

UNIVERSITY OF CAPE COAST



ASSESSMENT OF TAX COMPLIANCE AMONG THE SELF-EMPLOYED
IN THE CAPE COAST METROPOLIS

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IN THE CAPE COAST METROPOLIS

BY

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Business, College of Humanities and Legal Studies, University of Cape Coast
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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's Signature: Date:

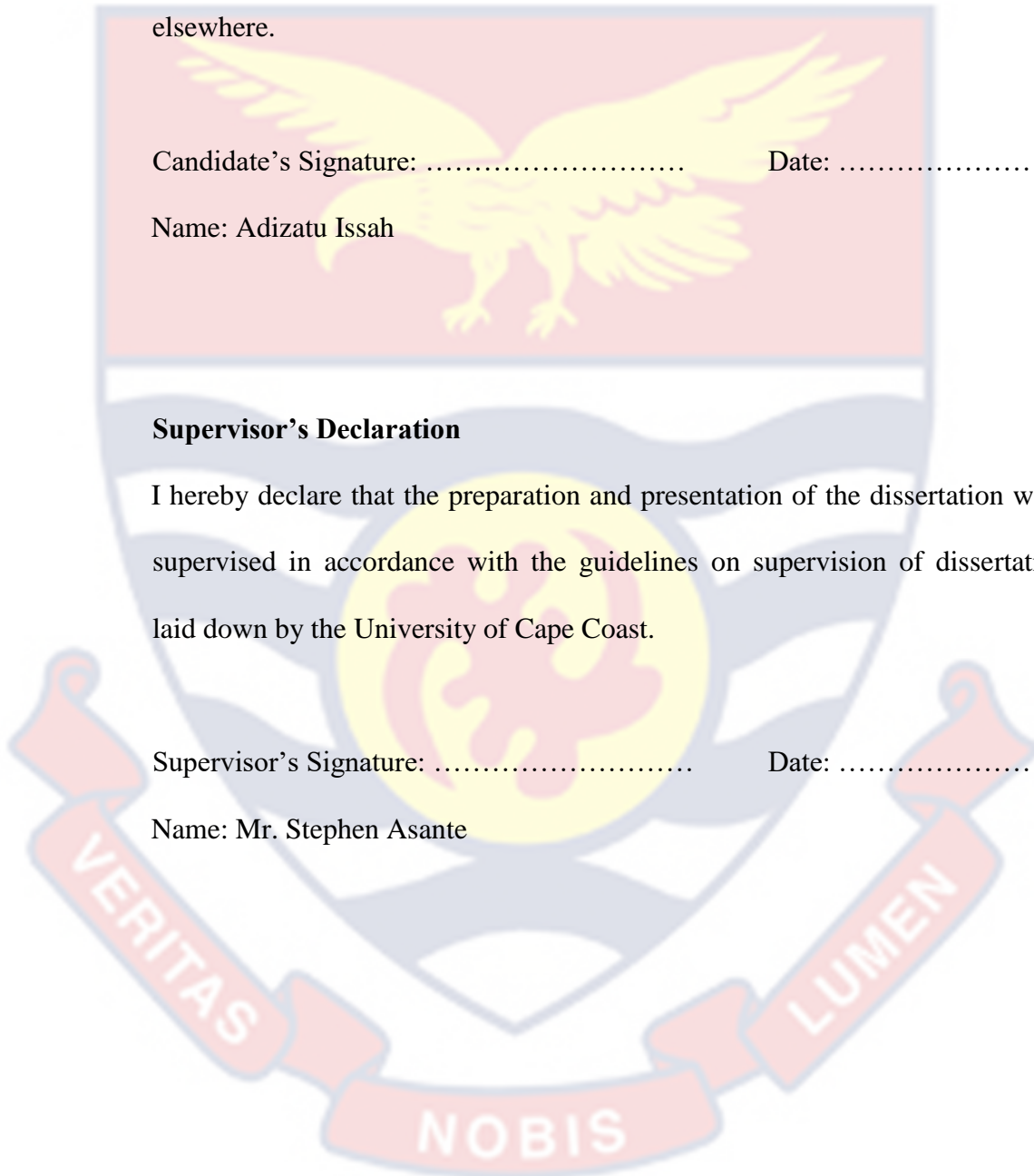
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Supervisor's Declaration

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: Mr. Stephen Asante



ABSTRACT

Dwelling on the issues of taxation in Ghana, this study focused on self-employed in the Cape Coast Metropolis to assess their knowledge of taxation and tax laws in Ghana. The study explored the various factors that influence compliance and determined plausible measures that promotes tax compliance among self-employed in the Cape Coast Metropolis. A cross-sectional survey of 334 self-employed was carried out and the data were processed using the Statistical Package for Social Sciences (SPSS) version 25. The study found that self-employed in the Cape Coast Metropolis have adequate knowledge about taxation and tax laws in Ghana. The study concluded that all the three key factors, namely economic, non-economic, and demographic, which influence compliance among self-employed in the Cape Coast Metropolis were found equally important. Therefore, equal attention must be paid to all these factors and be improved from time to time to improve compliance among self-employed. Given the importance of tax education in compliance with tax laws, tax authorities should continually educate self-employed in the Cape Coast Metropolis. Tax authorities must ensure that they keep taxpayers updated on any form of changes in the tax system to ensure compliance at all times.

ACKNOWLEDGEMENTS

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DEDICATION

To my husband Mr. Jacob Akure and my beloved children. And also, to my
parents Mr. & Mrs. Issah Azare and my siblings

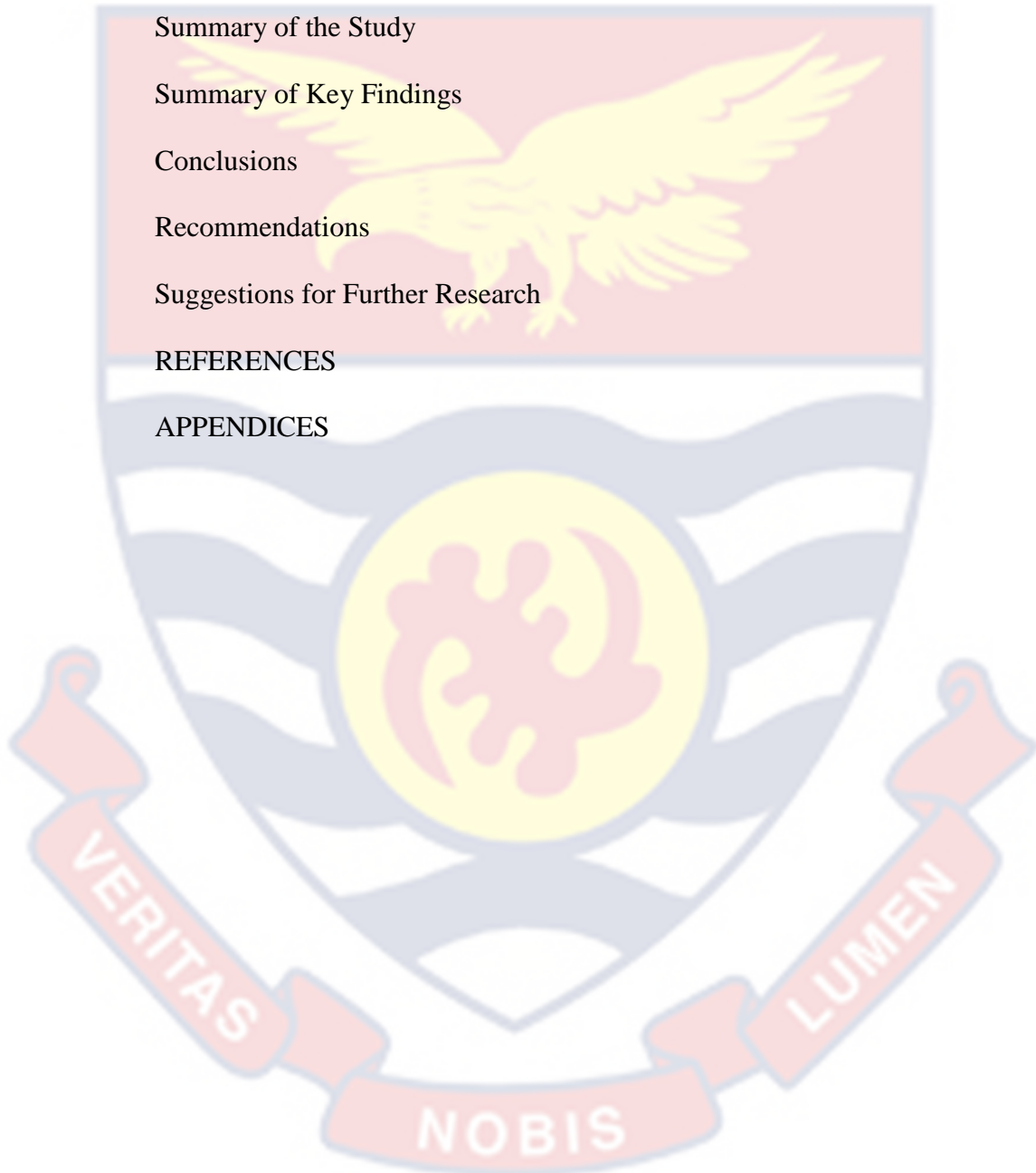


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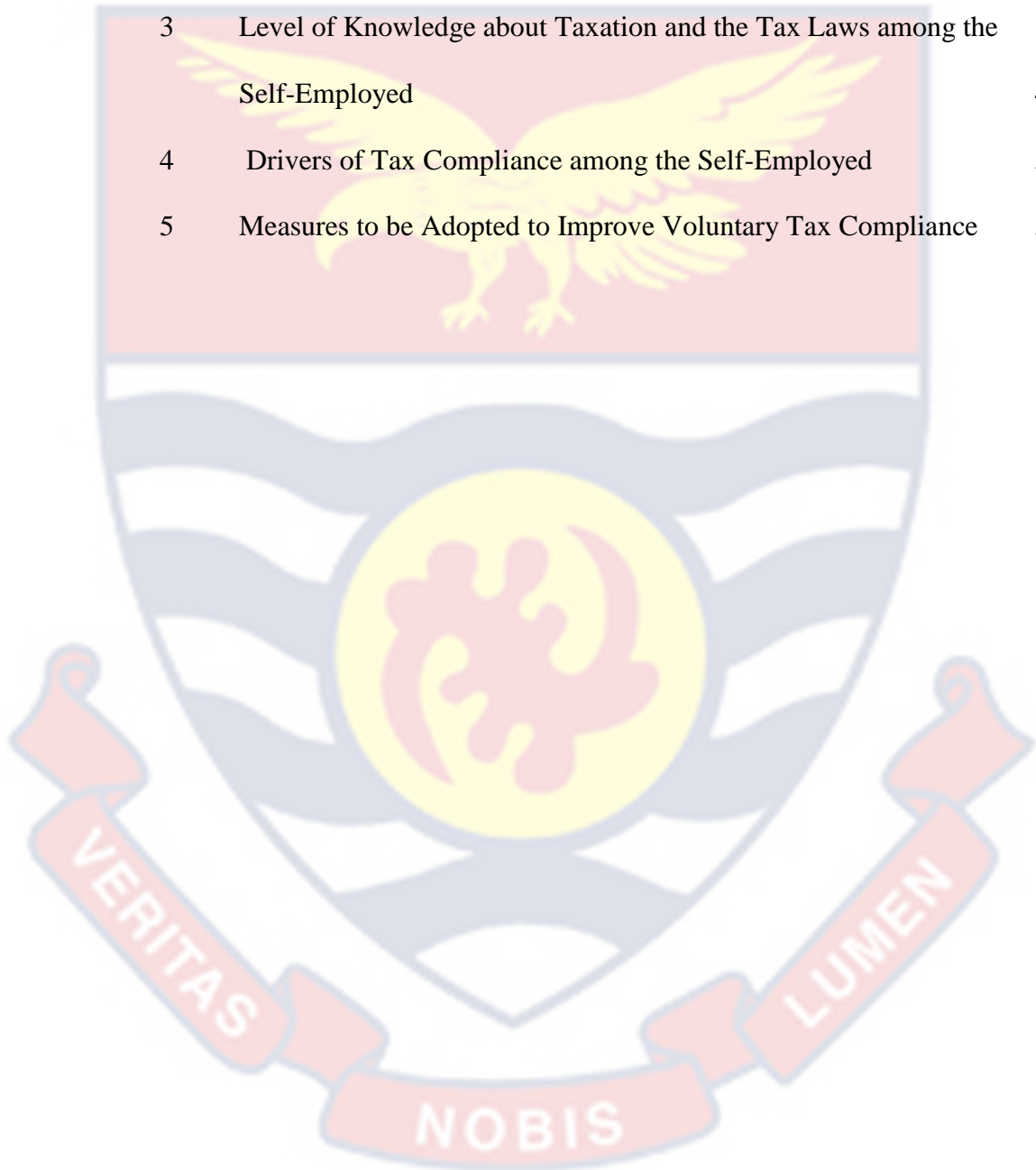
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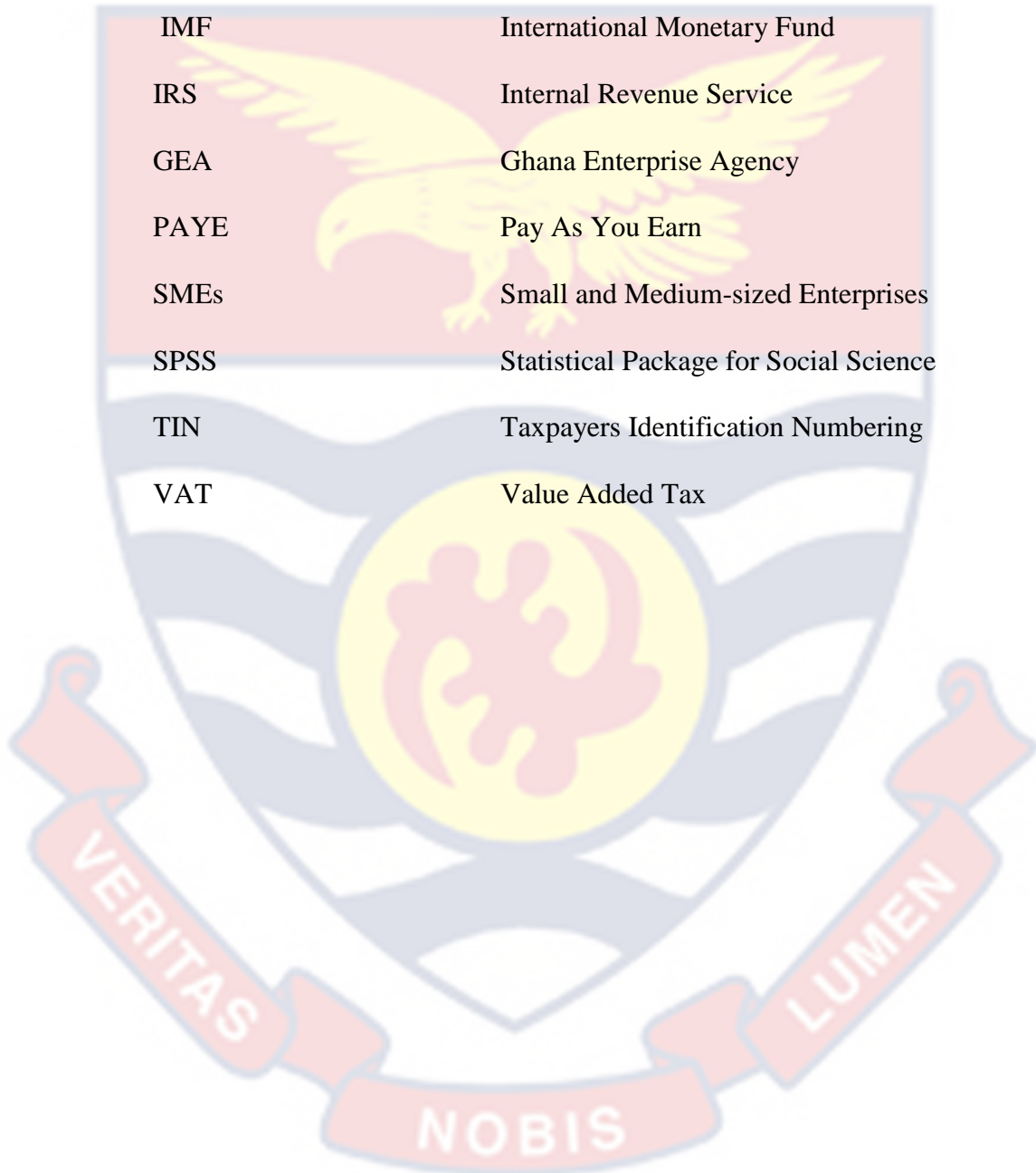
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LIST OF ABBREVIATIONS

CEPS	Customs, Excise and Preventive Service
GRA	Ghana Revenue Authority
GSS	Ghana Statistical Service
IMF	International Monetary Fund
IRS	Internal Revenue Service
GEA	Ghana Enterprise Agency
PAYE	Pay As You Earn
SMEs	Small and Medium-sized Enterprises
SPSS	Statistical Package for Social Science
TIN	Taxpayers Identification Numbering
VAT	Value Added Tax



CHAPTER ONE

INTRODUCTION

Taxes are compulsory charges imposed by governments on income, expenditure, or capital assets to raise revenue for public goods and services (Parameswaran, 2005). They are mandatory payments made by citizens without a direct return, essential for financing government obligations and infrastructure (Agalega, 2017; Asante & Marfo-Yiadom, 2010). Tax revenue, comprising direct, indirect, and international trade taxes, forms a significant portion of government revenue. It involves various taxpayer classes, including public sector employees, private formal sector employees, and self-employed workers. Taxation plays a substantial role in the fiscal advancement of a nation by funding developmental projects. For any nation's economic growth and development, a well-organised tax system is fundamental (Appiah, 2013). It underpins good governance and financial stability (Mohd, 2013).

Background to the Study

Taxation has become the core instrument for generating revenue to fund governmental projects and services (Antwi, Inusah, & Hamza, 2015). The system or process of collecting taxes and the associated rules are known as the tax system. The primary purpose of imposing taxes on citizens is to finance government spending. Over many years, taxation has remained the main source of revenue for most governments worldwide (Agalega, 2017). In most developing countries, taxation is crucial for fiscal growth, financing social and infrastructural projects. Governments in these countries focus on direct and indirect taxes to raise domestic revenue due to low non-tax revenue sources (Bird, 2003). Every government aspires to achieve high levels of tax

compliance, as it is essential for securing the revenue needed to fund public services and infrastructure. Due to tax non-compliance, particularly among the self-employed, government performance is adversely affected as it reduces the revenue available for public projects and services.

Tax compliance refers to the decision of taxpayers, whether businesses or individuals, to adhere to tax laws and regulations by filing returns and paying taxes on time and accurately (Yuniarta & Purnamawati, 2020). However, tax compliance has continued to be a significant economic challenge for every government. Tax non-compliance is a widely recognised challenge that undermines any tax system's effectiveness. Tax non-compliance occurs when taxpayers do not meet their tax obligations, whether intentionally or unintentionally (Abdu & Adem, 2023; Kirchler, 2019). This problem is also severe in other developing countries, especially in sub-Saharan African regions (IMF, 2011; Fjeldstad, Sjørusen & Ali, 2013; Rosid, Evans & Tran-Nam, 2018; Twum, Amaniampong, Assabil, Adombire, Edisi & Akuetteh, 2020). Due to the COVID-19 pandemic, tax compliance levels significantly dropped globally, but the advanced nations still recorded a higher voluntary compliance rate (22.8%) compared to African countries (17.2%) (Initiative, 2020).

The Ghana Revenue Authority (GRA), established under the Ghana Revenue Act 2009 (Act 791), is the body tasked with assessing, collecting, and accounting for tax revenue in Ghana. The Authority's primary mandate is to ensure maximum compliance with all relevant laws, thereby ensuring a sustainable revenue stream for the government, facilitating legitimate trade, and controlling the movement of goods across the country's borders. The tax

system covers both individuals and business organisations in the formal and informal sectors. While tax enforcement in the formal sector has improved with a relatively high compliance rate, the informal sector shows lower compliance (Nartey, 2023). It remains the highest non-compliant sector (Aryee, 2007). This is because many Ghanaians operate in the informal sector (self-employed/Small Medium Enterprises (SMEs)). SMEs are found to be tax non-compliant and continuously pay relatively less tax than their fair share (Agbetunde, Raimi & Akinrinola, 2022). They often do not register with the appropriate tax and legal authorities, which increases the potential for tax evasion and avoidance of other statutory obligations. Some also employ strategies to defer or avoid or evade taxes. All these hinders revenue generation for national development (Nartey, 2023).

Tax evasion in Ghana often involves inflating deductions, under-declaring, or not declaring income. This non-compliance poses significant challenges for tax authorities and discourages other taxpayers from adhering to tax laws, depriving the state of necessary developmental revenue (Aryee, 2007). Despite the critical role of taxation in socio-economic development, many developing nations, including Ghana, struggle to generate sufficient tax revenue for national development, highlighting the issue of tax compliance (Adamopoulos, 2010).

Since the 1960s, numerous studies on tax compliance have been conducted, particularly in Western nations (Ayub, 1994; Fjeldstad et al., 2013; Tuwm et al., 2020; Agbetunde et al., 2022; Nartey 2023; etc.). These studies often focus on economic deterrence models, using tax rates, audits, penalties, and compliance costs to discourage tax evasion. However, this emphasis has

faced criticism from researchers and tax commissioners who recognise the importance of both economic and non-economic factors in shaping taxpayers' attitudes towards tax compliance (Mohd, 2013). Sincere taxpayers in the formal sector often feel discriminated against, as the informal sector frequently operates tax-free (Terkper, 2007). Ignoring the informal sector's activities exacerbates non-compliance and reduces overall tax compliance. Hence, this study aims to assess the factors influencing tax compliance among informal sector workers or the self-employed in the Cape Coast Metropolis.

Statement of the Problem

As per records from the GRA report, out of the total population of Ghanaian potential taxpayers of 18,299,481, only 2,643,681 were active taxpayers in 2021. In the 2022, the number increased to 19,408,646. Out of this, only 2,666,730 were active taxpayers (GRA report, 2022).

In studying Ghana's tax administration system, the main problem that persists is government's incapability of meeting its anticipated tax revenue due to swerving of tax levies by majority of potential taxpayers in the informal sector (Adam, 2009). Adam (2009) emphasises that the self-employed are mostly victims of tax non-compliance, with the majority of individuals and businesses evading taxes. This was evident in the 2021 and 2022 Tax Revenue annual report. In 2021, the expected return from the self-employed was GHC395,717 but only GHC65,062 was filed. Again in 2022, the expected return was GHC57,317 but only 22,158 was filed (GRA report, 2021; 2022).

Moreover, most SMEs in Ghana's informal sector are involved in unlawful practices to either lessen their tax obligation or evade tax payment (Fagariba, 2016). According to Shahrodi (2010), the challenge of tax

noncompliance within the informal sector in Ghana is very disturbing as the tax system is affected by extensive non-compliance and this puts a partial load on truthful taxpayers and could result in tax evasion. Tax non-compliance is a major problem as old as the taxes. Several studies have been conducted on tax non-compliance and some crucial factors were found to affect tax compliance.

Nevertheless, these research works have produced varying outcomes. Empirical studies have identified factors which influences tax compliance such as education (Chan, Troutman, & O'Bryan, 2000; Kucera, 2002), complexity of the tax system (Atawodi & Ojeke, 2012), income sources (Abdul, 2003; Ritsema & Thomas, 2003), among others. Yong and Martin (2016) indicated that, the challenge of tax non-compliance is due to the cultural values of owners and inadequate knowledge on tax matters. Many studies have been conducted on this subject area in Ghana but limited their focus on the determinants of tax compliance, often using a single theoretical perspective to explain various aspects of tax compliance behavior (Antwi, Inusah & Hamza, 2015; Bedi, 2016; Yin, Wemah & Abugre, 2016; Trawule, 2017; Wahabu, 2017).

Furthermore, it is important to note that the majority of the aforementioned studies focused on general taxpayers with less emphasis on the self-employed. As far as demographic characteristics have been noted to be a driver of tax compliance or non-compliance, the situation among the self-employed could be different, yet, unexplored. The main encounter for most developing countries like Ghana is the problem of tax non-compliance, which needs to be delved deep into and addressed. Research and policy makers agree that generally, most self-employed persons do not meet their tax obligations,

even though some do certainly comply with the tax rules (Kamleitner et al., 2012). However, the self-employed are highly income tax non-compliant due to less or no education in the sector (Musimenta et al., 2017).

Given the existing gaps in the literature, a comprehensive examination of tax compliance among SMEs in the Cape Coast Metropolis, Ghana, is essential. Hence, this study undertook a broader assessment of tax compliance among entrepreneurial individuals, precisely in the Cape Coast Metropolis.

Purpose of the Study

The study assessed the factors that influence tax compliance conduct and the compliance level among the self-employed in the Cape Coast Metropolis.

Research Objectives

The objectives of the research were to:

1. Assess the level of tax knowledge of the self-employed in the Cape Coast Metropolis about taxation and the tax laws of Ghana.
2. Determine the factors that influence tax compliance among the self-employed in the Cape Coast Metropolis.
3. Examine the measures which can be executed to promote tax compliance among the self-employed persons in the Cape Coast Metropolis.

Research Questions

The study addressed the following research questions:

1. What is the level of tax knowledge about taxation and the tax laws among the self-employed in the Cape Coast Metropolis?
2. What are the factors which influences tax compliance among the self-employed in the Cape Coast Metropolis?

3. What are the measures that can be employed to promote tax compliance among the self-employed in the Cape Coast Metropolis?

Significance of the Study

Although there are a wide-range of prose on both tax compliance and tax non-compliance in different places, there seems to be just a few of such prose here in Ghana. The study is appropriate help the tax authorities develop enforcement strategies and also contribute to different stakeholders including governments and policy makers regarding tax compliance. The study will also enhance the knowledge of self-employed persons to fulfil their tax commitments and also contribute to the prose from the Ghanaian perspective by examining the factors which influences tax submission among the self-employed persons in the Cape Coast Metropolis.

The study would also help the self-employed know their ethical commitments such as paying taxes and the benefits they are to derive from compliance. The study would further identify the measures that can be executed to promote tax compliance amongst the self-employed in the Cape Coast Metropolis. The study will also aid the Ghana Revenue Authority in formulating strategies for sound decision making in order to enhance voluntary compliance among the self-employed persons.

Delimitation

The study focused on the tax compliance level among the self-employed persons in the Cape Coast Metropolis. The core respondents of the study were limited to owners and managers of businesses since they make decisions in their businesses and hence inspire the taxpaying in the businesses.

Limitations of the Study

Even though most of the respondents were willing to participate in the study, the sample used for the study was restricted to 334 self-employed individuals from the Cape Coast Metropolis. This is as a result of large numbers which were not accessible due to time constraints. The sample size, to some extent, may affect the generalisability of the conclusions to the whole population of self-employed individuals in the Metropolis. In order to solve this, inferential statistical test was employed. Monetary constraint on the other hand, was a major problem for many activities since a lot of funds was required to come out with an all-inclusive research work as this.

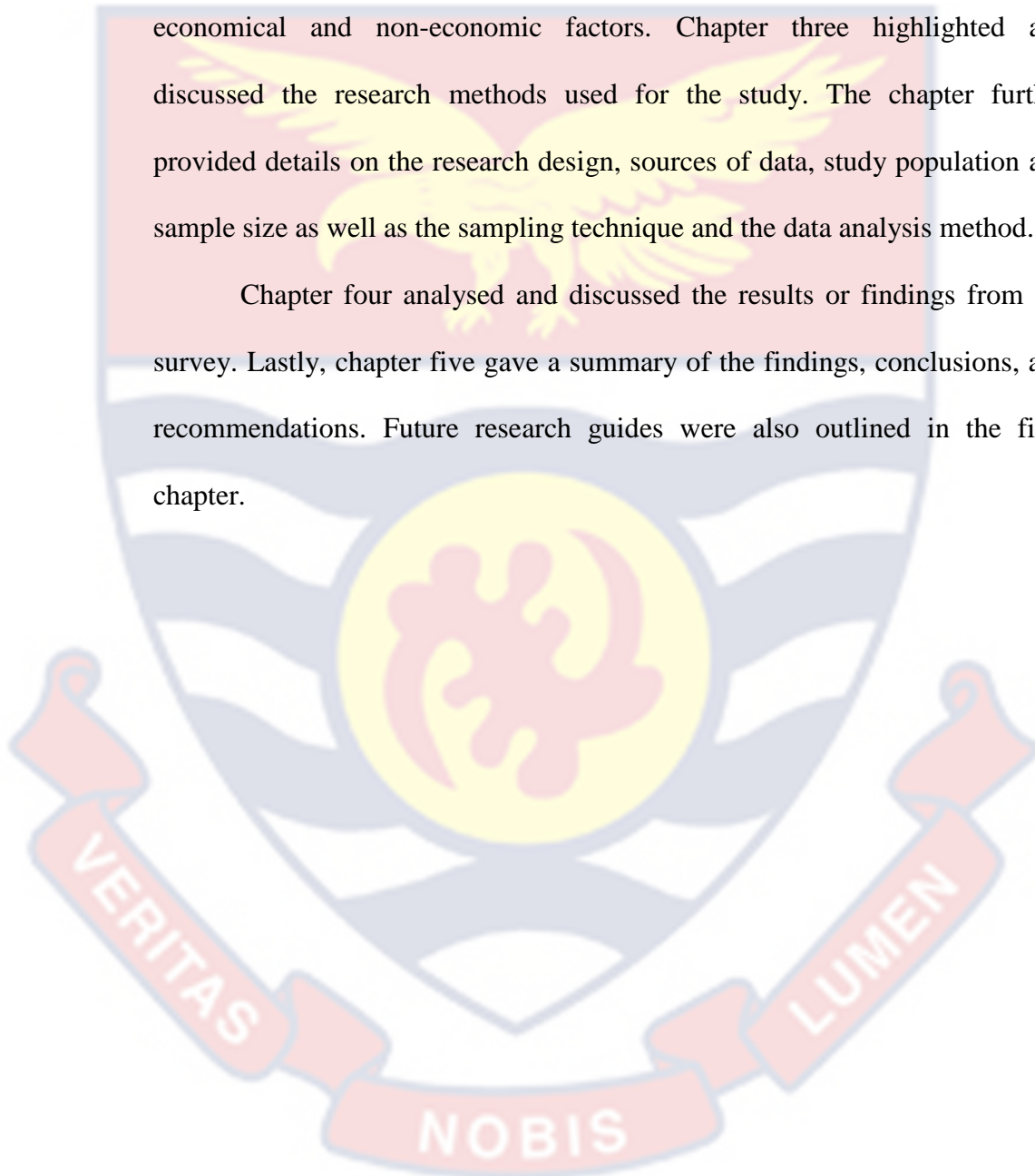
Another limitation to this study was unwilling of respondents to disclose certain information regarding their business activities and tax status of their own accord. The participants very cautious of talking on tax issues. In order to solve this, respondent's anonymity and confidentiality were assured. However, the findings may, therefore, not represent a true image of the tax compliance behaviour of all the self-employed in the study area.

Organisation of the Study

This study comprised five chapters. Chapter one introduced a general background of the system of taxation in Ghana, the importance of taxes and the challenges encountered as a result of tax non-compliance. The main aim of the first chapter was to lay the foundation for conducting the study. Hence, this chapter stated the research problem, the purpose of the study, the objectives of the study, research questions, the study's significance, delimitations, and the limitations of the study. The concluded with the organisation of the study.

Chapter two provided a summary of relevant literature on taxation in general, the concept, and definition of tax compliance in Ghana. The chapter also discussed other issues related to the topic, the factors that influence tax compliance among the self-employed taking into consideration both economical and non-economic factors. Chapter three highlighted and discussed the research methods used for the study. The chapter further provided details on the research design, sources of data, study population and sample size as well as the sampling technique and the data analysis method.

Chapter four analysed and discussed the results or findings from the survey. Lastly, chapter five gave a summary of the findings, conclusions, and recommendations. Future research guides were also outlined in the final chapter.



CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter provided an assessment of appropriate literature on tax compliance activities among the self-employed, taking into account the theoretical review, empirical review of other related tax compliance issues globally, and conceptual framework of the study's background. This chapter considered the tax system of the country with the theoretical review explaining the concept of taxation, overview of taxation in Ghana, objectives of taxation, and the concept of self-employed individuals. The chapters also presented an empirical review on the concept of tax compliance, concept of tax compliance, the factors that influences tax compliance, i.e., economic and non-economic factors of tax compliance, and the measures to promote voluntary tax compliance.

Theoretical Review

Economic deterrence theory of tax compliance

The theory of economic deterrence of tax compliance was propounded by Allingham and Sandmo (1972). The principle of economic deterrence is widely accepted by countless tax managing agencies in developing enforcement policies since it relies on fines or penalties in a large extent. The economic deterrence theory believes tax compliance is based on the principle that taxpayers as rational beings would make an analysis of cost benefit before a decision on whether to comply with appropriate tax regulations and remain tax non-compliant (Sandmo, 2005).

Taxpayers normally weigh the cost to be incurred in observing the tax laws considering their income as against the benefits received from paying taxes and make a decision whether to be tax compliant or not. According to the economic deterrence theory, taxpayers perceive tax evasion to be difficult due to fear of been exposed during tax audits and are, therefore, more likely to be tax compliant.

Researchers, such as Andreoni, Erard and Feinstein (1998), Dubin (2007), and Shanmugam (2003), are of the view that the existence of tax audit possibility has a direct impact on the level of tax compliance of taxpayers. The existence of audits by tax authorities plays a crucial role in ensuring the willingness to comply to tax laws, that is, positively influencing voluntary tax compliance. Erich, Hoelzl and Wahl (2008) declare that the existence of tax audits positively affect obligatory compliance. The key reason for compliance to tax payments on timely manner is due to the punishments it attracts (Frey & Torgler, 2007). According to Dubin, Graetz and Wilde (1987) and Swistak (2016), the factors of detection and punishment are key factors which enhance tax compliance.

This theory was considered and used as a basis for assessing tax compliance behaviour among self-employed persons in the Cape Coast Metropolis. By employing this theory, the study aims to understand the factors that influence tax compliance among self-employed individuals and how self-employed taxpayers weigh the costs and benefits of compliance, thus providing insights into their decision-making processes.

Psychological theory

Research on tax compliance is relatively based on psychological or behavioural theory and can be considered as a significantly advanced study on tax compliance. Knowledge of compliance behaviour goes far beyond deterrent factors and economic factors, as described in previous theories. Quite a number of studies have been conducted on tax compliance focusing mainly on the psychological theory (Murphy, 2004; Tan, 1998). These studies advocate that the human factor is critical in determining tax compliance behaviour and that taxpayers' tax confidence and trust substantially affect tax compliance. As per the experimental research carried out by Alm and Torgler (2006) and Cummings et al. (2009), tax morale is imperative in decreasing tax evasion and growing voluntary tax compliance. Hofmann, Hoelzl and Kirchler (2008), however, believes the decision to either comply to tax or not is dependent on the taxpayer.

Liu (2014), in an empirical study, disclosed that personal norms have no effects on mandatory or voluntary tax compliance but only on voluntary tax compliance. Examples of empirical studies include those of Jackson and Milliron (1986), Eriksen and Fallan (1996), Traxler (2010), and Battiston and Gamba (2016), all of whom accept as true that imperceptible perceptions and social norms affect the taxpayers' decisions on voluntary tax compliance. Erich et al. (2008) is of the view that, if taxpayers ascertain that a certain behaviour (non-compliance) is common among persons living around them, they are also likely to follow suite.

Ali et al. (2013), in a working paper on citizens' attitudes towards taxation in Kenya, Tanzania, Uganda and South Africa using a binary logit

regression model, established that taxpayers who are pleased with public service delivery are more likely to be tax compliant and vice versa in all the four countries. Moreover, respondents who perceive groups they are affiliated to is treated dishonourably by the government are less likely to comply with the tax laws. Fairness of the tax system, tax knowledge of the taxpayer, taxpayers' perceptions of government spending and firm characteristics are taken into consideration with regard to the psychological theory. For the purpose of this study, only the tax knowledge of the taxpayer will be further discussed.

Tax knowledge

Knowledge of the individual about the tax laws supports with easy compliance to tax obligations (Nsubuga, Sai & Naatu, 2017). From the point of view of tax administration, specialists have reasoned that tax education about tax requirements improves the level of tax compliance of taxpayers (Loo, Evans & McKerchar, 2012). Eriksen and Fallan (1996) reason that a productive system to reduce tax evasion is by means of making adequate tax information available to taxpayers with regard to the mode of payment, place of payment and means of filing of returns. Studies has however shown that tax knowledge and the level of tax compliance to have positive relationship (Abdul-Razack & Adafula, 2013).

relationship.

By incorporating this theory, the level tax knowledge of the self-employed in the Cape Coast Metropolis about taxation and the tax laws of Ghana will be assessed. This will also help to identify the educational gaps and areas for improvement and assist policymakers to design targeted

interventions that improve taxpayer awareness and understanding of tax obligations.

Institutional theory

The Institutional theory explains the reasons why organisations tend to take on similar characteristics and form. According to Scott (1995), organisations that are rewarded through increased legitimacy, resources and survival capabilities for doing what the institutions want easily conform to institutional pressures for change. Researchers such as Palil (2010) and Alabede (2014) have significantly contributed towards taxpayers' compliance choices in Nigeria with recommendations. They explain institutional factors to be the traditional principles recognised and established by the government and tax authorities to ensure effective administration of the tax system. The institutional factors include; perceived role of tax authorities, quality of tax service, awareness level of taxpayers among others.

Perceived role of the tax authority/ government

Taxpayers have a general perception about tax administrators as being awkward, inefficient and incompetent and this influences their readiness to compliance (Job, Stout & Smith, 2007). The taxpayer's compliance conduct is highly dependent on the effectiveness of the existing tax system. The government and tax authority have a role in decreasing the tax gap and improving voluntary compliance by developing an efficient and effective tax system with simplified collection and enforcement mechanisms in order to minimise tax evasion.

In addition, Baer and Silvani (1997) added that simplifying the tax returns and administration system will encourage voluntary compliance since

taxpayers will complete their tax returns personally rather than employing an agent to perform that task and this will reduce tax compliance costs.

Perceived quality of tax service

Alabede (2012) considers service quality as the difference between taxpayers' expectations and actual service performance. Service quality is very critical to tax authorities as they provide several tax services to taxpayers. Jenkin and Forlemu (1993) defines tax service as the measures which are implemented by the government and tax authorities to promote tax compliance by the taxpayers. Moreover, Abdu and Abem (2023) argued that taxpayers will willingly comply with tax laws if the tax authority sees itself as a service institution which perceives taxpayers as partners and provides them with quality services, cooperation will increase when dealing with the tax authority.

Quality service delivery will enhance voluntary compliance. Jenkin and Forlemu (1993) further asserts that quality of tax service delivery can be improved when the tax system is simplified, and taxpayers are provided with assistance centres with the needed logistics to enable voluntary compliance. Alabede, Affrin and Idris (2011) in an investigation to determine whether supposed tax service quality influences compliance behaviour of taxpayers in Nigeria. The study concluded that perceived tax service quality has a significant positive relationship with tax compliance behaviour of taxpayers.

Awareness level of taxpayers

The level of awareness of taxpayers is usually determined by the rate of education of taxpayers. Studies by researchers such as Singh (2003), Eriksen and Fallen (1996) and Harris (1989) concluded that tax awareness generally has a close relationship with taxpayers' understanding of taxation

and the tax laws and comply as expected. Vadde and Gundarapu (2012) conducted a study in Mikelle city of Ethiopia, using descriptive statistics analysis and questionnaire as an instrument of data collection. They ascribed taxpayers lack of awareness of taxation to poor understanding of the tax laws and regulations as the major influences for low compliance of taxpayers.

Likewise, Rasak and Adafula (2013) conducted a study on some selected SMSs in Tamale in Ghana and administering questionnaire as a tool for data collection found level of understanding to be significantly related to tax compliance decision. Gach (2014) proposed in his research that, continuous tax education programme should be organised and also effective monitoring mechanisms to be put in place by tax authorities to ensure that taxpayers have a good and practical knowledge and comprehension of tax related matters.

Conceptual Review

The concept of taxation

Taxation is an act of imposing a compulsory levy on the citizens of a country by an authority in order to raise financial resources for governments to finance its disbursement or expenditure (Abdallah, 2014; Abdu & Adem, 2023). Although taxation plays a substantial role in financing governmental projects, government has other means of raising revenue including grants, loans, and proceeds from sale of government assets; to obtain revenue to undertake developmental projects in the country and to ensure good and sustainable governance (Abdu & Adem, 2023).

Analysis from various definitions of taxation clearly tells that, taxes are mandatory levies imposed on citizens for a common public purpose. Taxes

are the main source of government revenue from its citizens and businesses. Although the major source of government revenue, taxes vary from sources of income because they are compulsory and unreciprocated levies which are mainly paid by taxpayers for an expected benefit to be received (Nartey, 2023).

By the end of December 2022, the total tax revenue reached GH¢75,706.34 million, surpassing the target of GH¢71,948.76 million by GH¢3,757.58 million (or 5.2%). This performance reflects a nominal growth rate of 31.8% compared to the 2021 collection of GH¢57,433.38 million. In 2022, domestic revenue and customs revenue increased by nominal rates of 29.3% and 38.4%, respectively (GRA Report, 2022). With growing government expenditures and increasing borrowings, it is crucial to enhance the efficiency of tax revenue generation to finance these expenditures and reduce public debt. Operating a nation with limited financial resources is akin to driving a car with little or no oil. Hence, taxes remain the lifeblood of any economy (Ankrah, 2014).

Overview of taxation in Ghana

Ghana's tax collection history began under colonial rule in 1943 with the Income Tax Ordinance 1943 (Ordinance No. 27). The first recorded tax was a customs duty introduced in 1850, followed by a fixed levy per head in 1852. Various attempts to establish a stable tax system faced resistance until income tax was effectively introduced during World War II (Asante & Marfo-Yiadom, 2010). Over the years, the tax system underwent multiple amendments, including the introduction of the Pay-As-You-Earn (PAYE) system in 1961 and changing the tax year to January-December in 1983. The

Fourth Republic, starting in 1992, saw significant tax reforms such as the introduction and reintroduction of Value Added Tax (VAT), the establishment of the Taxpayers Identification Numbering System in 2002, Electronic- levy, Covid-19 levy, National Fiscal Stabilisation levy and many amendments to the tax laws (Nartey, 2023).

Before the formation of the Ghana Revenue Authority (GRA) in 2009, three separate agencies handled tax collection: the Internal Revenue Service, the Value Added Tax Service, and Customs Excise and Preventive Services. The GRA, established under the Ghana Revenue Act 2009 (Act 791), consolidated these agencies to streamline tax administration and improve efficiency (Asante & Marfo-Yiadom, 2010). The Authority has three divisions: Domestic Tax Revenue Division, Customs Division, and Support Services Division. It classifies taxpayers into large, medium, and small categories based on annual turnover. Efforts to expand the taxpayer base have seen the registration of additional taxpayers, especially through the introduction of the Taxpayer Identification Number (TIN) system, now linked to the Ghana Card for easier identification and compliance. The total number of registered taxpayers (TIN Holders) stood at 19,408,646 which is an increase from 2021 which was 18,299,481 (GRA Report, 2022).

Despite these efforts, tax compliance remains a significant challenge, particularly in the informal sector, which employs a large portion of the workforce but contributes minimally to revenue. The expected returns from self-employed was GHC57,317 but only GHC22,158 of the expected return was filed. GRA continues to focus on improving tax compliance and expanding the tax base to support national development and reduce public

debt. This study argues that the need for improvement in tax compliance to enhance development in the country.

Objectives of Taxation

Taxation is the main spring of income for governments, this aids governments to finance their projects. The government needs resources for provision of social amenities and infrastructures for its citizens and to also ensure good governance (Asante & Marfo-Yiadom 2010). The government takes taxes in order to protect infant or baby industries. These are industries which are yet to find their feet in the field of manufacturing or providing services. To make them grow, import duties (taxes) are imposed on imported goods in order to raise their prices. This would aid in a reduction of their consumption (Asante & Marfo-Yiadom 2010).

Also, taxation help to check inflation which is the effects of destabilised prices. High taxation reduces the disposable income of consumers, hence low demand for goods and services, and this would help resolve inflation and restrain the consumption of certain type of products (Asante & Marfo-Yiadom 2010). Taxes are imposed on the self-employed principally in order to generate the substantial amount of revenue needed for the government to undertake developmental projects to better the lives of the citizenry.

Employees in both public and private sectors can hardly underpay their tax liability because their incomes are tracked and taxed accordingly from source even before their net salary is paid to the bank (Ohene 2011). Meanwhile, majority of the country's workforce are self-employed, mostly in trading, catering, service providers, artisanal, farming among others. It has

been difficult to identify these taxpayers, let alone validating their income to be taxed because the self-employed individuals are not subjected to any requirements as the salaried workers are.

According to Naporow (2015), identifying self-employed taxpayers is a challenge which can be partly attributable to lack of discretionary income reporting among self-employed persons. Unlike employers in the formal sector who are mandated to report employee's income for tax purposes, the income of the self-employed individuals is not subject to any reporting requirements; giving high prospects to the self-employed persons who form the chunk of the working class to evade tax.

Self-employed

A self-employed individual is one who works for him/herself in different diversity of professions, trades, jobs etc. The person is a sole proprietor or individual contractor who reports self-employment income. The concept of self-employment was worldly influenced by revival two main strategic issues, which are rate of growth of employment potentials of the small businesses in the informal sector and the intensifying problem of joblessness in several countries. The concept of self-employment found its way in Ghana in the 1970s through an article by Hart (1973), as he threw more light on the employment potentials and avenues which could be discovered and verified by entrepreneurs in the informal sector with their appropriate skills and the passion to implement those skills.

Camel (2000) defines a self-employed individual as a person does his/her own work for and may sometimes involve the services or facilities of others to help in effective management of the business without a definite

payment method or may work alone. Fairlie's (2005) study also defines the self-employed as a person who's in employment and work for themselves either in business or professional practice and receives payment for the services rendered. This could include friends and family members who sometimes assist in the management of businesses.

According to Naporow (2015), educational qualifications is seen as a critical factor in the labour market with regard to success. Formal education may, therefore, act as a prerequisite to measure efficiency. Therefore, individuals with good educational levels may turn themselves managers and eventually get self-employed. Therefore, better or highly educated persons have higher tax morale. They easily comply to the tax laws as compared to less educated persons. Tax compliance, therefore, has a positive relation with sociodemographic factors such as age, marital status and education (Horodnic, 2018).

With regard to age, it is seen and regarded as a financial and human resource factor and is usually used as a prerequisite to measure a person's knowledge and experience. Additionally, an older person usually has satisfactory experience and capital required for establishment as a self-employed individual. Fuchs (1982) and Blau (1987) concluded from their findings that, the likelihood of swapping from been a salaried worker to been a self-employed individual has no connection with their age. Marital status represents another important feature of the self-employed. Feruta (2014) postulates that, pooling resources together by couples might perhaps create employment for mostly the woman to become self-employed.

Due to the nature and characteristics of the self-employed individuals, governments and tax administrators globally, particularly in developing countries find it challenging when inventing and formulating the tax systems which will be suitable and effectively widen the tax net so as to cover as many self-employed individuals as possible. There has always been a challenge in accessing self-employed by tax agencies for tax purposes, making the self-employed highly non-compliant to tax protocols of the country (Swistak, 2016).

Tax compliance

Tax compliance is the rate at which a taxpayer fulfils his/her tax obligations as specified in a nation's legal and regulatory requirements. Tax compliance usually incorporates all activities essential to be carried out by the taxpayer in order to fulfil constitutional requirements of the tax law. Tax compliance happens to be a major problem for many tax authorities since it is a difficult task to convince taxpayers to comply with tax requirements (James & Alley, 2004). In Ghana, the initial Income Tax Law was the Income Tax Ordinance 1943 (No. 27) (Asante & Marfo-Yiadom, 2010). Over the years, quite a lot of laws of revenue system have been developed and revised to meet changing trends in revenue collection. The regulation includes registration as a tax payer, annual submission of tax returns, and adherence to the required time frames for payment (Ming, Normala & Meera, 2005).

Ghana Revenue Act 2009 (Act 791) mandates every resident of Ghana to pay a certain percentage of his or her income as tax. However, a category of inhabitants, especially in the informal sectors, do not comply with the Act, they swerve tax either by evasion or reducing the amount they ought to pay.

GRA Act 2009 (Act 791) describes tax compliance as the readiness in addition to capability of taxpayers to fulfil the tax laws available, to also declare annual precise income statement and in due times pay the precise amount of taxes as required. Tax compliance has been defined as fulfilling compulsory tax requirements of the land (GRA website; accessed on 10th June 2024). Meaning the taxpayer files the tax returns at the appropriate time and the returns exactly describes the tax liability of the taxpayer in accordance with the country's revenue code and regulations relevant for filing returns at a particular period of time (Roth et al., 1989).

Kirchler (2007) also perceives tax compliance as the preparedness of taxpayers to pay their tax amounts due. The kindness of business entities to be registered willingly for tax purposes and the timely prompting of tax authorities of business status as a taxpayer is keen towards accomplishment of tax compliance (Ming et al., 2005). Also, business entities are under obligation to regularly succumb by filing their tax returns as and when necessary and make the necessary payments on time to boost up the revenue generation of the government.

Usually, tax compliance can be said to be the taxpayers readily nourishing all the tax commitments specified by the government willingly. Singh and Bhupalan (2012) supposed certain circumstances are essential to enable businesses to effectively comply with the required tax laws of a government. They reason that taxpayers as human beings require some amount of honesty, a knowledge of a country's existing tax settings and the ability to use that information to timely, accurately and completely adhere to their tax obligations.

Consequently, tax compliance is closely linked to taxpayers' attitudes, which encompass accurately calculating tax liability, disclosing tax information correctly, and promptly paying taxes (Agbetunde et al., 2022). Actions contrary to these behaviors constitute non-compliance. Kemme et al. (2020) define tax non-compliance as including practices like exaggerating deductions, under-reporting income, and avoiding proper filing of tax returns. Tax compliance can be enhanced through government actions such as imposing fines and increasing the likelihood of audits (Damayanti & Supramono, 2019). Traditionally, the focus has been on deterrent measures to reduce tax non-compliance.

Atawodi and Ojeka (2012) figures out that, sometimes tax authorities within the west African sub-Region bear extra cost to ensure enterprises fulfil their tax commitments. Due to the fact that majority of Small and Medium Enterprises (SMEs) in Ghana operate from the informal sector of the economy makes it extremely difficult for tax authorities to implement tax rules. The economic and administrative structure of Ghana also makes it difficult to tax the informal sector, carpeting a way for these enterprises to easily invade taxes (Nartey, 2023).

Alternatively, Engida and Baisa (2014) deliberates on tax submission in terms of the tax gap, which is the difference between tax collection on voluntary or enforcement basis and the true individual income tax amount. Generally, tax compliance is seen or understood as acting in agreement with the tax laws. However, when taxpayers do not comply voluntarily with the tax laws, it's an exhibition a feeble administration. The tax administration approach by many countries is, therefore, aimed at improving taxpayers'

compliance levels since the self-assessment system can result in tax revenue losses. However, a few SMEs are overtaxed, making it a hinderance to the growth and development of these businesses. The best way to resolve this problem is for tax establishments or authorities to expand their tax net to have a broader view (Terkper, 2007).

Tax non-compliance

Tax non-compliance is an offense and can come with significant consequences such as fines and other penalties for individuals or businesses as stipulated in the tax laws. Though non-compliance to the tax laws by taxpayers is a persistent and increasing global problem, research proves that developing countries in Sub-Saharan Africa are the greatest hit by the act and needs to be addressed (Cobham, 2005; Fuest & Riedel, 2009). It is however noted that, the concept of compliance cannot always be applied undoubtedly due to the fact that individuals are integrally ambiguous and, therefore, reasons for noncompliance may extend beyond a deliberate attempt to understate tax liability.

Non-compliance to tax can occur due to underestimation of income or failure to file a return (Roth et. al., 1989). The acts which can be considered as non-compliance includes failure to file tax returns to the tax authority, delay in paying the required amount of tax at the specified time and failure to report the right amount of income. The area of tax non-compliance makes the fairness and equitable distribution system of taxation questionable and eventually poses a challenge to the tax administration whose duty is to raise revenue for the government. Their goal is destabilised if qualifying taxpayers fail to comply with the appropriate tax laws, resulting in their inability to fulfil

their tax obligations. The tax burden of the non-compliant taxpayers is shifted to the few complying taxpayers, and this will pose a threat to the method of government funding and eventually lead to a rise in tax evasion and avoidance.

Empirical Review

Factors that influence tax compliance

Several studies have been conducted on tax compliance which has emphasised on the determinants of voluntary compliance considering the income or profit of an individual, filing and reporting commitments but have not specifically observed the factors that influence tax compliance in Ghana. The utmost elements identified with regard to tax compliance are economic and non-economic factors. Various models and philosophies have been applied to enhance a better understanding of the factors that affect tax compliance. Generally, studies on tax compliance are based on three theoretical models namely, economic theories-deterrence models, and psychological models and institutional models.

Some theories perceive that knowledge of compliance behaviour is beyond deterrent and economic factors. Researchers have involved new factors such as psychological, moral and social models in determining the factors that influence tax compliance, this will aid the study of tax compliance to be more comprehensive. Even though several studies have been conducted on tax compliance extensively by intellectuals, only a few researchers have examined the reputation factors that affect tax compliance, providing inconsistent results. Feld and Fray (2007) reasoned that a psychological tax agreement is far from the outmoded deterrence model which focuses on cost-

benefit and explains tax morale as a complicated interaction between taxpayers and the government.

Economic factors of tax compliance

Economic factors of tax compliance explain the essential roles the government plays to ensure tax compliance amidst taxpayers. These factors usually have economic effects on the taxpayer, they include the tax rates, tax audit, penalties or fines, compliance costs among others.

Tax rates

Though there's no clear and definite effect of tax rate on tax compliance, high tax rates have a possibility to discourage SMEs. Studies have been conducted to examine the possible effects tax rate has on compliance levels. Hai and See (2011) studied tax compliance and concluded that, the high tax rate causes high tax non-compliance. Rate of tax is a significant factor in determining tax compliance pronouncements. A rise in tax rates will lead to a decline in tax compliance (either voluntarily or by enforcement) whilst reducing tax rate would not reduce tax evasion on the other hand.

According to Ali (2018), the research he conducted discovered that tax rate has a positive relationship with tax compliance and, therefore, influences compliance significantly. Mas'ud et al. (2014) also attest there is a negative relationship between tax rate and tax compliance. However, majority of literature exhibits high tax rate and tax evasion are positively related and negatively related to tax compliance, further studies conclude there's either a positive or no relationship between tax rate and tax compliance. A study by

Modugu, Eragbhe and Izedonmi (2012), findings from a study in one of the African countries shows that, there's no effect be it positive or negative between tax rate and tax compliance.

Tax audits

Tax audits by tax authorities has been found to be a greater means to enhance tax compliance by the self-employed (Loo et al., 2012). Tax audit warrants taxpayers to thoroughly file their tax returns since irregularities would be noticed through audits and would rivet penalties. Taxpayers who are frequently audited by the tax authorities tend to comply with their tax obligations since they will be exposed during the tax audit and vice versa. Also, anomalies in the financial records of taxpayers would be detected through tax audits and will attract penalties.

Tax penalties or fines

When citizens are made to pay higher penalties for evading taxes, they tend to have the impact of their actions and prevents future avoidance. Additionally, taxpayers consider the cost they incur when they remain as defaulters, penalties to be incurred and benefits of swerving taxes and finally decided whether or not to pay taxes if the benefits of non-compliance exceed the costs (Sapiei & Kasipillai, 2013; Walsh 2012).

Oladipupo and Obazee (2016) asserts that, failure for a taxpayer who is required to file an income tax return to do so timely, will attract a late filing penalty. In other words, when people are fined to pay high penalties for the offense of tax evasion, they have a higher tendency of avoiding future occurrences. Penalties attracted for tax non-compliance to tax serves as a

deterrent and compels self-employed individuals to freely fulfil their tax commitments (Nartey, 2023).

However, if the benefits of non-compliance exceed amount of tax to be paid, then citizens would remain as defaulters (Sapiei & Kasipillai, 2013). In other words, the penalty for defaulters should be very high to prevent these nosiness owners from non-compliance.

Compliance cost

The goal of every country's tax system is to efficiently and professionally collect tax revenue to aid the government in its fiscal policy, whereas taxpayers have a mindset about taxation as a burden especially by the SMEs (Vihanto, 2000). The cost of tax compliance is the amount which must be incurred by the taxpayer in implementing tax obligations. Therefore, taxpayers are more likely to execute non-compliance to taxes either by evasion or avoidance when the cost of compliance is greater. In the determination of taxpayers' wiliness to observe with the tax regulations, compliance cost affects their level of compliance as high compliance costs can result in tax dodging. These costs can be sub-divided into three units: money costs involved, time spent, and other expenses relating to compliance.

A study into cost related to tax compliance can provide valuable guidance to policy makers on the ways and means to reduce these costs and menace for the self-employed to ensure compliance. Governments should, therefore, take into consideration this subject in order to ensure that the tax protocols are obeyed. Research shows that taxpayers are discouraged by high tax compliance cost (Loo et al. 2012).

Research by Atawodi and Ojeka (2012) emphasises that high compliance costs can lead to tax dodging, tax swindling as well as depriving the nation of investors who intend coming into the country by way of weakening the attractiveness of the country. A study by Eragbhe and Modugu (2015), relating to tax compliance cost in Nigeria concluded that, tax compliance cost encompasses both internal compliance and external compliance costs as well as other incidental costs including emotional cost.

Non-economic factors of tax compliance

Research on tax compliance factors have mostly focused on economic and monetary factors to the detriments of non-monetary factors that can influence the level of voluntary tax compliance among taxpayers (Niesiobędzka, 2014; Loo et al., 2012; Alabede et al., 2011). There are numerous non- economic elements which influence the level of assessment consistence. Investigations have been done to incorporate these non-economic components to clarify the conduct of expense consistence under the system of monetary examination (Alm, Sanchez, & DeJuan, 1995). These non-economic factors are categorised into psychological theories - norms theory and institutional theories. These factors place much emphasis on fairness of the tax system, tax knowledge of the taxpayer, taxpayers' perceptions of government spending, firm characteristics, perceived role of tax authorities, perceived quality of services, awareness level of taxpayers to influence tax compliance amongst taxpayers.

Measures to promote voluntary tax compliance

Non-compliance to tax is an undeniably serious challenge which threatens a country of its tax revenue, much focus is, therefore, placed on

achieving greater level of voluntary tax compliance among taxpayers. Tax authorities, therefore, have a global responsibility to assist in generating monetary resources for the government to execute their plans and projects for developmental purposes. The authority is assigned by government to take steps aimed at encouraging voluntary tax enforcement and implementing measures to ensure taxpayers' compliance with tax requirements since voluntary compliance is the global seal required of every good taxpayer in the tax system. This is done employing measures such as raising tax rates, charging defaulters with fines and penalties and tax education in other to cover all the various taxable sectors of the economy (Twum et al., 2020; Nartey, 2023).

According to Swistak (2016) compliance behaviour is affected by factors of detection and punishment in that punishments for defaulters of the tax laws will serve as a deterrent to others. Therefore, economic factors of tax compliance such as fines and penalties, tax audit plays a key role in tax compliance. Erich et al. (2008) argued that the power of tax authorities has a strong impact on mandatory tax compliance. Ohene 2011 assessed tax compliance by the self-employed in the New Juaben Municipality and concluded that, the level of income tax compliance in the informal sector is not satisfactory due to improper records keeping and high illiteracy levels. However, in most cases, governments due to their political determination fail to enforce majority of the tax laws for fear of losing fame. Governments could develop new approaches to improve tax compliance voluntarily among the self-employed.

Another major challenge to this menace is the fact that the self-employed have no permanent place for their business operations. Naporow (2015) postulates the self-employed business owners either fail to register before incorporation or do not provide proper records of business address, making it difficult for tax authority to identify them and pursue them for taxes. In their study, Twum et al. (2020) highlights the crucial role of tax knowledge in improving tax compliance among SMEs in Ghana, recognising its importance for national development in sub-Saharan Africa. The study contributes to the literature by emphasising the impact of tax knowledge on SME tax behavior in Ghana. A study by Nartey (2023) found that the tax compliance behaviors of SMEs are influenced by institutional pressures to adhere to tax laws and consistently file their tax returns. His findings also support the tax fairness theory, suggesting that SMEs are more likely to comply with tax regulations if they perceive the tax system as fair.

Conceptual Framework

Quite a lot of factors are noted for been the reasons behind taxpayers' non-compliance towards fulfilling their tax obligations and these factors of noncompliance differ from nation to nation as there are factors such as cultural, behavioural, and other socio-cultural factors that may inspire tax compliance (Abrie & Doussy, 2006; Kirchler, 2007; Chebusit et al., 2014).

Otabil (2015) studied an assessment of taxation in the informal sector in the Komenda-Edina-Eguafo-Abrem (K.E.E.A) Municipality. He found out that, high income tax, business non-profitability, low tax education, distance difficulty in paying tax, tax non-compliance by other colleagues, misuse of tax income by government, failure to register businesses and high illiteracy levels

account for high tax non-compliance in the municipality. Otabil (2015) however mentioned personnel capacity restrictions, huge size of the informal sector, absence of motivation for the tax collectors' and unsuitable financial records of some taxpayers on the other hand to be the factors he concluded to affect operative revenue mobilisation by the Domestic Tax Revenue Division (DTRD) in the Municipality.

Consequently, Otabil (2015) proposed that, a well up-to-date and regular tax enlightenment should be organised, tax defaulters should be sanctioned, taxpayers be motivated, cordial relationship between the tax collectors and taxpayers, and most especially having an updated current list of all private businesses would help to improve tax compliance in the municipality. Adam (2009) also conducted a study on the subject and suggested the self-employed should be conversant with the importance and value taxes add to the nation and be encouraged to honor their obligations to the government for developmental projects and ensure that enforcement mechanisms are adhered to. From a close study of the subject, tax compliance can be said to be influenced by both economic and non-economic factors (psychological and institutional factors) as well as demographic factors as illustrated in the study conceptual framework below:

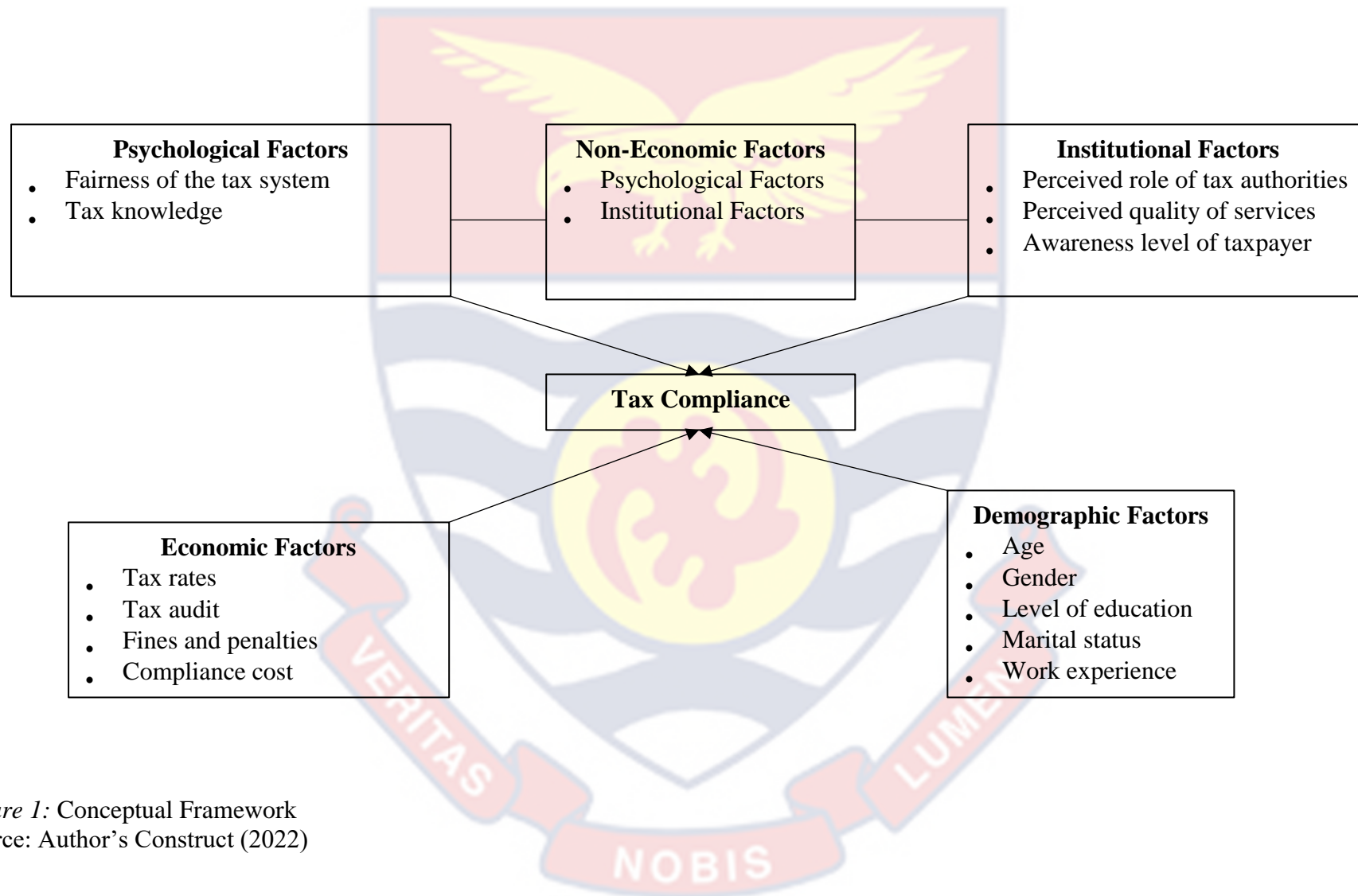
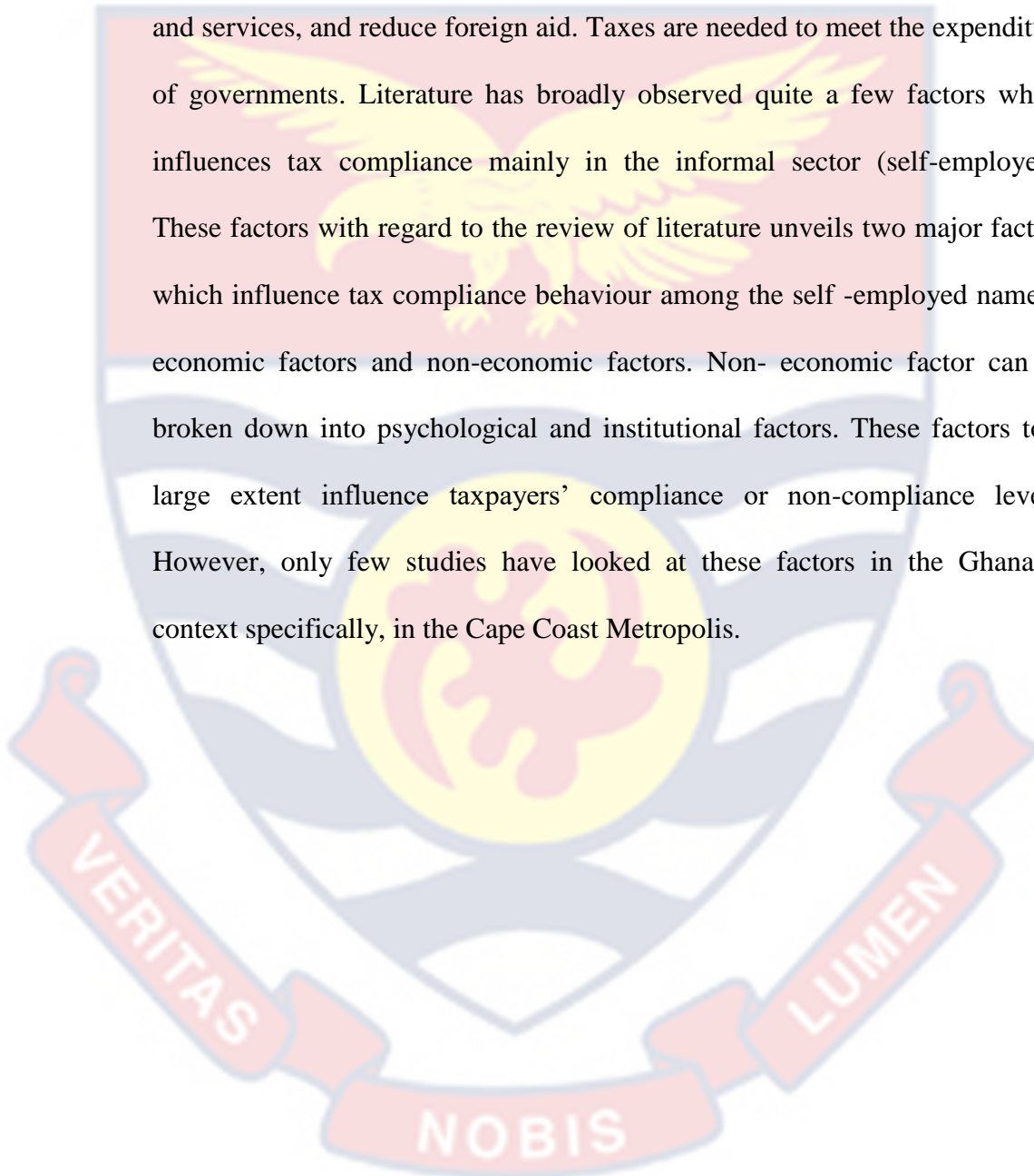


Figure 1: Conceptual Framework
 Source: Author's Construct (2022)

Chapter Summary

The concept of taxation is key in both academic and policy discussions. Revenue mobilisation is a means for governments to generate economic resources to meet its fiscal policy, provide essential public goods and services, and reduce foreign aid. Taxes are needed to meet the expenditure of governments. Literature has broadly observed quite a few factors which influences tax compliance mainly in the informal sector (self-employed). These factors with regard to the review of literature unveils two major factors which influence tax compliance behaviour among the self-employed namely: economic factors and non-economic factors. Non-economic factor can be broken down into psychological and institutional factors. These factors to a large extent influence taxpayers' compliance or non-compliance levels. However, only few studies have looked at these factors in the Ghanaian context specifically, in the Cape Coast Metropolis.



CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter describes the research methodology to be used for the study. The chapter further describes the appropriate methods used to collect data relevant for the study. The research methodology entails the research design, scope of the study, population of the study and sampling procedures used. The instruments for data collection and the techniques used in data collection are described in this chapter.

Research Approach

Research approaches are classified into three categories, namely, quantitative, qualitative and mixed (Creswell, 2013; 2021). Quantitative research is objective, rigorous, formal, deductive technique and systematic strategy for creating and expanding knowledge to solve problems (Grove, Burns & Gray, 2012; Mohajan, 2020). It explains phenomena by gathering numerically stable precise data that is examined using mathematical procedures, particularly statistics that ask who, where how many, how much, what, when and how (Creswell, 2013; Mohajan, 2020). The study, therefore, adopts this approach to assess the factors that influence tax compliance conduct and the compliance level among the self-employed in the Cape Coast Metropolis with statistical tools.

Research Design

A survey according to Collis and Hussey (2014), is a method of data collection whereby a sample is drawn from the entire population and cautiously studied to make interpretations about the population. A descriptive

survey design is considered suitable for this study considering the purpose of the study and the objectives the study seeks to achieve. The survey design would aid the researcher to gain a fair idea of how to locate participants regarding the subject matter. The choice of survey design was appropriate since the researcher would be able to generalize findings to cover the entire population.

With regard to this study, owners and managers of businesses are targeted as sample elements since they are considered to have adequate knowledge about the business and are, therefore, in the position to answer the questionnaire to obtain the needed information. Considering the large numbers of self-employed individuals in the metropolis, it would be extremely difficult to cover all the self-employed individuals in the metropolis. The survey design was adopted by the researcher in order to generalise the findings discovered to cover the entire population.

Study Area

Cape Coast is the regional capital for Central Region. Portuguese colonists built a trading fort in Cape Coast, making it a most historical city in Ghana. The Cape Coast castle, which is now a World Heritage Site, was built in 1650 by the Swedes of which majority of the towns have extended around. The Cape Coast Metropolitan is part of the 22 MMDAs in Central Region and one of the 261 Metropolitan, Municipal and District Assemblies (MMDAs) which exists in Ghana having Cape Coast as its administrative capital. Other major communities include Pedu, Abura, Efutu, Koforidua, and Nyinasin.

The Cape Coast Metropolitan Area is one of the oldest districts in Ghana. In 1988, the district was raised to the status of a municipality in by

Legislative Instrument (LI) 1373 and upgraded to the status of a metropolitan in February 2007 by Legislative Instrument (LI) 1927. Cape Coast Metropolitan is located in the south west part of Central Region, having a regional capital town as Cape Coast .The Metropolis occupies an area of 122 square kilometres and is the smallest metropolis in the country. Cape Coast metropolis lies within latitudes 5.20'N north of the Equator and between longitudes 1°.15'W west of the Greenwich Meridian. The metropolitan shares boundaries on the east with the Abura Asebu Kwamankese District, west with Komenda Edina Eguafo Abrem Municipal, south with the Gulf of Guinea and north with the Twifo Hemang Lower Denkyira District. The population of the Metropolis as at 2021 (per population and housing census) was 189,925, having 92,790 number of males and 97,135 females.

Cape Coast Metropolis having a long history of contact with the Europeans has a high proportion of Catholics and a lot of Pentecostal and Charismatic church organisations with just a small percentage not affiliated to any church. The people of Cape Coast metropolis are part of a group of people known as Fantes, found in the central part of Southern Ghana. Fante is the main language spoken by the people, immigrants who belong to other ethnic group like the Nzemas, Ewes, Krobos, Gas, Twi-speaking Akans, and others from the Northern Ghana also reside in the Metropolis. With regard to employment, the people are mainly fishermen, farmers, drivers, traders, government workers, artisans, among others. These individuals who have the responsibility of paying taxes however refuse to and employ various ways and means to evade tax (Naporow, 2015; Stephen, Abdallah & Hamza, 2015). The

Metropolis constitutes one traditional area with the Oguaa Omanhen as the paramount chief.

Population

Population is the group of respondents the researcher is targeting to gain information from in order to draw a conclusion. A taxpayer is a person who government collects its tax revenue from, who can be in the form of either an individual taxpayer or a corporate taxpayer. Self-employed are considered to be individual taxpayers since majority of businesses here in Ghana are owned personally by individuals.

Out of the 2.1 million business in Ghana, about 1.7 million can be classified under micro, small and medium size enterprise (MSME). From this, there are 1,477 registered SMEs in the Cape Coast Metropolis (NBSSI, 2023). This population consists of all the self-employed individuals in the Cape Coast with much emphasis on the self-employed individuals in the central business district such as Kotokuraba, Master Sam Aboom, Tantri, Kingsway, Aquarium, and Coronation. This population is formed since most individuals in these areas are found in diverse forms of business activities and also seen as the business hub in the metropolis.

Sampling Procedure

Sampling is done to enable a researcher to select and focus on some elements in a population as the population is usually too large for the researcher to study all the individuals (Blumberg, Cooper & Schindler, 2014). Looking at the large number of self-employed individuals in the metropolis, it would be difficult to access. Therefore, a sample that reflects the population was used. Based on the population, the sample size is 227. The

representativeness of the determination was guided by Adam (2020) minimum sample size determination table with 50% proportion, the error margin of 3% and non-response rate expected to be 10%.

The sample size is the minimum and so, 370 questionnaires were administered but only 334 was retrieved. This is a fair representation of all the self-employed persons in the metropolis to enhance arithmetical generalisation. The sample boundary covers trading, services and manufacturing. Therefore, 174 participants were selected for trading, 110 for services and 50 for manufacturing. The stratified sampling technique was adopted for this study because it extends the idea of simple random sampling to ensure that a heterogeneous population has its defined strata levels taken account of the sample (Francis, 2004). Most self-employed businesses consist of various kinds of businesses that are heterogeneous in nature and, therefore, stratified sampling technique is used to achieve a representative sample size from the population.

Data Collection Instrument

An item which is used for collecting data for a study is termed as a data collection instrument. A survey design is adopted for this study and, therefore, a questionnaire is well-thought-out tool most suitable for collecting data, thus, making the questionnaire a key tool for data collection. Nevertheless, there exist no sole tool acceptable for collecting effective and consistent data (Creswell, 2013). A questionnaire usually consists of a series of questions (that is either open-ended, closed-ended or both) and requires brief answers to be provided by the participants concerning a circumstance or description of current population attributes (Creswell, 2013).

The questionnaire is designed taking into consideration the research questions in order for its responses to answer the relevant research questions. The questionnaire is designed and administered to the various respondents by the researcher at their various places of business. The closed-ended edifice is employed since questions are calm to ask and swift to answer, it does not necessitate long writing by the respondent and the outcomes are straight forward to evaluate (Naoum, 2007).

The subjects were required to answer 31 questions which covered the research questions under study (see Appendix A). The questions were grouped into four sections. The first section was to gather demographic information of the respondents. The second section dealt with the factors that influence tax compliance among the self-employed individuals while the third part was on the knowledge level of these individuals about the tax laws. The last section was used to gather information on measures to promote voluntary tax compliance. All the 31 questions were closed-ended. The choice of closed-ended items was to ensure easy and quick analysis of the data.

Validity and Reliability of the Instrument

To establish the validity and reliability of the questionnaire, a pre-test was conducted. The validity, as a concept, is defined as the degree to which an instrument measures what it is supposed to measure (Yin, 2018). According to Yin, experience from pre-testing of an instrument is used to progress and improve the instrument before introducing it to the principal study populace. The validity, in the context of this study, implies the correctness with which the instrument could assemble data from the participants as envisioned to facilitate the accomplishment of the objectives. Internal validity was also

evaluated and was aimed at examining the capability of the instrument to quantify what they were anticipated to quantify and to assist in noticing any blunders that could cause ambiguity in the connotation of the instrument and avoid the elicitation of inaccurate answers.

Concerning content validity, the study ensured that the items on the instrument cover the domain that is purported to measure. This was determined by expert judgment of my supervisor and other professionals in the field of business studies. The study took note of their comments to modify and delete materials that were considered inaccurate or items that infringed on the confidentiality of the respondents.

The pre-testing of the questionnaire made use of 45 self-employed individuals in the environs of the University of Cape Coast. This area was used for the pre-test because the self-employed individuals in the area have the same characteristics as those in the broad study area concerning gender, age, education, and years of operation characteristics. With the help of Version 25.0 of SPSS, the study used a Cronbach's alpha reliability coefficient to measure the internal consistency of the questionnaire. It is one of the widely used measures of consistency concerning responses of an instrument (Mukherjee et al., 2018). The reliability coefficients (Cronbach's alpha) of the pre-tested instrument were defined in Table 1 below.

Table 1: Instrument Reliability Results from Pre-Testing

Study Variables	Cronbach's alpha
Economic factors	.867
Psychological factors	.951
Institutional factors	.871
Knowledge of taxation	.848
Measures to promote compliance	.930

Source: Field Survey (2022)

Data Collection Procedures

The data for the research was gathered using a questionnaire, and participants were required to complete it only if they consented. The data collection process was carried out in two stages. Stage 1 entailed administering the questionnaire while stage 2 was engrossed with the retrieval of the questionnaires that were administered. The questionnaires administered were recovered in Stage 2. A total of 360 questionnaires were administered. In the end, 334 valid responses were retrieved. Respondents were informed at the outset of the survey that participation is entirely optional and that they can leave at any time. The survey lasted for three weeks and three days between September 25, 2022 and October 18, 2022.

Data Processing and Analysis

The questionnaires retrieved were recorded in Microsoft Excel. The raw data was then cleaned to remove incomplete questionnaires and coded afterwards. In analysing the research questions, mean and standard deviations were used. The number of occurrences and percentages were also used in analysing the demographic traits of the respondents. This was achieved by employing Statistical Package for the Social Sciences (SPSS) version 25. This

is a software program used by researchers in various fields of studies for quantitative analysis.

Operationalisation of the Study Variables

The variables were measured using a 5-point Likert scale 1 - Strongly Disagree (SD), 2 – Disagree (D), 3 – Neutral (N), 4 – Agree (A), 5 - Strongly Agree (SA). The variables include economic factors, psychological factors, institutional factors, knowledge of taxation and measures to promote compliance. Economic factors deal with factors that affect the taxpayer economically. They include the tax compliance cost, tax rates, tax fines and penalties.

The psychological factors place much emphasis on fairness of the tax system, tax knowledge of the taxpayer, taxpayers' perceptions of government spending and firm characteristics. Perceived role of tax authorities, perceived quality of services, awareness level of taxpayers to influence tax compliance amongst taxpayers are the institutional factors. The knowledge of taxation is concerned with the level of tax knowledge of the respondents as well as their level of understanding of these laws. The last variable measured the factors to be adopted to improve voluntary tax compliance. Examples are tax rates reduction, effective and continuous tax education, fair and equitable tax system, tax penalties and fines enforcement among other factors.

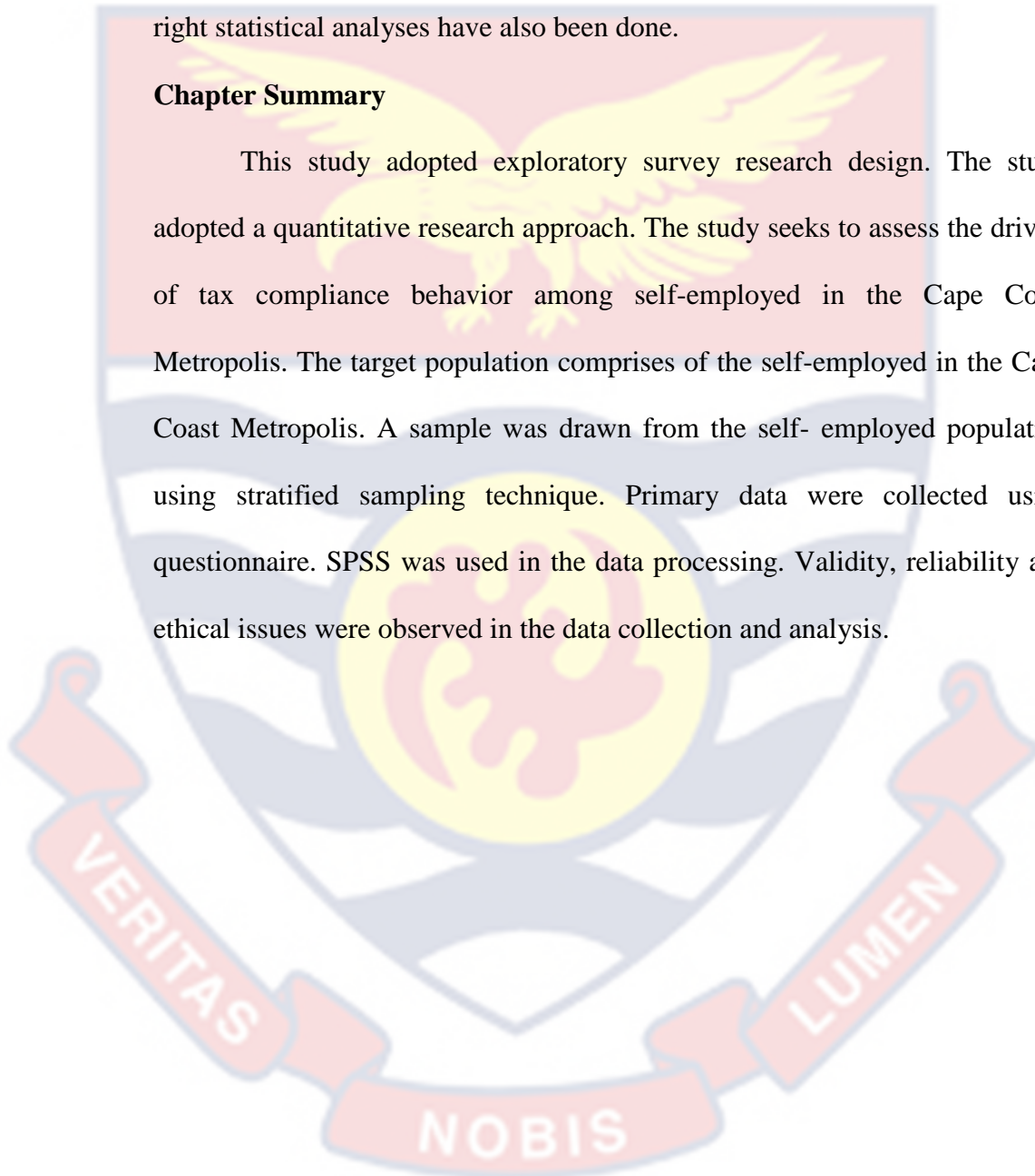
Ethical Considerations

The study took into consideration the relevant ethical considerations. As such ethics such as the right to privacy, voluntary participation, no harm to participants, anonymity, confidentiality, plagiarism, and scientific misconduct were strictly observed to ensure the credibility and quality of the study.

Respondents were told that they had the right to part take and leave the study of their own free will. Respondents were also told that their names should be indicated in the questionnaire or do anything to trace their identity. This encouraged anonymity and confidentiality. All works have been cited and the right statistical analyses have also been done.

Chapter Summary

This study adopted exploratory survey research design. The study adopted a quantitative research approach. The study seeks to assess the drivers of tax compliance behavior among self-employed in the Cape Coast Metropolis. The target population comprises of the self-employed in the Cape Coast Metropolis. A sample was drawn from the self-employed population using stratified sampling technique. Primary data were collected using questionnaire. SPSS was used in the data processing. Validity, reliability and ethical issues were observed in the data collection and analysis.



CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presented the descriptive summary, frequency-based and mean-based results, and percentile analysis. The empirical results were then discussed. All the results presented in this Chapter were based on the 334 valid responses generated through a field survey of self-employed in Cape Coast.

Demographic Characteristics of Respondents

To have a fair overview of how the respondents were demographically distributed, the demographic characteristics of the respondents who participated in the study was generated. This covered all the 334 valid responses retrieved from the survey of self-employed in Cape Coast. A summary of the demographic characteristics of respondents are presented in Table 2.

Table 2: Demographic Characteristics of the Respondents

Variable	<i>n</i>	%
Gender		
Male	158	47.3
Female	176	52.7
Age		
18 – 25 years	36	10.8
26 – 35 years	76	22.8
36 – 45 years	102	30.5
46 – 55 years	74	22.2
Above 55 years	46	13.8
Educational Qualification		
Basic	48	14.4
Secondary	76	22.8
Tertiary	210	62.9
Position		
Owners	174	52.1
Manager	100	29.9
Other employee	60	18.0
Nature/Class of Business		
Manufacturing	76	22.8

Construction	82	24.6
Services	162	48.5
Others	14	4.2
Years in Operation		
Less than 5 years	80	24.0
5 – 9 years	82	24.6
10 – 14 years	104	31.1
15 years and above	68	20.4
Number of Employees		
1 – 5	106	31.7
6 – 49	142	42.5
50 – 100	86	25.7
Business Registration		
GRA	132	39.5
NBSSI	35	10.5
Metropolitan Assembly	120	35.9
Unregistered	47	14.1
Source: Field Survey (2022)	N = 334	

It was observed from the descriptive summary in Table 1 that out of 334 respondents, the majority ($n = 176$) of the respondents who took part in the survey were females, representing 52.7%, with 158 females representing 47.3%. A greater share of the respondents ($n = 102$; 30.5%) were aged between 36 and 45 years, with only 36 (10.8%) respondents who were less than 26 years of age. However, cumulatively, 112 (33.6%) respondents were aged up to 35 years. This indicates that several youths are engaged in self-owned businesses, signalling the high rate of unemployment. Several Self-owned businesses in the Cape Coast Metropolis are established out of unemployment. Of the 334 respondents surveyed, 74 (22.2%) were between 46 and 55 years.

Moreover, most of the respondents surveyed ($n = 210$, 62.9%) had tertiary qualifications, indicating that most self-owned businesses are operated by tertiary graduates, who may be forced into establishing their own businesses out of graduate unemployment. While 76 (22.8%) of the

respondents had completed Secondary level education, 48 (14.4%) of the respondents had Primary level qualification. Given the high rate of respondents who had completed tertiary education, it is reasonable that they were able to appreciate and understand the questions in the survey instrument.

Among these respondents, 174 (52.1%) were owners; 100 (29.9%) were managers, and 60 (18%) were other senior employees. Since the majority ($n = 274$; 82%) of the respondents were either owners or managers, who have significant influence over operational decisions, they were appropriate for unbiased results and conclusions.

Concerning the nature or class of the self-owned businesses, a majority ($n = 162$, 48.5%) of them were into services. While a few (60, $n = 18\%$) of the respondents belonged to other (or mixed) business types, 82 (24.6%) and 76 (22.8%) were into construction and manufacturing, respectively. This is comprehensible since self-owned businesses easiest form of establishment are usually services-oriented as opposed to manufacturing and construction that may require relatively huge start-up capital or some forms of expert skills. With service-oriented self-owned businesses, winding up can be done simply without losing substantial capital and may attract several unemployed individuals who may be eager to engage in a business.

Most ($n = 104$; 31.1%) of the business surveyed were into business for a period between 10 and 14 years. A total of 68 (20.4%) of them had been in operations for 15 years and above with 82 (24.6%) and 80 (24%) of them being in operation for less than 5 years and between 5 and 9, respectively. More businesses ($n = 142$; 42.5%) had employees numbering between 6 and

49. A modest number ($n = 106$; 31.7%) of them had 1 – 5 employees, while 86 (25.7%) had between 50 and 100 employees.

Overall, the demographic characteristics of the respondents and businesses (sole-proprietorship businesses) surveyed suggested that most respondents could offer reliable answers to the questions involved in the survey, since they held tertiary qualifications. Similarly, most of the respondents were either managers or owners who were best fit to be surveyed to achieve the aim of the present study.

Main Results

The data generated from the questionnaires were processed using SPSS for all the objectives. Hence, the results generated have been presented below.

Level of knowledge of self-employed about taxation and tax laws

The first objective assesses the knowledge of self-employed in the Cape Coast Metropolis about taxation and the tax laws of Ghana. The results are presented in Table 2 below from the data processed.

Table 3: Level of Knowledge about Taxation and the Tax Laws among the Self-Employed

Statements	SD <i>n</i> (%)	D <i>n</i> (%)	N <i>n</i> (%)	A <i>n</i> (%)	SA <i>n</i> (%)
Knowledge level of taxation	22 (7%)	20 (6%)	36 (11%)	176 (53%)	80 (24%)
Level of understanding regarding Ghana's tax system	20 (6%)	24 (7%)	24 (7%)	146 (44%)	120 (36%)
Level of knowledge about the tax laws in Ghana	14 (4%)	34 (10%)	16 (5%)	162 (49%)	108 (32%)

Source: Field Survey (2022)

N = 334

From Table 2, the study assessed the knowledge level of self-employed in the Cape Coast Metropolis about taxation and tax laws in Ghana where

several questions were asked in relation to this theme. Of the surveyed respondents, 36(11%) expressed their neutrality about the statement “Knowledge level of taxation, whereas 20(6%) and 22(7%) disagreed and strongly disagreed. However, cumulatively, 256(77%) of the respondents which represents the majority openly expressed their agreement with the statement, clearly demonstrating that they have adequate knowledge of about taxation.

Similarly, 24(7%) of the survey respondents either agreed nor disagreed with the statement “level of understanding regarding Ghana’s tax system, while 24(7%) and 20(6%) disagreed and strongly disagreed with the statement. Moreover, the majority of the respondents 266(80%) indicated their agreement with the statement, signifying that they clearly understand the Ghanaian tax system and how it functions. Additionally, of the surveyed respondents, 270(81%) representing the majority, expressed their agreement with the statement “level of knowledge about the tax laws in Ghana”, while 16 (5%) were neutral, followed by 34(10%) and 14(4%) in disagreement and strong disagreement with the statement. The majority of the respondents that agreed to the statement depicts self-employed persons have adequate knowledge about the specific tax laws regulating the Ghanaian system.

Overall, it was realised that the majority of the respondents from the survey who were questioned under the theme “knowledge of taxation and tax laws in Ghana” consented to the fact that indeed they are aware of taxation. Moreover, they are not only aware of taxation but have adequate knowledge about taxation and even specific tax laws that govern that Ghanaian society.

Factors influencing tax compliance

The second objective of this study explores several factors that influences tax compliance among the self-employed in the Cape Coast Metropolis. According to the study there are three factors that influence tax compliance namely: Economic factors, psychological factors, and institutional factors. Several questions were asked of the respondents under each other factors to better understand their opinion of the factors that has greater influence on tax compliance among self-employed in the Cape Coast Metropolis. The results from the processed data are presented in Table 3 below.

Table 4: Drivers of Tax Compliance among the Self-Employed

Statements	SD <i>n</i> (%)	D <i>n</i> (%)	N <i>n</i> (%)	A <i>n</i> (%)	SA <i>n</i> (%)
ECONOMIC FACTORS					
Tax rates determine whether or not to comply with tax laws.	28 (8%)	12 (4%)	34 (10%)	126 (38%)	134 (40%)
The level of punishment for defaulters of tax tells whether to comply or not.	8 (2%)	20 (6%)	46 (14%)	200 (60%)	60 (18%)
When businesses are frequently audited, they are forced to comply with tax laws for fear of being caught during audits.	24 (7%)	10 (3%)	40 (12%)	154 (46%)	106 (32%)
If a business will incur high compliance costs, adherence to tax laws will be low.	22 (7%)	4 (1%)	48 (14%)	180 (54%)	80 (24%)
PSYCHOLOGICAL FACTORS					
If the tax system is fair, compliance would be greater.	24 (7%)	10 (3%)	32 (10%)	138 (41%)	130 (39%)
If there is adequate knowledge about taxation, compliance would be voluntarily adhered to.	16 (5%)	12 (4%)	46 (14%)	204 (61%)	56 (17%)
Taxpayers need to know and see how the government is spending our taxes paid to aid voluntary compliance.	24 (7%)	16 (5%)	46 (14%)	144 (43%)	104 (31%)

The size of the firm and the firm's values determines compliance with tax laws.	14 (4%)	12 (3%)	56 (17%)	170 (51%)	82 (25%)
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INSTITUTIONAL FACTORS

Tax authorities make it mandatory for every business to file their returns and pay their taxes.	36 (11%)	6 (2%)	36 (11%)	104 (31%)	152 (46%)
The administrative system at the tax office is simple for filing returns and paying taxes.	10 (3%)	26 (8%)	36 (11%)	202 (60%)	60 (18%)
Personnel at the tax office relate well with business owners.	12 (4%)	30 (9%)	30 (9%)	138 (41%)	124 (37%)
There has been enough tax education to increase my knowledge about taxation.	22 (7%)	20 (6%)	36 (11%)	176 (53%)	80 (24%)
Tax authorities encourage us to comply at the tax office by appraisals.	20 (6%)	24 (7%)	24 (7%)	146 (44%)	120 (36%)

Source: Field Survey (2022)

N = 334

From Table 3, analysing the various statements under the economic factors that influence tax compliance among self-employed, 34(10%) were neither in agreement nor disagreement with the statement “tax rates determine whether or not to comply with tax laws”, whereas 12(4%) and 28(8%) disagreed and strong disagreement with the statement. However, cumulatively, 260(78%) of the respondents from the survey agreed with the statement. This meant that the majority of the self-employed consented to the fact that compliance is heavily dependent on the tax rates imposed by government.

Similarly, of the respondents from the survey, 46(14%) were neutral about the statement “the level of punishment for defaulters of tax tells whether to comply or not”, whereas 20(6%) and 8(2%) were in disagreement and strong disagreement with the statement. Moreover, 260(78%) of the respondents agreed with the statement signifying that the level of punishment exerted by tax authorities on defaulters of tax will either serve as a deterrent to

tax defaulters or will lead to them complying with tax laws. Interestingly, 260(78%) of the respondents of the survey also agreed with the statement “When businesses are frequently audited, they are forced to comply with tax laws for fear of being caught during audits” which demonstrates the fact that when checks are put in place in the form of frequent audits of self-employed businesses it influences their level of compliance with tax laws.

Additionally, of the respondents from the survey, 48(14%) were neutral about the statement “If a business will incur high compliance costs, adherence to tax laws will be low”, while 4(1%) and 22(7%) were in disagreement and strong disagreement with the statement. However, on a cumulative basis, the majority of the respondents ($n = 260$; 78%) from the survey agreed with the statement which is evident that high cost of compliance serves a form hindrance to compliance. Overall, we realised that economic factors can greatly influence compliance of self-employed persons to tax and this is dependent on how favourable or unfavourable these economic conditions are.

From Table 3, analysing the various statements under the psychological factors that influence compliance among self-employed persons in the Cape Coast Metropolis, 32(10%) of the respondents were neither in agreement nor disagreement with the statement “If the tax system is fair, compliance would be greater”, whereas 10(3%) and 24(7%) disagreed and strong disagreement with the statement. However, on a cumulative basis, majority of the respondents ($n = 268$; 80%) agreed with the statement. Similarly, 46(14%) of the surveyed respondents took a neutral position with regard to the statement “If there is adequate knowledge about taxation,

compliance would be voluntarily adhered to”, while 12(4%) and 16(5%) disagreed and strongly disagreed with the statement respectively. Moreover, cumulatively, 260(78%) of the respondents from the survey agreed to the with the statement, which demonstrated that adequate tax knowledge fosters taxpayer’s willingness to comply with tax laws.

Furthermore, of the respondents surveyed, 248(74%) openly expressed their agreement with the statement “Taxpayers need to know and see how the government is spending our taxes paid to aid voluntary compliance”, whereas 46(14%) took a neutral position, followed by 16(5%) and 24(7%) being in disagreement and strong disagreement with the statement respectively. Additionally, 252(76%) of the respondents from the survey were in agreement with the statement “The size of the firm and the firm’s values determines compliance with tax laws, while 56(17%) expressed their neutrality about the statement, followed by 12(3%) and 14(4%) being in disagreement and strong disagreement with the statement.

Overall, psychological factors are generally very critical in compliance among self-employed persons in the sense that, when these factors are positive, they tend to influence compliance behaviour of self-employed persons in a positive way. We realised that majority of the respondents agreed that indeed psychological factors are pivotal to taxpayer’s compliance with tax laws in Ghana.

From Table 3, analysing the various institutional factors affecting compliance among self-employed persons in the Cape Coast Metropolis, 36(11%) of the respondents were neither in agreement nor disagreement with the statement “Tax authorities make it mandatory for every business to file

their returns and pay their taxes”, while 6(2%) and 36(11%) expressed their disagreement and strong disagreement respectively. However, majority of the respondents ($n = 256$; 77%) were in agreement with the statement, signifying that self-employed persons agree that it is mandatory to file tax returns and pay taxes as required by law.

Furthermore, of the respondents from the survey, 36(11%) took a neutral position about the statement “The administrative system at the tax office is simple for filing returns and paying taxes”, whereas 26(8%) and 10(3%) were in disagreement or strong disagreement with the statement. Moreover, on a cumulative basis, the majority of the respondents ($n = 262$; 78%) were in agreement with the statement. Similarly, 262(78%) of the respondents from the survey were also in agreement with the statement “Personnel at the tax office relate well with business owners, signifying that good interpersonal relationship with business owners influences their behaviour to comply with tax laws.

Interestingly, 36(11%) of the respondents were neutral about the statement “There have been enough tax education to increase my knowledge about taxation”, while 20(6%) and 22(7%) were in disagreement and strong disagreement. However, the majority of the respondents ($n = 256$; 77%) openly expressed their agreement with the statement. Additionally, majority of the respondents ($n = 266$; 80%) from the survey were in also in agreement with statement “Tax authorities encourage us to comply at the tax office by appraisals”. Overall, we realise that institutional factors are essential factors that also influence tax compliance behaviour of self-employed persons and as

such favourable institutional factors will influence behaviour to comply with tax laws positively compared to unfavourable factors.

Measures to be adopted to improve compliance

The third objective of this study examines various measures that are adopted by tax authorities to improve compliance among self-employed persons with the various tax laws. The results from the processed data are presented in Table 4.

Table 5: Measures to be Adopted to Improve Voluntary Tax Compliance

Statements	SA <i>n</i> (%)	D <i>n</i> (%)	N <i>n</i> (%)	A <i>n</i> (%)	SA <i>n</i> (%)
Reducing the tax rates.	30 (9%)	14 (4%)	28 (8%)	100 (30%)	162 (49%)
Continuous and effective tax education.	6 (2%)	42 (13%)	26 (8%)	196 (59%)	64 (19%)
Ensuring a fair and equitable tax system.	14 (4%)	30 (9%)	22 (7%)	142 (43%)	126 (38%)
Simplification of tax filing system.	10 (3%)	28 (8%)	26 (8%)	156 (47%)	114 (34%)
Enforcement of penalties and fines.	10 (3%)	30 (9%)	30 (9%)	144 (43%)	120 (36%)
Reducing tax compliance cost.	8 (2%)	30 (9%)	30 (9%)	200 (60%)	66 (20%)
Judicious utilisation of taxes by government.	10 (3%)	16 (5%)	36 (11%)	156 (47%)	116 (35%)
Conducting regular tax audit.	12 (4%)	20 (6%)	30 (9%)	184 (55%)	88 (26%)

Source: Field Survey (2022)

N = 334

From Table 4, analysing the various measures put in place by tax authorities to improve compliance, 28(8%) expressed their neutrality about the statement “reducing the tax rates, whereas 14(4%) disagreed and 30(9%) strongly disagreed. However, 262(79%) representing the majority of the respondents from the survey were in agreement with the statement, depicting that tax reduced tax rates improves compliance with tax laws. Similarly, 260(78%) also representing the majority of the respondents were in agreement with the statement “continuous and effective tax education”. This shows that

self-employed persons consent to the fact that tax education contributes immensely to tax compliance amongst taxpayers.

Furthermore, of the surveyed respondents, 22(7%) were neither in agreement nor disagreement with the statement “Ensuring fair and equitable tax system, while 30(9%) disagreed and 14(4%) strongly disagreed. Moreover, the majority of the respondents ($n = 268$; 81%) were in agreement with the statement, demonstrating that when the tax structure and system is equitable compliance to tax is achieved. Nonetheless, the majority of the respondents ($n = 264$; 79%) from the survey expressed their agreement as well with the statement “Simplification of tax filing system”, signifying that making tax filing very clear and concise makes compliance to tax laws easier.

Interestingly, of the surveyed respondents, 30(9%) took a neutral position about the statement “Enforcement of penalties and fines, whereas 30(9%) disagreed and 10(3%) strongly disagreed. However, on a cumulative basis, 264(79%) of the respondents were in agreement with the statement. This means that when penalties and fines imposed on defaulters are properly enforced it improves compliance to tax laws. Moreover, 264(80%) representing the majority of respondents from the survey expressed their agreement with the statement “Reducing tax compliance cost”, which proves that when compliance with tax laws cost less taxpayers will make efforts to comply with them.

Last but not least, 36(11%) of the respondents from the survey were neither in agreement nor disagreement with the statement “Judicious utilisation of taxes by government”, while 16(5%) disagreed and 10(3%) strongly disagreed. However, cumulatively 272(82%) agreed with the

statement, indicating that when there is value for taxes it ensures compliance among self-employed persons. Additionally, the majority of respondents ($n = 272$; 81%) from the survey expressed their agreement with the statement “Conducting regular tax audit”, clearly attesting to the fact that regular checks put in the form of audits ensure compliance with tax laws. Overall, when measures adopted by tax authorities are effectively implemented it ensures compliance among self-employed persons.

Discussion

The purpose of this study is to assess the knowledge of self-employed in the Cape Coast Metropolis about taxation and the tax laws of Ghana. The study further explores the various factors that influence compliance among self-employed in the Cape Coast Metropolis. Additionally, the study examines the measures which can be employed by tax authorities to promote compliance among self-employed persons in the Cape Coast Metropolis. The results from the study are discussed in line literature, theories and intuitions as follows.

Knowledge of the self-employed about taxation and tax laws in Ghana

Generally, the responses received suggest that majority of self-employed persons understand taxation, have adequate understanding of Ghana’s tax system and they have the required level of understanding of the various tax laws regulating the country. The observation emphasised the fact that having adequate knowledge of taxation and tax laws of Ghana as a self-employed in the country signifies that the self-employed person understands their roles as required by law to file returns and pay taxes. As such, any intentional actions to avoid paying taxes is a deliberate act to evade tax which

is tantamount to severe punishment by law such as penalties, fines among others (Rasak & Adafula, 2013; Nartey, 2023; Twum et al., 2020).

Hence, from the results, majority of the self-employed persons have adequate level of understanding of taxation and tax laws of the Ghanaian system and must ensure compliance to these tax laws voluntarily since they already know the repercussions of not abiding by tax laws. This clearly proves the assertion in the study conducted by Agyeiwaa, Amankwaah, Abina, Agyei and Antwi (2019), Mukhlis, Utomo and Soesetio (2015), Twum et al. (2020), Nartey (2023) among others.

Factors influencing tax compliance

Overall, the findings from the study suggest that the three key factors namely: economic factors, psychological factors as well as institutional factors influence compliance behaviour of self-employed persons. From observation of these factors, like the economic factors which could either be beneficial or detrimental to self-employed persons, we can deduce that when the economic factors are favourable they tend to ensure compliance with tax laws and vice versa. Evidence from the results derived from the economic factors suggest that tax rates set by tax authorities is a contributing factor to the compliance of self-employed, signifying that when tax rates are high self-employed persons refrain from paying taxes which proves the claim of Mas'ud et al. (2014) that high tax rates lead to negative tax compliance. Also, Ali (2018) posits that favourable tax rates positively influence tax compliance.

However, when punishment exerted on defaulters is very severe it will deter them from noncompliance and when the level of punishment is not severe, they will always avoid complying with tax laws (Oladipupo & Obazee,

2015; Nartey, 2023). Moreover, frequent audits of these businesses owned by individuals will force them to comply with tax laws since there will be checks and balances in place always to ensure that they file returns and pay taxes which aligns with Loo et al. (2012).

Additionally, when the cost of complying with tax laws are high and will be detrimental to self-employed persons it leads to low compliance to tax (Loo et al. 2012) which is evident from the results where majority of self-employed persons agreed to this claim. Atawodi and Ojeka (2012) emphasises that high compliance costs can lead to tax dodging, tax swindling as well as depriving the nation of investors who intend coming into the country by way of weakening the attractiveness of the country which also evident from survey from the respondents.

Furthermore, psychological factors are very pivotal when it comes to tax compliance behaviour of self-employed person which is very evident from the results of the study. The findings from the study suggested that majority were in agreement of the fact that psychological factors influencing compliance among self-employed. The results indicate that when the tax system is fair it ensures compliance. Fairness according to taxation is one which is equitable according to the canons of taxation posited by Adam Smith, this ensures that self-employed persons comply with tax laws. Also, when taxpayers (self-employed persons) have adequate knowledge about taxes it ensures voluntary compliance which is evident from the results.

Similarly, one of the psychological factors that ensure compliance among self-employed is knowing where government spends the taxes. This factor is very key since taxpayers want to get value for taxes, that is, know

whether taxes are being used in the development of the nation and these developments will also be beneficial to them. Additionally, the size of the firm determines self-employed persons' compliance to tax. This is due to the fact that small sized self-employed businesses would not comply with tax laws with the view that they do not earn much. Hence, their inability to comply with tax laws (Nartey, 2023; Peprah, Abdulai & Agyeman-Duah, 2020; Yuniarta & Purnamawati, 2020).

The findings from the study suggest that institutional factors also play a vital role in influencing compliance among self-employed persons, whereby these factors are driven by the institutional theory established by Scott (1995). The result from the study indicates that on average, majority of the self-employed persons agreed to the fact that institutional factors greatly influence compliance with tax laws. Authorities always made it mandatory for self-employed persons to file returns and pay taxes which ensures compliance, also the administrative systems for filing the returns were made simple and this made filing returns and paying taxes easier which proves the claim of Baer and Silvani (1997) that simplification of tax returns encourages voluntary compliance.

Further, tax authorities demonstrated good interpersonal relationship with business owners which generally improves tax compliance. Additionally, tax authorities made sure there was enough education provided to self-employed persons, so they are aware of the essence of taxation and as well understand their responsibilities as taxpayers (Gach, 2014). Furthermore, from the findings tax authorities encouraged self-employed persons to pay taxes by

appraising taxpayers, as such tax compliance is improved (Twum et al., 2020; Nartey, 2023; Peprah et al., 2020).

Measures that promote tax compliance

The study's findings suggested several measures which self-employed persons from the survey agreed to that when executed will promote tax compliance among self-employed in the Cape Coast Metropolis. Generally, most of the respondents agreed to all the suggested measures which will promote tax compliance when executed. The results indicated that when tax rates are reduced it ensures compliance since taxpayers would not have to pay too much. Hence, it will lead to voluntary compliance and also increase the revenue collected. Also, continuous education on taxation is one of the key measures that improves compliance since self-employed persons will be taught the essence of paying taxes and the repercussions of tax non-compliance (Agyeiwaa et al., 2019; Nartey, 2023). This further proves the claim of Gach (2014) in the study he conducted.

Similarly, when the tax system is perceived as equitable and fair, it fosters compliance with tax laws, as taxpayers do not feel unfairly treated (Nartey, 2023). However, tax authorities putting structures in place to make tax equitable is in line with one of the cannons of taxation established by Adam Smith. Simplification of tax filing system is key to compliance since it makes it easier for taxpayers to file their returns and pay them as required of them by law which can also be confirmed from the study conducted by Baer and Silvani (1997). Additionally, enforcement of penalties and fines is an initiative that will reduce the level of tax evasion by self-employed persons.

As such, when penalties and fines are effectively implemented it serves as a deterrent for those business owners who plan to evade taxes in the future.

Furthermore, reducing tax compliance cost is a very essential part of improving tax compliance since it will make compliance with tax laws among self-employed persons very convenient. This measure satisfies the canon of convenience posited by Adam Smith, which means compliance with tax laws should be such that it would not be detrimental to the taxpayer. Also, another measure that will improve tax compliance among self-employed persons is then judicious use of taxes. The government must ensure value for taxes which will motivate self-employed persons to pay taxes since they know the funds generated through the taxes will be used for the development and economic growth of the country. Last, when tax authorities conduct regular audits, it promotes compliance since it instils some form of checks on self-employed persons and assesses their level of compliance with regulations with tax laws being no exception (Nartey, 2023).

Chapter Summary

This chapter described the demographic characteristics of the respondents, reported the main findings of the study, which were derived using SPSS version 25. Additionally, the results from the study were discussed in line with extant literature, theories and intuitions.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Introduction

This chapter entails summarised discoveries, conclusions, and recommendations derived in the course of the study. The findings encapsulate or highlight the key issues that were discovered during this research. The chapter also comprises some recommendations and suggestions for further research.

Summary of the Study

Dwelling on the issues of taxation in Ghana, the study specifically focused on self-employed in the Cape Coast Metropolis. The study assessed the knowledge of self-employed on taxation and tax laws in Ghana. Furthermore, the study explored the various factors that influence compliance among self-employed persons in the Cape Coast Metropolis and the study also determined several measures that promotes tax compliance among self-employed in the Cape Coast Metropolis. By so doing, it improves tax compliance among self-employed and draws all of them into the tax net. Hence, increasing tax revenue which leads to economic growth and development in the country. This study examined the 334 responses through a descriptive survey design. The SPSS version 25 was used to analyse the responses from the survey.

Summary of Key Findings

First, the study found that self-employed in the Cape Coast Metropolis have adequate knowledge about taxation and tax laws in Ghana. This means that self-employed in the Cape Coast Metropolis know the various tax laws in

Ghana and they have enough understanding of these tax laws, clearly signifying that there should voluntarily comply with tax laws since they know the repercussions of non-compliance. However, any intentional act not to comply with these tax laws is a deliberate act to evade tax which is tantamount to severe punishment by law.

Second, the study found that all the three key factors (economic, noneconomic, and demographic factors) that influence compliance among self-employed in the Cape Coast Metropolis are equally important. Therefore, equal attention must be paid to all these factors and improved from time to time to improve compliance among self-employed in the Cape Coast Metropolis. Third, the study found that all the suggested measures that should be devised by tax authorities to promote tax compliance are all equally relevant and as such they should all be executed by tax authorities in order to ensure compliance with tax laws.

This study contributes to literature in so many ways. This study contributes to empirical works in the context of Cape Coast Metropolis by adding new evidence and literature regarding tax compliance. This study gives further insight into the tax compliance issues in the Cape Coast Metropolis. This will aid the Ghana Revenue Authority and other policy makers in formulating strategies for sound decision making in order to enhance voluntary compliance among the self-employed persons in the Metropolis.

Conclusions

First, the findings from the study gives enough evidence that self-employed persons in the Cape Coast Metropolis are knowledgeable enough on all tax related issues with respect to Ghana and as such must ensure voluntary

compliance to these tax laws as required by law. Therefore, any form of deliberate non-compliance is a way to evade tax or reduce their tax liability. However, the study also makes us aware of how important knowing and understanding taxation and the tax laws of Ghana are to ensuring compliance to tax laws.

Second, the study's findings give sufficient evidence that there three key factors that need to be critically examined and taken into consideration by tax authorities to ensure tax compliance. However, it is also evident that the ability of these factors to influence compliance among self-employed is greatly dependent on how favourable or unfavourable they are. The study concluded that favourable factors always have positive influence on compliance to tax laws.

Third, the study concluded that various measures could be deployed by tax authorities in the country to ensure compliance. These measures are equally important and must be properly executed by tax authorities ensure compliance among self-employed in the Cape Coast Metropolis.

Recommendations

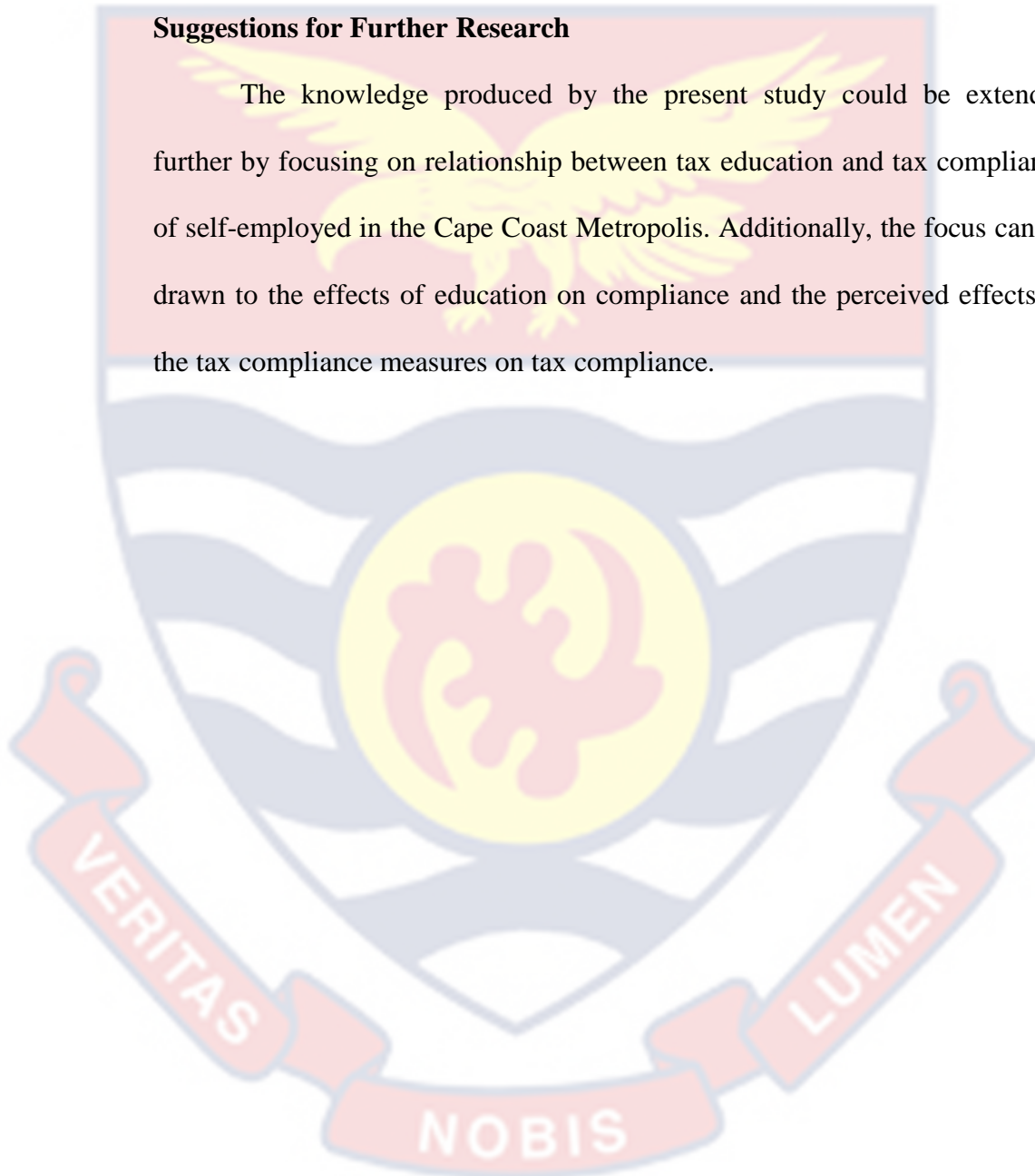
First, given the importance of tax education in compliance with tax laws, the tax authorities should continually educate self-employed in the Cape Coast Metropolis. Tax authorities must ensure that they keep taxpayers updated on any form of changes in the tax system to ensure compliance at all times.

Second, tax authorities must treat all factors influencing compliance among self-employed in the Cape Coast Metropolis with equal relevance so that from time to time these factors are improved to ensure compliance.

Third, tax authorities should ensure that all the identified measures that promote and ensure tax compliance among self-employed in the Cape Coast Metropolis are properly implemented and from time-to-time checks are put in place to make sure standards set are achieved.

Suggestions for Further Research

The knowledge produced by the present study could be extended further by focusing on relationship between tax education and tax compliance of self-employed in the Cape Coast Metropolis. Additionally, the focus can be drawn to the effects of education on compliance and the perceived effects of the tax compliance measures on tax compliance.



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APPENDICES

Appendix A: Survey Instrument

UNIVERSITY OF CAPE COAST
SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING

**QUESTIONNAIRE ON: ASSESSMENT OF TAX COMPLIANCE
AMONG THE SELF-EMPLOYED IN THE CAPE COAST
METROPOLIS, GHANA**

Introduction

The researcher is a student of the School of Business, University of Cape Coast pursuing Master of Business Administration (MBA) in Accounting. The researcher is conducting a study on the topic *“Assessment of Tax Compliance among the Self-Employed in the Cape Coast Metropolis, Ghana.”* This is in partial fulfilment of the requirements for the award of an MBA degree. Please, your response provided is solely for academic purposes and will be treated with confidentiality. Your anonymity is also guaranteed. Participation is voluntary and you can withdraw at any point.

Please tick [√] or write where applicable.

Section A: Demographic Information of Respondents

1. Gender

Male []

Female []

2. Age

18 – 25 years []

26 – 35 years []

36 – 45 years []

46 – 55 years []

Above 55 years []

3. Level of Education

Basic Secondary Tertiary No formal education

4. Class of respondent

Owner of enterprise Manager

5. What kind of business are you in?

Trade Service Transport Manufacturing

6. For how long has your business been in existence?

Less than 5 years 5 – 9 years 10 – 14 years 15 years and above

7. Which regulatory authority is the business registered with?

GRA Metropolitan Assembly NBSSI Unregistered

Other (specify)

Section B: Drivers of Tax Compliance among the Self-Employed

To what extent do you agree or disagree that the following factors influence tax compliance in the metropolis? kindly rank your responses using the scale below: **1 - Strongly Disagree, 2 - Disagree, 3 - Neutral, 4 - Agree, 5 - Strongly Agree.**

Factors which influence Tax Compliance	1	2	3	4	5
ECONOMIC FACTORS					
8. Tax rates determine whether or not to comply with tax laws.					
9. The level of punishment for defaulters of tax tells whether to comply or not.					
10. When businesses are frequently audited, they are forced to comply with tax laws for fear of being caught during audits.					
11. If a business will incur high compliance costs, adherence to tax laws will be low.					
PSYCHOLOGICAL FACTORS					
12. If the tax system is fair, compliance would be greater.					
13. If there is adequate knowledge about taxation, compliance would be voluntarily adhered to.					
14. Taxpayers need to know and see how the government is spending our taxes paid to aid voluntary compliance.					
15. The size of the firm and the firm's values determines compliance with tax laws.					
INSTITUTIONAL FACTORS					
16. Tax authorities make it mandatory for every business to file their returns and pay their taxes.					
17. The administrative system at the tax office is simple for filing returns and paying taxes.					
18. Personnel at the tax office relate well with business owners.					
19. There have been enough tax education to increase my					

knowledge about taxation.					
20. Tax authorities encourage us to comply at the tax office by appraisals.					

Section C: Level of knowledge about taxation and the tax laws among the self-employed. What is your knowledge level about taxation and the tax laws of Ghana? Please rank your responses on a scale of 1-5, where **1 – Very Poor, 2 – Poor, 3 – Fair, 4 – Good, 5 – Very Good.**

Statement	1	2	3	4	5
21. Knowledge level of taxation.					
22. Level of understanding regarding Ghana's tax system.					
23. Level of knowledge about the tax laws in Ghana.					

Section D: Measures to promote voluntary Tax Compliance among the self-employed. Please do you agree or disagree to the following as measures to promote voluntary tax compliance among self-employed individuals? Please rank your responses on a scale of **1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree, 5 - Strongly Agree**

Measures to be adopted to improve voluntary tax compliance	1	2	3	4	5
24. Reducing the tax rates.					
25. Continuous and effective tax education.					
26. Ensuring fair and equitable tax system.					
27. Simplification of tax filing system.					
28. Enforcement of penalties and fines.					
29. Reducing tax compliance cost.					
30. Judicious utilisation of taxes by government.					
31. Conducting regular tax audit.					