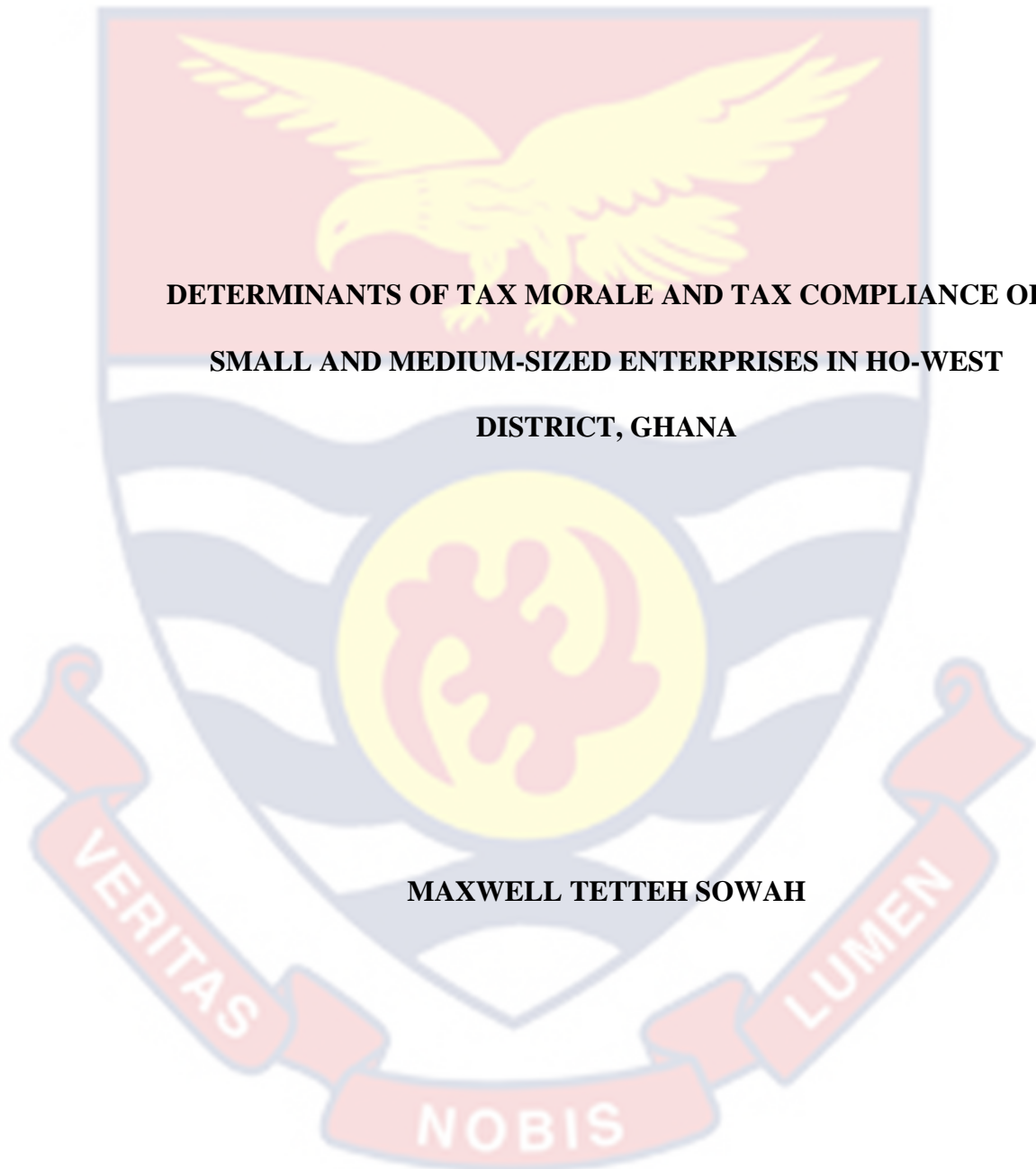UNIVERSITY OF CAPE COAST

DETERMINANTS OF TAX MORALE AND TAX COMPLIANCE OF

SMALL AND MEDIUM-SIZED ENTERPRISES IN HO-WEST

DISTRICT, GHANA

MAXWELL TETTEH SOWAH

2022

UNIVERSITY OF CAPE COAST

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SMALL AND MEDIUM-SIZED ENTERPRISES IN HO-WEST DISTRICT,

GHANA

BY

MAXWELL TETTEH SOWAH

Dissertation submitted to the Department of Accounting of the School of
Business, College of Humanities and Legal Studies, University of Cape Coast
in partial fulfilment of the requirements for the award of Master of Business
Administration degree in Accounting.

AUGUST 2022

DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

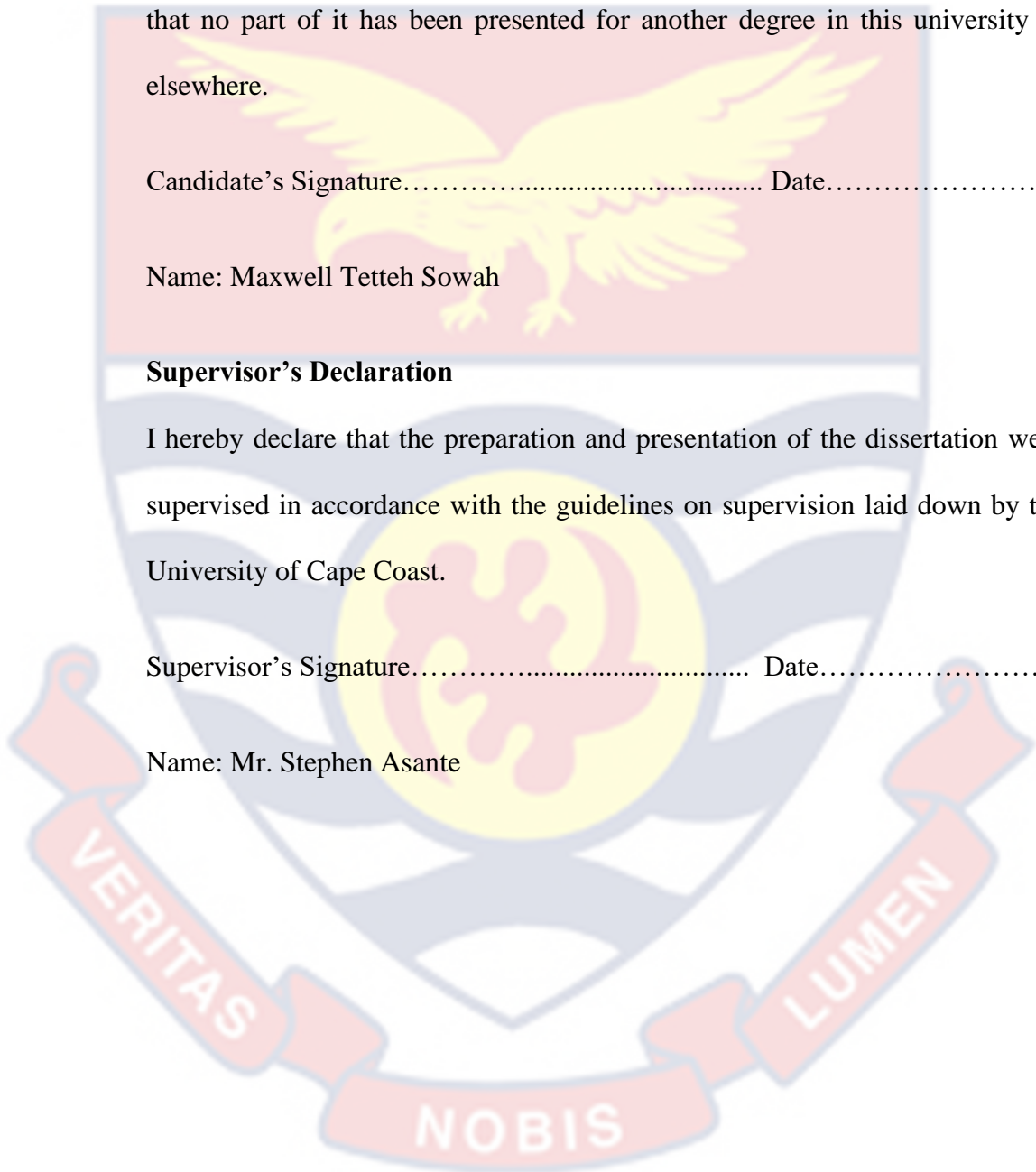Candidate's Signature………….............................. Date……………………

Name: Maxwell Tetteh Sowah

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision laid down by the University of Cape Coast.

Supervisor's Signature………….............................. Date……………………

Name: Mr. Stephen Asante

ABSTRACT

This study investigated the effects of key determinants of tax morale on tax compliance of Small and Medium-sized Enterprises (SMEs) within the informal sector in the Ho West district of Ghana. The study specifically examined whether tax knowledge, tax rate, tax penalty and tax religiosity affect the tax compliance of the selected SMEs. The study was supported by the institutional theory and adopted the quantitative approach and explanatory research design. Primary data was gathered from 142 owner-managers of SMEs within the Ho West district via the structured questionnaires. The valid data of 114 was then processed using the IBM SPSS Statistics (v. 26) and SmartPLS. The data was finally analysed suing the PLS-SEM analytical tool and it was found that all the determinants of tax morale significantly affected tax compliance. Among these determinants, tax knowledge, tax penalty and tax religiosity had significant positive effects while tax rate had significant negative effect on tax compliance. The study concluded that the determinant of tax morale plays crucial roles in improving the tax compliance of the owner-managers of the SMEs studied. It was recommended that policy makers within the informal sector should devise measures to improve the determinants of tax morale in order to induce the owner/managers to comply with tax regulations.

KEYWORDS

Tax compliance

Tax knowledge

Tax morale

Tax penalty

Tax rate

Tax religiosity

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DEDICATION

To my loving family and my wife Miss Gakpetor Florence.

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TK   Tax Knowledge

TRa   Tax Rate

TP   Tax Penalty

TR   Tax Religiosity

TC   Tax Compliance

TM   Tax Morale

CHAPTER ONE

INTRODUCTION

The informal sector, dominated by SMEs, play crucial roles in economic development in areas of revenue mobilisation, job creation, innovation and poverty alleviation. Despite the sector's relevance, it has largely been found to evade taxes due to higher levels of tax compliance issues. More precisely, over 70% of businesses in Ghana's informal sector do not comply to tax payments despite the introduction of strict measures such as tax fines and penalties. The study attributes this situation to tax morale issues; thus, determinants of tax morale such as tax knowledge, penalty, rate and religiosity could affect tax compliance. In line with the institutional theory, the study investigates the effect of determinants of tax morale on Ghana's informal sector's tax compliance.

Background to the Study

The informal sector is the backbone of any economy due to its enormous contributions to government revenues via gross domestic product (GDP), innovation, wealth distribution and job creation (International Labour Organisation (ILO), 2020). The sector also contributes to poverty alleviation and stimulate growth. It is characterised by over 90% of Small and Medium-sized Enterprises (SMEs) with over 50% of global labour force. The informal sector contributes about 35% and 40% to GDP and job creation respectively in developed economies like UK, EU countries and USA (ILO, 2020). Similarly, in developing economies, the sector contributes over 30% to GDP and about 70% to total jobs created (International Monetary Fund, 2020). In Ghana, a West African country, for instance, the informal sector contributes about 90% of labour force and 37% to GDP (Ghana Statistical Service (GSS), 2020).

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It is evident that the informal sector growth is synonymous to economic development. As such, SMEs are expected to pay taxes in order to facilitate development activities; yet, previous studies have revealed that SMEs tend to evade taxes as compared larger companies. Taxes are the compulsory payments placed on the income from commercial transactions by a legal framework. According to Onakoya and Afintinni (2016), taxes remain a fundamental source of government revenue to any country. In Ghana, for instance, notable bodies such as Metropolitan, Municipal and District Assemblies (MMDAs) and Ghana Revenue Authority (GRA) have been tasked to collect taxes to support local and national development respectively (Local Government Act, 2016).

With SMEs dominating the business space in global economies including Ghana (World Bank, 2020), they are expected to comply to tax payments in order to promote revenue mobilisation (Carsamer & Abbam, 2020). Tax compliance is characterised by a taxpayer's decision to follow tax regulations and laws by filling tax returns and paying taxes accurately and timely (Fauziati, Minovia, Muslim & Nasrah, 2020; GRA, 2020). Tax compliance also involves a taxpayer's awareness of and observation of tax requirements and laws set forth appropriate authorities (Al-Ttaffi, Bin-Nashwan & Amrah, 2020). In Ghana, for instance, SMEs in the informal sector fail to report all earnings neither do they file their taxes on time (GRA, 2020). The authority also reported that over 70% of SMEs fail to pay their required taxes and they also calculate taxes inaccurately; thus, leading to non-compliance.

Although tax non-compliance is deemed as an offense and comes with significant consequences, this situation dominates the informal sector of Ghana (GRA, 2020). As such, the informal sector is characterised by tax evaders;

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thereby, affecting revenue mobilisation drastically. Previous research has found that perceived behavioural control, taxpayers' attitudes and perceptions of tax systems and the costs of complying with tax payments all contribute to compliance concerns (Al-Rashdan, 2020; Al-Ttaffi et al., 2020). To overcome tax non-compliance, measures such as surge in tax audits, penalties and tax fines have been established (Al-Rashdan, 2020); yet, yielding little effects on tax compliance. Although these assertions can never be overruled, the concept of tax morale require more attention.

Moreover, understanding the dynamics of tax compliance requires tax morale which emphasises taxpayer's attitudes and perceptions toward evading and paying taxes (Alasfour et al., 2016). Tax morale also describes the factors that influence individuals or businesses willingness to pay taxes (Organisation for Economic Cooperation and Development (OECD), 2020). It represents the most intrinsic motivation to tax payment (McCulloch, Moerenhout & Yang, 2021); signifying the sum of non-monetary factors for tax compliance that do not maximize expected benefits (Luttmer & Singhai, 2014; Parwati et al., 2021). Tax morale is generally determined by tax knowledge, tax rate, tax penalty and tax religiosity (Alasfour, Samy & Bampton, 2016; Cyan, Koumpias & Martinez-Vazquez, 2016); where tax knowledge describes the tax payer's awareness and understanding level of a tax system (Fauziati et al., 2020).

Tax penalty is characterised by the fines charged by tax authorities to taxpayers who fail to meet annual tax deadlines (Górecki & Letki, 2021). It aims at inducing taxpayers including SMEs to comply to tax payments. Previous research has shown that the determinants of tax morale could affect tax compliance (Brink & Porcano, 2016; Sumartaya & Hafidiah, 2014). Tax morale,

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according to Luttmer and Singhal (2014), is a key factor in maintaining tax compliance. Some studies similarly concluded that higher tax morale could llead to higher tax compliance and lesser tax evasion (Lisi, 2015; Alasfour et al., 2016; Fauziati et al., 2020). Similarly, Hwang and Nagac (2021) stressed that tax religiosity promotes tax compliance in US counties while, Twum et al. (2020 concluded that tax knowledge is favorably associated to SMEs' tax compliance.

According to the institutional theory, there is a social contract between the government and its citizens, and the latter pay taxes in exchange for the former's goods and services (Alasfour et al., 2016; Williams, 2020). The theory also posits that citizens (i.e., individuals and business owners) need to ensure tax compliance and thereby, pay taxes to attain their social obligations (Horodnic, 2018; Williams & Bezeredi, 2018). The theory adds that tax compliance could be achieved if business owners, for instance, show greater tax morale in areas of tax knowledge, tax penalty, tax rate, and tax religiosity.

From the foregoing, tax morale predicts tax compliance (Ameyaw, Oppong, Abruquah & Ashalley, 2016; Mbilla, Gatsi, Arhin & Ayimpoya, 2018; Lisi, 2015); however, can same be said of Ghana's SMEs especially those within the Ho West municipality? Ho municipality, after its establishment in 2012, is the capital city of Volta region and represents one of the fast-growing municipalities in the region and Ghana as a whole (Ghana Statistical Service, 2020). The municipality is the home of several commercial and industrial units in the region. According to Zotorvie (2017), SMEs in Ho play crucial roles in the economic development of Volta region. This is because, SMEs dominate, by over 90 percent, the industrial and commercial activities in the region; hence,

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their performance and survival determines the level of development of the municipality and the region in general.

The Ho Municipal Assembly (2020) report revealed that SMEs are the mainstay of the region and they are required to contribute enormously to internally generated revenues through taxes. Tax payments by the SMEs are used to provide social amenities such as roads, portable water, shelter, among others to the dwellers. If owner-managers of these SMEs either pay lower taxes or evade them entirely, it can have severe implications on the municipality's overall development. This indicates that the level of tax morale among the owner-managers in the municipality is crucial to tax compliance and consequently tax payments. Although SMEs in Ho are mandated to strictly comply with tax laws, this situation is dependent on the owner-managers tax morale. Hence, determinants of tax morale comprising tax rate, tax religiosity, tax knowledge and tax penalty can play a role in tax compliance; yet they have not garnered the needed attention within the context of Ho, Ghana.

Statement of the Problem

Despite the informal sector's contributions to economic development, it has been charactered by tax non-compliance and tax evaders (Fagariba, 2016; Lisi, 2015). According to the World Bank (2020), over 80% of businesses (i.e., SMEs) within this sector are unregistered and thus, do not comply with tax laws in their respective countries. Similarly, in developing economies like Ghana about 90% of SMEs fall under the informal sector and have been known for either not complying to tax payments or evading them entirely (Ghana Statistical Service, 2020; Khuong, Shabbir, Sial & Khanh, 2021). The Ghana Revenue Authority (GRA) (2020) reported that SMEs in Ghana that choose to pay taxes

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either distort actual figures or connive with selfish tax collectors; thereby, paying below expected tax levels. This indicates that Ghana would reap more revenues if SMEs are captured into the tax net and comply with tax laws.

Previous studies have revealed that SMEs exhibit tax non-compliance because of their owners/managers' negative perceptions about taxes, limited access to resources and unstructured nature of their operations (Ameyaw et al., 2016; Fagariba, 2016; Mbilla et al., 2018; Owusu, Bekoe & Mintah, 2021). In Ghana, for instance, majority of SMEs have been found to either fail to comply with tax laws or evade taxes (Amanamah, 2016; Okpeyo et al., 2019; Twum et al., 2020). They have linked this situation to limited ability of the tax to find and bring tax evaders to justice, poor tax collection strategies, high compliance costs and low tax morale. Other studies have asserted that tax compliance issues of Ghanaian SMEs arise from to lack of tax education leading to unclarity and poor tax awareness, poor tax knowledge and taxpayers' attitudes (Acheampong et al., 2016; Antwi, Inusah & Hamza, 2015)

The claims by the previous studies were buttressed by a 2020 report by GRA. In a bid to address these issues, government institutions championed by GRA have devised some interventions and notable among them include recruitment and training of tax force, introduction of digitalised tax collection, tax reliefs and provision of tax exemptions (GRA, 2020). Despite heavily investing into these interventions, little progress has been made regarding tax mobilisation in the informal sector. This situation has forced GRA into introducing other taxes notably e-levy; yet, tax non-compliance remains prevalent and this affects government ability to meet revenue targets. To help address tax non-compliance among SMEs' owner-managers, researchers in

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Ghana continue to call for more research into tax compliance of SMEs (Bruce-Twum & Schutte, 2021; Nartey, 2023; Peprah, 2020).

Literature has suggested that tax morale of SMEs' owner-managers play a valuable role in affecting their tax compliance (Al-Ttaffi et al., 2020; Cyan et al., 2016). Bani-Khalid et al., 2022) noted that when owner-managers have high tax morale levels, their tax compliance level is likely to increase and vice versa. This assertion has been buttressed by other researchers; but, can same be said of owner-managers in Ho. This calls for investigation into the determinants of tax morale comprising tax religiosity, tax rate, tax knowledge and tax penalty and whether they directly affect tax compliance among owner-managers of SMEs in Ho, Ghana. These determinants have grown in attention because poor tax knowledge is prevalent among owner-managers of SMEs in Ghana, including Ho. Nartey (2023) and Carsaemer and Abbam (2020) also revealed that owner-managers in Ghana also consider tax rates, tax penalty and tax religiosity to consider complying with tax requirements or not.

The study focused on the now called Ho West Municipal Assembly because its economic activities have been dominated by SMEs. According to the Ho West Municipal Assembly (2020) report, over 95 percent of business establishments in the municipality are characterised as SMEs; hence, are the pillars of its economic growth. However, these businesses' level of compliance or adherence to tax laws have been extremely appalling; a situation that has contributed to the municipality's slow growth. Although it has been well documented that government requires taxes from SMEs to promote economic development, owner-managers level of tax compliance in Ho continue to worsen. If these SMEs continue to non-comply with tax requirements, it would

restrict revenue generation and increase unemployment, lower standard of living and increase social vices.

Although tax morale and tax compliance has garnered attention in literature (Alasfour et al., 2020; Al-Ttaffi et al., 2020; Fauziati et al., 2020; Hamid et al., 2022; Mas'ud et al., 2014; Mutaqin, 2022), none of them directly focused on SMEs in the Ho West municipality. In Ghana, for instance, studies (Carsamer & Abbam, 2020; Okpeyo et al., 2019; Twum et al., 2020) have focused on the tax morale-tax compliance link, but those focusing on the individual effects of determinants of tax morale comprising tax religiosity, tax knowledge, tax penalty and tax rate remain scanty. Hence, the study raises a geographical gap to improve current literature by investigating these relationships within the context of Ho West. Also, the study found methodological weaknesses in some previous studies. For instance, some studies used only descriptive statistics, hence, the present study adopted the structural equation modelling which is superior in analysing quantitative-based studies.

Purpose of the Study

The research established the effects of the determinants of tax morale on the tax compliance of small and medium-sized businesses in the informal sector within the Ho-West municipality, Ghana.

Research Objectives

The following specific objectives were developed to:

1. analyse the effect of tax knowledge on tax compliance of SMEs in the municipality

2. analyse the effect of tax rate on tax compliance of SMEs in the municipality

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3. examine the effect of tax penalty on tax compliance of SMEs in the municipality;

4. examine the effect of tax religiosity on tax compliance of SMEs in the municipality.

Research Hypotheses

The study developed and tested the following research hypotheses:

H1: Tax knowledge has a significant positive effect on tax compliance of SMEs in the municipality

H2: Tax rate has a significant positive effect on tax compliance of SMEs in the municipality

H3: Tax penalty has a significant positive effect on tax compliance of SMEs in the municipality

H4: Tax religiosity has a significant positive effect on tax compliance of SMEs in the municipality

Significance of the Study

The study investigated the determinants of tax morale and tax compliance of SMEs in Ho, Ghana. As a result, the study's findings would provide researchers, industry participants, and policy makers with useful information about these crucial ideas. More precisely, the study's findings would provide relevant information that would assist policy makers such as the Ministry of Finance in developing comprehensive policies that would improve tax morale and tax compliance among SMEs in Ghana. The findings would also assist industry players such as Ghana Revenue Authority (GRA) into developing

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and implementing relevant strategies to promote tax morale among the owners and/or managers of the SMEs in the informal sector.

Moreover, the study's findings would offer in-depth information to owners or managers of SMEs so far as building positive tax morale is concerned. For instance, the study would assist owners or managers to identify and develop the key determinants of tax morale and thereby, facilitating tax compliance. Finally, the study's findings would improve current literature on determinants of tax morale and tax compliance within the context of Ghana's SMEs. This would, therefore, help in bridging current literature gap and also assist potential researchers to obtain relevant information to conduct similar studies.

Delimitations

The study provides valuable insights into tax morale and tax compliance within the scope of Ghana. More specifically, the study only included SMEs located in the Ho West Municipality; as a result, SMEs from other municipalities were not included. Also, the study obtained data from owner-managers of SMEs within this municipality; thus, it excluded those outside the municipality. The study was delimited to four determinants of tax morale comprising tax knowledge, tax rate, tax penalty and tax religiosity. This quantitative study used a structured questionnaire; thus, excluding other primary data collection methods like focus groups, interviews, and observations.

Limitations

The study made valuable contributions to policy development and practices within the informal sector of a developing economy notably Ghana. However, the study's quantitative approach exposed it to some limitations which could have affected the quality of its outcome. For instance, with this approach,

the structured questionnaire was used which exposed the data obtained to non-responses, insufficient data, and missing values. The presence of these methodological weaknesses, if left unmanaged, could lead to access to biased or inadequate data; a situation that would affect data quality and have negative rippling effects on the study's outcomes.

Data quality is achieved if the data is adequate and was obtained from the actual respondents. Hence, its analysis would provide a true reflection of happenings in the study area; thereby, boosting generalisation of findings. Hence, the presence of non-responses, for instance, would restrict access to adequate data for generalisation purposes. In view of this, measures were put in to place to ensure that the methodological weaknesses were missed drastically or eliminated entirely from the study. notable among these measures include strict compliance to ethical principles like voluntary participation, anonymity, confidentiality and informed consent. Also, several reminders were sent to the respondents during the exercise to minimise non-responses. The researcher also ensured field editing by screening the responses on the field to correct any anomaly with the respondents before leaving their respective premises.

Definition of Terms

Tax morale: It describes taxpayers' attitudes and perceptions towards paying or avoiding taxes (OECD, 2020).

Tax compliance: It refers to taxpayers' decision to observe or abide by tax laws and regulations (GRA, 2020).

Organisation of the Study

There were five chapters in the study. The study's background, problem statement, purpose, specific objectives, delimitations, and study organization are

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all presented in chapter one. The study's literature review was presented in chapter two, along with discussions of the theoretical, conceptual, and empirical reviews and conceptual framework. The chapter three examined the strategies employed to accomplish the study's goals. A number of important topics were covered, including the research approach, design, population, data gathering tool, processing, and analysis. The study's findings and analysis were presented in Chapter four; meanwhile, Chapter five concentrated on the study's summary, conclusions, and recommendations, as well as ideas for additional research.

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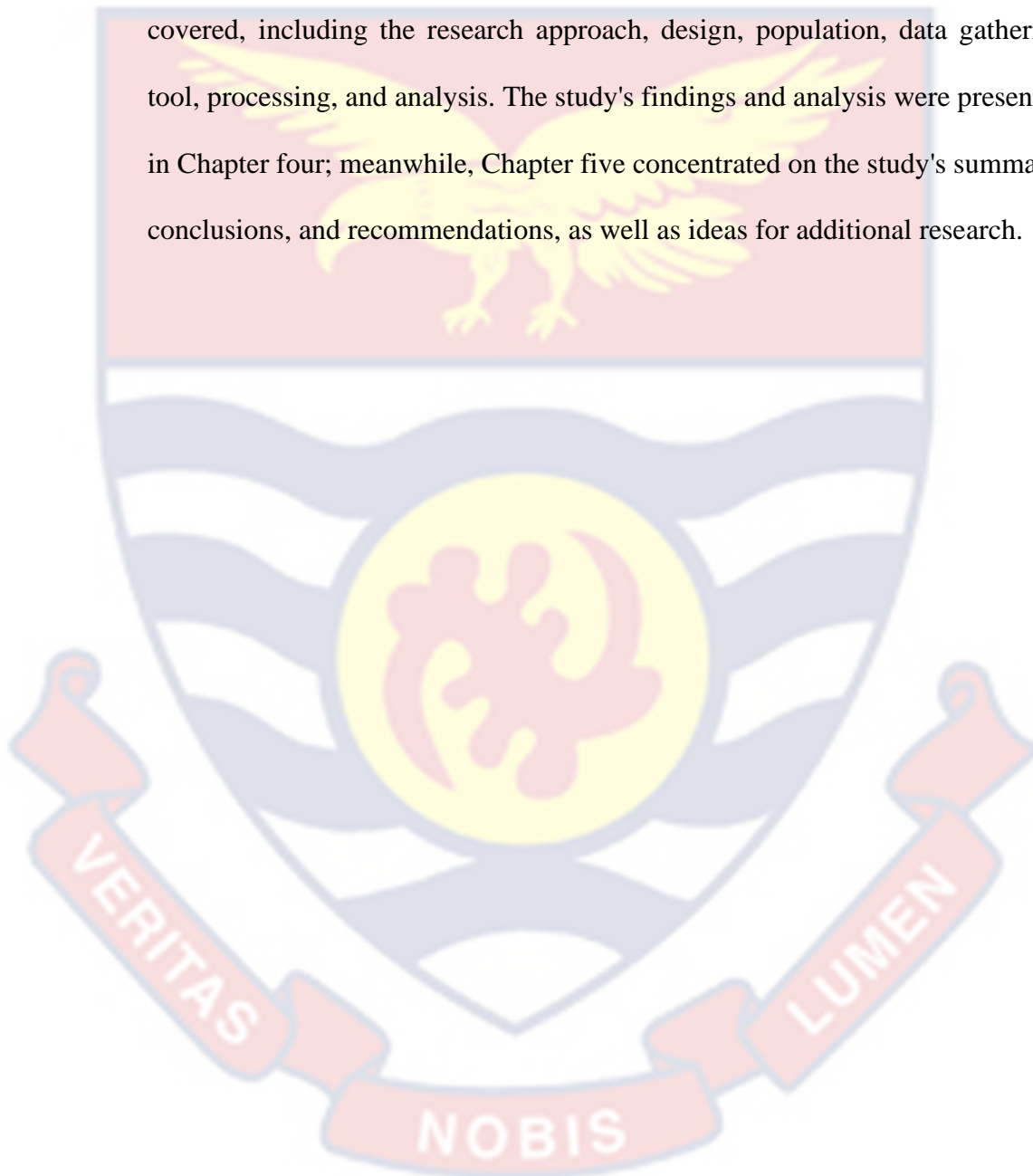
CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter comprehensively reviews previous related literature with respect to the effects of the determinants of tax morale on the tax compliance of micro and small businesses in the informal sector. It precisely discusses relevant theories underpinning the study. This chapter also presents a conceptual framework to graphically explicate the objectives of the study.

Theoretical Review

This section discusses the institutional theory as a result of its direct connection to the objectives of this study.

Institutional Theory

Institutional theory has been propounded and improved by many prominent intuitional theorists over the years, especially in the nineteen centuries (Peters, 2000). The basis for the development of this theory was purely focused on the portrayal of the social world. Recent advancement has shifted the focus of social process to specific traits of environment and their sources (Amenta & Ramsey, 2010; Meyer & Hollerer, 2014). Institutional theory basically explains what an institution is made of and the factors that impact it to enhance its stability. The theory presents an overview into the behaviour al patterns of multinational enterprises as against the role of an organisation. Thus, it highlights in-depth aspects of social structure instituted as authoritative course of action for social behaviour into consideration (Weerakkody et al., 2009).

The institutional theory highlights social context and change of institutions (Adithi, 2017). The theory suggests that organisations must adhere

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to the guidelines and norms of external environment in order to obtain the needed support, become legitimate and also enhance their survival abilities (Adithi, 2017). Similarly, Ebrahimi and Koh (2021) emphasized that organisations that adhere to these norms turn out to be optimal and increase their survival rate by utilizing these norms which in the long run minimizes organisational losses. These norms and guidelines are substantially affected by the values and principles of the external environment. The theory emphasizes on isomorphism, legitimacy and rational myths within the organisational field and therefore provide for justification of the processes through which customs and rules are instituted as accepted principle guiding behaviour in society.

Hence, different constituents of institutional theory explain the ways through which these constituents are developed and adopted over the course of time and how they become significant and non-significant (Adithi, 2017). Kondra and Hinings (1998) posit that the theory has transformed the generalized system of social belief to causes that recognize social purposes, and the suitable means to become legitimate with pressures. In line with the study, the theory suggests that informal institutions including SMEs affect tax morale, hence steps to change informal institutions are necessary. Tax morale will be poor so far as the payment of taxes is not a norm that is socially recognized. In view of this, the theory posits that SMEs in the informal sector can ensure tax compliance if to promote tax morale, measures are implemented.

Conceptual Review

This segment reviewed the study's key concepts with respect to tax morale, its determinants and tax compliance.

Concept of Tax Morale

Tax morale is the internal drive that comes from moral or religious principles to influence the behaviours or attitudes of taxpayers. Bilgin (2014) also defined tax morale as the inherent motivation to pay taxes, and is strongly linked to tax compliance. Tax compliance and tax morale have often shared similar characteristics. Tax compliance is a visible behaviour, as the majority of people pay their taxes. Tax compliance depends on a person's propensity to both comply with the law and evade it as well as tax ratios and the likelihood of being discovered. Torgler (2007) highlighted that when tax morale is strong, the tax compliance levels are comparatively higher; as a result, to solve the tax compliance puzzle, tax morale is necessary factor.

Morality as an aspect of tax morale focuses on the internalisation of such legal rules and concepts by an individual to undertake his or her social obligations properly. Therefore, a significant factor in the discussion is how people generally see taxation and the particular obligations mandated by the relevant legislation. In this view, the idea of "tax mentality" serves to frame tax morale in a major way (Al-Ttaffi, Bin-Nashwan & Amrah, 2020). Tax evasion assesses taxpayers' behaviours, while tax morale evaluates taxpayers' attitudes, according to Assfaw and Sebhat (2019). Alternatively put, unlike tax evasion, tax morale is not an outcome variable.

Consequently, tax morale can be described as a view that paying taxes is a morally just duty to perform; it is a perception that doing so helps society. According to Torgler (2007), in an attempt to determine tax morale, there are crucial elements at play. There are three of them: (i) the interaction between the government and taxpayers (i.e., trust and governance); (ii) moral principles and

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sentiments (such as guilt and norms, which may be greatly impacted by religious motives); and (iii)fairness. The "key" to understanding taxpayer compliance behaviour is said to be tax morale (Assfaw & Sebhat, 2019; Kornhauser, 2006).

Moreover, tax morale describes the intrinsic motivation of taxpayers to comply with tax regulations and voluntarily pay their taxes (Fotiadis & Chatzoglou, 2021). It focuses on the willingness of individuals or businesses to voluntarily comply with tax laws and regulations, and to pay their required taxes in a timely and honest manner (Mat Jusoh et al., 2021). This concept is crucial because it has significant implications for tax compliance and revenue collection. Thus, high levels of tax morale can lead to higher levels of revenue collection. It is affected by several factors such as trust in government, perceived fairness of the tax system, and the perceived effectiveness of tax authorities. Tax morale is key to understanding taxpayers' behaviours which have implications for tax policy and administration. Overall, when tax morale is high among individuals or businesses, it promotes tax compliance.

Determinants of Tax Morale

Studies have revealed several determinants of tax morale to include tax rates, tax knowledge, tax religiosity, tax penalty, probability of being caught, altruism, personal and business ethics, sense of duty and solidarity, complaints, among others (Assfaw & Sebhat, 2019; Torgler & Werner, 2005; Gintis et al., 2003). This section discusses four key determinants of tax morale comprising tax penalty, tax knowledge, tax rate and tax religiosity.

Tax Penalty

Tax penalty describes the fines charged by tax authorities for failing to meet tax deadlines or filing tax returns late. There are various structures of

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penalty systems depending on the various tax subjects or structure of the taxpayer. Different types of taxes, including value-added tax, capital income tax, and individual income, are subject to penalty rates. It can also be applied based on one's behaviour which might me intentional or unintentional. According to Pham, Le, Truong and Tran (2020), tax penalty can be charged based on the individual or firm's level of tax non-compliance including non-filing, untimely filing and under-reporting of taxes. The level of responsibility ranges from an intentional attempt to lower tax burden to carelessly preparing tax filings and maintaining records.

In Ghana, for instance, the tax penalty is dependent on the extent to which taxpayers are culpable toward tax obligations. Therefore, when figuring their taxes and completing tax returns, taxpayers are expected to be careful. The Ghana Revenue Authority has indicated two key categories of tax penalties: (A) offences that attract pecuniary penalties and (B) offences that attract imprisonment or both pecuniary and imprisonment penalties. In terms of A, GRA revealed that such penalties are given by the Commissioner General to punish one's non-compliance with tax laws. The type of penalty provided is monetary fines and it does not liberate a culprit from criminal proceedings. Also, the B are penalties arising from offences that lead to criminal prosecution. With this type, monetary fines are imposed by the court; thus, failure to settle it could lead to prison sentences.

Tax Knowledge

Fauziati, Minovia, Muslim and Nasrah (2016) explain "tax knowledge" as a broad understanding of key tax policies. Tax knowledge describes the level of education a taxpayer has gone through which adds to his/her overall

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comprehension of about the regulations and laws of taxation. Firmansyah and Putu (2018) stressed that obtaining general understanding of tax laws and regulations have a close relationship with taxpayers' ability to comply with them. According to Assfaw and Sebhat (2019), tax knowledge consists of two facets: knowledge focused at probable prospects to avoid and tax knowledge acquired via formal education. Wahabu (2017) asserts that tax education helps taxpayers to appreciate the tax system. People are supposedly more compliant to pay tax rather than evade it if they have a sufficient comprehension of the tax laws which creates a willingness to respect the tax system.

Tax Rate

The tax rate is the proportion at which an individual or business is taxed. It also refers to the proportion of property value, income, etc. assessed as tax and thus, paid to tax authorities. Tax rate refers to the amount of money or percentage of an income that needs to be paid as tax (Sebele-Mpofu & Chinoda, 2019). As such, tax evasion is more prevalent among taxpayers who know that their tax rate is greater than the national average. Also, taxpayers perceive that paying higher tax rate is an overpayment, thus, are likely to evade it. Likewise, underreporting by taxpayers and high tax rates are positively associated.

Tax Religiosity

The term 'religiosity' is difficult to describe due to numerous sources of religion, its influence on a person's life and the impossible product uniformity (Boone, Khurana & Raman, 2013). In the words of Eiya, Ilaboya and Okoye (2016), religiosity is the level of a person's dedication to the religion they practice and its tenets as demonstrated by their behaviours and attitudes. It also focuses on an individual's spiritual beliefs in knowing the rate at which he or

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she adheres to legal tax obligations. Thus, religiosity may be seen as the quality of being religious. Tax religiosity basically focuses on one's willingness to pay tax based on his or her religious beliefs or doctrines (Hidayatet al., 2022). It therefore has a reputation for being crucial in ensuring tax compliance.

Tax Compliance

Tax compliance is the accurate reporting of tax liability in accordance with the tax rules in force at the time of filing and the timely submission of all required tax returns (Slemrod, 2019. Tax compliance additionally includes accurately disclosing the tax base, calculating liability accurately, filing tax returns on time, and paying the owed amount (Fauziati et al., 2016). As a result, tax compliance includes disclosing income and paying all taxes in accordance with court orders, applicable laws, and regulations. Palil and Mustapha (2011) asserts that taxpayers must complete the "Income Tax Form" with all required information within a specific time frame, and the form should accurately reflect the taxpayer's tax liability in line with regulations, laws, and court orders.

Nyamapheni and Robinson (2021) elaborates that tax compliance is in two dimensions: (i) administrative compliance means complying with the relevant tax regulations and laws, and (ii) "Judicious compliance" means the true filing of forms for tax returns. Thus, tax compliance can be can be voluntarily done by tax payers or enforced by the relevant authorities. Accordingly, decision about tax compliance is based on (a) the magnitude of fines, (b) audit probabilities (c) tax rates, and (d) the level of actual income. As such, refusal to comply with taxation laws deliberately or unintentionally are regarded as an offence. Thus, the tax form should be accurately filed without relying for follow

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up actions from authorities but must be voluntarily done through the morality of tax payers to pay tax willingly (Al-Ttaffi et al., 2020; Mas'ud, et al., 2014).

Moreover, tax compliance is the act of following the guidelines established by tax authorities for filing and paying taxes (Taing & Chang, 2021). It entails timely and accurate tax return submission, accurate reporting of all income and deductions, and prompt payment of all taxes due (Bani-Khalid et al., 2022). Maintaining sufficient records and paperwork to support tax filings and responding to any queries or audits by tax authorities are also part of ensuring tax compliance. Tax authorities may take penalties, fines, or legal action as a result of noncompliance with tax regulations. Tax compliance includes fulfilling various tax obligations, such as filing regular tax returns, keeping accurate records of financial transactions, calculating taxes correctly based on the applicable tax rates and rules, and making timely payments of taxes owed (Adhikara, Maslichah & Basyir, 2022; Dularif & Rustiarini, 2022).

Tax compliance involves complying with tax-related reporting requirements, such as providing information about foreign assets or transactions, and maintaining proper documentation to support the tax positions taken (Adhikara et al., 2022). However, non-compliance with tax laws can result in penalties, fines, and other legal consequences, including interest on unpaid taxes. Tax compliance is an important aspect of good governance and is essential for individuals, businesses, and organisations to maintain their legal and financial integrity, and avoid potential legal and financial risks associated with tax evasion or fraud (Hurre, 2022; Paleka et al., 2022). It is, therefore, advisable to seek professional tax advice when navigating the complexities of tax compliance to ensure accurate and timely compliance with applicable tax laws.

Empirical Review

This segment outlined reviews of related research in line with the objectives of the research.

Effect of Tax Knowledge on Tax Compliance

This section reviewed related research on how tax knowledge (TK) affects tax compliance (TC). For example, Kasipillai et al. (2003) revealed that TK helps to improve individual's ethics which reduces their tendencies of tax non-compliance. The study concluded that the mindsets and attitudes of Malaysian students towards tax evasions or avoidance is influenced by tax education. Hence, TK among the students is a crucial component of Malaysia's voluntary compliance tax system. Also, Richardson (2006) observed that to boost TC levels, individuals should be taught on tax rules and regulations so that every individual has the necessary information to be a competent taxpayer.

According to Park and Hyun (2003), tax education is one of the most successful methods for encouraging taxpayers to understand and comply with basic tax laws. Therefore, all future taxpayers must be provided with adequate TK to increase their tax literacy and thereby, comply to tax requirements (Palil, Akir & Ahmad, 2013). A study on TC and TK predictors in the self-assessment system in Malaysia was done by Palil (2010). The population of the study was made up of lecturers and professionals in the various sectors and questionnaires were distributed to individual tax payers. The study's results concluded that TK is an essential factor in self-assessment system and it effectively leads to TC in Malaysia. Conclusively, greater TK has a positive impact on TC in Malaysia.

Similarly, Fauziati, Minovia, Muslim and Nasrah (2016) and Oladipupo and Obazee (2016) examined the impact of TK on TC of SMEs in Indonesia and

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Nigeria respectively. Using the simple linear regression, Fauziati et al.'s (2016) study found TK to have no significant effect on TC; while, the latter's study had an opposing outcome. Oladipupo and Obazee (2016), therefore, concluded that TK has a significant impact on TC among SMEs. Newman et al. (2018) and Fauziati et al. (2020) examined the influence of TK on TC and found the former significantly influences the latter. Al-Ttaffi et al. (2020) similarly concluded that TK significantly affects TC behaviour in Yemeni. Deductively, previous studies have revealed inconsistent results and also, studies within the context of Ghana remains scanty.

Effect of Tax Rate on Tax Compliance

Some research has studied tax rate effect on tax compliance within different sectors and economies. Most research concluded that high levels of tax non-compliance are as a result of high tax rates (Adebisi & Gbegi, 2013; Hai & See, 2011; Mas'ud, Aliyu & Gambo, 2014; Olowookere & Fasina, 2013); thus, they are negatively correlated. They, therefore, concluded that tax compliance reduces in response to any increment in tax rate. However, other studies have revealed opposing outcomes; revealing that tax compliance and tax rate are positively connected (Ali, 2018; Malkawi & Haloush, 2008; Dlamini, 2017). More recently, Ottone et al.'s (2018) research on tax compliance of taxpayers and tax rate in Italy and Sweden found a positive relationship. The study concluded that taxpayers comply to high tax rates.

In contrast, Mas'ud et al. (2014) explored tax rate effect on compliance in Africa. The study employed a cross-country data where all 54 countries in Africa were included. The findings showed a strong but adverse link between tax compliance and tax rate, showing that tax rates had a negative effect on tax

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compliance in Africa. The study concluded that tax rates of African countries should be reduced to the mean tax rate in order to ensure compliance. Similarly, studies by Adebisi and Gbegi (2013) and Aladejebi (2018) revealed that that effect of tax rate on tax compliance is has a negative and significant. When the tax rate is higher, the tax compliance level among taxpayers in Nigeria is lower.

Alkhatib, Abdul-Jabbar and Marimuthu (2018) supported these findings by revealing that tax evasion is positively and significantly impacted by tax rate; thus, negatively affect tax compliance of taxpayers in SMEs in Palestine. Related studies by Dlamini (2017), Ottone et al. (2018) and Rahhal (2017) have all supported the finding. They concluded that, the greater the tax rate, the lesser the tax compliance among SMEs. Remali et al. (2018) similarly concluded that tax rate leads to tax evasion or avoidance. It could, therefore, be deduced that previous research on tax compliance and tax rate have revealed conflicting outcome. This is because, while some of them found positive relationships, others revealed negative outcomes; thereby, calling for more research to promote clarification of existing findings.

Effect of Tax Penalty on Tax Compliance

Previous research explored the influence of tax penalty on tax compliance and Oladipupo and Obazee (2016), for instance, examined how tax penalty affects tax compliance among SMEs in Nigeria. Primary data was gathered via structured questionnaire and analysed via ordinary least square regression. The findings reveal that tax compliance is not significantly impacted by tax penalty. Any change in tax penalty does not significantly affect role in SMEs' tax compliance in Nigeria. However, Feld and Frey (2006) and Fjeldstad and Semboja (2001) revealed that tax penalty is a major factor in ensuring tax

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compliance. It was concluded that severe tax penalty could play a role in curtailing some tax practices such as non-compliance and evasion.

Similarly, a study by Alkhatib et al. (2018) revealed that tax penalties negatively affect income tax evasion and concluded that when tax penalties are higher, tax compliance rate is the lower and the inverse is true. As a result, among Palestinian taxpayers, there is a large and favourable association between tax penalty and tax compliance. The study's outcome was consistent with previous findings by Hasseldine et al. (2007). It could, therefore, be seen that findings on this subject matter have been inconsistent; with some revealing positive significant associations while others found no significant relationships. These inconsistencies in previous findings, therefore, call for further investigation into tax penalty and compliance.

Effect of Tax Religiosity on Tax Compliance

Palil, Akir and Ahmad (2013) conducted research on the topic: "The role of religiosity in the relationship between tax knowledge towards tax compliance." The study's population consisted of 70 Malaysian public university students who were pursuing MBA programs and were working adults. The study adopted Pearson correlation and hierarchical regression and the results showed that religious values play important role in making tax payers liable for tax compliance. It was also found that tax noncompliant is a sin and must be avoided; thus, religious moral and ethical values serve as robust tools for tax compliance.

Mohd Ali (2013) looked at the effect of tax religiosity on tax compliance in Malaysia. The study employed a sequential exploratory mixed-methods research design with a sample of 300 self-employed and salaried tax payers.

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According to the study's findings, a person's perception of the tax authority and of the government as a whole has a stronger impact on their inclination to voluntarily comply with the tax laws than their level of religiosity. Thus, tax compliance in Malaysia is enhanced by religiosity, to some extent. In contrast, a similar study was conducted by Efiya, Ilaboya and Okoye (2016) in Nigeria. The data obtained was analysed using ordinary least square regression analysis, descriptive analysis and ANOVA and the research results showed that religious values do not adequate to clearly influence tax payers liable for tax compliance. Simply put, tax compliance is not influenced by religiosity in any way.

The effect of religiosity on tax compliance among Turkish self-employed taxpayers was studied by Benk, Budak, Yubasi, and Mohdali (2015). The research aimed to examine the effect of religiosity on voluntary tax compliance in Turkey where Islam is the predominant religion. In analysing the data collected, least square regression and factor analysis methods were employed. The findings show that both enforced and voluntary tax compliance are positively, statistically impacted by general religiosity. Also, the findings revealed that both enforced and voluntary tax compliance are not significantly impacted by interpersonal religiosity whereas intrapersonal religiosity is a major contributor to voluntary compliance only. Thus, tax religiosity generally leads to tax compliance among the taxpayers in Turkey.

In an opposing view, Khalil and Sidani (2020) revealed that religiosity is not a significant player in ensuring tax compliance. The study concluded that religiosity is not a key factor that affects tax compliance or evasion attitudes. However, Wang and Lu (2020) revealed that religiosity is a significant factor with respect to tax compliance. They concluded that businesses located in

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stronger religious zones in comparison with those in weak religious zones are more likely to do better in tax compliance. This finding buttressed that of Kirchmaier, Prufer and Trautmann (2018) who revealed that religious taxpayers comply to tax laws and regulations because they are less accepting of unethical behaviour like tax non-compliance, bribery and tax evasion. Similarly, Hwang and Nagac (2020) concluded that tax religiosity of taxpayers plays significant roles in ensuring tax compliance.

Conceptual Framework of the Study

To better clarify and connect the key concepts of the study, this section presents the conceptual framework. In particular, the framework offers a pictorial representation of the objectives of this research, which is helpful for structuring empirical research. The conceptual framework was designed using two fundamental variables: dependent (i.e., tax compliance) and independent (i.e., determinants of tax morale). Figure 1 displays the conceptual framework.
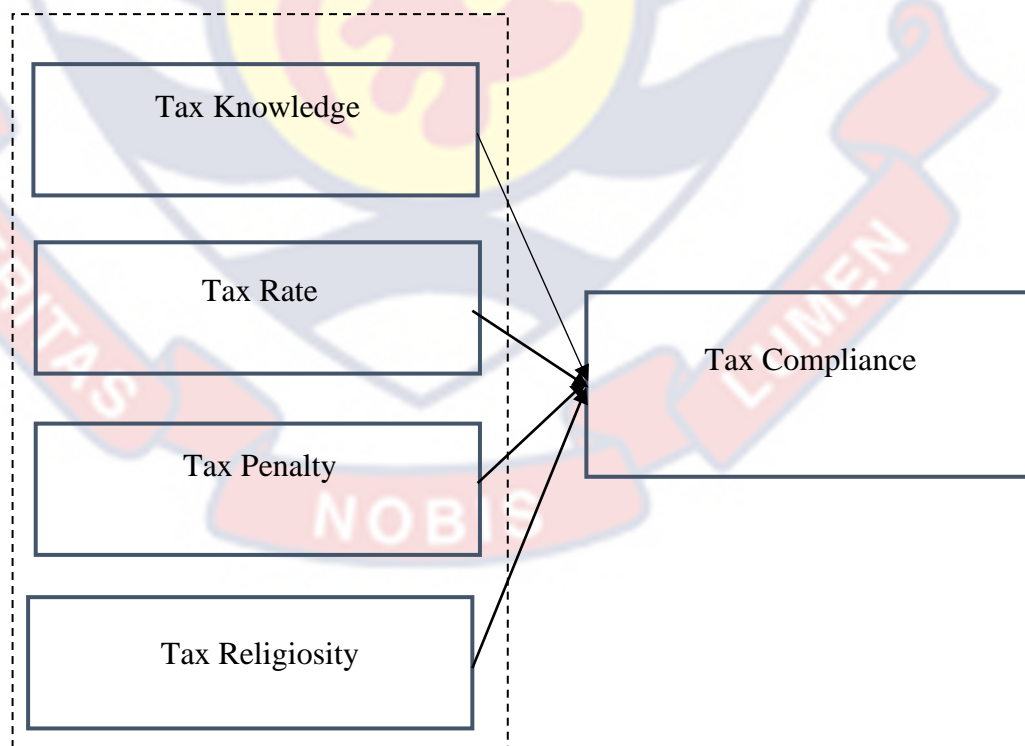
Figure 1: Conceptual Framework of the Study
Source: Author's Own Construct (2022)

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Figure 1 shows that tax compliance is the dependent variable and that tax morale, or the independent variable, is represented by tax penalties, tax knowledge, and tax rates. The framework emphasises how the four factors that determine tax morale are related to tax compliance. It could be deduced that the arrows pointing at the dependent variable imply that the four tax morale determinants play crucial roles in causing a change in tax compliance. As a result, a statistically significant unit change in any of the variables of tax morale could affect tax compliance. The framework does not, however, illustrate the strength and direction of the linkage between these understudied variables.

Chapter Summary

The chapter discussed relevant information that is needed to understand the study's objectives. It went into detail on the theory that underlies this study. It also discussed the empirical and conceptual reviews. It ended with a presentation of the conceptual framework. In terms of theory, this research adopted and discussed the institutional theory since it directly linked tax morale and tax compliance. The conceptual framework was finally provided to show the graphical view of the study's objectives. The research methods, and procedures for achieving the research targets are presented in the next chapter.

CHAPTER THREE

RESEARCH METHODS

Introduction

The techniques used to address the study's objectives were covered in this chapter. It specifically discussed the research approach, design, data collection instrument and data processing and analysis.

Research Approach

Research approach includes the elements, strategies and processes for carrying out a given research (Ghauri et al., 2020; Ivankova & Greer, 2015); thus, a vital aspect of every scientific study. It consists of three major approaches: qualitative, quantitative and mixed methods. However, given that this study could apply statistical techniques, a quantitative approach was used to clarify what is expected to be understood via detailed investigation (Creswell et al., 2011). Also, the quantitative methodology also plays a crucial role in the obtaining knowledge about cause-and-effect linkages between constructs under investigation. More precisely, if a researcher intends to explain how one or more variable(s) influence another, this is the optimal approach to apply. In this study, the quantitative approach is appropriate for investigating the casual linkage between tax morale and tax compliance.

Also, the quantitative approach draws inferences of a population using descriptive and inferential analytical tools (Saunders et al., 2007). According to Creswell (2014), the approach gathers and converts data into numerical form, processes it using statistical software and carefully analyse it obtain scientific outcomes. The approach also produces fact-based results which are suitable for extrapolating findings from a large sample size to the broader population

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(Creswell & Creswell, 2017). From the foregoing, the quantitative approach was employed to investigate the influence of tax knowledge, tax rate, tax religiosity and tax penalty on tax compliance.

Research Design

With reference to the study's quantitative nature, the explanatory research design was employed. The design is used in explaining a situation in conditional terms (i.e., if A, then B). It is specifically used in measuring the effect that a particular variation could have on existing assumptions and norms. Creswell (2014) noted that social scientists rely on this design to seek causal understanding of an event through hypothesis testing. Ghauri et al. (2020) stressed the explanatory design's relevance when the researcher(s) has to explain to draw valid conclusions on findings related to causal relationships between/among variables of interest. It also helps researchers to understand why real-world events occur the way they do through the process of drawing causal links between/among variables while eradicating other possibilities. This design promotes replication and instil greater confidence among readers (Zina, 2021); thus, relevant for investigating tax morale and tax compliance.

Study Area

One of Ghana's 261 Metropolitan, Municipal, and District Assemblies is the Ho West district. The district assembly is one of the 18 municipalities in the Volta region. Ho West was formerly among the then-larger Ho district in 1989 until 2012 where it was split off of the district. The remaining segment was then elevated to municipal district assembly in the same year to be known as Ho municipal district. The municipality shares boundaries with the North Tongu district (south), Afadzato South district (north), Asuogyaman district

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(south-west) and South Dayi district (west). Also, to the east are Adaklu district, Ho municipality and Republic of Togo.

The district is dominated by the informal sector with numerous agricultural activities. Given the slow development of the district, majority of its dwellers are also into trading of agricultural products such as food crops (tubers, roots, cereals) and vegetables. A report by the local assembly revealed that the district is dominated by small and medium-sized markets in almost all the villages. As such, the development of the district is largely dependent on the growth and tax contributions of businesses within the informal sector. However, it has been asserted that over 90% of SMEs in Ghana, likewise those within this district, do not comply to current tax laws and regulations; thus, do not pay taxes. As such, this study investigates SMEs' tax compliance within the scope of tax morale in the district.

Population

A study's population, as indicated by Creswell (2014), is made up of a set of entities with distinct features. As a result, the study's population was made up of businesses in the informal sector within the Ho West district of Ghana. It specifically consisted of SMEs operating in the district. A 2020 report obtained from Ghana Enterprise Agency (GEA) revealed that 142 SMEs operates in the district. As a result, the 142 SMEs located in the Ho West district of Ghana's Volta region made up the study's target population.

Sampling Procedure

Given the adequate target population size, the census technique was chosen for this research. The census technique is used when all units of a target population are involved in a data collection. This method ensures that the

conclusions of a study are more reliable and accurate. This is because, incorporating all members of a target population aids in the collection of enormous amounts of data that may be used to derive useful findings and generalisations. With this technique, data was gathered from each representative (owner or manager) of the 142 SMEs within the Ho West District in Ghana.

Data Collection Instrument

The most ideal instrument for collecting primary data in any quantitative research is a structured questionnaire. With this tool, respondents respond to the same questions in a predetermined order (Creswell & Clark, 2017). Structured questionnaire also aids in gathering diverse opinions about the same subject matter from a large population (i.e., > 100) at relative ease and minimised costs. It can be used to collect pertinent data for future analysis that requires descriptive or inferential statistical methods. According to Creswell and Creswell (2017), questionnaires place a lower cognitive load on responders by reducing the amount of thinking required to complete a task. It also offers easier route to gathering multiple responses and analyse them within a reasonable time frame.

The study's questionnaire was drafted with 32 question items which were placed on "a five-point Likert-like scale (1-5), with 1 signifying least agreement and 5 represented highest agreement". The respondents' levels of agreement with each statement listed on the questionnaire were calculated using this scale. The scale is also appropriate when inferential tools like linear regression are needed to analyse data. There were three distinct sections (A or C) in the questionnaire with 35 question items. Section A, for instance, consisted of five (5) items designed to elicit demographic information from the respondents. With five (5) question items each, Section B assembled

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information on the four determinants of tax morale and finally, Section C consisted of seven (7) question items to measure tax compliance. The question items were adapted from related literature and can be found in Appendix A.

 Validity and Reliability

Validity and reliability suggest how well the study's instrument assesses the parameters it was designed to measure (Creswell, 2014). The degree to which an idea may be precisely assessed in a quantitative investigation is known as validity. It also describes how well a technique or method measures something with accuracy. Validity is carried out through peer review, expert review, involvement of practitioners and pre-testing of an instrument (i.e., questionnaire) (Berkowitz et al., 2012; Saunders et al., 2009). In line with the study, the first draft of the questionnaire was given to two research inclined peers for thorough review. After addressing all their issues raised with respect to grammatical errors, unclear sentences, ambiguous statements, among others, the revised draft was given to the supervisor of the researcher for final approval.

The instrument was, therefore, deemed valid and thus appropriate for pre-testing after approval from the supervisor. The researcher then checked for reliability which describes the consistency of a measure or instrument. According to Best and Khan (2016), reliability focuses on the degree to which the application of a scale yields dependable outcomes when repeated steps are made. In this study, reliability was determined by pre-testing the drafted questionnaire using a 30-data set obtained from SMEs within the Ho municipality. The municipality was chosen for pre-testing due to similarities in geographical settings with the study area.

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The data obtained was then processed and analysed using the reliability test in order to show whether the instrument is reliable or not. The rule suggests that, reliability is achieved if a construct's Cronbach's alpha (α) is ≥ 0.70 (Saunders et al., 2009). In view of this, the researcher specifically run the reliability test and reported its outcome using the α. The overall score from the test was 0.938 (i.e., > 0.70); thus, confirming the reliability of the question items when combined. Table 1 provided the reliability result of each construct.

Table 1: Reliability Analysis

Item	Item loading	A
Tax knowledge	5	.744
Tax rate	5	.734
Tax religiosity	5	.724
Tax penalty	5	.789
Tax compliance	7	.856
All items	27	.938

Source: Field Survey (2022)

Data Collection Procedure

By following established processes or procedures, the primary data was gathered the respondents in the study area. More precisely, the Head of Department of Accounting at the university provided an introductory letter which outlined the study's purpose and research objectives. Before being distributed, each questionnaire had copies of the letter attached. This was done to inform the respondents that only academic aims were intended for the exercise.; as such, none of their information will be made public. Due to the difficulties associated with data collection, two research assistants were trained and equipped to provide the needed assistance to the respondents.

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To maintain focus and ensure the gathering of high-quality data, all appropriate explanations and assistance were given to respondents who had difficulties. The exercise took two weeks (7th April, 2022 to 22th April, 2022) to complete due to the scattered nature of the SMEs and unwillingness on the part of some respondents to participate in the exercise. Despite the fact that some of the respondents were hesitant to take part in the exercise during the initial stages, majority of them eventually participated after clarifications and assurances were given to them. In view of this, the exercise was a huge success, with a valid response rate of 80.3 percent which represented 114 valid responses out of the 142 distributed questionnaires.

Ethical Considerations

Connelly (2014) explain ethical considerations as the criteria or norms necessary to distinguish among good and unacceptable standards. As a result, in order to improve the trustworthiness and acceptance of a study's findings, conclusions, and recommendations, researchers must follow basic ethical guidelines. "Honesty, right to privacy, voluntary involvement, anonymity, secrecy, and dealing with plagiarism issues were among the ethical issues explored in the research" (Connelly, 2014, p.54). All precautions were taken to guarantee that all ethical concerns were handled. Anonymity, for instance, was achieved when the researcher did not allow for the acquisition of personal information from respondents (Gonsiorek et al., 2009). The purpose of doing this was to prevent the respondents from divulging their private contacts, which could compromise their anonymity.

The respondents were also guaranteed of the security of the information they provided in terms of confidentiality. As a result, they received assurances

that their personal information would be kept private and not used against them or made public. Potential privacy concerns were avoided by inviting selected participants to complete the questionnaires at their own time and to leave unclear questions unanswered for assistance. Plagiarism was also addressed by including suitable citations to information collected from papers and other scholars. To avoid relying too much on word-for-word quotes, the information gathered was appropriately paraphrased and also a Turnitin report was generated with a plagiarism threshold of 19%. Thus, the study ensured that the originality score was about 81% as suggested by the university. It is important to emphasize that all other ethical concerns were resolved which improved the quality of the data collected and consequently, the study's outcomes.

Data Processing and Analysis

The primary data acquired during the data collection was thoroughly screened and edited to avoid missing values resulting from incomplete data or improperly answered questions. Then, IBM SPSS v. 26 software and SmartPLS 3 were used to process the valid data. The information on the respondents' demographic attributes was examined using descriptive statistics (percentages, frequencies). Using partial least squares structural equation modelling (PLS-SEM), the research hypotheses were evaluated. More precisely, the PLS-SEM was employed to examine the significant effects of tax rate, tax knowledge, tax religiosity and tax penalty on tax compliance. Thus, all the four hypotheses were tested using this analytical tool.

The variance of all dependent variables is often checked using the PLS-SEM model (Hair et al., 2014, 2017). It also has the ability to minimise the residual variances of endogenous variables which are used to generate

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parameter estimates (Hair et al., 2021; Vinzi et al., 2010). The PLS-SEM can also handle normality violations (multivariate normality), and it does not require any hard assumptions about the raw data's distributional features (Hair et al., 2014). The PLS-SEM analyses a situation's structural theory using a confirmatory (hypothesis-testing) approach (Babin, Hair & Boles, 2008). As a result, it is essential for demonstrating the causal links between relevant variables, in this example, tax morale and tax compliance. In Chapter four, the study's findings were displayed in tables and figures, followed by a discussion.

Chapter Summary

According to the study's goal, it was evident from the description of the research methodologies above that the quantitative methodology and explanatory research design were the most appropriate. In gathering the primary data, self-administered questionnaires were used and quantitative methods notably the inferential statistical tool (i.e., linear regression via PLS-SEM) was utilized to analyse data produced by IBM SPSS. The study's results and conclusions were discussed in the next chapter.

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CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presented the results and discussion section. It explicitly addressed the respondents' socio-demographic details and discussed the results of the four research objectives.

Respondents' Socio-Demographic Features

This section displayed the sociodemographic characteristics of the respondents, including their sex, age, greatest educational attainment, employment position, and number of years in business. Following the data collection exercise, 114 valid replies were gathered. Table 2 displayed the descriptive output based on those responses. The majority of respondents (57.9%%) were males, while the remaining respondents (42.1%) were females. In terms of age, majority (42.1%) of the respondents were between 41-50 years; (27.2%) of them were over 50 years; (21.1%) of them were between 31 and 40 years and finally, (9.6%) of them were between 18-30 years. The output indicates that most of the respondents were within their active working ages.

Also, the respondents' highest educational level was obtained and Table 2 revealed that majority (49.1%) of them had HND or lower including high school certificates; (33.3%) of them had no formal education and finally, (17.5%) of them were degree holders (i.e., first and postgraduate degrees). This result means that, although majority of the respondents have undergone formal education, a sizeable number have had no formal education.

Table 2: Socio-demographic Characteristics of Respondents

Item	Frequency	Percent (%)
Sex		
Male	66	57.9
Female	48	42.1
Total	114	100.0
Age		
18-30	11	9.6
31-40	24	21.1
41-50	48	42.1
Over 50	31	27.2
Total	114	100.0
Level of Education		
No formal education	38	33.3
HND or lower	56	49.1
Degree	20	17.5
Total	114	100.0
Employment Status		
Owner	26	22.8
Owner/manager	55	48.2
Manager	33	28.9
Total	114	100.0
Number of years worked		
Below 5	13	11.4
5– 10	26	22.8
11 – 15	34	29.8
16 – 20	26	22.8
>20	15	13.2
Total	114	100.0

Source: Field Survey (2022)

In terms of the respondents' employment status, Table 2 revealed that 48.2 percent of them were owner-managers; (28.9%) of them were managers while, (22.8%) of them were owners of their SMEs. Finally, the majority of

respondents (29.8%) have worked for 11–15 years, followed by those who have worked for 16–20 years and 5–10 years each, followed by those who have worked for more than 20 years and those who have worked for fewer than five years (11.4%). This indicates that the majority of the owner/managers are qualified professionals.

Discussion of Results

This section presented the discussion of the research's outcomes based on the PLS-SEM output. The model was first assessed and after attaining the quality requirements, the hypotheses were then tested and their findings were discussed extensively.

Model Assessment of the PLS-SEM

Prior to the analysis and presentation of the study's objectives, the PLS-SEM model was first assessed to check for quality using item loadings, indicator reliability (IR), convergent validity (CV), construct reliability (CR), multicollinearity (i.e., inner VIF) and discriminant validity (i.e., HTMT). In order to interpret the outcomes of the structural model, according to Hair et al. (2019), it is necessary to assess the model's quality, particularly its reliability and validity. It is also evaluated to check whether the model fits the desired quality requirements in order to obtain accurate and relevant outcomes.

Item Loadings (Structural and Measurement)

The PLS model's quality was first assessed based on the constructs' item loadings. The model was developed using four exogenous variables under tax morale comprising tax knowledge (TK), tax penalty (TP), tax religiosity (YR) and tax rate (TRa) whereas, the endogenous variable was tax compliance (TC).

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Figure 2 presented the initial model structure comprising the constructs and their item (i.e., indicator) loadings.
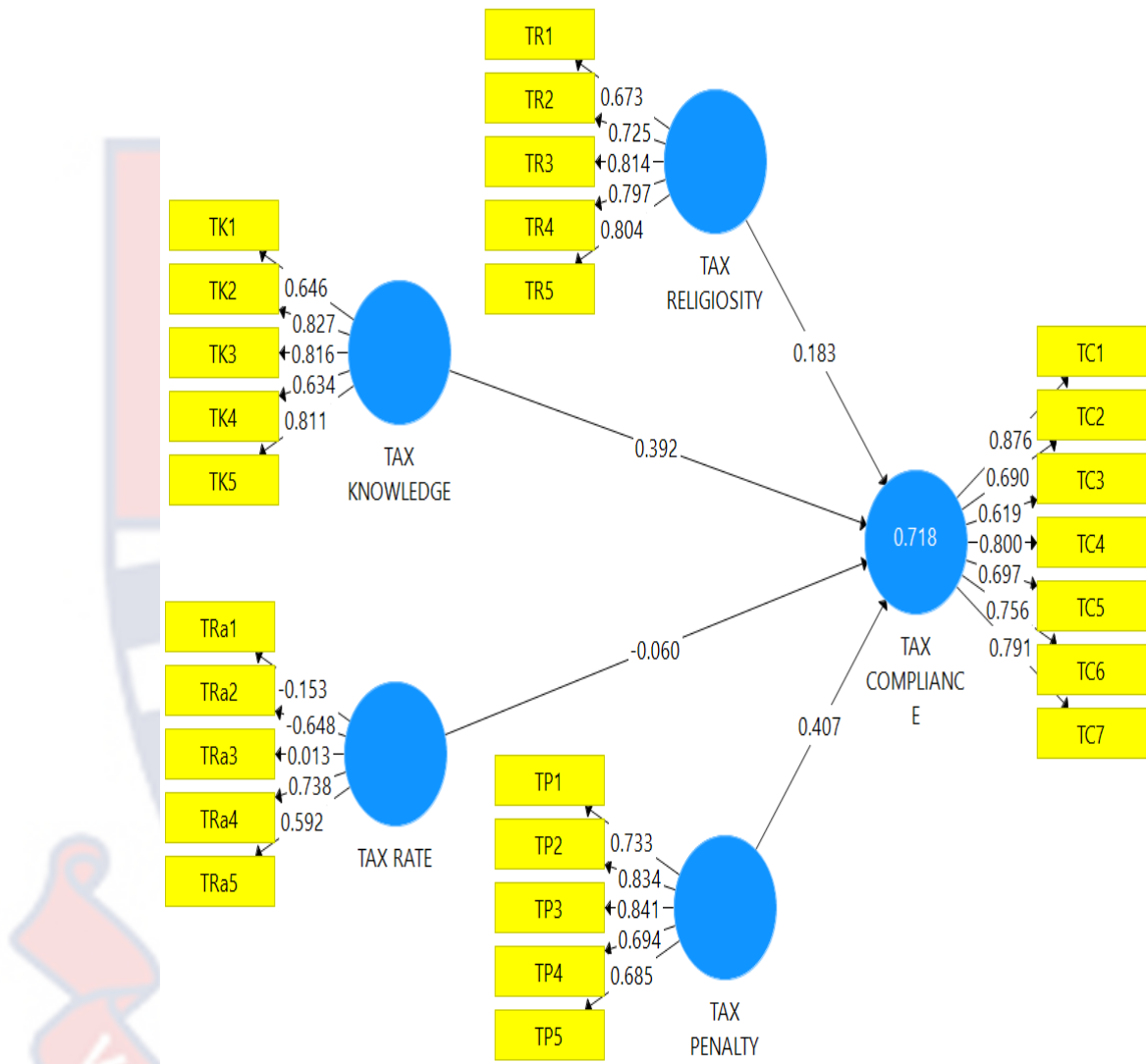
Figure 2: Initial Model Structure
Source: Field Survey (2022)

Figure 2 showed that all the exogenous constructs had five (5) indicators each; while the endogenous construct had seven (7) indicators. In order to represent the links between the exogenous and endogenous factors, four routes were drawn using arrows employing these constructs and their indicators. For instance, the arrow from TK to TC suggested that a direct linkage exists between TK and TC. To check for the constructs' item loadings, the rule suggests that

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each loading should be > 0.70 (Hair et al., 2021). As such, items with loadings < 0.70 suggests that they are inferior measures of their assigned constructs and should be removed from the model. Rigdon et al. (2017) suggested that failure to remove items with poor loadings could affect the model's outcome. After removing all the irrelevant items, Figure 2 presented the final model structure.

Figure 3: Final Model Structure
Source: Field Survey (2022)

From Figure 3, all the items remaining had loadings > 0.70 and this was because those below the suggested threshold were removed. This was done to make sure that all of the construct indicators were reliable and accurate metrics

for this study. More specifically, in terms of TK, item TK1 was removed; TR had TR1 removed; TRa had TRa1, 2 and 3 removed; TP had TP3-5 removed and finally, TC had TC5-7 removed from the model. The final model was then assessed in the next section.

Assessment of the Measurement Model

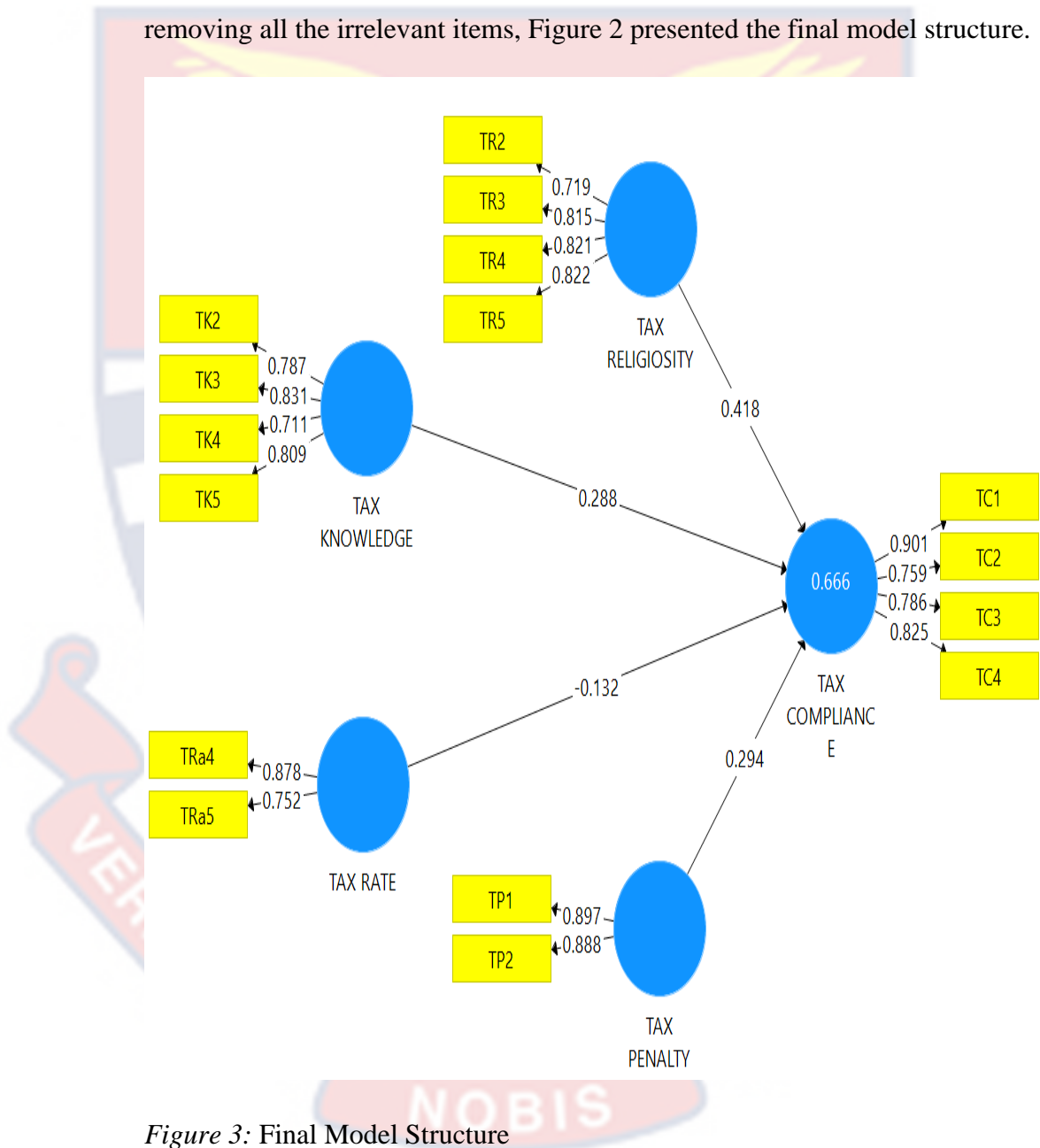After developing the final model (Figure 3), Table 3 presented the model's quality assessment using IR, CR and CV. Also, discriminant validity (DV) and multicollinearity were also assessed in this section

Table 3: Assessment of Measurement Model

Items	rho_A	CR	CV	Inner VIF values
TC	0.848	0.891	0.672	
TK	0.793	0.866	0.617	1.811
TP	0.746	0.887	0.797	1.837
TRa	0.645	0.800	0.668	1.239
TR	0.837	0.873	0.633	2.057

Note: "Indicator reliability (IR)- rho_A; Construct reliability (CR); Convergent validity (CV)- AVE scores and multicollinearity (using inner VIF values)"
Source: Field Survey (2022)

The model's IR was initially displayed in Table 3 using the rho A scores to show the percentage of an indicator's variance that is explained by its latent variable (Hair et al., 2017). According to Ringle et al. (2015), IR is a key tool for evaluating the uni-dimensionality of scale items. The rule suggests that the rho_A values should be > 0.60 (Hair et al., 2021; Ringle et al., 2015). From the model's rho-A scores, all the constructs had values > 0.60; thus, suggesting indicator reliability. More precisely, TC had the highest value of 0.848, while TRa had the lowest value of 0.645. This result means that all the constructs met the indicator reliability criterion.

Also, CR was assessed to explain the degree to which a particular construct is properly measured by combining its indicators. According to Hair et al. (2019), attaining CR means that all the constructs' indicators have strong correlations among them. The rule proposes that a construct's CR score should be > 0.70 (Ringle et al., 2015). From Table 3, all the constructs had CR outcomes > 0.70; with the least value of 0.800 (TRa) and the highest value of 0.891 (TC). This result implies that all the constructs' indicators had strong correlations among them; thus, met the reliability criteria.

The model's CV was also assessed using the average variance extracted (AVE) values (Hair et al., 2017). This was done to ensure that the constructs are convergent and thus, valid. The rule suggests that all the AVE values should be > 0.50 for CV to occur (Bagozzi & Yi, 1988; Hair et al., 2017). From Table 3, all the AVE scores were > 0.50 with the lowest value of 0.617 (TK) and the highest value of 0.797 (TP). The inner VIF scores were also checked to help in testing for possible multicollinearity. Multicollinearity is tested to see if the path coefficients are bias-free (Hair et al., 2021). The rule suggests that all the inner VIF values should be < 10 (Hair et al., 2019). As such, when VIFs are > 10, it implies that multicollinearity exists which could affect the model's quality. From the table, all the VIF scores were below 10 (i.e., 1.239 to 2.057) which indicated absence of multicollinearity.

Discriminant Validity

The study further assessed the model's quality by testing for discriminant validity (DV) as proposed by Henseler et al. (2012). DV checks for possible collinearity issues in a model (Hair et al., 2017). In this study, DV was checked using the Heterotrait-Monotrait (HTMT) ratio. The HTMT has the strength of

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easily detecting absence of DV in basic research. The result of HTMT was presented in Table 4.

Table 4: Heterotrait-Monotrait (HTMT) Ratio

	TC	TK	TP	TRa	TR
TC					
TK	0.797				
TP	0.819	0.698			
TRa	0.327	0.520	0.697		
TR	0.829	0.764	0.770	0.505	

Source: Field Survey (2022)

The rule of thumb for assessing HTMT is that the correlation values between the constructs should be < 0.90 to indicate that the linkage between the constructs are discriminantly valid (Wetzels, Odekerken-Schroder & Vab Oppen, 2009). Simply put, DV is achieved if the HTMT scores are < 0.90. From Table 4, all the HTMT values of the linkages among the constructs are < 0.90 with the highest value of 0.829 in TR and TC. Also, the lowest HTMT score was in the association between TRa and TC (0.327). These results suggest that the constructs are clearly different from each other.

Explanation of Target Endogenous Variable Variance

This section assessed the model's predictive accuracy in three dimensions: coefficient of determination (R^2), predictive relevance (Q^2) based on the Stone-Giesser's test and effect size (f^2) (Hair et al., 2019). These elements were evaluated to check the contributions of each exogenous variables to the endogenous variable. The model's assessment output was presented in Table 5.

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Table 5: Explanation of Target Endogenous Variable Variance

L.V	R^2	f^2	Q2
TC	0.666		
TK		0.254	0.374
TP		0.141	0.389
TRa		0.042	0.393
TR		0.137	0.301

"Note: L.V. = latent variable, R^2 = R squared, f^2 = effect size, Q^2 = predictive relevance"
Source: Field Survey (2022)

From Table 5, the predictive relevance score using the R^2 value was first reported. Hair et al. (2017) suggested that R^2 represents the combined contributions of the predictors (TR, TK, TRa and TP) to the endogenous construct (TC). Simply put, R^2 suggests any change in TC is linearly accounted for by combining the four determinants of tax morale (TM). According to Henseler et al. (2009), R^2 values <0.29, 0.29 - 0.67 and >0.67 represent weak, moderate and strong contributions of the predictor constructs. The model's R^2 value was 0.666; meaning that the determinants of tax morale account for 66.6% of change in tax compliance. Thus, for any change in tax compliance, about 66.6% of it is linearly accounted for by tax morale comprising TK, TP, TR and TRa. Therefore, any change in tax compliance is moderately (66.6%) contributed by the determinants of tax morale.

Table 5 also reported the effect size (f^2) of each independent construct to the dependent construct by adopting Cohen's (1988) impact criterion. Cohen (1988) suggested that values of 0.02 signify small, 0.15 signify medium and 0.30 indicates large f^2 respectively. From the table, TR had the highest f^2 value of 0.137; followed by TP (0.141), TK (0.254) and TRa (0.042) respectively. This

result means that tax knowledge had the largest effect on tax compliance, while tax rate had the smallest effect. This implies that, when owners or managers have adequate tax knowledge, they are likely to comply to tax regulations better than tax penalty, tax religiosity and tax rate.

Finally, the model's predictive relevance based on Stone-Geisser's (Q^2) test (Hair et al., 2014) was reported. Q^2 is evaluated by removing a portion of the data matrix, analyse the model and predict the removed part based on the estimations (Roldán & Sanchez-Franco, 2012). Sarstedt et al. (2014) suggested that Q^2 is achieved if its value is above zero (0). Henseler et al. (2009) added that, $0.02 \leq Q^2 < 0.15$ shows weak, $0.15 \leq Q^2 < 0.35$ indicates moderate and $Q^2 > 0.35$ signifies strong predictive relevance. From Table 5, all the Q^2 values were > 0 indicating that the predictor variables can accurately predict the endogenous variable. However, tax rate had the highest Q^2 of 0.393; followed by TP (0.389), TK (0.374) and TR (0.301) respectively. This result implies that tax rate, despite having the lowest effect size, is a better predictor of TC than the others.

Hypotheses Testing and Decision Rule

After the model met its quality requirement, this section presented the results and decision rule after testing the hypotheses. The hypotheses were specifically tested based on the following underlying rules: (a) a hypothesis is supported if its t-stat is > 1.96 ($p<0.05$) and (b) β values ranges include: < 3.0 (weak), 3.0 - 6.49 (moderate) and > 6.50 (strong) (Hair et al., 2021; Ringle et al., 2015). The hypotheses results were presented in Table 6 and discussed in four sub-sections.

Table 6: Structural Equation Model Output and Decision Rule

Structural Path	(β)	t-stats	p-values	Decision Rule
TK -> TC	0.418	5.207	0.000	supported
TP -> TC	0.294	3.579	0.000	supported
TRa -> TC	-0.132	2.170	0.030	supported
TR -> TC	0.288	3.709	0.000	supported

Note: * = t > 1.96; p < 0.05
Source: Field Survey (2022)

Effect of Tax Knowledge on Tax Compliance

The study's hypothesis one (H₁) proposed that tax knowledge (TK) had a significant positive effect on tax compliance (TC) in the informal sector of Ho West district. Per the t-stat value of 5.207 (p = 0.000<0.05); it could be deduced that the study's hypothesis was supported. This is because, the t-stat revealed that TK has a significant positive effect on TC. This outcome means that, any change in TK would lead to a significant change in TC. Also, with the β value of 0.418, any unit increment in TK would lead to a significant unit increment in TC by 41.8 percent. Thus, TK has a moderate significant effect on TC; yet, it plays a significant role in improving latter. The result implies that owner-managers are likely to comply to tax payments if they have adequate knowledge about tax regulation and laws.

More precisely, when owner-managers acquire more knowledge on tax regulations, they are highly likely to comply to these regulations; thereby, avoid tax evasions. Simply put, having adequate tax knowledge is a crucial determinant of tax morale which promote tax compliance. Therefore, the lower owner-managers' knowledge levels about tax regulations, the lower their tax compliance levels and vice versa. The study's finding is supported by Palil

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(2010) who revealed that tax knowledge has a significant positive effect on tax compliance. Similar studies by Oladipupo and Obazee (2016), Newman et al. (2018) and Fauziati et al. (2020) revealed that tax knowledge significantly and positively affect tax compliance of owner/managers of SMEs.

Effect of Tax Penalty on Tax Compliance

The significant positive effect of tax penalty (TP) on tax compliance (TC) (H2) was also tested and reported in this section. Table 6 revealed a t-stat of 3.579 (i.e., >1.96) to suggest that the H2 is supported. This result means that, TP had a significant positive effect on TC. Also, the β value of 0.294 implies that TP significantly contributes about 29.4 percent of any change in TC; thus, for any unit change in TP, TC significantly changes by about 29 percent. The result, however, suggests a weak significant effect of TP on TC. It could be suggested that owner-managers of the SMEs within the Ho West district would comply to tax laws and regulations if they are made to pay penalties or fines for defaults or non-compliance.

The result specifically implies that regular payment of tax penalties by the owner-managers could induce them to comply to tax laws. This could be because, continuous payment of tax penalties would add more costs to their business operations and in turn affect their financial stability. Thus, the higher the tax penalty, the higher the owner-managers' tax compliance levels and vice versa. This finding is supported by Hasseldine et al. (2007) and Chau and Leung (2009) who both found tax penalty to positively affect tax compliance. Also, Alkhatib et al. (2018) concluded that owner-managers of SMEs are highly likely to ensure tax compliance if more tax penalties are offered. They also concluded

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that tax penalty negatively affects tax evasion; thus, taxpayers are likely to comply to tax payments to avoid paying extra fines known as tax penalty.

Effect of Tax Rate on Tax Compliance

Research objective three investigated the effect of tax rate on tax compliance. To achieve this, H3 was developed; hypothesising that tax rate (TR) has a significant positive effect on tax compliance (TC) among SMEs in Ho West. The PLS output using 5000 bootstraps revealed a t-stat of 2.170 with p-value of 0.030. With this result, H3 was supported to indicate that any unit change in tax rate would lead to a significant unit change in tax compliance. The β value of -0.132 indicates that any change in TR would lead to a significant but negative change in TC by 13.2 percent. The result implies that the higher the tax rate, the lower the tax compliance level among owner-managers in the district.

The informal sector in Ghana, characterised by small and medium-sized enterprises, is known for tax non-compliance, avoidance and/or evasion. This situation at Ho West, per the study's result, could be linked to tax rate which was found to negatively affect tax compliance. As such, when tax regulators in Ghana continue to increase the tax rates, owner-managers are likely to non-comply or evade then entirely; thereby, impeding revenue mobilisation. Therefore, any increment in tax rate would lead to a reduction in tax compliance by 13.2 percent. The study's finding is supported by Adebisi and Gbegi (2013) and Olowookere and Fasina (2013) who both found tax rate to promote tax non-compliance. Mas'ud et al. (2014) also concluded that tax rate negatively affects tax compliance among firms in Africa; thus, the higher the tax rate the lower the tax compliance among the firms in Africa.

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Effect of Tax Religiosity on Tax Compliance

The final hypothesis that, "tax religiosity (TR) significantly and positively affects tax compliance (TC)" was also tested and its t-stat of 5.207 (p=0.000) suggested that H4 was supported. This result means that TR plays a crucial role in improving TC. With a β value of 0.288, TR plays a significant positive but weak role in causing a change in TC. Thus, for any variation in TC, TR would significantly improve by 28.8 percent. This result, therefore, proposes that the owner/managers' level of religiosity would contribute significantly to improving tax compliance among owner-managers of SMEs within the Ho West municipality. Thus, the more owner-managers continue to embrace religious doctrines, their level of tax compliance would also increase by 28.8 percent.

The result suggests that an owner/manager's involvement in religiosity plays a marginal role in tax compliance of owner-managers among SMEs within the Ho West district. Simply put, the more owner-managers embrace tax religiosity, the higher their tax compliance and vice versa. The study's finding also implies that owner-managers who are highly religious and thus, follow religious doctrine's view tax non-compliance or avoidance as a sin and thus, are likely to comply to tax regulations. According to Palil et al. (2013), tax evasion is wrong and must be prevented; as a result, religious moral and ethical principles are effective weapons for tax compliance. Benk et al. (2015) also found that tax religiosity has a significant positive effect on tax compliance. Wang and Lu (2020) similarly revealed that religiosity plays a significant positive role in tax compliance.

Chapter Summary

The chapter discussed the results after testing the study's hypotheses using the PLS-SEM. The model was first assessed for quality purposes and its outcome were discussed. After meeting all the quality criteria, the hypotheses were then tested and the findings were extensively discussed and linked to previously-related studies. The study found all the four determinants of tax morale comprising tax knowledge, tax penalty, tax rate and tax religiosity to significantly affect tax compliance of owner-managers of SMEs within the Ho West district of Ghana. Precisely, tax knowledge, tax religiosity and tax penalty had positive significant effect while tax rate had negative significant effect on tax compliance. The concluding part of the study was presented in Chapter five.

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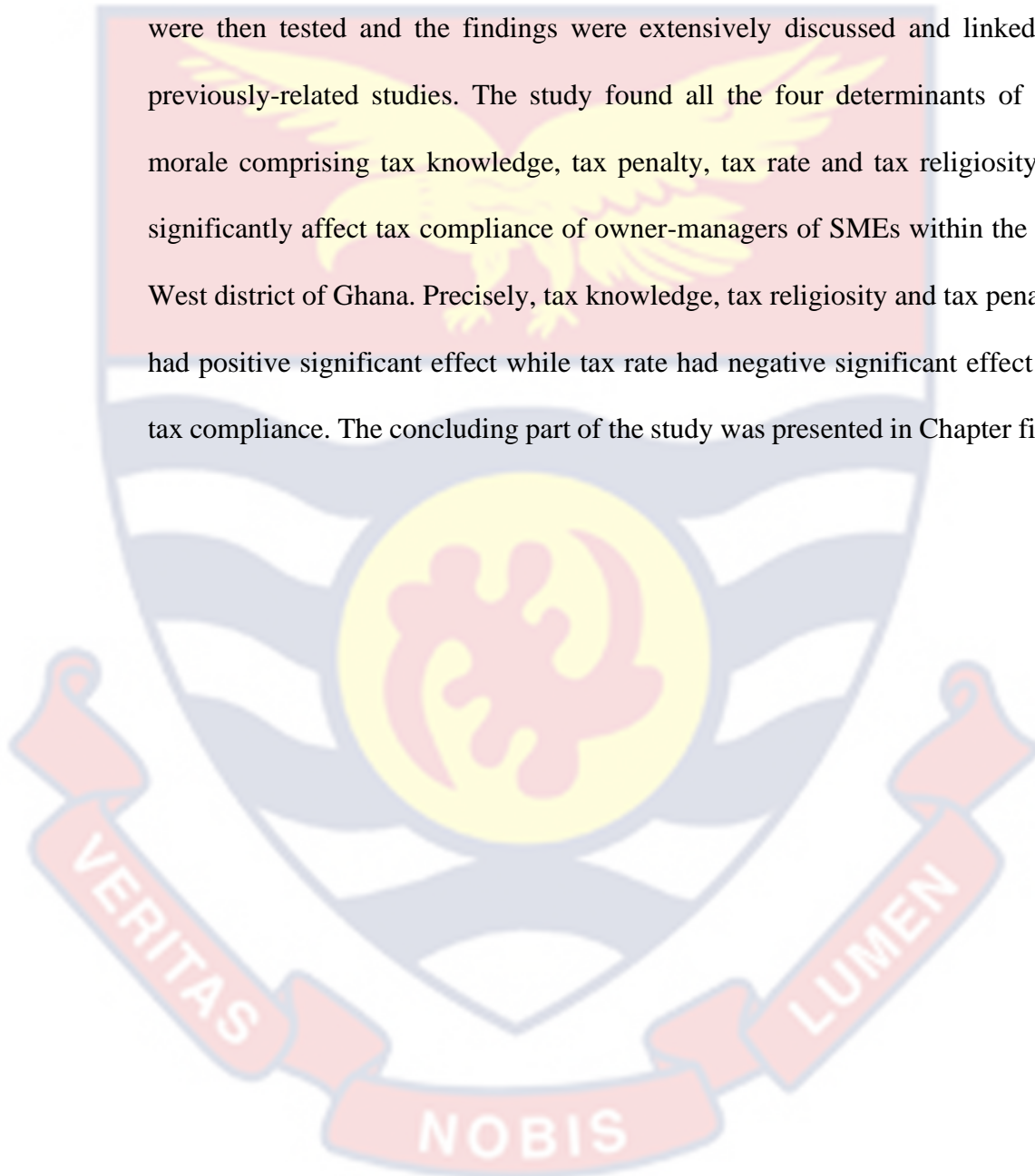
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

The study examined the causal link between the determinants of tax morale and tax compliance with respect to micro and small businesses in Ghana. This chapter reported the summary of the study's key findings and conclusions. It concluded with relevant recommendations to policy and future research.

Summary

The study investigated how the determinants of tax morale affect the tax compliance of SMEs in the informal sector within the Ho-West district in the Volta region of Ghana. The study established four specific objectives to:

1. examine the effect of tax knowledge on tax compliance in the informal sector within the district

2. examine the effect of tax rate on tax compliance in the informal sector within the district

3. examine the effect of tax penalty on tax compliance in the informal sector within the district

4. examine the effect of tax religiosity on tax compliance in the informal sector within the district

Given the study's purpose, the quantitative approach and explanatory research design were adopted. The study was underpinned by the institutional theory due to its relevance to the study's objectives. The study employed the census technique to gather primary data via structured questionnaires from 142 owners/managers of SMEs within the Ho West district. After distributing the questionnaire, a valid data set of 114 with a response rate of 80.2% was obtained

and processed using IBM SPSS Statistics (v. 26) and Smart-PLS 3. The data was then analysed via PLS-SEM technique of which the results were presented in Chapter four. The ensuing sections presented the summary of key findings.

In terms of objective one, the study analysed the effect of tax knowledge on tax compliance of SMEs within the Ho West district. The result revealed that tax knowledge has a significant positive effect on owner-managers' tax compliance. The result implies that tax knowledge plays a significant moderate role in improving tax compliance of the owners/managers within the district. Thus, tax compliance in the informal sector can be achieved when owner-managers have adequate tax knowledge. The study specifically found tax knowledge to have the highest significant effect on tax compliance of SMEs within the Ho West district.

The second objective examined the effect of tax penalty on tax compliance of SMEs within the district. The study's result revealed that tax penalty plays a key role in achieving tax compliance. This result implies that any unit increase in tax penalty would lead to a significant but weak increment in owner-managers tax compliance. The result also implies that any improvement in tax penalty would lead to a significant improvement in tax compliance and vice versa. The study, therefore, found that tax penalty, a determinant of tax morale, had a weak significant but positive effect on tax compliance among owner-managers of SMEs within the district.

Research objective three examined the effect of tax rate on tax compliance of owner-managers of SMEs within the Ho West district. The study's result revealed that tax rate has a weak significant but negative effect on tax compliance of the owner-managers. This result implies that when tax regulators

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provide higher tax rates, it negatively affects the owner-managers level of tax compliance in the Ho West district. This implies that, when tax rates are perceived high, it could negatively affect tax compliance of owner-managers of the SMEs located within the Ho West district.

Finally, the research explored the effect of tax religiosity on owner-managers' tax compliance of SMEs within the Ho West district. The result, after the PLS-SEM analysis, revealed that tax religiosity is a key determinant of tax morale and is critical to improving owner-managers' tax compliance levels. The result, therefore, implies that owners/managers who embrace tax religiosity are able to ensure tax compliance. As such, any increment in tax religiosity leads to a unit increment in tax compliance of owner/managers within the Ho West district of Ghana. The study, therefore, found that tax religiosity is a significant predictor of tax compliance of SMEs in the district.

Conclusions

The study investigated determinants of tax morale and tax compliance of SMEs within the Ho West district of Ghana. The study attained this goal by developing four key objectives which were largely achieved. The ensuing conclusions were drawn from the key findings:

In terms of objective one, the study found tax knowledge to significantly improve tax compliance of SMEs in the Ho municipality. This finding is similar to that of related studies which noted that owner-managers with adequate tax knowledge ensure tax compliance. Hence, the present study concluded that tax knowledge plays a significant moderate role in tax compliance. Therefore, having adequate tax knowledge would lead to a significant improvement in tax compliance of the owner-managers of the SMEs in the district.

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The study also found that tax penalty has a significant positive but weak effect on tax compliance. Although the study's finding was largely buttressed by previous studies, it makes a new discovery within the context of Ho West municipality. The study, therefore, concluded that tax penalty, a dimension of tax morale, plays a vital role in ensuring tax compliance among owner-managers of SMEs within the Ho West municipality of Ghana.

In terms of research objective three, the study found tax rate to significantly affect tax compliance of owner-managers of SMEs within the Ho West municipality. This finding has largely been supported by previous studies which revealed that the higher the tax rate, the lower the tax compliance of SMEs in Ho West. The finding makes an important contribution to literature within the context of Ghana, specifically Ho West. Hence, the study concluded that tax rate is a key determinant of tax morale which significantly but negatively affect tax compliance of SMEs in Ho West.

Finally, tax religiosity was found to significantly and positively affect tax compliance of SMEs in Ghana, focusing on Ho West. This result was buttressed by previous studies; concluding that owner-managers of SMEs would comply with tax regulations when they have high levels of tax religiosity. Previous studies have also asserted that tax compliance can never be entirely predicted by the level of tax knowledge and enforcement, thus, requires tax religiosity. Thus, the study concluded that tax religiosity ensures that owner-managers of SMEs within the Ho West district can attain tax compliance in the Ho West district.

Conclusively, the study revealed that the determinants of tax morale have significant effects on tax compliance of SMEs in the Ho West municipality in Ghana. These results prove that for SMEs to ensure compliance to tax payments

and associated tax requirements, emphasise should be based on these determinants. Precisely, tax compliance of the owner-managers would improve significantly when they adopt the tax of determinants of tax morale comprising tax knowledge, tax religiosity, tax penalty and tax rate. Hence., the conclusion drawn was that the determinants of tax morale are crucial predictors of tax compliance of SMEs in Ho West municipality, Ghana.

Recommendations

The research presented the following suggestions based on the conclusions' drawn:

The study recommended that, policy makers such as the Ministry of Finance and Ghana Revenue Authority (GRA) should revise current policies to integrate tax morale. Also, GRA should regularly organise training programmes that aim at improving the tax knowledge levels of owner-managers within the informal sector of Ghana. More precisely, the training can be carried out via conferences, seminar and workshops to expand the knowledge levels of owner-managers in order to improve the tax morale and thereby, promote tax compliance. Doing so would help the authority to widen the tax bracket to include the informal sector and thereby, increase revenue mobilisation.

In terms of objective two, the study recommended that policy makers like the GRA should establish proper structures to improve the tax penalties for tax non-compliance in the informal sector. Since the study found tax penalty to promote tax compliance, GRA should ensure that owner-managers that fail to comply with tax regulations are made to pay for tax penalties in a fair and equitable manner. The tax penalties should be mandatory and strictly

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implemented to avoid non-compliance among the owner-managers in the informal sector of Ghana notably those within the Ho West district.

Moreover, the study recommended that accurate and proper tax rates should be provided by GRA to induce owner-managers to comply with tax laws and regulations. This is because, the study found tax rate to have a direct negative effect on tax compliance; thus, if GRA offers higher tax rates, it would lead to tax non-compliance and invariably affect revenue mobilisation. Therefore, GRA should engage labour unions in the informal sector before bringing out their tax rates in order to induce the owner-managers to comply with tax regulations.

Finally, the study recommended that GRA should devise measures or strategies to engage religious leaders in order to promote tax compliance among the owner-managers in Ghana. More precisely, the authority should engage religious leaders whenever they intend to make tax-related decisions associated with the informal sector. This is because, the study found owner-managers' commitment to religious doctrines to promote tax compliance; thus, actively involving religious bodies in tax-related decisions would play valuable role in ensuring tax compliance in the informal sector of Ghana.

Suggestions for Further Research

This study investigated the determinants of tax morale and tax compliance in the informal sector of Ghana. Although the study largely attained its objectives, it had some limitations. For instance, the study focused on SMEs in the informal sector within the Ho West district; as such, restricting generalisation of findings across the informal sector of Ghana. In view of this, further research should adopt a broad-based approach by including other

districts or metropolises across the country. Also, the study relied on the quantitative approach; thus, future researchers could adopt the mixed methods approach to expand existing findings. Finally, potential researchers should consider other sectors such as manufacturing, telecommunication, health, etc., in order to expand current literature.

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APPENDICES

University of Cape Coast
School of Business
Department of Accounting

QUESTIONNAIRE

Dear Sir/Madam,

I am a Master student at the Department of Accounting, School of Business, University of Cape Coast and I am carrying out my dissertation work on the topic, **"Determinants of tax morale and tax compliance in the informal sector: Case of Ho West district"**. Your views are very much important to the study. Every information you provide would remain highly confidential. Thank you for accepting to participate in the study.

Kindly tick in the box

PART A: SOCIO-DEMOGRAPHIC INFORMATION

1.   Sex: Male [ ]   Female [ ]

2.   Age: 18- 30 years [ ]   31-40 years [ ]   41-50 years [ ]

      Over 50 years [ ]

3.   Highest Level of education

        No formal education [ ]   HND or lower [ ]   Degree [ ]

4.   Employment status:

     Owner [ ]   Owner/Manager [ ]   Manager [ ]

5.   How long have you been operating (in years)?

        < 5 [ ]   5-10 [ ]   11-15 [ ]   16-20 [ ]   > 20 [ ]

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PART B: DETERMINANTS OF TAX MORALE

7. On a scale of 1 − 5, please rate the extent to which you agree with each statement. **With 1 − Least agreement and 5 − Highest Agreement**

No.	Factors	1	2	3	4	5
Tax Knowledge						
1	I have adequate knowledge about the tax regulations and laws associated with my business					
2	I have adequate knowledge of my tax responsibilities					
3	I have knowledge of my tax rights					
4	I am aware of sanctions for tax noncompliance					
5	I have adequate knowledge of my firm's tax rate					
Tax rate						
1	The tax rate I pay is fair					
2	I understand my firm's tax rate					
3	I pay my taxes because the rate is in line with tax regulations					
4	The tax rate is adequate and I am ready to pay it					
5	My firm's tax rate is average and similar to what others pay					
Tax Penalty						
1	I pay tax fines whenever I do not comply to tac regulations					
2	The tax fines are fair and average					
3	I am willing to pay tax fines whenever I default					
4	I pay tax penalty because it is mandatory for tax noncompliance					
5	I pay tax fines to avoid severe sanctions for tax noncompliance					
Tax Religiosity						
1	I pay taxes based on religious beliefs or faith					
2	My religious leaders convince me to pay taxes					
3	My religious commitment induces me to pay more taxes					
4	Paying the right amount of tax is part of my religion's doctrines					
5	I will never avoid or evade taxes because my religion frowns against it					

PART C: TAX COMPLIANCE

On a scale of 1 – 5, please rate the extent to which you agree with each statement.
With 1 – Least agreement and 5 – Highest Agreement

Statement	1	2	3	4	5
I comply with all tax laws and regulations associated with my business					
I have always paid my taxes					
I pay my taxes voluntarily					
I comply with the type of tax my firm needs to pay					
I comply to tax payments and regulations because it is the right thing to do					
I comply with tax requirements because it is fairly distributed					
I pay taxes without thinking of ways to reduce them					

THANK YOU

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