**Perception on Taxation and Fuel Subsidies in Nigeria:**

**Quantitative Surveys, Focus Group Discussions, and In-Depth Interviews**

To discover the attitudes and perceptions of Nigerians towards tax compliance and fuel subsidies, two major quantitative surveys were undertaken – a household survey and a survey of small firms. These were complemented by extensive qualitative research including Focus Group Discussions (FGD) and In-Depth Interviews (IDI) with tax officials in selected states.

The data collection process was coordinated by Neil McCulloch and Tom Moerenhout and funded by the Bill and Melinda Gates Foundation. It aimed at supporting the Nigeria Economic Summit Group. The Nigeria-based survey firm ‘Practical Sampling International’ was hired to conduct the data collection exercise. The survey and FGDs were piloted in May 2018, and the data-collection exercise was conducted in July and August 2018.

The publication of the data includes:

* Household survey dataset
* Household questionnaire
* Household translated questionnaires
* Household codebook
* Firm survey dataset
* Firm questionnaire
* Summaries of FGDs
* Anonymized summaries of IDIs
* Qualitative guides for FGDs and IDIs
* Training manuals

**1. Household/Individual Survey**

In July 2018, a survey was conducted of 10,000 Nigerian adults (18 years and above) across the country. The survey was designed to be nationally representative and also representative of Nigeria’s six geo-political zones (see Figure 1), as well as representative of both urban and rural areas. It was also designed to have a 50:50 gender balance. Households were sampled from all states (proportionate to their populations). Because of the small sample size in each state, results are not statistically representative at the state-level, except for the oversampled states (see below).

The basic methodology employed for data collection was in-home, face-to-face personal interview using a clustered, stratified, multi-stage random selection procedureto achieve a nationally representative sample. Respondents for this study were adult Nigerian males and females aged, eighteen years and above. They were also expected to have stayed in the selected household for a period of not less than six months. The survey excluded non- Nigerian citizens, people aged less than eighteen years and people living in institutionalized settings. The sample was deliberately biased towards the urban population to maximise the number of respondents with some experience of the tax system: 70% of individuals were selected from urban areas, with 30% from rural areas. Weights were created to account for this sampling design.

Respondents’ selection followed a clustered, stratified, multi stage random selection process thus:

* Random selection of sampling start points
* Random selection of households
* Random selection of eligible respondents

Within each Primary Sampling Unit or Enumeration Area, the team randomly selected sampling Start Point (SSP). This enabled the team to know where to start the random walk pattern within the PSU. In each of the enumeration areas, a team of interviewers and one supervisor worked as a group; this afforded the supervisors the opportunity to closely monitor the interviewers under them.

*Figure 1: Nigeria’s states and geo-political zones*



The main sample of 10,000 individuals provides an excellent picture of people’s perceptions on tax issues at the national and regional level. However, it was also desired to be able to provide representative results at the State level. Doing this for every state would have been prohibitively expensive. Therefore, a separate ‘over-sample’ was done in six states – one in each geo-political zone.

The sampling and data-collection procedure within each of these states was the same as described above for the country-wide collection. In each of the six selected states, 1000 individuals were selected (again, split 70% urban; 30% rural; and 50:50 men/women). For the six states selected, the results are representative at the state level (and so valid comparisons can be made between these states). The States selected for the ‘over-sample’ were:

* Ogun (South-West)
* Rivers (South-South)
* Abia (South-East)
* Nasarawa (North-Central)
* Kano (North-West)
* Bauchi (North-East)

The major urban areas of Lagos and FCT Abuja were deliberately not selected for the over-sample for two reasons. First, numerous studies and surveys have already been done on Lagos’s tax reforms (e.g. Cheeseman, no date; Cheeseman and de Gramont (2017)) – it was felt that this survey could add more value by shedding light on issues in less frequently studied states. Second, FCT Abuja is, by its nature, much more influenced by Federal tax policy. However, the purpose of this survey is to uncover the perceptions of all Nigerians, the vast majority of whom live outside the FCT and whose experience of taxation is primarily with state and local governments.

The criteria for the selection of the six states for the over-sample (other than having one per geo-political zone) were three-fold:

1. GDP per capita: ensuring representation of states with relatively high GDP per capita (Ogun, Abia, Rivers), as well as those with much lower GDP per capita (Kano, Bauchi)
2. Growth of IGR: inclusion of states which have achieved significant increases in their Internally Generated Revenue (IGR) between 2012-2016 (Ogun, Bauchi, Kano), as well as those whose IGR performance has been much weaker (Abia, Nassarawa)
3. Derivation vs non-derivation: inclusion of some States who receive revenue from the 13% derivation of oil income (Abia, Rivers), as well as those that do not.

The questionnaire was translated to Yoruba, Hausa, Igbo and Pidgin as these were the local languages spoken predominantly in the various study locations. This was done to ensure proper administration of questionnaire.

The sampling weights were calculated for both the main and over-sample samples and, in practice, these samples were drawn simultaneously (see the weighting section in the Field, Technical and Methodology Report for details). The weights have been structured so that it is possible to use the entire sample of 16,000 households as a single dataset, with weights reflecting the higher probability (and therefore lower weight) of respondents in the over-sampled states.

**2. Small Firm Survey**

In addition to – and at the same time as – the household/individual survey, a survey was conducted of 5000 small firms. We were guided by the National Bureau of Statistics definition of firm size which defines firms as: micro (1-10 employees); small (10-49 employees); medium (50-199); large (200+). Because few firms exist with over 10 employees in rural areas, the project team defined small firms for the purpose of this survey as having between 5 and 49 employees. This survey included both registered and unregistered firms.[[1]](#footnote-1)

We have deliberately avoided surveying medium and large firms. The reason for this is that the tax issues faced by medium and large firms are likely to be very different from those faced by small firms. Almost all firms with 50 or more employees will be formal firms, registered for Corporate Income Tax and paying PAYE on their employee’s income. Hence their issues relate to the functioning of the formal tax system. A companion study to this one (Somorin *et al.*, 2018) looks at these issues in detail.

We also did not include micro-firms in our survey. The reason for this is that such firms are often indistinguishable from households and we are already surveying individuals in households. We therefore wanted to focus on small firms – some of which are formal, while others are informal. These are firms which are likely to have had some contact with the tax system and be generating sufficient revenue to be worthy of taxing and yet may not already be part of the tax system. Understanding the perception of managers in these firms may help to design strategies to incorporate them in the tax base to the benefit of the entire country (including such firms).

The survey of small firms is also nationally representative and representative at the geo-political zone and rural/urban level. As with the household survey, firms were sampled in every region and every state, proportionate to the size of the population. Again, the sample was divided so that 70% of small firms were selected from urban LGAs and 30% from rural LGAs. However, there are far fewer small firms than there are households and such firms tend to be strongly concentrated in the commercial centres of each Local Government Area (LGA).

The initial number of firms per state was proportionally allocated to the selected LGA using a PSI database generated from a previous study on the population of small shops in LGAs across Nigeria.[[2]](#footnote-2) On reaching the LGA, the field team first canvassed for and identified the main commercial areas where the survey was conducted. A listing of all firms within the selected commercial area was done while simultaneously establishing the number of employees. Any firm with less than 5 employees or more than 49 employees was excluded from the list. The team then randomly selected the required allocated sample to the LGA from the list. If a selected firm happened to be a branch office, and the head office is outside the LGA, interviews were conducted with the head office.[[3]](#footnote-3)

As with the household survey, the results from the main small firm survey are not representative at the state level. To provide additional state-level representativeness, a separate ‘over-sample’ was taken of 500 small firms in each of the six states selected for the household over-sample. For these six states, the results are therefore statistically representative at the state level.

Annex 1 shows the numbers of Enumeration Areas, localities and LGAs sampled for both the firm and household surveys for each state.

**3. Focus Group Discussions**

Quantitative surveys can provide excellent representative data on the perceptions of individuals and firms on tax issues, but it is sometimes difficult to know why respondents hold the views shown. We therefore complemented the quantitative surveys with an extensive set of Focus Groups Discussions (FGDs). Table 1 shows the number and location of the FGDs. FGDs were done with households and also with small firms. Two FGDs were done with households in each of two states in every region – one with men and another with women. In addition, two FGDs were done with small firms in each of the same states. FGDs were also spread across both urban and rural areas. In this way, the design of the FGDs ensured that we obtained views from both households and firms, both men and women and in both urban and rural areas. Two different types of household FGD were done – one on taxation issues, the other focused on understanding perceptions about fuel subsidies. The firm FGDs covered similar issues but focussed on the experience of small firms rather than households or individuals.

*Table 1: Number of Household and Firm FGDs undertaken*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Household FGDs** |  | **Firm FGDs** |
| **Region** | **State** | **No of HH FGDs** | **Household Tax** | **Household Subsidies** |  | **Firm Tax** |
| **Urban** | **Rural** | **Urban** | **Rural** |  | **No of Firm FGDs** | **Urban** | **Rural** |
| **M** | **F** | **M** | **F** | **M** | **F** | **M** | **F** |  |  |  |  |
| South West | Ogun | 2 | 1 | - | - | - | - | 1 | - | - |  | 2 | 1 | 1 |
| Lagos | 2 | - | - | - | 1 | 1 | - | - | - |  | 2 | 2 | - |
| South East | Abia | 2 | - | 1 | 1 | - | - | - | - | - |  | 2 | 1 | 1 |
| Enugu | 2 | - | - | - | - | 1 | - | - | 1 |  | 2 | 1 | 1 |
| South South | Port Harcourt | 2 | - | 1 | - | - | - | - | 1 | - |  | 2 | 2 | - |
| Edo | 2 | 1 | - | - | - | - | 1 | - | - |  | 2 | 1 | 1 |
| North East | Bauchi | 2 | - | 1 | 1 | - | - | - | - | - |  | 2 | 1 | 1 |
| Adamawa | 2 | - | - | - | - | 1 | 1 | - | - |  | 2 | 2 | - |
| North West | Kano | 2 | 1 | - | - | - | - | 1 | - | - |  | 2 | 1 | 1 |
| Kaduna | 2 | - | 1 | - | - | - | - | 1 | - |  | 2 | 2 | - |
| North Central | Nassarawa | 2 | 1 | - | - | - | - | 1 | - | - |  | 2 | 1 | 1 |
| Plateau | 2 | - | - | - | 1 | 1 | - | - | - |  | 2 | 2 | - |
| **Total**  | **24** | **4** | **4** | **2** | **2** | **4** | **5** | **2** | **1** |  | **24** | **17** | **7** |

**4. In-Depth Interviews with tax officials**

Households, individuals and firms may have certain perceptions of the tax system, but it is important to balance these perceptions with the experience and views of the people that administer the tax system. Consequently, we complemented the quantitative surveys and FGDs with individuals and firms, with a set of interviews with senior tax officials at the state and Local Government Authority (LGA) level. The same six states chosen for the ‘over-sample’ for the household and firm survey were selected for the in-depth interviews. One interview was conducted at the state level and one in an urban and a rural LGA revenue office in each state, making a total of 18 in-depth interviews (out of which 1 respondent refused). These interviews covered issues such as: which taxes are administered at which levels; what tax performance has been like; what processes and systems are used; how tax officials engage with taxpayers; the perception of tax officials about why people comply (or not) with tax; the challenges they face; and their suggestions for improvements.

*Table 2: Number of IDIs undertaken*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Region** | **State** | **Quota** | **State Internal Revenue Service** | **Urban LGA Revenue Service** | **Rural LGA Revenue Service** | **Total** |
| South West | Ogun | 2 | 1 | 1 | - | 2 |
| South East | Abia | 3 | 1 | 1 | 1 | 3 |
| South South | Rivers | 3 | 1 | 1 | 1 | 3 |
| North East | Nassarawa | 3 | 1 | 1 | 1 | 3 |
| North West | Kano | 3 | 1 | 1 | 1 | 3 |
| North Central | Bauchi | 3 | 1 | 1 | 1 | 3 |
| **Total** | **17** | **6** | **6** | **5** | **17** |

**Annex 1: Selection of Sampling Units/Enumeration Areas/LGA**

The random selection of sampling units/enumeration areas/LGAs for the survey was conducted by the National Population commission. A total of 1,616 enumeration areas were selected for the household survey. These EAs fall within 1,200 locality and 576 LGAs. The firm interviews were conducted at LGA level. These were the same LGA randomly selected for the household survey. Below is the number of randomly selected enumeration areas and LGA per state for the household and firm survey.

|  |  |  |  |
| --- | --- | --- | --- |
| **State** | **Number of LGA** **(Firm & HH)** | **Number of Locality** **(HH only)** | **Number of Enumeration Area (HH only)** |
| Abia | 17 | 51 | 121 |
| Adamawa | 17 | 21 | 23 |
| Akwa Ibom | 11 | 18 | 28 |
| Anambra | 18 | 30 | 30 |
| Bauchi | 19 | 54 | 134 |
| Bayelsa | 7 | 12 | 12 |
| Benue | 15 | 17 | 31 |
| Borno | 16 | 28 | 30 |
| Cross River | 9 | 20 | 21 |
| Delta | 16 | 30 | 30 |
| Ebonyi | 8 | 16 | 16 |
| Edo | 14 | 23 | 24 |
| Ekiti | 12 | 17 | 18 |
| Enugu | 17 | 24 | 24 |
| Fct Abuja | 5 | 10 | 10 |
| Gombe | 7 | 16 | 17 |
| Imo | 20 | 27 | 28 |
| Jigawa | 17 | 20 | 31 |
| Kaduna | 22 | 42 | 44 |
| Kano | 40 | 146 | 167 |
| Katsina | 25 | 39 | 42 |
| Kebbi | 12 | 19 | 23 |
| Kogi | 14 | 23 | 24 |
| Kwara | 11 | 11 | 17 |
| Lagos | 20 | 63 | 65 |
| Nasarawa | 14 | 50 | 114 |
| Niger | 13 | 24 | 29 |
| Ogun | 20 | 79 | 127 |
| Ondo | 15 | 19 | 25 |
| Osun | 22 | 22 | 25 |
| Oyo | 26 | 40 | 40 |
| Plateau | 10 | 21 | 23 |
| Rivers | 22 | 105 | 138 |
| Sokoto | 14 | 19 | 27 |
| Taraba | 11 | 13 | 17 |
| Yobe | 10 | 12 | 17 |
| Zamfara | 10 | 19 | 24 |
| **Grand Total** | **576** | **1200** | **1616** |

1. This refers to registration with the Corporate Affairs Commission (CAC). [↑](#footnote-ref-1)
2. Our survey covers all types of firm, not just shops, but we did not have access to a suitable sample frame of small firms and so used the survey of shops as a measure of size for sampling since it is reasonable to suppose that the number of small firms in an LGA is likely to be roughly proportional to the number of shops. [↑](#footnote-ref-2)
3. The precise details of the survey sampling approach are complex – see the weighting section in the Field, Technical and Methodological Report. [↑](#footnote-ref-3)