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GOOD GOVERNANCE AND PERSONAL INCOME TAX COMPLIANCE IN NIGERIA

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ABSTRACT: *This study is to examine the good governance and personal income tax compliance in Nigeria and study basically adopt the survey research design in which structured questionnaire is designed and distributed to the respondents as a means of gathering information. population of this study comprises of all the staff of Adekunle Ajasin University, Akungba-Akoko, Ondo State, Nigeria and the total number of staff as at 31st December, 2020 is one thousand four hundred and fifty (1450). The classes of personnel to be administered with the questionnaire include senior staff, junior staff and the management staff. Because of the sensitive nature of the study, and to ensure a credible and reliable data, the population cuts across all categories of workers. with the sample size of 314, a multiple regression model is specified in equation (i). This multiple regression econometric models explain the variation in the values of the dependent variable (Personal Income Tax Compliance) on the basis of change in other independent variables (Perception of tax payer of a good governance, Tax fairness). Panel Least Square (PLS) regression technique was used for the study. It was discovered that there is significant relationship between tax fairness and personal income tax in Nigeria and also there are perceptions of tax payers towards good governance and personal income tax compliance in the country. Specifically, tax fairness enhances the personal income tax compliance among the sampled respondents and perception tax payer of a good governance contribute significantly to the personal income tax compliance. The study concluded that if tax fairness is well enhanced, tax payer will be highly interested in paying their personal income tax. The problem of lack of compliance is common among the informal sector who often bear the brunt of the bad governance. It is obvious that tax compliance will increase if good governance can be perceived by the people. Respondents are ready to comply with the law but the revenue collected must be judiciously used.*

KEYWORDS: tax compliance, tax fairness, good governance, personal income tax, perception of tax payers

INTRODUCTION

The primary aim of taxation in developing countries like Nigeria is to generate revenue with which to finance public administration and provide economic and social services for the public (Egwaikhide & Udoh, 2012). Considering the relevance of tax revenue to the development of economy, a lot of research works have been done over the years in efforts to tackle the peril of tax compliance. Tax is a system of payment that individuals and firms are legally required to make to the government. It is a compulsory transfer of money from private individuals and groups or

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institutions to the government. Alm and Martinez-Vasquez (2007) have made it known that most of the people do not like to pay taxes, and, because of this fundamental reason, it is hard for tax administrators to levy and collect taxes efficiently. However, taxing informal sectors is a major challenge for tax administrations in both developed and developing countries and the “fiscal gap” that arises from the failure to tax this sector can be quite large.

Eiya, Ilaboya and Okoye (2016) investigated religiosity and tax compliance using religious values and deterrent measures as variable of tax compliance. They found that religious values alone do not have a significant influence on tax compliance. They also found that there is no significant relationship between deterrent measures and tax compliance. Those engaged in the informal sector of the economy do not see the necessity to pay tax (Abiola & Asiweh, 2012). Efforts have to be made by the tax authority to ascertain the factors that determine tax compliance in order to solve the problems of not complying. In Nigeria, the issue of the determinants of tax compliance in the informal sector has not received robust empirical consideration, with the exemption of few studies, such as Umar, Derashid and Ibrahim (2016) that investigated income tax non compliance in Nigeria and the moderating effect of public governance quality. They found that public governance quality has a significant positive relationship with tax compliance.

Good governance is concerned with authority in the public sector as well as how the society organizes its affairs and manages its resources Alabede, Ariffin, and Idri, (2011). Effective tax administration plays an important role in generating tax revenue for the government to enable it provides basic amenities that would improve standard of living of the citizenry. Provision of good welfare, infrastructure and maintenance of high standard of living of citizens would be impossible without adequate revenue backing (Anyaduba, Eragbhe & Kennedy, 2012). Certainly, the level of tax income generated by the government to meet her spending depends largely on the degree of compliance and the effectiveness of the enforcement tools (Alabede, Ariffin & Idris, 2011).

Tax fairness, as perceived by Akubo, Achimugu and Ayuba (2016), could either be horizontal or vertical. Horizontal tax fairness is the instance where tax payers are being treated equally in terms of their taxes while vertical tax fairness is when tax payers are being treated or taxed with different tax rates as a result of their different tax bases. Olokooba, Awodun, Akintoye and Adebowale (2018). averred that continuous violation of tax laws and persistent rise in low tax compliance has necessitated government at all levels to revisit enforcement strategies for effective tax administration towards improving tax revenue. Abel (2017) affirmed that tax evasion has remained subject of discussion in the Nigerian tax system for a very long period of time possibly because it is one of the major problems confronting effective tax administration in Nigeria.

Statement of the Problem

Extant literature, most especially in the emerging economies have confirmed that most tax payers do not comply with tax provisions because of lack of trust and even sometimes inability to meet certain obligations (Oyedokun, 2015). Furthermore, some studies affirmed that majority of those that complied partially did so perhaps because of likely penalty that could arise if liability arises after tax audit (Nyaga, 2014; Oyedokun, 2015). Besides, some tax payers comply because of fear of possibility of being audited by tax auditors (Anyaduba & Mogudu, 2013; Ladi & Henry, 2015). Oyelade (2016) perceived low tax compliance in Nigeria as unpleasant; this is rampart because of ineffective administration encouraged by overreliance on crude oil revenue which resulted to neglect of taxation. Oladele. (2019), shows that statistical evidences in Nigeria affirmed that, barely ten million taxpayers (precisely 10,006,304) registered under personal income tax in all the States of the Federation, Federal Capital Territory (FCT) inclusive. Average of 1.5% of the rest is under the coffer of each of the 35 States of the Federation including the FCT. Taking a look at the labour workforce of 77 million at the end of 2015 according to the National Bureau of Statistics (NBS, 2015), with the working force of about 77 million, just about ten million (representing 13%) are within the tax net. The situation is not too different in the case of corporate income tax payers. With the then finance minister to have quoted that “the rate of compliance is about 12%” (Olokooba, Awodun, Akintoye & Adebowale, 2018).

According to Ibrahim (2016); Onuoha and Dada (2016), various enforcement measures are available when voluntary compliance seems difficult, which include tax audit, tax penalty and even tax amnesty and sometime tax holidays. Samuel (2015) asserted that, other tax enforcement tools such as tax audits, placement of tax penalties and fines, detainment of assets and subsequent disposal of tax default property, and compulsory use of tax clearance certificate for major transactions.

Consequently, low tax compliance is a major problem in Nigeria and it limits the capacity of government to raise revenue for developmental purposes. This denotes that the higher the revenue accrued to the government, the more likely the government will provide more services to enhance the standard of living of the people. The tax compliance variables include (perception of tax payers, tax fairness; Accounting factors including accounting knowledge, tax knowledge and accounting activities; Psychosocial factors including, public spending, moral tax, perceived fairness. Despite all efforts made by tax administration to improve tax revenue, tax proceeds have remained terribly low and continue to shrink over the years. And non of these studies to the best of my knowledge has used tax perception and tax fairness as an array of factors in a formal sector to address good governance and personal income tax compliance in Nigeria. To this end, this study is to examine good governance and personal income tax compliance in Nigeria.

Research Questions

Against this backdrop the study tends to address the following questions;

i. To what extent does perception of tax payers’ towards good governance influence personal income tax compliance in Nigeria?

ii. What is the relationship between tax fairness and personal income tax compliance in Nigeria?

Objectives of the Study

The broad objective of the study is to examine the good governance and personal income tax compliance in Nigeria. The specific objectives are to:

i. examine the extent to which perceptions of tax payers' towards good governance influence personal income tax compliance in Nigeria; and
ii. determine the relationship between tax fairness and personal income tax compliance in Nigeria.

Research Hypotheses

For the purpose of this study, the following hypotheses will be tested and are stated in the null form.

H_{01}: There is no significant relationship between perceptions of tax payers' towards good governance and personal income tax compliance in Nigeria.

H_{02}: There is no significant relationship between tax fairness and personal income tax compliance in Nigeria.

Significance of the Study

The study will be of great significance to the tax authority, tax administrators and taxpayers as well as various administrative factors hindering the full compliance of personal income taxpayers in Nigeria, which will boost the revenue of the government, and also help to put in place measures that will enhance tax fairness in Nigeria.

Tax administration: the study will be of benefit to the tax administrators by boosting the revenue generation of the government, since the study examines the activities of the taxpayers that result to negative compliance attitude of personal taxpayers thereby making the tax administrators to adjust in their activities and maximally achieve their stated objectives,

Tax authorities: the result of the study will be of help to tax authorities by adopting the best practices that will correct all negative practices among tax payers in Nigeria.

Tax payers: the study will be of great benefit to tax payers by making the tax administrators to adjust their activate and maximally achieved their stated objectives

Researchers: Lastly, this study will also help researchers in the field of taxation, accounting and macroeconomics in practice and in decision making.

LITERATURE REVIEW

This section provides a review of relevant and related literature, and it comprises of conceptual review, theoretical review, empirical review and gap in the literature.

Concept of Tax Compliance

Tax compliance can be defined as the ability of a tax liable body to submit accurate, complete returns in conformity with tax laws and regulations of the state to the authority for the purpose of tax assessment (Badara, 2012). Tax compliance is the degree to which a tax payer complies with the tax rules of his country (Ahmed & Kedir, 2015). Failure to declare all incomes and payment of taxes according to the provisions of the laws, obeying the court judgments and payment of the tax at the right time will amount to tax non-compliance. The payment of tax is an obligatory duty for all citizens as their civic responsibility, which they are expected to comply willingly with, but that is not the case with some citizens (Alabede, Ariffin & Idris, 2011). According to Eiya (2012), personal income tax can be viewed as a compulsory levy paid to the government by individuals in gainful employment and those that are self-employed as well as corporate entities on their earnings. The current law guiding the taxation of personal income in Nigeria is the Personal Income Tax (Amendment) Act 2011.

Tax compliance is affected by social norms as well as public services, trust in government institutions, subjective cultural characteristics of the person, the fairness of the tax system, perception of others, awareness of how tax revenues have been utilized, taxpayers' confidence in the country's administration of tax policy (Randlene, 2012). Tax compliance is a serious challenge for many tax authorities and it is not an easy task to persuade taxpayers to comply with tax requirements even with the existence of tax laws (James & Alley 2004). Abiola and Asiweh (2012) noted that only few people are enthusiastic about paying tax because many people abhor tax payment due to its effect on their income. The concept of tax compliance can be viewed from different ways. McBarnett (2003) classified compliance into three forms: committed compliance, creative compliance. Committed compliance is described as the willingness to discharge tax liability by tax payer without complaining while creative compliance refers to engagement to reduce taxes by taking advantage of possibilities to redefine income and deduct expenditures within the confine of the law, while capitulative compliance is the reluctance of the tax payer in discharging his tax liability. Reducing non-compliance can be effective if the reasons for non-compliance by taxpayers are investigated, detected and addressed. In the opinion of the researchers, having examined some of the definitions as put forward by other researchers, tax compliance would be described as total obedience both willful and forced, to the relevant tax laws and regulations by both taxpayers and tax authorities.

Personal Income Tax Compliance

The issue of tax non-compliance cuts across all economies of the world. From developed economies with organized financial markets such as United Kingdom, France, Germany, United States of America, Spain, Italy, Japan down to fast developing (emerging) markets such as the Russia, India, Brazil, China and South-Africa to other Less Developed (frontier) markets such as, Ethiopia, Ghana, Zimbabwe, Cameroun and Nigeria amongst others where financial activity is relatively low (Muhrtalal & Ogundeji, 2013). Tax compliance is the degree to which a tax payer complies with the tax rules of his country (Ahmed & Kedir, 2015). The payment of tax is an obligatory duty for all citizens as their civic responsibility, which they are expected to comply willingly with, but that is not the case with some citizens. The understanding of the factors that influence tax payers' decision to comply with relevant tax laws is essential to the relevant tax authorities (Feyitimi & Yusuf, 2014). Tax compliance is described as the process of accomplishing the tax payer's civic responsibility for tax payment and filing of tax returns including the provision of the required documents and the necessary explanations as required by the tax authority in a timely manner. Tehulu and Dinberu (2014) defined tax non-compliance as failure to comply with tax laws and report incorrect income, the act of claiming incorrect deductions and exemptions and/or paying incorrect amount of tax beyond the stipulated time frame. Tax non-compliance is socially destructive, as it can reduce revenue, distorts labour market and weakens the economic stability of a country thereby enhancing perception of cheating and fraud (Ahmed & Kedir, 2015). Reducing non-compliance can be effective if the reasons for non-compliance by tax payers are investigated, detected and addressed. Adebisi and Gbegi (2013) defined personal income tax as a compulsory levy on employment income and any other income received by individuals. Individuals here are those in paid employment and those in self-employment. The current law guiding the taxation of personal income in Nigeria is the Personal Income Tax (Amendment) Act 2011. Personal income tax is a levy charged on the income of individuals. Taxable persons are required to file the returns of statutory income earned with the relevant tax authority where they are resident in the prescribed form from which they will be assessed (government assessment) or the individual carries out the assessment on himself taking cognizance of his reliefs, computes the amount expected to be paid as tax based on the current rate, and goes ahead to make payments i.e. self-assessment. Compliance is not just about filing returns and paying the tax, rather it is about filing the right returns and paying the right amount of tax, which was honestly disclosed and accurately computed.

Personal Income Tax (PIT) is a tax that is imposed on individuals who are either in employment or are running their own small businesses under a business name or partnership (Samuel, 2011). Collection of personal income tax is a federal and states responsibility, this tax is generally collected by state governments from their respective states, irrespective of whom they are working with whether federal, state, local government, or private sector workers. The Federal Inland Revenue Service, however, also collects personal income tax from residents of Abuja as well as what may be described as highly mobile federal workers staff of the Ministry of Foreign Affairs, non-residents, expatriate workers resident in Nigeria, Police Officers, and Military Officers.

Good governance

Good governance is concerned with authority in the public sector as well as how the society organizes its affairs and manages its resources Alabede, Ariffin, and Idri, (2011). They stated that high quality of governance delivers a good tax system, while the opposite will be the case if quality of governance is low. Thus, a better tax system with good governance enhances compliance and failure of government to provide public amenities and infrastructure to the citizens, may force them not to comply with tax provisions. The most disturbing aspect about Nigeria’s economy is that it has been one of the most backward developing countries in terms of judicious utilization of its resources from taxation and others as a result of weak standard of good governance (Okwori & Sule, 2016). Azeez (2009) stated that if government is assumed as an entity that is accountable, taxes will be paid voluntarily by a lot of people, which lowers the need for coercion and generally increases tax compliance. The government at the federal, state and local levels should spend taxpayers’ money wisely to give the taxpayers maximum benefits for what they contribute to the government. The studies of (Akintoye & Tashie, 2013; Onyewuchi & Njemanze, 2016) found that trust in government is positively related to individuals’ willingness to comply with tax laws in various countries voluntarily.

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Tax Fairness and Personal Income Tax Compliance

Tax fairness can be described as a tax platform based on an ideal that aims to create a system of taxation that is clear, fair and just to all tax payers. Tax fairness limits the amount of tax legislation and rules that benefit one segment of the tax-paying population over another. Tax fairness, as perceived by Akubo, Achimugu and Ayuba (2016), could either be horizontal or vertical. Horizontal tax fairness is the instance where tax payers are being treated equally in terms of their taxes while vertical tax fairness is when tax payers are being treated or taxed with different tax rates as a result of their different tax bases. Afuberoh and Okoye (2014) opined that horizontal equity ensures equal treatment of equal individuals; Nigerian tax system should therefore seek to avoid discrimination against economically similar entities. While vertical equity on the other hand addresses the issue of fairness among different income categories. In this regard, the Nigerian tax system shall recognize the ability to pay principle, in that individuals should be taxed according to their ability to bear the tax burden.

The studies of (Akubo et al, 2016; Gberegbe, Idornigie & Nkanbia-Davies, 2015; Tehulu, & Dinberu, 2014) observed that tax fairness has a direct relationship with tax payers' willingness to comply with the payment of personal income tax. The study of Akubo et al, (2016) that investigated tax compliance behaviour of small scale enterprises in Nigeria found that tax fairness has a positive significant relationship with tax compliance. Bojuwon (2010) in his study investigated the impact of tax fairness on tax compliance in Nigeria, and found that tax fairness has a significant influence on tax compliance. In a study conducted by Gberegbe et al, (2015) which examined the perception of tax fairness and personal income tax compliance in Nigeria, it was found that a significant positive relationship exists between fair treatment of tax payer and tax compliance.

Tehulu and Dinberu (2014) investigated the determinants of tax compliant behaviour in Ethiopia, and found that the perception of tax equity and fair tax system significantly influence tax compliant behaviours. From the studies stated above, it could be seen that fairness of tax plays a significant role in enhancing the level of tax compliance.

Theoretical Review

Legitimacy Theory

The study anchored on the theoretical review of legitimacy theory that is based on the principles of human rights, the mutual appreciation of rights, and the rights of citizens and governments which is the moral significance of claiming to the right (Shokri, 2016). Legitimacy is a concept which is necessary for every government to use political power in a justifiable relationship with the people who must obey. Dowling and Pfeffer (1975). Legitimacy is described as belief or trust in the government, tax authorities and other agencies that work for the common good of the citizens. (Kwanhu, 2014). The theory of legitimacy as a good governance will aids personal income tax compliance in Nigeria. Once there is power and government in a human community, then the necessity of its justification follows immediately. There is a necessary relationship of justification between the governmental power and the people who are concerned with the wielding of the power (Kwanhu, 2014).

Government is an entity in a relationship between the governors and subordinates, and legitimacy is a necessary concept that links those two groups. Without legitimacy, governments cannot be sustainable. The necessity of legitimacy implies that there should be a certain type of relationship between the using of government power and obedience. (Tayler, 2006). Legitimacy could be described as trust in the authorities, institutions, and social welfare to be, proper, appropriate and work for the common good, which will aids tax payer perception and tax fairness That is, legitimacy is seen in the light of trust, equity, justice, and fairness. In Nigeria, the legitimacy theory encourages personal income tax compliance because most of the citizens have trust in the authorities, institutions, and social welfare, they perceive them to be, proper, appropriate and work for the common good. This normally encourages them to see the need of paying taxes promptly and correctly (Egwaikhide, 2010).

Fiscal Exchange Theory

This theory advocates that the presence of government's judicious use of tax monies may motivate compliance and also cause an increase in compliance if public goods, which citizens prefer, are made available (Moore, 2004). The main thrust of this theory is that compliance will be motivated when citizens get returns for the taxes paid in terms of public goods and social amenities (Fjeldstad et al, 2012). That is, taxpayers will be obliged to pay taxes because they appreciate the efforts by the government to provide public goods and recognize that this is made possible because of the contribution they make in terms of taxes (Fjeldstad & Semboja, 2001). Deduction from this theory brings to light the fact that compliance has nothing to do with coercion and everything to do with government's accountability and effective service provision and delivery as well as the level of satisfaction or lack of satisfaction of taxpayers with the actions of the government. Nevertheless, critics of this theory argue that its assumptions are unnecessarily simple and that in reality; behavioural factors tend to have a huge impact on compliance and not just the fiscal exchange and relationship between taxpayers and tax authorities (D'Arcy, 2011).

Theory of Crime

The theory of crime is set out on the deterrence doctrine which can be traced back to the classical works of Jeremy Bentham and Cesare (Murphy 2008). Their classical utilization theory of crime is that people are rational actors who behave in a manner that will maximize their expected utility. Becker (1968) argued that authorities needed to appropriately balance between detection of non-compliers and sanctions to the point where non-compliance becomes irrational. For more than decades Alligham and Sandmo (1972) extended Becker's work on the economics of crime to the taxation context. They examined taxpayer's decision to evade taxes when they were filling out their tax returns and examined the relationship between penalty rate for tax evasion at the time, the probability of detection, and degree of tax evasion engaged in. What they found was that there was a relationship between these variables; with a higher penalty rate and probability of detection deterring individuals from evading their taxes. In the 1980s, therefore, many scholars began to question the value of deterrence alone in regulating behavior. They began to focus their attention on researching compliance rather than deterrence and began to realize the importance of persuasion and cooperation as a regulatory tool for gaining compliance.

Empirical Review

Alabede et al, (2011) investigated the determinants of tax compliant behaviour using public governance quality as variables for tax compliance. They found that perception of the taxpayers about the public governance quality has a significant positive relationship with tax compliance. Modugu et al., (2012) examined the relationship between government accountability and voluntary tax compliance in Nigeria. They found that there is a positive indication that the citizens' perception of government accountability is a factor that shapes the existence and maintenance of tax morale resulting in voluntary tax compliance.

Akintoye and Tashie (2013) investigated the effect of tax compliance on economic growth and development in Nigeria using trust in government, provision of infrastructural amenities, tax knowledge and accountability by the government as the variables of tax compliance. They found that tax knowledge, trust in government, provision of infrastructural amenities and government accountability have a significant positive relationship with tax compliance.

Onyewuchi and Njemanze (2016) carried out an empirical analysis of tax leakages and economic growth in Nigeria. They found that the most fundamental challenges concerning tax leakage are expedited by the lack of good governance on the part of the government which highly discourages the populace from complying willingly with their tax obligations. From the studies stated above, it could be seen that excellent governance through judicious government spending plays a major role in promoting the level of tax compliance.

Beesoon et al, (2016) assessed the determinants of income tax compliance in Mauritius and found that tax knowledge has an important impact on tax compliance and the probability of being audited, perceptions of government spending, penalties, personal financial constraints also have significant influence on tax compliance. But they found that tax rate has a negative significant relationship with tax compliance.

Umar et al, (2016) investigated income tax noncompliance in Nigeria and the moderating effect of public governance quality using tax knowledge, perceived audit probability and public governance quality as variables for tax compliance. They found that public governance quality has a significant positive relationship with tax compliance. They also found that perceived audit probability has a positive relationship with tax compliance.

Okoye, Isenmila and Oseni (2018) good governance is accountable, taxes will be paid voluntarily by a lot of people, which lowers the need for coercion and generally increases tax compliance. The government at the federal, state and local levels should spend taxpayers' money wisely to give the taxpayers maximum benefits for what they contribute to the government.

METHODOLOGY

This section deals with the methods of data collection, research design, population, sample size and model specification

Research Design

This study basically adopt the survey research design in which structured questionnaire will be designed and distributed to the respondents as a means of gathering information. This design is most appropriate and suitable for measuring or ascertaining the impact of one variable on another.

Population and Sample Size

The population of this study comprises of all the staff of Adekunle Ajasin University, Akungba-Akoko, Ondo State, Nigeria. The total number of staff as at 31st December, 2020 is one thousand four hundred and fifty (1450) AAUA Bursary Department (2020).and this is related in terms of good governance and personal income tax compliance in Nigeria. The classes of personnel to be administered with the questionnaire include senior staff, junior staff and the management staff. Because of the sensitive nature of the study, and to ensure a credible and reliable data, the population cuts across all categories of workers. The sample size is arrived at by the use of number estimation formula as suggested by Taro Yamane (1967) as calculated below, the reason for chosen this sample technique is because of large population size of this study.

$$n = \frac{N}{1+N(e)^2}$$

Where:
n= Sample size;
N= population size;
e = percentage level of significance; and
N = 1450

$$n = \frac{1450}{1 + 1450(0.05)^2}$$

= 313.51
Approximately = 314

Model Specification

In the light of the research hypotheses and literature reviewed in the earliest section, a multiple regression model is specified in equation (i). This multiple regression econometric models explain the variation in the values of the dependent variable (Personal Income Tax Compliance) on the basis of change in other independent variables (Perception of tax payer of a good governance, Tax fairness).

The model for this study is expressed in functional form as;

PITC = f (PTP, TF)……………………………………………………….(i)

This is further expressed in mathematical form as:

PITC = $\beta_0 + \beta_1$ PTP + β_2TF + μ_n………………………………………………..(ii)

Where;

PITC = Personal Income Tax Compliance
PTP = Perception of Tax Payer of a good governance
TF = Tax Fairness
β_0 = constant

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β_1 and β_2 = co-efficient
μ_n = stochastic disturbance
apriori expectation $\beta_1>0$; $\beta_2>0$ ……………………………………………….(iii)

Data Analysis
Panel Least Square (PLS) regression technique was used. The use of PLS regression methodology in this study is based on two fundamental justifications; (1) PLS regression provides better results since it increases sample size and reduces the problem of degree of freedom. (2) The use of PLS regression helped to avoid the problem of multicollinearity, aggregation bias and endogeneity problems. More so, panel data regression provides better results since it increases sample size and reduces the problem of degree of freedom.

RESULT AND DISCUSSION

Validity and Reliability
The table 1 present the validity and reliability of the construct used in the model. In PLS-SEM assessing the measurement model prior to model estimation is crucial to the robustness of the result. The model assessment tools comprise of item loading, composite reliability, Cronbach alpha and average variance expected. The loading factors measures the reliability of the indicator. The outer loading of the item is expected to be more than or equal to 0.70. An item that report less than 0.70 loading is not reliable. In this case, three items under the construct of tax payer perception of a good governance were well loaded, they exceeded the threshold of 0.70. Two items under the construct of personal income tax compliance were reliable as they met the criteria for item reliability. Similarly, two items met the criteria of reliability and they are well loaded on the construct of tax fairness. The composite reliability measures the internal reliability of the construct. The threshold for composite reliability is 0.70. The construct must return a composite greater than or equal to 0.70, for it to be consistent. All the construct report an adequate internal consistent because their CR is more than 0.70. Also, convergent validity(AVE) of the construct is more than 0.50, which is benchmark for valid variable construct. The result of Cronbach alpha(CA) shows that the construct are reliable.

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Table 1: Measurement Mode

Construct	Indicator Code	Loading	Outer Weights	P-value	CA	CR	AVE
Perception Tax Payer of a good governance					**0.759**	**0.838**	**0.510**
	PERCP1	0.666	0.235	0.000			
	PERCP2	0.704	0.263	0.000			
	PERCP3	0.655	0.275	0.000			
	PERCP4	0.795	0.341	0.000			
	PERCP5	0.740	0.279	0.000			
Personal Income Tax Compliance					**0.718**	**0.803**	**0.502**
	TC1	0.810	0.614	0.000			
	TC2	0.173	0.144	0.149			
	TC3	-0.297	-0.144	0.004			
	TC4	-0.360	-0.176	0.001			
	TC5	0.718	0.518	0.000			
Tax Fairness					**0.728**	**0.818**	**0.511**
	TF1	0.680	0.260	0.000			
	TF2	-0.746	-0.312	0.000			
	TF3	0.752	0.295	0.000			
	TF4	0.657	0.241	0.000			
	TF5	0.734	0.286	0.000			

Where AVE is Average Variance Extracted, CA is the Cronbach Alpha and CR is the Composite Reliability

Discriminant Validity (DV): This measure is another means of assessing the convergent validity of the construct. The condition for the discriminant validity is that the square root of the AVE must be greater than the correlation among the construct. The diagonal value captures the square root of the AVE, while the lower diagonal reports the correlation among the variables. The result in the table report that the diagonal value is more than the correlation among the construct and all the construct exhibit positive correlation.

Table 2: Discriminant Validity

Discriminant Validity			
	PITC	PTP	TF
PITC	0.708		
PTP	0.598	0.714	
TF	0.603	0.762	0.715

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Structural Model Assessment

This section reports the descriptive statistics of the construct (latent variables). The mean of PITC is 0.269 with median of 3.00. It reports a minimum of -6.00 and maximum of 9.00. The score of PITC is highly dispersed with standard deviation of 1001.682. It is negatively skewed and platykurtic in kurtosis. PTP report mean of 0.678 and median of 5. The skewness of 1.195 shows that PTP is negatively skewed. TF is also negatively skewed. It exhibits the platykurtic kurtosis. The mean and median of the variable are distant to each other. It reports mean of 0.339 and median of 4.00. The high standard deviation of the variable shows that the scores were highly spread. It depict the high level of dispersion of the scores generated from the indicators.

Table 3 Descriptive Statistics

	PITC	PTP	TF
Mean	0.269	0.678	0.339
Median	3.000	5.000	4.000
Maximum	9.000	11.000	8.000
Minimum	-6.000	-4.000	-6.000
Std. Dev.	1001.682	1001.710	1001.689
Skewness	-0.336	-1.195	-1.159
Kurtosis	2.952	3.294	3.270
Jarque-Bera	5.583	71.388	67.040
Probability	0.061	0.000	0.000
Observations	295	295	295

The multicollinearity test determines the existence of collinearity among the explanatory variables. According to Kock (2015), VIF less than 3.50 depict the absence of collinearity. Based on the result of the VIF, both the outer variables(indicators) and the inner variables (independent latent variables) indicate that the variable exhibits no multicollinearity. This implies that the indicators of the latent variables were not linear or nonlinear related. Likewise, the latent variables exhibited no collinear relationship.

Table 4 Multicollinearity Test

Outer Variable	**VIF**
PERCP1	1.346
PERCP2	1.403
PERCP3	1.258
PERCP4	1.591
PERCP5	1.48
TC1	1.128
TC2	1.018
TC3	1.039
TC4	1.05
TC5	1.098
TF1	1.399
TF2	1.485
TF3	1.516
TF4	1.339
TF5	1.462
Inner Variable	**VIF**
PTP	2.388
TF	2.388

The model fit of the structural model is presented in table 5. The model fit is one of the post-diagnostics test of the PLS-SEM model. NFI and SRMR report the robustness of the model. The model is good fit when the SRMR is less than 0.10 and also when the NFI is more than 0.800. In PLS model, R^2 more than 0.60 can be considered to be substantial , 0.19 is weak and 0.33 is moderate. The outcome of this study shows that coefficient of determination of the structural model is 0.409, which is more than the moderate and less than the substantial. It can be deduce that the model explained about 40.9% of the source of variation in the dependent variable.

Table 5: Model Fit

Model Fit	
	Estimated Model
SRMR	0.081
d_ULS	0.779
d_G	0.219
Chi-Square	361.311
NFI	0.907
R-Square	0.409
Adjusted R-square	0.405

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Structural Path Coefficients

Table 6 and figure 1 present the outcome of the structural path model. The bootstrapping technique was used in obtaining the t-statistics and p-value of the path coefficient. The result of the estimation shows that tax payer perception of a good governance is statistically significant in influencing the personal income tax compliance of the respondent($t=4.115, p<0.05$). It implies that positive perception toward good governance will encourage the people to file their tax returns. People will likely comply with tax law when the government is ready to judiciously utilize their funds and ensure delivery of developmental promises. People don't believe in robbing Peter to pay Paul. They must see the reason to pay tax and must be highly encourage to do so by providing the needed good governance. In another vein, tax fairness is contribute positively to the personal income tax compliance of the respondents($t=4.189, p<0.05$). The coefficient of the path indicates that personal income tax compliance will rise when the tax rate is fair. It is an indication that presently tax payer are not being fairly taxed and if the trend is reversed by making sure that the tax rate is fairly defined, people will comply more and be ready to file their tax returns in due time.

Table 6: Path Coefficients

	Original Sample (O)	**Standard Deviation (STDEV)**	**T Statistics (|O/STDEV|)**	**P Values**
PTP -> PITC	0.331	0.080	4.115	0.000
TF -> PITC	0.350	0.084	4.189	0.000

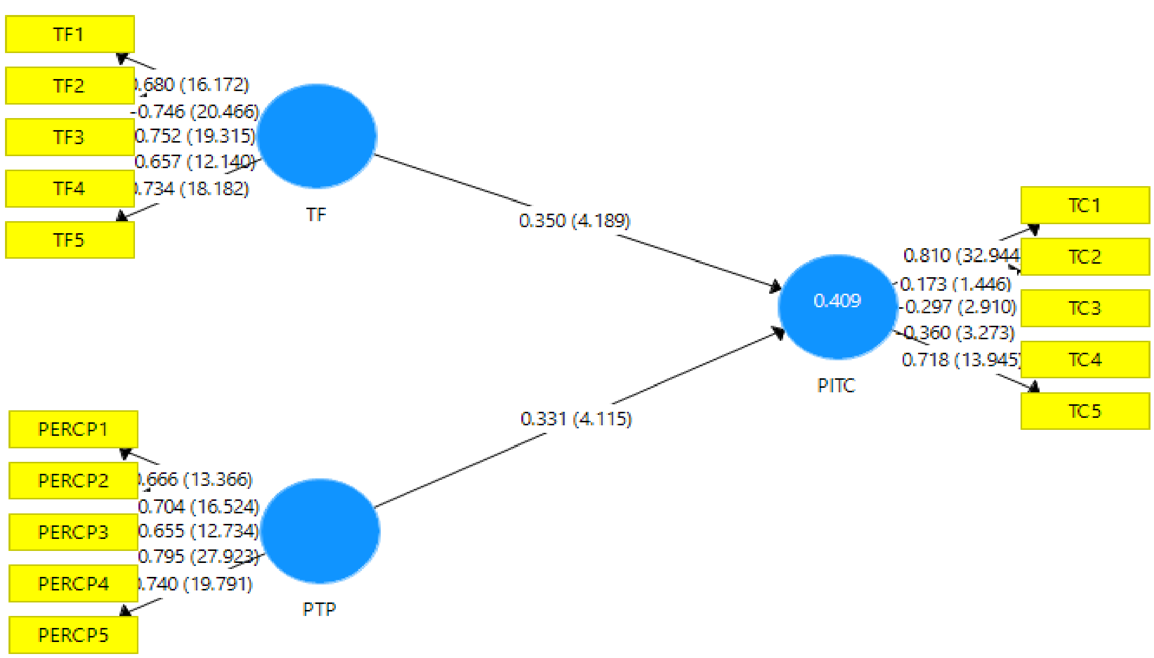

Figure 1: Path Analysis Coefficient

Summary of Findings

The study examined the extent to which perceptions of tax payers towards good governance influence personal income tax compliance in Nigeria and determined the relationship between tax fairness and personal income tax compliance in Nigeria with a view to examined how good governance affect personal income tax compliance in Nigeria.

It was discovered that there is significant relationship between tax fairness and personal income tax in Nigeria and also there are perceptions of tax payers towards good governance and personal income tax compliance in the country.

Specifically, tax fairness enhances the personal income tax compliance among the sampled respondents and perception tax payer of a good governance contribute significantly to the personal income tax compliance. These findings corroborate the theoretical foundation of fiscal exchange theory by agreeing to the fact that when government reduce wastages through judicious use of tax income, the tax payer will be highly interested in prompt return of what is due to the government. According to Fjeldstad et al, 2012, it is obvious that tax compliance will rise when the people feel the impact of good governance. More so, the outcome of this research is in line with the finding of Modugu et al., (2012), Okoye, et al(2018) and Alabedeet al, (2011) by asserting that good governance is a driver of tax compliance.

CONCLUSION

This study discovered that good governance is a robust driver of personal income tax compliance in Nigeria. People want to see development, enhanced welfare and security. The people are thirsty for something good and they are ready to contribute through prompt compliance with tax laws, however, the level of decadence in Nigeria governance system is a great bottleneck to this intention. Also, lack of fairness in tax is another important disservice to the tax payer. Fairness and equity bring about patriotism. The study found that if tax fairness is well enhanced, tax payer will be highly interested in paying their personal income tax. The problem of lack of compliance is common among the informal sector who often bear the brunt of the bad governance. It is obvious that tax compliance will increase if good governance can be perceived by the people. Respondents are ready to comply with the law but the revenue collected must be judiciously used.

Recommendation

It is noteworthy to recommend that Nigeria tax revenue will increase when government is efficient in resources utilization. Therefore, effort should be geared toward blockage of wastefulness and the government should prioritize people oriented project that can enhance the welfare of the citizenry. More so, government should put in place measures that will enhance tax fairness.

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