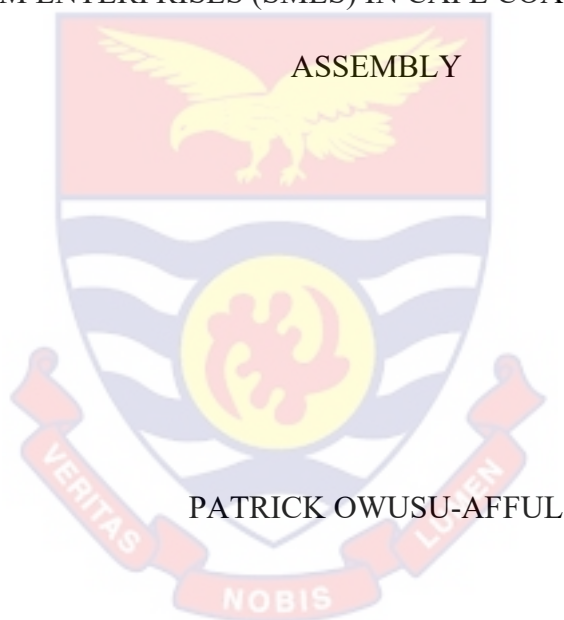UNIVERSITY OF CAPE COAST

TAX EDUCATION AND TAX COMPLIANCE AMONG SMALL AND

MEDIUM ENTERPRISES (SMES) IN CAPE COAST METROPOLITAN

ASSEMBLY

PATRICK OWUSU-AFFUL

2024

UNIVERSITY OF CAPE COAST

TAX EDUCATION AND TAX COMPLIANCE AMONG SMALL AND

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ASSEMBLY

BY

PATRICK OWUSU-AFFUL

"Dissertation submitted to the Department of Accounting, School of Business
of the College of the 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"

OCTOBER 2024

DECLARATION

Candidate's Declaration

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

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

Name: Patrick Owusu-Afful

Supervisor's Declaration

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

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

Name: Prof. Edward Marfo-Yiadom

ABSTRACT

This study investigated the relationship between tax education and tax compliance among small and medium-sized enterprises (SMEs) in the Cape Coast Metropolitan Assembly. To achieve this goal, the study set three specific objectives: to analyze the impact of tax education on tax compliance; to examine the effect of tax education on business taxes and tax compliance; and to investigate the relationship between tax education and tax compliance among SMEs. The study employed the theory of planned behavior as its theoretical framework and adopted a causal design to investigate how the variables relate to one another. A total of 342 respondents took part in the survey, which employed a quantitative research methodology. A questionnaire was used to gather data, and structural equation modelling was used to analyze the results. The study found a positive and significant relationship between tax education and tax compliance. Based on these findings, the study recommends that governments and educational institutions invest in comprehensive tax education programs for individuals, businesses, and professionals.

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DEDICATION

To Aba Amokwandowa Owusu-Afful, Yaw Afful Owusu-Afful, Nana

Kwansa Owusu-Afful and Celestina Owusu-Afful

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CHAPTER ONE

INTRODUCTION

Background to the Study

Taxation is a crucial component of national revenue management, particularly in industrialized nations, with a rich history spanning thousands of years (Jacob, 2022). The worth of taxation has the capacity to generate revenue for governments to fund public goods and services. However, many developing countries face significant challenges due to low tax compliance (TC), which undermines government revenue and hinders development initiatives (Akcigit et al., 2018). This challenge is particularly pronounced in countries with limited resources and inadequate tax administration systems.

A key factor influencing tax education (TE) and tax compliance (TC), as highlighted in existing literature (Hendayana et al., 2021; Nichita et al., 2019). Tax consciousness refers to the knowledge and comprehension of tax laws, regulations, and procedures among taxpayers. Consequently, researchers have focused on exploring the relationship between TE and TC (Kurniawan, 2020; Twum et al., 2020; Kwok & Yip, 2018; Saudi et al., 2018). Scholars often draw on theories from other disciplines, such as psychology and economics, to back the proposed link between TE and TC.

To understand TC, researchers have used a variety of theoretical frameworks, such as the theory of planned behavior (TPB), the extended parallel process model (EPPM), and the trans-theoretical model (TTM) of change. These frameworks give information about the cognitive, emotional, and social factors that affect individuals' choices to abide by tax regulations. However, studies have consistently shown that small and medium-sized enterprises

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(SMEs) often fall short in meeting their tax obligations. For instance, research by Scheutze and Bruce (2006) highlights the severity of SMEs in the US not complying.

In Ghana, research has shown that tax non-compliance among SMEs is a significant issue, leading to substantial revenue losses for the government (Mbilla et al., 2018). The Ghanaian economy relies heavily on taxation to fund public expenditures, making TC a critical concern. Further studies are necessary, given the crucial role of taxation in supporting the Ghanaian economy. Revenue losses in 2019 are estimated to have varied from $1.20 million to $1.50 million due to noncompliance by individual taxpayers, particularly SMEs (Egbunike et al., 2018).

In response, the Ghana Revenue Authority (GRA) has implemented a number of unusual taxation policies to capture more SMEs in the tax net. These measures include the use of technology, such as e-filing systems, and collaborative efforts with private sector organizations. However, despite these efforts, the problem persists (Mbilla et al., 2018; Peprah et al., 2020). Research by Peprah et al. (2020) revealed that SMEs in the Nkwanta South District of Ghana have a poor understanding of income tax, leading to significant non-compliance.

This suggests that enhancing TE among taxpayers could improve TC among SMEs. TE programs could focus on increasing awareness of tax laws, regulations, and procedures, as well as providing guidance on tax planning and compliance. However, Peprah et al.'s study focused on general TC, without exploring the specific connection between TE and TC. Other studies in Ghana

have examined various aspects of TC, including tax culture, accounting systems, and knowledge of tax reliefs and incentives.

Given the TC challenges and limited research in Ghana, policymakers may rely on studies from other regions, which can be flawed due to methodological differences and regional disparities. This study aims to address this gap by investigating the impact of TE on TC among SMEs in Ghana. By exploring this relationship, this study seeks to contribute to the development of effective TE programs that can improve TC among SMEs in Ghana.

Statement of the Problem

Small and Medium Enterprises (SMEs) are essential and needed in driving development of the economy, employment, innovation, and economic growth in various sectors (Ebrahimiyan et al., 2018). In the context of the Cape Coast Metropolitan Assembly, SMEs constitute a substantial and significant portion of the business landscape, contributing substantially to the local economy through job creation, revenue generation, and innovation (Amoako, 2013). However, despite their economic importance and potential for growth, SMEs in this region face a persistent and pervasive challenge regarding TC, which can have far-reaching consequences for their sustainability and growth (Owusu-Ansah, 2019).

The problem revolves around the apparent and significant gap between the TE provided to SMEs in the Cape Coast Metropolitan Assembly and their actual compliance with tax regulations, laws, and policies (Ohene, 2019). While TE programs aim to foster awareness, knowledge, and understanding of tax obligations, rights, and responsibilities, there is growing concern that SMEs might not fully grasp the intricacies, complexities, and nuances of taxation,

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leading to unintentional non-compliance, tax evasion, or tax avoidance (Armah-Attoh & Awal, 2013). Several factors contribute to this issue, including the complexity and ambiguity of tax regulations, limited access to comprehensive and accurate tax education (TE) resources, and the unique difficulties SMEs encounter when navigating the tax system, which can be time-consuming, costly, and burdensome (Twum et al., 2020).

The gap in understanding and compliance not only hampers and undermines the revenue collection efforts of the local government, which can have negative impacts on public services and infrastructure development, but also poses a potential threat to the sustainability, growth, and competitiveness of SMEs (Nurwanah et al., 2018; Taing & Chang, 2021). SMEs may inadvertently incur penalties, fines, and interest, and face legal consequences, such as litigation and prosecution, which can ultimately affect their reputation, credibility, and survival in the market.

Most research on the effect of TE on TC have been conducted outside the Ghanaian jurisdiction, providing valuable insights and lessons that may not be directly applicable to the Ghanaian context (Bani-Khalid et al., 2022; Onu, 2016; Newman et al., 2018). There have been few studies carried out in Ghana, highlighting the need for more studies in this field to inform policy and practice (Jacob, 2022). This study aims to investigate the influence of TE on small and medium enterprises' compliance using structural equation modeling, which can provide valuable insights into the relationships between TE, tax awareness, and TE.

Purpose of the Study

The purpose of "this study" is to ascertain the impact of tax education on tax compliance among SMEs in the Cape Coast Metropolis.

Research Objectives

The specific objectives are to:

1. analyze "the effect of tax education on tax compliance of small and medium enterprises in the Cape Coast Metropolitan Assembly".

2. examine "the effect of tax education on business taxes on tax compliance of small and medium enterprises in Cape Coast Metropolitan Assembly".

3. analyze "the effect of tax education on penalties on tax compliance of small and medium enterprises in the Cape Coast Metropolitan Assembly".

Research Questions

Based on the objectives of the study, the following questions were developed:

1. What is "the effect of tax education on tax compliance of small and medium enterprises in the Cape Coast Metropolitan Assembly?"

2. What is "the effect of tax education on business taxes on tax compliance of small and medium enterprises in the Cape Coast Metropolitan Assembly?"

3. What is "the effect of tax education on penalties on tax compliance of small and medium enterprises in the Cape Coast Metropolitan Assembly?"

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Significance of the Study

This study makes a significant contribution to the corpus of knowledge already available on tax compliance (TC), especially with regard to Ghana. Examining the connection between tax education (TE) and TC among Small and Medium-sized Enterprises (SMEs) in Cape Coast, Ghana, this study addresses a significant gap in current research. The study's outcome will provide valuable insights for academic researchers, students, and policymakers seeking to understand the complexities of TC in Ghana.

The implications of this research extend beyond the academic realm, as it has the potential to inform policy development and implementation. The Ghana Revenue Authority (GRA) and other stakeholders will benefit from the findings, which will enable them to design effective tax mechanisms and educational initiatives to enhance compliance among SMEs and all taxpayers. Ultimately, improved tax adherence will lead to increased government revenue, driving economic development, growth, and improved living standards for the citizenry.

This study focuses specifically on SMEs in the" Cape Coast Metropolis", Ghana, analyzing the connection between TE and TC. The scope of TE explored in this research includes general taxation knowledge, persuasive communication strategies, simplicity and cost of compliance, and the benefits of TC. Furthermore, this study's definition of TC encompasses three key dimensions: committed compliance, capitulative compliance, and innovative compliance. This study offers a thorough grasp of the connection between TE and TC among SMEs in Ghana by looking at these factors.

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The discoveries of this present study will be instrumental in addressing the challenges of TC in Ghana, particularly among SMEs. Tax evasion presents a serious problem for governments and tax agencies in many African nations, including Ghana, as prior studies have shown. By exploring the association between TE and compliance, this study provides actionable insights into how to improve tax adherence among SMEs, ultimately contributing to the economic development and growth of Ghana.

Limitations

This study's geographical scope is confined to the "Cape Coast Metropolis", which limits the generalizability of the findings to other towns in Ghana. The data collection approach used in this study is one significant drawback. Due to the scarcity of Small and Medium-sized Enterprises (SMEs) in the area, a purposive sampling approach was utilized, which may potentially introduce bias into the results. To minimize this bias, the study ensured equal representation by systematically selecting every other potential respondent from the sample population, thereby enhancing the reliability and validity of the findings.

Organisation of the Study

This study is comprehensively structured into five distinct chapters. Chapter One provides a comprehensive "introduction" to the research, setting the context, and clearly articulating the research topic, objectives, hypotheses, significance, and scope, while also acknowledging the study's limitations and delimitations. Chapter Two undertakes a thorough review of relevant literature related to the study's variables, providing a strong basis for the investigation. The research approach used in the study is described in Chapter Three, detailing

the approach, design, and procedures used to collect and analyze data. Chapter Four presents the results of the study, accompanied by a detailed discussion of the findings, interpreting the results, identifying patterns and trends, and relating the findings to the broader literature. Finally, Chapter Five provides a concise summary of the findings, draws meaningful conclusions, and offers actionable recommendations for policymakers, practitioners, and future researchers.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter undertakes a meticulous and comprehensive review of existing literature relevant to the current study, synthesizing theoretical frameworks, empirical studies, and conceptual models that underpin the connections between the independent and dependent factors. The chapter examines the theoretical foundations that link tax education (TE) and tax compliance (TC), including the conceptual frameworks and empirical evidence that inform the current investigation. Furthermore, the chapter explores the hypotheses to be tested, presenting a critical analysis of the existing literature and identifying gaps in current knowledge. The literature review is used to provide a conceptual framework that highlights important discoveries, ramifications, and areas in need of more investigation. This serves as a strong basis for the chapters that follow.

Theoretical Review

This section delves into the theoretical foundations that underpin the relationship between tax education (TE) and tax compliance (TC), giving particular attention to two significant frameworks: the "Trans-theoretical Model of Change (TTM)" and the "Theory of Planned Behaviour (TPB)". These theoretical frameworks were carefully selected because of their capacity to deliver profound information about the fundamental causes, relationships, and psychological processes that influence how TE promotes compliance among taxpayers. The TTM provides a thorough comprehension of the phases and procedures associated in behavioral change., whereas the TPB offers a

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sophisticated account of how a person's intention to abide by tax laws is influenced by their beliefs, subjective norms, and perceived behavioral control. This section attempts to give a better understanding of the intricate connections between TE, attitudes, and compliance behaviors by looking at these "theoretical frameworks".

Theory of Planned Behaviour (TPB)

The "Theory of Planned Behaviour (TPB)", introduced by Icek Ajzen in 1985, suggests a significant "link" between tax education (TE) and compliant tax behaviour. This theory postulates that an individual's convictions and behavior are interconnected, and that behavioural change requires a willingness to abandon undesirable habits or adopt desirable ones (Ajzen, 2005). The TPB asserts that intention is influenced by the way one feels about the behavior, perceived social norms, and thought of control over the behaviour (Nurwanah et al., 2018).

The TPB has been extensively tested across various domains, including healthcare, demonstrating its effectiveness in predicting and explaining behaviour. By understanding these factors, TE programs can be designed to promote intentions to comply with tax regulations. Furthermore, the TPB provides a comprehensive framework for understanding the complex relationships between attitudes, intentions, and behaviour.

The TPB has been applied in various studies to explain TC behaviour. For instance, Putra (2012) assessed the TPB's applicability in explaining TC behaviour among sole proprietors. A key feature of the TPB is its emphasis on the specificity of intentional actions (Brewer & Rimer, 2008). Moreover, the TPB is supported by robust evidence from laboratory experiments, health

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behaviour interventions, and field studies. According to the TPB, the information people receive influences their intentions, which in turn shape their actions. This implies that general TE might motivate people to participate in tax planning and other efforts to reduce their tax liability by informing them about the tax benefits. Additionally, the TPB highlights the importance of considering the role of perceived control in shaping intentions and behaviour.

The "TPB" presumes that attitudes influence "behaviour" solely through intentions. However, this assumption is questionable, as research has shown that attitudes can directly forecast non-intentional behavior as a mediator (Liska, 1984). Both "intentions" and attitudes can shift over time, making their relationship with behaviour dynamic and unpredictable. Furthermore, individuals may not always form "intentions for every behaviour", especially when there is little chance to take action (Brewer & Rimer, 2008). Studies examining past behaviour often reveal that intention is not a primary "predictor of behaviour" (Hagger et al., 2002). The TPB has faced criticism regarding its measurement of behavioural intentions (Brewer & Rimer, 2008). Moreover, the TPB's assumption that intentions are the primary predictor of behaviour has been challenged by research, which suggests that other factors, such as habits and "environmental factors", can also play a significant role in shaping behaviour.

Although the TPB provides powerful predictive tools, its measurement techniques can be problematic in practice (Brewer & Rimer, 2008). These methods rely on extensive pilot work, including personal interviews, which can be resource-intensive and may not be feasible for most surveys (Brewer & Rimer, 2008). Moreover, this approach is costly, "time-consuming", and may

result in decreased participation rates. Gathering comprehensive pilot data can be challenging, particularly when programs require rapid development. Therefore, the TPB demonstrates that general TE can promote voluntary TC. Furthermore, the TPB emphasizes how crucial it is to take into account how TE shapes attitudes, intentions, and behavior.

The use of the TPB in TC research emphasizes how crucial it is to take into account the social and psychological elements that affect behaviour. By understanding these factors, TE programs can be designed to promote intentions to comply with tax regulations. The TPB provides a systematic "framework" for identifying the key "factors that influence an individual's" decision to engage in specific behaviours, such as TC (Brewer & Rimer, 2008). Since attitudes and beliefs can be modified (Brewer & Rimer, 2008), they are crucial targets for future TE initiatives. Additionally, the TPB highlights the importance of considering the role of perceived control in shaping intentions and behaviour.

Cognitive Dissonance Theory

Leon Festinger's "Cognitive Dissonance Theory" (1957) posits that "individuals experience discomfort" or unease when "their beliefs, attitudes", or actions conflict "with one another". To alleviate this discomfort, people are driven to either adjust their beliefs, attitudes, or behaviours to achieve consistency or rationalize the inconsistency. This theory has significant implications for understanding the "relationship" between tax education (TE) and tax compliance (TC). When people get TE, they acquire knowledge about tax laws, regulations, and the importance of compliance. However, if they engage in non-compliant behaviour, such as under-reporting income or evading taxes, a discrepancy arises between their knowledge and actions (Ohene, 2019).

This inconsistency can activate cognitive dissonance, leading to discomfort and motivating individuals to resolve the conflict.

The inconsistency between knowing the importance of TC and engaging in non-compliant behaviour can activate cognitive dissonance. The individual experiences discomfort due to the conflict between their awareness of tax obligations and their non-compliant actions. To reduce cognitive dissonance, individuals may employ various coping mechanisms. One way to resolve the inconsistency is by changing behaviour to align with their knowledge. This could involve improving TC and adhering to the principles learned in TE (Lin et al., 2018). By aligning their behaviour with their knowledge, individuals can reduce cognitive dissonance and maintain a positive self-image.

If changing behaviour is challenging, individuals may engage in justification strategies to rationalize their non-compliance. This could involve minimizing the importance of TC, questioning the fairness of the tax system, or finding ways to justify their actions without compromising their self-image. The use of justification strategies can provide temporary relief from cognitive dissonance. However, it may not lead to long-term changes in behaviour, as individuals may continue to engage in non-compliant behaviour while rationalizing their actions.

The resolution of cognitive dissonance can have a significant influence on future behaviour. People may be more inclined to follow tax laws in the future if they can successfully match their behavior with their TE. Conversely, if they justify non-compliance, they might continue engaging in such behaviour. Therefore, understanding cognitive dissonance theory can provide valuable insights into the psychological factors that influence TC behaviour. By

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recognizing the role of cognitive dissonance in shaping behaviour, TE programs can be designed to promote long-term changes in behaviour and encourage voluntary TC.

Conceptual Review

This section provided a thorough summary of the fundamental concepts that support this study, with a specific focus on defining and exploring the complex notions of tax education (TE) and tax compliance (TC). The process of gaining the information, abilities, and mindset people need to comprehend and satisfy their tax responsibilities is known as tax education. This encompasses a broad range of topics, including tax laws, regulations, and procedures, in addition to the importance of TC and the consequences of non-compliance. However, TC refers to the "act of fulfilling one's tax obligations", including accurately "reporting income, claiming legitimate deductions, and paying taxes on time". This section laid the groundwork for understanding the intricate relationship between TE and TC, highlighting the critical role that education plays in shaping attitudes and behaviours towards TC.

Tax Education

Tax education (TE) has been incorporated into Ghana's formal and informal educational systems to promote tax compliance (TC). In the formal sector, professional competencies have been established, leading to certification. According to Ali-Nakyea (2006), taxes are mandatory contributions to fund public agencies, without providing explicit incentives to taxpayers. Similarly, the Institute of Chartered Accountants Ghana (2011) defines tax as a state-imposed financial charge on individuals or organizations. Ghana's revenue authorities have informally educated taxpayers about tax rules

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and processes through various channels. Tax education is crucial for revenue mobilization, tax responsibility, compliance, and overall revenue generation. Furthermore, TE helps to promote transparency, accountability, and good governance, which are essential for economic development. Effective TE can also help to reduce tax evasion and avoidance, which are significant challenges facing many countries. By promoting TC, TE can contribute to the achievement of national development goals.

In Ghana, TE is essential for promoting TC, particularly in the informal sector, which accounts for approximately 70% of the economy. Terkper (2013) emphasized the importance of sustained government support to help informal sector administrators become tax compliant. He acknowledged the crucial role of mandatory and self-assessment taxpayers in building the economy by mobilizing local revenues. To achieve this, tax authorities should implement practical measures to bring all informal sector operators into the tax net and prevent tax evasion (Jacob, 2022). Despite recognizing the importance of TE, current efforts are insufficient in educating taxpayers about their tax obligations (Ohene, 2019). This highlights the need for more effective TE strategies that cater to the unique needs of different taxpayer groups. Moreover, TE should be tailored to address the specific challenges and concerns of taxpayers in the informal sector.

According to Atuguba (2021), there is a general lack of publicly available information on taxation, leading to confusion among individuals about different types of taxes and revenue sources. Atuguba noted that tax information and education are insufficient, even for those with basic competence. He suggested that targeted publicity and TE could address this issue. However,

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Atuguba (2021) found that many NGOs' educational initiatives are not tailored to specific taxpayer needs. To effectively address this issue, it is essential to assess the unique information and educational requirements of various taxpayer groups. This could involve conducting surveys, focus groups, or interviews to identify the knowledge gaps and educational needs of different taxpayer groups. Additionally, tax authorities and educational institutions should collaborate to develop and implement effective TE programs.

The widespread lack of knowledge about the tax system in Ghana highlights the need for comprehensive TE. Many individuals in both the formal and informal sectors have limited knowledge of filing and payment procedures. In the informal sector, taxpayers often rely on tax authorities to calculate their tax liabilities and may not be able to distinguish between genuine and fake receipts (Atuguba, 2021).

A study by Atuguba (2011) found that 66% of taxpayers in Ghana want more accurate information about taxes, highlighting a significant gap in TE. This gap can be bridged through the development of comprehensive TE programs that cater to the unique needs of different taxpayer groups. Furthermore, TE programs should be designed to address the specific challenges and concerns of taxpayers in the informal sector.

The importance of comprehensive TE cannot be overstated. Asante-Boadi (2010) emphasized the need for comprehensive TE, which would require all tax professionals to undergo rigorous training in tax collection. Tettey-Enyo (2010) also stressed the importance of having more tax professionals to boost Ghana's income mobilization. He noted that the country lacks educated tax

specialists and urged CITG to provide ongoing training to update their knowledge of new legislation and ethics.

Bruce-Twum (2014) examined gift TC in Ghana and found that training is a crucial factor in determining people's understanding and acceptance of tax rules. He identified two key aspects of training: general fiscal knowledge and information about tax avoidance and evasion. Reaching national development goals requires a "culture" of TC, which can be fostered via effective TE.

Tax Compliance

Tax compliance (TC) is a broad term that includes paying all taxes in a truthful and complete manner as required by law (Marti, 2010). However, the administrative burdens associated with TC disproportionately affect "small and medium enterprises (SMEs)", rendering compliance a significant challenge for these entities (Pope & Abdul-Jabbar, 2008). High TC can lead to tax assessment shirking, tax evasion, and reduced investment (James & Alley, 1999). Tax compliance can take many different forms, such as not paying taxes, misrepresenting income and expenses, or failing to file tax returns on time (Kasipillai & Abdul-Jabbar, 2006).

Studies have consistently shown that tax "evasion is a pervasive problem" affecting numerous countries worldwide (Fagbemi, Uadile, & Noah, 2010). Furthermore, high tax rates can motivate tax avoidance, and a complex tax system can render compliance difficult and costly (Chipeta, 2002). To improve TC, it is essential to simplify the tax system, reduce administrative burdens, and provide incentives for SMEs (Vasak, 2008). SMEs are often subject to excessive administrative requirements, including complex tax laws,

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varied assessments, and high port charges (Masato, 2009). A simplified tax system can reduce compliance costs, increase tax revenue, and promote economic growth.

The existing evidence suggests that SMEs are disproportionately affected by compliance costs, which can be higher than those of larger organizations (Kasipillai & Abdul-Jabbar, 2006). To address this issue, tax policies can be designed to promote voluntary compliance and support the growth of SMEs (Shahroodi, 2010). A fair and efficient tax system can help reduce tax evasion, promote economic growth, and increase tax revenue. Conversely, a complex tax system can have negative consequences, including poor productivity, high compliance costs, and wasted time for taxpayers and tax authorities (Farzbod, 2000).

Fair and efficient tax system, on the other hand, can promote economic growth, reduce tax evasion, and increase tax revenue (Yaobin, 2007). Therefore, it is essential to design "a tax system" that is simple, fair, and efficient. To achieve this goal, tax policies can be designed to promote voluntary compliance and support the growth of SMEs (Shahroodi, 2010). A fair and efficient tax system can help reduce tax evasion, promote economic growth, and increase tax revenue.

By simplifying the tax system, reducing administrative burdens, and providing incentives for SMEs, governments can promote TC and support the growth of SMEs. This can be achieved through various measures, such as streamlining tax laws, reducing compliance costs, and providing tax incentives for SMEs. Governments may establish a favourable business climate that

encourages TC and aids in the expansion of SMEs by putting these policies into place.

Tax Education and its' Influence on Tax Compliance

The "majority of individuals", regardless of their sector, possess limited knowledge about "the tax system" and filing procedures, hindering their ability to abide with tax regulations. Consequently, tax education (TE) is vital for broadening "the tax base and encouraging voluntary tax compliance" (TC) (Asante-Boadi, 2020). This study looked at how TE affected people's knowledge of tax collecting, specifically with relation to tax laws and regulations. (Atuguba, 2021). The findings of this study can inform the development of effective TE programs that cater to the needs of different taxpayer groups. Moreover, TE can help reduce tax evasion and avoidance, which are significant challenges facing many countries. TE can help accomplish national development goals by encouraging TC.

Previous research has demonstrated that general tax information significantly influences people's understanding of tax rules and their ability to comply. Improving tax information can promote TC, as individuals are more likely to regard authority as procedurally fair, leading to increased compliance with tax rules (Aryes and Braithwaite, 1992). Moreover, providing basic information about administrative aims can foster trust and confidence in the tax system. This, in turn, can promote voluntary TC and reduce the likelihood of tax evasion. Furthermore, TE can help taxpayers understand their tax obligations, including filing and payment procedures, and can also promote a culture of TC.

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In tax administration, accurate evaluation of a taxpayer's income is crucial for precise tax estimation. However, this cannot be achieved without adequate record-keeping, which is often lacking due to illiteracy (Jacob, 2022). Even among literate individuals in the formal sector, knowledge about the tax system and filing procedures is limited. Therefore, TE is essential for effective TC. Tax education can help taxpayers understand their tax obligations, including filing and payment procedures, and can also promote a culture of TC. Moreover, TE can help reduce the complexity of the tax system, making it easier for taxpayers to comply.

An excessively complex administrative framework and tax system can make TC cumbersome and have a distortionary impact on SMEs, enticing them to transform into structures with lower or no taxation rates (Musimenta, 2020). To address this issue, tax legislation, guidelines, and processes should be straightforward, enabling taxpayers to comprehend and comply. Simplifying tax laws, rules, and processes can also help reduce compliance costs and promote economic growth. Furthermore, a simplified tax system can promote transparency, accountability, and good governance, which are essential for economic development.

Simplifying tax laws, rules, and processes can be greatly improved if taxpayers receive personalized TE in a regular yet cost-efficient manner. This would enable them to correctly understand and comply with tax requirements. By providing taxpayers with the necessary knowledge and skills, TE can help to reduce the complexity of the tax system and promote voluntary TC. Effective TE can also help promote a culture of TC, which is essential for achieving

national development goals. Moreover, TE can help reduce tax evasion and avoidance, which are significant challenges facing many countries.

Empirical Review

This section examines existing research on tax education (TE) and tax compliance (TC), with a focus on committed TC. Committed TC refers to the willingness of individuals to comply with tax laws without complaint. Previous studies have explored the relationship between TE and committed TC, highlighting the importance of TE in promoting voluntary TC.

For instance, Machogu and Amayi (2013) investigated "the impact of taxpayer education on voluntary TC among SMEs in Tanzania". They recommended incorporating TE into all educational levels to promote voluntary compliance. However, their study's methodology and analysis were overly simplistic, resulting in subjective findings. A more robust analysis using scientific techniques could provide more objective results.

Similarly, Olowookere and Fasina (2013) examined "the relationship between taxpayers' education and voluntary compliance in Lagos State", Nigeria. Although they used actual taxpayer behavioral data, their study suffered from an inappropriate measure of correlation. Brainyyah and Rusydi (2013) "investigated the influence of tax knowledge, tax complexity, and perceived fairness on TC choices among SME entrepreneurs in Malang". Their study employed multiple regression, a suitable methodology for establishing relationships. Other studies have also explored factors affecting TC in various contexts. For example, Osebe (2019) recommended simplifying tax laws and enforcing penalties to promote compliance in the Kenyan real estate sector.

Mengere (2014) advocated for TE at all levels of education to promote PAYE TC in Nairobi. Maseko (2014) highlighted the need for distinct tax incentives to increase compliance among Zimbabwean SMEs. Mukasa (2011) examined "tax knowledge, TC, and perceptions of tax fairness among Ugandan SMEs". Although their research provided valuable insights, it suffered from methodological issues. McBarnet (2011) defined capitulative compliance as grudging compliance, which may not be universally applicable. Tan and Chin-Fatt (2000) found "no significant effect of tax knowledge on attitudes towards TC". Similarly, Eriksen and Fallan (1996) "concluded that tax knowledge had a positive association with attitudes towards tax evasion and ethics".

These studies provide valuable insights into TC behavior but may overlook nuances in taxpayer attitudes toward compliance types. Further research considering various forms of compliance is warranted to gain a deeper understanding of TC behavior. Additionally, future studies should employ robust methodologies and analysis to provide more objective results. By exploring the relationship between TE and TC, researchers can inform the development of effective TE programs that promote voluntary TC.

Conceptual Framework

The relationship between rewards, tax knowledge, and tax compliance (TC) is visually represented by the conceptual framework. This concept emphasizes how important tax knowledge is in regulating the correlation between TC and incentives. Tax knowledge is essential for improving TC, as the framework illustrates. Employees are more likely to abide by tax laws when they have a thorough awareness of tax jurisdiction, corporate taxes, and penalties. Better organizational effectiveness, less tax evasion, and more

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revenue production may follow from this. Additionally, tax awareness lowers the possibility of mistakes and non-compliance by empowering employees to make knowledgeable decisions on TC.

The relationship between incentives and performance in TC is strengthened by the moderating effect of tax knowledge. In summary, personnel that possess tax expertise are better equipped to comprehend the benefits of TC and carry out their duties more efficiently. Figure 1 shows a graphic representation of this relationship. According to the framework, one of the most important factors in determining how well rewards work to promote TC is tax awareness. Employers can foster a culture of tax compliance (TC), lower the risk of non-compliance, and improve organizational performance by giving staff members thorough tax education.

A basis for comprehending the intricate connections among TC, rewards, and tax knowledge is provided by the conceptual framework. Scholars and professionals can learn a great deal about the elements that affect TC by looking at these connections. The creation of successful TE initiatives, incentive schemes, and corporate regulations that support TC can all benefit from this understanding. The approach concludes by emphasizing the value of tax expertise in advancing TC and organizational effectiveness.

Tax Knowledge   **Tax Compliance**
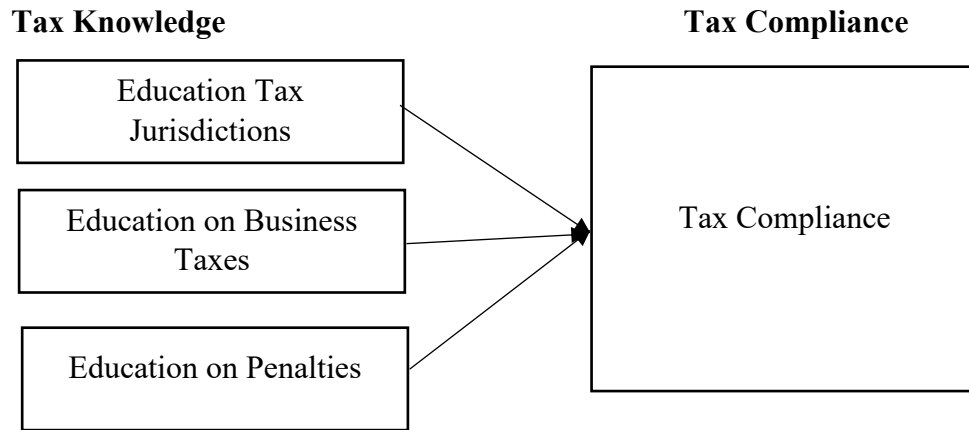
Figure 1: Conceptual Framework

Source: Author's Construct (2023)

Chapter Summary

     This chapter synthesized the pivotal concepts and insights gleaned from extant research on tax education and tax compliance (TC). A critical examination of pertinent studies exposed methodological shortcomings in certain quantitative investigations exploring the nexus between TE and TC. Building on the reviewed literature, a conceptual framework was devised, distilling the key takeaways and theoretical underpinnings for examining the relationship between TE and TC. This framework provides a foundation for future research, enabling scholars to build upon existing knowledge and address the methodological limitations of previous studies.

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CHAPTER THREE

RESEARCH METHODS

Introduction

In this chapter, the research methodology used to collect and analyze the data for this study is described. It provides an extensive synopsis of the steps and techniques used to carry out the study, along with the underlying reasoning behind these decisions. The chapter covers a number of subjects, such as the population, sampling process, data collection tools, pre-testing, data collection and processing, ethical issues, research design, approach, and study area profile, in addition to a chapter summary. In order to guarantee transparency, validity, and dependability in the research findings, this chapter provides a thorough explanation of the research technique.

Research Paradigm

Every researcher is driven by their own worldview, values, and philosophical assumptions when conducting a study (Adjei, 2015). These assumptions, also known as paradigms, shape the research process and methodology (Guba, 1990). Saunders, Lewis, and Thornhill (2016) define research philosophy as the underlying presumptions and attitudes that direct the quest for knowledge. Whether a researcher chooses a mixed-methods, qualitative, or quantitative strategy, their viewpoint frequently affects their decision (Creswell & Creswell, 2018). Five major philosophical stances have influenced social science research, according to Saunders et al. (2016): "positivism, critical realism, interpretivism, postmodernism, and pragmatism." This research has a positivist stance.

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Positivism is a philosophical framework that focuses on empirical evidence and seeks to establish general laws (Saunders et al., 2016). Positivists aim to uncover objective facts, uninfluenced by personal biases or perceptions. This approach involves "using existing theory to develop hypotheses, which are then tested and verified or rejected through empirical research" (Creswell, 2009; Saunders et al., 2016). According to Saunders et al. (2016) and Sekaran and Bougie (2016), positivism seeks to uncover universal truths and objective reality, particularly in the field of management sciences. This approach is well-suited for this study, as it involves testing hypotheses based on path-goal and social exchange theories.

Research Approach

Researchers employ three primary approaches to conduct studies: qualitative, quantitative, and mixed methods (Creswell & Creswell, 2016). This study utilized the quantitative approach, which emphasizes numerical data analysis and statistical methods to explain phenomena (Creswell, 2021). Quantitative research involves collecting and analyzing data using quantification, often employing deductive logic to identify patterns and relationships (Lincoln & Guba, 1985). By breaking down complex social phenomena into empirical components, quantitative research seeks to understand human behavior, representing variables numerically as frequencies or rates (Rahman, 2017).

In contrast, qualitative research involves "collecting and analyzing non-numerical data, such as text, video, or audio, to gain in-depth insights into concepts, opinions, or experiences" (Creswell, 2021). This approach prioritizes retaining rich meaning when interpreting data, often introducing subjectivity in

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the course of collecting and analyzing data. Qualitative research is commonly used to gather detailed information, generate new research ideas, and understand how people experience the world. Various qualitative research approaches exist, each offering flexibility in methodology.

The mixed research approach combines quantitative and qualitative methods, leveraging their strengths to explore diverse perspectives and uncover complex relationships (Creswell, 2021). This method increases the validity and dependability of the results by allowing researchers to triangulate their findings. Researchers can tackle challenging research issues and gain a thorough understanding of study phenomena through mixed methods research.

The quantitative research approach was used in this study, which included statistical analysis and numerically evaluated measurements. Because of the type of primary data needed, the instrument's design for gathering data, the goals of the study, and the statistical tools available for data processing and analysis, the quantitative approach was selected. The study's theoretical underpinnings also backed the use of a quantitative research approach.

The requirement to extrapolate the results to a broader population also had a role in the choice of the quantitative technique. Large datasets can be gathered through quantitative research, which helps researchers spot patterns and trends that qualitative research could miss. Additionally, the great degree of impartiality offered by quantitative research lowers the possibility of researcher bias and boosts the validity of the results.

In the end, the study topic, goals, and methodology determine which research approach is best. Every strategy has advantages and disadvantages; therefore, researchers must carefully consider which one best suits their

objectives. Researchers can create studies that offer insightful information and further the body of knowledge in their subject by being aware of the various research methodologies.

Research Design

This study utilized a survey strategy to collect, evaluate, and interpret data, providing a comprehensive understanding of the research phenomenon. The survey approach was selected over alternative research designs, such as "experimental and casual-comparative", due to its appropriateness for business and management research, as advocated by Saunders, Lewis, and Thornhill (2007), who state that "surveys are a popular method for collecting data in business and management research because they allow researchers to collect large amounts of data from a diverse population" (p. 123). The survey strategy offers several advantages, including the ability to efficiently collect large amounts of data from a diverse population, making it a cost-effective and time-efficient approach.

The survey approach is particularly well-suited for business and management research, as it enables researchers to gather data from a large sample size, increasing the generalizability of the findings. As noted by Cooper and Schindler (2014), "surveys are useful for collecting data from a large sample size, which can provide a more accurate representation of the population" (p. 156). Additionally, surveys can be administered through various channels, such as online or mail, allowing researchers to reach a wider audience and increase response rates.

The decision to employ a survey strategy in this study was also influenced by the research objectives and questions. The survey approach

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allowed researchers to collect data that was specifically tailored to address the research questions, providing valuable insights into the research phenomenon. As emphasized by Sekaran and Bougie (2013), "the survey method is particularly useful when the research question requires the collection of data from a large sample size" (p. 187). Furthermore, the survey strategy enabled researchers to analyze the data using statistical techniques, increasing the reliability and validity of the findings.

Validity and Reliability

A comprehensive analysis of the body of research was done to find pertinent factors pertaining to "tax education" (TE) and "tax compliance" (TC) in order to guarantee the precision and coherence of the study's tools and procedures. Convenience, affordability, the advantages of TC, fear-appealing messaging, and basic tax awareness were identified as the main variables influencing TE. Compliant, capitulative, and innovative behaviors were found to be pertinent indicators for TC. The TE components were consolidated into three main areas—general tax knowledge, fear-appealing messaging, and tax convenience—after factor analysis was done to improve the questionnaire items.

Cronbach's Alpha, a commonly used reliability metric, was used to conduct a reliability analysis after the validation procedure. The reliability analysis's findings showed that TE and TC had good reliability, with scores of 0.811 and 0.758, respectively. According to experts, a reliability score of around 0.70 is considered relatively high, suggesting that the study's questionnaire items demonstrate strong reliability in measuring TE and compliance among SMEs in the "Cape Coast Metropolis".

The high reliability scores obtained in this study are consistent with the views of Sekaran and Bougie (2013), who argue that "reliability is a necessary condition for validity, and that a reliable measure is one that yields consistent results when administered to the same respondents under the same conditions" (p. 278). This underscores the importance of ensuring the reliability of research instruments, and highlights the rigor and accuracy of the study's methodology.

Study Area

The Cape Coast Metropolis, which serves as the regional capital of Ghana's Central Region, formed the study area for this research. The Metropolis is one of twenty-two districts in the Central Region and shares boundaries with several neighboring districts. With a total area of approximately 122 square kilometers, the Metropolis has a population of 189,925, according to the 2021 Population and Housing Census. The primary economic activities in the Metropolis include trading and farming, with a significant formal sector comprising SMEs.

The low tax revenues from the "Metropolis" and the substantial economic activity of SMEs in the area had a role in the decision to conduct the study in Cape Coast. As noted by the Ghana Revenue Authority (2020), "SMEs are a significant contributor to the Ghanaian economy, but they also account for a substantial part of tax non-compliance" (p. 12). This study focuses on SMEs within the "Cape Coast Metropolis", which were selected due to their significant business activities in the area, the limited research conducted in this area, and their propensity for tax non-compliance in Ghana.

The fact that SMEs are essential to the nation's economic growth further supports their inclusion in the "Cape Coast Metropolis." The Ministry of Trade

and Industry (2020) states that "SMEs account for about 85% of businesses in Ghana and contribute significantly to the country's GDP" (p. 15). Therefore, policymakers and stakeholders looking to enhance tax revenue generation in the area must comprehend the TC behavior of SMEs in the "Cape Coast Metropolis".
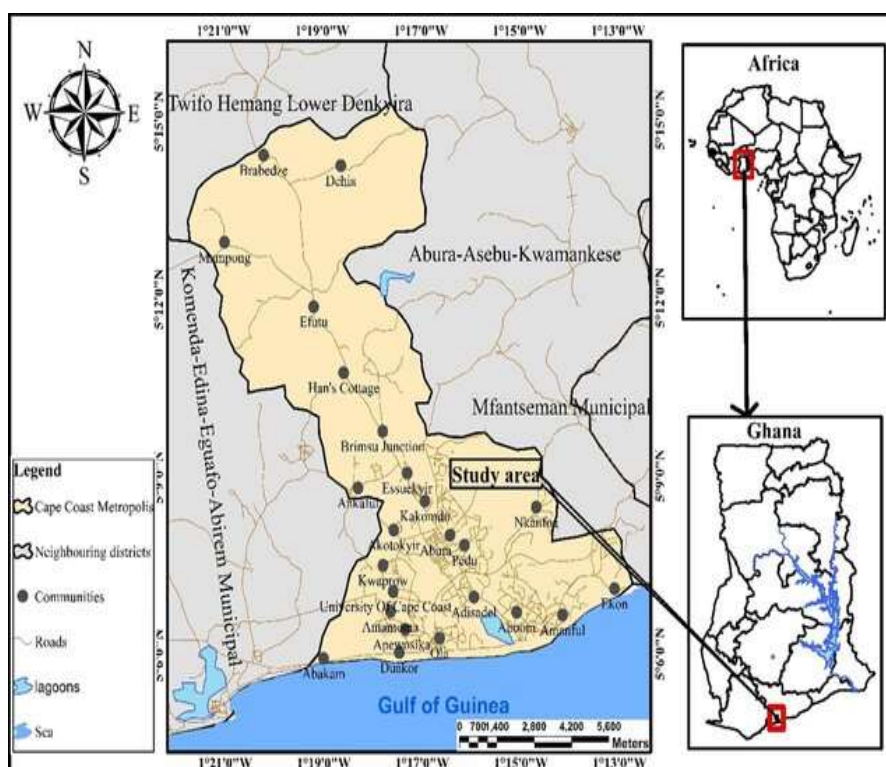
Figure 2: Map of Cape Coast Metropolitan Assembly

Source: Duku et al., (2023)

Population

The registered SMEs in the "Cape Coast Metropolis" are the specific focus of this study. The National Board for Small Scale Industries (NBSSI, 2022) estimates that 2,345 SMEs are registered in the "Metropolis." The study's scope is restricted to officially registered small enterprises in the "Cape Coast Metropolis," offering a targeted analysis of this particular demographic.

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Sample Size and Justification

A scientific and empirical technique was used to select the sample size in order to guarantee the correctness and dependability of the study's findings and conclusions. In particular, Yamane's (1967) sampling size determination model was used in this study to determine the ideal sample size. The following is the presentation of Yamane's sampling size determination model:

$A = k/[1+(ke^2)]$ (5)

Where: **A** is the sample size, **k** is the population, and **e** is the error limit (0.05 based on 95% confidence level). Substituting the data on these variables in the study, the sample size is determined as:

$A = 2,345/[1 + (2,345 (0.05)^2]$

$A = 2,345/6.8625$

$A = 341.712204$ or approximately 342

To determine the sample size for this study, a population of approximately 2,345 SMEs and an acceptable error margin of 5% were used as the basis for calculation. Using this criterion, a sample size of 342 was deemed sufficient to ensure reliable and generalizable results. This sample size calculation is consistent with the recommendations of researchers such as Krejcie and Morgan (1970), who suggest that a sample size of at least 300 is required for a population of this size.

Following the determination of the sample size, the study proceeded to select the sampling technique. This study employed the purposive sampling technique to select SMEs in the Cape Coast metropolis. According to Palys (2008), "purposive sampling is a technique in which the researcher selects participants based on their relevance to the study" (p. 123).

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The quota purposive sampling technique was used to ensure that each major economic group was adequately represented in the sample. This approach allowed for a deliberate selection of participants to achieve a representative sample, thereby increasing the validity and reliability of the findings. By using this technique, the study aimed to capture a diverse range of SMEs, including those from different industries and sectors, to provide a comprehensive understanding of TC among SMEs in the Cape Coast metropolis.

Data Collection Instrument and Procedure

Structured questionnaires were distributed to registered SMEs in the "Cape Coast Metropolis" in order to gather primary data for this study. The questionnaires were thoughtfully created to meet the goals of the study and to record important aspects of tax compliance (TC), non-compliance, and tax education (TE), as covered in the literature review. "The questionnaire is a widely used and effective tool for collecting data and answering research questions" (p. 145) is what Remenyi (2003) says. With quick response periods, the use of questionnaires provided an economical and effective method of gathering data.

The questionnaire design process involved clearly defining and describing the phenomenon being studied, "in order to identify the construct to be measured" (Remenyi, 2003). To minimize the risk of biased responses, respondents were provided with detailed instructions on completing and returning the questionnaires. As emphasized by Sekaran (2003), "maintaining confidentiality and providing clear instructions are crucial in reducing the likelihood of biased responses" (p. 234). To ensure confidentiality, all responses were kept anonymous, and no participant names were recorded. This study

<div align="center">33</div>

utilized closed-ended questionnaires with a five-point Likert scale, facilitating easy completion and analysis of the data.

The use of a five-point Likert scale in the questionnaire also allowed for a nuanced understanding of the respondents' attitudes and perceptions towards TC. As noted by DeVellis (2017), "the Likert scale is a widely used and well-established measure of attitudes and opinions" (p. 67). The use of this scale enabled the researcher to capture subtle variations in the respondents' views, providing a richer understanding of the factors influencing TC among SMEs in the "Cape Coast Metropolis".

Data Analysis

The Statistical Product for Service Solutions (SPSS) program was used in the study to arrange and examine the data in a methodical manner. Tables, graphs, and charts were used to clearly and succinctly illustrate the analysis's conclusions. A regression analysis was carried out to determine the precise tax education variables that have a substantial impact on tax compliance (TC) in order to achieve the study's goal of analyzing the correlations between variables. To gain a more thorough grasp of the underlying dynamics, a Structural Equation Model (SEM) was also employed to better explore the intricate interactions between the variables being studied.

According to Hair et al. (2010), "SEM is a powerful statistical tool that allows researchers to examine complex relationships between variables and test hypotheses in a comprehensive and systematic manner" (p. 687). The use of SEM in this study enabled the researcher to model the relationships between the variables and test the hypotheses in a rigorous and systematic way.

The application of SEM in this study also allowed for the control of measurement errors and the examination of indirect effects between variables. As noted by Kline (2011), "SEM provides a flexible and powerful framework for modeling complex relationships between variables, and for testing hypotheses about the relationships between variables" (p. 12). By using SEM, the study was able to provide a more nuanced and accurate understanding of the relationships between TE and TC among SMEs in the Cape Coast Metropolis.

Ethical Considerations

As Saunders, Lewis, and Thornhill (2016) point out, obtaining informed consent from participants "who must express their objectives and adhere to strict research ethics is crucial to ensuring the ethical conduct of research". Respondents were fully informed about the study's goals, methods, and possible ramifications in order to protect their rights and dignity. Respondents received guarantees of confidentiality and anonymity, and all personally identifiable information was maintained apart from their answers. In addition, participants were fully informed about the possible dangers, advantages, and discomforts of the study and informed of their freedom to leave at any moment without incurring any fees or repercussions.

An essential component of research ethics is obtaining informed consent, which empowers participants to make knowledgeable choices regarding

Chapter Summary

By using a quantitative research approach, this study was able to process data in a variety of ways, conduct statistical tests, and do comparative analyses to guarantee the validity of the results (Partington, 2002). The Cape Coast city,

which is in Ghana's Central Region and has 2,345 registered small and medium-sized businesses (SMEs), according to the Registrar Generals Department (2023), was the study's primary focus. A purposive selection strategy was used to pick respondents, and Yamane's (1967) model was used to determine a sample size of 342 respondents. The use of structured questionnaires made it easier to collect data, which was then methodically arranged and examined using the Statistical Product for Service Solutions (SPSS) program. The results were then displayed in a

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CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This study looked into how "tax education" (TE) affected small and medium-sized businesses' (SMEs') "tax compliance" (TC). The study's results, including the conclusions and comments drawn from the respondents, are presented in this chapter. The chapter opens with a review of the respondents' demographic details, giving a general idea of the makeup of the sample. In order to guarantee the precision and dependability of the data gathered, the validity of the research tool was also evaluated.

Demographic Characteristics of Respondents

An examination of the respondents' demographic traits is presented in this part, along with details about their profiles and backgrounds. As presented in Table 1, the respondents' profiles encompass a range of demographic variables, including gender, age, educational attainment, work experience, marital status, and business objectives, providing a comprehensive understanding of the sample's composition.

Table 1: Demographic Characteristics

Variables	Frequency	Percent
Gender		
Males	189	55
Females	153	45
Age		
20 30 years	118	30
31 to 40 years	115	34
41 to 50 years	75	22
51to 60 years	17	5
Others	17	5
Level of Education		
No formal education	13	4
Basic	55	16
Secondary	59	17
Tertiary Level	215	63
Experience		
1 to 5 years	78	23
6 to 10 years	159	46
11 to 15 years	71	21
16 years and above	34	10
Marital Status		
Single	103	30
Married	189	55
Divorced	50	15
Object of Business		
Service	148	43
Manufacturing	54	16
Retail trading	116	34
others	24	8
Total	342	100

Source: Field Survey (2023)

The demographic analysis of the 342 respondents revealed several key characteristics. Firstly, the gender distribution showed a slight majority of males (55%) compared to females (45%). This indicates that the study's sample is slightly skewed towards male respondents.

Regarding age, the vast majority of participants (74%) fell within the middle-aged category, with 35% between 20-30 years old and 39% between 31-40 years old. This suggests that the study's sample is comprised of individuals

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who are likely to be established in their careers and have significant work experience.

Regarding educational background, a significant proportion of respondents (39%) held a tertiary-level education, followed by 24% with a diploma, and 17% with SHS and technical certificates. This indicates that the study's sample is comprised of individuals with a relatively high level of education.

The employment experience of the respondents was also varied, with 46% having 6-10 years of experience, indicating that the majority of respondents had significant work experience. This suggests that the study's sample is comprised of individuals who have a deep understanding of the TC issues faced by SMEs.

Finally, the respondents' marital status revealed that 15% were divorced, 30% were single, and 55% were married. This gives more background information on the individual traits of the study's sample.

Table 2: Descriptive Statistics of Education on Tax Jurisdiction

	Mean	Std. Deviation
The educational materials provided adequately cover different tax jurisdictions.	4.13	1.446
The teaching methods used in the educational program enhanced my understanding of tax jurisdictions.	4.11	1.562
I feel confident in my understanding of how tax laws vary across different jurisdictions.	4.06	1.530
The training sessions provide clear insights into how tax regulations impact financial decision-making for businesses.	4.02	1.478
I feel confident in making decisions related to tax matters in different jurisdictions.	4.01	1.488
The educational materials effectively explain fundamental taxation concepts such as taxable income and deductions.	3.97	1.569
The training sessions effectively explain the implications of tax jurisdiction differences on businesses.	3.95	1.504
I feel equipped to navigate complex tax scenarios after completing the educational program.	3.83	1.515

Source: Field Survey (2023)

Table 3: Descriptive Statistics for Education on Business Taxes

	Mean	Std. Deviation
The teaching methods used in the educational program enhanced my understanding of business taxes.	4.74	1.686
The content related to business taxes was relevant to my business or professional needs.	4.61	1.742
The content related to business taxes was relevant to my business or professional needs.	4.45	1.670
The educational materials effectively explained the complexities of business taxes.	4.28	1.814
I feel confident in my understanding of various business taxes.	4.21	1.593
The training sessions enhance my knowledge of strategies to minimize business tax liabilities legally.	4.20	1.474
The educational resources comprehensively address various types of business taxes (e.g., income tax, sales tax, property tax).	4.13	1.508
I am confident in my ability to apply the knowledge gained to optimize my business's tax situation.	3.99	1.609

Source: Field Survey (2023)

Table 4: Descriptive Statistics of Education on Penalties

	Mean	Std. Deviation
The tax education materials provided clear and concise information about different tax penalties.	4.89	1.761
I feel confident in my understanding of the various tax penalties outlined in the tax education program.	4.88	1.708
The tax education I received adequately informed me about the penalties associated with non-compliance	4.77	1.741
I feel prepared to avoid tax penalties through the knowledge gained from the educational program.	4.73	1.678
The educational materials adequately inform about potential tax-related penalties.	4.65	1.844
The training sessions effectively communicate the consequences of non-compliance with tax regulations.	4.61	1.774
The tax education program increased my awareness of the consequences associated with not complying with tax regulations.	4.58	1.807

Source: Field Survey (2023)

Table 5: Descriptive statistics of Tax Compliance

	Mean	Std. Deviation
I am willing to voluntarily comply with all tax regulations.	4.64	1.721
I consistently file my tax returns on time.	4.55	1.781
I am aware of my responsibilities and tax requirements..	4.53	1.616
Adhering to tax regulations is essential for the well-being of society.	4.49	1.611
I maintain organized and thorough records to support my tax filings.	4.17	1.953
I have a good understanding of eligible deductions and credits, and I claim them appropriately.	4.10	1.894
I ensure that my reported income is accurate and complete.	4.07	1.979

Source: Field Survey (2023)

Assessment of Measurement Models for the Study

This section delves into the "measurement models" employed in the study, with a comprehensive evaluation of their validity and reliability. According to Hair et al. (2017), "the evaluation of measurement models is a critical step in the research process, as it ensures that the constructs are

measured accurately and reliably" (p. 123). The assessment commences with an examination of the indicator loadings, which is an essential step in assessing the measurement model's validity. According to Chin (2010), "indicator loadings provide evidence of the relationships between the indicators and the latent constructs" (p. 667).

The measurement model's internal consistency reliability is also evaluated, which is a measure of the consistency of the metrics for assessing the construct. According to what Fornell and Larcker (1981) said, "internal consistency reliability is a necessary condition for construct validity" (p. 46). Furthermore, the measurement model's discriminant and convergent validity are evaluated. Whereas discriminant validity describes how well the indicators measure different constructs, convergent validity describes how well the indicators measure the same construct. As noted by Bagozzi and Yi (1988), "convergent validity and discriminant validity are essential conditions for establishing the validity of a measurement model" (p. 79).

To ensure the accuracy of the evaluation, a reliable Partial Least Squares (PLS) algorithm is utilized. According to Wold (1985), "PLS is a powerful method for analyzing complex relationships between variables" (p. 589). The results of the evaluation are presented in the tables below, providing a detailed overview of the measurement model's performance.

Assessing Indicator Loadings

An analysis of Table 6 indicates that several indicators were removed to improve the overall reliability of the "model". In line with Hair et al. (2016)'s suggestions, indicators with loading scores below the established threshold of 0.7 were removed to ensure the model's validity. This threshold is widely

accepted as the minimum required for an indicator to be regarded as trustworthy (Hair et al., 2016).

The results show that 48 out of 50 measurement items met the threshold, and all indicators within individual variables were retained, thereby enhancing the model's overall reliability and validity. This suggests that the remaining indicators are robust and accurately measure the underlying constructs, providing a solid foundation for further analysis.

Table 6: Cross Loadings

	Business	Compliance	Jurisdiction	Penalties
BUS2	**0.879**	0.187	0.578	0.11
BUS3	**0.923**	0.181	0.592	0.066
BUS4	**0.902**	0.147	0.571	0.084
BUS5	**0.902**	0.197	0.593	0.139
BUS6	**0.941**	0.248	0.559	0.195
BUS8	**0.8**	0.089	0.629	-0.045
COML1	0.169	**0.847**	0.094	0.716
COML2	0.174	**0.847**	0.147	0.78
COML3	0.191	**0.885**	0.1	0.7
COML4	0.174	**0.863**	0.195	0.665
COML5	0.195	**0.887**	0.128	0.729
JURI1	0.538	0.142	**0.832**	0.106
JURI2	0.598	0.153	**0.827**	0.106
JURI3	0.653	0.109	**0.819**	0.053
JURI4	0.397	0.08	**0.778**	0
JURI5	0.391	0.101	**0.798**	0.077
JURI6	0.583	0.129	**0.865**	0.121
JURI7	0.549	0.12	**0.831**	0.036
JURI8	0.466	0.138	**0.807**	0.101
PEN5	0.065	0.704	-0.008	**0.88**
PEN6	0.104	0.635	0.195	**0.859**
PEN7	0.197	0.653	0.176	**0.845**
PEN8	0.06	0.779	-0.007	**0.777**

Source: Field Survey (2023)

Contrary to expectations, all indicators measuring various environmental factors, including competition, economic, efficiency, innovation, legal, low turnover, political, quick service delivery, and technological environments, demonstrated strong loadings "above the recommended

threshold of 0.7" (Hair et al., 2017). As noted by Hair et al. (2017), "indicator loadings above 0.7 are considered to be satisfactory" (p. 123), indicating that these indicators are robust and accurately capture the underlying constructs. However, for another construct, only three out of five indicators met the threshold, with loadings above 0.7. According to Chin (2010), "indicators with loadings below 0.7 may not be reliable and should be removed" (p. 667). Therefore, the remaining two indicators failed to meet this threshold and were subsequently removed to maintain the integrity of the measurement model.

According to what Fornell and Larcker (1981) said, "the removal of indicators with low loadings can improve the overall reliability and validity of the measurement model" (p. 46). By removing these indicators, the study ensures that the remaining indicators accurately measure the underlying constructs, providing a more reliable and valid measurement model.

Assessing Internal Consistency Reliability

Composite reliability was used in this study to assess the constructs' internal consistency and dependability. Hair et al. (2017) state that, "composite reliability is a measure of the internal consistency of a construct, and it is calculated using the loadings of the indicators" (p. 123). According to Rossiter (2002), composite dependability is a better measure for evaluating internal consistency than Cronbach's alpha. Adding that "composite reliability is a more robust measure of internal consistency, as it takes into account the loadings of the indicators" (p. 456).

All of the latent variables investigated in this study exhibit great dependability, according to the findings shown in Table 4, with loadings approaching or exceeding the recommended threshold of 0.7. As stated by Chin

(2010), "loadings above 0.7 are considered to be satisfactory, indicating that the indicators are reliable measures of the construct" (p. 667).

The results reveal that the natural environment construct has the highest composite reliability (0.987), followed closely by innovation (0.981), quick service delivery (0.976), efficiency (0.972), and legal environment (0.968). As stated by Larcker and Fornell (1981), "composite reliability values above 0.9 indicate excellent reliability, while values above 0.8 indicate good reliability".

The competitive environment construct has the lowest composite reliability (0.934), although it still meets the recommended threshold. As noted by Hair et al. (2017), "composite reliability values above 0.7 indicate acceptable reliability, although values above 0.9 are generally preferred" (p. 123).

These results imply that the constructs investigated in this work exhibit excellent dependability and internal consistency, offering a strong basis for additional research. Furthermore, Table 7 displays the convergence validity test findings.

Table 7: Validity and Reliability

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Business	0.95	0.984	0.959	0.796
Compliance	0.916	0.918	0.937	0.75
Jurisdiction	0.931	0.94	0.942	0.672
Penalties	0.862	0.864	0.906	0.708

Source: Field Survey (2023)

Establishing the reliability of a data collection instrument is crucial, and Cronbach (1951) recommends "a minimum Cronbach alpha value of 0.7" as a benchmark for reliability. The study's findings show that the reliability levels were higher than what was considered acceptable, with Cronbach's alpha values, "Average Variance Extracted" (AVE), and composite reliability all surpassing

the recommended minimum values of 0.7, 0.5, and 0.7, respectively (Fornell & Larcker, 1981). As Hair et al. (2017) note, "reliability values above 0.7 indicate acceptable reliability, while values above 0.9 indicate excellent reliability" (p. 123).

Furthermore, the factor loadings, ranging from 0.7 to above, demonstrated strong convergent validity, indicating that the indicators are reliable measures of the constructs (Chin, 2010). According to Bagozzi and Yi (1988), "convergent validity is established when the factor loadings of the indicators are high, indicating that the indicators are measuring the same construct" (p. 79). In addition, "the discriminant validity of the measurement model" was assessed as part of the comprehensive evaluation process, ensuring that the constructs are distinct and measure different concepts (Fornell & Larcker, 1981).

Assessing Discriminant Validity

To establish "discriminant validity", a construct must demonstrate its uniqueness and ability to capture phenomena not represented by other constructs in the model. As MacKinnon (2008) points out, "discriminant validity is the degree to which a construct is distinct from other constructs in the model" (p. 456). This is essential to ensure that the constructs are measuring distinct concepts and not overlapping with each other.

This study employed the HTMT and Fornell-Larcker criteria to assess the "discriminant validity" of the constructs. Henseler et al. (2015) state that "the HTMT criterion is a more conservative approach to assessing discriminant validity, as it takes into account the correlations between the constructs and their indicators".

Comparing the square root of the Average Variance Extracted (AVE) values with the correlations between latent variables is the Fornell-Larcker criterion, as explained by Fornell and Larcker (1981). As stated by Hair et al. (2013), "the square root of the AVE for each construct should exceed its highest correlation with any other construct" (p. 123). This guarantees that each construct is unique and reflects phenomena that are not found in other constructs.

The findings reveal that each variable's square root of AVE is greater than its correlations with other constructs, as indicated in Table 5. This finding supports the discriminant validity of the constructs, confirming that each construct is unique and captures distinct phenomena. According to Bagozzi and Yi (1988), "discriminant validity is essential to establish the validity of a measurement model, as it ensures that the constructs are measuring distinct concepts" (p. 79).

To sum up, the findings of this investigation show that the constructs exhibit discriminant validity, as evidenced by the HTMT and Fornell-Larcker criteria. As noted by Chin (2010), "discriminant validity is a critical aspect of construct validity, as it ensures that the constructs are distinct and capture unique phenomena" (p. 667).

Table 8: Fornell-Lacker Criterion

	Business	Compliance	Jurisdiction	Penalties
Business	**0.892**			
Compliance	0.209	**0.866**		
Jurisdiction	0.645	0.153	**0.82**	
Penalties	0.123	0.232	0.098	**0.841**

Source: Field Survey (2023)

The Fornell-Larcker criteria, a widely used method for assessing discriminant validity, have inherent limitations. Specifically, when the indicator loadings of the constructs being examined are relatively similar, such as loadings ranging from 0.60 to 0.80, the criteria's effectiveness is compromised (Voorhees et al., 2009). As Voorhees et al. (2009) note, "the Fornell-Larcker criteria's ability to detect discriminant validity is limited when indicator loadings are relatively similar" (p. 23).

Although the criteria's performance improves when indicator loadings vary more substantially, its overall ability to assess discriminant validity remains limited (Voorhees et al., 2009). In order to overcome this constraint, Henseler et al. (2015) advise assessing the correlations' heterotrait-monotrait ratio (HTMT). According to their guidelines, "a latent construct demonstrates discriminant validity when its HTMT ratio is less than 0.850" (p. 312). This approach provides a more robust assessment of "discriminant validity".

But as Table 8 demonstrates, the HTMT values acquired in this investigation are higher than the suggested cut-off of 0.850. This suggests that the constructs may not demonstrate sufficient discriminant validity. As Henseler et al. (2015) caution, "HTMT values above 0.850 indicate a lack of discriminant validity, which can compromise the validity of the measurement model" (p. 313).

Table 9: Heterotrait-Monotrait Ratio (HTMT)

	Business	Compliance	Jurisdiction	Penalties
Business				
Compliance	0.21			
Jurisdiction	0.69	0.161		
Penalties	0.138	0.324	0.146	

Source: Field Survey (2023)

Assessing the Structural Model

The heterotrait-monotrait ratio (HTMT) analysis findings are shown in Table 9 and show that the HTMT values are well below the suggested cut-off of 0.850. This finding suggests that the constructs in this study demonstrate adequate discriminant validity.

Furthermore, the study examined the issue of multicollinearity among the indicators, with the results presented in Table 6. In the context of "Partial Least Squares Structural Equation Modelling" (PLS-SEM), multicollinearity is a concern when the tolerance value is 0.20 or lower and the Variance Inflation Factor (VIF) value is 5 or higher (Hair et al., 2016). As Hair et al. (2016) note, "a VIF value of 5 or higher indicates that 80% of the indicator's variance is explained by other formative indicators associated with the same construct" (p. 112).

The results of this study show that there is "no multicollinearity" between the indicators, as the VIF values are all below the threshold of 5. This finding suggests that the indicators are not highly correlated with each other, and therefore, multicollinearity is not a concern in this study. As Kock and Hadwich (2017) state, "the absence of multicollinearity is essential to ensure the validity and reliability of the results" (p. 56).

Table 10: Collinearity amongst Constructs

	VIF
Business -> Compliance	1.724
Jurisdiction -> Compliance	1.714
Penalties -> Compliance	1.016

Source: Field Survey (2023)

Further evidence supporting the unbiasedness of the standard method can be found in Table 10, which presents the results of the "Variance Inflation Factor" (VIF) analysis. A VIF value greater than 3.3 suggests the existence of

pathological collinearity or possible common technique bias, claim Kock and Lynn (2012). As Kock and Lynn (2012) note, "VIF values above 3.3 suggest that the model may be contaminated with common method bias or collinearity".

Nonetheless, the study's findings show that every VIF value is 3.3 or below, indicating that the model is free of common technique bias and vertical or lateral collinearity. This finding is consistent with Kock's (2013) research on common method bias, which emphasizes the importance of controlling for collinearity and common method bias in empirical research.

According to Kock (2013), "controlling for common method bias is essential to ensure the validity and reliability of research findings" (p. 123). The findings of this study support the validity and reliability of the findings by demonstrating that the standard technique is objective and devoid of common method bias.

Assessing Coefficient of Determination and Predictive Relevance

Hair et al. (2014) state that, the coefficient of determination (R2) and predictive relevance (Q2) of structural models can be interpreted using specific guidelines. R2 values, for example, suggest low, moderate, and large levels of significance, respectively, at 0.25, 0.5, and 0.75. The same is true for Q2 and effect size (f2), which are regarded as "small, medium, and large", respectively, at 0.02 and 0.15. Applying these guidelines to the results in Table 8, it is evident that external environment has a substantial impact on performance indicators, with a large coefficient of determination (R2) explaining 93% of the variation in innovation, 70.1% in low turnover, 72% in quick service delivery, and 71.3% in efficiency, thereby highlighting the significant influence of external environment on these performance indicators.
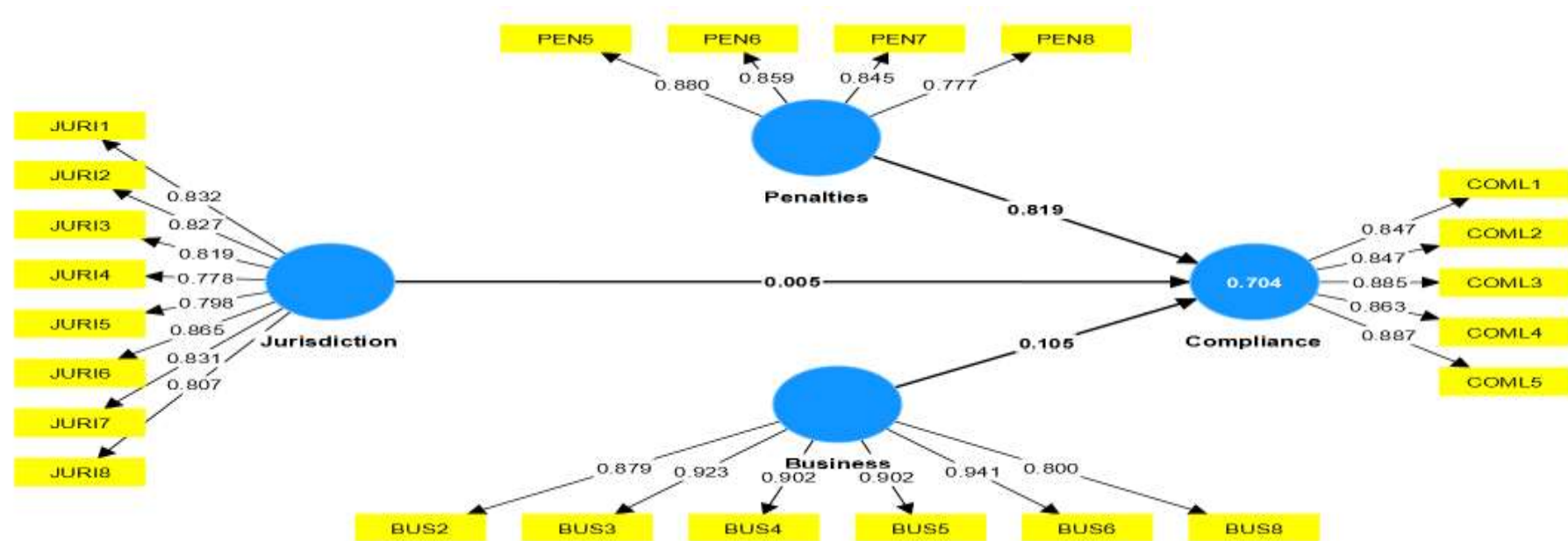
Figure 3: PLS SEM

Source: Field Survey (2023)

Tax Education on Tax Jurisdictions and Tax Compliances

Examining how tax education affects tax compliance was the study's primary goal. In Table 7, the outcome is displayed.

Table 11: Regression

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Jurisdiction -> Compliance	0.405	0.02	0.076	5.3297	0.000

Source: Field Survey (2023)

Table 11 reveals a significant positive correlation between tax education (TE) focused on tax jurisdictions and TC (B=0.405; t(342)=5.3297; p>0.05). Specifically, a 1-unit increase in TE corresponds to a 0.105 rise in compliance. This finding underscores the complex relationship between TE, tax jurisdictions, and compliance, which is influenced by multiple factors.

By improving taxpayers' comprehension of their tax obligations, tax education is essential to advancing TC. As noted by researchers, "awareness of tax laws boosts compliance rates and reduces costs for both taxpayers and authorities" (e.g., Kirchler et al., 2014). Educated taxpayers are more likely to manage their finances effectively, minimizing the risk of non-compliance and reducing the need for audits.

Moreover, TE shapes taxpayers' perceptions of non-compliance risks, increasing adherence to tax laws. As argued by Braithwaite (2009), "educated populations tend to trust the tax system more, fostering voluntary compliance" (p. 123). Trust is a crucial factor in ensuring compliance, as it promotes the belief that the tax system is fair and equitable. By navigating complex tax codes, TE also helps reduce unintentional non-compliance, ultimately promoting a culture of TC.

The significance of TE in promoting TC is further reinforced by the notion that it empowers taxpayers to make informed decisions about their tax obligations. As stated by James and Alley (2017), "tax education enables taxpayers to understand the tax implications of their financial decisions, leading to increased compliance and reduced tax evasion" (p. 456). In order to foster a culture of TC and lower the risk of non-compliance, TE is essential in giving taxpayers the information and abilities they need to understand the tax system.

Tax Education on Business Taxes and Tax Compliance

The second objective of the study was to analyse the effect of tax education on business taxes on tax compliance. The result has been presented on Table 8.

Table 12: Regression

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Business -> Compliance	0.105	0.098	0.029	3.621	0.00

Source: Field Survey (2023)

Business tax education (TE) and tax compliance (TC) have a significant positive association, as shown in Table 12, meaning that for every unit increase in business TE, TC increases by 0.105. This finding underscores the critical role of TE in empowering businesses to navigate complex tax regulations, including income, sales, and payroll taxes. By acquiring essential knowledge of these regulations, businesses can accurately fulfil their tax obligations, reducing the risk of errors and inadvertent non-compliance.

Moreover, TE enables businesses to engage in effective tax planning, aligning with legal requirements and resulting in legitimate tax savings and compliance. As emphasized by researchers, "tax education is essential for

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businesses to ensure accurate compliance, effective planning, and proper record-keeping" (e.g., James & Alley, 2017). TE is essential in boosting TC, lowering errors, and cultivating a culture of tax compliance by giving businesses the information and abilities they need.

The importance of TE for businesses is further highlighted by the potential consequences of non-compliance. As noted by Christiansen and Klarskov Jeppesen (2016), "tax non-compliance can result in significant penalties, fines, and reputational damage" (p. 123). Therefore, investing in TE can help businesses avoid these negative consequences and ensure that they are meeting their tax obligations. By prioritizing TE, businesses can demonstrate their commitment to TC and responsible business practices.

Tax Education on Penalties and Tax Compliance

The third objective of the study was to analyse the effect of tax education on tax penalties on tax compliance. The result has been presented on Table 9.

Table 13: Regression

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Penalties -> Compliance	0.819	0.816	0.044	18.614	0.00

Source: Field Survey (2023)

Table 13 reveals a significant positive correlation between tax penalty education and TC, indicating that a unit increase in TE on penalties corresponds to a 0.819 increase in TC. This finding suggests that educating taxpayers about the potential consequences of non-compliance, including penalties, plays a crucial role in promoting TC.

Awareness of specific penalties serves as a deterrent to non-compliance, motivating taxpayers to take their tax obligations seriously and comply with

laws. As noted by researchers, "knowledge of penalties encourages accurate financial reporting and fosters voluntary compliance" (e.g., Kirchler et al., 2014). Furthermore, understanding potential penalties prompts taxpayers to file and pay taxes on time, recognizing that timely compliance is crucial to avoiding penalties.

Tax education is essential in aiding taxpayers to understand how to avoid or mitigate penalties. By acquiring knowledge of tax laws and regulations, educated taxpayers become proactive in managing their tax affairs, taking steps to prevent penalties and ensure compliance. As argued by James and Alley (2017), "tax education empowers taxpayers to make informed decisions about their tax obligations, reducing the risk of non-compliance and penalties" (p. 456).

The significance of tax penalty education in promoting TC is further reinforced by its impact on taxpayers' behavior. As Christiansen and Klarskov Jeppesen (2016) note, "tax education can change taxpayers' attitudes and behavior, leading to increased compliance and reduced tax evasion" (p. 123). By emphasizing the importance of tax penalty education, policymakers and tax authorities can promote a culture of TC and responsible citizenship.

Moreover, the benefits of tax penalty education extend beyond individual taxpayers to the broader economy. As noted by the Organisation for Economic Co-operation and Development (OECD) (2019), "tax education can contribute to improved TC, reduced administrative burdens, and increased economic efficiency" (p. 15). By investing in tax penalty education, governments can promote a more transparent and equitable tax system, ultimately supporting economic growth and development.

Chapter Summary

This section conducted an in-depth analysis of the impact of "tax education" (TE) on the "tax compliance" (TC) of Small and Medium Enterprises (SMEs) within the Cape Coast Metropolitan Assembly. The findings of this study revealed "a significant positive correlation between TE and TC", specifically highlighting the significance of educating SMEs on tax jurisdictions, business taxes, and penalties in enhancing their TC. By educating SMEs on these key areas, tax authorities can empower them to navigate the complex tax landscape and fulfil their tax obligations accurately and timely, leading to increased tax revenue, reduced tax evasion, and a more equitable tax system.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter provides an in-depth synopsis of the research findings, conclusions, and proposed recommendations. The overarching goal of this study was to examine the interplay between "tax education" (TE) and "tax compliance" TC. This chapter is structured into four distinct sections, each providing a concise overview of the study's key aspects: a comprehensive summary of the research, an analysis of the conclusions derived from the findings, actionable recommendations for practical implementation, and suggestions for future research endeavours.

Summary of the Study

This study aimed "to explore the relationship between tax education (TE) and tax compliance (TC) among Small and Medium-sized Enterprises (SMEs) in the Cape Coast Metropolitan Assembly". To achieve this objective, the study focused on three key areas: examining the impact of TE on tax jurisdictions and its influence on SMEs' understanding of tax laws and regulations, and how this understanding influences their TC behaviour; investigating the effect of TE on business taxes and its impact on SMEs' knowledge of business taxes, and how this knowledge affects their TC; and analyzing the effect of TE on penalties and its influence on SMEs' understanding of tax penalties, and how this understanding affects their TC behaviour, with the ultimate goal of determining whether TE enhances SMEs' TC behaviour.

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This study was theoretically anchored in the "Theory of Planned Behaviour", which implies that perceptions influence a person's behaviour, social pressures, and self-efficacy. To examine the causal relationships between TE and TC, a causal research design was utilized. In light of the study's objectives of testing hypotheses and analyzing data, a quantitative research methodology was used, which allowed for the gathering and examination of numerical data to yield informative results.

The study's sample comprised 342 respondents, who provided valuable insights through a carefully designed questionnaire. This questionnaire served as the primary tool for collecting data on SMEs TE, TC, and related variables. To analyze the complex relationships between these variables and achieve the study's objectives, Structural Equation Modelling (SEM) was employed, providing a robust framework for examining the data and drawing meaningful conclusions.

The application of SEM enabled a comprehensive examination of the interrelationships between the variables, while simultaneously accounting for potential extraneous factors. Consequently, the study yielded meaningful findings that shed light on the complex relationship between TE and TC among Small and Medium-sized Enterprises (SMEs) within the "Cape Coast" Metropolitan Assembly, providing actionable insights for policymakers, tax authorities, and SME stakeholders.

Summary of Key Findings

The interplay between "tax education" (TE) and "tax compliance" (TC) is intricate and influenced by a multitude of factors impacting individuals and businesses. Tax education serves as a vital catalyst for promoting compliance

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by enhancing taxpayers' understanding of complex tax regulations, reducing errors in tax reporting, facilitating informed tax planning decisions, and encouraging ethical tax practices. Businesses that prioritize TE are better positioned to adapt to evolving tax laws, maintain meticulous financial records, and cultivate positive relationships with tax authorities. Moreover, TE raises awareness about the repercussions of non-compliance, thereby deterring non-compliant behavior and motivating voluntary compliance. Notably, understanding tax penalties plays a crucial part in encouraging compliance by encouraging accurate tax reporting, timely tax filing and payment, and the implementation of penalty mitigation strategies. Ultimately, TE is a cornerstone in fostering a culture of TC, yielding benefits for both taxpayers and the integrity of the tax system.

One cannot stress the importance of TE in advancing TC. By giving taxpayers a thorough grasp of tax rules and regulations, TE enables them to make well-informed decisions regarding their tax responsibilities. In turn, this fosters a culture of voluntary compliance and lowers the risk of non-compliance. Additionally, by lowering the possibility of mistakes and fines, TE gives taxpayers the confidence they need to successfully negotiate the complicated tax system.

In addition, tax education (TE) has far-reaching implications for the broader economy. By promoting TC, TE contributes to increased tax revenue, reduced tax evasion, and a more equitable tax system. This, in turn, enables governments to allocate resources more effectively, supporting economic growth and development. As such, TE is a critical component of a well-functioning tax system, and its importance should not be underestimated.

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Conclusions

The study's findings unequivocally demonstrate that tax education is a vital component in promoting "tax compliance" (TC) among individuals and businesses. By providing a comprehensive understanding of tax regulations, "tax education" (TE) plays a multifaceted role in reducing errors in tax reporting, facilitating informed tax planning decisions, and encouraging ethical tax practices.

Moreover, TE serves as a deterrent to non-compliance by raising awareness about the consequences of non-compliance, including penalties and fines. Businesses that invest in TE are more likely to maintain accurate and organized financial records, fostering positive relationships with tax authorities and ensuring seamless interactions. Ultimately, TE motivates voluntary compliance by empowering individuals and businesses with a clear understanding of tax laws, regulations, and consequences, thereby promoting a culture of compliance that benefits both taxpayers and the tax system as a whole.

Recommendations

To promote "tax compliance" (TC), several strategic recommendations have been proposed. Firstly, the Ghana Revenue Authority is encouraged to develop and implement "tax education" (TE) programmes specifically designed for Small and Medium Enterprises (SMEs), focusing on critical areas such as tax jurisdictions, business taxes, and penalties. This targeted approach will enable SMEs to better understand their tax obligations and comply with tax regulations.

Businesses also play a crucial role in promoting TC. They are advised to prioritize TE for their employees, ensuring they possess a comprehensive

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understanding of tax obligations, including tax jurisdictions, business taxes, and potential penalties. Moreover, businesses should establish robust record-keeping systems to accurately track financial transactions and tax-related activities, thereby facilitating compliance with tax regulations.

Taxpayers also have a responsibility to seek out TE resources to enhance their knowledge of personal tax obligations, including tax jurisdictions, potential penalties, and compliance requirements. By doing so, taxpayers will be better equipped to comply with tax regulations and avoid potential penalties.

Furthermore, taxpayers who are well-informed about tax laws and regulations are more likely to comply voluntarily. Therefore, it is essential for taxpayers to take advantage of available TE resources, such as workshops, seminars, and online courses, to improve their understanding of tax obligations.

Finally, educational institutions have a critical role to play in promoting TC. They are recommended to integrate TE into their financial literacy programs, thereby contributing to a broader understanding of tax matters and promoting a culture of TC. By working together, these stakeholders can help foster a culture of TC in Ghana, ultimately benefiting the economy and society as a whole.

Suggestions for Further Research

Future research endeavours should strive to broaden the scope of this study by incorporating companies from diverse industries. This would enable researchers to generalize the findings and gain a more comprehensive understanding of the relationship between "tax education" (TE) and "tax compliance" (TC) across various sectors.

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By expanding the sample population to include companies from different industries, future studies can increase the external validity of their findings, making them more applicable to a wider range of businesses and industries. This, in turn, can inform the development of more effective TE programs and policies that cater to the unique needs of different industries.

Moreover, future studies could also explore the impact of TE on TC in different contexts, such as small and medium-sized enterprises (SMEs) versus large corporations, or businesses operating in different regions or countries. This would provide valuable insights into the effectiveness of TE programs in various settings and enable policymakers to develop targeted interventions to improve TC.

Additionally, future research could investigate the role of technology in enhancing TE and compliance. With the increasing use of digital platforms and tools in tax administration, it is essential to explore how technology can be leveraged to improve TE and compliance outcomes.

Future research can ultimately advance our understanding of the intricate connections among TE, TC, and economic development by expanding on the results of this study and investigating novel research directions.

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APPENDIX

QUESTIONNAIRE

UNIVERSITY OF CAPE COAST

DEPARTMENT OF ACCOUNTING

SCHOOL OF BUSINESS

Dear Respondent,

I am enrolled in the University of Cape Coast's Master of Business Administration (Accounting) program, which is offered by the School of Business's Accounting Department. The purpose of this survey is to gather data for my study on the following topic: *"**TAX EDUCATION AND TAX COMPLIANCE AMONG SMALL AND MEDIUM ENTERPRISE IN CAPE COAST METROPOLITAN ASSEMBLY"**.* This study partially satisfies the requirements for the University of Cape Coast's Master of Business Administration in Accounting degree.

Your responses will all be kept completely private and used exclusively for scholarly purposes. Feel free to be as honest as you can when answering the questions.

Thank you

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SECTION A

SOCIO-DEMOGRAPHIC DATA OF RESPONDENTS

To respond to a question, either check [√] or, if needed, write brief remarks in the designated box..

1. **Gender**:

    a.   Male   [ ]

    b.   Female   [ ]

2. **Age:**

    a.   Below-30 years   [ ]

    b.   31-40 years   [ ]

    c.   41-50 years   [ ]

    d.   51 years and above [ ]

3. **Level of Education:**

    a.   No formal education   [ ]

    b.   JHS/Middle School   [ ]

    c.   SHS/Technical/Vocational   [ ]

    d.   Tertiary education   [ ]

4. **"Experience (Years of Work)**

    a.   1-5 years   [ ]

    b.   6-10 years   [ ]

    c.   11-15years   [ ]

    d.   16 years and above [ ]"

5. **"Marital Status**

    a. Single   [ ]

    b. Married   [ ]"

c. Divorced   [   ]

6. "What is the object of the business?

a. Crop farming   [   ]

b. Food marketing   [   ]

c. Animal farming   [   ]

d. Poultry/Aquaculture   [   ]

e. General trading   [   ]

f. Others (Please specify):…………………………………."

SECTION B: TAX EDUCATION ASSESSMENT

Understanding or being aware of tax rules, duties, rights, advantages, and repercussions is known as tax education. Formal and informal learning can be acquired through media like radio, television, newspapers, seminars, workshops, banners, pamphlets, announcement vans, and publicity materials.

Legend: 1 = Not at all;   2 = Very Low;   3 = Low;   4 = High;   5 = Very High;

	Education on Tax Jurisdiction	1	2	3	4	5
1	The educational materials provided adequately cover different tax jurisdictions.					
2	I am certain that I understand the differences in tax rules across various jurisdictions.					

3	The training sessions effectively explain the implications of tax jurisdiction differences on businesses.					
4	The educational materials effectively explain fundamental taxation concepts such as taxable income and deductions.					
5	The training sessions provide clear insights into how tax regulations impact financial decision-making for businesses.					
6	I feel equipped to navigate complex tax scenarios after completing the educational program.					
7	The teaching methods used in the educational program enhanced my understanding of tax jurisdictions.					
8	I feel confident in making decisions related to tax matters in different jurisdictions.					
	Education on Business Taxes					
1	All forms of business taxes, including income tax, sales tax, and property tax, are covered in detail in the educational resources.					

2	The training sessions enhance my knowledge of strategies to minimize business tax liabilities legally.					
3	I am self-assured in my ability to apply the knowledge gained to optimize my business's tax situation.					
4	I feel confident in my understanding of various business taxes.					
5	The educational materials effectively explained the complexities of business taxes.					
6	The content related to business taxes was relevant to my business or professional needs.					
7	The content related to business taxes was relevant to my business or professional needs.					
8	The teaching methods used in the educational program enhanced my understanding of business taxes.					
	Education on Penalties					
1	The educational materials adequately inform about potential tax-related penalties.					

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2	The training sessions effectively communicate the consequences of non-compliance with tax regulations.					
3	I feel prepared to avoid tax penalties through the knowledge gained from the educational program.					
4	The tax education I received adequately informed me about the penalties associated with non-compliance.					
5	I feel confident in my understanding of the various tax penalties outlined in the tax education program.					
6	The tax education materials provided clear and concise information about different tax penalties.					
7	The tax education program increased my awareness of the consequences associated with not complying with tax regulations.					

SECTION C: TAX COMPLIANCE ASSESSMENT

The extent to which the taxpaying community complies with its tax

obligations as outlined in the applicable legislative and regulatory rules is

known as tax compliance..

1 = Not at all;   2 = Very Low;   3 = Low;   4   =   Somewhat;

5 = High;   6 = Very High

NO.	TAX COMPLIANCE					
1	I am willing to voluntarily comply with all tax regulations.	1	2	3	4	5
2	Adhering to tax regulations is essential for the well-being of society.	1	2	3	4	5
3	I am knowledgeable. about my tax obligations and responsibilities.	1	2	3	4	5
4	I consistently file my tax returns on time.					
5	I ensure that my reported income is accurate and complete.					
6	I have a good understanding of eligible deductions and credits, and I claim them appropriately.					
7	I maintain organized and thorough records to support my tax filings.					

THANK YOU FOR PARTICIPATING

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