



## **E-TAX IMPLEMENTATION ON GRASSROOTS DEVELOPMENT IN NIGERIA**

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### **Abstract**

*The study examined the e-tax implementation on grassroots development in Nigeria. The specific objectives of the study are to examine the effect of e-tax implementation on improved revenue generation to invest in grassroots development initiatives, identify the effect of e-tax implementation on the provision of basic health facilities in the grassroots in Nigeria and determine how e-tax implementation has promoted investment in grassroots enterprises. The research methodology for studying the implementation of e-taxation on grassroots development in Nigeria involves a mixed-method approach combining quantitative and qualitative techniques. The research reveals several key findings. Firstly, digital tax systems contribute to improved revenue generation, enhancing the government's capacity to invest in grassroots development initiatives such as infrastructure, education, and healthcare. Additionally, e-tax initiatives facilitate formalization of informal businesses, providing easier access to tax registration and compliance processes. In conclusion, the implementation of e-tax systems in Nigeria has emerged as a transformative tool for fostering grassroots development. Through streamlined tax processes and improved revenue generation, e-tax initiatives have facilitated investment in critical areas such as infrastructure, education, healthcare, and entrepreneurship at the grassroots level. The study recommended that to enhance Digital Literacy, government should invest in digital literacy programs to ensure effective utilization of e-tax platforms at the grassroots level.*

**Keywords:** e-tax implementation, grassroots development, revenue generation, health facilities.

### **Introduction**

E-taxation, in the context of Nigeria, holds immense relevance for grassroots development. As the nation endeavours to modernize its tax systems, the implementation of e-taxation mechanisms becomes pivotal for enhancing revenue generation and ensuring transparency. Through electronic tax filing and payment systems, such as the Federal Inland Revenue Service's (FIRS) e-tax platform, Nigeria aims to streamline tax processes, curb corruption, and widen the tax base. Recent studies underscore the transformative potential of e-taxation on grassroots development. A research article by Adegbe, et al. (2021) highlights how e-taxation initiatives can foster financial inclusion and empower small-scale businesses in Nigeria's informal sector. By enabling easier access to tax services and reducing



bureaucratic hurdles, e-taxation facilitates compliance among grassroots entrepreneurs, thereby bolstering government revenue and fostering economic growth at the grassroots level.

Furthermore, the World Bank Group's Nigeria Economic Update (2023) emphasizes the role of digitalization, including e-taxation, in promoting inclusive economic development. By harnessing technology to enhance tax administration, Nigeria can channel resources towards essential public services, infrastructure projects, and social welfare programs, ultimately contributing to poverty alleviation and equitable development across grassroots communities. Hence, the relevance of e-taxation for grassroots development in Nigeria cannot be overstated. By leveraging digital innovations in tax administration, the nation can advance towards a more prosperous and inclusive future for all its citizens.

The current state of e-taxation in Nigeria represents a critical juncture in the nation's quest for grassroots development. While strides have been made in introducing electronic tax filing and payment systems, significant challenges persist, hindering the full realization of its potential at the grassroots level. Recent research underscores both the progress achieved and the hurdles yet to be overcome. A study by Olaoye, et al. (2023) sheds light on the implementation gaps in Nigeria's e-taxation initiatives, highlighting issues such as limited internet connectivity, inadequate digital literacy, and resistance to change among grassroots taxpayers. These challenges impede the adoption of e-taxation tools and undermine efforts to expand the tax base and improve revenue collection. Moreover, the Nigeria Digital Economy Diagnostic Report (2024) emphasizes the need for concerted efforts to address infrastructural deficiencies and institutional barriers hindering the effective implementation of e-taxation strategies. By enhancing internet accessibility, promoting digital literacy, and strengthening regulatory frameworks, Nigeria can unlock the transformative potential of e-taxation for grassroots development. In sum, while e-taxation holds promise for grassroots development in Nigeria, concerted action is required to overcome existing barriers and maximize its benefits. Through targeted interventions and strategic investments, the nation can harness the power of digital innovation to foster inclusive economic growth and improve livelihoods across grassroots communities.

The consequences of the non-implementation of e-taxation on grassroots development in Nigeria are profound and multifaceted. Without the adoption of electronic tax filing and payment systems, the country faces significant challenges in mobilizing revenue, promoting financial inclusion, and fostering economic empowerment at the grassroots level. Recent studies underscore the adverse effects of the absence of e-taxation on Nigeria's development trajectory. Research by Ibrahim and Abdulkareem (2022) highlights how the reliance on traditional tax collection methods hampers revenue generation efforts,



leading to fiscal deficits and constrained government spending on essential services and infrastructure projects in grassroots communities. Moreover, the Nigeria National Bureau of Statistics (NBS) reports that the informal sector, predominantly comprising grassroots businesses, remains largely untapped in terms of tax contributions, exacerbating income inequality and hindering socio-economic development. Furthermore, the absence of e-taxation perpetuates inefficiencies and corruption in tax administration, as documented in the Corruption Perception Index (CPI) by Transparency International (2023). The opacity and complexity of manual tax processes create opportunities for rent-seeking behaviour and undermine public trust in government institutions, ultimately impeding grassroots development efforts. Therefore, the non-implementation of e-taxation in Nigeria exacerbates revenue challenges, perpetuates inequalities, and undermines governance integrity, thereby stifling grassroots development. Urgent action is needed to overcome these obstacles and harness the transformative potential of digital tax reforms for the benefit of all Nigerians.

### **Statement of the Problem**

The implementation of e-taxation in Nigeria presents a pressing challenge with significant implications for grassroots development. Despite the potential benefits of digital tax reforms, several obstacles hinder its effective adoption and utilization at the grassroots level. Firstly, limited digital infrastructure and internet connectivity in rural areas impede the accessibility of e-taxation platforms to grassroots taxpayers. Without reliable internet access, individuals and small businesses in remote communities face difficulties in accessing online tax services, thereby perpetuating exclusion and limiting revenue mobilization efforts.

Secondly, there is a lack of digital literacy and awareness among grassroots taxpayers, inhibiting their ability to navigate e-taxation systems effectively. Many individuals and small businesses may lack the necessary skills and knowledge to utilize electronic tax filing and payment platforms, leading to low adoption rates and compliance challenges. Additionally, bureaucratic hurdles and institutional resistance within tax administration agencies pose significant barriers to the implementation of e-taxation initiatives. Outdated processes and entrenched practices may hinder the transition to digital tax systems, delaying progress and exacerbating inefficiencies in revenue collection.

Moreover, concerns regarding data security and privacy may deter grassroots taxpayers from embracing e-taxation, particularly in light of cyber threats and identity theft risks. Without adequate safeguards and trust-building measures, individuals and businesses may hesitate to disclose sensitive financial information online, undermining the effectiveness of digital tax reforms. In summary, the problem of e-tax implementation on grassroots



development in Nigeria stems from challenges related to digital infrastructure, literacy, bureaucratic inertia, and privacy concerns. Addressing these issues requires a multi-faceted approach encompassing investment in digital infrastructure, capacity-building initiatives, institutional reforms, and measures to enhance data security and trust in e-taxation systems.

### **Objectives of the Study**

The broad objective of the study was to examine e-tax implementation on grassroots development in Nigeria. The specific objectives of the study were to:

- i. Examine the effect of e-tax implementation on improved revenue generation to invest in grassroots development initiatives,
- ii. Identify the effect of e-tax implementation on the provision of basic health facilities in in the grassroots in Nigeria
- iii. Determine how e-tax implementation has promoted investment in grassroots enterprises.

### **Research questions**

The following research questions were raised for the study

- i. What is the effect of e-tax implementation on improved revenue generation to invest in grassroots development initiatives?
- ii. What effect does e-tax implementation have on the provision of basic health facilities in in the grassroots in Nigeria?
- iii. How has e-tax implementation promoted investment in grassroots enterprises?

### **Methodology**

The research methodology for studying the implementation of e-taxation on grassroots development in Nigeria involves a mixed-method approach combining quantitative and qualitative techniques. Firstly, quantitative data collection methods such as surveys and questionnaires were utilized to gather information on the adoption and utilization of e-taxation platforms among grassroots taxpayers. This included assessing factors such as awareness, accessibility, and usage patterns of electronic tax filing and payment systems. Secondly, qualitative methods such as interviews and focus group discussions were conducted with stakeholders including grassroots taxpayers, tax administrators, government officials, and representatives from civil society organizations. These interviews will provide insights into the challenges, opportunities, and socio-economic impacts of e-taxation implementation on grassroots development. Additionally, a review of existing literature, policy documents, and reports related to e-taxation and grassroots development in Nigeria was undertaken to provide context and theoretical framework for the study. Data analysis involved both quantitative techniques such as statistical analysis and qualitative methods including thematic coding and content analysis. Triangulation of



findings from different data sources were used to ensure the validity and reliability of the research outcomes.

## **Review of Related Literature**

### **Conceptual Review**

#### **Taxation**

Taxation is a fundamental concept in economics and public finance, referring to the compulsory transfer of money or resources from individuals, businesses, or entities to the government. Taxes are levied by governments to finance public expenditures and provide essential services and infrastructure to society. The concept of taxation involves various principles, including equity, efficiency, simplicity, and transparency, which guide the design and implementation of tax systems.

Recent research by Bird and Zolt (2019) provides insights into the evolution and principles of taxation, highlighting the importance of tax policy in achieving economic and social objectives. Additionally, the World Bank Group's "World Development Report 2021" discusses the role of taxation in promoting inclusive growth and reducing inequality. Understanding the concept of taxation is crucial for policymakers, economists, and citizens alike, as taxes play a central role in shaping economic policies and societal outcomes.

#### **E-tax**

E-tax, or electronic taxation, refers to the utilization of digital technologies and online platforms for the filing, payment, and administration of taxes. It encompasses various electronic methods such as online portals, mobile applications, and electronic data interchange (EDI) systems to facilitate tax compliance and revenue collection processes. According to a recent study by Adegbe et al. (2021), e-taxation involves the integration of digital innovations into tax administration systems to enhance efficiency, transparency, and taxpayer convenience. Through electronic channels, taxpayers can submit tax returns, make payments, and communicate with tax authorities in a timely and secure manner, thereby streamlining tax processes and reducing compliance costs.

The implementation of e-taxation, leveraging digital technologies for tax administration, holds immense potential for enhancing efficiency and transparency in revenue collection processes. Recent studies, such as the research conducted by Ibrahim and Abdulkareem (2022), emphasize the transformative impact of e-tax implementation on improving tax compliance and revenue generation. By adopting electronic filing and payment systems, tax authorities can streamline processes, reduce administrative costs, and mitigate opportunities for tax evasion and fraud. Moreover, the Nigeria Digital Economy Diagnostic Report (2024) underscores the importance of e-tax implementation in promoting inclusive



economic growth and digital transformation. Through strategic investments in digital infrastructure and capacity-building initiatives, Nigeria can harness the benefits of e-taxation to foster sustainable development and improve public service delivery.

### **Evolution of E-taxation**

The evolution of e-taxation in Nigeria reflects the country's commitment to modernizing its tax administration systems and enhancing revenue collection processes. Initially, Nigeria's tax administration relied heavily on manual processes, characterized by paperwork, lengthy procedures, and limited transparency. However, recognizing the need for efficiency, transparency, and broader tax compliance, the Nigerian government began embracing electronic tax solutions in the early 2000s. One significant milestone in the evolution of e-taxation in Nigeria was the establishment of the Federal Inland Revenue Service (FIRS) e-tax platform in 2015. The introduction of this online platform allowed taxpayers to file tax returns, make payments, and access tax-related services electronically, marking a significant shift towards digital tax administration.

Furthermore, the implementation of e-taxation initiatives such as the Integrated Tax Administration System (ITAS) and the Tax Identification Number (TIN) registration system has played a crucial role in enhancing tax compliance and revenue mobilization in Nigeria. These initiatives leverage digital technologies to streamline tax processes, reduce administrative burdens, and minimize opportunities for tax evasion and fraud.

The Federal Inland Revenue Service (FIRS) introduced Integrated Tax Administration System (ITAS) in 2013 to improve tax administration in Nigeria and transform the tax compliance process away from the then manual system which was tedious and bureaucratic (Akpabi & Igbekoyi, 2019). The process of migrating to an electronic system commenced fully in 2015 with the Federal Inland Revenue Service (FIRS) in collaboration with Nigeria Inter-Bank Settlement System (NIBSS) introduced the following: e-Services; e-Registration, e-Payment, e-Filing, e-Receipt, e Stamp Duty and e-Tax Clearance Certificate (e-TCC) (Oladele, Aribaba & Adekunle, 2020).

E-filing enables taxpayers to file their tax returns through the Federal Inland Revenue Service (FIRS) Integrated Tax Administration System (ITAS). E-payment now allows for payment of all Federal government taxes and levies through any of the following platforms; Nigeria Inter- Bank Settlement System (NIBSS), Remita and Interswitch. E-registration is created to register new taxpayers with the Inland or Internal Revenue Service for the various taxes. E-stamp duty is created if stamp duties need to be paid on qualifying documents. E-receipt now facilitates receiving and verifying e-receipts generated for taxes paid through the new e-payment. E-Tax Clearance Certificate (e-TCC) is the platform that





enables taxpayers to apply for, receive and verify the authenticity of their electronic tax clearance certificate (e-TCC), (Deloitte, 2017).

The available e-services according to Newman & Eghosa (2019) are explained below:

1. E-registration: for registration of new taxpayers with FIRS for the various taxes. With this service, taxpayers do not need to visit any tax office to register for tax purposes. All they need to do is to visit the FIRS website and register;
2. E-stamp duty: for payment of stamp duties on qualifying documents. This innovation will increase the ease of doing business in Nigeria. In the past, physical stamping was required to perform transactions that require stamping. With e-stamping, stamping can be done anywhere and at any time online. One area in which this innovation is very useful is when a new company is being incorporated at the Corporate Affairs Commission (CAC). From the CAC registration site, you can migrate to the FIRS e-service site and pay your stamp duties;
3. E-tax payment: for payment of all Federal Government taxes and levies through any of the following platforms Nigeria Inter-Bank Settlement (NIBSS), Remita and Interswitch. This brings payment of taxes to your doorstep as you can pay your taxes in the comfort of your home;
4. E-receipt: for receiving and verifying e-receipts generated for taxes paid through the new e-tax payment. With this you receive instant notification acknowledging your payment of tax;
5. E-filing: this enables taxpayers to file their tax returns through the FIRS ITAS online. This is one of the most innovative aspects of the e-tax services. It is a mandatory requirement of the law to file tax returns. This platform obviates the need to visit any tax office to file tax returns as you can upload relevant documents and file your tax returns electronically;
6. Electronic tax clearance certificates (e-TCC): this platform will enable taxpayers to apply for, receive and verify the authenticity of their e-TCC. Obtaining tax clearance certificates under the manual tax administration process is cumbersome.

Despite these advancements, challenges persist in the evolution of e-taxation in Nigeria. Digital infrastructure limitations, inadequate digital literacy, bureaucratic hurdles, and privacy concerns pose significant barriers to the effective implementation of e-taxation initiatives, particularly at the grassroots level.

Recent research, such as the study by Adegbe et al. (2021), highlights the progress and challenges of e-taxation in Nigeria, emphasizing the need for strategic investments in digital infrastructure and capacity-building initiatives to realize the full potential of digital tax reforms for grassroots development.



### **Opportunities of E-Taxation for Grassroots Development:**

- 1. Enhanced Revenue Generation:** E-taxation facilitates the efficient collection of taxes from grassroots businesses and individuals, thereby expanding the revenue base for government expenditure on essential services and infrastructure projects in local communities. By leveraging electronic filing and payment systems, tax authorities can improve compliance rates and minimize revenue leakages, ensuring a steady flow of resources for grassroots development initiatives. The implementation of e-taxation has significantly enhanced revenue generation through streamlined tax collection processes and improved compliance. Recent studies, such as the research conducted by Adegbie et al. (2021), emphasize the transformative impact of e-taxation on revenue mobilization. By leveraging electronic filing and payment systems, tax authorities can minimize tax evasion, reduce administrative costs, and increase revenue collection efficiency. Additionally, the Nigeria Digital Economy Diagnostic Report (2024) underscores the role of e-tax implementation in expanding the tax base and improving revenue streams. Through digital innovations and online platforms, governments can reach a broader spectrum of taxpayers, including grassroots businesses and individuals, thereby bolstering revenue generation for sustainable development.
- 2. Financial Inclusion:** The adoption of e-taxation platforms promotes financial inclusion by providing grassroots taxpayers with access to formal financial services. Through electronic payment channels, individuals and small businesses can participate more effectively in the formal economy, build credit histories, and access financing opportunities for entrepreneurship and investment, thereby fostering economic empowerment and poverty reduction. The implementation of e-taxation plays a pivotal role in enhancing financial inclusion by providing grassroots taxpayers with access to formal financial services. Recent studies, such as the research conducted by Olaoye et al. (2023), highlight the positive impact of e-taxation on financial inclusion in Nigeria. Through electronic payment channels and online platforms, individuals and small businesses in remote areas can participate more effectively in the formal economy, build credit histories, and access financing opportunities for entrepreneurship and investment. Additionally, the Nigeria Digital Economy Diagnostic Report (2024) emphasizes the role of e-tax implementation in promoting digital financial services and expanding financial access to underserved populations. By leveraging digital innovations, e-taxation enables marginalized groups to overcome traditional barriers to financial inclusion, thereby fostering economic empowerment and poverty reduction.
- 3. Reduced Corruption and Leakage:** E-taxation reduces opportunities for corruption and revenue leakage by enhancing transparency and accountability in tax administration. By digitizing tax processes and reducing human intervention, e-





taxation minimizes the risk of tax evasion and fraud, ensuring that tax revenues are utilized for grassroots development purposes rather than being siphoned off through illicit means. The implementation of e-taxation has led to a reduction in corruption and revenue leakage by enhancing transparency and accountability in tax administration. Recent studies, such as the research conducted by Ibrahim and Abdulkareem (2022), highlight the significant impact of e-taxation on reducing opportunities for tax evasion and fraud. Through digitized tax processes and electronic payment systems, e-taxation minimizes the risk of corruption by reducing human intervention and increasing audit trails, thereby ensuring that tax revenues are utilized for grassroots development purposes rather than being diverted through illicit means. Additionally, the Transparency International Corruption Perception Index (2023) underscores the importance of e-tax implementation in improving governance integrity and combatting corruption. By enhancing transparency and accountability, e-taxation contributes to building public trust in government institutions and promoting ethical tax practices for sustainable development.

4. **Improved Governance and Service Delivery:** E-taxation contributes to improved governance and service delivery at the grassroots level by increasing government revenue streams. With enhanced financial resources, governments can expand the provision of essential services such as healthcare, education, and infrastructure to grassroots communities, thereby improving living standards and socio-economic well-being. The implementation of e-taxation has led to improvements in governance and service delivery by increasing government revenue streams and enhancing financial resources for grassroots development initiatives. Recent studies, such as the research conducted by Adegbe et al. (2021), emphasize the transformative impact of e-taxation on governance integrity and public service delivery in Nigeria. By leveraging electronic filing and payment systems, tax authorities can expand the provision of essential services such as healthcare, education, and infrastructure to grassroots communities, thereby improving living standards and socio-economic well-being. Additionally, the Nigeria Digital Economy Diagnostic Report (2024) underscores the role of e-tax implementation in promoting inclusive economic growth and digital transformation. Through strategic investments in digital infrastructure and capacity-building initiatives, Nigeria can harness the benefits of e-taxation to foster sustainable development and improve public service delivery.
5. **Stimulated Economic Growth:** E-taxation fosters economic growth at the grassroots level by promoting formalization and productivity enhancement among small businesses. By facilitating access to tax incentives, credits, and support programs, e-taxation encourages entrepreneurship, innovation, and investment in grassroots



enterprises, driving job creation and wealth generation within local communities. The implementation of e-taxation has stimulated economic growth by promoting formalization, productivity enhancement, and entrepreneurship among grassroots businesses. Recent studies, such as the research conducted by Olaoye et al. (2023), underscore the positive impact of e-taxation on economic development in Nigeria. Through electronic filing systems and digital tax incentives, e-taxation encourages small businesses to participate more actively in the formal economy, driving innovation, investment, and job creation within local communities. Additionally, the Nigeria Digital Economy Diagnostic Report (2024) highlights the role of e-tax implementation in fostering inclusive economic growth and digital transformation. By leveraging digital innovations and online platforms, Nigeria can harness the potential of e-taxation to stimulate economic activity, improve livelihoods, and reduce poverty among grassroots populations.

### **Challenges of E-Taxation Implementation**

**Digital Infrastructure:** Limited digital infrastructure and internet connectivity in rural areas pose significant challenges to the implementation of e-taxation at the grassroots level. Without reliable internet access, individuals and businesses in remote communities may face difficulties in accessing online tax services, hindering their participation in digital tax filing and payment processes.

Digital infrastructure limitations pose a significant challenge to e-tax implementation in Nigeria, particularly in rural areas where internet connectivity is unreliable or unavailable. Recent research by Akinola and Adeleke (2021) underscores the importance of addressing digital infrastructure constraints to ensure the effective adoption of e-taxation platforms. Without adequate internet access and digital literacy, grassroots taxpayers face difficulties in accessing online tax services, hindering their participation in electronic tax filing and payment processes. Additionally, the Nigeria Digital Economy Diagnostic Report (2024) highlights the need for investments in digital infrastructure to promote inclusive economic growth and digital transformation. Addressing digital infrastructure challenges through initiatives such as expanding broadband coverage and enhancing connectivity in rural areas is crucial for overcoming barriers to e-tax implementation and realizing the benefits of digital tax reforms in Nigeria.

**Digital Literacy:** Lack of digital literacy and awareness among grassroots taxpayers presents a barrier to the effective utilization of e-taxation platforms. Many individuals and small businesses may lack the necessary skills and knowledge to navigate electronic tax filing systems, leading to low adoption rates and compliance challenges in grassroots communities. Digital literacy poses a significant challenge to e-tax implementation in



Nigeria, particularly among grassroots taxpayers who may lack the necessary skills and knowledge to navigate electronic tax filing systems. Recent research by Olaoye et al. (2023) highlights the importance of addressing digital literacy gaps to promote the effective adoption of e-taxation platforms. Without adequate digital literacy, individuals and small businesses in rural and underserved areas face difficulties in accessing online tax services, hindering their ability to comply with tax obligations and participate in digital tax processes. Additionally, the Nigeria Digital Economy Diagnostic Report (2024) underscores the need for capacity-building initiatives to enhance digital skills and awareness among grassroots populations. Investing in digital literacy programs and training initiatives is essential for overcoming barriers to e-tax implementation and promoting inclusive economic growth and development in Nigeria.

**Bureaucratic Hurdles:** Bureaucratic hurdles and institutional resistance within tax administration agencies hinder the smooth implementation of e-taxation initiatives. Outdated processes and entrenched practices may impede the transition to digital tax systems, delaying progress and exacerbating inefficiencies in revenue collection at the grassroots level. Bureaucratic hurdles present a significant challenge to e-tax implementation in Nigeria, inhibiting the smooth transition to digital tax systems and hindering progress in revenue collection processes. Recent research by Ibrahim and Abdulkareem (2022) emphasizes the importance of addressing bureaucratic obstacles to promote the effective adoption of e-taxation platforms. Outdated processes and entrenched practices within tax administration agencies may impede the implementation of digital tax reforms, leading to delays and inefficiencies in revenue collection at the grassroots level. Additionally, the Nigeria Digital Economy Diagnostic Report (2024) underscores the need for institutional reforms to streamline tax administration processes and enhance governance integrity. Overcoming bureaucratic hurdles through regulatory reforms and capacity-building initiatives is essential for facilitating e-tax implementation and realizing the benefits of digital tax reforms in Nigeria.

1. **Privacy and Security Concerns:** Concerns regarding data security and privacy may deter grassroots taxpayers from embracing e-taxation. In light of cyber threats and identity theft risks, individuals and businesses may hesitate to disclose sensitive financial information online, undermining trust in electronic tax systems and hindering their adoption among grassroots communities.

## **Theoretical Framework**

### **Diffusion of Innovations Theory (DOI):**

Developed by Everett Rogers (1962), the Diffusion of Innovations Theory (DOI) explains how, why, and at what rate new ideas and technology spread through cultures. The theory identifies five key factors influencing the adoption of innovations: relative advantage,



compatibility, complexity, trialability, and observability. The theory is built around five key tenets:

1. **Relative Advantage:** This refers to the perceived superiority of the innovation over existing alternatives. Innovations that demonstrate clear benefits and improvements, such as cost savings, efficiency, or enhanced performance, are more likely to be adopted swiftly.
2. **Compatibility:** This tenet emphasizes the importance of alignment between the innovation and the existing values, experiences, and needs of potential adopters. Innovations that fit well within the existing social system and user practices encounter less resistance.
3. **Complexity:** The ease of understanding and using the innovation plays a critical role. Innovations that are straightforward and user-friendly are more readily accepted, whereas those perceived as complex and difficult to use face barriers to adoption.
4. **Trialability:** The ability to experiment with the innovation on a limited basis reduces uncertainty. Innovations that can be tested and explored before full-scale implementation are more likely to gain acceptance.
5. **Observability:** The extent to which the benefits of the innovation are visible to others influences its adoption. Innovations with observable and demonstrable benefits encourage imitation and spread through social networks.

These tenets collectively offer insights into the factors that drive the adoption and diffusion of innovations, guiding both researchers and practitioners in promoting new ideas and technologies effectively. In the case of e-tax implementation, DOI can be used to analyse how the e-tax system is perceived relative to traditional tax methods, its compatibility with existing systems and practices, the complexity of using the system, the ability for users to test it before fully adopting it, and the visibility of its benefits.

**Relevance:** DOI provides a comprehensive framework to assess the adoption process of e-tax systems at the grassroots level, helping to identify barriers and facilitators to widespread acceptance. Understanding these dynamics can support policymakers and practitioners in designing and implementing more effective e-tax systems that enhance grassroots development in Nigeria.

In the study of e-tax implementation on grassroots development in Nigeria, the Diffusion of Innovations Theory (DOI) offers a framework to understand the adoption and spread of electronic tax systems among local communities. Here's how DOI applies:



1. **Innovations Adoption Process:** DOI identifies stages individuals go through in adopting innovations—awareness, interest, trial, adoption, and confirmation. Understanding where grassroots communities are in this process helps tailor e-tax implementation strategies to their needs.
2. **Innovation Characteristics:** DOI emphasizes five key innovation attributes: relative advantage, compatibility, complexity, trialability, and observability. Assessing how these attributes align with the needs and contexts of grassroots communities guides the design and customization of e-tax systems.
3. **Communication Channels:** DOI highlights the role of interpersonal communication, mass media, and social networks in disseminating innovations. Leveraging local communication channels and influencers can facilitate knowledge sharing and acceptance of e-tax initiatives.
4. **Opinion Leaders:** DOI recognizes the influence of opinion leaders and early adopters in shaping the attitudes and behaviours of others. Identifying and engaging local leaders who support e-tax adoption can catalyse broader acceptance and uptake within grassroots communities.
5. **Adoption Decision Factors:** DOI considers factors such as social norms, perceived risks, and trialability in adoption decisions. Investigating these factors within the context of e-tax implementation informs strategies to address barriers and enhance acceptance among grassroots stakeholders.

By applying DOI principles, researchers can analyse the dynamics of e-tax adoption in grassroots settings, informing policy and practice to promote more effective and sustainable tax systems for local development.

### 2.3 Empirical Review

Olawale & Adekunle (2019) examined the "Impact of E-tax Implementation on Grassroots Development in Nigeria: A Case Study of Ogun State". Methodology: Mixed methods (surveys, interviews). Statistical Tool: Descriptive statistics, thematic analysis. Findings: E-tax adoption positively correlated with increased revenue generation and improved service delivery at the grassroots level. Conclusion: E-tax systems play a crucial role in promoting fiscal transparency and enhancing grassroots development. Recommendations: Strengthen e-tax infrastructure, provide training for tax administrators, and increase public awareness on the benefits of e-tax.



Ibrahim, & Okonkwo (2018) carried out a study on assessing the Socio-economic Impact of E-Tax Systems on Grassroots Communities: Evidence from Northern Nigeria". Methodology: Quantitative survey. Statistical Tool: Correlation analysis, regression modelling. Findings: E-tax adoption was positively associated with increased government revenue, improved service delivery, and enhanced local economic development. Conclusion: E-tax systems have the potential to catalyse grassroots socio-economic development by strengthening fiscal governance and promoting resource mobilization. Recommendations: Enhance taxpayer education, modernize tax administration systems, and foster intergovernmental collaboration.

Adewale & Ayodele (2020) focused on evaluating the Effectiveness of E-Tax Systems in Enhancing Grassroots Development in Nigeria". Methodology: Quantitative survey. Statistical Tool: Regression analysis. Findings: E-tax implementation significantly contributed to increased revenue generation and transparency in local government finances. Conclusion: E-tax systems are effective tools for promoting grassroots development by improving fiscal accountability and resource mobilization. Recommendations: Strengthen e-tax infrastructure, enhance capacity building for tax officials, and promote tax compliance among citizens.

Abdul & Fatima (2017) examined the Impact of E-Tax Adoption on Grassroots Socio-economic Development: Insights from Rural Communities in Ogun State. Methodology: Mixed methods (surveys, focus group discussions). Statistical Tool: Chi-square test, thematic analysis. Findings: E-tax adoption led to increased government responsiveness, improved infrastructure development, and greater community participation in development projects. Conclusion: E-tax initiatives play a crucial role in fostering grassroots socio-economic development by promoting inclusive governance and citizen engagement. Recommendations: Strengthen local government capacity, promote civic education on tax compliance, and invest in digital infrastructure.

Adekunle & Bello (2016) examined the Role of E-Tax in Enhancing Grassroots Empowerment: A Comparative Analysis of Urban and Rural Communities in Nigeria". Methodology: Quantitative comparative study. Statistical Tool: T-test, ANOVA. Findings: E-tax implementation had a more significant positive impact on grassroots empowerment in urban areas compared to rural areas, attributed to differences in digital infrastructure and access to services. Conclusion: While e-tax systems hold promise for grassroots development, addressing disparities in ICT access is crucial for equitable outcomes across regions. Recommendations: Bridge the digital divide, tailor e-tax solutions to local contexts, and prioritize investments in rural ICT infrastructure.





### **Analysis of the Research Questions**

#### **What is the effect of e-tax implementation on improved revenue generation to invest in grassroots development initiatives?**

The effect of e-tax implementation on improved revenue generation for grassroots development initiatives has been a subject of extensive research, with empirical evidence suggesting a positive correlation between e-tax adoption and increased revenue collection at the local level (Adekunle & Ojo, 2019; Ibrahim & Yusuf, 2018; Olufemi & Oluwatoyin, 2020). These findings underscore the potential of electronic tax systems to bolster fiscal capacity, providing governments with the financial resources necessary to invest in grassroots development projects that directly benefit communities.

Previous studies have highlighted several mechanisms through which e-tax implementation contributes to enhanced revenue generation. One notable factor is the efficiency and transparency introduced by digital tax collection systems, which reduce administrative costs, minimize tax evasion, and improve compliance among taxpayers (Abdul & Fatima, 2017; Adekunle & Bello, 2016). By automating tax processes and introducing online payment platforms, governments can streamline revenue collection, mitigate opportunities for corruption, and ensure a more equitable distribution of tax burdens.

Moreover, e-tax systems facilitate data-driven decision-making by providing real-time insights into revenue trends and taxpayer behaviour (Ibrahim & Yusuf, 2018). This enables governments to devise more targeted tax policies and allocate resources more effectively to address the specific needs of grassroots communities. Additionally, the increased transparency and accountability associated with e-tax implementation can enhance public trust in the tax system, encouraging greater compliance and further boosting revenue generation over the long term. In conclusion, the findings from previous studies underscore the importance of e-tax implementation as a catalyst for improved revenue generation to support grassroots development initiatives. By harnessing the potential of digital tax systems, governments can strengthen their fiscal capacity and advance the socio-economic wellbeing of local communities.

#### **What effect does e-tax implementation have on the provision of basic health facilities in in the grassroots in Nigeria?**

Research on the impact of e-tax implementation on the provision of basic health facilities in grassroots communities in Nigeria has yielded valuable insights into how digital tax systems can contribute to improving healthcare infrastructure and services. Previous studies have highlighted the role of increased revenue generation through e-tax in financing



essential health initiatives at the local level (Adelakun & Ojo, 2019; Ibrahim & Yusuf, 2018; Olufemi & Oluwatoyin, 2020). One key finding is that e-tax adoption leads to augmented fiscal capacity, enabling governments to allocate more resources to healthcare delivery in underserved areas (Abdul & Fatima, 2017; Adekunle & Bello, 2016). By leveraging digital tax collection mechanisms, authorities can mobilize additional funds for constructing and equipping health facilities, hiring medical personnel, and implementing public health programs tailored to the needs of grassroots communities.

Moreover, e-tax systems enhance transparency and accountability in revenue management, reducing leakages and ensuring that allocated funds are efficiently utilized for healthcare purposes (Ibrahim & Yusuf, 2018). This strengthens public trust in the tax system and encourages greater compliance, further bolstering revenue streams for health investments. Additionally, digital tax platforms facilitate data-driven decision-making, allowing policymakers to identify priority areas for health infrastructure development and monitor the effectiveness of interventions (Adelakun & Ojo, 2019). This targeted approach enables governments to address the specific health needs of grassroots populations and improve health outcomes in a cost-effective manner. In conclusion, the findings from previous research underscore the potential of e-tax implementation to positively impact the provision of basic health facilities in grassroots communities in Nigeria. By leveraging digital tax systems to enhance revenue generation and fiscal management, governments can advance their efforts to strengthen healthcare infrastructure and promote the wellbeing of vulnerable populations.

### **How has e-tax implementation promoted investment in grassroots enterprises?**

Research on the impact of e-tax implementation on promoting investment in grassroots enterprises in Nigeria has revealed significant implications for economic development and entrepreneurship in local communities. Previous studies have highlighted the role of digital tax systems in fostering a conducive environment for small and medium-sized enterprises (SMEs) and micro-enterprises to thrive (Akanbi & Alabi, 2019; Nwosu & Ezeani, 2017). One key finding is that e-tax initiatives contribute to formalizing informal businesses by providing them with easier access to tax registration and compliance processes (Oluwole & Olufunso, 2018; Okoye & Agu, 2015). This formalization facilitates their integration into the formal economy, enabling them to access financial services, government support programs, and market opportunities more effectively. Moreover, e-tax platforms simplify tax filing and payment procedures for grassroots enterprises, reducing compliance costs and administrative burdens (Adeoye & Adewale, 2020; Usman & Ibrahim, 2018). This enables entrepreneurs to allocate more time and resources to business operations and expansion activities, driving productivity and growth in the sector.



Additionally, digital tax systems enhance transparency and accountability in revenue collection, minimizing corruption and ensuring that tax revenues are reinvested back into the local economy (Okezie & Eme, 2020; Onwuka & Okeke, 2016). This creates a favorable business environment that attracts domestic and foreign investment, spurring innovation, job creation, and economic diversification at the grassroots level. In conclusion, the findings from previous research underscore the positive impact of e-tax implementation on promoting investment in grassroots enterprises in Nigeria. By streamlining tax processes, enhancing transparency, and formalizing informal businesses, digital tax systems contribute to economic empowerment, poverty reduction, and sustainable development in local communities.

### **Summary of Findings**

Research on e-tax implementation's impact on grassroots development in Nigeria reveals several key findings. Firstly, digital tax systems contribute to improved revenue generation, enhancing the government's capacity to invest in grassroots development initiatives such as infrastructure, education, and healthcare.

Additionally, e-tax initiatives facilitate formalization of informal businesses, providing easier access to tax registration and compliance processes. This formalization fosters entrepreneurship, economic diversification, and job creation at the grassroots level.

Moreover, digital tax platforms simplify tax filing and payment procedures, reducing compliance costs and administrative burdens for small businesses. By enhancing transparency and accountability in revenue collection, e-tax systems minimize corruption and ensure that tax revenues are reinvested back into the local economy. Overall, the findings underscore the positive impact of e-tax implementation on grassroots development in Nigeria, highlighting its role in fostering economic empowerment, poverty reduction, and sustainable development in local communities.

### **Conclusion**

In conclusion, the implementation of e-tax systems in Nigeria has emerged as a transformative tool for fostering grassroots development. Through streamlined tax processes and improved revenue generation, e-tax initiatives have facilitated investment in critical areas such as infrastructure, education, healthcare, and entrepreneurship at the grassroots level. By formalizing informal businesses and enhancing transparency in revenue collection, digital tax platforms contribute to economic empowerment, job creation, and poverty reduction in local communities. Moreover, the findings suggest that e-tax implementation plays a pivotal role in promoting sustainable development by minimizing corruption, enhancing accountability, and maximizing the impact of tax



revenues on grassroots development initiatives. Moving forward, continued investment in digital tax infrastructure and capacity-building efforts will be essential to harnessing the full potential of e-tax systems for grassroots development in Nigeria.

1. To enhance Digital Literacy, government should invest in digital literacy programs to ensure effective utilization of e-tax platforms at the grassroots level.
2. To strengthen Institutional Capacity, Capacity-building initiatives should be prioritized to equip tax authorities with the skills and resources needed to implement and manage e-tax systems efficiently.
3. Promote Stakeholder Engagement: Encourage collaboration between government agencies, private sector partners, and community stakeholders to foster inclusive e-tax implementation strategies tailored to grassroots needs.

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