PUBLIC GOVERNANCE QUALITY AND VOLUNTARY TAX COMPLIANCE IN RIVERS STATE, NIGERIA.

Efeeloo NANGIH (PhD, FCA, FCTI)[1], Frederick OWA (Ph.D)[2], Domale EMAH (PhD)[3], Ibiso B.S WILLIAMS[4]

[1]Department of Accountancy, Kenule Beeson Sarowiwa Polytechnic, Bori
nangihlah@yahoo.co.uk
[2]Department of Accountancy, Delta State Polytechnic, Ogwashi-Okwu
chukwumenimefred@yahoo.com
[3]Department of Banking and Finance, Kenule Beeson Sarowiwa Polytechnic, Bori
domsicar@gmail.com
[4]*Department of Accounting & Finance, Afe Babalola University Ado-Ekiti.*

ABSTRACT

This paper empirically examined the nexus between the quality of public governance and voluntary tax compliance in Nigeria. The study population was all tax payers in Rivers State in Nigeria. Employing the survey design approach, the paper was anchored on the theory of legitimacy. The data, sourced principally through the questionnaire, and was analyzed using Kendal tab correlational technique. Findings showed that there exist positive and significant association between public governance quality and voluntary tax compliance by tax payers in Nigeria. Specifically, it found positive associations between all the proxies of the independent variables (provision of public goods, control of public corruption as well as public accountability) with voluntary tax compliance in Nigeria. It was therefore recommended that government authorities should be accountable, control corruption transparent and live up to their statutory responsibilities of providing basic infrastructures and amenities to the people; as these will enhance voluntary tax payment to its citizens.

Keywords: Public governance quality, Voluntary tax compliance, Accountability, Control of corruption, Provision of public goods.

***JEL Classification Code*:** G38, O16

1. INTRODUCTION

Governments, globally, make money through taxation. Nangih *et al*. (2024) posited that governments, irrespective of jurisdictions, impose taxes on their citizens (individual and corporate) to raise revenue to fund 'public goods'. Further, taxation has also been used as a tool to control the production and consumption of harmful (demerit) goods, stabilization of the economy, redistribution of income and wealth, stimulation of growth/development of the economy, protection of young industries and for the correction of market failures.

The power to tax in every country is usually bestowed on the government through the relevant tax laws including the constitution. In Nigeria, the Constitution and the tax laws made it an obligation for every taxable citizen to declare his income honestly to the relevant tax authorities, such as the Federal Inland Revenue Service, the State Internal Revenue Services or the Local Government Revenue Committee, and pay his tax promptly. This means that it is involuntary for every citizen of taxable capacity not only pay tax but must do so appropriately and on time.

Tax has been defined by various authors. For instance, the Black's Law Dictionary defined tax to mean a monetary charge levied on individuals, corporate entities, business transactions or property by the government or its agencies in order to raise public revenue. Kiabel (2016) saw taxation as a mandatory levy imposed by the governments or its agencies of a state on goods, property, services and persons living in a given geographical area for the purpose of generating revenue. Nangih (2023) described tax as a mandatory charge, levy or imposition on the income, property or other bases by the government or its agencies for the running of its activities, for which the citizens are not guaranteed commensurate benefits based on their contributions. Practically, it is obvious that tax is a mandatory levy backed by law, and not a voluntary one, imposed on all citizens in order to generate revenue to run the state. By implication, failure to pay attracts penalties and sanctions from the authorities.

Public governance on the other hand can be described as an approach employed by a government that is determined to creating values or systems founded on justice and peace which protect individual's human rights and civil liberties. It means the efficiency and accountability with which the government carries out the state activities. It involves the transparency and judicious use of the state resources for the good of the citizens. According to Ibe (2019) good public governance is a term used which describes how the government or public institutions conduct and manage the affairs of its citizens and their common wealth. He further posited that governance is "the way of decision-making and the ways by which government decisions are implemented".

Citizens' perceptions of good public governance, will shape the tax morale, which will lead to voluntary tax compliance (Adekoya *et al.* 2019). Levi and Sacks (2005) regarded this as a social contract which is the relationship between the government and the tax payers (the citizens). Ibe (2019) also argued that the government has a major role to play to boost the confidence of the taxpayers and encourage voluntary compliance by showing accountability through good governance. Tax compliance according to Adekoya *et al* (2019) is the extent to which the taxpayers meet the tax obligation by paying tax as at when due according to the relevant tax laws or regulations. It means the deliberate payments of taxes rightly and on time. It also involves the rendering and submission of tax information promptly to the relevant tax authority in accordance with the underlying tax laws and required formats specified by law. This study seeks to examine the effect of public government on voluntary tax compliance by tax payers in Nigeria.

1.1 Statement of the Problem

Over the years, the Nigerian tax authorities have faced, and still facing difficulties in taxing the citizens. Tax evasion is massive and endemic. Reasons for prevalent non-compliance could be attributable to a number of reasons including: insufficient information, multiple taxation imposed on taxpayers, lack of accountability on the part of government, lack of clarity of the taxing powers of each tier of government, challenge of multiplicity of taxes, lack of skilled manpower in the various tax administrative bodies, amongst others.

It is argued that good public governance could reduce low tax compliance amongst Nigerian citizens (Adekoya *et al.,*2023). Accordingly, prior studies have been carried out by Adekoya *et al.* (2023), Oyebamiji (2020), Mbu-Ogar *et al.* (2023) and others; on the subject matter in Nigeria. However, there appears to be none carried out to ascertain the attitude of Rivers State tax payers. That constitutes a gap that needs to be filled; considering the importance of taxation to the government and people of the State. This study, therefore, aims at investigating the relationship or correlation between public governance quality (proxied by public accountability, provision of quality public goods & control of corruption) and voluntary tax compliance in Rivers State of Nigeria.

2. LITERATURE REVIEW

2.1.1 Concept of Public Governance Quality and Dimensions

Public governance quality is an issue of general concern to citizens of nations as it bothers directly on benefits derivable from governance. World Bank (2006) views public governance quality as the process in which leaders in authority are selected, monitored and replaced together with the capacity of the government of a country to manage the resources of a country effectively and implement sound policies for benefits of everyone as well as the respect of the citizens and the government for the institutions that regulate economic and social interaction in the country. Rotberg (2005) also described public governance as the way and manner public goods and services are managed, supplied and delivered to the citizens of a country. Simply put, it means the efficiency with which public goods are managed and delivered to the citizenry by the government of a country or state. This study measures public governance quality in Nigeria using 'public accountability', 'control of corruption' and 'provision of public goods' as its dimensions. These are discussed below;

The Concept of Government Accountability- Government accountability is a major component or way by which the quality of public governance can be assessed or measured. When the government is accountable by rendering account of stewardship (entrusted to it) to its citizens at regular intervals, the citizens invariably develop trust in the government and its attendant positive consequences; including voluntarily complying with tax payments. It is one of the intrinsic elements of governance in all modern democracies (whether nascent or developed). Government accountability centers on the legitimate expectations and demands reposed in institutions, management and policy makers. Accountability includes the obligation required of and from government authorities to be accountable to its people, failure to which could sometimes attract sanctions. Arguably, when government authorities are accountable to its citizens, they in turn voluntarily obey and follow government policies and programmes including compliance to tax laws.

Concept of Control of Corruption- Control of public corruption is one of the ways to measure public governance quality (Olurankinse & Oloruntoba, 2021). For pubic governance to be of good quality, such government must control if not eradicate public corruption. This measured the extent to which elites and private interests exercise public power for selfish gain, including engaging in corruption, which could be detrimental to the development of the state.

Concept of Provision of Public Goods- This is used as one of the proxies of public governance quality. This is measured as the extent to which the government provides amenities for its citizens.

2.1.2 Concept of Voluntary Tax Compliance

The term "Compliance" simply means agreeing or conforming to set of tax standards, rules or the law (Kaibel & Nangih, 2018). They further argued that payment of tax by citizens-both individual and corporate bodies has never been easy, especially in a developing country such as Nigeria. Even in developed countries where tax compliance is the norm, issues involving taxation are hotly contested. Achieving some level of tax compliance would necessarily require active collaboration among all stakeholders -the tax payers, tax administrators and the tax practitioners-all of whom have roles to play to enhance tax compliance.

The concept of Tax compliance has been conceptualized by various authors. For instance, Adekoya, Olayinka and Aina (2023) described Voluntary tax compliance as the taxpayer's willingness to render accurate returns of income for tax assessment in line with the relevant tax laws, and also to make prompt payment. Also, Kiabel and Nangih (2018) defined tax compliance as agreeing or conforming to a set of tax standards, rules or the law. The achievement of an acceptable level of tax compliance is a serious challenge in tax administration. To Jackson & Miliron (1986) tax compliance is the filing with relevant tax authority all incomes and expenses as well as tax payable using applicable tax laws, regulation and court orders while Palil and Mustapha (2011) defined tax compliance as a process in which an individual discloses all his income accurately and pays the tax due appropriately on the due date as prescribed in relevant tax laws.

2.2 Theoretical Framework

The study adopts political legitimacy theory as taxpayers' behaviour models on decision whether or not to pay taxes is based on this theory. Legitimacy theory originated from political economy theory and also from the concept of organization legitimacy defined by Dowling and Pfeffer (1975). Legitimacy is described as belief or trust in the government, tax authorities and other agencies that work for the common good of the citizens. The theory is premised on the fact that compliance is driven by the extent of trust that the citizens have in the government and its institutions. It also postulates that tax compliance is mostly higher in a situation where citizens perceived high level of trust on the government rather than when there is lack of trust. Palil (2010) posited that membership of the ruling party and love for the government and its policies might lead to individual tax compliance which further enhances generation of tax revenue by the government.

The relevance of the legitimacy theory to this paper is that when legitimate governments govern well, they earn the trust of the citizens. This further translates to voluntary tax compliance as well as obedience to constituted authority without forcing them to do so.

2.3 Empirical Review

Mbu-Ogar *et al.* (2023) evaluated the impact of government accountability, fiscal integrity and voluntary tax compliance in Nigeria. The study used Small and Medium Enterprises in Nigeria as its population. It adopted the cross-sectional research design and collected data through questionnaire administered to the assessable population. Multiple regression technique was used in analyzing the data. Findings from the study revealed that there exists significant effect of government accountability, fiscal integrity on voluntary tax compliance. It further recommended that governments should uphold core principles of accountability, transparency and integrity in order to earn public trust and confidence; as that will ensure voluntary tax compliance and increased revenue pool.

Adekoya *et al.* (2023) investigated the influence of good governance on taxpayers' voluntary tax behaviour in Lagos state, Nigeria. The study employed survey research design and random sampling techniques. Data were collected through the questionnaire, and was analyzed using descriptive and inferential statistics. The results showed that good governance has positive influence on voluntary tax compliance amongst the tax payers in Lagos state, Nigeria. It was recommended that good governance should be entrenched to ensure revenue drive. It further recommended that the government should provide quality service with timely rendering of government account as that will enhance voluntary compliance.

Ige *et al.* (2023) carried out a study on good governance and tax compliance among SMEs in Nigeria. Data used for the study was sourced through the questionnaire and was analyzed using descriptive statistics and correlation. The study concluded that positive and significant association exists between good governance and tax compliance among SMEs in Nigeria. It further recommended the need for accountability, transparency and responsiveness by governments in order to enhance taxpayers trust and willingness to voluntarily pay tax.

Similarly, Olurankinse and Oloruntoba (2021) studied good governance and personal income tax compliance in Nigeria. The study employed the correlational research design. Data was sourced from the questionnaire and analyzed using correlation statistic. Findings revealed positive and significant relationship exists between good governance and personal income tax compliance in Nigeria.

Oyebamiji (2020) determined the effect of public governance quality on tax compliance in Nigeria between 2008 and 2018. The study employed secondary data. Data for governance quality indicators were sourced from World Bank Group (WBG), Worldwide Governance Indicator (WGI) while data for Gross Domestic Product (GDP) and tax revenue were obtained from Central Bank of Nigeria Statistical bulletin and Federal Inland Revenue Service Statistical report. Collected data were analyzed using unit root test and Autoregressive Distributed Lags (ARDL). The result from the study showed that in the short run, four public governance indicators had positive significant effect on tax compliance in Nigeria. The result further showed that voice and accountability had negative and statistically significant effect on tax compliance in Nigeria.

2.4 Development of Hypotheses

Based on the review of prior literature, the following hypotheses were formulated and tested in order to achieve the study objectives

$H0_1$: There is no significant influence of provision of adequate public goods by government on voluntary tax compliance in Rivers State.
$H0_2$: There is no significant relationship between public accountability in governance and voluntary tax compliance in Rivers State.
$H0_3$: There is no significant association between controls of corruption in government on voluntary tax compliance in Rivers State.

3. METHODOLOGY

This study employed the survey design. The study population was all the tax payers of Rivers State, Nigeria. Specifically, the samples were drawn from tax payers of the formal and informal sectors in the three Senatorial districts of Rivers State in Nigeria. Samples were drawn using convenience sampling technique from the assessable population. The validated questionnaire was administered among the respondents like individual taxpayers, tax consultants, media and advocacy group in the three selected states by using the random sampling techniques. This gives a response rate of 87.6%. The primary data employed were analyzed using the descriptive and Kendall's tau b correlation statistics, to measure the associations between the independent and dependent variables.

Model Specification

The study expected that the independent variables of: provision of public goods (PBG), government accountability (ACT) and Corruption control (COC) factors would enhance voluntary tax compliance (VTC). Based on the objectives and study variables, the following model was formulated; $VTC = \beta 0 + \beta_1 PBGi + \beta_2 ACTi + \beta_3 COCi + \varepsilon$
Where: VTC= Voluntary Tax Compliance; PBG=Provision of public goods; ACT= Accountability of government; Ɛ= Error terms and β = Intercept or the constant

Reliability of Research Instrument

Table 3.1: Reliability Test of the Instrument Based on the Pilot Study

Variables	Cronbach's Alpha (%)
Provision of Public goods	83%
Accountability	76%
Control of Corruption	82%

Source: SPSS output of the composite reliability computed by the researcher, 2024

The pilot study that was carried out in neighbouring Abia State, Nigeria to test the reliability of the research instrument from one hundred (50) respondents among the relevant stakeholders with 80% response rate showed that the instrument was reasonable and reliable since the results of all the constructs were above the acceptable threshold of 0.7 and therefore suitable for the study.

4. RESULTS AND FINDINGS

4.1 Analysis of Questionnaire

In this study, a total of 150 questionnaires were distributed to respondents drawn from 150 tax payers located in the three senatorial districts of Rivers State (of Rivers East, Rivers South East and Rivers West). The questionnaires were distributed in the ratio of 2:2:1, considering the population and the tax payers' clusters in the selected senatorial districts, respectively; with an average of 3 questionnaires per Senatorial district. The number distributed and retrieved are shown in Table 4.1.

Table 4.1 Distribution of Questionnaires

S/No.	Tax Payers Locations	Number Distributed	(%)	Number Retrieved	(%)
1	Rivers East	60	40.0	46	30.7
2	Rivers South East	60	40.0	50	33.3
3	Rivers West	30	20.0	24	16.0
	Total	150	100.0	120	80.0

Source: Field Survey (2024)

Out of the 60 distributed in Rivers East, only 46 (30.7%) were retrieved while 50 (33.3%) and 24 (16%) were retrieved from the 60 and 30 distributed in Rivers South East and Rivers West, respectively. Thus, a total of 120 questionnaires, representing 80% of the number distributed were retrieved and considered valid for analysis.

4.1.1 Demographic Characteristics of Respondents

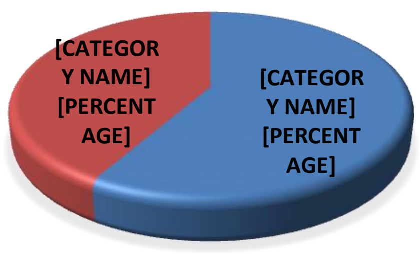
The demographic characteristics of the respondents are presented in Table 4.2.

Table 4.2: Gender, Age, Education, Job Class and Work Experience of Respondents

Gender	Frequency	Percent
Male	70	58.3
Female	50	41.7
Total	120	100.0

Source: Field Survey (2024)

In terms of demographics, 70 of the respondents (58.3%) were males while 50 (41.7%) were females, as shown in Table 4.2. The age characteristics revealed that 11 respondents (9.2%) were 18-25 years old, 37 (30.8%) within 26-36 years, 47 (39.2%) within 36-45 years, 22 (18.3%) within 45-60 years and only 3 were within 61-70 years. More so, the educational qualifications of the respondents reveals that 21 respondents (17.5%) had only secondary school education, 26 (21.7%) diploma, 54 (45%) bachelor degree, 14 (11.7%) master degree while 5 (4.2%) had doctorate degree. These are also presented in the pie chart in Figures



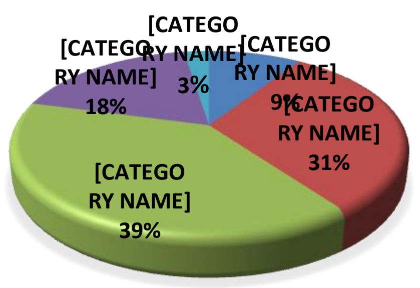
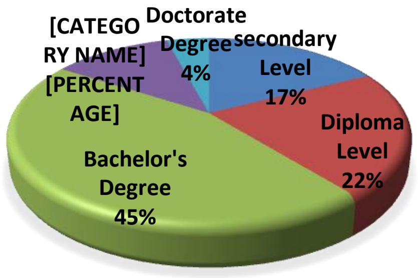


Figure 4.2: Gender Distribution of Respondents **Figure 4.3: Age Distribution of Respondents**



4.2 Correlation Analysis

Correlation analyses showed the association between the independent and dependent variables. It also showed the extent of association between the variables. That is indicated in Table 4.1 below;

Table 4.1: Correlation between Public Governance Quality and Voluntary Tax Compliance

			Voluntary Tax Compliance
Kendall's tau_b	Public Governance Quality	Correlation Coefficient	.064
		Sig. (2-tailed)	.387
		N	120
	Provision of public goods	Correlation Coefficient	.529**
		Sig. (2-tailed)	.000
		N	120
	Accountability of government	Correlation Coefficient	.542**
		Sig. (2-tailed)	.000
		N	120
	Control of corruption	Correlation Coefficient	.455**
		Sig. (2-tailed)	.000
		N	120

Source: Computed with SPSS

4.2 Discussion of Findings

The correlation analysis in Table 4.1, which was computed using the Kendall's tau-b reveals an overall correlation coefficient of 0.64 and probability value of 0.387 for the association between public governance quality and voluntary tax compliance. Thus, there is a positive but insignificant correlation between the pair.

Hypothesis 1: There is no significant influence of provision of adequate public goods by government on voluntary tax compliance in Rivers State. Result in Table 4.1 showed a positive influence of provision of adequate public goods by government on tax compliance. This means that as level of provision of public goods increases, voluntary tax compliance increases but not significantly since the coefficient of the p-value is 0.387 which is greater than 0.05. This result also shows that if government accountability and control of corruption held constant, for every increase in level of provision of adequate public goods by government, tax compliance will increase by 0.529. Thus, the null hypothesis is rejected while the alternative hypothesis accepted. Hence, there is a significant influence of level provision of adequate public goods by government on voluntary tax compliance in Rivers State. This result agreed with the findings of Ige *et al.* (2023) who also found a positive significant association between good governance and tax compliance among SMEs in Nigeria.

Hypothesis 2: There is no significant relationship between public accountability in governance and voluntary tax compliance in Rivers State.

Result in Table 4.1 reveals that positive influence of public accountability in governance on voluntary tax compliance (standardized beta coefficient = 0.493). This means that as government's public accountability increases, tax compliance increases. This result also shows that if level of provision of goods and control of corruption in governance demonstrated by government authorities are held constant, for every 1-unit increase in public accountability in governance, voluntary tax compliance will increase by 0.493. The null hypothesis is rejected. Hence, there is a significant public accountability in governance on voluntary tax compliance in Rivers State. This is also in agreement with the study findings of Oyebamiji (2020)

Hypothesis 3: There is no significant association between controls of corruption in government on voluntary tax compliance in Rivers State.

Result in Table 4.5 reveals that positive association between control of corruption in government demonstrated by government authorities and voluntary tax compliance (standardized beta coefficient = 0.455). This means that as control of corruption in government by the authorities' increases, voluntary tax compliance increases significantly. This result also shows that if provision of public goods in government and accountability is held constant, for every one-unit increase in control of corruption in government demonstrated by the authorities, voluntary tax compliance will increase by 0.455. Result reveals that the t-calculated (0.455) is greater than the t-critical of 2.01 at 0.05 level of significance. The null hypothesis is rejected. Hence, there is a significant influence of control of corruption in government on tax compliance in Rivers State. This study results are also in consonance with the findings of Oyebamiji (2020) and that of Ige *et al* (2023).

5. CONCLUSIONS AND RECOMMENDATION

This study aimed at investigating the correlation between public governance quality (proxied by public accountability, government effectiveness in provision of quality of public goods & control of corruption) and voluntary tax compliance in Rivers States, Nigeria. The study used primary data obtained from the questionnaire. The data was analyzed using correlation statistics and the result showed that public governance quality had strong association with voluntary tax compliance amongst tax payers in Rivers State. It was therefore recommended that to ensure voluntary compliance with tax laws in Nigeria:

(i) the government while ensuring that every naira due to the public coffers in taxes is promptly and efficiently collected, government should also ensure that every naira of public money is put to use for the maximum good of the Nigerian people.

(ii) the government should show more commitment to accountability on how the funds generated from taxes are utilized for the common good of the citizens by improving on the provision of infrastructures (roads, rail, power) and human capital development (education, health, poverty reduction) amongst other basic needs of the common man.

(iii) Corruption in our tax system as well as government corridors should be controlled if not eradicated completely so that the tax payers will find reason to ensure voluntary tax compliance.

Competing Interest: The authors declare that there is no competing or conflicting interest in this manuscript.

REFERENCES

Adekoya, A. A, Enyi, P. E., & Akintoye, I. R (2019). Government accountability and voluntary tax compliance behaviour in selected States in South-West, Nigeria. *International Journal of Advanced Studies in Business Strategies and Management | IJASBSM, 7*(1), 114-135

Adekoya, A. A., Olayinka, I. M., & Aina, G. O. (2023). Good governance and voluntary tax compliance behaviour in Lagos State, Nigeria: An empirical analysis. *International Journal of Management and Economics Invention, 9*(12):3169-3180.

Dowling, J., & Pfeffer, J. (1975). Organizational legitimacy: Social values and organizational behavior. *Pacific Sociological Review*, *18*(1), 122-136.

Ibe I. K (2019). Good Governance: Panacea for Voluntary Compliance with Tax Laws in Nigeria. *Chukwuemeka Odumegwu Ojukwu University Journal of Commercial and Property Law, Cooujcpl 2*(1), 1-7.

Ige, A. G., Igbekoyi, O. E., & Dagunduro, M. E. (2023). Good governance and tax compliance among SMEs in Nigeria: A moderating role of socio-economic factors. *International Journal of Economics, Business and Management Research*, 7(2), 69-92.

Jackson, B. R., & Milliron, C. V. (1986). Tax compliance research: Findings, problems and prospects. *Journal of Accounting Literature, 5*(1), 125-165.

Kiabel, B.D. (2016). *Personal Income Tax in Nigeria*. Springfield Publishers Ltd.

Kiabel, B. D., & Nangih, E. (2018). Voluntary Assets and Income Declaration Scheme (VAIDS) and tax compliance in Nigeria. An empirical investigation. *Journal of Accounting Information and Innovation. 4*(9), 1-7

Mbu-Ogar, G. B., Kankpang, K. A., Nkiri, J. E., & Ibembem, F. A., (2023). Disclosure and transparency under international corporate governance network and disclosure requirements under international financial reporting standards. *Nigerian Journal of Management Sciences*, 24(1a), 372-380.

Nangih, E. (2023). Taxation Principles and Practices in Nigeria. Dutchy and Dominion Investment Limited.

Nangih, E., Owa, F., & Mesua, D. (2024). Revisiting Tax Exempts, Tax credits and operating profits of listed firms in Nigeria. *Journal of Accounting and Financial Management 10*(7), 135- 143.

Olurankinse, F., & Oloruntoba, S. R. (2021). Good governance and personal income tax compliance in Nigeria. *European Journal of Accounting, Auditing and Financial Research, 9*(5), 16-35.

Oyebamiji, O. A. (2020). Public governance quality and tax compliance in Nigeria (2008-2018). *Sumerianz Journal of Business Management and Marketing, 3*(6), 67-73.

Palil, M. R., & M, A. F (2011). Factors affecting tax compliance behaviour in self-assessment system. *African Journal of Business Management*, *5,* 12864- 12872.

Rotberg, R. I. (2005). Strenghtening governance: Ranking countries would help. *The Washington Quarterly*, 28(1), 71-81.

World Bank (2006) *Governance and anti-corruption*. www.worldbank.org/ wbi/governance?