PUBLIC GOVERNANCE QUALITY AND PERSONAL INCOME TAX COMPLIANCE: EVIDENCE FROM ILORIN METROPOLIS, KWARA STATE, NIGERIA

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Abstract

Public governance quality in terms of government effectiveness and prevention of corruption is crucial to achieving personal income taxpayers' compliance and efficient revenue generation. This study examines the relationship between public governance quality and direct tax version of personal income tax compliance in Ilorin metropolis, Kwara State, Nigeria. Using purposive sampling technique, sample size of three hundred and ninety-four (394) respondents from registered Small and Medium Enterprises operating in Ilorin metropolis were chosen. Data was collected through the use of a structured questionnaire; the study applies both descriptive and inferential statistics. Ordered Logistic Regression was used in testing the hypotheses of the study. Results indicate that there is no relationship between voice and accountability; political stability and absence of violence; confidence in the rule of law and regulatory quality. However, there is relationship between government effectiveness and control of corruption and the direct tax version of personal income tax compliance. Therefore, public governance quality was found to influence tax compliance in relation to government effectiveness and control of corruption. Based on the findings, it was recommended that there should be tremendous improvement in government effectiveness in the provision of quality infrastructure; quality health service and quality educational system to encourage personal income taxpayers to be tax-compliant; and also, adequate measures to strengthening the machinery put in place to control corruption in the state should be given priority.

Keywords: Personal income tax, Public governance quality, Tax compliance, Government effectiveness, Quality infrastructure

Introduction

Tax payment is an important issue for any country where taxation constitutes a main revenue source for the government to discharge its obligations to the citizens. Everest-Phillips (2011) observes that taxation is the most essential part of state viability and the most discernible indication of implicit agreement that exists between the state and the citizens. Tax collection is an impetus for building up a responsive and responsible government and furthermore for growing the limit of the state (Prichard, 2010). Taxation is also a core fiscal policy that is used by governments for effective control of the economy. A cursory observation demonstrates that a relationship exists between bad administration and independence of income from taxation of residents. For instance, a country whose public revenue is mainly generated from natural resources like oil and mineral usually experience bad governance based on the fact that the revenue is not from taxation of residents, the tendency for residents to demand for accountability is low.

It is compulsory for every resident of Nigeria to pay tax on both earned and unearned incomes to the government. Personal Income Tax Law (PITA CAP P8 LFN 2004) requires that all individual taxpayers who are self-employed to submit self-assessment tax returns with tax agency of the state in which the taxpayer resides every year within ninety days of beginning of a new tax year. However, some residents most especially the self-employed do not want to perform this civic responsibility. Adeosun (2017) acknowledged in her address at the end of the meeting of IMF/World Bank held in Washington DC that there are about thirteen million taxpayers in Nigeria in which about twelve million five hundred thousand have their taxes deducted at source. The balance of five hundred thousand is grossly inadequate to represent the self-employed. The implication of this is that considerable numbers of self-employed are not paying tax.

Rotberg and Gisselguist (2009) observed that, in spite of its importance in determining tax compliance, public governance quality in developing countries is low. Quite a number of studies have established that the condition of rot in public infrastructure, religious and inter-ethnic crisis, poor quality of administration in return for taxes, low straightforwardness and responsibility of public establishments, abnormal state of defilement, absence of guideline of law and powerless financial locale are factors that determine tax non-compliance (Abati, 2006; Natufe, 2006; Fagbadebo, 2007; & Madueke, 2008). As a consequence, the country is vulnerable to tax noncompliance of individual and corporate taxpayers. At the state level, Olola-Kasum (2016) observed that the introduction of taxes in the face of high infrastructural decay and high level of corruption will not give tacit supports to the need for taxation.

In Nigeria, there are numerous studies on public governance quality and tax compliance (Umar, Derashid & Ibrahim, 2016; Mustapha, Zakaree & Yahaya, 2015; Alabede, 2012; Worlu & Nkoro, 2012; Modugu, Eragbhe & Izedonmi, 2012; Akpo, 2009; Oluba, 2008; Nzotta, 2007). These studies have been conducted outside Kwara State. However, in Kwara State, a study conducted by Fagbemi and Abogun (2014) on the elements impacting on voluntary tax compliance of SMEs in Kwara State was limited to trust in government as one of the variables that can be used to measure public governance quality. However, other variables such as confidence in the rule of law, political stability and absence of violence and control of corruption, accountability, government effectiveness, regulatory quality, were not examined. Therefore, this paper endeavors to fill the gap by utilising the six intermediaries of administration pointers created by Kaufmann, Kraay and Mastruzzi (2010) to explore the degree to which the perception of public administration quality in Kwara State will influence taxpayers' compliance.

Furthermore, the study will fill in as a wellspring of valuable data to tax authorities in respect of the determinants of personal income tax compliance and the influence on the individual taxpayer's voluntary compliance.

The general objective of this paper is to investigate the connection between public governance quality and tax compliance in Ilorin metropolis, Kwara State. The specific objectives are to: (i) examine the connection between the procedure by which government functionaries are chosen, checked and supplanted (voice and accountability) and tax compliance; (ii) determine the connection between political stability and absence of violence and tax compliance; (iii) determine the connection between the competence of the administration to figure and actualize sound arrangement (government effectiveness) and tax compliance; (iv) determine the connection between confidence in the rule of law and tax compliance; (v) examine the connection between control of corruption and tax compliance; (vi) examine the connection between government regulatory quality tax compliance. In order to accomplish the objectives of this study, the hypotheses of the study were formulated as follows:

$H0_1$: Procedures by which government functionaries are chosen, checked and supplanted (voice and accountability) have no significant connection with tax compliance;

$H0_2$: Political stability and absence of violence have no significant connection with tax compliance;

$H0_3$: Capacity of the government to figure and actualize sound arrangement (government effectiveness) has no significant connection with tax compliance;

$H0_4$: Confidence in the rule of law has no significant connection with tax compliance;

$H0_5$: Control of corruption has no significant connection with tax compliance;

$H0_6$: Government regulatory quality has no significant connection with tax compliance.

Literature Review

Conceptual Review

Governance

Governance alludes to the formal and casual structures which decide how public choices are created and how public activities are executed from the point of view of keeping a nation's sacred qualities (UN, 2007). Lynn, Heinrich and Hill (2000) described governance as the methods for accomplishing bearing, control, and coordination of entirely or incompletely autonomous people and associations so as to speak to the premiums to which they mutually contribute. Governance indicators are utilized to evaluate and compare the institutional nature of nations and are utilized in policy formulation.

Alabede (2012) opined that there is no general agreement on what should constitute governance. However, Nzongola-Ntalaja (2003) as cited in United Nation (UN, 2007) identified three primary kinds of governance: first, public governance – basically concerned with power of the public sector that interfaces the procedures by which a general public mastermind its undertakings and controls its assets. The second, economic governance – the authority is the private sector, this is in relation to policies, and the organizational mechanisms that are needed to make available goods and services. Third, social governance – the authority is the civil society, including the citizens and non-profit making organisation. It is connected to a system of beliefs and values that are needed for social behaviours to exist and for public decision-making. The focus of this study is public governance.

What is Public Governance?

Public governance according to Rotberg (2005) involves the administration, supply and conveyance of political goods to the residents of a nation. World Bank (2006) viewed public governance as the customs and the establishments by which authority is used for the benefit of all of the people living in the environment. It incorporates the procedure by which the people in power are chosen, watched and checked and supplanted, the competence of the government to adequately deal with its assets and execute sound strategies, and the regard of natives and state for establishments which oversee economic and social communications in the state. The quality of governance usually depends on the way the constituted authority exercises its power to achieve its objectives.

Rotberg (2005) argues that public governance is 'good' when a state assigns and deals with the available assets in catering for the collective need of the people. According to Besancon (2003) and Rotberg (2005), political goods include provision of adequate security for the people, political and civil freedom, and rule of law; provision of basic infrastructural facilities such as sound health care services, well-equipped schools with adequate manpower, good roads network, railways; accountability; and participation in governance.

Tax Compliance

Tax payment is one of the civic duties of a citizen and therefore citizens are expected to voluntarily comply. Over the years, it has been extremely hard to influence all citizens to agree to the necessities of an assessment framework (tax system). James and Alley (2004) characterizes tax compliance as the ability of people and other assessable elements to act in agreement inside the soul just as well as the letter of tax law and administration without the utilization of implementation action. Roth, Scholtz and Witte (1989) define tax compliance as filing all required tax returns at the best possible time and that returns precisely report tax obligation as per the assessment law applicable at the time the return is filed. Sarker (2003) defines tax compliance as how much a taxpayer agrees (or neglects to consent) with the tax rules of his nation. Marti (2010) defines tax compliance as satisfying all assessment commitments as determined by the law unreservedly and totally. The economic definition of taxpayer compliance was given by Milliron and Toy (1988) in which they view taxpayers as "perfectly moral, risk-neutral or risk-averse individuals who seek to maximise their utility, and chose to evade tax whenever the expected gains exceeded the cost" (p.84).

Andreoni, Erard and Feinstein (1998) define tax compliance as citizens' eagerness to obey tax laws so as to get the monetary harmony of the nation. Kirchler (2007) saw an easier definition in which tax compliance is characterized as the most unbiased term to portray taxpayers' eagerness to settle their taxes. Sanni (2012) contends that tax compliance is required in both ways by taxpayers and tax authorities despite the fact that it has been routinely seen as dutifulness to provisions of the tax laws by the taxpayer. He opines that tax non-compliance will typically emerge when taxes are forced and regulated self-assertively without plan of action to set guidelines or measures and not exactly when taxpayers neglect to make returns or pay taxes due. Franzoni (2000) and Chatopadhyay and Das-Gupta (2002) expressed that, compliance with tax laws includes genuine reporting of the tax base; right calculation of the tax liabilities; timely filing of tax returns and timely payment of the amount due as tax. Any conduct by the citizen as opposed to the above comprises resistance.

Tax noncompliance is the disappointment of a taxpayer to meet tax obligations whether the demonstration is done purposefully or inadvertently (James & Alley, 2004). Nonetheless, Kirchler (2007) contended that since the level compliance varies then certain noncompliance probably will not abuse the law. Roth et al (1989) characterize tax non-compliance as reluctance to act accordance with tax law and administration relevant at a specific time. Tehulu and Dinberu (2014) define tax non-compliance as inability to agree with tax laws and/or state false income, the act of stating untrue deductions and exemptions and/or paying the erroneous amount of tax past the stipulated time allotment. Soos (1991) comprehensively characterized non-compliance into four kinds: neglecting to file a tax return; underreporting of taxable income; exaggerating tax claims such as exemptions, expenses and so on, and neglecting to make a timely payment of tax liability.

According to Alabede (2012), non-compliance with tax laws comes in type of purposeful non-compliance and inadvertent non-compliance. Purposeful compliance is a circumstance in which the taxpayer intentionally undermines the tax rules and regulations for his personal gain; while inadvertent might be as consequence of obliviousness, oversight or mix-up in applying tax laws. Any non-compliance act committed by a taxpayer that results in non-declaration or underreporting of taxable income leading to non-payment or underpayment of tax is regarded as tax evasion.

Pubic Governance Quality and Tax Compliance

Good governance achieves good tax system and state legitimacy, taxpayers' voluntary compliance and the effectiveness of tax administration constitute the main pillars for the good tax system (Hossain, 2004). Everest-Phillip and Sandall (2009) observed that public governance quality is germane to have a decent tax system and in the same vein, a decent tax system is necessary to gain governance quality. Similarly, Ajaz and Ahmed (2010) argued that quality of governance is crucial for proper planning and efficient revenue generation. He further argued that when tax avoidance and defilement of public officials is a general perception then tax revenue as well as economic growth and development would be negatively be affected. Torgler (2003) observed that, when people are no longer having trust in government tax compliance tends to be affected. It is further observed that positive activities by the authority may make citizens to build up an uplifting frame of mind and responsibility to tax system and tax payment and consequently, tax compliance is enhanced. In the same vein, Akpo (2009) reported that good governance as to do with the arrangement of quality public goods such as public amenities and basic infrastructure to the people in exchange for tax paid and in the event of failing to do that the people in the state may become reluctant to tax payment. Umar, Derashid and Ibrahim (2016) submitted that good public governance enhances tax compliance by citizens and ultimately leads to availability of more fund for public programmes. The study further submitted that poor public governance quality impoverishes and alienate citizens who also react by failing to pay tax and, consequently, funds for public programme will be inadequate. Based on the foregoing, quality of governance is an important factor determining tax compliance.

Theoretical Review

Social Exchange Theory

Social exchange theory is a theory related with crafted by George Caspar Homans in 1961 and Peter Blau in 1964. It accepts that every single human relationship can be comprehended regarding a trade of significant worth. Social exchange theory investigates cooperation between two parties by looking at the costs and advantages to each. The key purpose of the theory is that it accepts the two parties are both giving and getting things of significant worth from each other. Under this theory, connections are just liable to proceed if the two parties feel they are leaving the exchange with more than they are giving up–that is, if there is a positive measure of benefit for the two parties involved. Rewards and costs are vital ideas that structure premise of most social exchange theories. Rewards are exchanged assets that bring joy and fulfilment, while costs are exchanged assets that are seen as a misfortune or retribution.

In applying to taxation, the more benefits taxpayers derive from the payment of taxes in the form of good quality of governance such as the provision of basic public goods, the more they will make good on their taxes.

Empirical Review

Public governance quality is an essential factor that decides tax compliance. Some empirical studies on public governance quality and tax compliance within Nigeria and beyond are reviewed here. Mustapha, Zakaree and Yahaya (2015) conducted a study on institutional variables and income tax compliance. Public governance quality was one of the variables used. The investigation found that good governance has positive significant relationship with taxpayers' compliance in the state. The study prescribed that straightforwardness and accountability ought to be the core values in consideration and activity of administration as the reason for sound administration.

Fagbemi and Abogun (2014) in their investigation of the components impacting intentional tax compliance of SMEs in Kwara State used survey approach to investigate the confidence in administration and tax compliance. The study found that confidence in administration has a positive effect on compliance tax voluntarily. However, the study suggested a proper monitoring of factors that would support public morale in order to improve intentional tax compliance and subsequently improve income generation. Kasum, Abu-Kasum and Osemene (2013) submitted in their study that corruption and bad governance discourages tax compliance.

Alabede (2012) explored the impression of citizens on the nature of public administration in connection to tax compliance. The study was carried out utilizing citizens' assessment study technique. Multi-stage cluster random sampling technique was used to choose the samples from the number of inhabitants in individual citizens living in Federal Capital city of Abuja. The data gathered through self-administered questionnaire were dissected utilizing multiple regression technique. The outcomes uncovered that citizens' recognition about public administration quality essentially identified with the compliance behaviour. Modugu, Eragbhe and Izedonmi (2012) examined the connection between government accountability and compliance to tax payment voluntarily. The investigation depended on the hypothetical system that a social contract exists between the state and the natives. The study found that the natives' impression of administration responsibility is a contributory factor that forms the development and support of tax morale bringing about deliberate tax compliance. The investigation recommended that impression of nature of administration ought to be improved by really assimilating the precepts of agent popular government. Worlu and Nkoro (2012) concluded that tax income stimulates economic growth through the improvement of infrastructure.

Egwaikhide (2010) affirmed a high connection between tax compliance and great administration. Akpo (2009) noticed that great administration involves the arrangement of quality public goods to the general population and that where government neglects to give open courtesies and framework to the native in return for tax payment, residents may wind up hesitant to make good tax obligation. Madueke (2008) identified lack of control of corruption, rule of law and unwell communicated administration strategy as the problem confronting general dissatisfaction of citizens with the quality of public governance in Nigeria. Similarly, Fagbadebo (2007) affirmed Nigeria to be a casualty of awful administration and recommended responsibility and straightforwardness should be ensured to guarantee wholesome public administration in Nigeria. Nzotta (2007) identified high level of corruption by government officials at all levels and lack of fiscal transparency as factors responsible for high tax noncompliance in Nigeria and this has greatly affected the willingness of taxpayers to pay taxes as they are aware of the fact that their money is embezzled by public office holders with little or no sanctions. In addition, Abati (2006) called attention to that, the condition of rot in Nigeria's public foundation and monetary movement reflects pitiable administration value.

Natufe (2006) equally observed, that religious and between ethnic emergences, rot in infrastructure are manifestations of unfortunate public administration in Nigeria. Odinkonigbo (2009) identified corruption in tax administration and other public organisations, political turbulence and culture as factors that affect tax noncompliance. Fakile (2011) found a critical connection between the citizens' trust in the legitimate framework and tax compliance. Anyanwu (1993) submitted that tax noncompliance might occur when there is a relative degree of inefficiency in tax administration as well as corruption with government. Outside Nigeria, Hossain (2014) conducted a study on the nature of administration and tax effort in emerged and emerging countries. The examination analysed the effect of quality of governance (institutional capacity and control of corruption) on tax effort utilizing panel data set for 55 developed and developing countries during 2002-2012. The data collected was analysed using fixed effect and random effect model. The result indicated that governance quality matters for tax revenue collection and findings support the hypothesis of the study that eagerness to pay taxes relies upon the better quality of government. Ajaz and Ahmed (2010) investigated the relationship between corruption and tax efforts utilizing panel data for 25 emerging nations during 1990 – 2005. The GMM regression results suggested that corruption has unfavourable impact on tax accumulation, while great administration adds to an improved performance in tax accumulation.

The investigation of Wang (2010) reasoned that citizens' confidence is to a great extent reliant upon the effectiveness and viability of administration services, the apparent dimension of fraud and corruption in the administration and whether administration is firm in fighting fraud and corruption. Alm and Gomeg (2008) affirmed a noteworthy positive connection between the view of the benefit to be gotten from good governance and the eagerness of citizens to comply with provisions of the tax laws.

Richardson (2008) examined the causes of tax compliance crosswise over forty-seven nations comprising the United States, the United Kingdom, Argentina, Thailand, Canada, Chile and Brazil; found that the function of administration has a huge positive effect on deciding frames of mind towards tax compliance. Richardson further recommended that the governments should build their standing and reasonableness so as to secure the confidence of taxpayers. Mustapha, Zakaree and Yahaya (2015) concurred with the position of Richardson because taxpayers most especially in the developing countries like Nigeria would like to feel the presence of government in terms of provision of social amenities before complying with legal provisions because the taxpayers perceived that government does not utilize the revenue collected from tax judiciously. Bird, Martinez-Vazquez and Torgler (2008) confirmed that variables such as corruption, rule of law, entry regulations are vital determinants of tax income. Gupta (2007) found that corruption has a noteworthy negative impact on tax income.

Similarly, Torgler (2004) found that confidence in administration additionally positively affects tax compliance. Torgler (2003) argued that direct democratic rights, self-sufficiency, confidence in administration and courts and legal system have a positive and significant impact on tax moral. Tanzi (1998) observed that nations with abnormal state of corruption do have the experience of low tax revenue because substantial parts of the taxes paid by taxpayers are embezzled. Levi (1988) contended that on the off chance that it is seen by the citizens that the rate of change from tax to public goods is low then the citizens will feel that administration has not kept its promise of the agreement, accordingly, the tax compliance will be influenced contrarily and consequently decrease compliance to tax payment voluntarily.

Drawing from the empirical literature on the public governance quality and tax compliance most especially in Ilorin metropolis, Kwara State, it can be concluded that there is a little published scholarly study in that direction; in other words, adequate attention has not been given to study the perception of people in Kwara State in respect of public governance and tax compliance.

Therefore, this paper endeavours to satiate the space by utilizing six intermediaries of administration pointers created by Kaufmann, Kraay and Mastruzzi (2010) to examines the connection between public governance quality and direct tax version of personal income tax compliance in Ilorin metropolis, Kwara State, Nigeria.

Methodology

This empirical investigation adopted a cross sectional research design as primary data was gathered through a self-administered questionnaire. For the purpose of this study, the population comprised all registered SMEs operating in Ilorin metropolis as contained in the data bank of Kwara State Chamber of Commerce and Industry as at June 2018. Three hundred and ninety-four (394) copies of questionnaire were distributed to SMEs across the Ilorin city who were the owners and managers of their outfits. The methodology was simply quantitative; including elucidating and inferential examination of the connections between public governance quality indicators and taxpayers' compliance in Ilorin metropolis, Kwara State, Nigeria. Ordinal scale level was the scale measurement used for the measurement of the variables in this study. With regards to this study, tax compliance is the needy variable. Tax compliance was operationally defined as correct revealing of the assessment base; right calculation of the tax liabilities and timely filing of tax returns. Compliance to tax provision was estimated with three items covering the three parts of tax compliance identified above.

Public governance quality indicators used to quantify the views of good governance quality in this study include: Voice and Accountability (VA) which catches impression of the taxpayers in Kwara State can take an interest in the choice of their government as well as opportunity of articulation. Political Stability and Absence of Violence (PA) - measures the impression of the taxpayers in Kwara State of the probability that the government in power will be destabilized or distracted. Government Effectiveness (GE): This catches impression of the taxpayers in Kwara State on the nature of public services and the level of its freedom from political pressures. Regulatory Quality (RQ) - This catches impression of the citizens in the Kwara State on the capacity of the government to plan and actualize sound strategies and guidelines that permit and advance private sector improvement. Confidence in Rule of Law (CRL): This catches view of the citizens in the Kwara State on degree to which operators believe in and comply with the principles of society. Control of Corruption (CC) – catches impression of the citizens in Kwara State on the degree to which public power is practiced for private advantage, including both negligible and great types of corruption, just as “capture” of the state by leaders and private gain.

A pre-test of the examination instrument to ascertain its legitimacy was carried out. The instrument was pre-tried by administering it to likely 20 respondents and tried their comprehension of the objects. objects that were discovered inappropriate were removed and those observed not to be comprehended were balanced for comprehension for the ultimate examination instrument that was utilized. Besides, some of the objects in the questionnaire are adjusted from survey structured by past studies (Bobek, 1997; Brown & Mazur (2003); Ashby, Webley & Haslam, 2009; Wenzel, 2004; & Alabede, 2012).

Dependability of the survey objects was tried utilizing the Cronbach's alpha coefficients. The dependability of the inquiries used to survey tax compliance and public governance quality had reliability value above 0.780 and 0.704, respectively. These values are higher than 0.7 which is prescribed by Nunnally and Bernstein (1994). This showed that the instrument used to gather data from the respondents was trustworthy and consistent.

Model specification

$TC = f(PGQ)$..(1)

Where the dimensions of PGQ are: VA, PV, GE, RQ, CRL and CC

Therefore, the empirical model of equation (1) is given as:

$Pr(TCB_i \leq j\text{‰}X_1 X_2 .... \; .... X_n) = b_0 + b_1 VA_i + b_2 PV_i + b_3 GE_i + b_4 RQ_i + b_5 CRL_i + b_6 CC_i + e_i$ ....(2)

Apriori expectation: $b_0 > 0; b_1 < 0; b_2 < 0; b_3 < 0; +b_4 < 0; +b_5 + b_6 > 0$

Where

TCi = Tax Compliance (Dependent Variable)

PGQ = Public Governance Quality (Independent Variable)

VA_i *= Voice and Accountability (Independent Variable)*

PV_i *= Political stability and Absence of violence (Independent Variable)*

GE_i *= Government Effectiveness (Independent Variable)*

RQ_i *= Regulatory Quality (Independent Variable)*

CRL_i *= Confidence in Rule of Law (Independent Variable)*

CC_i *= Control of Corruption (Independent Variable)*

b_0 *= the intercept of the model*

b_1 *to* b_6 *= the coefficient or estimate of the parameter of the independent variable*

e_i *= Error term*

Method of Data Analysis

For the purpose of this study, both the descriptive and inferential statistics were utilized. The descriptive statistics was utilized in this study to provide insight into the perception of the respondents and these include the percentage, mean and standard deviation. The mean scores and standard deviation were computed for individual items as well as weighted items of all the metric latent variables for the 365 valid cases of the study. For the purpose of the interpretation, the mean scores were separated into three categories: from 1.00 to 2.25 were designated as low, from 2.26 to 3.75 were tagged as moderate and from 3.76 to 5.00 were treated as high. The same method was used in the study of Palil, Akir & Ahmad (2013) for the interpretation of the mean score.

The inferential statistics used in this study was ordered logistic regression. The ordered logistic regression was utilized because the dependent variable is in naturally ordered categories (strongly disagree, disagree, not certain, agree and strongly agree). The ordered logistic regression was utilized to clarify the idea of the connections, consistency and inconstancy between the factors under examination.

Result and Discussion

Results

Data Presentation

Table 4.1 Response Rate

	Frequency	Percentage
Questionnaires administered	394	100.0
Less: Unreturned questionnaires	24	6.0
Returned questionnaires	370	94.0
Less: Unusable questionnaires	5	1.35
Usable responses	365	98.65

Source: Computed from field survey data, 2018

Table 4.1 shows that three hundred and ninety-four (394) copies of questionnaire were distributed to respondents. Twenty-four copies were not returned while five (5) of the three hundred and seventy (370) copies of the returned questionnaire were unusable because the respondents selected multiple responses for most of the questionnaire items. Consequently, only three hundred and sixty-five (365) copies of the questionnaire were completely and properly filled, making a total of 98.65 percent and were considered to be adequate for the analysis.

Data Analyses and Interpretation

Descriptive Analysis

The descriptive statistics relating the respondents' tax compliance are presented in Table 4.2. The Table 4.3 shows that only 8% of the respondents strongly agreed and agreed to declare their total income received from all sources in their tax return for the purpose of tax assessment while a greater number of the respondents representing 74% strongly disagreed and disagreed. However, 18% of the respondents were not certain of what to do. A similar result was also obtained in the case of filing of tax return with the tax authority within the 90 days stipulated in the tax law as 74% percent strongly disagreed and disagreed, 19% of the respondents were not certain and 7% of the respondents strongly agreed and agreed. In respect of the respondents view on declaring the total amount of expenses including maintenance cost in their tax returns for the purpose of tax assessment, only 11% strongly agreed and agreed, 18% were not certain while 71% of the respondents strongly disagreed and disagreed.

Table 4.2: Descriptive statistics for Tax Compliance

Code	Items	Mean	Std D	SA/ Agree	Not Certain	S D/ Disagree
TC1	I would declare in my tax return the total income I receive from all sources.	2.13	1.02	28(8)	67(18)	270(74)
TC2	I would declare in my tax return the total amount of expenses including my maintenance cost.	2.27	1.09	41(11)	66(18)	258(71)
TC3	I would file my income tax return with tax authority within 90 days from commencement of the year (i.e. from January)	2.10	1.02	27(7)	68(19)	270(74)
	Overall	2.17	1.04			

Source: Computed from field survey data, 2018

Note: Std D = Standard Deviation, SA = Strongly Agree, SD = Strongly Disagree
Percentage in parenthesis rounded to nearest whole number.

In respect of the mean score and standard deviation of tax compliance, declaration of tax return of total amount of expenses including maintenance cost has the highest mean score of 2.27 while filing of tax returns with tax authority within the stipulated time has the lowest mean score of 2.10 with a standard deviation of 1.09 and 1.02 respectively. The average mean scores and standard deviation for the three components of tax compliance is 2.17 and 1.04 respectively. These descriptive statistics indicate that compliance among the individual taxpayers in Kwara State is low. This result also concurs with assertions in tax literature that tax noncompliance is a real threat to personal income tax administration in Kwara State (Salam, 2010 and Yahaya, 2009).

Table 4.3: Descriptive Statistics for Public Governance Quality

Code	Items	Mean	Std D	SA/ Agree	Not Certain	S D/ Disagree
VA1	I trust the Kwara State Assembly in making good laws for the state.	1.51	1.03	32(9)	16(4)	317(87)
VA2	There is no free and fair election in Kwara State.	1.51	1.03	32(9)	18(5)	315(86)
VA3	There is no freedom of expression in Kwara State.	1.48	0.98	28(8)	20(5)	317(87)
PA1	Political stability is declining in Kwara State.	3.64	1.33	203(55)	80(22)	82(23)
PA2	Political protest is threat to Kwara state peace and stability.	3.75	1.34	233(64)	49(13)	83(23)
GE1	I am not satisfied with quality of general infrastructure in Kwara State.	1.87	1.03	27(7)	37(10)	301(83)
GE2	Nigerian public servants are not vulnerable to political interference.	1.93	1.10	32(9)	41(11)	292(80)
CRL1	Justice is not fairly administered in Kwara State.	4.14	1.13	279(77)	38(10)	48(13)
CRL2	There is no confidence in the legal system in Kwara State.	3.99	1.29	69(19)	42(12)	254(69)
CC1	I trust the financial honesty of political office holders in Kwara State.	1.80	0.96	18(5)	41(11)	306(84)
CC2	The diversion of public funds due to corruption is common in Kwara State.	1.80	0.96	18(5)	41(11)	306(84)
RQ1	There is no stringent local law governing the starting of a business in Kwara State.	4.27	0.79	338(92)	7(2)	20(6)
RQ2	There is a risk that normal business operations become costlier due to the regulatory environment in Kwara State.	2.10	1.11	41(12)	56(15)	268(73)
RQ3	The multiplicity of taxation in Kwara State has affected the growth of your business.	1.99	1.03	28(8)	60(16)	277(76)
	Overall 2.17	1.04				

Source: Computed from field survey data, 2018

The impressions of the respondents on the public governance quality in Kwara State were conveyed through items VA1 to VA3, PA1 to PA2, GE1 to GE2, CRL to CRL2, CC1 to CC2, and RQ1 to RQ3 and the results as contained in the Table 4.9 above shows that the impression of the respondents on the whole was low. This is indicated in the total mean score of 2.17 and standard deviation of 1.04.

Inferential Analysis and Test of Hypotheses

Providing answers to the research questions put forward in this study, the six hypotheses formulated were tested in this subsection.

Multiple regressions

Regression analysis was performed using ordered logistic regression method to explain the variability of the relationship between public governance quality indicators as independent variables and tax compliance as a dependent variable among the taxpayers in Kwara State. The ordered logistic regression was used because the dependent variable is in naturally ordered categories (strongly disagree, disagree, not certain, agree and strongly agree). The results of ordered logistic regression are presented in Table 4.4.

Table 4.4 presents the ordered logistic regression results for effect of public governance quality on tax compliance in Kwara State. The dependent variable in the model is tax compliance while the independent variables are voice and accountability (VA), political stability and absence of violence (PA), government effectiveness (GE), confidence in rule of law (CRL), control of corruption (CC) and regulatory quality (RQ).

Table 4.4: Result of Ordered Logistic Regression

			Number of observations = 365		
Log likelihood = -361.41642			LR chi^2 (12) = 14.19		
			Probability of chi^2 = 0.0276		
Dependent Variable: Tax comp			Pseudo R^2 = 0.0192		
Independent Variables	Coefficient	Standard Error	z - statistics	P Value	Marginal effect
VA	-0.1763893	0.1253516	-1.41	0.159	0.0144413
PA	0.0227804	0.1186073	0.19	0.848	-0.0018651
GE	-0.2778025	0.1275214	-2.18	0.029	0.0227442
RL	-0.799027	0.147595	-0.54	0.592	0.0064701
CC	-0.2613306	0.1552301	-1.68	0.092	0.0213956
RQ	-0.0543343	0.151556	-0.36	0.720	0.0044485

Source: Computed from the field survey data, 2018

Hypothesis 1

Hypothesis 1 predicted that there is no significant connection between the procedure by which government functionaries are chosen, checked and supplanted (voice and accountability) and tax compliance. Results from Table 4.4. indicated that the coefficient of voice and accountability is negative and not significant at 10% significant level (coefficient = -0.1763893, standard error = 0.1253516, and p-value = 0.159). This suggests that no statistically significant connection between voice and accountability and tax compliance. Thus, hypothesis 1 was supported.

Hypothesis 2

Hypothesis 2, predicted no significant connection between political security and nonattendance of savagery and tax compliance. Results from Table 4.4. indicated that the coefficient of political stability and absence of violence is positive and not significant at 10% significant level (coefficient = 0.227804, standard error = 0.1186073, and p-value = 0.848). This suggests that there is no statistically significant connection between political stability and absence of violence and tax compliance. So, hypothesis 2 was supported.

Hypothesis 3

Hypothesis 3, predicted that there is no significant connection between the competence of the administration to figure and actualize sound arrangements (government viability) and tax compliance. Results from Table 4.4. indicated that the coefficient of the capacity of the government to figure and actualize sound arrangements (government viability) is negative and significant at 10% significant level (coefficient = -0.2778025, standard error = 0.1275214, and p-value = 0.029). This suggests that there exists a statistically significant connection between government effectiveness and tax compliance. Hence, hypothesis 3 was not supported. The implication is that the probability of tax compliance improves as the capacity of government to figure and actualize sound arrangements improves.

Hypothesis 4

Hypothesis 4 predicted that there is no significant connection between the rule of law and tax compliance. Results from Table 4.4. indicated that the coefficient of rule of law is negative and not significant at 10% significant level (coefficient = -0.079027, standard error = 0.147595, and p-value = 0.592). This suggests that there is no statistically significant connection between confidence of taxpayers in the rule of law and tax compliance. Therefore, hypothesis 4 was supported.

Hypothesis 5

Hypothesis 5, predicted that no significant connection between control of corruption and compliance to tax. Results from Table 4.4. indicated that the coefficient of the control of corruption capacity is negative and significant at 10% significant level (coefficient = -0.2613306, standard error = 0.1552301, and p-value = 0.092). This suggests a statistically significant connection between control of corruption and tax compliance. Hence, hypothesis 5 was not supported. The implication is that the probability of tax compliance improves as the control of corruption improves.

Hypothesis 6

Hypothesis 6 predicted that there is no significant connection between government regulatory quality and tax compliance. Results from Table 4.4. indicated that the coefficient of government regulatory quality is negative and not significant at 10% significant level (coefficient = 0.0543343, standard error = 0.151556, and p-value = 0.720). This suggests that there is no statistically significant connection between government regulatory quality and tax compliance. Therefore, hypothesis 6 was supported.

Fitness of the model

The fitness statistic used in this model is the Log Ratio (LR) chi-square statistics reported along with coefficient estimates in table 4.10. A model is considered to have a good fit when the P-value of the LR statistics is less than the traditional levels (1%, 5% and 10%) of significance used in Social and Management Sciences. Otherwise the fitness of the model is said to be bad. The Log Ratio statistics of the ordered logit regression model presented in table 4.10 is 14.19 with P-value 0.0276. This indicates that model is fit and the results are valid and plausible for policy inferences.

Discussion of Findings

From the descriptive statistics analysis, it revealed that the views of respondents about the nature of voice and responsibility, government viability and control of defilement were low. Political soundness and nonappearance of violence and regulatory quality were moderate; rule of law was high. Meanwhile, on the overall, public governance quality was low.

Be that as it may, in light of the aftereffects of the inferential analysis of hypothesis one, there is no connection between the procedure by which government functionaries are chosen, checked and supplanted and tax compliance. This implies that, the procedure by which government functionaries are chosen, observed and supplanted will influence taxpayers' compliance. Subsequently, this investigation adds to the current written works by finding no measurably critical connection among voice and responsibility and tax compliance. However, the outcome of this study is conflicting with the outcome of Torgler (2005) which found that a more elevated amount of direct majority rule government in a territory leads to an improved readiness to discharge tax obligation.

The consequence of inferential analysis of hypothesis two uncovered no measurably huge connection between political security and nonattendance of savagery and tax compliance. This recommends political steadiness and nonattendance of viciousness do not decide citizens' compliance.

The finding of this examination does not support Odinkonigbo (2009) which identified corruption in tax administration and other public organisations, political turbulence and culture as factors that affect tax noncompliance. Be that as it may, this examination adds to the current writing by finding no measurably critical connection between political strength and nonattendance of brutality and tax compliance.

The consequence of inferential analysis of hypothesis three showed that there is factually huge connection between the competence of the administration to figure and actualize sound arrangements (government viability) and tax compliance. This suggests that government effectiveness in terms of provision of quality infrastructure; quality health service and quality educational system determines taxpayers' compliance to tax payment. The finding of this investigation is predictable with the discoveries of Akpo (2009); Abata (2006); Wang (2010); Richardson (2008); Nzotta (2007); Sanni 2005) and Gupta (2007). Be that as it may, this investigation adds to the current literary works by finding factually huge connection between government effectiveness and tax compliance.

The aftereffect of inferential analysis of hypothesis four uncovered no factually critical connection between confidence in the rule of law and tax compliance. This suggests that fair administration of justice and confidence in the legal system do not determine taxpayers' compliance. The finding of this examination does not seem to help Torgler (2003) and Fakile (2011) which found critical connection between the citizens' trust in the lawful framework and tax compliance. In any case, this examination adds to the current writing by finding no measurably huge connection between rule of law and tax compliance.

The consequence of inferential analysis of hypothesis five demonstrated that there is measurably noteworthy connection between the control of corruption and tax compliance. This suggests that lack of control of corruption in terms of diversion of public fund by government officials at all levels for their personal interest and lack of fiscal transparency affect taxpayers' compliance. The finding of this examination is predictable with the finding of Madueke (2008); Ajaz and Ahmad (2010); Tanzi (1998); Anyanwu (1993); Nzotta (2007); Sanni (2005) and Odinkonigbo (2009). Be that as it may, this examination adds to the current written works by finding factually noteworthy connection between control of corruption and tax compliance.

The consequence of inferential analysis of hypothesis six uncovered no measurably noteworthy connection between regulatory quality and tax compliance. This suggests that regulatory quality does not determine taxpayers' compliance. Notwithstanding, this examination adds to the current writing by finding no measurably noteworthy connection between regulatory quality and tax compliance.

Conclusion and Recommendations

This study concludes that, of all the factors examined in this study, government effectiveness and control of corruption in Kwara State had an adverse impact on tax compliance. This has implication on the quality of general infrastructure as well as financial dishonesty of political office holders being assessed to be dissatisfactory to taxpayers in Ilorin Metropolis and this has translated to be a demotivation to honour tax obligations. This study recommends that there be tremendous improvement in budget allocation and implementation on infrastructures, health services and education. This is expected to translate to good transportation and communication systems, stable water and electricity supply systems and quality education for the taxpayers. In addition, adequate measures be put in place to strengthen the existing machineries to control corruption by institutionalizing the governance processes in the State.

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