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DETERMINANTS OF TAX EVASION OF MANUFACTURING FIRMS IN NIGERIA

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ABSTRACT

Over the years, it has been difficult for government to maximize tax revenue due to tax evasion. Tax evasion distorts economic efficiency in the informal sector of the economy. This study investigated the determinants of tax evasion of manufacturing firms in Nigeria using a Time series data obtained from World Development Indicator and Central Bank of Nigeria between the periods of 1989-2020. Multiple Regression Model was used for hypothesis testing using STATA 13. The result reviewed that personal income tax, business income tax, per capita income and inflation rate had positive significant relationship with tax evasion of manufacturing firms. Also manufacturing value added has positive but insignificant relationship with tax evasion of manufacturing firms in Nigeria. The study suggest that government should reduce the tax rate levied on manufacturer and embark on tax education and provision of adequate logistics to tax officials so as to reduce tax evasion. Also, government should create enabling environment for manufacturing firms to strive to enable them generate enough income for their business.

Keywords: Tax Evasion, Manufacturing Firms, Business Income Tax & manufacturing valued added

1.0 Introduction:

1.1 Background to the Study

The government depends heavily on taxes for funding. The government's responsibilities in Nigeria expand beyond only funding the military to include social security, Medicare for the elderly, the provision of public goods, income and wealth redistribution, the provision of social and economic welfare, economic stability, harmonization, and regulation. The government requires income to pay for these programs and services. Taxes are the main way that the government makes money. The availability of funds to administer the state also affects economic growth. According to Kurawa and Saidu (2018), tax fulfills a number of crucial tasks in a modern economy, including resource redistribution, infrastructure development, revenue generation for government operations, and increased standard of living.

The Nigerian tax system is made up of tax laws, tax policies, and tax administrations that all work together to advance Nigeria's overall goal of economic development and progress. The fundamental goal of the Nigerian tax system is to provide for and contribute to the social and economic wellbeing of Nigerians, according to the presidential committee established on National Tax Policy in 2008. In order to achieve the goals of equity in distribution and fairness in the nation, Nigeria's tax system was expected to reduce economic distortions in the nation, correct market failure, promote economic stability, and, most importantly, produce stable revenue and other resources that the government

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needs to carry out public projects and make beneficial investments for the general public .

Worlu and Emeka (2012) provided proof of this. Salawu, Oyedokun, and Akintoye (2018) have revealed that the majority of people try to escape paying taxes, which makes it challenging for tax administrators to efficiently assess and collect taxes. Due to tax evasion, it has been challenging to maximize tax collection. Tax evasion, according to Adebisi and Gbegi (2013), deprives every government of tax income because of the system's failure to collect taxes as effectively as it could. The practice of tax evasion is a worldwide occurrence that has occurred in both industrialized and developing nations.

According to Salaudeen and Eze (2018), tax evastion causes the informal economy's economic efficiency to be distorted, leading to increased investment. Tax evasion negatively affects the government's ability to function, generate income, and be efficient and effective. Effectiveness is acknowledged to deteriorate as obedient taxpayers become aware that government is unable or unwilling to take corrective action and feel increasingly frustrated as a result. The study emphasized that there may be a significant negative impact of tax evasion on equity. There is both horizontal and vertical inequity, and in both cases, the higher-taxed person foots the bill for the lower-taxed people because, under the assumption of revenue neutrality, the tax rates would have been lower had there been no tax evasion. Second, when there is a sizable budget deficit, revenue losses resulting from noncompliance and corruption become important. Third, there is increasing worry regarding the growth of the shadow economy and how these activities impact economic policies, (Folayan, & Adeniyi, 2018).

Therefore, one of the confusing issues that many developing countries face is tax avoidance. This is because it restricts the government's ability to raise money for development reasons Torgler (2003). Therefore, the government implements more development programs to enhance citizens' well-being the higher the tax revenue. To reap the benefits of tax revenue, people and businesses must freely comply with their tax duties. However, tax evasion is quite common in Nigeria, leaving a clear discrepancy between expected and actual tax revenue collections. As evidence, consider Figure 1:

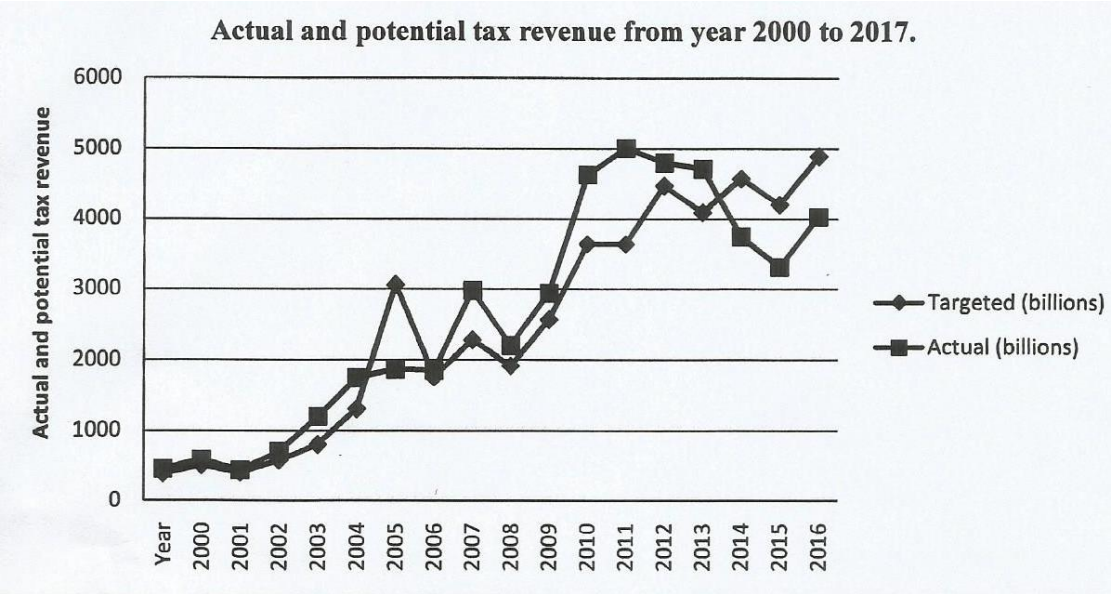

Figure 1 Graphical summary of actual and potential tax revenue from year 2000 to 2017 (***Source: NBS 2018 report.)***

Tax evasion tends to lower a government's prospective capacity to generate revenue, which in turn limits her ability to spend money. Tax evasion is a form of indirect public spending, just like tax vacations and concessions. Tax evasion also shrinks the tax base and raises tax rates for people and companies that are committed to paying their fair share of taxes. When honest tax payers feel upset and are readily persuaded to join the decision to evade taxes, tax evasion threatens to further damage the equality component of a tax system.

Investigating the factors that influence total tax evasion, personal income tax evasion, and corporate tax evasion by manufacturing firms in Nigeria is the primary goal of the study. There are some tax-related researches in Nigeria, however the majority of them do not examine the factors that lead manufacturing companies in Nigeria to evade taxes. This study's aim is to determine the factors that influence how much tax manufacturing companies in Nigeria evade. The following research issues are addressed in this study: What factors influence tax avoidance of total tax in Nigerian manufacturing firms? What factors contribute to tax evasion of company taxes in Nigerian manufacturing firms? This study is crucial because manufacturing companies' tax avoidance hinders the government's ability to provide the people with the essential social services they require. In fact, if tax aevasion by manufacturing companies goes unchecked, any government might fall. As a result, every government needs enough money to operate. A study like this is crucial given the current focus on social and economic development in Nigeria because it has the potential to advance our understanding of the interactions between socio-cultural factors and tax compliance, which could have implications for policy decisions and development initiatives.

2.0 Review of Related Literature

The classical writings of Jeremy Bentham and Cesare Pavese are where the deterrence idea first appeared (Murphy 2008). According to their traditional usage explanation of crime, people act rationally and maximize their projected utility. According to Becker (1968), authorities must strike an adequate balance between catching violators and enforcing sanctions

before non-compliance turns into an unreasonable behavior.

Alhigham and Sandmo (1972) expanded Becker's work on the economics of crime to the setting of taxation at the beginning of the 1970s. They looked at taxpayers' decisions to avoid taxes when they filed their tax returns and looked at the relationship between the tax evasion penalty rate in effect at the time, the likelihood that it would be discovered, and the level of evasion practiced. What they discovered was a correlation between these variables, with a higher penalty rate and likelihood of detection discouraging tax evasion.

As a result, many academics started to doubt the effectiveness of deterrence as a sole method of behavior control in the 1980s. They started to pay more attention to studying compliance than deterrence and understood the value of persuasion and cooperation. In fact, studies have shown that the use of threat and legal coercion, especially when perceived as unjustified, can result in undesirable behavior; these actions are more likely to lead to continued noncompliance, creative compliance, criminal behavior, or opposition (Murphy and Harris 2007; Fehr and Rokenbach, 2003).

This strategy comes to the conclusion that compliance is solely dependent on audit verifications and the severity of fines imposed on offenders. The model yields the logical conclusion that enforcement determines compliance, and it is simple to demonstrate through comparative analysis that declared income rises with an increase in either the likelihood of detection, the severity of the penalty, or the frequency of audit and verification. Following the empirical research, Zakariya (2016) further considers, from a Nigerian perspective, the factors driving tax evasion among taxpayers. The study used a survey methodology, with Gombe State taxpayers serving as the study's target population and its chosen respondents.

Data were gathered using a self-administered questionnaire. There were 26,313 taxpayers in the state in total, and 379 were chosen at random to represent the sample size. The data were analyzed using multiple regression. The findings show a strong positive correlation between tax evasion and the tax system, income level, and education level. However, despite showing a positive relationship, tax rates and corruption do not significantly correlate with tax evasion. As a result, the study suggests that the government should enhance the tax system by changing tax laws and regulations to encourage voluntary compliance. Similar to this, improving tax education will also lead to better compliance practices. The study's final conclusion is that comprehensive tax reform and a proper check and balance system will increase compliance on several levels.

Konstantinos and Pantelis (2018) investigated how tax audit and investigation were used to combat tax evasion in Nigeria. Southwest Nigeria was chosen as the location for the survey, and senior cadre employees of the federal Inland Revenue Service were asked to administer standardized questionnaires to state internal revenue officials there. Ordered logistic regression was used to analyze the data. The study's conclusions showed that tax audit in the form of deck back duty plays a significant role in reducing tax evasion whereas tax investigation and field audit have little bearing on the prevention of tax fraud or the detection of tax evasion. These conclusions ought to be used by the government and the tax authorities.

The relationship between tax income and economic growth in Nigeria was investigated by Edewusi and Ajayi in 2019. The study specifically employed multiple regression analysis to determine the influence of value added tax on the economic growth of Nigeria, the impact of business income tax on the economic growth of Nigeria, and the impact of the petroleum profit tax on the economic growth of Nigeria. Results of the analysis revealed that company income tax and petroleum profit tax both had positive and significant effects on economic growth, with company income tax having an estimated coefficient of 3.707601 and company profit tax having an estimated

coefficient of 55.79390. In order to generate the necessary revenue to affect a change in the growth of the economy, the study recommended that the government make the tax system of the nation more effective. It also recommended that institutional arrangements be changed to support a model for best practices of industries in the nation.

Nkemakola (2018) undertook an empirical assessment of the factors that influence tax evasion in Nigeria with a focus on activities in the city of Port Harcourt's unofficial economy. Ex-post factor design, the purposive sample method, OLS, and regression analysis were all employed in the study. Hypotheses were tested using SPSS. The study found that the level of tax evasion in Nigeria's informal sector is influenced by the sex of the tax payers. The study also discovered increased tax payer income is to blame for tax evasion in Nigeria's unorganized sector. Additionally, there is a strong correlation in Nigeria between tax evasion and morale.

Using primary data obtained from the distribution of questionnaires to 303 randomly chosen public and private sector personal taxpayers in Gombe state, Muzainah and Zakariya (2016) also investigated the factors that contribute to tax evasion in the state. We used SPSS version 20 to evaluate quantitative data. On the data, reliability tests, multicollinearity tests, and descriptive statistics were run. The data generated was examined using multiple regression models. The analysis's findings demonstrate a strong positive correlation between tax evasion and the tax system, income level, and educational attainment.

On the other side, tax rates and corruption in Gombe state have a constructive but negligible association with tax evasion. The author advocated for the implementation of campaigns to reduce corruption, public education on tax issues, and change of tax procedures. This report suggests that the tax authority take the required actions to increase revenue collection and decrease tax evasion. A 2017 study on electronic taxation and tax evasion in Nigeria was carried out by Segun and Babalola (2017). The research design used for the study was survey. The study's target audience is stated as including both corporate owners and financial analysts. To determine whether there is a meaningful correlation between tax evasion and the electronic tax system, data obtained statistically at the 5% level of significance were subjected to analysis of variance (ANOVA). Software from the statistical package for social sciences (SPSS) 20.0 was used for the linear regression analysis.

The study found that the superior data management provided by the computerized tax system has reduced the incidence of tax fraud among taxpayers. In Lagos State, there is a strong correlation between computerized taxation and tax evasion.It suggests that the government enhance tax payer education regarding the significance of the electronic filing system. Government oversight of tax consultants in Lagos State should be sufficient to prevent them from working with taxpayers to encourage tax avoidance. Additionally, several small business owners lack computer literacy. The government should promote the use of tax experts and tax consultants.

The study by Akintoye, Adegbie, and Onyeka-Iheme (2020) examined the impact of tax planning strategies on the profitability of Nigerian manufacturing companies. For the study, an ex-post facto research design was used. With 52 manufacturing companies listed on the Nigerian Stock Exchange as of December 17, 2018, the study's primary goal was to examine the impact of tax planning strategies on the profitability of listed manufacturing companies in Nigeria. Taro Yamani's formula determined that 46 manufacturing companies would make up the sample size. To examine the data, descriptive and inferential statistics were employed. The outcome showed that TP has no appreciable impact on Nigerian quoted manufacturing companies' Return On Assets (ROA).

The test's results, Adj.R2 = -0.000527, F-Statistics = 0.919439, and P-value of 0.431292, support this. The study came to the conclusion

that tax planning tactics affect quoted manufacturing companies' profitability in Nigeria in both good and negative ways. To balance the source of revenue for manufacturing enterprises, the study advised tax managers and financial officers to reduce thin capitalization and capital intensity.

Egbunike, Emudainohwo, and Gunardi (2018) evaluated how tax revenue affected the economic expansion of Ghana and Nigeria. The study explicitly assessed whether tax revenue has a positive impact on the gross domestic product of Ghana and if tax revenue has a positive impact on the gross domestic product of Nigeria. The Central Bank of Nigeria Statistical Bulletin and the Bank of Ghana Statistical Bulletin were consulted for secondary data spanning 17 years (2000-2016).In order to analyze the data gathered for the study, multiple regressions and the Granger causality were used.

The study's findings confirmed earlier studies by demonstrating a beneficial impact of tax income on the gross domestic products of Nigeria and Ghana. Based on the author's findings, they and others advised appropriate measures to ensure that tax revenue is used wisely to advance and expand the economy. Omodero, (2019), focused on Nigeria while examining the effects of tax evasion and the shadow economy. The analysis in the article uses the ordinary least squares multiple regression technique with secondary data spanning the years 1991 to 2018. The results show that while tax cheating has a strong and significant negative impact on economic growth, Nigeria's underground economy is having a strong and significant beneficial impact. Economic growth and 98.7% of the variation in nominal gross domestic product are found to have a very strong association with the two independent variables.

These results show that tax evasion and the informal economy have become a significant element of Nigeria's economy, causing both harm and benefit. As a result, the report urges the government to make greater efforts to support effective leadership, develop laws that would encourage voluntary tax compliance, and assist legal informal sector enterprises in being officially registered at little or no cost. Similar to this, Folayan and Adeniyi (2018) used primary and secondary data covering the years 2011 to 2016 to examine how tax evasion affected government income generation in Oyo State. Additionally, descriptive and inferential statistical tools were used in the study's analysis, and the results showed that the predicted revenue between 2011 and 2016 was not achieved.

Therefore, the results showed that tax evasion resulted in revenue loss, which meant that tax evasion had a negative impact on the state of Oyo's ability to generate income internally. The majority of the studies we analyzed looked on tax evasion in Nigeria, although they weren't just focused on the manufacturing industry. Additionally, this study looks into the factors that influence tax evasion across all tax kinds in Nigeria.

2.4: Limitations of the Previous Studies and Knowledge Gap.

Omodero, (2019) examined the effects of tax evasion and the underground economy with a focus on Nigeria without highlighting the causes and factors behind it. Earlier studies like Akintoye, et al. (2020), Bismark et al. (2016), and Zakarie (2018) investigated Tax Planning Strategies on Profitability of manufacturing in Nigeria without narrowing it to tax evasion. Additionally, Konstantinos and Pantelis (2018) used survey data and state-level analysis to investigate the use of tax audit and investigation on the control of tax evasion in Nigeria.

Because it will look into the factors that contribute to tax evasion of various forms for the entire nation of Nigeria, this study delayed from the other studies that were reviewed.The industrial sector was the exclusive focus of this study's investigation of tax fraud in Nigeria, which did not focus on state bases. Determinants of tax evasion and the manufacturing industry in Nigeria are the focus of this study, which also aims to present empirical evidence. Promoting accountability will also help to reduce tax evasion in Nigeria.

3. Research Methodology

A research design is a procedure or process that guides the researcher in providing answers to research questions and meeting desired objectives. This study used ex post facto research design (quantitative research design). This is because the study makes use of secondary data as it can be seen that the methodology and time series data spanning 1989-2020 were gathered from a CBN statistical bulletin. Variables indicated in its model include company income tax, petroleum profit tax, personal income tax, interest rate and manufacture added value. Ordinary Least Squares multiple regression was employed in analyzing the relationship.

3.1 Model Specification for First Objective

To ascertain the determinants of tax evasion of total tax in manufacturing firms in Nigeria. The model which is a replica of the broad and specific objectives of the study captures the contribution of personal income tax, business income tax and manufacturing value added

$$TE = f(BIT, PIT, MVA, PCI, IR) \quad (1)$$

To capture the inexact relationship between the economic variables, the stochastic error term μ_t is introduced which gave us this specification.

$$TE_t = \beta_o + \beta_1 BIT_t + \beta_2 PIT_t + \beta_3 MVA_t + \beta_4 PCI_t + \beta_5 INF_t + \mu_t \quad (2)$$

Where

BIT = Business Income Tax (Independent Variable);
MVA = manufacturing valued added (Independent Variable)
PIT = Personal Income Tax (Independent Variable);
PCI = Per Capita Income (Independent Variable)
INF = Inflation rate (Independent Variable);
TE = Tax Evasion (Dependent variable);
μ = Stochastic Error term; t – Time measured annually

Model Specification for Two Objective

To examine the determinants of tax evasion of business tax in manufacturing firms in Nigeria.

$$TE = f(BIT, MVA, IR) \quad (3)$$

To capture the inexact relationship between the economic variables, the stochastic error term μ_t is introduced which gave us this specification.

$$TE_t = \beta_o + \beta_1 BIT_t + \beta_2 MAV_t + \beta_3 INF_t + \mu_t \quad (4)$$

Where

TE = Tax eversion (Proxy for underground economy index);
CIT = Business Income Tax (Independent Variable);
MVA = manufacturing valued added (Independent Variable);
INF = Inflation rate (Independent Variable);
μ = Stochastic Error term; t – Time measured annually.

The estimation procedure adopted in this study is the ordinary least square (OLS) single equation method. The OLS estimators possess the BLUE properties of best linear and unbiased, which are consistent and sufficient. There are also available software packages that can be used, however, the study will adopt STATA 13 econometrics package for this analysis. This is because of it user friendly in the estimation of ordinary least square (OLS estimators).

The significant data to be used in this study would be sourced mainly from the Central Bank of Nigeria (CBN) Statistical Bulletin 2020 and World Development Indicator (WDI) 2020.The variables for which data were sourced include, company income tax, manufacturing value added tax, Personal Income Tax and Per Capita Income.

3.2 Data Analysis and Interpretation

The model to be estimated is time series model. That implies that, stationarity and other times series pre-estimation tests ought to be examined. The variables were subjected to the Augmented Dickey-Fuller test for unit root at the 5% critical value and the result is presented below as table 4.1 with the null hypothesis being that the series has a unit root if the t statistics is less than the critical value (5%), otherwise the study rejects.

The summary of the result is presented in Table 1.

As could be seen in Table 1, business income tax (BIT), personal income tax (PIT), inflation rate (INF) and manufacturing value added (MVA) were stationary after the first difference. This means that these variables were integrated of order 1 (I(1)) except per capita income (PCI) that integrated at form level (I(0)) . Also, the variables were tested basically at 5% critical value but all the variables were stationary at the two critical values of 5% and 10%. The presence of unit root in a model is a necessary condition for co-integration. Therefore the co-integration estimation was done to test the sufficient condition for the error correction model.

Furthermore, table 4.2 provides an overview on the data set while attempt is also made to describe the main attributes of the data. The descriptive analysis of the time series data obtained is done through numerical representation shown on Table 2. The numerical representation shows the mean, maximum, minimum, standard deviation, skewness, Kurtosis and probability of business income tax, personal income tax, manufacture value added, per capita income and interest rate.

Table 2 shows the summary statistics of all the variables obtained from the sampled listed companies for the period under study. The maximum value of tax evasion is 66.61000. The tax aversion has a mean value of 56.76933 and standard deviation of 4.730562. The standard deviation measures the extent of dispersion from the mean and depicts the level of volatility of the series. However, the direction and extent of relationship among these variables cannot be determined from the numerical representation. As such, the regression analysis in the next section shows the extent and direction of this relationship in line with the stipulated objectives of the study.

The summary of OLS estimate for this research model I is given in Table 2. In this model, the dependent variable is Tax evasion index, while the independent variables are: business income tax proxied by company income tax, personal income tax, manufactures value added, per capita income and inflation rate. Having estimated the coefficients of the model numerically, the regression result produced below as thus:

As the results in Table 3 show, 49.96766 is average value of tax evasion by manufacturing companies in the absence of the entire repressors (business income tax, personal income tax, manufacturing value added, per capita income and inflation rate). This implies that on average the ratio of tax evasion in the manufacturing industry is N49.96766. From the model estimation, it shows that there exists a positive relationship between tax evasion and business income tax. This implies that holding other variables constant, a unit increase in business income tax will on the average lead to about 1.056221 increases in tax evasion by manufacturing companies in Nigeria. This indicates conformity with theoretical postulation that continuous increase in manufacturing firms' profit, the higher the tendency to avert tax.

Meanwhile, the coefficient of the personal income tax is -1.109105, showing a negative relationship between personal income tax and the total tax evasion in manufacturing industry. This result means that, holding other independent variables constant, unit increase in personal income tax will result to about 1.109105 decreases in tax evasion of manufacturing industry in Nigeria. This result does not conform to the study a prior expectation. Similarly, the coefficient of the per capita income is -0.240698, showing a negative relationship between per capita income and the total tax evasion of manufacturing firms in Nigeria. This result means that, unit increase in per capita income will result to about 0.240698 decrease in tax evasion of manufacturing industry in Nigeria, ceteris paribus.

Interestingly, the coefficients of manufacturing valued added and inflation rate are all positive; 0.187460 and 0.125849 respectively, showing positive relationships manufacturing value added, inflation rate and the total tax evasion in

manufacturing industry. This result means that, holding other independent variables constant, increase in manufacturing value added and inflation rate will result to about 0.187460 and 0.125849 decreases in tax evasion of manufacturing industry in Nigeria respectively, which conformed to the study a prior expectation. Furthermore, the result showed that business income tax, personal income tax, per capita income and inflation rate are all statistically significant at 5% level, except manufacturing value added (MVA) that is statistically significant at 10%.

Furthermore, R^2 which is the coefficient of determination measures the proportion of the total variations in the dependent variable as explained by the independent variables jointly is 0.651491. This implies that 65% inflation rate, interest rate, Gross of the total variation in Total tax evasion is caused BIT, PIT, MVA, PCI and INF. Also, the F statistics which measures the fitness of the model showed that the model is statistically fit at 5% level of significance. This implies that, the findings of this study can be relied upon for policy.

In this model, the dependent variable is Tax evasion index, while the independent variables are: business income tax (BIT) proxied by company income tax, manufacturing value added (MVA) and inflation rate (INF). Having estimated the coefficients of the model numerically, the regression result produced below as thus in table 3.

From regression result in Table 4, the business income tax (BIT) exhibits a positive relationship with tax evasion. It shows that a one unit rise in the business income tax causes tax evasion to rise by 0.208108 unit, all other things being the same. This result could be due to the fact that, at constant income, increases in tax rates reduce the disposable income of taxpayers, motivating them to secure other jobs in the shadow economy in order not to report earned income and evade tax liabilities. Furthermore, the regression result revealed that the manufacture value added variable influences tax evasion positively. the estimated coefficient of *MVA* shows that a unit increase in manufacture value added will increase tax evasion by 0.098562 unit, holding other factors constant. The sign associated with each of the MVA variables is consistent with the a priori expectations, though, its impact is not statistically significant at 5% level.

With regard to inflation (*INF*) and tax evasion, our results suggest a positive relationship. Further, the estimated coefficient of *INF* shows that a one per cent increase in inflation rate will increase tax evasion by 0.008 per cent, holding other factors constant. The possible reason accounting for this result is that the wage structure of the formal sector in the economy is not inflation indexed. Therefore, higher inflation affects the after-tax income of taxpayers and reduces their disposable income. In order to maintain a consistent consumption pattern, most taxpayers participate in activities of the hidden economy to earn extra incomes which are unrealised by the tax authorities.

Furthermore, the result shows that all the explanatory variables with the exception of manufacture value added are statistically significant. Interestingly, the signs associated with each of the explanatory variables are consistent with the a priori expectations. In addition, The coefficient of multiple determinants (R^2) is 0.572770, which implied that 57% of the total variations in the tax evasion is accounted for by all the explanatory variables (BIT, MVA and INF) in the regression model. Therefore, the value of R^2 is considered acceptable.

For the first hypothesis, following the evidence above, we reject the null hypothesis and conclude that Personal Income Tax, inflation rate, per capita income and Business Income Tax are statistical significant determinants of total tax evasion of manufacturing firms in Nigeria. Similarly, the study rejects the null hypothesis for second objective and conclude that business income tax, manufacturing value added and inflation rate are statistical significant determinants of business tax evasion of

manufacturing firms in Nigeria within the period 1981 to 2020.

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Table 1: Unit root on variables and residuals of all the regressions

Variable	**ADF test statistic**	**Critical values**	**Order of Integration**
BIT	5.603397	At 5% = --3.012363**	I(1)
PIT	-3.470925	At 5% = -2.971853**	I(1)
INF	-4.588385	At 5% = -2.976263**	I(1)
PCI	4.151729	At 5% = -2.976263*	I(0)
MVA	-6.135182	At 5% = -2.976263**	I(1)
TE	-6.785061	At 5% = -2.971853**	I(1)

Source: Researcher's computation 2022

** shows at what point the t-test statistic is higher than the critical value hence significant*

Table 2: Descriptive Analysis Of The Data Set

	BIT	PIT	TE	MVA	PCI	IR
Mean	29841631	405363.4	56.76933	37.86434	671.3891	18.71169
Median	101050.0	207405.0	56.83500	39.25501	346.3337	18.27292
Maximum	2.75E+08	1215215.	66.61000	52.99716	2722.298	31.65000
Minimum	2997.000	18563.00	48.37000	25.64374	153.0762	9.433333
Std. Dev.	73043261	419541.2	4.730562	8.024615	698.2235	4.651451
Skewness	2.396639	0.705880	0.317832	0.038504	1.919686	0.269040
Kurtosis	7.567402	1.872003	2.255857	1.925526	5.563023	3.989543
Jarque-Bera	54.79584	4.081804	1.197272	1.450530	26.63734	1.585907
Probability	0.000000	0.129911	0.549561	0.484196	0.000002	0.452506
Sum	8.95E+08	12160902	1703.080	1135.930	20141.67	561.3507
Sum Sq. Dev.	1.55E+17	5.10E+12	648.9682	1867.439	14137968	627.4439
Observations	30	30	30	30	30	30

Table 3: Regression Test Result For Model I

Variables	Coefficients	t- statistic	Prob. Values	
C	49.96766	13.41525	0.0000	Statistical significant
BIT	7.56108	2.914736	0.0076	Statistical significant
PIT	-1.109105	-3.602260	0.0014	Statistical significant
MVA	0.187460	1.830328	0.0796	Not significant
PCI	-0.240698	-2.194582	0.0074	Statistical significant
INF	0.125849	0.800700	0.4312	Not significant
R^2 = 0.651491		F-statistic = 0.000065		

Source: The researcher's computation 2022

Table 4 Regression Test Result Model III

Variables	Coefficients	T-Statistics	Prob.	Significant Level
C	47.63774	9.150384	0.0000	Statistical significant
BIT	0.208108	2.466835	0.0054	Statistical significant
MVA	0.098562	0.654920	0.5183	Not significant
INF	0.255369	2.159754	0.0067	Statistical significant
R^2 = 0. 572770			F-statistic = 0.000239	

Source: The researcher's computation 2022

5 Summary of Research Findings

The government shows great concern for a medium through which fund can be made available to achieve their set goals for the society. One of the means by which fund is derived is through taxation. Therefore, the citizens are expected to discharge their civic responsibility by paying their taxes as these contribute to the development and administration of the society at large. However, the basic infrastructures which are supposed to be provided for the entire society are not available and/or are in a worrisome condition. Often times, the government complains and claim that tax evasion contribute in a great extent to this failure. Thus, the research set out to look at the determinants of tax evasion of manufacturing firms in Nigeria.

The study found out that per capita income influenced the level of tax evasion in the manufacturing sector in Nigeria, as there was a significant relationship between the per capita income of worker and the level of tax evasion, higher tax rate also has bearing on tax evasion and also, low income level discourages manufacturing firms from tax payment. The study concludes by suggesting specifically, that tax authorities should design policies to help increase the income level of taxpayers rather than increasing tax rate for the tax payers. This may lead to higher tax compliance in the long run.

6 Recommendations

For the federal Governments to meet her revenue targets it would be appropriate to take a look at the factors responsible for the incidence of tax evasion of manufacturing firms in Nigeria. Check on these factors will go a long way in reducing if not eradicating the problem of tax evasion of manufacturing firms. Base on this background, the following recommendations are made

i. Government should reduce the tax rate levied on manufacturer and embark on tax education and provision of adequate logistics to tax officials so as to reduce tax evasion.
ii. Government should create enabling environment for manufacturing firms to strive to enable them generate enough income for their business.
iii. This study further recommends adequate utilization of tax revenues on public goods and financing public expenditure to discourage tax evasion and reduction in tax rate.

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