UNIVERSITY OF CAPE COAST

EXAMINING THE FACTORS INFLUENCING TAX NON-COMPLIANCE AMONG SMALL AND MEDIUM ENTERPRISES IN THE CAPE COAST METROPOLIS

MAVIS BAAH

2022

UNIVERSITY OF CAPE COAST

EXAMINING THE FACTORS INFLUENCING TAX NON-COMPLIANCE AMONG SMALL AND MEDIUM IN THE CAPE COAST METROPOLIS

BY

MAVIS BAAH

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

JUNE 2022

DECLARATION

Candidate's Declaration

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

Candidate's Signature: ……………………………… Date: …………………

Name: Mavis Baah

Supervisors' Declaration

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

Supervisor's Signature: ……………… Date: ……………………

Name: Dr. James Tuffour

ABSTRACT

The study assessed the factors influencing tax non-compliance among firms in Cape Coast registered with the National Board for Small-Scale Industries. The researcher was guided by a descriptive research design. The researcher collected data from 152 firm owners in the Cape Coast Metropolis and employed SPSS Version 20 for the analysis. The main finding of the study was that inadequate management skills, poor record keeping, cumbersome filing processes, complex business environment and high tax rates are the main factors that influence tax non-compliance among firms. Hence, it was recommended that the tax agencies and other stakeholders should formulate and implement good tax policies and education, which among other things, will be more dedicated to making organizations pay their taxes. Further, the tax authorities should implement tax policies such as simplification of the tax laws, tax reforms, and intensive tax education among others to collect more revenue from organizations in the region.

KEY WORDS

Authorities

Management Skills

Non-compliance

Small and Medium Enterprises

Tax

ACKNOWLEDGEMENTS

My special thanks go to my supervisor Dr. James Tuffour who through their contribution and guidance in different manners made this study a success.

Secondly, I want to thank the owners of all the firms in the Cape Coast Metropolis for their assistance.

DEDICATION

To my Children and Husband

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURE

Page

CHAPTER ONE

INTRODUCTION

Taxes remain an essential source of government revenue obtained from all economic agents. One of such economic agents is small and medium enterprises (SMEs). Small and medium enterprises are found in a wide range of business activities since they are a heterogeneous group (Organisation for Economic Co-operation and Development [OECD], 2017). The significance of the SME sector is well known due to its important contribution to satisfying several socio-economic objectives, such as the promotion of exports, higher growth of employment and fostering entrepreneurship (OECD, 2017). Due to this, taxation of SMEs cannot be ignored as SMEs are essential for the economic growth of countries due to their important contribution to gross domestic product (GDP) and constituting a large share of employment in the private sector in developing countries (Ansong, Agyei, & Marfo-Yiadom, 2017). This study thus assessed the factors influencing tax non-compliance among firms in Cape Coast registered with the National Board for Small-Scale Industries.

Background to the Study

As Ghana's economy continues to grow rapidly, there is also a need to focus more on strategies to enhance national development (Abdul–Razak & Adafula, 2013; Asante & Baba, 2011; Oppong & James, 2016). To attain this feat, taxation has been employed by the government as an effective tool (Acheampong, Debrah & Yeboah, 2016). Taxation is recognized as an important conduit for national development (Almunia & Lopez-Rodriguez, 2018), and a stable flow of revenue to finance development priorities (Bachas & Soto, 2016). According to some scholars in the tax domain (Almunia &

Lopez-Rodriguez, 2018; Besley, Jensen & Persson, 2019), the taxation concept is interlinked with various policy areas such as good governance, formalisation of economies, stimulation of growth and expedition of government fiscal obligations.

Taxation is one of the most significant components in the management of national income, especially in advanced economies (Acheampong, Debrah & Yeboah, 2016). Palil (2010) asserted that governments generate tax proceeds for public expenses. Bird and Wallace (2004) specified that income from taxes warrants the ability of countries to attain their fiscal aims through resource distribution. Mukasa (2011) also argued that national budgets are financed by tax revenue which is also used to control the economy as well as protect local industries. It has been reported that in most advanced countries, the expectation of tax revenue is the basis upon which governments' annual budgets are drawn (Besley, Jensen & Persson, 2019).

The implication is that effective and efficient mobilisation of tax revenue dictates the pace for all politico-socio-economic developments (Besley, Jensen & Persson, 2019). The case is not different in developing countries including Ghana (Oppong & James, 2016). Although expectations of aid and grants run through governments' budgets in developing countries, a considerable amount of revenue for government expenditure comes from tax revenue mobilisation, (Acheampong, Debrah & Yeboah, 2016). Reports from the Organisation for Economic Co-operation and Development (OECD) have shown that taxes in Ghana constitute a greater portion (80%) of government revenues (OECD, 2017). This means that tax revenues remain one of the most reliable and sustainable sources of funding to the government, unlike aids and grants.

Tax revenues according to Wang (2010), are of significant use in redistributing income to aid the less-privileged in society and restraining the use or purchase of some product types. Palil (2010) posited that the need to raise local revenue is a primary concern for most countries. This is because taxation has over the years played essential roles in all civilised societies since their inception as it serves as a crucial source of revenue for governments (Atawodi & Ojeka, 2012). Taxes are also necessary as governments need them to finance public spending, thereby making tax compliance an issue of importance.

Given the importance of taxation, some researchers (Drummond, Daal, Srivastava & Oliveira, 2012) presented that tax compliance should be a major concern for the government if they want to achieve national development. The authors further opined that it is important for the tax authorities to enable firms to comply with tax regulations, file correct returns, state the genuine revenue made, claim suitable aid and rebates and pay all due taxes on time. However, Ghana, like many other developing countries, which highly depends on taxes to generate much-needed revenue have challenges regarding tax compliance where firms deliberately or knowingly do not honour their tax responsibilities (Annan, Bekoe & Nketiah-Amponsah, 2010).

According to OECD (2017), SMEs contribute to over 65% of total employment and over 55% of GDP in high-income countries. SMEs and informal enterprises account for over 70% of total employment and over 60% of GDP in low-income countries, while they contribute about 70% of GDP and 95% of total employment in middle-income countries. International Labour

Organisation [ILO] (2017) postulates that between 2003 and 2016, across 132 countries, the number of total full-time employees in SMEs has nearly doubled, from 79 million to 156 million.

In Cape Coast and Ghana as a whole, SMEs also play a vital role in the economy as they serve as the major source of employment with 90% of registered firms in Ghana being SMEs (Peprah, Mensah & Akorsah 2016). Also, government employment is 33%, leaving the private sector employment to be 67.0% (Cape Coast Metropolitan Assembly, 2018). These statistics signify that the private sector, which is mainly made up of SMEs creates the largest employment in the Cape Coast Metropolis, highlighting the relevance of SMEs in the growth and development of the metropolis.

In Ghana, the Registrar General highlights that SMEs constitute the largest business units. These statistics show that SMEs are a major driving force of income, employment and economic growth (Wahabu, 2017). However, Terkper (2003) posits that SMEs do not comply with tax laws despite the many different tax reforms established by governments and tax authorities in the majority of countries. SMEs are well known for their continuous payment of less tax relative to their fair share and their less traceability by tax authorities (Ahmed & Braithwaite, 2005). According to Ghana's Ministry of Finance (2017), the tax-to-GDP ratio is about 16% which is less than average for developed countries (25% - 35%) and developing countries (18% - 25%) and this poses a challenge. Thus, the need to examine tax compliance by SMEs is essential.

It has been argued that non-compliance worsens when taxpayers feel taxes paid are not being used for beneficial purposes due to a high level of corruption among public officials (Soglo, Ntow & Acakpovi, 2013). Further, the economic and administrative structures of Ghana have also contributed to tax non-compliance due to low education and inefficient monitoring (Terkper, 2008). Terkper (2008) further argued that businesses that comply with tax laws are overly taxed, which affects their growth. In Ghana, small businesses as per Soglo, Ntow and Acakpovi (2013) are the main business entities, but their contribution constitutes only 25.6% of tax revenue (Ghana Revenue Authority, 2012).

Tax revenue, according to Mikhail (2017), represented 80% of all income and rose to 84% in 2012. This implies that compliance of businesses with tax regulations and laws could lead to significant growth in government income as they form the main entities in the country. Numerous studies (for example, Abdul–Razak, &Adafula, 2013; Oppong & James, 2016; Kuug, 2016; Almunia, Liu, Lockwood & Tam, 2019; Besley, Jensen & Persson, 2019) assessed the factors influencing tax non-compliance among firms.

However, the findings of the aforementioned studies have not been consistent. For instance, whilst Kuug (2016), indicated that businesses may evade tax due to ignorance, poor record-keeping and incorrect filing of returns, a study by Almunia, Liu, Lockwood and Tam (2019) opined that such factors could not account for tax non-compliance. Furthermore, a conclusion reached by Besley, Jensen and Persson (2019) in their study on the factors influencing tax non-compliance among firms established that ignorance, poor record-keeping and incorrect filing of returns could lead to tax non-compliance among firms. This indicates that further studies are required to enhance our understanding of the factors influencing tax non-compliance among firms.

This study however tests the factors (Inadequate Management Skills, Poor Record Keeping, Cumbersome Filing Processes, Complex Business Environment and High Tax Rates) that contribute to tax non-compliance among SMEs in Cape Coast, as well as the challenges faced by these enterprises when whiles complying with the tax laws and assess the measures to be adopted by tax authorities to encourage tax compliance among firms in Cape Coast.

Statement of the Problem

Revenue generated from taxation is an essential source of income for all governments. Revenue generated from taxes is used mainly for projects, thereby creating an enhanced business environment for economic growth (GRA, 2012). Non-compliance with tax laws and regulations, however, is a significant challenge to governments worldwide. For example, in the UK, it is estimated that £5.2bn is lost annually through tax non-compliance; businesses are responsible for over half of the stated amount (Bourton, 2018).

Small and medium enterprises are well known for their less traceability by tax administrations and their continuous payment of less tax relative to their fair share (Ahmed & Braithwaite, 2005). There is, however, no doubt that some of these small and medium enterprises do pay their quota. Hence, dealing with the problem of tax non-compliance requires at least some understanding of the factors underlying the individual taxpayer's decision whether to comply or not to comply with tax laws. Compliance with tax regulations implies taxpayers' conformity to tax laws.

Tax compliance has been given a big emphasis by researchers because of increasing non-compliance which is the reason most researchers attempt to identify and explain factors which influence non-compliance (Nicoleta, 2011). Nevertheless, most of these studies have been done in developed countries. There is limited literature on the reasons why few enterprises voluntarily comply with tax regulations in African societies (Deyganto, 2018; Engida & Baisa, 2014; Maseko, 2014; Oladipupo & Obazee, 2016; Palil, 2010; Tilahun, 2018). In addition, while reviewing the above-related literature, these studies found inconclusive results on tax compliance determinants.

Similarly, Everest-Phillips (2009) reported that the federal government in Nigeria estimated that it collected only 10% of taxes due to businesses in 2004, and half the revenue collected was believed to have been lost. Ghana, like many other developing countries, which highly depends on taxes to generate much-needed revenue have a situation where firms deliberately or knowingly do not honour their tax responsibilities (Annan, Bekoe & Nketiah-Amponsah, 2010). It has been argued that this usually happens when taxpayers feel taxes paid are not being used for the intended purposes for which they have been taken (Soglo, Ntow & Acakpovi, 2013). Further, the economic and administrative structures of Ghana have also worsened tax non-compliance (Terkper, 2008). Terkper (2008) further argued that businesses that comply with tax laws are overly taxed, which affects their growth.

Even though some researchers (Abdul–Razak, & Adafula, 2013; Asante & Baba, 2011; Oppong & James, 2016) examined the factors influencing tax non-compliance among firms in Ghana**,** such studies remained relatively unexplored in the Cape Coast Metropolis, specifically, among firms (Soglo, Ntow & Acakpovi, 2013). This study is motivated by the notion that the growth of firms, which are essential for the prosperity of both developed and developing economies, is impeded by the difficulty in paying their tax (MoF, 2014). Firms have been recognized globally as a vital source of revenue as they constitute a significant portion of the country's revenue base (Sakoe, &Asare, 2015). Hence, the need to investigate the relevant factors that influence their tax non-compliance.

While there may be various studies (Abdul–Razak., & Adafula, 2013; Nsor-Ambala, 2015; Sakoe & Asare, 2015; Oppong & James, 2016) on non-compliance of tax in advanced economies comparative to emerging economies, the importance of tax non-compliance is more prominent in emerging economies like Ghana, which is made up of a weak institutional environment, corruption and uncertainties (Opoku, 2016; Oppong, & James, 2016; Amboko, 2017). Accordingly, the discussion on tax non-compliance in Ghana has turned out to be substantial and a subject of interest for researchers (Terkper, 2008: Soglo, Ntow & Acakpovi, 2013; MoF, 2014). Essentially, the private sectors including firms are under extra pressure to integrate tax policies into their corporate objectives to meet government revenue targets (GRA, 2012).

Therefore, this study seeks to determine the factors influencing tax non-compliance among firms located on Cape Coast that have been registered with the National Board for Small Scale Industries by including factors that have faced scarcity of research such as inadequate management skills, cumbersome filing processes and complex business environment and other factors such as poor record keeping, high tax rates. This study goes further to investigate the challenges faced by these SMEs whiles complying with the tax laws and the measures to be adopted by tax authorities to encourage tax compliance among firms in Cape Coast

Purpose of the Study

The study's purpose is to assess the factors influencing tax non-compliance amongst firms in Cape Coast that have been registered with the National Board for Small-Scale Industries.

Research Objectives

The study was guided by the following objectives. These are to:

1. Examine the factors that drive tax regulations non-compliance among firms in Cape Coast that have been registered with the National Board for Small Scale Industries.
2. Examine the challenges of tax compliance among firms in Cape Coast that have been registered with the National Board for Small-Scale Industries.
3. Assess the measures to be adopted by tax authorities to encourage tax compliance among firms in Cape Coast that have been registered with the National Board for Small-Scale Industries.

Research Questions

1. What are the factors drive tax regulations non-compliance among firms in Cape Coast that have been registered with the National Board for Small Scale Industries?
2. What are the challenges of tax compliance faced by firms in Cape Coast that have been registered with the National Board for Small-Scale Industries?

3. What measures have been adopted by tax authorities to ensure tax compliance by firms in Cape Coast that have been registered with the National Board for Small Scale Industries?

Significance of the Study

The issue of tax compliance among firms is an issue of significant concern among business owners globally, especially in developing countries like Ghana. Meanwhile, channels of external finance to firms are expected to be opened for firms when they comply with tax regulations. Therefore, this study would contribute to a body of knowledge by investigating the factors that contribute to non-compliance and also factors that enhance compliance by SMEs in Ghana and Cape Coast Metropolis in particular. Also, the results may serve as the foundation for further studies on tax non-compliance among small and medium enterprises. Furthermore, the findings would suggest to tax agencies and other stakeholders make policies to increase voluntary compliance among businesses. Finally, the study would be useful to businesses in the Cape Coast Metropolis in that it would aid them in understanding why they need to pay taxes and the benefits they stand to achieve when they comply with tax laws and regulations.

Delimitation

Though there are several regions in Ghana, the current study is confined to only the Cape Coast Metropolis in the Central region of Ghana. This notwithstanding, the restriction of the study to this region is not without premise, since similar studies were conducted by Terkper (2008) and Annan, Bekoe and Nketiah-Amponsah (2010) using selected cities, instead of the entire country. Also, the factors that influence tax compliance among firms are exhaustive and not all the factors were considered in this study. This study also concentrated on only small and medium-scale enterprises in Cape Coast and as such, may be wrong to generalize the results of this study to other districts, metropolises or municipalities in the country.

Limitations

The results of this investigation ought to be taken for certain contemplation in light of the subsequent limitations. Questionnaires were utilized as a method for data collection because of the investigation's quantitative nature. In this sense, a portion of the respondents felt they were occupied and hesitant in reacting to the instrument. Those who were hesitant to fill out the questionnaire were assured that it was purely academic work and assured of confidentiality. Further, some respondents stated that the questions were many to fill. Possibly, respondents would have found it easier if some items were reduced in number. The researcher mitigated this limitation by assisting the respondents to answer the questions. Thus, the questions were read to their hearing to enable them to choose their preferred answers.

Organization of the Study

The study was organized into five chapters. Chapter One covers the introduction, comprising the background to the study, statement of the problem, research questions and objectives, significance, delimitation, and limitations of the study. Chapter two featured the literature review, which makes a critical analysis of information about the proposed topic of research that has been done by authorities and academics. Chapter three looked at the study design and methods employed to achieve the research objectives. Also, chapter four contained the presentation of results and discussions. Lastly, chapter five summarized the main findings, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter reviews the literature on the factors influencing tax non-compliance among firms It presents the theoretical, conceptual and empirical reviews of the literature on tax compliance. This chapter also presents a conceptual framework for the study.

Theoretical Review

The Stakeholder theory has been reviewed in this section. The following describes details of the theory and its implications for the study.

The economic (deterrence) theory

In 1972, Allingham and Sandmo created the economic deterrence model, which followed Becker's economics of crime approach in 1968. The model suggests that taxpayers are guided by economic motives, such as profit, and thus act as amoral utility maximisers, according to Trivedi, Shehata & Lynn (2003). Depending on the rewards of evasion versus the expected cost of detection and punishment, the model predicts whether a taxpayer will evade taxes. Allingham and Sandmo argue that a higher probability of detection leads to a higher reported income, while an increased penalty rate raises the proportion of actual income declared. In the event of an audit, taxpayers who have declared less than their actual income face additional penalties on undisclosed income, but if they are not audited, they benefit.

The deterrence model of tax compliance relies on factors that influence tax compliance, such as the tax system's structure, revenue information service effectiveness, failure to provide accurate information, taxpayers' sanctions and responsibilities, audit probability, and tax rate, according to Devos (2005). However, there is no consensus on these variables, suggesting that they have a positive relationship with tax compliance. According to Inasius (2018) and Palil (2010), the deterrence model of tax compliance is misleading since it overlooks taxpayers' behaviour and views their decision-making in isolation. Nevertheless, to some degree, the deterrence model discourages evasion and explains tax compliance.

Although the deterrence model explains tax compliance, it is too simplistic and does not consider other factors that may influence a taxpayer's decision to comply with tax laws or not, according to Torgler (2006) and Inasuis (2018). Furthermore, the model overemphasizes the impact of enforcement on taxpayer behaviour, as noted by Alm, Kirchler and Muehlbacher (2012). A more sustainable approach to tax compliance is voluntary compliance, which has long-lasting effects. In contrast, enforced compliance is not sustainable, as it is costly for the nation to enforce tax laws. Slemrod (2007) stresses that even in the absence of enforcement, some taxpayers will still comply, although others may evade taxes.

The socio-psychological theory

The socio-psychological theory posits that a taxpayer's compliance with tax laws is influenced by internal factors in addition to external deterrence. In these models, taxpayers are viewed as individuals whose attitudes, perceptions, beliefs, personality traits, and social characteristics affect their decision to pay taxes (Fishbein & Ajzen, 1975; Jackson & Milliron, 1986; Kirchler, Hoelzl and Wahl, 2008).

The Theory of Reasoned Action (TRA) and the Theory of Planned Behaviour (TPB) attempt to predict individuals' behaviour based on their intentions, which are influenced by their attitudes towards behaviour, perceived behavioural control, and subjective norms (Ajzen, 1991; Fishbein & Ajzen, 1975). According to Kirchler et al. (2008), an individual's ethics also plays a role in motivating them to act in a certain way, and a negative attitude towards tax compliance can reduce compliance. Perceived behavioural control refers to the extent of control an individual perceives they have over their behaviour, while subjective norms refer to beliefs about how others view their behaviour.

The socio-psychology theory is also related to social sanctions, as social relationships and attitudes towards tax evaders can discourage tax evasion (Kirchler, 2007). The severity of social sanctions against tax evaders and their attitudes towards them can influence their willingness to comply (Engida & Baisa, 2014). The behaviour of an individual's reference groups can also affect their compliance behaviour and attitudes towards the tax system (Tilahun & Yidersal, 2014). Knowing many people in important reference groups who evade taxes can discourage taxpayers from complying.

Conceptual Review

Tax non-compliance

Several attempts to define tax non-compliance have resulted in unsatisfying outcomes (Abdul–Razak., & Adafula, 2013; Nsor-Ambala, 2015; Sakoe & Asare, 2015; Oppong & James, 2016). However, the most primary and distinctive definition attributed to tax non-compliance stems from the scholarly work of Youde and Lim (2019). According to Youde and Lim (2019), tax non-compliance denotes the decision of a firm not to comply with tax regulations.

Another definition of tax non-compliance by Atawodi and Ojeka (2012) saw tax non-compliance as not satisfying all tax obligations. According to Oppong and James (2016), governments in various countries started paying attention to tax non-compliance when academic scholars began researching the concept to examine the nexus between businesses. Despite its conceptual development and theoretical basis dating back to the 1950s, tax non-compliance gained massive popularity in 1990 (Oppong & James, 2016).

The theoretical foundations of tax non-compliance can be experienced more in developed countries because they have a strong institutional environment where regulation is very effective and fair. Ross and McGee (2012) opined that the concept of tax non-compliance is one of the numerous phenomena that affect the worldwide economy. Hindriks and Weber (2008) regard the tax non-compliance concept as a vital phenomenon affecting advanced economies and emerging economies. Mas'ud, Aliyu and Gambo (2014) contended that the degree of tax non-compliance is more intensive in emerging economies compared to advanced economies.

In Ghana, the government highly depends on taxes to generate much-needed revenue but the country is faced with tax non-compliance among firms which deliberately do not honour their tax responsibilities (Annan, Bekoe & Nketiah-Amponsah, 2010). It has been argued that this may happen when taxpayers feel that taxes paid are not being used for beneficial purposes due to the high level of corruption among public officials in the country (Soglo, Ntow & Acakpovi, 2013; Opoku, 2016; Oppong, & James, 2016; Amboko, 2017).

Further, the economic and administrative structure of Ghana could lead to tax non-compliance in the country (Terkper, 2008). Terkper (2008) further argued that businesses that comply with tax laws are overly taxed, which affects their growth. Several investigations (Kuug, 2016; Almunia, Liu, Lockwood & Tam, 2019; Besley, Jensen & Persson, 2019) assessed the factors influencing tax non-compliance among firms. In the aforementioned studies, Kuug (2016), indicated that businesses may evade tax due to ignorance, poor record-keeping and incorrect filing of returns, a study by Almunia, Liu, Lockwood and Tam (2019) opined that such factors could not account for tax non-compliance.

The factors influencing tax non-compliance

This section details the influencing factors for non-compliance with tax regulations among firms

Poor record keeping

According to Kuug (2016), businesses may evade tax when they intentionally neglect their tax obligations or wrongly reveal their actual income or sources of income to tax authorities. The author further posited that such businesses may evade tax due to ignorance, poor record-keeping and incorrect filing of returns. Also, some firms perceived that paying taxes could reduce their financial resources and hence may consequently regard tax compliance as a threat to their income (Kamleitner, Korunka & Kirchler, 2012). It has been established that others underpay their tax since they mostly engage in cash dealings that are not reported to tax establishments. Such a situation could warrant firms understating their revenues while overstating expenses. However, some underpayments might be unintentional due to the complexity of tax laws and regulations (Dlamini, 2017).

Complex business environment

According to Mwangi (2014), small businesses typically operate in a challenging regulatory environment with many regulatory agencies, multiple taxes and cumbersome filing procedures which exert liability on their procedures. A tax governing method and administration that is excessively complicated makes compliance overly burdensome and regularly distorts business development. This makes them avoid paying taxes (Mwangi, 2014). A tax system that is poorly implemented causes low productivity and high collection charges (Farzbod, 2000).

Tax rates

The impact of tax rates on tax compliance is a subject of debate, although it is widely accepted that tax rates play a significant role in taxpayers' compliance behaviour (Kirchler, 2007; Clotfelter, 1983). Studies have shown that there is a positive relationship between the level of under-reporting and the probability of underreporting and the marginal tax rate (Alm, Jackson, & Mckee, 1992). Torgler (2007) argues that increasing marginal tax rates would lead to an increase in tax evasion. However, reducing tax rates is not a guaranteed way to increase tax compliance (Trivedi et al., 2003; Kirchler, 2007), and studies have shown that the perception of the tax rate may not significantly affect tax compliance (Inasius, 2018).

Allingham and Sandmo (1972) conclude that taxpayers may report less or fully disclose their income regardless of the tax rate. Deyganto (2018) proposes that increasing the marginal tax rate could encourage taxpayers to comply with the tax system. Thus, evidence suggests that the impact of tax rates on tax compliance is mixed. Kirchler et al. (2008) propose that the degree of trust influences the impact of tax rates on tax compliance. When trust is high, taxpayers view the tax rate as a means of supporting society, which ultimately benefits everyone. On the other hand, when trust is low, a high tax rate may be viewed as unfair treatment of taxpayers and an attempt to seize their earnings. The tax rate is perceived as a demonstration of power by tax authorities.

Inadequate Management Skills

Furthermore, a firm may find it challenging to comply with tax regulations and laws when management is inadequate. This may be on the part of a team or the business owners (Mwangi, 2014). Although owners of such companies might have the needed skills to manage their businesses, they may not have adequate managerial skills that could enable them to manage their workforce successfully. Meanwhile, a business owner tends to mishandle some parts of the business in the absence of a dedicated management team. Ineffective business planning may equally result in small businesses not being able to comply with paying taxes.

Abdul-Jabbar and Pope (2008) maintained that companies regularly do not see the significance of effective business planning before starting their businesses. They added that every business needs to have a location that details the name, address of the company, description of the company, number of employees and management requirements among others. Therefore, firms that do not regularly review their business plan to tune it to meet market demands equally stand to face problems in various aspects of their operations hence, may be faced with tax compliance challenges (Tedds, 2006).

Cumbersome filing process

According to Silvani and Baer (1997) (as cited in Tilahun, 2018), simplifying tax returns can encourage taxpayers to fill out their tax returns themselves instead of seeking help from third parties. Deyganto (2018) argues that simpler tax rules and proclamations and a simple tax return can increase voluntary tax compliance. On the other hand, Adimassu and Jerene (2015) suggest that complexity in tax laws can lead to a decrease in voluntary compliance. Taxpayer misunderstanding caused by complexity may lead to intentional evasion or inadvertent errors, as noted by Andreoni et al. (1998).

However, Engida and Baisa (2014) believe that the simplicity of the tax system does not have a significant impact on taxpayers' compliance behaviour. It is worth noting that a simple tax system may not be the only factor that affects taxpayers' compliance behaviour, and other socio-psychological factors may also play a crucial role in determining compliance behaviour.

The challenges of tax compliance

Given the importance attached to tax compliance among firms toward national development, there are many hurdles confronting the government revenue generation schemes (Sakoe, & Asare, 2015; Almunia, & Lopez-Rodriguez, 2018). Among the hurdles are poor and low capacity of tax administration, failure to collect sufficient tax revenues, absence of horizontal and vertical structural integration, inefficient monitoring and vague tax education (Almunia, & Lopez-Rodriguez, 2018; Acheampong, Debrah &Yeboah, 2016; Sakoe, & Asare, 2015). Other studies documented that inadequate management skills, cumbersome filing processes and high tax rates are some of the hurdles to tax compliance among firms toward national development (Soglo, Ntow & Acakpovi, 2013; Opoku, 2016; Oppong, & James, 2016; Amboko, 2017).

How to enhance tax compliance

Stuff (2007) established that businesses serve as sources of unexploited revenue potential in many countries. These businesses, when captured in the tax net, could help economies make gains from taxes. Even though there are many regulations in place to that effect, they are mostly found to negatively affect such businesses, making it difficult for them to comply with the tax regulations due to additional resources needed for them to meet tax obligations. Given this orientation, Shahrodi (2010) opined that for effective tax collection systems to be established, it is essential to design tax policies in a manner that makes tax rates suitable and rational, exceptions lower in amount, efficiency among collection agencies, reduced tax obligations for the disadvantaged and strengthening the fight against corruption and tax avoidance.

In a related argument, Yaobin (2007) posited that uneven tax enforcement has caused increased non-compliance among firms. Yaobin (2007) further submitted that governments can solve this problem by designing tax policies to affect the operations of businesses directly and indirectly to enhance their growth as well as the voluntary compliance of such firms. Yaobin (2007) maintained that instituting different tax regimes for firms could be a suitable policy instrument to minimise collection costs. Kasipillai (2005) also stressed that making tax systems and implementation easy, reliable and liable could reduce non-compliance and administrative expenses, lessen the uncertainty faced by taxpayers and enhance voluntary compliance among firms.

Small and medium enterprises

World over, there are numerous definitions of the term small and medium enterprises by policymakers and researchers in a quest to understand the concepts of small and medium enterprises (Kayanula & Quartey, 2000). According to Storey (1994), there is no generally accepted definition of a small and medium enterprise. Based on the country and industry, business assets, size, and products, the definitions will continue to differ. For example, the United States and Canadians refer to businesses with less than 500 workers as medium-scaled enterprises while small enterprises are those with less than 100 workers. In Germany, SMEs are enterprises with a maximum of 250 workers while for Belgians, SMEs are enterprises with less than 100 workers (Katua, 2014). A small and medium enterprise is defined in the European Union as a firm which has an annual turnover not exceeding 50 million Euros and at most 250 workers (European Union, 2003).

In Ghana, the most frequently used definition of small and medium enterprises is the number of employees of the enterprise. According to Ghana Statistical Service (as cited by Kayanula & Quartey, 2000), small enterprises are businesses that employ less than 10 persons while those that employ more than 10 people are classified as medium enterprises. Venture Capital Trust Fund Act, 2004 (Act 680) (as cited by Kuug, 2016) defines a small and medium enterprise as a project undertaking, economic activity or industry whose total asset base (excluding land and building) does not go beyond the cedi equivalent of $1 million in value. The Ghana Enterprise Development Commission (GEDC) on the other hand uses a 10 million Cedis upper limit definition for plants and machinery. A point of caution is that the process of valuing fixed assets in itself poses a problem. Secondly, the continuous depreciation in the exchange rate often makes such definitions outdated. However, the National Board of Small-Scale Industries (NBSSI) in Ghana applies both the fixed asset and number of employees criteria. It defines a Small-Scale Enterprise as one with not more than 9 workers (Nkuah, Tanyeh, & Gaeten, 2013).

The Ghanaian tax system and policies on tax compliance

This section discusses the tax system and policies employed by the Ghanaian Government to tackle tax non-compliance. The role or efficiency of the tax authority in influencing voluntary compliance and minimising the tax gap is very essential. For many aspects of tax compliance, there is no unanimous agreement as to how the effective operation of the tax system by the tax authorities impacts taxpayers' compliance behaviour. According to Hasseldine and Li (1999), tax compliance is placing the tax authority and the government as the main party that needs to be constantly efficient in overseeing the tax system as a means to decrease tax evasion. Richardson (2008) also suggests that the role of tax authority has a significant positive influence on tax compliance behaviour and later confirmed by Tilahun (2018).

The main objective of tax administrators in any country is to improve the level of voluntary tax compliance thereby reducing the tax gap and the compliance gap (Silvani, 1992). It is in the light of encouraging voluntary tax compliance that the government of Ghana introduced the self-assessment policy to allow taxpayers to calculate their tax liability and voluntarily pay (Ali-Nakyea, 2019). This approach by the government has placed the responsibility on individual taxpayers thereby avoiding the cost of determining each taxpayer's tax liability and collecting them. The downside of this policy is that more people will not voluntarily comply with their tax obligations especially when the level of enforcement is low.

Empirical Review

This is an empirical review of the factors that contribute to tax non-compliance, challenges of tax compliance and enhancing tax compliance. This review covers studies conducted in and outside Ghana, across industries and includes firms that are not SMEs.

Record Keeping and tax non-compliance

A study by Abubakar, Kabir and Garba (2021) examined the factors that affect tax compliance among Nigerian SMEs. They found that poor record keeping was a significant factor in tax non-compliance among SMEs, as it can lead to errors in tax reporting and make it difficult for SMEs to meet their tax obligations.

A study by Adegbie, Akindele and Adegbie, (2019) examined the relationship between tax knowledge, record keeping, and tax compliance among Nigerian SMEs. They found that SMEs with higher levels of tax knowledge were more likely to maintain accurate records and comply with their tax obligations.

A study by Kariuki, Ochieng and Munene (2017) conducted in Kenya found that poor record-keeping is a major factor contributing to tax non-compliance among SMEs. The study found that SMEs that had poor record-keeping practices were more likely to underreport their taxable income and evade taxes.

Tax Rate and tax non-compliance

A study by Fuest and Peichl (2017) analyzed data from 27 European countries and found that marginal tax rates have a positive effect on tax non-compliance. Specifically, they found that a 1% increase in the marginal tax rate increases the probability of non-compliance by 0.12%. This study was performed in developed countries whiles this current study was conducted in a developing country.

A study by Syed and Ali (2020) analysed data from Pakistani SMEs and found that tax morale plays an important role in the relationship between tax rates and tax compliance. They found that higher tax rates lead to lower tax morale, which in turn leads to higher levels of tax non-compliance among SMEs.

A study by Gaitán and Moreno (2019) analysed data from Colombian SMEs and found that average tax rates have a positive effect on tax non-compliance. They found that a 1% increase in the average tax rate increases the probability of non-compliance by 0.09%.

Complex business environment and tax non-compliance

A study by Aworinde and Olaleye (2019) found that SMEs operating in a complex business environment often struggle to comply with tax laws. The authors noted that the complexity of the tax system, frequent changes in tax laws, and inadequate tax education contribute to tax non-compliance among SMEs.

According to Aminu and Ahmed (2018), SMEs operate in a complex business environment that makes it difficult for them to comply with tax laws. The authors noted that SMEs face numerous challenges, including limited resources, inadequate knowledge of tax laws, and multiple tax regimes, which contribute to tax non-compliance.

Furthermore, a study by Kuzel, Prazakova, and Vichova (2020) found that a complex business environment, including a lack of tax incentives, leads to tax non-compliance among SMEs in the Czech Republic. The authors noted that SMEs do not have sufficient incentives to comply with the tax laws, resulting in non-compliance.

Inadequate management skills and tax non-compliance

Ariffin, Mohamad and Ismail (2018), SMEs that lack adequate management skills often struggle to comply with tax laws. The authors noted that poor management skills lead to inadequate record-keeping, which makes it difficult for SMEs to comply with tax laws.

Similarly, a study by Hassan and Naim (2019) found that SMEs' inadequate management skills contribute significantly to tax non-compliance. The authors noted that poor financial management, inadequate bookkeeping, and record-keeping practices lead to tax non-compliance among SMEs.

Moreover, a study by Oduro and Agyemang (2020) revealed that inadequate management skills significantly affect SMEs' tax compliance. The authors noted that SMEs that lack adequate management skills have poor financial management practices, which contribute to tax non-compliance.

Cumbersome filing processes and tax non-compliance

According to Lawal and Ogunniyi (2020), cumbersome filing processes are one of the major factors that contribute to tax non-compliance among SMEs. The authors noted that complex and time-consuming filing procedures make it difficult for SMEs to comply with tax laws.

Similarly, a study by Ntui and Ntui (2018) found that cumbersome filing processes significantly contribute to tax non-compliance among SMEs. The authors noted that SMEs often find it difficult to comply with tax laws due to complicated filing procedures.

A study by Obradovich, Fang and Horton (2017) examined the relationship between tax complexity and tax compliance among US SMEs. They found that tax complexity such as cumbersome filing processes is positively associated with non-compliance, as the filing processes involved are very cumbersome which can make it make it more difficult for SMEs and comply with their tax obligations.

Challenges of tax compliance

According to a study by Yusuf, Oyinlola and Olayinka (2018), the capacity of tax administration in developing countries is inadequate, leading to low tax compliance among SMEs. In addition, the lack of skilled personnel and technology affects tax administration capacity, leading to poor enforcement of tax laws and regulations.

According to a study by Kariuki and Ndirangu (2019), tax revenue collection in many developing countries is low, leading to budget deficits and inadequate funding for public services. The failure to collect sufficient tax revenues can be attributed to various factors, including tax evasion and avoidance by SMEs, inefficient tax administration, and weak tax laws and regulations.

Akinyemi et al. (2020) examined the challenges of tax compliance among SMEs in Nigeria. The study used a survey questionnaire to collect data from 200 SMEs. The findings showed that the most significant challenges of tax compliance among SMEs were inadequate knowledge of tax laws and regulations, complex tax filing processes, and high tax rates.

In a study conducted in Ghana, Agyei-Boapeah and Agyapong (2020) found that inefficient monitoring was one of the factors that contributed to tax non-compliance among SMEs. They noted that tax authorities were not able to enforce tax regulations effectively, which made it easy for SMEs to evade paying their taxes.

In a study conducted in Nigeria, Ogunleye and Iwuamadi (2019) found that SMEs had a poor understanding of tax regulations due to the vague nature of tax education provided by tax authorities. This lack of understanding of tax regulations often leads to SMEs inadvertently violating tax laws, resulting in non-compliance.

According to a study by Rahman et al. (2019), the absence of horizontal and vertical structural integration leads to duplication of efforts and poor enforcement of tax laws and regulations, contributing to tax non-compliance among SMEs.

Enhancing tax compliance

A study by Hossain, Islam and Hoque (2018) examined the role of tax education in enhancing tax compliance behaviour among small businesses in Bangladesh. The study used a survey questionnaire to collect data from 300 small businesses. The findings showed that tax education provided by tax authorities and tax reforms that ensure simplification of the tax laws positively influenced tax compliance behaviour among small businesses.

A study by Lamu and Odongo (2019) examined the effect of increasing the number of tax offices in Kenya on tax compliance. The study used a sample of 120 SMEs and found that opening more tax offices improved tax compliance among SMEs. The study concluded that increasing the number of tax offices could reduce the distance SMEs have to travel to access tax services, thereby increasing their willingness to comply with tax regulations.

Moreover, a study by Zainudin et al. (2019) examined the impact of tax penalties on tax compliance behaviour among businesses in Malaysia. The study used a survey questionnaire to collect data from 200 businesses. The findings showed that tax penalties negatively influenced tax compliance behaviour among businesses.

Conceptual Framework

Based on the discussions from the literature review above, the conceptual framework for this study is developed and shown in Figure 1. The framework connects the factors influencing tax non-compliance.

Factors of Tax Non-compliance

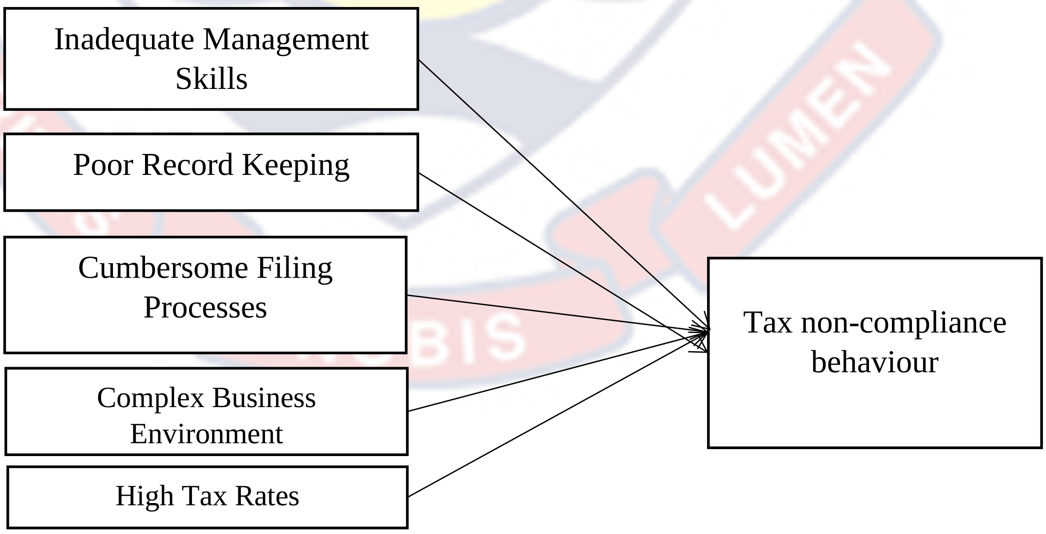

Figure 1: Linking **the** factors influencing tax non-compliance.

Source: Author’s Construct, 2021.

This framework explains the factors influencing tax non-compliance among firms. The framework explains that inadequate management skills, poor record keeping, cumbersome filing processes, complex business environment and high tax rates influence tax non-compliance among firms. It is reasoned that companies that are faced with inadequate management skills, poor record keeping, cumbersome filing processes, complex business environments and high tax rates could avoid the payment of tax. These factors are acts as the independent variables with tax non-compliance acting as the dependent variable.

Chapter Summary

This chapter reviewed the related literature on the factors influencing non-tax compliance. The definitions of the concepts, theories and their implications have been discussed. It also reviewed empirical works on the factors influencing tax non-compliance. The research questions outlined have been reviewed. The chapter was also made up of an empirical analysis of the factors influencing tax non-compliance and the development of a conceptual framework.

.

CHAPTER THREE

RESEARCH METHODS

Introduction

The purpose of this study is to assess the factors influencing tax non-compliance among firms in the Cape Coast Metropolis of Ghana that have been registered with the National Board for Small-Scale Industries. The chapter discusses the research methods employed including the design used in the research, area of study, population, procedures used in sampling, instruments and procedures used in collecting data, ethical consideration and data processing and analysis.

Research Approach

Saunders and Bezzina (2015) opined that quantitative, qualitative and mixed methods are the three main methods of research. While the quantitative research approach permits researchers to examine the nexus between variables, the qualitative approach on the other hand describes small aspects of social reality (Ofori & Dampson, 2011). It has been advanced that the variation between quantitative and qualitative research could be determined by the purpose of a particular study (Saunders et al., 2016). The quantitative research method was employed to help the researcher achieve the objectives of the study (1: Examine the factors influencing non-compliance to taxes among SMEs; 2: Examine the challenges of tax compliance among SMEs, and 3: Assess the measures adopted by tax authorities to encourage tax compliance among SMEs). Quantitative research was employed because it enables researchers to familiarize themselves with the concepts to be studied and the research questions to be tested (Golafshani, 2003). Furthermore, the quantitative research approach helps in a broad coverage of data collection.

Research Design

Joubert, Ehrlich, Katzenellenbogen and Karim (2007) defined research design as a structured procedure followed by a researcher to answer a research question. It is a detailed outline of how a study would be conducted. It entails ways of data collection, the instruments employed and how they are used and the means of analysing the collected data. Sekaran and Bougie (2016) also describe research design as a strategy which stipulates how data concerning research should be collected, measured and analysed. Akubia (2011) clarified research design as the procedure that researchers establish in a study including the hypotheses and operational inferences to the final analyses of the data collected. Some research professionals (Sekaran et al., 2016; Saunders & Lewis, 2016) reported that research design is in three folds, thus, exploratory, descriptive and causal designs. They opined that exploratory design is usually employed when researchers have little information about how to study variables that have been dealt with by previous studies (Sekaran et al., 2016; Saunders et al., 2016). Moreover, descriptive design is usually utilized when researchers want to describe the characteristics of study variables. Furthermore, causal design is adopted when researchers want to determine how one variable causes another variable to vary (Saunders et al., 2016).

Based on the objective of this study (1: Examine the factors influencing non-compliance to taxes among SMEs; 2: Examine the challenges of tax compliance among SMEs, and 3: Assess the measures adopted by tax authorities to encourage tax compliance among SMEs.), descriptive design was employed.

The descriptive survey research design was employed because it is ideal for understanding in detail; activities, objects, processes and persons as well as it is suitable for the collection of data on a wide range of variables, researchers can gain a comprehensive understanding of the characteristics of a group or the factors that influence a particular phenomenon. (Amedahe, 2002).

Study Area

The study area comprised all the firms in the Cape Coast Metropolis of Ghana that have been registered with the National Board for Small-Scale Industries. The choice of these firms in the Cape Coast Metropolis of Ghana is not without premise, since similar studies were conducted by Gbodo (2020), Karanj, Muathe and Thuo (2014), and Mamun, Mohiuddin, Fazal and Ahmad (2018), using selected cities, instead of the entire country. The total number of firms which had been registered with the National Board for Small-Scale Industries (NBSSI) as of January 2020 was two hundred and thirty- six (236). The choice of Cape Coast for the research is a result of the low tax revenues generated from the metropolis (GRA, 2014), therefore tax non-compliance must be studied in this area.

Population

A population is defined as a group known to have similar traits that are known by criteria determined by the researcher (Banerjee & Chaudhury, 2010). The population for this study consists of the owners of firms in the Cape Coast metropolis that have been registered with the National Board for Small Scale Industries; before and during the time of data collection and it consists of 236 firms. These firms have been listed in Appendix C.

Sampling Procedure

A sample is a subset of the population. Sampling is based on the selection of some elements in a population usually due to the fact that the population is too substantial for one particular researcher to attempt to study all the individuals (Sekaran, 2000). The available population of the study consists of 236 firms. Following Krejcie and Morgan (1970), to ensure a 5% margin error, 152 firms were selected randomly from 236 firms. Simple random sampling was used. A simple random technique was employed for this study since in Ghana data gathering is challenging as the maximum number of individuals do not answer and return questionnaires, it is easy to implement and it ensures equal representation (Gyensare, Anku-Tsede, Sanda & Okpoti, 2016).

Data Collection Instruments

The data for this study was generated from the primary source. The main primary data collection method to be used is a questionnaire which was distributed to 152 firms out of 236 firms (list of firms in Appendix C) using simple random sampling. The data was collected by using an adopted questionnaire with structured questions derived from multiple sources. A questionnaire was given to each firm's owner to complete. The use of a questionnaire survey approach was driven by the study aims, the type of data to be collected and the availability of time for the study (Touliatos & Compton, 1988). This method was considered appropriate for this research because the variables studied are those that could not have been observed but could only be obtained by finding the respondents' opinions and feelings (Touliatos & Compton, 1988).

Moreover, the instrument had the advantage of saving time since the respondent had to only tick from predetermined ideas and their views. Further, many respondents could fill out the questionnaire without the presence of the researcher. Filling out the questionnaire without the presence of the researcher allows the respondents to objectively answer the questions without fear of being victimized. Therefore, in-depth and reliable data were generated in a short time from respondents (Mugenda & Mugenda, 2003). This survey method was used for all respondents selected for this study.

The questionnaire comprised demographic items and factors influencing tax non-compliance. Following Abdul Jabbar (2009), non-compliance with the tax behaviour of organizations was adopted for this study. The questionnaire was divided into five sections; thus, section A captured respondent's background information, section B gathered data on the perception of tax non-compliance among firms, section C also contained items on the challenges of tax compliance among firms and D collected information on the measures to be adopted by tax authorities to encourage tax compliance among firms.

Validity and Reliability of the Instrument

Validity is the precision with which a phenomenon is described (Ogah, 2013). Common sources of invalidity according to Joubert and Ehrlich (2007), are selection, information, and confounding bias. To reduce selection bias, a multistage sampling method was used to select separately the sample of the various categories to achieve a good representation. The sample, therefore, included firm owners in the Cape Coast Metropolis.

The researcher carefully selected data collection methods and analysis in other to reduce confounding bias to a considerable level. Cronbach Alpha (α) test was used to measure internal consistency. Joubert and Ehrlich (2007) define reliability as having the same results even if the measures were taken multiple times. Reliability was achieved by using a relatively large sample size. The instrument considered was derived from tested and standardized instruments to minimize random measurement error.

Data Collection Procedures

The researcher requested consent from the owners of firms in the Cape Coast Metropolis. Further, an introductory letter from the Department of Accounting, University of Cape Coast, was obtained in this regard. Respondents were given the full assurance that the investigation is for academic purposes and that their responses would be treated with the utmost confidentiality. The questionnaire was administered and filled out by the respondents and returned to the researcher. The researcher read the questions to the hearing of those who were busy to enable them to choose their preferred answers.

Data Processing and Analysis

The data collected from the questionnaires were checked for errors, coded, and then entered into the SPSS version 20 for analysis. The variables were described using frequencies and percentages of the responses. The data were analysed using standard deviations and means. Objectives 1, 2, and 3 were all analysed in SPSS version 20 and for each, the means and standard deviations were calculated and discussed.

Ethical Considerations

Awases (2006) advanced that ethics is mostly associated with the morality of right and wrong in society. Hence, Rubin and Babie (2016) posit that it is important that individuals engaged in research to beware of issues relating to ethical issues. Ethical considerations involve the issues of confidentiality of the respondents for a particular study (Edginton et al., 2012). The researcher assured all respondents of the confidentiality of their responses as the information they will provide will be solely used for academic purposes. The researcher took the greatest care to inform participants of the purpose of the study and asked them to participate voluntarily during the research process. Furthermore, to avoid errors and inaccuracies, and misrepresentation of the study findings, the respondents who participated in the survey were given up to a month to respond to the questions.

Chapter Summary

This chapter gave details of the study design and methodology. This study adopted a descriptive survey research design and a quantitative approach. The target population comprises small and medium enterprises that are in the Cape Coast Metropolis that has been registered with the National Board for Small Scale Industries. A sample size of 152 firms was drawn from the target population using a simple random sampling technique. Primary data were collected using questionnaires. The validity, reliability, and ethical issues were observed in the data collection and analysis. SPSS was used in processing the data. Ethical considerations and measures of ensuring validity and reliability were explained.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter contains the analysis of data and the results of this investigation. It starts with the analysis of the demographic characteristics, followed by an analysis based on the research question/objectives. Demographic characteristics were analyzed descriptively using frequencies.

Reliability of the Instrument

Cronbach Alpha (1964) was used to test the reliability of the instrument employed. An overall Cronbach Alpha (α) = .877 was realized. Bryman and Bell (2011) recommend Alpha ≥.7 to demonstrate adequate reliability. This study, therefore, met the minimum threshold for all the variables that were considered as shown in table 1 below.

Table 1: Cronbach Alpha values for the variables

Variable	Alpha value
Factors Influencing Tax Noncompliance	.877
Challenges of Tax Compliance	.823
Measures adopted by Tax Authorities to encourage Tax Compliance	.786

Source: Field Work (2021)

Common Method Bias

Harman's single-factor test was used to test the presence of common method bias in the data set. There is no evidence of common method bias since a single factor explains less than 50% (26.185%) of the variation in the data set (see Table, 2).

Table 2: Total Variance Explained

	Extraction sums of square loadings		
Factor	Total	% of variance	Cumulative %
1	15.449	26.185	26.185

Extraction Method: Principal Axis Factoring.

Source: Field Work (2021)

Response Rate

The total number of questionnaires administered was 152. All 152 responses were obtained from the owners of firms in the Cape Coast metropolis, resulting in an overall response rate of 100%.

Demographics

As presented in table 3, there were fewer males (35.5%) than females (64.5%) in the sample for the research. The result shows that the ages between 32-41 years documented the highest responses whiles the ages above 52 years documented the lowest response. In general, it can be stated that respondents had one form of education. The educational background of the respondents ranges from Junior High School to the University level. The demographic information of respondents regarding the nature of the organization shows that most of the respondents engage in Providing services (47.4%) whilst 23.0% represent those who do Vehicle maintenance whereas 11.2% were those who are responsible for Selling spare parts and others representing 18.4%. It can be confirmed from the table that single ownership represents 52.6% and then Partnership represented 29.6% whereas 17.8% represents companies.

The demographic information of the respondents regarding the age of enterprise shows that most enterprises have been in the existence between 1-5 years (59.2%) whilst the remaining 22.4% are between 5-10 years whereas 11.8% are Less than 1 year, 5.9% representing 10-20 years and .7% representing More than 20 years. The findings relating to the number of staff showed that most of the companies have staff between 5-15 (44.7%). 29.6% of the respondents have staff Less than 5 whilst 17.8% have staff between 15-25. 6.6% have staff between 25-60 whereas 1.3% represented staff between 50-100 (see Table 2).

Table 3: Demographic Characteristics of Respondents

Variable	Frequency	Percentage
Sex		
Male	54	35.5
Female	98	64.5
Age (Years)		
21 – 31	40	26.3
32 – 41	79	52.0
42 – 51	28	18.4
Above 52	5	3.3
Educational Level		
JHS	28	18.4
SHS/O Level/A Level	62	40.8
Diploma	39	25.7
First Degree	17	11.2
Master's	5	3.3
PhD	1	.7
Nature of Organization		
Vehicle maintenance	35	23.0
Providing services	72	47.4
Selling spare parts	17	11.2
Others	22	18.4
The ownership structure of the Organization		
Single ownership	80	52.6
Partnership	45	29.6
Company	27	17.8
Age of Enterprise		

Table3:Cont.

Less than 1 year	18	11.8
1-5 years	90	59.2
5-10 years	34	22.4
10-20 years	9	5.9
More than 20 years	1	.7
Number of Staff		
Less than 5	45	29.6
5-15	68	44.7
15-25	27	17.8
25-50	10	6.6
50-100	2	1.3

Source: Field Work (2021)

RQ1: Does inadequate management skills, cumbersome filing processes, complex business environment, poor record keeping and high tax rates drive tax regulations non-compliance among firms in Cape Coast that have been registered with the National Board for Small Scale Industries??

The descriptive summary and analysis of the factors that influence non-compliance to taxes among firms were determined by using means and the standard deviation is shown in table 4 below.

Table 4: Factors Influencing Tax Non-compliance among Firms

	N	Mean	Std. Deviation
The tax laws and procedures for paying taxes are too complex	152	4.70	.492
The tax rates are too high	152	4.60	.499
The businesses are not profitable	152	4.58	.502
The tax authority has not asked for tax	152	4.44	.497
The tax officials are too corrupt	152	4.42	.719
There is a lack of understanding of the tax laws	152	4.39	.490
There is a lack of proper bookkeeping	152	4.35	.481
Distance between the tax office and place of business	152	4.33	.945
Cumbersome procedures involved in paying tax	152	4.20	.990

Source: Field Work (2021)

From Table 4, among the items measuring the factors influencing tax noncompliance among firms, tax laws and procedures for paying tax are too complex recorded with the highest mean (M=4.70) and a standard deviation score (SD=0.492). These scores show that a large percentage of responders agree that the tax laws and procedures for paying taxes are too complex. It is also established from table 4 that the tax rates are too high scored the next highest responses with (M=4.60; SD=0.499). Moreover, businesses are not profitable (M=4.58; SD=0.502). This finding implies that since companies are not making more profit, they will find it difficult to comply with their tax payment.

The result was followed by the items measuring the factors influencing tax noncompliance which included tax authority not asking for tax (M=4.44, SD=0.497), tax officials being too corrupt (M=4-42, SD=0.719), there is lack of understanding of the tax laws (M=4.39, SD=0.490) and there is lack of proper bookkeeping (M=4.35, SD=0.481). Also, the study revealed the distance between the tax office and the place of business (M=4.33, SD=0.945) and the cumbersome procedures involved in paying tax (M=4.20, SD=0.99). It can be deduced from the findings that, even though these items had low rankings, their mean s shows the respondents perceived them highly.

In regards to poor record keeping as a factor of tax non-compliance among SMEs, this current study's findings are consistent with the results of Abubakar, Kabir and Garba (2021), Adegbie, Akindele and Adegbie, (2019), Kariuki, Ochieng and Munene (2017) whose concluded that poor record-keeping practices among SMEs contribute significantly to tax non-compliance. Inadequate record-keeping leads to inaccurate reporting of income and expenses, making it difficult for tax authorities to determine the correct amount of tax owed. Moreover, poor record-keeping practices lead to difficulties in providing accurate financial statements, which are crucial for meeting tax obligations.

Concerning high tax rates as a factor of tax non-compliance among SMEs, this current study's findings are also in agreement with Fuest and Peichl (2017), Syed and Ali (2020) and Gaitán and Moreno (2019) whose results also stated that negative influence tax compliance and that high tax rates are a significant factor of tax non-compliance among SMEs. Thus, high tax rates lead to high tax non-compliance among SMEs.

Moreover, the results of this current study are also congruent with the studies of Aworinde and Olaleye (2019), Aminu and Ahmed (2018) and Kuzel, Prazakova, and Vichova (2020) in regard to the complex business environment as a factor of tax non-compliance among SMEs. The results of these studies stated that a complex business environment significantly contributes to tax non-compliance among SMEs. SMEs face numerous challenges, including limited resources, inadequate knowledge of tax laws, multiple tax regimes, frequent changes in tax laws, and inadequate tax education, which make it difficult for them to comply with tax laws

Furthermore, in regard to inadequate management skills as a factor of tax non-compliance among SMEs, the results of this current study are similar to that of Ariffin, Mohamad and Ismail (2018), Hassan and Naim (2019) and Oduro and Agyemang (2020). The results showed that inadequate management skills significantly contribute to tax non-compliance among SMEs. Poor financial management practices lead to tax non-compliance among SMEs.

Thus, SMEs need to improve their management skills to comply with tax laws and avoid penalties and fines.

Also, regarding cumbersome filing processes as a factor of tax non-compliance among SMEs, the results of this current study are similar to that of Lawal and Ogunniyi (2020), Ntui and Ntui (2018) and Obradovich, Fang and Horton (2017). The results showed that cumbersome filing processes significantly contribute to tax non-compliance among SMEs. Complex and time-consuming filing procedures make it difficult for SMEs to comply with tax laws, which leads to tax non-compliance. Thus, tax authorities need to simplify and streamline the filing procedures to make it easier for SMEs to comply with tax laws and avoid penalties and fines.

RQ2: What are some of the challenges of tax compliance?

The descriptive summary and analysis of the challenges of tax compliance in the Cape Coast Metropolis using means and the standard deviation are shown in table 5 below.

Table 5: Challenges of Tax Compliance

Item	N	Mean	Std. Deviation
Poor and low capacity of tax administration	152	3.98	.776
Failure to collect sufficient tax revenues	152	3.90	.935
Absence of horizontal and vertical structural integration	152	3.85	.902
Inefficient monitoring	152	3.79	.648
Vague tax education	152	3.73	.633
Cumbersome filing processes	152	3.56	.721
Inadequate management skill	152	3.50	.747

Source: Field Work (2021)

From Table 5, it can be confirmed that the poor and low capacity of tax administration recorded the highest mean score and had a standard deviation (M=3.98, SD=0.776). These scores show that because the tax authorities have a poor and low capacity for tax administration, getting organizations to pay their taxes may be difficult. Also, the failure to collect sufficient tax revenues had (M=3.90, SD=0.935). Another major challenge of tax compliance was that respondents feel horizontal and vertical structural integration is absent (M=3.85, SD=0.902). More importantly, the study found that inefficient monitoring (M=3.80, SD=0.648) accounts for some of the challenges of tax compliance among organizations, vague tax education (M=3.73, SD=0.633), cumbersome filing processes (M=3.56, SD=0.721) and inadequate management skill (M=3.50, SD=0.747).

The results of this study are in line with the study of Yusuf, Oyinlola and Olayinka (2018), Kariuki and Ndirangu (2019), Agyei-Boapeah and Agyapong (2020) Ogunleye and Iwuamadi (2019) and Rahman et al. (2019) whose study confirmed that low capacity of tax administration, failure to collect sufficient tax revenues, absence of horizontal and vertical structural integration, Inefficient monitoring and vague tax education are part of the significant challenges to tax compliance among SMEs.

RQ3: Which measures are to be adopted to encourage tax compliance?

The descriptive summary and analysis for the measures that are to be adopted to encourage tax compliance by firms in the Cape Coast Metropolis as means and the standard deviation are shown in table 6 below.

Table 6: Measures to be Adopted to Encourage Tax Compliance by Firms

	N	Mean	Std. Deviation
There should be tax reforms	152	4.30	.764
The tax authorities should engage in intensive tax education	152	4.25	.949
There should be a simplification of the tax laws	152	4.15	.821
The tax authorities should put in place stiffer punishment against breaches of the tax laws	152	4.10	.843
The tax authorities should open more tax offices	152	4.06	.944

Source: Field Work (2021)

Table 6 confirmed that there should be tax reforms as the mean and standard deviation recorded was (M=4.30, SD=0.764). These scores show that as measures for ensuring the firms pay their tax to the government, there is also the need for the government to pressure their tax system to collect more revenue. Furthermore, the tax authorities should engage in intensive tax education (M=4.25, SD=0.949). This finding means that once tax authorities educate organizations on the importance of paying their tax, they are more likely to get more taxes from them. Another major measure for ensuring that firms pay their tax was that respondents feel there should be a simplification of the tax laws (M=4.15, SD=0.821).

Besides, the study found that tax authorities should put in place stiffer punishment against breaches of the tax laws (M=4.10, SD=0.843) could account for some of the measures of tax compliance among organizations in the Cape Coast Metropolis, and tax authorities should open more tax offices (M=4.06, SD=0.944).

This is in line with the studies of Hossain, Islam and Hoque (2018) that tax education provided by tax authorities and tax reforms that ensure simplification of the tax laws positively influenced tax compliance behaviour among small businesses. Also, this current study is consistent with the study of Lamu and Odongo (2019) who concluded that increasing the number of tax offices could reduce the distance SMEs have to travel to access tax services, thereby increasing their willingness to comply with tax regulations. However, the results of this current study contradict the findings of Zainudin et al. (2019) whose findings showed that tax penalties negatively influenced tax compliance behaviour among businesses.

Chapter Summary

This chapter presented the findings of the study. The chapter began with the reliability test and then moved to the demographics of the study. The results showed that inadequate management skills, cumbersome filing processes, complex business environment, poor record keeping and high tax rates are factors that drive tax non-compliance among firms in Cape Coast and also, tax reforms, intensive tax education, simplification of the tax laws, stiffer punishment against breach of the tax laws and opening more tax offices are measures to be adopted to encourage tax compliance by firms

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This section includes a summary of the key findings, the conclusions, and significant recommendations in light of those findings. The section concludes with suggestions for future studies.

Summary of the Study

A background and problem statement of tax non-compliance was presented in the introductory chapter of this study. The applicable literature and research question showing the associations among the variables have been reviewed. Essentially, the limitations were in relation to getting a reliable sampling frame. The study was guided by a descriptive research design. The objectives of the study were to 1) examine whether or not inadequate management skills, cumbersome filing processes, complex business environment, poor record keeping and high tax rates are factors that drive tax non-compliance among firms in Cape Coast that have been registered with the National Board for Small Scale Industries; 2) examine the challenges of tax compliance among firms in Cape Coast that have been registered with the National Board for Small Scale Industries and 3) assess the measures to be adopted by tax authorities to encourage tax compliance among firms in Cape Coast that have been registered with the National Board for Small Scale Industries. The study used the economic (deterrence) theory and the socio-psychological theory Furthermore, the collection of data was through questionnaires due to their quantitative nature to aid the researcher to achieve her objectives. Moreover, the study employed SPSS version 20 to analyse the data.

Summary of Key Findings

Research Objective 1: Complex business environment, poor record keeping and high tax rates as factors that drive non-compliance with tax regulations among firms in Cape Coast that have been registered with the National Board for Small Scale Industries.

The findings showed that inadequate record keeping leads to inaccurate reporting of income and expenses, making it difficult for tax authorities to determine the correct amount of tax owed, high tax rates lead to high tax non-compliance among SMEs, complex business environment including limited resources, inadequate knowledge of tax laws, multiple tax regimes, frequent changes in tax laws, and inadequate tax education makes it difficult to comply, inadequate management skills significantly contribute to tax non-compliance among SMEs and cumbersome filing processes contribute to tax non-compliance among SMEs.

Research Objective 2: Challenges of tax compliance among firms

The findings of the study showed that low capacity of tax administration, failure to collect sufficient tax revenues, absence of horizontal and vertical structural integration, Inefficient monitoring and vague tax education are part of the significant challenges to tax compliance among SMEs. Thus, the tax authorities' inability to enforce tax compliance is a significant factor contributing to non-compliance among SMEs as well as insufficient tax revenue may limit the capacity of tax authorities to carry out their functions effectively, leading to low tax compliance rates. Also, the lack of integration may result in the duplication of efforts, leading to confusion and inefficiencies in the tax system.

Research Objective 3: Measures to be adopted to encourage tax compliance by firms

The study found that tax reforms, intensive tax education, simplification of the tax laws, stiffer punishment against breach of the tax laws and opening more tax offices are measures to be adopted to encourage tax compliance by firms. Thus, engaging in tax reforms, and intensive tax education whiles simplifying the tax laws and enacting and implementing stiffer punishment against breach of the tax laws would encourage SMEs to comply with the tax laws. Also opening more tax offices that would make it convenient for the taxpayer would also encourage tax compliance.

Conclusion

It has been determined that based on the first objective, complex business environment, poor record keeping and high tax rates are factors that drive tax non-compliance among firms in Cape Coast that have been registered with the National Board for Small Scale Industries, the study also concluded that low capacity of tax administration, failure to collect sufficient tax revenues, absence of horizontal and vertical structural integration, Inefficient monitoring and vague tax education are part of the significant challenges to tax compliance among SMEs and also, tax reforms, intensive tax education, simplification of the tax laws, stiffer punishment against breach of the tax laws and opening more tax offices are measures to be adopted to encourage tax compliance by firms

This study contributes to the existing literature by examining factors influencing tax non-compliance by SMEs in Ghana. The study also provides a clearer picture and a holistic view of tax compliance by small and medium enterprises in the Cape Coast Metropolis.

Recommendations

Based on the first objective, SMEs should adopt proper record-keeping practices to avoid tax non-compliance, policymakers and tax authorities should simplify the tax system, provide adequate tax education to SMEs, and reduce the burden of compliance to make the business environment less complex, SMEs should also seek professional advice and guidance to improve their management skills to help them comply with tax laws, policymakers and tax authorities should simplify and streamline the filing procedures to make it easier for SMEs to comply with tax laws and that the policymakers should take steps to reduce the tax liability on SMEs by providing them with tax holidays and exemptions.

Based on the second objective, policymakers and tax authorities should simplify tax regulations and provide SMEs with the necessary knowledge and education to comply with tax laws. SMEs should also seek professional advice and guidance to comply with tax laws and avoid penalties and fines.

Based on the third objective, policymakers should introduce tax reforms, intensify tax education, and simplify tax laws. Also, stiffer punishment against breach of the tax laws should be implemented to deter SMEs from non-compliance. Furthermore, more tax offices must be opened

Suggestions for Further Research

Future research should consider including other tax compliance determinant variables that were not included in this study. This study is restricted to the Cape Coast Metropolis. Future studies may consider expanding the scope into other districts, metropolis or regions in Ghana.

Future studies can also focus on factors that influence non-compliance to taxes among firms and would be extended further to larger firms to confirm the findings in this current investigation.

REFERENCES

Abdul-Jabbar, H., & Pope, J. (2008). Exploring the relationship between tax compliance costs and compliance issues in Malaysia. *Journal of Applied Law and Policy*, (2008), 1-20.

Abdul–Razak, A., & Adafula, C. J. (2013). Evaluating taxpayers' attitude and its influence on tax compliance decisions in Tamale, Ghana. *Journal of Accounting and Taxation*, *5*(3), 48-57.

Abubakar, A. Y., Kabir, M. R., & Garba, A. (2021). The determinants of tax compliance among SMEs in Nigeria. *Journal of Accounting in Emerging Economies*, *39*, 17-32.

Acheampong, O., Debrah, O., & Yeboah, I. O. (2016). An assessment of tax compliance level of small enterprises in Ghana. *European Journal of Business and Management*, *8*(12), 81-89.

Adegbie, F. F., Akindele, R. I., & Adegbie, O. F. (2019). Tax knowledge, record keeping and tax compliance among SMEs in Nigeria. *Journal of Financial Reporting and Accounting*, *17*(4), 679-695.

Agyei-Boapeah, H., & Agyapong, D. (2020). Assessing tax compliance issues among small and medium-sized enterprises in Ghana. *Journal of Accounting and Taxation*, *12*(1), 1-15.

Ahmed, E., & Braithwaite, V. (2005). Understanding small business taxpayers: Issues of deterrence, tax morale, fairness and work practice. *International small business journal*, *23*(5), 539-568.

Ajzen, I. (1991). Theory of planned behaviour. *Organizational Behaviour and Human decision Processes*, *50*, 179 – 211.

Akinyemi, O. I., Adeleke, T. B., Adeleke, R. A., & Adeyemo, T. A. (2020). Tax compliance challenges among SMEs in Nigeria. *Journal of Accounting and Taxation, 12*(4), 46-54.

Akubia, L. (2011). *The effect of motivation on the performance of teachers in the Ghana Education Service (A case study of Obuasi Municipality).* Unpublished thesis submitted to the Kwame Nkrumah University of Science Technology.

Ali-Nakyea, A. (2019). *An examination of oil and gas taxation and revenue management in Ghana* (Doctoral dissertation, University of Pretoria).

Allingham, M. G., & Sandmo, A. (1972). Income tax evasion: a theoretical analysis. *Journal of Public Economics, 1*(3-4), 323 -338.

Alm, J., Kirchler, E., & Muehlbacher, S. (2012). Combining Psychology and Economics in the Analysis of Compliance: From Enforcement to Cooperation1. *Economic Analysis and Policy, 42*(2), 133-151.

Almunia, M., & Lopez-Rodriguez, D. (2018). Under the radar: The effects of monitoring firms on tax compliance. *American Economic Journal: Economic Policy, 10*(1), 1-38.

Alshir'ah, A. F., Abdul-Jabbar, H., & Samsudin, R. S. (2016). Determinants of sales tax compliance in small and medium enterprises in Jordan: A call for empirical research. *Small, 10*, 49.

Amboko, J. (2017). Ghana won't be able to fix its economy if it uses the last *American Economic Journal: Economic Policy*.

Aminu, U., & Ahmed, U. (2018). The challenges of tax compliance among SMEs in Nigeria. *International Journal of Academic Research in Business and Social Sciences, 8*(12), 60-74.

Annan, B., Bekoe, W., & Nketiah-Amponsah, E. (2014). Determinants of tax evasion in Ghana: 1970-2010. *International Journal of Economic Sciences and Applied Research*, *6*(3), 97-121.

Ansong, A., Agyei, S. K. & Marfo-Yiadom, E. (2017). Do lenders value a firm reputation? Evidence from SMEs in Ghana. *EuroMed J. Management*, *2* (2), 152–163.

Antwi, S. K., Inusah, A. M., & Hamza, K. (2015). The effect of demographic characteristics of small and medium entrepreneurs on tax compliance in the tamale metropolis, Ghana. *International Journal of Economics, Commerce and Management*, *3*(3), 1-20.

Ariffin, N. M., Mohamad, Z., & Ismail, I. (2018). Factors influencing tax compliance behaviour of small and medium-sized enterprises. *Journal of Financial Reporting and Accounting*, *16*(2), 256-273.

Asante, S., & Baba, A. (2011). Tax compliance among self-employed in Ghana: do demographic characteristics matter? *International Business and Management*, *3*(1), 86-91.

Asare, D. K. (2016). *Assessing the financing of the Berekum Municipal Assembly* (Doctoral dissertation).

Atawodi, O. W., & Ojeka, S. (2012). Factors that affect tax compliance among small and medium enterprises (SMEs) in North Central Nigeria. *International journal of business and management*, *7*(12).

Awases, M. (2006). *Factors affecting the performance of professional nurses in Namibia*. Doctoral thesis, University of South Africa.

Aworinde, O. B., & Olaleye, S. A. (2019). Tax compliance challenges and business performance of SMEs in Nigeria. *Journal of Accounting and Taxation, 11*(2), 14-26.

Babbie, E. (2001). *The practice of social research* (ed.). Belmont, CA: Wadsworth/Thomson Learning.

Bachas, P., & Soto, M. (2018). Corporate Taxation under Weak Enforcement.

Banerjee, A., & Chaudhury, S. (2010). Statistics without tears: Populations and samples. *Industrial Psychiatry Journal*, *19*(1), 60.

Barifaijo, K. M., Basheka, B., & Oonyu, J. (2010). *How to write a good dissertation* (Doctoral dissertation, thesis: A guide to graduate students).

Besley, T., Jensen, A., & Persson, T. (2019). *Norms, enforcement, and tax*

Bird, R. M., & Wallace, S. (2004). Is it really so hard to tax? The context and role of presumptive taxes. *Contributions to Economic Analysis*, *268*, 121-158.

Bourton, S. (2018). Revisiting dishonesty: The new strict liability criminal offence for offshore tax evaders. In *Financial Crime and Corporate Misconduct* (pp. 103-117). Routledge.

Cape Coast Metropolitan Assembly (2018). The composite budget of the Cape Coast for the 2018 fiscal year (pp. 1-62). Accra, Ghana.

Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, *34*(4), 39-48.

Cotton, A. P., Sohail, M., & Scott, R. E. (2005). Towards improved labour standards for construction of minor works in low-income countries. *Engineering, Construction and Architectural Management*.

decade's rule book. *LSE Business Review*.

Dlamini, B. (2017). Determinants of tax non-compliance among small and medium enterprises in Zimbabwe. *Journal of Economics and Behavioural Studies*, *9*(4 (J)), 242-250.

Drummond, M. P., Daal, M. W., Srivastava, M. N., & Oliveira, M. L. E. (2012). Mobilizing revenue in Sub-Saharan Africa: empirical norms and key determinants.

Edginton, M., Enarson, D., Zachariah, R., Reid, T., Satyanarayana, S. Bisell, K., Hinderaker, S. G. & Harries, A. D. (2012). *Why ethics is indispensable for good-quality operational research. Public Health Action*, *2*(1), 21-22.

Engida, T. G., & Baisa, G. A. (2014). Factors influencing taxpayers' compliance with the tax system: An empirical study in Mekelle City, Ethiopia. *eJournal of Tax Research*, *12*(2), 179 – 211.

enterprises in Ghana (Doctoral dissertation, University of Ghana).

Essilfie-Afful, M. (2018). *Tax evasion and the Ghanaian economy: evidence from Ghana revenue authority, Cape Coast Metropolis* (Doctoral dissertation, University of Cape Coast).

evasion (No. w25575). National Bureau of Economic Research.

Everest-Phillips, M. (2009, June). When Do Elites Pay Taxes? Tax Morale and State-Building in Developing Countries. In *WIDER Conference on The Role of Elites in Economic Development* (pp. 12-13).

Farzbod, J. (2000). Investigation of the effective factors in the tax efficiency. *Unpublished master's thesis, Governmental Management Training Center, Tehran*.

Ferrero, I., Michael Hoffman, W., & McNulty, R. E. (2014). Must Milton Friedman embrace stakeholder theory? *Business and Society Review*, *119*(1), 37-59.

Fishbein, M. & Ajzen, I. (1975). *Belief, attitude, intention and behaviour: An introduction to theory and research*. Massachusetts: Addison –Wesley.

Freeman, R. E. (1984). Strategic management: A stakeholder perspective.

Freeman, R. E., Harrison, J. S., & Wicks, A. C. (2007). *Managing for stakeholders: Survival, reputation, and success*. Yale University Press.

Freeman, R. E., Wicks, A. C., & Parmar, B. (2004). Stakeholder theory and "the corporate objective revisited". *Organization Science*, *15*(3), 364 369.

Friedman, A. L., & Miles, S. (2002). Developing stakeholder theory. *Journal of management studies*, *39*(1), 1-21.

Friedman, M. (1970). A Friedman doctrine: The social responsibility of a business is to increase its profits. *The New York Times Magazine*, *13*(1970), 32-33.

Fuest, C., & Peichl, A. (2017). European fiscal union: What is it? Does it work? And are there really no alternatives? *Journal of Economic Perspectives*, *31*(2), 3-24.

Gaitán, J. C., & Moreno, D. (2019). Taxes and small business growth: Evidence from Colombia. *Journal of Business Research, 103*, 405-416.

Gbadago, F. Y., & Awunyo-Vitor, D. (2015). Gift tax compliance in Ghana: evidence from Kumasi metropolis. *Journal of Accounting and Taxation*, *7*(2), 29-37.

Ghana Revenue Authority. (2012). *Ghana Revenue Authority News*, *May 2012*, *2*(10), 20-29

Golafshani, N. (2003). Understanding reliability and validity in qualitative

Hassan, R. M., & Naim, N. N. M. (2019). Factors influencing tax compliance among small and medium enterprises in Malaysia. *Journal of Financial Crime*, *26*(4), 926-937.

Hasseldine, J., & Li, Z. (1999). More tax evasion research is required in the new millennium. *Crime, law and social change*, *31*(2), 91-104.

Hindriks, J., Peralta, S., & Weber, S. (2008). Competing in taxes and investment under fiscal equalization. *Journal of public economics*, *92*(12), 2392-2402.

Hope, A. D. (2019). *Tax Structure and Economic Growth in Ghana* (Doctoral dissertation, University of Ghana).

Hossain, M., Islam, M., & Hoque, M. (2018). Tax education and tax compliance behaviour of small businesses in Bangladesh. *Journal of Accounting in Emerging Economies*, *8*(2), 288-303.

in Uganda. *Master of Science, Makerere University, Kampala*.

Inasius, F. (2018). Factors Influencing SME Tax Compliance: Evidence from Indonesia. *International Journal of Public Administration*, 1-13.

International Labour Organisation (2017). *World Employment and Social Outlook 2017: Sustainable Enterprises and Jobs, Formal Enterprises and Decent Work*. International Labour Office.

Jackson, B. R. & Milliron, V. C. (1986). Tax compliance research. Findings, problems, and prospects. *Journal of Accounting Literature*, *5*(3), 125-165.

Joubert, G., Ehrlich, R., Katzenellenbogen, J. M. & Karim, S. S. S. (2007). Epidemiology: A research manual for South Africa. 2nd ed. New York: Oxford University Press Southern Africa.

Kamleitner, B., Korunka, C., & Kirchler, E. (2012). Tax compliance of small business owners. *International Journal of Entrepreneurial Behaviour & Research*.

Kariuki, C., & Ndirangu, L. (2019). Determinants of tax non-compliance among small and medium enterprises in Kenya. *Journal of Accounting and Taxation*, *11*(1), 1-11.

Kariuki, J. N., Ochieng, M. A., & Munene, J. C. (2017). Effect of record keeping on tax compliance by small and medium enterprises in Kenya. *International Journal of Social Sciences and Entrepreneurship*, *3*(1), 1-15.

Kasipillai, J. & Jabbar, H. A. (2003). Tax compliance attitude and behaviour: Gender and ethnicity differences of Malaysian Taxpayers. *Malaysian Accountant*. February, 2 – 7.

Katua, N. T. (2014). The role of SMEs in employment creation and economic growth in selected countries. *International Journal of Education and Research*, *2*(12), 461-472.

Kayanula, D., & Quartey, P. (2000). The Policy Environment for Promoting Small and Medium Sized Enterprises in Ghana and Malawi. *Finance and Development Research Program.*

Kirchler, E. (2007). *The economic psychology of tax behaviour*. New York: Cambridge University Press.

Kirchler, E., Hoelzl, E., & Wahl, I. (2008). Enforced versus voluntary tax compliance: The "slippery slope" framework. *Journal of Economic Psychology*, *29(*2), 210-225.

Krejcie, R. V. & Morgan, D. W. (1970). Determining sample size for research activities. *Educational and psychological measurement*, *30*(3), 607-610.

Kuug, S. N. (2016). *Factors influencing tax compliance of small and medium*

Kuzel, J., Prazakova, L., & Vichova, L. (2020). The role of tax incentives in reducing tax non-compliance of small and medium-sized enterprises. *Journal of Business Economics and Management, 21*(2), 521-539.

Malik, M., & Aslam, A. (2018). The impact of tax amnesty on tax compliance: Evidence from Pakistan. *Journal of Business Research, 88*, 205-215.

Mamun, A. A., Entebang, H., Mansor, S. A., Yasser, Q. R., & Nathan, T. M. (2014). The impact of demographic factors on tax compliance attitude and behaviour in Malaysia.

Mas'ud, A., Aliyu, A. A., Gambo, E. J., Al-Qudah, A. A., & Al Sharari, N. (2014). Tax rate and tax compliance in Africa. *European Journal of Accounting Auditing and Finance Research*, *2*(3), 22-30.

Mikhail, A. A. (2017). Impact of Information and Communication Technology on Salary Administration by Controller and Accountant General's Department in Ghana: A Study of Tamale Technical University Staff. *ADRRI Journal of Arts and Social Sciences*, *14*(12), 11-25.

Mugenda, O.M. and Mugenda, A.G. (2003). *Research Methods: Quantitative and Qualitative* Approaches (2nd Edition). African Centre of Technology Studies: Nairobi, Kenya.

Mukasa, J. (2011). Tax knowledge, perceived tax fairness and tax compliance

Mwangi, P. C. N. (2014). *Factors influencing tax compliance among small and medium enterprises in Nairobi's industrial area, Kenya* (Doctoral dissertation, University of Nairobi).

Nkuah, J. K., Tanyeh, J. P. & Gaeten, K. (2013). Financing Small and medium enterprises in Ghana. *International Journal of Research in Social sciences*, *2*(3), 45-87.

Nsor-Ambala, R. (2015). Influence of individual ethical orientation on tax compliance: Evidence among Ghanaian Taxpayers. *Journal of Accounting and Taxation*, *7*(6), 98-105.

Obradovich, J. D., Fang, X., & Horton, R. (2017). Small business tax complexity and non-compliance: A review of the literature. *Journal of Accounting Literature*, *39*, 17-32.

Oduro, A. D., & Agyemang, G. K. (2020). Financial management practices and tax compliance of small and medium enterprises in Ghana. *African Journal of Economic and Management Studies*, *11*(2), 232-245.

Ofori, R. & Dampson, D. G. (2011). Research methods and statistics using SPSS. *Amakom-Kumasi: Payless Publication Limited*.

Ogunleye, E. K., & Iwuamadi, K. C. (2019). Tax compliance among small and medium enterprises in Nigeria: the role of tax education. *Journal of African Business*, *20*(3), 308-321.

Opoku, J. S. (2016). *The role of tax audit in revenue mobilisation in Ghana*

Oppong, F., & James, S. (2016). Tax Expenditure Estimates in Ghana.

Organisation for Economic Co-operation and Development (2017). *Enhancing the contributions of Small and Medium Enterprises in a global and digitalized economy*. Retrieved September 2018, from https://www.oecd .org/mcm/documents/C-MIN-2017-8-EN.pdf

Palil, M. R. (2010). *Tax knowledge and tax compliance determinants in the self-assessment system in Malaysia* (Doctoral dissertation, University of Birmingham).

Peprah, J. A., Mensah, A. O., & Akosah, N. B. (2016). Small and medium-sized enterprises (SMEs) accessibility to public procurement: SMEs entity perspective in Ghana. *European Journal of Business and Social Sciences*, *4*(11), 25-40.

Rahman, M. A., Rahman, M. M., & Hasan, M. M. (2019). Factors affecting tax compliance of small and medium enterprises (SMEs) in Bangladesh: A study on Rajshahi City. *Journal of Accounting and Taxation*, *11*(3), 29-41. research. *The qualitative report*, *8*(4), 597-607. *Revenue Authority: The case of Ashanti Region* (Doctoral dissertation).

Richardson, G. (2008). The relationship between culture and tax evasion across countries: Additional evidence and extensions. *Journal of International Accounting, Auditing and Taxation*, *17*(2), 67-78.

Ross, A. M., & McGee, R. W. (2012). Attitudes toward tax evasion: A demographic study of South African attitudes on tax evasion. *Journal of economics and economic education research*, *13*(3), 13.

Rubin, A. & Babbie, E. R. (2016). *Empowerment Series: Research methods for social work*. Cengage Learning.

Saad, N. (2012). Tax non-compliance behaviour: Taxpayers view. *Procedia-*

Sakoe, J., & Asare, M. (2015). Small and Medium Scale Enterprises in Ghana and Withholding Tax Issues: Challenges, Effects and Solutions. *The International Journal of Business & Management*, *3*(9), 317.

Sekaran, U. & Bougie, R. (2010). Theoretical framework in theoretical framework and hypothesis development. *Research methods for business: A skill building approach*, *80*.

Sekaran, U. & Bougie, R. (2016). Research methods for business: A skill building approach. John Wiley & Sons.

Sekaran, U. (2000). *Research Methods for Business*, (edn). USA: Hermitage Publishing Services Publication Company.

Shahrodi, S. M. M. (2010). Investigation of the effective factors in the efficiency of the tax system. *Journal of Accounting and Taxation*, *2*(3), 42-45.

Silvani, C. A. (1992). 8 Improving Tax Compliance. In *Improving Tax Administration in Developing Countries*. International Monetary Fund.

Slemrod, J. (2007). Cheating ourselves: The economics of tax evasion. *Journal of Economic Perspectives*, *21*(1), 25-48.

Social and Behavioural Sciences, *65*, 344-351.

Soglo, G., Ntow, M. O., & Acakpovi, A. (2013). Automated Business Name Reservation and Registration System-A Case Study of Registrar General's Department, Ghana. *International Journal of Computer Applications*, *77*(16).

Storey, D. (1994). Understanding the Small Business Sector. *Entrepreneurial Leadership Historical Research*.

Stuff, I. M. F. (2007). Taxation of Small and Medium Enterprise, International Tax Dialogue Conference, Buenos Aires.

Syed, N., & Ali, N. (2020). The relationship between tax morale and tax compliance among Pakistani SMEs. *Journal of Small Business Management, 58*(2), 453-472.

Tedds, L. M. (2006). Tax non-compliance and corporate governance: a comparative study. In *Working Paper, University of Manitoba 2006*.

Terkper, S. E. (2008). Accounting challenges for semi-autonomous revenue agencies (SARAs) in developing countries.

Tilahun, A., & Yidersal, D. D. (2014). Determinants of tax compliance behaviour in Ethiopia: The case of Bahir Dar city taxpayers. *Journal of Economics and Sustainable Development*, *5*(15), 268-273.

Tilahun, A., & Yidersal, D. D. (2014). Determinants of tax compliance behaviour in Ethiopia: The case of Bahir Dar city taxpayers. *Journal of Economics and Sustainable Development*, *5*(15), 268-273.

Torgler, B. (2007). *Tax compliance and tax morale: A theoretical and empirical analysis*. Northampton: Edward Elgar Publishing.

Touliatos, J.S. and Crampton, N.M. (1988). Research Methods in Human Ecology and Economics. Iowa State University Press, AMES.

Trivedi, V. U., Shehata, M., & Lynn, B. (2003). Impact of personal and situational factors on taxpayer compliance: An experimental analysis. *Journal of Business Ethics*, *47*(3), 175-197.

Vasak, S. (2008). Small, medium, and large enterprises. *USAID business climate reform*.

Wadesango, N., Mutema, A., Mhaka, C., & Wadesango, V. O. (2018). Tax Compliance of Small and Medium Enterprises Through The Self-

Assessment System: Issues and Challenges. *Academy of Accounting and Financial Studies Journal*, *22*(3), 1-15.

Wahabu, A. (2017). *Examining Tax Compliance of Small and Medium-sized Enterprises in the Tamale Metropolis*. (Master's thesis, University of Cape Coast). Retrieved from https://erl.ucc.edu.gh/jspui/bitstream/..pdf

Wang, X. (2010). *Tax avoidance, corporate transparency, and firm value* (Doctoral dissertation, University of Texas).

Westhead, P., Ucbasaran, D., & Binks, M. (2004). Internationalization strategies selected by established rural and urban SMEs. *Journal of Small Business and Enterprise Development*.

Yaobin, S. (2007, October). Tax, small business, growth: effect of taxation on investment and cross-border trade. In *ITD Conference on Taxation of SMEs*.

Yin, R. K. (2003). Design and methods. *Case Study Research*, *3*(1).

Youde, S., & Lim, S. (2019). The determinants of medium taxpayers' compliance perspectives: empirical evidence from Siem reap province, Cambodia. *International Journal of Public Administration*, *42*(14), 1222-123.

Yusuf, S. A., Oyinlola, M. A., & Olayinka, O. R. (2018). Small and medium scale enterprises (SMEs) and tax compliance in Nigeria. *Journal of Accounting and Taxation*, *10*(4), 44-52.

APPENDICES

APPENDIX A: QUESTIONNAIRE

Dear Respondent,

I am a Master of Business Administration degree (Accounting) student at the University of Cape Coast. The focus of my research is to assess the factors that influence Tax Non-compliance amongst SMEs in the Cape Coast metropolis. Your opinions are much appreciated. This is research and your participation is voluntary. To ensure your privacy, you are not required to provide your name, phone number, email address, or any detail that could be used to identify you. Your responses are also confidential. Thank you so much for participating.

Section A: Demographic Data

Kindly provide the appropriate response and tick [√] the box that correctly describes you.

1. Sex: Male ☐ Female ☐
2. Age 21 - 31 years ☐ 32 - 41 years ☐ 42 - 51 years ☐ above 52 years ☐

3. Educational Qualification: Never been to school ☐ JHS ☐ SHS/O'' level/ A level ☐ Diploma ☐ Bachelors degree ☐ Master's ☐ PhD ☐ Other Specify ………………

4. Ownership of your Organization: Single ownership ☐ Partnership ☐ Company ☐

5. Nature of your organization: Vehicle maintenance ☐ Providing services ☐ Selling spare parts ☐ Others ☐

6. Age of your organization: Less than 1 year ☐ 1-5 years ☐ 5-10 years ☐ 10-20 years ☐ More than 20 years ☐

How many staff does your organization have? Less than 5 ☐ 5-15 ☐ 15-25 ☐ 25-50 ☐ 50-100 ☐

Section B: Factors influencing tax non-compliance among firms

The table below shows your perceptions about the factors influencing tax non-compliance among firms. Please indicate the degree of your agreement with each statement by **ticking** (√) the most appropriate column: where **1= Strongly Disagree 2=Disagree 3=Neutral 4=Agree 5= Strongly Agree**

Description: Factors influencing tax non-compliance among firms	**1**	**2**	**3**	**4**	**5**
The tax laws and procedures for paying taxes are too complex.					
The tax rates are too high.					
The businesses are not profitable.					
The tax authority has not asked for tax.					
The tax officials are too corrupt					
There is a lack of understanding of the tax laws.					
There is a lack of proper bookkeeping.					
Distance between the tax office and place of business.					
Cumbersome procedures involved in paying tax					

Section C: Challenges of Tax Compliance

This table shows your perceptions about the challenges associated with tax compliance. Please indicate your level of agreement with each statement by **ticking** (√) the most appropriate column.

Section C: Challenges of Tax Compliance	1	2	3	4	5
Poor and low capacity of tax administration.					
Failure to collect sufficient tax revenues.					
Absence of horizontal and vertical structural integration.					
Inefficient monitoring.					
Vague tax education.					
Cumbersome filing processes.					
Inadequate management skills.					

Section C: Measures to be adopted by tax authorities to encourage tax compliance

This table seeks to identify your opinion on measures to be adopted by tax authorities to encourage tax compliance among firms. Please indicate your level of agreement with each statement by **ticking** (√) the most appropriate column

Section C: Measures to be adopted by tax authorities to encourage tax compliance	1	2	3	4	5
There should be tax reforms.					
The tax authorities should engage in intensive tax education.					
There should be a simplification of the tax laws.					

The tax authorities should put in place stiffer punishment against breaches of the tax laws					
The tax authorities should open more tax offices.					

Thank You.

APPENDIX B: INTRODUCTORY LETTER

UNIVERSITY OF CAPE COAST
COLLEGE OF HUMANITIES AND LEGAL STUDIES
SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING

Telephone: 0312292655
E-mail: dact@ucc.edu.gh

UNIVERSITY POST OFFICE
CAPE COAST, GHANA

Our ref: SB/DACT/IL/V.1/134

Date: 24th August, 2021

Your ref:

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

LETTER OF INTRODUCTION: MAVIS BAAH

The bearer of this letter, Miss Mavis Baah is a Master of Business Administration (Accounting) student at the Department of Accounting, School of Business, University of Cape Coast. As part of the programme of study, she is conducting a research required to present a project report on **"Examining the Factors Influencing Tax Non-Compliance among Firms in the Cape Coast Metropolis".**

We would be grateful if you could offer her the needed assistance to enable her proceed with the research.

Please, for further information on the project you can contact the

Supervisor: Mr. Evans Frimpong-Manso
Email: efrimpong-manso@ucc.edu.gh

Yours faithfully,

Mr. Evans Frimpong-Manso
Supervisor

ARTMENT OF ACCOUNTING
SCHOOL OF BUSINESS
UNIVERSITY OF CAPE COAST
CAPE COAST

APPENDIX C: LIST OF FIRMS REGISTERED WITH THE NBSSI

Ackah Infrastructures Company Limited (aic Ltd), Loophole Property, Ankwanda Beach Resort Ltd, Cape Coast Hotel, Fespa Hotel, Haizel Guest House, Hacienda Hotel, Heavens Lodge, Hans Cottage Botel, Jubilee Lodge Hotel, Vec Hotel, Mighty Victory Hotel, Nana Bema Hotel, Savoy Hotel, Eshu World, Marnico Guest House, Nabbak Guest House, Saint Guest House, Coastal Television, Jilac Co. Ltd, Graphic Communications Group, Barak Grafix, Low Price Estate Agency, Loophole Property Gh. Ltd, Good God Ent, Zoomlion Ghana Ltd, Asofat Construction Ghana Ltd, Blessed Cash Enterprise, China International Construction Co, Geokab Building & Terrazo Works Ltd, Jaidoo Construction, Legna Construction Works, Gratis Foundation, Komart Agricultural Enterprise Ltd, Rp Engineering Co. Ltd, Central Agric-business, Mandis Ltd, T.t. Media, Kakum National Park (office), Ghana Museums & Monuments Board, Jeremiah Soundz, Pearl In Craft Cake Dec. School, Arhinco Enterprise, Gifts Shop, Uhuru Gifts & Cards Shop, Unforgetable Gifts & Cards, Events Gallery, Casanova Spot, Friends Gardens, Seven Up Restaurant, Court Canteen, G. & I. Spot, Meet Me There, Hacienda Plaza, Obra Spot, Precious Canteen, Solace, Sweet Gardens, West End Spot, Agona Rural Bank Ltd, Agricultural Development Bank (ADB), Ahenkro Rural Bank, Arb Apex Bank Ltd, Ghana Commercial Bank, Ghana Commercial Bank Abura, Ghana Commercial Bank Ape Coast Castle, Hfc Bank Gh. Ltd, Kakum Rural Bank Ltd, National Investment Bank (nib) Ltd, Procredit Savings & Loans Co. Ltd, Prudential Bank Ltd, Prudential Bank Ltd University, Social Security & National Insurance Trust (ssnit), Societe Generale Ghana, Standard Chartered Bank Gh. Ltd. (stanchart), Standard Developers Ltd, Ut Bank Gh. Ltd, Zenith

Bank Gh. Ltd, Lims Accounting, Neb Accounting Consult, Powerink Accounting Solutions, Strategic Hedge Capital (shc) Ltd, Donewell Insurance Co. Ltd, Progressive Insurance Co, Quality Insurance Co. Ltd, Starlife Assurance Co. Ltd, Vanguard Assurance Co. Ltd, Dream Finance Ltd, Ghana Co-operative Credit Unions Association (cua) Ltd, Oguaa Teachers Co-operative Credit Union, Architects & Engineering Services Ltd, Project Search Consultancy, Judicial Service, Arapra Chambers, Cape Coast Central Mtu, Charge Office, Bureau Of National Investigations, Ghana Police Service (central Mtu), Ghana Police Service (central Police), Signal Office, Add-on-cards Computer Systems, Albeesa Computers, Alpha-star Ltd, Chafford Systems, Computer Distribution Services, Emax Systems, Liquid Crystal Ventures, Pc Direct, Total Micro Solution, Mesto Systems Inc, Christie-tech Computer Systems, Accounting Plus Ghana, Casford Communication & Consultancy Centre, Baiden-ghartey Memorial Hospital, Fynba Hospital, Microclinic Int., Forex Trading Firm Ltd, Albert Sam Memorial Preparatory School, Fairweather School, Flowers Gay Schools, Mary Queen of Peace, Montessori School, Ola Girls Boarding School, Pere Planque Memorial Preparatory School, Tuwohofo Holly International School, University of Cape Coast Primary School, University Practice School, Kra Hia Mem. Hosp., Ajumatech Consults, Creative Wood Craftman, Ankogan Phones, Except God Enterprise, Global Family Network Ghana (GFNG), Network for Rural Human Resource Development & Enterprise Initiative, Chiropractic & Wellness Centres (CWC), Airtel Tigo, Friendly Products (Friendly Ice Drinking Water), Attorney General's Department, Department of Socio-Economic Development (SED), Nasika Travel & Tours Agency, Ghana National Fire Service, Ghana

National Fire Service (Regional Office), Hydrological Services Department, Kertas Fashion Enterprise, Nana Bentsil Design Shop, Sab Fashion Designs, Sharp Looks Designs, Akwats Designs Ent, Lims Accounting, Neb Accounting Consult, Powerink Accounting Solutions, Komart Agricultural Enterprise Ltd, Rp Engineering Co. Ltd., Mandis Ltd, Geokab Buildingg & Terrazo Works Ltd., Legna Construction Works, Architects & Engineering Services Ltd, Project Search Consultancy, Clc, Add-on-cards Computer Systems, Liquid Crystal Ventures, Pc Direct, Total Micro Solution, Mesto Systems Inc.