

PUBLIC GOVERNANCE QUALITY DETERMINANTS AND TAX COMPLIANCE AMONG MICRO AND SMALL ENTERPRISES IN GOMBE STATE, NIGERIA

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Abstract

Despite the substantial effort by the government, income tax compliance among Micro and small-scale enterprises (MSEs) in Gombe State is low. Therefore, this study examined public governance quality determinants and tax compliance among MSEs in Gombe State. The study hypothesizes three (3) determinants to examine the relationship between PGQ and MSEs' tax compliance in Gombe State. Using the quantitative approach, the study employs a self-administered questionnaire survey among 136 owner-managers of Registered MSEs with Ministry of Commerce, Trade and Tourism (MCTT) Gombe State, where 131 responses are usable for analysis purpose. Data was collected through the use of a questionnaire, and multiple regression was used in analyzing the collected data. The Multiple regression results reveal a positive and significant relationship between MSEs' tax compliance government effectiveness, and political stability in Gombe State. Meanwhile, voice and accountability revealed a negative and insignificant relationship between MSEs' tax compliance and PGQ in Gombe State. Based on these findings, the study recommended that the government should improve the number of infrastructures to ease enterprises' business activities, improve the level of stable political environment, and provide freedom of expression to the MSEs.

Key Words: MSEs, Government Effectiveness, Political Stability, Voice and Accountability, Tax compliance, Public governance quality

1.0 Introduction

In Nigeria, as in some other developing countries, tax noncompliance is a serious challenge facing tax administration and hinders tax revenue performance (Mahdi, 2020). In relative terms, tax revenue has continued to drop tremendously, especially among Micro and Small-Scale Enterprises (MSEs), despite the importance of these enterprises in economic growth and development in Nigeria particularly in Gombe State. According National Bureau of Statistics (2022), there is significant drop in MSEs tax compliance over the years as 19.45% was recorded in 2022, 21.06% in 2021, 16.12% in 2020, 23.34% in 2019, and 21.67% in 2018.

In Gombe State, Micro, and Small-Scale Enterprises account for a significant proportion of the workforce and contribute significantly to the state's Internally Generated Revenue (IGR) (Accountant General of Gombe State, Annual Report, 2021). However, these enterprises have a high non-compliance rate with tax regulations, which affects the government's revenue collection efforts and hinders the state's economic

development (AGGS Annual Report, 2021). Thus, Micro and Small-Scale Enterprises (MSEs) tax non-compliance is a pervasive issue affecting both Gombe State and the country at large. Gurama, Isyaku & Mahdi (2022), attributed to this non-compliance behavior, including tax awareness and education, the tax system's complexity, tax evasion/avoidance culture, lack of good governance, and transparency among others.

MSE tax non-compliance affects the revenue-generating source for the Nigerian government, which accounts for a large percentage of firms operating in the informal sector (Abor & Quartey, 2020). According to the National Bureau of Statistics, (NBS, 2020) small enterprises contribute about 47.8% of the GDP, while large companies contribute only 28.3%. Thus, the tax generated from small enterprises is essential for funding a significant portion of the development of Nigeria's economy. The non-compliance by these small businesses, therefore, adversely affects the government revenue generation and hinders the economy from growing in the country.

Micro and Small-Scale Enterprises (MSEs) are an important part of the Nigerian economy, accounting for a significant portion of the country's GDP and providing employment opportunities for a large number of people. The Nigerian government has recognized the importance of MSEs and has implemented various policies and programs to support their growth and development. The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was established in 2003 to promote the development of MSEs and provide support services to entrepreneurs. In addition to government initiatives, there are also several private sector organizations and international development agencies working to support MSEs in Nigeria (Kasum, Sanni, & Fagbemi, 2019), for example, the Tony Elumelu Foundation Entrepreneurship Programme provides funding and mentorship to young entrepreneurs across Africa, Nigeria inclusive.

The main objective of this paper is to examine the relationship between public governance quality determinants on MSEs tax compliance in Gombe State. The specific objectives are (i) To examine the impact of government effectiveness and MSEs tax compliance in Gombe State, (ii) To examine the impact of political stability and MSEs tax compliance in Gombe State, and (iii) To examine the impact of voice and accountability and MSEs tax compliance in Gombe State.

To answer the above objectives, the following hypotheses have been formulated;

H₁: There is positive impact between government effectiveness and MSEs tax compliance in Gombe State.

H₂: There is positive impact between political stability and MSEs tax compliance in Gombe State.

H₃: There is positive impact between Voice and accountability and MSEs tax compliance in Gombe State.

2.0 Literature Review

Related literature on public governance quality determinants, tax compliance as well as underpinning theory of this study were reviewed. Entirely, the literature review was put under three sub headings; conceptual, empirical and theoretical.

2.1 Conceptual Review

Consideration was given to related concepts, including public governance quality and determinants thereof, as well as tax compliance, under the following sub-sections as follows.

2.1.1 Public Governance Quality

According to the OECD (2021), public governance refers to the formal and informal arrangements that govern how public decisions are made and public actions are carried out, to maintain a country's constitutional values in the face of changing problems and environments. Thus, Public governance is important for ensuring accountability, transparency, and effective service delivery in the public sector (OECD, 2021).

In the context of Nigeria, the perspective of institutions such as Nigerian Institute for Policy and Strategic Studies (NIPSS) cannot be overemphasized. The institute is of the view that good public governance is the key imperative for economic advancement and political stability in today's multi-variant society and can only be achieved through the practice, at multiple organizational levels, of intelligent planning and systematic development of resources to deliver targeted optimum benefits to all stakeholders. Today's Nigeria, therefore, needs to re-strategies by re-tooling the personnel in both government and business with the understanding and application of modern policy formulation and strategic management skills to problem-solving and pursuit of developmental goals.

2.1.2 Public Governance Quality Determinants

The Worldwide Governance Quality Indicators, (WGI) is a long-standing research project to develop cross-country indicators of governance, the WGI consists of six composite indicators of broad dimensions of governance covering over 200 countries since 1996, these determinants are the rule of law, control of corruption, regulatory quality, government effectiveness, political stability, voice and accountability which are proposed by Kaufmann, Kraay, & Mastruzzi 2023. These indicators are based on several hundred variables obtained from 31 different data sources, capturing governance perceptions as reported by survey respondents, non-governmental organizations, commercial business information providers, and public sector organizations worldwide (Kaufmann, Kraay, & Mastruzzi 2023). Therefore, this study used

three out of the six determinants to examine how public governance quality influences MSEs tax compliance in Gombe State, the selected three are Government Effectiveness, Political Stability, and Voice and Accountability.

2.1.3 Government Effectiveness

Government effectiveness encompasses the “perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies” (Kaufmann, Kraay, & Mastruzzi, 2023). The more effective the government of a nation is, the higher the level of social welfare (OECD, 2021). The study explored how government effectiveness is influencing MSEs to comply with tax payments if the government provides adequate policies, effective and efficient civil service, and provision of adequate infrastructure in place to ease their business operations.

2.1.4 Political Stability

According to OECD (2021), political stability measures perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism, assassinations, demonstrations, and so forth. Strong political stability provides stabilization in the political atmosphere and increases the economic growth and living standard of the nation. Thus, this study intends to examine the relationship between political stability and MSEs tax compliance in Gombe State. The study will explore how a politically stable environment can influence MSEs tax compliance or non-compliance.

2.1.5 Voice and Accountability

Voice and accountability capture perceptions of the extent to which a country's citizens can participate in selecting their government, as well as freedom of expression, freedom of association, and free media (OECD, 2021). Voice is often understood as the ability of citizens to express their preferences and to be heard by the state, either through formal or informal channels, in written or oral form (OECD, 2021). Therefore, this study intends to examine the relationship between voice and accountability and MSEs tax compliance in Gombe State.

2.1.6 Concept of Tax Compliance

Tax compliance refers to the act of adhering to all tax laws and regulations set by a government entity to avoid any legal or financial penalties. This includes

properly reporting and remitting taxes on time, maintaining accurate records, and avoiding fraudulent activities related to taxes. Failure to comply with tax laws may result in penalties, fines, or even legal action (Gombe State Tax Codification and Consolidation Act, 2020)

One critical tool of revenue collection by any responsible government is attaining an optimal level of tax compliance from taxpayers. Olanrewaju (2019) pointed out that tax compliance is one fundamental issue confronting many relevant tax authorities across the world. Hence, it’s a difficult task to persuade taxpayers to comply with the requirements even though tax laws are always dynamic (Abiodun, 2020). As indicated in the studies of Mahdi, Ibrahim, & Udin (2020), various governments normally improve their economy through two types of taxes (direct and indirect). Direct taxes are taxes that are paid directly to the government and levied on one’s income and profits, while indirect taxes are the opposite and are paid to the government if one makes any purchase of goods and services (Prasad, Ravinder, & Maheshwara 2022).

Public Governance Quality and Tax Compliance

It has been argued that public governance quality is necessary to have a good tax system and also, a good tax system is essential to achieve public governance quality. However, what is the connection between public governance quality and tax compliance behavior (Abiodun, 2020). Citizens support the government in its responsibilities through the provision of finance in the form of tax payments. What is happening in government, therefore, should matter to the taxpayers because they provide the finance for its sustenance. As a result, governance affairs may have either a positive or a negative influence on the compliance behavior of taxpayers (Mpofu & Mispa, 2020).

In analyzing the relationship between taxpayers and the government, Mpofu and Mispa (2020) stated that tax compliance is influenced by a vertical contract, which he refers to as the quid pro quo of taxation. The vertical contract is concerned with whether taxpayers get public goods in exchange for taxes paid.

Definition of Micro and Small-Scale Enterprises (MSEs)

Defining Micro and Small Enterprises (MSEs) has always posed as a thorny problem facing researchers

in the business field (Nwankwoala & Okpara, 2013). It differs from country to country, and region to region as such, no universal definition exists (Mwangi, 2014). Generally, MSEs in developing countries have no more than 100 employees and are similar in a large number of points, which are characterized by the numerous characteristics that distinguish them from other sectors (Hassen 2017).

SMEDAN (2021), defines a micro-enterprise as an enterprise, that has 1 to 9 employees, and its capital falls between N10 million to N99 million (about USD 131,890.97). An enterprise with employees between 50 to 199 and a capital of more than N100 Million (about USD133,223.20) and less than N1 billion (about USD 1,332,232.02) is considered a medium-sized enterprise.

Micro and Small-Scale Enterprises in Nigeria

Micro, Small-Scale Enterprises (MSEs) in Nigeria contribute significantly to the country's economic growth and development. According to a report by the International Finance Corporation (IFC, 2020) cited in PwC's MSME Survey (2020), MSMEs make up about 76% of all businesses in Nigeria and contribute to more than 30% of the country's GDP (IFC, 2020). However, Despite the importance of MSMEs, they face numerous challenges, such as lack of access to finance, inadequate infrastructure, poor policy implementation, and low skills and technology innovation are some of the factors that negatively impact MSE development in Nigeria (Adeoti & Olabisi, 2021). Additionally, MSEs are vulnerable to environmental, social, and economic challenges (Iheanacho, 2018). There are also NGOs and international organizations that support MSEs in Nigeria. For instance, the IFC has provided advisory services and investments to MSEs in Nigeria. The Nigerian Association of Small and Medium Enterprises (NASME) is also a key player supporting MSE development in Nigeria (SMEDAN, 2021). Therefore, the rapid growth of MSEs in Nigeria is a significant indication of the expansion of commercial and industrial activity in the country, which if correctly maintained, will result in a rapid increase in the country's GDP and the elimination of many of the country's economic difficulties.

2.2 Theoretical Review

This study is supported by benefit theory. Benefit theory is a concept in taxation from public finance. In its use for assessing the efficiency of taxes and appraising fiscal policy, that the benefit theory was initially developed by two Swedish economists-

Johan Gustaf Knut Wicksell (1851 –1926) and Erik Lindahl (1891 –1960) (Blau, 1964). According to the theory, the state should levy taxes on individuals according to the benefit conferred on them, the more benefits a person derives from the activities of the government, the more should be paid to the government. The theory recognizes that the purpose of taxation is to pay for government services by paying taxes in proportion to the benefits they receive from government spending. The benefit theory of taxation posits that individuals or corporations should contribute to the public revenue in proportion to the benefits they receive from the public goods and services provided by the government. This implies that those who enjoy more benefits from government services should pay more taxes than those who use fewer services.

In the context of taxation, the benefit theory of taxation relates to public governance quality determinants in the sense that if public goods and services are of high quality, the more benefits individuals and corporations' (taxpayers) derive from the payment of taxes in the form of good quality of governance such as the provision of social amenities, the more they will comply.

2.3 Empirical Review

The quality of public governance is one of the important factors in determining tax compliance. This is because the way government is utilizing the tax revenue collected from taxpayers play a vital role in determining taxpayers' compliance behavior both at individual and corporate level of tax collection.

John (2019), conducted a study in the United States (US). The study utilized a quantitative research design that used primary data through surveys administered to MSMEs. The study involved a random sample of 500 MSMEs, and multiple regression analysis was used to examine the relationship between public governance quality and MSMEs' tax compliance. The study findings indicated a significant positive relationship between public governance quality and MSMEs tax compliance.

Moreover, in investigating the causes of tax non-compliance in Nigeria, Odinkonigbo (2019) discovers that the complexities of the Nigerian tax laws and administration, the failure of the Nigerian government keep to their part of the social or psychological contract entered into with the taxpayers by providing quality public goods and services as well as the deteriorating quality of life

(poverty) and extended family burden are factors contributing to tax noncompliance. Odinkonigbo (2019) identified other factors, which include corruption in tax administration and other public organizations, political turbulence, and culture.

In their study, Fagbemi and Abogun (2014) discovered that trust in administration has a positive impact on voluntary tax compliance. However, the study recommended measures that will boost public morale be closely monitored to encourage voluntary tax compliance which as a result it will improve income generation.

Furthermore, Olanrewaju (2019) examined the impact of government effectiveness, and political stability on tax compliance the result of the study showed that government effectiveness and political stability have significant impact on the tax compliance behavior of businesses and individuals. This has implications on the quality of general infrastructure as well as financial dishonesty of political office holders being assessed to be dissatisfactory to taxpayers.

Furthermore, Udechukwu and Ezeani (2019), found that tax compliance among MSEs in Nigeria is generally low, with many small business owners failing to register their businesses or file their taxes. The study identified several factors that contribute to low tax compliance, including a lack of awareness of tax regulations, limited access to tax education and support, and a perception that taxes are unfair or unnecessary.

Adegboye, Alao-Owunna, and Egharevba (2020) investigate the relative impact of tax administration combined with the business characteristics of small-scale businesses on tax compliance in Nigeria. The role of tax education as an effective tax administration strategy is also taken into account. Based to the findings, tax education has an impact on tax compliance. Hence, the study concludes that Nigeria's tax administration has little influence on tax compliance, which is attributed to system inefficiencies and corruption.

A study on the role of corruption in tax non-compliance among MSMEs in Sub-Saharan Africa was conducted by Muthoni, Mwangi, and Muathe (2020). The study focused on the relationship between corruption, public governance quality, and MSMEs' tax compliance in Sub-Saharan Africa. Their research used data from secondary sources where multiple regression was used in analyzing the data. It revealed that high levels of corruption

negatively affected MSMEs' tax compliance, highlighting the importance of improving public governance quality to enhance compliance.

Wand and Cheng (2022), study focuses on examining the relationship between public governance and tax compliance among small-scale and Medium Enterprises (SMEs). The study employs a quantitative methods questionnaire was administered to some selected MSEs in Malaysia. The study's results shed light on the role of public governance quality in influencing SMEs' tax compliance behavior, by enhancing public governance quality and reducing corruption, tax authorities can foster a favorable environment for MSEs, leading to increased compliance and tax revenues.

A study conducted by Lee, Qin, and Li (2022): The study investigated the interaction between government support programs, public governance quality, and MSMEs' tax compliance in Southeast Asian countries. Survey questionnaire was administered and analyzed. The findings revealed that effective government support programs combined with good public governance quality positively influenced MSMEs' tax compliance.

Therefore, this study aims to examine public governance quality determinants and tax compliance among MSEs in Gombe State. The determinants to study in this paper are Government Effectiveness (GE), Political Stability (PS), and Voice and Accountability, these variables are directly related to public governance quality indicators as profounded by (Kaufmann & Kraay, 2010).

3.0 Methodology

3.0.1 Research Design

This study adopts a quantitative approach because it can predict and provide an explanation for social phenomena (Wellington & Szczerbinski, 2007). The survey research design was chosen by this study because it is expected to produce useful information that would aid in the attainment of the research objectives.

3.0.2 Research Population

The target population for this study comprises all registered Micro and Small Enterprises (MSEs) with the Gombe State Ministry of Trade, Industry and Tourism, located in Gombe State. The total number of registered businesses based on the record available with the Gombe State Ministry of Trade, Industry

and Tourism is 269 as of Spetember 2023 (GSMTIT 2023).

3.0.3 Sample size determination and sampling technique

The present study employed a cluster non-probability sampling technique to select a sample from the population. As specified in the delimitation, the study exclusively drew respondents from the registered MSEs’ with the Gombe State Ministry of Trade, Industry, and Tourism. Based on the population size, the appropriate sample size chosen for this study will be 163, in accordance with the sample size proposed by Sekaran (2013).

3.0.4 Sources of data collection instruments

The study used primary data only, information for this study were gathered using questionnaires. This research instrument is suitable for the study because it will allow the researcher to get an in-depth and objective understanding of MSEs tax compliance. A semi-structured questionnaire was designed with both closed and open-ended questions it was administered to the selected MSEs owners based on a 5-point Likert scale, ranging from 1 = strongly disagreed to 5 = strongly agreed.

3.1 Method of data analysis

The Statistical Package for the Social Science (SPSS) is used for the analysis and transformation of data, whereas multiple regression analysis was used as a technique for the analysis of data in this study.

The Model Specification for the study considered only two major variables namely; the independent variables which are Government Effectiveness (GE), Political Stability (PS), and Voice and Accountability (VA) while the dependent variable is Tax Compliance (TC).

3.2 Specification of the model

$$TC = \alpha + \beta_1 GE + \beta_2 PS + \beta_3 VA + \mu$$

TC= Tax Compliance

GE= Government Effectiveness

PS= Political Stability

VA= Voice and Accountability

a = constant

b = coefficient or estimate of the parameter of the independent variable

μ = disturbance term or error term

4.0 Result and Discussion

Table 1, in this study, provided the response rate of the self-administered questionnaire. This includes the overall questionnaire distributed, valid questionnaire, invalid, and unreturned as seen in the below table.

Table 1: Response Rate

Response	Frequency	Percentage
Questionnaires distributed	163	100
Unreturned questionnaires	23	14.11
Returned but invalid	9	5.52
Returned and usable questionnaires	131	80.37

Source: Field Survey, 2023

The table above shows that 163 questionnaires were self-administered out of which 131 or 80.37% were duly completed and used for the data analysis of the study. Whereas, the unreturned or returned but invalid were excluded for further analysis. The valid and usable are adequate for the study to further analysed and achieve the objective of the study.

Reliability Test

The result from table 2 of the reliability test indicated a Cronbach’s alpha value of 0.907 for government effectiveness, 0.918 for political stability, and 0.783 for voice accountability, hence confirming that reliability of the variable measurement is achieved as argued by (Babarinde, Abdulmajeed, Gidigbi, & Ndaghu, 2019) that a 0.70 Alpha value is evidence of reliability.

Table 2: Reliability Statistics

Latent Construct	Number of Items	Cronbach’s Alpha (CA)
Government Effectiveness	4	0.907
Political Stability	4	0.918
Voice and Accountability	4	0.783

Source: SPSS Output, 2023

Table 3: Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
GE	.467	1.142
PS	.688	1.454
VA	.847	1.180

Source: SPSS output 2023

Table 3 above presents the multicollinearity result of the study. To achieve this, the Variance Inflation Factor (VIF) was adopted to test the multicollinearity effect between the independent variables of the study. The result shows that Government Effectiveness, Political Stability, and Voice and Accountability have VIF of 1.142, 1.454, and 1.180 respectively. This indicates that the study achieved a multicollinearity rule.

Coefficient of the Regression

The results in Table 4 provided the coefficient regression of the study. The result indicates that the Government Effectiveness demonstrates a positive relationship of 1.511 and significance with a p-value of 0.011 with MSEs tax compliance. Similarly, Political Stability and Voice and Accountability has a positive relationship of 2.268 and 0.41 and is significant with 0.009 and 0.383 p value respectively with SMEs tax compliance. However, based on the hypotheses of the study, it shows that two were supported and one was rejected.

Table 4: Multiple regression results

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	0.658	0.335		1.931	0.061
GE	0.337	0.142	0.366	1.511	0.011
PS	0.116	0.121	0.303	2.268	0.009
VA	-0.023	0.11	0.041	0.41	0.383

Source: SPSS Output, 2023

Table 5: Test of Hypothesis

Hypothesis	Statements	Findings
H ₁	There is positive impact between government effectiveness and MSEs tax compliance	Accepted
H ₂	There is positive impact between political stability and MSEs tax compliance	Accepted
H ₃	There is positive impact between voice and accountability and MSEs tax compliance	Rejected

Hypotheses Testing

H₁: There is positive impact between government effectiveness and MSEs tax compliance.

Based on the findings of this hypothesis, it's suggested that there is statistically positive and significant impact with (p-value = 1.511 and sig = 0.011) between government effectiveness and MSEs tax compliance in Gombe State. Therefore, hypothesis 1 was accepted. This indicates that government effectiveness in terms of the provision of adequate and qualitative infrastructures; quality health service and quality educational system plays a crucial role in determining MSEs willingness to comply with tax obligations in Gombe State. Thus, the finding of this study is supported with the findings of Abiodun (2020); Alshira'h, Alsqour, Lutfi, Alsyouf, & Alshirah, (2020); Areo, Gershon, & Osabuohien (2019); Olanrewaju (2019); and Augustine (2016) who reported government effectiveness has a positive and significant relationship with tax compliance.

H₂: There is a positive impact between the political stability and MSE tax compliance in Gombe state

Hypothesis 2, predicted that a stable environment for political activities has a positive and significant impact with MSEs tax compliance in Gombe State. Results from Table 5 indicated that the coefficient of political stability showed a positive and significant relationship with (p-value = 2.268 and Sig = 0.009). Hence, hypothesis 2 was accepted. This indicates that MSEs tax compliance increases whenever the state government provides a stable environment where MSEs operate. Therefore, a stable environment for sustaining political stability and democracy will keep increasing the level of MSEs tax compliance in a peaceful stable environment, lack of terrorism, and political hooliganism. The finding is in tandem with the studies of Mahdi (2020); Alshira'h, Alsqour, Lutfi, Alsyouf, & Alshirah, (2020); Areo, Gershon, & Osabuohien (2019); and Augustine (2016). But is contrary to the findings of Olanrewaju (2019); and Hassen (2017).

H₃: There is a positive impact between the voice and accountability and MSE tax compliance in Gombe state

Hypothesis 3, predicted that there is a positive impact between the voice and accountability and MSE tax compliance in Gombe state. Results from Table 5 indicated that the coefficient of voice and accountability is a negative and statistically insignificant impact with (p-value = 0.041 and Sig = 0.383). Hence, hypothesis 3 was rejected. These results have a particularly strong policy implication for Gombe State where the study was conducted. It is presumably more feasible for the State government to improve their governing institutions such as encouraging MSEs to express their mind and allowing them to exercise freedom of speech, allowing them to be electing their leadership without government interference in the state. State government should also improve its tax performance by improving its governance structure about the MSEs policies formulation and implementation. In particular, an improvement in voice and accountability will lead to higher MSEs tax compliance in the State. The finding is in tandem with the studies of Mahdi (2020); Alshira'h, Alsqour, Lutfi, Alsyouf, & Alshirah, (2020); Areo, Gershon, & Osabuohien (2019); and Augustine (2016). However, this is contrary to the findings of Olanrewaju (2019); and Hassen (2017).

5.0 Conclusion

The study found that political stability, and government effectiveness, have positive and significant effect on MSEs' tax compliance while voice and accountability have negative and significant effect MSEs' on tax compliance in Gombe State.

The conclusion of this study is that a very strong governance quality indicator is an important precondition for more adequate level of tax compliance. It also revealed that the quality of governance through its indicators matter for improved MSE tax revenue in Gombe State. There is positive relationship between two indicators or proxies of public governance quality and MSEs' tax compliance in Gombe State. These indicators include political stability, and government effectiveness. However, result did not indicate positive effect between MSEs' tax compliance and one other indicator (voice and accountability). It concluded that willingness of MSEs' to pay taxes depends on the better quality of governance indicators. Therefore, the study recommend that

government should strengthen MSEs right and freedom that will favour their development of and protect public interest, adequate infrastructure is provided to ease business activities, efficient law should be put in place that will protect the right of MSEs and allow them to exercise their freedom freely without hindrance or threat from policy makers. Future studies could study the remaining three dimensions of public governance quality that were not cover by this study in other setting of MSEs tax compliance.

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