

Sebele-Mpofu, Favourate Y.

**Article**

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## ACCOUNTING, CORPORATE GOVERNANCE & BUSINESS ETHICS | RESEARCH ARTICLE

# Governance quality and tax morale and compliance in Zimbabwe's informal sector

Favourate Y. Sebele-Mpofu<sup>1\*</sup>

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\*Corresponding author: Favourate Y. Sebele-Mpofu, National University of Science and Technology NUST, Zimbabwe  
E-mail: [favourate.sebele@nust.ac.zw](mailto:favourate.sebele@nust.ac.zw)

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Southampton, UK

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**Abstract:** Tax morale was found in literature to shape tax compliance behaviour and to be significantly correlated with strategies of tax effort across countries. In addition views regarding the quality of institutions, the cost-benefit analysis on the use of tax revenues and the quality of governance influence tax morale thus in turn affecting tax compliance. Governance and tax morale are often the most misunderstood and overlooked dimensions of tax compliance yet these are very crucial in the success of tax policy and tax administration. Better tax administration enforcement must be combined with tax reforms that improve transparency and accountability in the use of tax revenues in order to boost tax morale and heighten tax compliance in developing countries, sub-Saharan African countries and Zimbabwe in particular. In these economies corruption in tax administration and government is widespread. The study makes a theoretical contribution to literature on the tax morale, governance quality and tax compliance debate in the informal sector. Three important gaps motivate this study, the lacuna in research that explores the governance-taxation (tax morale and compliance) linkage in developing countries and in Zimbabwe, revenue mobilisation still remains weak in developing countries with fragile capacity to enforce tax compliance thus suggesting an



Favourate Y. Sebele-Mpofu

### ABOUT THE AUTHOR

Favourate Y. Sebele-Mpofu is a Lecturer at the National University of Science and Technology (NUST), Zimbabwe. She holds a Masters in Finance and Investment and a Bachelor of Commerce in Accounting from the same University. She also holds a Master of Commerce in Accounting from the Midlands State University and a CIMA Advanced Diploma in Management Accounting. She currently lectures Taxation, Auditing and Strategic Performance Management at the NUST, Zimbabwe. She is a keen researcher on tax policy issues in developing countries.

### PUBLIC INTEREST STATEMENT

Effective domestic revenue mobilisation continues to be a thorny matter in developing countries. Government needs finance to serve the needs of its citizens and taxation is one way to mobilise the funds. Tax non-compliance continues to be a challenge in these countries. Therefore how to improve tax compliance remains a topical issue. Investigating the quality of governance in Zimbabwe and how it shapes tax morale levels and resultantly the willingness to pay could be another way to enhance voluntary tax compliance. This study explored the quality of governance using governance indicators such as corruption and delivery of quality public goods and services among others and relating these to their influence on tax morale and tax compliance. The study recommends that the Zimbabwean government and other developing countries should improve governance quality, state-citizen engagement and be more responsible and accountable in the use of tax revenues.

urgent need for research on measures to boost voluntary compliance and lastly taxes are the blood life of any government thus tax compliance is an aspect of major concern.

**Subjects:** Cognitive Psychology; Economic Psychology; Politics & Development; Economics and Development; Political Economy; Finance; Business, Management and Accounting

**Keywords:** governance quality; informal sector; tax morale; tax compliance; ZIMRA

## 1. Introduction

Daude et al. (2013) Tax compliance and domestic revenue mobilisation have increasingly become focal points in development agendas all over the world (OECD, 2010; Sebele-Mpofu & Msipa, 2020). Four main reasons have been proffered by and these are as follows: (1) fiscal financing, investment and government to fulfil national development objectives requires revenue; (2) domestic revenue mobilisation to fund economic and social development programs might improve domestic capacity and capabilities as well as strengthen domestic institutional environments; (3) state legitimacy, security and national development require ownership of domestic priorities; and (4) internal state accountability as well as effective and efficient state building can be improved if citizens are responsible for government funding. Domestic revenue mobilisation in developing countries especially Sub Saharan African countries is said to be impeded by a large growing informal sector (hereafter IS) that largely evades tax (Sebele-Mpofu & Msipa, 2020). Everest-Phillips and Sandall (2009), reiterated that the IS continues to be a missing slice in the tax base resulting in narrow tax bases and inadequate tax revenue mobilisation. Considering developing country revenue authorities have minimal tax administration capacity and resources to enforce compliance let alone for challenging taxpayers such as IS operators, governments have to find means to improve quasi-voluntary compliance and tax morale (the intrinsic motivation to pay taxes). Tax is always a highly sensitive and controversial area that attracts attention from various disciplines such as criminology, finance, law and policy studies among others (McKerchar, 2008) and draws focus especially to the political power of vested interests (Everest-Phillips, 2010; Everest-Phillips & Sandall, 2009). Tax structures, their complexity and compliance thereto reflect by and large the outcome of political dynamics and choices together with trust in government institutions and their officials (p. 13).

Tax morale as it relates to the quality of governance is the “least understood but most fundamental dimension of tax compliance” (Everest-Phillips & Sandall, 2009, p. 3). This conception is closely influenced by the taxpayer’s evaluation perception of the quality of governance at two major levels, instrumental and intrinsic (Everest-Phillips, 2009; Everest-Phillips & Sandall, 2009). The former refers to the appraisal of government’s ability to fulfil the implicit fiscal exchange contract in delivering quality public goods and services. The latter describes tax morale based on the assessment of state legitimacy, credibility and political ratification as well as perceived fairness and effectiveness of the state and its institutional environment (corruption, tax justice and application of the rule of law) (Dickerson, 2014; Everest-Phillips & Sandall, 2009). Taxpayers’ perception of government and how it uses tax revenues ultimately shapes their political willingness to organise for tax and tax compliance purposes and also how the state mobilises revenues from their citizens has a bearing on the quality of governance. On the other hand Joshi et al. (2013, 2014) avow that taxation of the IS was an avenue to allow for political bargaining between the state and IS taxpayers thereby legitimising taxation and the role of government (governance gains of IS taxation). If government is viewed as legitimate and credible, tax morale escalates thereby enhancing government’s propensity to levy and collect taxes (Everest-Phillips, 2010; Everest-Phillips & Sandall, 2009). This argument suggests an inextricable link between governance, tax morale and tax compliance in the IS. A well-designed, fair and properly administered IS tax policy increases tax morale thereby drawing the tax payment consent of taxpayers. This in turn promotes better governance yet on the other hand poor quality of governance erodes tax morale and reduces tax compliance. These views suggest a causal relationship of some sort,

perhaps two connections, the vicious and virtuous cycles of governance, tax morale and tax compliance. It is against this background that this research sought to investigate this controversial relationship in the IS. Tax morale research remains paltry in Zimbabwe and studies on governance and IS taxation remain scarce, thus these areas still remain fruitful research grounds. In addition, how to improve tax compliance in developing countries, especially by the IS remains topical. Furthermore, according to Joshi et al. (2014), despite suggesting possible governance gains accruing from IS taxation, the realisation of the envisaged gains remain sceptical and weakly documented.

This paper is structured into six main sections. Having introduced the paper, the next section focuses on the review of related literature in order to position the current research in line with previous studies on the area and to show the gaps that this research sought to fill (theoretical, methodology and policy gaps). Section 3 explains the research methodology employed for this study, while Section 4 discusses the research findings. Section 5 outlines the research conclusions and recommendations. Section 6 elaborates on the limitations as well as areas of further research.

## 2. Literature review

Tax morale in the context of governance and the state with regards to the IS is essentially twofold, on one hand to improve tax compliance and on the other to improve governance quality. Researchers allude to an inseparable connection between state legitimacy, taxpayers' treatment by government and revenue officers, tax morale and government's fulfilment of the psychological social contract through the delivery of public services and goods (Bitzenis & Vlachos, 2018; Çevik, 2016; Dickerson, 2014; Vlachos & Bitzenis, 2018). Effectiveness of tax administration is a pivotal ingredient in any tax system. Governance and taxation are reciprocally augmenting (Daude et al., 2013; Everest-Phillips, 2010; Everest-Phillips & Sandall, 2009). The way taxes are collected affects the building of cogent state institutions and shapes the dynamics of the investment climate and the level of economic growth, yet on the other hand governance influences the structure and design of tax systems, ultimately determining tax compliance (Everest-Phillips & Sandall, 2009). Tax reforms targeting the IS should strive to strike a balance and to recognise this interdependence and seek to balance these vectors through the creation of tax systems that strengthen legitimacy and institutional efficacy in a way that in turn boosts tax morale and enhance voluntary tax compliance as opposed to enforced. Literature review will therefore focus on the important variables in this paper and begin by defining and explicating these (tax morale, governance, institutional quality and tax morale) in 2.1, then illustrate the relationship between these key variables and how they affect taxation of the IS as well as to draw the areas of controversy and divergence in this interconnectedness as demonstrated by previous studies in Section 2.2. Section 2.3 presents empirical research on this area and key findings in tabular form whereas Section 2.4 concludes this section by presenting a conceptual framework to present the researcher's own schematic comprehension of the variables and their linkages.

### 2.1. Definition of key terms

#### 2.1.1. Tax morale

Tax morale is defined as the intrinsic motivation to pay taxes (Feld & Frey, 2007). Tax morale is closely linked to what has been viewed as the taxpayers' ethics, "norms of behaviour governing citizens as taxpayers in their relationship with government" (Song & Yarbrough, 1978). This concept has its roots in the 1960s (Schmolders, 1970), way before the deterrence model by Allingham and Sandmo (1972) gained ground to explain tax compliance behaviour. Despite having been overshadowed by the deterrence theory, the once over-looked tax morale has become a focal point of contemporary research on tax compliance (Bitzenis & Vlachos, 2018; Dickerson, 2014; Horodnic, 2018; Radulović, 2019; C. C. Williams & Bezeredi, 2018; C. Williams, 2020) as well as being a central focus for policy debates on the tax compliance discourse. Overwhelming literature exists on studies on the impact of deterrence measures on tax compliance, but only a few sought to explore it in relation to tax morale (Bitzenis & Vlachos, 2018; Dickerson, 2014; Horodnic, 2018; Torgler, 2003a). Among those few others

have alluded to a positive association between tax morale and the probability of detection (C. C. Williams & Horodnic, 2016) and others found no association (Torgler, 2003b). Lisi (2015) explains that in countries where the deterrence level is low, high levels of tax morale have been used to explain the compliance levels above those that would correspond with the predictions of the deterrence theory. Torgler (2005) alludes to a negative correlation between tax morale and tax compliance and describes tax evasion as a route through which taxpayers exhibit their unhappiness and antipathy towards government for perceived unfairness and poor governance quality. Torgler and Schaltegger (2006) advance that if taxpayers are of the view that their interests are fully addressed in political institutions and perceive the government as considerate and prudent as opposed to being wasteful they become more agreeable to honouring their tax obligations and more willing to operate in the formal sector. Despite these arguments it is not always given that that high levels of tax morale would elicit high tax compliance. Holding all other things constant, that is what literature suggests. Tax morale has gained importance in the context of novel tax reforms in SSA countries in their quest to improve fiscal capacity (Meagher, 2018).

### 2.1.2. Governance quality

Governance quality is an aspect of interest to citizens of countries as this anchors on the benefits accruing to them from governance. As cited by Alabede and Zainal Affrin (2011), World Bank (2006) describes public governance quality as the process through which the country's leadership is chosen, evaluated and replaced together with the way government effectively and efficiently administers the country's resources in a perceivably fair and equitable manner. In addition governance also focuses on the soundness of policies, the delivery of public goods and services as well as the respect of citizens and their views in decision making. Thus the link between public governance quality, tax morale and ultimately compliance is built on the implied social contract which silently states that as citizens render support to government and its functions through the provision of finance as they pay their fair share of taxes, they have a right to know what happens to the taxes, how they are used and receive tangible benefits (Dickerson, 2014; Vlachos & Bitzenis, 2018; C. Williams, 2020). According to Alabede and Zainal Affrin (2011), citing Levi (1988) if taxpayers are of the opinion that the pace and magnitude at which taxes are transformed to political goods is minimal they will perceive that government is slackening in fulfilling its own side of the social contract, thus voluntary compliance will diminish. Although tax compliance can be driven by various factors, the role played by governance quality cannot be underestimated (Everest-Phillips & Sandall, 2009). In the view of Torgler (2005), the poor quality of governance may crowd out tax morale and tax compliance will correspondingly deteriorate. Alm et al. (1993) shedding more light on the governance and tax compliance linkage, posit that when people are satisfied with the level and quality of political goods financed from their tax investment, their tax compliance levels may possibly escalate. Analysing this relationship deeply, Everest-Phillips and Sandall (2009) advance that there is an interdependent connection between governance quality and taxation and that governance quality influences the design of the tax system. Good governance breeds a fair and balanced tax system and equally a good tax system allows for quality governance. Good governance and effective tax systems positively influence tax morale, tax compliance and the investment climate. The opposite is true. Kaufmann et al. (2007) assert that the quality of governance can be measured by certain indicators and they proffer the effectiveness of government in the provision of goods and services needed by its citizens, the degree to which citizens participate in governance issues through democracy and holding government accountable, political stability, fairness in the application of the rule of law and the level of corruption. Previous researchers have used these dimensions to measure governance (Everest-Phillips & Sandall, 2009; Torgler et al., 2007; Torgler & Schneider, 2009). Allowing taxpayers to participate in political decision making, giving them enough democratic space to hold government accountable and reducing corruption will build trust in government, boost tax morale and improve tax compliance (Torgler, 2003b). The ineffectiveness and inefficiency as well as partisan application of the rule of law lowers tax morale and tax compliance (Torgler & Schneider, 2009).

### 2.1.3. Tax compliance

Tax compliance is explained as the degree to which citizens honour their lawful tax obligations. Alabede and Zainal Affrin (2011) describe tax compliance as the adherence to tax laws by reporting of the tax base truthfully, correctly computing tax liability, timeously filling returns and settling tax obligations. Any action deviating from the above was viewed as non-compliance. Tax non-compliance is a problematic phenomenon across the world for both developed and developing countries (Alabede & Zainal Affrin, 2011; Sebele-Mpofu & Msipa, 2020). The deterrence model has dominated tax compliance research as a means of explaining and reducing non-compliance. Contemporary tax discussions and research have proved that the deterrence theory cannot be solely relied on to understand compliance as it overlooks the social and psychological views of tax compliance (Feld & Frey, 2007; Horodnic, 2018; Torgler, 2003b; Torgler & Schneider, 2009; C. Williams, 2020). These researchers have pointed to the importance of tax morale and governance quality as fundamental variables in the tax morale equation (Everest-Phillips & Sandall, 2009; Joshi et al., 2014). Interestingly, on one hand Batrancea et al. (2013) posit that vigour in enforcement and a punitive environment leave no room for tax morale and on the other they assert that if there is no surveillance and strict enforcement whatsoever tax morale can be diminished as tax compliance will be seen as less important and peer compliance motivated tax morale suggested by Luttmer and Singhal (2014) lost. So the crucial question is, how do revenue authorities strike a balance?

## 2.2. The relationship between tax morale, governance quality and tax compliance in the IS

The preconditions for the creation of fair, acceptable, efficient and effective taxation frameworks are efficiency in tax administration, political stability and legitimacy as well as trust in government and its institutions (Everest-Phillips & Sandall, 2009). This relationship will be discussed briefly under three subheadings, the actions of the state in collecting tax revenues, governance and regulatory aspects of government as well government's effectiveness in the delivery of public goods and services.

### 2.2.1. Tax collection, tax morale and compliance

How economies mobilise tax revenues from their citizens has a bearing on the quality of governance and tax morale in any country (Brink & Porcano, 2016; Koumpias et al., 2020; Topal & Sahin, 2017). Tax bases are narrow in developing countries characterised by few taxpayers in the formal sector while the majority non-paying potential taxpayers are found in the IS. In most developing countries such as Kenya, Tanzania, Mozambique and Zimbabwe (Heggstad et al., 2011) (tax collection is often through the use of coercive power (enforced tax compliance), paying little attention to the need to bring in persuasive power (voluntary tax compliance) (Batrancea et al., 2013; Daude et al., 2013; Lisi, 2015). As a matter of fact lower levels of tax morale have been empirically observed to be remarkably correlated with higher degrees of tax non-compliance (Horodnic, 2018; Lisi, 2015; Radulović, 2019; C. Williams, 2020). Citing Torgler (2011), C. Williams (2020) alludes to the fact that an adverse association between tax morale and non-tax compliance has been firmly established in previous researches as evidenced by the Pearson  $r$  values of between  $-0.46$  and  $-0.66$ . 1 unit drop in tax morale was argued to result in a 20% increase in tax morale (C. Williams, 2020).

### 2.2.2. Governance quality and tax morale and compliance

Everest-Phillips and Sandall (2009) State legitimacy is argued to be fundamentally connected with tax compliance. The more credible the state appears in the minds and eyes of its citizens, the less the need to employ coercive strategies to enforce compliance as the willingness to pay is automatically improved (Bitzenis & Vlachos, 2018; Dickerson, 2014). The state-taxpayer dialogue and engagement triggered through taxation strengthens government's accountability to its taxpayers and at same time heightens the taxpayer's voice in demanding accountable policy making (Prichard, 2009). state that the "Acceptance of the obligation to pay tax empowers parliament, civil society including business associations and the media to play an essential role in scrutinising government revenues and expenditures". State legitimacy and tax morale are fertile grounds for research and sustainable tax reform. IS taxation is also perceived as a contemporary avenue to boost accountability between the state and society. Meagher (2018) contends that taxation is viewed as a means of empowering informal actors through tax bargaining with the state, leading

to gains, service provision and public accountability. One of the major reasons for targeting the IS for taxation was the likelihood of promoting good governance and political accountability (Joshi et al., 2014). This advancement is affirmed by Kundt (2017) who points that the argument leans more on the implied social contract whose fulfilment demands accountability, transparency in government spending, mutual trust and state legitimacy. If individuals pay taxes they are more likely to demand representation, responsive and accountable use of taxes. Joshi and Ayee (2008) and (Prichard, 2009, 2010) portend that opportunities and platforms for state engagement and collective bargaining by the IS through their associations are availed through IS taxation. This could culminate in an expanded tax base, intensify bargaining and strengthen the voice of the vulnerable. Accomplishment of these envisaged outcomes of IS taxation remain debatable, owing to the disorganised nature of the IS, generally lacking a united voice and political power coupled with the fear of victimisation (Joshi et al., 2014; Makocheke, 2020). Summing up these challenges, Machedze et al. (2018) state that the issues of the informal operators remain peripheral because the sector is not organised enough to defend their livelihoods supported from informal activities or even influence policy decisions as well as public social debates on issues affecting them in Zimbabwe. They allude to the fact that a leadership void in people with the necessary skills and knowledge to articulate their problems could be another stumbling block. This is contestable because there are associations such as the Zimbabwe Chamber of Informal Economy Association (ZCIEA) and Bulawayo Passenger Transport Association (BUPTA) with credible leadership that can meaningfully engage with government. Furthermore the researchers observe that the shrinkage in the democratic space has not only made it challenging, but near impossible for the IS to mobilise. They call for the enhancement of the IS voice and visibility by means of a fact driven advocacy through research (Machedze et al., 2018). This is vital in augmenting the sector's efforts. The more voice, the bigger the effort and chances of being heard by the government and other policy makers (p. 2).

Meagher and Lindell (2013) on the other hand argue that IS taxation would probably open floodgates for more or new avenues of predatory treatment of the sector as opposed to enhancement of public accountability. The possibility of increased marginalisation is immense (Joshi et al., 2014; Titeca & Kimanuka, 2012). This view is shared by Meagher (2018) as she contends that "efforts to tax the informal economy may contribute little to state revenues and potentially exert perverse effects on governance". Shedding more light on the complexity of the likely results of IS taxation, Lindell (2010) as well as Meagher and Lindell (2013), argue that the outcomes could possibly range from escalated bargaining to the outright fragmentation of the sector's political voice, winners and losers might emerge. Therefore controversy continues to surround the IS taxation-governance paradox (p. 2).

Everest-Phillips and Sandall (2009) provide four reasons why the taxation-governance debate, tax reform and research should pay attention to this linkage: (1) taxation is a fundamental tool for representation, (2) the need for fulfilment of the social contract and the outcomes thereto, (3) transparency and accountability in the use of tax revenues, and (4) political processes and their impact on tax morale and tax collection. Successful taxation of the IS is indispensably connected to good governance as tax morale and voluntary compliance hinge on government's responsible, transparent and accountable actions in governing, distribution of resources and administration of taxes (p. 3).

### 2.2.3. *Government effectiveness and tax morale and compliance*

Everest-Phillips and Sandall (2009) The quality and quantity of public goods and services delivered by government to its citizens have been used as a measure of public governance quality and these shape tax morale and ultimately tax compliance (Dickerson, 2014; Horodnic, 2018; Horodnic & Williams, 2016). If government is transparent and accountable in the use of tax revenues, taxpayers' confidence on taxation and the tax system is enhanced and thus their tax morale and compliance are improved. In most developing countries such as Nigeria, Kenya, Tanzania and Mozambique (Heggstad et al., 2011; Meagher, 2018), due to controversial government spending, lack of transparency and accountability in the use of tax revenues, tax morale is diminished. According to, "Tax compliance is low in developing countries where citizens neither believe government acts in their best interest, nor trust the state to use



revenues wisely”. A vicious cycle therefore becomes inevitable, lack of trust in government compromises legitimacy of government in the minds and eyes of taxpayers, making tax collection a formidable and expensive task, calling for enforced revenue mobilisation. This further erodes trust (tax morale) and fuels tax evasion (tax non-compliance). The increase in tax evasion means a reduction in government revenues and the increased possibility of failure to provide quality public goods and services (Everest-Phillips, 2010; Everest-Phillips & Sandall, 2009; Topal & Sahin, 2017) (p. 2).

### 2.3. Empirical studies and their findings on governance quality, tax morale and tax compliance relationship

As suggested earlier that there is a dearth in literature and research on the governance quality and tax morale in the African continent and Zimbabwe in particular, most of the studies discussed were carried out in developed countries and mostly in OECD countries. A summary of some of the most recent studies on the IS taxation-governance relationship is as presented below in Table 1.

Table 1. Research studies on tax morale and governance quality factors		
Variable investigated	Outcome/findings	Research studies
Trust in public authorities	A tax morale is driven by the level of trust in public authorities. The lower the level of trust in public authorities the lower tax morale and the opposite is true.	Daude et al. (2013), Chan et al. (2017), Filippin et al. (2013), Vythelingum et al. (2017)
Governance quality/delivery of public goods and services	The higher the quality of public governance and that of goods and services delivered by government, the higher the levels of tax morale and tax compliance.	Alasfour, Samy and Bampton (2016), Frey and Torgler (2007), Vythelingum et al. (2017)
Government fairness perceptions	The lower the perceived fairness, the lower the tax morale.	Alasfour et al. (2016), Çevik (2016), Cyan et al. (2016)
Government spending	Tax morale is positively influenced if revenues are convincingly spent on infrastructure, education, health and other services.	Daude et al. (2013), C. C. Williams and Krasniqi (2017), Dickerson (2014)
Corruption	Widespread corruption negatively impacts on tax morale and tax compliance.	Jahnke (2015), Jahnke (2017), C. C. Williams and Krasniqi (2017)
Regulation and institutional effectiveness	Effective regulatory environment where democracy is upheld escalates tax morale.	Topal and Sahin (2017), C. C. Williams and Krasniqi (2017), Torgler (2003a), Leonardo and Martinez-Vazquez (2016)
Voice (democracy) and accountability	Positively related to tax morale.	Filippin et al. (2013), Koumpias and Martinez-Vazquez (2019), Cyan et al. (2016)
State building, bargaining and dialogue	The ability of the IS to bargain is very limited, otherwise political voice is largely connected to identity, gender and patronage links as opposed to fiscal relationships and effectiveness of associations.	Meagher (2018), Meagher and Lindell (2013)

Source: Author’s compilation from various studies

The higher the level of competence of the legal environment (courts), the higher the level of trust in government actions and this boosts tax morale. A closer connection between government and its citizens through the transparent and democratic interactions (voice and accountability), positively influences tax morale (Alasfour et al., 2016; Vythelingum et al., 2017). Perceptions of fairness of government decisions as well as those of its institutions and officials (courts, revenue authority and

revenue officers respectively) (Alabede & Zainal Affrin, 2011; Dickerson, 2014). Summing the findings presented by researchers on the governance-tax morale puzzle, Horodnic (2018) concludes that higher GDP levels, lower levels of systemic corruption, good social protection schemes together with increased levels of trust in government departments as well as public expenditure heighten tax morale levels and ultimately reduces tax non-compliance. From the literature above several variables have been identified to explain the relationship between governance quality, tax morale and tax compliance in the shadow economy and these culminate in the development of a conceptual framework below.

## **2.4. Conceptual framework**

This section operationalises the definition used in the study as well as the measurement of the key variables. In this case we explore three key variables, governance quality (independent variable), tax morale (moderating variable) and tax compliance as the dependent variable. Governance influences tax morale which in turn has an impact on tax compliance or tax non-compliance as discussed in literature.

### **2.4.1. Governance quality measurement**

The working definition for governance quality for this study was adopted from Alabede and Zainal Affrin (2011), who define it as “provision of political goods of necessary quality by government to taxpayers efficiently”. The six multidimensional indicators that have been used to measure governance quality (Alabede & Zainal Affrin, 2011; Kaufmann et al., 2007; Torgler et al., 2007) and have also featured regularly in studies exploring the association between tax revenue mobilisation and governance quality (Topal & Sahin, 2017; Torgler & Schneider, 2009) were adopted in this study. These are: voice/democracy and accountability, political stability, government effectiveness, rule of law, regulatory effectiveness and control of corruption (Alabede & Zainal Affrin, 2011; Topal & Sahin, 2017; Torgler et al., 2007). These were used for this study and measured using a 5 point disagree/agree scale. Government effectiveness is appraised by the quality of public goods and services as well as that of policy formulation. Quality and quantity of these public goods and services as well as the processes of delivery (independence and comprehensiveness of the systems) greatly influence tax compliance (Alm et al., 1993; Dickerson, 2014; Topal & Sahin, 2017). The effectiveness of revenue administration and the actions of tax administrators are also included here as these have an influence on both tax morale and tax compliance (Dickerson, 2014; Horodnic, 2018; Vythelingum et al., 2017). Control of corruption is judged basing on the extent to which power is misused to gain undue advantage (Jahnke, 2015, 2017). In countries where corruption is high or perceived to be high taxpayers tend to lose trust in the state and become unwilling to pay tax thus diminishing tax compliance levels (Vlachos & Bitzenis, 2018). Commitment to and increased efforts in fighting corruption boosts tax morale. Regulatory effectiveness is ascertained by government capability and competence to craft well-grounded policies and plausible regulations that are vital for economic growth (Topal & Sahin, 2017). This encompasses the application of tax policies such as tax rates, deductions, exemptions, tax holidays and other tax reliefs and how these incentivise companies as well as providing an enabling environment for their growth and survival.

Voice and accountability is a measure of democracy and evaluated by the degree to which citizens are able take part in choosing government as well as express themselves freely and openly. Uncontested principles of democracy being transparency, application of the rule of law in a just and fair manner, accountability and civil rights. In societies where democracy is upheld, tax morale is high and tax compliance equally high (Bitzenis & Vlachos, 2018; Meagher, 2018; Vlachos & Bitzenis, 2018). Taxpayers use the voice to question and contribute to tax policy and other government decisions whereas where democracy is curtailed they take the “exit” route to communicate their displeasure, evade tax and go deeper into the informal sector. Lastly political stability is linked to the absence of violence and the fact that there is no possibility of government destabilisation. The rule of law is assessed by the level of confidence that taxpayers have on governments and its arms (police, parliament and the courts among others) (Topal & Sahin, 2017). In summary where corruption is high and government officials wield uncontrolled power, transparency and accountability is low and the rule of law is weak, tax morale is weakened and the incentive to honour tax obligations compromised (Torgler et al., 2007). Morality is not only diminished for taxpayers but equally for tax administrators if there is too much political interference and corruption in the tax administration system

#### 2.4.2. Tax morale measurement

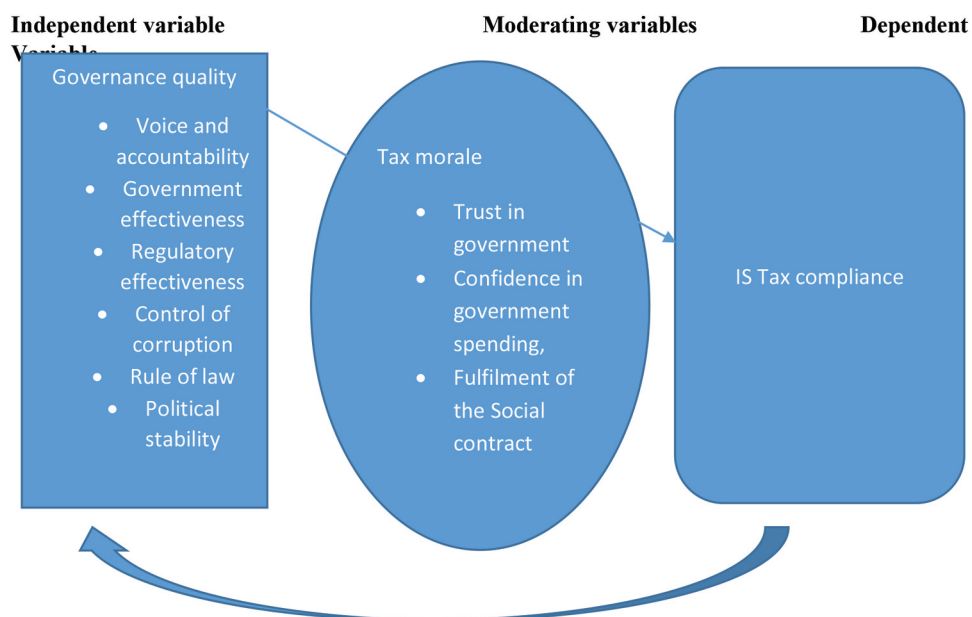
For this study tax morale is defined as the willingness to pay taxes. Literature proffers views towards the justifiability of tax evasion as a reliable proxy for tax morale. The way this proxy was applied by Radulović (2019) in their study and was adopted in this study through the use of a 5-point Likert scale with the following representation:

- Strongly agree meaning entirely justifiable
- Agree—justifiable
- Neutral- both is and isn't justifiable
- Disagree—not justifiable
- Strongly disagree-totally unjustifiable

The following schematic presentation of the conceptual framework in Figure 1 illustrates the discussed relationship of the key variables in this research.

**Figure 1. Conceptual framework.**

Source: Own Compilation.



The arrow connecting from tax compliance directly to governance quality is informed by the intriguing arguments from literature surrounding the anticipated governance gains to accrue from IS taxation and tax compliance (Joshi et al., 2013, 2014; Meagher, 2018). Others allude to potential positive influence on the quality of governance as well as the strengthening of the political voice of the vulnerable (Everest-Phillips, 2010; Everest-Phillips & Sandall, 2009), while others suggest totally contradictory results pointing to a potential escalation in marginalisation, predatory treatment and abuse of the IS by government officials such as tax officials. The same strategy aimed at giving the IS a “voice” may further worsen the situation driving the players to “exit”, negatively impacting on governance quality, state bargaining and building. Meagher (2018) gives evidence of the negative relationship in Nigeria, expressing that “Far from breaking the Devil’s Deal, taxing the informal economy accentuates divisions between those who are seen as sources of political capital and those who are used as sources of revenue. Within this context new efforts to tax the informal economy risk exacerbating existing social and political tensions rather than rebuilding the social contract”. The question regarding this controversial and contested relationship is, what is the status quo in the Zimbabwean scenario? Governance quality for this study will be explored in regards to its double barrelled impact as discussed in literature as a driver for tax morale (measured as discussed above in Section 2.3.1) and tax compliance and as envisaged outcomes (implications or gains) of IS tax compliance.

The likely benefits will be explored in relation to: (1) accountability (voice and ability to demand accountability from government), (2) participation of the affected group (tax as a tool for representation and legitimising the relationship with the state), (3) transparency (bargaining and consultation on policy matters between the IS and government), and (4) Policy capacity (IS tax registration impact on corruption, marginalisation and harassment by government and tax officials).

### 3. Methodology

The study adopted the interpretivism research philosophy. This research paradigm argues that reality is built socially and has multiple perspectives. It is premised on the understanding that people are generally complex being whose understanding of the world differs as it is shaped by their experience, culture, values and norms. Research should aim at gaining an in-depth understanding of their views and actions (Creswell, 2014; Fetters et al., 2013). Qualitative research approach is more preferable, it aims to provide illumination and understanding of complex psychological issues and most useful in answering humanistic, why and how? Questions. Mixed method research (MMR) design has gained ground in contemporary tax research as vital in interpretivism studies (Chen Loo et al., 2009; McKerchar, 2008). The study employed a sequential exploratory MMR which is dominantly qualitative, integrating the use of semi structured interviews and document review as well as questionnaires (Creswell, 2014; Creswell & Clark, 2017) in order to explore the tax compliance phenomenon deeply and to give a complete picture. Taxation is a complex topic, especially tax compliance that requires exploration through the use of multi-methods and data gathering from multiple sources (Chen Loo et al., 2009; McKerchar, 2008). The sequential exploratory MMR is dominantly qualitative with the quantitative part being employed to investigate the phenomenon further over a wider population in order to allow for generalisability. It is largely suitable for underexplored areas such as governance quality and tax morale in this research (Fetters et al., 2013; Venkatesh et al., 2016). It allows researchers to dig deeper into the grey area and to be able to use results from the preliminary qualitative approach to help design the questionnaire for survey. Combining the methods allows for one approach to compensate for the shortcomings of the other thus enjoying the benefits of integration, complementarity, diversity and confirmatory use of the quantitative part (Chen Loo et al., 2009; Gobo, 2015).

#### 3.1. Target population, sampling and data collection

Data was collected from secondary sources and primary sources (Zimbabwe Revenue Authority (ZIMRA) officers and Tax experts). Triangulation of data sources was meant to enhance validity of findings. 10 Tax experts (consultants) were selected for their membership with the Institute of Certified Tax Accountants, Zimbabwe, and their experience of more than 10 years in the tax field and interviewed (This criteria vital as IS taxation was introduced in 2005 and further enforced in 2011, the period from the further enforcement being the most essential part as it can allow for proper analysis of the tax policy impact. 15 ZIMRA officers working in the Domestic taxes (Small Claims Office (SCO) and the audit section) and Customs Department were interviewed. The SCO is the section that administers IS taxation and the audit section being the one that follows up on defaulters in domestic taxes which include presumptive taxes, corporate tax, PAYE and VAT. The customs department is the one which administers customs and excise duty and is the area where corruption and intimidation is said to be high (Mashiri & Sebele-Mpofu, 2015, p. 39). The idea was to have a balanced evaluation by bringing in tax officers (their experience as the regulator and administrators of tax policy as well as advisors of government on fiscal issues. ZIMRA is the tax collector and government actions also impact on the collection process as well as the motivation (morale of officers)) and tax experts or consultants who are independent of the regulator and the taxpayer (their intimate knowledge of tax policy and their interaction with the IS as tax advisors or preparers of their tax returns). This balanced data gathering would allow for the fair, informed and in-depth appraisal of the governance, tax morale and tax compliance problem.

Creswell (2014), posits that small samples of between 3 and 10 are adequate for qualitative research. Sampling and justification for sample sizes is always a matter of controversy among qualitative researchers, especially the need to address saturation concerns. Saturation point is considered the golden standard or the point where information gathered is considered adequate. Its nature, purpose and use are often a subject of intense debate among qualitative research

scholars (Saunders et al., 2018). Sim et al. (2018) express that sampling in qualitative research is not a matter of how many interviewees are sampled but a matter of who are they?, what knowledge and competencies do they possess which is relevant to the research?, how diverse are they? Does their diversity allow for wider exploration of a more balanced analysis? (Malterud et al., 2016). In this case the respondents were purposively sampled based on their occupation, experience, knowledge in relation to the Zimbabwe tax and governance quality environment as well as their diversity to give multiple perspectives as suggested by the interpretivist paradigm (Creswell, 2014). When analysing data through NVIVO, saturation was considered from two angles the point where no additional codes and themes were emerging and also where no further standpoints were originating from the data as guided by Hennick et al. (2017). This was the point where no further interviewing and data analysis was considered unnecessary and futile.

Questionnaires crafted from the results of qualitative research were distributed amongst 80 tax experts and 100 ZIMRA officers drawn from the Domestic Taxes Department (SCO and audit) and Customs department, at various ZIMRA stations across the country. Data was analysed using NVIVO pro and the Statistical package for social Sciences (SPSS).

### **3.2. Data validity, reliability and ethical considerations**

Reliability refers to the degree of consistency or accuracy with which an instrument measures the attribute it is designed to measure. The research methodology was clearly explained to allow for audit trail and the choice of participants described, the constructs identified and definitions as well as their measurement criteria outlined Section 2. These were all efforts to address reliability as discussed by Zohrabi (2013). If a study and its results are reliable, it means that the same results would be obtained if the study were to be replicated by other researchers using the same way. Validity is concerned with the research rigor and whether the research is credible, believable as well as whether it assesses that which it was intended to evaluate. Zohrabi (2013) citing Burns (1999, p. 160) express that “Validity is an essential criterion for evaluating quality and acceptability of research” and also it depends on sampling and data instruments used. To ensure validity the purposive sampling methods, as earlier outlined, this study collected data from knowledgeable, diverse and experienced participants using interviews and questionnaires as posited by Hennick et al. (2017) and Sim et al. (2018). Saturation point as a yard stick for research quality was considered and attained as illustrated in 3.1. The idea was to enhance validity by allowing one method to compensate for the weaknesses of other and exploit advantages of mixed method such as triangulation, diversity, confirmation of findings, development and the increase in the depth and breadth of the study findings (Creswell, 2014; Gobo, 2015). The interview guides were sent to a renowned Zimbabwe tax consultant to assess and assist in rewording questions as well as evaluating whether they are appropriate and not intrusive, considering that tax is a sensitive topic as guided by McKerchar (2008). The questionnaires were also piloted before being used on a larger population to address any shortcomings and ambiguities. Member check was also used to test whether results were valid by taking the results to a few members of the participants for them to confirm and validated the findings as advised by Zohrabi (2013). Beneficence, ethical consideration and informed consent are non-negotiable facets of research (Sebele-Mpofu & Msipa, 2020), accordingly permission to carry out the research was granted as per the research policy on tax matters at ZIMRA, considering tax is a sensitive matter and ZIMRA officers are bound by the oath of secrecy. Informed consent was then sought from each individual participant during field work. Data was kept confidential, participants confidentiality, privacy and anonymity was maintained throughout the research. Results were collectively reported.

### **4. Presentation and discussion of findings**

The research was dominated by the qualitative approach, data was presented in the form of word search text queries from NVIVO and frequency tables and graphs from SPSS. The presentation of findings begin by showing demographics in 4.1 views on the compliance levels in the sector in 4.2 then, governance quality as a driver of tax morale and compliance in Section

4.3 as measured by the governance indicators and finally the relationship between IS taxation as well compliance and governance gains of such taxation in 4.4.

#### 4.1. Response rate and demographics of respondents

The questionnaire respondents were people with diverse qualifications and 70% from the combined group (both ZIMRA and Tax experts) had a first degree in disciplines such as tax, finance, fiscal studies, accounting and computer science among others. 20% held masters a degrees and 5% had PhDs. The response rate is shown below in Table 2.

Table 2. Analysis of respondents					
Target	Questionnaires distributed	Collected questionnaires	Interviews Scheduled	Interviews Conducted	Response Rate (%)
ZIMRA Officials	100	70	15	15	74%
Tax Experts	80	66	15	12	82%

Source: Primary Data.

Of the 15 ZIMRA interviewees, 6 were from the SCO, 5 from audit and 4 from the customs department. All interviewees had a ZIMRA diploma that they are awarded after going through training at ZIMRA and 13 had various undergraduate qualifications which include Bachelor of Commerce in Accounting, Finance, Economics, Banking and Fiscal Studies. Two had joined ZIMRA long back and only had a Higher National Diplomas in Accounting and over 20 years of experience in tax administration. The Tax experts were highly experienced and knowledgeable and have various tax qualifications and a masters in different Business areas. One interviewee described himself as follows “I have over 30 years of experience and I have worked with both the formal and IS on a variety of matters, key among them tax consultancy, registration for tax, tax advisory, tax computations and filing of returns. I spent the greater part of my working life with ZIMRA, over 20 years experience with the taxes department. I’m currently running a tax consultancy and advisory services company and at the same time formally employed as a tax director in an Accounting firm”. This brief description of the nature of participants shows that these participants bring into the discussion comprehensive, thorough and a fairly just assessment of the Zimbabwean IS tax system.

#### 4.2. Levels of IS tax compliance

During interviews participants were asked to estimate the level of IS tax compliance on a scale of low, medium and high. As a follow up question these interviewees were asked to suggest possible reasons for their earlier estimated IS tax compliance levels. To gather similar data from a wider sample through questionnaires, the first question on compliance levels, respondents were given scales on which to tick the levels of compliance and possible reasons for those levels of which they were to respond on a 5-point scale of strongly disagree, disagree, neutral, agree and disagree. The majority of interviewees from both groups (90% of tax experts and 80% of ZIMRA officers) suggested that the IS tax compliance levels were very low especially with regards to presumptive tax which is the main tax targeted for the sector. The sector seldom qualifies for Value Added Tax (VAT) and corporate tax hence these would not be ideal measures to evaluate IS tax compliance. The remaining minority pegged the compliance level at medium level. The results of the questionnaires were as follows, with the majority of respondents estimating compliance levels at lower than 40%. The overall finding is that tax compliance is very low in the sector as shown in Table 3.

**Table 3. IS presumptive tax compliance levels**

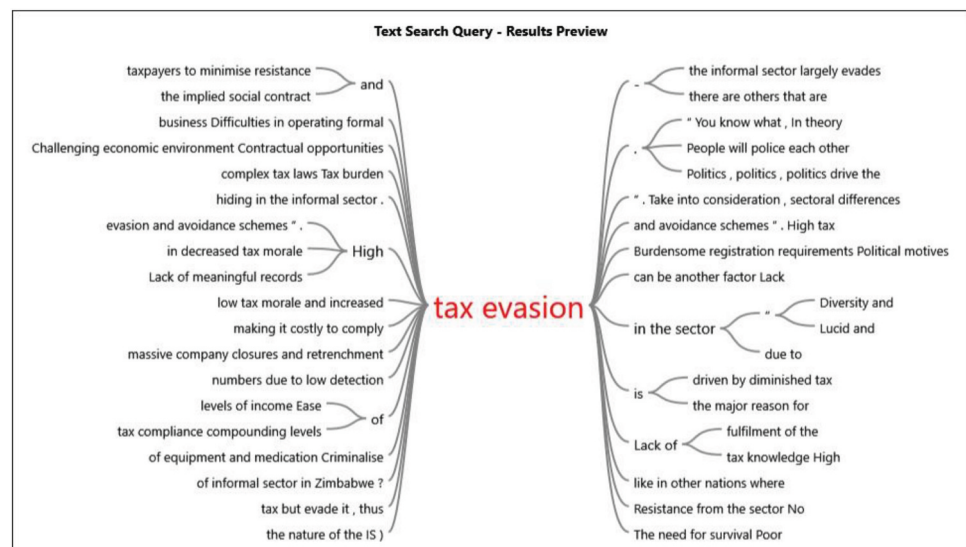
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0–20%	98	54.0	54.0	54.0
	20–40%	63	35.0	35.0	89.0
	40–60%	17	9.0	9.0	98.0
	80%+	3	2.0	2.0	100.0
	Total	180	100.0	100.0	

Source: Own Compilation from SPSS.

The next question was to investigate the reasons why tax compliance levels were so low or why the larger part of the sector was evading tax. From the interviews several reasons were proffered to explain the status quo. The most emphasised reasons by the ZIMRA officials were capacity constraints on the part of the revenue authority, high costs of collecting from the sector, the nature of the sector (low incomes, heterogeneity, ease of tax evasion, mobility, low probability of detection and low literacy levels), poor economic conditions and low tax morale due to lack of transparency in government expenditure as well as corruption. This probably is consistent with their views as tax administrators and also in the Financial Gazettee (2018). On the other hand, on the side of tax experts, the most prominent reasons were lack of trust, transparency and accountability in the use of tax revenues, corruption and political interference, high tax rates, lack of IS stakeholder consultation on policy matters including tax policy resulting in resistance by the sector, ZIMRA’s highhanded behaviour in dealing with taxpayers, lack of fulfilment of the social contract, lack of knowledge and awareness as well as capacity constraints at ZIMRA. These views reflect most likely the experiences of the tax experts as tax advisors and consultants of the IS, their own personal experiences as taxpayers and the experiences of some of them as former ZIMRA employees.

These two groups were bound to have divergent views and put different degrees of emphasis on different factors. Their converging and diverging views on some matters are all essential for IS policy crafting and improvement. The arguments are summed up in the “tax evasion” word search query below in Figure 2. The tree branches reflect conversations with interviewees. The notable branches being “informal sector largely evades tax”, “Politics, politics, politics drive the growth of

**Figure 2. “Tax evasion” word search query result (Source: NVIVO results).**

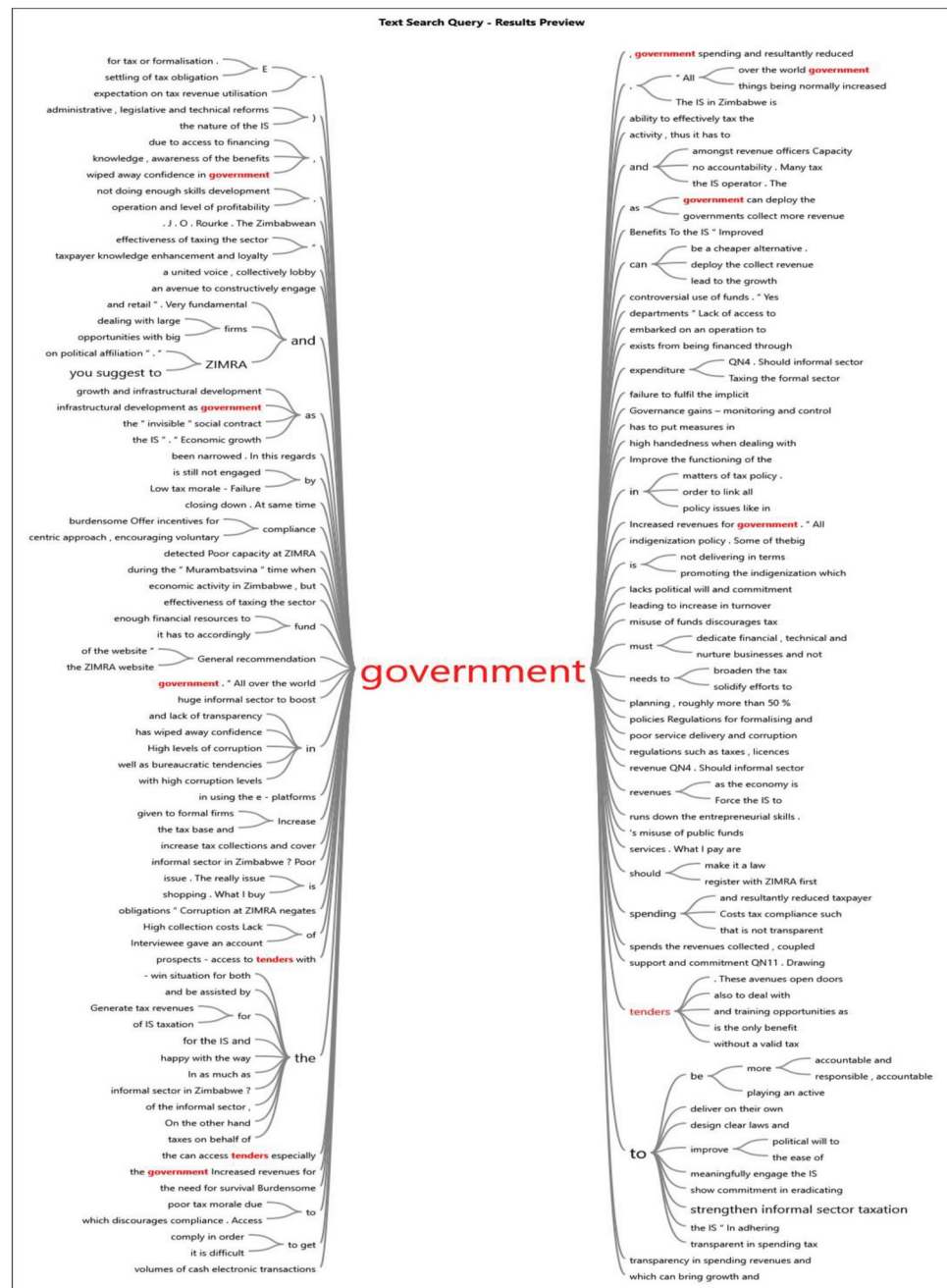


the Informal sector”, “low tax morale and increased tax evasion” “tax evasion in the sector due to diversity and lucid nature, “tax evasion is driven by lack of fulfilment of the social contract” and “burdensome registration regulations” among other reasons.

### 4.3. Governance quality and its influence on tax morale and compliance in IS

This section only explores the factors that were related to the six indicators of governance quality (as a driver of tax morale) as it is the focus of this study and hold all other factors constant. The issue of governance quality was explored during interviews by focusing on the actions of government with regards to taxation and its redistributive role (delivery of public goods and services), as a tool to stimulate representation (voice and accountability) and to measure regulatory effectiveness (ability to

Figure 3. “Government” word search query (Source: NVIVO results).





collect revenue and engage stakeholders). The outcomes of the interview discussions are as presented in the “government” search query below. The most notable branches or conversation anchoring on governance quality were “failure by government to deliver on the invisible social contract”, “poor capacity at ZIMRA”, “lack of transparency in government leading to misuse of funds discourages taxpayers”, high levels of corruption in government”, “corruption at ZIMRA”, “Government lacks political will and commitment to eradicate corruption” and IS lacks a united voice to collectively lobby government” among others. This is shown in Figure 3 below.

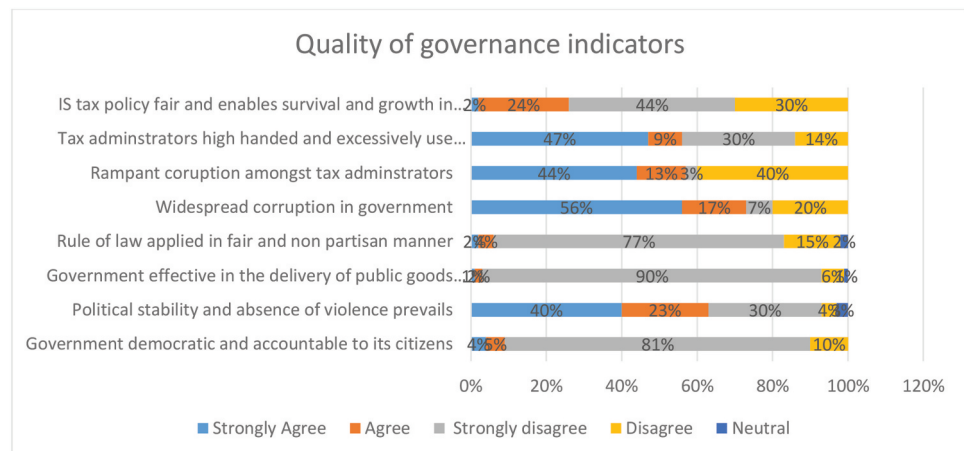
On the lower part of the word query on the right hand side is a branch focusing on recommendations. In order to improve tax morale in the IS so as to enhance tax compliance interviewees suggested the need for government to: “deliver their own side of the bargain”, “design clear laws”, “meaningfully engage the IS”, “show commitment in eradicating corruption” and lastly “show transparency in spending revenues”.

#### 4.3.1. Assessment of Governance indicators through questionnaires

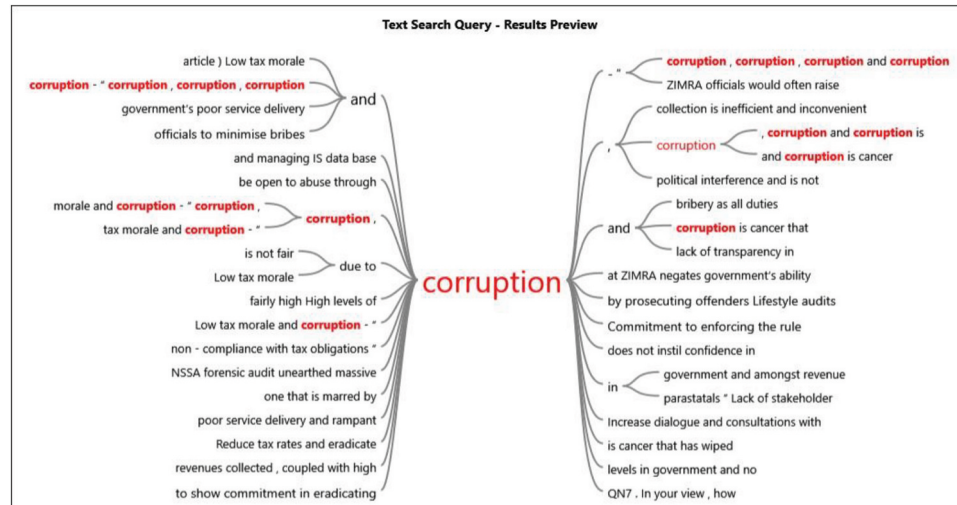
The six governance indicators were explored using a wider sample through questionnaires and the results are as presented in Figure below.

From Figure 4 above, it is evident that, governance quality is poor in Zimbabwe as illustrated by the responses to the indicators. The majority of participants (90%), strongly felt that government was ineffective in the delivery of quality public goods and services to meet the needs of its citizens, 74% (Strongly agree and disagree) were of the opinion that tax policy was neither fair nor enabling for the growth and survival of small firms (measure of regulatory effectiveness) and corruption was said to be rampant in government and there was no consensus on the corruption amongst tax administrators (100% of tax experts which is 44% of the target population strongly agreed that it was widespread in tax administration and on the other hand 40% of the population entirely made up of tax administrators strongly disagreed. These views are not entirely inconsistent. They reflect the nature of the two groups, perhaps the independence and objectivity associated with tax experts’ assessment of the tax administration system and on the other hand tax administrators as the implementers of tax policy may not objectively assess themselves. The other portion of the tax administrators possibly reflects the standpoints analogous to those expressed by some tax administrator interviewees that corruption was a cancer that is negatively impacting on tax morale and negating government’s ability to effectively mobilise revenue from the sector. Other tax administrators expressed that corruption was not impacting unfavourably on taxpayer morale only but also on their enthusiasm as tax collectors as well. The discussion on corruption and the link between corruption and poor service delivery presented itself, as displayed in the “corruption” word search query below (Figure 5).

**Figure 4. Governance quality indicators and how the inform tax morale and compliance.**



**Figure 5. Corruption” word search query (Source: NVIVO results).**



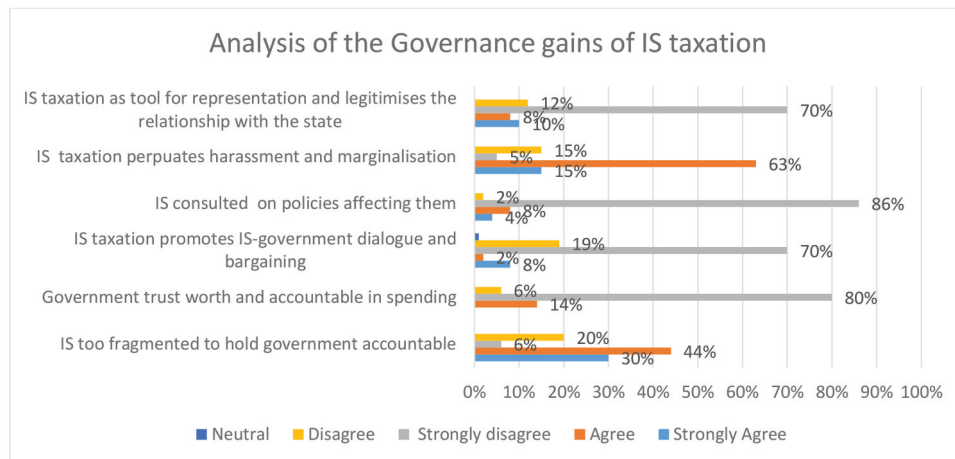
Corruption appears topical in the discussion as emphasised by the red colour, tax morale described as low, corruption explicated as not instilling confidence and corruption at ZIMRA viewed as negating government’s ability to collect taxes are some of the notable word tree branches above. The need to curb corruption was reiterated by former ZIMRA board Chairperson Willia Bonyongwe when she expressed that “It is critical for stakeholders and other crime fighting agencies, the judiciary, the Legislature and everyone in authority, to put their heads together in eradicating corruption. There is need for laws which make it unprofitable and worthwhile to engage in corruption, while enforcing tougher penalties, including time in jail and fines that take away all the gains of corruption”. In a compatible opinion, the incumbent ZIMRA Commissioner General, Faith Mazani advanced that effective tax administration was impeded by rampant corruption and conflict of interest, which shows lack of integrity amongst some top government officials. She also lamented the tax justice delay due to sluggish resolution of tax disputes in courts (Chronicle, 2019). Generally all the governance indicators point to poor governance quality in Zimbabwe and if literature is anything to go by (Dickerson, 2014; Everest-Phillips & Sandall, 2009; Torgler et al., 2007; Torgler & Schneider, 2009; Vlachos & Bitzenis, 2018), the study concludes that tax morale is low and tax compliance correspondingly low in the IS in Zimbabwe.

**4.4. Governance advantages or gains of taxing the IS**

There was no consensus on the governance gains accruing to the IS since presumptive tax was introduced in 2005 and further enforced in 2011 to mobilise tax revenue from this sector. The majority of tax experts said that the IS was benefiting very little if anything at all in terms of those governance gains yet ZIMRA officers argued that there were benefits accruing though not uniformly to operators in the IS depending on the size, sectoral operation and at times political affiliation. They gave access of government tenders and dealing with large tax compliant companies as some of the advantages. The assessment was done following the measures of governance implications detailed earlier. Results are presented below.

From Figure 6, the general consensus amongst respondents was that IS taxation brought very little in terms of governance gains to the sector, it was neither a tool for representation, legitimising the relationship between government and the state nor an avenue to promote IS government dialogue and bargaining. The most likely reason to explain this scenario was the fact that the sector was observed to be too fragmented to hold government accountable (30% strongly agreed and 44% agreed). This is analogous to the argument by Machedmedze et al. (2018) who suggested that the IS in Zimbabwe has a politically weak voice due to disorganisation. The minority (26%) believe otherwise and concur with interviewees who suggested that the problem wasn’t

**Figure 6. Analysis of the governance gains of IS taxation.**



disorganisation but lack of stakeholder engagement on the part of government as well as poor governance quality coupled with a shrinkage of the democratic space. This was expressed by one tax expert interviewee “Governance gains could generally accrue from stakeholder engagement and bargaining in nations where there is good governance and stakeholder views and inputs are valued. This is not the scenario in Zimbabwe. Tax is not an avenue drive representation nor or even a platform to productively dialogue with government. The IS in Zimbabwe is made up of the organised and the fragmented groups. The former being those with credible associations with quality leadership but government continues to side line them in matters of tax policy. It is just worse for the IS but the formal sector is equally not engaged but dictated to.” The sector especially leaders of associations fear victimisation and reprisal, a view shared by Meagher and Lindell (2013), Meagher (2018), and Lindell (2010). The views were similar to those expressed by some interviewees that despite the IS having organised associations such as the Bulawayo Passenger Transport Association (BUPTA), the Cross border traders association of Zimbabwe and the Zimbabwe Chamber of Informal Economy Associations (ZCIEA) among others, government paid no attention to these and crafted policies affecting the IS without their input. Similar concern was raised by Fourie (2018) who asserts that the IS is not properly considered and enabled in developing countries but otherwise remains on the peripheral of policy crafting and economic responsiveness. 88% of the respondents felt the IS was not consulted on policies affecting them and 78% were of the view that IS taxation perpetuated harassment and marginalisation in the sector.

#### 4.4.1. Lack of transparency and poor service delivery

Evident also from the analysis above was the fact that 86% of respondents expressed that government was not accountable and trustworthy in the way they spend tax revenues and this is worse because the sector cannot hold government to account as pointed earlier. This observation was reaffirmed by one ZIMRA Officer, who expressed that “Our job is very challenging under the circumstances. People don’t see any benefits of paying tax in Zimbabwe. The absence of transparency and accountable in government expenditure has crushed all confidence in government and tax administration, lowering tax compliance heightening the levels of tax evasion. How is tax collection possible under this scenario? How do you convince tax payers to pay? Our morale as officers is very low as well”.

#### 4. Tax morale

Interviewees explained why it was difficult to collect revenues from the IS and why the sector was not complying with tax laws. The arguments in a way gave silent justifications for tax evasion in the sector though not condoning it. There were mixed feelings on the justifiability of tax evasion amongst questionnaire respondents, the answers ranged from a justifiable (20%), neutral (57%) and unjustifiable (23%). The two extremes of totally not justifiable and entirely justifiable were not chosen by questionnaire respondents, possibly because of the nature of the respondents and their

ethical inclination because their occupations as tax administrators and tax experts. Their views were enough to deduce that tax morale levels were low.

#### 4. Conclusions and recommendations

The study concludes that there is a significant relationship between governance quality and tax morale and IS tax compliance. The way government spends tax revenues especially the quality and quantity of public goods and services supplied to taxpayers in exchange of their tax contributions drives tax morale. This ultimately influences the taxpayers' choice whether to comply with taxes or evade them. This situation is worse in Zimbabwe where citizens have no trust in the rule of law, parliament, the police, the courts and other government institutions. The situation is further compounded by wide spread corruption in government institutions such as ZIMRA, parastatals such as NSSA, Air Zimbabwe, ZESA among others as also chronicled in Auditor General's Report. This negatively affects tax morale of taxpayers and the morale of tax administrators in collecting taxes. Political interference is rampant with senior political officials shielding their companies and relatives from tax authorities. These challenges negatively affect tax compliance and the effectiveness of tax administration. On the other hand, governance gains continue to be an illusion. Rebuilding the social contract, strengthening IS state bargaining and reinforcing the IS taxation-representation linkage calls for enhancement of the sector's political voice in a fair and responsible manner. Government should move away from just calling for more tax contributions from the sector which are not correspondingly accompanied by accountability and transparency in spending. Instead government spending must focus on the material and infrastructural needs of the sector. Government must also uphold the rule of law, open more democratic space for engaging with its citizens to allow them to contribute to and to critique policies affecting them freely. Government must commit to fighting corruption and be seen to be committed through the prosecution of offenders and address the concerns of the Auditor General's report. Lastly it must deal with the Devil's deal of lax enforcement of tax policies and other regulations in exchange of votes in an earnest and equitable manner if trust among citizens can be built and legitimacy in the eyes and minds of these citizens earned. These possible avenues could help foster tax compliance in the IS, increase tax morale and reduce the growth of the shadow economy.

#### 7. Limitations and areas of further research

The study was predominantly qualitative in nature, future studies could use more of the quantitative techniques such as regression analysis to statistically test the relationship between variables. The study target population was made up of tax experts and tax administrators, it is critical that further research includes the IS themselves to incorporate their views. Meagher and Lindell (2013) suggest that other IS players could be privileged and others further disadvantaged by IS taxation. The vital question is, considering the divergent outcomes likely to emanate from the IS taxation-governance linkage, under what conditions could winners and losers described by Meagher and Lindell (2013) emerge? This is a crucial area for further research. As found out in literature, there are other non-pecuniary factors that affect tax morale other than governance quality such as gender, education levels, religiosity among others, further research could focus on these and how they affect tax morale and compliance. Lastly, Meagher (2018) argues that the governance gains especially the political voice and IS-state bargaining are influenced by gender, ethnicity as well as political patronage as opposed to effectiveness of associations and fiscal relations. There is need to explore this relationship further as well as to explore strategies that can be adopted to empower association or establish platforms where they can meaningfully engage with government.

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#### Author details

Favourate Y. Sebele-Mpofu<sup>1</sup>  
E-mail: [favourate.sebele@nust.ac.zw](mailto:favourate.sebele@nust.ac.zw)

<sup>1</sup> National University of Science and Technology NUST, Zimbabwe.

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