

Tax Knowledge and Tax Compliance of Informal SMEs in Ghana

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ABSTRACT: This study seeks to examine the impact of tax knowledge on the tax compliance of informal SMEs in Ghana. Quantitative technique is adopted together with the survey strategy. Convenience sampling is adopted to select 400 informal SME owners/managers from whom 326 valid questionnaire responses are obtained. The SPSS is used to perform simultaneous multiple regression on the data to test the hypothesis, after determining the fundamental structure of the items with factor analysis. The findings show that general tax knowledge and procedural tax knowledge have significantly and positively effect on tax compliance but legal tax knowledge does not have significant impact on tax compliance. The study concludes that general and procedural tax knowledge are major determinants of tax compliance. Recommendation is provided that the government and stakeholders in the tax policy and administration space such as the GRA precede their effort to increase tax revenue mobilization with tax education to enhance the tax knowledge of taxpayers that significantly drive taxpayers to be tax complaint. The GRA can do this by liaising with the Ghana Enterprises Agency to build the tax knowledge capacity of the SMEs owners/ managers to enhance compliance.

KEYWORDS: General tax knowledge, Informal SMEs, Legal tax knowledge, Procedural tax knowledge, Tax compliance, Tax knowledge.

I. INTRODUCTION

Tax compliance is a critical component of any running economy (Dularif & Rustiarini, 2022). Ensuring that people and businesses accurately report their income and pay the appropriate taxes is critical for supporting government programmes and maintaining public services. However, tax compliance can be a difficult and scary undertaking. Individuals and organizations must traverse a complex web of tax rules, regulations, deductions, and exemptions to establish their tax due. Individuals and corporations who lack appropriate knowledge and understanding of tax regulations may unintentionally make errors on their tax returns, resulting in underpayment or nonpayment of taxes. This lack of tax awareness can result in serious penalties, fines, and legal troubles (Musimenta, 2020).

The influence of tax knowledge on tax compliance is evident in literature. Tax knowledge has a significant impact on tax compliance since it ensures accurate reporting, prompt payment of taxes, minimization of tax liabilities, avoidance of penalties and fines, and overall economic growth (Oktaviani et al., 2020). Kushwah et al. (2021) similarly assert that good knowledge of tax matters offer significant benefits to taxpayers as well as the government in terms of taxpayer compliance that help in increasing revenue mobilization. Additionally, Amin et al. (2022) emphasize that individuals with more tax knowledge are more aware of possible deductions and credits, which allow them to legally reduce their tax bill. This can lead to higher tax compliance since people are better aware of their responsibilities and can take advantage of available tax breaks. Furthermore, Hauptman et al. (2024) indicate businesses that are knowledgeable about tax rules and regulations are better able to effectively record their income and spending, navigate complex tax procedures, and meet their tax obligations.

Importantly, the critical nature of tax knowledge-tax compliance nexus has prompted empirical research into the subject. Various prior studies have reported varied outcomes. Whilst one strand of studies report significant and positive link between tax knowledge and tax compliance (e.g. Newman et al., 2018; Ritsema et al., 2011; Baru, 2016; Twum et al., 2020; Amin et al., 2022; etc.), another strand of studies report no significant link between the two constructs (e.g. Nasution et al., 2020; Pattiasina et al., 2020; Bird, 2013; Maseko, 2014; Kushwah et al., 2021; Handoko et al., 2020; etc.). It can be said that the growing inconsistency in outcomes make the subject inconclusive and require further probe. To this end, this study attempts to investigate the link between tax knowledge and tax compliance in the informal SMEs sector in Ghana.

Undoubtedly, some studies have been done in Ghana on this subject of tax knowledge and tax compliance (e.g. Twum et al., 2020; Nartey, 2023; Kumi et al., 2023; Appiah et al., 2024). However, unlike the existing studies, this study provides unique theoretical and practical implications that makes it worth pursuing. Firstly, this study offers a unique theoretical contribution to literature on tax knowledge and tax compliance by examining how three variants of tax knowledge (i.e. general tax knowledge, legal tax knowledge, and procedural tax knowledge) separately influence tax compliance. Such a study is lacking in literature as far as the

researchers are aware. Secondly, this study is important since studies on this subject that focus on Ghana's SMEs sector in general are sparse and this study uniquely concentrates on informal SMEs that have not received attention for such investigation as far as the researcher are aware. Thirdly, this study offers unique practical contribution since it focuses on SMEs (i.e. informal SMEs) that are crucial to the economic development and sustainability of Ghana by highlighting how the three variants of tax knowledge can influence tax compliance among the informal SMEs for an enhanced tax revenue mobilization.

II. LITERATURE REVIEW

2.1 Theoretical Review

The study adopts the social learning theory (SLT) as the underpinning theory. The SLT suggests that individuals imitate the actions they witness in their surroundings, particularly if those actions are regarded as appropriate (Bandura & Walters, 1977). The theory's proposition emphasizes that individuals and organisations acquire knowledge from one others in a social setting, especially through orientations, imitations, and observations (Alshirah et al., 2022). This indicates that individuals within the environment have a direct or indirect impact on the behaviour of others.

In this study, the focus is on tax compliance behaviour. The SLT is used to explain how taxpayers acquire tax information through a social learning process. Mandari and Koloseni (2017) argue that having knowledge about taxes is necessary for determining taxpayers' compliance behaviour. Similarly, social learning can influence conformance and compliance, and it is feasible to improve compliance through collaborative learning in a social context. Thus, it can be argued on the premise of the SLT that thorough direct and indirect interaction with people and factors in the social environment, individuals acquire knowledge on their tax responsibilities that influence them to be tax compliant.

2.2 Empirical Review and Hypothesis

Several studies have examined the relationship between tax knowledge and tax compliance to understand how individuals' understanding of tax laws and regulations affects their willingness to comply with their tax obligations (Saad, 2014). Most of these studies have found that higher levels of tax knowledge are positively associated with tax compliance. Alm et al. (2010) report that individuals with greater tax knowledge are more likely to comply with their tax obligations and report their income accurately. Similarly, Kirchler et al. (2010) indicate that individuals with higher tax knowledge are more likely to engage in voluntary compliance behaviors.

In his study on tax knowledge and tax compliance in Malaysia, Palil (2010) finds tax knowledge to have a significant and positive effect on the extent of tax compliance of taxpayers. Similarly, Thananga et al. (2013) in their study indicate that landlords' non-compliance to the Nakuru Municipality's Rental Income Tax Policy is because of their lack of understanding and low level of knowledge on the policy itself. Thus, indicating knowledge on tax policy is a significant contributor to taxpayers' compliance with tax policies. Oladipupo and Obazee's (2016) report in their study of SMEs in Nigeria that tax knowledge have significant positive influence on the tax compliance. Likewise, Newman et al. (2018) document that there exist a positive relationship between the level of tax knowledge possessed by taxpayers and their compliance to the tax laws of a state. Also, in their study on the tax compliance and its determinants, Al-Taffi et al. (2020) find among other factors that tax knowledge positively affect the level of tax compliance of taxpayers in Yemen.

Other study also report findings similar to the outcomes of the studies above. Loo (2006) and Chen Loo et al. (2009) in their studies have demonstrated that among taxpayers, tax knowledge is the primary determinant of tax compliance. Ritsema et al. (2011) support this claim by disclosing in their study that many New Zealand SMEs willingly comply with the tax laws and rules since they have sufficient understanding of the tax system. Baru (2016) similarly report in his study that SME owners knowledge on tax matters significantly influence their tax compliance. Likewise, Anto et al. (2021) find in their study on motor vehicle taxpayers in the Kendari City that tax knowledge have a major impact on the tax compliance behaviour of taxpayers. Again, Twum et al. (2020) and Appiah et al. (2024) report in their studies in Ghana that tax knowledge positively affect tax compliance. Supporting the above outcomes is Amin et al. (2022) who discover tax knowledge is one of the major factors that significantly predict the level of tax compliance among taxpayers.

Although most agree that agree that tax knowledge directly affects tax compliance, other studies have yielded contradicting findings. Nasution et al. (2020) and Pattiasina et al. (2020) have documented in their studies in Indonesia that tax knowledge has no influence on tax compliance. Bird (2013) and Maseko (2014) have also proved that tax compliance is not influenced by the tax knowledge possessed by individual taxpayers. Kushwah et al. (2021) further confirm these outcomes by reporting in their study that tax knowledge has no major influence on tax compliance. Similarly, Handoko et al. (2020) have proved that there is no significant relationship between tax knowledge and compliance to tax laws and policies among individual taxpayers. Indeed, these outcomes seem to buttress the general argument that adequate knowledge on tax matters can

facilitate tax avoidance and non-compliance since taxpayers are better able to adopt strategies to reduce their tax obligations.

Undoubtedly, the foregoing review shows that there are conflicting outcomes and opinions on the impact that tax knowledge has on tax compliance. Nonetheless, it is abundantly evident from most of the studies on tax knowledge and tax compliance that there exist a notable link between the two constructs. In that regard, one can argue that tax knowledge has a significant impact on tax compliance. Therefore, based on this assertion and the plethora of empirical evidence of a major relationship between tax knowledge and tax compliance, a general hypothesis is developed that as follows.

H₁: Tax knowledge and tax compliance of informal SMEs owners are positively related.

Sequel from the general hypothesis above, we formulate the specific hypotheses for the study given regards to the general tax knowledge, legal tax knowledge, and procedural tax knowledge as follows:

H_{1a}: General tax knowledge and tax compliance of informal SMEs have significant positive relationship.

H_{1b}: Legal tax knowledge and tax compliance of informal SMEs have significant positive relationship.

H_{1c}: Procedural tax knowledge and tax compliance of informal SMEs have significant positive relationship.

III. METHODS

3.1 Research Design

The study employs the quantitative techniques to investigate the link between tax knowledge and tax compliance of informal SMEs in Ghana. This is consistent with literature since the study seeks to address the research objectives by testing hypotheses that require quantitative data and procedures (Saunders & Lewis, 2012). The survey strategy is also employed to complement the quantitative techniques.

3.2 Population and Sample

The study relies on an infinite population of informal SMEs in Accra. Accra is selected for the study since it the capital city of the country and has high concentration of economic activities compared to other cities and areas. Predominantly, the respondents are owners/managers of the informal SMEs. The study employs the convenience sampling technique to sample respondents who were available and willing to participate in the study. Using the Cochran (1977) method of estimating an infinite population's sample size, the study uses a sample size of 400 respondents, assuming a 50% (0.5) proportion of the population and a 5% (0.05) margin of error with a corresponding 1.96 critical value (i.e. $n = [1.96^2 * 0.5(1-0.5)] \div 0.05^2 = 384.16$). But the sample size of 384 respondents is rounded to 400 to cater to the expected margin of error since higher sample size is mostly preferred (Polit & Beck, 2004).

3.3 Data Collection

The survey strategy is adopted to obtain data from the respondents (i.e. informal SME owners/managers) in Accra. Structured questionnaire is administered to 400 respondents but 326 are obtained as valid, representing 81.5% response rate. The questionnaire contains statements to measure each variable that include tax knowledge (i.e. legal tax knowledge, general tax knowledge, and procedural tax knowledge) and tax compliance. With the exception of demographic information, all data are obtained using a five-point Likert scale based-questions, ranging from 1 representing strongly disagree to 5 representing strongly agree. The purpose of the study is explained to the respondents to boost their participation. Similarly, the respondents are assured of highest confidentiality of information they provide to enhance participation.

3.4 Data Analysis

The study analyzes data using a range of analytical procedures. It uses the descriptive analysis to analyse the demographic information and the basic features of the dataset. It also uses the exploratory factor analysis to determine the fundamental structure for the 26 items of the tax knowledge and tax compliance questionnaire. Again, it performs the reliability and correlation analysis using the Cronbach's alpha and Pearson correlation respectively. To test the hypothesis, the simultaneous multiple regression is employed to determine the significance or otherwise of the hypothesized relationships. From the hypotheses, the regression model is expressed as below.

$$TC = \alpha + \beta_1(GTK) + \beta_2(LTK) + \beta_3(PTK) + \beta_4(Gender) + \beta_5(Edu) + e$$

Where TC, GTK, LTK, PTK are the dependent and independent variables denoting tax compliance, general tax knowledge, legal tax knowledge and procedural tax knowledge respectively. Gender and education (i.e. Edu) are the control variables. Additionally, α represents the constant term, e denotes the error term, and β_{1-5} indicate the coefficients of regression.

3.5 Variables

Tax compliance: This is the dependent variable of the study. It is defined as taxpayers' willingness to meet their tax obligations in conformity to relevant tax laws without any action from the tax authority. This variable is measured using responses to 10 questions about tax compliance via five-point Likert scale.

General tax knowledge: This is one of the independent variables. It is defined as the understanding of taxpayers regarding their rights and obligations in implementing general issues in the tax system. It is measured using responses to five 5 questions about general tax knowledge via five-point Likert scale.

Legal tax knowledge: This is another independent variable. It is defined as the understanding of taxpayers regarding their rights and obligations in implementing the legal requirements of the tax system. It is measured using responses to 7 questions about legal tax knowledge via five-point Likert scale.

Procedural tax knowledge: This is also one of the independent variables. It is defined as the understanding of taxpayers regarding their rights and obligations in implementing the procedural matters of the tax system. It is measured using responses to five 4 questions about procedural tax knowledge via five-point Likert scale.

IV. RESULTS

4.1 Demographic Analysis

The participants' demographic characteristics are displayed in Table 1. Out of the total respondent (i.e. 326), 166 (50.9%) are males whilst 160 (49.1%) are females. With respect to their education level, it emerges that out of the total respondents, 66 (20.2%) have basic school education, 83 (25.5%) have secondary school education, 110 (33.7) have attained GCE O/A levels, and 67 (20.6%) have attained tertiary education. Information on the SMEs used shows that in terms of ownership, 156 (47.9%) are sole proprietorship, 98 (30.1%) are partnership, and 72 (22.1%) are family businesses. In terms of age of the SMEs, 104 (31.9%) are 1-5 years old, 119 (36.5%) are 6-10 years old, and 103 (31.6%) are older than 10 years. With respect to number of workers employed by the SMEs, 130 (39.9%) of the SMEs employ 1-4 workers, 123 (37.7%) employ 5-9 workers, and 73 (22.4%) employ 10-49 workers.

Table 1: Demographic information of respondents

| Variables | Items | Frequency | Percentage |
|-------------------------|---------------------|-----------|------------|
| Gender | Male | 166 | 50.9 |
| | Female | 160 | 49.1 |
| Education | Basic | 66 | 20.2 |
| | Secondary | 83 | 25.5 |
| | GCE O/A Level | 110 | 33.7 |
| | Tertiary | 67 | 20.6 |
| Ownership type | Sole proprietorship | 156 | 47.9 |
| | Partnership | 98 | 30.1 |
| | Family business | 72 | 22.1 |
| Firm age | 1-5 years | 104 | 31.9 |
| | 6-10 years | 119 | 36.5 |
| | More than 10 years | 103 | 31.6 |
| No. of employees | 1-4 employees | 130 | 39.9 |
| | 5-9 employees | 123 | 37.7 |
| | 10-49 employees | 73 | 22.4 |

4.2 Factor Analysis

To test the appropriateness of the sample to run the factor analysis, the KMO and Bartlett's test is performed. The result of the KMO measure of sampling adequacy is 0.808. Moreover, it is found to be significant ($p < 0.05$) indicating the 4 components relate from each other. Thus, indicating the suitability of the factor analysis. Table 2 shows the results of the KMO and Bartlett's test.

Table 3 displays the results of the factors analysis using the principal component analysis (PCA) and rotated by the Varimax rotation method with Kaiser no . Per the results, the factor analysis extracted 4 uncorrelated factors (i.e. component 1, 2, 3, and 4 representing Tax Compliance, General Tax Knowledge, Legal Tax Knowledge, and Procedural Tax Knowledge respectively). These factors account for 71.67 percent of the variance. To ensure clarity, factor loading less than 0.50 is omitted in consistent with Hair et al (2010). This led to the removal of items 7 items (i.e. TC1, TC2, TC3, LTK1, LTK2, LTK3, and PTK3) from the 26 items for the

factors leaving 19 items. All the 19 items loaded to their respective factors in the rotated matrix with no cross loadings.

Additionally, Cronbach’s alpha test is performed for the extracted factors. The results of the test as presented in Table 3 shows the alpha coefficients range from 0.757 to 0.902. These alpha coefficients are greater than the minimum threshold of 0.6 (Hair et al., 2010), indicating high internal consistency in the factors that are extracted.

Table 2: KMO and Bartlett's Test results

| | | |
|--|--------------------|--------------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy | | 0.808 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 4628.86 |
| | df | 190 |
| | Sig. | 0.000 |

Table 3: EFA (rotated component matrix) and reliability analysis results

| Latent constructs | Items | Component | | | |
|---|-------|-----------|-------|-------|-------|
| | | 1 | 2 | 3 | 4 |
| Tax compliance (TC) | TC4 | 0.837 | | | |
| | TC5 | 0.907 | | | |
| | TC6 | 0.878 | | | |
| | TC7 | 0.874 | | | |
| | TC8 | 0.808 | | | |
| | TC9 | 0.754 | | | |
| General tax knowledge (GTK) | TC10 | 0.683 | | | |
| | GTK1 | | 0.794 | | |
| | GTK2 | | 0.785 | | |
| | GTK3 | | 0.630 | | |
| | GTK4 | | 0.751 | | |
| Legal tax knowledge (LTK) | GTK5 | | 0.774 | | |
| | LTK4 | | | 0.792 | |
| | LTK5 | | | 0.878 | |
| | LTK6 | | | 0.815 | |
| | LTK7 | | | 0.635 | |
| Procedural tax knowledge (PTK) | PTK1 | | | | 0.797 |
| | PTK2 | | | | 0.784 |
| | PTK4 | | | | 0.631 |
| Eigenvalues | | 6.86 | 2.843 | 1.991 | 1.484 |
| % of variance explained | | 34.302 | 14.21 | 12.85 | 10.31 |
| Cumulative % of variance explained | | 34.302 | 48.52 | 61.36 | 71.67 |
| Cronbach's alpha | | 0.837 | 0.757 | 0.902 | 0.808 |
| No. of items | | 7 | 5 | 4 | 3 |

Extraction Method: Principal Component Analysis
Rotation Method: Varimax with Kaiser Normalization

4.3 Descriptive, Collinearity, Correlation, and Normality Analyses

Aside the EFA, we tested for all relevant basic parametric assumptions to obtain satisfactory outcomes prior to performing the simultaneous multiple regression to determine the relationships between the dependent and independent variables. Table 4 displays the means and standard deviations of the variables. It also shows the collinearity results with all VIF values less than 2 (ranging from 1.026 to 1.950) and far below the threshold value of 10, indicating multicollinearity is not likely to occur. In addition, correlation analysis is performed (Table 4), which indicates that almost all the predictor variables have significant correlation with the dependent variable ($p < .01$). Among the predictor variables, it is seen that they have significant correlations but none of the pairs exceed the limit of 0.90 as suggested by Hair et al. (2010). Thus, the regression estimation is doable given

the correlations found. The Durbin Watson results (Table 5) is 1.674, which is within the normal threshold of 1.5 to 2.5, indicating autocorrelation is not a problem for the estimation. Again, normality based on skewness and kurtosis are found to be within their acceptable thresholds of -2 to +2 and -3 to +3 (Hair et al., 2022) respectively, suggested the dataset has a distribution.

Table 4: Descriptive, collinearity, and correlation analyses results

| | Mean | SD | VIF | TC | GTK | LTK | PTK | Gen | Edu |
|-------------|-------|-------|-------|---------|---------|---------|-------|------|-----|
| TC | 3.796 | 0.621 | | 1 | | | | | |
| GTK | 3.861 | 0.672 | 1.950 | .365** | 1 | | | | |
| LTK | 3.971 | 0.734 | 1.728 | .305** | .614** | 1 | | | |
| PTK | 4.164 | 0.750 | 1.568 | .306** | .576** | .470** | 1 | | |
| Gen | 1.490 | 0.501 | 1.077 | -.227** | -.166** | -.235** | -.053 | 1 | |
| Edu. | 2.550 | 1.033 | 1.026 | -.108 | -.095 | -.018 | -.100 | .093 | 1 |

Note: ** $p < .01$, * $p < .05$ (2-tailed). TC is tax compliance, GTK is general tax knowledge, LTK is legal tax knowledge, PTK is procedural tax knowledge, Gen is gender, and Edu is education level.

4.4 Regression Analysis

The hypothesis is tested using the simultaneous multiple regression at 95% confidence interval. The analysis shows there is a good model fit: $F(5, 320) = 14.381$, $p < .01$, Adjusted R square = .171, R square = .183 (Table 5). The results indicate that the combination of predictor variables account for 18.3% of the variations in tax compliance (i.e. dependent variable). The results of the coefficients of the parameter estimates reveals General tax knowledge (Beta = 0.208, $t = 2.951$, $p < .01$) and Procedural tax knowledge (Beta = 0.137, $t = 2.169$, $p < .05$) exert significant and positive impact on Tax compliance. Therefore, hypotheses H1a and H1c are supported. However, the results show the coefficient of the parameter estimate for Legal tax knowledge (Beta = 0.073, $t = 1.098$, $p > .05$) reflecting no significant impact on Tax compliance. Thus, hypothesis H1b is not supported.

Table 5: Regression results (Tax compliance as dependent variable)

| Predictors | B | SE | Beta | t-value | Sig. |
|---------------------------------|--------|-------|--------|---------|---------|
| (Constant) | 2.727 | 0.263 | | 10.351 | 0.000** |
| General tax knowledge | 0.192 | 0.065 | 0.208 | 2.951 | 0.003** |
| Legal tax knowledge | 0.062 | 0.056 | 0.073 | 1.098 | 0.273 |
| Procedural tax knowledge | 0.114 | 0.052 | 0.137 | 2.169 | 0.031* |
| Gender | -0.202 | 0.065 | -0.163 | -3.107 | 0.002 |
| Education | -0.035 | 0.031 | -0.058 | -1.143 | 0.254 |
| R Square | 0.183 | | | | |
| Adjusted R Square | 0.171 | | | | |
| F(5,320) | 14.381 | | | | |
| Sig. | 0.000 | | | | |
| Durbin Watson | 1.678 | | | | |

Note: ** $p < .01$, * $p < .05$,

Table 6: Summary of hypothesized relationships and remarks

| Hypothesis | Relationship | Beta | t-value | p-value | Remarks |
|------------|----------------------|-------|---------|---------|---------------|
| H1a | GTK → Tax compliance | 0.208 | 2.951 | 0.003 | Supported |
| H1b | LTK → Tax compliance | 0.073 | 1.098 | 0.273 | Not supported |
| H1c | PTK → Tax compliance | 0.137 | 2.169 | 0.031 | Supported |

V. DISCUSSION

The results from the hypothesis testing indicates tax knowledge has a significant positive impact on tax compliance. The findings reveal that two out of the three tax knowledge components (general tax knowledge and procedural tax knowledge) are significant predictors of tax compliance, resulting in the acceptance of their corresponding hypotheses (i.e. H1a and H1c). Indeed, this outcome suggest that enhancing the general and procedural tax knowledge capacity of SMEs owners reflect positively on their attitude towards tax compliance.

This means that as people gradually become acquainted and knowledgeable on the general and procedural matters of the tax system, they naturally become compliant with the tax system.

A close observation of the established link between general and procedural tax knowledge indicates it perfectly aligns with the SLT that argues on the premise that through direct and indirect interaction with people and factors in the social environment, individuals acquire knowledge on their tax responsibilities that influence them to be tax compliant. It can be observed that the established relationship between the constructs (general and procedural tax knowledge and tax compliance) is consistent with the results of plethora of existing studies although these studies looked at tax knowledge broadly without segregating them into the respective types of tax knowledge. One strand of such studies are Palil (2010), Oladipupo and Obazee's (2016), and Al-Ttaffi et al. (2020) who find tax knowledge to exert significant influence on tax compliance in their studies in Malaysia, Nigeria, and Yemen respectively. Another strand of empirical works whose outcomes support the study's results are Ritsema et al. (2011) and Baru (2016) whose disclose in their studies that SME owners knowledge on tax matters significantly influence their tax compliance. The results similarly agrees with the findings of Anto et al. (2021), Amin et al. (2022), Twum et al. (2020, Appiah et al. (2024) who indicate there is a strong connection between taxpayer level of knowledge on tax matters and their compliance to the tax system. Regardless, the current result is inconsistent with the findings of Nasution et al. (2020), Pattiasina et al. (2020), Bird (2013), Maseko (2014), and Kushwah et al. (2021) who have proved that that tax compliance is not influenced by the tax knowledge possessed by individual taxpayers. Meaning the knowledge on general and procedural matters on the tax system do not influence tax compliance.

The results of the hypothesis further reveal legal tax knowledge is not significant in predicting informal SMES compliance to tax system. This result is very surprising since one would have perceived that possession of legal tax knowledge would significantly affect tax compliance. However, it turns out to be otherwise as confirmed by the rejection of hypothesis H1b. Indeed, this outcome buttresses the general argument that adequate knowledge of the tax laws can facilitate tax avoidance and non-compliance since taxpayers are better able to adopt strategies to reduce their tax obligations. The result is consistent with Handoko et al. (2020), Nasution et al. (2020), Pattiasina et al. (2020), and Kushwah et al. (2021) who have documented the existence of no significant relationship between tax knowledge and compliance to tax laws and policies among individual taxpayers. Nonetheless, the result is inconsistent with the findings of the many authors who report a significant relationship exist between tax knowledge and tax compliance such as Palil (2010), Oladipupo and Obazee's (2016), and Al-Ttaffi et al. (2020), Ritsema et al. (2011), Anto et al. (2021), Amin et al. (2022), Twum et al. (2020), and Appiah et al. (2024).

VI. CONCLUSION

Given regards to the research objectives addressed in the study, it is important to emphasize that the study make significant contribution to both theory and practice as far as the subject under investigation is concerned. Theoretically, this study makes important contribution by adding to literature on tax knowledge and tax compliance which is sparse in developing countries context. More importantly, it is different from the few studies on the subject matter as it examines how three different compositions of tax knowledge (i.e. general tax knowledge, legal tax knowledge, and procedural tax knowledge) separately influence tax compliance. Practically, this study has provided an insight on how three major variants of tax knowledge influence tax compliance on their own in an informal SMEs sector in Ghana. This is particularly important because SMEs play a crucial role in the economic development and sustainability of Ghana. Therefore, a study of this nature that highlights key tax knowledge indicators for tax compliance is very important since an enhanced tax compliance has positive implications on tax revenue mobilization in the country.

Using the simultaneous multiple regression to analyze data obtained from informal SME owners/managers conveniently sampled from informal SMEs in Accra, this study has revealed that general tax knowledge and procedural tax knowledge significantly and positively predict tax compliance whereas legal tax knowledge does not. Thus, it can be concluded that general and procedural tax knowledge are major determinants of tax compliance. The study findings provide an important justification for various recommendations for policy and practice. It is important that regulators in the tax policy and administration space such as the GRA precede their effort to increase tax revenue mobilization with tax education to enhance the tax knowledge of taxpayers that significantly drive them to be tax complaint. As far as the SMEs are concerned, the GRA can do this by liaising with the Ghana Enterprises Agency to build the tax knowledge capacity of the SMEs owners/ managers to enhance compliance. Again, it is worth noting policy makers must collaborate with stakeholders in the educational sector so that tax education can incorporated into the curriculum for all students. This will boost the tax knowledge capacity of people which will lead to an enhance tax compliance among taxpayers.

Indeed, this study is without limitations. Firstly, it is worth noting that the study is limited to informal SMEs in Accra. Therefore, the findings can only be generalized to other sectors outside the SMEs sector and context outside Accra by applying caution. Secondly, there may be other variables that can significantly

influence tax compliance but this study fails to include them as either independent or control variables. Thus, it is suggested that future studies expand the scope of variables employed in this study by adding other demographic and non-demographic variables that are not included in this study as independent, control, or mediating variables.

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