Community perception on implementation of environmental taxation for sustainable development in Nigeria

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Abstract

Background/Objectives: The paper examines what will motivate the public to accept a policy that will acknowledge environmental taxation in Nigeria.
Methodology/Statistical Analysis: Survey technique was used and a close ended questionnaire was administered to an individual to elicit their responses. The researcher applied Yaro Yamane sample - size calculation formulae based on the number of Samples under discussion.
Findings: The finding of the study reveals that political confidence, interpersonal trust, ethical beliefs and norms of people are the major key players in determining policy acceptance of environmental taxes in Nigeria.
Improvements/Application: the study recommended that, If Public were poorly informed about the motive of the tax will cause stiff resistance from the public. To be supportive of environmental taxes, people must trust the politician that they will use the tax revenue in a transparent and well judicious manner.
Keywords: Environment, Taxation, Community, Policy, Nigeria

1.   Introduction

Economists have long favored the use of taxes as an instrument for environmental corrections and protection. To many economic analysis, in a situation involving serious externalities taxes are the most effective mechanism for "getting the price right" [1] [2]. Environmental taxation has been discussed as one of the main mechanisms to deal with environmental problems; nonetheless, instruments for this type have rarely been implemented because of weak policy acceptance and taxpayer perception that environmental taxes are unfair and regressive, coercive and punitive. For these reasons, the adoption of new or higher environmental taxes has faced resistance in some countries [3]. Large bodies of scholars such as [4] have asserted that much environmental collective action related problems can best be resolved through the use of market-based policy instrument such as environmental taxation.

Because they are cost efficient and they tend to leave a certain amount of freedom of choice [5] it is stated that environmental tax has become a policy issue that has generated a particular interest in recent years; it involves increasing taxes on the use of environment and reduction of taxes in other areas. There will be more willingness on the part of individuals and corporate organizations to pay the tax because they believe that it is their benefits are derived from them since the tax is paid has something to do with their environment [6]. An environmental tax is defined as: "any compulsory, unreciprocated disbursement to the government, levied on tax-bases deemed to be of particular environmental relevance", where the tax bases include energy products, motor vehicles, wastes, measured or estimated emissions, natural resources, etc[7].

The OECD also consider environmental taxation as an instrument for a sustainable economy, that makes use of tax system to encourage a change of attitude for economic agents to reduce the negative impact that their industrial practices cause to the environment. Furthermore, according to [8], taxes are defined as a pecuniary payment, required from individuals through authority and without counterparty. [1], defined an environmental tax as A tax whose tax base is a physical unit (or a proxy of it) of

something that has a proven, particular negative impact on the environment." - Definition is exclusively based on the real physical unit of the tax - with emphasis on the potential effect of a given tax in terms of its impact on costs and prices

Historically, environmental protection has primarily been based on State based environmental protection, such as legislation and ban. However, presently environmental degradation is increasingly perceived as being based on the individual citizen or consumer choices, while others argue that coercive and firm policies will solve the problem [9]. Some advocate for measures primarily aimed at "giving" citizens towards his environmental behaviors e.g through enlightenment or education [10].However, it is one thing to claim and demonstrate the market-based instruments are (economically) efficient and it is quite another thing to gain public support for them. This has motivated scholars to find out why some people tend to accept such environmental policy instrument; while others do not. The aim of the paper is to explore Community perception of policy acceptance of environmental taxation. The study looked at environmental tax and how it can be used to influence policy acceptance in the Nigerian context, considering the numerous environmental problems.

2. Rationale for environmental taxes

The main fundamental reasons for environmental taxation are to work with price system and not against the price system and to allow the polluters maximum flexibility to choose the most efficient way to achieve abatement goal in order to improve the structure of the taxes.

For example, by reducing tax concession for polluting activities. There exist a market failure in which the market force alone cannot provide enough environmental goods and services. Other environmental regulations are less efficiency in addressing the market failure than taxes and charges. Therefore, "polluter pays" principles are provided as a rationale for environmental taxation [11], suggested that one person's actions may cause either benefits or costs to other members of the society. The existence of such social costs or benefits could be good reasons for government interference through the imposition of environmental taxes. Therefore, good environmental policy is also good tax policy. In practice, environmental taxes seem to be the most attractive choice for most emerging markets, because the collection is easier as it can rely on existing capacities and institutions.

3. Statement of the problem

While other developing countries have taken the initiative in environmental sustainability through taxations, Nigeria is lagging behind. Taxation can be the only market based instrument/ value judgment that can be used as synergy effort to move in this direction. As other countries have initiated a specific environmental taxes, for example, South Africa, Malaysia, Vietnam, just to mentioned a few, Nigerian governments have not made any effort despite an increase in environmental degradation. The absence of any estimation of damage costs has become a problem and lack of implementing best practices of environmental taxes as done in other countries the need is felt. It is desired that this will fill a void in an environmental degradation and environmental policy in Nigeria

4. Objectives of the study

The main objective of the study is to examine the perception of people towards taxation as a policy tool and what motivate peoples to accept policy towards environmental tax taken Nigeria as a case study.

The specific objectives are:
1. To ascertain the extent to which the policymakers influence the acceptance or support of environmental tax
2. To ascertain the extent of individual's perception that environmental taxes are fair or unfair.

4.1. Research questions

Research questions serve as a guide to the study. On the basis of the above objectives, the research questions for the study include the following: (I) why do policy acceptance on environmental taxation is very low and weak, (Ii). Why do individuals resist environmental tax policy?

4.2. Research hypotheses

For the purpose of this research, the hypotheses to be tested are stated in their null forms.
1. H0: There is no significant relationship between policy-making and environmental taxation
2. H0: Nigeria taxpayer is ready to accept environmental taxes from corporate and individuals according to international practices.

5. Literature survey

The main economic reasons for using taxes in an environmental policy is to bring the costs of pollution and other costs of using the environment which is called the externalities into the price of goods and services produced by the economic activity. Internalizing external environmental costs are the main reasons for environmental taxes instead of regulations. They incorporate the cost of environmental service and damages directly into the prices of goods, services or activities which give rise to them. These also help to implement the polluter pays principles and to integrate economic, fiscal and environmental policies [12]. A common argument for employing environmental taxes is that they are often comparatively economically efficient [13], clearly and important loadstar for politicians and policy makers. However, it is questionable whether this criterion alone is good enough for adopting them. When designing policy tools, a decision maker constantly faces the challenges of carefully striking a balance between efficiency and legitimacy, as the level of direction, public policy support can be expected to have a measured impact on subsequent policy performance [14]. Furthermore, unless the measures display sufficient potentially broad public support, the suggested public instrument will likely not going to be advocated in the political sphere, and this will be rejected [15]. For these reasons, it is, therefore, necessary for society and its policy makers to understand the condition under which environmental taxes are considered legitimate among the public rather than being scared because of the word "tax". The intuition is that it is welfare improving to tax "bad" things high i.e. pollution and "good" things less. Because taxing bad things are corrective and good things is distortionary.

Factors affecting individual's acceptance of environmental policy in general and acceptance of environmental taxes in particular. The researcher elaborates three major reasons or determinants for policy acceptance of environmental taxes in Nigeria. They are as follows:
a. political trusts a determinant of policy acceptance
b. Values, Beliefs, and Norms as a determinant of policy acceptance
c. Interpersonal trust as a determinant of policy acceptance

However, these are not the only factors that determine the policy acceptance, it is also apparently better to rely on people's interest in the contents of their wallets than hoping for people to change their preference based on moral reasoning. Cost efficient is also one of the important determinants for the prospects of implementing environmental taxes [16].In Nigeria, these factors have played a very important role in policy formulation because Nigeria is a complex country with many geographical variations, multi-ethnics, and religious diversity, for this reasons looking at these factors listed above

a. Political trust as determinant of policy acceptance

According to [17] People's propensity to support policy instrument is also affected by their political trust. The reason is that the more people trust the politician in the ("parliament" and "the government"), the more likely they accept the policy broad up by them with environmental tax policy inclusive. This result is made comprehensible through two lines of reasoning. First, unless people's trust in the competency of their Politicians popularity i.e. the politician knows what is required to influence policy formulation which will lead to success the people will not be apt to accept the policy. Secondly,

unless people trust, that, the political institution can and will deal with the revenues generated from the taxes in the righteous, effective, efficient and in a realistic manner by making the costs and benefits of environmental policy clearer. They will be less willing to also accept or support such tax. Furthermore, lack of account\ility, trust, fairness, corruption, and participation may also affect the willingness of the public to support the policy. Unless if the public considers the authority implementing the instrument to be trustworthy to some degree, its support for the implementation tends to be low. Public support also depends on whether the instrument will be fair in its procedures and outcome, as well as the degree to which public has had a say in the implementation process [18].

b. Values benefits and norms as determinant of public support and acceptance

The values beliefs and norms theory of environmental support [19], assumes that many behavioural activities are the result of a informal chain that start with personal value priorities, which lead to beliefs i.e (general environmental beliefs; awareness of environmental consequences ; ascription of personal responsibility for these consequences) and finally the formation of personal norms of behaviour of public support may likely below if these concept values are not taking into consideration by the policy makers

c. Interpersonal trust as a determinant of public support and acceptance

This factor has to do with the individual stage of a dilemma in term of decision making on environmental problems. The individual propensity to neglect cooperation in favor of adopting selfish behavior or selfish interest. This is due to the fact that most people may have general disposition to cooperate, but this propensity is partly conditioned by their trust that the other citizens or involved actors will cooperate [20] stress that individual attitude to environmental taxes are tailored by their perception as to whether they trust in the cooperation of others. For instance, first people would support environmental taxes while skeptical of the likelihood that others will do likewise, i.e to act in the environmentally friendly way of their own accord. One motivation for such behavior is that positive action is necessary to balance the negative effect of those acting selfishly. Second, the policy tools in itself are based on cooperation. Thus, if people instead perceive that their colleague citizens are dishonest and they doubt that people will comply with the environmental taxes they will less incline to support it [19].

Figure 1. Conceptual Framework Model.
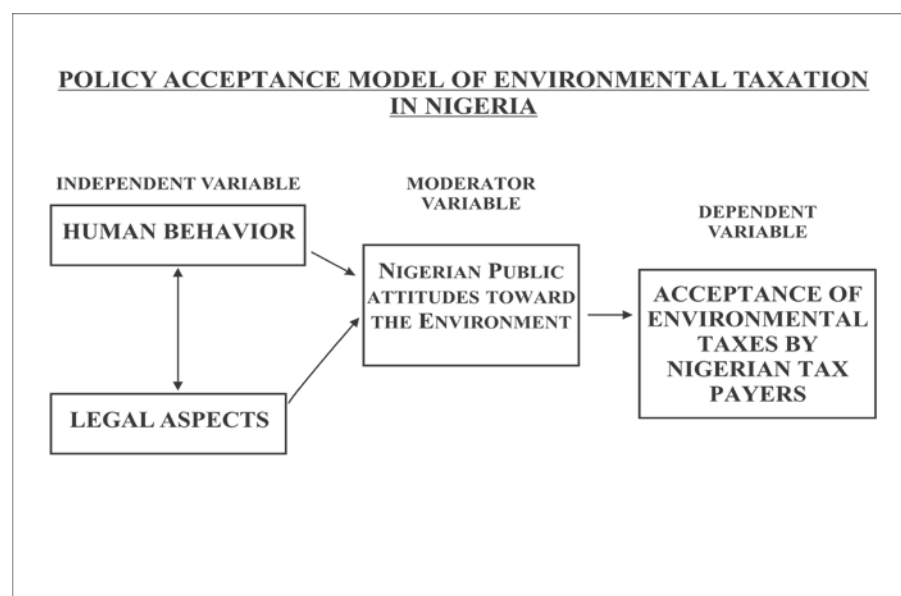
The model is designed to explain the rationale for policy implementation as claimed by [20] [21] Figure 1 shows the Model. The model describes the position of environmental taxes. Which can be the best address the community perception, using the theories of internalization of externalities as noted by [11] which represent the idea of "Polluter pays"? That is the quality of tax payable by the polluters rise with the level of pollution, and should be equal to the full damage of the external damage. Therefore, taxpayers in Nigeria have to comply with the tax laws of the country (including environmental taxes laws) there are three ways the taxpayers comply with environmental tax laws. They are as follows i. Voluntary compliance ii. Forced compliance. iii. Non-compliance. From the above models, it can be now being tested using the suitable statistical method. Therefore, the variables identified in the model are dependent and independent (i.e. acceptance of environmental taxes in Nigeria by the taxpayers).

1. Dependent variable

The dependent variable is the acceptance of environmental taxes by Nigerian tax payers, which are influenced by the moderating variable, attitude of public towards the environment. The dependent variable is the variable of main interests in any study [22].

2. Independent variable

Human behavior aspects

1. Future Quality of life. [21] We're of the view that the love for having a better quality in the future will encourage environmental protection. However, from their study, it has been noted the artificial inducement to encourage environmental protection such as environmental taxes is redundant. Therefore, environmental taxes are needed to stimulate an effort to protect the environment through behavioral changes from an individual.
2. Self-Actualization: from [21]. Experience concluded that the protection of the environment will be successful if the public puts the "value" of environment higher than the monetary gain. By so doing public has to be enlightened about the value of the environment, because unless the public is willing to put the environment above the financial benefits, the introduction of any form of taxes will not be successful.
3. Unless the public has a positive attitude towards the protection of the environment, any attempts to introduce any environmental protection policies will fail including environmental taxation. Therefore, this variable is related to "forced compliance" if they are forced, there may not be a commitment for the public to support the policy.
4. Tax Mitigation: [23], asserts that corrective fuel surcharge policy will encourage motorist to use public transport or buy more fuel efficient vehicles. This implies that the taxpayer may accept a certain new environmental tax law to reduce their current tax position.

Legal aspect: Which consists of the following?

1. Forced compliance, if Nigerian taxpayer understands the motive behind environmental taxation policies and laws, he could be compelled or forced to accept the policies or laws because he understands why compliance is good for him. [24,] [25] Found out that willingness of household to pay taxes is influenced by the level of consumers understanding of issues concerning climate change. There fore, if the public did not understand why the need to protect the environment, any attempt to introduce any environmental protection policies (environmental tax inclusive) will fail.
   Any compliance to the laws is because the public is forced to comply. [26], states that the public involvement in green policy development is imperative. Any forced down policy is not acceptable.
2. Immediate incentives: [27], found out that public will be encouraged to accept the environmental taxes if the government will provide incentives such as tax deduction, exemption and appreciate the justification of public fund on the pollution matters.
   But [28], asserted that the group of polluters is concentrated and well organized; while those who get from pollution control i.e the policy makers or government agencies are dispersed and

unorganized. Thus, the outcome is often inconsistency tax regime with exemption from the well-organized group.

5.1. Concept of sustainable development

"Sustainable development is about enhancing human well- being through time while society's ability to enhance or improve human well- being depends on the choices made or preference of individuals, firms, communities, and government on how to utilize their assets" Therefore, the ability of a nation to sustain a consumption flow (and therefore to be sustainable) depends on the change of its stock of assets or wealth. These assets may include natural assets, human assets, knowledge assets, manmade assets ex cetera. For these reasons, the ability to manage these assets well is very vital to achieving sustainable development. However, there are limits to sustainability, particularly for environmental and social assets that enhance human well-being through their mere existence as well as indirectly through their contribution to production and material being

5.2. Challenges of environmental taxation in Nigeria

About two thousand years ago, Aristotle pointed out that the "rule of law" means "rule of good law." Environmental enforcement needs considerate and reasonable legislation as safeguards. Since 1979 Nigeria has enacted many laws and many regulations and standards concerning environmental protections. However, these numerous and comprehensive environmental laws only "look beautiful". In fact, although they have no major mistakes, and they do not leave any major impact either. They can hardly protect the environment or improve environmental protections. The legislative factors affecting environment enforcement include the following:

1. Lack of reliable information needed on pollution flows from the pollution agencies and their source.
2. Difficulties in setting rates especially when the relevant social costs and benefits are uncertain. Can be compounded if there is ambiguity about whether the main aim is to curb pollution or to raise revenue.
3. Administrative problems, especially when evasion is easy e.g when pollution is from multiple sources.
4. Opposition from vested interest especially when potential beneficiaries are dispersed and not organized
5. Lack of legislation in certain areas: Although Nigeria enacted many environmental laws and regulations, there are still many environmental protection fields, that these laws and regulations do not make any impact on places like management of natural reserves, hazardous chemicals, climatic changes, air pollution by industries, oil spillage as well as the prevention and treatment of soil pollution in these fields. The legal basis for environmental enforcement is not sufficient, enough to which will absolutely harm the effectiveness of the environment.
6. Laws that are too abstract to enforce: this problem not only exists within the environmental legislation but also a common failing of Nigeria's legislation. Environmental laws in Nigeria are full of Abstract or ambiguous, provision that authorizes the state council, the ministry of environmental protection to make specific regulations or rules. Without any time limit, environmental enforcement will encounter in the awkward situation of "having no legal
7. Environmental penalties are too lenient to deter environmental violations. The so-called "low cost of environmental violations" take the administrative penalties as an example. Currently, the fund amount wildly disproportionate the benefit of environmental violation. Guilty enterprises would rather be fined than correct their violations. This kind of enforcement, which encourages environmental violations, has long been criticized by scholars and the public.

6. Methodology

The populations for this research work comprises of politicians, individuals, and community leaders. They were chosen as a population of the research because the policy acceptance or rejection of environmental taxes will be decided by them. The target population for this study comprises of individuals who are 18 years and above. In view of the researcher's inability to reach out to the entire population, we adopted the [29] sample- size calculation formulae based on the number of Samples under discussion as shown in Figure 2. The sample size is derived using the statistical formula stated, thus:

$n = N/ (1+N (e^2)$

Where:

n= sample size

N= Population size (finite population)

e= 95 % Level of significance desired

Therefore, n = 6000/1+6000 x $(0.05)^2$

n = 6000/15

n = 400

Using the above formulae and the total number of estimated number of 6000 people with an error limit of 5% level of significance, we arrived at a sample of 400. It is, therefore, considered adequate as the sample for this study. Furthermore, a well organized closed-ended questionnaire was designed and administered to respondents for the analysis. The Spearman Rank order Correlation which is non-parametric tests is used to measure the degree of association between the dependent and the independent variables in this study.

Figure 2. Data Analysis and Discussion of Results
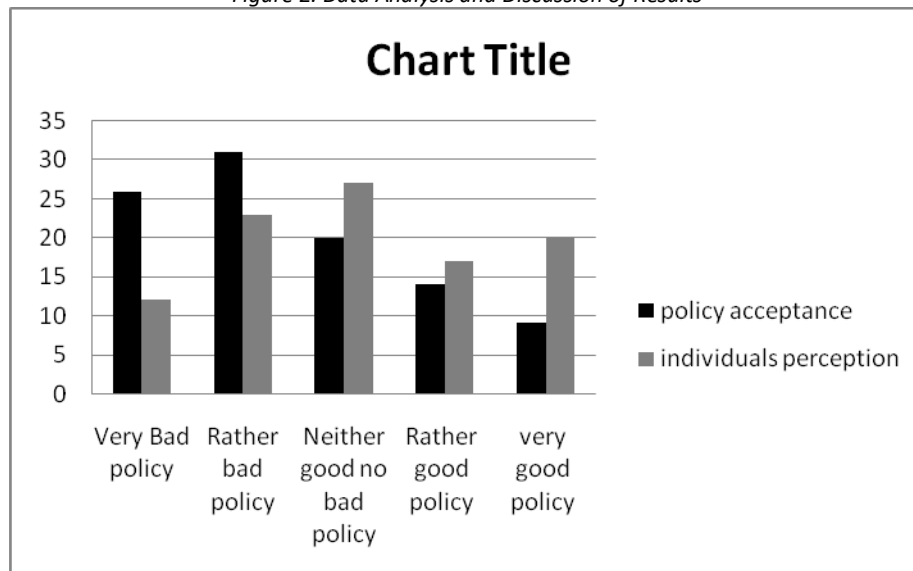
Source: Researcher's computation, 2015.

From the above line chart, the following can be deduced. Out of the 400 copies of a questionnaire administered, only 350 copies were retrieved with 50 copies not properly filled. Therefore, a total of 300 copies representing 75 percent were used for this analysis. 74 respondents and 94 representing 57 percent of the respondents are of the view that the policy is either bad or very bad policy that policy acceptance of environmental taxes is very weak. Nevertheless, regardless of this presentation by the respondents on the above subject matter, neither 60 respondents which represent 20 percent remain undecided, that is they choose neither good nor bad policy. Another 42 and 26 respondents which represent 23 percent are of the view that the policy is good.

But it is valid to conclude that the policy acceptance of environmental taxes is weak. Furthermore, on the same line chart, two is representing the analysis of the respondent responses on why the individual perceptions on environmental taxes are assertive? Out of the 300 respondents 40 respondents and 70 representing 25 percent of the total respondents, are of the view that the policy is either bad or very bad this concurs with the assertion in the policy acceptance model on the behavior of an individual, whereas 80 respondents which represent 27 percent remain undecided that is they choose neither good nor bad policy. Another 110 respondents which represent 37 percent are of the view that the policy is good.

6.1. Demographic characteristics of respondents

Table 1 summarizes the demographic characteristics of respondents. The result shows that most of the respondents about 69% of them were below 40 years of age. Furthermore, the results show that 74 percent are male and 26 % are female and in term of educational qualification 53 percent of the respondents had achieved an educational qualification at Diploma level and equivalent while 47 percent had achieved Degree and above.

Table 1. Demographic Characteristics of Respondents

Variable	Attribute	N/ respondents	Percentage %
Age (years)	Among 20- 30	102	34
	Among 30-40	105	35
	Among 40-50	60	20
	Among 50 -60	33	11
	Total	300	100
Gender	Male	223	74
	Female	77	26
	Total	300	100
Educational qualification	Secondary	117	39
	NCE and Diploma	108	36
	Degree and Above	75	25
	Total	300	100

6.2. Conclusions and policy implications

On the basis of the results obtained, it has been observed that governmental trustworthiness affects people's support and perception of the new taxes towards compliance with the public policy in general. The recommendation is made base on the community perception which is illustrated in the policy Acceptance Model, that was arises from consideration of independent variable and moderating variable, thus are Human behavior, legal aspect and Nigerian public attitude toward the environment. It has also been demonstrated that trust has seriously affected people's attitude towards environmental taxes. It has been noted that peoples tend to be more supportive of environmental tax if they trust their co-citizens, i.e if they believe that others will pay their share. Hence, it may be a good idea, at least if trust is generally low, to implement only those taxes that are hard to evade. People tend to be more supportive of it and higher taxes- if they trust their politicians for the following two reasons. To be supportive of environmental taxes, people must trust the politician that they will use the tax revenue in a transparent and well judicious manner. The taxed public believes that the politicians are convinced that the tax will have its intended effect and it is considered sound policy choice. If Public are poorly informed about the motive of the tax will cause stiff resistance from the public

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