

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI

COLLEGE OF HUMANITIES AND SOCIAL SCIENCES

INSTITUTE OF DISTANCE LEARNING (IDL)

DEPARTMENT OF ACCOUNTING AND FINANCE

**ANTECEDENTS OF TAX COMPLIANCE OF SMALL AND MEDIUM-SIZED
ENTERPRISES (SMES): THE PERSPECTIVE OF TAMALE METROPOLIS**

ABDUL RAZAK USAMAH (BA. Integrated Management Studies)

NOVEMBER, 2023

KNUST



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By

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(BA. Integrated Management Studies)

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Award of

MASTER OF SCIENCE

(ACCOUNTING & FINANCE)

NOVEMBER, 2023

DECLARATION

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted or the award of any other degree or diploma at Kwame Nkrumah University of Science and Technology, Kumasi or any other educational institution, except where due acknowledgment is made.

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DEDICATION

This work is dedicated to my parents, especially my father Mr. Abdallah Abdul Razak, and my beloved wife, Iddrisu Anatu for their endless love, support, and encouragement.

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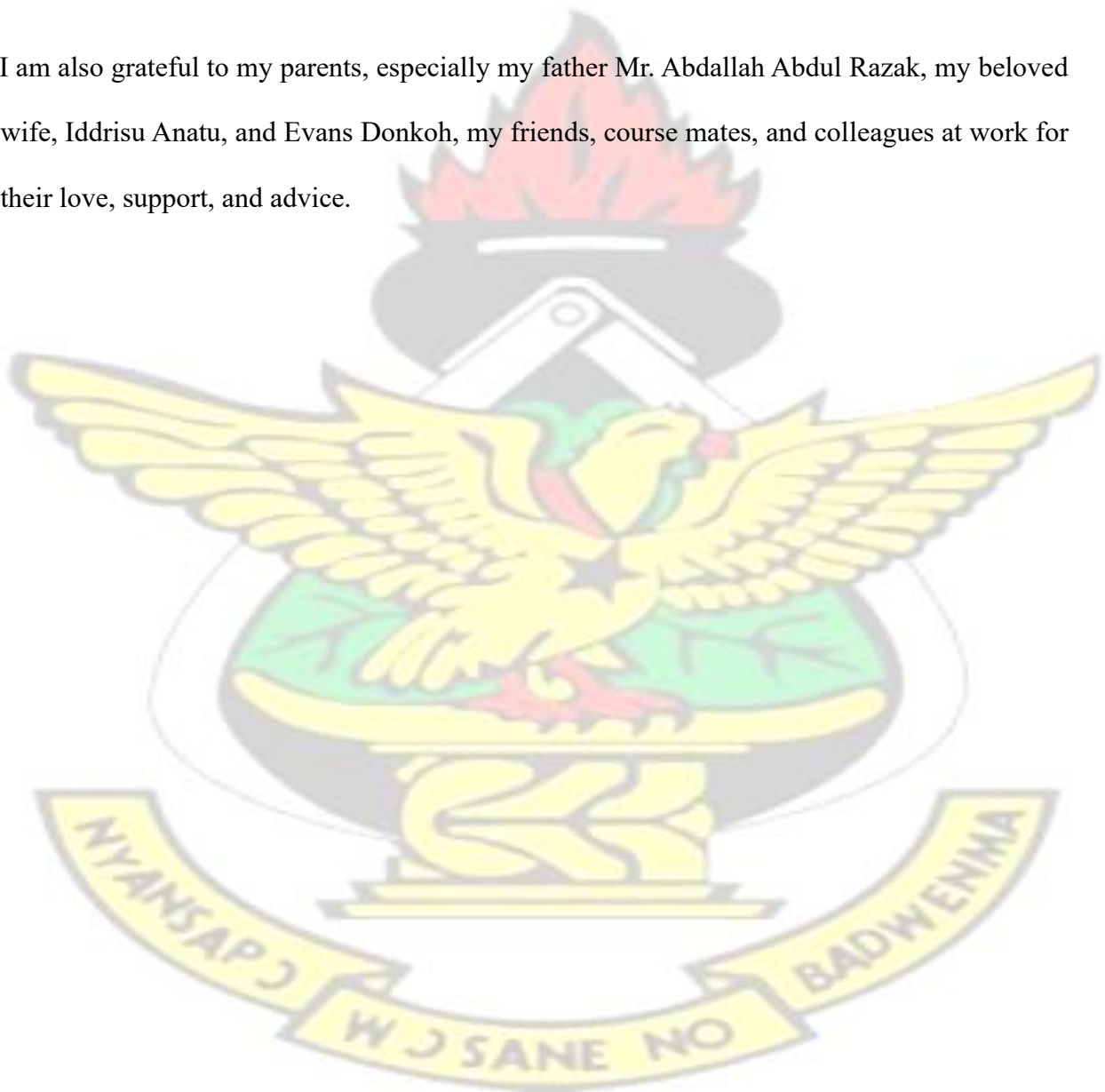


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ABSTRACT

It is generally recognised that tax avoidance and evasion are the primary contributors to low tax efforts in developing nations. The fact that a larger and rising proportion of economic activities are carried out in the informal sector is one of the primary contributors to tax evasion in economies that are still in the process of developing or transitioning. To reduce tax evasion and avoidance among firms, the Ghana Revenue Authority introduced the electronic tax system. It is for this reason that the current study examines the contribution of attitude toward electronic tax system, adoption of electronic tax system, and isomorphic forces to tax compliance among SMEs in Ghana. A total of 225 SMEs within the Tamale Metropolis were used for the study. First, the findings indicate a significant and positive association between tax compliance and attitude toward the computerized tax system. The adoption of a favourable perspective on electronic tax filing in the Tamale Metropolis has been shown to enhance levels of tax compliance. Second, the results also show a strong positive link between tax compliance and the use of the e-tax system. The use of the e-tax system has led to an enhancement in tax compliance within Tamale. Third, there is a positive and significant correlation between isomorphic forces and tax compliance. Taxpayers demonstrate a higher likelihood of timely tax payment when they are subject to pressure, such as via the imposition of fines, enforcement of regulations, or the penalization of non-compliance with tax obligations by the GRA. Following these, the study recommended that the GRA ought to concentrate on boosting e-tax system utilization and guarantee that there is additional awareness of taxpayers on the necessity of tax compliance. The GRA should implement and enforce tax sanctions on those who engage in tax evasion and this might potentially incentivize taxpayers to adhere to tax rules.

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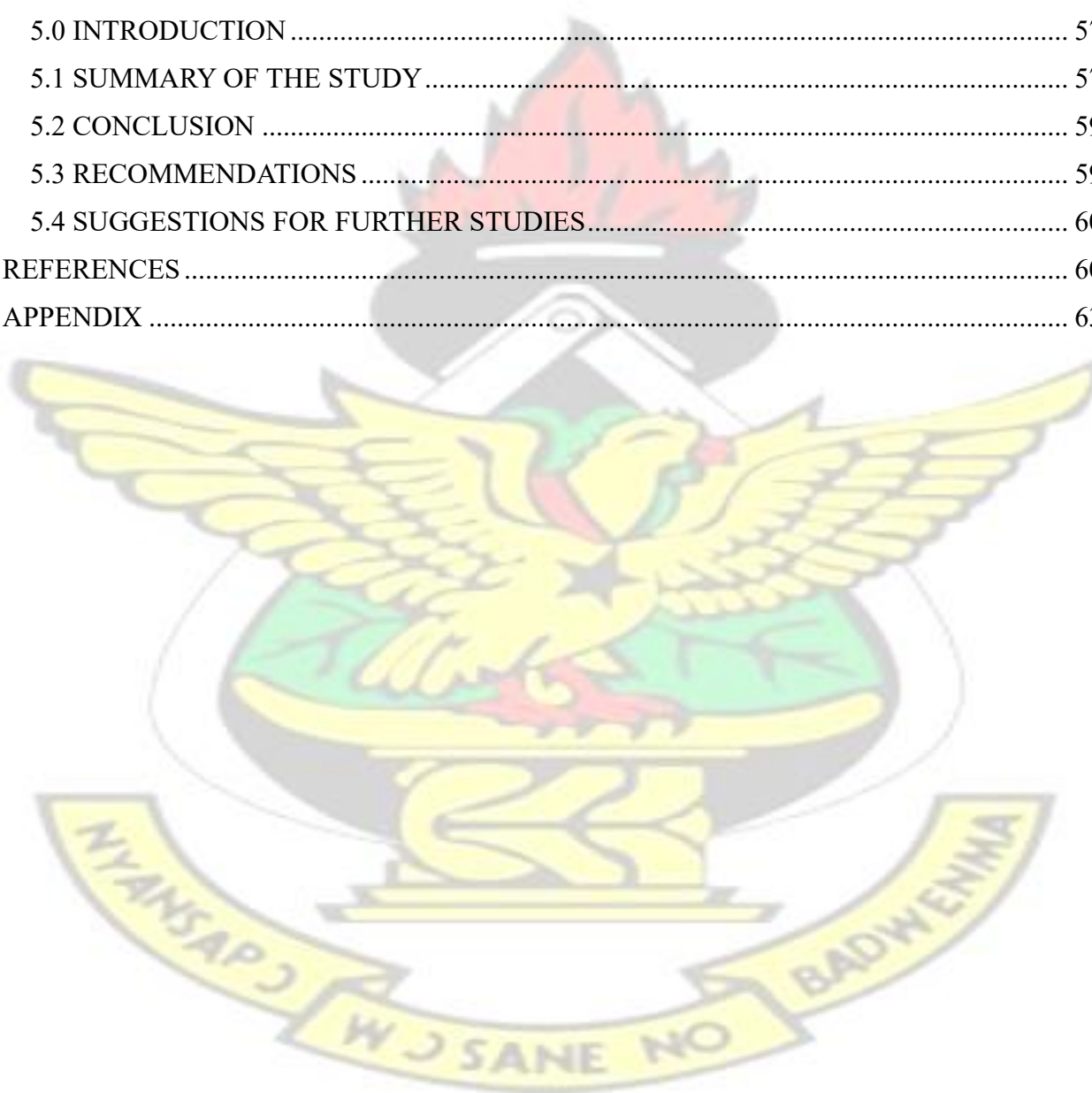
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LIST OF ABBREVIATIONS

GDP	-	Gross Domestic Product
SMEs	-	Small and Medium-sized Enterprises
GRA	-	Ghana Revenue Authority
GSS	-	Ghana Statistical Service
GEM	-	Global Entrepreneurship Monitor
NBSSI	-	National Board for Small Scale Industries
GEDC	-	Ghana Enterprise Development Commission
GRATIS	-	Ghana Appropriate Technology Industrial Service
ITTU	-	Intermediate Technology Transfer Units
EDIF	-	Export Development and Investment Fund
ICT	-	Information and Communication Technology
EU	-	European Union
UN	-	United Nations
OECD	-	Organization for Economic Cooperation and Development
SDG	-	Sustainable Development Goal
DRM	-	Domestic Revenue Mobilization
NPSRS	-	National Public Sector Reform Strategy
MMDA	-	Metropolitan, Municipal, and District Assembly
TRA	-	Theory of Reasoned Action
TAM	-	Technology Acceptance Model
VAT	-	Value Added Tax
SBE	-	Small Business Enterprise
MSME	-	Micro, Small, and Medium-Sized Enterprise
TPB	-	Theory of Planned Behaviour
IT	-	Information Technology

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Compliance with tax laws is essential for countries all over the world as a result of governments' never-ending pursuit of revenue in order to enhance the quality of services they provide (Eichfelder and Hechtner, 2018; Damayanti and Supramono, 2019; He and Xiao, 2019; Inasius, 2019; Adu and Amponsah, 2020; Lestary, Sueb and Yudianto, 2021; BaniKhalid, Alshira'h and Alshirah, 2022). Revenues from taxes provide governments with the resources necessary to eradicate poverty, invest in economic growth, provide essential services to the public, and construct the social and physical projects required for sustained economic expansion (Al-Ttaffi, Abdul-Jabbar and Bin-Nashwan, 2021; Bani-Khalid, et al., 2022; Bellon, Dabla-Norris, Khalid and Lima, 2022). According to Martins and Picoto (2020) and Ahmed (2023), taxes is a significant factor in every civilization throughout the globe. This is because it provides the government with the opportunity to collect the income that is necessary to meet its urgent commitments. In addition, Night and Bananuka (2019) suggest that revenue creation via taxes has a large influence on the gross domestic product (GDP) of a nation, and in order for the government to obtain enough money, taxpayers ought to adhere to the law and pay the appropriate amount when due (Bellon, et al., 2022).

According to Bellon, et al. (2022), tax compliance is of the utmost significance for governments to ensure the provision of public goods and the equitable distribution of income. Sebele-Mpofu (2020) argues further that there is a significant rise in how essential tax compliance is to nations that are going through a debt crisis. On the other hand, Alshira'h and Abdul-Jabbar (2020) stated that revenues from taxes help in maintaining economic growth and finance both infrastructure investment and social programs. Consequently, the most important way for governments to

essentially provide public services is through the mobilization of revenues via the taxation of every agent of the economy (Magiya, 2016). Small and Medium-sized Enterprises (SMEs) are one example of agents of the economy that fall into this category.

It is impossible to place an adequate amount of emphasis on the actual role that taxation plays in the growth of a nation, particularly in developing countries where there is a shortage of goods and services provided for the residents, which in turn slows down national growth and undermines efforts to enhance the population's standard of living. Taxation offers developing nations a fiscal climate that is stable and predictable, which in turn helps these nations foster economic expansion and meet their social and physical infrastructure requirements (Cornielje, 2018; Peprah, Abdulai and Agyemang-Duah, 2020). The combination of taxation and expansion of the economy helps lessen the country's long-term dependency on foreign assistance and promotes good governance by increasing individuals' demand for government responsiveness to their needs (Sadress, Bananuka, Orobias and Opiso, 2019). Therefore, it is particularly crucial for the emerging nations in Sub-Saharan Africa to enhance their domestic tax base.

SMEs are responsible for over 2.5 million jobs in Ghana, generate around 75 per cent of the GDP of the country, and account for nearly 90 per cent of the country's private sector (Peprah, et al., 2020). Despite the importance of these research works, findings have demonstrated that non-compliance with tax laws is still widespread among SMEs (AbdulJabbar and Bin-Nashwan, 2021). All of these SMEs are subject to the presumptive form of the tax system. However, during the course of the Ghana Revenue Authority's (GRA) field inspection of businesses in Ghana, it was discovered that businesses that were classified as being subject to the presumptive tax bracket did not make tax payments to the GRA (Auditor General Report, 2015).

According to Sadress, et al. (2019), an individual's perspective on the significance of tax compliance might be a contributing factor in the individual's inability to comply with tax legislation. The essential notion that the implementation and continuation of a great deal of organizational procedures are frequently more reliant on social constraints for legitimacy and conformity than on practical requirements for economic success (Damayanti and Supramono, 2019; Bellon, et al., 2022). In Ghana, it is possible to submit tax returns electronically; however, this option is only available if the organization that is submitting the returns has adopted the electronic tax system. Cornielje (2018) posits that it is assumed that an individual's acceptance of the use of technology would facilitate its adoption, which, in the perspective of this research, will result in an increase in tax compliance.

In line with this, the present study uses evidence from the Tamale Metropolis to examine SMEs' attitudes toward e-tax system, the adoption of e-tax system and isomorphic forces to tax compliance in Ghana.

1.2 PROBLEM STATEMENT OF THE STUDY

In developing nations, many governments have not been able to offer appropriate public services, mostly because there is not enough money coming in via taxes to pay for public expenditures (Sadress, et al., 2019; Ahmed, 2023). It is generally recognised that tax avoidance and evasion are the primary contributors to low tax efforts in developing nations (Bani-Khalid, et al., 2022). The fact that a larger and rising proportion of economic activities are carried out in the informal sector is one of the primary contributors to tax evasion in economies that are still in the process of developing or transitioning (Martins and Picoto, 2020; Saptono et al., 2023). According to Sebele-Mpofu (2020), for instance, 57.8 per cent of the economy in Tanzania is informal, 58.1 per cent of the economy in Nigeria is informal, and 58.9 per cent of the economic activities that take place in Zimbabwe take place in the informal sector. Within the age range of 15-64 years old, around 86 per cent of Ghana's employed population may be

found working in the informal sector (Ghana Statistical Service [GSS], 2012). A high degree of tax evasion is caused by the presence of a strong informal sector in the economy. It is estimated that just 5 per cent of Ghana's approximately 1.5 million tax payers come from the country's informal sector, making Ghana one of the countries in which the informal sector contributes the least to overall tax revenue (Terkper, 2013).

Economic operators in the unregistered sector make it challenging for the Ghana Revenue Authority (GRA) to identify and tax them, which is one of the main causes of tax evasion in the country's unregulated sector. This is one of the primary causes of tax evasion in the industry (Adu and Amponsah, 2020). For instance, only 53,352 of the 226,760 unregistered self-employed individuals in Ghana who worked in the informal sector in 2009 were also registered with the GRA and subject to income tax (Peprah, et al. 2020).

According to Terkper (2013), non-tax compliance is still a problem. As a result, there is a growing interest among researchers to understand why SMEs exhibit such tax compliance behaviours. Despite the importance of taxes and a number of tax improvements, including tax education and online tax services, noncompliance with the law remains difficult (Night and Bananuka, 2019; Martins and Picoto, 2020; Umar and Masud, 2020; Elmi, 2021; Bellon, et al., 2022).

However, none of the aforementioned research has investigated how attitudes toward electronic tax systems, adoption of electronic tax systems, as well as isomorphic forces together contribute to tax compliance in the Ghanaian context. According to the results of Night and Bananuka (2019), the attitude of taxpayers in Botswana might be accountable for the compliance behaviours that are seen there. In a similar vein, Martins and Picoto (2020) discovered that taxpayers had a low promising attitude towards the electronic tax (e-tax) system, which leads in a lower degree of tax compliance. In addition, research conducted by Elmi (2021) suggests

that favourable evaluations such as convenience in terms of time, location, and restricted movements to the premises of the tax authority contribute to the adoption of an e-tax system, which in turn promotes tax compliance among taxpayers. Studies conducted by Eichfelder and Hechtner (2018), Van Huong and Cuong (2019), Adu and Amponsah (2020), and Bellon, et al. (2022), as well as other studies, suggest that isomorphic forces, which include societies that comply with laws and regulations, improve tax compliance, and mimicking compliance behaviours, instilling a spirit of professionalism among taxpayers. Both Inasius (2019) and Dabla-Norris, et al. (2020) cited enforcement component variables (including audit, penalty, and tax rate) as having a significant influence on behaviours relating to tax compliance.

With evidence from the Tamale Metropolis, this study examines the contribution of attitude toward electronic tax system, adoption of electronic tax system, and isomorphic forces to tax compliance among SMEs in Ghana. Other researchers disagree, arguing that tax compliance cannot entirely be explained by enforcement component factors (Magiya, 2016; Malima, 2019).

1.3 RESEARCH OBJECTIVES OF THE STUDY

1.3.1 General Objective

The overall objective of the study is to examine the influence of attitude toward electronic tax system, the adoption of electronic tax system and isomorphic forces on tax compliance of SMEs in the Tamale Metropolis in Ghana.

1.3.2 Specific Objectives

Specifically, the study sought to achieve the following objectives.

1. To determine the relationship between attitude of taxpayers towards the electronic tax system and tax compliance.
2. To identify the relationship between the adoption of the e-tax system and tax compliance.

3. To ascertain the relationship between isomorphic forces and tax compliance.

1.4 RESEARCH QUESTIONS OF THE STUDY

In relation to the study's objectives, the researcher will outline relevant research questions in a logical and orderly manner relative to the objectives. The following are the questions that this study will attempt to answer during the course of the research.

1. What is the relationship between attitude of taxpayers towards the electronic tax system and tax compliance?
2. What is the relationship between e-tax system adoption and tax compliance?
3. What is the relationship between isomorphic forces and tax compliance?

1.5 SIGNIFICANCE OF THE STUDY

The findings of this study are significant for a number of reasons, including the following: It is possible that the government, working through the tax authorities, would like to increase tax compliance by educating taxpayers on the advantages of using electronic tax systems. This could result in taxpayers having a more favourable attitude toward electronic tax systems, leading to their adoption of the system and an increase in tax compliance.

There are still high levels of non-tax compliance despite the fact that the Ghanaian government has taken steps to introduce an electronic tax system in order to make tax payment more convenient. The predicted levels of value added tax non-compliance for developing countries are much greater than those that have been estimated for nations with comparable income levels in previous years, according to Bellon, et al study . 's from 2022, which supports this conclusion.

Also, other studies (Night and Bananuka, 2019; Martins and Picoto, 2020) have urged for more investigation into tax compliance, particularly in Africa. By concentrating on what can explain

tax compliance in a developing country, this study adds to the body of knowledge on factors that could explain tax compliance in developing nations.

1.6 OVERVIEW OF METHODOLOGY

The present study used the approach of quantitative research to examine the factors that influence tax compliance among small and medium-sized enterprises (SMEs) in the Tamale Metropolis. The research strategy used in this study was cross-sectional, and primary data was collected from the case study area to facilitate the analytic process and fulfill the research objectives. The study focused on small and medium-sized enterprises (SMEs) located in the Tamale Metropolis. A total of 225 SMEs were chosen as the sample for the research. The researcher used a non-probability sampling technique in order to get the sample. Data was gathered from respondents via the administration of questionnaires. After collecting the data, the study used the Statistical Package for Social Sciences (SPSS, version 26) to calculate the descriptive statistics and measures of central tendencies. These results were then utilised for the research.

1.7 SCOPE AND LIMITATION OF THE STUDY

The research is conducted in the Tamale Metropolis to investigate the antecedents of tax compliance of SMEs. The Tamale Metropolis was preferred because it can provide sufficient data and information for the study. As a result, the findings will not be generalized but will be placed in the context of the Northern Region.

The following are some of the study's limitations, as highlighted by this research: A nationwide survey, regardless of the chosen metropolis, would have been more suitable. Therefore, the conclusions drawn from the study cannot be applied broadly to the entire country. Furthermore, the use of questionnaires restricts the scope of the study in the sense that more information

could have been gathered if an interview method was used and data had been collected over a longer period of time.

1.8 ORGANISATION OF THE STUDY

The research is structured into five distinct chapters. The first chapter serves as an introductory section, providing a comprehensive explanation of the study's objectives and relevance. The components of this study include the study's background, problem statement, research objectives, research questions, significance, methodological overview, scope, and organisation.

Chapter two of this research centres on the comprehensive examination of pertinent literature linked to the study, as well as the conceptual framework that is significant to the study. The objective of this chapter is to provide a comprehensive overview, critical assessment, and comparative analysis of the primary advancements and ongoing debates that are directly pertinent to the subject of study.

Chapter three of the study delves into the subject matter of approach and technique. This chapter covers the research design used for the study, the study population, the sampling technique, the sample size, the kinds and sources of data, and the data processing and analysis methods.

Chapter four of the study encompasses the presentation and analysis of the obtained results, followed by a comprehensive discussion of the findings. The chapter is partitioned into two distinct parts, namely the data analysis portion and the discussion section. The data analysis portion encompasses the data that was gathered as a component of the study, as well as the researcher's examination and interpretation of the data. On the other hand, the discussion section establishes a connection between the findings obtained and the existing body of literature reviewed.

Chapter five represents the last chapter. The chapter comprises a concise overview, definitive findings, and practical suggestions derived from the research, with potential avenues for additional study.

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CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter presents the review of literature on tax compliance of small and medium-sized enterprises, comprising conceptual, theoretical and empirical reviews and their discussions.

2.1 CONCEPTUAL REVIEW

2.1.1 Taxation as a Concept

Taxes are the required transmission of money, to the government as a source of income, from the citizens of a country (Sadress, et al., 2019; Lestary, et al., 2021). In 2010, the Global Entrepreneurship Monitor (GEM) emphatically reported that taxes should not be evaded without penalty. Tax policies are introduced either to: (a) fund the budget deficit; (b) foster long-term development; or (c) combat further economic forces (Romer and Romer, 2010). But taxes vary according to policymakers' economic procedures as well as are tools of social engineering to promote economic development (Lestary, et al., 2021). There are four concepts of taxation: "certainty, equality or equity, convenience and economy" (DdumbaSsentamu, 2004). Compliance with the rules and regulations for the collection and application of tax assessments may be referred to as taxation principles (Omagor and Mubiru, 2008). These comprise Fairness: taxes ought to be equal to taxpayers and consistent with the benefits earned by taxpayers; Economic: taxes charged must be oriented so as to achieve the objectives necessary for a country's economic growth; Equity: expenditure and income of taxpayers should equate to their tax liabilities; Convenient: tax payment schemes should be suitable (Omagor and Mubiru, 2008).

2.1.2 Tax Compliance

There is not enough agreement on the definition of the term “tax compliance”, and various scholars have therefore interpreted it differently. According to Kulsrud (1997), for example, tax compliance usually requires all the activities required to comply with the tax law's legislative requirements. This primarily includes the preparation of the millions of tax returns per year that individuals and organizations must file. Usually, the day-to-day activities of tax enforcement workers are surrounded by the preparation of a tax return. Dabla-Norris, et al. (2020) also describe tax compliance as all the activities required for the taxpaying public to undertake so as to follow the tax legislative requirements. This requires the preparation of tax returns to be filed each year by individuals and organizations. Similarly, Akakpo (2006) expands the meaning of tax compliance to include tax evasion, which occurs when taxpayers deliberately and intentionally neglect to notify taxable assets or income activities to the taxing authorities, or use deception to conceal the presence of taxable income and to obtain or repay tax allowances (Moore and Prichard, 2020; Dabla-Norris, et al., 2020). Failure to obey the tax laws greatly decreases the total amount of taxes collected in order to allow the government to conduct the tasks assigned to it constitutionally and lawfully. It also strengthens taxpayers' willingness to violate the tax laws or look for innovative ways around them.

2.1.3 Tax Compliance among SMEs

The substantial changes in the tax acts which demonstrated ambiguity to the degree that only tax authorities could appreciate have hampered tax compliance. This could bring about difficulties for taxpayers who have no access to a tax expert to learn about the complicated tax legislation (Carsamer and Abbam, 2020). There can be no connection between tax law enforcement and tax non-compliance, as some tax policies can lead to extreme liquidity pressure on SMEs (Terkper, 2003; Lestary, et al., 2021; Ahmed, 2023). The realization of tax

enforcement can only be noticed if taxpayers' liabilities are correctly measured by knowing the variables that can be related to tax liability (Sadress, et al. 2019; Saptono et al., 2023). There is a possibility that either underpaying or overpaying taxes will be attributed to illiterate taxpayers. SMEs acknowledged that they had no integrity and independence with regard to tax problems relevant to the recruitment by SMEs of tax experts for proper tax planning (Ahmed and Braithwaite, 2005). The lack of tax law experience is responsible for weak tax enforcement (Ayoki et al., 2005). Tax policies in developed countries also favour large businesses with higher returns on tax revenues than small and medium-sized companies with lower returns on tax revenues (Sadress, et al., 2019). Company registration for tax payments by small and medium-sized businesses is not carried out voluntarily, although firms who refuse to register fail to also file their tax returns and correctly pay their tax obligations (Terkper, 2003). SME tax evasion is projected to be higher, although high investment in auditing could prove pointless without a proper audit trail (Ahmed and Braithwaite, 2005).

2.1.4 Definition of Small and Medium-Sized Enterprise (SME)

Depending on one or more of the thresholds set for investment, jobs, turnover, among others, the definitions of small and medium enterprises (SMEs), in other words, vary from nation to nation (Sadress, et al., 2019). In literature, the question of what a micro or small enterprise constitutes is of a key concern. In such business category, numerous authors have generally provided different meanings. Indeed, SMEs have the problem of description which is generally in connection with definitions that have several components. For both researchers and authors, the concept of companies by size varies. Others base on their legal status and technique of processing to describe SMEs. Some try to use only the capital assets, whereas some use the number of employees and revenue.

The “economic” and “statistical” concept of small firms was originally proposed by the Bolton Committee (1971). A firm is said to be small under the “economic” category if the three criteria below are met:

1. It has fairly small share of the industry they operate;
2. It is administered in a customized manner by proprietors or part owners, and not via a formalised management structure;
3. In the context of not being part of a larger organization – it is autonomous.

Whereas manufacturing, mining, and construction firms were well-defined in terms of the number of employees, thus in which case, 200 or less skilled employees were small firms; retail firms, services and wholesale firms were also defined in terms of their turnover, among others (it ranges from 50,000 to 200,000 Pounds which classifies firms as small). If the firm has five or fewer vehicles, companies in the road transport business are categorised as small. The Bolton meanings were criticized. These concentrate largely on the obvious discrepancies between the concept of features focused on total workers and individuals based on the management style (Adu and Amponsah, 2020).

In Europe, Member States generally have their definition as to what an SME is made up of; in Germany, for example, the conventional definition has a maximum of 250 workers, while in Belgium, for example, it could be 100. Nonetheless, now the European Union has begun standardizing the definition. In its recent meaning, businesses with less than 10 workers are categorized as “micro”, firms with fewer than 50 personnel as “small” whilst organisations with less than 250 as “medium”. In America, by comparison, once the number of workers is used to define small businesses, they frequently refer to firms with less than 100 personnel, whereas

medium-sized businesses often refer to those firms with less than about 500 personnel (Carsamer, 2009).

Small-scale businesses are classified as parts of production that employ no more than 30 people. The emphasis is put on the manufacturing aspect in order to distinguish other smallscale non-farm economic activities from them. Manufacturing involves producing tangible objects. This indicates that there is no addition of pure service operations such as retail trade, government, banking, insurance and leisure services.

In manufacturing enterprises, though, repair facilities are included but because they have little to do with completely produced products. The point is, producers do not at all times deliver a finished product, but then execute only a step in a process chain (Dinye, 1991).

2.1.5 Definition and Development of SMEs in Ghana

Diverse definitions for SMEs have been defined in Ghana, however, the most widely preferred criterion is the number of company personnel (Kayanula and Quartey, 2000). Confusion also occurs with the use of this definition with regard to the volatility and the cutoff points used by the numerous official sources.

In Ghana, SMEs are mostly defined by applying both the “fixed asset and number of employees” criteria, thus according to the Ghana Enterprises Agency (formally, the National Board for Small Scale Industries (NBSSI)). It described a small-scale business as an entity with no more than nine workers and has no more than 10 million Ghana cedis assets in plants and machinery (not including property, buildings and vehicles) whilst micro-businesses are classified as firms with less than five employees.

Companies with fewer than 10 workers are categorized as small-scale enterprises, as provided by the Ghana Statistical Service (GSS), and firms with more than 10 workers are classified as

medium and large-sized enterprises. Ironically, the GSS has considered companies with up to nine personnel as SMEs in its nationwide accounts (Kayanula and Quartey, 2000). As an alternative criterion for determining SMEs, the value of non-current assets in a firm has also been used.

Additionally, the Ghana Enterprise Development Commission (GEDC) used the plant and machinery upper limit concept of 10 million Ghana cedis. It is important to be informed that there is a problem in the process of valuing non-current assets. Second, the relentless weakening of the Ghanaian currency toward key trading currencies also makes such concepts obsolete (Kayanula and Quartey, 2000).

The establishment of the Gold Coast administration, which was a branch of the British government, included the implementation of an economic plan aimed at educating the growing middle class to effectively manage the assets of European merchants and businesspeople. Furthermore, the small business development efforts in Ghana throughout the 1960s were deemed disappointing, as highlighted by Kayanula and Quartey (2000). In his modernization efforts, Kwame Nkrumah (President of the First Republic) stressed state involvement, though did not promote the indigenous local sector. Domestic entrepreneurship has been realised as a possible political danger. As the economy in the 1980s collapsed, in an effort to earn a reasonable income, large-scale industrial workers stagnated, pushing many formal industry workers into secondary self-employment. Over the years, governments have placed in place steps to encourage the growth of SMEs by setting up organizations to promote the activities of SMEs in order to resolve these problems (Sadress, et al., 2019).

This led to the establishment of the Ghana Enterprises Agency as a supervisory body for the growth and development of small-scale industries in Ghana under Act 434 in 1981. The Government merged the Ghanaian Enterprises Development Commission (GEDC) with the

Board in the early 1990s and also the Cottage Industries in 1994 to form a single dynamic, united body capitalised and capable of answering to the needs of the SME industry. The industrial sector also saw the Ghana Appropriate Technology Industrial Service (GRATIS) come into effect in the late 1980s. It was founded to manage the country's activities of Intermediate Technology Transfer Units (ITTUs). At the grass root stage, GRATIS aims to upgrade small-scale enterprises. In the year 1992, the government undertook a number of measures with the aim of responding to economic shifts in the private sector. Notable developments include the establishment of the Private Sector Advisory Council and the repeal of the Manufacturing Industries Act 1971 (Act 356), which nullified several price control legislations. Additionally, the implementation of the 1985 Investment Code (PNDC Law 116) sought to foster collaborations between foreign and domestic investors (Kayanula and Quartey, 2000). In addition, an Immigrant Quota Legislative Instrument has been adopted that gives investors an automatic immigrant quota. Government supplied equipment leasing, as an alternative and versatile long-term source of equipment financing for companies that are unable to finance their own equipment (Owusu, et al., 2019).

In 1997, the government planned to establish an Export Development and Investment Fund (EDIF), which would function under the Exim Guarantee Company Scheme of the Bank of Ghana. With the aid of export and industrial services, this occurred in the first quarter of 1998. According to the 1998 budget statement, in order to further develop the industrial sector, particular attention was paid to the Wood and Wood Processing; Textiles/Garments; Food and Food Processing, and Packaging sectors to promote access to the EDIF for reconstruction and retooling (Andoh, et al., 2019). The Ministry for the Development of the Private Sector was set up in 2001 to coordinate and harmonize all the inter-sectoral initiatives meant to develop the private sector as a driver of poverty alleviation and growth. It was the responsibility of the Ministry to promote core businesses of the informal sector in order to awaken persons and

businesses in the sector to positively affect key areas such as entrepreneurship, banking, and bookkeeping skills. In addition, the government has developed other schemes, including the African Development Foundation, the Government Loan Guarantee, the Italian Credit Facility, and others. These schemes were not only to resolve the persistent problems of the failure of SMEs to provide the collateral requested by the banks but also to ensure an improved flow of private sector capital for innovation, technological growth and the adaption and development of new productivity-enhancing services and products for investing activities (Adu and Amponsah, 2020).

The Special Initiative of the President was initiated in 2002, and aimed at promoting the production of textiles, garments and cassava for export. Five (5) areas of operation have been initiated by the President's Special Initiatives (PSI), "accelerated export growth for clothing and textiles, salt mining, production of cotton, production of oil palm, production of cassava starch, and distance learning" were being introduced. These initiatives are aimed at spearheading economic growth and deepening; creating jobs and reducing poverty in Ghana via agribusiness and export activities. It also aimed at building a critical frame of highgrowth, globally competitive exporting organisations targeting global consumer markets in those sectors. Currently, there is a Rural Enterprise Development Program which is ongoing in three (3) enterprise development projects which would be identified by each district in Ghana (Carsamer and Abbam, 2020).

2.1.6 Digitalisation Development and Digitalising Tax

Digital technology are transforming our lives, as seen by phrases like "digital disruption, digital inclusion, and digital transformation". Technology is frequently touted as "universal, value-free, and equalizing" (Lestary, et al., 2021). This discourse is focused on how technology is seen as having the potential to transform society and address issues like the case study's poor

tax compliance and revenue (Bellon, et al., 2022). The present fourth industrial revolution, which sees digitalization as its primary accelerator, reflects this on a worldwide scale (WEF, 2016). The fourth industrial revolution was marked by technological improvements on par with those of the first, second, and third industrial revolutions. Digitalization is regarded as a great way to increase the effectiveness and efficiency, reduce costs, save time, and improve services of government (Alshehri and Drew 2010).

Digitalization is the process of using information and communication technology (ICT) and other web-based telecommunication technologies to increase and improve the efficiency and effectiveness of public service delivery. Tax officials, investors, and legislators all agree that digitalization is crucial to achieving sustainable development. The EU development policy states that "digital technologies and services are to be seen as a tool to achieve the objectives within the focus areas and cross-cutting themes of the EU development strategy" (EC, 2018). The ideas in this development policy encourage the application of technology to the goal of development. Other international organizations, such as the United Nations (UN) and the Organization for Economic Cooperation and Development (OECD), claim that digitization is "essential to reform, modernization, and development of governance" (OECD, 2005).

According to the UN, poor countries like Ghana must see yearly economic growth of at least 11% until 2030 in order to achieve the Sustainable Development Goals (SDGs). The UN's Global Economic Situation and Prospects (WESP) 2017 report emphasizes the challenges of funding the SDGs in light of the current financial and economic environment (Martins and Picoto, 2020).

Emerging economies are expected to require up to US\$2.5 trillion annually to achieve their SDGs by 2030. Now that growing governments are being pushed to implement drastic measures like digitization to increase revenues, domestic revenue mobilization (DRM) is

confronted with a challenging scenario (Bellon, et al., 2022). In actuality, this means that countries like Ghana are experiencing a rapid uptake of technological platforms, which could have both disempowering and destabilizing effects. Ghana is not alone in this; the digitalization wave has been felt in a number of emerging economies.

However, because digitalization will be adopted so quickly, people will not have much time to get used to the technology (Martins and Picoto, 2020). Bellon, et al. (2022) argue that platforms do not directly contribute to the creation of an "ideal" society, but rather the social dynamics that exist between possible users in addition those in their social environments.

The use of digital tax technologies was justified by the availability of large resources for developing nations (Night and Bananuka, 2019). Already in the 1990s, supra-national organizations like the World Bank spent about \$14 billion on tax reform in 67 countries, with a significant percentage of this investment going toward technologically-driven reforms intended to increase taxation's efficiency and efficacy (Barbone et. al, 1999). However, a country's ICT e-readiness is crucial for successful digitalization programs (Night and Bananuka, 2019). E-readiness, a gauge of the government's implementation process, is the capacity to use ICT to develop one's economy and foster one's wealth.

A nation's ICT infrastructure, local knowledge, networks, electricity, computer hardware and software, and political will are all taken into account when determining its level of ereadiness. ICT has been promoted as a paradigm for economic growth since the mid-1990s by major international development organizations such as the World Bank, the United Nations Development Program, and the World Economic Forum (Night and Bananuka, 2019). These organizations contend that the use of technology in tax administrations lowers operational costs while improving services to taxpayers (Martins and Picoto, 2020). This argument suggests that concepts or technologies can spread globally and improve people's lives. Because some regions

of the world are still in the second or third stage of the industrial revolution and lack access to essential facilities like power, water, and the internet, this change presents a significant challenge (Damayanti and Supramono, 2019; Martins and Picoto, 2020).

Despite this, many "lagging" regions are encouraged to go digital despite having a little or inadequate infrastructure to support this change. According to Martins and Picoto (2020), Africa's success with mobile penetration, such as the Ghanaian mobile banking platform, is viewed as the model for ICT growth in the continent. However, the infrastructures required to facilitate this transformation are not included in the creation of ICT policies. Technology is said to have the power to affect how taxpayers behave, boosting their compliance and earnings (Night and Bananuka, 2019). While this is clear in nations with robust tax structures, there are obstacles for emerging nations, particularly in terms of execution. While this has been noticeable in nations with robust tax systems, developing states are facing difficulties, particularly with the implementations (Martins and Picoto, 2020). Understanding the stages of e-government development is necessary to comprehend how ICT is changing government.

2.1.7 Technology and Electronic Tax in Ghana

Even though Africa has generally remained behind in terms of technology, one of the distinctive characteristics of Africa in the twenty-first century has been a more significant role for modern technology (Amankwah-Amoah, Osabutey and Egbetokun, 2018; Adjei, Adams and Mamattah, 2021). To support indigenous creativity, the continent has gradually embraced and assimilated a variety of new technology, which is a change from the past when replication was the priority (The Economist, 2015). Today, there is a greater acceptance of many technologies in Africa, including solar photovoltaic, drones, and mobile phones, to help provide a platform for economic development, innovation, and business growth (Amankwah-Amoah, 2019).

In Ghana, the government is progressively putting limited resources to identifying, work, and implementing technology that can help improve public policy and decision-making in general. Over the previous decades, the country has shown a rising willingness to embrace liberalization policies as well as the adoption of cutting-edge technologies to aid business and economic development (Amankwah-Amoah, 2019; The World Bank Group, 2019). By 2023, the government expects to have developed and implemented digital transformation initiatives that would position the country as the leader in ICT innovation in Sub-Saharan Africa, and thus, Great steps have been taken to achieve this objective (KPMG, 2021).

In the quest to be a digital economy, some MMDAs have invested in technology and software to help them in revenue collection. The unveiling of a new National Public Sector Reform Strategy (NPSRS) is to have all Ghanaian Ministries, Departments, and Agencies and Metropolitan, Municipal, and District Assemblies digitalized by 2023 (Adu *et al.*, 2019).

Also, starting in 2021, the government built an online platform (GRA Taxpayers Portal) for the electronic filing and payment of taxes and import charges. By reducing transaction costs and enabling innovation in tax policy, digital technologies strengthen the tax administration. Tax fraud and evasion may be decreased by digital tax administration. Although it might not always require all taxpayers to pay the appropriate amount of tax, it will broaden the base of taxpayers.

2.2 THEORETICAL REVIEW

The Theory of Reasoned Action (TRA), Institutional Theory, and Technology Acceptance Model (TAM) are all employed in this research. A lot of studies have utilized the TRA in the past to explain someone's behaviour (Martins and Picoto, 2020). The TRA is more relevant for this study since it uses the constructs of behavioural intention, attitude, and social norms to embrace a given product to tightly fist one's behaviour. This theory is still important since this

study considers isomorphic factors, acceptance of the electronic tax system, and attitudes toward electronic tax systems as potential explanations for tax compliance. Additionally, according to Sadress et al. (2019) and Martins and Picoto (2020), the Theory of Reasoned Action (TRA) is a well recognised paradigm in the field of social psychology that integrates external elements, including normative views, into the prediction of individuals' intentions to participate in observable behaviours, such as tax compliance. The research also employs institutional theory since it may provide insights into the reasons why organisational behaviours are influenced by other institutions within the same sector or area (Musimenta et al., 2017). Sadress, et al. (2019) list the other organizations (mimetic forces), legal system (coercive forces) and professional norms and cultural as examples of such behaviours (normative forces). In this study, the TAM was employed because to its capability to describe and predict user behaviour in IT (Martins and Picoto, 2020).

2.2.1 Theory of Reasoned Action (TRA)

According to the Theory of Reasoned Action (TRA) (Fishbein and Ajzen, 1975; Orobio et al., 2016), people make logical decisions regarding their actions. As a result, every behaviour must be preceded by an intention to carry it out. Accordingly, it follows that there is a correlation between behavioural intention and the likelihood of engaging in the behaviour in issue (Gumel et al., 2015). The attitude toward the behaviour and the subjective norm are the two main components of the TRA model that influence intentions and behaviour.

According to Ajzen and Fishbein (1980), it is essential to examine individuals' perceptions of themselves and their surroundings in order to get a more comprehensive understanding of the factors influencing human conduct. According to Taib et al. (2008), beliefs play a crucial role in shaping an individual's subjective norm and attitude, hence influencing their acceptance or rejection of a certain topic. According to Ajzen and Fishbein (1980), the Theory of Reasoned

Action (TRA) posits that an individual's attitude is connected to their own subjective ideas on behaviour. An "attitude object," which can be a person, a behaviour, or an event, is another way to define attitude.

Taxpayers' attitudes are their opinions about tax compliance behaviour, either favourably or unfavourably. Positive opinions result in tax compliance, and unfavourable views result in tax non-compliance (Ambrecht, 1998). These opinions could be explained by how taxpayers evaluate the electronic tax system (Nkwe, 2013), as well as how beneficial and simple they perceive it to be (Davis et al., 1989). Tax compliance will probably increase if a taxpayer has a favourable attitude toward e-tax systems.

2.2.2 Institutional Theory

The institutional theory has gained significant prominence in contemporary scholarship as a leading framework for examining the processes and dynamics of institutional formation. The underlying principle of this perspective posits that several organisational practises are often implemented and sustained primarily due to social constraints for conformity and legitimacy, rather than technical requirements for economic performance (Kessler, 2013; Di Maggio and Powell, 1983). The theoretical review first emerged within the context of organisational research (Di Maggio and Powell, 1983). However, it has since been broadened to include the examination of institutional change (Meyer and Rowan, 1977; Lestary, et al., 2021).

According to the institutional theory, businesses adapt to demands from their internal and external business environments by implementing structures and procedures that are regarded as proper organizational decisions and legitimate by other businesses operating in related industries (Meyer and Rowan, 1977; Di Maggio and Powell, 1983). According to Hoffman (1999), institutional theory should focus on how influences both internal and external to organizations that are outside of their control affect those organizations. They adopt comparable

structures and procedures as a result of these factors. As a result, over time, the organizations start to resemble or look-alike (Meyer and Rowan, 1977; Hoffman, 1999; Scott, 2007). However, institutional isomorphism, on the other hand, might be a helpful tool for comprehending events that surround the life of an organization (Di Maggio and Powell, 1983), for example tax compliance among SMEs.

Mizruchi and Fein (1999) assert that corporations always strive to preserve and improve legitimacy by caving into pressures brought on by their institutional environment. These pressures, which can be categorized into three categories that influence an organization's isomorphism, include normative force, which includes the influence of professional standards, cultural beliefs, and the influence of the government's tax collection arm, mimetic force, which results from imitating the tax compliance actions of prosperous industry rivals, contemporaries, and partners in the uncertain environment (Sadress, et al., 2019).

Stronger isomorphic forces forced taxpayers to pay their taxes on time and eliminated their propensity for tax evasion. This supports research by other academics; for instance, McCoon's (2011) findings on tax compliance study showed a high association between a nation's cultures in addition to the level of tax evasion in Latin America.

2.2.3 Technology Acceptance Model (TAM)

Davis first put forth the Technology Acceptance Model (TAM) in 1986. A theoretical model called TAM was created to assist, explain and forecast user behaviour in the IT sector (Lai et al., 2004). TAM is seen as a significant extension of the TRA (Ajzen and Fishbein, 1980; Sadress, et al., 2019). By modifying TRA, Davis et al. (1989) proposed TAM to explain why a user accepts or rejects the use of IT. According to Umar and Masud (2020), many scholars, particularly those studying information systems, use TAM to better understand how firms adopt IT and how successfully they do so.

To clarify users' adoption patterns, TAM has proven to be a solid and reliable framework (Sadress et al., 2019). The large influence of attitude on behavioural intention to use a particular system was confirmed by various studies, according to Umar and Masud (2020), and this data strongly supports TAM as a model for predicting system usage behaviour. Additionally, TAM offers a foundation on which belief or attitude toward using an electronic tax system is enhanced, which has an impact on SMEs' tax compliance behaviours.

2.3 EMPIRICAL REVIEW

This section of the study reviews literature on taxpayers' attitude toward electronic tax system, adoption of an electronic tax system, and isomorphic forces as well as tax compliance.

Using a quasi-experimental variation in the rollout of VAT e-invoicing in Peru, Bellon et al. (2022) assessed the effect of moving from paper to electronic invoicing on firm tax compliance and performance. E-invoicing increases reported firm sales, purchases, and VAT responsibilities by over 5% in the first year following adoption, according to the study. E-invoicing improves compliance by decreasing compliance costs and enhancing deterrence, having the greatest effect on small businesses and industries with the highest rates of noncompliance. The study also discovered that existing stocks of VAT credits were used to counteract the reform's beneficial effects on VAT collection, which suggests that further reforms would need to be added to digital tools like e-invoicing in order to boost revenue mobilization.

According to Martins and Picoto's (2020) research, SMEs who embrace information systems gain new skills and competitive benefits. The results, which are based on data from 94 European SMEs, demonstrate that businesses choose to use information systems because of their duties for tax compliance. However, although some businesses choose to construct simple information systems only to comply with document transfer laws, others chose to do so in order to meet their overall business needs.

Night and Bananuka (2019) studied the mediating function of adoption of an electronic tax system in the relationship between attitude toward an electronic tax system and tax compliance using data from small business enterprises (SBEs) in an African developing country. According to the research, which used 214 managers of SBEs, the implementation of an electronic tax system is a partial mediator in the link between views toward an electronic tax system and tax compliance. The results also imply a substantial relationship between opinions toward and acceptability of the computerized tax system and tax compliance.

Tax compliance costs have been identified by Eichfelder and Hechtner (2018) as a significant hardship for both consumers and corporations. They discovered that there was no proof that using Belgian e-government programs in 2002 and 2004 lowered compliance expenses appreciably.

Umar and Masud (2020) investigated the causes of the widespread tax evasion that persists in developing nations after years of IT-driven tax administration changes. An In-depth interviews with 18 senior tax administration officials, the study is based. The study first discovered that IT was not immune to the systemic corruption that is pervasive in many developing nations, which is why it is easily hacked. Second, while IT may be effective when dealing with registered taxpayers, it is ineffective when dealing with the enormous number of operators in the unorganized sector. Third, developing countries were particularly hesitant to adopt E-tax administration, which was a defining characteristic of IT-led tax administrations in rich countries. The existing state of computerized tax administration in emerging nations is insufficient to encourage widespread e-filing.

Micro, Small, and Medium-Sized Enterprises (MSMEs) have a significant impact on the socioeconomic growth of the Ghanaian economy, according to Peprah et al. (2020). To investigate how well MSMEs in Ghana complied with the country's income tax administration,

a mixed-method study including 210 samples (200 MSMEs and 10 key informants) was carried out. Lack of tax education, high tax rates, low-income levels, and high household consumption levels were found to be the main determinants of tax compliance among MSMEs. The survey also demonstrated that issues with tax administration include a lack of institutional ability, a lack of resources, a general disapproval of paying taxes, a lack of cooperation among the taxing authorities, and political influence.

In Ghana, Adu and Amponsah (2020) looked on the relationship between tax registration and self-employment. Discriminant analysis was performed to analyze the factors influencing a self-employed person's decision to register with the Ghana Revenue Authority after 783 selfemployed were interviewed. The study found that factors such as the ego, the frequency of tax officers' visits and inspections, their business experience, the number of years of education, the distance to the tax office, and their estimated annual profit all play a significant role in determining whether or not tax registration requirements are met.

The expanded theory of planned behaviour (TPB) was researched by Bani-Khalid et al. (2022) in order to ascertain the intents of owner/managers in SMEs with regard to engaging in sales tax compliance. 660 managers and owners of Jordanian manufacturing SMEs were employed in the study. According to the results, the analyzed firms' intents to engage in sales tax compliance were significantly influenced by their attitude toward behaviour, subjective norms, perceived behavioural control, and patriotism.

Alshira'h, et al. (2020) looked at how public governance and patriotism affect SMEs' compliance with sales tax laws. The study examined the impact of public governance, patriotism, and the relationship of these two processes on sales tax compliance for a sample of 385 SMEs using partial least squares structural equation modelling. According to the study, civic engagement and good governance boost and enhance sales tax compliance. The results

confirmed the patriotism's interaction effect on the relationship between sales tax compliance and public governance.

Van Huong and Cuong's (2019) investigation on whether or not governments can gain from their assistance in boosting corporate tax compliance. The study employed fixed-effect instrumental variable estimations to examine the impact of government support on tax payment using a panel dataset constructed from four SMEs surveys carried out in Vietnam. The results show the favourable impact of government support on company profitability and creative activities. The authors discovered that financial support from government had a positive influence on tax payment compliance.

Al-Ttaffi, et al. (2021) assessed how owner-managers of SMEs in Yemen understood their behaviour with regard to tax non-compliance. SMEs in Yemen totalling 500 were used in the study. The main finding is that Muslims' attitudes toward taxes significantly affect their propensity to comply with tax laws. Particularly, taxpayers who thought taxes were entirely legal were more obedient than those who thought taxes were entirely illegal. Additionally, there is a statistical connection between taxpayers' noncompliance choices and tax rates and fines.

Inasius (2019) investigated the variables affecting SMEs' tax compliance with Indonesia's income-tax reporting requirements. Six tax compliance variables were looked at using multiple regressions, and data was collected through a survey of 328 government performed in Jakarta. The findings show that referral networks, audit likelihood, tax expertise, and perceived fairness and equity all have a big impact on tax compliance. The referral group in particular had the greatest impact on the noncompliance behaviour of SME taxpayers.

Sebele-Mpofu (2020) investigated the informal economy of governance in Zimbabwe, morale, and tax compliance. In the research, it was discovered that tax morale influences tax compliance behaviour and is highly connected with international tax effort tactics. Additionally, opinions

about the effectiveness of institutions, a cost-benefit analysis of how taxpayer money is used, and the standard of governance all have an impact on tax compliance. To increase tax compliance in developing nations, particularly in Zimbabwe and sub-Saharan Africa, better tax administration enforcement must be linked with tax reforms that enhance accountability and transparency in the use of tax funds.

Alshira'h and Abdul-Jabbar (2020) examined the relationship between tax rates, tax audits, and tax penalties and sales tax compliance among Jordanian SMEs. They also looked at the moderating effect of patriotism on these relationships. 385 SMEs in total were used in the study. The research found that while tax rate had a negligible impact on sales tax compliance, tax audit and tax penalty had a strong correlation with compliance. Additionally, they showed how patriotism has a moderating and significant impact on the relationship between tax fines, tax audits, tax rates and sales tax compliance.

In 2019, Musimenta, Naigaga, Bananuka, and Najjuma looked at the impact of tax compliance, compliance costs, and tax morale on Ugandan financial services companies. The research involved 210 financial services companies in Uganda and was cross-sectional and correlational in nature. The study found a significant and positive relationship between tax compliance and morale. Results also show a positive and significant relationship between compliance expenses and tax compliance. Additionally, the findings show that administration costs and specialist fees are compliance-related expenditures. Individually, tax compliance entails hefty costs.

2.4 CONCEPTUAL FRAMEWORK

Figure 2.1 posits that attitude toward electronic tax system, adoption of an electronic tax system, and isomorphic forces positively influence tax compliance.

Figure 2.1: Conceptual Framework

Independent Variables

Dependent Variable

- Attitude toward e-tax system
- Adoption of e-tax system
- Isomorphic forces

Tax Compliance

Source: Author's Construct (2022)

CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTION

The analytical instruments and techniques used in achieving the objectives of this study are discussed in this chapter. The methods used to analyse the data, such as the description of the data obtained, the type of data, the source, the procedure, among others, were all discussed in this section. The chapter also discusses the research design, the population of the study, the sample size, the sampling techniques, and the procedures for collecting and analysing data and finally provides a Chapter Summary.

3.1 RESEARCH DESIGN

The study design is the sequence that guides the researcher through the process of collecting, analysing and interpreting data (Jackson, Easterby-Smith and Thorpe, 2015). As a result, the type of research design used by a researcher for a given study is often influenced by the nature of the problem and the study's aims. The study design chosen reflects a researcher's priorities in terms of the dimensions of the research process and methodologies. As a result, this study uses a cross-sectional study approach, which permits the simultaneous measurement of several parameters and the examination of possible underlying correlations.

Although there are many other approaches to collecting and analyzing data, there are three well-known approaches that are used: qualitative research, quantitative research, and mixed methods

(Chapman, 2018). The quantitative research approach was used in this study in order to aid in the establishment of relationships between relevant variables (Jackson, et al., 2015). The quantitative research approach was used for data collection and analysis in order to allow the researcher to provide the most accurate assessment possible.

3.2 POPULATION

Every study's population refers to the whole units from which data could be gathered to meet the study's objectives. In the conduct of this study, the target population is made up of all owners or managers of SMEs in the Tamale Metropolis of the Northern Region of Ghana.

3.3 SAMPLE SIZE AND SAMPLE TECHNIQUE

For this study, the researcher selected a sample size of 225. Researchers have shown that even for populations that are not typically distributed, a sample size of 30 or even more would generally result in a sample distribution for the mean which is very similar to the normal sample distribution (Jackson, et al., 2015). In view of this, Sekaran (2003) recommended that a minimum sample number of 30 would be appropriate for statistical analysis.

Consequently, a sample size of 225 SMEs is deemed appropriate for the analysis. The sample was collected using the non-probability sampling technique. In an attempt to get a reasonable representation of the study population, both convenience sampling and judgmental sampling techniques were used to choose the SMEs. According to Ayee, (2007), the greater part of Ghana's SMEs is run by "semi-literate individuals who are ignorant about proper record keeping". Consequently, selecting respondents randomly using probability sampling methods would be unacceptable, because of the possibility that a respondent randomly selected would not be able to offer responses to the questions.

3.4 DATA COLLECTION AND RESEARCH INSTRUMENTS

A self-administered questionnaire was used to gather primary data from respondents, and respondents had to agree to remain anonymous in order to protect confidentiality and obtain useful data. The use of a questionnaire was justified by its suitability for gathering information from a large number of respondents at a cheap cost, in a short amount of time, and with minimal effort (Sekaran, 2003). There are two types of questionnaire formats: open-answer and closed-answer. The open-answer format invites responders to express their opinions thoroughly and as nuancedly as possible (Bananuka et al., 2018). The open-answer format, however, was deemed inappropriate for this study since it was intended to determine the mean ratings of the degree of agreement with each statement. As a result, the alternative was employed. Closed-answer formats make analysis simpler (Bananuka et al., 2018). The study adapted the questionnaire instrument from the study of Sadress et al. (2019). The questionnaire was created in accordance with the study's objectives and key variables. Because an even Likert scale allows the researcher to glean precise information from respondents about circumstances they have already encountered, a six-point Likert scale was employed (Jackson et al., 2015).

3.5 DATA ANALYSIS

The responses from the participants were collected and analyzed quantitatively using the Statistical Package for Social Sciences (SPSS version 26). Frequency counts and percentages were used to analyse the data descriptively. To determine the relationship between electronic tax variables and tax compliance, a regression equation was used. The equation is specified below.

$$TaxCom_i = \alpha + \beta_1 att_i + \beta_2 ado_i + \beta_3 cof_i + \beta_4 mif_i + \beta_5 nof_i + \varepsilon_i$$

Where; TaxCom: Tax compliance, att: attitude towards e-tax system, ado: adoption of e-tax system, cof: coercive forces, mif: mimetic forces, nof: normative forces.

3.6 RELIABILITY AND VALIDITY OF DATA

Using the Cronbach's alpha and content validity index, the study evaluated the study's validity and reliability. Validity assesses the accuracy of the study findings or if the research instrument accurately measures what it was designed to measure (Jackson, et al., 2015). According to Chapman (2018), validity may be divided into criteria validity and content validity. The applicability and intelligibility of the questions were evaluated using the Content Validity Index. Two academics, two practitioners, and any other informed person were given the instrument to evaluate the questions' applicability and clarity. 0.857 was the total Content Validity Index. When Cronbach's alpha value is over 0.70, the instrument is regarded as dependable since it may generate consistent findings when the same entities are tested under various settings (Chapman, 2018). All of the research variables' Cronbach's alpha values for this investigation were higher than 0.70.

3.7 ETHICAL CONSIDERATION

Jackson et al. (2015) characterises “morals as an arrangement of good” practices suggested by a person or group, which is generally accepted “along these lines and which provides rules and” behavioural guidelines for the most reasonable objective toward “exploratory subjects and respondents”, various experts, assistants and understudies.

The researcher is conscious that information should not be diluted or regulated with a clear objective to protect the integrity of the analysis and the study (Chapman, 2018). A few recommendations were added on the most capable approach to complete the survey, and the time required to finish this study was assessed. Therefore, the researcher disclosed to

participants that the research is meant basically to fulfil an academic requirement but not for any other motive. Thus, confidentiality assurance.

3.8 CHAPTER SUMMARY

The approach used in the study has been discussed in this Chapter. Particularly, there is a thorough discussion of the methodological orientation, study design, population, sample size and selection method and analytical procedures, data collection and testing methods, data analysis, data reliability and data validity. Chapter Three also concludes by stating the Ethical Consideration.



CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION OF FINDINGS

4.0 INTRODUCTION

The objective of the study was to determine how attitudes toward, and acceptance of, computerized tax systems and isomorphic influences affect small businesses' ability to comply with tax laws in the Ghanaian city of Tamale. The research made use of primary information that was gathered by using well-structured questionnaires. The section specifically constitutes analysis from questionnaires which in turn covers the demographic characteristics of the respondents so as to provide a brief overview of the participants. The section also includes results for the specific objectives of the study as well as the discussions with the extant literature relative to the specific objectives.

4.1 QUESTIONNAIRE ANALYSIS

The study used questionnaire, which is structured to include questions that are close-ended. The close-ended questions allowed respondents to answer questions quickly and efficiently, thus enabling the researcher to quickly and efficiently collect and summarize answers. The study adapted the questionnaire instrument from the study of Sadress et al. (2019).

In total, 240 questionnaires were issued to owners or managers of SMEs in the Tamale Metropolis, but 225 of them were collected and were relevant for the study. This resulted in a response rate of around 94 per cent, which is considered adequate for the research. Demircukunt (2008), on the other hand, says that a response rate of 50 per cent or over is adequate for research.

4.1.1 Demographics of Participants

Primary data was collected using questionnaires in order to accurately respond to the study's objectives. Nonetheless, the respondents' descriptive data were compiled and shown beforehand as shown in Table 4.1 below. This was done to provide information on the survey respondents' profiles and to make sure that they had the necessary expertise to provide accurate answers to the surveys. The demographic details included information on the respondents' gender, age, educational background, kind of company, and number of years in operation.

According to the statistics collected after the data analysis, the bulk of the study participants are men, which is consistent with their genetic make-up. This is shown by 82 per cent of the participants in the survey. The female peers make up the remaining group, or around 18 per cent of the total. Given that men run the majority of officially registered small enterprises, this specific result is not surprising. The age of the participants is the next demographic factor that is explored. The data gathered and shown in table 4.1 indicate that the participants' ages are distributed differently. It is revealed that those who are of age between 18 to 25 years numbered zero while those between 26 to 32 years old numbered five representing about two per cent. More so, those of ages between 33 to 39 years, 40 to 46 years and those above 46 years represented about 29 per cent, 35 per cent and 34 per cent of the total population respectively.

The respondents' profile also includes analysis and discussion of the respondents' degree of formal education. The findings, which are shown in table 4.1, show that majority of the participants had a fair level of education. For instance, the findings imply that 135 individuals, or around 60 per cent of the total sample size, received formal schooling up to the secondary school level. The individuals with formal education up to the tertiary level come next in the list of participants. As compared to individuals with basic school qualifications, who numbered 19 and made up around 8 per cent of the sample size, this group particularly had a total of 91

members, or about 32 per cent of the entire population. Besides the level of formal education of the participants, the researcher also considered the nature of business of the participants. The results suggest that majority of the participants are sole proprietors as many of them numbering 202 of the participants representing about 90 per cent of the entire sample size indicated that they are operating their own businesses. Eventually, only 23 of the participants representing only 10 per cent were into businesses with other partners.

Finally, the study considered the number of years these SMEs have been operating, the results demonstrated that only two of the respondents representing about one per cent have operated 1 to 5 years. In addition, 23 representing about 10 per cent had operated between 6 and 10 years whilst 87 of the participants representing about 39 per cent had operated between 11 and 15 years. However, half of the participants have operated for more 15 years. The respondents' characteristics are varied and acceptable for providing data representative of the research population.

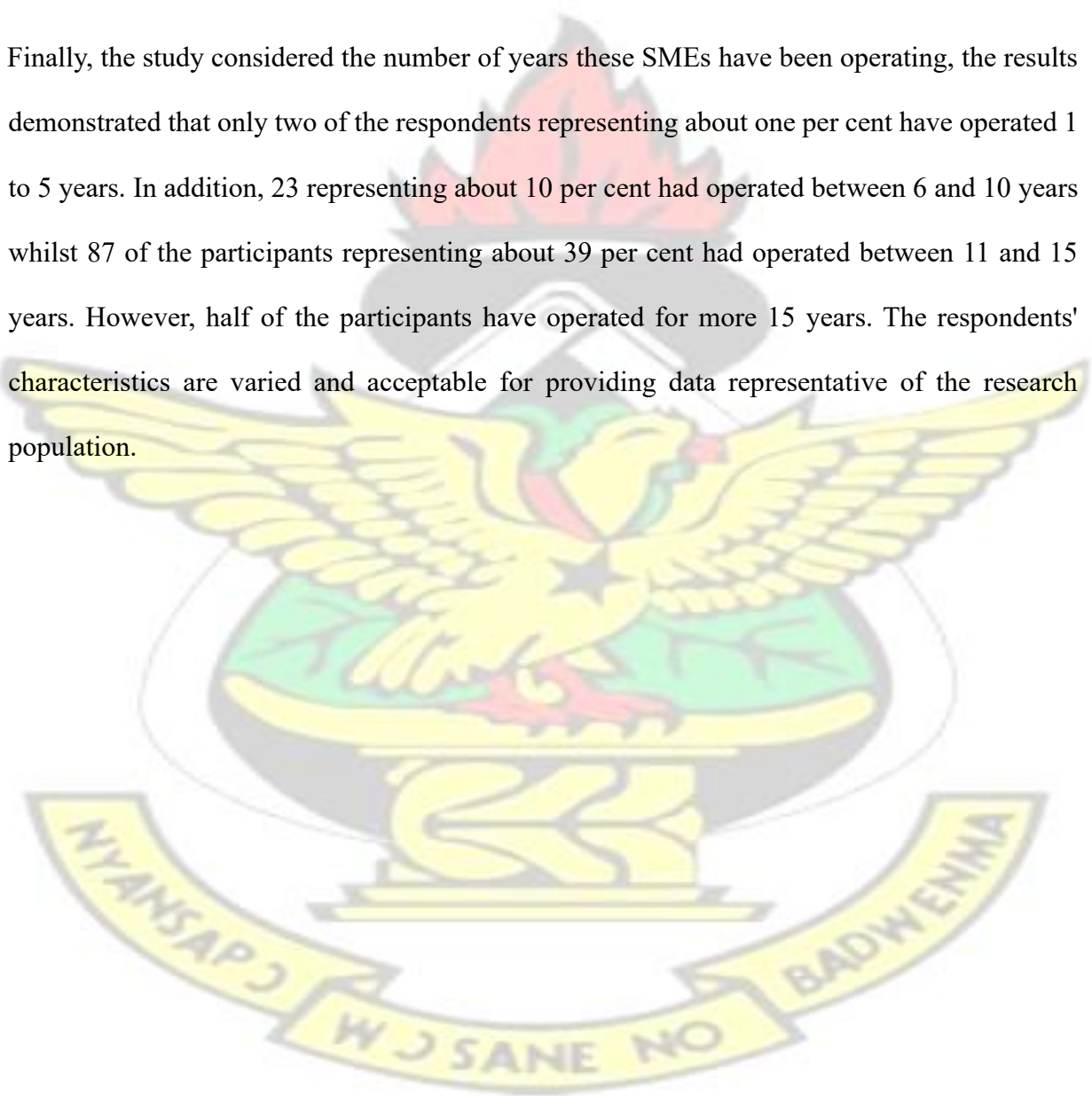


Table
4.1 Demographics of Participants

<u>Demographics</u>	<u>Frequency</u>	<u>Percentage (%)</u>
Gender		
Male	185	82
Female	40	18
Age		
18 to 25	0	0
26 to 32	5	2
33 to 39	65	29
40 to 46	79	35
47 and above	76	34
Level of Education		
None	0	0
Basic	19	8
Secondary	135	60
Tertiary	71	32
Nature of Business		
Sole Proprietor	202	90
Partnership	23	10
Number of Years in Operation		
1 to 5	2	1
6 to 10	23	10
11 to 15	87	39
16 and above	113	50

Source: Field Survey, 2023

4.2 DESCRIPTIVE STATISTICS

The summary of information relating to the variables of the study is presented below. They include attitude towards electronic tax system, adoption of electronic tax system, coercive forces, mimetic forces, normative forces, regulatory compliance and payment compliance.

4.2.1 Attitude towards electronic tax system

Table 4.2 indicates that SMEs owners/managers have a positive attitude towards electronic tax system. The response indicates fair agreement with all the questions. The mean scores are

Table

closer to 4 with one question having a mean score below of 3. Based on the average scores it can be concluded that SMEs have accepted the electronic tax system.

4.2: Attitude Towards Electronic Tax System					
Attitude Towards Electronic Tax System	N	Min	Max	Mean	Std. Deviation
"I have positive feelings about e-tax system"	225	1	6	4.04	1.016
"I find it better to use an e-tax system than the manual system of tax compliance"	225	1	6	4.03	0.953
"E-tax system has made our life easy in terms of tax compliance matters"	225	1	6	2.93	0.818
"Using e-tax system improves service delivery"	225	1	5	3.38	0.758
"E-tax returns are difficult to file"	225	2	6	3.74	1.001
"The e-tax system is safe, secure and comfortable to use"	225	1	6	4.04	1.016
"Using e-tax system is convenient and time saving"	225	2	6	4.83	0.951
"E-tax system is essential in accomplishing my work"	225	3	6	4.51	0.753

Source: Field Survey, 2023

4.2.2 Adoption of electronic tax system

The data in Table 4.2 reveal that majority of respondents agree with almost all the constructs in this section of the questionnaire. This is because almost all the construct has a mean above four. Nevertheless, one of the questionnaires has a mean below four that indicates that respondents were indifferent in their response. This could concluded that respondents have embrace the electronic tax system. However, it was obvious that most of the respondents did not use the electronic tax system to registered for their Tax Identification Number (TIN) and hence that question received an adverse reaction from the respondents.

Table

4.3: Adoption of Electronic Tax System

Adoption of Electronic Tax System	N	Min	Max	Mean	Std. Deviation
“I use the e-tax system to pay tax dues”	225	3	6	4.40	0.596
“I use e-tax to be on time in complying with tax laws”	225	4	6	4.81	0.763
“I register for the TIN through the etax system”	225	1	3	2.43	0.780
“I use electronic tax system”	225	1	6	4.03	0.953
“I use the e-tax system to file returns”	225	1	6	4.03	0.953
“I use e-tax system to avoid tax penalties”	225	1	6	4.03	0.953
“I equip myself with computer skills to deal with my tax matters”	225	1	6	4.03	0.953
“My business computers are connected to internet for purposes of handling tax issues”	225	1	6	4.04	1.016

Source: Field Survey, 2023

4.2.3 Coercive Forces

The responses on coercive forces are presented in Table 4.4. The responses show a strong agreement with the questions. The data on the minimum and maximum values show that respondents showed strong agreement towards the questions. The conclusion is that the respondents have believes in the approaches adopted by the Ghana Revenue Authority.

Coercive Forces	N	Min	Max	Mean	Std. Deviation
“Tax authorities are committed to enforcing the tax laws”	225	3	6	4.58	0.887

Table

“GRA made us to pay a penalty when we delayed to pay tax”	225	4	6	5.29	0.753
“There is violation of rules of fairness on the part of tax authorities”	225	4	6	4.93	0.716
“Taxes attract penalties and fines from GRA in case of failure to pay”	225	4	6	4.90	0.835
“Sanctions for tax non-compliance are systematically applied”	225	4	6	4.77	0.765
“Sanctions for tax non-compliance are adequate”	225	4	6	4.77	0.765
“Our organization adheres to professional ethics, it is ethical to pay taxes”	225	4	6	5.13	0.767
		Min	Max		

4.4: Coercive Forces**Source: Field Survey, 2023****4.2.4 Mimetic Forces**

Table 4.5 indicates that SMEs owners/managers would react positively towards the tax system if they see other taxpayers following the tax regulations. The response indicates agreement with all the questions.

Table: 4.5: Mimetic Forces

Mimetic Forces	N	Min	Max	Mean	Std. Deviation
“We pay taxes if our peers are paying taxes”	225	1	6	4.22	1.380
“Our tax payment behaviour is shaped by our peers in the industry”	225	3	6	4.47	0.939
“Our peers pay taxes assessed on them, so I find ways of doing the same”	225	3	6	4.27	0.716
“We pay taxes because other economic agents are paying”	225	2	6	4.42	1.180
“When GRA introduces a new tax, before paying this tax we have to wait and see the reaction from the traders’ associations”	225	3	6	4.47	0.824

Source: Field Survey, 2023

4.2.5 Normative Forces

The responses on normative forces are presented in Table 4.6. The responses show a weak agreement with the questions. The data on the minimum and maximum values show that respondents showed strong disagreement and agreement towards the questions. It can be concluded that though SMEs have embraced best practices and believed in self-regulation, they have not employed professionals and individuals with tertiary qualifications.

Table 4.6: Normative Forces

Normative Forces	N	Min	Max	Mean	Std. Deviation
“Employees in this organization believe in self-regulation”	225	3	6	4.54	0.837
“Our staff in the tax department belong to professional organizations like ACCA or ICA”	225	1	5	3.08	1.062
“Our staff hold university and other tertiary institutions qualifications”	225	2	5	3.71	0.974
“Our organization subscribes to the best practice institutions like the Institute of Corporate Governance of Ghana”	225	2	5	4.27	0.818
“Our organization adheres to professional ethics, it is ethical to pay taxes”	225	4	6	5.13	0.767
“Granting tax pardons to tax evaders is unfair for they get away without punishment”	225	4	6	4.62	0.628

Source: Field Survey, 2023

4.2.6 Regulatory Compliance

Table 4.7 demonstrates that respondents do comply with the tax regulations. The response demonstrates a strong agreement with all the questions. The mean scores are above 4.5 and except one question which had a mean score below 4.5 but above 4.

Table 4.7: Regulatory Compliance				N	Min	Max
Mean	Std. Deviation					
		4	6			
“We state all taxes when declaring returns”	225			4.83	.811	
“We declare all income for tax assessment to GRA”	225	4	6	5.03	.756	
“We receive a notice of assessment from GRA”	225	3	6	4.57	1.017	
“We always submit returns to GRA and in addition submit hard copies of the return”	225	4	6	5.13	.737	
“When our accounts are not audited on the due date of filing returns we apply for extension of due. Once the due date is granted, we file within the granted period”	225	3	6	4.46	.752	
“We pay taxes on time”	225	4	6	4.76	.692	

Source: Field Survey, 2023

4.2.7 Payment Compliance

Table 4.8 shows SMEs’ compliance to the payment of taxes. The results show that majority of the respondents complied with the payment of taxes. This is because, almost all the constructs has a mean around 5, except two which have a mean below 4.

Table 4.8: Payment Compliance				N	Min	Max	Mean Std.
Deviation							
		4	6				
“We file returns on the due date”	225			4.63	.756		
“We pay taxes on the due date upon filing returns”	225	4	6	4.91	.612		
“Upon filing returns, we register payment and proceed to pay”	225	4	6	4.91	.612		
“We pay actual tax assessed to GRA”	225	4	6	4.99	.742		
“We pay our GRA dues first before any other bills”	225	1	6	3.33	1.332		
“Our business has been exempted from paying withholding tax”	225	2	6	3.90	1.017		
“GRA officials always come to our business to demand tax due”	225	2	6	4.66	1.153		

Source: Field Survey, 2023

4.3 RELIABILITY STATISTICS

Using the content validity index and Cronbach's alpha, the study evaluated the study's validity and reliability. Validity assesses the accuracy of the study findings or if the research instrument accurately measures what it was designed to measure (Golafshani, 2003). According to Field (2009), validity may be divided into criteria validity and content validity.

The applicability and intelligibility of the questions were evaluated using the Content Validity Index. Two academics, two practitioners, and any other informed person were given the instrument to evaluate the questions' applicability and clarity. 0.857 was the total Content Validity Index. When Cronbach's alpha value is over 0.70, the instrument is regarded as dependable since it may generate consistent findings when the same entities are tested under various settings (Field, 2009). All of the research variables' Cronbach's alpha values for this investigation were higher than 0.70.

In order to conduct a more comprehensive assessment of reliability and validity, the researcher carried out a factor analysis. Factor analysis was conducted with the primary objective of determining the extent to which the variance seen in the dataset may be attributed to shared or common variance. The researcher employed exploratory factor analysis as a method to identify the factors that provide a more comprehensive explanation of the study components by reducing the dataset. The study employed exploratory factor analysis to conduct a rotating component matrix, resulting in the selection of questions that are more pertinent to the study variables. Prior to doing factor analysis, the study evaluated the appropriateness of the data for this statistical technique by considering factors such as the sufficiency of the sample size, as well as conducting the Keiser-Meyer-Olkin (KMO) and Bartlett tests. The test of sampling adequacy, as proposed by KMO and Bartlett in 1954, was conducted in order to ascertain the

suitability of the sample for factor analysis, ensuring the production of distinct and dependable factors (Kaiser, 1974). According to Field (2009), the values of the KMO and Bartlett tests range between 0 and 1. The below criteria are employed to evaluate and explicate the sufficiency of the sampling process: According to Field (2009), Hutcheson and Sofroniou (1999), and Kaiser (1974), the following categorizations can be applied: scores below 0.5 are deemed unsatisfactory, scores ranging from 0.5 to 0.7 are considered mediocre, scores falling between 0.7 and 0.8 are regarded as good, scores ranging from 0.8 to 0.9 are classified as great, and scores beyond 0.9 are characterised as superb. According to Field (2009), the obtained findings indicate that the Kaiser-Meyer-Olkin (KMO) values for both the independent and dependent variables above the threshold of 0.5, hence meeting the acceptable criterion. The Bartlett's test of sphericity yielded statistically significant results for all scales, with a p-value of 0.000 for each scale.

4.3.1 Reliability of attitude towards electronic tax system

The table below (Table 4.9) shows the reliability of the questionnaire items relating to the first research objective. The data indicates that the questionnaire items for the first objective are reliable since the lowest and the highest Cronbach Alpha values are 0.742 and 0.881 respectively, and as stated in 4.3 above the rule of thumb is 0.70.

Table

4.9: Reliability of attitude towards electronic tax system

Attitude Towards Electronic Tax System	Cronbach Alpha
"I have positive feelings about e-tax system"	0.881
"I find it better to use an e-tax system than the manual system of tax compliance"	0.796
"E-tax system has made our life easy in terms of tax compliance matters"	0.861
"Using e-tax system improves service delivery"	0.837
"E-tax returns are difficult to file"	0.783
"The e-tax system is safe, secure and comfortable to use"	0.742
"Using e-tax system is convenient and time saving"	0.843
"E-tax system is essential in accomplishing my work"	0.874

Source: Field Survey, 2023

Table 4.10 depicts the factor structure for attitude towards electronic tax system. The results indicates that the constructs on attitude towards electronic tax system are accepted since all the values are above 0.50

Table 4.10: Factor structure for attitude towards electronic tax system

Attitude Towards Electronic Tax System	Component
"I have positive feelings about e-tax system"	0.836
"I find it better to use an e-tax system than the manual system of tax compliance"	0.825
"E-tax system has made our life easy in terms of tax compliance matters"	0.817
"Using e-tax system improves service delivery"	0.810
"E-tax returns are difficult to file"	0.779
"The e-tax system is safe, secure and comfortable to use"	0.771
"Using e-tax system is convenient and time saving"	0.757
"E-tax system is essential in accomplishing my work"	0.742
Eigen values	5.217
Percentage of variance	63.572

Source: Field Survey, 2023; KMO = 0.892; Bartlett's test of sphericity: df = 74; approximately chi-square = 1,021.371; Sig = 0.000

Table

4.3.2 Reliability of adoption of electronic tax system

The reliability of the constructs on adoption of electronic tax system is presented in Table 4.11 below. The data shows that the questionnaire items for the adoption of electronic tax system are reliable since the lowest and the highest Cronbach Alpha values are 0.747 and 0.947 respectively. The accepted value of Cronbach Alpha is 0.70, which means the instruments are reliable.

Table 4.11: Reliability of adoption of electronic tax system

Adoption of Electronic Tax System	Cronbach Alpha
"I use the e-tax system to pay tax dues"	0.874
"I use e-tax to be on time in complying with tax laws"	0.759
"I register for the TIN through the e-tax system"	0.821
"I use electronic tax system"	0.747
"I use the e-tax system to file returns"	0.784
"I use e-tax system to avoid tax penalties"	0.843
"I equip myself with computer skills to deal with my tax matters"	0.947
"My business computers are connected to internet for purposes of handling tax issues"	0.782

Source: Field Survey, 2023

The factor structure for adoption of electronic tax system is presented in Table 4.12 below. The results specifies that the constructs for adoption of electronic tax system are good because all the values are above 0.70

Adoption of Electronic Tax System	<u>Component</u>
"I use the e-tax system to pay tax dues"	0.827
"I use e-tax to be on time in complying with tax laws"	0.822
"I register for the TIN through the e-tax system"	0.811
"I use electronic tax system"	0.801
"I use the e-tax system to file returns"	0.772
"I use e-tax system to avoid tax penalties"	0.754
"I equip myself with computer skills to deal with my tax matters"	0.744

“My business computers are connected to internet for purposes of handling tax issues” 0.723

Eigen values	4.874
Percentage of variance	62.004

4.12 Factor structure for adoption of electronic tax system

Source: Field Survey, 2023 KMO = 0.834; Bartlett’s test of sphericity: $df = 28$; approximately chi-square = 1,302.741; Sig = 0.000

4.3.3 Reliability of Coercive Force

The questionnaire items on coercive forces are reliable since all the Cronbach Alpha values are above 0.70. The acceptable value for Cronbach Alpha values for any given questionnaire item is 0.70 and the minimum and maximum values are 0.753 and 0.936 respectively. This is presented in Table 4.13 below.

Table 4.13: Reliability of Coercive Force

Coercive Forces	Cronbach Alpha
“Tax authorities are committed to enforcing the tax laws”	0.936
“GRA made us to pay a penalty when we delayed to pay tax”	0.753
“There is violation of rules of fairness on the part of tax authorities”	0.764
“Taxes attract penalties and fines from GRA in case of failure to pay”	0.871
“Sanctions for tax non-compliance are systematically applied”	0.772
“Sanctions for tax non-compliance are adequate”	0.804

Source: Field Survey, 2023

4.3.4 Reliability of Mimetic Forces

Table 4.14 presents the reliability of the questionnaire instruments on the mimetic forces. The data shows that the minimum and maximum values of the Cronbach Alpha are 0.746 and 0.847 respectively. This depicts that the instruments are reliable since the acceptable value is 0.70 and above.

Table

Table 4.14: Reliability of Mimetic Forces

Mimetic Forces	Cronbach Alpha
“We pay taxes if our peers are paying taxes”	0.789
“Our tax payment behaviour is shaped by our peers in the industry”	0.746
“Our peers pay taxes assessed on them, so I find ways of doing the same”	0.776
“We pay taxes because other economic agents are paying”	0.773
“When GRA introduces a new tax, before paying this tax we have to wait and see the reaction from the traders’ associations”	0.847

Source: Field Survey, 2023

4.3.4 Reliability of Normative Forces

The table below (Table 4.15) shows the reliability of the questionnaire items relating to the normative forces. The data indicates that the questionnaire items for the normative forces are reliable since the lowest and the highest Cronbach Alpha values are 0.723 and 0.789 respectively, and as stated in 4.3 above the rule of thumb is 0.70.

Table 4.15: Reliability of Normative Forces

Normative Forces	Cronbach Alpha
“Employees in this organization believe in self-regulation”	0.723
“Our staff in the tax department belong to professional organizations like ACCA or ICA”	0.762
“Our staff hold university and other tertiary institutions qualifications”	0.789
“Granting tax pardons to tax evaders is unfair for they get away without punishment”	0.704
“Our organization subscribes to the best practice institutions like the Institute of Corporate Governance of Ghana”	0.761
“Our organization adheres to professional ethics, it is ethical to pay taxes”	0.917

Source: Field Survey, 2023

4.16 Factors Structure for Isomorphic Forces

Isomorphic Forces	Component		
	Coercive Forces	Mimetic Forces	Normative Forces
“Tax authorities are committed to enforcing the tax laws”	0.776		
“GRA made us to pay a penalty when we delayed to pay tax”	0.750		

“There is violation of rules of fairness on the part of tax authorities”	0.717		
“Taxes attract penalties and fines from GRA in case of failure to pay”	0.703		
“Sanctions for tax non-compliance are systematically applied”	0.681		
“Sanctions for tax non-compliance are adequate”	0.667		
“Our organization adheres to professional ethics, it is ethical to pay taxes”	0.636		
“Granting tax pardons to tax evaders is unfair for they get away without punishment”	0.609		
“We pay taxes if our peers are paying taxes”		0.828	
“Our tax payment behaviour is shaped by our peers in the industry”		0.814	
“Our peers pay taxes assessed on them, so I find ways of doing the same”		0.794	
“We pay taxes because other economic agents are paying”		0.749	
“When GRA introduces a new tax, before paying this tax we have to wait and see the reaction from the traders’ associations”		0.706	
“Employees in this organization believe in selfregulation”			0.861
“Our staff in the tax department belong to professional organizations like ACCA or ICA”			0.807
“Our staff hold university and other tertiary institutions qualifications”			0.762
“Our organization subscribes to the best practice institutions like the Institute of Corporate Governance of Ghana”			0.721
Eigen values	5.204	3.041	1.733
Percentage of variance	22.068	18.271	16.347
Cumulative percentage	22.068	40.339	56.686

Source: Field Survey, 2023 KMO = 0.837; Bartlett’s test of sphericity: df = 136; approximately chi-square = 1,523.192; Sig = 0.000

The above table (Table 4.16) shows that the factor structure on isomorphic forces are accepted.

Thus on coercive forces, the values are more than 0.6 (accepted), on mimetic forces and normative forces the values are over 0.7 (good).

Table

4.3.5 Reliability of Regulatory Compliance

The questionnaire items on regulatory compliance are reliable since all the Cronbach Alpha values are above 0.70. The acceptable value for Cronbach Alpha values for any given questionnaire item is 0.70 and the lowest and highest values are 0.731 and 0.819 respectively. This is presented in Table 4.17 below.

Table 4.17: Reliability of Regulatory Compliance

Regulatory Compliance	Cronbach Alpha
“We state all taxes when declaring returns”	0.819
“We declare all income for tax assessment to GRA”	0.804
“We receive a notice of assessment from GRA”	0.796
“We always submit returns to GRA and in addition submit hard copies of the return”	0.762
“When our accounts are not audited on the due date of filing returns we apply for extension of due. Once the due date is granted, we file within the granted period”	0.763
“We pay taxes on time”	0.788

Source: Field Survey, 2023

4.3.6 Reliability of Payment Compliance

Table 4.18 presents the reliability of the questionnaire instruments on payment compliance. The data shows that the minimum and maximum values of the Cronbach Alpha are 0.749 and 0.822 respectively. This depicts that the instruments are reliable since the acceptable value is 0.70 and above.

4.18: Reliability of Payment Compliance

Payment Compliance	Cronbach Alpha
“We file returns on the due date”	0.767
“We pay taxes on the due date upon filing returns”	0.812
“Upon filing returns, we register payment and proceed to pay”	0.768
“We pay actual tax assessed to GRA”	0.808
“We pay our GRA dues first before any other bills”	0.784
“Our business has been exempted from paying withholding tax”	0.749

“GRA officials always come to our business to demand tax due” 0.822

Source: Field Survey, 2023

Table 4.19 depicts the factor structure for tax compliance. The results indicate that the constructs on tax compliance (both regulatory and payment compliance) are accepted since all the values are above 0.50

Table 4.19 Factor Structure for Tax Compliance

Tax Compliance	Component	
	Regulatory Compliance	Payment Compliance
“We state all taxes when declaring returns”	0.832	
“We declare all income for tax assessment to GRA”	0.817	
“We receive a notice of assessment from GRA”	0.802	
“We always submit returns to GRA and in addition submit hard copies of the return”	0.776	
“When our accounts are not audited on the due date of filing returns we apply for extension of due. Once the due date is granted, we file within the granted period”	0.760	
“We file returns on the due date”	0.726	
“Upon filing returns, we register payment and proceed to pay”	0.678	
“We pay taxes on time”	0.606	
“We file returns on the due date”		0.802
“We pay taxes on the due date upon filing returns”		0.794
“We pay actual tax assessed to GRA”		0.787
“We pay our GRA dues first before any other bills”		0.735
“Our business has been exempted from paying withholding tax”		0.713
“GRA officials always come to our business to demand tax due”		0.679
Eigen values	5.125	2.156
Percentage of variance	32.001	24.973
Cumulative percentage	32.001	56.974

Source: Field Survey, 2023 KMO = 0.816; Bartlett’s test of sphericity: df = 76; approximately chi-square = 1,304.346; Sig = 0.000

4.4 CORRELATION RESULTS

The data in Table 4.20 presents the results concerning Pearson’s Correlation among the variables of the study. The strength of the linear relationships between the research variables was assessed using Pearson's Correlation analysis, which is represented by the symbol r. It is

Table

possible for the Pearson correlation coefficient to have a value between positive one (+1) and negative one (-1). If a value of zero is shown, there is no relationship between the two variables (0). Positive associations have values larger than zero, indicating that if the value of one variable increases, the value of the other variable will as well. If the result is less than zero, there is a negative connection, which means that when the value of one variable increases, the value of the other variable decreases.

However, the results from the table demonstrate tax compliance has a positive correlation with attitude towards e-tax, adoption of e-tax and isomorphic forces. This is shown in the table below.

Table 4.20: Correlation Results

	1	2	3	4	5	6	7	8	9
1	1								
2	0.674**	1							
3	0.571**	0.563**	1						
4	0.122**	0.007	0.306**	1					
5	0.363**	0.483**	0.311**	0.604**	1				
6	0.439**	0.318**	0.532**	0.783**	0.706**	1			
7	0.567**	0.579**	0.571**	0.326**	0.387**	0.610**	1		
8	0.398**	0.314**	0.634**	0.407**	0.524**	0.672**	0.419**	1	
9	0.513**	0.428**	0.743**	0.414**	0.432**	0.593**	0.764**	0.736**	1

Source: Field Survey, 2023 **significant at 10%

Where; 1 = attitude towards e-tax system, 2 = adoption of e-tax system, 3 = coercive forces, 4 = mimetic forces, 5 = normative forces, 6 = isomorphic forces, 7 = regulatory compliance, 8 = payment forces, 9 = tax compliance

4.5 REGRESSION RESULTS

The results of the study are presented in Table 4.21. It is seen from the table that the r-square is 54 per cent. This implies that the independent variables jointly explain 54 per cent variance in the dependent variable. The explanation of the individual variables is presented below.

Table 4.21: Regression Results

	B	Standard Error	t-value	p-value
Constant	0.524	0.248	2.327	0.006
Attitude of Taxpayers on e-tax	0.121	0.047	2.308	0.023
Adoption of e-tax	0.152	0.052	3.123	0.004
Isomorphic forces	0.546	0.053	10.114	0.000
Observations	225			
R ²	0.54			

Source: Field Survey, 2023

4.5.1 Attitude of Taxpayers towards the Electronic Tax System and Tax Compliance

The findings indicate a considerable favourable association between tax compliance and attitude toward the computerized tax system. This implies that any improvement in perception of the e-tax system correlates with an improvement in tax compliance.

Based on the Theory of Reasoned Action, it can be concluded that a positive attitude toward the electronic filing of taxes in Tamale improves tax compliance. A taxpayer cultivates a favourable attitude toward the e-tax system, which interprets to be tax compliance, when they see it as favourable, such as making work easier, time-saving, being secure, and enhancing performance in the preparation of tax returns. The findings of Bellon, et al. (2022) and Saptono et al. (2023), who found a strong correlation between attitudes about computerized tax systems and tax compliance, support this findings. Similar results were found by Night and Bananuka

(2019) and Ahmed (2023), who found a significant correlation between tax compliance and how easy and simple people perceive online tax filing to be.

4.5.2 Adoption of the Electronic Tax System and Tax Compliance

Results also show a strong positive link between tax compliance and the use of the e-tax system. This suggests that there will be a clearly positive rise in tax compliance for every unit increase in e-tax system use.

Tax compliance in Tamale has improved as a result of people using the e-tax system more often. This is owing to the fact that using an e-tax system, for example, to submit returns, pay taxes owed, avoid fines, and abide by the law, is quite likely to have a significant impact on tax compliance. Technology Acceptance Model contends that a person's attitude about using IT is essential to its acceptance. The use of Technology by SMEs' owners will probably lead to an increase in tax compliance. This result is consistent with the findings of other studies on tax compliance conducted by Ahmed (2023), Night and Bananuka (2019) as well as Umar and Masud (2020) which found a strong positive correlation between tax compliance among SME taxpayers and adoption of the electronic tax system.

4.5.3 Isomorphic Forces and Tax Compliance

Lastly, there is a positive considerable correlation between isomorphic forces and tax compliance. This implies that every improvement in isomorphic forces is accompanied by an improvement in tax compliance.

The institutional theory's explanation of isomorphic forces is crucial to understanding why SMEs' tax compliance is improving. The findings show a considerable positive correlation between isomorphic forces and tax compliance. Furthermore, taxpayers are more likely to pay their taxes on time when they are compelled, such as when GRA issues penalties and fines for

failing to pay taxes, GRA enforces tax rules, and GRA penalizes non-tax compliance. Taxpayers who imitate others by emulating economic actors and colleagues who pay taxes are also more inclined to do the same, which enhances tax compliance. The aforementioned results reveal the claim made by Inasius (2019) and Saptono et al. (2023) that isomorphic forces aid firms in achieving legitimacy, which is crucial to their existence.



CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 INTRODUCTION

This section summarises the findings on the relationship between electronic tax system and tax compliance in the Tamale Metropolis. Conclusions and recommendations are also reported based on the findings of the study.

5.1 SUMMARY OF THE STUDY

The study's objective was to “examine the influence of attitude toward electronic tax system, the adoption of electronic tax system and isomorphic forces to tax compliance of SMEs in the Tamale Metropolis in Ghana”. The research used descriptive statistics to convey the unique relationship and to describe the relationship between electronic tax variables and tax compliance. The research used owners/managers of SMEs in the Tamale Metropolis. The research drew its conclusions from primary data obtained through structured questionnaires.

The first objective was to determine the relationship between the attitude of taxpayers towards the electronic tax system and tax compliance. The findings indicate a considerable favourable association between tax compliance and attitude toward the computerized tax system. The adoption of a favourable perspective on electronic tax filing in the Tamale Metropolis has been shown to enhance levels of tax compliance. Taxpayers have a positive disposition towards the e-tax system, seeing it as a means to facilitate work, save time, ensure security, and improve tax return preparation efficiency. The study conducted by Bellon et al. (2022) and the research conducted by Night and Bananuka (2019) both identified a robust association between individuals' attitudes towards computerised tax systems and their level of tax compliance. Specifically, the perception of online tax filing as being convenient and straightforward was

shown to be influential in shaping taxpayers' compliance behaviour. This implies that any improvement in the perception of the e-tax system correlates with an improvement in tax compliance.

The second objective was to identify the relationship between the adoption of the e-tax system and tax compliance. Results also show a strong positive link between tax compliance and the use of the e-tax system. The use of the e-tax system has led to an enhancement in tax compliance within Tamale. The aforementioned outcomes are a direct result of the substantial influence exerted by the use of an electronic tax system in the processes of tax return submission, tax payment, penalty avoidance, and compliance with legal regulations. The Technology Acceptance Model posits that an individual's attitude towards the use of information technology plays a pivotal role in determining its acceptability. This aligns with prior research that has shown a robust positive association between tax compliance among SME taxpayers and the implementation of electronic tax systems. This suggests that there will be a clearly positive rise in tax compliance for every unit increase in e-tax system use.

The third objective was to ascertain the relationship between isomorphic forces and tax compliance. There is a positive considerable correlation between isomorphic forces and tax compliance. Taxpayers demonstrate a higher likelihood of timely tax payment when they are subject to compulsion, such as via the imposition of fines, enforcement of regulations, or the penalization of non-compliance with tax obligations by the GRA. Taxpayers that engage in tax imitation, by emulating the behaviour of their fellow taxpayers, have a greater propensity towards tax compliance. According to Inasius (2019), the presence of isomorphic forces plays a crucial role in facilitating the attainment of legitimacy by enterprises, a factor that is vital for their continued survival. This implies that every improvement in isomorphic forces is accompanied by an improvement in tax compliance.

5.2 CONCLUSION

The study concluded that when a taxpayer considers the e-tax system as advantageous, for example as enhancing performance in preparing tax returns, time-saving, being secure and making work simpler, the individual cultivates a good attitude towards the electronic tax system, and this transfers to be tax compliance.

Additionally, tax compliance in Tamale has improved as a result of people using the e-tax system more often. This is owing to the fact that using an e-tax system, for example, to submit returns, pay taxes owed, avoid fines, and abide by the law, is quite likely to have a significant impact on tax compliance. The Technology Acceptance Model contends that a person's attitude about using information technology is essential to its acceptance. The use of Technology by SMEs will probably lead to an increase in tax compliance.

Finally, taxpayers are more likely to pay their taxes on time when they are compelled, such as when GRA issues penalties and fines for failing to pay taxes, GRA enforces tax rules, and GRA penalizes non-tax compliance. Taxpayers who imitate others by emulating economic actors and colleagues who pay taxes are also more inclined to do the same, which enhances tax compliance.

5.3 RECOMMENDATIONS

The following key policies and recommendations are made based on the study's summary findings and conclusions.

Findings are significant for the government since they may help tax authorities make improvements to their tax management practices. The Ghana Revenue Authority ought to concentrate on boosting e-tax system utilization and guarantee that there is additional awareness of taxpayers on the necessity of tax compliance.

The achievement of tax compliance in terms of management and policy ramifications may be facilitated by the establishment of strong institutions for tax administration, assuming that isomorphic factors play a substantial role in predicting compliance. It is essential for the Ghana Revenue Authority to guarantee the registration of all tax-liable firms, while the government or tax authorities should adopt a systematic approach to detect unregistered businesses.

The implementation and enforcement of tax sanctions on those who engage in tax evasion are of utmost importance. This phenomenon might potentially incentivize taxpayers to adhere to tax rules. In the event that the necessary infrastructural elements, including computer systems and competent personnel, are established, it becomes imperative for owners and management of small and medium-sized enterprises (SMEs) to ensure compliance with tax legislation.

5.4 SUGGESTIONS FOR FURTHER STUDIES

The study's limitations, as highlighted by this research: Considering that this research was cross-sectional, tracking changes in the conduct of participants over time was not feasible. The findings are nevertheless valuable and applicable to all small enterprises in Ghana. Further study can look at other drivers of SMEs' tax compliance and also extend the context to a nationwide study.

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APPENDIX

QUESTIONNAIRE KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY COLLEGE OF HUMANITIES AND SOCIAL SCIENCES INSTITUTE OF DISTANCE LEARNING (IDL)

Topic: Antecedents of tax compliance of small and medium-sized enterprises (SMEs): the perspective of Tamale Metropolis.

This questionnaire is designed to enable the researcher to obtain data to examine SMEs' tax compliance. You are required to produce accurate information as possible. The confidentiality of such information is guaranteed as the results are purely for academic purposes.

PLEASE TICK WHERE NECESSARY A. RESPONDENTS PROFILE

NO	CONSTRUCT	RESPONSE	TICK
1	Gender	Male	
		Female	
2	Age	18 to 25	
		26 to 32	
		33 to 39	
		40 to 46	
		47 and above	
3	Level of Education	None	
		Basic	
		Secondary	
		Tertiary	
4	Nature of Business	Sole Proprietor	
		Partnership	
5	Number of years in operation	1 to 5	
		6 to 10	
		11 to 15	
		16 and above	

B. ATTITUDE TOWARDS ELECTRONIC TAX SYSTEM

Below are several statements on attitude towards electronic tax system. Please indicate the extent to which you agree using a scale of 1-6 where 1-Strongly disagree; 2-Somewhat disagree; 3-Disagree; 4-Agree; 5-Somewhat agree; and 6-Strongly agree

NO	CONSTRUCT	1	2	3	4	5	6
1	I have positive feelings about e-tax system						
2	I find it better to use an e-tax system than the manual system of tax compliance						
3	E-tax system has made our life easy in terms of tax compliance matters						
4	Using e-tax system improves service delivery						
5	E-tax returns are difficult to file						
6	The e-tax system is safe, secure and comfortable to use						

7	Using e-tax system is convenient and time saving						
8	E-tax system is essential in accomplishing my work						

C. ADOPTION OF ELECTRONIC TAX SYSTEM

Below are several statements on adoption of electronic tax system. Please indicate the extent to which you agree using a scale of 1-6 where 1-Strongly disagree; 2-Somehow disagree; 3-Disagree; 4-Agree; 5-Somehow agree; and 6-Strongly agree

NO	CONSTRUCT	1	2	3	4	5	6
1	I use the e-tax system to pay tax dues						
2	I use e-tax to be on time in complying with tax laws						
3	I register for the tax identification number through the etax system						
4	I use electronic tax system						
5	I use the e-tax system to file returns						
6	I use e-tax system to avoid tax penalties						
7	I equip myself with computer skills to deal with my tax matters						
8	My business computers are connected to internet for purposes of handling tax issues						

D. COERCIVE FORCES

Below are several statements on coercive forces. Please indicate the extent to which you agree using a scale of 1-6 where 1-Strongly disagree; 2-Somehow disagree; 3-Disagree; 4-Agree; 5-Somehow agree; and 6-Strongly agree

NO	CONSTRUCT	1	2	3	4	5	6
1	Tax authorities are committed to enforcing the tax laws						
2	GRA made us to pay a penalty when we delayed to pay tax						
3	There is violation of rules of fairness on the part of tax authorities						
4	Taxes attract penalties and fines from GRA in case of failure to pay						
5	Sanctions for tax non-compliance are systematically applied						
6	Sanctions for tax non-compliance are adequate						
7	Our organization adheres to professional ethics, it is ethical to pay taxes						

E. COMPONENT MIMETIC FORCES

Below are several statements on component mimetic forces. Please indicate the extent to which you agree using a scale of 1-6 where 1-Strongly disagree; 2-Somehow disagree; 3-Disagree; 4-Agree; 5-Somehow agree; and 6-Strongly agree

NO	CONSTRUCT	1	2	3	4	5	6
1	We pay taxes if our peers are paying taxes						
2	Our tax payment behaviour is shaped by our peers in the industry						

3	Our peers pay taxes assessed on them, so I find ways of doing the same						
4	We pay taxes because other economic agents are paying						
5	When GRA introduces a new tax, before paying this tax we have to wait and see the reaction from the traders' associations						

F. NORMATIVE FORCES

Below are several statements on normative forces. Please indicate the extent to which you agree using a scale of 1-6 where 1-Strongly disagree; 2-Somewhat disagree; 3-Disagree; 4-Agree; 5-Somewhat agree; and 6-Strongly agree

NO	CONSTRUCT	1	2	3	4	5	6
1	Employees in this organization believe in self-regulation						
2	Our staff in the tax department belong to professional organizations like ACCA or ICA						
3	Our staff hold university and other tertiary institutions qualifications						
4	Our organization subscribes to the best practice institutions like the Institute of Corporate Governance of Ghana						
5	Granting tax pardons to tax evaders is unfair for they get away without punishment						
6	Our organization adheres to professional ethics, it is ethical to pay taxes						

G. REGULATORY COMPLIANCE

Below are several statements on regulatory compliance. Please indicate the extent to which you agree using a scale of 1-6 where 1-Strongly disagree; 2-Somewhat disagree; 3-Disagree; 4-Agree; 5-Somewhat agree; and 6-Strongly agree

NO	CONSTRUCT	1	2	3	4	5	6
1	We state all taxes when declaring returns						
2	We declare all income for tax assessment to GRA						
3	We receive a notice of assessment from GRA						
4	We always submit returns to GRA and in addition submit hard copies of the return						
5	When our accounts are not audited on the due date of filing returns we apply for extension of due date. Once the due date is granted, we file within the granted period						
6	We pay taxes on time						

H. PAYMENT COMPLIANCE

Below are several statements on payment compliance. Please indicate the extent to which you agree using a scale of 1-6 where 1-Strongly disagree; 2-Somewhat disagree; 3-Disagree; 4-Agree; 5-Somewhat agree; and 6-Strongly agree

NO	CONSTRUCT	1	2	3	4	5	6
1	We file returns on the due date						

2	We pay taxes on the due date upon filing returns						
3	Upon filing returns, we register payment and proceed to pay						
4	We pay actual tax assessed to GRA						
5	We pay our GRA dues first before any other bills						
6	Our business has been exempted from paying withholding tax						
7	GRA officials always come to our business to demand tax due						

Thank You

