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Infrastructural Development and Tax Compliance of Small and Medium Enterprises Owners in Lagos State, Nigeria

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Abstract

Tax compliance has been a front-burner issue in Nigeria because of the dwindling income accruing into the government coffers resulting from loss of oil revenue. Several studies had been carried out on factors affecting tax compliance and to extend literature, this study examined the SME owners' perception of infrastructural development and tax compliance in Lagos State, Nigeria. By means of survey research design, the study made use of primary data gathered through a well-structured Likert linear scale questionnaire. From a population of 11,663, a sample size of 400 hundred was used, which resulted in the distribution of 400 copies of the valid questionnaire. 364 copies of questionnaire were returned out of which a total of 342 copies were found to be useful. One hypothesis was formulated for the study and tested using Pearson correlation and multiple regression tools. The result of the study indicated that infrastructural development has a significant and positive influence on tax compliance of small and medium enterprise owners. The study recommends that the government should intensify efforts at developing the level of infrastructure in the State. Also, project execution should be tailor-made and specifically carried out to meet the needs of the people which would help taxpayers derive satisfaction from paid taxes.

Keywords: *Infrastructural development, Tax compliance, Small and Medium Scale Enterprise*

1. Introduction

Infrastructure development is an essential requirement for progress in nations of the world. It is an essential factor for productivity and sustainable economic growth (African Development Bank, 2013). The World Bank opines that improvement in infrastructure is imperative for the reduction of poverty, increased growth and the realisation of Millennium Development Goals (World Bank, 2007). One way to achieve increase in productivity is through local production of goods and services, and the attraction of significant foreign investments. However, achieving industrialization and economic development requires several critical factors including infrastructural development (Sawada, 2015). With a greater level of productivity and economic activities, more revenue would come into the coffers of government through taxation and this entails the availability of more funds for development of infrastructure.

Oliver, Edeh, and Chukwuani (2017) state that infrastructural development is the totality of facilities and social amenities provided by government for the purpose of enhancing the quality of living standards of her citizens. These amenities include adequate and good educational facilities, availability of pipe-borne water, qualitative and befitting health care centers, provision of good roads, suitable and qualified teachers and adequate teaching facilities. The World Bank (1994) believes that infrastructural facilities are all activities that fall under the ambit of "Social Overhead Capital (SOC)" including public goods such as telecommunication, power, water supply, sanitation and sewerage as well as public infrastructure such as dams, roads, and

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drainage. Ajiteru, Adaranijo and Bakare (2018) state that infrastructure consists of public services meant to serve the populace, including the provision of law and order, education, healthcare, transportation, telecommunication, power, drainage system. Infrastructure is generally seen as those essential and basic public services that should be in place if progress must be made by nations of the world (Migap, 2014). Waziri, Ali, and Nuru (2014) noted that the physical structures that are necessary for the functioning of the society are to be regarded as infrastructure. Oisasoje and Ojeifo (2012) describe infrastructure as those specific elements that serve as a catalyst for development, as well as improvement in the welfare of citizens.

Infrastructural development is a function of the availability of funds. This is the bane of infrastructural development in Nigeria whose total revenue has been negatively impacted due to the crash in oil prices in the world market in recent years. As a result, state governments including Lagos State, which earn substantial portion of their revenue in form of statutory allocation from the Federation account to finance their expenditure programmes (Ishaq, 2008; Hamid, 2008), have had their revenues affected in the recent years. This has made it imperative for state governments to shift their focus from the statutory allocation to continue to fund its ever-increasing expenditure. One of the major considerations of the government to increase its revenue base is through taxes. Taxes are among the main sources of revenue in both developed and developing countries (Aizenman & Jinjarak, 2008; Saeed & Sheikh, 2011).

Tax is paid to government by individuals and organizations from consumption, income, and production of goods and services (Song, 2002; Bassey, 2013; Adeyeye, 2013, Adeyeye & Otusanya, 2015). Ezu and Okoh (2016) state that tax is borne by the citizens of nations to sustain the government which is saddled with the responsibility of performing certain functions for the benefits of those it governs. The revenue derivable by the government from tax, however, depends largely on tax compliance of its tax-paying citizens.

Oyedele (2009) refers to tax compliance as art of fulfilling tax payer's civic obligation for tax payment and filing of tax returns. Kirchler (2007) opines that tax compliance results from the taxpayers' willingness to pay their taxes. Badara (2012) also opine that tax compliance requires that a taxpayer renders complete, correct, and agreeable returns, with reference to relevant tax laws and regulations to government authority for the purpose of tax assessment. Tax compliance may be explained to mean the assessment and payment of tax due from individuals or corporate entities to government, following the laid down procedures which are usually premised on the prevailing tax laws and tax policies in a country (Adeyeye, 2013).

Brown and Mazur (2003) restate the multi-faceted nature of tax compliance as consisting of three distinct types of compliance, which include; filing compliance, payment compliance and reporting compliance. James and Alley (2002) define tax compliance as the readiness of individuals, corporate and other taxable institutions to comply, with the right intent and purposes, with the tax provisions and laws as well as compliance with tax administration requirements without using force tools. Roth, Scholz and Witte (1989) examine five basic determinants of a taxpayer's compliance. Roth, et al., (1989) state that a compliant taxpayer is the one who satisfies five tax responsibilities which include registration with the relevant tax agency; filing of tax returns on time; accurate reporting of tax liability; prompt payment of any taxes and keeping records of tax transactions and documents.

Tax compliance has always been a front-burner issue in many developing countries for the obvious reasons which include the need to address the funding requirements of various governments. Advanced nations of the world derive most of their revenue through taxes and their citizens have placed significant confidence in the system based on the impact on their lives through the provision of good roads and other amenities (Oluba, 2008). Bird, Jorge, and Benno (2008) opine that tax resources account for about 10-15 percent of national income in the underdeveloped world while it goes up to 30-40 percent in advanced countries. However, the World Bank Group (2014) submits that Nigeria had the lowest tax revenue in relation to its Gross Domestic Product (GDP). According to Okonjo-Iweala (2014) and Kolade and Ajogbor (2019), tax contributes about 7% to the gross domestic product (GDP) in Nigeria as against 15% projected for a similar country. This portends that tax compliance in Nigeria is very low.

Taxpayers appear to justify their non-compliance because of the inadequate benefits accruable to them. The Nigerian government continues to spend trillions of Naira annually but the impact could not be readily seen. According to Nwite (2015), development in Nigeria remains a dream as poverty, unemployment, low standard of living and poor infrastructural facilities still lingers at a very high rate. Alabi and Ocholi (2010) opine that the state of infrastructure in Nigeria is in shamble. Similarly, World Bank (2002) reports that Nigeria's infrastructure, in terms of quality and quantity, is grossly insufficient, substandard and incomparable to the state of infrastructure in other parts of the world. According to the survey by the World Bank (2002), top on the list of inadequate infrastructures in Nigeria are road network, pipe-borne or portable drinking water, waste management, and power. Taxpayers anticipate some kinds of services or benefits in exchange for the taxes paid. When government fails to make available basic public goods, infrastructures, and services or provides them inadequately, citizens may not be enthusiastic to pay taxes; hence tax evasion and avoidance will be the result (Lieberman, 2002; Brautigam, Fjeldstad, & Moore, 2008). Fidelis, Jude, and Ighata (2014) opine that traffic congestion, erratic power supply, inaccessible roads and networks, poor telecommunication services, poor drinking water, etc. are all features of the poor nature of the existing infrastructural in Nigeria. Alabi and Ocholi (2010) in describing Nigerian roads, observed that the roads are the lowest in Africa in terms of density.

Small and Medium Enterprises (SME) are fundamental to the progress and growth of any nation. SME creates jobs in Nigeria (Adebisi & Gbegi, 2013). SMEs are considered to be an essential part of economic success (Ocheni, 2015). Muritala, Awolaj and Bako (2013) reiterate that SMEs impact the growth and development of economies of nations through local raw material consumption, provision of employment opportunities, local areas development, entrepreneurial development, mobilization of savings, provision of linkages with large-size firms, creation of investment windows, provision of training opportunities for both managerial and junior levels personnel. However, the concern has been, in a situation whereby an average SME owner in Lagos State carry out the primary responsibilities of the government regarding the provision of infrastructures like water, security, roads, education by self or community effort, should the same taxpaying citizens be willing to pay taxes to the government? In effect, could there be a nexus between lack or insufficient infrastructure and taxpayers' compliance in Nigeria?

Given the foregoing, the study therefore examines the association between infrastructural development and tax compliance among SME owners in Lagos State. The specific objectives are to examine the extent of infrastructural development in Lagos State; to ascertain whether a causal relationship exists between infrastructural development and tax compliance in Lagos State.

The remaining part of this paper is organised as follows: the second part discusses hypotheses formulation for the study. The third part reviews extant literature related to infrastructural development and tax compliance. The fourth part presents the research methods and design for the study. In the fifth part, the results and discussions of the findings are presented, while the sixth part concludes and presents the significance of the study.

2. Literature Review

2.1 Theoretical Framework

The theories underpinning this study are benefits received and the ability to pay theories. Benefits received theory was propounded by Knut Wicksell in 1896. This theory presupposes that taxpayers get a share of social amenities and facilities provided by the government in exchange of the taxes that they pay (Appah & Ebiringa, 2012). The theory acknowledges the responsibility of the State to provide certain social and public goods for which taxpayers contribute taxes to defray part of the cost according to the benefits received (Bhartia, 2009). This principle holds that the taxes which taxpayers pay should reflect the benefit that they receive from the mix of public goods and services supplied to them by the government (Neill, 1999; Elmi, Kerosi, & Timimba, 2015). Hence those make use of the public goods the most should be made to pay more for the benefit used (Emslie, Davis, Hutton & Olivier, 1995). Based on this theory, Anyanfo (1996) argues that taxes should be distributed based on benefits received from government expenditure. Where the state fails to keep its side of the bargain, the propensity to avoid tax payment becomes very high. A major drawbacks of the benefits received theory is how individuals measure the benefit from the infrastructure provided by the government (Aladejebi, 2018). Another drawback is the determination of the extent to which the poor benefits from public expenditures and the amount that would be demanded of them in exchange for the benefits derived (Martinez-Vazguez, 2001).

The ability to pay theory of taxation was made popular by Jean Jacques Rousseau (1712-1778) and Jean Baptiste Say (1767-1832) although it had its roots in the 16th Century (Ocheni, 2015). Obara and Nangih (2017) emphasise that payment of taxes should be based on the ability to taxpayers to pay. This theory posits that tax payment by any taxpayer to the government should be contingent upon his or her capacity to pay (Bird & Zolt, 2003; Rai, 2004; Chodorow, 2008; Batt, 2012). Obara and Nangih (2017) opine that this theory of taxation is a more widely accepted standard because it is based on fairness or justice. Individual ability to pay should be given considerate deliberation before tax payable is arrived at (Atawodi & Ojeka, 2012). There is need for government to evaluate its tax policies to ensure that it is not disadvantageous to the growth and expansion of the SME in the Nigeria (Adebisi & Gbegi, 2013). The ability to pay theory propagates that taxpayers should be asked to pay taxes according to their capacity and this should be based primarily on their income and taxable assets (Emslie, Davis, Hutton & Olivier, 1995; Chigbu, Eze & Ebimobowei, 2012).

2.2 Prior evidence

Akinwale (2010) examined the inadequacy of infrastructure in Nigeria. The study gathered data from archival materials and through using participant observation. The result of the study found that despite the efforts targeted at enhancing the quality of Nigeria’s infrastructure, the problem of inadequacy in persists. He opined that the problem is not an insufficient fund but that of negligence and corruption. Akinwale (2010) recommends that there is urgent need for rapid improvement in the Nigerian infrastructure to avert impending dangers. Ajiteru, et al., (2018) considered the association between tax income and infrastructural development in Osun State. The study used a survey research design with the population involving government officials at the ministry of finance of Osun state as well as the people of the state. The study used a purposive sampling technique to select 102 respondents for questionnaire administration. It was found that tax revenue is a very strong driver of infrastructural development in the State. The study thus concluded that there was nexus between tax revenue and infrastructural development in Osun State.

Anyaduba and Aromwan (2015) investigated the impact of tax revenues collected by the government on infrastructural development in Nigeria. The study restricted itself to taxes collected by the Federal government of Nigeria between 1980 and 2014. The authors used longitudinal research design and the hypotheses were evaluated using the Error Correction Model. The findings show that Companies Income Tax (CIT) and Education Tax (ET) have significant impacts on the level of infrastructural development while the Petroleum Profit Tax (PPT) and Value Added Tax (VAT) have a non-significant impact. Based on these, the study recommended amidst others that the administration of taxes especially VAT should be done in a way that collection and remittance cannot be evaded so that its effect may be properly seen in the extent of infrastructural facilities.

Worlu and Nkoro (2012) also studied the influence of tax revenue on Nigeria's economic development from a macroeconomic perspective. The authors used three-stage least squares estimation technique to analyse relevant secondary data from Federal Inland Revenue Service (FIRS), Central Bank of Nigeria (CBN) from 1980 to 2007. The study discovered that tax revenue stimulates and encourages economic development through infrastructural development. Owolabi and Okwu (2011) studied the impact of Value Added Tax (VAT) on the sectorial development of Lagos State. The study constructed models to link the identified variables in the work. The study measured some development indices in the areas of environmental management, infrastructural provision, social development, youth, education, agricultural, health, and transportation as dependent variables and regressed each of the indices on VAT proceeds of Lagos State for the study period. The results of the study show that VAT revenue contributed positively to the development of the respective sectors.

Edogbanya, Adejoh, and Sule (2013) analysed the extent to which revenue generation had affected the development of the selected local government using both primary and secondary data for the study. Secondary data were analysed using the simple least squares regression method. The study found that there was a significant relationship between the revenue generated and poor development of the areas. The study also discovered that basic social infrastructure was lacking to the rural people this is connected to lack of revenue. Nwite (2015) studied the implications of tax revenue on the economic development of Nigeria from 2000 to 2010. Using a product moment correlation analysis, Nwite (2015) attempted to determine the relationship between tax revenue and economic development in Nigeria and found that the money generated by the government from tax revenue is not evident in the level of development in Nigeria as poverty, unemployment, low standard of living and poor infrastructural facilities remain at a very high rate. He furthered noted that it is indeed worrisome that the tax reforms to ameliorate the tax/infrastructure deficit gap have not yet recorded significant improvement.

Oliver et al., (2017) examined the effect of Nigeria's tax revenues on infrastructural development. Value Added Tax (VAT) and Petroleum Profit Tax (PPT) were used as indices to measure revenue. The study deployed ex-post-facto research design. Multiple regression technique was used to analyse secondary data sourced from the Central Bank of Nigeria statistical bulletin and Federal Bureau of Statistics. The study covered a period of ten years (2006-2015). Resulting from the analysis of the data used for the study, it was concluded that tax revenue had a positive but immaterial effect on infrastructural development in Nigeria. The study emphasises the need for government to deploy human and material infrastructures necessary for smooth tax collection in order to earn more revenue that will further boost development of infrastructure in Nigeria.

In general, while these studies dwelt on the generation and availability of revenue from taxes and its impacts on infrastructural development, there appear to be little empirical contributions on the relationship between infrastructural development and tax compliance. This paper, therefore, is designed to provide empirical evidence to cover the gap in literature as to establish the effects of infrastructural development on tax compliance from the perspective of small and medium scale enterprises.

2.3 Hypothesis development

The components of tax compliance according to Roth, et al (1989) include registration with the relevant revenue authorities, timely filing of tax returns, and accurate calculation of tax obligation (in the required returns) in relation to tax laws and legislations, payment of taxes, and record-keeping of tax documents and transactions in relation to tax matters. In this study, all the individual components have been combined to form tax compliance. The study hypothesizes that:

Ho: Significant relationship does not exist between infrastructural development and tax compliance in Lagos State, Nigeria

3. Research Methods and data

This study adopts a cross-sectional survey design in order to elicit data in an objective manner from the study's sample and to consequently generalize the population. Data were collected from owners of Small and Medium enterprises to examine their perceptions on the state of infrastructural development as they affect tax compliance in Lagos State. Going by the collaborative survey carried out by Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and Bureau of Statistics in 2013, Nigeria had a total of 72,838 Small and Medium Scale Enterprises. From this surveyed 72,838 SMEs, 11,663 firms were located in Lagos State. There has been no official review of this figure since it was released in 2013, hence the study assumes that growth and death rates of enterprises of this nature are the same. In this regard, the actual population of this study is made up of owners of these 11,663 Small and Medium Scale Enterprises. The population had been stratified into thirteen (13) different classes of business out of which a total of 387 (approximated to 400) were sampled using Taro Yamane (1962) statistical formula. The

400 SMEs were conveniently distributed to all the 20 local governments, that is, 20 per local government because the result of SMEDAN's study does not include distribution into Local Governments in Lagos State.

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In this study, infrastructural development is taken as the independent variable whereas taxpayers' compliance from the perspective of the SME owners is used as the dependent variable. Infrastructural development is represented by availability and access to those public goods such as roads, drainage system, power, telecommunication, security, water supply, housing facilities, and health care facilities. The indices for measuring taxpayers' compliance include registration with the revenue agency, timely filing of tax returns, accurate reporting of tax liability, payment of taxes as they fall due, and adequate record keeping of tax documents and transactions.

4. Results

Descriptive and inferential statistics were performed using survey data obtained from 342 owners of SME located in the constitutionally recognised Local Government Areas in Lagos State. Descriptive analysis was performed to assess the stakeholders' demographic composition and characteristics. The outcome of this analysis provided a level of assessment of the SME owners understanding and ability to provide valid responses to the questionnaire items without bias. See Appendix A for the results of this analysis.

The analysis shows that there are more male respondents than their female counterparts with a percentage population of 65% to 35% respectively. This suggests that there are more male small and medium entrepreneurs. Age-wise, 201 respondents representing 63% of the sampled SME owners are in the active age bracket of between 30 and 50 years. With regards to the marital status of the respondents, the highest category of respondents was married amounting to 263 representing 77% whereas the least is the divorced category with only 16 respondents. Academically, the lowest educational qualification sampled is School Certificate holders while the highest is a possession of a doctorate and the result shows that the B.Sc/HND holders have the highest numbers of respondents with a total number of 177 (52%), while only 15 representing 4.4% are Ph.D. holders. This shows that most of the respondents were literate hence the appreciation of the import and the concepts being considered in the topic would not be in doubt.

Among the respondents, 144 representing 42.1% have professional qualifications as against 198 representing 57.9%) that did not have. This means that there were fewer respondents in the professional cadre engaging in small and medium scale businesses. Regarding the number of years the respondents have been in business, the study reveals that 287 (73.9%) have put in six years and above, which means that they are all qualified to be evaluated on the level of their tax compliance. The respondents are in different fields of endeavours, from Administration and support services 29 (8.5%); wholesale/retail trade 45 (13.2%); Education 37 (10.8%); Construction 34 (9.9%); Manufacturing 37 (10.8%); Accommodation and Catering Services 33 (9.6%); Mining and quarrying 17 (5%). This entails that the respondents cover substantially all the businesses represented in the report of SMEDAN. Financially, 302 and 40 respondents representing 88.3% and 11.7% are having assets base between ₦5.00m to ₦50m and ₦51m - ₦500m respectively. This implies that the respondents satisfy the study's set criteria for measuring small and medium scale enterprises. Besides, 275 respondents representing 80.5% have an average annual income of between ₦11m to ₦500m. This shows that the majority of the respondents are in the ₦11 - ₦500 income band. Furthermore, 284 respondents representing 83% have between 11 – 49 staff and 58 respondents have a total staff strength of between 50 and 199. This also shows that all the respondents fulfilled the study's set criteria for measuring small and medium scale enterprises. (see also appendix A).

4.1 Descriptive analysis of SME owners' perception of infrastructural development

This descriptive analysis reflects on all the indices used to measure taxpayers' perception of infrastructural development.

Table 1: SMEs owners' perception of infrastructural development

S/No	Statements	Mean	Standard Deviation
1	Infrastructural facilities are substantially adequate	2.13	1.077
2	There is adequate access to good and quality roads	2.04	1.014
3	Access to pipe-borne water is sufficient.	2.11	1.075
4	There is alternative power supply in the state	2.21	1.121
5	Businesses do not use generators to power its operations	2.13	1.140
6	There is improvement in standard of living of resident	2.13	1.152
7	Adequate security facilities are available	2.12	1.222
8	Adequate housing facilities have been provided.	2.02	1.133
9	Health care facilities are adequate and well equipped.	2.02	1.166

Table 1 reflects the SME owners' taxpayers' perception of infrastructural development in Lagos State. Nine measures were used to ascertain the perception of SME owners on the level of infrastructural development. The study uses a mean score of below 3.00 as a benchmark for evaluating incidences of high or low levels of each applicable variable. From Table 1, results show that all the questionnaire items on infrastructural development record scores below 3.00. On the average, mean score and standard deviation are 2.10 and 1.12, which implies that the respondents perceived a low level of infrastructural development in Lagos State. Specifically, respondents opine that infrastructural facilities are substantially inadequate 2.13 (1.08), There is adequate access to good and quality roads 2.04 (1.01), Access to pipe-borne water is sufficient. 2.11 (1.08), There is alternative power supply in the state 2.21 (1.12), Businesses do not use generator to power its operations 2.13 (1.14), There is improvement in standard of living of resident 2.13 (1.152), Adequate security facilities are available 2.02 (1.13), and Health care facilities are adequate and well equipped 2.02 (1.166). Overall, respondents score the government low in infrastructural development in Lagos State. This entails that the level of infrastructural development is not commensurate with the expectations of the SME owners hence they are not encouraged to comply with all relevant tax laws.

4.2 Descriptive analysis of SME owners' tax compliance

This descriptive analysis shows the indices used to measure small and medium scale enterprises compliance with tax.

Table 2: SMEs owners' compliance with tax

S/N	Tax compliance index	Mean	Std. Deviation
1	Taxpayers' Compliance with Registration	2.59	0.549
2	Taxpayers' Compliance with Filing	2.59	0.661
3	Taxpayers' Compliance with Tax Liability	2.56	0.705
4	Taxpayers' Compliance with Tax Payment	2.54	0.656
5	Taxpayers' Compliance with Tax Record keeping	2.70	0.933

Table 2 reflects the SME owners' tax compliance in Lagos State. Five indices were used to ascertain tax compliance. From Table 2, results show that all the indices on tax compliance return scores below 3.00. On average, mean score and standard deviation are 2.59 and 0.701 which implies that respondents acknowledge low tax compliance in Lagos State. Overall, respondents responded that they were not fully tax compliant. This entails that the perceived state of infrastructural development might have discouraged SMEs owners to comply with all relevant tax laws in Lagos State.

4.3 Correlation analysis

Pearson correlation analysis was carried out to establish the relationship between variables (both independent & dependent) and also to assess the nature of the relationship that exists between them. From Table 3, it could be seen that infrastructural development correlated significantly and positively with tax compliance (Taxpayers' compliance: $p < .05$, $r = .000$).

Table 3: Correlation of Infrastructural development to SME Owners' tax compliance

		Infrastructural Dev	Taxpayers' Compliance
SME owners perception of Infrastructural Development	Pearson Correlation	1	.409**
	Sig. (2-tailed)		.000
	N	342	341
SME Owners' Compliance	Pearson Correlation	.409**	1
	Sig. (2-tailed)	.000	
	N	341	341

**. Correlation is significant at the 0.01 level (2-tailed).

4.4 Regression analysis

Multiple regression analysis was performed to estimate the model developed for the study. The regression analysis was performed on the dependent and independent variables. The results of these analyses are presented in this section. For the model, the effect of the explanatory (independent) variable on each of the tax compliance measures was assessed at a .05 level of significance. The model being tested by the study is:

$$TxComp = \beta_0 + \beta_1 InfDev + \varepsilon$$

Where
TxComp = Tax compliance
InfDev = Infrastructural development

4.4.1 Test of hypothesis

The SME owners' perception of the level infrastructural development was regressed against tax compliance of the respondents in order to test the hypothesis of the study and the results are presented in Table 4 as follows:

Ho Significant relationship does not exist between infrastructural development and tax compliance in Lagos State, Nigeria.

H1 Significant relationship exists between infrastructural development and tax compliance in Lagos State, Nigeria.

Table 4: *The effect of Infrastructural Development on SMEs tax compliance in Lagos State*

Model	R	R square	Adjusted R square	Beta Coefficient	T Statistic	Change Statistics		Durbin Watson
						F Change	Sig. F Change	
1	.409	.168	.165	.735	8.269	68.229	.000	1.557

Table 4 shows the regression result on the effect of Infrastructural development on the tax compliance of respondents in Lagos. R Square of .168 suggests that the perception of owners of SMEs of the level of infrastructural development accounts for 17% of the variation in tax compliance. This entails that 17% of the variations in tax compliance is accounted for by the variations in infrastructural development. For these data, F is 68.23 and P < .05. This indicates that SME owners' perception of infrastructural development has both positive and significant influence on their compliance with tax. Table 4, shows that the relationship between infrastructural development and tax compliance is positive and it is also statistically significant with a coefficient of correlation, r = 0.735, t (8.269), p < .05. In this regard, the null hypothesis is not retained.

5. Discussion, Conclusion and Recommendations

5.1 Discussion of Findings

This study examined the effect of infrastructural development on tax compliance among the small and medium enterprises owners in Lagos State. The study finds out that a significant relationship exists between infrastructural development and SME owners' tax compliance. From the descriptive statistics, the study reveals an average mean score and a standard deviation of 2.10 and 1.12 respectively. This is lower than the benchmark of 3.0 used for the study. This implies that the respondents perceived a low level of infrastructural development in Lagos State. This agrees with Akinwale (2010) whose study found that despite the efforts aimed at improving the state of infrastructure in Nigeria, the problem of inadequacy in infrastructure persists. The correlation analysis carried out for the study shows a positive result with p < .05.

The regression analysis result reveals a statistically significant and positive relationship between infrastructural development and tax compliance (r = .409, p < .05). In effect, the higher the level of infrastructural development, the higher would be the level of tax compliance. It could be argued that a small and medium scale owner, who spends part of the resources of the entities to provide security, water, roads, electricity may not be motivated to pay tax to the government. This suggests that when SME owners provide these services themselves, it depletes their financial resources thereby limiting their ability to pay tax which is in line with Rousseau and Say's ability to pay tax theory. The failure to supply basic infrastructure and corresponding services can be used as a justification for tax evasion (Wardana, 2008).

Extant literature had established a cause and effect relationship between revenue and infrastructural development and concluded that infrastructural development is a function of availability of revenue (Ajiteru, et al., 2018; Oliver et al, 2017; Anyaduba & Aromwan, 2015). Notably, the availability of revenue is largely dependent on the level of tax compliance of taxpayers within a country. Taking a cursory look at the derelict infrastructure in Lagos State (Nwite, 2015; Alabi & Ocholi, 2010; World Bank, 2002; Fidelis et al., 2014) one could argue that revenue has been inadequate. The shortfall in the expected revenue is due to the low level of tax compliance amongst SME owners in Lagos State (Gemmell & Hasseldine, 2014). Contrary to the conclusion of authors in this regard, this study has contributed to the literature by establishing a role reversal between infrastructural development and tax compliance by concluding that the former leads to the latter. This is in agreement with the conclusion of Listokin and Schizer (2013) and Halla and Schneider (2008) who argued that a sufficient public good supply leads to a rise in willingness amongst citizens to pay tax. The study, therefore, suggests that the provision of infrastructural facilities will enhance the tax compliance SME owners in Lagos State.

5.2 Conclusion and Recommendations

This study investigated the relationship between infrastructural development and tax compliance in Lagos State, Nigeria. The study drew interests from the owners of small and medium scale enterprises in Lagos State. One research objective and question were raised and these dovetailed into the development of one hypothesis. The study established that taxpayers' perception of infrastructural development has statistical significance and a positive influence on tax compliance. Therefore, through infrastructural development, taxpayers would be motivated to comply with relevant tax laws and regulations.

The study recommends that adequate and concerted efforts should be put in place by Lagos State Government to develop the basic infrastructures in the state. In other words, the Government should make judicious use of tax revenue to provide infrastructural facilities that will improve the welfare of the people of the Lagos State and promote business development, which would invariably lead to increased tax compliance. In addition, concerted efforts should be made by the relevant agencies of Lagos State government to monitor the execution of various capital projects in order to ensure that they are well delivered and enhance value for money. This would indeed increase the morale of tax payers to fulfill their tax obligations. It is also imperative for the State Government to increase the amount budgeted for capital expenditure which would translate to greater provision of more facilities.

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Appendix A
Analysis of respondents' bio data

Factor		Frequency	Percent
Gender	Male	221	64.6
	Female	121	35.4
	Total	342	100.0
Age	Less than 20	1	.3
	20 – 30	36	10.5
	31 – 40	92	26.9
	41 – 50	109	31.9
	51 – 60	79	23.1
	60 and above	25	7.3
	Total	342	100.0
Marital	Unmarried	40	11.7
	Married	263	76.9
	Separated	23	6.7
	Divorced	16	4.7
	Total	342	100.0
Highest qualification	WASSCE/GCE/NECO	28	8.2
	OND/NCE	54	15.8
	BA/B.sc/HND	177	51.8
	MA/M.sc/MBA	68	19.9
	Ph.D	15	4.4
	Total	342	100
Professional qualification	Yes	144	42.1
	No	198	57.9
	Total	342	100.0
Years in business	1 – 5	55	16.1
	6 – 10	137	40.1
	11 – 15	107	31.3
	16 – 20	21	6.1
	Above 20	22	6.4
	Total	342	100
Types of business	Manufacturing	37	10.8
	Mining and quarrying	17	5.0
	Accommodation and catering services	33	9.6
	Agriculture	25	7.3
	Wholesale/retail trade	45	13.2
	Construction	34	9.9
	Transportation	24	7.0
	Information and communication	22	6.4
	Education	37	10.8
	Administration and support services	29	8.5
	Arts, Entertainment and recreation	18	5.3
	Water supply, sewage and waste management	18	5.3
	Others	3	.9
		342	100.0
Average assets base	₦5.00m - ₦ 50.00m	302	88.3
	₦51.00 - ₦500.00m	40	11.7
		342	100.0
Income per annum	Below ₦10m	67	19.6
	₦11m - ₦100.00m	256	74.9
	₦101m - ₦500.00	19	5.6
		342	100.0
Number of employees	11 – 49	284	83.0
	50 – 199	58	17.0
		342	100