

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

COLLEGE OF HUMANITIES AND SOCIAL SCIENCES

DEPARTMENT OF ACCOUNTING AND FINANCE

KNUST

TAX EVASION AND AVOIDANCE AMONG SMALL AND MEDIUM SIZED

ENTERPRISES IN EFFIDUASE, ASHANTI REGION

**A THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND
FINANCE KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
FOR THE AWARD OF A MASTER OF SCIENCE DEGREE IN ACCOUNTING AND
FINANCE**

FESTUS KOFI BESSAH

NOVEMBER 2023

i

KNUST



DECLARATION

I, the undersigned do hereby declare that this project work is the result of my original research and that no part of it has been presented for another Degree in any other University. However, all sources used in the writing of this study have been duly acknowledged.

Name: Festus Kofi Bessah
(PG3913220) Signature. Date

Certified by:
Kwasi Poku (Ph.D.)
.....
(Supervisor) Signature Date

Certified by:
Prof. K. O. Appiah (PhD, FCCA)
..... (Head of Department) Signature
Date

DEDICATION

This project work is dedicated to all my family members and friends who supported me.

KNUST



ACKNOWLEDGEMENT

My sincere gratitude goes to the Almighty God for the strength to go through this Masters programme. I am grateful for all the financial support a received.

The good work of my Supervisor Dr. Kwasi Poku through his guidance is greatly appreciated and your encouragement was very overwhelming.

I am very grateful to my friend and brother Benjamin A. Ansah for his support to read through my work before I send them.

I also acknowledge the role Dr. Christopher S. Y. Appiah played to help me complete this work.

KNUST

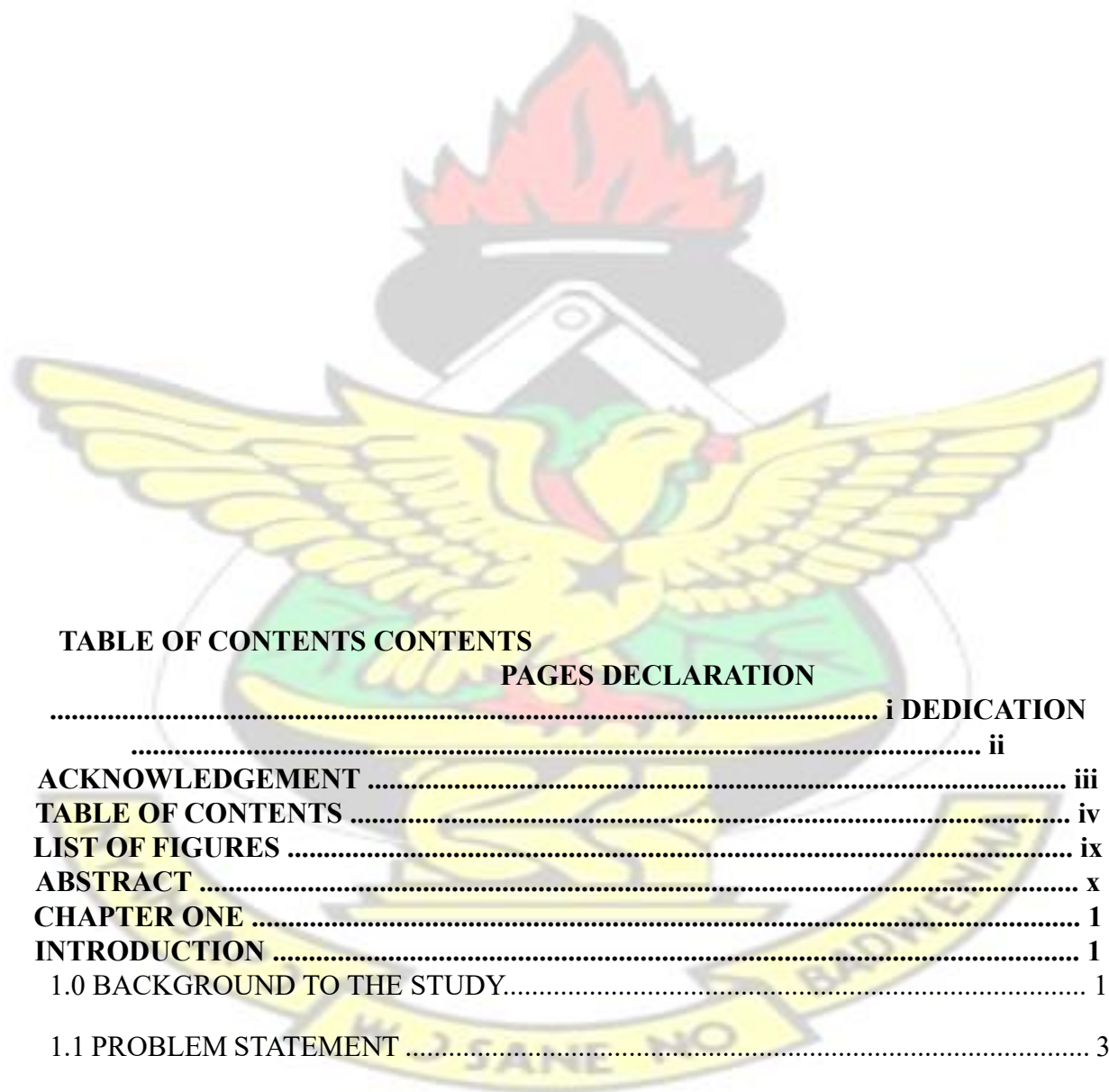


TABLE OF CONTENTS CONTENTS	
	PAGES DECLARATION
.....	i DEDICATION
.....	ii
ACKNOWLEDGEMENT	iii
TABLE OF CONTENTS	iv
LIST OF FIGURES	ix
ABSTRACT	x
CHAPTER ONE	1
INTRODUCTION	1
1.0 BACKGROUND TO THE STUDY.....	1
1.1 PROBLEM STATEMENT	3
1.2 RESEARCH OBJECTIVES	5
1.3 RESEARCH QUESTIONS	5

1.4 SCOPE OF THE STUDY.....	6
SUMMARY OF METHODOLOGY	6
1.6 JUSTIFICATION OF THE STUDY	7
1.7 LIMITATION OF THE STUDY	8
1.8 ORGANISATION OF THE STUDY	8
CHAPTER TWO	
10 LITERATURE REVIEW	
10	
2.0 INTRODUCTION	10
2.1 CONCEPTUAL REVIEW	10
2.1.1 TAXATION.....	10
2.1.2 Nature of Taxes	11
2.1.3 CLASSES OF TAX	11
2.1.3.1 Direct Tax	11
2.1.3.2 Indirect Taxes	12
2.1.4 PRINCIPLES OF TAXATION	12
2.1.4.1 Clarity and Certainty	12
2.1.4.2 Convenience	13
2.1.4.3 Economical and Efficiency	13
2.1.4.4 Fairness	13
2.1.5 TAX EVASION	14
2.1.6 TAX AVOIDANCE	14
2.1.7 INFORMAL SECTOR	15
2.1.8 DIFFICULTIES IN MOBILIZING TAXES	15
2.1.9 EFFECTIVE STRATEGIES TO ENFORCE TAX COMPLIANCE	18
2.2 THEORETICAL REVIEW	19
2.2.1 Benefit Received Theory	19

2.2.2 Principle of Tax Morale	20
2.2.3 Economics of Crime Model	21
2.3 EMPIRICAL REVIEW OF LITERATURE	22
2.4 CONCEPTUAL FRAMEWORK	24
CHAPTER THREE	26
METHODOLOGY	26
3.0 INTRODUCTION	26
3.1 Research Design	26
3.2 Population	27
3.3 Sampling and Sampling Technique	28
3.4 Data and Data Sources	29
3.5 Data Collection Instrument	29
3.5.1 Questionnaires	30
3.5.2 Semi –Structured Interview	30
3.6 Data Analysis Technique	30
3.7 Ethical Consideration	31
3.8 Reliability and Validity	31
3.9 Summary of the Chapter	32
CHAPTER FOUR	34
DATA ANALYSIS AND DISCUSSION OF FINDINGS	34
4.0 INTRODUCTION	34
4.1 Questionnaire Response.	34
4.2 Personal / Demographic Information	34
4.3 Firm Information	36

4.4 Objective One: To ascertain causes of tax evasion and avoidance by small and medium-sized businesses.	37
4.4.1 Objective Two: To examine strategies used by the Ghana Revenue Authority (GRA) to enforce accumulation of revenues (taxes) from the small and medium sized enterprises in Effiduase.	40
4.4.2 Objective three; To probe difficulties that the tax agency faces when attempting to gather taxes from the small and medium-sized businesses in Effiduase, Ashanti Region. ..	44
Table 4.8: Summary responses obtained from respondents to research question 3	44
4.5 Main Responses from GRA Official	47
4.5.1 Objective One: To ascertain causes of tax evasion and avoidance by small and medium-sized businesses.	47
4.5.2 Objective Two: To examine strategies used by the Ghana Revenue Authority (GRA) to enforce accumulation of revenues (taxes) from the small and medium sized enterprises in Effiduase.	50
4.5.3 Objective three; To probe difficulties that the tax agency faces when attempting to gather taxes from the small and medium-sized businesses in Effiduase, Ashanti Region. ..	51
4.6 Discussion of Findings	52
CHAPTER FIVE	
55 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	
55	
5.0 INTRODUCTION	55
5.1 Summary of the Findings	55
5.2 Conclusions	58
5.3 Study Recommendations	59
REFERENCES	
61 APPENDIX 1.....	
67	

KNUST



LIST OF TABLES

Table 3.2 Sample of Selected Enterprises in the industry	29
Table 4.1: Questionnaire Response Rate	34
Table 4.2 Demographical Information	35
Table 4.3: Firms in the Industry	36
Table 4.4: Summary responses obtained from respondents to research question 1	37
Table 4.5: Fisher Exact Test of independence between the demographic characteristics of respondents and reasons for tax avoidance and evasion	39
Table 4.6: Summary responses obtained from respondents to research question 2	40
Table 4.7: Fisher Exact Test of independence between the demographic characteristics of respondents and tax enforcement strategies to collect taxes	43
Table 4.9: Fisher Exact test of association between challenges in tax collection and demographics	46
Table 4.11: The Monthly Income Tax Rates for Resident Individual	48
Table 4.12 Formal Annual Income Tax Rates for Resident Individual	49
Table 4.13 Formal Monthly Income Tax Rates Applicable to Resident Individual.....	49

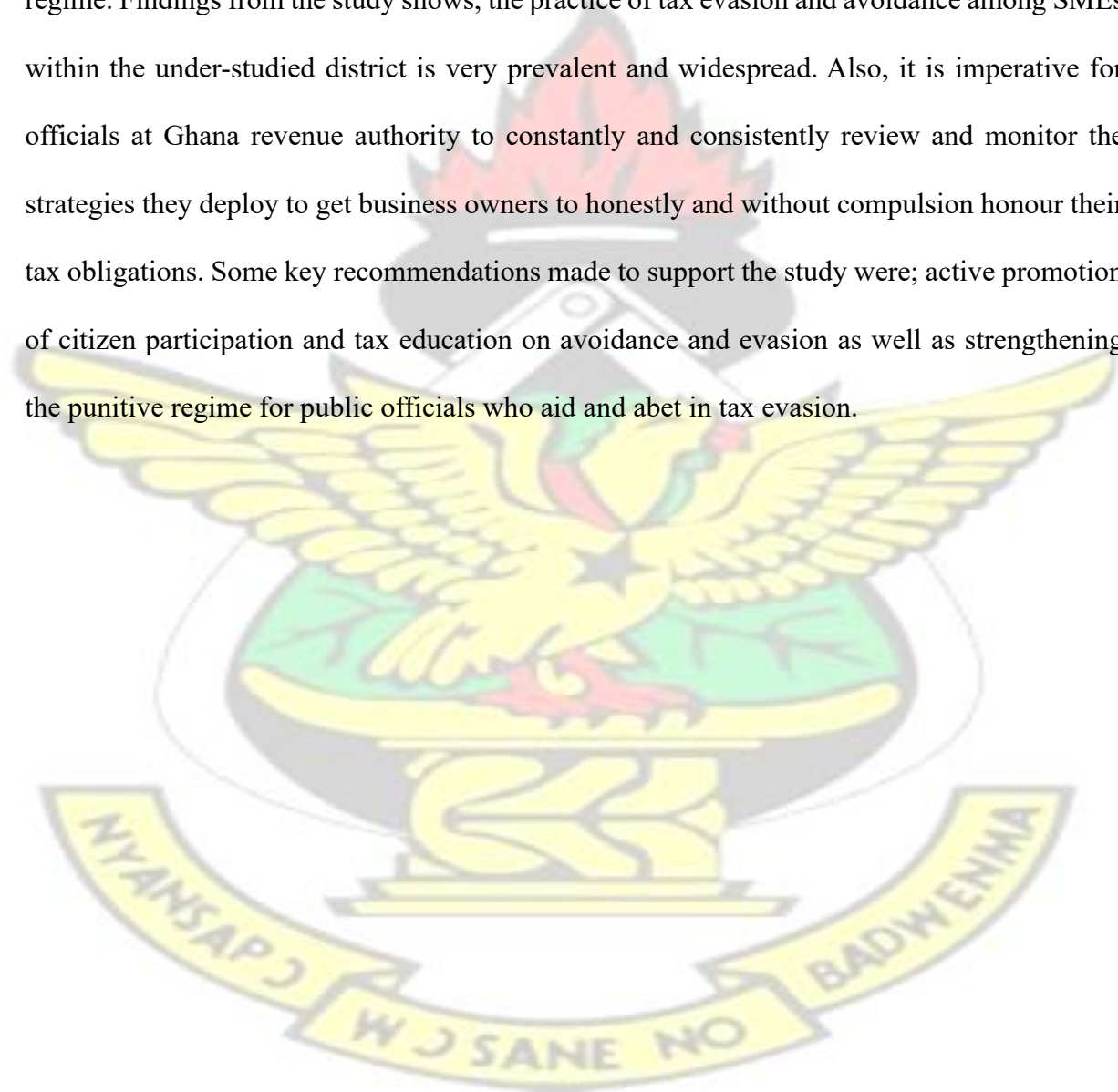
LIST OF FIGURES

Figure 2.1: Conceptual Frame Work.....	25
----------------------------------------	----

ABSTRACT

This research study was undertaken to examine Tax evasion and avoidance among small and medium sized enterprises in Effiduase, Sekyere – East District of the Ashanti Region of Ghana. The design of this research work was a case study one and the approach adopted was the mixed methodology incorporating both qualitative and quantitative questions based on the research objectives. The sampling procedure that was used for the study was a probability sampling while the technique used for a combination of purposive and convenience sampling. due to the interview guide developed. The population for the study was 349 comprising all small and medium size businesses within the study area. The sample size used for the study was 126 SMEs business owners. The study used both primary and secondary data and tools for data

collection was were relied upon and used for this study. The main tools for the collection of data was an interview guide and a structured questionnaire. Nvivo software was used to analysed the responses obtained from the interview while SPSS version 27 was used for the responses obtained via the structured questionnaire. Three study objectives were formulated for the study which were firstly, to examine awareness and measures on tax commitment, secondly, the evaluations used for tax payments and lastly, challenges in the tax administration regime. Findings from the study shows, the practice of tax evasion and avoidance among SMEs within the under-studied district is very prevalent and widespread. Also, it is imperative for officials at Ghana revenue authority to constantly and consistently review and monitor the strategies they deploy to get business owners to honestly and without compulsion honour their tax obligations. Some key recommendations made to support the study were; active promotion of citizen participation and tax education on avoidance and evasion as well as strengthening the punitive regime for public officials who aid and abet in tax evasion.



CHAPTER ONE INTRODUCTION 1.0 BACKGROUND TO THE STUDY

Tax evasion and tax avoidance are widespread in most developing nations, and the situation is exacerbated by the fact that few of these governments have made an attempt to assess the ethical grounds given by taxpayers, the scope of the problem, and its impact. As a result, when necessary money for effective government operation cannot be generated, these countries frequently resort to raising tax rates or imposing new taxes. Borrowings that may not only drown out their countries' private sector but also lead to debt traps. Tax evasion, on the other hand, distorts the idea of perfect market resource allocation and income redistribution. This can lead to economic stagnation and far-reaching socioeconomic consequences. As a result, there is a need to comprehend tax payer behavior and the factors that contribute to such behavior.

However, taxpayer noncompliance has always been a major source of worry around the world. Both developed and developing countries concentrate on fixing the shortcomings of their various tax laws, thereby addressing the issues of avoidance and evasion in their own tax environments.

According to Alstadsaeter, Johannesen, and Zucman (2019), we investigate the replacement between illicit tax evasion and legal tax avoidance using comprehensive administrative data and salient policy variation. The Norwegian government compelled many wealthy individuals to reveal previously undisclosed assets by strengthening its enforcement efforts. We discover that the taxes paid by these individuals increase by 30% at the time of disclosure and that the increase persists over time. Taxpayers do not resume evasion once they have stopped. Our findings indicate that cracking down on wealthy tax evasion can be an effective approach to improve tax revenue, increase tax progressivity, and, eventually, reduce inequality.

Bahadur (2018) assessed how tax evasion affected overall tax revenue and economic growth in Nepal. The relationship between tax evasion and the dependent variables (total tax revenue and GDP) was examined using correlation and linear regression analysis. The results show that tax

evasion has a bad relationship with Nepal's economic development and tax revenue. The paper claims that tax evasion has a negative impact on overall tax revenue and Nepal's GDP. Carlos and Lars (2018) used a theoretical model and a dynamic OLG model of tax evasion to study the connection between tax evasion and economic development.

The study found that both the total amount of tax evasion and the number of tax evaders rise with a higher tax rate. However, tax evasion as a percentage of GDP declined as a nation's GDP climbed. At the same time, GDP per capita showed a positive relationship with tax compliance. For a set of 32 OECD nations from 2000 to 2007, Konstantinos, Pantelis, and Vangelis (2018) provided empirical evidence on the relationship between aggregate output growth, announced tax rate, and tax monitoring expenses using a conventional endogenous growth model enhanced with tax evasion. According to the study's findings, the recession rendered useless high declared tax rates above the elasticity of public capital as well as increased tax auditing costs.

In order to examine the effects of tax evasion and tax collection on economic stability in 29 OECD countries from 1990 to 2013, Mehrara and Farahani (2016) employed panel data. Prior to examining the effects of tax evasion and tax revenues on the economic stability of the countries under study, the study first employed the monetary approach to measure the tax evasion index. The findings indicate that tax evasion contributes to economic instability, but that raising tax collections will likely result in an improvement in the economic standing of the 29 OECD countries.

The whole goal of taxation is to enhance the overall well-being of the nationals. The national revenues (taxes) helps provide the income that is required by the government for its important government functions. More so, taxes act as a socioeconomic weapon that can be utilized to eliminate excessive wealth disparities. Taxation can also be used to control inflation and create economic stability.

Governments all across the world have put in place systems to force everyone to pay taxes. In Ghana, the Ghana Revenue Authority (GRA) is in charge of assessing direct taxes, collecting them, and depositing the revenues into the government accounts. The amount raised is then disbursed based on the requirement by the various sectors of the economy for development purposes.

Furthermore, expected utility, detection probability, source/level of income, level of fines, tax morale, trust in organizations, social norms peer effects, religiosity power of deterrence mechanism, perceived fairness of tax system (Ritsatos, 2014) influence tax compliance decisions.

1.1 PROBLEM STATEMENT

The idea of tax morale by businesses is that part of their civic duties to the government. Taxpayers have a moral obligation to pay their taxes. According to Ukaj (2014), effective governance boosts citizens' trust in government agencies and fortifies their resistance to tax evasion and fraud. They are supposed to adhere to the tax morale principle, which calls for businesses and people to pay taxes as their individual contribution to society and to have a good relationship with the government, as decent citizens. People who adhere to tax morality understand that paying taxes is their moral obligation and that the state does not have to force them to do so.

Amanamah (2016) did a study on the subject to discover the primary factors that affected small and medium-sized enterprises' (SME's) tax compliance in Ghana's Kumasi Metropolis. According to the report, 90% of respondents lacked tax education. Furthermore, enforcement for non-payment of taxes was a concern, as it were rate highest among the findings. Mantey (2015) published another study on the examination of tax compliance among small business income earners in Kumasi's Suame Magazine. Earners in certain business sectors did not want

to declare their genuine returns. Also they need sufficient information on taxation, and were having a bad impression about the system of taxation in the country according to the findings. Appiah (2016) conducted another Kumasi study, this time focusing on the issues of paying taxes for the city's SMEs. The study revealed that the issues that impede tax payment are unawareness of tax rules, poor accounting records, proximity of tax office against businesses locations, and cumbersome tax processes for payments. Wahabu (2017) conducted another study that looked at implementation of the tax laws among the SMEs in the Tamale Metropolitan. The research discovered that the intricacy of tax regulations, opinion of government expenditure, revenues raised by the metropolis enterprises, and rate of taxes were the primary factors influencing SMEs' submission with tax laws. In Accra, Ghana, Fagariba (2016) performed a research on the perspectives of the causes of tax evasion among traders and SMEs. From the study's findings, the main factors that caused tax evasion among the aforementioned parties were high levels of corruption in the government, weak enforcement, poor tax education, loopholes in the tax net, issues of tax burden, poor revenue generated by companies, and the tax authorities' limited capacity to detect defaulters. Kuug (2016) explored the factors impacting SMEs' tax compliance in Ghana. According to the study's findings, the most important elements influencing tax compliance were capital structure, compliance cost, tax rates, tax audits, and tax payer morale.

From the various research conducted on tax compliances, most of the research was conducted in the well-known commercial business communities. However, there were no research conducted in the less- known commercial business environment area. Hence the choice of Effiduase was very important on the issue of tax avoidance and evasion. Also the district is a farming community where individual raise capital from their farm produce into small and medium sized enterprises and their profit is invested in their farming. More so, no tax agency resides in the district therefore the issue of tax education raised by previous study was a gap to

test and see how high it can be within such district. Finally, a strategic plan to resolve tax compliances have not been established in previous study therefore a need to research.

1.2 RESEARCH OBJECTIVES

The major goal of this study is to offer an alternative approach to reduce or manage tax evasion and avoidance among small and medium-sized in Effiduase of the Ashanti Region in Sekyere

- East District. In light of this, the following goals were established for the paper to pursue:

1. To ascertain the causes of tax evasion and avoidance by small and medium-sized businesses.
2. To examine the strategies used by the Ghana Revenue Authority (GRA) to enforce accumulation of revenues (taxes) from the small and medium sized enterprises in Effiduase.
3. To probe the difficulties that the tax agency faces when attempting to gather taxes from the small and medium-sized businesses in Effiduase, Ashanti Region.

1.3 RESEARCH QUESTIONS

The researcher is interested to address these questions:

1. In what way are the small and medium sized enterprises evaluated for tax payment and what will cause tax evasion?
2. Are the small and medium sized enterprises aware of their tax commitments and the measures used by tax administrators in collecting tax?
3. Are the small and medium sized enterprises satisfied with the tax collection system and challenges tax administrators' faces during collection of taxes?

1.4 SCOPE OF THE STUDY

The purpose of this study is on tax compliance. The issue of tax evasion and tax avoidance have become a burden on most countries and Ghana is not an exception. The researcher intends to

seek information from the small and medium sized enterprises in Effiduase on the subject matter.

Even though their secrecy was guaranteed, the majority of Micro, Small, and Medium-Sized Enterprises in the Effiduase were not willing to share business information. More so, staff of GRA in the Mampong Domestic Tax Division were interviewed because they were responsible for tax collection in the Effiduase district.

The research was scheduled to last for seven (7) months due to working and schooling at the same time. Also, the issue of time was a constraint due to the fact that data collecting was not centered only in Effiduase but Mampong as well.

SUMMARY OF METHODOLOGY

The methodology of any research study carefully and systematically explains the various approaches, themes as well as the step by step methods that would eventually help in the realization of the main objective of the study. The methodology identified for this study was deemed appropriate since it can help achieve the objectives set out for the study. This is based on the established principles and guidelines and consistent with other scientific surveys relative to this study. Consequently, the researcher would proceed to the structured questionnaire as well as the one on one interview that was conducted. After gathering the data, the research study will look at the findings obtained from the data and give appropriate analysis.

1.6 JUSTIFICATION OF THE STUDY

The effectiveness of tax administrators will be considerably improved by knowing the reasons behind and the scope of tax evasion. In order to raise compliance rates, it is also necessary to

assess the judicial and administrative actions taken to combat tax evasion. Another reason the study is required right now is to assist the tax authorities in developing the necessary tax collection techniques to prevent problems with tax evasion and avoidance. And given that our nation's ability to generate money depends in part on the collection of taxes, without which it would not be able to function to its fullest potential. In order to avoid tax avoidance, a solution must be seen.

The Government of Ghana (GoG) will ultimately gain insight from this study and efficient tax execution techniques for mobilizing taxes from the nation's small and medium-sized firms. In other words, the information could help them improve their tax collection tactics. In light of this, it should be emphasized that other nations, like Rwanda, which virtually exclusively rely on taxes to finance government businesses, have given the Rwanda Revenue Authority significantly more effective and efficient tax collection tactics this solution was based on a research conducted.

Finally, according to Graziano and Raulin (2012), academic studies can inspire students by giving them fresh perspectives and teaching them proper research protocol. This study will also serve as a source of reference for other researchers who seek to go deeper into the problem area or examine other parts of the subject matter, in addition to adding to the body of literature already available on the topic.

From the various research conducted on tax compliances, most of the research was conducted in the well-known commercial business communities. However, there were no research conducted in the less-known commercial business environment area. Hence the choice of Effiduase was very important on the issue of tax avoidance and evasion. Also the district is a farming community where individual raise capital from their farm produce into small and medium sized enterprises and their profit is invested in their farming. More so, no tax agency resides in the district therefore the issue of tax education raised by previous study was a gap to

test and see how high it can be within such district. Finally, a strategic plan to resolve tax compliances have not been established in previous study therefore a need for the research to provide a solution.

1.7 LIMITATION OF THE STUDY

Most researchers have tried in this area to come out with a solution on the subject matter. However, taxation has undergone various reforms and each year countries try to introduce new taxes to meet the economic demand of the country. Tax payers always find it a problem when new taxes are introduced. The small and medium sized enterprises see taxes as a hindrance to their growth and they try to seek for the possibilities to evade or avoid tax payment. The knowledge gap and the perception of these enterprises has led to this research.

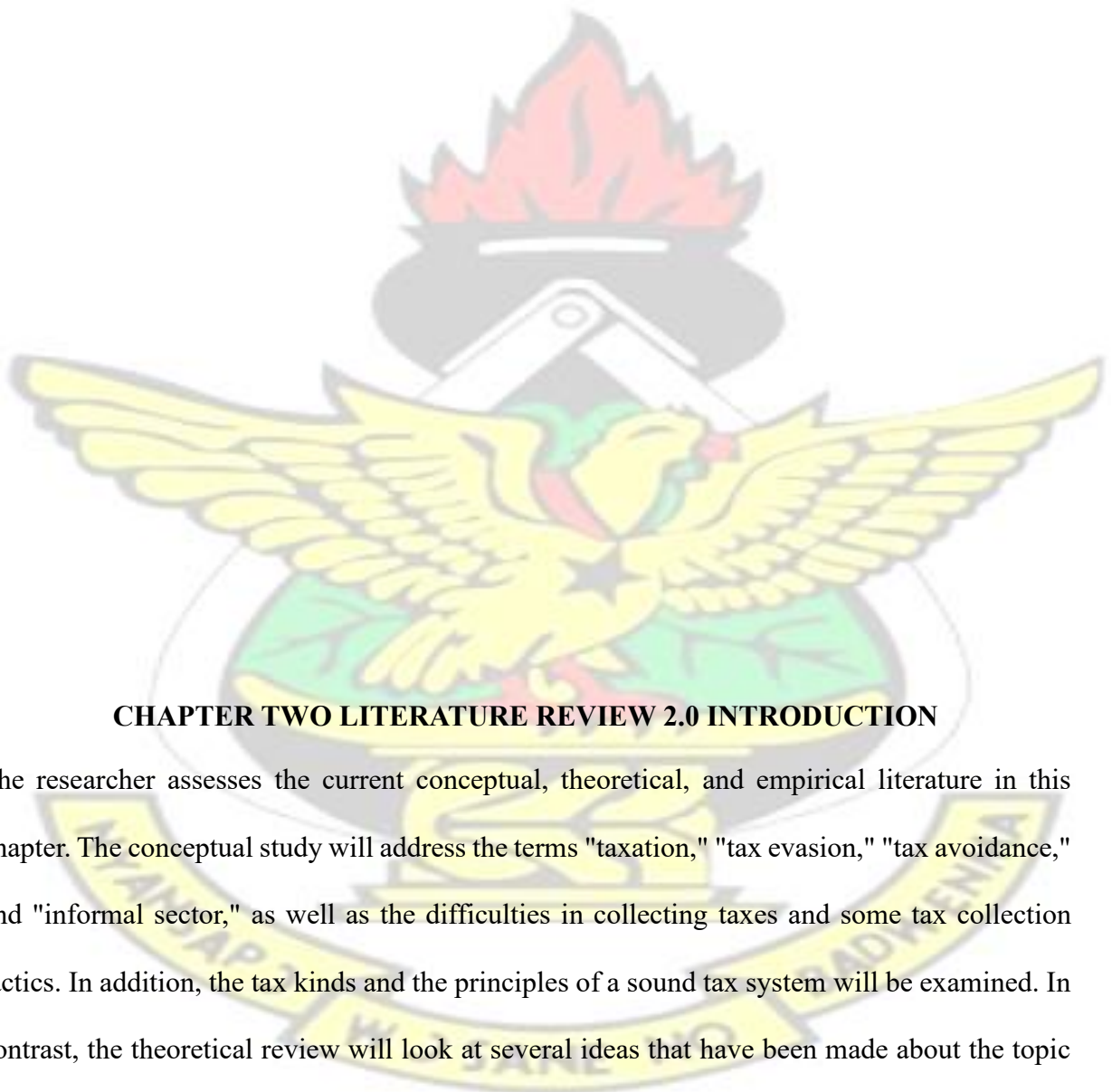
Also collecting of data is very difficult because most enterprises find it difficult to open up when questioning them for information.

1.8 ORGANISATION OF THE STUDY

The project has been divided into five chapters; the introduction, which is the first chapter, discusses the problem's or report's history. The second chapter examines linked literature, or what other people have written about the subject under investigation. The third chapter discusses methodology and explains how the study was carried out and the issue was looked into. It also describes the distribution of questionnaires for the data that was used in the analysis.

The fourth chapter covers considerations of data analysis and results of data collection. Additionally, it covers how to respond to every inquiry in the questionnaire and interview guide. The summary, conclusions, and recommendations related to the findings are found in the fifth chapter, which also serves as the last chapter.

KNUST



CHAPTER TWO LITERATURE REVIEW 2.0 INTRODUCTION

The researcher assesses the current conceptual, theoretical, and empirical literature in this chapter. The conceptual study will address the terms "taxation," "tax evasion," "tax avoidance," and "informal sector," as well as the difficulties in collecting taxes and some tax collection tactics. In addition, the tax kinds and the principles of a sound tax system will be examined. In contrast, the theoretical review will look at several ideas that have been made about the topic before choosing one to serve as the study's guiding principle. The empirical review will look at empirical studies on the subject to identify the research gap. More so, to construct a proposition

about the manner in which the research findings might be explained and a conceptual framework will be developed based on the guiding theory and empirical research.

2.1 CONCEPTUAL REVIEW

2.1.1 TAXATION

Wahabu (2017) defines taxation as the imposition of mandatory fees on people or entities by governments in practically every nation on earth. Taxation is primarily used to generate money for government spending, though it can also be used for other things. Taxation can be discussed in terms of administration. Imports are simpler to tax than indigenous production. One of the oldest taxes was the import duty. Similar to how the straightforward income (after all expenses taken) has long taken precedent above the theoretically more advantageous value added tax. Ancient Greece and Rome imposed taxes on consumption and these taxes overall played a very modest role in the ancient world. In terms of generating income, prices on foreign products were frequently of higher significant than local products in terms of excise taxes. Property taxes were later temporarily imposed, limited to real estate, and then eventually expanded to include other assets.

2.1.2 Nature of Taxes

Martey (2015) examined the nature of taxes while evaluating small business tax compliance. Taking into account that, the type of tax is determined by the rate at which it is levied. These taxes' types include;

- If the rate of a tax rises with income, the tax is considered to be progressive.
- A tax is proportionate if the percentage of taxes paid is the same regardless of income. A proportionate tax has a fixed tax rate for all income levels.

- **Regressive taxes:** These are levies with tax rates that fall as income rises. To put it in another context, a tax is said to be regressive rather than progressive if a bigger proportion of income is paid as taxes when the income is actually low.

2.1.3 CLASSES OF TAX

Direct or indirect taxes are the most typical classifications for classified taxes, according to Martey (2015). Direct taxes include the earnings from our business after all expenses has been deducted then tax is calculation on the earning. The indirect tax includes the sales tax. It is unclear into which category certain taxes, such as corporate tax and property taxes, should be categorized, and there is much disagreement among economists regarding the standard for differentiating between direct and indirect taxes. One expense that cannot be easily transferred from the tax payer to a third party is direct tax.

2.1.3.1 Direct Tax

Direct tax is levied predominantly against people; which is intended to assess each person's financial capacity as determined by his or her income or wealth. Mostly it is assessed on the income earned which is based on the 'Pay As You Earn' (PAYE) principles. As a result, direct tax is money that is sent to the government straight from an individual's earnings. Direct taxes are entirely the responsibility of the person paying them and are progressive rather than transferrable. This tax consists of gift and capital gains taxes, as well as income and property taxes.

2.1.3.2 Indirect Taxes

The buyer of products and services in the final stage pays indirect tax. The recipient of the goods and services or the transaction may be the one to whom the tax incidence is transferred or changed. It consists of broad and choice taxes on the sale of goods or products which are expendable items. Also indirect tax effect the value added on goods produced which is called

VAT. More so, legal issues also attract indirect taxes as well as, customs charges, and excise taxes on goods made within the country.

2.1.4 PRINCIPLES OF TAXATION

The Adam Smith three (3) canon, sometimes known as the concept of taxes, is discussed by Abdallah (2008). Adam Smith, a philosopher of the 18th century, made an effort to organize the principles that should guide a just system of taxes. Adam Smith proposed these three (3) tenets, which have an impact on people's capacity to pay: The three characteristics that make up the taxation principle are certainty, practicality, and economy.

2.1.4.1 Clarity and Certainty

A tax should be applied in a precise and transparent manner. This idea, which Smith regarded as being of utmost importance, has frequently been overlooked in the present tax system (where open and impartial administration is typically taken for granted), where the application of taxes is arbitrary and unpredictable, but the public cannot have faith in the system. A government's decision to enact windfall taxes can seem dubious, just like the old British tax on the number of house windows, which was despised and met with strong opposition. The recently implemented E levy tax in Ghana also adheres to this rule. Because of the problems with clarity and confidence, citizens do not want to pay.

2.1.4.2 Convenience

Taxes ought to be simple to compute and collect. Where a system of withholding tax from earnings prior to payment has been adopted, compliance with income tax regulations has grown significantly. Hence, taxes should be stress-free to be calculated and collected by tax administrators. The taxpayer in this area should not have difficulty in computing the tax and also make payment.

2.1.4.3 Economical and Efficiency

A good tax system should be set up to be economically and efficiently administered. Taxes that are expensive or challenging to manage shift funds to wasteful uses and erode trust in the tax and the government. Excessive tax rates can also lead to waste as economic activity is diverted from high-yielding industries to low-yielding ones, from profitable businesses to tax havens, and from transparent, above-board transactions to covert, off-the-books participation in the black market.

2.1.4.4 Fairness

According to Zhang, et al (2016), fairness in tax is when it is compatible with the taxpayer's condition. Meaning the tax is being equitable (i.e., citizens should be taxed in accordance with their financial capacities; smith characterized this as "in proportion to the benefit they derive from the government"). Taxation is deemed fair if those with the financial means are assessed according to their ability to pay or, depending on the circumstance, proportionally to the amount of government assistance they receive. Therefore, "ability to pay" and "benefits received" are both standards for fairness. When tax payer receives a level of benefits as a result of government providing financing into his business then it is considered fair when taxes charge to such person or business. Also taxes is considered fair when it is practical to expect the users to bear a reasonable part of the cost, as in the repayment of student loan debt through later taxation. Because such taxing exacts different amounts from people in various situations. It is said to satisfy the condition of vertical equity. This is because such taxation applies suitably applicable standards of ability to pay or benefit received. The idea that those who are equally capable of paying and who benefit equally should be taxed similarly is known as horizontal equity.

2.1.5 TAX EVASION

Ellawule (2018); One commits tax evasion when they do it knowingly, whereas others emphasize the passage of time as a criterion for measuring tax avoidance. From a different perspective, tax evasion refers to the taxpayer's inability to follow the rules of the tax laws. When someone purposefully and knowingly fails to inform the taxing authorities of the taxable assets or income-generating activities, this is considered tax evasion. Therefore, it's the purposeful refusal to pay tax that is duly due or the use of fraud to hide the existence of taxable income and/or get benefits such as tax refunds.

2.1.6 TAX AVOIDANCE

On the other side, tax avoidance occurs when someone sets up their affairs in a way to benefit from flaws or ambiguities in the tax code in order to lower their tax responsibilities, without really breaching the law, according to Alstadsaeter, Johannesen, and Zucman (2019). Tax evasion may be viewed as dishonesty, yet the methods are lawful and the behavior is not dishonest. From the perspective of tax avoidance, taxpayers, particularly those who are selfemployed, can lower their tax incidence by utilizing tax relief, such as paying a portion of their taxable gains as insurance coverage or making a contribution to the Social Security and National Insurance Trust (SSNIT) pension plan as security for old age. Therefore, tax avoidance is the legal exploitation of the tax regime for one's own benefit in order to lower the amount of tax that is payable while fully disclosing all relevant information to the tax authorities. Contrarily, tax evasion is illegal in practically all nations, and depending on how bad it is and which nation is involved, the offender may face fines or even jail.

2.1.7 INFORMAL SECTOR

In this paragraph, the term "informal sector" will first be defined. According to Ferrer-iCarbonell & Gerxhani (2016), the unofficial segment of an economy can be identified using the term "grey market." On top of that, it was asserted that this area of the economy is not subject to the same levels of taxation or governmental regulation as the formal economy. The economic activities of a country's small and medium-sized firms are not included in either the gross domestic product (GDP) or the gross national product (GNP), according to Ferrer-iCarbonell et al. (2016).

However, it was noted that the small and medium sized enterprises frequently offer significant fiscal prospects for the underprivileged. The informal sector is seen as another area of employment security. As a result, the sector was identified to be one in which members required social, occupational, or employment security. The phrase "informal sector" can be viewed from a variety of perspectives, according to USAID (2012). The first angle concerned a field of work that is not generally regarded as a source of regular income and for which no taxes are paid. A different viewpoint was presented by a sector in which solely illicit activity, such as tax evasion, occurs. Last but not the least, USAID (2012) noted that it can also refer to a sector that includes lawful activities like work done for something other than money.

2.1.8 DIFFICULTIES IN MOBILIZING TAXES

In regards to the difficulties in accumulating taxes, the research review will examine the experiences of several nations in the conviction that these are not unique instances but rather that the same occurrences take place in other nations. In the case of Uganda, for instance, the nation's tax base is quite small according to Oxfam and Seatini (2017) report. Additionally, the current administration wants to stop over depending on international aid but rather depend on the country's budget by mobilizing revenues through taxes from its residents and foreign

businesses in the country. Small enterprises and those in the agriculture sector have been highlighted as major tax evaders in the nation (World Bank, 2018). The report was clear on majority of small firms are successful but not subject to taxes (World Bank 2018).

Additionally, Oxfam and Seatini (2017) noted that, there are difficulties in tax collection because many taxpayers cannot understand the rationale behind the charges on the taxes, which breeds animosity between the payers and the tax agency. Also, the large number of employees (particularly in the agricultural sector) do not have a habit of keeping track of their earnings and other financial data, thus they lack a foundation upon which to levy taxes.

Another significant issue that has been brought up is corruption, according to Oxfam and Seatini (2017), because it discourages citizens and residents from paying taxes through the use of stolen public monies. Uneven income distribution is another factor contributing to the high rate of tax evasion in Uganda, according to the World Bank's 2018 report. For instance, it was claimed that many Ugandan people should not be required to pay taxes because they don't make up to \$1 USD (or its equivalent) every day. Finally, because it has not been made clear how the government has been held accountable or how tax revenue has been spent, taxpayers do not see a gain from doing so (Oxfam & Seatini, 2017).

Carnahan (2015) looked at 58 developing nations from all over the world and their capacity for raising money. It was discovered that a reliable and appropriate system is crucial for revenue collection by any government because it help in achieving a good development to grow the economy. Also help in providing fund for public expenditure such as social, and administrative infrastructure that supports the establishment or growth of businesses. Furthermore, it was stated that "few people will invest" without safety and security (p. 169).

Additionally, it was discovered during Carnahan's (2015) investigation that 66% of the countries studied knew about their tax obligations. This contradicts the claim made by Oxfam and Seatini (2017) and represents a sizable number of people or entities. The extent to which

tax income from individuals or companies could be accurately assessed was also looked into. This was broken down into three subcomponents: (1) whether the registration system had effective controls to ensure that taxpayers were registered with links of the agency system; (2) the effectiveness and reliability of handling offences; and (3) the existence of unit responsible for auditing and checking fraud.

In Carnahan (2015) study, the researcher looked at how well these nations' taxes were actually collected. More so, (1) the proportion of gross tax not paid are collected; (2) the efficiency with which tax income was transferred to the consolidated fund; and (3) the rate of resolution between tax assessments, tax mobilized, amount outstanding, and Treasury receipts. Having said that, it was found that just 25% of the countries had effective tax collection. In addition, according to the International Monetary Fund (IMF) (2015), weak headquarters, insufficient or insecure financing of operations, and a large turnover of senior employees are the key obstacles emerging nations are confronting with in creating efficient tax systems.

Focusing on the issues with tax collection from persons in the informal sector is crucial after looking at the basic difficulties. According to Joshi, Prichard, and Heady (2013) journal, the main obstacles to taxing those who work in the unorganized sector are their low potential for earning money, their high cost of collection, and the possibility that it will have a detrimental effect on the survival of small businesses. In light of this, it was determined that the government must reduce collection costs and raise a simple tax system. It was also suggested that for reform to be successful, it needs the backing of governmental authorities, tax collectors, and taxpayers. The following were listed as the main obstacles to mobilizing taxes from the small and medium sizes enterprises in a Kundt (2017) report: (i) The difficulty in determining the exact size of the informal sector; (ii) The possibility that broad-based taxation may result in substantial organizational costs due to huge number of firms to monitor. (iii) The surveillance on small and medium sized enterprises may not be subject to the same regulations as formal businesses. The

main problems with the mobilizing of taxes from the informal sector in Ghana, according to Mensah-Pah (2014), revolve around the country's weak and underfunded authority, a sizable informal sector, with a national partiality towards easy tax collection that places a greater tax burden on the taxpayer who is poor and workers in the government sector.

2.1.9 EFFECTIVE STRATEGIES TO ENFORCE TAX COMPLIANCE

It is crucial to analyze some suggested tax enforcement tactics after examining the difficulties governments encounter in collecting taxes from individuals and residents. According to Hasseldine et al. (2020), small business owners have the high tendency to breach the tax laws, hence it is crucial to educate them and train them tax reporting. The researcher also recommended that tax authorities and governments turn to persuasive communications that use normative or punishment appeals. From the research conduct, they looked at the various impacts of penalty appeals and normative appeals. About the normative appeals, the person who did prepare their taxes assessment by themselves are liable to show more compliance in response to tax compliance appeals. Contrarily, sanction appeals were shown to be much more successful than normative arguments, particularly when used against taxpayers who prepared their own taxes.

These findings suggest that a tax authority should start with a normative appeal. The research suggests also that, they can then move on to a sanction appeal if the appeal is unsuccessful. According to Hokamp, (2014), revenue authorities should implement the following mitigation strategies for the informal sector: (i) decreasing community acceptance of the "shadow economy" of the informal sector; (ii) offering social security benefits to those in the sector to encourage voluntary compliance; (iii) promoting self-regulation; and (iv) demonstrating to this segment that the government has a visible and credible deterrent policy.

In their analysis on the Nigerian tax system, Deloitte & Touché (2015) offered a different viewpoint. The main recommendations were as follows: (i) stratification of the informal sector may be necessary to exclude SMEs from it; (ii) A new tax system would be needed for the informal sector; (iii) enticements would be needed to be offered to workers in the informal sector to encourage them to pay taxes; and (iv) guarantees should be given to those who will work as volunteers to expose tax default.

2.2 THEORETICAL REVIEW

2.2.1 Benefit Received Theory

The theory supporting this study is the Benefit Received Theory of Taxation developed by Wicksell (1896) and Lindahl (1919). The theory emphasizes the effectiveness of tax income in funding public services and encourages all levels of government (federal, state, and local) to raise money from a variety of sources in order to adequately provide the people with public goods and services. The theory assumes that tax payers and the government have an exchange relationship in which the government collects taxes from both individuals and businesses in order to fund the provision of essential services like water, housing, education, health care, security, transportation, and communication, among others (Omodero & Dandago, 2019). The public is expected to respond by paying taxes that are proportionate to the advantages received while the government is required to provide the people with basic amenities (Bhartia, 2009). Anyanfo (1996) contends that taxes ought to be levied in accordance with the advantages obtained from the government. The notion emphasizes that people and businesses should pay taxes in accordance with their financial capacity and the benefits they stand to get. In other words, people and businesses who profit more pay more in taxes. Because the government has not measured the advantages obtained by people and businesses from the services provided, this notion hasn't been properly utilized in any situation (Ahuja, 2015). If the benefits received

theory were put into practice, tax evasion would not be a problem in Nigeria because those involved in the widespread underground economy would have had an incentive to formalize their operations and voluntarily pay their taxes. Taxpayers in Nigeria see tax evasion and avoidance as an ethical practice because the government failed to provide the essential infrastructure needed for businesses to thrive and expand (Ibadin & Eiya, 2013).

2.2.2 Principle of Tax Morale

According to the tax morale concept, taxpayers have a moral obligation to fulfill their civic duty to the government by paying their taxes. Ukaj (2014) asserts that effective governance boosts citizens' confidence in government agencies and strengthens their resistance against tax avoidance and evasion. They are expected to uphold the tax morale principle, which requires businesses and individuals to pay taxes as their personal contribution to society and to keep good ties with the government. Citizens who adhere to tax morality understand that paying taxes is a moral obligation and do not need to be coerced into compliance by the government. According to Aruba (2010), when people realize their government is corrupt, their faith in it begins to erode. The inference is that, because of the illegal and dishonest actions of public servants, the same taxpayers would consciously decide to avoid paying taxes or will invent ways to do so.

According to Modugu and Omoye (2014), in this scenario, tax evasion will be accomplished through a willful act of omission or commission. Which includes: refusing to submit tax returns to the appropriate tax authorities, underestimating income and overstating expenses, refusing to respond to tax questions, recording fictitious transactions and requesting illegitimate relief. This is owing to the bad behavior of government tax officers, who occasionally even take bribes to encourage tax avoidance and evasion, which has forced citizens to disregard the act of tax morale that should have been a natural practice. As a result, the government's capacity to inform

the populace about the advantages of paying taxes and use tax money for effective service delivery will aid in discouraging tax avoidance and evasion (Adebisi & Gbegi, 2013).

2.2.3 Economics of Crime Model

In order to determine how to deter criminal activity and whether it is even beneficial to do so, Becker (1968) developed the Economics of Crime Model. The Economics of Crime Model was originally used in compliance research in 1972 by Allingham and Sandmo. A rational consumer, according to Osoro (1995), attempts to maximize the predicted utility of a tax evasion bet by weighing the advantages of successful cheating against the risks of potential disadvantages from detection in the form of penalties. According to this school of thought, audit verifications and the severity of the penalties meted out to violators are crucial to ensuring compliance. This model is important to this study because it aids in providing a precise comparative analysis of stated income increases following an increase in either the likelihood of being found or the number of audits and verifications that are likely to occur and could result in the discovery of any type of tax fraud. It is pertinent to this study because it helps put the likelihood that people will seek compliance rather than evade tax compliance into context (Draca & Machin, 2015). The majority of rational people should either underreport income not subject to source withholding or over claim deductions not subject to independent verification, according to a purely economic analysis of the evasion gamble, since it is highly unlikely that such cheating will be discovered and punished. This theory is pertinent to illuminating the most effective means of addressing tax evasion. The idea suggests that a rise in fines will make tax evasion more expensive for taxpayers. The net consequence would be a decrease in tax evasion and an increase in tax revenues collected.

2.3 EMPIRICAL REVIEW OF LITERATURE

Looking at empirical research on the topic, a research by Akeju (2018) looked at an effectiveness of trade unions and associations in the unorganized sectors as collectors of state taxes. The research found a favorable significant relationship between association membership in the informal sectors and assuring taxpayer compliance with the tax laws. In an effort to ease the integration of the informal sectors into the official economic mainstream of the nation, Akeju (2018) suggested that the Government of Nigeria use trade organizations in response to this. But in contrast to earlier studies, this one was focused on small and medium-sized businesses.

In a 2019 study on tax avoidance and evasion in Norway by Alstadsaeter, Johannesen, and Zucman. The study employed a comparison of legal tax avoidance and illegal tax evasion because it aims at utilizing substantial administrative data and salient policy change. The Norwegian government forced a lot of affluent people to reveal assets that they had previously kept hidden abroad by stepping up its enforcement efforts. It was found that, these people's tax payments increase by 30% at the time of disclosure and that their tax increase persists over time. Taxpayers do not resume trying to evade after halting. The findings imply that eradicating wealthy tax evasion can be a successful strategy for increasing tax collection, improving tax progressivity, and ultimately reducing inequality.

According to a different study done by Le, Tuyet, Hanh, and Do (2020), taxes are imposed in practically every nation in order to pay for government expenses. This study investigates the variables affecting small and medium-sized enterprises' (SMEs) tax compliance in Vietnam. Through the use of a questionnaire survey, data from 376 SMEs that are business taxpayers were gathered. The findings show that six types of factors significantly affect Vietnamese SMEs' tax compliance. These categories are: Business characteristics (BC), Organizational characteristics of accounting procedures (AP), Tax policy (TP), View on tax compliance (TC),

and Probability of Tax Examination on Taxpayer Compliance (TE). After calculating Cronbach's alpha coefficients and using exploratory factor analysis (EFA), multivariate analysis was employed. The results demonstrate that the Characteristics of accounting practices (AP) is the most important of these six criteria. Therefore, it is advised that tax offices support SMEs by providing training workshops and short courses on taxation to help them enhance their accounting abilities and expertise. SMEs must also have a suitable accounting system that adheres to the rules and guidelines outlined by the Tax Law. This research is anticipated to be valuable in assisting academics, practitioners, policymakers, and other regulatory bodies in the formation of tax policies.

Mohamad and Deris (2018) also conducted a study on small and medium-sized businesses and tax noncompliance. The main reason for the research was to pinpoint the issues that influence small and medium-sized businesses' (SMEs') tax noncompliance. The study also investigates how SME taxpayers see the tax penalty, company size, and income level. When taxpayers fail to abide by the tax laws and regulations established by the tax authorities, this is referred to as tax noncompliance. The value of tax collections to the government will be impacted by the rising cost of tax disobedience. The sample includes small and medium-sized businesses (SME) engaged in distributional trade, service providers, and producers of food and beverages in Malaysia's Klang Valley. This industry was chosen by the researchers because it has a significant concentration of SMEs. Only 86 (55.42%) of the SME operators who received the 150 questionnaires consented to participate. SPSS, short for Statistical Package for Social Sciences, is used to test the respondents' reliability, normalcy, descriptiveness, and correlation. The findings showed that among SMEs, there were some significant relationships between company size and level of income regarding tax noncompliance. The study suggests that the management of the Inland Revenue Board of Malaysia (IRBM) can raise the level of tax compliance by guaranteeing fair and attractive tax rates, particularly for SME operators.

Finally, Anamoah (2019), conducted a study on “causes of tax evasion in the informal sector”. The study's primary area of interest was Accra Metropolis and the informal sector businesses was the targeted group. The study set out to develop new and more effective tax enforcement tactics. The Commissioner, Deputy Commissioner, and Assistant Commissioner of the GRA participated in semi-structured interviews with the researchers. Also the researcher issue out three hundred and eighty-five (385) questionnaires to unofficial businesses in the Accra Metropolitan Area. The study's conclusions showed that Ghana's tax net covers both resident and non-resident eligible people who are either employed, own enterprises, are self-employed, or have investments. The tactics used to collect taxes from persons working in the informal sector include giving them stickers to put on their cars and putting them in jail if they don't pay the taxes due for those stickers; businesses also get visitation from GRA personnel and they issue out bills for the businesses to pay at local tax offices. These efforts, however, have been thwarted by the understaffing of tax officers, the inadequate use of computers, information technology systems, telephones, stationery, and cars. Also, the public's lack of tax education, the fact that many people are unaware of their obligation to pay taxes, the inadequacy of the penalties for failing to do so. In conclusion, the tax administrator need sufficient training, and the poor tax collection system was also a hindering factor.

Other obstacles have included the unprofitability of informal companies, insufficient penalties for tax law violations, residents' terrible consciences, and citizens' lack of confidence in the country's tax system.

2.4 CONCEPTUAL FRAMEWORK

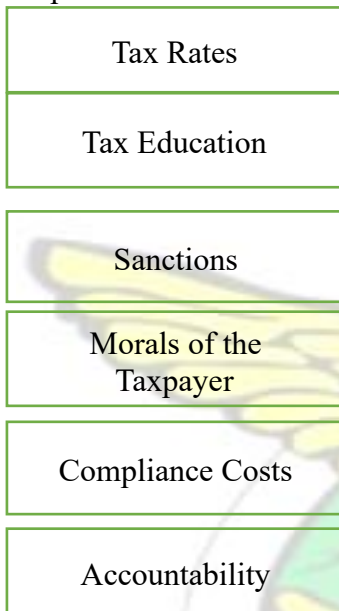
A conceptual framework is a representation of a relationship in which researchers graphically or diagrammatically present the relationship between the study variables. It provides a general idea of the study's variables. After reviewing the pertinent ideas, it was decided that the

conceptual framework would be built on the Wider Behavioral Approach to Taxpayer Compliance.

The dependent variable was SME tax compliance, which was measured by the tax rate, taxpayer morale, tax education, penalties, and costs of compliance. The conceptual structure shown in figure 2.1 below is as follows.

Figure 2.1: Conceptual Frame Work

Independent Variables



Dependent Variables



Source: Author's construct.

CHAPTER THREE METHODOLOGY 3.0 INTRODUCTION

The research techniques and procedures that were deemed suitable for use in carrying out this specific study are covered in this chapter. This chapter will address the following topics: the research environment, the research design, the population used in the research, the sample and sampling technique, the data gathering instruments and procedure, and techniques used in assuring the validity and reliability of the data gathering tools. The remainder of the chapter is then summarized in the conclusion.

3.1 Research Design

The phrase "research design" refers to the overall plan for carrying out a study that includes particular techniques and steps. Additionally, this approach incorporates the various elements of the study, including the ideas and techniques utilized for data collecting, measurement, and analysis (Creswell, 2013).

The qualitative, quantitative, mixed techniques, and emancipator approaches are the major research methodologies adopted by researchers throughout the years. Utilizing numerical, statistical, or calculated data from questionnaires, surveys, and/or previously collected statistical data is a key component of the quantitative approach to research. The study conclusions are then derived from the analysis of this data utilizing numerical, statistical, or computational methods (Creswell, 2013). The objective of the qualitative approach is to have a thorough understanding of a social phenomenon by collecting and analyzing non-numerical data. It can be used to compile comprehensive information on a research issue, create quantitative research hypotheses, and comprehend the emotions, opinions, practices, and principles that underpin human actions (Graziano & Raulin, 2012).

The researcher chose to employ the mixed techniques by using both quantitative and qualitative methods. The researcher will design a questionnaire for the quantitative and statistical data while some semi-structured interview questionnaires will be design for the qualitative data.

As a result, the study would examine Ghana's tax base as defined by the Income Tax Act, 2015 (Act 896), as well as the methods the Ghana Revenue Authority (GRA) use to enforce tax laws in order to collect taxes from small and medium-sized businesses in Effiduase, Ashanti Region. Additionally, the difficulties the GRA faces in collecting taxes from the small and mediumsized businesses in Effiduase

3.2 Population

A study population is a sizable group of people or things that share common traits and is utilized by researchers to draw generalizations. According to Creswell (2013), a research sample is a portion of a research population that is utilized to draw conclusions about the population as a whole.

The researcher populations for staff in the GRA office of the Mampong Division comprised of fifteen (15) staff. The Ghana Revenue Authority (GRA) office in the Mampong Division is responsible for Effiduase taxes collection therefore the staff in that division was considered as the staff population for the research.

The population of the small and medium sized enterprises which were recorded in the books of the Sekyere – East District of Effiduase on the registered small and medium sized are three hundred and forty – nine (349). The breakdown of the registered small and medium sized enterprises are as follows;

Table 3.1 Industry and number of Enterprises

INDUSTRY	NUMBER OF ENTERPRISES
Food and Beverages	70
Provisions Shops	62
Fashion Industry	38
Cosmetic / Beauty Industry	50
Second Hand Footwear	25
Carpentry Services	18
Electrical Services	32
Phone Repairs	21
Car Repairs	15
Others	18
TOTAL	349

Source: Field Work (2022)

3.3 Sampling and Sampling Technique

The researcher used two different sampling techniques which were purposive and convenience sampling. The purposive sampling was used in selecting one Senior GRA Official. The choice was because the official selected was the head of the domestic tax division who can best provide the needed information. Convenience sampling was the second sampling strategy. This sampling was also thought to be adequate because the majority of the targeted groups were chosen at random. Only one hundred and sixty (160) people were willing to complete the questionnaires when the researcher randomly chose 349 people from the business area of Effidause. The table for the one hundred and sixty enterprises for the sampling selected in Effidause are as follows:

Table 3.2 Sample of Selected Enterprises in the industry

INDUSTRY	NUMBER OF ENTERPRISES
Food and Beverages	30
Provisions Shops	25
Fashion Industry	15
Cosmetic / Beauty Industry	20
Second Hand Footwear	15
Carpentry Services	10
Electrical Services	15
Phone Repairs	10
Car Repairs	10
Others	10
TOTAL	160

Source: Field Work (2022)

3.4 Data and Data Sources

The researcher intended to use the innumerable means accessible for information. In view of that, the researcher will collect information from the Small and Medium Enterprises in the Effiduase Sekyere –East District using questionnaire. For the qualitative aspect of the data, some personnel from the Ghana Revenue Authority (GRA) was interviewed.

3.5 Data Collection Instrument

For this study, the researcher opted to use a questionnaire and a semi-structured interview. The surveys included closed-ended questions with multiple-choice answers. Closed-ended questions were given priority since it is simpler as well as quicker for respondents to complete. More importantly, it is easier to compare the responses that comes from various respondents, and makes interpretation also easier (Graziano & Raulin, 2012). The SMES and the

semistructured interview for the GRA Official were judged by the researcher as a simple way to acquire information and a rapid way to survey a large sample of respondents.

3.5.1 Questionnaires

The questionnaires were created so that respondents' names were not necessary; all that was asked of them was the expression of their open viewpoint on the subjects brought up so that we might reach wise conclusions. One comprehensive set of questions was created for the Small and Medium Sized Enterprises in Effiduase, Ashanti Region, in order to achieve the purpose of the study.

3.5.2 Semi –Structured Interview

A standard set of questions were asked during the semi-structured interview using an interview guide. However, these were not the only questions asked throughout the interview. During the interview, the responses by the interviewee gave room to ask further questions that revealed more details about the topic. The interview was to obtain information for qualitative purpose. The interview was with the Senior Officer at the GRA office at Mampong. Another benefit was that it gave respondents the freedom to express their opinions in their own words. More so, the Senior Officer at the Division was chosen for work experience and the advance knowledge on the subject matter.

3.6 Data Analysis Technique

The Statistical Package for Social Sciences (SPSS) Version 27.0 computer program was used by the researcher to examine the data once the questionnaires had been submitted. In order to produce the required result, this software used tables, charts, graphs, inferential statistics, and descriptive statistics. On the other hand, the interview data was examined using a technique known as theme analysis. Data meaning patterns are found, examined, and documented through thematic analysis. This was accomplished using a technique that Trochim et al. (2015)

suggested. This involved reviewing the interview transcripts, noting significant information and writing it down, underlining significant clauses, sentences, or paragraphs, and summarizing the issues raised per each research questions.

3.7 Ethical Consideration

Several factors regarding proper and ethical research techniques were taken into account. The main reason for doing this was to deflect criticism from the regional and global research community. Informed permission was the first thing that was taken into account. This indicates that before the study's participants' agreement was obtained, they were informed of its goals, significance, and any risks or difficulties that might be involved. After giving their permission, individuals were further advised that they might opt out at any moment without suffering any repercussions. Regarding confidentiality and anonymity, consideration was also given. Furthermore, the research respondents' names were held in secrecy from the public or to any other parties. In order to prevent hacking, the responses were additionally kept in a locker under key and those on pen drive have password. Additionally, there was no pressure placed on respondents to offer particular responses that the Researcher considered appropriate. This includes financial incentives and coercive pressure.

3.8 Reliability and Validity

Reliability in this study refers to the extent to which reliable and consistent results are obtained when a data gathering instrument is used. Validity measures how accurate an information collected is viable base on the measuring tool used.

Cronbach's alpha reliability was used to guarantee the validity of the survey. One of the most used dependability metrics in the social and organizational sciences is Cronbach's alpha (Cronbach, 1951). The reliability of a sum (or average) of q measurements, where the q

measurements may reflect q raters, occasions, alternative forms, or questionnaire/test items, is described by Cronbach's alpha reliability. A measure of "internal consistency" reliability is Cronbach's alpha, which is used most frequently when the measurements represent many questionnaire or test items. The measurements will have similar variances and covariances if they are "parallel" (see, e.g., McDonald, 1999). The measurements will have similar covariances but not necessarily equal variances if they are "essentially tax-equivalent" (see, e.g., McDonald, 1999). It can be demonstrated that Cronbach's alpha accurately captures the reliability of the sum or average of q measurements that meet the parallel assumption or the less stringent essentially tax-equivalent assumption (see, for example, McDonald, 1999). A one-factor model with uncorrelated measurement errors can be used to depict measurements that are "congeneric" measurements (Joreskog, 1971).

In contrast to the tau-equivalence assumption, the congeneric assumption does not require that the variances or covariances of the measures be equal, making it more realistic.

Consider a five-item survey ($q = 5$) measuring employee work ethic, with each item being graded on a scale from 1 to 7. The parallel measurement assumption in this example implies that all five items in the sample have equal variances and covariances ($5(4)/2 = 10$) between the five items. It is not necessary for the five items to have identical variances, but it is necessary for the 10 covariances to be equal in a tax-equivalent assumption. The variances of the five items can differ and the 10 covariances can differ under a congeneric assumption.

3.9 Summary of the Chapter

This chapter covered the techniques, approaches, and guiding ideas used to gather, examine, and evaluate data. The introduction of the study looked at the design, population, sampling and sampling strategy, data and data sources, data collection instruments, data analysis technique, ethnical consideration, reliability, and validity were all discussed in this chapter.

The qualitative methods used to retrieve information from the GRA official was a purposive approach method. More so, the small and medium sized method was on quantitative approach with a sampling technique that is a convenience method adopted. The questionnaires and semistructured interview was a helping tool for the data collections were ultimately determined to be the most appropriate methods.



CHAPTER FOUR DATA ANALYSIS AND DISCUSSION OF FINDINGS 4.0 INTRODUCTION

According to this chapter, data gathered during the research were analyzed, discuss the findings and evaluates its conclusions in light of the study's goals and pertinent academic literature. The semi-structured interviews and questionnaires gather is used as the primary data. Effiduase's Small and Medium Sized Businesses filled out the surveys. The Tax Payer Service Supervisor of the Mampong Division of the Domestic Tax Revenue Division of the Ghana Revenue Authority (GRA) was interviewed in the meantime.

4.1 Questionnaire Response.

The researcher distributed 160 questionnaires, 126 of which received responses (or 78.75%) and were duly completed and submitted to the researcher, qualifying them as "retrieved" (see Table 4.1). However, the researcher could not retrieve most questionnaires but those that were retrieved were over 70% which is used as the retrieval rate. This rate of over 70% was sufficient, as was suggested by Passer (2013).

Table 4.1: Questionnaire Response Rate

Questionnaire Response Rate	No. of Respondents	Response Per Percentage (%)
Response Retrieved	126	78.75%
Response not Retrieved	34	21.25%
Total	160	100%

Source: Fieldwork (2022)

4.2 Personal / Demographic Information

The personal information looks at the respondents' demographic and personal data, including sexes, ages and educational backgrounds. The table below represent the demographic information of the respondents.

Table 4.2 Demographical Information

Variable	Mode	Categories	Frequency	(%)
Q1		Gender Distribution		
	Sex	Male	57	45.3
		Female	69	54.7
Q2		Age Distribution		
	Age Range	20 and Below	12	9.6
		21 – 25	38	30.2
		26 – 30	44	35.0
		31 – 35	26	20.7
		36 and Above	6	4.8
Q3		Educational Background		
	Level of Education	Basic	46	36.5
		Secondary	52	41.3
		Tertiary	6	4.8
		Others	22	17.5

The gender distribution of the respondents sampled for the study is shown in Table 4.2 above.

According to the findings, male respondents made up 45.3% (n = 57) of the study's respondents, while female respondents made up 54.7% (n = 69). These findings show that women made up the majority of the responders. The researcher does not, however, believe that this element significantly influenced the respondents' responses because there is no evidence in the literature that a person's gender has anything to do with their ability to pay or willingness to pay it taxes.

The age distribution of the sampled respondents used for this study. It can be seen that, from the 126 respondents who were surveyed, 9.6% (n=12) were between the ages of 20 and Below, 30.2% (n =38) were between the ages of 21 – 25, 35.0 % (n = 44) were between the ages of 26 – 30; 20.7% (n = 26) were between the ages of 31 – 35, and lastly, 4.8% (n = 6) were between the ages of 36 and above. However, the researcher is of the conviction that, the age of a person may have effect on taxes. It may be a fact that the discussion of taxes was something that has exist over the years. Hence the elderly has heard the history of taxation which exist in the pass.

The level of education of the respondents sampled aimed at determining the level of knowledge of the respondent. The results obtained displays that, respondents who have completed tertiary

education was 4.8% (n = 6) which happens to be the least. Additionally, 41.3% (n = 52) completed secondary education and happens to be the highest cohort among the sampled respondents follow by those with basic education level with 36.5% (n = 46) and others which is 17.5% (n = 22) represent those who had informal education because they could not complete Basic Education. Uncomfortably, the degree of qualifications was not established because they were not asked to provide details. Taxation is significantly influenced by education levels.

4.3 Firm Information

Table 4.3 displayed below sought from sampled respondents the type of industry or sector they classified themselves with or belong. According to the results obtained, 19.9% (n = 25) which represented widely held of respondents were involved in Food and Beverages, those in the retail sector specifically, the sale of provisions was 17.5% (n = 22), followed by the beauty / cosmetic industry 14.3% (n = 18) and then the fashion industry of 11.2% (n = 14) representing the highest in percentage of respondent. The electrical services 9.6% (n = 12); trailed by the sale of second hand clothes 7.2% (n = 9); and Carpentry Services and Phone repairs are both 5.6% (n = 7). Car repairs and others stood at 4.8% (n = 6).

Table 4.3: Firms in the Industry

INDUSTRY	No. of Respondents	Response Per Percentage (%)
Food and Beverages	25	19.9%
Provisions Shops	22	17.5%
Fashion Industry	14	11.2%
Cosmetic / Beauty Industry	18	14.3%
Second Hand Footwear	9	7.2%
Carpentry Services	7	5.6%
Electrical Services	12	9.6%
Phone Repairs	7	5.6%
Car Repairs	6	4.8%
Others	6	4.8%
TOTAL	126	100%

Source: Fieldwork (2022)

4.4 Objective One: To ascertain causes of tax evasion and avoidance by small and medium-sized businesses.

Table 4.4: Summary responses obtained from respondents to research question 1

Variable	Mode	Categories	Frequency	(%)
Q1		aware of your tax obligation		
		Strongly Disagree	7	5.5
		Disagree	10	8
		Neutral	18	14.2
	Agree	Agree	47	37.3
		Strongly Agree	44	35.0
Q2		pay any money to the district Ghana Revenue Authority		
		Strongly Disagree	45	35.7
	Disagree	Disagree	52	41.3
		Neutral	18	14.3
		Agree	7	5.5
		Strongly Agree	4	3.2
Q3		keep records of daily tax paid		
		Strongly Disagree	47	37.3
	Disagree	Disagree	65	51.6
		Neutral	5	4.0
		Agree	6	4.8
		Strongly Agree	3	2.3
Q4		keep records of your daily income		
		Strongly Disagree	29	23.0
	Disagree	Disagree	35	27.8
		Neutral	18	14.3
		Agree	20	15.9
		Strongly Agree	24	19.0
Q5		type of tax do you pay		
		Strongly Disagree	32	25.4
		Disagree	17	13.5
		Neutral	20	15.9
	Agree	Agree	39	30.9
		Strongly Agree	18	14.3

Source: Fieldwork (2022)

Table 4.4 sought to ascertain the reason why the Small and Medium Sized Enterprises in Effiduase evades and avoid tax. Respondents were asked whether they are aware of their tax obligation to which 7 of the respondents representing 5.5% strongly disagreed. 8% (n = 10) of respondents disagreed while 14.2% (n = 18) were neutral in respect to the question posed to them. 37.3% of the sampled respondents (n = 47) agreed whereas 35.0% (n = 44) strongly agreed to the question of being aware of their tax obligation as operators within the small and medium sized enterprises in the country (Ghana). Therefore, it will be surmised that, majority of the respondents (n = 47, 37.3%) can be said to be unaware of their statutory tax obligation to the state.

Line question two (2) under research question one (1) also asked respondents whether they have ever paid any money to the Ghana Revenue Authority's district office. According to the responses obtained, 35.7% (n = 45) strongly disagreed, 41.3% (n = 52) of total sampled respondents disagree whereas 14.3% (n = 18) answered neutral. On the same question, 5.5% (n = 7) and 3.2% (n = 4) agreed and strongly agreed that, they pay monies to the local office of Ghana Revenue Authority. What this shows is that, majority (n = 52, 41.3%) of the study respondents disagreed that, they have ever paid any sort of money to the local office of Ghana Revenue Authority.

Question three (3) asked respondents if they keep records of their daily tax paid to the state through the local GRA office in the district to which; 37.3% (n = 47) strongly disagreed, 65 of the respondents which represented 51.6% disagreed, 4.0% (n = 5) were neutral, 4.8% (n = 6) agreed and lastly, 2.3% (n = 3) strongly agreed. This indicates that, on the question of keeping records of daily tax payments, majority of respondents sampled for this study agreed that, they keep records of their daily tax payments.

Question 4 also sought to know from respondents whether they keep records of their daily income. Accordingly, 23.0% (n = 29) said they strongly disagreed, 27.8% (n = 35) disagreed,

14.3% (n = 18) answered neutral. Alternatively, 15.9% (n = 20) agreed while 19.0% (n = 24) strongly agreed. It can hence be summarized that, on the question of keeping records of their daily income, majority of respondents (n = 35, 27.8%) disagreed.

Lastly, question 5 sought from the respondents the type of tax that they pay to the state through the local GRA office; 23.0% (n = 29) strongly disagreed to the knowing the type of tax they pay, 13.5% (n = 17) disagreed, 15.9% (n = 20) answered neutral, those who agreed and strongly agreed to the question were (n = 39, 30.9%) and (n = 18, 14.3%) respectively. The researcher could deduce that, bulk of the respondents sampled for the research (n = 39, 30.9%) agreed that, they know the type of tax expected of them to pay to the state through the district Ghana Revenue Office.

Table 4.5: Fisher Exact Test of independence between the demographic characteristics of respondents and reasons for tax avoidance and evasion

		Reasons for tax avoidance and evasion by respondents
Age of respondents	Chi-square	15.415
	Df	8
	<i>p</i> -value	.048
Gender of respondents	Chi-square	79.944
	Df	12
	<i>p</i> -value	.088
Educational Status	Chi-square	4.582
	Df	12
	<i>p</i> -value	.070
Type of business/sector	Chi-square	1.094
	Df	2
	<i>p</i> -value	.079

The study further went ahead to conduct correlation test in order to establish or determine the existence of a correlation between reasons why informal sector business avoids or evades tax and demographic characteristics. Consequently, the Fisher Exact test of association between the demographic characteristics of respondents and reasons for tax avoidance and evasion was conducted. The results as shown in Table 4.2 revealed that, there was an association between

age, gender, educational status and type of business operated and reasons for tax avoidance and evasion since their ($p\text{-value} < 0.05$). This is statistically significant since the $p\text{-values}$ obtained were less than the significance value of 0.05 meaning owners of informal businesses are more likely to avoid or evade tax due to their age, gender, educational status and the type of business sector they operate from.

4.4.1 Objective Two: To examine strategies used by the Ghana Revenue Authority (GRA) to enforce accumulation of revenues (taxes) from the small and medium sized enterprises in Effiduase.

Table 4.6: Summary responses obtained from respondents to research question 2

Variable	Mode	Categories	Frequency	(%)
Q1		Forced before paying tax		
	Disagree	Strongly Disagree	32	25.4
		Disagree	40	31.7
		Neutral	22	17.5
		Agree	14	11.1
		Strongly Agree	18	14.3
Q2		refuse to pay tax intentionally		
	Disagree	Strongly Disagree	22	17.5
		Disagree	32	25.4
		Neutral	25	19.8
		Agree	19	15.1
		Strongly Agree	28	22.2
Q3		GRA (Domestic tax) organize tax education		
	Neutral	Strongly Disagree	28	22.2
		Disagree	17	13.5
		Neutral	35	27.8
		Agree	26	20.6
		Strongly Agree	20	15.9
Q4		you willing to pay tax		
	Strongly Agree	Strongly Disagree	29	23.0
		Disagree	22	17.5
		Neutral	18	14.3
		Agree	27	21.4
		Strongly Agree	30	23.8
Q5		ever refused to pay tax		

	Disagree	Strongly Disagree	23	18.3
		Disagree	35	27.8
		Neutral	18	14.3
		Agree	21	16.7
		Strongly Agree	29	23.0
Q6		refusing to pay tax is an offence		
	Disagree	Strongly Disagree	27	21.4
		Disagree	35	27.8
		Neutral	18	14.3
		Agree	22	17.5
		Strongly Agree	24	19.0

Q7	mode	any tax education that goes on here	Frenquency	(%)
		Strongly Disagree	21	16.7
	Disagree	Disagree	34	26.9
		Neutral	22	17.5
		Agree	31	24.6
		Strongly Agree	18	14.3

Source: Fieldwork (2022)

Table 4.6 shows a summary of responses obtained from respondents to the question of investigating the methods the Ghana Revenue Authority (GRA) employs to enforce tax laws against the small and medium-sized businesses in Effiduase.

When the question of whether respondents have ever been forced before paying their tax obligation to the state, 25.4 (n = 32) strongly disagreed, 31.7% (n = 40) simply disagreed while a total of 22 which represented 17.5% answered neutral. Conversely, on the on same question, 11.1% accounting for 14 of the respondents and 14.3% (n = 18) agreed and strongly agreed to been forced before settling their tax obligations to the state. On the whole, it can be said that, majority of the respondents sued for the study (n = 40, 31.7%) disagreed to the question of been forced before paying their taxes to the state.

Also asked from respondents was whether they have refused to pay tax intentionally, 17.5% (n = 22) strongly disagreed, 25.4% which accounted for 32 respondents disagreed, 19.8% (n = 25) are neutral, 15.1 (n = 19) said they agreed whereas 22.2% (n = 28) strongly agreed. This indicates that, majority of the respondents (n = 32, 25.4%) disagreed to ever refusing to pay their tax duties intentionally.

The next question posed relate to whether the domestic tax division of GRA do organise tax education for owners of small businesses. When the question was asked from respondents, 22.2% (n = 28) strongly disagreed, 13.5% (n = 17) disagreed whereas 35 of the respondents which represented 27.8% said they are neutral. To the same question, those respondents who agreed were 26 (20.6%) while those who strongly disagreed were 20 (15.9%). It can be said that, majority of the study respondents (n = 35, 27.8%) were neutral if GRA officials do organise workshops or seminars on tax education for small businesses within the district. On whether respondents are willing to pay tax, 29 of the study respondents which was 23.0% said they strongly disagreed, 17.5% (n = 22) disagreed to indicate their level of unwillingness to pay tax, 14.3% (n = 18) said they are neutral, 21.4% (n = 27) answered that they agreed and lastly, 33.8% (n = 30) strongly agreed to indicate their level of willingness to pay their taxes. This was followed by the question of whether respondents have ever refused to pay their taxes; 18.3% (n = 23) indicated the strongly disagreed, 27.8% (n = 35) said the disagreed while 14.3 (n = 18) were neutral to the same question. On the opposite end, 16.7% (n = 21) and 23.0 (n = 29) agreed and strongly agreed to indicate whether they have ever refused to pay their tax obligation to the state as an informal sector business.

The last but one question sought to know whether respondents are aware that, refusal to pay tax is an offense, accordingly, responses showed that, 21.4% (n = 27) strongly disagreed, 27.8 (n = 35) disagreed, 14.3% (n = 18) answered neutral, 17.5% (n = 22) and 19.0% (n = 24) do

agree and strongly agree to the same question. This means that, majority of respondents (n = 35, 27.8%) disagree that, refusing to pay tax is an offense to the state of Ghana.

Last question under research question two centered on whether there is any tax education that goes on within the district to which, those of the study respondents who strongly disagreed accounted for 16.7% (n = 21), 26.9% (n = 34) disagreed, 17.5% (n = 22) indicated they are neutral, 24.6% (n = 24.6) and 14.3% (n = 18) strongly agreed. This indicates that, a large section of the respondents (n = 34, 26.9%) disagreed which means that, there is no form of tax education that happens within the district.

Table 4.7: Fisher Exact Test of independence between the demographic characteristics of respondents and tax enforcement strategies to collect taxes

Chi-square (Observed value)	3.099
Chi-square (Critical value)	11.070
DF	5
p-value	0.685
Alpha	0.050

To establish the existence of a correlation between the enforcement strategies deployed by officials at GRA and the demographics of the study respondents. Accordingly, the Fisher Exact test of association was employed which revealed that, that there is indeed an association between the two variables being measured that is enforcement strategies deployed by officials at GRA and the demographics of the study respondents as shown in Table 4.4. According to the data from the Table above, the Fisher exact test of independence carried out to establish if a relationship existed revealed that there is no association between the variables (p-value > 0.05). It can therefore be deduced from the results obtained from the Fisher Exact test of association that, officials at GRA deployed a consistent enforcement strategy within the district to

accumulate statutory revenues from businesses operating in the small and medium sizes enterprises of the economy of that district. This uniformity in strategy deployment by officials at the district GRA office can also be said, to be because, of avoiding the likelihood of bias and favoritism.

4.4.2 Objective three; To probe difficulties that the tax agency faces when attempting to gather taxes from the small and medium-sized businesses in Effiduase, Ashanti Region.

Table 4.8: Summary responses obtained from respondents to research question 3

Variable	Mode	Categories	Frequency	(%)
Q1		attacked tax collectors when they come to you		
	Disagree	Strongly Disagree	32	25.4
		Disagree	54	42.9
		Neutral	22	17.5
		Agree	10	7.9
		Strongly Agree	8	6.3
Q2		Friendliness of tax collectors		
		Strongly Disagree	18	14.3
		Disagree	29	23.0
		Neutral	22	17.5
		Agree	25	19.8
	Strongly Agree	Strongly Agree	32	25.4
Q3		Welcoming of Tax Collectors		
		Strongly Disagree	15	11.9
		Disagree	18	14.3
		Neutral	22	17.5
		Agree	29	23.0
	Strongly Agree	Strongly Agree	42	33.3
Q4		intentionally understate your income		
	Strongly Disagree	Strongly Disagree	48	38.1
		Disagree	33	26.2
		Neutral	18	14.3
		Agree	15	11.9
		Strongly Agree	12	9.5

Source: Fieldwork (2022)

Table 4.8 also shows the summaries of the responses garnered from respondents to the difficulties revenue collectors encounter in the collection of taxes from Small and Medium Sized Enterprises in Effiduase, Ashanti Region. Consequently, four sub questions were formulated to derive responses from respondents. The first question relates to whether respondents do attack tax collectors when they come to them; 25.4 (n = 32) strongly disagreed, those who disagreed were 42.9% (n = 54), neutral respondents accounted for 17.5% (n = 22), those who agreed formed 7.9% (n = 10) and those who strongly agreed accounted for 6.3% (n = 8). It can be said that, majority of respondents disagreed that, tax collectors are attacked during their routine duties.

Question 2 on challenges centered on the friendliness of tax collectors, with respect to that, 14.3% which amount to 18 of the respondents strongly disagreed, 23.0% (n = 29) disagreed, those who are neutral were 22 (17.5%), 25 of respondents (19.8%) agreed and 25.4% (n = 32) strongly agreed. This means that, respondents generally strongly agreed (n = 32, 25.4%) that tax collectors are very friendly towards them during their routine duties.

The last but one questions centered on how respondents do welcome tax collectors and whether it is a challenge that promotes tax avoidance and tax evasion. It was realised that, 11.9% (n = 15) strongly disagreed, 14.3% (n = 18) disagreed, 17.5% (n = 22) fell within those who are neutral, 23.0% (n = 29) said they agree and 33.3% (n = 42) strongly agreed. This implies that, majority of respondents strongly agreed (n = 42, 33.3%) on how they welcome tax collectors. Lastly, the challenge relating to intentionally understating of income by respondents came up as part of the challenges, the following categories of responses were realised. 38.1% (n = 48) strongly disagreed, 26.2% which amounted to 33 respondents disagreed, 14.3% (n = 18) answered saying they are neutral, 11.9% (n = 15) agreed and 9.5% (n = 12) strongly agreed to individuals intentionally understating their income so has to avoid tax or evade tax. It can be implied from the responses obtained that, majority of respondents (n = 48, 38.1%) strongly

disagreed that, individuals intentionally understate their income as a means of avoiding or evading their tax obligations to the state.

KNUST

Table 4.9: Fisher Exact test of association between challenges in tax collection and demographics

Chi-square (Observed value)	55.555
Chi-square (Critical value)	3.841
DF	1
p-value	<0.0001
Alpha	0.050

To establish the existence of a correlation between the challenges faced by officials at GRA during tax collection and why it fuels tax avoidance and evasion on one hand and the demographics of the study respondents. Accordingly, the Fisher Exact test of association was employed which revealed that, that there is indeed an association between the two variables being measured that is challenges which leads to tax avoidance and evasions by officials at GRA and the demographics of the study respondents as shown in Table 4.6. According to the data from the Table above, the Fisher exact test of independence carried out to establish if a relationship existed revealed that there is indeed an association between the two variables being measured ($p\text{-value} < 0.05$) as shown in Table 4.6. It can therefore be deducted from the results in table 4.6 that, respondents sampled for this study are more likely to resort to tax avoidance

and evasions due to the attitude of GRA officials. It can also be said that, as more business owners within the informal sector are trained and educated on their tax obligations to the state. Also the GRA officials display positive attitude towards business owners, these perceived and real challenges can be easily overcome.

4.5 Main Responses from GRA Official

4.5.1 Objective One: To ascertain causes of tax evasion and avoidance by small and medium-sized businesses.

During the interview, a question on the Income Tax Act, 2015 (Act 896) was asked. The Tax Payer Service Supervisor of the Domestic Tax Revenue Division revealed that income taxes are collect from eligible individuals employed by the government, own enterprises, self-employed, or engage in investments. Therefore, it is unclear on the category to place businesses which are informal sector. However, they cannot be left out in the tax basket because they are obliged to pay taxes.

In the Tax Payer Service Supervision's opinion

"The rate in Ghana for firm on their income tax is 25%, if we're talking about businesses. Non-profit organizations are an example of an exception. The Service Supervisor shed further insight on the problem of persons who are exempt from taxes. According to Section 6 of the Income Tax Act, some organizations such as NGO's, religious bodies, institutions owned by the state, those educational institutions funded by the state are among the groups that are free from taxes, he said. However, not all types of income are excluded from taxes for tax-exempt organizations. In fact, exempt organizations that engage in economic activity and derive income from it are liable for taxes on that income."

Concerning the issue of whether the small and medium sized enterprises are aware of their tax obligations and the measures used by the tax agency in collecting tax. The Payer Service Supervisor response was,

“they are aware of their tax obligation because every business person knows that they are to pay tax to the government. They are however not willing to pay the right amount of tax. It is our duty to educate them on the importance of paying their taxes. I believe that awareness of tax has increase in the last two years when Tax Identification Number (TIN) was introduced. Hence the informal sector is aware of their tax obligation. The Tax Identification Number registration did help to increase the number of tax payers and the data was there to show”

The current annual income tax rate of resident for this year 2023 show an increase in the chargeable income. However, the tax rate has been maintained over the decade with introduction of a new rate of 35% in this year 2023 tax computation on chargeable income Exceeding Six hundred thousand Ghana (GH600,000.00) for Annual Income Tax Computation.

Table 4.10: The Annual Income Tax Rates for Resident Individual

Chargeable Income	Rate	Tax	Cumulative Chargeable Income	Cumulative Tax
GH¢	%	GH¢	GH¢	GH¢
Initial 4,824	0	0.00	4,824.00	0.00
Next 1,320	5	66.00	6,144.00	66.00
Next 1,560	10	156.00	7,704.00	222.00
Next 36,000	17.5	6,300.00	43,704.00	6,522.00
Next 196,740	25	49,185.00	240,444.00	55,707.00
Next 359,556	30	107,866.80	600,000.00	163,573.80
Exceeding 600,000	35	210,000.00		

Sources: Ghana Revenue Authority website (2023)

Table 4.11: The Monthly Income Tax Rates for Resident Individual

Chargeable Income	Rate	Tax	Cumulative Chargeable Income	Cumulative Tax
GH¢	%	GH¢	GH¢	GH¢
Initial 402	0	0	402.00	0
Next 110	5	5.5	512.00	5.5

Next 130	10	13.00	642.00	18.5
Next 3,000.00	17.5	525.00	3,642.00	543.5
Next 16,395.00	25	4,098.75	20,037.00	4,642.25
Next 29,963.00	30	8,988.90	50,000.00	13,631.15
50,000.00 and above	35	17,500.00		

Sources: Ghana Revenue Authority website (2023)

Table 4.12 Formal Annual Income Tax Rates for Resident Individual

Chargeable Income	Rate	Tax	Cumulative Chargeable Income	Cumulative Tax
GH¢	%	GH¢	GH¢	GH¢
Initial 3,456.00	0	0.00	3,456.00	0
Next 1,200.00	5	60.00	4,656.00	60.00
Next 1,680.00	10	168.00	6,336.00	228.00
Next 36,000.00	17.5	6,300.00	42,336.00	6,528.00
Next 197,664.00	25	49,416.00	240,000.00	55,944.00
Above 240,000.00	30	72,000.00		127944.00

Sources: Ghana Revenue Authority website (2022)

Table 4.13 Formal Monthly Income Tax Rates Applicable to Resident Individual

Chargeable Income	Rate	Tax	Cumulative Chargeable Income	Cumulative Tax
GH¢	%	GH¢	GH¢	GH¢
Initial 288	0	0.00	288.00	0.00
Next 100	5	5.00	388.00	5.00
Next 140	10	14.00	528.00	19.00
Next 3,000.00	17.5	525.00	3,528.00	544.00
Next 16,472.00	25	4,118.00	20,000.00	4,662.00
Exceeding 20,000.00	30			

Sources: Ghana Revenue Authority website (2022)

4.5.2 Objective Two: To examine strategies used by the Ghana Revenue Authority (GRA) to enforce accumulation of revenues (taxes) from the small and medium sized enterprises in Effiduase.

The tax enforcement strategies were an area that cannot be ignored. A long discussion was held with the Supervisor and his view was worth to know.

“Since your project is on the informal sector, I can say from an experience that most of these businesses people in the informal sector are half backed illiterate. Their education is not helping the strategies that has been adopted. The current strategy that has been adopted is submitting their assessment online and making payment online as well. The education was then in GIMPA and we have to take them through the online procedure. After giving them this training, they are expected to file their assessment and make payment. Most of them cannot calculate their income while others to is a deliberate. I believe that this online strategy is to make things easier and accessible for all tax payers. However, in every good thing, there is an adaptation challenge which can defeat this purpose of its establishment. In view of this, we took the pain to register most of the informal sectors and we organise tax audit to check if correct data in relation to their account information is captured”

The assessment system is not clear to most of the tax payers because there are transactions which are allowed and others which are disallowed when preparing their financial report to ascertain their chargeable income.

“With this area of assessment, we try to explain to them those transactions that are allowed and those that are disallowed, some these transactions that are disallowed are

personal expenses which does not relate to the business examples transportation cost to funeral, feeding of workers, rents of house, electricity bills of personal rent etc. The supervisor was clear that the informal sector should hire the service of accountant to help them in the preparation of their account. He believes that most informal sectors do not want to disclose the true view of their business transactions especially in the area of the sales. So during the exit conference these issues are discussion concerning the assessment submission”.

In the end, my own instinctive reaction from the interviews tells me that even if the State may be serious about collecting taxes and has put in place a number of procedures to do so, they do not appear to go as far as to use force or "strong arm" tactics against the unorganized sector. Additionally, by allowing undocumented workers the option to pay their taxes online or in person, it looks that they are giving them too much latitude. They ought to send personnel to collect it locally instead. More specifically, with regard to the assessment, the GRA should demand that the unofficial sector engage an accountant on a temporary basis to help them with correct filing.

4.5.3 Objective three; To probe difficulties that the tax agency faces when attempting to gather taxes from the small and medium-sized businesses in Effiduase, Ashanti Region. The Ghana Revenue Authority is known for achieving their target every year. In this regards, one is tempted to say that there are no challenges in assembling revenues and especially in the small and medium sized enterprises.

However, with this interview,

“Tax Payer Service Supervisor stated that, they are understaff considering the number of district that falls under their jurisdiction. The Supervisor made it clear that they are fifteen (15) staff serving seven (7) districts within their division. The is a challenge considering the fact that the small and medium sized enterprises is coarsely 80 percent

of the working population in Ghana. There are some financial constraints as well when it comes to organizing programme and running of the activities of the division. We are forced to work within the little funds that are allocated to us which goes on a long way to affect the kind of programme and activities we can perform within the year. Logistics is also a challenging factor that cannot be hid. The first three are major challenges that are core to the operation activities of Ghana Revenue Authority and my division is not exempted. There are other challenges which have to do with tax education, tax assessment submission, online registration and full disclosure of customer's sales income. There could be many but let stick to these ones."

When it comes to tax payer's attitude and compliance the answer is obvious.

"some of the tax payers are friendly and jovial whiles others are not friendly at all. The jovial ones know about their tax obligation and preferred that you help them proper assessment and even reduce the payment fee for them. However, the unfriendly will like to pick an argument with you. They are always quick to raise issues like (i)what are the taxes used for, (ii)the assessment is too much (iii) the interest rate on loans is eating into their capital how can they pay tax (iv) the government has not been supportive. These and many issues they raised. However, we are used to these comments and we therefore tell them that they could be arrested for avoiding tax. The calls for law enforcement, so we do try to frighten them."

Is the Authorities interested to curb the challenges?

"The challenges are with us year on year on. However, we can do something about it by intensifying the education system, provision of logistics, provision of adequate funds to meet the planned programs and adequate staffing with the right skills and knowledge. I believe when these issues are resolve the challenges can be minimized."

4.6 Discussion of Findings

Under this section, key findings of the study are placed within the context of the literature review conducted in the earlier chapter. This was to confirm the consistencies or inconsistencies of the findings in relation to what have been done by other scholars or authors within the same field of study. In addition, the personal views and knowledge of the researcher was brought to bear to enrich the analysis.

The researcher goal was to ascertain the cause of tax evasion and avoidance among small and medium –sized enterprises. From the questionnaire data gathered and semi-structured interviews with the Tax Payer Service Supervisor at the Domestic Tax Revenue Division in Mampong were used to accomplish this goal.

The data analysis revealed that most of the small and medium –sized enterprises are aware of their tax obligation. The law also makes it clear that both resident and non-resident eligible people who are employed, own enterprises, are self-employed, or have investments are covered by the Income Tax Act. However, the payment of the taxes is where the small and medium –sized enterprises have problem with. Majority of the small and medium –sized enterprises do not keep records of their daily tax paid, no records of daily income and only 50% know the type of tax that is expected of them to pay. The GRA official agrees on the fact the small and medium –sized enterprises are aware of their tax obligation but are not willing to pay. In a previous study done by Le, Tuyet, Hanh, and Do (2020), the six variables that was raised to be affecting the reason why the small and medium –sized enterprises evade and avoid taxes are also relevant to this study. The first three variables can relate to this study. Which were, accounting procedures, tax policy and view on tax compliance.

The next aim of the research was to ascertain and evaluate the method that will be used to enforce tax compliance at the Ghana Revenue Authority (GRA) in Effiduase, Ashanti Region. This was to help collect taxes from small and medium-sized businesses. Interviewing the Tax Payer

Service Supervisor for GRA's Domestic Tax Revenue Division in Mampong also helped to attain this goal. The Ghana Revenue Authority (GRA) current strategy adopted was for the small and medium –sized enterprises submit their assessment online and make payment online as well.

However, it is clear that most of the operators in this sector are half baked their the GRA organized a training workshop on this online system. Mass registration was done for those small and medium –sized enterprises. The agency believe this strategy will help and also know that there will be challenges at it implementation stage but with time the system will survive. However, the research conducted by Akeju (2018), looked at an effectiveness of trade unions and associations in the informal sector as collectors of state tax. According to the findings, a favourable significant relation between association membership in the informal sector and assuring taxpayer compliance with the tax laws. This implementation eases the government effort to integrate the informal sectors into the economic mainstream of tax collections. This decision could have been adopted before the online implementation since the implementation of the TIN has already been established. However, with the previous study in Norway by Alstadsaeter, Johannesen, and Zucman. The study employed a comparison of legal tax avoidance and illegal tax evasion because it aims at utilizing substantial administrative data and salient policy change. The strategy adopted by the government to force a lot of affluent people to reveal assets that they had previously kept for tax could not be adopted here in Ghana. Even though, tax payment increase by 30% at the time of disclosure and that their tax increase persist over time can also collapse businesses since it can affect their capital negatively.

The final research goal was to identify the difficulties the Ghana Revenue Authority (GRA) had when attempting to mobilise sales taxes from small and medium sized enterprises in the Effiduase neighborhood of Sekyere East District. Interviewing the supervisor of GRA's tax payer service helped to attain this goal. The study found that these issues include: (i) understaffing of tax

offices; (ii) inadequate logistics; (iii) inadequate tax education for the public; (iv) ignorance of their obligation to pay taxes by small and medium scale business. From the previous study by Akeju (2018) can be used to curb this issue. The focus of the was on small and medium sized enterprises and it is applicable in this situation.

CHAPTER FIVE SUMMARY, CONCLUSIONS AND RECOMMENDATIONS 5.0 INTRODUCTION

The previous chapter arrived at adequate research findings, and this chapter summarizes those findings, draws conclusions from them, makes recommendations based on them, reviews the limitations the researcher encountered while conducting the study, and suggests potential directions for further research.

5.1 Summary of the Findings

This research work was under the topic “ Tax evasion and avoidance among the small and medium sized enterprises in Effiduase, Sekyere – East District of the Ashanti Region of Ghana. The key form of data sources used were both primary data and secondary data with a sample size of 126 small and medium sized enterprises owners as well as 1 tax official from Ghana Revenue Authority (GRA) making a total sample size of 127 selected. These participants to the study were selected using a non-probability sampling involving a blend of purposive and convenience sampling. The instrument used for data collection was primarily a structured questionnaire for the informal business owners and face-to-face interview with the GRA official. Responses were collected, managed and analysed using MS Excel and SPSS version 27 software. This was then used to finally generate tables and graphs that facilitated the illustration and presentation of results. The coverage rate for the study was 79%.

A summary of key demographic findings which is important is on the specific type of business conducted; 19.9% (n = 25) which represented majority of respondents were involved in Food

and Beverages, whereas car repairs accounted for the least category of respondents in the industry ($n = 6, 4.8\%$).

Summary findings from research question 1 which examined reasons why the informal businesses sector evades and avoid tax. Accordingly, when respondents were asked whether they are aware of their tax obligation; majority of the respondents ($n = 47, 37.3\%$) said they are unaware of their statutory tax obligation to the state. The second question asked respondents whether they have ever paid any money to the Ghana Revenue Authority's district office to which majority ($n = 52, 41.3\%$) of the study respondents disagreed that, they have ever paid any sort of money to the local office of Ghana Revenue Authority. When the question three of keeping records of their daily tax paid to the state through the local GRA office in the district was asked; majority of respondents ($n = 35, 27.8\%$) disagreed. Again, the study sought from the owners of small informal business the type of tax that they pay to the state through the local GRA office; majority of the respondents sampled for the study ($n = 39, 30.9\%$) agreed that, they know the type of tax expected of them to pay to the state through the district Ghana Revenue Office.

The study further went ahead to conduct correlation test in order to establish or determine the existence of a correlation between reasons why informal sector business avoids or evades tax and demographic characteristics. Consequently, the Fisher Exact test of association between the demographic characteristics of respondents and reasons for tax avoidance and evasion was conducted. The outcomes revealed, there was an association between age, gender, educational status and type of business operated and reasons for tax avoidance and evasion since their ($p\text{value} < 0.05$).

Summary findings from research question 2 To investigate the methods the Ghana Revenue Authority (GRA) employs to enforce tax laws against the small and medium-sized businesses in Effiduase. Majority of respondents used for the study ($n = 40, 31.7\%$) disagreed to the

question of been forced before paying their taxes to the state. Similarly, majority of the respondents (n = 32, 25.4%) disagreed to ever refusing to pay their tax duties intentionally. The next question posed relate to whether the domestic tax division of GRA do organise tax education for owners of small businesses out of which, majority of the study respondents (n = 35, 27.8%) were neutral to indicate their unsureness of GRA officials organising workshops or seminars on tax education for small businesses within the district. 33.8% which represented majority for this question (n = 30) strongly agreed to indicate their level of willingness to pay their taxes whereas 27.8% (n = 35) disagreed that, they have ever refused pay their taxes. On whether respondents are aware that, refusal to pay tax is an offense, majority of respondents (n = 35, 27.8%) disagree that, refusing to pay tax is an offense to the state of Ghana. Then, unto whether, there is any tax education that goes on within the district; a large section of the respondents (n = 34, 26.9%) disagreed.

It was important to establish the existence of a correlation between the enforcement strategies deployed by officials at GRA and the demographics of the study respondents. The Fisher exact test of independence carried out to establish if a relationship existed revealed that there is no association between the variables (p-value > 0.05).

A summary of the interview with the GRA Tax Official on the methods the Ghana Revenue Authority (GRA) employs to enforce tax laws against the small and medium-sized businesses in Effiduase Sekyere East District. A three-pronged strategy that includes;

- (i) The Ghana Revenue Authority (GRA) have employed submitting and making tax payments online with an introduction of a digital system.
- (ii) The GRA also took pain to register most of these small and medium enterprises and to assist them use the new digital system in their tax work.
- (iii) The GRA to increase in the mass educations on the new digital tax system and ensuring that all small and medium enterprises understand how the system works.

The summaries of the findings garnered from respondents to research question 3 which looked at difficulties revenue collectors encounters in the gathering of taxes from small and medium sized enterprises within the district. Majority of respondents (N = 42.9%, 54) disagreed that, tax collectors are attacked during their routine duties. Rather, respondents generally strongly agreed (n = 32, 25.4%) that tax collectors are very friendly towards them during their routine duties. On how respondents do welcome tax collectors and whether it is a challenge that promotes tax avoidance and tax evasion; majority of respondents strongly agreed (n = 42, 33.3%) on how they welcome tax collectors. Lastly, majority of respondents (n = 48, 38.1%) strongly disagreed that, individuals intentionally understate their income as a means of avoiding or evading their tax obligations to the state.

It was important to establish the existence of a correlation between the challenges faced by officials at GRA during tax collection and why it fuels tax avoidance and evasion on one hand and the demographics of the study respondents. The Fisher exact test of independence carried out to establish if a relationship existed revealed that there is indeed an association between the two variables being measured (p-value < 0.05).

5.2 Conclusions

After collecting and analysing the findings, the study uncovered that, there is widespread acknowledgement of the relevancy and essence of taxes to building and developing a nation. This is more so profound in developing economies such as Ghana. Based on the findings of the study as well as the relevant literature explored for this study, it can be concluded that small and medium scale business owners within the said district that do not have any valid and concrete reasons for engaging in tax avoidance and tax evasion. Despite the lack of valid reasons not to pay taxes by business owners, it must be pointed out also that, tax officials from the Ghana Revenue Authority within the district have also not done enough to demand and

collect taxes. They have failed to deploy educative strategies to educate and get the buy in of these small business owners operating within the informal sector to honour their tax obligations.

In addition, the study has explored creative and innovative ways by which tax officials can deploy to collect and generate more revenue from small and medium scale business owners within the said district. The study on the basis of the above findings concludes that incorporating technology which is very widespread and easily used among large segment of the business community can quickly help overcome the cumbersome and winding process of tax payment. Equally, the Ghana Revenue Authority can additionally explore more convenient means of tax payments to check the practices of evasion and avoidance among these class of businesses. These may include occasional visits and the issuance of stickers. It must be noted that, these strategies and enforcement regimes must be vigorously and rigidly applied but in a friendlier and understanding manner. This has occasioned, a lukewarm attitude by these business owners towards the payment of taxes due largely to the non-enforcement of these revenue collection strategies.

Further, the study notwithstanding concludes that there exists some level of difficulties that are encountered by tax officials within the districts although these difficulties are not so profound to pose a serious threat on the part of the GRA to discharge their constitutionally mandated duties and responsibilities. Rather, state institutions such as GRA are encouraged to curb the perceive corrupt practices of some of their officials relative to misapplication of tax collection and punish officials fond of aiding and abetting tax evaders and avoiders.

5.3 Study Recommendations

The following recommendations are advanced based on the findings obtained from the study;

The GRA must endeavour to institute an aggressive educational campaign targeted at SMEs on why they need to pay their taxes to the state. The GRA must collaborate with other enforcement agencies such as the Ghana Police Service to arrest and to punish all small business owners who are fond of tax avoidance and tax evasion to serve as deterrent to others.

Citizens especially business owners must endeavour to at all times honour their tax duties to the state since it is one of the funding avenues used to build infrastructural projects for the country.

Tax officials who aid and abet business owners to avoid and evade taxes due to the state must be severely sanctioned. Tax officials must be constantly trained on emerging themes such as customer relationship since they must see tax payers such as business owners as customers deserving of quality service.

The Ghana Revenue Authority is also encouraged to roll out its E-Tax payment system nationwide to allow for easy payment and filings of taxes and tax returns. There must be a reward scheme to honour business owners who consistently and dutifully pays their annual taxes to the state to serve as an incentive to other small business owners to do likewise.

REFERENCES

- Abor, J. and N. Biekpe, 2006. "Small Business Financing Initiatives in Ghana", *Problems and Perspectives in Management*, 4(3), pp. 69-77.
- Agyemang, E. D. (2005). *Income Tax, Tax and Capital Gain Tax*; Advent Press, Accra.
- Akeju, K.F. (2018). Informal sector and tax compliance: The role of associational membership in South West, Nigeria. *International Journal of Applied Economics, Finance and Accounting*, 3(1), 1-9.
- Alstadsaeter A. (Norwegian University of Life Sciences), Johannesen N. (University of Copenhagen and CEBI), Zucman G. (UC Berkeley and NBER) in *Tax Evasion and Tax Avoidance* article in October 8, 2019.
- Amoh, J.K., Ofori-Boateng, k., Nsor-Amabala R. & Anarfo, E.B (2023). Tax efforts and tax evasion-economic development Nexus. Does institutional quality matter? *Cogent Economics & Finance*.
- Antonis & Kammas, Pantelis (2012): (Tax evasion) power to the people: does "early democratization" increase the size of the informal sector?
- Anamoah A. N (2019), "Causes of Small and Medium Scale Enterprises Tax Evasion". The Study focus on the Informal Sector in the Accra Metropolis.
- Bonett D. G. & Wright T. A. (2014) "Cronbach's alpha reliability: Interval estimation, hypothesis testing, and sample size planning". *Journal of Organizational Behavior*, J. Organizational Behaviour. (2014) Published online in Wiley Online Library

- (wileyonlinelibrary.com) Psychology Department, University of California, Santa Cruz, California, U.S.A. 2 Gabelli School of Business, Fordham University, Bronx, New York, U.S.A.
- Brigham, E.F. & Ehrhardt, M.C. (2016). Financial management: Theory and practice, 1st edition. Cincinnati, OH: South-Western College Publishing.
- Carnahan, M. (2015). Taxation challenges in developing countries. *Asia & The Pacific Policy Studies*, 2(1), 169-182.
- Creswell, J.W. (2013). Research design: Qualitative, quantitative and mixed methods approaches. London, UK: Sage Publications.
- Deloitte & Touche (2015). Harnessing the bottom billions in the informal sector: Are tax authorities willing to engage? Retrieved 8 March 2019, from <https://www2.deloitte.com/content/dam/Deloitte/ng/Documents/tax/insidetax/ng harnessing-the-bottom-billions-in-the-informal-sector.pdf>
- Dzadzra, A. (2011). Small and medium enterprises (SMEs) taxation in Ghana. Accra, Ghana: Tax Policy Unit, Ministry of Finance and Economic Planning.
- Ehun, T. (2015). Taxation of the informal sector in Ghana: A case study of the compliance level of artisans in the Brong Ahafo Region (master's thesis). Kwame Nkrumah University of Science and Technology, Kumasi, Ghana.
- Ellawule A (2018) Effect of Tax Evasion on Economic Development of Yobe State, Nigeria. Elizabeth NG et al. *Sch. Bull.*, 1(6), 157- 162.
- European Union (EU). (2015). User guide to the SME definition. Luxembourg: Publications Office of the European Union.
- Fagariba, C. (2016). Perceptions and causes of SMEs and traders tax evasion: A case of Accra Metropolis, Ghana. *Journal of Business & Economic Management*, 4(2), 17-39.

- Ferrer-i-Carbonell, A., & Gerxhani, K. (2016). Tax Evasion and Well-being: A Study of the Social and Institutional Context in Central and Eastern Europe. *European Journal of Political Economy*, 45, 149 – 159.
- Forum on tax administration: SME compliance sub-group. Retrieved 3 March 2019, from <http://www.oecd.org/tax/administration/42490764.pdf> Oxfam & Southern and Eastern African Trade, Information and Negotiations Institute Ghana. Organization for Economic Co-Operation and Development. (2010).
- Gitonga, E.N., Kyalo, T. & Maina, L. (2015). Influence of tax rates on tax compliance in the informal sector in Kenya: Survey of Nyeri Town.
- Graziano, A.M. & Raulin, M.L. (2012). *Research methods: A process of inquiry*, 8th edition. Upper Saddle River, N.J.: Pearson International.
- Hayford, S. (2012). The development of small medium enterprises and their impact to the Ghanaian economy (bachelor's thesis). Kwame Nkrumah University of Science and Technology, Kumasi, Ghana.
- Hasseldine, J., Hite, P.A., James, S. & Toumi, M. (2010). Persuasive communications: Tax compliance enforcement strategies for sole proprietors. *Contemporary Accounting Research*, 24(1), 171-194.
- Higgins, R. (2015). *Analysis for financial management*, 11th edition. New York: McGraw-Hill Education.
- Hope Magazine. (2017). RRA increases tax compliance to finance Rwanda's development. Retrieved 2 March 2017, from <http://hopemag.com/index.php>
- Hokamp, S. (2014). Dynamics of tax evasion with back auditing, social norm updating, and public goods provision: an agent-based simulation. *Journal of Economic Psychology*, 40(1), 187-199

International Monetary Fund (IMF). (2015). Current challenges in revenue mobilization: Improving tax compliance. New York, NY: IMF.

International Journal of Applied Economics, Finance and Accounting, Online Academic Press, vol. 3(1), pages 1-9.

IDS Working Papers 2013 (429).

Jabbar, H.A. (2009). Income tax noncompliance of small and medium enterprises in Malaysia: Determinants and tax compliance costs (doctoral dissertation). Curtin University of Technology, Bentley, Australia.

Jacobs, F.R. & Chase, R. (2013). Operations and supply chain management, 14th edition. Boston, MA: McGraw-Hill Education.

Joshi, A., Prichard, W. & Heady, C. (2013). Taxing the informal economy: Challenges, possibilities and remaining questions.

Kaplan, D. (2012). Introduction to financial statement analysis. Los Angeles, CA: The Kaplan Group.

Kundt, T.C. (2017). Opportunities and challenges for taxing the informal economy and subnational taxation. Brighton, United Kingdom: Institute of Development Studies.

Kuug, S.N. (2016). Factors influencing tax compliance of small and medium-sized enterprises in Ghana (master's thesis). University of Ghana—Legon, Accra, Ghana.

Le H.T.H, Tuyet V.T.B, Hanh C.T.B, Do, H.Q (2020) / Journal of Asian Finance, Economics and Business Vol 7 No 7 (2020) 209 – 217 209 Print ISSN: 2288-4637 / Online ISSN 2288-4645

Lymer, A. & Oats, L. (2010). Taxation policy and practice, 16th edition. Birmingham, Alabama: Fiscal Publication.

Magreth, J.P. (2012). Examining of factors influencing lending decisions to SMEs: A case of finance providers in Tanzania (master's thesis). Strathmore University, Nairobi, Kenya.

- Mantey, E.B. (2015). Assessing tax compliance among small business income earners in the Suame Magazine Industrial Area in the Kumasi Metropolis (master's thesis). Kwame Nkrumah University of Science and Technology (KNUST), Kumasi, Ghana.
- Mensah-Pah, J.D. (2014). Widening the tax net to Ghana's informal sector. Retrieved 8 March 2019, from <https://www.ghanaweb.com/GhanaHomePage/features/Widening-the-taxnetto-Ghana-s-informal-sector-333173>
- Mlay, E.H. (2013). Challenges facing tax collection from small and medium taxpayers: A case study of the Mwanza tax region (master's thesis). Mzumbe University, Morogoro, Tanzania.
- Mohamad M and Deris M. S. (2018) College of Energy Business and Economic, Universiti Tenaga Nasional, Putrajaya, Malaysia; marziana@uniten.edu.my and sakarnor@uniten.edu.m
- Munjeyi, E., Maponga, S., Mhizha, C., Mujuru, S., Mpondori, P.F. & Munjoma, M. (2017). Informal sector tax administration: Will ZIMRA ever win? *Research Journal of Finance and Accounting*, 8(19), 54-59.
- Naritomi, J. & Jensen, A. (2018). Strengthening consumers' participation in VAT compliance strategies in Rwanda. Kigali, Rwanda: International Growth Centre Rwanda.
- Nduruchi, G.M., Makokha, E.N. & Namusonge, G.S. (2017). Determinants of tax compliance among small and medium enterprises in Bungoman County, Kenya. *European Journal of Business and Management*, 9(18), 46-51.
- Ndichu R. (2019). Effect of Personal and Non-Personal Factors on Tax Evasion among Small and Medium Enterprises in Nairobi, Kenya, Strathmore Business School, Strathmore University, Kenya.
- Omodero C. O. (2019). Tax Evasion and Its Consequences on an Emerging Economy: Nigeria as a Focus, *Research in World Economy*.

- Seatini (2017). Taxation in Uganda: Review and analysis of national and local government performance, opportunities and challenges. Kampala, Uganda: Oxfam.
- Passer, M. (2013). Research methods. New York, NY: Worth Publishers.
- Rai, P.K. (2014). The challenges of tax collection in developing economies (with special reference to India) (LLM thesis). University of Georgia, Athens, Georgia.
- USAID. (2012). Providing capacity building for SMEs in El Salvador. New York, NY: MacMillan Publishing.
- Wahabu, A. (2017). Examining tax compliance of small and medium-sized enterprises in the Tamale Metropolis (master's thesis). University of Cape Coast, Cape Coast, Ghana.
- Weaver, S. (2012). The essentials of financial analysis, 1st edition. New York: McGraw-Hill Education.
- World Bank. (2018). Increasing tax flow key to financing Uganda's growth development. Retrieved 8 March 2019, from <https://www.worldbank.org/en/country/uganda/publication/increasing-tax-flow-keyto-financing-ugandas-growth-development>
- Yoffo, M. & Brun, J.F. (2016). Informal sector heterogeneity and tax compliance in Cameroon. Retrieved 8 March 2019, from <https://ideas.repec.org/cgi-bin/refs.cgi>
- Zhang, N., Andrighetto, G., Ottone, S., Ponzano, F., & Steinmo, S. (2016). Willing to pay? Tax Compliance in Britain and Italy: An Experimental Analysis. PloS One, 11 (2)

APPENDIX 1 KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

DEPARTMENT OF ACCOUNTING AND FINANCE

QUESTIONNAIRE

**TAX EVASION AND AVOIDANCE AMONG MICRO, SMALL AND MEDIUM
SIZED ENTERPRISES IN EFFIDUASE, ASHANTI REGION.**

PURPOSE

This questionnaire was designed to obtain information on micro, small and medium enterprises in Effiduase in Sekyere East - District. This will help the researcher write his project. Please your responses to the questions are solely for academic purposes and as such all information provided would be treated confidential.

INSTRUCTION

Please Tick ☒ where appropriate and write responses where necessary.

QUESTIONS ON RESPONDENT

SECTION A

1. Age Distributions

20 and below [] 21- 25 [] 26 – 30 [] 31-35 [] 36 and above []

2. Gender Distributions

Male [] Female []

3. Educational background

(a) Basic [] (b) Secondary [] (c) Tertiary [] (d) Others []

4. Type of business

On a scale of 1 to 5, with 1 signifying: 1 “Strongly Disagree,” 2- “Disagree,” 3- “Neutral,”

4- “Agree” and 5- “Strongly Agree,” please indicate your perception of the following statements.

SECTION B: To ascertain the causes of tax evasion and avoidance by Small and Medium sized businesses.

Statements	Strongly Disagree			Strongly Agree	
	1	2	3	4	5
1.Are you aware of your tax obligation	1	2	3	4	5
2. Do you pay any money to the district Ghana Revenue Authority	1	2	3	4	5
3, What type of tax do you pay	1	2	3	4	
4.Do you keep records of daily tax paid	1	2	3	4	5
5.Do you keep records of your daily income	1	2	3	4	5

SECTION C: To examine the tax enforcement strategies used by the Ghana Revenue Authority (GRA) to collect taxes from small and medium sized enterprises in Effiduase, Ashanti Region.

Statements	Strongly Disagree			Strong Agree	
	1	2	3	4	5
6. Are you forced before paying tax?	1	2	3	4	5
7. Do you refuse to pay tax intentionally	1	2	3	4	5
8. Does GRA (Domestic tax) organize tax education for you?	1	2	3	4	5
9. Are you willing to pay tax	1	2	3	4	5
10. Have you ever refused to pay tax	1	2	3	4	5
11. Do you know refusing to pay tax is an offence	1	2	3	4	5
12. Is there any tax education that goes on here	1	2	3	4	5

SECTION D: To probe the difficulties involved in the Ghana Revenue Authority (GRA) collecting taxes from small and medium sized enterprises in Effiduase, Ashanti Region.

Statements	Strongly Disagree					Strongly Agree				
	1	2	3	4	5	1	2	3	4	5
13. Do you attacked tax collectors when they come to you										
14. Are Tax Collectors friendly	1	2	3	4	5					
15. Do you welcome tax collectors when they come to you	1	2	3	4	5					
16. Do you intentionally understate your income	1	2	3	4	5					

APPENDIX II

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

DEPARTMENT OF ACCOUNTING AND FINANCE

INTERVIEW GUIDE

GRA OFFICIAL

(DOMESTIC TAX DIVISION)

PURPOSE

This questionnaire was designed to obtain information on Traders in Effiduase Sekyere – East District. This will help the researcher write his project.

Please your responses to the questions are solely for academic purposes and as such all information provided would be treated confidential.

INSTRUCTION

Please Tick ☒ where appropriate and write responses where necessary.

QUESTIONS ON RESPONDENT

SECTION A

1. Age Distributions

20 and below [] 21- 25 [] 26 – 30 [] 31-35 [] 36 and above []

2. Gender Distributions

Male [] Female []

3. Educational background

(a) Basic [] (b) Secondary [] (c) Tertiary [] (d) Others []

4. Position held

SECTION B: To ascertain the causes of tax evasion and avoidance by Small and Medium sized Scale businesses.

1. Are Micro, Small and Medium enterprises aware of their tax obligations and the procedures used by tax administrators in collecting tax?
2. What do you think can be done to increase the awareness of taxation in the informal business sector especially among small and medium enterprises in this district?

SECTION C: To examine the tax enforcement strategies used by the Ghana Revenue Authority (GRA) to collect taxes from small and medium sized enterprises in Effiduase, Ashanti Region.

1. How are the Micro, Small and Medium enterprises assessed for tax payment and what will cause tax evasion?
2. Is the assessment system clear to the Small and Medium enterprises?

SECTION D: To probe the difficulties involved in the Ghana Revenue Authority (GRA) collecting taxes from small and medium sized enterprises in Effiduase, Ashanti Region.

1. What are the challenges you go through during collection of taxes?
2. Are the tax payer's friendly and do they easily comply during collection of taxes?
3. What could be done to curb the challenges?

