

Explicit knowledge and tax revenue performance: The role of externalization process

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Abstract

One of the desires of developing countries is to improve tax revenue generation to reduce dependence on the developed countries for financial aid. Access to quality and timely tax knowledge by taxpayers can improve compliance and tax revenue generation. The purpose of this study is to explain the mechanisms that convert tacit to explicit knowledge for easy accessibility, improve compliance and tax revenue generation. Qualitative data through face-to-face interviews supported by documentary study were employed to study knowledge externalization and tax revenue performance. Twenty tax officers were interviewed face-to-face in a case study of Federal Inland Revenue Service (FIRS) Nigeria, and NVivo 10 qualitative software used to analysed the data. This study found that documentation of tacit knowledge and the design of training manual can externalize tacit knowledge in tax administration. Furthermore, explicit knowledge enhanced accessibility to knowledge, compliance and tax revenue generation. The study recommended documentation of tacit knowledge and training manual as a strategy to externalize tacit knowledge to improve access to knowledge, compliance, and tax revenue generation.

1. Introduction

The need to improve tax revenue generation in developing countries to reduce dependence on developed nations for financial assistance is critical. According to Musimenta (2020), developing nations are searching for strategies to improve tax revenue efficiency and generation to finance budgets without depending on unpredictable financial aid from the developed ones. The quest to improve tax revenue generation in developing countries resulted in several studies including Bird (2015), Umar et al. (2017), Olaoye and Atilola (2018), Ajala and Adegbe (2020), Musimenta (2020). Efforts aimed at improving tax revenue generation in developing countries have not yielded the desired result. However, studies showed that access to quality and timely tax knowledge by taxpayers can improve tax revenue generation (Bird, 2015; Rosdi et al., 2016; Semenova et al., 2017). Hence, there is a need to create and disseminate the desired knowledge in tax administration to improve tax revenue generation.

One of the knowledge creation models that is widely used in literature and practice is socialization, externalization, combination and internalization (SECI) by Nonaka and Takeuchi (1995). According to Rice and Rice (2005), Grant and Grant (2008) and Easa (2012), SECI is widely accepted, especially among management practitioners as a result of its clear description and insightful reasoning. SECI model explained that knowledge creation is a continuous process of interaction of tacit and explicit knowledge through four modes of socialization, externalization, combination and internalization (Nonaka & Takeuchi, 1995). Furthermore,

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