



**TAX ADMINISTRATION STRATEGIES AND PERFORMANCE OF STATE
INTERNAL REVENUE SERVICES IN SOUTH-WEST NIGERIA**

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Abstract

The dwindling pattern of revenue received by states from the central government of Nigeria, especially in the period of falling oil price constitutes a serious challenge to governments in fulfilling their contractual obligations. Consequently, governments across states charge their internal revenue agencies to innovatively pursue revenue mobilisation through various strategies within the chain of tax administration practice. The extents to which all the deployed strategies have effectively yielded more revenue deserve systematic inquiry. Thus, the study investigated the relationship between tax administration strategies and performance of state's internal revenue services in South West Nigeria. To achieve this objective, quantitative method was employed to obtain survey data from randomly selected 382 revenue officers out of the total population of 8,734 staff of state internal revenue services in South-West Nigeria. The obtained quantitative data was subjected to both descriptive analysis and Partial Least Squares (PLS-SEM) regression analysis. The findings of the study revealed that revenue collection strategy ($\beta=0.104$, $t\text{-value}=18.114$, $P\text{-value}<0.05$); Staff compensation strategy ($\beta=0.153$, $t\text{-value}=2.291$, $P\text{-value}<0.05$) and Tax advocacy strategy ($\beta=0.106$, $t\text{-value}=5.349$, $P\text{-value}<0.05$) have significant positive impact on the revenue performance of state internal revenue service in South West Nigeria. Based on result of analysis, the study concludes that all strategies deployed within the chain of tax administration practice are effective in enhancing revenue capacity of the State Government's in the South West of Nigeria. Therefore, the study recommends that governments should intensify efforts through adequate funding for the deployment of strategies in the areas of revenue collection, advocacy and staff incentives to enhance revenue generating capacity of states in South West Nigeria.

Keywords: Tax Administration Strategy, Performance

INTRODUCTION

Like any other developing country, Nigeria has challenges in raising revenue because of massive tax evasion, corruption, and most essentially, non-compliance by tax payers (Mohammed & Nyende, 2017). In addition, over 80% of annual revenues of the three tiers of government in Nigeria are derived from oil sources and the decline in this source over the years has brought about drastic decrease in the fund available (Festus & Saibu, 2019; Animasahun 2016). Worse still, the sudden outbreak of corona virus (COVID'19)



pandemic pushed the world economy into recession, which resulted in the drop of the global economy in 2020; this was followed by a sharp drop in prices of crude oil (World Bank, 2020).

The fluctuating pattern of mobilised revenue at sub-national and national levels in Nigeria may not warrant any evaluator to adjudge performance of the bodies empowered to carry out this function as effective given this brief statistics: the revenue chart updated in January 2021 shows that between 2010 and 2020, the federal government revenue averaged N873.96 billion and got to its lowest ebb of N498.54 billion in 2015. It recorded the highest figure of N1,418.87 billion in the fourth quarter of 2019. It decreased to N842.09 billion in the third quarter of 2020 from N894.13 billion in the second quarter of 2020 (Trading Economics, 2021). The implication of this is that government may face serious challenges in fulfilling its contractual obligations, particularly in the period of dwindling oil revenue accruable from abroad. Therefore, government at all levels is expected to innovatively pursue revenue mobilisation internally through various strategies within the chain of tax administration practice.

Different studies have been carried out on tax administration in Nigeria some of which include D'Ascento, 2016; Abdulrahman & Muzainah 2017; Folayan & Adeniyi, 2018; and Abdulazeez & Ayodabo, 2020). Little or no mention has been made of the relationship between tax administration strategies and performance of state internal revenue services. Thus, this study attempts to investigate the extent to which strategies such as tax advocacy (Fox, 2020), staff compensation strategy (Kiri, 2016) and revenue collection strategy (Edwin, 2015) are in practice among revenue agencies in South West Nigeria.

LITERATURE REVIEW

Tax System

Tax is a compulsory amount imposed by a government on its subject as a source of generating revenue (Bariza, Rahim & Rahman, 2007). It is charged on property or income of taxpayers; an extraction of money compulsorily by government for public purposes by means of contributions of individual to the development of the state (Isaac, 2015). It is a means by which government of any country through enactment of various laws raises revenue it requires to finance her activities. It is a burden tax payer are expected to bear for the sustainability of the government (Afuberoh & Okoye, 2014). Tax is considered important for the smooth running of any government; taxes contribute to the building of an economy that is viable and prosperous (Soetan, 2017). Tax is also perceived as a burden upon every citizen to sustain the government in its efforts to perform certain functions for the benefits of those it governs. It must be utilised for the good of the entire community



where it is being levied because any collection that is used for the benefit of an individual is not a tax (Afueroh & Okoye, 2014).

Tax system comprises of tax laws, policies and administration (Pantamee & Mansor, 2016). Tax administration refers to management, direction, conduct and supervision of the execution of the relevant tax laws or statutes; a formal structure by which decisions are arrived at and implemented. It is the process, method and mechanism put in place to generate the needed revenue for the government (Ngeni, 2016). Tax administration is the body implementing tax laws and other tax related matters (Guarama & Mansor, 2015).

In today's rapidly changing environment, governments through the efforts of tax administration are being asked to do more, to take on new tasks and at the same time, ensure that the government has the revenues needed finance important programmes that benefit the citizens (Markle & Shackelford, 2012).

Tax Administration Strategy

Strategy is a plan of action designed to achieve a long term aim of an organisation which ensures the satisfaction of the yearnings of markets as well as fulfils owners' expectation. Strategy is viewed as a long-term approach to implementing a business entity's plans and the resources needed to achieve its goals and objectives (Baer, & Silvani, 1997). The rationale behind any organisation introducing various competitive strategies is to have an advantage over its competitors in the market (Minzberg 1994). Strategy, therefore, is a road map that can be used to guide organisations towards a desired performance level. Tax administration strategy is a revenue enhancement strategy that aids the performances of revenue collecting agencies (Kaplan & Northon, 2001). The most common tax administration strategies in literature include; tax administrative structure strategy (Feiock, Krause & Hawkins, 2017); tax enforcement strategy (Carrilo, Pormeranz & Singhal, 2017); revenue collection strategy (Zagreb, 2016); tax advocacy strategy (Adekoya, Olaoye, & Lawal, 2020) and staff compensation strategy (Adegoriola, 2018).

Revenue Collection Strategy

Efficient and effective public revenue collection is crucial to the attainment of the goal of revenue authorities. Achieving this goal is boosted through strategies that encourage the public to respond to the payment of taxes with ease and transparent treatment. Revenue collection will be effective with simplicity of tax system, clear regulations and exposure of tax payable persons to tax procedure (Zagreb, 2016). Zagreb, (2016) explained further that one of the major strategies of effective revenue collection is through outsourcing the collection to consultants. This refers to the use of private organisations for revenue collection. Another recent strategy employed for revenue collection is automation of tax



payment or E-Payment. Developing countries have embraced modern technology in revenue collection and tax payment that does not necessitate the tax payer visiting the tax authority but rather payments are made using information and communication devices (Olatunji & Ayodele, 2017). According to Gidisu (2012), automation of tax collection is time saving, cost effective and improves efficiency in on-line receipting process which saves the revenue authority from problem such as revenue leakages, underpayment, fraud and high cost of collection.

Staff Compensation Strategy

In every organisation, human resources play vital roles in change management programmes. Change in the behaviour of staff does not emerge by magic or overnight but as a result of a series of interventions of training sessions, peer reviews and workshops (Vinesh, 2014). Vinesh (2014) also explained that training is usually driven by an organisation's future strategy which increases employees' human capital and skill. Another means of spurring employees to perform effectively is through the use of financial incentives. The level of financial incentive enjoyed by workers affects their performance on the job (Adegoriola, 2018). So, to achieve better performance, revenue collecting agencies need to provide good packages for their personnel to create appreciable level of commitment (Ismail, Guatleng, Chhekiang & Ibrahim 2009).

Tax Advocacy Strategy

Tax advocacy is a programme that is directed towards educating tax payers of their tax right, responsibilities and knowledge of legal requirements on tax matters. It is a means of getting people to know what the process the taxation entails and the need to pay tax (Shamana, & Alito, 2020). Tax education strategy is required due to low level of compliance most especially among the informal sector resulting from tax payers' uncertainty about their tax obligations (Adekoya, Olaoye, & Lawal, 2020). Tax advocacy is usually targeted at three objectives which are; to impart knowledge as regards tax laws and compliance; to change the attitude of tax payers toward payment of tax and to record increase in tax collection through tax payers' voluntary compliance. Tax education programmes should be focused on taxpayers' enlightenment on the implication of socio-economic effect of tax evasion and lack of transparent and accountability (Olowookere & Fasina, 2013). Methods of tax payers' education according to Olowookere and Fasina (2013) include use of electronic media, print media and regular stakeholders meetings.

Performance

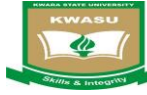
The word performance describes how well a task or an activity is done, it is a continuous process of determining how poorly or how efficiently an organisation achieves or is



achieving the purpose of its existence (Crandall, 2010). The performance of the government, most especially in the area of revenue generation or collection hinges on the effectiveness of tax administration. Performance measurement is perceived as part of the efforts of strategic process and operational planning which is essential for transparency and accountability; a process of knowing the extent to which an organisation is achieving its goals and objectives. In tax administration, performance is broadly measured at three separate levels, strategic; operational and individual level. The health of the whole organisation is evaluated at the strategic level while at the operational level consideration is given to output production. Personal performance is measured against predetermined standards and objectives at the individual level (Crandall, 2010). For good governance and effective delivery of service, government revenue performance is key and is usually measured by factors such as the level of tax payers' voluntary compliance (Pham, Truong, & Tran. 2020), cost/revenue ratio (Keen & Slemrod, 2017) and quality of service (Taufik, 2018).

Theoretical Framework

This study employed eclectic approach to develop the theoretical basis underpinning the relationship between the variables of interest of this research effort. As a starting point, the general objective of this work is to empirically show the influence of various strategies as main factors explaining variation in the performance of revenue agencies in South West Nigeria. On this general objective, resource-based theory assumption and prediction bear relevance to the expected relationship between independent variables and dependent of this study. Specifically, the prediction of resource-based is that a well-managed resource, will effectively lead to enhance organization performance. In the context of this study, revenue collection strategy, advocacy strategy and staff compensation strategy are all intangible resources expected to be in used among revenue agencies to enhance performance. Thus, the more these intangible resources are deployed, the higher the performance. The compensation or reward strategy can be further described as an incentive device predicted and recommended in agency theory to minimise the self-interest tendency on the part of agent, here in this study employee. The theory argues that most times, an agent will strive to pursue his/her own objective, given the assumption of information advantage on the part of agent (asymmetric information). Thus, a comprehensive reward system, such as promotion, fixed and variable salary, performance-based incentive and other fringe benefits may go a long way to influence agent to align his or her objective with that of the principal. Thus, this prediction is specifically relating to the expected positive relationship between compensation strategy and performance of revenue organisation.



Empirical Review

In the developed world, various studies have been carried out on tax administration. For instance, it has been discovered that tax gap affects performance of internal revenue service. The effect of this (tax gap) was examined on the performance of Italian Revenue Agency by Pisani (2014), the study was carried out using secondary data. Data for the study was sourced from Italian Econometrics and Statistical Analysis for Compliance office. Data collected was analysed using bar charts, pie charts and scattered graph. The result of the study revealed that tax gap has significant impact on the performance of Italian revenue authority. Like any developing country, tax gap also has impact on the performance of the revenue agencies in Nigeria; the revenue collected does not always meet the expected amount expected from the tax payers.

Akintoye, Awotomilusi and Adegbe (2019) examined the effect of voice and accountability on tax revenue. The study made use of panel data analysis without specific effect and adopted ex-post facto research design. Secondary data were obtained from the reports of Federal Inland Revenue Service, political risk services of International Country Risk Guide and the World Bank Development Index for a period covering 1984-2017 using purposive sampling technique. The data for the study was analysed using descriptive and inferential (regression) statistics. The result of the study revealed a significant relationship between voice and accountability and tax revenue.

In Indonesia, Febrian and Islami (2020) examined the impact of social factors on tax compliance intention of individuals. Survey method was used to collect data for the study through random sampling technique; the data collected was analysed with Structural Equation Model (SEM). The result of the study revealed that social factors have significant impact on tax compliance intention of individual tax payers.

Furthermore, Mohammed and Sanusi (2020) examined impact of governance quality indicators (such as control of corruption, political stability, voice and accountability and GDP per capita growth) on tax revenue generation. This study conducted a panel analysis on all the variables from 15 West African countries between 2009 and 2018. The result of the study indicated significant and positive relationship among control of corruption, political stability and tax revenue generation. The result further established that regulatory quality typified a negative insignificant relationship; depicting the weak nature of regulatory structures towards revenue mobilisation in the West African region.

Tafa (2020) examined efficiency of tax administration in Ethiopia using primary data. The researcher administered questionnaires to 225 respondents comprising of 75 employees and 150 tax payers in Ethiopia. The study employed both qualitative and quantitative



research approaches. Quantitative data was analysed using person's correlation, multiple linear regression analysis and descriptive statistics. The result of the study revealed that factors such as tax laws and procedures, quality of human capital and time resources, technological infrastructure, public awareness and the quality of tax report have significant effect on the performance of tax administration in Ethiopia

Chang, Gavin, Gueorguiev, Honda and Baer (2020) examined the effect of practices and characteristics of tax administration agencies on tax revenue performance among emerging and low-income economies. The study was carried out using primary data through the use of standardised questionnaires administered on 135 respondents in administrations in 2016, and 159 respondents in 2018. The data of the study was analysed using novel data set (ISORA). The outcome of the study revealed that practices and characteristics of tax administration have significant effect on revenue performances in emerging and low-income economies. The result of the study further revealed that adequate staffing of tax administration improves performances of revenue agencies.

The performance of tax administration in Nigeria has become matters of great concern and this is encouraging various researches on the relationship between tax administration efficiency and performance of revenue agencies. For instance, Ganyam, Ivungu, and Anongo (2019) examined the effect of tax administration efficiency on revenue generation in Nigeria. The study made use of primary data through distribution of questionnaires. The respondents comprise of 185 staff of the Benue State Internal Revenue Service. The study used both descriptive and inferential statistics. Descriptive analysis made of use statistical frequency, percentages, mean and standard deviation. Inferential analysis of the study was done using the T-test statistics. The result of the study revealed tax administration efficiency significantly affects revenue generation in Nigeria.

Abdulazeez and Ayodabo (2020) examined tax administration strategies and tax compliance of small and medium enterprises in Kwara State. The study used survey research design on 720 SMEs owners who were the population of the study. Out of this population size, 257 SMEs was scientifically selected. The study used questionnaire as a primary source of data and this was analysed using multiple regression. The result of the study revealed that tax education strategy and tax enforcement strategy have significant impact on tax compliance of SMEs.

Nnubia, Okafor, Chukwunwike, Asogwa, and Ogan (2020) investigated the impact of e-tax assessment on revenue generation in Nigeria. The study used secondary data sourced from the FIRS tax report and Central Bank of Nigeria Statistical Release and Quarterly



Economic Reports. The data gathered for the study was analysed using Ordinarily Least Square Method. The result of the study revealed a significant effect of e-tax system on the performance of revenue generation in Nigeria.

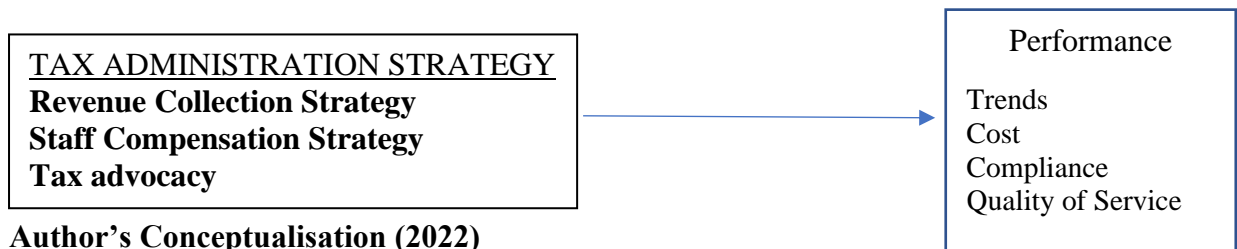
Niknamia (2021) investigated the tax culture of tax payers in Iranian tax administration. The study was conducted using primary data from respondents in 31 provinces in Iran. Cluster and quota sampling was used by the researcher and the sample size determined using Cochran formula. The data collected was analysed using correlation coefficient, mean test and factor analysis with the use of Structural Equation Modelling. The result of the study revealed that each components of the tax culture (such as timely payment of taxes and filing of tax returns) of the tax payers was higher than satisfactory.

Summary and Gap identified in the Literature

The review of literature was done following the conceptual, empirical and theoretical approaches which are deem acceptable in research studies. In line with the scope of this study, extensive review of previous empirical research efforts have been carried out on the area of tax administration and performance. However, the summary of the literatures reviewed revealed some loop holes which this study intends to fill. For example, to the extent of our review, no studies seem to have captured the influence of tax administration strategies on the performance of revenue agencies except the study of Abdulazeez and Ayodabo (2020) which centred on tax administration strategies and compliance.

Therefore, in specific term, this study will conceptually approach its objective by looking at the dimension of tax administrative strategies in term of advocacy, collection and rewards system. In this regard, this attempt will in no small measure bring to the academic front robust findings on tax management. Also, various theories such as agency, theory benefit theories and so on are common in research on tax administration; none of these theories seem to provide sound foundation to organizational strategy. To the extent of literatures reviewed for this study, there seem to be no study that used Resource-based view theory on research on tax administration in Nigeria.

Conceptual Framework



Author's Conceptualisation (2022)



The conceptual frame work shows the dependent and independent variable. The dependent variable is the performance of internal revenue service in South West Nigeria measured through pattern and trends, cost, compliance and quality of service. The independent variable is tax administration strategy measured through, revenue collection strategy, staff compensation strategy and tax advocacy strategy. These strategies according to the prediction of resource based view theory when properly annexed together will enhance performance.

METHODOLOGY

This study used quantitative data and adopted survey research design to enhance better understanding of the relationship between tax administration strategies and performance of internal revenue service in South West, Nigeria. The choice of South West Nigeria is predicated on the contribution of the Geo-political region to internally generated revenue (IGR) in Nigeria. Evidences over the years have shown that the South West of Nigeria has the highest IGR (Oyekanmi, 2021). The staff of revenue agencies of the six states in the South West Nigeria constitutes the general population of the study. The states in the South West have a total staff population of 8734. The study decides to take this category of staff as relevant respondents because they are involved in the formulation and implementation of these strategies. A sample size of 382 respondents from revenue agencies staff was determined through the application of sample size determination formulae by Taro Yamani (1964) and randomly selected as shown in table 3.1. According to Nwaiwu (2013), it is illustrated below:

$$n = \frac{N}{[1 + N(e^2)]}$$

Where:

n=required sample size

N=Study population

e=error limit on the basis of confidence level

Based on 95% confidence level, the sample size is computed below:

$$n = \frac{8734}{[1+8734(0.05)^2]} = 382$$



Table 3.1: List of Population, Sample Size for Staff of Revenue Agencies

	STATES	Revenue Agency's' Staff Population size	Proportion of sample size in relation to sampling frame	Sample size
1	LAGOS	4370	$4370/8734 \times 382$	191
2	OGUN	1720	$1720/8734 \times 382$	75
3	OYO	1530	$1530/8734 \times 382$	67
4	ONDO	520	$520/8734 \times 382$	23
5	OSUN	274	$274/8734 \times 382$	12
6	EKITI	320	$320/8734 \times 382$	14
		8734		382

Source: Author's compilation, 2022- from data base of IRS of each state

Table 3.1 shown above depicts the total population of staff of Internal Revenue Service of all states in the South-Western Nigeria. The population of staff of the Service totalled 8734 out of which a sample size of 382 are selected, allocated to each state proportionately and distributed randomly.

Data Analysis Techniques

The primary data for this study was collected in quantitative form through the research instrument of questionnaire. In order to achieve the stated objectives of the study, descriptive statistics and inferential statistics were employed in this study. The descriptive statistics are: mean, mode and median while for inferential statistics, Partial Least Square-Structured Equation Modelling (PLS-SEM) was used to estimate the relationship between dependent and independent variables

Measurement of Variables

Table 3.2 Measurement of Variables in the Study

Variables	Abbreviation	Measurement	Source
Independent Variables			
Revenue Collection Strategy	RCS	It was measured through five items that addressed the effectiveness of revenue collection.	Enahoro & Olabisi, 2021; Zangreb, 2016



Staff Satisfaction and Compensation Strategy	SCS	Measured through five items that addressed the effect of staff satisfaction and compensation on performance.	Kiri (2016); Adegioriola, 2018
Tax Advocacy Strategy	TAS	Measured through six items to rate the intensity of the variable	Olowookere, Fasina & Adesina, 2103
<u>Dependent Variable</u> Performance	PER	To items used to measure the level of performance	Balunywa, Nangoli, Mugerwa, Teko & Mayoka 2014; Crandall, 2020

Source: Author’s Compilation, 2022

Model Specification and Measurement of Variables

This study developed its model based on the argument and prediction of agency theory and resources-based theory that constitute the theoretical framework of this study. However, as a base line, the study adapted and modified the model of Afuberoh and Okoye (2014) as the model established a link between taxation and revenue generation performances.

The model is specifically presented as:

The model is specifically presented as:

$$RG = \beta_0 + \beta_1T + e_i \tag{3.1}$$

Where

RG is Revenue Generation and

T is Taxation and e_i is error term

And since this study mainly focus on strategy as resources that may have influence on performance several of revenue agencies, the model will be adapted by replacing revenue generation with performance (the performance measurement is expanded to include compliance, cost and quality of service)and administrative strategies as potential explanatory variable.

As argued above, the model is re-structure for this study as follow:

$$PER_i = \beta_0 + \beta_1TAS + e_i \tag{3.2}$$

Where:

PER = Performance

TAS = Tax Administration Strategy

This will result in a final model as follows

$$PER_i = \beta_0 + \beta_1RCS_i + \beta_2SCS_i + \beta_3TAS_i + e_i \tag{3.3}$$



Where

- PER = Performance
- RCS = Revenue Collection Strategy
- SCS = Staff Compensation Strategy
- TAS = Tax Advocacy Strategy

- β_0 = Intercept
- β_{1-3} = Parameters of the estimate
- e_i = Error term

a-priori expectation: The a-priori expectation of the objective is $\beta_1, \beta_2, \beta_3, > 0$

The stated model in equation 3.3 reflect relationship between revenue agencies performance and tax administrative strategies with expected positive relationship with performance, being the a-prior expectation is justified by the prediction of resources based view theory and agency theory.

RESULT AND DISCUSSION OF FINDINGS

Response Rates of Respondents

The determined sample size of the respondents from revenue agencies were 382 respondents. We distributed questionnaires via physical medium to all the sampled respondents.

Table 4.1: Response Rate Statistics for Revenue Agencies

Description	Frequency	Percentage
Distributed Questionnaires	382	100
Returned Questionnaires	380	99
Valid Questionnaires	375	98
Response rate		98%

Source: Author’s Computation, 2022

Responses rate from the sample were substantially high as indicated in table 4.1. Specifically, the returned and valid questionnaires were 380(99%) and 375(98%) respectively. With the high response rate, degree of reliability on generalisation findings can be rated high.

Preliminary Analysis of Data

This section presents the results of the diagnostic tests concerning the distribution of the scores of the study’s variables and their relationship. The preliminary test is conducted to ensure non-violation of the assumptions (non-existence multi-collinearity of independent



variables and normality distribution of scores on the variables) notwithstanding the use of Partial Least Square, Structural Equation Model (PLS-SEM).

Normality Test

The extent to which the scores on the study variables are normally distributed was measured using the test of skewness and kurtosis as presented in table 4.7.

Table 4.2: Normality Test

Variables	Mean	Standard deviation	Skewness	Kurtosis
Performance	4.0231	0.755	-0.517	-0.617
Revenue collection strategy	3.6278	0.69281	-0.563	-0.295
Staff compensation strategy	3.1797	0.7917	0.504	-0.377
Advocacy strategy	3.3571	1.02669	-0.358	-0.522

Source: Author’s Computation (2022)

According to Brown (2006) the acceptable values of skewness ranges between -3 and +3 while the range of -1 and +1 is appropriate for kurtosis. Based on this this, all the scores on the study variables were to a greater extent normally distributed as reflected in table 4.2 in which skewness and kurtosis figures are within range of the threshold

Multicollinearity Test

In order not to include two variables with a bivariate correlation, leading to problem of multi-collinearity, Pearson correlation analysis was conducted on all variables of interests. The result of the pair-wise correlation analysis is presented in table 4.3.

Table 4.3: Pearson correlation matrix for all variables

		Per	Col	Com	Adv
Per.		1			
Col		0.464	1		
Com		0.220	0.481	1	
Adv		0.439	0.705	0.674	1

Source: Author’s Computation (2022)



As revealed in the table, none of the pair-wise correlations among independent variables exceed 0.70. Thus, the threat of multi-collinearity appears limited (Gujarati, 2003). Therefore, all the independent variables has different basis to explain variation in the outcome variable.

Test of Hypotheses through Structural Model of PLS

To examine the relations between the constructs, a structural model is estimated in PLS. The objective of PLs is to maximize variance explained rather than fit. Thus, Prediction-orientated measures, such as R^2 are used to evaluate PLS model. PLS produces standardizes β s for each path coefficient, which are interpreted in the same way as in Ordinary Least Square (OLS) regression. As PLS makes no distribution assumptions or bootstrapping (1000 samples with replacement) is used to evaluate the statistical significance of each path coefficient.

Path Coefficients Result for Hypothesis Testing

The restated hypotheses were tested evaluation of the significance level of the path coefficient obtained in the PLS output. Table 4.4 shows the path coefficients of the model and their respective level of significance .In relation to the influence of various tax administration strategies: revenue collection strategy (t-value=18.114,P-value<0.05).Staff compensation strategy(t-value=2.291, P-value<0.05) and Tax advocacy strategy (t-value=5.349,P-value<0.05). All the strategies showed significant positive impact on the revenue performance of State Internal Revenue Services in South West Nigeria. Based on the path coefficients and their significance levels, sub-null hypotheses 1, 2, and 3 were rejected. In specific term, all these strategies to greater extent can be described to play significant influence on performance of state revenue agencies in the South-West, Nigeria.

Table 4.4: Significance of Path Coefficient

Constructs	Coefficient (O)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
RCS ->Performance	0.104	0.0057	18.114	0.000
SCS ->Performance	0.153	0.067	2.291	0.020
TAS -> Performance	0.106	0.020	5.349	0.000

Source: Author’s Computation (2022)



Coefficient of Determination (R^2)

Coefficient of determination is one of the two measures to assess the quality of the overall structural model. The R^2 reflects the amount of explained variance of dependent variable (endogenous), which is explained by the entire independent variables (exogenous). It is similar to R^2 in linear regression models. Notwithstanding of the fact that no commonly accepted threshold for R^2 in PLS-SEM. Falk and Miller (1992) suggest an R^2 of 0.10 to be minimum acceptable level.

Table 4.5 Co-efficient Determination (R^2)

Constructs	R Square	R Square Adjusted
Revenue Performance	0.490	0.451

Source: Author's Computation (2022)

As shown in table 4.5, the main model yielded a coefficient of determination (R^2) of 49.00%. Thus, 49.00% variation in revenue performance of state internal revenue service in South West Nigeria can be explained by the means of various tax administrative strategies being employed. Comparing the R^2 with the minimum suggested level, the overall quality of the structural model can be said to be substantially okay.

Discussion of Findings

Based on the statistical findings, the three tax administration strategies considerably explain variation of revenue performance of all state's internal revenue services in the South West Nigeria. For example, the influence of revenue collection strategy, through the deployment of regular update taxpayer registry, segmentation to identify more tax opportunities, computer-aided audit, tax consultants, numerous sub-stations and incentives to encourage prompt payment on performance was empirically confirmed with beta estimate of 10% (t-value=18.11, P-value<0.05). This finding is in line with the prediction of resource-based view theory that when resources are properly harnessed together, they enhance performance. Also, this is supported by the findings of Gashenko, Stroiteleya and Shiryaeva (2017), Okafor (2012) and Ganyam, Ivungu, and Anongo (2019) which stated that effective revenue collection strategy most especially use of modern technology reduces the level of tax evasion by the shadow economy and also ensure that more revenue is accrued to the covers of the government.

In relation to staff compensation strategy, the statistical finding revealed that this strategy significantly influences revenue performance with beta estimate 15% (t-value=2.291, P-value<0.05). By inference, state internal revenue service's seem to deploy regular and comprehensive training, regular promotion, and performance-based compensation as mean



of motivating staff to be committed to the pursuit of revenue drive. This finding confirms the prediction of Agency Theory that comprehensive reward system, such promotion, fixed and variable salary, performance-based incentive and other fringe benefits may along way to influence agent to align his or her objective with that of the principal. The studies of Vinesh, (2014), Adegioriola, (2018) and Apex-Apeh, Ujoatuonu, Ugwu, & Olowu, (2020) lend credence to the observed relationship between staff compensation staff and performance of internal revenue services.

Also, the evidence obtained from the study confirmed that advocacy strategies such as use of print and electronic media, market space enlightenment, regular stakeholder meeting and community significantly contribute by 30% ($t\text{-value}=3.33$, $P\text{-value}<0.05$) to changes in performance of revenue agencies in South West Nigeria. The resource-based theory also lends credence to the observed trend. This is also in line with the findings of Abdulazeez and Ayodabo (2020) that linked tax advocacy to performance of revenue agencies.

CONCLUSION AND RECOMMENDATIONS

The study was motivated to investigate the influence tax administrative strategies on performance of Revenue Agencies in South West Nigeria. In view of the reported findings, the study arrived at the conclusions discussed as follows:

- i. Variation in performance of state internal revenue service is enhanced through revenue collection strategies which include taxpayer registry, segmentation, and computer-aided audit and use of tax consultants.
- ii. All state internal revenue service in the South West employ tax advocacy strategies to drive internally generated revenue. These include: print and electronic media, market space enlightenment, and regular meeting with community and stakeholders.
- iii. The rewards system in use is both variable and fixed in structure and effectively impact on revenue performance of the states in the South West Nigeria.

In line with the study findings and conclusions reached in the preceding sections, this study put forward the following recommendations:

- i. Use of strategy such as deadlines for filling of returns, interest charges for late filling, withholding tax measures, penalty beyond interest charge and tax clearance certificate should be sustained, and if not in use, should be introduced. Government is also encouraged to continually update tax payers register to capture new taxpayers in age, new employment and new business ventures.



- ii. Government is advised to invest more on information technology to ease collection in real time version. The means of communicating and enlightening taxpayers should be broadening to include both traditional and contemporary media.
- iii. The revenue agencies should device a reward system that recognizes productivity and commitment to reflect the achievement in context of measurable objective.

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