

Cost of Governance, Tax Compliance, and Sustainable Development Goals in Nigeria

¹**Abosede Ifeoluwa Adelusi,**

Department of Accounting, College of Management and Social Sciences (CMSS), Covenant University Ota. [Email: abosede.adelusipgs@stu.cu.edu.ng](mailto:abosede.adelusipgs@stu.cu.edu.ng)

²**Adegoke Oluwatimileyin Adelusi,**

Department of Political Science and International Relations, College of Leadership and Development Studies (CLDS), Covenant University Ota. [Email: adegoke.adelusipgs@stu.cu.edu.ng](mailto:adegoke.adelusipgs@stu.cu.edu.ng)

³**Cordelia Onyinyechi Omodero,**

Department of Accounting, College of Management and Social Sciences (CMSS), Covenant University Ota. [Email: Onyinyechi.omodero@covenantuniversity.edu.ng](mailto:Onyinyechi.omodero@covenantuniversity.edu.ng)

⁴**Francis Odianonsen Iyoha,**

Department of Accounting, College of Management and Social Sciences (CMSS), Covenant University Ota. [Email: iyoha.francis@covenantuniversity.edu.ng](mailto:iyoha.francis@covenantuniversity.edu.ng)

⁵**Ishola Rufus Akintoye,**

Department of Accounting, School of Management Sciences
Babcock University Ilisan Remo. [Email: akintoye@babcock.edu.ng](mailto:akintoye@babcock.edu.ng)

⁶**Olubukola Uwuigbe,**

Department of Accounting, College of Management and Social Sciences (CMSS), Covenant University, Ota, Department of Accounting, Walter Sisulu University, South Africa. [Email: bukola.uwuigbe@covenantuniversity.edu.ng](mailto:bukola.uwuigbe@covenantuniversity.edu.ng)

Abstract

This study examines the relationship between the cost of governance, tax compliance, and Sustainable Development Goals (SDGs). The information for the study was sourced through secondary and primary sources. A longitudinal research design was employed for the quantitative data from the Central Bank of Nigeria (CBN) statistical bulletins of various issues from 2010 to 2021. The survey research method is used to collect qualitative data through a structured questionnaire. The population of the study was determined using the cluster sampling method, by identifying the professional body whose members comprise the citizens of Nigeria from the Six-Geo political zone. They are members of the Institute of Chartered Accountants of Nigeria (ICAN). Random sampling technique was used to determine the sample using Krejcie and Morgan's (1970) sample size table to determine the sample size of 320 respondents for the study. Descriptive statistics and ANOVA were used to present and interpret the data through the SPSS data analysis package. The findings revealed a significant relationship between the three variables in this study. The policy recommendation for this study is that the government should reduce the cost of running itself, direct government expenditure to address the country's social welfare problems such as health, infrastructure, and reduce hunger and poverty.

Keywords: cost of governance, hunger, poverty, SDGs. tax compliance, tax compliance, tax revenue.

Introduction

The International Monetary Fund (IMF) and the World Bank Group (WBG) stated that Nigeria's debt-to-GDP ratio stood at 20.5% as of December 2022. This amount rose to 38.77% in the first quarter of 2023 (World Bank Group, IMF, 2023). According to the IMF database, Nigeria is not the only country that borrows, seven of the world's big economies rank among the 20 countries with the highest external debt obligations, the seven countries include; the United States of America, Russia, the United Kingdom, France, Germany, Japan, and China (Benson, 2022). But these countries possess the revenue to fund their debts unlike Nigeria and the other sub-Saharan African countries. African countries are indebted to the World Bank, IMF, China, and others. Nigeria's external debts are in four categories in terms of agreements; multilateral, bilateral, commercial, and promissory notes see Table 1.1 These loans are needed in other to fund development projects, meanwhile, these trends have become worrisome to financial analysts. According to the Economics Times, Africa's debts to China alone exceeded \$140 billion in September 2021 (Geoge, 2021). The burden of debt has become a challenge to Sub-Saharan African countries, there is a need for other sources of funding, to address economic issues, provide social services to reduce poverty, end hunger, protect life on land and water, etc.

Table 1.1 Details of Nigeria's external debts from 2010 to 2021 in ₦' billion

Years	Multilateral	Bilateral	Euro Bond	Diaspora Bond	Others	Total
2010	635.45	24.60			29.79	689.84
2011	723.12	71.80	79.10		22.83	896.85
2012	828.72	110.60	78.70		8.88	1,026.90
2013	986.84	161.30	235.90		3.29	1,387.33
2014	1,142.30	237.20	252.00			1,631.50
2015	1,489.41	326.60	295.50			2,111.51
2016	2,436.40	585.01	457.50	0.00	0.00	3,478.92
2017	3,133.88	725.83	1,836.00	91.80	0.00	5,787.51
2018	3,381.40	949.15	3,336.58	92.10	0.00	7,759.23
2019	4,127.28	1,254.26	3,543.08	97.80	0.00	9,022.42
2020	6,832.72	1,546.63	4,140.84	114.30	71.13	12,705.62
2021	7,704.86	1,844.43	5,933.98	123.90	248.06	15,855.23

Source: CBN Statistical Bulletins

The table above provides the breakdown of Nigeria's external debt into Multilateral, Bilateral, Eurobonds, Diaspora bonds, and other sources of loan source outside the country. The debt has been on a steady increase from 2010 to 2021.

Tax revenue was suggested to be a key factor in the attainment of the Sustainable Development Goals, agenda. The sixteen targets of the SDGs required funding in specific key sectors of the economy. This form of funding is not in billions but in trillions (Mawdsley, 2018). Nigeria's main source of revenue is from oil, that is the sale of crude oil and not refined products. Since the country has no longer earned enough from this source for many years, the country has borrowed. Meanwhile, the servicing of this debt had shot up the country's recurrent expenditure, leaving little or no funds to finance other government obligations to the citizens. To generate funding through tax revenue instead of borrowing, the government needs to be seen as accountable and transparent, for the taxpayers to be tax compliant.

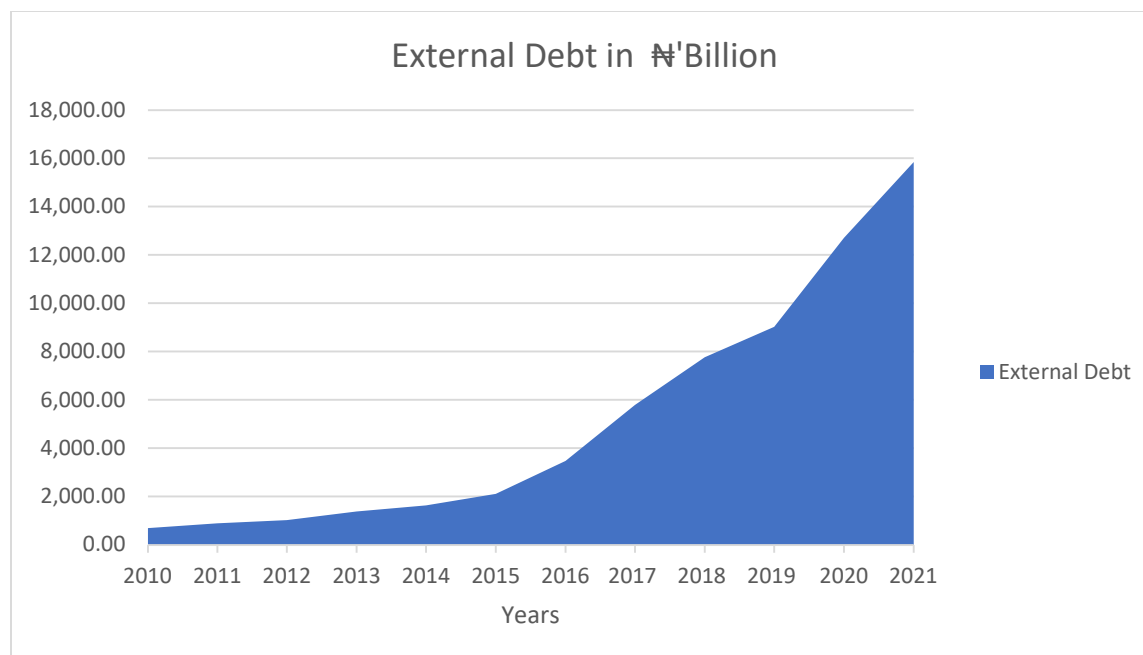


Figure 1.1 The detail of the growth of Nigeria's total external debt 2010 - 2021

Figure 1.1 shows the trend in Nigeria's external debt growth between 2010 and 2021, the domestic debt increases with external debt which has caused an increase in total expenditure in the country. Most importantly debt servicing expenses have made the recurrent expenditure to be very high compared to the capital expenditure, see Figure 1.2

IMF (2021) estimated that additional financing of up to \$ 285 billion would be needed from 2021 to 2025 by African countries to enhance their spending response to the coronavirus pandemic, where will the fund come from? The intention to borrow is to finance strategic development projects by different governments, but the debt servicing of these loans is a huge burden on the total expenditure of these countries. Kenya's National Treasury was alarmed that the rate at which the country borrows, the country might end up like Zambia whose debt equals the country's GDP (*POLITICSAFRICA*, 2021). Nigeria's debt service to revenue ratio is reported to be 80.7% according to the information contained in the 2023 budget presentation made by the Minister of Finance, Zanaib Shamsuna Ahmed CON. Her report revealed that the country spent ₦5.2 trillion in the first eleven months of 2022 on debt serving, out of the total revenue of ₦6.49 trillion generated. Likewise, the government has already incurred about ₦5 trillion in non-debt expenditures.

Apart from the debt burden hindering the economic development of Nigeria, the domestic cost of running the government activities is a concern (Osabuohien, 2009, lyoha, et al., 2015, Otobo & Obaze, 2018, Wakeel, 2020, Ozordi et al., 2022, Ogunsola, 2023). Governance, cannot be separated from the role played by the state in promoting development and sustainable economic growth. Wakeel & Lukman, (2020) explained the cost of governance to mean expenditure in maintaining government administrative structure. This structure is both recurrent administrative and capital administrative expenses. It was further described as the expenses incurred for the performance of the government operations; therefore, the cost of governing includes the cost of maintaining the government functions or the maintenance of itself.

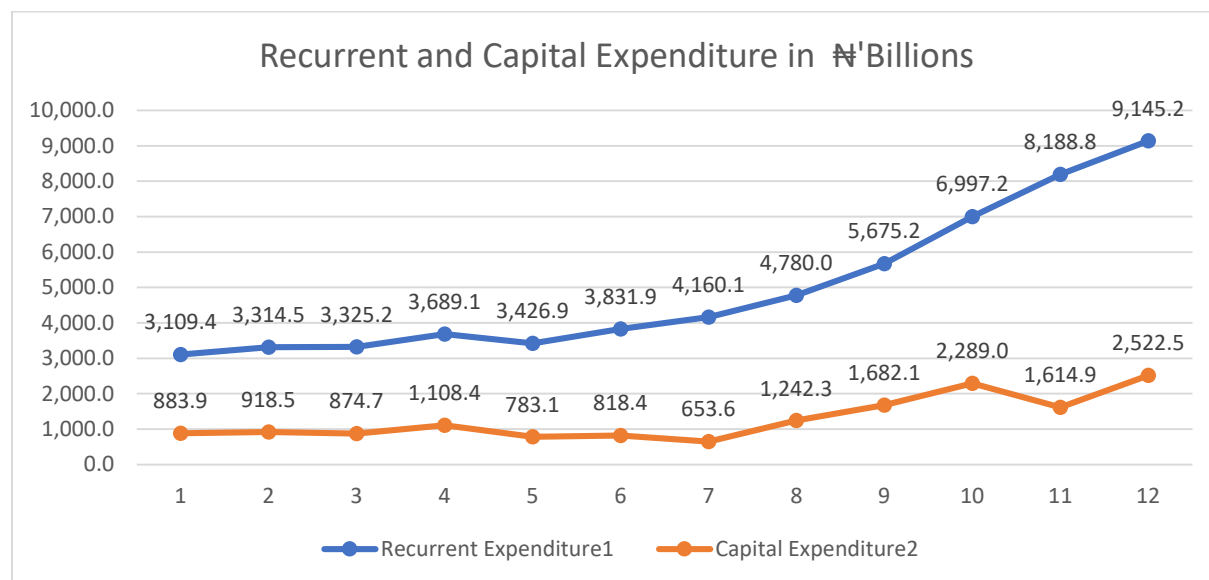
Figure 1.2: Government Recurrent expenditure and Capital expenditure from 2010 to 2021

Figure 1.2 shows the persistent trend in the increase in recurrent expenditure of Nigeria for 12 years, whereas capital expenditure is not increasing at the same rate. What are the components of this recurrent expenditure? Recurrent expenditure comprises administrative expenses, social and community services, economic services, and transfers. These transfers include debt servicing for domestic and external debts, pensions and gratuities, Consolidated Revenue Fund Charges, and others.

There is a need to address the government spending that benefits society and the economy as a whole. Here, the cost of governance is seen as a proxy for public expenditure, this is the expense for the discharge of legal and imperative responsibility of the nation's drivers (Iyoha, et al., 2015). Ma & Ye, 2010 noted that after the global financial crisis of 2008 and 2009, public expenditure in the European area has been at high risk of fiscal sustainability, because of government debt as a result of high and potentially persistent public debt. The recurrent expenditure in Nigeria has been consistently high compared to its capital expenditure; the country's deficit budget is been financed by both domestic and external loans.

In the year 1945 after World War II, world leaders came together to create the United Nations to forestall sustainable peace dialogues, an international corporation with supreme embodiment of those values in the charter of its establishment. The United Nations Millennium Sustainable Development Goals (MDGs) for the years 2000 – 2015 were adopted for developing countries while the Sustainable Development Goals were an agenda for both developed and developing countries (Fischer, 2020). The target is for countries to have at least a 7% GROWTH RATE per annum by the least developed economy. According to (Yeshim, 2023), Nigeria's total public debt is estimated at ₦67.7 trillion as of September 2022, representing about 35.2% of GDP. While the government continues citing the debt-to-GDP ratio as being low compared to other emerging economies.

However, the debt servicing to revenue ratio has constantly breached all acceptable standards. To reduce the debt servicing spending to revenue ratio the government will need to increase or diversify its revenue to a more sustainable revenue source. Apart from the debt crisis faced by the country. There is the issue of the high rate of poverty among the citizens. the World Bank (2022) noted that Nigeria had contributed about three million people to the global extreme poverty index and that the country is "home to a large share of the global extreme poor" (Welt Hunger Hilfe & Concern Worldwide, 2022). Index, (2019) ranks countries as "severity", and gave Nigeria a score of 27.3, a hunger level falling under the "serious" category. Africa's most populous nation ranked 98 among 107 countries in 2020, and 103 among 116 countries in 2021. At the beginning of 2023, poor Nigerians increased to 91 million. While India which has more population

came second behind Nigeria at 32%. United Nations Conference on Trade and Development (UNCTAD) disclosed that an additional 58 millions Africans will fall into extreme poverty in 2023 (UNCTAD, 2023). United Nations Department of Economic and Social Affairs (UN DESA, 2023) noted that about 55 million people in the world had been pushed into extreme poverty by the COVID-19 pandemic. Meanwhile, Antonio Guterres, the United Nations Secretary-General in the foreword to the UNCTAD (2023) report suggested that stakeholders' collective efforts toward a transformative Sustainable Development Goals stimulus package will reduce the hunger and poverty rate in the world. He stated further that governments' spending should focus on public investment to boost investment in physical and social infrastructure to ease supply-side constraints and create jobs, also, governments were advised to work hard to reduce inflationary pressures (UNCTAD, 2023).

The motivation for this study is the need for government to source more funds to spend, to boost investment in physical and social infrastructure. McNair et al., (2009), and Dewi & Rachmania, (2019) opined that tax is the most sustainable source of development funding used by both developed and developing countries worldwide. Batrancea et al., (2019) reiterated that tax can be used to re-distribute income and wealth so that the poor and the vulnerable can be provided for. Tax assists in the re-distribution of wealth to reduce inequalities between high- and low-income earners. It helps finance government spending for equitable economic development, welfare services, and maintenance of key institutions (Doyle, 2022, Rianti & Hidayat, 2021, Alt et al., 2018,). Therefore, tax revenue is a key factor in curbing hunger, and poverty, and the attainment of the SDGs agenda on or before 2030 in consonance with the Africa 2063 agenda (UN Women, 2017, Thornberry et al., 2018, Mahlatsi, 2021). The government needs adequate funding to achieve the 2030 agenda, invest in infrastructure, and create a conducive environment to attract foreign investment. Nigeria's government currently is looking inward to generate sustainable revenue from the country's economic activities from different sectors of the economy. For five years, there has been tax reform through various finance acts in 2019, 2020, 2021, and 2023. The Finance Act 2023 is taking effect in September 2023. The Finance Act 2019 increased the rate of VAT from 5% to 7.5%, introduced an electronic money transfer levy of ₦50 for every electronic transfer of ₦10,000 and above, exemption from company income tax, companies with turnover of less than ₦25million, etc. over the years the government has come up with tax policies to increase tax revenue and to encourage tax compliance by the taxpayers.

The cost of running government activities has in recent times been a cause for concern in Nigeria, the government needs to reduce the cost of running itself, to earn the trust of the citizens for the government to earn more from tax. The Revenue Mobilization Allocation and Fiscal Commission (RMAFC) has been at the forefront of the call for the reduction in the day-to-day government expenditure in Nigeria (RMAFC, 2019). The research carried out by (Widuri & Irawan, 2019) proved that trust in the government had positive and significant effects on tax compliance, how can people be tax compliant? where there is no accountability and prudence, where the government is reckless in spending, and where the government's political officeholders are living big to the detriment of the ordinary taxpayers. The legislative arm of the government is another challenge, where the two houses, the House of Senate and the House of Representatives consist of 109 and 360 members respectively. Each member has personal aides and assistants, who like their masters are on the payroll of the government. The United States of America has 100 senators and 435 members in the House of Representatives in a country of 330 million people with a GDP per capita growth rate of 10.57% in 2021 (Macrotrends, 2022). Compared to Nigeria have a GDP growth of 3.5% in 2022 and an estimated population of 220 million (Focus-Economics, 2022).

Therefore, this study examines the relationship between the cost of governance, tax compliance, and the United Nations' Sustainable Development Goals (SDGs). The United Nations is aware of the increase in the rate of poverty in the world. Most developing countries, especially sub-Saharan African countries are drifting into economic crises due to insufficient funding for development projects. The United Nations came up with the SDGs to check the resultant high-profile discoveries of over-saturated government expenditure, fatigued in international aid, the burden of debts on countries, and the growing levels of inequalities (Affairs 2019, Ogbodo et al., 2021) There is also the aspiration for government to be accountable to the citizens because most governments are now moving away from the problematic form of revenue, such as revenue from natural resources which are not environment friendly to a more sustainable domestic form of funding

like tax (Al-Harethi et al., 2022). The main goal of this study is to Examine the opinion of selected professionals on whether the cost of government affects tax compliance and the tax compliance effects on the SDGs. Tax compliance is defined by (Okoye et al., 2018) as “the ability of tax liable person or entity to submit accurate, complete returns in conformity with tax laws and regulations of the state to the authority for tax assessment”. Once the citizens are compliant, revenue from it will increase/result in more funding, and more resources for sustainable development (Johnson & Omodero, 2021).

Therefore, the perception of the use of these resources affects taxpayers’ compliance and national development (Wakeel, Fasasi Abiodun and Lukman, 2020). The study uses the Political Legitimacy theory which is based on the human rights principle, a mutual appreciation of the rights of citizens and the government (Okoye et al., 2018). The theory holds that tax compliance is shaped by the level of trust the governed has for the Government.

The following are the alternative Hypotheses for the study

1. H₁: Cost of governance has a significant effect on Sustainable Development Goals in Nigeria
2. H₂: Tax compliance has a significant effect on the achievement of the Sustainable Development Goals (SDGs) in Nigeria

Model specification

$$Y \propto X_1, X_2, X_3 \dots \dots \dots \mu$$

$$Y = \alpha + \beta X_1 + \beta X_2 \dots \dots \dots + \mu \dots \dots \dots (1)$$

$$SDGs = \alpha + \beta(CoG) + \beta(TAC) + \dots \dots \dots \mu$$

Where; Y = SDGs

TAC is Tax Compliance

CoG = Cost of Governance

SDGs = Sustainable Development Goals

2. Methodology

The data for the research were sourced from both secondary and primary sources. The study employs a longitudinal research design for the quantitative research where repeated observations were made at the same time, with the time range (the year 2010 to 2022) from the Central Bank of Nigeria statistical bulletins of various issues, periodicals, and peer-reviewed journals. The survey research method was used for the qualitative study (van Dijke et al., 2019). The survey research design focuses on eliciting information from sampled respondents selected among Nigerian citizens. Nigeria is the population for this study, since the questionnaire used to gather data cannot cover everyone, a cluster sampling technique was employed to identify members of a professional body that has a national outlook whose members cut across the six-geo political zone, were picked through a random sampling technique. the total number of the Institute of Chartered Accountants of Nigeria (ICAN) members in 2022 is over 50,000 members but less than 100,000 members. The choice of this method is to generate a more reliable response from the respondents. They used Krejcie and Morgan’s (1970) sample size table to determine the sample for the study. 320 structured questionnaires were distributed and 314 questionnaires were returned which is 98.13% of the total distributed. Closed-ended self-structured questions were prepared in the form of five Likert-scale, where Strongly Agree (SA), Agree (A), Neutral (N), Disagree (D), Strongly Disagree (SD); the use of the Likert-scale makes the questions easy for the respondents to answer. The Cronbach alpha was used to test for the reliability of the variables under study, and ANOVA was used to carry out further analysis of the responses and the assessment of the relationship between the variables.

3. Results and Discussions

Table 3.1 Reliability test

Variable	Number of Items	Cronbach Alpha Value
Cost of Governance	5	0.756
Tax Compliance	5	0.854

Sustainable Development goals	5	0.812
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Source: Researchers Computations, 2023 The Cronbach alpha values for the variables under consideration are included in Table 3.1 as evidence that the questionnaire is very reliable (because the values are higher than 70 percent), and it might be used in further study in the future.

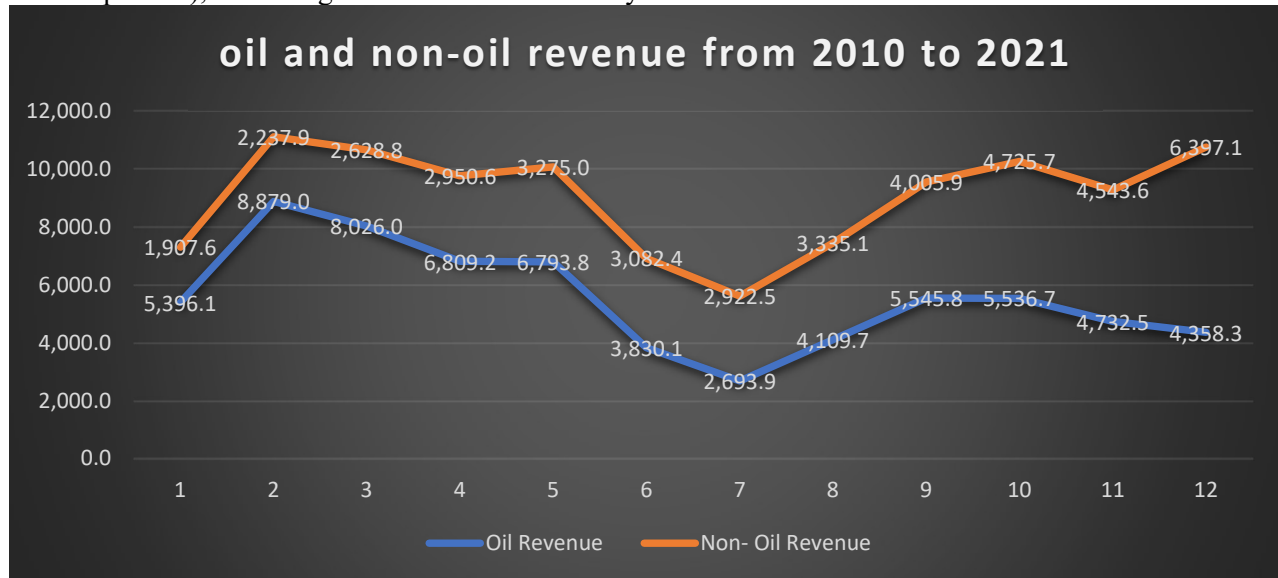


Figure 3.1 Government revenue from oil and non-oil sources from 2010 to 2021

The figure above shows that the Nigeria government's earnings from non-oil was more than oil revenue in 2016, a steady increase was attained in 2020 and 2021 to ₦4.9trillion and ₦6.3trillion respectively while oil revenue was reduced to ₦4.7trillion and ₦4.3trillion for 2020 and 2021 respectively. Apart from government expenditure on debt service, the citizens are also concerned about the government running cost, most importantly the National Assembly expenses

3.2 Descriptive Statistics

Table 3.2 Demographic information of the respondents

S/N.	Variable	Response	Frequency	Percentage
1.	Age	21 - 30	22	6.3
		31 - 40	15	4.3
		41 - 50	161	46.0
		51 - 60	104	29.7
		61 and above	48	13.7
2.	Marital Status	Single	44	12.6
		Married	271	77.4
		Divorced	9	2.6
		Widowed	17	4.9
		Separated	9	2.6
3.	Gender	Male	231	66.0
		Female	119	34.0
4.	Nationality	Nigerian	322	92.0
		Others kind specify	28	8.0
5.	Academic Qualification	SSCE/GCE	27	7.7
		HND/BA/BSC	128	36.6
		MSC/MBA	150	42.9
		Ph. D	45	12.9
6.	Professional Qualification Status	ACA	139	39.7
		FCA	156	44.6
		ACTI	26	7.4
		FCTI	17	4.9
		Others	12	3.4
7.	Employment	Private Practice	158	45.1
		Not in Practice	192	54.9
8.	If not in the private sector	Federal Government Agency	106	30.3
		State Government Agency	103	29.4
		Private Organisation	100	28.6
		Self-Employ	41	11.7

The results of the study are shown in Table 3.2, which illustrates the demographic information of the respondents who participated in the research. It is interesting to note that the majority of respondents (46%) are between the ages of 41 and 50 years old, followed by 29.7% of respondents who are between the ages of 51 and 60 years old, and the respondents who are between the ages of 31 and 40 years old have the youngest average age in this group. Similarly, 77.4% of the participants are married, while 12.6% of the participants are single. In addition, males account for around 66% of those involved in the study. It is noted that most of the participants are Nigerian (92%), and the majority of the participants also have an MSc or MBA (42.9%), followed by 36.6% who have an HND/BA/BSc degree. In addition, when it comes to the participants' professional qualifications, around 39.7% of them have ACA, 44.6% of them have FCA, and the rest participants have ACTI, FCTI, and other certifications qualifications of the participants, shows that they understood the questions and their responses is reliable. The findings show that 45.1% of the participants are employed in private practice, while the remaining 54.9% are not engaged in private practice. The majority of the participants who are not employed in private practice are employed by the government (either at the federal or state level), while only 28.6% are employed by private organizations, and 11.7% are self-employed.

3.3 Responses on the cost of governance

S/ Table N	Cost of Governance	Resp.	Freq.	%
1	The amount used in running government machinery in the country is adequate	SD	74	21.1
		D	51	14.6
		N	39	11.1
		A	54	15.4
		SA	132	37.7
2	The cost of running the Government, especially the recurrent expenditure should be reduced	SD	42	12.0
		D	47	13.4
		N	35	10.0
		A	56	16.0
		SA	170	48.6
3	The cost of Governance in Nigeria as economic growth decelerates	SD	43	12.3
		D	48	13.7
		N	46	13.1
		A	74	21.1
		SA	139	39.7
4	Reduction in Governing costs can lead to more revenue for infrastructure provision	SD	28	8.0
		D	60	17.1
		N	48	13.7
		A	56	16.0
		SA	158	45.1
5	Nigeria National House of Assembly members earn more than two times more than their counterparts in the United States of America (USA)	SD	16	4.6
		D	13	3.7
		N	84	24.0
		A	73	20.9
		SA	164	46.9

According to the responses of the participants on the topic of the cost of governance, which is presented in Table 3.3, it can be seen that approximately 53.1% of the participants affirmed that the amount used in running government machinery in the country is adequate, with 16% and 48.6% of the participants agreeing and strongly agreeing that the recurrent expenditure should be reduced. In a similar vein, 21.1% of the participants believe that the cost of governance in Nigeria rises as the economy decelerates with around 39.7% of those participants strongly agreeing with the statement. In addition, 16% of the participants agree and 45.1% of the participants strongly agree that a reduction in governance costs can lead to more revenue for the development of infrastructure and that the remuneration of members of the National Assembly is too bogus, even more so than that of their counterparts in the United States of America. About 67.8% of the respondents strongly agreed and agreed that our form of democracy is more expensive than where we copied it from. They agreed that the National Assembly expenditure should be reduced to reflect the current state of the country as a middle-low-income country.

Table 3.4 Responses on Tax Compliance

S/N	Tax Compliance	Resp.	Freq.	%
1	The cost of Governance discourages taxpayers to pay	SD	35	10.0
		D	46	13.1
		N	63	18.0
		A	61	17.4
		SA	145	41.4
2	Proper utilization of tax proceeds enhances tax compliance	SD	21	6.0
		D	56	16.0
		N	64	18.3
		A	65	18.6
		SA	144	41.1
3	High tax compliance rates by the citizens signal poverty reduction	SD	66	18.9
		D	59	16.9
		N	57	16.3

4	When taxes are paid and are not properly accounted for is known as tax compliance	A	89	25.4
		SA	79	22.6
		SD	207	59.1
		D	56	16.0
		N	47	13.4
		A	22	6.3
5	I can accept employment where the employer offers not to deduct any form of tax from my income tax from it	SA	18	5.1
		SD	135	38.6
		D	102	29.1
		N	51	14.6
		A	40	11.4
		SA	22	6.3

The responses from all of the participants about tax compliance are shown in Table 3.4. The findings showed that around 58.8% of the participants were of the view that the cost of Governance discourages taxpayers from paying and that appropriate utilization of tax profits increases tax compliance, which was attested to by 59.7% of the participants. The results demonstrated that the cost of Governance discourages taxpayers from paying. Similar to the previous finding, 25.4% and 22.6% of the participants agreed and strongly agreed that high tax compliance rates by the people indicate a decrease in poverty. On the other hand, 75.1% of the participants did not agree with the statement that non-accountability of tax paid is known as tax compliance, the No3 question is a form of control question to test the understanding of the respondents about the term “Tax compliance”. The response shows a clear understanding of the term. The majority of those who took part in the study said that they are unable to work for an employer that is unwilling or unable to deduct taxes from their compensation/ salary.

Table 3.5: Responses on Sustainable Development Goals

S/N	Sustainable Development Goals	Resp.	Freq.	%
1	Accountability and strong inclusive institutions can enhance sustainable development through tax compliance.	SD	-	-
		D	4	1.1
		N	10	2.9
		A	114	32.6
		SA	222	63.4
2	Ending poverty at all levels in Nigeria is achievable on or before 2030 through tax compliance	SD	40	11.4
		D	46	13.1
		N	54	15.4
		A	144	41.1
		SA	66	18.9

According to the response of the respondents concerning the United Nations Sustainable Development Goals, 32.6% and 63.4% of the respondents agreed and strongly agreed, respectively, that accountability and strong inclusive institutions can enhance sustainable development through tax compliance. Additionally, the findings show that 60% of the participants attested to the fact that ending poverty at all levels in Nigeria is achievable through tax compliance.

3.3 Test of Hypotheses

Hypothesis One

H₀₁: There is no significant relationship between the cost of governance and sustainable development goals

Hypothesis two

H₀₂: There is no significant relationship between tax compliance and sustainable development.

Table 3.6: Model Summary

Model	R	R Square	Adjusted R Square	Std. The error in the Estimate
1	.421 ^a	.177	.143	1.814

According to the findings of the research, which are summarized in Table 3.6, there is a weak positive relationship between the cost of governance and sustainable development goals and the joint effect of the independent variables (cost of Governance and tax compliance). In the same vein, approximately 7.7% of the variation in sustainable development goals could be attributed to the joint effect of the independent variables.

Table 3.7: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	68.644	4	17.161	5.215	.001 ^b
	Residual	319.199	97	3.291		
	Total	387.843	101			

The conclusion that can be drawn from the data shown in Table 3.7 is that the test was statistically significant, with an F-value of 5.215 and a p-value of 0.001, both of which are significantly lower than the 5% significance threshold. As a result, the test is appropriate and sufficient in terms of its ability to relate tax compliance, the cost of governance, and Sustainable Development Goals

Table 3.8: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	9.792	1.755		5.578	.000
	Cost of Governance	.078	.078	.095	1.994	.023
	Tax compliance	.047	.087	.056	2.547	.006

Table 8 shows that the probability of sustainable development being achieved is 79.2% when independent variables are not taken into account. This is an indicator that there are additional elements that drive sustainable development in addition to those that have been studied in the body of this study. On the other hand, maintaining the same level of tax compliance while increasing the cost of governance by one unit would lead to an increase in the sustainable development of around 7.8% with a t-value of 1.994. In a similar vein, an increase of one unit in tax compliance would result in an increase of around 4.7% in sustainable development, with a t-value of 2.547.

Since it was determined that the p-value for each of the independent variables was lower than the significance threshold of 5%, the alternative hypotheses were accepted. As a result, we concluded that the cost of governance and tax compliance had a substantial impact on sustainable development.

4. Conclusion and Recommendations

The study revealed that there is a significant relationship between the cost of governance, tax compliance, and Sustainable Development Goals (SDGs). We agree with the finding of (Wakeel and Lukman 2020) that the form of democracy being practiced in Nigeria is far more expensive than that of the United States of America (USA), which has more population and states. The research is also in agreement with (Iyoha, et al., 2015), and (Okoye et al., 2018). The majority of the respondents agree that cost of governance affects the perception of taxpayers to tax compliance. The study collaborates with the findings in (Mawdsley, 2018) that adequate funding is necessary for the achievement of the SDGs agenda. Financing through tax revenue by the compliance of taxpayers to tax laws is a sure way to source for funds, and the government to impact the life of citizens, reduce poverty, and eliminate hunger. The study recommends that the government

should find a way to cut down on the allowances of the Legislators because it is demoralizing other citizens in complying with their obligations to the state. The state Governors need to be more transparent and accountable to gain the trust of the people; this will encourage voluntary tax compliance. A high compliance rate brings in more tax revenue to the purse of the government to spend on Sustainable Development Goals (SDGs). The government should work on its revenue sources because the majority of the respondents in this study believe that the SDGs agenda is achievable on or before 2030. At least the government should aspire to meet the 7% growth rate in Gross Domestic Product (GDP).

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