

Assessing Awareness and Compliance Readiness of Nigerian MSMEs toward the 2026 Monetary and Tax Administrative Reforms

¹KAISER, Praise Eseosa., ²OWOHA, Precious Ekhobhanye PhD., ²ARIMIE, Chukwuyem Joel PhD

¹Department of Business Administration, Benson Idahosa University

²Department of Political Science and International Relations, Covenant University

³Department of Political Science and Public Administration, Benson Idahosa University, Benin-City

DOI: <https://doi.org/10.47772/IJRISS.2026.100900208>

Received: 17 September 2026; Accepted: 22 September 2026; Published: 06 October 2026

ABSTRACT

Nigeria's 2026 fiscal reform agenda introduced sweeping changes to tax administration, including the transition from the Federal Inland Revenue Service (FIRS) to the Nigeria Revenue Service (NRS), mandatory e-invoicing and fiscalization, and the establishment of a Tax Ombuds Office. The reforms impose considerable compulsion requirements on Micro, Small and Medium Enterprises (MSMEs). A digital structured questionnaire using Google Forms was used to assess the awareness and readiness to cope of owners and key administrative staff of a sample of 174 MSMEs in Oredo Local Government Area, Edo State, Nigeria. Findings, measured through descriptive statistics, chi-square analysis, and Pearson correlation indicated a very low level of awareness for each of the four reform dimensions (5 point scale: 1.97 to 2.22) and compliance readiness (5 point scale: 2.05 to 2.54) as well. A statistically significant positive correlation was found between awareness and readiness ($r = 0.46$, $p < 0.001$). The results of the chi-square tests indicated that there was a significant association between awareness levels and readiness categories ($\chi^2 = 27.10$, $df = 4$, $p < 0.001$). High technology costs (mentioned in 68% of responses) distrust in government systems (mentioned in 60% of responses) and lack of information dissemination (mentioned in 58% of responses) were also cited as the most likely challenges in the coming years. Training/capacity building, simple guidelines and compliance software (at reduced cost) were the most frequently requested features. In the light of these results, there is an urgent need for targeted intervention measures such as awareness creation programmes, time schedules and financial schemes, such as allowances and subsidies, by the government to ensure the inclusion of MSMEs in the evolving fiscal landscape of Nigeria. The results obtained here relate to MSMEs in Oredo, Edo State and not generalizable to MSMEs in other geographies in Nigeria except as tentative inferences.

Keywords: Tax compliance, MSME, Nigeria Revenue Service, e-invoicing, fiscal reform, compliance readiness, Edo State

INTRODUCTION

Nigeria's tax structure is witnessing the most significant structural change in many years. The Nigeria Tax Act 2025 (NTA) and some of the complementary administrative reforms currently being implemented in 2026 will bring some significant changes: the reconstitution of Federal Inland Revenue Service (FIRS) into the Nigeria Revenue Service (NRS), e-invoicing and fiscalisation will become mandatory for all registered businesses, a Tax Ombuds Office will be established to handle tax disputes, and the thresholds for corporate and personal income tax will be adjusted. These reforms represent a clear policy shift in government to enable a shift to digital, transparent and integrated tax administration.

These changes have significant operational implications for Micro, Small and Medium Enterprises (MSMEs), which make up about 96% of businesses in Nigeria, and contribute about 48% of GDP, (SMEDAN, 2021). Without the administrative resources of larger companies, MSMEs need to digitize the infrastructure required for invoicing, as well as understand the new reporting requirements to the NRS and budget for the costs that

come with compliance. The fact that they comply effectively or not will determine in a significant way whether the reforms work or whether they have the unintended effect of increasing informality.

Even with this significance, little empirical work has been conducted to look into the perception of MSMEs in Nigeria on the 2026 reforms and how prepared they are for it. The literature on tax compliance in developing nations highlights three factors as having an important influence on tax compliance outcomes, they are, awareness, institutional trust, and technical capacity (Kirchler, 2007; Slemrod, 2019). The Technology Acceptance Model (TAM) also emphasizes that perceived ease of use and usefulness are essential factors in technology adoption, which is directly related to the adoption of e-invoicing (Davis, 1989).

In contrast, Institutional Theory highlights the influence of regulatory constraints, normative beliefs and cultural-cognitive on organisational reactions to policy change (DiMaggio & Powell, 1983). This study thus fills the important empirical void by examining the awareness and readiness to comply with the tax administrative changes of MSMEs sampled in Oredo, Edo State, Nigeria, by 2026. The study site was Oredo, Edo State, as it has a wide variety of sectoral MSME base and shares the concurrent fiscal and digitisation pressures facing many parts of Nigeria; the extent to which its MSMEs are representative of the country as a whole is treated as an empirical question rather than an assumption, and is addressed in the study's limitations.

The study aims at three specific objectives:

- i. To gauge the awareness level of the key reform components among MSME operators;
- ii. To determine the degree of readiness for compliance across key operational areas; and
- iii. To gain an understanding of the main challenges faced by the MSMEs and the types of support they would require, if any.

The results of this study will provide practical knowledge and guidance to policy-makers, SME-development agencies and business support organisations.

LITERATURE REVIEW

Tax Compliance and SMEs in Developing Economies

In developing economies, tax compliance is often beset by structural barriers such as a lack of administrative resources, financial literacy, trust in institutions, and tax enforcement (Bird & Zolt, 2005; Fjeldstad & Moore, 2008). The cost of compliance for MSMEs is sometimes a higher percentage of turnover than for larger businesses, resulting in a regressive compliance burden factor (Evans et al., 2014) in the form of fees, software, accountancy, time and administrative burden. A key take-home from the research in sub-Saharan Africa is that knowledge about tax obligations and the fairness and transparency of tax administration strongly predict voluntary compliance (Fjeldstad et al., 2012; Akhand & Hubbard, 2016). More recent Nigerian evidence reinforces this pattern: in a national study of SME tax audits, Inegbedion and Okoye-Uzu (2024) found that both desk and field audits significantly improved compliance and downstream tax revenue, while Wilson-Oshilim and Osunde (2025), studying SMEs in Edo State specifically, showed that non-financial factors such as record-keeping quality and staff retention, rather than awareness alone, shape VAT compliance outcomes.

Nigeria's track record of multiple taxation at federal, state and local government levels, inconsistent enforcement, and the lack of faith in the productive utilization of tax revenue also pose challenges for compliance (Nzotta, 2007; Ola, 2001). These contextual factors imply that reform programmes need to tackle the affective and relational aspects of taxpayer-state relation, along with technical capacity.

Digital Tax Administration and E-Invoicing

Electronic invoicing (e-invoicing) and fiscalization, a real-time reporting of sales transactions to tax authorities, are gaining traction worldwide in order to combat the shadow economy, enhance VAT compliance and minimise administrative costs. Brazil, Mexico, Italy, and Turkey have shown that introducing e-invoicing has led to

substantial increases in VAT revenue (Barreix & Zambrano, 2018; European Commission, 2023). To be effective in developing economies, such systems would require digital infrastructure, the technical capacity of enterprises, and well-developed mechanisms for taxpayer support (OECD, 2017). The digital readiness of MSMEs in Nigeria is still uneven.

The Nigerian Communications Commission conducted the survey in 2022 and discovered South-South Nigeria (Edo State) had about 42% internet penetration with a huge rural-urban divide. The adoption of E-invoices demands internet connection as well as accounting software proficiency which is often lacking in micro entrepreneur (Adesola & Okafor, 2023). The current low awareness and limited demonstration effects are likely to limit adoption, with the Technology Acceptance Model predicting that usefulness and ease of use of the new systems will drive adoption. This pattern appears to persist into the current reform era: Salawu et al. (2025), examining e-tax filing adoption among SMEs in Lagos State, found that system awareness and effort expectancy were significant predictors of compliance intention, suggesting that the awareness deficit identified among MSMEs in this study is unlikely to be confined to Edo State alone.

Political Dimensions of Tax Reform in Nigeria

Tax reform in Nigeria cannot be adequately understood as a purely technical or administrative exercise; it is, at its core, a profoundly political undertaking. As a matter of importance, the economic capacity of a state, serves as a source of power. Therefore, for the purpose of pursuing economic stability, governments often resort to engaging tax adjustment policies which in turn influences economic activities significantly such as employment, investment and consumption (Kirfi, Aliyu and Solomon, 2025: 142). Politically, this is deemed as relevant due to the fact that policy makers, by adjusting tax, are able to influence generally, the level of economic activity in the country, mitigating the effects of economic overheating or downswing. According to Kirfi et al (2025: 143), this is seen in periods of recession for instance, where governments implement tax cuts in order to “stimulate economic growth, increase aggregate demand, and create jobs.” On the other hand, during periods of high inflation, governments have the ability to increase taxes with the aim of reducing mass demand and curb inflation pressures.

Fiscal policy is a primary instrument through which states negotiate their relationships with citizens and economic actors, redistribute resources, and project governmental legitimacy (Moore, 2007; Tilly, 1992). In Nigeria, this relationship has been historically fraught. The country’s dependence on oil revenues throughout the post-independence period effectively decoupled the state from the need to cultivate a broad tax-paying citizenry, producing what scholars have termed a “rentier state” dynamic in which the social contract between government and governed is mediated through resource distribution rather than fiscal reciprocity (Beblawi, 1987; Ross, 2004). In light of that, Kirfi et al (2025: 148) noted thus;

“Nigeria’s overdependence on oil revenue makes her a good candidate for tax administration reforms. The urgency of modernizing Nigeria’s tax administration (and other fiscal) systems is premised on the realization that the country is rated one of the lowest Tax/GDP ratios in the World...”

The 2026 reforms represent a deliberate attempt to dismantle this legacy by expanding the non-oil revenue base, a goal that is simultaneously an economic imperative and a political project.

Political scientists have long recognised that the capacity of states to collect taxes is inseparable from questions of state legitimacy and public trust. Levi’s (1988) quasi-voluntary compliance model posits that taxpayers are more likely to comply when they believe that government is acting in good faith, that fellow citizens are bearing their fair share, and that the state delivers meaningful public goods in return for fiscal contributions. All three conditions are demonstrably weak in the Nigerian context: decades of perceived government corruption, the persistence of multiple taxation, and the visible failure of public services have eroded the quasi-voluntary compliance foundation upon which effective tax systems depend (Fjeldstad & Semboja, 2001; Prichard, 2015). The institutional distrust documented in this study, cited as a leading anticipated compliance challenge, is therefore not an irrational sentiment but a historically grounded political response.

The political economy of tax reform in sub-Saharan Africa further highlights the distributional tensions inherent in broadening the tax base through MSME formalisation. It is worthy of note however, that tax reform is a governmental process that involves reviewing and changing the collection of taxes with the goal of increasing State revenue, while also providing better socioeconomic benefits Kirfi et al (2025). Policies that extend compliance obligations to the informal and semi-formal sectors, where MSMEs are disproportionately concentrated, risk imposing the greatest burdens on the most economically vulnerable actors while larger, politically connected enterprises maintain preferential access to exemptions and negotiated arrangements (Prichard, 2015; Melo, 2008).

This concern is particularly relevant in the Nigerian context, where the informal economy accounts for an estimated 57% of GDP (National Bureau of Statistics, 2023) and where MSMEs frequently report experiencing arbitrary levies and harassment by local revenue officials (Nzotta, 2007). The 2026 reforms' promise of consolidating revenue collection under a single national authority (the NRS) addresses some of these structural concerns, but the political credibility of this commitment remains contingent on consistent implementation.

The establishment of the Tax Ombuds Office deserves particular attention from a political science perspective. Ombudsman-type institutions occupy a distinctive position in democratic governance: they function as accountability mechanisms that mediate between citizens and the administrative state, providing a non-judicial avenue for redress when state power is exercised improperly or inequitably (Reif, 2004). In contexts where rule of law institutions are weak or inaccessible to ordinary citizens, such bodies carry heightened significance. Their effectiveness, however, depends critically on their operational independence from the revenue authority they are designed to oversee, their accessibility to economically marginalised actors such as micro-enterprises, and the political will to enforce their decisions (Gregory & Giddings, 2000). Whether Nigeria's Tax Ombuds Office will fulfil this promise or become a nominal institution remains an open empirical question, one that future research should address longitudinally.

Finally, the timing and political framing of tax reform matters considerably for compliance behaviour. Reform programmes that are perceived as externally driven, by international financial institutions, donor conditions, or technocratic imperatives disconnected from domestic political deliberation, tend to generate weaker popular legitimacy and higher resistance than those grounded in transparent, participatory policy-making processes (Prichard, 2015; Mahon, 2004). Several open-ended responses in this study referenced a "lack of public consultation" and called for reforms to be communicated "two to three years in advance", reflecting a desire for deliberative inclusion rather than top-down administrative imposition. This finding resonates with the broader political science literature on the role of procedural justice in shaping tax compliance: citizens who perceive that decisions are made through fair processes are more willing to comply, even when substantive outcomes are unfavourable (Tyler, 2006). Embedding the 2026 reforms in inclusive, consultative processes is therefore not merely a communication strategy, it is a political necessity for achieving durable compliance.

Theoretical Framework

The study is based on two complementary theories. The first is the Technology Acceptance Model (TAM) (Davis, 1989) which offers a framework for understanding the chances of adoption of e-invoicing and other digital compliance tools by MSME operators. TAM states that adoption depends upon perceived usefulness (how useful the technology is for the task) and perceived ease of use. Both constructs must be built on knowledge of and the need for the technology.

Second, the context of compliance behaviour is related to the larger institutional context as described in Institutional Theory (DiMaggio & Powell, 1983). MSMEs encounter mimetic pressures (imitating peers that are seen as successfully navigating the reforms), normative pressures (professional and/or industry norms concerning compliance), and coercive pressures (legal obligations). The institutional context in Nigeria is beset with historically low rates of coercive enforcement and less consensus in norms of tax compliance which makes mimetic pressures and voluntary awareness campaigns more influential in driving the adoption of tax reforms.

Research Gap

Taken together, the studies reviewed above establish that tax knowledge, institutional trust, audit practice, and digital-system awareness are consistently significant predictors of MSME tax compliance in Nigeria (Inegbedion & Okoye-Uzu, 2024; Salawu et al., 2025; Wilson-Oshilim & Osunde, 2025). This literature, however, has largely examined compliance with tax obligations under the pre-2026 administrative regime, or has treated awareness as a background control rather than as a primary outcome to be measured directly. To the researchers' knowledge, no published study has empirically measured MSME awareness of, and readiness to comply with, the specific 2026 reform components examined here, namely the FIRS-to-NRS transition, mandatory e-invoicing and fiscalisation, and the Tax Ombuds Office, nor examined the statistical relationship between awareness and readiness for these reforms during the implementation window itself. This study addresses that gap using primary survey data collected from MSMEs in Oredo, Edo State, during the early rollout of the reforms.

METHODOLOGY

Research Design

Mixed-method cross sectional survey design was used. This can enable quantitative data to be collected at the same time, allowing for statistical inference about the distribution and correlate(s) of awareness and readiness, while simultaneously capturing qualitative data, giving it contextual depth from the open-ended answers. Cross-sectional designs are especially suited to capturing the state of phenomenon at a particular point in time, as they are in the 2026 reforms which represent an outdated policy horizon.

Sampling and Data Collection

The survey was conducted online using Google Forms to the MSME owners and key administrative staff in Oredo, Benin City, Edo State, Nigeria. The distribution took place by SME associations, chambers of commerce and on-line business networks from November 2025 to early 2026. There were 174 responses that were considered valid as it is sufficient to provide statistical power for planned analyses based on effect sizes observed and consistent with exploratory survey studies in emerging markets (Faul et al., 2009).

The sampling technique used to select respondents was non-probability purposive sampling technique, supplemented by snowball referral through association contacts, since no single official register of all MSMEs operating in Oredo Local Government Area exists from which a random sample could be drawn. The sampling frame comprised MSME owners and key administrative staff reachable through SME associations and chambers of commerce operating in Oredo, Benin City, together with online business networks serving the same area. Respondents were eligible for inclusion if they

- (i) owned or held a senior administrative or managerial role in an enterprise classifiable as micro, small, or medium under the SMEDAN definition;
- (ii) operated within Oredo Local Government Area, Edo State; and
- (iii) had been in business for at least six months at the time of the survey, to ensure a baseline level of exposure to tax obligations.

The link to the questionnaire was circulated by association administrators and network moderators, and participation was entirely voluntary and anonymous.

The questionnaire consisted of four parts: (1) Demographic and business profile: Sector, years in operation, business size; (2) Awareness of four dimensions of reform, on a five-point Likert scale (1 = Not aware at all, 5 = Fully aware); (3) Compliance readiness across five dimensions of business operation, also using a five-point Likert scale (1 = Not prepared at all, 5 = Fully prepared); and (4) Open-ended questions on challenges, support requirements, and overall concerns.

Analytical Approach

Descriptive statistics (means, SDs, frequency distributions), Pearson correlation between composite awareness and readiness scores, and chi-square tests have been used for quantitative data analysis to investigate the relationship between the composite awareness and readiness scores and to examine association between the categorical groupings of awareness and readiness. Within each construct, composite scores were created by averaging the scores of the items. Categorical groupings were based on the median of the distribution: Low (1.00–2.00), Moderate (2.01–3.00), and High (3.01–5.00).

The open-ended responses were analysed qualitatively, codes were inductively generated from the responses and then grouped together into higher order codes. Pandas and scipy were used to perform all statistical analysis in Python 3. The ethical principles adhered to were informed consent (which was communicated at the beginning of the survey), voluntary participation, anonymity of respondent and confidentiality of data. There was no personally identifiable data gathered.

RESULTS

Demographic and Business Profile of Respondents

The respondents include all industry sectors. All industry sectors are represented in the respondents' demographic and business profile. The respondents which were 174 covered the cross section of MSME operators in Edo State. By sector, Retail/Trade dominated the sample ($n = 62$, 35.6%), followed by Services ($n = 50$, 28.7%), Technology/Digital ($n = 18$, 10.3%), Agriculture ($n = 14$, 8.0%), and Manufacturing ($n = 12$, 6.9%). The remainder (10.3%) were from miscellaneous/informal categories.

One remarkable aspect of the sample was its youth; 50.6% of the respondents said they were in operation for under 2 years; 37.9% for 2–5 years. 11.5% reported running for over 5 years. This new business profile has a lot of tax compliance implications because newer businesses are less institutionalised and less aware about tax obligations. Most of the respondents (88.5%) were working in a micro-enterprise having 1-10 employees in the organization, followed by 9.2% having 11-50 employees in the organization, and only 2.3% having more than 50 employees in the organization.

Table 1: Demographic Profile of Respondents (N = 174)

Variable	Category	n (%)
Sector	Retail/Trade	62 (35.6%)
	Services	50 (28.7%)
	Technology/Digital	18 (10.3%)
	Agriculture	14 (8.0%)
	Manufacturing	12(6.9%)
	Other/Misc.	18(10.3%)
Years in Operation	Less than 2 years	88 (50.6%)
	2–5 years	66 (37.9%)
	6–10 years	12 (6.9%)
	More than 10 years	8 (4.6%)
Business Size	1–10 employees	154 (88.5%)

	11–50 employees	16 (9.2%)
	Above 50 employees	4 (2.3%)

Source: Researchers' primary survey data, 2026.

Table 1 shows that the sample was concentrated among young, micro-scale businesses in Retail/Trade and Services, with fewer than one in five respondents operating for more than five years or employing more than ten staff. This profile is relevant to interpreting the findings that follow: newer, smaller businesses generally have less institutionalised administrative practice and less prior exposure to formal tax reporting, and the low awareness and readiness scores reported in the next sections should be read against this backdrop rather than assumed to characterise more established or larger MSMEs.

Level of Awareness of 2026 Reform Components

The awareness scores across all the four reform dimensions were in the range of 'slightly aware' to 'low awareness' (1.97 – 2.22 on a 5-point scale) and clearly showed that there is a persisting and systemic lack of awareness of reform among the sampled MSMEs (see Table 2). The awareness of the transition from FIRS to NRS had the lowest mean ($M = 1.97$, $SD = 1.05$) score, closely followed by awareness of mandatory e-invoicing and fiscalization requirements ($M = 1.99$, $SD = 1.15$). The awareness of the impact of the reforms on MSME operations was also low ($M = 2.03$, $SD = 1.16$). The mean score for the Tax Ombuds Office was slightly higher ($M = 2.22$, $SD = 1.31$), but still in the lower half of the scale.

When the composite awareness scores were divided, 64.4% of the respondents were classified as being in the 'Low' awareness bracket (composite score range = 1.00 – 2.00), 24.1% as being in the 'Moderate' bracket (composite score range = 2.01 – 3.00) and just 11.5% in the 'High' bracket (composite score > 3.00). The data clearly shows that less than one out of eight MSME operators in the sample had any meaningful knowledge of the incoming reforms.

Table 2: Descriptive Statistics for Awareness and Compliance Readiness Items (N = 174)

Item	Mean	SD	Min	Max
AWARENESS				
Awareness: Transition from FIRS to NRS	1.97	1.05	1	5
Awareness: Mandatory e-invoicing & fiscalization	1.99	1.15	1	5
Awareness: Tax Ombuds Office and its role	2.22	1.31	1	5
Awareness: How reforms will affect MSME operations	2.03	1.16	1	5
COMPLIANCE READINESS				
Readiness: Implement real-time e-invoice validation	2.05	1.02	1	5
Readiness: Comply with NRS reporting procedures	2.16	1.15	1	5
Readiness: Adjust internal processes	2.32	1.17	1	5
Readiness: Budget for compliance costs	2.41	1.25	1	5
Readiness: Seek external support (consultants, etc.)	2.54	1.45	1	5

Note: All items scored 1 (lowest) to 5 (highest). Source: Researchers' primary survey data (2026)

Compliance Readiness of MSMEs

The compliance readiness scores were also quite low, but slightly higher on average than the awareness scores. The lowest readiness mean was for real-time validation of e-invoices ($M = 2.05$, $SD = 1.02$), while the highest was for the readiness to comply with the NRS reporting procedures ($M = 2.16$, $SD = 1.15$). A little higher was the readiness to adjust internal processes ($M = 2.32$, $SD = 1.17$), to budget for compliance costs ($M = 2.41$, $SD = 1.25$) and to seek external support ($M = 2.54$, $SD = 1.45$) indicating that although awareness is very low, some individuals are beginning to understand the need for external support.

When interviewed categorically, 52.9% of the respondents indicated that they are 'Low' prepared, 26.4% 'Moderate' and 20.7% 'High'. The higher percentage of respondents who reported high readiness for reform (compared to the distribution of awareness) may reflect a sub-population of respondents who, although they may not have a high level of awareness about specific reforms, already have compliance management systems in place due to their prior experiences.

Relationship Between Awareness and Compliance Readiness

Table 3: Pearson r: Individual Items vs. Composite Scores, with Significance Tests

Item	r	p-value	N	Composite Score
<i>Awareness Items - correlated with Composite Readiness Score</i>				
AW1 – FIRS → NRS transition	0.289	0.007	174	Composite Readiness
AW2 – e-invoicing & fiscalization	0.399	< .001	174	Composite Readiness
AW3 – Tax Ombuds Office	0.350	< .001	174	Composite Readiness
AW4 – Reform impact on SME ops	0.390	< .001	174	Composite Readiness
<i>Readiness Items - correlated with Composite Awareness Score</i>				
RD1 – Real-time e-invoice validation	0.420	< .001	174	Composite Awareness
RD2 – NRS reporting procedures	0.359	< .001	174	Composite Awareness
RD3 – Adjust internal processes	0.343	< .001	174	Composite Awareness
RD4 – Budget for compliance costs	0.445	< .001	174	Composite Awareness
RD5 – Seek external support	0.339	< .001	174	Composite Awareness
<i>Composite Awareness Score - correlated with Composite Readiness Score</i>				
Composite Awareness Score vs. Composite Readiness Score	0.459	< .001	174	Both Composites

Note. All correlations are statistically significant at $p < .01$ or better. The composite-to-composite correlation ($r = .459$, $p < .001$) confirms a moderate positive relationship between awareness and compliance readiness. All p-values are two-tailed. Bold values are significant at $p < .05$.

There was a moderate positive ($r = 0.46$, $p < 0.001$) and statistically significant relationship between composite awareness and composite readiness scores. This suggests that the greater the awareness of the reform components the higher the level of readiness to comply among MSMEs, which is in line with the theoretical predictions in the TAM and Institutional Theory.

Table 4: Chi-Square Test Summary Statistics

Statistic	Value
Test	Pearson Chi-Square (χ^2)
χ^2 value	27.104
Degrees of freedom (df)	4
p-value	< .001
N (sample size)	174
Cramér's V (effect size)	0.395
Interpretation of Cramér's V	Medium-to-large effect (benchmarks: .10 = small, .30 = medium, .50 = large for df = 2)
Decision	Awareness and readiness categories are not independent

Note. H_0 : Awareness category and Readiness category are independent. The null hypothesis is rejected at $p < .001$. Cramér's $V = .395$ indicates a medium-to-large association. Chi-square computed using the Pearson method (Python 3.12).

Results of a chi-square test of independence also supported a statistically significant relationship between categorical awareness and categorical readiness ($\chi^2 = 27.10$, $df = 4$, $p < 0.001$). Such findings have implications for policy: investments in improving compliance readiness must go hand in hand with investments in awareness and information dissemination.

Anticipated Challenges

Respondents were asked to select all anticipated challenges from a provided list. When multi-response data were disaggregated, the most frequently cited challenge was high cost of technology, appearing across approximately 68% of all response combinations. Distrust in government systems was the second most prevalent concern, followed by inadequate information, poor internet connectivity, lack of technical skills, and time constraints. This pattern is highly consistent with the broader literature on MSME compliance barriers in Nigeria (Nzotta, 2007; Adesola & Okafor, 2023) and highlights both structural (infrastructure, cost) and relational (trust) impediments to reform compliance.

Table 5: Most Frequently Cited Anticipated Challenges (Multi-Response)

Challenge	Frequency of Mention
High cost of technology	~68% of responses
Distrust in government systems	Frequently cited
Inadequate information	Frequently cited
Poor internet connectivity	Moderately cited
Lack of technical skills	Moderately cited
Time constraints	Occasionally cited

Note: Respondents were invited to select all applicable options. Source: Researchers' primary survey data.

Clustered into two distinct types, are the anticipated barriers. Specifically, structural or resource-based constraints (technology cost, connectivity, technical skills) and relational constraints (distrust in government, inadequate information) as depicted in Table 5. The dominance of technology cost as the single most frequently cited challenge, at roughly two-thirds of responses, suggests that awareness-raising alone is unlikely to resolve non-compliance risk unless it is paired with measures that lower the financial and infrastructural cost of compliance, a point developed further in the Discussion.

Support Needs

Training/capacity building was the most frequently asked for form of support (48 respondents – 27.6%) and featured in most of the multi-selection answers. The second most common type of support requested was simplified guidelines and documentation (20 separate mentions), followed by tax incentives for early compliance (12), access to subsidised compliance software (10), and advisory/helpline services (8). Interestingly, a few of the respondents spontaneously included requests for provision of capital, the enhancement of roads and the availability of stable electricity supply, suggesting that the readiness for compliance is part of wider developmental constraints.

Qualitative Findings: Open-Ended Responses

The open-ended responses ($n = 174$) were thematically analysed, resulting in five main themes. The first was a clear demand for more information to be shared, including with those businesses that had not received any information about the reforms, especially in rural areas. One of the respondents summed it up: 'Most businesses don't know what this tax reform is about in the first place, let alone comply'. Secondly, issues of compliance costs and financial burden were raised, and there was concern about costs of technology, software and professional services needed for adaptation. Third, an overall atmosphere of mistrust of institutions surfaced. Several responded that they had not confidence in the government's systems and their sustainability, with statements like 'insincerity from the government' and that 'reforms would work for a while and become ineffective later'.

Fourth, suggestions for a phased implementation and sufficient transition period were common as respondents sought for programs to be announced and explained well before the implementation deadlines. Fifth, a smaller, but significant, minority of respondents were informed about the reforms, referencing specific elements of the reforms, including the zero corporate tax threshold for small businesses, the VAT exemption, and the Development Levy, suggesting that awareness is not heterogeneously distributed but present in a minority.

DISCUSSION

This study's results give a clear and alarming picture: almost all of the MSMEs in the sample population in Edo State have a very low level of awareness and readiness to comply with the reform. This is not just about the lack of information, pervasive as it is, but about a number of structural issues related to weak digital infrastructure, financial difficulties and a weakened relationship of trust between MSMEs and public institutions.

The moderate positive correlation between awareness and readiness ($r = 0.46$) is a very important policy implication. It implies that awareness is not just a dim forerunner of readiness, but a real factor of readiness. This aligns with TAM's focus on perceived usefulness as a stepping stone to the adoption of technology; before a business can effectively prepare to adopt e-invoicing systems, it must first have an understanding of what e-invoicing is and why it is important. Knowing thus translates into readiness having a multiplier effect.

Among the challenges likely to arise, the high cost of technology and a lack of trust in government highlight two policy priorities: the need to manage high technology costs and to address government distrust. The technology cost challenge requires supply side interventions such as subsidies or complimentary compliance software, collaborations with telecoms companies to minimise internet cost etc, and specific grants for digital infrastructure upliftment of MSMEs. The trust challenge is more complicated and can be traced back to change of policy, several tax evictions and ineffective public spending practices that existed in Nigeria. To deal with

this, we need to have a clear flow of communication, visibility of how tax revenues are spent, and evidence of action taken in response to the promises made for reform.

The dominance of the training and capacity building approach is consistent with the emphasis of Institutional Theory, namely that the norm of isomorphism is reflected in the extent to which MSMEs are more likely to comply if they have normative models that help them navigate the requirements for reform in their industry through other MSMEs or wider professional networks. There is thus a critical need for trade associations, chambers of commerce and MSME development agencies to act as intermediaries between the Government and the private sector. A high proportion of businesses in this sample are very small, micro-scale (more than 88% have fewer than 10 employees and more than 50% are less than 2 years old), which necessitates a sense of caution regarding the suitability of the compliance framework for this segment of businesses.

The aspiration to implement the reforms seems to make the implicit assumption that most of these businesses are already well organised and are already technologically advanced. A risk-stratified/compliant tiered approach, such as having lower compliance requirements for smaller enterprises, could be necessary to not exacerbate informality among vulnerable businesses.

CONCLUSION AND RECOMMENDATIONS

The present research study gives empirical evidence which is timely to show that, among the sampled MSMEs in Oredo, Edo State, preparedness for the 2026 tax administrative changes is highly underdeveloped as of the early year of 2026. Low awareness scores on all dimensions of reform, low readiness for compliance, pervasive concerns about the costs of technology, and widespread institutional mistrust all point to a potential compliance crisis if interventions to improve the reform agenda are not timely and targeted. Because the sample was drawn from a single local government area using a non-probability technique, these findings should be treated as directly applicable to the sampled population and only tentatively suggestive of the situation of MSMEs elsewhere in Nigeria; the recommendations below are framed accordingly, and confirmation through broader, more representative sampling is identified as a priority for future research.

The above findings support the following recommendations: The data demonstrate that awareness and readiness are low and positively correlated, that technology cost and institutional distrust are the most frequently cited anticipated barriers, and that training, simplified guidance, and subsidised software are the forms of support most requested by respondents. What follows are the authors' policy recommendations, informed by these findings and by the wider literature reviewed in Section 2, rather than conclusions the data alone can statistically establish; specific instruments such as subsidies, a phased rollout, and compliance software are therefore proposed as reasonable responses to the identified gaps, not as effects the survey has measured.

Multi-channel awareness campaigns, through radio, social media, community outreach, and business association workshops, targeting MSME operators with varying literacy and digital fluency levels, should be immediately launched with the help of the NRS, within SMEDAN, trade associations, and state revenue authorities.

Digital compliance infrastructure subsidies: Government and development finance institutions should create easy access to financing instruments or direct incentives for MSMEs for adoption of compliant e-invoicing software. The cost barrier would be greatly lowered if there were partnerships with technology suppliers providing free or reduced cost tier solutions to micro-enterprises.

A phased implementation with grace periods: A gradual compliance schedule, with the implementation of some easier requirements for micro-enterprises in the early stages, would lessen the impact of change and provide time to implement awareness and capacity-building programmes.

Building institutional trust: Trust deficit was identified in this study. The NRS should provide transparent complaint and appeals mechanisms, make the functions of the Tax Ombuds Office public, and make it clear how tax revenues are spent.

Access to Advisory Services: Accessible Tax Ombudsman/Helpdesk and Advisory services (co-funded by the Tax Ombudsman/service providers like ICAN, CITN) will be provided for MSMEs who do not have in-house compliance expertise.

Future studies are suggested to use a more geographically stratified and larger sample size, for more rigorous statistical inferences and regional comparisons. Also, longitudinal studies tracking awareness and readiness levels over time, particularly following awareness campaigns or phased reform implementation, would provide valuable evidence on the effectiveness of policy interventions.

REFERENCES

1. Adesola, O., & Okafor, C. (2023). Digital tax compliance and SME performance in Nigeria: Evidence from the post-COVID era. *African Journal of Business Management*, 17(3), 45–58.
2. Akhand, M. H., & Hubbard, M. (2016). Coercion and appeals in revenue administration: A case study of the National Board of Revenue in Bangladesh. *Journal of Asian Economics*, 44, 21–34.
3. Barreix, A. D., & Zambrano, R. (2018). Electronic invoicing in Latin America. IDB Technical Note No. IDB-TN-1580. Inter-American Development Bank.
4. Bird, R. M., & Zolt, E. M. (2005). The limited role of the personal income tax in developing countries. *Journal of Asian Economics*, 16(6), 928–946.
5. Davis, F. D. (1989). Perceived usefulness, perceived ease of use, and user acceptance of information technology. *MIS Quarterly*, 13(3), 319–340.
6. DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48(2), 147–160.
7. European Commission. (2023). VAT in the digital age: Summary of results. Publications Office of the European Union.
8. Evans, C., Hansford, A., Hasseldine, J., Lignier, P., Smulders, S., & Vaillancourt, F. (2014). Small business and tax compliance costs: A cross-country study of managerial benefits and tax concessions. *eJournal of Tax Research*, 12(2), 453–482.
9. Faul, F., Erdfelder, E., Buchner, A., & Lang, A.-G. (2009). Statistical power analyses using G*Power 3.1. *Behavior Research Methods*, 41(4), 1149–1160.
10. Fjeldstad, O.-H., & Moore, M. (2008). Tax reform and state-building in a globalised world. In D. Brautigam, O.-H. Fjeldstad, & M. Moore (Eds.), *Taxation and state-building in developing countries* (pp. 235–260). Cambridge University Press.
11. Fjeldstad, O.-H., Schulz-Herzenberg, C., & Sjursen, I. H. (2012). Peoples' views of taxation in Africa: A review of research on determinants of tax compliance. CMI Working Paper 2012:7. Chr. Michelsen Institute.
12. Inegbedion, H., & Okoye-Uzu, C. (2024). Tax audit on tax revenue of SMEs in Nigeria. *Humanities & Social Sciences Communications*, 11(1), 1–10.
13. Kirchler, E. (2007). *The economic psychology of tax behaviour*. Cambridge University Press.
14. Kirfi, M. M., Aliyu, A. A., and Solomon, O. (2025). Nigeria's Tax Reforms and the Quest for Economic Stability: A Conceptual Narration. *Ashere Journal of Politics and International Relations*. Vol 3(3), 142 - 150.
15. Nigerian Communications Commission. (2022). Annual report on telecoms statistics and internet access. NCC.
16. Nzotta, S. M. (2007). Tax evasion problems in Nigeria: A critique. *The Nigerian Accountant*, 40(2), 40–43.
17. OECD. (2017). *Technology tools to tackle tax evasion and tax fraud*. OECD Publishing.
18. Ola, C. S. (2001). *Income tax law and practice in Nigeria* (5th ed.). Heinemann Educational Books.
19. Salawu, R. O., et al. (2025). Electronic tax filing system and compliance among small and medium-sized enterprises in Lagos State, Nigeria. *International Journal of Economics and Financial Issues*, 15(1), 32–41.
20. SMEDAN. (2021). *National survey of micro, small, and medium enterprises (MSMEs) in Nigeria*. Small and Medium Enterprises Development Agency of Nigeria.
21. Slemrod, J. (2019). Tax compliance and enforcement. *Journal of Economic Literature*, 57(4), 904–954.

22. Beblawi, H. (1987). The rentier state in the Arab world. In H. Beblawi & G. Luciani (Eds.), *The rentier state* (pp. 49–62). Croom Helm.
23. Fjeldstad, O.-H., & Semboja, J. (2001). Why people pay taxes: The case of the development levy in Tanzania. *World Development*, 29(12), 2059–2074.
24. Gregory, R., & Giddings, P. (Eds.). (2000). *Righting wrongs: The ombudsman in six continents*. IOS Press.
25. Levi, M. (1988). *Of rule and revenue*. University of California Press.
26. Mahon, J. E. (2004). Causes of tax reform in Latin America, 1977–95. *Latin American Research Review*, 39(1), 3–30.
27. Melo, M. A. (2008). Institutional weakness and the puzzle of Argentina's low taxation. *Latin American Politics and Society*, 49(4), 115–148.
28. Moore, M. (2007). How does taxation affect the quality of governance? *Tax Notes International*, 47(1), 79–98.
29. National Bureau of Statistics. (2023). *Nigerian gross domestic product report (Q4 2022)*. NBS.
30. Prichard, W. (2015). *Taxation, responsiveness and accountability in sub-Saharan Africa: The dynamics of tax bargaining*. Cambridge University Press.
31. Reif, L. C. (2004). *The ombudsman, good governance and the international human rights system*. Martinus Nijhoff Publishers.
32. Ross, M. L. (2004). Does taxation lead to representation? *British Journal of Political Science*, 34(2), 229–249.
33. Tilly, C. (1992). *Coercion, capital, and European states, AD 990–1992*. Blackwell.
34. Tyler, T. R. (2006). *Why people obey the law* (2nd ed.). Princeton University Press.
35. Wilson-Oshilim, U., & Osunde, F. (2025). Non-financial performance indicators as determinants of VAT compliance: Evidence from SMEs in Edo State, Nigeria. *FUDMA Journal of Accounting and Finance Research*, 4(1), 264–275.