

### TECHNICAL SESSION-3: MACROECONOMIC POLICIES AND INSTITUTIONS

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**Paper Title:** Tax Morale, Trust in Institutions and the Role of Governance  
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**Abstract:** This paper examines the relationship between trust in institutions and tax morale, focusing on governance quality. It hypothesizes that the interaction effect between trust in institutions and governance quality significantly influences tax morale. The study also explores whether this effect is stronger in input-side or output-side institutions. Strong governance fosters trust in the government, viewing tax payment as a civic duty, while weak governance leads to a perception of tax payment as an unfair burden. Empirical analysis using the World Values Survey and World Governance Indicators supports the hypothesis, revealing that trust in institutions predicts tax morale in countries with higher governance quality. However, in countries with lower governance quality, trust does not necessarily translate into increased tax morale. Moreover, trust in both input and output side institutions influences tax morale in well-governed countries. By focusing on tax morale, this study contributes to the literature on tax compliance, institutional trust, and reciprocity in pro-social behaviours and provides important implications for policymakers.