Enhancing General Tax Knowledge: The Role of Formal Tax Education

Fatimah Jibril Bawa
Ph.D. Candidate, Department of Business Administration, Accra Institute of Technology, Ghana
Dr. Christopher Boachie
Central university, P. O. Box 2305 Team, Accra

ABSTRACT:-

Introduction: The informal sector (IS) is one of Ghana's developmental driving sectors. Operators in the sector utilize government facilities financed from tax revenue but however fail to adhere to tax obligations. This non-adherence to tax obligations by businesses in the sector has been attributed to lack of comprehension of tax education and tax knowledge. In light of this, this study looked at the impact of Formal Tax Education on General Tax Knowledge in Ghana's Informal SME Sector of Ghana.

Method: The Social Learning Theory (SLT) was employed as a theoretical foundation to this study. The study was underscored by quantitative research method and descriptive cross-sectional survey design. Data was obtained from registered SMEs within the informal sector within the Greater Accra Region of Ghana. A 10-item based questionnaire was employed and data obtained from 1,152 respondents. Respondents for the study were sampled using random sampling and snowballing techniques. Data was analyzed using regression through SMART-PLS software.

Findings: The study found that formal tax education among informal sector SMEs is low in Ghana. This illustrates insufficient level of comprehension or mastery of issues underpinning formal tax education. Further, the study found higher level of General Tax Knowledge among informal sector SMEs within Ghana. It also shows superior or sufficient level of comprehension or mastery of issues underpinning General Tax Knowledge by SMEs in Ghana. Moreover, the study discovered that formal tax education exerts significant positive impact on general tax knowledge.

Conclusion: The findings suggest that as much as SMEs in Ghana possess a basic comprehension of tax responsibilities, they lack formal training that could deepen their comprehension of tax regulations and compliance processes. This gap indicates that informal sector SMEs are functioning with fragmented knowledge, potentially resulting in unintentional non-compliance, missed opportunities for tax benefits, and inefficient business practices. Further, the clarity is that the significant impact of formal tax education on general tax knowledge observed in the study underlines the need for structured tax educational initiatives within the informal sector in Ghana.

Keywords: Tax education, formal tax education, tax knowledge, general tax knowledge, informal SME sector

I.   INTRODUCTION

The informal sector (IS) is one of the critical sectors of the economy of developing nations with significant number of operators (Anyidoho, 2022). In spite of the deepening attention given to the sector within literature, there is no generally agreed definition. Nevertheless, diverse number of authors have conceptualized the IS across literature and diverse disciplines. The IS has been regarded by some scholars as challenging when it comes to management and control and therefore has received diverse names such as tax shadow economy, hidden economy, and undeclared economy (Horodnic & Williams, 2016; Makochekanwa, 2020; Mpofu, 2021). Despite this, Horodnic and Williams (2016) defined IS as an economic sector that is unregistered and hidden in which businesses fail to declare or reveal their production of products and services including revenues and other taxable incomes (Horodnic & Williams, 2016). The sector is conceptualized by Anyidoho (2022) as those economic activities that are often uncontrolled, unmanaged, unregulated and delineated by government and most often are escape root for taxation. The sector covers businesses and organizations that are unregistered including those that fall within small scale, medium scale, casual labour and undeclared income or revenue.

Within the context of developing economies such as Ghana, the sector is highly huge employing significant number of people and providing income to numerous individuals within micro and small business operations (Jedwab & Vollrath, 2019; Benjamin & Mbaye, 2020). It has been reported that the SMEs represents

90.4% of the whole IS in Africa (ILO, 2018; Kiaga & Leung, 2020), and in Ghana constitute 91.0% of the IS (Ghana Statistical Service, 2015). The IS in Ghana employs 90% of the active labour force and makes 70% contribution to the GDP of the country. In spite of this position within the country coupled with SMEs utilization of government's facilities financed from tax revenue, most of operators or businesses within the IS fail to adhere to their tax obligations. This non-adherence to tax obligations by businesses has been attributed to problem regarding comprehension of tax education and tax knowledge by SMEs in Ghana (Saad, 2019; Mohammed & Tangl, 2024). In addition, this issue has also been attributed to failure of Ghana Revenue Authority (GRA) to develop educational and knowledge-based tax programs that is well suited to the informal sector SMEs (Benjamin & Mbaye, 2020). Although, some level of educational initiatives has been introduced by GRA in Ghana for informal sector SMEs, this has failed to obtain the needed results (Mohammed & Tangl, 2024).

Furthermore, the SMEs within the IS of Ghana also faces significant number of challenges when it comes to adherence to tax obligations attributed to limited levels of tax knowledge and lack of formal education in relation to tax system (Benjamin& Mbaye, 2020). Consequently, Mpofu (2021), argues that one of the factors that has the capacity to bridge the knowledge gap and promote adherence to tax laws is formal tax education. However, the limited knowledge of tax policies and laws within the IS coupled with perception of tax law complexities makes it difficult to achieve greater level of compliance. This therefore makes the SMEs business within the IS of Ghana one of the under-taxed sectors of the country, resulting in reduction in revenue of governments thereby exacerbating the tax compliance issue within the sector (Mpofu, 2021).

Within the context of literature at the global, Africa and Ghanaian level, significant attention has been given to tax education, tax knowledge and tax compliance. Studies have reported that when obligated business owners have in-depth knowledge and comprehension of tax regulations, policies, laws, frameworks and structures, the person(s) have the greater probability of adhering or fulfilling their tax obligations within the specified time frame (Kirchler et al., 2018; Saad, 2019; Mohammed & Tangl, 2024). Further, in the study by Saad (2019), the author reported that a formal educational program that is well-planned, structured and effective has the capacity to aid in comprehending existing tax frameworks aimed at fostering general tax knowledge, error reduction and voluntary compliance. In addition, Mohamad and Asri (2017), have noted that tax education that is formal and well-targeted has the capacity to influence the overall tax knowledge of business owners or staffs. Studies have reported that most SMEs owners in Ghana lacks the sufficient or general knowledge in relation to tax policies, laws and regulations (Ameyaw et al., 2018; Adams & Webley, 2019; Asare, 2020). In addition, studies have reported that low level of attention have been given to issue of general tax knowledge acquired through formal tax education within the context of Ghana (Kirchler et al., 2018; Kassim & Manosur, 2018; Mohammed & Tangl, 2024). Moreover, although, some level of attention has been given to general tax knowledge within larger organizations, this cannot be said of SMEs within the informal sector.

From literature, it is clear that most studies have highly focused on the major construct such as tax education and tax knowledge rather than specific components such as formal tax education and general tax knowledge underscoring these major constructs. In addition, although some level of attention has been given to literature in Ghana regarding general tax knowledge it has been within larger organizations rather than informal sector SMEs. Further, studies within the context of Ghana have also failed to examine the linkages among specific dimensions of tax education and tax knowledge (Mohammed & Tangl, 2024). Further, it is clear that studies examining the link between formal tax education and general tax knowledge within the informal SME sector of Ghana are rare.

It is important to establish that these knowledge gaps underscore the need for targeted research that assesses the impact of formal tax education on general tax knowledge within the informal SME sector of Ghana. In spite of this general objective of the study, it would specifically look at (1) determining the level of general tax knowledge among informal SMEs operators in Ghana, and (2) how formal tax education exert impact on general tax knowledge within the informal sector of Ghana.

Essentially, by addressing the revealed gaps, the findings of the study would provide guidance to government, policy makers and tax authorities offering important insights in relation to formal tax education and general tax knowledge in order to enhance the compliance rates within the informal sector of Ghana. The study's findings would provide actionable insight on the need to develop formal tax educational programs in various levels of educational institutions aimed at providing general tax knowledge. In addition, the findings of the study would act as foundational point for policy development within the area of formal tax education and general tax knowledge in the informal sector.

This paper covers varied sections. The first section covers the introduction. The second section provides overview of important theories and research findings from existing literature or scholarly works. Section 3 explains the research methods used in the study. In Section 4, the data and research results are analyzed and discussed. This section also includes discussions, conclusions, implications for theory and management, limitations of the research, and suggestions for future studies.

II.   LITERATURE REVIEW

2.1   Formal Tax Education
According to Braunerhjelm and Eklund (2019), formal tax education deals with planned, structured and organized training programs or courses designed to equip businesses or individuals with in-depth comprehension of tax laws, tax policies, tax process and procedures, compliance obligation and filing procedures. In the words of Oats and Tuck (2021), effective tax education has the capacity of enhancing literacy of taxpayers, voluntary compliance and tax evasion reduction. Within the context of SME, formal tax education is very critical in assisting businesses to navigate complex tax systems, avoid penalties, and take advantage of available benefits, ultimately fostering financial sustainability and contributing to economic growth (Thomas, 2022).

2.2   General Tax Knowledge
According to Braunerhjelm and Eklund (2020), general tax knowledge deals with the general comprehension of basic tax systems such as kinds of taxes, tax classifications, tax filing processes and procedures, tax timelines, and penalties when it comes to tax non-compliance. It involves the making individuals become aware of personal or business tax responsibilities and the need to adhere to these tax laws and policies (Azmi & Perumal, 2021). Azmi and Perumal (2021), claimed that for SMEs, particularly in the informal sector, general tax knowledge is crucial for fostering voluntary compliance, minimizing errors, and reducing tax evasion. A solid foundation in tax concepts helps businesses manage their financial responsibilities more effectively, enhances their interactions with tax authorities, and can lead to better business sustainability. Increasing general tax knowledge through education and awareness initiatives is essential for integrating more businesses into the formal economy (Thomas, 2022).

2.3   Relationship between Formal Tax Education and General Tax Knowledge
According to Kirchler et al. (2018), formal education equips people or individuals as well as business owners with in-depth knowledge regarding tax responsibilities, filing processes, timelines, benefits of tax compliance and challenges with tax compliance. Kassim and Manosur, (2018), claimed that education ensures that tax knowledge goes beyond basic awareness, helping SMEs and individuals navigate the complexities of tax systems with more confidence and accuracy. In addition, scholarly work shows that formal tax education encourages better comprehension of tax laws, policies, regulations leading to enhanced compliance (Azmi & Perumal, 2021). Study by Thomas (2022), reported that informal sector SMEs business owners with formal training aids in their search for tax reliefs, penalties, and effective management of tax-related risks highly effective. In addition, Jedwab and Vollrath (2019), posited that individuals with formal education in relation to tax systems have the capacity to ensure accurate tax filing, returns and compliance with tax regulations. Further, Braunerhjelm and Eklund (2020), claimed that formal tax education propels voluntary compliance as a result of knowledge gained by taxpayers on tax policies and laws.

2.4   Theoretical Framework
2.4.1   Social Learning Theory
According to Kurniawan (2020), Social Learning Theory (SLT) developed by Bandura provides important insights into how environmental and cognitive factors influence human learning and behaviour. In the words of Bandura (1977), SLT stresses on the role played by observation, attention, imitation, modeling, retention, reproduction and reinforcement in propelling human learning and changes in behaviour. These outline elements or processes evolve from an individual's focus on their environment, learning from these experiences, and modifying their behaviour based on the knowledge obtained from their milieu. Within the realm of tax research work or scholarly investigations, SLT illustrates that attitudes of taxpayers shift and enhance compliance when they acquire more tax knowledge and education (Kurniawan, 2020). In the words of Hidayat et al., (2023), formal tax education serves as a pivot upon which informal sector SME business strives, which is achieved through observation, learning etc resulting in the development of appropriate tax-related attitudes or behaviours. On the contrary, general tax knowledge is critical as it equips individual owners of SME business with the skills and know-how needed to ensure clear understanding of tax policies and laws based on what they have learned (Ogaluzor & Edori, 2023). It is vital to establish that without general tax knowledge, individuals in

the informal sector may struggle to implement the behaviours they have observed or learned from their business environment (Ogaluzor & Edori, 2023).

III. METHODOLOGY

3.1 Research Method and Design

The study employed a positivist paradigm, utilizing a quantitative research orientation to gather and analyze data. The use of positivism within the context of this study makes its relevant and critical by associating an observation to literature or theory such as TPB and the unceasing acquisition of true knowledge has the capacity to develop a scientific body of knowledge (Creswell & Creswell, 2018). This philosophical standpoint helped to researcher to obtain data and results that are objective and unbiased coupled with its fostering accountability and transparency. The positivist paradigm within the context of tax research, aids in providing solutions to real-world problems such as tax evasion, compliance challenges, and economic inefficiencies, with data-driven solutions. In congruence with this, the study was within the quantitative research orientation. In this case, numerical data was collected through structured surveys or objective observations, enabling the measurement of important constructs underpinning the study such as tax education, and reporting compliance. In addition, descriptive research design was utilized by the study because it helped the researcher to gather data to objectively describe and document issues underscoring the research work.

3.2 Population, Sample and Sampling

Data was sourced from individuals and entities in the Greater Accra Region engaged in economic activities in the informal sector thus classified as SMEs. The overall focus is on registered informal SMEs with the Ghana Enterprises Agency located in Greater Accra region of Ghana. The Ghana Enterprise Agency (GEA), formerly known as the National Board for Small Scale Industries (NBSSI), is a government agency in Ghana tasked with promoting and supporting the development of micro, small, and medium-sized enterprises (SMEs) across various sectors of the economy. The number of registered businesses with GEA in Greater Accra is about 2,180 from various sectors of the economy. Generally, the study utilized 1,152 respondents as its sample size. It has been argued that a larger sample size helps minimize sampling error, which refers to the discrepancy between sample statistics and actual population parameters. This approach reduces selection bias, ensuring that the sample more accurately reflects the population and enhances the reliability and validity of the results (Devos, 2014; Mascagni, 2020). Consequent to this, respondents of the study were sampled using a multi-stage sampling method employing simple random sampling and snowball sampling. Through random sampling, four sectors were selected namely, Agricultural, Commerce, Manufacturing and Service were selected out of fourteen (14) sector categorizations by the International Standard Industrial Classification aggregation criterion. Further, snowball sampling strategy relied on previously identified group members to identify other members of the population. The snowball sampling strategy relied on previously identified key business group members or owners to identify other members in the target population.

3.3 Data Collection and Analysis

For the purpose of this study, the researcher utilized 10-item instrument adapted from prior studies but modified by the authors within the context of Ghana. The tax compliance reporting aspect of the instrument was adapted in part from Brown and Mazur (2003), Twum, et al. (2020), and Mohammed and Tangl (2024). Although, these authors have 3 dimensions of overall tax compliance scale such as filing compliance, payment compliance and reporting compliance, the study focused on reporting compliance. On the contrary, the tax education aspects in this research were adapted from the studies of Mahat & Ling (2011); Othman et al., (2020); Ogaluzor & Edori (2023); and Gitaru (2017). The three subscales measure of tax education as used in this study includes formal tax education, informal tax education and non-formal tax education. The questionnaire in relation to the key constructs was measured using 5 point likert scale from Strongly Agree (5), Agree (4), Not Sure (3), Disagree (2) and Strongly disagree (1). Further, data validity and reliability were established before use of the scale. In addition, ethical considerations were given utmost credence in this research work. Moreover, data from the study were coded and managed using SMART-PLUS. The researcher utilized partial least squares (PLS) for the analysis of data. The PLS is key technique in structural equation modeling (SEM) introduced by Wold in 1985, aimed at explaining data variance. It builds upon principal component analysis and canonical correlation analysis, as noted by Henseler et al. in 2009, and has fewer prerequisites compared to covariance-based SEM (CBSEM). The main goal of PLS is to assess the significance of relationships characterized by high R^2 values, sharing a similar predictive focus with linear regression analysis (Hair et al., 2022).

IV.   RESULTS

4.1   Bio-Data Result

The bio-data or demographic features of the informal sector SME businesses utilized by the study are presented in the table below:

Table 1.1 Demographic Result

| Bio-Data	Details	FREQ.	Percent (%)
Gender	Male	667	58.0
	Female	485	42.0
	Sub-Total	**1152**	**100.0**
Size of Employees	1-2 employees	464	40.0
	3-9 employees	516	45.0
	10-49 employees	139	12.0
	Above 49 employees	33	3.0
	Sub-Total	**1152**	**100.0**
Marital Status	Married	317	28.0
	Divorced	47	4.0
	Single	772	67.0
	Widowed	16	1.0
	Sub-Total	**1152**	**100.0**
Level of Education	Primary School	45	4.0
	High School	224	19.0
	Diploma	355	31.0
	Graduate	528	46.0
	Sub-Total	**1152**	**100.0**
Religion	Christian	883	77.0
	Muslim	252	22.0
	Traditional	17	1.0
	Sub-Total	**1152**	**100.0**

(*Source: Field Data, 2024*)

The result from table 1.1 illustrates that with the 1,152 respondents employed in the study, a significant majority of these respondents were males depicting 58%, while females constituted 42%. In addition, it is vital to note that diverse number of small and medium-sized enterprises (SMEs) had up to three employees, accounting for 45%, followed by those with three to nine employees, also at 45%. Businesses with 10 to 49 employees represented 12%, and those with over 49 employees were the least common at 3%. Furthermore, the analysis revealed that significant portion of the study respondents were single, making up 67%, while 28% were married, 4% were divorced, and 1% were widowed. Moreover, significant majority of respondents held a graduate degree at 46%, followed by 31% with a diploma, and only 4% had a primary education. When it comes to the issue of religion, 77% identified as Christian, 22% as Muslim, and 1% as traditionalist.

4.2   Measurement Model

Items underscoring each of the study construct were evaluated from the SMART_PLS software through critical analysis of the data. The analytical model on the study measures are presented as follows:

Figure 1.1 Measurement Model
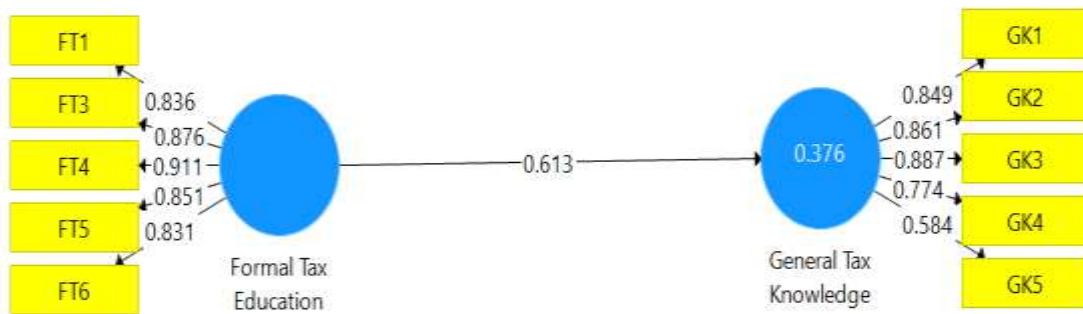
4.3 Factor Loadings

Creswell (2019), posited that how much an individual items within a correlation matrix relate to a principal construct or factor is what is called factor loading. These loadings show succinctly the association or linkage between the items and their designated factor or key variable or construct. In the words of Pett et al. (2003), loadings from analysis can range from -1.0 to +1.0, with higher absolute values indicating stronger relationships or associations between the item and the underlying factor or the key construct. In view of this, the result of the factor loadings from the analysis of data obtained from SMEs is presented in Table 1.2. In addition, the statistics in relation to multicollinearity is also presented indicated as VIF.

Table 1.2 Factor Loading and Multicollinearity Statistics (i.e. VIF)

Items	Formal Tax Education	General Tax Knowledge	VIF
FT1	0.836		2.447
FT3	0.876		3.106
FT4	0.911		3.723
FT5	0.851		2.632
FT6	0.831		2.597
GK1		0.849	2.528
GK2		0.861	2.565
GK3		0.887	2.731
GK4		0.774	1.779
GK5		0.584	1.338

Table 1.2 illustrates results of factor loadings and VIF. The result shows that formal tax education items have factor loading scores between 0.831 and 0.911, which shows a strong link to formal tax education construct. In addition, general tax knowledge item scored between 0.774 and 0.887, reflecting a strong connection to principal construct. These findings suggest that the factor loadings for all items have significant values, highlighting strong correlations among the two key variables. On the contrary, Hair et al. (2017), posited that multicollinearity is usually not a concern if the Variance Inflation Factor (VIF) is below 10. The VIF results from Table 1.2 range from 1.338 to 3.723, indicating that these numbers are within the acceptable range and show no issues with multicollinearity.

4.4 Reliability Results

From the analysis the reliability result is shown below:

Table 1.3 Reliability Results

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Formal Tax Education	0.913	0.915	0.935	0.742
General Tax Knowledge	0.853	0.881	0.896	0.638

Cronbach's alpha is one of the important indicators for establishing reliability. It helps scholars to evaluate effectively the internal consistency of the items used in a study (Hair et al., 2017; Creswell, 2019). Scores or values of 0.7 or higher indicate a strong agreement among the study items (Creswell, 2019). The results display the formal tax education is 0.913 and general tax knowledge is 0.853. It is clear that these reliability indicators or constructs exceeded the acceptable threshold of 0.70 (Hair et al., 2011), confirming the reliability of the constructs. In addition, in view of the composite reliability score, for formal tax education is

0.935 and general tax knowledge is 0.896, depicting strong internal consistency for these constructs. Further, in relation to the issue of convergent validity, measures that accurately assess the same phenomenon should show high covariance (Hair et al., 2022). The Average Variance Extracted (AVE) indicates how much items within a construct correlate and share variance (Hair et al., 2022). An AVE score of 0.50 or higher suggests that the study items effectively measure the underlying construct (Creswell, 2019). The results show that the AVE scores for formal tax education (0.742) and general tax knowledge (0.638) all surpassed the threshold of 0.50, confirming the existence of convergent validity among the study constructs.

Table 1.4 Discriminant Validity - Fornell and Larcker Criterion

	Formal Tax Education	General Tax Knowledge
Formal Tax Education	0.861	
General Tax Knowledge	0.613	0.799

Table 1.5 Discriminant Validity - HTMT

	Formal Tax Education	General Tax Knowledge
Formal Tax Education		
General Tax Knowledge	0.686	-

Tables 1.4 and 1.5 present the findings from the Fornell and Larcker criterion and the Heterotrait-Monotrait Ratio (HTMT), which are used to assess discriminant validity in the data set. According to the Fornell and Larcker criterion, discriminant validity is confirmed when the square root of the Average Variance Extracted (AVE) for a construct is greater than its correlation with all other constructs. The results indicate that formal tax education ratio has a value of 0.861, general tax education: formal tax education ratio is 0.613, and general tax education ratio is 0.799. These values exceed their correlations with other constructs, providing strong evidence for discriminant validity. Regarding the HTMT, Hair et al. (2022) recommend a threshold of 0.85 or lower, while Teo et al. (2008) suggest a more lenient threshold of 0.90 or lower. The HTMT values in Table 1.5 show general tax knowledge ratio of 0.686, which is below the 0.90 threshold, thus confirming discriminant validity.

4.5 Structural Model

Analysis was carried out in relation to the major construct using regression from SMART PLS. The structural model from the analysis is shown in figure 1.2.

Figure 1.2 Structural Model – FTE and GTK
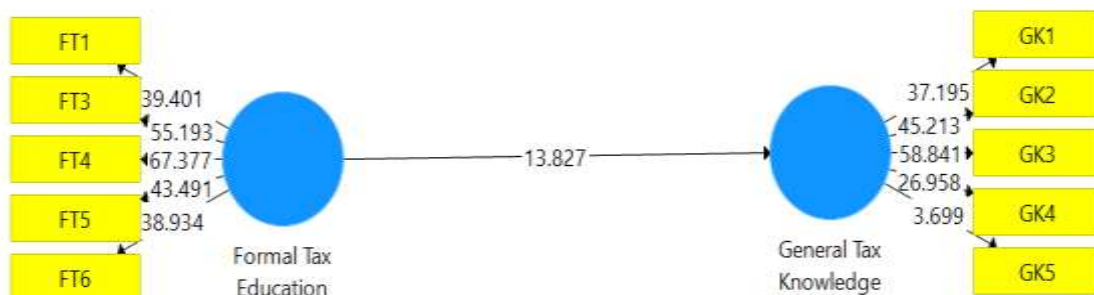
4.6 Determine the Level of Formal Tax Education among Informal Sector SMEs

Within Ghana, the informal sector SMEs are very critical to the whole economic development of the country. In view of this, the study evaluated the level of formal tax education among informal sector SMEs. The overall aim was to determine the level of understanding of informal sector SMEs when it comes to tax laws, tax policies, tax regulations, filing procedures, compliance issues, tax processes and requirements underscoring the whole tax system. In addition, evaluating the understanding of informal sector SMEs in relation to benefits of compliance, challenges and compliance issues will aid in knowing the level of formal educational based on these informal sector SMEs in relation to tax system of Ghana. The result from the analysis is presented in Table 1.6.

Table 1.6 Descriptive Statistics – Formal Tax Education

Items	Mean	SD	T	P Values
FT1 <- Formal Tax Education	0.835	0.021	39.401	0.000
FT3 <- Formal Tax Education	0.875	0.016	55.193	0.000

FT4 <- Formal Tax Education	0.910	0.014	67.377	0.000
FT5 <- Formal Tax Education	0.850	0.02	43.491	0.000
FT6 <- Formal Tax Education	0.830	0.021	38.934	0.000
Overall Mean	*0.860*			

[Significance of the loadings of each of the items = p< 0.05]

The result regarding level of formal tax education of informal sector SMEs is shown in Table 1.6. The construct called formal tax education was assessed using 5 point likert scale from strongly disagree through to strongly agree. The result shows that all the items obtained significant loadings represented as p = 0.0000 indicating [p< 0.05]. In addition, the overall mean of the items was [χ = 0.860]. For the individual means, the highest value was [FT4 = 0.910] and the lowest was [FT6 = 0.830]. Comparing all the individual means to the overall mean, the result shows 3 items obtained mean score less than overall mean indicating limited level of agreement or acceptance whilst 2 items obtained a mean score greater than the overall mean, illustrating higher level of acceptance ort agreement. This shows that formal tax education among informal sector SMEs is low within the Greater Accra Region of Ghana. This illustrates insufficient level of comprehension or mastery of issues underpinning formal tax education.

4.7   Determine the Level of General Tax Knowledge among Informal Sector SMEs
The level of tax knowledge of businesses within a particular country is very important towards the development of the country. In view of this, the study evaluated the level of General Tax Knowledge among informal sector SMEs. The overall aim was to assess informal sector SMEs businesses awareness level of basic tax concepts and terminologies, including types of taxes, responsibilities underscoring each tax system or regime, filing procedures and processes, compliance issues, kinds of taxes within their business operations, benefits of compliance, and challenges. In the study by Mohammed and Tangl (2024), the author indicated that enhancing the general tax knowledge of businesses is very important in propelling voluntary compliance, tax evasion reduction, enhancing business process formalization, ultimately leading to rise in government revenue and growth in the economy. Therefore, the result from the analysis is shown below:

Table 1.7 Descriptive Statistics – General Tax Knowledge

Items	Mean	SD	T	P Values
GK1 <- General Tax Knowledge	0.845	0.023	37.195	0.000
GK2 <- General Tax Knowledge	0.859	0.019	45.213	0.000
GK3 <- General Tax Knowledge	0.887	0.015	58.841	0.000
GK4 <- General Tax Knowledge	0.777	0.029	26.958	0.000
GK5 <- General Tax Knowledge	0.624	0.158	3.699	0.000
Overall Mean	*0.798*			

[Significance of the loadings of each of the items = p< 0.05]

The result regarding level of General Tax Knowledge of informal sector SMEs is shown in Table 1.7. The construct called General Tax Knowledge was assessed using 5 point likert scale from strongly disagree through to strongly agree. The result shows that all the items obtained significant loadings represented as p = 0.0000 indicating [p< 0.05]. In addition, the overall mean of the items was [χ = 0.798]. For the individual means, the highest value was [GK3 = 0.887] and the lowest was [GK1 = 0.023]. Comparing all the individual means to the overall mean, the result shows 2 items obtained mean score less than overall mean indicating limited level of agreement or acceptance whilst 3 items obtained a mean score greater than the overall mean, illustrating higher level of acceptance ort agreement. This shows that majority of the items obtained higher score, illustrating higher level of General Tax Knowledge among informal sector SMEs within Ghana. It also shows superior or sufficient level of comprehension or mastery of issues underpinning General Tax Knowledge by SMEs in Ghana.

4.7   Impact of Formal Tax Education on General Tax Knowledge
The impact of formal tax education on general tax knowledge among informal sector SMEs in Ghana was assessed. The result from the regression is shown in Table 1.8.

Table 1.8 Coefficient of Regression Result

Constructs	Beta Coefficient	T Statistics	P Values
Formal Tax Education -> General Tax Knowledge	0.613	13.827	0.000

Considering the total effects size, from the SMART PLS regression analysis, the result in relation to the impact of formal tax education on general tax knowledge is presented in Table 1.8. The result shows that formal tax education exert significant impact on general tax knowledge represented as (β = 0.613, T = 13.827, p < 0.05). The impact level is positive and 61.3% of variance explained. This shows that formal tax education is a good predictor of general tax knowledge of informal sector SMEs in Ghana. It also displays that an alteration in a unit of formal tax education has the capacity of resulting in 61.3% alteration in general tax knowledge of informal sector SMEs in Ghana.

V.   DISCUSSION OF FINDINGS

Essentially, the informal sector of Ghana plays critical role to the social economic development of the country. In spite of this, the level of tax evasion and tax non-compliance is really high. In view of this, the study looked at the impact of formal tax education on general tax knowledge of informal sector SMEs in Ghana. The study found that formal tax education among informal sector SMEs is low in Ghana, however, higher level of General Tax Knowledge among informal sector SMEs was recorded among respondents of the study. The study found that formal tax education exerts significant positive impact on general tax knowledge. First and foremost, the low level of formal tax education among informal sector SMEs suggests that diverse number of informal sector SMEs businesses in Ghana struggle with comprehending tax laws, tax policies, tax regulations, filing procedures, compliance issues, tax processes and requirements underscoring the whole tax system. In addition, clear comprehension of benefits of compliance, challenges and reporting issues is problematic. In this vein, these SME businesses inadvertently fall into non-compliance, contributing to tax evasion or missed opportunities for tax benefits. It is clear that the finding stresses the for more targeted educational interventions and training programs to boost formal tax knowledge, improve tax compliance, and integrate more businesses into the formal tax system. This aligns with the studies that most SMEs owners in Ghana lacks the sufficient education in relation to tax policies, laws and regulations (Ameyaw et al., 2018; Adams & Webley, 2019). It also affirms the study by Kassim and Manosur (2018), who claimed that most businesses in Ghana do not know tax laws, policies and regulations underscoring the whole tax system leading to non-compliance. Further, the higher level of general tax knowledge among informal sector SMEs in Ghana, illustrates that these SMEs have a solid understanding of general tax concepts, such as types of taxes, deadlines, and the importance of filing returns. This knowledge has the capacity of positioning them better for voluntary tax compliance and reduces the likelihood of tax evasion. The discovery as posited stresses on the significance of general tax knowledge through formal education programs to further enhance their tax awareness and overall business sustainability. This affirms the study by Benjamin and Mbaye (2020), who indicated high level of knowledge of taxes among businesses in the developed worlds. It contradicts the study by Asare (2020), who claimed that significant majority of SMEs in Ghana lack the required general knowledge on tax laws and policies. It also contradict the study by Mpofu (2021),who argues that, there is limited knowledge of informal sector businesses on tax policies and laws coupled with the perception of tax complexities. Moreover, it is important to establish that the positive impact of formal tax education on general tax knowledge displays that SMEs that receive structured tax education are more likely to possess a deeper understanding of tax concepts, filing procedures, and compliance requirements. Formal education provides a comprehensive framework that enhances their awareness of tax regulations, benefits, and responsibilities, leading to better compliance behaviour. This also implies that without formal tax education, SMEs may only possess fragmented knowledge, increasing the risk of mistakes, misunderstandings, or even deliberate tax avoidance. The findings underscore the critical role of formal tax education in not only improving general tax knowledge but also fostering a culture of compliance. Consequently, government and tax authorities should prioritize formal tax education programs, especially for informal sector SMEs, to bridge knowledge gaps, promote long-term tax compliance, and integrate more businesses into the formal tax system for sustainable economic development. This affirms the study by Saad (2019), who reported that a formal educational program that is well-planned, structured and effective has the capacity to aid in comprehending existing tax frameworks aimed at fostering general tax knowledge, error reduction and voluntary compliance. In addition, Mohamad and Asri (2017), noted that tax education that is formal and well-targeted has the capacity to influence the overall tax knowledge of business owners or staffs, however, tailored tax education that is formal and its link with general tax knowledge is lacking.

VI.   THEORETICAL IMPLICATIONS

The discoveries of the study are highly related to the theory of social learning. In the words of Bandura (1977), the social learning theory believes that individuals acquire knowledge or education and skills through observation, imitation and interaction within their social milieu. In view of this, within the context of tax education specifically within the informal sector of Ghana, SME business will have the capacity to develop their general knowledge through social networks, peer learning and business interactions as compared to through

formal educational system. On the contrary, the theory posits that learning is highly effective when a more structured and planned cycle coupled with planned intervention provision. In light of this, the significant positive impact of formal tax education on general tax knowledge provide an important support view that a more structured, planned and deliberate educational interventions has the capacity of improving learning outcomes. In light of this, through effective integration of formal tax education into the operations of SMEs in Ghana, there is higher probability of shifting business of SMEs from being passive and observational learning to active, comprehensive mastery of tax-related information, leading to better compliance and sustainable business practices within the informal sector of Ghana.

VII.   MANAGERIAL IMPLICATIONS

Practically, the low level of formal tax education among informal sector SMEs in Ghana succinctly establish a need for more education on taxation. It requires important introduction of tax training programs, specifically those that are tailored to informal sector SME businesses. It is important to note that such programs will be very important and must have the capacity in helping address the gaps especially those once in relation to tax policies, laws, filing requirements, filling processes and procedures, compliance timeframes, benefits of complying and maintaining high up-to-date tax records. It is also critical to establish that the benefits can go beyond policy makers and tax authorities to that of SME business, to prioritize formal tax education within their business operations so that employees can understand these issues. Investing in such tax educational programs will help reduce cost incurred through errors in the filing process and enhance the effectiveness and efficiency of the business. Further, a general tax knowledge that is improved has the capacity of helping build trust between SME businesses and tax authorities which would propel smoother business formalization processes. In addition, it is important to note that formal tax education can also help SMEs to navigate complex tax regulations and maximize benefits such as tax exemptions or deductions, ultimately contributing to their financial stability.

VIII.   CONCLUSION

Notably, the study reveals a critical and important gap in formal tax education among informal sector SMEs in Ghana especially those within the Greater Accra Region of Ghana. It is vital to stresses that while revealing a relatively higher level of general tax knowledge within the same sector, it also shows low level of formal tax education. This suggests that as much as SMEs in Ghana possess a basic comprehension of tax responsibilities, they lack formal training that could deepen their comprehension of tax regulations and compliance processes. This gap indicates that informal sector SMEs are functioning with fragmented knowledge, potentially resulting in unintentional non-compliance, missed opportunities for tax benefits, and inefficient business practices. Further, the clarity is that the significant impact of formal tax education on general tax knowledge observed in the study underlines the need for structured tax education initiatives. SMEs that engage in formal tax education programs are better positioned to understand tax regulations in detail, thereby improving their overall compliance and reducing tax-related risks. This relationship suggests that formal education is essential not only for increasing tax literacy but also for fostering long-term financial sustainability for businesses within the informal sector. In addition, in order to achieve widespread tax compliance and business formalization within the informal sector of Ghana especially for SME businesses, it is vital that policymakers should focus on bridging the knowledge gap through targeted education initiatives, workshops, and training sessions designed specifically for informal sector SMEs. It also important for tax authorities to develop a well-structured and planned educational programs for SMEs on regular basis, in order to enhance their tax knowledge and their understanding of tax obligations. Ultimately, formal tax education has the capacity of serving as the vehicle or transformative tool that empowers informal sector SME businesses to comply with tax laws, thus contributing to the overall economic development of Ghana.

IX.   STUDY LIMITATIONS

Generally, this study is limited by its focus on informal sector SMEs in Ghana. In addition, the study does not account for differences in regional and national tax policies or enforcement levels which might affect SMEs' experiences with formal tax education and compliance.

X.   SUGGESTIONS FOR FUTURE RESEARCH

Future researcher can look at the role of informal learning programs or informal tax education in enhancing procedural tax knowledge for SMEs in Ghana. In addition, future researchers can compare studies across different sectors and countries on the link between formal tax education and general tax knowledge within the informal sector. Further, future researchers could assess the specific challenges faced by SMEs in accessing formal tax education and general tax knowledge.

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Fatimah Jibril Bawa
Ph.D. Candidate, Department of Business Administration, Accra Institute of Technology, Ghana