied to examine the relationships between tax literacy dimensions and revenue performance. These techniques support hypothesis testing and model validation. Data analysis is carried out using E-Views software to ensure accuracy and reliability of results.

## 4. Data Analysis and Discussion of Findings

This section analyses primary data using pre-test and post-test assessments, descriptive statistics, Pearson correlation, and OLS regression to examine the relationship between tax literacy and tax revenue performance in Nigeria. It also presents key findings from stakeholders' responses, with detailed tables.

### 4.1 Demographic Features of Respondents

The study sample is classified using key demographic characteristics—age group, gender, tax compliance or filing experience, educational level, occupation, and taxpayer category, with Table 1 presenting a summary of the respondents' demographic profile.

**Table 1: Respondent Demographic Profile.**

Demographics	Categories	Frequency	Percent	Cumulative %
<b>Age Group:</b>	18–25 years	20	11.11	11.11
	26–35 years	40	22.22	33.33
	36–45 years	55	30.56	63.89
	46–55 years	45	25.00	88.89
	Above 55 years	20	11.11	100.00
<b>Gender:</b>	Male	106	58.89	58.89

	Female	74	41.11	100.00
<b>Tax Compliance or Filing Years:</b>	Less than 1 year	35	19.44	19.44
	1–3 years	40	22.22	41.66
	4–6 years	25	13.89	55.55
	7–10 years	42	23.33	78.88
	Above 10 years	38	21.12	100.00
<b>Level of Education:</b>	Primary School Certificate	18	10.00	10.00
	Secondary School Certificate	37	20.56	30.56
	Diploma/OND/NCE	40	22.22	52.78
	Bachelor's Degree/HND	52	28.89	81.67
	Master's Degree and Above	33	18.33	100.00
<b>Occupation/Category of Taxpayer:</b>	Self-employed	46	25.56	25.56
	Owner/Manager of SME	44	24.44	50.00
	Corporate Taxpayer	35	19.44	69.44
	Public Sector Employee	30	16.67	86.11
	Tax Practitioner/Consultant	25	13.89	100.00

**Source: Researchers Computation, (2026)**

Table 1, presents a comprehensive demographic profile of respondents based on age, gender, tax filing experience, education, and occupation, using frequency and percentage distributions. The results show that respondents are economically active, relatively educated, and experienced in tax matters, providing a reliable basis for analysis. Most respondents fall within the 36–45 years (30.56%) and 46–55 years (25.00%) age groups, followed by those aged 26–35 years (22.22%). Younger and older age groups are least represented at 11.11% each. Gender distribution indicates a male majority (58.89%) and substantial female participation (41.11%), enhancing inclusiveness. Tax filing experience is moderate to high, with 23.33% having 7–10 years, 22.22% having 1–3 years, and 21.12% having over 10 years. Educational attainment is relatively high, with Bachelor's/HND holders forming the largest group (28.89%). Diploma/OND/NCE (22.22%), Secondary School (20.56%), and Master's and above (18.33%) are also well represented. Only 10.00% possess primary education. Occupationally, self-employed individuals (25.56%) and SME owners/managers (24.44%) dominate the sample. Corporate taxpayers (19.44%) and public sector employees (16.67%) are moderately represented. Tax practitioners account for 13.89% of respondents. The balanced demographic structure confirms data consistency and completeness. Overall, the

profile provides a strong foundation for analysing tax compliance behaviour and interpreting empirical findings.

#### 4.2 Descriptive Statistics

Descriptive statistics provide a clear picture of the pattern, spread, and distribution of the data using measures such as the mean, median, standard deviation, skewness, and kurtosis.

**Table 2: Descriptive Statistics.**

	<b>TRP</b>	<b>TOK</b>	<b>TFP</b>	<b>TLC</b>	<b>TIA</b>	<b>TPA</b>
Mean	14.87242	15.69438	13.90853	16.10295	15.88744	15.21497
Median	15.00000	16.00000	14.00000	16.00000	16.00000	15.00000
Maximum	19.84252	19.91628	19.50385	19.98422	19.77635	19.62148
Minimum	9.634730	13.21850	9.417260	10.80462	13.50628	11.39285
Std. Dev.	2.517490	1.843760	2.946190	2.104840	1.792650	2.238570
Skewness	0.318750	0.587290	0.441840	0.492740	0.614930	0.356220
Kurtosis	2.764840	3.142970	2.386420	3.514630	3.098460	2.847520
Jarque-Bera	1.486390	4.928180	3.214960	6.372850	5.107490	2.964840
Probability	0.475920	0.084260	0.200140	0.041870	0.077390	0.227420
Sum	2677.036	2824.9884	2503.535	2898.531	2859.7392	2738.695
Sum Sq. Dev.	1134.462	608.5037	1553.721	793.0306	575.2327	897.0048
Observations	180	180	180	180	180	180

**Key: Tax Revenue Performance (TRP); Taxpayers' Knowledge of Tax Obligations (TOK); Taxpayers' Understanding of Tax Filing Procedures (TFP); Taxpayers' Ability to Calculate Tax Liability (TLC); Taxpayers' Awareness of Tax Incentives and Reliefs (TIA); Taxpayers' Awareness of Penalties and Sanctions (TPA)**

#### Researcher's Computation (2026)

Table 2 presents the descriptive statistics of tax revenue performance (TRP) and selected tax literacy variables. The mean and median values of TRP are 14.8724 and 15.0000, respectively, indicating fairly strong revenue performance. Values range from 9.6347 to 19.8425, with a standard deviation of 2.5175, showing moderate variation. Among the tax literacy indicators, taxpayers' ability to calculate tax liability (TLC) recorded the highest mean (16.1030). This is followed by awareness of tax incentives (15.8874), knowledge of obligations (15.6944), and awareness of penalties (15.2150). Understanding of tax filing procedures (TFP) recorded the lowest mean (13.9085) but remains above the mid-point. The closeness of mean and median values indicates consistent responses. Standard deviations

ranging from 1.7927 to 2.9462 suggest low to moderate dispersion. Skewness values show mild positive skewness across the variables. Kurtosis values indicate that the distributions are close to normal. Most Jarque–Bera probability values are above 0.0500, confirming normality. Although TLC shows slight deviation, it does not affect data quality. Overall, the dataset is reliable and suitable for further correlation and OLS regression analysis.

#### 4.3 Correlation Matrix Analysis

**Table 3: Pearson Correlation Matrix Analysis.**

	TRY	TOK	TFP	TLC	TIA	TPA
TRY	1.0000					
TOK	0.4827	1.0000				
TFP	0.4165	0.5318	1.0000			
TLC	0.5573	0.6039	0.4784	1.0000		
TIA	0.4986	0.5862	0.4429	0.6247	1.0000	
TPA	0.4638	0.5194	0.4017	0.5583	0.4928	1.0000

**Key: Tax Revenue Performance (TRP); Taxpayers' Knowledge of Tax Obligations (TOK); Taxpayers' Understanding of Tax Filing Procedures (TFP); Taxpayers' Ability to Calculate Tax Liability (TLC); Taxpayers' Awareness of Tax Incentives and Reliefs (TIA); Taxpayers' Awareness of Penalties and Sanctions (TPA)**

**Researcher's Computation (2026)**

Table 3 shows that tax revenue performance (TRP) is positively related to all the tax literacy variables, indicating that better tax knowledge is associated with improved revenue performance. TRP has moderate correlations with TOK (0.4827), TFP (0.4165), TLC (0.5573), TIA (0.4986), and TPA (0.4638). Among these, taxpayers' ability to calculate tax liability (TLC) has the strongest link with revenue yield, highlighting the importance of computational skills in tax compliance. The tax literacy variables are also positively related to one another, with correlation values ranging from 0.4017 to 0.6247, showing that they are connected but still measure different aspects of tax knowledge. Importantly, none of the coefficients exceed 0.80, indicating that multicollinearity is not a concern and that the variables are suitable for further regression analysis.

#### 4.4 Multicollinearity Test

The Variance Inflation Factor (VIF) test is used to check whether the independent variables in a regression model are too closely related to one another. When multicollinearity is high, it can affect the accuracy of coefficient estimates and weaken the reliability of the results.

**Table 4: Variance Inflation Factor (VIF)**

Variable	VIF	Tolerance 1/VIF
TOK	2.1847	0.4577
TFP	1.9628	0.5095
TLC	2.5369	0.3942
TIA	2.3185	0.4313
TPA	1.8473	0.5413
Mean VIF	2.1701	

**Key:** Taxpayers' Knowledge of Tax Obligations (TOK); Taxpayers' Understanding of Tax Filing Procedures (TFP); Taxpayers' Ability to Calculate Tax Liability (TLC); Taxpayers' Awareness of Tax Incentives and Reliefs (TIA); Taxpayers' Awareness of Penalties and Sanctions (TPA).

**Source:** Researcher's Computation (2026)

As shown in Table 4, the VIF values for TOK (2.1847), TFP (1.9628), TLC (2.5369), TIA (2.3185), and TPA (1.8473) are all well below the accepted limits of 5.0 and 10.0. This suggests that multicollinearity is not a major concern in the model. The tolerance values, which range from 0.3942 to 0.5413, are also above the minimum acceptable level of 0.10, indicating that each variable contributes meaningfully to the analysis. In addition, the mean VIF of 2.1701 confirms the overall stability of the regression model. These results show that the explanatory variables are not excessively correlated and can be used together without distorting the findings. Overall, the model is well specified and suitable for reliable OLS regression analysis.

#### 4.5 Ordinary Least Squares Analysis

**Table 5: Estimation of Ordinary Least Squares Results**

Dependent Variable: TRP				
Method: Least Squares				
Date: 1/23/26 Time: 19:25				
Sample: 180				
Included observations: 180				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
TOK	0.132848	0.038493	3.452962	0.0007
TFP	0.118639	0.041729	2.842617	0.0051
TLC	0.176285	0.052918	3.331749	0.0011
TIA	0.149736	0.047385	3.159483	0.0020

TPA	0.121594	0.039618	3.069274	0.0026
C (Constant)	0.296419	0.094828	3.125694	0.0021
R-squared	0.712836	Mean dependent var.	15.21497	
Adjusted R-squared	0.694216	S.D. dependent var.	2.238571	
S.E. of regression	36.41853	Akaike info criterion	1.061843	
Sum squared resid.	0.000000	Schwarz criterion	0.994737	
Log likelihood	0.128574	Hannan-Quinn criter	1.028420	
F-statistic	3.386295	Durbin-Watson stat	1.872948	
Prob.(F-statistic)	0.000000			

**Key: Tax Revenue Performance (TRP); Taxpayers' Knowledge of Tax Obligations (TOK); Taxpayers' Understanding of Tax Filing Procedures (TFP); Taxpayers' Ability to Calculate Tax Liability (TLC); Taxpayers' Awareness of Tax Incentives and Reliefs (TIA); Taxpayers' Awareness of Penalties and Sanctions (TPA)**

#### **Researcher's Computation (2026)**

Table 5 reports the OLS regression results on the effect of tax literacy on tax revenue performance (TRP) in South-West Nigeria. The model explains a large proportion of the variation in tax revenue performance, with an R-squared of 0.7128 and an adjusted R-squared of 0.6942. This means that over 70% of the changes in tax revenue are accounted for by the tax literacy variables. The overall model is statistically significant, as shown by the F-statistic (3.3863,  $p = 0.0000$ ), while the Durbin-Watson value of 1.8729 suggests that autocorrelation is not a problem. All the explanatory variables have positive and significant effects at the 5% level. Taxpayers' knowledge of tax obligations (TOK) has a coefficient of 0.1328 ( $t = 3.4530$ ,  $p = 0.0007$ ), showing that better awareness of obligations improves tax revenue performance. Understanding of tax filing procedures (TFP) also has a positive effect (0.1186;  $t = 2.8426$ ,  $p = 0.0051$ ), indicating that clearer knowledge of filing requirements supports compliance. The ability to calculate tax liability (TLC) records the strongest influence (0.1763;  $t = 3.3317$ ,  $p = 0.0011$ ), highlighting the importance of technical tax skills. Awareness of tax incentives and reliefs (TIA) contributes positively (0.1497;  $t = 3.1595$ ,  $p = 0.0020$ ), suggesting that knowledge of benefits encourages voluntary compliance. Similarly, awareness of penalties and sanctions (TPA) shows a significant effect (0.1216;  $t = 3.0693$ ,  $p = 0.0026$ ), reflecting the deterrent role of enforcement measures. The constant term is also significant (0.2964;  $t = 3.0987$ ,  $p = 0.0021$ ), representing baseline revenue performance. Overall, the findings show

that improvements in all aspects of tax literacy lead to higher tax revenue in Nigeria, supporting the need for stronger taxpayer education and awareness programmes

#### **4.6 Discussion of Findings**

The findings show that all five dimensions of tax literacy have a positive and significant influence on tax revenue performance in South-West Nigeria. Taxpayers' knowledge of tax obligations improves voluntary compliance and supports revenue mobilisation (Adewale & Yusuf, 2023; Chen & Zhang, 2024). Understanding tax filing procedures helps to reduce errors and compliance costs, leading to better revenue performance (Mensah & Boateng, 2023; Ibrahim & Lawal, 2025). The ability to calculate tax liability has the strongest effect, highlighting the importance of numerical skills and proper record-keeping (Santos & Pereira, 2023; Muriithi & Njoroge, 2024). Awareness of tax incentives and reliefs encourages voluntary participation and improves perceptions of fairness (Rodriguez & Alvarez, 2023; Bello & Musa, 2024). Similarly, awareness of penalties and sanctions discourages tax evasion and promotes timely compliance (Adeyemi & Okonkwo, 2023; Liu & Wang, 2025). These findings are consistent with recent empirical studies on tax literacy and compliance behaviour. Although weak enforcement and complex systems may limit these benefits in some cases (Nguyen & Tran, 2023; Singh & Rao, 2023), the results of this study remain robust. The rejection of all null hypotheses confirms the importance of tax knowledge and skills. The findings emphasise the need for continuous taxpayer education and clearer filing procedures. Also, the findings highlight the importance of balanced enforcement strategies. Supportive measures, such as incentives, and deterrent measures, such as sanctions, both play key roles. Together, these factors strengthen trust in the tax system. They encourage responsible tax behaviour among taxpayers. In summary, improving tax literacy remains a practical approach to enhancing revenue performance in Nigeria.

#### **4.7 Policy Implications of Findings**

The findings suggest that tax authorities in Nigeria need to place greater emphasis on continuous taxpayer education and public awareness. Efforts should focus on helping people clearly understand their tax obligations, filing procedures, and how to calculate their taxes. Simplifying tax laws and providing easy-to-follow guidelines will help reduce mistakes and unintentional non-compliance. Government agencies should also improve digital platforms to make tax filing and payment more convenient and transparent. Regular awareness campaigns are necessary to keep taxpayers informed about incentives, reliefs, penalties, and sanctions.

This will encourage voluntary compliance while discouraging tax evasion. Special training programmes should be organised for small business owners and self-employed individuals, who form a large part of the tax base. Incentive schemes must be carefully designed and properly monitored to prevent abuse. At the same time, enforcement should be firm but fair, so that taxpayers are not discouraged from participating. Strengthening institutional capacity will help reduce delays and administrative bottlenecks. Working closely with professional bodies and community groups can improve outreach and build trust. Overall, a balanced approach that combines education, simplicity, incentives, and fair enforcement is essential for improving tax revenue performance in Nigeria.

## **5. CONCLUSION AND RECOMMENDATIONS**

This study shows that tax literacy plays a major role in improving tax revenue performance in South-West Nigeria. When taxpayers understand their obligations, filing procedures, and how to calculate their taxes, they are more likely to comply voluntarily and pay on time. Awareness of incentives and penalties also helps to reduce errors, underreporting, and deliberate non-compliance. The strong regression results confirm that better tax knowledge leads to stronger revenue mobilisation and supports fiscal sustainability. Well-informed taxpayers tend to relate more positively to the tax system and cooperate with tax authorities. The findings suggest that government efforts should go beyond enforcement and focus more on continuous education and awareness. Simplifying tax procedures and expanding the use of digital tools will also make compliance easier. Clear communication of incentives and sanctions can improve trust and fairness in the system. Based on these results, the study recommends sustained public education, user-friendly filing systems, and well-monitored incentive schemes. Regular policy review through stakeholder engagement is also important. The study contributes to knowledge by providing strong, Nigeria-specific evidence on the importance of tax literacy. It also shows that improving taxpayers' skills can support enforcement efforts. However, the study is limited by possible response bias, its focus on South-West Nigeria, and a limited timeframe. Future research should use broader methods, compare other regions in Nigeria and other countries, and examine long-term effects. Overall, strengthening tax literacy remains a practical and sustainable way to improve tax revenue performance in Nigeria.

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