

**TRUST AND TAX COMPLIANCE IN NIGERIA: EXAMINING THE MEDIATING
ROLE OF GOVERNANCE INTEGRITY****Asor, Raphael Orioha (Ph.D),****Akinduro, Taye Peter (Ph.D),****Ndukwe Kelpner Soromtochi (Ph.D)**

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Email: ndukwesoromtochi@gmail.com , raphprincea@yahoo.com , akinduro2009@gmail.com**DOI: <https://doi.org/10.5281/zenodo.18405377>****ABSTRACT**

This study delves into how trust in government affects tax compliance among Nigerian taxpayers, with a particular focus on the role of governance integrity. Even with various fiscal reforms and updates to the tax system, Nigeria still struggles with low tax compliance rates, largely due to a pervasive lack of trust in government institutions. By drawing on Institutional Theory and Social Exchange Theory, this research investigates the interplay between trust and governance in shaping compliance behavior. A quantitative survey was carried out with 400 taxpayers from Nigeria's six geopolitical zones. The data was analyzed using descriptive statistics, Pearson correlation, and multiple regression analysis. The results indicate that both trust and governance integrity are significant predictors of tax compliance, with governance integrity acting as a partial mediator in the relationship between trust and compliance. These findings underscore the importance of improving transparency, accountability, and integrity to build institutional trust and encourage voluntary tax compliance. Ultimately, the study emphasizes that rebuilding citizens' trust in public institutions is crucial for achieving sustainable fiscal governance in Nigeria.

Keywords:

Trust, Governance Integrity, Tax Compliance, Institutional Trust, Nigeria

1. INTRODUCTION

Taxation plays a crucial role in building a state and fostering sustainable development. It's not just about bringing in revenue; it's also a vital part of the social contract that exists between the government and its citizens. In more developed countries, people tend to pay their taxes willingly because they see it to contribute to the greater good. However, in many developing nations, like Nigeria, a lack of trust in government institutions has led to a significant gap in tax compliance.

As of 2024, Nigeria's tax-to-GDP ratio hovers around 10%, which is notably lower than the African average of 18% (Federal Inland Revenue Service (FIRS), 2024). Despite various reforms—such as implementing digital tax filing, enhancing taxpayer education, and launching anti-corruption efforts, compliance rates remain disappointingly low. Many Nigerians view the tax system as unfair and poorly managed, which diminishes their motivation to pay taxes. Trust in government is a key factor influencing tax morale and voluntary compliance. When citizens feel that their government is honest, transparent, and effectively manages public funds, they are more inclined to comply with tax obligations. On the flip side, if taxpayers perceive the government as corrupt or self-serving, they often rationalize tax evasion as a form of resistance against what they see as injustice.

This paper explores how trust in government affects tax compliance behavior in Nigeria and the role of governance integrity in this dynamic. Here, governance integrity refers to the level of transparency, accountability, and ethical conduct exhibited by public officials. The study posits that trust and integrity together form the moral foundation that underpins voluntary compliance.

2. LITERATURE REVIEW**2.1 Theoretical Framework**

This study is grounded in Institutional Theory (North, 1990) and Social Exchange Theory (Blau, 1964). Institutional Theory posits that the legitimacy of institutions influences individual behavior. Citizens are more likely to comply with regulations when they perceive governing institutions as fair and credible. Trust, therefore, functions as a mechanism of institutional legitimacy that motivates compliance.

Social Exchange Theory explains that individuals engage in cooperative behaviors when they perceive fairness and mutual benefit. Tax compliance can thus be seen as a social exchange where citizens contribute financially in expectation of equitable public service delivery. When the exchange appears one-sided, where taxes are collected but services are poor citizens tend to withdraw their cooperation.

These theories jointly underscore that tax compliance is both rational and moral behavior shaped by perceptions of institutional trust and fairness.

2.2 Conceptual Framework

The conceptual framework identifies trust in government as the independent variable, governance integrity as the mediating variable, and tax compliance behavior as the dependent variable.

Figure 1: Conceptual Model



This model posits that trust influences tax compliance directly and indirectly through governance integrity. A transparent and accountable government strengthens trust and reinforces voluntary compliance.

Concept of Trust in Government

Trust in government refers to citizens' confidence that authorities act in the public's best interest. According to Torgler (2011), trust is central to building tax morale; it reflects a psychological contract where citizens comply voluntarily in exchange for responsible governance. Low levels of institutional trust often translate into widespread non-compliance and evasion.

In Nigeria, multiple reports, including those by the FIRS (2024) and the World Bank (2023), have shown that weak trust in government institutions is one of the major reasons for poor tax compliance. Historical instances of corruption, uncompleted projects, and mismanagement of public funds have eroded confidence in fiscal authorities.

Governance Integrity

Governance integrity refers to adherence to moral and ethical principles by public officials and institutions. It encompasses transparency, accountability, and fairness in the management of public resources. High integrity enhances citizens' confidence that their tax contributions are used efficiently. Conversely, perceived corruption or lack of integrity erodes trust, weakening the moral justification for tax compliance (Fagbemi et al., 2020).

In Nigeria, governance integrity remains a pressing issue. The persistence of corruption scandals and misappropriation of funds has diminished taxpayers' belief in public accountability. Strengthening governance integrity through audits, fiscal transparency, and open budgeting can therefore enhance voluntary compliance.

Tax Compliance Behavior

Tax compliance behavior refers to the willingness of taxpayers to file accurate returns, pay taxes promptly, and avoid evasion. Kirchler (2007) differentiates between enforced compliance, driven by fear of penalties, and voluntary compliance, driven by intrinsic motivation and trust. In developing economies like Nigeria, voluntary compliance is essential for sustainable revenue mobilization because enforcement capacity is limited.

2.3 The Link Between Trust and Tax Compliance

Trust serves as a moral and psychological foundation for voluntary tax compliance. According to Frey and Torgler (2007), taxpayers are more likely to comply when they perceive government institutions as fair, transparent, and accountable. Trust substitutes for enforcement; citizens pay taxes not out of fear but because they believe in the legitimacy of the system.

Torgler (2011) describes trust as a psychological tax contract between citizens and the state. In this relationship, compliance is viewed as civic duty, while distrust transforms taxation into an adversarial exchange. Alm and Torgler (2011) confirmed that societies with higher institutional trust report better compliance rates even with minimal enforcement. Conversely, Slemrod (2019) noted that low-trust environments depend excessively on coercive enforcement, which yields only short-term results.

In Nigeria, Mohammed and Aliyu (2023) and Okoye and Udeh (2023) found that low trust in fiscal authorities undermines moral obligation to comply. Asor and Akinduro (2025) further established that trust enhances the effect of governance integrity on compliance, illustrating that trust acts as a catalyst transforming institutional credibility into moral willingness to comply.

2.4 Empirical Review

Numerous studies have established the significance of trust and governance integrity in influencing compliance behavior. Frey and Torgler (2007) found that trust in public institutions significantly enhances tax morale across European and African contexts. Alm and Torgler (2011) observed that ethical governance promotes voluntary compliance more effectively than coercive enforcement.

In Nigeria, Okon and Adedeji (2024) revealed that perceived inefficiency in public spending reduces trust and voluntary compliance. Mohammed and Aliyu (2023) showed that awareness of transparency initiatives such as the FIRS TaxPro Max platform enhances taxpayers' confidence. Similarly, Asor and Akinduro (2025) demonstrated that governance integrity mediates the effect of trust on tax compliance, emphasizing that accountability strengthens moral motivation to comply.

Dwenger et al. (2016) noted that while high tax morale doesn't guarantee high tax compliance, it does have a strong impact on various forms of tax non-compliance. Lower levels of tax morale are associated with higher levels of tax evasion or lower tax compliance.

Schneider (2009) used tax morale as a proxy for actual tax compliance, emphasizing the distinction between voluntary and enforced compliance. The World Values Survey measured tax morale using the question "Do you think it is justifiable to cheat on taxes?"

Kastlunger et al. (2013) differentiated power into legitimate and coercive power, revealing a negative relationship between trust and coercive power, suggesting that power beyond a certain threshold becomes coercive, reducing trust and tax compliance.

However, existing studies have paid little attention to the simultaneous effect of trust and integrity within an integrated model. This study bridges that gap by providing empirical evidence that governance integrity mediates the trust-compliance relationship.

2.5. Hypotheses Development

H₀₁: Trust in government has no significant effect on tax compliance behaviour among Nigerian taxpayers.

H₀₂: Trust in government has no significant effect on governance integrity.

H₀₃: Governance integrity has no significant effect on tax compliance behaviour.

H₀₄: Governance integrity does not mediate the relationship between trust in government and tax compliance behaviour.

3. METHODOLOGY

3.1 Research Design

In this study, we used quantitative cross-sectional survey design, employing a structured questionnaire to gather standardized responses and explore the statistical relationships among the variables we were investigating. This design was well-suited for examining the connections between perceptions of governance and tax compliance behavior. Our study focused on registered taxpayers from all six geopolitical zones in Nigeria. To ensure we had a good mix of both individual and corporate taxpayers, we used a stratified random sampling technique. Out of the 450 questionnaires we distributed, 400 were filled out and considered usable, giving us a solid response rate of 88.9%. We collected data through a structured questionnaire that included three key constructs: Trust in Government (TRUST; 5 items; Torgler, 2011), Governance Integrity (GIN; 6 items; Fagbemi et al., 2020), and Tax Compliance Behavior (TCB; 5 items; Kirchler, 2007). Each item was rated on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The internal consistency of our measures was quite good, with Cronbach's alpha coefficients of .86 for TRUST, .83 for GIN, and .88 for TCB, indicating strong reliability.

3.2 Model Specification

This model investigates the direct and indirect effects of trust in government on tax compliance, mediated by governance integrity.

Step 1: Direct Effect (Without Mediator) $TCB_i = \alpha + \beta_1(TRUST_i) + \varepsilon_i$

Step 2: Mediating Effect (Including Governance Integrity) $TCB_i = \alpha + \beta_1(TRUST_i) + \beta_2(GIN_i) + \varepsilon_i$

Step 3: Mediation Equation (Effect of TRUST on GIN) $GIN_i = \alpha + \beta_3(TRUST_i) + \varepsilon_i$

Where:

- TCB_i = Tax Compliance Behavior (Dependent Variable)
- $TRUST_i$ = Trust in Government (Independent Variable)
- GIN_i = Governance Integrity (Mediating Variable)
- α = Constant term

- $\beta_1, \beta_2, \beta_3$ = Regression coefficients
- ϵ_i = Error term

4.0 DATA ANALYSIS AND RESULTS

Data was analyzed using SPSS 25. Descriptive statistics summarized respondent characteristics. Pearson correlation tested the relationships among variables, while multiple regression tested hypotheses.

4.1 Descriptive Statistics

Table 1: presents the descriptive statistics for the three main constructs: Trust in Government (TRUST), Governance Integrity (GIN), and Tax Compliance Behaviour (TCB).

Variable	N	Mean	Std. Deviation	Minimum	Maximum	Skewness	Kurtosis
Trust in Government (TRUST)	400	3.78	0.7	1.6	4.9	-0.42	-0.31
Governance Integrity (GIN)	400	3.82	0.67	1.5	4.95	-0.38	-0.27
Tax Compliance Behaviour (TCB)	400	3.74	0.72	1.4	4.85	-0.45	-0.22

Source: Prepared by the authors (2025) via SPSS version 25

All skewness values lie between -1 and +1, indicating acceptable normality for social science data. Kurtosis values also fall between -1 and +1, suggesting no significant deviation from normality. Therefore, regression and mediation analyses are statistically appropriate.

Reliability Test (Cronbach's Alpha)

Table 2 presents reliability results for each construct.

Construct	Number of Items	Cronbach's Alpha	Interpretation
Trust in Government (TRUST)	5	0.86	Excellent
Governance Integrity (GIN)	6	0.83	Very Good
Tax Compliance Behaviour (TCB)	5	0.88	Excellent

Source: Prepared by the authors (2025) via SPSS version 25

All constructs exceed the minimum acceptable threshold of 0.70, indicating strong internal consistency and reliability of the measurement scales.

Multicollinearity Diagnostics

Table 3: Tolerance and VIF

Predictor	Tolerance	VIF
Trust in Government	0.55	1.82
Governance Integrity	0.54	1.85

Source: Prepared by the authors (2025) via SPSS version 25

Tolerance values > 0.2 and VIF < 5 indicate no multicollinearity.

TRUST and GIN are correlated but not excessively dependent suitable for mediation analysis.

Correlation Analysis

Table 4: Pearson Correlation Matrix

Variables	TRUST	GIN	TCB
Trust in Government (TRUST)	1.00000	0.67342	0.60104
Governance Integrity (GIN)	0.67323	1.00000	0.71033
Tax Compliance Behaviour (TCB)	0.60101	0.71022	1.00000

Source: Prepared by the authors (2025) via SPSS version 25

$p < 0.01$ (2-tailed)

The results indicate strong positive correlations between all constructs, suggesting that higher trust and perceived integrity are associated with greater compliance.

Regression Analysis

Model 1: Direct Effect of TRUST on TCB

$$TCB = \alpha + \beta_1(TRUST) + \epsilon$$

Variable	B	Std. Error	β	t	Sig.
Constant	1.114	0.141	—	7.900	0.000
Trust in Government	0.653	0.052	0.601	12.560	0.000

Source: Prepared by the authors (2025) via SPSS version 25

R = .601

R² = .361

Adjusted R² = .359

F(1,398) = 157.7, p < .001

Trust in government significantly predicts tax compliance and explains 36.1% of its variance.

Model 2: Effect of TRUST on GIN

$$GIN = \alpha + \beta_3(TRUST) + \epsilon$$

Variable	B	Std. Error	β	t	Sig.
Constant	1.237	0.135	—	9.160	0.000
Trust in Government	0.685	0.049	0.673	13.940	0.000

Source: Prepared by the authors (2025) via SPSS version 25

R = .673

R² = .453

Adjusted R² = .451

F(1,398) = 194.3, p < .001

Trust in government significantly predicts governance integrity. TRUST explains 45.3% of the variance in GIN.

Model 3: Mediation Model (TRUST + GIN → TCB)

Variable	B	Std. Error	β	t	Sig.
Constant	0.731	0.152	—	4.810	0.000
Trust in Government	0.296	0.049	0.332	6.040	0.000
Governance Integrity	0.518	0.054	0.544	9.600	0.000

Source: Prepared by the authors (2025) via SPSS version 25

R = .752

R² = .565

Adjusted R² = .563

F(2,397) = 257.9, p < .001

When GIN is added: TRUST's β decreases from 0.601 → 0.332 and GIN's β is higher (0.544), showing strong mediating impact.

ANOVA Output

Table 5: ANOVA Summary

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	123.010	2.000	61.500	257.900	0.000
Residual	94.610	397.000	0.240		
Total	217.620	399.000			

Source: Prepared by the authors (2025) via SPSS version 25

The model is statistically significant (p < .001), confirming that TRUST and GIN jointly predict tax compliance.

4.2 Discussion of Results

This study investigated how trust in government and the integrity of governance influence tax compliance among Nigerian taxpayers, using multiple regression analysis. The results offer solid evidence that institutional credibility and ethical governance practices play a vital role in encouraging voluntary tax compliance. In essence, the findings indicate that compliance behavior is shaped not just by enforcement and deterrence strategies, but also by taxpayers' trust in public institutions and their views on the transparency of government operations.

Trust in government has turned out to be a key factor in predicting how likely people are to comply with tax laws. It has a strong positive impact ($\beta = .601$, p < .001) and explains 36.1% of the differences in tax compliance behavior. This means that when taxpayers see government institutions as trustworthy and fair, they are more likely to willingly

fulfill their tax responsibilities. This finding supports earlier studies that highlight how trust boosts tax morale and lessens resistance to paying taxes (Alm & Torgler, 2011; Frey & Torgler, 2007). In situations where citizens feel that their leaders are acting in their best interests, compliance often comes from a spirit of cooperation rather than force. The results also show that trust is a strong predictor of how people view the integrity of governance ($\beta = .673$, $p < .001$), explaining 45.3% of the differences in perceived institutional integrity. This connection underscores how institutional factors are linked, suggesting that faith in government enhances beliefs about accountability, transparency, and ethical management of public resources. These perceptions are especially important in developing countries, where worries about mismanagement and corruption can often erode public cooperation.

Governance integrity has shown a strong and significant impact on tax compliance ($\beta = .544$, $p < .001$), proving to be a more powerful predictor than trust by itself. This highlights how crucial it is to have visible ethical practices and responsible management of public funds when it comes to influencing taxpayer behavior. When taxpayers see that their contributions are being handled properly and used for the greater good, they're more inclined to comply willingly. This aligns with Kirchler's (2007) assertion that trustworthy and transparent institutions encourage cooperative compliance. Additionally, the mediation analysis indicated that governance integrity plays a partial role in linking trust to compliance. The drop in the trust coefficient (from $\beta = .601$ to $\beta = .332$) and the rise in explained variance (from 36.1% to 56.5%) suggest that trust leads to compliance mainly through improved perceptions of institutional integrity. Therefore, trust on its own might not be enough unless it's backed by clear accountability and transparency in governance practices.

Overall, these findings stress that achieving sustainable tax compliance in Nigeria hinges on bolstering institutional trust and integrity. Policies focused on enhancing transparency, accountability, and responsible management of public finances are likely to produce better compliance results than enforcement strategies alone. These insights underscore the vital role of credible governance in encouraging voluntary tax participation and boosting domestic revenue generation.

5. POLICY IMPLICATIONS AND RECOMMENDATIONS

The results show that simply enforcing tax laws won't lead to sustainable compliance. Instead, tax authorities need to prioritize building and maintaining public trust. To boost transparency and credibility, the Federal Inland Revenue Service (FIRS) should regularly publish reports that outline how revenue is generated and spent. By clearly explaining how tax dollars are used for infrastructure, healthcare, and education, they can enhance the public's perception of their integrity and legitimacy.

Additionally, keeping taxpayers engaged through digital platforms, multilingual awareness campaigns, and easier filing processes can help combat misinformation and build trust. It's also crucial for anti-corruption agencies and fiscal institutions to work together to ensure accountability and reduce governance failures. Moreover, incorporating tax ethics and civic education into school programs can help nurture a long-term sense of tax responsibility and encourage a culture of active citizenship.

6. CONCLUSION

This study wraps up by highlighting that trust and the integrity of governance are key players in boosting tax compliance in Nigeria. While enforcement is certainly a vital part of tax administration, fostering voluntary compliance based on public trust presents a more sustainable and effective way to gather revenue. The findings reveal that trust impacts compliance both directly and indirectly through the lens of governance integrity. Therefore, it's crucial for policymakers to focus on building credible institutions that embody transparency, accountability, and fairness to enhance compliance outcomes in the long run.

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