

The Role of SME Reputation on VAT Compliance Intention among SMEs in Nigeria

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Abstract

This study examines the role of SME reputation on VAT compliance intention among SMEs in Nigeria. Data were collected through the administration of 400 questionnaires to SMEs located in Kano, North-West Nigeria. A total of 23 indicator items were measured using a 5-point Likert scale. IBM SPSS Statistics version 29 was utilized for data analysis. The results reveal a positive and significant relationship between SME reputation and VAT compliance intention, attitude toward VAT compliance and VAT compliance intention, subjective norms and VAT compliance intention and perceived behavioural control and VAT compliance intention among SMEs in Nigeria. The study recommends integrating SME reputation with the Theory of Planned Behaviour to address VAT compliance challenges among SMEs. Such integration can enhance timely remittance of VAT to the appropriate tax authorities. The findings also provide useful insights for policymakers in developing SME-specific strategies to improve VAT compliance. In addition, future research is encouraged to replicate the study with a larger sample size and across other regions of Nigeria to validate the consistency of the results.

Keywords: SMEs, VAT compliance, Nigeria, Reputation.

1. Introduction

Value Added Tax (VAT) remains a major consumption tax instrument adopted globally to expand government revenue and stimulate economic development. Contemporary fiscal literature emphasizes VAT as a stable and efficient source of non-oil revenue, particularly for developing economies seeking revenue diversification (OECD, 2022; IMF, 2023). In Nigeria, VAT was introduced in 1993 at a rate of 5%, but the rate was increased to 7.5% following the enactment of the Finance Act 2019, which took effect on 1 February 2020. Recent reforms position VAT as a critical instrument for strengthening fiscal sustainability amid declining oil revenues (FIRS, 2024). Although increasing the VAT rate is theoretically associated with higher revenue generation, empirical evidence suggests that revenue performance

depends largely on compliance levels rather than rate adjustments alone (IMF, 2023; OECD, 2022). In Nigeria, compliance challenges persist, particularly among Small and Medium Enterprises (SMEs), which constitute a significant proportion of the tax base (FIRS, 2024). VAT compliance involves proper registration, accurate assessment, effective accounting, timely filing of returns, and remittance of collected VAT to the relevant tax authority.

Recent empirical studies provide evidence of persistent compliance gaps among SMEs. For instance, Okafor and Eze (2022), using survey data from 250 SMEs in Lagos State, found that weak enforcement mechanisms and low trust in tax authorities significantly reduce VAT compliance. Similarly, Yusuf et al. (2023) employed multiple regression analysis and

reported that taxpayer awareness and perceived fairness of the tax system positively influence compliance behaviour among SMEs in Northern Nigeria. In a related study, Ahmed and Lawal (2024) found that perceived corruption within tax administration negatively affects voluntary VAT compliance, suggesting that institutional quality plays a critical role in shaping taxpayer behaviour.

Recent enforcement reports also indicate continued cases of VAT non-remittance and underreporting, underscoring the administrative and behavioural dimensions of compliance gaps (FIRS, 2024). Despite improvements in VAT collections following the 2020 rate increase, revenue targets have not always been fully realized, reflecting structural and behavioural constraints within the tax system (IMF, 2023). Existing literature further shows that VAT gaps in developing countries are often linked to weak enforcement, limited taxpayer awareness, and attitudinal resistance (OECD, 2022; IMF, 2023). However, while these studies provide useful insights, many focus primarily on institutional and economic determinants, with limited attention to firm-level behavioural factors such as corporate reputation.

Accordingly, recent studies increasingly adopt behavioural frameworks such as the Theory of Planned Behaviour (TPB) to explain tax compliance intention. The TPB posits that attitude towards behaviour, subjective norms, and perceived behavioural control significantly predict intention and actual behaviour. Empirical evidence supports the relevance of TPB constructs in explaining SMEs' compliance intentions. For example, Bello and Ahmed (2024) found a significant positive relationship ($r = 0.62$) between corporate reputation and tax compliance intention among SMEs in Kano State. Similarly, Garba and Musa (2025) reported that perceived legitimacy and reputational

concerns significantly influence voluntary tax compliance decisions.

Despite these contributions, there remains limited empirical evidence integrating SME reputation within the TPB framework, particularly in the context of VAT compliance in Northern Nigeria. This gap is important because SMEs operate in environments where reputational considerations and social perceptions may strongly influence compliance behaviour. Therefore, this study is justified as it seeks to provide context-specific empirical evidence on the influence of SME reputation on VAT compliance intention by extending the Theory of Planned Behaviour framework.

In addition to conceptual discussions on VAT compliance and SME reputation, the study presents methodology, empirical findings, and policy recommendations aimed at strengthening VAT compliance strategies among SMEs in Nigeria.

2. Literature Review

2.1 A Review of VAT Compliance Intention

Empirical studies on VAT compliance consistently demonstrate that compliance behaviour among SMEs is influenced by a combination of behavioural, social, and institutional factors. Early evidence from the United Kingdom established that social norms, perceived fairness, deterrence measures, and individual characteristics significantly affect compliance among small firms (Webley & Ashby, 2010). More contemporary evidence supports these findings, emphasizing that tax compliance is multidimensional and shaped by both economic and non-economic considerations. For instance, Alm and Malézieux (2021) and Kirchler et al. (2022) highlight that social norms, trust in tax authorities, and perceived legitimacy play critical roles in influencing compliance decisions.

Emerging empirical evidence confirms the robustness of behavioural factors in predicting tax compliance intentions among SMEs. Shahrudin et al. (2023) found that attitude and perceived behavioural control significantly influence tax compliance intention, while Bani-Khalid et al. (2022) reported that subjective norms are a strong determinant of compliance behaviour in developing economies. These findings suggest that tax compliance is largely driven by behavioural intentions shaped by individual beliefs and social pressures. In addition to behavioural factors, enforcement mechanisms remain a significant determinant of VAT compliance. Empirical evidence indicates that audit probability, detection risk, and penalty severity positively influence compliance, particularly when enforcement is perceived as effective (Beer et al., 2022). Furthermore, studies in developing economies reveal that administrative interventions such as taxpayer education, digital tax systems, and simplified compliance procedures enhance voluntary compliance (Mascagni et al., 2021). In Nigeria, efforts by the Federal Inland Revenue Service (FIRS) have shown that improved enforcement strategies and awareness campaigns contribute to better VAT compliance. However, extant literature argues that enforcement alone is insufficient, as compliance is more sustainable when supported by fairness, trust, and efficient service delivery.

Empirical research in Nigeria further highlights the importance of behavioural and institutional variables in shaping tax compliance. Studies on SMEs indicate that tax morale, trust in government, and perceptions of equity significantly influence voluntary compliance behaviour. Additionally, administrative efficiency—such as electronic filing systems, audit effectiveness, and taxpayer education—

has been found to improve compliance outcomes. Despite these improvements, VAT compliance among SMEs remains suboptimal, suggesting that deeper behavioural and organisational factors need to be examined

Growing scholarly attention has also focused on organisational determinants of compliance, particularly corporate reputation. Firms with strong reputational concerns are more likely to comply with tax regulations to maintain legitimacy and stakeholder trust (Lanis & Richardson, 2021). Similarly, Nguyen et al. (2023) found that reputational considerations positively influence regulatory compliance among SMEs. This perspective aligns with stakeholder theory, which posits that organizations engage in compliant behaviour to sustain long-term relationships and enhance their social standing.

Despite the growing body of empirical literature on VAT compliance, several conceptual, methodological, and contextual limitations persist, thereby constraining the depth and applicability of existing findings. First, empirical findings on VAT compliance determinants remain inconsistent and context-specific. While some studies report significant relationships between behavioural variables and compliance, others find weak or insignificant effects. These inconsistencies are largely attributable to differences in economic structures, institutional quality, and cultural settings across countries. Consequently, findings from developed economies are often generalized to developing countries without sufficient contextual consideration, thereby limiting their relevance to economies such as Nigeria. Second, existing studies are characterized by notable methodological weaknesses. A significant proportion of empirical research relies on cross-sectional survey designs and self-reported data, which are

susceptible to social desirability bias and common method variance. Such designs also limit the ability to establish causal relationships between variables. Furthermore, there is limited use of longitudinal and experimental methods that could better capture behavioural changes over time and provide stronger causal inferences. In addition, many studies depend on perceptual measures of compliance rather than actual tax data, raising concerns about measurement validity.

Another methodological limitation is the narrow focus on isolated variables. Many studies examine determinants such as attitude, enforcement, or tax morale independently, without considering the interaction between behavioural, institutional, and organisational factors. This fragmented approach reduces the explanatory power of existing models and fails to reflect the complexity of real-world compliance behaviour. In addition, there is a geographical imbalance in the literature, with a large proportion of studies concentrated in developed economies. Empirical evidence from African countries, particularly Nigeria, remains relatively limited. Given the unique characteristics of SMEs in developing economies including high informality, weak institutional frameworks, and administrative challenges findings from developed contexts may not be directly applicable.

Despite these contributions, limited empirical studies have integrated SME reputation into behavioural tax compliance models, especially within the Nigerian VAT context. Most existing studies focus primarily on deterrence and behavioural intentions without adequately considering the role of organisational reputation. Therefore, this study extends the empirical literature by incorporating SME reputation into the TPB framework to explain VAT compliance intention among Nigerian

SMEs. By integrating behavioural factors (attitude, subjective norms, and perceived behavioural control) with organisational reputation, the study provides a more comprehensive understanding of VAT compliance behaviour in a developing economy context.

2.2 SME Reputation and VAT Compliance Intention

Empirical research examining SME reputation as a predictor of VAT compliance remains limited, particularly within the Nigerian context. Recent tax compliance studies in Nigeria have largely focused on deterrence factors, tax morale, digital tax administration, and perceived fairness, with minimal attention given to reputational considerations as a behavioural driver (Alabi & Akintoye, 2024; Fagbemi & Olaniyi, 2023). Although earlier research called for broader investigations into non-economic determinants of tax compliance, including how external perceptions of a firm may influence its behaviour, contemporary Nigerian literature still shows a significant gap in linking SME reputation directly to VAT compliance intention. Notably, the Federal Inland Revenue Service (FIRS, 2024) continues to identify reputational damage, public naming, and enforcement publicity as consequences of non-compliance, implying that reputational risk is an implicit regulatory tool. However, empirical validation of this relationship in Nigeria remains scarce.

Empirical evidence suggests that firms concerned with stakeholder perceptions are less likely to engage in aggressive tax practices due to potential reputational risks. For instance, Lanis and Richardson (2021), using panel data analysis, found that firms with higher reputational exposure exhibit lower levels of tax aggressiveness. Similarly, Gerged et al (2022) reported that corporate reputation significantly influences ethical decision-making and regulatory compliance

behaviour in emerging economies. More recent high-impact empirical studies further reinforce this relationship. For example, Ndlovu and Schutte (2024), using survey data and behavioural modelling techniques, found that compliance behaviour among small businesses is strongly influenced by trust, perceived legitimacy, and reputational concerns, highlighting the behavioural dimensions of tax compliance. In a related 2024 study published in sustainability, researchers employing structural and behavioural modelling approaches showed that corporate social responsibility (CSR)—a key proxy for reputational capital—significantly reduces tax avoidance intentions among SMEs, indicating that reputational incentives promote compliance-oriented behaviour. Furthermore, emerging global evidence from 2025 indicates that firms are increasingly prioritizing tax transparency and compliance not only to meet regulatory requirements but also to manage reputational risk, as stakeholders intensify scrutiny over corporate tax practices. This aligns with broader compliance research showing that organizations with stronger reputational concerns are more likely to adopt proactive compliance strategies to maintain legitimacy and stakeholder trust. In the SME context, Nguyen et al. (2023), using structural equation modelling, demonstrated that reputational concerns positively and significantly predict regulatory compliance intentions among small firms. However, despite these advances, most existing studies are conducted outside the Nigerian context and do not specifically examine VAT compliance behaviour. This gap is significant, as SMEs in developing economies operate within unique institutional environments where reputational pressures and informal norms may exert stronger influence on compliance decisions. Therefore, this

study is justified as it seeks to provide context-specific empirical evidence on how SME reputation influences VAT compliance intention within Nigeria.

SME reputation can therefore be conceptualized as stakeholders' collective perception of a firm's credibility, integrity, and compliance orientation. In the VAT context, this relates to how consistently an SME fulfills its obligations regarding registration, collection, filing, and remittance. Firms that prioritize compliance signal transparency and accountability, thereby strengthening their legitimacy within the business environment. Contemporary African studies also indicate that reputational standing enhances firm performance by building trust with customers, regulators, and suppliers (Agyemang & Ansong, 2022; Fagbemi & Olaniyi, 2023). This aligns with stakeholder theory, which posits that positive stakeholder relationships generate competitive advantage and long-term sustainability.

Furthermore, family-owned SMEs which constitute a substantial proportion of Nigerian businesses are often particularly sensitive to reputational risks. Recent family business research suggests that concerns about preserving socioemotional wealth, family identity, and intergenerational legacy significantly influence compliance-related decisions (Berrone et al., 2022; Debicki et al., 2023). In emerging economies, where family names are closely tied to business operations, reputational damage arising from regulatory non-compliance may threaten both economic survival and social standing. This supports the argument that reputational considerations may motivate SMEs to comply with tax obligations beyond fear of sanctions.

Although contemporary studies acknowledge reputational risk as a consequence of tax non-compliance, few have explicitly integrated SME reputation

within behavioural tax models such as the Theory of Planned Behaviour. Recent tax behaviour research recommends expanding compliance models to incorporate organisational legitimacy and reputational concerns alongside attitudes, subjective norms, and perceived behavioural control (Kirchler et al., 2022; Alm, 2021). In Nigeria's evolving fiscal environment characterized by increased enforcement, digital monitoring, and public accountability reputational exposure may become an increasingly powerful compliance determinant.

Therefore, this study extends the literature by conceptualizing SME reputation as stakeholders' perception of an SME's ethical orientation and VAT remittance behaviour, which can either strengthen or tarnish its corporate image and ultimately affect long-term survival. By integrating SME reputation into a behavioural framework of VAT compliance intention, this research addresses a critical gap in Nigerian tax compliance literature and contributes to emerging African scholarship on organisational legitimacy and regulatory behaviour.

2.3 A Review of Theory of Planned Behaviour (TPB)

The theoretical framework underpinning this study is the Theory of Planned Behaviour (TPB). TPB remains one of the most widely applied behavioural models within social psychology for explaining the motivational determinants of intention and behaviour. It evolved from the Theory of Reasoned Action developed by Fishbein and Ajzen, with TPB extending the earlier model by incorporating perceived behavioural control to better explain behaviours that are not entirely under volitional control. Contemporary scholarship continues to affirm TPB as a robust framework for predicting regulatory and compliance-related behaviours (Ajzen, 2020; Sharahiley, 2022).

According to Ajzen (2020), behaviour is preceded by intention, which reflects an individual's readiness and conscious plan to perform a given action. Intention, in turn, is shaped by three cognitive antecedents: attitude toward the behaviour, subjective norms, and perceived behavioural control. Recent empirical applications of TPB in taxation contexts confirm that intention serves as the immediate predictor of compliance behaviour, particularly in small business settings (Bani-Khalid et al., 2022; Shaharuddin et al., 2023). These studies demonstrate that TPB continues to provide strong explanatory power in understanding tax compliance intentions across both developed and developing economies.

Attitude refers to the individual's favourable or unfavourable evaluation of performing a behaviour. In VAT contexts, this reflects how SME owners perceive VAT compliance whether as a civic responsibility, financial burden, or regulatory obligation. Recent African-based studies indicate that positive attitudes toward taxation significantly enhance compliance intention among SME operators (Agyemang & Ansong, 2022; Fagbemi & Olaniyi, 2023). Subjective norms capture perceived social pressure from important referent groups such as family members, business peers, professional advisers, and regulatory authorities. In collectivist and emerging economies, normative influence has been shown to significantly affect business compliance decisions (Kirchler et al., 2022; Shaharuddin et al., 2023). Perceived behavioural control (PBC) denotes the perceived ease or difficulty of complying with tax obligations, including factors such as administrative complexity, financial capacity, and knowledge of tax regulations. Recent research in Nigeria suggests that digital tax systems, taxpayer education, and simplified filing procedures significantly enhance perceived control

and, consequently, compliance intention (Alabi & Akintoye, 2024; FIRS, 2024). While TPB effectively explains behavioural intention, contemporary scholars have called for integrating organisational-level determinants into behavioural compliance models (Alm, 2021; Kirchler et al., 2022). In response to this call, the present study incorporates SME reputation alongside the three TPB constructs. In this context, attitude toward the behaviour specifically refers to attitude toward VAT compliance. SME reputation is conceptualized as stakeholders' perception of the firm's integrity, reliability, and regulatory conformity. Recent governance and management literature indicates that reputation significantly influences organisational outcomes. For instance, Gerged et al. (2022) find that reputational capital enhances ethical conduct and regulatory adherence in emerging markets. Similarly, Lanis and Richardson (2021) show that firms concerned about stakeholder perceptions are less likely to engage in aggressive tax behaviour. Business

reputation strengthens stakeholder confidence, including customers, suppliers, employees, investors, and government agencies, thereby contributing to competitive advantage and long-term sustainability (Berrone et al., 2022; Debicki et al., 2023).

Incorporating SME reputation into the TPB framework therefore provides a more comprehensive understanding of VAT compliance intention. By integrating behavioural determinants (attitude, subjective norms, perceived behavioural control) with reputational considerations, this study responds to recent scholarly recommendations for multidimensional compliance models that reflect both psychological and organisational realities in emerging economies such as Nigeria. The resulting framework offers stronger theoretical grounding for examining VAT compliance intention among SME. Therefore, with the relevant literature discussed, theoretical support provided and the TPB which has been previously discussed, the framework for this paper is presented in figure 1.

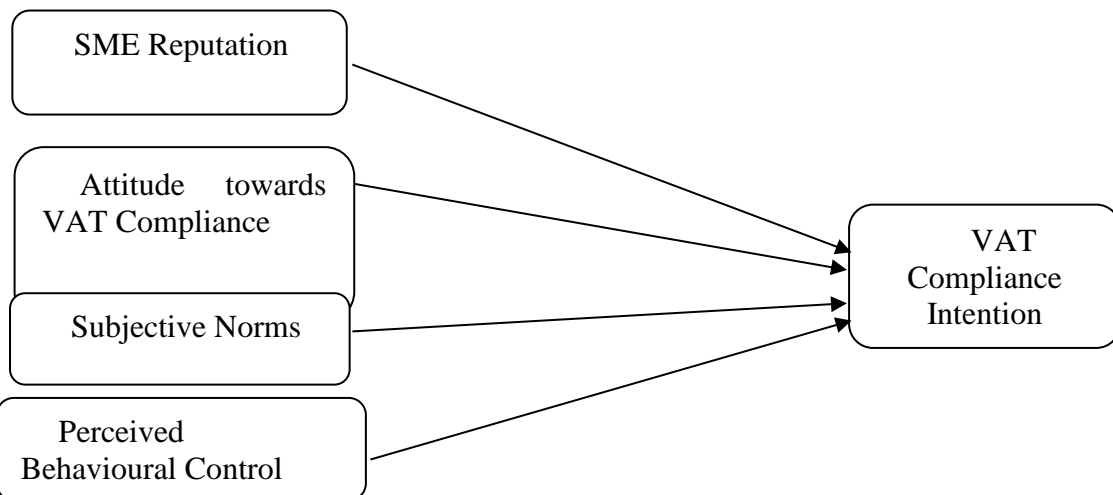


Figure 1 Research Framework

Based on the research framework in Figure 1, the paper proposed the following hypotheses for validation:

H₁: There is a positive relationship between SME Reputation and VAT compliance intention among SMEs.

H₂: There is a positive relationship between attitude towards VAT compliance and VAT compliance intention.

H₃: There is a positive relationship between subjective norms and VAT compliance intention among SMEs.

H₄: There is a positive relationship between perceived behavioural control and VAT compliance intention among SMEs.

3. Methodology

The population used for this research work is the SMEs operating in Nigeria but the sample for the study was restricted to SMEs in all the sectors located in Kano state, north-west Nigeria. Kano state was chosen as the sample because, it is the largest populated city in the northern Nigeria (National Population Commission, 2006). Furthermore, there are a total of 21,615 registered SMEs in Kano state (SMEDAN, 2033). In addition to the report by SMEDAN (2023), the four major ownership of SMEs by economic sector (Education services, wholesale/retail, manufacturing and food/accommodation) are well represented in Kano state. Hence, the sample derived from the population can be relatively representative to the sectors mentioned. The sample size used for this research work is 384 SMEs. This is obtained from Krejcie and Morgan (1970) table for determining sample size.

A total of 400 questionnaires were personally administered using cluster sampling technique, based on geographical location of the SMEs in the industrial areas of Kano state, north-west Nigeria. A total of 300 questionnaires were retrieved, representing 75% response rate. The questionnaire was divided into four parts: perceptions on VAT compliance which corresponds to the VAT compliance intention. VAT compliance constructs which correspond with SR, AVC, SN and PBC, comments and suggestion. In addition, the questionnaire was distributed using the cluster random sampling technique and proportionate sampling was adopted to ensure that sufficient number of respondents were selected based on the list of SMEs as provided by SMEDAN north-west, Nigeria to represent each industrial area. Thus, the justification of the sample

size selection was through a sample size where the number of SMEs in the six industrial areas; Sharada Phase I, Sharada Phase II, Kawaji, Bompai, Challawa and Tokarawa was divided by the total number of the SMEs in the six industrial areas and divided by the number of questionnaire administered (400).

3.1 Pilot Study

A pre-test was conducted through the inputs of experts in the field of VAT and research methodology in Nigeria and also the staff of the FIRS were involved to the content validation process. After this first validation process, the questionnaire was amended in accordance with the suggestions by the expert. The suggestions include rewording and recoding of some items used in the study. Based on the feedback from the pilot study questions and the experts on VAT compliance behaviour, some items were reworded and recoded. The pilot study was conducted to get feedback that will be used to enhance the procedures of the main data collection.

3.2 Measurements of Variables for the Study

This study measured all the variables using a five-point Likert scale ranging from '1' "strongly disagree" to '5' "strongly agree". Furthermore, all the items used for this study were adapted from previous studies with modifications. For instance, the items for VAT compliance intention (VCI) were five, using a hypothetical VAT scenario as adapted from Efebera et al. (2004) and Langham et al. (2012). The items for SME reputation the study used four items adapted from Efebera et al. (2004), Lange et al. (2011) and Verboon and Goslinga (2009). In the same vein, the study used four items each for attitude towards VAT compliance and subjective norms. While five items were used for perceived behavioural control as adapted from Saad (2011).

4. Results and Discussion

4.1 Reliability Analysis

This study used the Cronbach’s alpha to test the reliability of measures and also to test the internal consistency of the measurement items. Cronbach’s alpha was used because it is widely recommended for

social science research (Hair et al., 2010; Sekaran & Bougie, 2010). As posited by Hair et al. (2010) a Cronbach’s alpha coefficient of at least .70 is considered sufficient and acceptable. The results of the Cronbach’s alpha for this study is shown in Table 1.

Table 1 Reliability Test

| Variable | Items | Alpha |
|---------------------------------|-------|-------|
| SME Reputation | 4 | .716 |
| Attitude towards VAT Compliance | 4 | .738 |
| Subjective Norms | 4 | .716 |
| Perceived Behavioural Control | 5 | .849 |
| VAT Compliance Intention | 5 | .719 |

Table 1 showed that the calculated value of alpha for each of the variable is above .70. Therefore, it concludes that the instruments used to measure the constructs for the study has fulfilled the reliability test, which is in line with Hair et al. (2010) on at least .70 is considered sufficient and acceptable.

To test the hypotheses on the direct relationship between SR, AVC, SN and PBC (independent variables) and VCI (dependent variable), multiple regression analysis was used as recommended by Hair et al. (2010). The results of the analysis are presented in Table 2 and 3.

4.2 Multiple Regression Analysis

Table 2 Summary of Regression Model

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-watson |
|-------|-------|----------|-------------------|----------------------------|---------------|
| 1 | .772a | .623 | .606 | .836 | 2.164 |

a. Predictors: (Constant), SR AVC, SN, PBC.

b. Dependent Variable: VCI

The result as measured by adjusted R² indicates the effect of the independent variables (SR, AVC, SN, and PBC) over the dependent variable (VCI). This Table 2.

explains that the extent to which the independent variables affect the dependent variable is about 0.606 or 60.6% as seen in

Table 3 Coefficient of the Regression

| Model | Unstandardized Coefficients | | Standardized Coefficients | | p-Value |
|-------|-----------------------------|------------|---------------------------|-------|---------|
| | B | Std. Error | Beta | t | |
| SR | .137 | .061 | .129 | 2.257 | .025 |
| AVC | .031 | .056 | .030 | .556 | .012 |
| SN | .205 | .069 | .175 | 2.972 | .003 |
| PBC | .108 | .052 | .112 | 2.066 | .040 |

Note: Significance levels are: p<.05; p<.10

The results based on the t-statistics (see Table 3) indicate that SME reputation (SR), attitude toward VAT compliance (AVC), subjective norms (SN), and

perceived behavioural control (PBC) all exhibit a positive and statistically significant relationship with VAT compliance intention (VCI).

Consequently, hypotheses H1, H2, H3, and H4 are supported and accepted. The positive influence of attitude, subjective norms, and perceived behavioural control on VAT compliance intention is consistent with more recent empirical evidence. Studies have shown that taxpayers are more likely to comply when they possess favourable attitudes toward taxation, experience social pressure to comply, and perceive that compliance is within their capability (Appiah et al., 2024; Mebratu, 2024). These findings further validate the Theory of Planned Behaviour (TPB), which emphasises that behavioural intention is shaped by individual beliefs, social influence, and perceived control. In addition, contemporary tax compliance literature highlights that behavioural and psychological factors remain central drivers of compliance decisions, particularly in developing economies where informal practices are prevalent.

Furthermore, the finding that SME reputation (SR) has a positive and significant relationship with VAT compliance intention aligns with emerging scholarly evidence that organisational and non-economic factors play a critical role in compliance behaviour. Recent literature emphasises that reputational concerns, ethical orientation, and tax morale significantly influence taxpayers' willingness to comply, beyond traditional deterrence mechanisms (Puklavec et al., 2025). Firms that seek to maintain legitimacy and stakeholder trust are more inclined to adhere to regulatory requirements in order to sustain long-term business relationships and avoid reputational damage.

Additionally, these findings are supported by broader compliance frameworks such as the slippery slope theory, which suggests that compliance is driven by a combination of trust in tax authorities and the power of enforcement (Appiah et al., 2024). This implies that SMEs are more likely to

comply not only due to fear of sanctions but also because of perceived legitimacy and trust in the tax system.

Overall, the results indicate that VAT compliance intention among SMEs is influenced by a combination of behavioural, social, and organisational factors. This supports the argument that tax compliance cannot be fully explained by deterrence alone but requires an integrated perspective that incorporates behavioural constructs and reputational considerations. Consequently, the inclusion of SME reputation within the TPB framework provides a more comprehensive explanation of VAT compliance behaviour in contemporary tax environments.

5. Implications and Conclusion

Despite the significant VAT revenue losses experienced in Nigeria, empirical studies examining the determinants of VAT compliance intention among SMEs remain relatively limited. This study addresses this gap by examining the influence of SME reputation on VAT compliance intention through an extension of the Theory of Planned Behaviour (TPB), incorporating organisational-level factors alongside behavioural constructs. SME reputation was included based on evidence suggesting that stakeholder perceptions, ethical orientation, and family business dynamics play a significant role in shaping compliance behaviour (Berrone et al., 2022; Chen et al., 2010; Deephouse & Jaskiewicz, 2013). In particular, reputational concerns are especially relevant in family-owned SMEs, where the desire to preserve business credibility and family name can encourage timely and accurate tax compliance.

Data collected from 300 SMEs in Nigeria were analyzed using reliability tests and multiple regression analysis. The results reveal that SME reputation, attitude toward VAT compliance, subjective norms, and perceived behavioural control all have a

positive and significant effect on VAT compliance intention. This indicates that both behavioural and organisational factors jointly shape compliance decisions. The findings align with prior studies in Nigeria and other African contexts, which show that compliance behaviour is influenced by a combination of psychological, social, and reputational considerations (Agyemang & Ansong, 2022; Fagbemi & Olaniyi, 2023; Vincent, 2021).

Theoretically, the study extends the Theory of Planned Behaviour (TPB) by incorporating SME reputation as an organisational level construct. This addresses a key limitation of TPB, which traditionally focuses on individual cognitive determinants while underrepresenting firm-level and contextual influences. The integration demonstrates that compliance intention is not only shaped by attitudes, subjective norms, and perceived behavioural control, but also by how firms perceive the reputational consequences of non-compliance. Secondly, the study contributes to the development of a more integrated behavioural organisational framework for understanding tax compliance. By combining TPB with reputational theory, the study bridges psychological and institutional perspectives, supporting the argument that tax compliance is a multi-layered phenomenon influenced by both internal beliefs and external legitimacy concerns. Thirdly, the study strengthens the argument for multi-theoretical approaches in tax compliance research. It demonstrates that relying solely on deterrence or behavioural theories is insufficient to fully explain compliance intentions, particularly in developing economies where informal

norms and reputational considerations are highly influential.

Practically, the findings suggest that, tax authorities should adopt a holistic compliance strategy that goes beyond enforcement. While audits and penalties remain important, they should be complemented with behavioural interventions that shape positive attitudes toward taxation and strengthen compliance intentions. Secondly, the significant role of subjective norms suggests that compliance can be enhanced through social influence mechanisms. Professional associations, business networks, and peer influence can be leveraged to create a culture where tax compliance is viewed as a norm rather than an obligation.

Thirdly, improving perceived behavioural control highlights the need for administrative simplification and taxpayer support systems. This includes reducing bureaucratic complexity, expanding digital tax platforms, and providing continuous taxpayer education to make compliance easier and more accessible for SMEs. In addition, the strong influence of SME reputation suggests that policymakers can use reputational incentives as a compliance tool. Initiatives such as compliance certification, public recognition of compliant SMEs' status labels can encourage firms to comply in order to maintain or enhance their public image. Finally, the study acknowledges a limitation in the relatively restricted sample size. Future research could expand the scope by incorporating larger and more geographically diverse SME populations across Nigeria. This would enhance the generalizability of findings and provide deeper insight into how behavioural and reputational factors interact to influence VAT compliance intention.

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