**Citizen Compliance:**

**Taxation, Representation, and Government Performance in Africa**

**Olufunmbi M. Elemo**

**Michigan State University**

**INTRODUCTION**

According to the 2011 African Economic Outlook report, on average, African governments extract $441 in taxes per capita per year (for example, contrasted with $41 per capita per year foreign aid received). The 2018 African Economic Outlook report cites that, “tax revenues increased 2.3% in absolute terms between 2006 and 2014,” with tax revenue reaching (on average) 17.% of GDP across the continent. (This is compared to non-tax revenue that was about 7% of 2014 GDP.) Given this advantage in tax generation, under what conditions are African citizens more likely to comply with demands for tax payment? This paper theorizes that in Africa, a tax contract exists between predatory governments, seeking to extract revenue, and their citizens. In exchange for tax payment, citizens expect government to shift their policy and spending to reflect public priorities. Therefore, in circumstances where citizens are more satisfied with government performance, we will observe a greater willingness to contribute via tax payment. The analysis hones in on Nigeria, where interactions between income from citizen taxation, petroleum, and foreign aid create varied sub-national government revenue compositions. Using Afrobarometer public opinion data, I expect a positive relationship between Africans’ satisfaction with perceived government performance and their willingness to pay taxes. A relationship between tax compliance and government performance suggests that building ordinary Africans’ capacity to monitor government operations can bolster responsive and democratic governance.

**THEORETICAL FRAMEWORK**

Historical Relationships Between Revenue and Representation

Scholars have linked the development of representative institutions in Western Europe to the process of revenue extraction (i.e. taxation). This model begins in the 15th and 16th Centuries, when Western European rulers engaged in war, border protection, and forging nation-states. However, a major limitation that these rulers faced was access to revenue. According to Levi (1988: 2), access to “revenue enhances the ability of rulers to elaborate the institutions of the state [and] to bring more people within the domain of those institutions.” In order to raise income to engage in activities that shore up and extend their authority, rulers turned to taxing citizens. Specifically, rulers and citizens entered into a fiscal contract: citizens agreed to provide tax revenue in exchange for an enhanced role in government. With taxation came the incentive for political leaders to shift policy toward citizen interests (Tilly, 1985/1990; Bates and Lien, 1985; Levi, 1988; North and Weingast, 1989; Acemoglu and Robinson, 2005).

Tilly (1985; 1990), Bates and Lien (1985), Levi (1988), and North and Weingast (1989) pioneer this revenue-driven perspective of representation for Western European countries. These scholars regard rulers as rational actors with their own particular interests. A ruler’s ability to maximize his or her own utility is intertwined with the ability to acquire income. War-making, state-making, and protecting borders are the key activities for which revenue is necessary (Tilly, 1985). Thus, the state is by nature predatory: constantly “[attempting] to set the terms of trade that maximize their personal objectives…[requiring] them to maximize state revenue” (Levi, 1988: 10).

A ruler’s ability to guarantee and augment tax income depends on bargaining with citizens for compliance (Bates and Lien, 1985; Levi, 1988). The use of force or coercion is one, albeit expensive, method of garnering this mass compliance; however, Levi (1988: 52 - 60) identifies quasi-voluntary compliance as the modal technique of obtaining citizens’ obedience toward paying taxes. This form of compliance is “voluntary because taxpayers choose to pay.” But it is also considered quasi-voluntary “because the noncompliant [who do not pay their taxes] are subject to coercion—if they are caught.”  According to Levi (1988), a citizen’s quasi-voluntary compliance is dependent on two beliefs: first, an individual must believe that political leaders will fulfill their end of the bargain. A citizen must perceive that, if he or she pays taxes, government will reciprocate by incorporate citizens’ interests in policymaking. Second, a taxpayer must believe that other citizens are complying with tax payment. Levi (1988: 53) argues that “taxpayers are strategic actors who will cooperate only when they can expect others to cooperate as well. The compliance of each depends on the compliance of others. No one prefers to be a ‘sucker.’” Thus, mass compliance relies on a given taxpayer’s perception that other taxpayers are compliant with payment, and that the ruler will provide benefits (e.g. providing military defense, justice; Levi, 1988). It follows that when citizens have more favorable evaluations of government performance, they are more likely to comply with demands for tax payment. Therefore, rulers have an incentive to exchange (public) services for tax revenue (Timmons, 2005).

**EXPANDING THEORIES OF REVENUE AND REPRESENTATION TO AFRICA: WHY NIGERIA?**

Joining Levi (1988), this paper argues that the relationship between government and citizens undergirds politicians’ ability to extract tax revenue from citizens. In order to maximize government’s capacity to collect taxes, it is necessary to establish compliance among the citizenry. Thus, the theory of quasi-voluntary compliance frames the kinds of calculations that occur among Africans when thinking about taxation. If African citizens do perceive tax payment as a contract with government in exchange for representation, we should be able to observe at least two empirical relationships. First, citizens who perceive that elected officials are representing their interests in government will be willing to pay taxes. These individuals will also report compliance with actual tax payment at a higher rate than those who do not feel politicians are representing them. Second, Africans who believe that other citizens are complying with tax payment will be more willing to pay taxes. They will also follow through with actual payment.

Nigeria provides additional methodological and substantive advantages in order to test these hypotheses. Although Nigeria is heavily dependent on petroleum income, a structure for government tax generation exists (Okoko and Nna, 1997; Suberu, 2003; Fajingbesi et al, 2004, Usman, 2007). Issues of taxation, revenue, and governance have continuously informed Nigeria’s political development. In Nigeria’s post-independence (1960 – 1999) period, the military leadership repeatedly curtailed subnational entities’ power to tax. This created a situation where state and local governments were dependent on the national government for revenue.

However, in the contemporary period, after Nigeria’s 1999 return to democratic governance, state and local governments have regained the authority to generate income, independent of federal transfers of petroleum revenue. Nigeria’s subnational governments differ in the extent to which they have been able to mobilize income via taxation and/or rely on oil transfers. As a result, I expect that Nigerians’ perception of taxation and their willingness to comply with demands for tax payment will also vary.

Observing Nigerians’ Attitudes and Behaviors Toward Taxation

Before testing these hypotheses, it is important to consider Nigerians’ general perspectives on taxation and compliance. Using public opinion data from Afrobarometer Round 4 (2008)[[1]](#footnote-1), we can paint an overall picture of ordinary citizens’ views.

The Afrobarometer asks Nigerian respondents the extent to which they agree “the tax department always has the right to make people pay taxes,” thus gauging their latent willingness to pay taxes (Figure 1). A majority of Nigerians agree or strongly agree with this statement (66%). This is contrasted with 23% of Nigerians who disagree or strongly disagree with the tax department’s right to compel tax payment from citizens.

**Figure 1: “The tax department always has the right to make people pay taxes.”**

Moreover, this belief in the government’s right to compel tax payment holds despite individual beliefs about whether the executive should account for how tax income is spent (Figure 2). For example, 53% of Nigerians believe “the National Assembly should ensure that the President explains to it on a regular basis how [the] government spends taxpayers’ money.” On the other

hand, 43% of respondents believe “the President should be able to devote his full attention to developing the country rather than wasting time justifying his actions” (Afrobarometer, 2008).

**Figure 2: “Which of the following statements is closest to your view? Choose Statement 1 or 2.**

**Statement 1: The National Assembly should ensure that the President explains to it on a regular basis how his government spends taxpayers’ money.**

**Statement 2: The President should be able to devote his full attention to developing the country rather than wasting time justifying his actions.**

A cross-tabulation (Table 1) shows that even though Nigerians are closely split in their opinions about whether the president must justify public spending, the majority still agrees that it’s the tax department’s responsibility to make citizens pay taxes. For example, of the Nigerians who strongly agree that the executive must justify to the National Assembly how tax income is being spent, 70% also agree or strongly agree that the tax department has the right to compel tax payment. Similarly, of Nigerians who strongly believe the executive does not have to account for tax spending (free to act on their own), 76% also agree or strongly agree that people must pay taxes. A Cramer’s V test result of 0.113 demonstrates that there is a positive (but weak) relationship between Nigerians’ willingness to pay taxes and their perceptions of executive accountability. Thus, Nigerians’ latent willingness to comply with government demands for taxes is relatively independent and endures despite differing views in executive justification of public spending.

|  |  |  |  |
| --- | --- | --- | --- |
| **Table 1: CROSSTABULATION, WILLINGNESS TO PAY TAXES AND BELIEF IN EXECUTIVE JUSTIFICATION HOW TAX INCOME IS SPENT (Row %)** |  |  |  |
|  |  | **TAX DEPARTMENT HAS A RIGHT TO MAKE PEOPLE PAY TAXES** |  |
| **PRESIDENT MUST JUSTIFY SPENDING (1) VS. PRESIDENT IS FREE TO ACT ON OWN (2)** | **STRONGLY DISAGREE/DISAGREE** | **NEITHER AGREE NOR DISAGREE** | **STRONGLY AGREE/AGREE** |
| **AGREE VERY STRONGLY/AGREE WITH 1** | 18 | 12 | 70 |
| **AGREE WITH NEITHER** | 21 | 18 | 61 |
| **AGREE VERY STRONGLY/AGREE WITH 2** | 12 | 12 | 76 |
|  |  |  |  |
| **CRAMER’S V** | 0.113 |  |  |

Now knowing that a majority of Nigerians agree that government is justified in compelling tax payment, whom do citizens believe has the primary responsibility for collecting (specifically) income taxes: federal government, state governments, local governments, members of the community, or traditional leaders (Figure 3)? First, it is important to point out Nigerians overwhelmingly believe income tax collection should primarily be a government responsibility. Only 6% of respondents believe a non-government entity (i.e. community members, traditional leaders), should be primarily responsible for collecting income taxes. Generally, Nigerians perceive income tax collection as a state and local responsibility, 36% of respondents choosing the state government and another 36% choosing the local government. On the other hand, 21% of respondents believe income tax collection is the federal government’s responsibility. According to Nigeria’s tax law, income tax collection is a state government responsibility. However, there are exceptions: federal government employees, members of the military, and residents of the Federal Capital Territory pay income taxes to the federal government.

**Figure 3: “Who do you think actually has *primary* responsibility for: Collecting income taxes?”**

Figure 4 presents results from respondent reports of actual payment of various taxes in the last year. In 2008, about 30% of Nigerians report making income tax payments during this period. 27% of respondents indicate making property tax payments, while 31% of Nigerians say that in the last year they paid local government fees taxes/fees. These rates of payment may, at first seem, low, but in comparison to other African countries, Nigeria is not statistically different. In comparison, we see that the rates of tax payment in Nigeria are slightly higher. With respect to income tax payment, even though only 30% of Nigerians indicate paying in the last year, this is higher than the mean (22%) in the 20 countries surveyed by the Afrobarometer. Similarly, the 27% who report paying property taxes in Nigeria is higher than the mean (24%) in Afrobarometer countries overall. With that said, this difference is close to the margin of sampling error in Afrobarometer surveys (+/- 3% at a 95% confidence level). Last, in Nigeria, 31% who report paying local government taxes is higher than the rate of 25% in all countries included in the Afrobarometer.

**Figure 4: “Have you had to make any of the following payments during the past year…”**

Analytical Focus

Returning to the initial research question, I hypothesize the following:

Hypothesis 1: Nigerians are more likely to express willingness to pay taxes as they perceive higher quality of representation from government.

Hypothesis 2: Nigerians are more likely to express willingness to pay taxes as they express higher quality of trust in other citizens.

Hypothesis 3: Nigerians are more likely to report actual tax payment as they perceive higher quality of representation from government.

Hypothesis 4: Nigerians are more likely to report actual tax payment as they express higher quality of trust in other citizens.

These hypotheses are derived from Levi’s (1988) theory of citizen quasi-voluntary compliance with tax payment in Nigeria. If an individual Nigerian believes government is fulfilling its end of the bargain, she will be more accepting of government’s authority to tax. This will also manifest in her actual tax payment. Similarly, if individuals trust other Nigerians are likely to comply with demands for tax payment, they will also be more willing to acquiesce to the government’s right to tax. Once again, they will also be more likely to report actually paying taxes.

In order to test these hypotheses, I rely on Nigerian public opinion data from Afrobarometer Round Four. These data allow me to establish citizen expectations regarding taxation and representation, especially in the context of government corruption.

**RESEARCH DESIGN**

Dependent Variables

The following selected variables gauge Nigerians’ attitudes and behaviors toward tax payment. Willingness to pay taxes, the dependent variable in Hypotheses 1 and 2, is operationalized with an indicator of the extent to which the respondent believes, in principle, people must pay taxes.[[2]](#footnote-2) The dependent variable in Hypotheses 3 and 4 is captured with three indicators that measure an individual’s actual tax payment within the last year. This includes payment of income taxes, property taxes, and local government taxes.[[3]](#footnote-3) These four indicators result in four separate analyses.

Independent Variables

In Hypotheses 1 and 3, quality of representation is the explanatory variable. To reiterate, representation is the process through which elected officials gauge, deliberate upon, and incorporate citizen interests in political decision-making (Pitkin 1967, 1969; Huber and Powell, 1994; Aldrich, 1995; Stokes, 1999). However, in order to practice representation, politicians must be first willing to pay attention to citizen interests and preferences. This includes listening to constituents and remaining in contact with them. When operationalizing citizen perceptions of the quality of representation they receive from elected officials, I use six indicators. These measures individually capture respondents’ evaluations of local and national representatives’ ability to assess and act upon citizens’ needs.

First, I include an indicator measuring a Nigerian’s belief in the likelihood that she “could get together with others and make [their] elected local councilor listen to [their] concerns about a matter of importance to the community.” I also include a second indicator measuring this perception, but with respect to the their representative to the National Assembly.[[4]](#footnote-4) I hypothesize that when Nigerians believe it is somewhat/very likely they can make their local and national representatives listen to them, they will also indicate being more willing to pay taxes (Hypothesis 1). I also expect a positive relationship between a Nigerian’s perceived ability to make her local and national representative listen and her actual tax payment (Hypothesis 3). As Levi (1988) argues, citizen compliance with government demands for taxes is, in part, dependent on the belief that political leaders will reciprocate by incorporating ordinary people’s interests in policy making. Therefore, if Nigerians feel that they can get together with others and make their local and national officials listen to their concerns, they will be more likely to perceive government as fulfilling their end of the tax contract. As a result, these respondents will be more willing to pay taxes.

The second set of explanatory variables also gauges Nigerians’ perceptions of how well their local and national representatives listen to them. In this case, the question asks the respondent, in her opinion, “how much of the time [does she] think elected local government councilors try their best to listen to what people like [her] have to say.” A second question asks the same about representatives of the National Assembly.[[5]](#footnote-5) While the previous set of questions ask about a respondent’s general efficacy in making elected officials listen to her, these questions are focused on the regularity with which the respondent believes her representatives, of their own volition, spend listening to ordinary people. Again, I hypothesize that when Nigerians believe their local and national representatives often/always listen to what ordinary people have to say, they will be more willing to pay taxes (Hypothesis 1). I also expect Nigerians will be more likely to pay income, property, and local taxes when they believe local and national leaders are often/always listening to people like them (Hypothesis 3). Following the theory of quasi-voluntary compliance, I expect positive relationships. Nigerians will be more willing to pay taxes and more compliant with tax payment when they believe political leaders will reciprocate by including citizens’ preferences in government deliberations. As Nigerians believe government to be in fulfillment of the tax contract, they will be more willing to yield to the tax authority. They will also be more likely to report actual tax payment.

The last set of independent variables measures how often a respondent has contacted her local government councilor in the last year to discuss a problem or a view on an issue. A second question asks the same about contact with her representative to the National Assembly in the last year.[[6]](#footnote-6) I expect positive relationships between the frequency of Nigerians’ contact with their local and national representatives and their willingness to pay taxes (Hypothesis 1). I also expect a positive relationship between the frequency of a respondent’s contact with her local and national leaders and her actual payment of taxes (Hypothesis 3). When a Nigerian believes she can contact her local and/or national representative to share a problem or view, and then actually follows through with the action, she is more likely to view these officials as interested in her problems and concerns. In this case, the respondent will view her leaders as attentive, willing to help her solve a problem or willing to represent her views on an issue within the local government or National Assembly. If Nigerians believe this, they will be more likely to view government as complying with its end of the bargain. Therefore, they will be more willing to yield to demands for taxes and actually pay those taxes.

In Hypotheses 2 and 4, the explanatory variable is Nigerians’ belief that other individuals are complying with tax payment. As Levi (1988) argues, this is the second tenet on which an individual’s quasi-voluntary compliance with tax payment relies. I hypothesize Nigerian taxpayers operate perform a similar calculation. When they trust other taxpayers to comply, they will also be willing to acquiesce to government demands for taxes. These Nigerians will also be likely to report actual tax payment.

Round 4 of the Afrobarometer does not ask a question about respondents’ trust in the context of tax payment. However, there are two indicators measuring generalized trust of people they know and, more widely, other Nigerians.[[7]](#footnote-7) These two indicators of a respondent’s trust in people they know and Nigerians at large can serve as proxies for measuring whether respondents trust other taxpayers to comply with payment. It stands to reason that if a respondent trusts people they know or other Nigerians in a general sense, they will also trust them to pay their taxes. On the other hand, if a respondent does not generally trust people they know or other Nigerians, they will not trust them, specifically, to pay taxes.

I hypothesize that when Nigerians express trust of people they know and other Nigerians, they will also be willing to pay taxes (Hypothesis 2). Additionally, I expect a positive relationship between respondents’ trust of others (people they know and other Nigerians) and their actual payment of taxes (Hypothesis 4). Following the theory of quasi-voluntary compliance, when Nigerians trust other taxpayers to comply with payment, they will be more willing to cooperate. This will manifest in respondents’ willingness to pay taxes and their reports of making actual tax payment.

Control Variables

The models also include control variables identified by previous literature as predictors of citizens’ willingness to pay taxes and actual tax payment.

In a survey of tax compliance in Tanzania, Fjeldstad and Semboja (2001), find that an African’s ability to pay is a significant predictor of tax compliance. When respondents are relatively better off, they tend to be more tax compliant. In their analysis, they use the number of wage earners in the respondent’s household as an indicator. Fjeldstad and Semboja (2001) find respondents in households with more than one income earner are more likely to pay taxes. On the other hand, respondents in households with only one wage earner are less likely to be tax compliant. The Afrobarometer does not specifically ask about employment within a respondent’s household. However, there is a question about the respondent’s employment status.[[8]](#footnote-8) Therefore, I hypothesize employed respondents will be willing to pay taxes and report actual tax payment. Furthermore, I hypothesize Nigerians with full-time employment will be more willing to pay taxes and report tax payment when compared to respondents with part-time employment.

Previous work on tax compliance in Western countries find younger individuals are less likely to pay taxes, while the most tax compliant are respondents are over 60 years old (Spicer and Lundstedt, 1976). However, in Fjeldstand and Semboja’s (2001) analysis of Tanzania, they find younger respondents are more tax compliant. In Africa, elderly people tend to be unemployed and live in less affluent households. As a result, older Africans have a lower ability to pay when compared with younger Africans. I include age as a control variable in my analysis.[[9]](#footnote-9) Following Fjeldstand and Semboja (2001), I hypothesize a negative relationship between age and willingness to pay taxes. I also expect a negative relationship between age and reports of actual tax payment.

Last, the models control for respondents’ perception of corruption within the local government, National Assembly, and among tax officials.[[10]](#footnote-10) I hypothesize all three types of corruption will have a negative influence on citizens’ willingness to pay taxes. I also expect a negative relationship between Nigerians’ perceptions of corruption and their tax compliance. The justification of this negative expectation is tied to the two tenets on which quasi-voluntary compliance is based. First, if a respondent believes members of their local government and the National Assembly are corrupt, she will be less likely to believe government will fulfill its part of the tax contract. If the respondent does not believe leaders will incorporate citizens’ priorities in decision-making, she will be less willing to pay taxes. She will also be less likely to report actually paying her taxes. Second, if Nigerians perceive members of the tax administration as corrupt, they are also less likely to believe the tax department is pursuing and punishing tax evaders. If a respondent feels other Nigerians are getting away with noncompliance, she will be less willing to pay taxes and less likely to report tax payment.

Once again, data for all variables are obtained from Round 4 of the Afrobarometer (2008). Table 2 summarizes each of the hypothesized relationships between the dependent, explanatory, and control variables. Table 3 presents each variable’s summary statistics.[[11]](#footnote-11)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Table 2: HYPOTHESIZED EFFECTS OF QUALITY OF REPRESENTATION AND TRUST ON CITIZENS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT** | **1** | **2** | **3** | **4** |
|  | **PEOPLE MUST PAY TAXES** | **PAID LOCAL GOVERNMENT TAXES** | **PAID PROPERTY TAX** | **PAID INCOME TAX** |
| **MAKE LOCAL COUNCILLOR LISTEN** | + | + | + | + |
| **MAKE MPs LISTEN** | + | + | + | + |
| **TIME LOCAL COUNCILLORS SPEND LISTENING** | + | + | + | + |
| **TIME MPs SPEND LISTENING** | + | + | + | + |
| **CONTACT LOCAL COUNCILLOR** | + | + | + | + |
| **CONTACT MP** | + | + | + | + |
| **TRUST OTHER PEOPLE YOU KNOW** | + | + | + | + |
| **TRUST OTHER NIGERIANS** | + | + | + | + |
| **EMPLOYMENT STATUS** | + | + | + | + |
| **AGE** | - | - | - | - |
| **LOCAL GOVERNMENT CORRUPTION** | - | - | - | - |
| **PARLIAMENT CORRUPTION** | - | - | - | - |
| **TAX OFFICIALS CORRUPTION** | - | - | - | - |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Table 3: SUMMARY STATISTICS--EFFECT OF QUALITY OF REPRESENTATION AND TRUST ON CITIZENS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT** |  |  |  |  |  |
| **VARIABLE** | **N** | **MEAN** | **STANDARD DEVIATION** | **MIN** | **MAX** |
| **PEOPLE MUST PAY TAXES** | 1641 | 3.613 | 1.151 | 1 | 5 |
| **PAID INCOME TAX** | 1641 | 0.294 | 0.456 | 0 | 1 |
| **PAID PROPERTY TAX** | 1641 | 0.264 | 0.441 | 0 | 1 |
| **PAID LOCAL TAXES** | 1641 | 0.306 | 0.461 | 0 | 1 |
| **MAKE LOCAL COUNCILLOR LISTEN** | 1641 | 1.410 | 0.995 | 0 | 3 |
| **MAKE MPs LISTEN** | 1641 | 1.237 | 1.005 | 0 | 3 |
| **TIME LOCAL COUNCILLORS SPEND LISTENING** | 1641 | 0.751 | 0.846 | 0 | 3 |
| **TIME MPs SPEND LISTENING** | 1641 | 0.631 | 0.788 | 0 | 3 |
| **CONTACT LOCAL COUNCILLOR** | 1641 | 0.421 | 0.810 | 0 | 3 |
| **CONTACT MP** | 1641 | 0.182 | 0.563 | 0 | 3 |
| **TRUST OTHER PEOPLE YOU KNOW** | 1641 | 1.349 | 0.920 | 0 | 3 |
| **TRUST OTHER NIGERIANS** | 1641 | 1.004 | 0.932 | 0 | 3 |
| **EMPLOYMENT STATUS** | 1641 | 2.113 | 1.725 | 0 | 5 |
| **AGE** | 1641 | 31.53 | 11.355 | 18 | 86 |
| **LOCAL GOVERNMENT CORRUPTION** | 1641 | 1.756 | 0.806 | 0 | 3 |
| **PARLIAMENT CORRUPTION** | 1641 | 1.682 | 0.793 | 0 | 3 |
| **TAX OFFICIALS CORRUPTION** | 1641 | 1.729 | 0.778 | 0 | 3 |

|  |  |  |
| --- | --- | --- |
| **Table 4: DEMOGRAPHIC COMPARISONS BETWEEN ORIGINAL SAMPLE AND NEW SAMPLE** | **ORIGINAL SAMPLE**  **(n = 2400)** | **NEW SAMPLE**  **(n = 1641)** |
| **AGE** | 31.303 | 31.530 |
| **EDUCATION** | 4.402 | 4.535 |
| **EMPLOYMENT STATUS** | 2.013 | 2.113 |
|  |  |  |
| **Table 5: RELIGION OF RESPONDENTS (%)** | **ORIGINAL SAMPLE**  **(n = 2400)** | **NEW SAMPLE**  **(n = 1641)** |
| **CHRISTIAN ONLY** | 35 | 36 |
| **MUSLIM ONLY** | 31 | 32 |
| **ROMAN CATHOLIC** | 12 | 9 |
|  |  |  |
| **Table 6: ETHNICITY OF RESPONDENTS (%)** | **ORIGINAL SAMPLE**  **(n = 2400)** | **NEW SAMPLE**  **(n = 1641)** |
| **HAUSA** | 23 | 24 |
| **IGBO** | 16 | 15 |
| **YORUBA** | 21 | 23 |
|  |  |  |
| **Table 7: URBAN VS. RURAL DWELLERS (%)** | **ORIGINAL SAMPLE**  **(n = 2400)** | **NEW SAMPLE**  **(n = 1641)** |
| **RURAL** | 13 | 14 |
| **SMALL URBAN** | 36 | 39 |
| **LARGE URBAN** | 51 | 47 |
|  |  |  |
| **Table 8: GENDER DISTRIBUTION (%)** | **ORIGINAL SAMPLE**  **(n = 2400)** | **NEW SAMPLE**  **(n = 1641)** |
| **MALE** | 50 | 53 |
| **FEMALE** | 50 | 47 |

**ANALYSIS AND RESULTS**

For analysis, I rely ordered logistic regression and logistic regression, both with robust standard errors. Since “willingness to pay taxes” (the first of the dependent variables) is measured at the ordinal level with five meaningful and sequential categories for response, ordered logit would provide the best test. The remaining three dependent variables (whether the respondent paid local, property, or income taxes in the last year) have yes/no responses. Therefore, these variables are binary dummies, and I utilize logit for analysis.

Table 9 presents results from the four analyses of the effect of citizens’ perceptions of representation and trust on willingness to pay taxes and on actual tax payment. Since each indicator (dependent and independent variables) is measured on a different scale, I report the proportional odds ratios (POR). These ratios will allow us to compare the relative strength of the various predictors in their influence on popular compliance with tax payment.

There is strong and positive evidence that Nigerians are willing to pay taxes when they perceive their elected officials as representing their interests. A higher quality of perceived representation among Nigerians also corresponds with higher rate of tax payment. Additionally, Nigerians with higher levels of trust are more likely to report greater willingness to pay taxes and actual tax payment. These findings directly support the hypotheses outlined earlier in this chapter. Perceived quality of citizen representation and trust in government are significant predictors across multiple measures of Nigerians’ willingness to pay taxes and actual tax payment. Moreover, as hypothesized, the theory of quasi-voluntary compliance provides leverage in analyzing Nigerian attitudes and behaviors toward taxation.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Table 9: EFFECT OF QUALITY OF REPRESENTATION AND TRUST ON CITIZENS' WILLINGNESS TO PAY TAXES** | **1** | **2** | **3** | **4** |
|  | **PEOPLE MUST PAY TAXES** | **PAID LOCAL GOVERNMENT TAXES** | **PAID PROPERTY TAX** | **PAID**  **INCOME**  **TAX** |
| **MAKE LOCAL COUNCILLOR LISTEN** | 1.378\*  (0.089) | 1.391\*  (0.086) | 1.364\*  (0.103) | 1.387\*  (0.089) |
| **MAKE MPs LISTEN** | 1.081\*  (0.067) | 1.001  (0.072) | 1.001  (0.066) | 1.001  (0.073) |
| **TIME LOCAL COUNCILLORS SPEND LISTENING** | 1.191\*  (0.101) | 1.176\*  (0.013) | 1.131\*  (0.104) | 1.133\*  (0.123) |
| **TIME MPs SPEND LISTENING** | 1.262\*  (0.077) | 1.001  (0.108) | 1.002  (0.114) | 1.002  (0.106) |
| **CONTACT LOCAL COUNCILLOR** | 1.164\*  (0.079) | 1.299\*  (0.111) | 1.263\*  (0.111) | 1.283\*  (0.109) |
| **CONTACT MP** | 1.177\*  (0.079) | 1.002  (0.127) | 1.002  (0.133) | 1.001  (0.124) |
| **TRUST OTHER PEOPLE YOU KNOW** | 1.002  (0.068) | 1.000  (0.099) | 1.001  (0.081) | 1.001  (0.092) |
| **TRUST OTHER NIGERIANS** | 1.101\*  (0.076) | 1.097\*  (0.095) | 1.091\*  (0.098) | 1.099\*  (0.094) |
| **EMPLOYMENT STATUS** | 1.193\*  (0.031) | 1.198\*  (0.039) | 1.171\*  (0.039) | 1.201\*  (0.041) |
| **AGE** | 1.101\*  (0.004) | 1.101\*  (0.004) | 1.101\*  (0.004) | 1.102\*  (0.004) |
| **LOCAL GOVERNMENT CORRUPTION** | 0.356\*  (0.069) | 0.250\*  (0.096) | 0.220\*  (0.166) | 0.258\*  (0.103) |
| **PARLIAMENT CORRUPTION** | 0.215\*  (0.091) | 1.000  0.113) | 1.000  (0.113) | 1.000  (0.098) |
| **TAX OFFICIALS CORRUPTION** | 0.235\*  (0.064) | 0.207\*  (0.088) | 0.295\*  (0.088) | 0.217\*  (0.097) |
| **GENDER** | 1.003  (0.097) | 0.651\*  (0.076) | 0.682\*  (0.099) | 0.603\*  (0.105) |
| **CONSTANT** | -- | 0.211\*  (0.071) | 0.151\*  (0.053) | 0.108\*  (0.037) |
| **LOG PSEUDOLIKELIHOOD** | -2268.455 | -952.058 | -896.705 | -938.464 |
| **N** | 1641 | 1641 | 1641 | 1641 |

Notes: Values are proportional odds ratios, robust standard errors in parentheses.

\*p < 0.05, two-tailed test.

When considering the conditions under which Nigerians are most likely to yield to the authority of the tax department, as hypothesized, the ability to make local and national representatives listen are among the strongest predictors (Table 9). As a Nigerian believes she (and other people like them) can get together and share concerns with their local councilor, she is more likely to concede to the government’s power to tax (POR = 1.278). In fact, of all variables included, the ability to make one’s local representative listen exerts the strongest influence. This influence is positive, as hypothesized. Similarly, when a Nigerian believes she can get together with others and make a national representative listen, she is more willing to pay taxes (POR = 0.998). Once again, this relationship is strong and positive, as hypothesized.

The time a Nigerian perceives local and national representatives spend listening to ordinary people also exerts a positive influence on willingness to pay taxes. As Nigerians believe their local councillor (POR = 1.191) and representative to the National Assembly (POR = 0.862) spend more time listening to what ordinary citizens have to say, they are also more likely to agree to the tax department’s right to compel tax payment. Moreover, when a Nigerian indicates making contact with a local councilor to discuss a problem or share a view, she is more willing to pay taxes (POR = 1.064). When a Nigerian indicates contact with a national representative in the last year, she is also more willing to concede to the tax department’s authority (POR = 0.877). These findings support Hypothesis 1, demonstrating Nigerians are more willing to yield to the government’s authority to tax as they perceive higher quality of representation.

Evidence also supports Hypothesis 3, and as Nigerians indicate they trust others, they are also more willing to pay taxes. Quasi-voluntary compliance specifically identifies trust in others’ compliance with tax payment as a tenet. However, the use of generalized trust as a proxy bears out empirically. Evidence suggests Nigerians’ trust in other Nigerians (not other people they know) significantly, and positively, influences their willingness to pay taxes (POR = 1.101). When contemplating issues of taxation and tax compliance, it seems Nigerians use a larger reference group. Rather than focusing on a smaller group on individuals they know, a Nigerian thinks about the larger population and if they trust other Nigerians, at large. In accordance with quasi-voluntary compliance, those indicating more trust in Nigerians are also more likely to yield to government’s power to tax.

Even when taking ability to pay (employment status), age, and corruption into account, quality of representation and trust are more powerful and significant explanatory variables. For example, perceptions of corruption in the local government (POR = -0.856), National Assembly (POR = -1.115), and the tax administration (POR = -1.135) have a significant, negative influence on Nigerians’ willingness to comply with tax payment. In fact, opinions about tax officials’ corruption are the third most powerful predictor of popular beliefs on the government’s authority to tax. As hypothesized, when Nigerians believe local, national, and tax officials are engaged in corrupt practices, they are less willing to comply with demands for tax payment. In this instance, ordinary citizens are less likely to believe government will fulfill its end of the fiscal contract or punish evaders.

Turning to actual tax payment (Hypotheses 2 and 4), quality of representation and trust also exert a strong, positive influence. As hypothesized, a Nigerian is more likely to report paying local taxes when she also believes she is able to make her local councillor listen to community concerns (POR = 1.191). Similarly, when Nigerians believe ordinary people can make local representatives listen, they are more likely to pay property taxes (POR = 1.264) and income taxes (POR = 1.087). In fact, the ability to make their local councillor listen is among the most powerful predictors in explaining each of these forms of tax payment. For example, Holding all other variables constant, a one unit increase in a Nigerian’s belief that she can make her local representative listen (e.g. moving from “not very likely” to “somewhat likely”), increases the likelihood that she will have paid local taxes by 1.191 times. This one-unit movement also increases the likelihood of property tax payment by 1.264 times and income tax payment by 1.087 times.

When a Nigerian believes her local councillor spends more time listening to what ordinary people have to say, she is more likely to have paid local taxes (POR = 0.986), property taxes (POR = 1.031), and income taxes (POR = 1.133) in the last year. Increased contact with a local representative is a positive and significant explanatory variable. If Nigerians have contacted their councillor with a problem or to discuss a view on an issue, they are more likely to report payment of local taxes (POR = 1.299), property taxes (POR = 1.263), and income taxes (POR = 1.283). Making contact with one’s local councillor is the most powerful predictor of Nigerians’ local tax and income tax payment.

In the case of actual tax payment, it seems Nigerians evaluate representation from their local officials more heavily than the quality of representation received from their national leaders. Scholars argue that citizens feel closer to their local governments (i.e. Tiebout, 1956 and Oates, 1972). So, theoretically, Nigerians might consider both local and national representation when determining their willingness to pay taxes. However, when it comes to actual tax payment, local government representation is the key explanatory variable. In addition, most Nigerians pay income, property, and local taxes directly to their state and local government. It would make sense for them to reference quality of representation from their local government when considering tax compliance.

Nigerians’ level of trust also positively predicts their likelihood of actual tax payment (Hypothesis 4). When a respondent indicates a high level of trust in other Nigerians, she is also more likely to report paying local taxes (POR = 1.097), property taxes (POR = 1.071), and income taxes (POR = 1.049) in the last year. Once again, this indicator of general trust serves as a proxy, but still provides support for the second tenet in quasi-voluntary compliance. When Nigerians trust that other taxpayers are complying with payment, they will also be more likely to comply.

As hypothesized, corruption in government exerts a negative influence on actual tax payment in the last year. Specifically, perceptions of corruption in local government have a significant, negative relationship with payment of local government taxes (POR = -1.150), property taxes (POR = -1.072), and income taxes (POR = -1.075). Beliefs about corruption in the tax administration also exert a negative influence on reported payment of taxes. Perceptions on corruption among tax officials are the third most powerful predictor of income tax payment (POR = -1.117). Holding other variables constant, a one-unit increase in a Nigerian’s perception that tax officials are engage in corruption (e.g. “some of them” to “most of them”) decreases the likelihood that she will have paid income taxes by 1.117 times. As hypothesized, when Nigerians believe local and tax officials are participating in corrupt practices, they do not think government will satisfy its side of fiscal contract.

However, even in this context, quasi-voluntary compliance provides explanatory leverage. These four models, taken together, offer strong evidence that quasi-voluntary compliance and its implications, apply in Africa. Nigerians expect representation of their interests in exchange for their tax payment. Moreover, Nigerians’ willingness to pay taxes and actual tax payment are directly related to their perceived level of trust in other taxpayers to comply. Evidence suggests perceptions of corruption within the local government, National Assembly, and among tax officials have a significant, negative influence on citizens’ attitudes and behavior toward taxation. With that said, the hypothesized relationships between tax payment, quality of citizen representation, and trust remain positive and significant.

**EXPANDING THE CONCEPT OF REPRESENTATION: CITIZEN SATISFACTION WITH GOVERNMENT PERFORMANCE**

This analysis using Afrobarometer public opinion data supports Levi’s (1988) assertion about the linkages between representation, trust, and citizen compliance with government demands for taxes. In exchange for tax payment, citizens expect government to pay attention to their concerns and incorporate citizen interest in public policy. However, scholars have expanded substantive representation to include public expenditures on service delivery.

Fjelstad and Semboja (2001: 2061) argue: “Individuals pay taxes because they value the goods provided by the government, recognizing that their payments are necessary both to help finance the goods and services and to get others to contribute.” Therefore, satisfaction with these services is likely to increase the probability that taxpayers will voluntarily comply with requests for tax payment. Fjeldstad (2001) and Fjeldstad and Semboja (2001) investigate this hypothesis, using Tanzania and South Africa as their cases. They find Africans’ compliance with actual tax payment is positively linked to their satisfaction with government performance in the arena of public service delivery. As Africans perceive higher levels of service provision, they also indicate a higher propensity to pay taxes. When public service delivery improves in quality and provision becomes more equitable, Africans perceive the terms of trade with government as fair exchange, and will consequently be more likely to comply with tax payment.

I now test this hypothesis in Nigeria. While Fjeldstad and Semboja (2001) and Fjeldstad (2004) focus on actual tax payment as their dependent variable, I follow the previous analysis. I investigate the influence of satisfaction with public service delivery on Nigerians’ willingness to pay taxes (attitude) and actual tax payment (behavior). In circumstances where citizens are more satisfied with government performance, we should observe a greater willingness to contribute to government via tax payment (Hypothesis 1). Conversely, when citizens are less satisfied with government service provision, they are also less willing to pay taxes. We should also discern a higher rate of actual tax payment among satisfied individuals (Hypothesis 2). In addition, unsatisfied Nigerians will be less likely to comply with tax payment.

As Levi (1988), Fjeldstad (2001), and Fjeldstad and Semboja (2001), I also assert that Nigerians perceive taxation and tax payment as a contract with government. Individuals pay taxes in expectation that government will provide representation via expending resources to deliver public services. When Nigerian citizens believe their elected officials are fulfilling their end of the bargain, in this case by providing services, they will be more willing to comply with government demands for taxes.

Operationalizing Satisfaction with Service Provision

For this analysis, I operationalize Nigerians’ satisfaction with government provision of public services with several indicators of respondents’ opinions about how well the *current* government is managing certain matters. The Afrobarometer asks this question regarding several areas in a general sense, for example, managing the economy, addressing income gaps, and job creation. Respondents may consider these larger policy areas in an abstract sense and provide a general opinion about their satisfaction with government performance. Instead, I incorporate Nigerians’ opinions about specific services, allowing me hone in on those with which respondents have daily experience. It is more likely Nigerians use their everyday experiences with these more specified services to gauge satisfaction with government performance. As a result, I include the following measures of citizens’ perceptions of how well the current government is managing basic health services, water and sanitation, roads and bridges, and supplying electricity.[[12]](#footnote-12)

Additionally, I incorporate indicators for satisfaction with (specifically) local government management of local roads and local markets.[[13]](#footnote-13) I hypothesize Nigerians will be willing to comply with tax payment as they are more satisfied with how the current/local government handles the aforementioned services (Hypothesis 1). I also hypothesize respondents with higher levels of satisfaction with government performance in these areas will be more likely to report actual payment of income, property, and local taxes (Hypothesis 2).

This analysis builds on the initial four models, using the same indicators for willingness to pay taxes and reported payment of income, property, and local taxes in the last year. In the new model, the indicators for quality of representation and trust (the dependent variables in the first model) will serve as controls. I also still include controls for employment status; respondent age; perceptions of corruption in the local government, National Assembly, and tax administration; and gender.

Table 10 presents summary statistics for the variables included in the second analysis. Once again, I exclude “don’t know” responses and respondents who refused to answer. This results in a sample size of n = 1596 (reduced by 45 from the first analysis). As in the first analysis, I utilize ordered logit and logistic regressions with robust standard errors.

Analysis and Results

Turning to the results of analysis, evidence confirms that Nigerians’ attitudes and behaviors toward taxation are positively influenced by their perceptions of government performance (Table 11). Once again, the proportional odds ratios (POR) are reported. A Nigerian is more likely to concede to the authority of the tax department to compel payment when she is more satisfied with how the government is managing service provision. In addition, Nigerians with higher levels of satisfaction with government service management are more likely to report actual payment of local, property, and income taxes. These findings suggest quasi-voluntary compliance has a strong performance component: part of taxpayers’ assessment whether government is fulfilling its end of the bargain is based upon individual evaluation of public service delivery. Furthermore, while the government performance variables are strong and positive, the quality of representation and trust variables also remain strong and positive. Ultimately, quasi-voluntary compliance remains an applicable theory in Nigeria.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Table 10: SUMMARY STATISTICS--EFFECT OF GOVERNMENT PERFORMANCE ON CITIZENS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT** |  |  |  |  |  |
| **VARIABLE** | **N** | **MEAN** | **STANDARD DEVIATION** | **MIN** | **MAX** |
| **PEOPLE MUST PAY TAXES** | 1596 | 3.610 | 1.147 | 1 | 5 |
| **PAID INCOME TAX** | 1596 | 0.294 | 0.456 | 0 | 1 |
| **PAID PROPERTY TAX** | 1596 | 0.264 | 0.441 | 0 | 1 |
| **PAID LOCAL TAXES** | 1596 | 0.308 | 0.462 | 0 | 1 |
| **SATISFACTION WITH GOVERNMENT HEALTH SERVICES** | 1596 | 2.329 | 0.909 | 1 | 4 |
| **SATISFACTION WITH GOVERNMENT WATER AND SANITATION SERVICES** | 1596 | 2.048 | 0.896 | 1 | 4 |
| **SATISFACTION WITH GOVERNMENT MAINTENANCE OF ROADS AND BRIDGES** | 1596 | 2.182 | 0.928 | 1 | 4 |
| **SATISFACTION WITH GOVERNMENT ELECTRICICTY SERVICES** | 1596 | 1.781 | 0.893 | 1 | 4 |
| **SATISFACTION WITH LOCAL MAINTENANCE OF LOCAL ROADS** | 1596 | 1.987 | 0.906 | 1 | 4 |
| **SATISFACTION WITH LOCAL MAINTENANCE OF LOCAL MARKETS** | 1596 | 2.118 | 0.899 | 1 | 4 |
| **MAKE LOCAL COUNCILLOR LISTEN** | 1596 | 1.407 | 0.992 | 0 | 3 |
| **MAKE MPs LISTEN** | 1596 | 1.223 | 1.005 | 0 | 3 |
| **TIME LOCAL COUNCILLORS SPEND LISTENING** | 1596 | 0.754 | 0.846 | 0 | 3 |
| **TIME MPs SPEND LISTENING** | 1596 | 0.632 | 0.787 | 0 | 3 |
| **CONTACT LOCAL COUNCILLOR** | 1596 | 0.411 | 0.799 | 0 | 3 |
| **CONTACT MP** | 1596 | 0.175 | 0.546 | 0 | 3 |
| **TRUST OTHER PEOPLE YOU KNOW** | 1596 | 1.354 | 0.919 | 0 | 3 |
| **TRUST OTHER NIGERIANS** | 1596 | 1.008 | 0.935 | 0 | 3 |
| **EMPLOYMENT STATUS** | 1596 | 2.112 | 1.723 | 0 | 5 |
| **AGE** | 1596 | 31.510 | 11.362 | 18 | 86 |
| **LOCAL GOVERNMENT CORRUPTION** | 1596 | 1.756 | 0.804 | 0 | 3 |
| **PARLIAMENT CORRUPTION** | 1596 | 1.684 | 0.796 | 0 | 3 |
| **TAX OFFICIALS CORRUPTION** | 1596 | 1.727 | 0.782 | 0 | 3 |
| **GENDER** | 1596 | 1.463 | 0.499 | 1 | 2 |

Notes: Values are proportional odds ratios, robust standard errors in parentheses.

\* p < 0.05, two-tailed test

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Table 11: EFFECT OF GOVERNMENT PERFORMANCE ON CITIZENS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT** | **1** | **2** | **3** | **4** |
|  | **PEOPLE MUST PAY TAXES** | **PAID LOCAL GOVERNMENT TAXES** | **PAID PROPERTY TAX** | **PAID INCOME TAX** |
| **SATISFACTION WITH HEALTH SERVICES** | 1.172\*  (0.055) | 1.118\*  (0.076) | 1.093\*  (0.072) | 1.139\*  (0.075) |
| **SATISFACTION WITH WATER AND SANITATION** | 1.122\*  (0.064) | 1.152\*  (0.073) | 1.158\*  (0.088) | 1.191\*  (0.070) |
| **SATISFACTION WITH ROADS AND BRIDGES** | 1.142\*  (0.065) | 1.168\*  (0.077) | 1.247\*  (0.083) | 1.258\*  (0.081) |
| **SATISFACTION WITH ELECTRICICTY SERVICES** | 1.256\*  (0.075) | 1.247\*  (0.085) | 1.292\*  (0.089) | 1.276\*  (0.095) |
| **SATISFACTION WITH LOCAL ROADS** | 1.168\*  (0.072) | 1.183\*  (0.089) | 1.197\*  (0.072) | 1.249\*  (0.105) |
| **SATISFACTION WITH LOCAL MARKETS** | 1.136\*  (0.065) | 1.299\*  (0.076) | 1.258\*  (0.105) | 1.263\*  (0.076) |
| **MAKE LOCAL COUNCILLOR LISTEN** | 1.250\*  (0.089) | 1.229\*  (0.092) | 1.276\*  (0.109) | 1.213\*  (0.095) |
| **MAKE MPs LISTEN** | 1.158\*  (0.069) | 1.001  (0.074) | 1.000  (0.071) | 1.000  (0.077) |
| **TIME LOCAL COUNCILLORS SPEND LISTENING** | 1.173\*  (0.102) | 1.221\*  (0.112) | 1.188\*  (0.110) | 1.193\*  (0.103) |
| **TIME MPs SPEND LISTENING** | 1.093\*  (0.082) | 1.004  (0.113) | 1.001  (0.123) | 0.969  (0.077) |
| **CONTACT LOCAL COUNCILLOR** | 1.167\*  (0.079) | 1.231\*  (0.115) | 1.218\*  (0.110) | 1.204\*  (0.137) |
| **CONTACT MP** | 1.098\*  (0.082) | 1.001  (0.133) | 1.002  (0.123) | 1.002  (0.132) |
| **TRUST OTHER PEOPLE YOU KNOW** | 1.000  (0.072) | 1.000  (0.103) | 1.000  (0.087) | 1.001  (0.096) |
| **TRUST OTHER NIGERIANS** | 1.241\*  (0.076) | 1.292\*  (0.099) | 1.285\*  (0.116) | 1.267\*  (0.099) |
| **EMPLOYMENT STATUS** | 1.093\*  (0.031) | 1.201\*  (0.039) | 1.172\*  (0.041) | 1.219\*  (0.042) |
| **AGE** | 1.096\*  (0.004) | 1.091\*  (0.005) | 1.099\*  (0.005) | 1.091\*  (0.005) |
| **LOCAL GOVERNMENT CORRUPTION** | 0.274\*  (0.067) | 0.282\*  (0.098) | 0.251\* (0.101) | 0.238\* (0.104) |
| **PARLIAMENT CORRUPTION** | 0.116\*  (0.094) | 0.104  (0.114) | 0.142  (0.117) | 0.123  (0.105) |
| **TAX OFFICIALS CORRUPTION** | 0.191\*  (0.067) | 0.118  (0.091) | 0.130  (0.110) | 0.189  (0.097) |
| **GENDER** | 1.011  (0.102) | 0.564\*  (0.081) | 0.585\*  (0.110) | 0.536\*  (0.112) |
| **CONSTANT** | -- | 0.317 | 0.246 | 0.110 |
| **LOG PSEUDOLIKELIHOOD** | -2202.473 | -921.025 | -852.962 | -903.239 |
| **N** | 1596 | 1596 | 1596 | 1596 |

As hypothesized (Hypothesis 1), a Nigerian is more willing to yield to tax department’s authority to tax when she is more satisfied with how the government is handling health service provision (POR = 0.972). Similarly, at higher levels of satisfaction with government management of water and sanitation (POR = 1.122) and local government management of (POR = 1.063), Nigerians are also more willing to pay taxes. However, the performance-based variables with the strongest explanatory power are government management of electricity (POR = 1.256), maintenance of roads and bridges (POR = 1.142), and management of local roads (POR = 1.168). For example, a one-unit shift in a Nigerian’s satisfaction with government management of electricity services (e.g. moving from “fairly badly” to “fairly well” increases the likelihood that she will be willing to comply with tax payment by 1.256 times. Overall, even controlling for corruption, a Nigerian is more willing to pay taxes when she is more satisfied with government performance, more satisfied with the quality of representation she receives from her local and national leaders, and when she trusts other Nigerians are complying with tax payment.

Analysis also confirms Hypothesis 2: when Nigerians are satisfied with how the government is handing service provision, they are also more likely to report tax payment in the last year. Looking at determinants of local tax payment, satisfaction with government management of health services (POR = 1.118), water and sanitation services (POR = 1.052), and local government maintenance of markets (POR = 1.009) are all positive predictors. The most powerful explanations of why a Nigerian will pay her local taxes (among the government performance variables) are her satisfaction with electricity supply (POR = 1.247), government maintenance of roads and bridges (POR = 1.168), and her satisfaction with local government maintenance of local roads (POR = 1.183). Once again, respondents’ satisfaction with the quality of representation they receive from their local councillor and their trust of other Nigerians also positively influence their payment of local taxes. In accordance with quasi-voluntary compliance, Nigerians are more likely to pay their local taxes when they believe government is fulfilling its side of the fiscal contract, providing quality representation and services. In addition, a Nigerian who trusts other Nigerians are paying their taxes is also more likely to pay her local taxes.

Property tax payment is also significantly and positively explained by Nigerians’ satisfaction with government performance. Respondents are more likely to have paid property taxes in the last year when they are satisfied with government management of health services (POR = 0.994), water and sanitation services (POR = 1.197), road and bridge maintenance (POR = 1.247), and electricity supply (POR = 1.292). Nigerians are also more likely to pay property taxes when they are satisfied with local government maintenance and local roads (POR = 1.058) and markets (POR = 0.858). Even taking into account a respondent’s satisfaction with the quality of representation from her local leaders and her trust in other Nigerians (both positive and significant explanatory variables), her satisfaction with government provision of electricity is the strongest predictor of her property tax payment in the last year. This model confirms government performance matters in individuals’ calculations of whether or not to follow through with tax payment.

Finally, income tax payment follows a similar pattern: Nigerians are more likely to report payment in the last year when they are satisfied with public service provision. When it comes to payment of income taxes, Nigerians’ satisfaction with how government maintains the electricity supply (POR = 1.349), roads and bridges (POR = 1.358), and local roads (POR = 1.349) are more significant than their perceptions of corruption, quality of representation, and trust.

Results of these four analyses confirm my hypotheses and reinforce the initial findings about quasi-voluntary compliance and tax payment. This theory, first utilized to explain attitudes and behaviors toward taxation in Western Europe, also applies in the African context. Nigerians are, clearly, like tax payers in other nations, viewing taxation as a bargain with government. Individuals require certain expectations to be met in exchange for their tax payment. Like taxpayers in other contexts, Nigerians must believe government will fulfill their terms of the trade: they expect substantive representation of their interests and public services. Thus, when a Nigerian is more satisfied with the quality of representation she obtains from her local and national leaders she will be more willing to pay taxes and comply with actual tax payment. It also follows that when this taxpayer is more satisfied with how government is managing public service provision, her attitude and behavior toward tax payment will be more compliant. Evaluations of government performance are a part of quasi-voluntary compliance’s first tenet. And last, when a Nigerian taxpayer trusts other individuals are paying taxes, she will be more willing to pay taxes and more likely to report tax payment. These three major findings demonstrate the applicability of theories of revenue and representation in Africa.

**DIMENSIONS OF CITIZEN REPRESENTATION AND SATISFACTION**

In this section, I explore the possibility that there is a single dimension of quality of representation among citizens. Is there a single construct of representation when ordinary Nigerians evaluate their elected officials? Similarly, when thinking about government performance with public service provision, is there a single dimension along which citizens rate officials? Once again, I rely on factor analysis to group variables and identify essential components of representation and satisfaction among citizens.

Factor analysis identifies one dimension of citizens’ perceptions of representation (Tables 12 and 13). All six variables help to define this factor: ability to make local councilors listen to citizen concerns (loading = 0.601); ability to make national representatives listen to citizen concerns (loading = 0.621); perceptions of the amount of time local officials spend listening to ordinary people (loading = 0.657); perceptions that national officials spend time listening to ordinary people (loading = 0.644); the amount of contact respondents had with local representatives (loading = 0.549); the amount of contact respondents had national representatives in the last year (loading = 0.496). This factor explains about 47% of the observed variance. Moreover, a test of internal consistency results in a Cronbach’s alpha of 0.74. This suggests that these six variables move together and can be combined into reliable index.

|  |  |  |
| --- | --- | --- |
| **Table 12: FACTOR ANALYSIS OF CITIZEN PERCEPTIONS OF REPRESENTATION INDICATORS (Orthogonal Varimax Principle Factors)** |  |  |
| **FACTOR** | **VARIANCE** | **PROPORTION** |
| **FACTOR 1** | 1.332 | 0.467 |
| **OBSERVATIONS** | 1596 | 1596 |
| **RETAINED FACTORS** | 1 | 1 |
| **NUMBER OF PARAMETERS** | 15 | 15 |
| **CHI2 (15)** | 3371.3 | 3371.3 |
| **PROB > CHI2** | 0 | 0 |

|  |  |
| --- | --- |
| **Table 13: FACTOR ANALYSIS OF CITIZEN PERCEPTIONS OF REPRESENTATION INDICATORS (Rotated Factor Loadings)** |  |
| **VARIABLE** | **FACTOR 1** |
| **MAKE LOCAL COUNCILLOR LISTEN** | 0.601 |
| **MAKE MPs LISTEN** | 0.621 |
| **TIME LOCAL COUNCILLORS SPEND LISTENING** | 0.657 |
| **TIME MPs SPEND LISTENING** | 0.644 |
| **CONTACT LOCAL COUNCILLOR** | 0.549 |
| **CONTACT MP** | 0.496 |

I perform a factor analysis test with the six variables previously used to measure Nigerians’ satisfaction with government service provision (Tables 14 and 15). Similarly, analysis confirms one dimension in this group of variables. Essentially, citizens’ satisfaction is defined by all six variables: satisfaction with government health services (loading = 0.559); satisfaction with government water and sanitation services (loading = 0.607); satisfaction with government maintenance of roads and bridges (loading = 0.544); satisfaction with government electricity services (loading = 0.552); satisfaction with local government maintenance of local roads (loading = 0.707); satisfaction with local government maintenance of local markets (loading = 0.699). This factor explains 61% of observed variance, and a Cronbach’s alpha of 0.80 suggests that the six variables can be assembled into an index.

Based on these results, I produce two indices. The first captures the six variables characterizing one dimension of citizen perceptions of representation. The second index encompasses the other six variables that signify Nigerians’ satisfaction with government performance. Using these two indices as independent variables, I conduct an OLS regression (with robust standard errors). I will again investigate the influence of citizen beliefs about representation and service provision on their willingness to pay taxes and actual tax payment. In this analysis, I hypothesize that Nigerians who perceive a higher level of representation from their elected officials (captured by the citizen representation index) will be more willing to pay taxes. These individuals will also report higher rates of actual tax payment. I also hypothesize that Nigerians who are more satisfied with government provision of public services (captured by the government performance index) will be more willing to comply with tax payment and follow through with these payments.

|  |  |  |
| --- | --- | --- |
| **Table 14: FACTOR ANALYSIS OF CITIZEN SATISFACTION WITH GOVERNMENT PERFORMANCE INDICATORS (Orthogonal Varimax Principle Factors)** |  |  |
| **FACTOR** | **VARIANCE** | **PROPORTION** |
| **FACTOR 1** | 1.395 | 0.613 |
| **OBSERVATIONS** | 1596 | 1596 |
| **RETAINED FACTORS** | 1 | 1 |
| **NUMBER OF PARAMETERS** | 15 | 15 |
| **CHI2 (15)** | 2819.4 | 2891.4 |
| **PROB > CHI2** | 0 | 0 |

|  |  |
| --- | --- |
| **Table 15: FACTOR ANALYSIS OF CITIZEN SATISFACTION WITH GOVERNMENT PERFORMANCE INDICATORS (Rotated Factor Loadings)** |  |
| **VARIABLE** | **FACTOR 1** |
| **SATISFACTION WITH GOVERNMENT HEALTH SERVICES** | 0.559 |
| **SATISFACTION WITH GOVERNMENT WATER AND SANITATION SERVICES** | 0.607 |
| **SATISFACTION WITH GOVERNMENT MAINTENANCE OF ROADS AND BRIDGES** | 0.544 |
| **SATISFACTION WITH GOVERNMENT ELECTRICICTY SERVICES** | 0.552 |
| **SATISFACTION WITH LOCAL GOVERNMENT MAINTENANCE OF LOCAL ROADS** | 0.707 |
| **SATISFACTION WITH LOCAL GOVERNMENT MAINTENANCE OF LOCAL MARKETS** | 0.699 |

Table 16 reports the results of this analysis and supports these two hypotheses. Nigerians who perceive higher levels of representation from their elected officials are more willing to pay taxes (beta = 0.107). These citizens are also more likely to report making local tax payments (beta = 0.092), property tax payments (beta = 0.143), and income tax payments (beta = 0.114) in the last year. Furthermore, the index of citizen representation is the strongest predictor of Nigerians’ willingness to comply with tax payment and actual payment of property and income taxes. In terms of payment of local taxes, citizen perceptions of representation are the second most powerful predictor (next to individuals’ employment status, beta = 0.146).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Table 16: EFFECT OF QUALITY OF REPRESENTATION AND SATISFACTION WITH GOVERNMENT PERFORMANCE INDICES ON CITIZENS' WILLINGNESS TO PAY TAXES** | **1** | **2** | **3** | **4** |
|  | **PEOPLE MUST PAY TAXES** | **PAID LOCAL GOVERNMENT TAXES** | **PAID PROPERTY TAX** | **PAID INCOME TAX** |
| **CITIZEN REPRESENTATION** | 0.107\* | 0.092\* | 0.143\* | 0.114\* |
| **CITIZEN SATISFACTION** | 0.085\* | 0.077\* | 0.107\* | 0.098\* |
| **TRUST OTHER PEOPLE YOU KNOW** | 0.013 | 0.04 | 0.029 | 0.007 |
| **TRUST OTHER NIGERIANS** | 0.056\* | 0.054\* | 0.057\* | 0.058\* |
| **EMPLOYMENT STATUS** | 0.019 | 0.146\* | 0.118\* | 0.154\* |
| **AGE** | 0.032 | 0.065\* | 0.098\* | 0.109\* |
| **LOCAL GOVERNMENT CORRUPTION** | -0.092\* | -0.063\* | -0.053\* | -0.058\* |
| **PARLIAMENT CORRUPTION** | -0.050\* | -0.043 | -0.019 | -0.003 |
| **TAX OFFICIALS CORRUPTION** | -0.057\* | -0.052\* | -0.053\* | -0.066\* |
| **GENDER** | 0.008 | -0.087\* | -0.029 | -0.017 |
| **CONSTANT** | 3.591 | 0.228 | 0.193 | 0.208 |
| **STANDARD ERROR** | 0.195 | 0.075 | 0.069 | 0.072 |
| **R2** | 0.210 | 0.268 | 0.264 | 0.264 |
| **N** | 1596 | 1596 | 1596 | 1596 |

Notes: Values are standardized OLS regression coefficients (betas).

\*p < 0.05

Similarly, the index of citizen satisfaction with government performance also shares a significant, positive relationship with Nigerians’ compliance with tax payment. Respondents who are satisfied with how government is managing the provision of services are more willing to pay taxes (beta = 0.085). Satisfied Nigerians also report paying local taxes (beta = 0.077), property taxes (beta = 0.107), and income taxes (beta = 0.098) in the last year.

This analysis first establishes that citizen perceptions of the quality of representation from elected officials center around one dimension. Nigerian perspectives of how government manages various public services also characterize a single factor. Furthermore, after creating two indices, evidence suggests that “citizen representation” and “citizen satisfaction” help to explain the conditions under which Nigerians are most willing to pay taxes and follow through with actual tax payment. Individuals who observe higher levels of representation from their elected officials and who believe government is effective in handling service provision are also the most compliant with tax payment.

**CONCLUSION**

In sum, this paper investigates the conditions under which citizens are most willing to pay taxes. Nigerians clearly understand their relationship to government as a contract: they undertake tax payment in expectation of representation of their interests in public policy and expenditures. Ordinary Nigerians are more willing to pay taxes when: (1) they perceive elected officials are representing public interests; (2) they trust that other Nigerians are complying with tax payment; (3) they are satisfied with government provision of services. This research suggests that educating citizens about taxation and developing capacity to monitor government spending can also bolster responsive and democratic governance in Africa. In future work, research can explore the popular perceptions of the fiscal contract across the continent, investigating any cross-national differences in citizens’ compliance with the tax department’s authority to tax.

**REFERENCES**

Acemoglu, D. and J. Robinson. 2005. *Economic Origins of Dictatorship and Democracy.* New

York: Cambridge University Press.

Afrobarometer Network. 2008. *Round 4 Afrobarometer Survey in Nigeria* [Data file and

codebook]. Retrieved from <http://www.afrobarometer.org/data/data-by-country-n-z/nigeria?start=10>.

Bates, R. and M. Humphreys. 2005. "Political Institutions and Economic Policies: Lessons from

Africa." *British Journal of Political Science,* 35: 403 - 428.

Elaigwu, J. 2005. *The Politics of Federalism in Nigeria.* Jos: Aha Publishing Ltd.

Elaigwu, J. 2007. *Fiscal Federalism in Nigeria: facing the Challenges of the Future.* Jos: Aha

Publishing Ltd.

Elemo, O. 2012. *Curing the Curse: Revenue and Representation in Contemporary Nigeria*.

 (Doctoral dissertation). Michigan State University.

Fajingbesi, A., A. Odusola, and E. Uga. 2004. “Revenue Mobilization at the State and Local

Government Levels.” in *Fiscal Federalism and Democratic Governance in Nigeria*, I. Taiwo and A. Fajingbesi (eds). Ibadan: National Centre for Economic Management and Administration.

Fjeldstad, O. 2001. “Taxation, Coercion and Donors: Local Government Tax Enforcement in

Tanzania.” *The Journal of Modern African Studies,* 39 (2): 289 - 306.

Fjeldstad, O. and J. Semboja. 2001. “Why People Pay Taxes: The Case of the Development Levy

in Tanzania.” *World Development,* 29 (12): 2059 - 2074.

Fjeldstad, Odd-Helge and L. Ranker. 2003. “Taxation and Tax Reforms in developing countries:

Illustrations from sub-Saharan Africa.” *Working Paper.* Chr. Michelsen Institute.

Fjeldstad, O. and B. Tungodden. 2003. “Fiscal Corruption: A Vice or Virtue?” *World*

*Development,* 31 (8): 1459-67.

Gibson, C. and B. Hoffman. 2006. "Political Accountability and Fiscal Governance: Evidence

from Tanzania and Zambia," *under review, Journal of Politics*.

Graf, W. 1988. *The Nigerian State: Political Economy, State, Class, and Political System in the*

*Post-Colonial Era*. London: James Currey.

Guyer, J. 1991. "Representation without Taxation: An Essay on Democracy in Rural Nigeria,

1952-1990," In *African Studies Center: Working Papers*. Boston: Boston University.

Herb, M. 2003. “Taxation and Representation.” *Studies in Comparative International.*

*Development*, 38 (3): 3 - 31.

Herb, M. 2005. “No Representation without Taxation? Rents, Development, and Democracy.”

*Comparative Politics*, 37 (3): 297 – 316.

Ihonvbere, J. and T. Shaw. 1998. *Illusions of Power: Nigeria in Transition*. Lawrenceville, New

Jersey: Africa World Press.

Ikein, A. and C. Briggs-Anigboh. 1998. *Oil and Fiscal Federalism in Nigeria: The Political*

*Economy of Resource Allocation in a Developing Country*. Aldershot: Ashgate Publishing Company.

Inman, R. and D. Rubinfeld. 1996. “Designing Tax Policy in Federalist Economies: An

Overview.” *Journal of Public Economics*, 60: 307 - 334.

Kasara, K. 2007. "Tax Me If You Can: Ethnic Geography, Democracy, and the Taxation of

Agriculture in Africa.” *American Political Science Review,* 101 (1): 19 - 172.

LeBas, A. 2012. “Taxation and Trust in Urban Nigeria.” Working Paper. Department of

Government, American University.

Levi, M. 1988. *Of Rule and Revenue*. Berkley: University of California Press.

Lieberman, E. 2003. *Race and Regionalism in the Politics of Taxation in Brazil and South*

*Africa*. Cambridge: Cambridge University Press.

McGuirk, E. 2012. “The Illusory Leader: Natural Resources, Taxation and Accountability.”

*Public Choice*, forthcoming.

Oates, W. 1972. *Fiscal Federalism.* New York: Harcourt Brace Jovanovich.

Ogban-Iyam, O. 1998. “Federalism in Nigeria: Past, Present and Future.” In T. Babawale, K.

Olufemi, and F. Adewumi (eds) *Re-inventing Federalism in Nigeria: Issues and Perspectives*. Lagos: Friederich Ebert Inventing Nigeria Foundation.

Ogwumike, F. and V. Isumonah. 2004. “Fiscal Federalism and the Alleviation of Poverty: The

Experience So Far.” In I. Taiwo and A. Fajingbesi (eds.) *Fiscal Federalism and Democratic Governance in Nigeria*, Ibadan: NCEMA.

Okoko, A.B., and N.J. Nna. 1997. "Federalism and Resource Allocation: The Nigerian

Experience," *Nigerian Journal of Oil and Politics,* 1 (1): 16 - 36.

Olaniyi, O. 2001. "The Oil Sector and Growth of Non-Oil Sectors in Nigeria." *Journal of*

*Economics and Allied Fields,* 1 (2): 1 - 11.

Okoko, A. and N. Nna. 1997. "Federalism and Resource Allocation: The Nigerian Experience."

*Nigerian Journal of Oil and Politics,* 1 (1): 16 - 36.

Pitkin, H. 1967. *The Concept of Representation.* Berkley: University of California Press.

Powell, G. Bingham, Jr. 2004. “Political Representation in Comparative Politics,” *Annual*

*Review of Political Science,* 7: 273 – 296.

Powell, G. Bingham, Jr. 2004. “The Chain of Responsiveness.” *Journal of Democracy,* 15 (4):

91–105.

Ross, M. 2004. "Does Taxation lead to Representation?" *British Journal of Political Science,* 34:

229 - 49.

Ross, M. 2006. "Is Democracy Good for the Poor?" *American Journal of Political Science,* 50

(4): 860 – 874.

Suberu, R. 2001. *Federalism and Ethnic Conflict in Nigeria*. Washington D.C.: United States

Institute of Peace Press.

Suberu, R. 2004. “The Politics of Fiscal Federalism in Nigeria.” In U. Amoretti and N. Bermeo

(eds) *Federalism and Territorial Cleavages*, Baltimore: Johns Hopkins University Press.

Tiebout, C. 1956. “A Pure Theory of Local Expenditures.” *Journal of Political Economy*, 64:

416 – 424.

Tilly, C. 1985. "War Making and State Making as Organized Crime." In P. Evans, D.

Rueschemeyer and T. Skocpol (eds) *Bringing the State Back In,* London: Cambridge University Press.

Tilly, C. 1990. *Coercion, Capital, and European States, AD 990-1992*. Cambridge: Blackwell.

Timmons, J. 2005. "The Fiscal Contract: States, Taxes, and Public Services." *World Politics,* 57:

530 - 567.

Weinstein, L. 2008. “The Politics of Tax Mobilization: Evidence from Sub-Saharan Africa.

Qualifying Field Paper. Department of Political Science, University of California, Los Angeles.

Wolpe, H. and S. McDonald. 2006. “Training Leaders for Peace.” *Journal of Democracy.* 17 (1):

132 - 138

1. This paper relies on 2008 Round 4 Afrobarometer data because Round 5 (2011/2013) and Round 6 (2014/2015), and Round 7 (2016/2018) no longer asks this specific series of questions. [↑](#footnote-ref-1)
2. “The tax department always has the right to make people pay taxes.” 1=Strongly disagree, 2=Disagree, 3=Neither agree nor disagree, 4=Agree, 5=Strongly agree. [↑](#footnote-ref-2)
3. “Have you had to make any of the following payments during the past year: License fees to local government e.g., for a bicycle, cart, or market stall? Property rates or taxes? Income taxes?” 0=No, 1=Yes [↑](#footnote-ref-3)
4. “In your opinion, how likely is it that you could get together with others and make: Your elected local councilor listen to your concerns about a matter of importance to the community? Your representative to the National Assembly listen to your concerns about a matter of importance to the community?” 0=Not at all likely, 1=Not very likely, 2=Somewhat likely, 3=Very likely [↑](#footnote-ref-4)
5. “How much of the time do you think the following try their best to listen to what people like you have to say: Representatives to the National Assembly? Elected Local Government Councilors?” 0=Never 1=Only sometimes, 2=Often, 3=Always [↑](#footnote-ref-5)
6. “During the past year, how often have you contacted any of the following persons about some important problem or to give them your views: A Local Government Councillor? A Representative to the National Assembly?” 0=Never, 1=Only once, 2=A few times, 3=Often [↑](#footnote-ref-6)
7. “How much do you trust each of the following types of people: Other people you know (non-family members? Other Nigerians?” 0=Not at all, 1=Just a little, 2=I trust them somewhat, 3=I trust them a lot [↑](#footnote-ref-7)
8. “Do you have a job that pays a cash income? Is it full-time or part-time? And are you presently looking for a job (even if you are presently working)?” 0=No (not looking), 1=No (looking), 2=Yes, part time (not looking), 3=Yes, part time (looking), 4=Yes, full time (not looking), 5=Yes, full time (looking) [↑](#footnote-ref-8)
9. “How old are you?” [↑](#footnote-ref-9)
10. “How many of the following people do you think are involved in corruption, or haven’t you heard enough about them to say: Members of Parliament (National Assembly)? Elected Local Government? Tax officials? 0=None, 1=Some of them, 2=Most of them, 3=All of them” [↑](#footnote-ref-10)
11. There are originally 2400 respondents in the Afrobarometer survey in Nigeria. However, after excluding respondents who answered “don’t know” or refused to answer any question-indicator (dependent, independent, control variables), the sample size drops to 1,641. A comparison of the demographic makeup in the original and new samples (Tables 4, 5, 6, 7, 8) confirms that the removal of these cases has not introduced bias to the sample, except in terms of gender. The gender distribution in the original sample is about a 50-50 split between males and females (Table 8). However, the new sample has more male respondents (53% male compared to 47% female). To mitigate the effect of the 6% gap, I add gender as a control variable. [↑](#footnote-ref-11)
12. “How well or badly would you say the current government is handling the following matters, or haven’t you heard enough to say: Improving basic health services? Providing water and sanitation services? Maintaining roads and bridges? Providing a reliable supply of electricity?” 1=Very badly, 2=Fairly badly, 3=Fairly well, 4=Very well [↑](#footnote-ref-12)
13. “What about local government? I do not mean the Federal government or State government. I mean your local government council. How well or badly would you say your local government is handling the following matters, or haven’t you heard enough about them to say: Maintaining local roads? Maintaining local market places?” 1=Very badly, 2=Fairly badly, 3=Fairly well, 4=Very well [↑](#footnote-ref-13)