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TAX PERFORMANCE AND QUALITY OF GOVERNANCE IN NIGERIA

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A B S T R A C T

Government cannot run in isolation, they need revenue to run their operations and one of the sources of this revenue is taxation. Despite government lamentations of a lack of funds for infrastructure development, there is a scarcity of literature in Nigeria on how tax performances may influence the quality of governance. This study examined the impact of tax performance on the quality of governance in Nigeria. Data for the study were taken from the OECD, the World Bank, and the Central Bank of Nigeria's annual reports, and the research design used is ex-post facto. The Hausman test was employed to analyze the data collected after subjecting it to the unit root test. Tax performance is proxy by company income tax, personal income tax, and value-added tax while the corruption perception index was used as a proxy for quality of governance. This study's findings revealed that the quality of governance and personal income tax are positively and significantly related, with a p-value of 0.0000, a t-statistic of 6.320390, and coefficients of 0.200227. This study's findings revealed that quality of governance and company income tax are negatively and significantly related, with a p-value of 0.0000, t-statistic of -9.743164, and coefficients of -0.228796. However, this study's findings revealed that the quality of governance and value-added tax are not related, with a p-value of 0.3252, a t-statistic of -0.984622, and a coefficient of -0.033803. This study concluded that tax performance had a significant impact on governance quality in Nigeria. This study recommends that taxation if appropriately controlled will improve the quality of governance, create jobs in the country, lower inflation, and boost economic growth.

1. INTRODUCTION

A Common characteristics of Nigeria include a dearth of public amenities, significant debt loads, and an excessive reliance on foreign aid and subsidies. In these nations, responding to external debt commitments typically entails increasing debt, which leads to an excessive debt buildup. The majority of issues with economic growth and sustainable development in developing countries such as Nigeria are caused by insufficient domestic income collection for developmental projects; as a result, they typically need external financing (Chand & Moene, 1999). While developing nations' excessive reliance on outside funds causes complications over time. These countries should place a high priority on local revenue collection (Gupta, 2007; Otekunrin et al., 2023; Otekunrin et al., 2021a). Developing nations like Nigeria must invest more in areas like health, education, and infrastructure in order to address their difficulties with slowing growth; as a

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result, they must make a greater effort to collect taxes (Bird et al., 2008). Corruption in tax administration is one of the key issues and political instability in developing nations is the second major issue with low revenue creation. Tax Administration and tax system reform are the two main elements of revenue generation (Bird et al., 2014; Santi, 2019). The foremost aim of tax administration and tax system reform is to make tax administrations more effective, particularly by lowering corruption and tax evasion. Political instability has a number of fundamental features, including unstable governments and, consequently, inconsistent policy frameworks, both of which impede systemic long-term tax reform. There is general consensus that the existence of tax evasion and corruption of government officials is a phenomenon that can drastically lower tax collection and severely hinder economic growth and development. Since corruption is a component of the larger problem of governance and public management, it can't be examined in isolation. For a nation to develop, its governance must be of outstanding quality. So it is remarkable that one of the most important factors influencing how public funds are raised receives little attention (Otekunrin et al., 2021b; Günay & Topal, 2021). Tax performance and governance refers to a country's ability to collect revenue, offer goods to the public, and carry out other particular responsibilities. Prior studies have made an attempt to investigate the relationship between tax performance and good governance, but have come up with mixed findings. More so, most of these studies were carried out using governance as the independent variable and tax performance as the dependent variable. The majority of this research was conducted in advanced and developed economies. Even as our government laments a lack of funds for infrastructure development, there is a scarcity of literature on Nigeria. The necessity to overcome the gap prompted this research into the impact of tax performance on good governance in Nigeria.

2. LITERATURE REVIEW

Many developing countries like Nigeria still struggle to generate enough money for government spending. Nigeria governments typically rely heavily on foreign aid and debt funding to provide public goods including fundamental healthcare, infrastructure, and education, which results in historically low tax collection. (Feger, & Asafu-Adjaye, 2014; Otekunrin et al., 2021a; Otekunrin et al., 2018**).** Although ensuring that these funds are used effectively to build resources in order for the loans to be serviced and paid back in the future can make foreign finance attractive, placing too much confidence in the productivity of loans can leave governments with large debts. Low per capita income, a poorly designed tax system, an economic basis in subsistence agriculture, ineffective tax and customs administration, and so on are some of the difficulties that need to be addressed when it comes to increasing taxes in Nigeria. A tax system is made up of tax legislation, tax policy, and tax administration (Adesola, 2004). They are expected to work together to attain the country's economic objectives. The country's tax system's principal purpose is to increase the well-being of all citizens. The Joint Tax Board and the Federal Inland Revenue Services of Nigeria, which were founded in 1961 and 1990, respectively, are the principal bodies in charge of tax administration in every country. The South African Revenue Services (SARS) is in control in South Africa, and the Zimbabwe Revenue Authority is in charge in Zimbabwe.

According to Chigbu and Njoku (2015), taxes are a crucial source of income for every economy and are frequently utilized to close the wealth gap. Out of every one of the potential avenues for money for the government, tax revenue is the most crucial source of financing for public spending. Taxation is viewed as a cost that everyone must bear to maintain their government in place since the government has certain duties to carry out for the benefit of the people it rules (Bruno, 2019). Direct taxes (such as corporate tax and wealth tax) and indirect taxes (such as sales tax) are the two types of taxes that are paid (which include value-added tax, service tax, and so on). It is crucial and impossible to ignore that people must be willing to pay taxes and the government should encourage citizens to pay their taxes (Akintoye & Tashie, 2013). It is evident that a solid tax structure is important for a country's economic development. As a country's population grows, so do its needs and these needs must be met if the predicted expansion is to be realized. Governments all throughout the world require more revenue to fulfill their clear responsibilities, and taxes are a valid source of revenue (Ogbonna & Appah, 2012; Otekunrin et al., 2023; Otekunrin et al., 2021b).

Nigeria have long been characterised by "failed state" and "African exceptionalism viewpoints." This is because Nigeria routinely rank towards the bottom of every measure of state effectiveness (Evans & Rauch, 1999). As a result, analytical methods for assessing government quality in the OECD region could be extended to growing economies and developing countries in (East) Asia and Latin America, but they were less relevant. A lack of available data, a scarcity of expertise, and the perceived unusual nature of Nigeria governance difficulties are among the main reasons for adopting this "Africa exceptionalism" perspective (Altbach & Balan, 2007). The dominant viewpoint in media coverage of Nigeria and publications from development cooperation agencies is deeply rooted in the continent's governance issues, such as corruption and nepotism. Corruption is a big problem in Nigeria, and it is affecting the quality of their government.

Economic growth is the increase in the inflation-adjusted market value of an economy's commodities and services over time. Economic growth is the gradual increase in a country's per capita output or net national product (Dwivedi, 2004). It implies that overall output growth must outperform population increase, resulting in better living conditions for locals. Ewa et al. (2020) describe economic growth as an increase over time in a country's goods and services. Because economic growth does not always indicate economic development, a country's economic growth is unlikely to lead to development in the long term, medium term, or short term (Feldman et al., 2016). The market worth for every finished product and service produced over a specific time period is quantified by the Gross Domestic Product (GDP), which is expressed in dollars. Real GDP, which is computed by dividing nominal GDP by the GDP deflator, has historically been a good indicator of economic growth because it takes into account changes in the price level of goods and services produced inside a nation over time (Otekunrin et al., 2023).

The Company Income Tax Act (CITA) is the primary statute that governs corporate taxation. A corporate tax, often known as a company tax or corporation tax, is a direct tax imposed by a government on the capital or profits of businesses or other legal entities (Oyedokun & Ogwuche, 2019). Many countries impose such taxes at the national level, and states and local governments may impose a similar tax. The CIT is a tax imposed on the profits of registered businesses. It also includes earnings from foreign corporations doing business in a resident country in any capacity. The CIT is paid by limited liability companies, particularly public limited liability companies (Oyedokun & Ogwuche, 2019). For example, CIT is currently paid at a rate of 30% for businesses with a turnover of more than 100 million Naira in Nigeria. For enterprises having a turnover of N25 million to N100 million, it is also paid at a rate of 20%. The tax is determined using earnings from the previous year.

Value Added Tax (VAT) is a consumption tax collected at each level of the consumption chain and paid by the final consumer. VAT collection is equitable, uniform, and difficult to evade. VAT makes a major contribution to the government's total revenue collection and, as a result, to a country's economic growth. Despite the fact that the growth in VAT income was not significant, it was consistent. Countries all over the world are looking for new methods to raise money, which has resulted in the introduction of value-added taxes on goods and services in a number of countries. Nigeria, Kenya, Madagascar, Benin Republic, Cote d'Ivoire, Mauritius, Senegal, and Togo, for example, have implemented VAT. Evidence suggests that VAT has become a significant source of government revenue in many nations (Ajakaiye, 1999; Oladipupo & Izedonmi, 2013). There is need to increase VAT revenue to enhance tax revenue. This can be accomplished not only by raising the VAT rate to 5%, but also by plugging any VAT revenue leaks, educating Nigerian company executives about the importance of remitting VAT money, and providing adequate training to the Federal Inland Revenue staff in charge of collecting VAT revenue. The rate of value-added tax is as follows: The standard rate of 7.5 percent applies to the provision of Vatable goods and services. Diplomatic products and services, non-oil exports, and goods purchased for use in humanitarian donor-funded activities are all VAT-free.

Personal income tax (PIT), as defined by the PIT (Amendment) Act 2011, is a government-imposed tax on the profits of individuals, groups of individuals, and sole traders. Individuals, families, and communities generate money from their employment, professions, trades, or vocations, which is referred to as personal income (Dandago & Alabede, 2001). Nigeria's principal economic goal as a developing country is to accelerate economic growth, resulting in higher per capita income and higher living conditions for its citizens.

The theoretical frameworks for this study include the Ability to Pay Theory, Cost of Service Theory, and Benefits Received Theory. These are theories adopted in this study. Under the Ability to pay theory, citizens should pay taxes to the government in proportion to their financial means, according to the most widely held and accepted notion of tax equity or justice. The prevalent taxation paradigm, the ability to pay, is frequently viewed as a sacrifice. It is asserted that it promotes progressive taxation by interpreting sacrifice in one of three ways: equal, equal-proportional, or least-sacrifice theories. These theories are based on three assumptions: money's marginal utility decreases as its supply grows, sacrifice exists as a result of tax payment, and the quantitative expression of that sacrifice. The ability to pay theory is shattered when each of these pillars is revealed to be flawed (Kendrick, 1939). The Ability to Pay Premise, rather than the Benefits Received concept, dominates modern equity disputes. Economists disagree on how to define a person's financial competence. Some people feel that one's ability to pay should be defined by their income, while others believe it should be determined by their property ownership, and yet others believe it should be determined by their spending. The best way to determine a person's "capacity to pay" is to look at their income. Cost of service theory proposed that in situations where services are offered for a charge and are relatively easy to quantify, such as train services, energy supplies, and postal services, the cost of service principle can be applied to some extent. However, because the majority of the state's expenses are difficult to measure accurately, they cannot be fixed for each individual. How can cost of military be estimated, judicial, and police service to different people, for example? This argument has also been disputed by Dalton, who claims that a tax does not produce return on investment. That is a benefit or advantage given in exchange for something (Otekunrin et al., 2021b).Benefits Received theory is based on the tax-fairness principle that states that people should pay taxes based on the government benefits they receive. According to the principle, those who benefit the most from the government, whether directly or indirectly should pay the most taxes (Kagan, 2020). The premise of this approach is that tax paying individuals and government officials have a basic commercial relationship. The state provides some goods and services to society's members, and they pay proportional share of the cost in exchange for the benefits they receive

(Bhartia, 2009; Onakoya & Afintinni, 2016). Some of the extant studies in this area of study include Umar et al. (2019), Kovermann and Velte (2019) as well as Baskaran and Bigsten (2013). The development of the modern state's taxation capability resulted in more democratic and less corrupt governance (Baskaran & Bigsten, 2013). Baskaran and Bigsten (2013) used a dataset of Nigeria from 1990 to 2005. They investigated whether tax performance has a positive impact on government quality in Sub-Saharan Africa's contiguous areas. More fiscal capability decreases corruption and strengthens democracy in Sub-Saharan Africa, according to the research (Economist Intelligence Unit, 2020). Umar et al. (2019) examined the relationship between government quality and tax compliance behavior in developing countries. The study asserts and finds that in developing countries, socioeconomic position acts as a mediator between the quality of government and tax compliance behavior. More research into the concept of socioeconomic position, as well as how and why it affects tax compliance, is needed, according to the findings. Socioeconomic circumstances appear to be a wider, clearer, and more practicable phrase for measuring purposes than public goods/spending as it is currently defined in the literature. Kovermann and Velte (2019) examined how governance affects tax evasion (79 articles). When using a stakeholder-oriented approach, they discovered that a number of governance factors, including the makeup of boards, shareholder and management motivation alignment, capital market monitoring, audit, enforcement, interactions with the government, ownership makeup, as well as pressure from other stakeholders, have an enormous effect on tax avoidance.. Effective systems, according to the research, steer tax evasion to the ideal level for each organization. This study shows that government institutions have the power to boost tax evasion and thus firm profitability, as well as to limit tax avoidance to a level where the dangers do not outweigh the benefits in a panel of 31 Sub-Saharan African nations with significant natural resource endowments. Although many studies have been done on the impact of tax performance on the quality of governance in Nigeria using corruption perception index, CIT, PIT, VAT, and population data, to the best of these researcher's knowledge, few studies have been done on the impact of tax performance on quality of governance in Nigeria using corruption perception index as the dependent variable. This study used CIT, PIT, and VAT as independent variables. The following specific research questions are answered by the null hypotheses formed for this study. What is link between the quality of governance and CIT generated in the Nigeria? What is link between the quality of governance PIT generated in the Nigeria? Finally, what is link between quality of governance and VAT generated in the Nigeria?

3. AIM AND HYPOTHESES

This study examined the impact of tax performance on the quality of governance in Nigeria. Data were gathered from the World Bank and Central Bank of Nigeria Statistical Bulletin for the period between 1999 and 2022 in order to address the research questions posed and evaluate the following study null hypotheses:

H_{01}: Quality of Governance and Company Income Tax generated are not related in Nigeria

H_{02}: Quality of Governance and Personal Income Tax generated are not related in Nigeria

H_{03}: Quality of Governance and Value Added Tax generated are not related in Nigeria

4. METHODOLOGY

In determining the effect of tax performance on the quality of governance, an ex-post facto research design will be adopted. This design method was chosen because the data used in this study involves the use of past records in order to determine the present record and also examines how an independent variable affects a dependent variable. Secondary data was used in other to test the hypothesis and to provide answers to the research questions. Data for this research comprised annual time series data from 1996-2019 (23 years). In order to explore if the quality of government and tax performance are related, an empirical model used was adapted from Baskaran and Bigsten (2013) to suit the research under study.

The models are:

CPI=F (TPROFIT, TGDP, TRD, POP, GDP) (1)

Where:

CPI is the corruption perception index, TPROFIT is total tax as a percentage of profit (used as a proxy for CIT company income tax), TGDP is total tax as a percentage of gross domestic products (used to proxy PIT personal income tax), TRD is trade openness (used to proxy VAT value added tax) and the control variables are POP and GDP, which denotes population and gross domestic product respectively.

The implicit and functional model in equation *1* is converted to explicit and panel data model as shown in equation*2*

$$\mathrm{CPI_{it}} = \alpha_0 + \beta_1 \mathrm{TPROFIT_{it}} + \beta_2 \mathrm{TGDP_{it}} + \beta_3 \mathrm{TRD_{it}} + \beta_4 \mathrm{POP_{it}} + \beta_5 \mathrm{GDP_{it}} + \mu_{it} \quad (2)$$

Where:

α_0 Is a constant term

$\beta_1 - \beta_5$ Is the coefficient (parameters of independent variables to be estimated)

μ= Stochastic error term

i= country specific

t=time element to illustrate the time series structure of data

$$logCPI_{it} = \alpha_{it} + \beta_1 logTPROFIT_{it} + \beta_2 logTGDP_{it} + \beta_3 logTRD_{it} + \beta_4 logPOP_{it} + \beta_5 logGDP_{it} + \quad (3)$$

5. RESULTS

The descriptive method plots the systemized attributes and presents the outline of the data for various factors in a single table. Factors can be efficient depending on the magnitude of their approaches or how the variable is chosen. In Table 1, the descriptive results show that there is an information portrayal between the subordinate variable and each of the autonomous components. LCPI signifies log of corruption perception index, LTPROFIT signifies log of total tax profit (proxy company income tax), LTGDP signifies log of total tax gross domestic product (proxy personal income tax), TRD signifies trade openness (proxy value-added tax), LPOP signifies log of population and LGDP signifies log of gross domestic product. The descriptive technique computes the systemized values and displays informational summaries for the different parameters. Their mean size may well be chosen or ordered depending on the variables. A complete summary stat of the variables employed by the study, with a total of 587 observations evaluated, is provided in Table 1 Table 1's quality of governance section demonstrates that there is an elevated state of dispersion, with a mean value of 2.048834 and a standard deviation of 1.250085 for 31 countries across the time The dispersion of quality of governance (lcpi) is positively skewed, as indicated by the coefficients of skewness and kurtosis, which are 0.293191 and 1.398709, correspondingly. The determined value of the Jarque-Bera statistic is 71.12190, and its significant likelihood is 0.000. A significant degree of dispersion is indicated by Table 1's total tax profit, which reveals that the mean value of profit for 31 countries over the period is 3.764969 with a standard deviation of 0.551308. The split of the total tax profit is favorably skewed, as indicated by the coefficients of skewness and kurtosis, which are 1.43 and 6.73, respectively. The estimated value of 542.6001 and the significant probability of 0.000 for the Jarque-Bera statistic

Table 1. Descriptive Statistics

	LCPI	LTPROFIT	LTGDP	LLGDP	LLPOP	LTRD
Mean	2.048834	3.764969	2.595188	16.55546	16.35270	4.103995
Median	1.504077	3.730501	2.637043	16.39181	16.55491	4.094345
Maximum	4.174387	5.826295	3.783667	19.98337	19.11863	5.056246
Minimum	-0.371064	2.660260	1.256310	14.21549	13.07120	2.833213
Std. Dev.	1.250085	0.551308	0.447497	1.309353	1.248994	0.413379
Skewness	0.293149	1.434153	0.031172	0.569448	-0.463099	-0.130101
Kurtosis	1.398709	6.735974	2.796366	3.486489	2.912100	2.660315
Jarque-Bera	71.12190	542.6001	1.109276	37.51306	21.17039	4.478114
Probability	0.000000	0.000000	0.574280	0.000000	0.000025	0.106559
Observations	587	587	587	587	587	587

Source: *Author's computation using E-VIEWS*

Regression Analysis

The suitability of a fixed or random effect model for all the model parameters in this section was determined using the Hausman test. The probability value, the coefficient of determination as well as the coefficient of correlation for each variable were shown in a regression analysis. The Hausman test result is displayed in Table 2. According to the Hausman test rule, the random estimate should be used if the p-value is statistically significant (p0.05) and the fixed estimator should be used if it is not ($p>0.05$). The fixed effects model will therefore be estimated since the p-value of 0.0026 is less than 0.05.

Using CPI as the dependent variable (corruption perception index).

Table 2. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	18.296490	5	0.0026

Source: *Author's computation using E-VIEWS*

Table 3 gives a summary of the fixed effect model, which has already been validated as the correct model for computing the variables. The R-squared is 95 percent or higher (0.956315). The F-strong statistic and statistically significant value (0.000000) indicate the model's overall relevance and the independent variable's predictive potential. Hypothesis One: H_{01}: Quality of Governance and Company Income Tax generated is not related in Nigeria. The result shown in Table 3 is that total tax profit (proxy for company income tax) and quality of governance (CPI) are negatively and significantly related in Nigeria. Since the p- value 0.0000 is less than 0.05, with t-Statistic of -9.743164, and coefficients of -0.228796. The result of this model suggests that TPROFIT and CPI are meaningful related. According to these findings, total tax profit has a negative substantial impact on governance quality; so, the null hypothesis rejected in this study, and the alternative accepted. Hypothesis Two: H_{02}: Quality of Governance and Personal Income Tax generated are not related in Nigeria. The result in Table 3 below shows that total tax gross domestic product (proxy personal income tax) and quality of governance (CPI) are positively and significantly related. Since the p- value 0.0000 is less than 0.05, with t-Statistic of 6.320390, and coefficients of 0.200227. According to this finding, this model suggests that there is a meaningful association between TGDP and CPI. As a result of the aforementioned in this study, reject the null hypothesis and accept the alternative. Total tax gross domestic product has a positive significant impact on governance quality. Hypothesis Three: H_{03}: Quality of Governance and Value Added Tax generated are not related in Nigeria. The result shown in Tables 3 that quality of governance (CPI) and value-added tax (i.e. LTRD) are negatively but not significantly related. Since the p- value, 0.3252 is more than 0.05, with t-Statistic of -0.984622, and coefficients of -0.033803. The conclusion of this model suggests that LTRD and CPI are not significantly related. As a result of the below analysis, the null hypothesis that Quality of Governance and Value Added Tax generated in Nigeria are not related is accepted.

Table 3. Period random effects test equation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.091411	0.293300	13.94960	0.0000
LTPROFIT	-0.228796	0.023483	-9.743164	0.0000
LTGDP	0.200227	0.031680	6.320390	0.0000
LTRD	-0.033803	0.034330	-0.984622	0.3252
LLPOP	-0.128982	0.017347	-7.435621	0.0000
LLGDP	0.033049	0.015003	2.202794	0.0280*
R-squared	0.956315	Mean dependent var		2.048834
Adjusted R-squared	0.954123	S.D. dependent var		1.250085
S.E. of regression	0.267756	Akaike info criterion		0.250658
Sum squared resid	40.00475	Schwarz criterion		0.466801
Log likelihood	-44.56809	Hannan-Quinn criter.		0.334880
F-statistic	436.2567	Durbin-Watson stat		0.150548
Prob(F-statistic)	0.000000			

*Note: ***Regression is significant at the 0.01 level. *Regression is significant at the 0.1 level.*
***Source:** Author's computation using E-VIEWS*

6. DISCUSSIONS

This study examined the impact of tax performance on the quality of governance in Nigeria. CIT (i.e. LTPROFIT), PIT (i.e. LTGDP), and VAT (i.e. LTRD) were used as proxies for tax performance while the corruption perception index (LCPI) was used as a proxy for quality of governance. The regression analysis result above indicates a significant relationship between LTPROFIT, LTGDP, LTRD, and LCPI, hence the study rejected Hypothesis One: H01: Quality of Governance and Company Income Tax generated is not related in Nigeria. The result showed that total tax as a percentage of profit (i.e. LTPROFIT used as a proxy for company income tax) has a significant negative impact on quality of governance (LCPI). The results suggest that the more the tax revenues (i.e. company income tax)) rise, the less its impact quality of governance, then, Nigeria needs to adopt effective strategies against corruption instead of being relaxed. This is consistent with the findings of Gupta (2007) as well as Ajaz and Ahmed (2010). The study rejected Hypothesis Two: H02: Quality of Governance and Personal Income Tax generated are not related in Nigeria. The results show that total tax as a percentage of gross domestic products (i.e. LTGDP used as a proxy for Personal income tax) has a significant positive impact on the quality of governance (LCPI). The results suggest that the more that tax revenues (i.e. personal income tax) rise, the more its impact on the quality of governance, then, Nigeria need to increase the quality of governance for personal income tax to continue to rise. Hence Nigeria need to adopt effective strategies against corruption instead of being relaxed. The result is consistent with the findings of Chariye (2016) and Hossain (2014). Lastly, the study rejected Hypothesis Three: H03: Quality of Governance and VAT generated are not related in Nigeria. The result also showed trade openness (i.e. LTRD used to proxy value-added tax) has no impact on quality of governance (LCPI) which is consistent with the findings of Epaphra and Massawe (2017). However, for the government to be on the safe side Nigeria need to increase the quality of governance.

7. CONCLUSION

This research work conducted helped to determine whether the performance of tax and the quality of governance in Nigeria are significant related and it was brought to a conclusion that tax performance has a substantial impact on quality of governance in Nigeria. The government should ensure adequate infrastructure and amenities are provided for the citizens in order to encourage them to pay their tax. If a good quality of governance must be achieved in Nigeria, then the Government as a matter of urgency needs to restructure the tax system. Additionally, tax revenue should be prudently and efficiently used to provide the population who pays taxes with necessary services. Using public relations initiatives and training, the government should inform people of the significance of paying taxes on time and refrain from tax evasion. The regulatory body in charge of taxes in Nigeria must devise plans to fix loopholes in the tax law that people use to dodge paying taxes. This paper's key contribution is to demonstrate how governance quality affects tax revenue collection.

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