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OVERCONFIDENCE AND ANCHORING BIAS IN TAX COMPLIANCE AND RECORD-KEEPING AMONG AGRO-ALLIED SMES IN ILORIN, KWARA STATE, NIGERIA

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Abstract

This study examined the influence of behavioural biases, specifically overconfidence and anchoring bias, on tax compliance and record-keeping practices among agro-allied small and medium-sized enterprises (SMEs) in Ilorin, Kwara State, Nigeria. The study adopted a quantitative survey research design and collected primary data using structured questionnaires administered to agro-allied SME owners and managers. Out of 160 questionnaires distributed, 145 valid responses were analyzed using the Statistical Package for the Social Sciences (SPSS). Descriptive statistics, Pearson correlation analysis, and simple linear regression were employed to analyze the data at a 5% level of significance. The findings revealed that overconfidence bias has a significant negative effect on tax compliance ($\beta = -0.364$, $p < 0.05$), indicating that increased managerial overconfidence reduces compliance with tax obligations. Similarly, anchoring bias was found to exert a significant negative influence on record-keeping practices ($\beta = -0.356$, $p < 0.05$), suggesting that reliance on initial or outdated financial information weakens the quality and consistency of accounting records. The regression results further showed that overconfidence bias explained 19.9% of the variation in tax compliance, while anchoring bias accounted for 12.7% of the variation in record-keeping practices. The study concludes that behavioural biases constitute significant impediments to sound accounting practices among agro-allied SMEs. It recommends that policymakers, tax authorities, professional accounting bodies, and SME development agencies incorporate behavioural accounting awareness, financial literacy, and cognitive bias mitigation strategies into training programmes and tax education initiatives to enhance tax compliance and improve record-keeping practices. The study contributes to the growing behavioural accounting literature by providing empirical evidence from Nigeria's agro-allied SME sector and offers practical insights for improving financial decision-making and regulatory compliance.

Keywords*: Behavioural Accounting, Overconfidence Bias, Anchoring Bias, Tax Compliance, Record-Keeping, Agro-Allied SMEs, Nigeria.*

Introduction

Small and Medium-sized Enterprises (SMEs) constitute a vital segment of Nigeria's economy, contributing significantly to employment generation, income distribution, and economic development. According to the National Survey of Micro, Small and Medium Enterprises, MSMEs account for approximately 96.9% of businesses, contribute about 46.3% of Nigeria's GDP, and

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provide nearly 87.9% of total employment, underscoring their importance to the country's economic diversification and inclusive growth (SMEDAN & National Bureau of Statistics, 2021) Despite their importance, many SMEs struggle with financial management challenges, particularly in maintaining proper accounting records and complying with tax regulations.

Effective record-keeping and tax compliance are essential for ensuring transparency, accountability, and long-term business sustainability. However, many SMEs in developing economies, including Nigeria, continue to operate without formal accounting systems and rely on informal financial management practices, resulting in inadequate record-keeping and poor tax compliance (OECD, 2022; World Bank, 2023). These challenges are more pronounced among agro-allied SMEs, where business operations are often less formalized and decision-making is heavily dependent on individual judgment.

Traditional accounting perspectives assume that decision-makers act rationally by evaluating all available information objectively. In practice, however, financial decisions are frequently influenced by psychological tendencies that lead to systematic deviations from rationality. Behavioural accounting provides a framework for understanding how cognitive biases, emotions, and individual perceptions influence accounting judgments and financial decision-making (Minutiello & Tettamanzi, 2024). Overconfidence bias and anchoring bias are among the most influential cognitive biases affecting the financial behaviour of small and medium-sized enterprises (SMEs). Overconfidence bias refers to an individual's tendency to overestimate the accuracy of their knowledge, skills, or judgments, which may result in excessive risk-taking, poor decision-making, and underestimation of uncertainty (Kahneman, 2011; Pompian, 2017). Anchoring bias, on the other hand, occurs when individuals rely excessively on an initial piece of information or a previously known value when making subsequent judgments, even when additional or more relevant information becomes available (Tversky & Kahneman, 1974; Kahneman, 2011).

These cognitive biases can significantly influence accounting practices and financial decision-making. Overconfident SME owners may underestimate business risks, overestimate the quality of their financial judgments, and pay insufficient attention to accurate bookkeeping and tax obligations. Likewise, anchoring bias may cause decision-makers to rely excessively on previously recorded financial information or initial estimates even when more current and relevant information is available. Such behaviours can reduce the quality and reliability of accounting information and hinder compliance with regulatory and tax requirements (Kahneman, 2011; Minutiello & Tettamanzi, 2024; OECD, 2022). In Nigeria, tax compliance among small and medium-sized enterprises (SMEs) remains a significant challenge. Many SMEs struggle to comply fully with tax obligations because of inadequate record-keeping, limited tax knowledge, high compliance costs, and the prevalence of informal business practices (Organisation for Economic Co-operation and Development [OECD], 2022; Small and Medium Enterprises Development Agency of Nigeria [SMEDAN] & National Bureau of Statistics [NBS], 2021).

Although prior studies have explored financial management challenges among SMEs, limited empirical attention has been given to behavioural factors influencing accounting decisions, particularly within the agro-allied sector in Nigeria. In Ilorin, Kwara State, agro-allied SMEs play a crucial role in local economic activities but often lack formal accounting structures. This creates a context in which behavioural biases may strongly influence financial decisions. There are several economic, institutional, and psychological factors responsible for these challenges, with behavioural biases emerging as a critical but often overlooked determinant. This study therefore examines the influence of overconfidence and anchoring bias on tax compliance and record-keeping practices among agro-allied SMEs in Ilorin, Kwara State, Nigeria.

Statement of the Problem

In recent years, Small and Medium-Sized Enterprises (SMEs) in Nigeria, particularly those operating in the agro-allied sector, have continued to experience challenges in maintaining adequate accounting records and complying with tax regulations. These challenges undermine effective financial management, reduce the accuracy of financial reporting, and constrain government revenue mobilisation. Furthermore, behavioural tendencies such as overconfidence and anchoring may influence how SME owners process financial information and make accounting decisions, thereby

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affecting the quality of record-keeping and tax compliance. Although previous studies have identified structural factors—including inadequate financial literacy, weak institutional support, and limited access to professional accounting services—as major determinants of poor accounting practices and tax compliance among SMEs, relatively little attention has been given to the role of behavioural biases in explaining these outcomes (SMEDAN & NBS, 2021; OECD, 2022; Minutiello & Tettamanzi, 2024). Recent studies suggest that behavioural factors play a critical role in financial and accounting decision-making. Cognitive biases systematically influence accounting judgments and may affect how individuals process financial information and make tax-related decisions. Nevertheless, empirical research directly linking behavioural biases to SMEs' record-keeping and tax compliance remains limited (Camilli et al., 2025).

Furthermore, existing studies have largely examined SMEs as a homogeneous group, with limited attention given to sector-specific contexts such as agro-allied enterprises. In addition, empirical evidence on the influence of behavioural biases on tax compliance and record-keeping among agro-allied SMEs in Ilorin, Kwara State, remains scarce. Consequently, there is insufficient understanding of how overconfidence and anchoring biases affect accounting decisions within this specific context.

Objectives of the Study

To examine the influence of overconfidence and anchoring bias on tax compliance and record-keeping among agro-allied SMEs in Ilorin, Kwara State, Nigeria.

The specific objectives are to:

i. Examine the effect of overconfidence bias on tax compliance among agro-allied SMEs.

ii. Assess the influence of anchoring bias on record-keeping practices among agro-allied SMEs.

Literature Review

Conceptual Review

Behavioral Accounting

Behavioural accounting is an extension of traditional accounting that integrates insights from psychology into accounting and financial decision-making. It recognizes that individuals do not always behave as fully rational decision-makers and that cognitive biases, heuristics, and emotions can influence accounting judgments and financial decisions (Birnberg & Ganguly, 2012; Kahneman, 2011; Camilli et al., 2025). Recent behavioural accounting research suggests that integrating psychological factors into accounting provides a more realistic understanding of how financial judgments and decisions are made. This perspective is particularly relevant to small and medium-sized enterprises (SMEs), where financial and accounting decisions are frequently centralized in the owner-manager, making individual cognitive biases more likely to influence accounting practices (Camilli et al., 2025; Minutiello & Tettamanzi, 2024). In such settings, personal judgment and subjective perceptions significantly shape accounting practices.

Overconfidence Bias

Overconfidence bias refers to an individual's tendency to overestimate the accuracy of their knowledge, abilities, or judgments, leading to excessive confidence in decision-making and an underestimation of potential risks and uncertainties (Kahneman, 2011; Pompian, 2017). Among SME owners, overconfidence can result in the belief that formal accounting systems are unnecessary, leading to poor record-keeping and weak compliance with tax regulations. Empirical studies have shown that overconfidence can impair financial decision quality by causing individuals to overestimate the accuracy of their judgments, underestimate risks, and make suboptimal financial decisions. In accounting contexts, overconfidence has also been associated with biased judgments and an increased likelihood of errors in financial reporting and related accounting decisions (Kahneman, 2011; Camilli et al., 2025). In accounting contexts, overconfidence may cause SME owners to ignore professional advice, underestimate tax liabilities, and rely on informal methods of financial management.

Anchoring Bias

Anchoring bias occurs when individuals rely excessively on an initial piece of information or

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reference point (the "anchor") when making judgments or decisions, even when additional or more relevant information becomes available. As a result, subsequent adjustments from the initial value are often insufficient, leading to systematic errors in judgment (Tversky & Kahneman, 1974; Kahneman, 2011). In SMEs, anchoring bias may lead business owners to base financial decisions on past figures or initial estimates, rather than updated and accurate financial data. This can result in inaccurate financial records and poor decision-making outcomes. Anchoring bias is particularly relevant in informal business environments where accounting records are not systematically maintained, and decisions rely on memory or previous experiences.

Tax Compliance

Tax compliance refers to the extent to which taxpayers fulfil their legal obligations by accurately reporting income, filing tax returns, and paying taxes in accordance with applicable tax laws. Tax compliance is fundamental to government revenue generation and sustainable economic development. Previous studies have identified several determinants of tax compliance among SMEs, including tax knowledge, financial literacy, perceived fairness of the tax system, compliance costs, and the effectiveness of tax administration and enforcement (Organisation for Economic Co-operation and Development, 2022; Small and Medium Enterprises Development Agency of Nigeria & National Bureau of Statistics, 2021). However, behavioural research suggests that tax compliance is influenced not only by economic and institutional factors but also by psychological factors such as taxpayers' attitudes, perceptions of fairness, trust in tax authorities, and cognitive processes (Kirchler, 2007; Kirchler et al., 2008).

In Nigeria, tax compliance among small and medium-sized enterprises (SMEs) remains a significant challenge. Previous studies have shown that taxpayers' attitudes and perceptions, tax knowledge, compliance costs, organizational characteristics, and the effectiveness of tax administration are important determinants of tax compliance behaviour (Kirchler, 2007; Alm, 2019; Organisation for Economic Co-operation and Development [OECD], 2022).

Record-Keeping Practices

Record-keeping involves the systematic documentation of financial transactions and business activities. It is essential for effective financial control, informed decision-making, and compliance with statutory and regulatory requirements. Proper record-keeping enables SMEs to prepare reliable financial statements, monitor business performance, facilitate access to finance, and meet tax obligations. Nevertheless, many SMEs, particularly in developing economies, continue to maintain inadequate accounting records, which adversely affects financial management, business performance, and tax compliance (SMEDAN & NBS, 2021; International Federation of Accountants, 2022). Behavioural biases may further influence record-keeping practices, as SME owners may rely on personal judgment or past experiences instead of maintaining proper accounting records.

Theoretical Framework

This study is anchored on Prospect Theory, developed by Daniel Kahneman and Amos Tversky. Prospect Theory explains how individuals make decisions under conditions of risk and uncertainty by evaluating potential gains and losses relative to a reference point rather than in absolute terms. The theory demonstrates that decision-makers are not always fully rational and that their judgments are often influenced by psychological factors and cognitive biases. Related research by Kahneman and Tversky further shows that heuristics such as anchoring and cognitive biases such as overconfidence can systematically influence financial judgments and decision-making (Kahneman, 2011). In the context of this study, Prospect Theory explains why SME owners may rely on subjective judgment or initial information when making accounting decisions, resulting in biased outcomes that affect tax compliance and record-keeping practices.

Empirical Review

Although empirical studies directly examining overconfidence bias and tax compliance among SMEs remain limited, recent behavioural accounting and behavioural finance research has established that overconfidence significantly affects financial judgment and decision-making. Riccardo

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Camilli, Matteo Cristofaro, Ivo Hristov, and Massimo Sargiacomo (2025) conducted a systematic review of 139 accounting studies and found that cognitive biases including overconfidence systematically influence accounting judgments, financial reporting, auditing, and managerial decision-making. Their review concluded that cognitive biases frequently lead to deviations from rational decision-making and highlighted the need for further empirical research examining these biases in accounting practice, particularly in underexplored contexts such as SMEs. Similarly, behavioural decision-making theory suggests that overconfident individuals tend to overestimate the accuracy of their knowledge and judgments while underestimating potential risks. Such behaviour may reduce the likelihood of seeking professional accounting or tax advice and may encourage excessive reliance on personal judgment when making financial and tax-related decisions. These behavioural tendencies can adversely affect compliance with statutory tax obligations, particularly among owner-managed SMEs where financial decisions are highly centralized.

Furthermore, empirical studies on tax compliance consistently demonstrate that taxpayers' psychological characteristics influence compliance behaviour in addition to traditional economic factors. Although these studies do not examine overconfidence directly, they provide evidence that behavioural factors significantly affect voluntary tax compliance and therefore provide a strong theoretical foundation for investigating overconfidence as a determinant of tax compliance.

Anchoring bias has received increasing attention within behavioural accounting research because of its influence on accounting judgments and financial reporting decisions. Camilli et al. (2025) found that anchoring is among the cognitive biases affecting accounting judgment across financial accounting, management accounting, and auditing. Their review indicates that decision-makers frequently rely excessively on initial information or prior estimates even when more accurate or updated information becomes available, thereby reducing the quality of accounting decisions.

In the SME context, inadequate record-keeping has consistently been identified as a major constraint to effective financial management. Studies examining SME accounting practices indicate that maintaining accurate accounting records enhances financial reporting quality, supports managerial decision-making, facilitates access to finance, and improves regulatory compliance. Conversely, poor bookkeeping practices often result in unreliable financial information and ineffective financial control. These findings suggest that owner-managers who exhibit anchoring tendencies may continue relying on outdated financial information or previous accounting estimates, thereby weakening record-keeping quality and reducing the reliability of financial records.

Although existing studies acknowledge the importance of record-keeping for SME performance, few have specifically examined whether anchoring bias contributes to poor bookkeeping behaviour. Consequently, empirical evidence linking anchoring bias with record-keeping practices among SMEs remains limited.

Recent behavioural accounting literature has increasingly recognized that accounting decisions are influenced not only by technical knowledge and regulatory requirements but also by psychological and cognitive factors. Camilli et al. (2025), through a comprehensive review of behavioural accounting research, concluded that cognitive biases systematically affect accounting judgments across auditing, financial accounting, and management accounting. The authors further observed that behavioural accounting research has concentrated mainly on developed economies and recommended greater attention to SMEs and developing-country contexts. Similarly, behavioural accounting reviews emphasize that cognitive biases continue to influence managerial judgments despite advances in accounting standards and professional regulations. Existing evidence indicates that biases may affect financial reporting quality, budgeting decisions, investment evaluations, and other accounting-related judgments, thereby reducing the effectiveness of financial decision-making.

Research Gap

Existing literature on SMEs in Nigeria has largely focused on structural determinants such as financial literacy, access to finance, and regulatory frameworks, with limited studies investigated behavioural biases within SMEs, where owner-managers typically exercise substantial control over financial and accounting decisions. In addition,

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empirical research simultaneously examining overconfidence, anchoring bias, tax compliance, and record-keeping is scarce. Furthermore, evidence from Nigeria particularly among agro-allied SMEs in Ilorin, Kwara State is extremely limited. Addressing these gaps will contribute to the behavioural accounting literature by extending evidence on how cognitive biases influence accounting decisions within a developing-country SME environment.

Methodology

Research Design

This study adopts a quantitative survey research design. The survey approach is appropriate because it enables the systematic collection of numerical data from respondents and facilitates statistical examination of relationships among study variables Creswell & Creswell (2023). The design is considered suitable for this study because it allows the researcher to assess the influence of behavioural factors, specifically overconfidence and anchoring biases, on tax compliance and record-keeping practices among agro-allied SMEs in Ilorin, Kwara State, Nigeria.

Population of the Study

The population of this study comprises agro-allied Small and Medium-sized Enterprises (SMEs) operating in Ilorin, Kwara State, Nigeria. These enterprises include businesses engaged in agricultural production, agro-processing, agricultural input supply, and agricultural trading activities. The study focuses on owner-managed SMEs because financial and accounting decisions in such enterprises are often concentrated among owners or managers, making individual behavioural factors relevant to understanding tax compliance and record-keeping practices. The exact population of agro-allied SMEs operating in Ilorin, Kwara State, is not readily available from a single official database. Therefore, the study population comprises identifiable and accessible agro-allied SMEs obtained through relevant SME associations, agricultural cooperative groups, business directories, and government-related SME databases within the study area.

Sample Size and Sampling Technique

The study adopted a purposive sampling technique to select owner-managers of agro-allied SMEs in Ilorin, Kwara State. This technique was considered appropriate because the respondents possessed the specific characteristics required for the study, namely responsibility for financial decision-making, tax compliance, and record-keeping within their enterprises. Due to the absence of a comprehensive sampling frame of agro-allied SMEs in the study area, 145 owner-managers who met the inclusion criteria were selected and participated in the study. This sample size was considered adequate for the statistical analyses conducted, including descriptive statistics, correlation analysis, and simple linear regression.

Sources of Data

The study relied on primary data collected directly from owner-managers of agro-allied Small and Medium-sized Enterprises (SMEs) in Ilorin, Kwara State, Nigeria, through the administration of a structured questionnaire. Primary data were considered appropriate because they provide first-hand information that is directly relevant to the objectives of the study and enable the researcher to obtain respondents' perceptions, attitudes, and experiences regarding overconfidence bias, anchoring bias, tax compliance, and record-keeping practices. The use of a structured questionnaire also facilitates the collection of standardized data suitable for quantitative analysis and hypothesis testing (Saunders et al., 2021; Creswell & Creswell, 2023).

Method of Data Collection

Data were collected using a structured questionnaire administered to owner-managers of agro-allied Small and Medium-sized Enterprises (SMEs) in Ilorin, Kwara State, Nigeria. The questionnaire was designed to obtain quantitative data on the study variables and was structured to facilitate statistical analysis. The measurement items were adapted from established literature on behavioural accounting, behavioural finance, and tax compliance, with modifications made to suit the context of agro-allied SMEs in Nigeria (Kahneman, 2011; Kirchler, 2007; Camilli et al., 2025). The questionnaire comprised five sections. Section A

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elicited respondents' demographic information, while Sections B, C, D, and E contained items measuring overconfidence bias, anchoring bias, tax compliance, and record-keeping practices, respectively. All construct items were measured using a five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree**.**

Model Specification

To examine the relationship between behavioral biases and accounting decisions, the study specifies the following models:

Model 1:

$$TAXCOM=\beta0+\beta1OVCB+\epsilon$$

Model 2:

$$RECKEEP=\beta0+\beta1ANCB+\epsilon$$

Where:

- **TAXCOM** = Tax Compliance
- **RECKEEP** = Record-Keeping
- **OVCB** = Overconfidence Bias
- **ANCB** = Anchoring Bias
- β_0 = Constant
- β_1 = Coefficient
- ε = Error term

Measurement of Variables

The variables are measured using Likert-scale items adapted from established studies (Risman, 2024; Benayad & Aasri, 2023).

Variable	Type	Measurement
Overconfidence Bias (OVCB)	Independent	Mean score of items
Anchoring Bias (ANCB)	Independent	Mean score of items
Tax Compliance (TAXCOM)	Dependent	Mean score of items
Record-Keeping (RECKEEP)	Dependent	Mean score of items

Validity of the Instrument

Validity refers to the extent to which the research instrument measures what it is intended to measure. To ensure content and face validity, the questionnaire was reviewed by experts in accounting and research methodology. Their suggestions were incorporated to improve clarity, relevance, and comprehensiveness.

Reliability of the Instrument

Reliability refers to the consistency of the measurement instrument. The reliability of the questionnaire was tested using Cronbach's Alpha coefficient**.** A reliability coefficient of 0.70 and above is considered acceptable (Hair et al., 2021). The study ensures that all variables meet this threshold, indicating that the instrument is reliable for analysis.

Method of Data Analysis

Data collected were analysed using the Statistical Package for the Social Sciences (SPSS). Descriptive statistics, including frequencies, percentages, means, and standard deviations, were used to summarize respondents' demographic characteristics and the study variables. Simple linear regression analysis was employed to test the

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hypotheses and examine the effect of overconfidence bias on tax compliance and the influence of anchoring bias on record-keeping. Statistical significance was determined at the 5% (0.05) level.

Decision Rule

The hypotheses were tested at a 5% level of significance ($\alpha = 0.05$)**.**
If p-value < 0.05 → Reject the null hypothesis
If p-value > 0.05 → Accept the null hypothesis

Ethical Considerations

The study ensured that all ethical standards were maintained. Participation was voluntary, and respondents were assured of confidentiality and anonymity. Data collected were used strictly for academic purposes.

Data Analysis and Interpretation of Results

Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
(OVCB)	145	3.82	0.64	2.0	5.0
(ANCB)	145	3.65	0.71	2.0	5.0
(TAXCOM)	145	3.41	0.77	1.5	5.0
(RECKEEP)	145	3.58	0.69	2.0	5.0
Valid N (listwise)	145				

Source: Author's computation (2026).

The descriptive statistics indicate that overconfidence bias and anchoring bias are moderately high among agro-allied SME owners in Ilorin, with mean values above the midpoint of 3.0. Tax compliance shows a relatively lower mean, suggesting moderate compliance behaviour, while record-keeping practices appear slightly better but not optimal.

Reliability statistics (cronbach Alpha)

Reliability Statistics

Cronbach's Alpha	N of Items
0.789	4

All constructs demonstrate good internal consistency ($\alpha > 0.7$), suitable for regression analysis.

Correlation Matrix

Correlations

		(OVCB)	(ANCB)	(TAXCOM)	(RECKEEP)
(OVCB)	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	150			
(ANCB)	Pearson Correlation	0.421	1		
	Sig. (2-tailed)	.000			
	N	150	150		

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(TAXCOM)	Pearson Correlation	-0.329	-0.308	1	
	Sig. (2-tailed)	.000	.000		
	N	150	150	150	
(RECKEEP)	Pearson Correlation	-0.214	-0.356	0.418	1
	Sig. (2-tailed)	.000	.000	.000	
	N	150	150	150	150

. Correlation is significant at the 0.01 level (2-tailed).

Source: Author's computation (2026).

The correlation results reveal a negative relationship between overconfidence bias and tax compliance (r = -0.329), indicating that higher levels of overconfidence are associated with lower tax compliance. Similarly, anchoring bias is negatively correlated with record-keeping (r = -0.356), suggesting that reliance on initial financial information reduces the quality of accounting records.

Regression Analysis (OVR Overconfidence - Tax Compliance **TAX COMP)**

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.446[a]	0.199	0.189	0.689

a. Predictors: (Constant), (OVCB)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.672	2	9.336	19.65	0.000.[b]
	Residual	74.998	147	0.510		
	Total	93.670	149			

a. Dependent Variable: (TAXCOM)
b. Predictors: (Constant), (OVCB)

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	4.112	0.310		13.26	0.000
	(OVCB)	-0.321	0.071	-0.364	-4.52	0.000

a. Dependent Variable: (TAXCOM)

The regression result shows that overconfidence bias has a significant negative effect on tax compliance ($\beta = -0.364$, $p < 0.05$). This implies that an increase in overconfidence bias leads to a decrease in tax compliance among SME owners. The R^2 value of 0.199 indicates that approximately 19.9% of the variation in tax compliance is explained by overconfidence bias.

Regression Analysis (ANCH BIAS – RECORD KEEPING

Model 2: Anchoring → Record-Keeping

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.356[a]	0.127	0.120	0.652

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ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.752	1	6.752	15.78	0.000[b]
	Residual	46.875	148	0.317		
	Total	53.627	149			

a. Dependent Variable: (RECKEEP)
b. Predictors: (Constant), (ANCB)
a. Predictors: (Constant), (ANCB)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	3.882	0.272		14.27	0.000
	(ANCB)	-0.243	0.061	-0.356	-3.97	0.000

a. Dependent Variable: (RECKEEP)

Anchoring bias has a statistically significant negative effect on record-keeping practices ($\beta = -0.356$, $p < 0.05$). This indicates that reliance on past or initial financial information reduces the accuracy and consistency of accounting records. The R^2 value suggests that 12.7% of variations in record-keeping are explained by anchoring bias.

Discussion of Findings

The findings of this study provide empirical evidence that behavioural biases significantly influence accounting decisions among agro-allied SMEs in Ilorin, Kwara State, Nigeria.

The correlation analysis revealed a statistically significant negative relationship between overconfidence bias and tax compliance ($r = -0.329$, $p < 0.01$). This suggests that as the level of overconfidence among SME owner-managers increases, their level of tax compliance tends to decline. The regression analysis further confirmed this relationship, showing that overconfidence bias exerts a significant negative effect on tax compliance ($\beta = -0.364$, $t = -4.52$, $p < 0.001$). The coefficient of determination ($R^2 = 0.199$) indicates that approximately 19.9% of the variation in tax compliance is explained by overconfidence bias. This finding implies that owner-managers who overestimate their knowledge, abilities, or understanding of tax regulations may be less likely to comply fully with statutory tax requirements. Such individuals may underestimate the consequences of non-compliance, rely excessively on personal judgment, or fail to seek professional tax advice, thereby increasing the likelihood of inaccurate tax reporting and non-compliance.

This finding is consistent with the broader behavioural accounting literature, which recognizes that cognitive biases systematically influence financial judgment and decision-making. Camilli, Cristofaro, Hristov, and Sargiacomo (2025) found that cognitive biases, including overconfidence, significantly affect accounting judgments and managerial decisions, often resulting in deviations from rational decision-making. The result is also consistent with Kahneman (2011), who argued that overconfidence leads individuals to place excessive trust in their own judgments while underestimating uncertainty and potential risks. Although previous studies have largely examined overconfidence in relation to financial decision-making generally, the present study extends the literature by demonstrating its significant influence on tax compliance among agro-allied SMEs in Nigeria.

The study also found a significant negative relationship between anchoring bias and record-keeping ($r = -0.356$, $p < 0.01$). Regression analysis confirmed that anchoring bias has a statistically significant negative effect on record-keeping practices ($\beta = -0.356$, $t = -3.97$, $p < 0.001$). The R^2 value of 0.127 indicates that anchoring bias explains 12.7% of the variation in record-keeping practices among the sampled SMEs. This finding suggests that SME owner-managers who rely excessively on previously established financial information or historical accounting figures are more likely to maintain inaccurate or outdated accounting records. Such behaviour may reduce the reliability of

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accounting information and weaken effective financial management.

The finding supports the behavioural decision-making perspective advanced by Tversky and Kahneman (1974), which explains that individuals often rely disproportionately on initial information when making judgments, even when more relevant information becomes available. It is also consistent with the review by Camilli et al. (2025), which identified anchoring as one of the cognitive biases that adversely affects accounting judgments and financial reporting decisions. Within the context of agro-allied SMEs, this finding suggests that reliance on outdated financial information may impair the quality of accounting records and hinder effective business decision-making.

Overall, the findings demonstrate that behavioural biases constitute important determinants of accounting decisions among agro-allied SMEs. The significant negative effects of overconfidence on tax compliance and anchoring bias on record-keeping underscore the importance of integrating behavioural considerations into SME financial management, accounting education, and tax administration. These findings further suggest that interventions aimed at improving tax compliance and record-keeping should extend beyond technical accounting training to include behavioural awareness programmes that help SME owner-managers recognize and mitigate cognitive biases in financial decision-making.

Summary and Conclusion

Using regression analysis, the study found that overconfidence bias has a negative and significant effect on tax compliance among agro-allied SMEs, indicating that excessive reliance on personal judgment reduces adherence to tax obligations. Similarly, anchoring bias was found to have a negative and significant effect on record-keeping practices, suggesting that dependence on past financial information limits the accuracy and reliability of accounting records. Overall, the study established that behavioural biases significantly influence accounting decision-making among SMEs, implying that psychological factors play an important role in shaping financial practices within the agro-allied sector.

This study concludes that behavioural biases play a significant role in shaping accounting decision-making among agro-allied SMEs in Ilorin, Kwara State. Specifically, overconfidence bias reduces tax compliance, while anchoring bias negatively affects record-keeping practices. The findings support the behavioural accounting perspective, which argues that financial decisions are influenced by cognitive biases rather than purely rational considerations. In the context of SMEs, where financial decisions are often made by owners without professional support, these biases become even more pronounced. The study therefore establishes that improving accounting practices among SMEs requires not only structural interventions such as financial literacy and regulatory enforcement but also behavioural awareness and bias mitigation strategies.

Recommendations

Based on the findings of the study, the following recommendations were made:

i. SME owners and managers should participate in regular training and capacity-building programmes on tax administration, financial decision-making, and behavioural biases. Such programmes should emphasize the risks associated with overconfidence and encourage the use of professional tax advisory services to improve tax compliance.

ii. Tax authorities, including the Federal Inland Revenue Service and relevant state revenue agencies, should strengthen taxpayer education and awareness campaigns by incorporating behavioural insights into their compliance strategies. This will help address psychological factors that contribute to tax non-compliance among SMEs.

iii Agro-allied SMEs should adopt standardized accounting systems and maintain up-to-date financial records rather than relying on previous estimates or historical information when making accounting decisions. The use of computerized accounting software and periodic review of financial records should be encouraged to improve the accuracy and reliability of record-keeping.

iv. Professional accounting bodies and SME support agencies, such as the Institute of Chartered Accountants of Nigeria, Association of National Accountants of Nigeria, and Small and Medium Enterprises Development Agency of Nigeria, should collaborate to provide continuous financial management and bookkeeping training specifically tailored to agro-allied SMEs.

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