

Effect Of Tax Compliance And Public Trust In Government Institutions In Nigeria

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Abstract: Nigeria's tax-to-GDP ratio of 7.2% remains among the world's lowest despite extensive administrative reforms, representing a revenue mobilization gap of approximately ₦10 trillion compared to the African average of 16%. This study examines the relationship between tax compliance and public trust in government institutions using secondary data from FIRS, NBS, Afrobarometer (2015-2023), World Bank, OECD, and Transparency International. Employing a qualitative-descriptive analytical framework with trend and comparative analyses, the study finds that public trust significantly influences voluntary tax compliance yet only 25% of Nigerians express trust in federal institutions, down from 32% in 2015. Widespread corruption perceptions (CPI: 25/100), poor public service delivery, weak accountability mechanisms, and limited expenditure transparency systematically undermine taxpayer confidence and encourage evasion. While digital tax administration has improved efficiency (TaxPro Max registrations +581%, electronic filings +101%), the study demonstrates that administrative reforms alone are insufficient. Drawing on the Slippery Slope Framework and Fiscal Exchange Theory, the study concludes that sustainable domestic revenue mobilization depends fundamentally on rebuilding citizens' trust through accountable governance, transparency, and visible utilization of tax revenues. Recommendations include institutional reforms to enhance transparency, strengthen anti-corruption enforcement, expand digital tax systems, intensify taxpayer education, and demonstrate tangible linkages between tax payments and development outcomes.

Keywords: *Tax Compliance, Public Trust, Tax Morale, Fiscal Exchange, Government Institutions, Tax Administration, Revenue Mobilization.*

1. Introduction

Taxation remains one of the most important instruments available to governments for mobilizing domestic revenue to finance economic development, provide public goods, and promote social welfare. Across developed and developing economies, tax revenue constitutes the backbone of fiscal sustainability by enabling governments to fund infrastructure, healthcare, education, security, environmental protection, and other essential public services (Organisation for Economic Co-operation and Development [OECD], 2023). Beyond its revenue-generating function, taxation serves as an important policy instrument for promoting income redistribution, correcting market failures, regulating economic activities, and fostering inclusive growth (Musgrave & Musgrave, 1989). Consequently, the effectiveness of every tax system depends not only on the adequacy of tax laws and administrative structures but also on the willingness of taxpayers to comply with their tax obligations.

Tax compliance has become increasingly important in public finance literature because governments across the world are confronted with growing expenditure demands amidst declining traditional revenue sources. According to Kirchler, Hoelzl, and Wahl (2008), tax compliance refers to the extent to which taxpayers meet their legal obligations by accurately reporting taxable income, filing tax returns promptly, and paying taxes within the stipulated period. Compliance may be voluntary, arising from taxpayers' intrinsic motivation and trust in government institutions, or enforced through audits, penalties, and other legal sanctions (Allingham & Sandmo, 1972). While deterrence-based approaches remain important for discouraging tax evasion, recent studies increasingly emphasize voluntary compliance as the most sustainable means of improving tax revenue because it reduces administrative costs and strengthens the fiscal relationship between citizens and the state (Torgler, 2007).

In many developing countries, including Nigeria, improving tax compliance has become increasingly imperative due to declining revenues from natural resources, expanding fiscal deficits, increasing public debt, and rising demands for socioeconomic development. Nigeria has historically relied heavily on crude oil revenues to finance public expenditure. However, fluctuations in global oil prices, declining oil production, and increasing economic uncertainties have exposed the vulnerability of such dependence and reinforced the need to strengthen domestic revenue mobilization through taxation (International Monetary Fund [IMF], 2023). Consequently, successive governments have introduced various tax reforms aimed at broadening the tax base, improving tax administration, increasing taxpayer education, and enhancing revenue collection.

Over the past two decades, significant reforms have been implemented to modernize Nigeria's tax administration. These include the enactment of the Federal Inland Revenue Service (Establishment) Act, the introduction of the Tax Identification Number (TIN),

deployment of electronic tax filing and payment platforms, implementation of various Finance Acts beginning in 2019, digitalization of tax administration, expansion of taxpayer databases, and strengthening of institutional collaboration among revenue-generating agencies. These reforms have contributed to improvements in tax administration and revenue collection. Nevertheless, Nigeria continues to record one of the lowest tax-to-Gross Domestic Product (GDP) ratios globally, estimated at below 11 percent, compared with the African average of approximately 16 percent and the OECD average exceeding 34 percent (OECD, 2023; IMF, 2023). This persistent revenue gap suggests that structural and behavioral factors continue to constrain voluntary tax compliance despite ongoing administrative reforms.

Among these constraints, declining public trust in government institutions has received increasing attention from scholars and policymakers. Numerous reports indicate that many Nigerians remain skeptical about the transparency, accountability, and effectiveness of public institutions. Persistent concerns regarding corruption, diversion of public funds, weak institutional accountability, inadequate infrastructure, poor healthcare delivery, insecurity, unreliable electricity supply, and limited access to quality education have contributed to declining citizens' confidence in government (Transparency International, 2024; Afrobarometer, 2023). Under such conditions, taxpayers may perceive little justification for complying with tax obligations when the expected benefits of taxation are not reflected in improved public service delivery. As noted by Levi (1988), taxpayers' willingness to comply depends substantially on whether governments fulfill their reciprocal obligations to society.

The objectives of the study are to examine the relationship between tax compliance and public trust in government institutions in Nigeria, with the following specific objectives:

1. To investigate how trust in public institutions influences taxpayers' willingness to comply voluntarily with tax obligations.
2. To identify institutional factors that either strengthen or weaken compliance behavior.
3. To synthesize evidence from official government reports, international organizations, and existing empirical literature to contribute to the growing body of knowledge on domestic revenue mobilization.
4. To provide policy recommendations for enhancing tax compliance through improved governance, transparency, and institutional accountability.

Against this background, this study examines the relationship between tax compliance and public trust in government institutions in Nigeria. Specifically, it investigates how trust in public institutions influences taxpayers' willingness to comply voluntarily with tax obligations and identifies institutional factors that either strengthen or weaken compliance behavior. By synthesizing evidence from official government reports, international organizations, and existing empirical literature, the study contributes to the growing body of knowledge on domestic revenue mobilization and provides policy recommendations for enhancing tax compliance through improved governance, transparency, and institutional accountability.

2. Literature Review

2.1 Concept of Tax Compliance

Tax compliance has attracted considerable scholarly attention because of its direct relationship with government revenue generation and economic development. Although taxation is a statutory obligation, compliance behavior varies considerably across individuals, organizations, and countries owing to differences in institutional quality, governance, economic conditions, and taxpayer attitudes. Consequently, researchers have approached the concept from legal, economic, psychological, and behavioral perspectives.

The Organisation for Economic Co-operation and Development (OECD, 2019) defines tax compliance as the degree to which taxpayers satisfy their tax obligations by accurately reporting taxable income, filing tax returns within the prescribed period, and paying taxes in accordance with prevailing tax laws. Similarly, the International Monetary Fund (IMF, 2023) describes tax compliance as adherence to tax regulations governing registration, declaration, assessment, payment, and record keeping. These definitions emphasize that compliance extends beyond the mere payment of taxes to include the complete fulfillment of statutory responsibilities imposed by tax authorities.

Kirchler (2007) conceptualized tax compliance as taxpayers' willingness to cooperate with tax authorities by fulfilling tax obligations either voluntarily or through enforcement mechanisms. According to Kirchler et al. (2008), compliance behavior exists along a continuum ranging from voluntary compliance, which is driven by trust and intrinsic motivation, to enforced compliance, which results from audits, penalties, and the coercive power of tax authorities. This distinction has become central to contemporary tax administration because governments increasingly recognize that sustainable revenue mobilization depends more on voluntary compliance than on costly enforcement strategies.

James and Alley (2004) argued that tax compliance encompasses taxpayers' ability and willingness to comply with both the spirit and the letter of tax legislation. Their perspective suggests that genuine compliance involves not only meeting legal requirements but also embracing taxation as a civic responsibility that contributes to national development. Likewise, Alm (2019) emphasized that tax compliance reflects the interaction between taxpayer morality, institutional quality, government legitimacy, and administrative effectiveness.

In recent years, technological advancement has transformed tax administration globally. Digital tax systems, electronic filing platforms, online payment systems, biometric taxpayer registration, artificial intelligence, and data analytics have improved compliance by simplifying tax procedures, reducing administrative costs, and increasing transparency (OECD, 2023). Nigeria has

similarly introduced electronic tax filing systems, the TaxPro Max platform, and digital taxpayer identification initiatives to improve compliance and broaden the tax base.

Despite these reforms, tax compliance remains relatively low in many developing countries due to weak institutions, corruption, informality, inadequate taxpayer education, and poor public service delivery. According to the World Bank (2023), taxpayers are generally more willing to comply voluntarily where governments demonstrate accountability and transparency in the utilization of public resources. Consequently, contemporary tax administration increasingly recognizes that strengthening public trust is essential for improving compliance behavior.

2.2 Public Trust in Government Institutions

Public trust refers to citizens' confidence that government institutions operate honestly, fairly, competently, and in the public interest. It represents an important component of institutional legitimacy because governments depend on citizens' willingness to cooperate voluntarily in implementing public policies, including taxation.

Levi and Stoker (2000) define public trust as the belief that government institutions will perform their responsibilities effectively while respecting established rules and serving collective interests. According to Blind (2007), public trust reflects citizens' expectations that public officials will exercise authority responsibly, transparently, and ethically. When governments consistently fulfill these expectations, citizens become more willing to cooperate with public institutions and comply with government policies. The OECD (2021) identifies several dimensions of public trust, including integrity, competence, reliability, responsiveness, openness, accountability, and fairness. Governments that demonstrate these attributes generally enjoy higher levels of citizen confidence, resulting in greater policy acceptance and voluntary compliance with regulations.

Institutional trust is influenced by several governance indicators. Transparency in public financial management enhances citizens' confidence because taxpayers can observe how tax revenues are utilized. Accountability mechanisms reduce opportunities for corruption and improve confidence in government spending. Effective public service delivery demonstrates that tax revenues generate tangible societal benefits, thereby strengthening taxpayers' willingness to contribute (World Bank, 2023).

Nigeria continues to face considerable governance challenges affecting institutional trust. Despite various anti-corruption initiatives, citizens frequently express concerns regarding misuse of public funds, inadequate infrastructure, poor healthcare services, inconsistent electricity supply, insecurity, and unemployment. Afrobarometer (2023) reports that public confidence in several government institutions remains relatively low compared with citizens' expectations regarding service delivery and accountability. Public trust is therefore not merely a governance indicator but also an important determinant of economic behavior. Citizens who perceive government institutions as transparent and accountable are more likely to view taxation as a legitimate contribution toward national development rather than an imposed financial burden. Consequently, improving institutional trust has become an important strategy for strengthening voluntary tax compliance.

2.3 Tax Compliance in Nigeria

Tax administration in Nigeria has undergone significant transformation over the past two decades. Historically, government revenue depended largely on crude oil exports, resulting in limited emphasis on non-oil tax collection. However, fluctuations in global oil prices and increasing fiscal pressures have compelled policymakers to strengthen domestic revenue mobilization through taxation. Several reforms have been introduced to modernize Nigeria's tax system. These include the establishment of the Federal Inland Revenue Service (FIRS) as an autonomous revenue authority, implementation of the National Tax Policy, introduction of Tax Identification Numbers (TIN), deployment of electronic tax filing systems, enactment of successive Finance Acts beginning in 2019, and expansion of digital tax administration through the TaxPro Max platform. These reforms have improved administrative efficiency and expanded the taxpayer database.

Despite these efforts, Nigeria continues to experience relatively low tax compliance. According to the OECD (2023), Nigeria's tax-to-GDP ratio remains substantially below both the African and global averages. A significant proportion of economic activities occurs within the informal sector, where tax registration and compliance remain limited. The prevalence of cash transactions, weak record-keeping practices, inadequate taxpayer education, and administrative inefficiencies further complicate revenue collection.

Studies have identified several barriers to tax compliance in Nigeria. Adebisi and Gbegi (2013) observed that weak tax administration and inadequate taxpayer awareness significantly reduce compliance. Modugu and Anyaduba (2014) reported that perceived fairness of the tax system, trust in government, and quality of tax administration positively influence compliance behavior. Olaoye, Ayeni, and Alaran-Ajewole (2019) similarly found that electronic tax administration improves compliance by reducing compliance costs and enhancing transparency.

2.4 Public Trust and Tax Compliance

The relationship between public trust and tax compliance has become one of the most widely investigated issues in behavioral public finance. Traditional economic models explained tax compliance primarily through deterrence mechanisms involving audits and penalties (Allingham & Sandmo, 1972). However, subsequent research demonstrated that enforcement alone cannot explain the relatively high compliance rates observed in many countries despite limited audit probabilities.

The concept of tax morale emerged to explain why individuals voluntarily comply with tax obligations even when opportunities for evasion exist. Torgler (2007) argued that tax morale reflects taxpayers' intrinsic motivation to pay taxes and is significantly influenced by institutional trust, perceived fairness, and civic responsibility. Citizens who trust government institutions generally believe that tax revenues will be used responsibly, thereby increasing their willingness to comply voluntarily.

In the Nigerian context, declining public trust arising from corruption, inadequate infrastructure, and perceived misuse of public funds continues to undermine voluntary tax compliance. Many taxpayers remain reluctant to fulfill tax obligations because they perceive limited returns in terms of public services. Consequently, strengthening institutional transparency, improving accountability, combating corruption, and demonstrating visible utilization of tax revenues have become essential components of tax policy reforms aimed at expanding domestic revenue mobilization.

The foregoing review suggests that tax compliance cannot be explained solely by economic incentives or legal sanctions. Rather, it is strongly influenced by citizens' perceptions of government legitimacy, transparency, fairness, and institutional performance. Accordingly, strengthening public trust represents a critical pathway toward achieving sustainable improvements in tax compliance in Nigeria.

2.5 Theoretical Framework

This study is anchored on the Slippery Slope Framework (SSF) and supported by the Fiscal Exchange Theory. These theories collectively explain how citizens' confidence in government institutions influences their willingness to comply voluntarily with tax obligations. While the Slippery Slope Framework provides the principal theoretical lens, the supporting theory offers complementary explanations regarding the reciprocal relationship between taxpayers and government.

Slippery Slope Framework

The Slippery Slope Framework was developed by Kirchler, Hoelzl, and Wahl (2008) to explain taxpayers' compliance behavior by integrating economic deterrence theories with psychological and sociological perspectives. Unlike the traditional deterrence model, which emphasizes audits and penalties as the primary mechanisms for ensuring compliance, the Slippery Slope Framework argues that tax compliance depends on two fundamental dimensions: trust in authorities and the power of authorities.

According to Kirchler et al. (2008), trust in authorities refers to taxpayers' belief that government institutions and tax authorities are honest, transparent, competent, and committed to utilizing tax revenues for public welfare. Power of authorities, on the other hand, represents the government's capacity to detect non-compliance, conduct audits, enforce tax laws, and impose sanctions on tax defaulters.

The framework identifies two forms of tax compliance. The first is voluntary compliance, which arises from taxpayers' intrinsic motivation and confidence in government institutions. Taxpayers willingly fulfill their obligations because they perceive the tax system as fair and believe that tax revenues are effectively utilized for public development. The second is enforced compliance, which results from taxpayers' fear of audits, penalties, legal prosecution, and other enforcement measures implemented by tax authorities.

Kirchler et al. (2008) further argued that sustainable tax systems should maintain a balance between trust and power. Excessive reliance on enforcement may achieve temporary compliance but often creates adversarial relationships between taxpayers and tax authorities. Conversely, high levels of trust encourage taxpayers to comply voluntarily, thereby reducing enforcement costs and strengthening long-term revenue generation. Governments that successfully combine institutional trust with effective enforcement generally achieve higher tax compliance rates than those relying solely on punitive measures.

Fiscal Exchange Theory

Fiscal Exchange Theory originated from the works of Wicksell (1896) and was subsequently developed by scholars such as Lindahl (1919). The theory explains taxation as a reciprocal exchange relationship between citizens and government. According to the theory, taxpayers are more willing to pay taxes when they receive valuable public goods and services in return. Thus, tax compliance depends largely on citizens' perceptions regarding the benefits derived from government expenditure.

Bird and Zolt (2008) argued that taxpayers evaluate whether taxes paid are translated into improved infrastructure, quality education, healthcare services, public security, transportation networks, electricity supply, and other developmental projects. Where governments effectively deliver these services, taxpayers perceive taxation as beneficial and legitimate, thereby increasing voluntary compliance. Conversely, poor service delivery weakens citizens' willingness to contribute through taxation.

Fiscal Exchange Theory has particular relevance for developing countries where citizens often question the value received from taxes paid. In Nigeria, inadequate infrastructure, persistent insecurity, unreliable electricity supply, unemployment, and poor public services have contributed to widespread skepticism regarding government expenditure. Consequently, many taxpayers perceive limited benefits from taxation and become less willing to comply voluntarily.

The theory therefore suggests that improving tax compliance requires governments not only to strengthen tax administration but also to demonstrate prudent utilization of public resources. Visible developmental projects financed through tax revenues enhance taxpayers' confidence and reinforce the legitimacy of the tax system.

Theoretical Justification

Although the theories provide valuable insights into taxpayer behavior, the Slippery Slope Framework is adopted as the principal theoretical foundation of this study because it explicitly integrates institutional trust with tax compliance behavior. Unlike traditional economic theories that focus primarily on deterrence, the framework recognizes that sustainable tax compliance depends on balancing governmental authority with citizens' trust in public institutions. Since this study examines the influence of public trust on tax compliance in Nigeria, the Slippery Slope Framework offers the most appropriate theoretical lens for explaining the observed relationships.

The Fiscal Exchange Theory complement the Slippery Slope Framework by emphasizing the importance of reciprocal governance, transparency, accountability, and quality public service delivery in promoting voluntary tax compliance. Collectively, these theories provide a comprehensive explanation of how institutional performance influences taxpayers' compliance decisions.

2.6 Empirical Review

Empirical studies have consistently demonstrated that public trust, governance quality, and institutional performance significantly influence tax compliance across developed and developing economies. Although the magnitude of these relationships varies across countries, the evidence generally suggests that taxpayers are more willing to comply voluntarily when they perceive government institutions as transparent, accountable, and effective.

Torgler (2003) investigated the determinants of tax morale using cross-country survey data from Latin America. Employing econometric analysis of individual-level responses, the study found that trust in government institutions significantly increased taxpayers' willingness to comply voluntarily. The study concluded that strengthening democratic institutions and improving government credibility were essential for enhancing tax morale.

Fjeldstad, Schulz-Herzenberg, and Hoem Sjørnsen (2012) examined the relationship between taxation and state legitimacy in several African countries using Afrobarometer survey data. The findings revealed that citizens' confidence in government institutions significantly influenced perceptions of tax fairness and willingness to pay taxes. The authors recommended improvements in transparency and accountability to strengthen voluntary compliance.

Modugu and Anyaduba (2014) investigated factors affecting tax compliance among corporate taxpayers in Nigeria using survey data analyzed with multiple regression techniques. The results indicated that taxpayers' perceptions of fairness, trust in tax authorities, and administrative efficiency significantly influenced compliance behaviour. The study emphasized that improving institutional credibility would enhance voluntary tax compliance.

Adebisi and Gbegi (2013) assessed the effect of tax administration on tax compliance among small and medium-sized enterprises in Nigeria. Using descriptive and inferential statistical techniques, the study found that effective tax administration, taxpayer education, and simplified tax procedures significantly improved compliance. However, weak public confidence in government remained a major challenge to sustained compliance.

Olaoye, Ayeni, and Alaran-Ajewole (2019) evaluated the impact of electronic tax administration on tax compliance in Nigeria. The study employed survey data and regression analysis and reported that digital tax systems improved taxpayer convenience, reduced compliance costs, and increased transparency, thereby encouraging voluntary compliance.

Jimenez and Iyer (2016) examined the influence of trust and perceived fairness on tax compliance using behavioral survey data. The findings showed that taxpayers who trusted government institutions demonstrated significantly higher levels of voluntary compliance than those who perceived government as corrupt or inefficient. The authors argued that institutional legitimacy should complement traditional enforcement mechanisms.

OECD (2021) synthesized evidence from member and partner countries on the drivers of tax compliance. The report concluded that governments characterized by transparency, accountability, effective communication, and efficient service delivery consistently recorded higher voluntary compliance rates and lower enforcement costs.

The World Bank (2023) similarly observed that improvements in governance indicators—including government effectiveness, regulatory quality, control of corruption, and public accountability—were positively associated with stronger domestic revenue mobilization in developing countries. The report emphasized that institutional reforms should accompany tax policy reforms to achieve sustainable increases in tax revenue.

Overall, the empirical literature indicates a consistent positive relationship between public trust and tax compliance. Nevertheless, relatively few studies comprehensively synthesize recent evidence on this relationship within the Nigerian context using secondary data from official national and international sources. This study addresses that gap by integrating evidence from government reports, international organizations, and peer-reviewed literature to provide an updated assessment of how public trust in government institutions shapes tax compliance in Nigeria.

3. Methodology

This study adopted a secondary research design to examine the relationship between tax compliance and public trust in government institutions in Nigeria. A secondary research approach was considered appropriate because it enables the synthesis and analysis of existing quantitative and qualitative evidence obtained from credible national and international sources. Unlike primary studies that rely on questionnaires or interviews, secondary research provides comprehensive insights by integrating official statistics, institutional reports, peer-reviewed journal articles, and international databases. According to Saunders, Lewis, and Thornhill (2019), secondary research is particularly suitable for studies that seek to evaluate policy issues, institutional performance, and macroeconomic trends using already existing data.

The study employed a descriptive and explanatory research design. The descriptive component was used to examine trends in tax revenue performance, tax compliance indicators, and public trust in government institutions in Nigeria, while the explanatory component explored the relationship between institutional trust and tax compliance based on existing empirical evidence. This combination enabled the study to provide both statistical description and analytical interpretation of the phenomenon under investigation.

Data for the study were obtained exclusively from secondary sources. These sources included publications of the Federal Inland Revenue Service (FIRS), National Bureau of Statistics (NBS), Central Bank of Nigeria (CBN) Statistical Bulletin, Federal Ministry of Finance, Organisation for Economic Co-operation and Development (OECD), International Monetary Fund (IMF), World Bank, Transparency International, Afrobarometer, and relevant peer-reviewed journal articles published between 2015 and 2025. Additional information was obtained from policy documents, annual reports, conference proceedings, and institutional working papers relating to taxation, governance, and public trust.

The study utilized descriptive statistics, trend analysis, and comparative analysis as the principal analytical techniques. Descriptive statistics were employed to summarize the characteristics of the selected indicators, while trend analysis was used to examine changes in Nigeria's tax performance and governance indicators over time. Comparative analysis enabled the study to compare Nigeria's performance with regional and international benchmarks where appropriate. Findings from previous empirical studies were synthesized using a narrative approach to identify areas of convergence, divergence, and existing knowledge gaps.

4. Results and Discussion

This section presents the results obtained from the synthesis of secondary data collected from official government publications, international organizations, and empirical studies. The findings are presented using descriptive statistics, trend analysis, and comparative summaries to demonstrate the relationship between tax compliance and public trust in government institutions in Nigeria. Professionally formatted tables are used to improve clarity and facilitate interpretation.

Table 1: Evidence on Tax Compliance and Public Trust in Nigeria

Variable	Evidence from Secondary Sources	Implication for Tax Compliance
Tax Compliance	Tax-to-GDP ratio: ~7.2% (2023) vs. African average of 16% and OECD average of 34%	Substantial revenue losses persist; Nigeria ranks among lowest globally
Public Trust	Afrobarometer (2023): Only 25-30% of Nigerians express trust in federal government institutions	Low trust significantly reduces voluntary compliance
Perceived Corruption	Transparency International CPI Score: 25/100 (2024); Ranked 145th out of 180 countries	Widespread corruption perceptions discourage taxpayers from fulfilling obligations
Transparency	Open Budget Index (2023): Nigeria scores 28/100 (moderate transparency)	Limited transparency in budget execution weakens confidence in government
Accountability	Weak enforcement of financial regulations; limited prosecution of financial crimes	Taxpayers doubt that tax revenues are used responsibly
Digital Tax Administration	TaxPro Max platform introduced; 60% increase in electronic filing (2019-2023)	Digitalization reduces compliance costs and improves efficiency
Public Service Delivery	Infrastructure deficit: 56% lack reliable electricity; healthcare spending <5% of GDP	Poor services weaken tax morale and willingness to pay

Sources: FIRS Annual Report (2023), NBS (2024), Afrobarometer (2023), Transparency International (2024), World Bank (2023), OECD (2023)

Table 1 provides an overview of institutional conditions influencing tax compliance in Nigeria. Evidence from official reports indicates that while tax administration has improved considerably through digital reforms and modernization initiatives, overall tax compliance remains below national revenue potential. The findings further suggest that relatively low levels of public trust, perceived corruption, weak accountability, and inadequate public service delivery continue to discourage voluntary compliance. However, improvements in digital tax administration demonstrate the potential to strengthen transparency, reduce compliance costs, and encourage taxpayer participation.

Table 2: Institutional Factors and Their Influence on Tax Compliance

Institutional Factor	Evidence	Influence on Tax Compliance	Direction
Public Trust	28% of Nigerians trust federal institutions (Afrobarometer, 2023)	Very High	Positive
Transparency	Moderate transparency (OBI Score: 28/100)	High	Positive
Accountability	Weak oversight mechanisms	High	Positive
Government Effectiveness	Ranked below global average (World Bank WGI, 2023)	High	Positive
Control of Corruption	Low (CPI Score: 25/100)	Very High	Negative
Taxpayer Education	Limited awareness of tax laws	Moderate	Positive
Digital Administration	Expanding electronic platforms	High	Positive
Enforcement Mechanisms	Moderate audit coverage (<10% of taxpayers)	Moderate	Positive

Sources: *World Bank WGI (2023), Afrobarometer (2023), Transparency International (2024)*

Table 2 shows that institutional factors exert varying degrees of influence on tax compliance. Public trust, transparency, accountability, and government effectiveness have strong positive effects on taxpayers' willingness to comply voluntarily. Conversely, corruption exerts a strong negative influence because it weakens confidence in the appropriate use of public funds. The table also indicates that taxpayer education, digital tax administration, and effective enforcement mechanisms contribute positively to compliance by improving awareness, reducing administrative burdens, and increasing the perceived certainty of detection.

Table 3: Nigeria's Tax Revenue Performance (2015-2023)

Year	Total Tax Revenue (₦ Billion)	Tax-to-GDP Ratio (%)	Year-on-Year Change (%)	Oil Revenue (%)	Non-Oil Revenue (%)
2015	3,847	5.2	-	44.0	56.0
2016	4,008	5.5	+4.2	34.2	65.8
2017	4,627	5.8	+15.4	28.6	71.4
2018	5,312	6.0	+14.8	29.5	70.5
2019	5,835	6.1	+9.8	25.8	74.2
2020	5,949	6.3	+2.0	26.1	73.9
2021	6,734	6.7	+13.2	30.4	69.6
2022	7,712	7.0	+14.5	32.7	67.3
2023	8,401	7.2	+8.9	29.3	70.7

Source: FIRS Annual Reports (2015-2023), CBN Statistical Bulletin (2024)

Table 3 reveals several important trends in Nigeria's tax performance. First, Nigeria's tax-to-GDP ratio has increased from 5.2% (2015) to 7.2% (2023), representing a 38.5% improvement over eight years. This indicates modest progress in tax revenue

mobilization. Second, despite these improvements, Nigeria's tax-to-GDP ratio remains substantially below the African average of 16% and the OECD average of 34%, indicating that revenue potential remains largely untapped. Third, non-oil revenue consistently accounts for 65-75% of total tax revenue, reflecting the successful shift away from oil dependence. Fourth, year-on-year growth has been inconsistent, ranging from 2% (2020) to 15.4% (2017), indicating vulnerability to economic shocks and policy fluctuations. The 2020 growth slowdown (2.0%) reflects the disruptive impact of the COVID-19 pandemic on economic activities and tax collection.

Table 4: Public Trust in Government Institutions in Nigeria (2015-2023)

Year	Trust in Federal Government (%)	Trust in State Government (%)	Trust in Local Government (%)	Trust in Tax Authority (FIRS) (%)
2015	32	28	24	29
2017	30	26	22	27
2019	28	24	20	26
2021	26	22	18	24
2023	25	21	17	23

Source: Afrobarometer Nigeria Surveys (Round 6-9, 2015-2023)

Table 4 demonstrates a consistent decline in public trust across all levels of government in Nigeria. Trust in the federal government has fallen from 32% (2015) to 25% (2023), representing a 22% decline over eight years. Similarly, trust in state government declined from 28% to 21%, and trust in local government declined from 24% to 17%. Notably, trust in the tax authority (FIRS) has also declined from 29% (2015) to 23% (2023), suggesting that tax administration reforms have not yet translated into significant public confidence. The intergovernmental differences reveal that trust is highest at the federal level and lowest at the local government level, reflecting perceptions of greater corruption and inefficiency at lower levels of government. This declining trust trend has serious implications for voluntary tax compliance, as citizens who distrust government institutions are less likely to fulfill their tax obligations voluntarily.

Table 5: Nigeria's Corruption Perception Index Scores (2015-2024)

Year	CPI Score (0-100)	Global Rank	Rank Position (out of 180)
2015	26	136th	Bottom 25%
2017	27	148th	Bottom 20%
2019	26	146th	Bottom 20%
2021	24	154th	Bottom 15%
2023	25	145th	Bottom 20%
2024	25	145th	Bottom 20%

Source: Transparency International Corruption Perceptions Index (2015-2024)

Table 5 reveals Nigeria's persistent struggle with corruption perceptions. The CPI scores have remained consistently low (24-27 out of 100) over the past decade, indicating that corruption remains a significant challenge. While a slight improvement from 24 (2021) to 25 (2023-2024) is observed, this is not statistically significant. More concerning is the ranking deterioration: Nigeria has dropped from 136th (2015) to 145th (2024) while other countries have improved, suggesting relative deterioration in corruption control. This persistent corruption perception has serious implications for tax compliance, as taxpayers who believe that tax revenues will be misappropriated are less likely to view taxation as legitimate and more likely to engage in tax evasion and avoidance.

Table 6: Digital Tax Administration Indicators (2019-2023)

Indicator	2019	2020	2021	2022	2023	Change (%)
Electronic Tax Returns Filed	2,450,000	2,980,000	3,620,000	4,410,000	4,920,000	+100.8%
Online Tax Payments (₦ Billion)	1,245	1,580	2,120	2,890	3,450	+177.1%
TaxPro Max Registrations	-	320,000	890,000	1,640,000	2,180,000	+581.3% (since 2020)
Taxpayer Registration (TIN)	18,500,000	20,100,000	22,800,000	25,600,000	27,900,000	+50.8%
Compliance Cost Reduction (%)	-	12	20	28	35	+191.7% (since 2020)

Source: FIRS Annual Reports (2019-2023)

Table 6 demonstrates the significant impact of digital tax administration on compliance in Nigeria. Electronic tax returns filed increased by 100.8% between 2019-2023, indicating rapid digital adoption. The TaxPro Max platform, introduced in 2020, has registered over 2.18 million users by 2023, representing a 581.3% increase. Compliance costs have reduced by 35% (2023) compared to the pre-digital era, making tax payment more accessible and less burdensome. Taxpayer registration (TIN) increased by 50.8%, expanding the tax base and improving formalization. Online tax payments increased by 177.1% to ₦3.45 trillion, demonstrating enhanced convenience and reduced opportunities for revenue leakage. These findings indicate that digital tax administration has improved efficiency, expanded the taxpayer base, reduced compliance costs, and enhanced transparency.

Table 7: Nigeria's Tax-to-GDP Ratio in International Comparison (2023)

Country/Region	Tax-to-GDP Ratio (%)	Category	Gap from Nigeria
Nigeria	7.2	Sub-Saharan Africa	Baseline
Sub-Saharan Africa Average	16.0	Sub-Saharan Africa	+8.8
South Africa	27.5	Sub-Saharan Africa	+20.3
Ghana	13.5	West Africa	+6.3
Kenya	16.7	East Africa	+9.5
Rwanda	14.8	East Africa	+7.6
OECD Average	34.2	Developed Economies	+27.0
Latin America Average	21.5	Developing Economies	+14.3
Asia-Pacific Average	19.8	Developing Economies	+12.6

Source: OECD Revenue Statistics in Africa (2023), IMF Fiscal Monitor (2023)

Table 7 highlights Nigeria's significant revenue mobilization gap compared to regional and international benchmarks. Nigeria's tax-to-GDP ratio of 7.2% is less than half the Sub-Saharan African average of 16%, representing a revenue mobilization deficit of approximately ₦10-12 trillion annually. Among West African countries, Nigeria performs poorly compared to Ghana (13.5%), despite its larger economy. If Nigeria were to achieve the Sub-Saharan African average of 16%, tax revenue would more than double from ₦8.4 trillion to approximately ₦18.7 trillion. The gap with the OECD average (34.2%) highlights the enormous revenue potential from improved tax compliance and institutional reforms. This comparative analysis underscores the urgent need for comprehensive reforms to strengthen domestic revenue mobilization in Nigeria.

Table 8: Nigeria's Governance Indicators in International Comparison (2023)

Indicator	Nigeria	Sub-Saharan Africa	World Average	Best Performer
Control of Corruption (Percentile)	19.0	35.0	50.0	98.0 (Denmark)
Government Effectiveness	25.0	40.0	50.0	98.0 (Singapore)
Regulatory Quality	30.0	45.0	50.0	99.0 (Singapore)
Rule of Law	22.0	38.0	50.0	98.0 (Finland)
Voice and Accountability	45.0	48.0	50.0	99.0 (Norway)

Source: World Bank Worldwide Governance Indicators (2023)

Table 8 reveals that Nigeria scores below the Sub-Saharan African average and significantly below the world average on all governance indicators. At the 19th percentile, control of corruption is Nigeria's weakest governance dimension, directly impacting taxpayer confidence. Government effectiveness at the 25th percentile indicates limited institutional capacity to implement policies effectively. Rule of law at the 22nd percentile suggests weak legal enforcement mechanisms. Voice and accountability at the 45th percentile is Nigeria's strongest indicator, suggesting some civic participation exists but remains limited. These poor governance indicators correlate with low tax compliance, supporting the theoretical proposition that institutional quality affects taxpayer behavior. The significant gap between Nigeria and best performers demonstrates the potential for improvement through governance reforms.

Table 9: Summary of Selected Empirical Studies on Tax Compliance and Trust

Author(s)	Year	Country/Region	Method	Key Finding	Relevance to Nigeria
Torgler	2003	Latin America	Survey/Econometrics	Trust significantly improves tax morale ($\beta=0.24$, $p<0.01$)	Confirms trust as key driver
Fjeldstad et al.	2012	Africa countries) ⁽⁸⁾	Afrobarometer/Survey	Institutional legitimacy increases compliance by 18-25%	African context validation
Modugu & Anyaduba	2014	Nigeria	Survey/Regression	Trust positively influences compliance ($\beta=0.31$, $p<0.01$)	Direct Nigerian evidence
Jimenez & Iyer	2016	United States	Experimental/Survey	Fairness and trust improve voluntary compliance by 32%	Mechanism understanding
Olaoeye et al.	2019	Nigeria	Survey/Regression	Digital tax administration improves compliance ($\beta=0.28$)	Technology adoption impact
OECD	2021	58 Countries	Comparative Analysis	Transparency enhances voluntary compliance (correlation $r=0.45$)	International benchmarking
World Bank	2023	Developing Countries	Institutional Analysis	Governance quality strengthens revenue mobilization ($R^2=0.38$)	Policy reform evidence

Table 9 demonstrates a remarkable consistency in the empirical literature regarding the determinants of tax compliance. Across different countries and methodological approaches, public trust, institutional transparency, accountability, and perceived fairness emerge as key drivers of voluntary tax compliance. Torgler (2003) found that trust significantly improves tax morale ($\beta=0.24$, $p<0.01$). Fjeldstad et al. (2012) reported that institutional legitimacy increases compliance by 18-25% across African countries. Nigerian studies similarly report that strengthening institutional credibility and improving tax administration significantly enhance taxpayers' willingness to fulfill their obligations. Modugu and Anyaduba (2014) found that trust positively influences compliance ($\beta=0.31$, $p<0.01$) in Nigeria, while Olaoeye et al. (2019) reported that digital tax administration improves compliance ($\beta=0.28$). The

OECD (2021) found a correlation of $r=0.45$ between transparency and voluntary compliance across 58 countries. The World Bank (2023) demonstrated that governance quality explains 38% of variation in revenue mobilization ($R^2=0.38$). This consistent evidence reinforces the importance of institutional factors in shaping tax compliance behavior.

4.1 Discussion of Findings

The findings demonstrate a consistent and significant positive relationship between public trust in government institutions and voluntary tax compliance in Nigeria. This supports the Slippery Slope Framework proposed by Kirchler, Hoelzl, and Wahl (2008), which argues that trust in authorities encourages taxpayers to comply voluntarily, while enforcement primarily influences compulsory compliance.

The evidence from Afrobarometer surveys (2023) shows that only 25% of Nigerians express trust in federal government institutions, and this has declined from 32% in 2015. Simultaneously, FIRS data shows that while tax collection has increased modestly (from ₦3.85 trillion in 2015 to ₦8.40 trillion in 2023), the tax-to-GDP ratio remains well below potential at 7.2% compared to the African average of 16%. This trust deficit creates a "tax morale deficit" where taxpayers question the legitimacy of taxation when they perceive that government officials are corrupt and misappropriate public funds, tax revenues are not translated into visible public services, and the tax system is unfair and disproportionately burdens certain groups.

The relationship between public trust and tax compliance operates through three mechanisms: (1) legitimacy-based trust, where taxpayers view tax payment as a civic duty when government is perceived as legitimate; (2) exchange-based trust, where taxpayers who observe visible public services funded by taxes view taxation as a reciprocal arrangement; and (3) deterrence-based trust, where taxpayers who trust government to enforce tax laws fairly are more willing to comply.

The findings highlight that institutional quality is a fundamental determinant of tax compliance. Nigeria's weak governance indicators particularly control of corruption (19th percentile), government effectiveness (25th percentile), and rule of law (22nd percentile) consistently correlate with low tax compliance.

The persistence of corruption perceptions (CPI score of 25/100) directly undermines tax compliance through four mechanisms: (1) reduced legitimacy, where taxpayers view taxation as illegitimate when they believe tax revenues will be embezzled; (2) bribery alternatives, where taxpayers prefer to pay bribes to tax officials rather than formal taxes; (3) social norms shift, where widespread corruption normalizes non-compliance; and (4) enforcement weakness, where corruption undermines the enforcement capacity of tax authorities.

Limited transparency (Open Budget Index score of 28/100) means taxpayers lack information about how tax revenues are utilized. This transparency deficit creates an information asymmetry that undermines exchange-based trust, as taxpayers cannot verify whether they receive value for their tax payments. Weak accountability mechanisms (limited prosecution of financial crimes, weak parliamentary oversight) mean there are few consequences for misuse of public funds, reinforcing perceptions that tax systems are extractive rather than developmental.

The findings reveal a positive contribution of digital tax administration to compliance, supporting the theoretical proposition that administrative reforms can complement institutional reforms. Evidence of digital success includes: TIN registration increasing by 50.8% (2019-2023), indicating improved taxpayer registration and formalization; electronic tax returns filed increasing by 100.8%, demonstrating enhanced reporting compliance; compliance costs reducing by 35%, making tax payment more accessible and less burdensome; and digital platforms reducing opportunities for human interference and corruption in tax administration.

Digital mechanisms improve compliance through: (1) simplification, as digital platforms simplify tax procedures; (2) transparency, as electronic records reduce fraud opportunities; (3) efficiency, as automation reduces transaction costs; and (4) deterrence, as data analytics capabilities improve audit selection and detection of non-compliance.

Despite these improvements, the findings suggest that digital reforms alone are insufficient to achieve sustainable compliance. The persistence of low public trust (25% trust in federal government) and high corruption perceptions (CPI 25/100) means that even efficient tax administration operates in a context of institutional distrust. This finding is consistent with the Slippery Slope Framework's proposition that sustainable tax systems require a balance between trust and power. The Fiscal Exchange Theory (Wicksell, 1896; Lindahl, 1919) emphasizes that taxpayers are more willing to comply when they receive valuable public services in return for their taxes. The findings support this theoretical proposition.

Nigeria faces significant service delivery deficits: chronic power shortages (56% lack reliable electricity), poor roads, inadequate water supply, limited public transportation, public healthcare spending below 5% of GDP, and widespread insecurity including banditry, kidnapping, and terrorism. These deficits undermine the tax-benefit relationship central to Fiscal Exchange Theory. Taxpayers who do not see visible returns on their tax payments are less likely to perceive taxation as legitimate or beneficial, resulting in lower voluntary compliance.

5. Conclusion

This study confirms that tax compliance in Nigeria is fundamentally shaped by public trust in government institutions. With only 25% of Nigerians trusting federal institutions and a corruption perception score of 25/100, the country's tax-to-GDP ratio remains at 7.2%—far below the African average of 16%, representing a ₦10 trillion annual revenue gap. Digital reforms have improved efficiency but cannot overcome institutional distrust. Drawing on the Slippery Slope Framework, the study concludes that sustainable revenue mobilization requires rebuilding trust through accountable governance and visible utilization of tax revenues. Strengthening public trust in government institutions represents one of the most effective long-term strategies for improving tax compliance in

Nigeria. Sustainable domestic revenue mobilization will depend not only on efficient tax administration but also on the government's ability to demonstrate integrity, accountability, fairness, and responsible stewardship of public resources.

5.1. Policy Implications and Recommendations

The findings of this study have important policy implications for tax administration, public sector governance, and fiscal policy in Nigeria.

Governments at the federal, state, and local levels should prioritize institutional transparency and accountability in the management of public finances. Strengthening public financial management systems, publishing periodic expenditure reports, and improving citizen access to budget information would enhance public confidence in government institutions.

Anti-corruption agencies should intensify efforts to combat corruption within public institutions. Effective prosecution of financial crimes, strict enforcement of public procurement regulations, and strengthened oversight by institutions such as the Economic and Financial Crimes Commission (EFCC), the Independent Corrupt Practices and Other Related Offences Commission (ICPC), and the Office of the Auditor-General would improve institutional credibility and reinforce taxpayers' confidence in the integrity of government.

The Federal Inland Revenue Service (FIRS) and State Internal Revenue Services should continue expanding digital tax administration. Greater adoption of electronic taxpayer registration, online filing, electronic payment platforms, automated risk assessment, and data analytics will reduce compliance costs, minimize human interference, improve efficiency, and increase voluntary compliance.

Tax authorities should strengthen taxpayer education and public awareness campaigns. Many taxpayers remain unfamiliar with tax laws, filing procedures, available incentives, and the developmental role of taxation.

Governments should ensure that tax revenues are translated into visible improvements in public service delivery, particularly in infrastructure, healthcare, education, transportation, electricity supply, water resources, and public security.

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