THE EFFECT OF RELIGIOSITY ON TAX MORALE IN DEVELOPING COUNTRIES: EVIDENCE FROM GHANA

BY

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DECLARATION

I, GODFRED DZISSAH, hereby declare that this submission is my own work and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

GODFRED DZISSAH

.............................

............. June, 2019
CERTIFICATION

I hereby certify that this Long Essay was supervised in accordance with procedures laid down by the University of Ghana.

Supervisor

Signature

Date

DR. EDWARD ASIEDU
DEDICATION

I dedicate this work to my son who is barely two months old, Godfred Setiam Dzisah. This dedication is to spur him to do more than I have done when he grows up.
ACKNOWLEDGEMENT

This long essay is a product of many brains put together and I would like to acknowledge them accordingly.

First and foremost, I acknowledge the Almighty God who gifts us life freely and abundantly and endows us with thinking brains.

I am exceedingly grateful to my immediate family who endured many days and weekends of my absence just to enable me attend lectures. I am also grateful to Honourable Lydia Alhassan who has remained solid behind me and encouraged me in all ways to complete the course. I am highly indebted to you, coz.

Special acknowledgement goes to Dr. Edward Asiedu, my supervisor, who took so much interest in the topic and provided very useful guidance and excellent supervision. I also acknowledge the important roles played by his teaching assistant, Miss Faustina Bachaiyiri. Thank you, madam.

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ABSTRACT

Tax revenue constitutes a chunk of revenue of many economies all over the world especially developing economies. Tax performance, however, appears far below the tax capacity of these countries. That raises the issue of tax morale. Many studies have been undertaken to explore the factors influencing tax morale. One factor found by these studies, though not conclusive, is the role of religiosity. In Ghana and other sub-Saharan African countries, an overwhelming majority of the populace are religious. Yet, tax revenues and as a share of gross domestic product (GDP) has seen steady decline over the years. The level of informality of many African countries negatively affects tax revenue mobilization. This current study sought to explore the effect of religiosity on tax morale in Ghana. The study found that, generally, religiosity positively correlates with the tax morale of Ghanaians. Specifically, the results indicate that religiosity, higher scale of income, employment status and educational level determine tax morale in Ghana. However, the high tax morale barely translates into actual performance given the fact that the country’s effort is far low compared against its middle-income level peers. The psychological phenomenon of cognitive dissonance which emphasizes the mismatch between people’s attitude and behaviour explains the finding. Useful recommendations are made to match tax compliance with tax morale.
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<table>
<thead>
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<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>CAPI</td>
<td>Computer Assisted Personal Interview</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GRA</td>
<td>Ghana Revenue Authority</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
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<tr>
<td>VAT</td>
<td>Value Added Tax</td>
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<td>WVS</td>
<td>World Values Survey</td>
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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter provides the general overview of the study. It presents the study background and statement of the problem. It outlines further the objectives of the study, research questions, study significance and scope of the study. The chapter ends by giving a preview of organization of the entire study.

1.1 Background to the study

Tax compliance is very important to all governments of the world as taxes provide the greatest source of revenue for governments for the provision of basic amenities for their citizenry (Gilligan & Richardson, 2005; Eiya, Ilaboya & Okoye, 2016). Reports from the Organization for Economic Co-operation and Development (OECD) and the World Bank have revealed that taxes constitute the greatest share of governments’ revenue in most countries (OECD, 2016; World Bank, 2016). Notwithstanding of this claim, Castro and Scartascini (2015) revealed that almost all governments in developing countries especially are unable to mobilize even half of the total outstanding tax revenues.

In Ghana, just about 1.2 million people are registered taxpayers (Ghana Revenue Authority, 2017) which implies that only this handful of the population bear the national tax burden, whereas a huge number of the total working population do not pay direct tax. The refusal to abide by the provisions of tax suggests an act of noncompliance. According to Serkan, Tamer, Yüzba & Mohdali (2016), tax non-compliance takes place through a refusal to file tax returns, misquoting of income or misquoting tax that is due.

Several interpretations of tax compliance have been provided by many scholars. For instance, Marziana, Mohamad, Orkhazimah & Mohmad (2010) defined tax compliance as a situation by which taxpayers comply or refuse to comply with tax rules in their country. Again, James & Alley (2000:29) described tax
compliance as a “continuum of definitions” which spans from a narrow approach of tax gap to a wider approach of taxpayers’ behaviour. According to Mohd, Mohd & Wan (2013), the aim of every tax administration in any country is to ensure voluntary tax compliance, which in some situations may require the application of legal procedures and the use of sanctions. Nonetheless, the rising concern of tax evasion has lately shifted to focus largely on why many people willingly comply.

Tax morale, commonly defined in the tax literature as the intrinsic motivation to pay taxes is closely linked to tax compliance. Torgler & Murphy (2005) describe it as the moral values or principles of individuals about tax payment. Tax morale is also closely related to what is termed ‘taxpayer ethics’, that is, “the norms of behaviour which govern the relationship between citizens as taxpayers and the government”.

Studies on tax morale can be traced back to the 1960s and the “Cologne School of Tax Psychology” (Schmolders, 1959). However, researchers have recently attempted to differentiate between economics and social psychology by laying emphasis on the fact that the economic phenomena should not be restricted to the traditional neoclassical perspective (Alm & Torgler, 2006). Thus, tax morale emanated from the Behavioural Economics school of thought, which is of the view that human decision making is not grounded solely on rationality, but is also affected by psychological and social factors. According to Daude, Gutierrez & Melguizo (2013) and OECD (2013), tax morale significantly correlates with tax effort and tax compliance in both the developed and developing countries of the world.

Religiosity has not gained wider recognition in tax compliance studies as a possible element that may perhaps explain tax compliance until several researchers (see: Torgler, 2003; Welch, Bjarnason, Petee, O'Donnell & Magro, 2005; Stack & Kposowa, 2006) laid emphasis on its importance for explaining tax compliance. The Oxford Dictionary (2012) defines religion as a system of faith and reverence, or the belief in the existence of a superhuman controlling authority. Bergan and McConatha (2001) defined religiosity as the degree of an individual’s commitment to the religion he or she professes as well as its teachings such that the individual’s attitudes or behaviour imitate this commitment. Hence, religiosity may simply be
defined as the state of being religious. Religious values are believed to shape individuals to act in the right way, and as such are presumed to positively motivate individuals to willingly obey tax laws (Stack & Kposowa, 2006; Welch et al., 2005). According to Hirschi and Stark (1969), religion may assist in preventing unlawful acts since religion is an authoritative system that commends right things and strengthens social values. In this way, religiosity might provide a possible explanation for most taxpayers’ strong positive compliance attitudes as apparent in the existing literature.

Torgler (2003) carried out an extensive study on the role of religiosity in increasing tax morale by using the 1990 World Value Survey (WVS) data on Canada. Findings of the study revealed that religiosity positively affects tax morale. Furthermore, another study he covered in more than 30 countries also confirmed the finding of the earlier research (Torgler, 2006). Again, Torgler & Schneider (2007) explored the factors of tax morale in several countries. Findings of those studies confirmed a strong influence of religiosity on tax morale in European countries except in Spain, in the USA and Turkey (Torgler, Demir, Macintyre & Schaffner, 2008). Additionally, findings from the study by Stack & Kposowa (2006) reaffirmed the conclusion that individuals without religious affiliations were the ones most likely to view tax evasion acceptable. Likewise, using a bigger sample size consisting of 47 countries, Richardson (2008) established a negative correlation between religious individuals and tax evasion.

Notable exceptions of the positive relationship between religiosity and tax morale were however revealed from the studies of Welch et al. (2005) and McKerchar, Bloomquist & Pope (2013). Welch et al. (2005) discovered from their study that respondents’ views on tax evasion were the same irrespective of their level of religiosity. Likewise, findings from the study by McKerchar et al. (2013) did not establish any relationship between religiosity and tax morale. Hence these researchers were of the view that individuals’ own integrity have a stronger influence on their tax compliance attitudes rather than their own religious beliefs. Furthermore, a study conducted in Nigeria by Eiya et al. (2016) to ascertain the influence of religiosity on taxpayers’ compliance attitudes revealed that religious values alone do not determine the compliance attitudes of taxpayers, but by other determinants of tax morale. In addition, the study revealed
that there was no significance difference between the tax morale of taxpayers from different religious beliefs.

Although inadequate, the overall literature demonstrates that religiosity may have significant influence in promoting voluntary tax compliance.

1.2 Problem Statement

Low tax compliance poses serious concern for almost all countries of the world, most especially in developing countries. This is because non-payment of taxes limits governments’ capacity to mobilize revenue for development (Alm, 2012). According to Ibrahim & Abdul-Hanan (2015), the share of tax revenue in Ghana consistently fell below the average of 16 per cent between 2006 and 2012, with consequential effect on provision of quality infrastructure. Furthermore, the GRA (2017) reported that just about 1.2 million people in Ghana are registered taxpayers, which implies that only this handful of the population bear the national tax burden, whereas a huge number of the population do not pay tax.

Tax morale, defined as an intrinsic motivation which results from one’s moral values or religious beliefs has been recognized as a contributing factor in shaping individuals’ attitudes towards tax payment. Earlier studies on tax compliance have mostly concentrated on economic perspectives like tax audits, penalties, etc in discouraging tax evasion. Nonetheless, several researchers (see: Alm, McClelland & Schulze, 1992; Frey, 2003; Feld & Frey, 2002) have criticized this approach as they consider it inadequate for anticipating actions of taxpayers. Non-economic factors such as religion, social norms, national pride, financial satisfaction, democracy, satisfaction with the government and satisfaction with tax authorities have been identified (Torgler, 2003; Kountouris & Remoundou, 2013).

The religious values held by people are usually expected to shape individuals to act in the right way, and as such prevent negative attitudes. Therefore, it is presumed that religiosity impacts positively on individuals’ attitudes to willingly obey tax laws (Stack & Kposowa, 2006; Welch et al, 2005). Nonetheless, religiosity did not gain much attention as a potential for explaining the puzzle surrounding tax compliance
until after several researchers (see Torgler 2003; Welch et al., 2005; and Stack & Kposowa, 2006) highlighted its significance. However, researches on the influencing role of religiosity on tax morale have been carried out mostly in developed countries such as USA, Germany, Canada, Japan, Spain, and Belgium. Apart from studies by Eiya, Ilaboya & Okoye (2016) in Nigeria and Ibrahim & Abdul-Hanan (2015) in Ghana, no other study on the subject has been carried out in sub-Saharan Africa. Meanwhile the aforementioned studies found no significant relationship between tax morale and religiosity.

1.3 Study Objectives

**General Objective**

The overall objective of this study was to investigate the effect of religiosity in encouraging tax morale of taxpayers in Ghana.

**Specific Objectives**

This study was guided by the following specific objectives:

1. To examine the effect of religiosity on tax morale in Ghana.

2. To ascertain whether tax morale correlates with citizens’ level of education.

3. To investigate how other factors aside religiosity might influence tax morale in Ghana.

1.4 Research Questions

From the above objectives, the researcher sought to find answers to the following research questions.

1. Will religiosity have any significant influence on taxpayers’ tax morale in Ghana?

2. Will tax morale differ depending on citizens’ level of education?

3. Are there other factors aside religiosity that may influence tax morale in Ghana?
1.5 Significance of the Study

In reaction to the limited empirical evidence on the factors that shape voluntary tax compliance, Riahi-Belkaoui (2004) in his study of 30 countries, suggested the addition of religious and social norms in future studies so as to develop a comprehensive theory of tax compliance. Furthermore, most researches on religiosity were carried out in developed countries, for example in the USA (e.g.: Petee, Milner & Welch, 1994; Welch et al., 2005) and Europe (see: Torgler & Schneider, 2007), where most of these studies used secondary data from cross-country surveys such as the World Values Survey (WVS) (see: Torgler, 2006; Richardson, 2008).

Apart from studies by Eiya, Ilaboya & Okoye (2016) in Nigeria and Ibrahim & Abdul-Hanan (2015) in Ghana, no other study on the subject has been carried out in sub-Saharan Africa.

Consequently, the current study sought to ascertain how internal values, mainly religiosity, as well as external values of the society, the government, and tax authority affect taxpayers’ compliance attitudes in Ghana. In so doing, the current study makes a significant contribution to knowledge of tax compliance in Ghana, as encouraged by Richardson (2008:76) who recommended more research in developing countries to discover taxpayers’ attitudes towards taxation, as earlier studies had concentrated more on developed countries.

It is thus anticipated that findings from this study would offer direction to both government and tax authorities by way of designing and executing appropriate policies for promoting tax compliance. Furthermore, this study would provide research institutions as well as academicians who hope to add to the knowledge on tax compliance. Ultimately, the study will serve as a reference material and form the basis for further research.
1.6 Scope of the Study

The study sought to investigate the effect of religiosity in encouraging tax morale of taxpayers in Ghana. Secondary data from the World Value Survey (Wave 6) on Ghana was extracted to aid in the analysis.

1.7 Chapter Organization

The study is organized into five (5) major chapters. Chapter one covers the general introduction which includes the background to the study, problem statement, study objectives, research questions, study significance, study scope and chapter organization. Chapter 2 discusses the literature review; where both relevant theoretical and empirical reviews are discussed. Chapter 3 covers the research methodology deployed in conducting the study which include the study design, source of data collection, as well as method of data analysis. Chapter 4 covers the data presentation, analysis and discussion of findings while Chapter 5 comprises the summary, conclusions and recommendations based on the study’s findings.
LITERATURE REVIEW

2.0 Introduction
In the previous chapter, the research problem was presented with the research objectives, research questions, significance and scope of the study. In this chapter, related literature is reviewed. The goal is to ascertain gaps in the literature in order to develop the study’s conceptual framework for addressing the research problem. This chapter consists of two main sections: The first section reviews existing literature on tax compliance and tax morale; the neoclassical economic model and its criticisms as well as the behavioral economics focusing on tax morale. Determinants of tax morale and role of religion and religiosity are reviewed. The second section comprises of the empirical review, identification of gaps and conceptual framework.

2.1 Perspectives of Tax Compliance
Most governments largely rely on taxes as a great source of revenue for the provision of basic amenities for their citizenry (Gilligan & Richardson, 2005). In view of this, the ability of governments to provide these amenities is dependent on how effective they can mobilize taxes. Lymer and Oats (2009), define tax as “an obligatory levy on income, capital asset or expenditure which is imposed by governments or tax mobilization organizations, on persons (taxpayers) for which they receive nothing particular in return”. According to Garay, Simonovits & Tóth (2012), mobilization of revenues through taxation by governments ensure that public funds are raised for stabilization of the economy and for income redistribution. Again, Gilligan & Richardson (2005) assert that successful collection of taxes is necessary as it facilitates the provision of needed infrastructure, essential for the attainment of economic well-being of countries, no matter their level of advancement.

Thus the above-mentioned reasons posit that tax compliance issues are important to every nation, hence the need to comprehend taxpayers’ attitudes for the formulation of appropriate policies to increase tax
compliance. Several interpretations of tax compliance have been provided by many scholars. For example, James & Alley (2000:29) describe tax compliance as having a “continuum of definitions” that spans from a narrow approach of tax gap to a wider approach of taxpayers’ behaviour. Again, Marziana et al (2010) define tax compliance as a situation by which taxpayers comply or refuse to comply with tax rules. According to Mohd et al (2013), the focus of every tax administration of any country is to ensure voluntary tax compliance, which at certain times may require the application of legal procedures and the use of sanctions. The refusal to obey tax rules implies an act of non-compliance by the taxpayer(s). Serkan et al (2016) define tax non-compliance as failure to file tax return, misreporting income or misreporting allowable subtractions from taxable income or payable tax.

Several empirical evidence have however revealed certain motivating variables such as moral, social, psychological and political factors for explaining taxpayer behaviour which have been overlooked (Bosco & Mittone, 1997). According to Weber, Fooken, & Herrmann (2014), tax compliance decisions remain social dilemmas, which result in competition between personal and communal interests. This is due to the fact that although tax payment may be expensive and thus unfavourable to the taxpayer, it profits the society as a whole.

Two main paradigms exist for explaining tax compliance: the Neoclassical Economics and Behavioral Economics.

### 2.1.1 The Neoclassical Economics Perspective of Tax Compliance

The Neoclassical Economic model of tax compliance, also called the Deterrence model, is explained by the expected utility concept. This model denotes that taxpayers are rational and selfish actors who look out to maximizing their individual utilities. Allingham & Sandmo (1972) developed this model from the theory of economic crime by Becker (1968). Allingham & Sandmo (1972) emphasized that taxpayer’s behaviour typifies a game with assumed probabilities of audit, detection as well as penalty rates.
In explaining this further, Koplin, Allen, Gurrin, Peters, Lowe, Tang, & Dharmage (2013) denote that taxpayers will approach tax compliance or evasion in the same manner as they will to a gambling game or a dangerous decision. Thus, Thimmesch (2015) asserts that taxpayers engage in cost-benefit analysis between compliance and evasion, and choose the option with higher anticipated benefits. In view of this, increasing audit and detection probabilities, as well as penalty rates, intensify the anticipated cost of tax evasion, making it unattractive, thereby encouraging compliance. On the contrary, taxpayers as rational utility maximizers, would undoubtedly evade as long as these deterrence variables remain low. Again, a study by Park & Hyun (2003) revealed that penalty serves as the most effective means for stimulating tax compliance, followed by audits and tax rates. Thus raising the initial two variables, and reducing tax rates results in higher rates of compliance. This is due to the fact that when taxpayers anticipate a higher chance of being apprehended and penalized, they have a tendency to comply (Richardson & Sawyer, 2001). In sum, strict tax enforcement prevents evasion and encourages compliance by taxpayers (Filippin, Fiorio & Viviano, 2013). Several scholars (e.g., Srinivasan, 1973; Andreoni, Erard & Feinstein, 1998; Devos, 2004) have used this deterrence model for explaining and predicting tax evasion.

2.1.1.1 Criticisms of the Neoclassical Economic Model

The Neoclassical Economic Model is considered the simplest way for explaining and predicting taxpayers’ behaviour. Relating to the economics-of-crime approach, Allingham & Sandmo (1972) model indicates that the degree of tax evasion negatively correlates with probability of detection and degree of punishment. However, the model has been criticized by several researchers as insufficient for anticipating behaviours of tax payers (Greatz & Wilde, 1985; Frey & Torgler, 2007; Alm, 2012; Lago-Peñas & Lago-Peñas, 2010). First of all, the model is too simplistic as it depicts the simplistic nature of decision making by humans. Bosco & Mitton (1997) argue that human decision making goes beyond comparing expected utilities. Furthermore, Hashimzade, Myles & Tran-Nam (2013) are of the view that the model is biased towards tax
evasion as the rates of penalty, audit and detection probabilities used in the model are unrealistic. Torgler (2006) notes that so far as penalty rates, and audit probabilities, remain lower, there is the high tendency of taxpayers evading, since they are rational utility maximizers, just as this model specifies. Nevertheless, the rates of compliance have been remarkably higher than what the model predicts. This confirms Pyle (1991; 173) assertion that “causal observation proposes that individuals think differently; indeed, as the model predicts high rate of evasion, several taxpayers behave honestly”.

Again, Alm (2012) and Feld & Frey (2002) argue that the model overemphasizes the influence of enforcement on predicting taxpayer behaviour, as the model states that increasing enforcement variables such as tax and penalty rates, audits, etc, dissuade tax evasion. Some empirical studies have however revealed contradictory results. For instance, studies by Alm (2012) and Slemrod & Yizhaki, (2002) discovered that the rates of tax evasion were higher when tax rates were increased. Likewise, Kastlunger, Lozza, Kirchler & Schabmann (2013) found in their study that enforced compliance upsurges tax evasion. This situation is known as the ‘spite effect’, meaning that excessive enforcement drives taxpayers to reduce declared income (Filippin et al, 2013).

Consequently, Frey (2003) argues that the intrinsic motivation to payment of taxes rather than enforcements is an important factor for explaining higher levels of tax compliance as enhancing voluntary compliance has more lasting effects than enhancing enforced compliance which is more costly to countries that practice it. Besides, Kirchler (2007) is of the view that enforcement creates an atmosphere of antagonism for taxpayers, thereby increasing tax evasion once taxpayers recognize that there is little chance of being audited, and hence impeding sustainability of the practice.

2.1.2 The Behavioural Economics Perspective of Tax Compliance

Torgler (2006; 82) acknowledges that the emphasis of tax compliance studies has changed gradually from “why many individuals pay taxes” to “why people evade taxes.” This shift might perhaps be explained by
the fact that despite opportunities to evade are present, more taxpayers are compliant; hence it is worth studying the factors that make taxpayers compliant in spite of several available opportunities to evade taxes. The current focus has encouraged behavioural studies on tax compliance.

Behavioural scholars make use of social and psychological theories to aid in understanding, explaining and predicting human attitudes or behaviours (Devos, 2004; Torgler, 2007). These scholars argue that human factors are essential in determining taxpayer compliance decisions. Furthermore, they argue that the rate of tax compliance is best enhanced when voluntary compliance is encouraged. Through these behavioural studies, tax morale has been widely recognized as a major concept that significantly affect taxpayer attitudes; hence prevailing over enforcement for explaining and predicting tax compliance.

2.2 Tax Morale

Studies on tax morale can be traced back to the 1960s and the “Cologne School of Tax Psychology” (Schmolders, 1959). Nevertheless, researchers have recently attempted to differentiate between economics and social psychology by laying emphasis on the fact that the economic phenomena should not be restricted to the traditional neoclassical perspective (Alm & Torgler, 2006). Tax morale which emanates from the Behavioural Economics school of thought is of the view that human decision making is not grounded solely on rationality, but is also affected by psychological and social factors. Thus, tax morale as an important factor for explaining and predicting tax compliance originated from behavioural studies (Feld & Tyran, 2002; Feld & Frey, 2002).

Since the inception of studies on tax morale, the concept has had several interpretations. The term has been defined as the “intrinsic motivation to pay tax.” (Torgler, 2003c). According to Torgler (2004) payment of taxes is the individual’s moral obligation and the conviction of contributing to society. Barone & Mocetti (2011) drawing from the definition of Torgler (2003c) define tax morale as “the individual’s intrinsic motivation to fulfill fiscal obligations”. Tax morale is also closely related to what is termed ‘taxpayer ethics’, that is “the norms of behaviour which governs the relationship between citizens as taxpayers and
the government” (Song & Yarbrough, 1978). Orviska & Hudson (2003) define the concept simply as ‘civic duty’. In addition, Frey (2003) considers tax morale as a combination of extrinsic motivation, influenced through rewards and punishments; and intrinsic motivation influenced by inner values which guide behaviours and decisions of taxpayers. Thus, the combination of both intrinsic (internal) and extrinsic (external) elements determine individuals positive or negative attitudes towards tax compliance.

Torgler (2007) asserts that high tax morale raises the level of tax compliance and thus tax morale is a crucial concept for determining tax compliance. According to Daude, Gutiérrez, & Melguizo (2013) and OECD (2013), tax morale significantly correlates with tax effort and tax compliance in both the developed and developing nations of the world. Again, Halla (2012) found some causal association between tax morale and level of tax compliance. Traxler (2010) also argues that tax morale might be responsible for the different levels of tax compliance among countries with related economic benefits of evasion.

On the whole, tax morale seeks to provide alternative explanation to tax compliance, particularly from a non-economic viewpoint to supplement the economic approach.

2.3 Determinants of Tax Morale

Since the introduction of studies on tax morale, diverse features of the concept have been studied which include describing the scope of tax morale, evaluating tax morale’s effect on tax compliance and tax evasion, and measuring tax morale determinants (see Filippin et al., 2013; Ibrahim et al, 2015). Observations from all these studies reveal that the determinants that impact on tax morale are evolving. The concept “black box” has been adopted to illustrate the manner in which tax morale has been studied with no clear picture about the actual factors that influence tax morale (Feld & Frey, 2002:88-89). In recent times, some scholars have explored the determinants of tax morale which they have classified into four (4) main groups: social capital, conditional cooperation, demographic variables and economic situation.
2.3.1 Economic Situation

2.3.1.1 Income

Some scholars in tax compliance studies suggest that higher income produces less compliance (Torgler, 2002; Torgler, 2003). Jackson & Milliron (1986) argue that taxpayers with higher income might not necessarily receive high return of government services. Thus, this perceived injustice might lead to low tax morale. On the other hand, Jackson & Milliron (1986) maintain that due to the higher marginal utility or wealth reduction if apprehended, individuals with lower income are less likely to evade taxes. According to Duch, Palmer, & Anderson (2000), taxpayers who acquire higher benefits from the government may have better understanding of the need to pay taxes.

2.3.1.2 Financial Satisfaction

Financial satisfaction as a factor that determines tax morale is measured by an individual’s level of satisfaction in relation to his or her current financial position (Inglehart, 2000). Inglehart (2000) argues that financially satisfied individuals have positive attitude towards payment of taxes. Conversely, Alm & Torgler (2006) argue that individuals with low financial satisfaction are more likely to evade taxes since they desire better financial position. According to Torgler (2003), low financial satisfaction decreases tax morale, whereas high financial satisfaction increases tax morale. Empirical studies have revealed a significant positive correlation between financial satisfaction and tax morale (see: Torgler, 2003; 2004; 2006; Ibrahim et al., 2015). This determinant nonetheless, remains understudied.

2.3.1.3 Perception of Fairness about the Tax System

The concept of fairness was invented from Adam Smith’s book titled “An Inquiry into the Nature and Causes of the Wealth of Nations”. Smith (1817) explains that taxpayers should support the government through payment of taxes, and the government on its part should provide benefits for taxpayers through tax revenues. This implies fulfilling tax burdens in exchange for tax benefits to be enjoyed.
Similar to Smith’s explanation, Wenzel (2003) propounded three theories of fairness, in other words, known as ‘justice’ namely; procedural justice, distributive justice, and retributive justice. Procedural justice is defined as the process involved in resource distribution; distributive justice as the fair distribution of resources, benefits as well as costs, whereas retributive justice is explained as the fairness involved in enforcing compliance. According to Wenzel (2003), the evaluation of any act of kindness depends on the intention and consequence behind that action. In reference to taxation, the theories suggest that when taxpayers recognize fairness in the tax system, they will respond favourably through positive tax morale, thereby increasing compliance. Thus, taxpayers’ perception of fairness of the tax system has been debated to influence their compliance (Mason & Calvin, 1978; Andreoni et al., 1998; Mei Tan & Chin-Fatt, 2000; Kirchler, 2007). On the other hand, Falkinger (1988) posits that taxpayers perceive unfairness as a justification for their non-compliance.

2.3.2 Demographic Factors as Determinants of Tax Morale

2.3.2.1 Age

Most of the researches conducted in both developed and developing countries have found positive relationships between taxpayers’ age and their attitudes towards tax payment. For instance, several scholars (see: Ritsema, Thomas, & Ferrie, 2003; Torgler, 2003b; Torgler & Murphy, 2004; Devos, 2008; Al-Mamun, Yasser, Rahman, Wickramasinghe, & Nathan, 2014) found that younger taxpayers usually have less fear of audits and penalties as compared to older taxpayers. According to Torgler (2006), an increase in age of taxpayers positively affect tax morale. Similarly, Pickhardt & Prinz, (2014) argue that older people have stronger sense of morality than the younger ones since older people have stayed longer in the community; and hence have strong attachment to the community. Other studies have however established no significant effect between taxpayers’ age and tax morale (see: Ho, Ho & Young, 2013; Nyamwanza, Mavhiki, Mapetere & Nyamwanza, 2014; McGee, 2014).
2.3.2.2 Gender

Some scholars have established how gender differences affect tax morale. For example, social psychological researchers such as Tittle (1980) indicates that women have the tendency to comply more than men. Similarly, Daude et al., (2013), Leonardo & Martinez-Vazquez (2016) and Torgler (2004) indicate how women have higher tax morale than men. On the other hand, scholars such as Barone & Mocetti (2009) and Ibrahim et al. (2015) found the effect of gender on tax morale to be statistically insignificant in developing countries.

Researchers such as Cyan, Koumpias & Martinez-Vazquez (2016) have established the interactions between gender and other determining factors such as educational level and age. For instance, a survey undertaken in Pakistan found that females mostly have greater tax morale than males. However, the attitudes of females to tax compliance is likely to deteriorate with age, thus elderly males have increased tax morale than elderly females (Cyan et al., 2016). Again, studies by Hite (cited in Richardson & Sawyer, 2001) revealed that female taxpayers with higher education have more tolerant attitudes about tax evasion than the less educated ones. On the contrary, male taxpayers with higher education have increased tax morale than their less educated counterparts.

Although these findings are inconclusive, it can be presumed based on overall findings that women tend to have higher tax morale than men. In view of these mixed results, Lago-Peñas & Lago-Peñas (2010) recommend that more studies be undertaken to clarify the influence of gender on tax morale.

2.3.2.3 Education

Education here refers to formal education. According to Torgler & Schneider (2007), highly educated taxpayers are considered to be more aware about tax regulations. Furthermore, they are perceived to be more informed about civil services provided by the government, thus necessitating higher level of tax compliance among them than the less educated. On the contrary, Lago-Penas & Lago-Penas (2010) argue
that highly educated people are more likely to use every opportunity to evade taxes to their advantage. In addition, they are those most likely to be knowledgeable about the misuse of tax revenues by the government, and hence would be more critical of government’s activities, thus suggesting a lower tax morale among highly educated people than less educated ones. Torgler (2006) indicates that three aspects of education in relation to taxation: level of financial knowledge; knowledge of tax evasion, and knowledge about benefits or misuse of tax revenues by government. He is of the opinion that there is ambiguity in terms of which aspect of education among these three mentioned above affects tax morale, thus he suggests that more empirical studies be explored in this area.

Knowledge about tax has been empirically proven to influence attitude of individuals towards taxation. Thus, Lewis (1982) maintains that fiscal ignorance leads to negative attitudes towards taxation. Again, Park & Hyun (2003) reveal that poor knowledge about the tax system produces mistrust (Niemirowski, Baldwin, & Wearing, 2003). On the contrary, detailed tax knowledge promotes trust which results in raising tax morale. Empirical support for this is however mixed. Ali, Fjeldstad, Sursen & Institute (2013) who carried out studies in four African countries of Kenya, Uganda, South Africa and Tanzania discovered that tax knowledge encourages positive attitudes towards tax payment. On the contrary, Lago Peñas & Lago Peñas (2010) and Frey &Torgler (2007) establish a negative correlation. In Ghana, evidence suggest that financial education matters in increasing tax morale and tax compliance. Thus, the initial introduction of Value Added Tax (VAT) in 1995 in Ghana failed as a result of poor public education about the objectives and importance of taxation. Ibrahim et al. (2015) indicate that through effective public education, the implementation of the Value Added Tax (VAT) Act became successful in 1998.

2.3.2.4 Marital Status

Marital status is considered to influence tax morale. According Tittle (1980), marital status influences lawful or unlawful behaviors, depending on the degree to which an individual is constrained by his or her social networks. Thus, married couples, in contrast to the unmarried are more compliant since they are
more constrained by the social network in which they find themselves. Again, Frey & Torgler (2007), Kountouris & Remoundou (2013) and Torgler (2006) argue that married people are more responsible, hence have higher tax morale. Furthermore, Torgler (2003b) finds that tax morale among separated couples is higher as compared to singles. Nonetheless, Ibrahim et al. (2015) maintain that marital status does not affect tax morale, although there exists a positive relationship between them. Consequently, Torgler (2006) recommend more studies to be undertaken in order to explore the relationship between tax morale and marital status.

2.3.2.5 Employment Status

According to Torgler (2007), individuals’ employment status is a major factor for determining the level of tax morale. He argues that the tax morale among self-employed people are generally lower as compared to full or part time employees. This may be because self-employed people have more chances to evade tax.

2.3.2.6 Ethnicity/ Culture

According to Nukunya (2003), ethnicity relates to shared ancestral descent, shared language and shared way of life. Little studies have been undertaken on ethnicity in relation to tax morale. Some researchers have studied culture to replace ethnicity. In some of these studies, it was revealed that that culture as a factor affects tax morale (Kountouris & Remoundou, 2013; Kastlunger, Lozza, Kirchler & Schabmann, 2013). Other studies have looked at regional differences as well as ethnic-linguistic differences. Lago-Peñas & Lago-Peñas (2010) found a negative correlation between ethnic-linguistic differences and with tax morale.
2.3.3 Social Capital

2.3.3.1 Religion and Religiosity

According to Torgler (2003), religion regulates human behaviour through the provision of moral constitution to control lawlessness. Hirschi & Stark (1969) also argue that religious practices can prevent illegal behaviors since it has a sanctioning system which supports and legitimizes social values. Criminology literature indicate negative correlation between religiosity and crime (see: Torgler & Schneider, 2007).

Empirical findings about the effect of religiosity on tax morale are mixed. For instance, Torgler (2006) study about the importance of faith on increasing tax morale among thirty (30) countries, discovered that religiosity and tax morale are significantly correlated. Again, studies by several researchers (see: Daude et al., 2013; Kountouris & Remoundou; 2013; Leonardo & Martinez Vazquez, 2016) have confirmed this relationship. On the other hand, Russo (2013) established no correlation between religiosity and tax morale. Similarly, empirical study by Ibrahim et al. (2015) revealed a negative relationship between religiosity and tax morale, and its effect statistically insignificant.

2.3.3.2 National Pride

The concept of National pride bears its roots in patriotism. Pride for one’s country guarantees support for that country. Torgler (2003) opines that pride ensures group identification, thus encouraging cooperative behaviour. Again, Torgler & Valev (2010) note that national pride is demonstrated through the behaviour of an individual within groups, organizations, and society. Empirical studies by Torgler (2004) and Leonardo & Martinez-Vazquez (2016) have established that national pride significantly correlates with tax morale. Therefore, an increase in national pride would lead to increased tax morale. Nonetheless, Torgler (2004) notes that the factor “national pride” has been understudied and hence suggests that more studies be undertaken in this regard.
2.3.3.3 Trust in the government/Parliament/Legal Systems

Trust in the government, parliament, legal system, tax administration is considered to significantly affect tax morale (Frey, 2003). Torgler (2003) in examining the correlation between trust and tax morale, through the use of the World Value Survey (WVS) from 1989-1993 and 1995-1998 in 20 developing countries found that both trust in government and trust in legal system are found to have significant positive effect on tax morale. According to Hardin (1998), trust in the government can be achieved provided the government fulfils its requirements. Similarly, Scholz & Lubell (1998) posit that trusting political leaders as well as other citizens to adhere to their social contract significantly influences taxpayers to willingly pay taxes.

2.3.3.4 Importance of Politics

The importance of politics is also considered to affect tax morale. According to Lago-Penas & S. Lago-Penas (2010), the relationship that exist between taxpayers and the government does not only involve provision of public goods, but a psychological relationship, which involves the manner in which both parties treat each other in addition to fair procedures, leading to political outcomes. For example, Schnellenbach (2006) argues that tax evasion could be a punishing instrument to punish Leviathan governments who increase tax revenues.

2.3.4 Conditional Cooperation

2.3.4.1 Trust in Others

Conditional cooperation is another important determinant that affects tax morale. According to Frey & Torgler (2007), tax morale increases when taxpayers recognize that their behavior can affect other individuals. Additionally, tax morale would increase if individual taxpayers consider others to be honest. On the other hand, countries whose taxpayers do not rely heavily on opinions of referent group would
witness lower tax compliance. Several studies conducted by Bobek, Roberts & Sweeney (2007), Torgler (2012) and Alon & Hageman (2013) have also established how strong peer effects result in low tax morale.

Figure 2.1: Determinants of Tax Morale based on Social Psychology

Source: Adapted from Kondelaji, Sameti, Amiri & Moayedfar, 2015

2.4 The Role of Religion and Religiosity in Tax Morale

According to Pargament, Magyar-Russell & Murray-Swank (2005), the term religion is complex to define, because its roots are so plentiful, its influence on people’s lives so diverse, and its interpretations so endless that it is impossible to achieve uniformity of product. The Oxford Dictionary (2012) defines religion as a system of faith and reverence, or the belief in the existence of a superhuman controlling authority. Allport (1961) is of the opinion that religion in whichever form of beliefs and practices aid in defining a person’s personality and motivation that transcends the basic desire of being rewarded, or avoidance of punishment.

According to Glock (1962), religiosity is simply “the state of being religious”. Glock (1962) divides religiosity into five (5) dimensions. First of all, the ideological dimension, whereby followers of different religions are expected to comply with certain forms of beliefs. Secondly, the ritualistic dimension – which is explained as the specific religious practices held by the followers which include; fasting, prayer,
meditation, etc. Thirdly, the experiential dimension which is explained as the religious experience which portrays an individual’s level of religiosity. Fourthly, the intellectual dimension which stresses on religious knowledge to strengthen an individual’s religious beliefs. Finally, the consequential dimension determines the effect of adherence to the above-mentioned four dimensions which guide individuals to act based on religious beliefs, practices, experiences and knowledge.

There are two (2) main perspectives of religiosity; religious affiliation and religious commitment. Religious affiliation relates to the specific religious group in which individuals belong to such as Christianity, Islam, Hinduism, Buddhism, etc. According to Hirschman (1983) religious affiliations of individuals are predetermined even before their birth. Lenski (1961) suggests that the historical values held by diverse religious affiliations has the tendency to affect the behaviours of individuals differently. Bergan & McConatha (2001) define religious commitment as the degree of an individual’s commitment to the religion he or she professes as well as its teachings, such that the individual’s attitudes or behaviour imitate this commitment.

Religious commitment is measured differently. On one handside can be observable variables such as frequency of attending church, being an active member of a church or any religious organization, or being trained religiously at home. In addition are unobservable beliefs such as trust in church, being religious, importance of religion to a person’s life, and guidance on good and evil. Analyzing all these factors aid in understanding better how religiosity affects tax morale (Torgler, 2006).

The frequency of CHURCH ATTENDANCE as well as information of someone being an active member in church or any religious organization (ACTIVE IN CHURCH GROUP) denote that individuals spend time in devoting to their religion. Both practices which involve relationships to others as well as religious activities may support the norms within a larger community (Tittle & Welch, 1983). Similar to these variables are the level of religiosity (RELIGIOUS) and the measurement of the effect of religion on peoples’ lives (IMPORTANCE OF RELIGION). Both variables in this case do not measure how much
time is spent for various religious activities, but these variables try to capture the level of individuals’ inculcation of religious convictions. The variable RELIGIOUS EDUCATION also measures the extent to which someone has learnt religious human capital during their childhood. Pargament, Magyar-Russell & Murray-Swank (2005) established a positive link between religious education as well as the level of adult religious practice or involvement. Thus, education facilitates the internalization of religious norms and values which reinforce religious socialization. RELIGIOUS GUIDANCE also measures one’s obligation to comply with particular rules which define that which is good and evil. It directs behavior through enforcement of rules so as to ensure stable expectations of individuals’ behavior. The church as an establishment produces and distributes ideologies. TRUST IN CHURCH may be strongly associated with individual’s belief in the church as an authority in the enforcement of norms. Trust is often accompanied with loyalty, which increases the cost of non-participation.

The concept of Religiosity did not gain a wider recognition in tax compliance studies as a possible element that may perhaps explain tax compliance until several researchers such as Torgler, (2003) and Welch et al. (2005) laid emphasis on its importance for explaining tax compliance. Most of the earlier researches used church attendance to measure religious commitment (see: Grasmick, Kinsey & Cochran, 1991; Tittle & Welch (1983). Thus, Grasmick, Bursik & Cochran (1991) suggest that strong religious beliefs in addition to church attendance should be adopted to measure religiosity. Furthermore, Hill & Hood (1999) point out that researchers’ adoption of different dimensions of religiosity may depend on those that are appropriate for their research.

Several researchers have investigated how religiosity affect individual attitudes and behaviours. For example, Stack & Kposowa (2006) and Welch et al. (2005) argue that religious values shape individuals to act in the right way, and as such are presumed to positively motivate individuals to willingly obey tax laws. Thus, it may be viewed as the belief in God (or gods) that determines the extent of peoples’ commitment to meeting their tax obligations in any country. Again, Hirschi and Stark (1969) opine that
religion may assist in preventing unlawful acts since religion is an authoritative system that commends right things and strengthens social values. Furthermore, religiosity is predicted to influence ethical behaviour (Keller, Smith, & Smith, 2007), and cheating behaviour (Bloodgood, Turnley, & Mudrack, 2008; Rettinger & Jordan, 2005).

While several research findings have indicated positive relationship between religiosity and tax morale, as well as negative relationship between religiosity and tax evasion, findings by McKerchar, Bloomquist & Pope (2013) and Welch et al. (2005) are notable exceptions. Welch et al. (2005) discovered from their study that respondents’ views on tax evasion were the same irrespective of their level of religiosity. Likewise, findings from the study by McKerchar et al. (2013) did not establish any relationship between religiosity and tax morale, rather individuals’ own integrity has a stronger influence on their tax compliance attitudes rather than their own religious beliefs. This confirms the studies by McGee (2012) on Christianity and Jalili (2012) on Islam, who found that the perception of tax evasion whether ethical or unethical depends on the system of administration of a country, as well as how a government strictly follows religious laws.

Torgler (2003) and Stack & Kposowa (2006) have highlighted the significance of Religiosity on Tax Morale. Torgler (2003) had for instance carried out an extensive study on the role of religiosity in increasing tax morale by using the World Value Survey (WVS) data for 1990 in Canada. Findings of the study revealed that religiosity positively affects tax morale. Further research carried out by Torgler (2006) in more than thirty (30) countries which included the USA, Belgium, Switzerland and Canada established a relationship between religiosity and tax compliance.

Again, Torgler & Schneider (2007) studied among various countries to explore the factors of tax morale revealed a strong influence of religiosity on tax morale in European countries except Spain. Additionally, findings from the study by Stack & Kposowa (2006) reaffirmed the conclusion that individuals without religious affiliations were the ones most likely to view tax evasion acceptable. Furthermore, using a bigger
sample size consisting of 47 countries, Richardson (2008) established a negative correlation between religious individuals and tax evasion.

Although inconclusive, the overall existing literature reveals that religiosity might provide an explanation for most taxpayers’ strong positive compliance attitudes.

2.5 Theoretical Framework

2.5.1 The Theory of Moral Sentiments

This study was guided by the Theory of Moral Sentiments. The Theory of Moral Sentiments by Adam Smith is a framework used in analyzing religiosity and tax compliance (for further discussion, see Anderson, 1988). Moral theories of ethics aid in determining right and wrong actions. Morality serve as an internal motivation that influences an individual to behave in accordance with what one perceives to be appropriate, so as to act accordingly in a given circumstance. According to Tittle (1980), individuals are more compliant with laws, when they consider the law to be congruent with their moral beliefs, thus religion presents the basis for social integration and avoidance of deviant behaviours like tax evasion.

Adam Smith, in analyzing religiosity from a rational perspective indicates that religiosity acts as an internal moral enforcement mechanism. However, researchers such as Freud (1927) and Hardin (1997) see religion as non-rational, which results from religious beliefs shaped by cost-benefit considerations. Recent researches are in line with Adam Smith’s use of rationality for addressing ethical capabilities of human behavior (see: Iannaccone, 1998; van Staveren 2001).

2.6 Empirical Perspectives

A study was conducted by Torgler (2006) to analyse the role of religiosity on tax morale. Several measurements of religiosity namely; church attendance, being an active church member or member of religious organization, religious education, religious guidance, and trust in the church or religious
organization were analyzed by conducting a multivariate regression analysis on data from the World Values Survey (WVS) 1995-1997, involving thirty (30) countries. Findings of the study discovered that religiosity increases tax morale. Furthermore, the study revealed that the effect of religiosity on tax morale persisted after controlling other factors like corruption, economic situation, trustworthiness, age, gender, education, employment status and marital status. The study recommended that future studies incorporate non-economic factors for analyzing tax compliance.

Furthermore, Pope & Mohdali (2010) conducted a research to examine the role of religiosity in tax morale and tax compliance in Malaysia. Data was collected through interviews using questionnaire for the 2005-2006 wave which cover religiosity measurements like religious affiliation, religious beliefs, religious attendance, religious practices and religion-politics relationship. The research discovered a positive effect of religiosity on tax morale, which consequently affects tax compliance. The research recommended further studies to be conducted on the role of religiosity in dealing with tax morale and tax compliance issues.

A research carried out by Tekeli (2011) in Japan & Turkey was aimed at investigating the effect of cultural differences and politics on tax morale. By deploying other non-economic variables to ascertain the factors that affect tax morale, religiosity was used as an independent variable in addition to other control variables such as gender, marital status and education. Multivariate regression analysis was carried out to test the effect of these variables on tax morale. Findings of the study revealed that religiosity has no effect on tax morale.

Another study was conducted by Mohdali & Pope (2014) in Malaysia to explore religiosity role in encouraging taxpayers’ tax morale positive attitudes towards tax compliance. By deploying a mixed-method research design, survey and interviews were used in collecting data from 300 taxpayers. Data was analysed by means of regression analysis. Findings of the study indicated that religiosity has a statistically significant positive effect on voluntary tax compliance, but a significant negative effect on enforced tax compliance.
Again, a study was conducted by Eiya et al. (2016) in Nigeria to examine the effect of religiosity on tax compliance. Data was collected by means of survey to obtain taxpayers’ opinion of tax compliance. Data analysis was undertaken through descriptive analysis, Analysis of Variance (ANOVA) as well as Ordinary Least Square regression. Furthermore, data was estimated by the use of the Statistical Package for Social Sciences (SPSS21). The study found a no significant effect of religiosity on tax compliance. Furthermore, the study revealed an insignificant difference in tax compliance behaviour between Christians as well as Muslims in Nigeria.

Another study was undertaken by Serkan, Tamer, Yüzba¸ & Mohdali (2016) among self-employed taxpayers to explore the correlation between religiosity and voluntary or enforced tax compliance in Turkey, an Islam dominated country. By using factor analysis and ordinary least squares regression techniques, the study discovered that religiosity has a statistically positive impact on both voluntary and enforced tax compliance.

2.7 Gaps in Literature

It is evident that the literature points to some common factors that affect tax morale. Nonetheless, some gaps were still prevalent for which this study is conducted:

The first is the limited empirical evidence in Africa as a whole, and in Ghana in particular with respect to the research topic, as researches on the influencing role of religiosity on tax morale have been carried out mostly in developed countries. In Ghana, the only available literature that we came across were by Adzadu (2017) whose findings revealed religiosity as a predicator of tax morale, and that of Ibrahim & Abdul-Hanan (2015) whose study found no significant relationship between tax morale and religiosity.

Hence by this study, we sought to add to the limited empirical evidence by investigating the effect of religiosity on tax morale, and to further explore other determinants that affect tax morale from the perspective of a developing country, Ghana.
Secondly, most of the empirical studies reviewed above utilized quantitative or mixed-method research methods by deploying smaller sample sizes in conducting the studies. However, the World Values Survey (WVS) we used for this study is appropriate as data from the WVS were based on representative national samples covering more than 1000 respondents. In addition, the WVS data provides various religiosity measurement such as religious affiliation, religious attendance, religious beliefs, religious practices as well as politics-religion relationship. It is thus anticipated that the utilization of the world value survey in this study would provide a clearer picture of how tax morale is shaped by religiosity as well as other identified determinants.

2.8 Implications of the study

The prevalence of the above gaps in the literature leaves some implication for this study. It is essential that more studies be undertaken in Africa and particularly in Ghana to validate more evidence on the effect of religiosity as well as other determinants on tax morale.
2.9 Conceptual Framework

In analyzing the empirical literature, the purpose was to identify how religiosity and other determinants affect tax morale. The framework above conceptualizes the relationships analysed in this study. Tax morale which represents taxpayers’ compliance attitude influenced by their intrinsic motivation to payment of taxes was taken as the dependent variable. Some determining factors such as religiosity, level of national pride, financial satisfaction, trust for others, income level, educational level, employment status, gender and age were taken as the independent variables. The adoption of these variables, considered to significantly affect tax morale in Ghana thus formed the bases for the researcher’s data analysis and discussion.

Source: Adapted from Mohd, 2013

Figure 2: Conceptual Framework

Source: Adapted from Mohd, 2013
CHAPTER THREE

RESEARCH METHODOLOGY

2.0 Introduction

Generally, the credibility of research is influenced by the nature of measures taken to conduct the research. This chapter presents a discussion of the procedures applied for obtaining and analyzing the research data in order to investigate the effect of religiosity on tax morale in Ghana.

3.1 Study Design

The study was a quantitative research with a factorial design. Two main variables; tax morale, that is, the response variable, and religiosity, the predictor variable, were measured. Other predictor variables such as income, educational level, employment status, financial satisfaction were also measured to determine their impact on the dependent variable.

3.2 Study Area

Ghana is situated on the Atlantic Ocean and shares border with Togo, Cote d'Ivoire, and Burkina Faso. It has a population of about 29.6 million. In the past two decades, the country has chalked major strides toward democracy under a multi-party system, with its independent judiciary winning public trust. Until recently, the country had ten administrative regions. Currently, there are sixteen.

Ghana’s tax effort has been low relative to African standards, although it has been increasing since the introduction of economic reforms in 1983. Tax-to-GDP ratio in 1983 was 4.6 per cent and by 1986, it had reached 12.6 per cent but these gains were compromised by the marginal declines in these ratios from 1988 to 1990. Ghana’s tax effort increased from 16.3 per cent in 2000 to 21.8 per cent in 2004, and marginally declined to 21.3 per cent in 2005. This drop in tax revenue occurred at a point when the GDP per capita increased consistently from 1.3 per cent in 2000 to 3.2 per cent in 2005, while population growth remained
fairly constant. Between 2006 and 2012, the share of tax revenue consistently fell below the average of 16 per cent with consequential effect on provision of quality infrastructure (Ibrahim & Abdul-Hanan, 2015).

3.3 Population and Sample

A sample of one thousand five hundred and fifty-two (1552) respondents were drawn from the hitherto ten administrative regions using a combination of simple random and stratified sampling methods. The sample size was representative of all people residing in Ghana between age 18 and 82.

3.4 Source of Data

The source of data for this research was secondary data extracted from the World Values Survey (WVS) Wave 6 on Ghana which was carried out in 2012.

The World Values Survey (WVS) which started in 1981, seeks to use the most rigorous, high-quality research designs in each country. The WVS consists of nationally representative surveys conducted in almost 100 countries which contain almost 90 percent of the world’s population, using a common questionnaire. The WVS is the largest non-commercial, cross-national, time series investigation of human beliefs and values ever executed, currently including interviews with almost 400,000 respondents. Moreover, the WVS is the only academic study covering the full range of global variations, from very poor to very rich countries, in all of the world’s major cultural zones (WVS, 2019). The WVS dataset has been widely applied by sociologists, economists and political scientists and the results are found to be very reliable and consistent (Slemrod & Yitzhaki, 2002).

The WVS provides a database for analyzing the level of tax morale as well as its determinants in many countries of the world (Richardson, 2008). The Wave 6 is the most recent one. The researcher thus deployed this wave for the analysis. In this survey, a total of 1552 Ghanaian citizens agreed to participate.
The questionnaire touched on varied issues in relation to economic, social, religious, cultural and political factors.

For the purposes of this research, we extracted data on relevant variables. For instance, in measuring tax morale, the research extracted data on the responses given to question 201 from the questionnaire. It states:

*Please tell me for the following statement whether you think it can always be justified, never be justified, or something in between: ... ‘Cheating on tax if you have the chance’. (Scale from 1=never justified to 10=always justified).*

The dependent variable, tax morale, is thus obtained by means of recoding the above question. A response indicating that cheating on tax is always justified is interpreted to mean low tax morale, as such people have expressed their unwillingness to pay tax and are likely to cheat on tax when given the chance. The hypothetical nature of this question ensured that respondents would not panic of the consequences for indicating that they consider tax evasion acceptable as they would if they were asked for actual evasion behaviour, allowing for reliable answers to be obtained.

This question is measured with 10 different scales, with the two (2) extreme points: the value one (1) denoting that cheating on tax is never justifiable, and the value ten (10) denoting that cheating on tax is always justifiable. Furthermore, the ten (10) scale index is transformed into four (4) scale index, that is (0, 1, 2,3) where “0” suggests “always justified” and “3” suggests “never justified”. Thus responses ranging from 4-10 in the original scale is taken as “0” in the transformed scale, suggesting that individuals justify cheating on tax anyhow. Also “never justified” option “1” in the original scale become “3” in the transformed scale, where 3 denotes the highest tax morale.

**3.5 Procedure for data collection**
The main method of data collection in the WVS survey was face-to-face interview at respondent’s place of residence. Respondent’s answers were recorded in a paper questionnaire or by Computer Assisted Personal Interview (CAPI). The questionnaires were in English and translated into major spoken languages in Ghana such as Akan, Ewe, Ga and Hausa.

3.6 Data Analysis

The extracted data was analyzed by the use of the probit regression model (due to the binary nature of the response variable) to estimate the determinants of tax morale, with the results summarized in descriptive and inferential statistics. The statistical package used for the analysis was STATA.

Two main variables; tax morale, that is, the response variable, and religiosity, the predictor variable, were measured. Other predictor variables such as income, educational level, employment status, financial satisfaction were also measured to determine their impact on the response variable.

3.6.1 Analytical Model

Using the extracted data, we performed probit regression analysis to measure the relationship between the response variable (tax morale) and the predictor variables. The following regression models were applied:

\[ TaxMor_i = \beta_0 + \beta_1 Religi_i + \epsilon_i \]  \hspace{1cm} (1)

Where \( TaxMor_i \) = Tax Morale

\( \beta_0 \) = Constant

\( \beta_1 Religi_i \) = Religiosity

\( \epsilon_i \) = the Error term

\[ TaxMor_i = \beta_0 + \beta_1 Religi_i + \beta_2 EmpSta_i + \beta_3 IncLev_i + \beta_4 FinSat_i + \beta_5 EduLev_i + \epsilon_i \]  \hspace{1cm} (2)
Where  \( TaxMor_i \) = Tax Morale

\( \beta_{0i} \) = Constant

\( \beta_{1i} Religi_i \) = Religiosity

\( \beta_{2i} EmpSta_i \) = Employment Status

\( \beta_{3i} IncLev_i \) = Income Level

\( \beta_{4i} FinSat_i \) = Financial Satisfaction

\( \beta_{5i} EduLev_i \) = Educational Level

\( \epsilon_i \) = the Error term
CHAPTER FOUR
DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents and discusses the study’s findings in accordance with the study objectives outlined in chapter one. This chapter first of all provides the summary statistics of the variables employed in this study. This is followed by the results of the probit regression and marginal effects from the model of estimation in chapter three.

4.1 Descriptive Statistics

Table 4.1 presents the summary statistics for the variables used in the study. It is observed from Table 4.1 that the sample is evenly distributed in terms of gender. 50 percent of the respondents are males, and 50 percent are females. In terms of age distribution, the minimum and maximum age of the sample is 18 and 82 years respectively. On average, the age of a respondent is approximately 31 years. About 45 percent of the respondents are married and 58.7 percent are financially satisfied.

With regards to employment and the scale of income, majority of the respondents had jobs that is, 61.7 percent of the respondents are employed and 36.4 percent are on the higher scale of income. This implies that, majority of the respondents (63.6 percent) are on the lower scale of income (see Table 4.1). In terms of educational level, 7 percent of the respondents have no education. The results indicate that majority of the respondents (82 percent) have basic (primary/secondary/vocational) education as their highest level of education whiles 11 percent of the respondents have tertiary education as their highest level of education. Almost all the respondents (99 percent) are proud to be Ghanaians (see Table 4.1).
From Table 4.1, interestingly almost all the respondents (97.3 percent) have high tax morale, that is, they are not likely to cheat with regards to the issue of tax payment. For religiosity, it was observed that, about 83.5 percent of the respondents are religious. That is, they attend religious service at least once a month. The results also show that 16.5 percent of the respondents are not religious, thus they either do not attend religious service at all, or they attend religious service once a year or on special holy days.

### Table 4.1: Summary of Statistics

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<th>Std. Dev.</th>
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<th>Max</th>
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<td>0.3706</td>
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<td>1</td>
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<td><strong>Income Scale</strong></td>
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<td></td>
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</tr>
<tr>
<td>Income Scale 2</td>
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<td>0.2732</td>
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<td>1</td>
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<tr>
<td>Income Scale 3</td>
<td>1,552</td>
<td>0.1126</td>
<td>0.3164</td>
<td>0</td>
<td>1</td>
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<tr>
<td>Income Scale 4</td>
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<td>0.1733</td>
<td>0.3786</td>
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<tr>
<td>Income Scale 5</td>
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<td>Income Scale 6</td>
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<td>1</td>
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<tr>
<td>Income Scale 7</td>
<td>1,552</td>
<td>0.1050</td>
<td>0.3067</td>
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<td>1</td>
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<tr>
<td>Income Scale 8</td>
<td>1,552</td>
<td>0.0767</td>
<td>0.2662</td>
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<td>1</td>
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<tr>
<td>Income Scale 9</td>
<td>1,552</td>
<td>0.0219</td>
<td>0.1464</td>
<td>0</td>
<td>1</td>
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<tr>
<td>Income Scale 10</td>
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<td>0.0129</td>
<td>0.1128</td>
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<td>1</td>
</tr>
<tr>
<td><strong>Educational level</strong></td>
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<td></td>
</tr>
<tr>
<td>Tertiary</td>
<td>1,552</td>
<td>0.1147</td>
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<td>1</td>
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<tr>
<td>Basic</td>
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<td>0.8157</td>
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<tr>
<td>Employment Status</td>
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<td>0.6179</td>
<td>0.4861</td>
<td>0</td>
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<tr>
<td>Age</td>
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<td>30.9246</td>
<td>12.7027</td>
<td>18</td>
<td>82</td>
</tr>
<tr>
<td>Gender (Male)</td>
<td>1,552</td>
<td>0.5026</td>
<td>0.5002</td>
<td>0</td>
<td>1</td>
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<td>Marital Status</td>
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<td>0.4478</td>
<td>0.4974</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Level of Nat. Pride</td>
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<td>0.9909</td>
<td>0.1073</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Financial Satisfaction</td>
<td>1552</td>
<td>0.5876</td>
<td>0.4924</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Trust for Others</td>
<td>1552</td>
<td>0.9504</td>
<td>0.2172</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Author’s Estimations from WVS 6 data
4.2 Determinants of Tax Morale

The study used a probit regression to estimate the determinants of tax morale. The result from the probit regression is presented in table 4.2. The results indicate that religiosity, higher scale of income, employment status and educational level determine tax morale in Ghana. It is observed from Table 4.2 that employment positively influences tax morale. That is, individuals who are employed are more likely to have high tax morale. This implies that employed individuals are not likely to cheat on tax if they have the chance. This finding is consistent with Torgler (2007) who argues that the employment status of an individual is a major determinant of tax morale.

In terms of income scale, it is observed from table 4.2 that individuals on the highest scale, that is, income scale 8, 9 and 10 are more likely to evade taxes, that is, they have less tax morale. The result is significant at 10 percent for the 8th and 9th income scale and 5 percent significant for the 10th income scale. This implies that individuals on the highest scale of income are more likely to cheat on tax if the opportunity presents itself as compared to those on a lower income scale. The result is consistent with the argument of Jackson & Milliron (1986) that taxpayers with higher income might not necessarily receive high return of government services; this perception is likely to lead to injustice and might reduce tax morale. This result is however inconsistent with the findings of Duch et al (2000) who concluded that taxpayers who acquire higher benefits from the government may have better understanding of the need to pay taxes and are more likely to have high tax morale.

The educational level of an individual also significantly influences tax morale. Results from Table 4.2 indicate that both tertiary and basic education significantly influence tax morale as compared to those with no education. The result implies that individuals with tertiary and basic education are more likely to have high tax morale, thus they are less likely to cheat on tax if they have the chance as compared to those who have no education.
In terms of religiosity, it is observed from table 4.2 that individuals who are religious are more likely not to cheat on tax when they have the chance as compared to those who are not religious.

4.3 Effect of Religiosity on Tax Morale

Table 4.2 also presents the marginal effects of the regression estimates. The results indicate that individuals who are religious have high tax morale, as compared to those who are not religious. The probability of not cheating on tax (tax morale) increased by 3 Percentage points for individuals who are religious. This result implies that individual who are religious have high tax morale. The result is significant at 1 percent level. This result agrees with the findings of Torgler (2003, 2006) on the importance of faith, who found that religiosity has a positive correlation with tax morale. The author thus concluded that religious people have high tax morale. Again, the result of our study is consistent with the findings of Daude et al, (2013), Kountouris & Remoundou (2013), Leonardo & Martinez Vazquez (2016) who found a positive relationship between religiosity and tax morale. However, this result is inconsistent with the finding of Ibrahim et al. (2015) who observed that there is a negative significant relationship between religiosity and tax morale.

4.4 Effect of Education on Tax Morale

The effect of educational level on tax morale is also captured in table 4.2. It is observed that education has a significant effect on tax morale as compared to no education. From table 4.2, both basic and tertiary education significantly influence tax morale. The probability of not cheating on tax (tax morale) increased by 5 Percentage points and 3 Percentage points for individuals who have tertiary education and basic education respectively. The result which is significant at 5 percent and 10 percent levels for tertiary and basic education respectively implies that individual who are educated are not likely to cheat on tax if they have the opportunity. The probable reason for this finding is that individuals who are highly educated have knowledge of the tax regulations and are aware of the importance of paying taxes, hence are more likely
to have high tax morale (Torgler & Schneider 2007). The finding from this study however contradicts the argument by Lago-Penas & Lago-Penas (2010), that highly educated taxpayers have knowledge of the misappropriation of government revenue hence they are more likely to use every opportunity to evade taxes to their advantage.

Table 4.2 presents the Probit Regression Estimates and Marginal Effect Estimates

<table>
<thead>
<tr>
<th>Dependent Variable Tax Moral</th>
<th>Coef.</th>
<th>Std. Err</th>
<th>Z</th>
<th>Marginal Effect</th>
<th>Std. Err</th>
<th>Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Religiosity</td>
<td>0.605***</td>
<td>(0.161)</td>
<td>3.76</td>
<td>0.0329</td>
<td>0.0094</td>
<td>3.50</td>
</tr>
<tr>
<td>Scale of Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income Scale 2</td>
<td>-0.564</td>
<td>(0.466)</td>
<td>-1.21</td>
<td>-0.0187</td>
<td>-0.0151</td>
<td>-1.24</td>
</tr>
<tr>
<td>Income Scale 3</td>
<td>-0.305</td>
<td>(0.484)</td>
<td>-0.63</td>
<td>-0.0075</td>
<td>-0.0115</td>
<td>-0.66</td>
</tr>
<tr>
<td>Income Scale 4</td>
<td>-0.529</td>
<td>(0.436)</td>
<td>-1.21</td>
<td>-0.0169</td>
<td>-0.0115</td>
<td>-1.46</td>
</tr>
<tr>
<td>Income Scale 5</td>
<td>-0.639</td>
<td>(0.430)</td>
<td>-1.48</td>
<td>-0.0228</td>
<td>-0.0118</td>
<td>-1.93</td>
</tr>
<tr>
<td>Income Scale 6</td>
<td>-0.216</td>
<td>(0.477)</td>
<td>-0.45</td>
<td>-0.0048</td>
<td>-0.0100</td>
<td>-0.48</td>
</tr>
<tr>
<td>Income Scale 7</td>
<td>-0.712</td>
<td>(0.449)</td>
<td>-1.59</td>
<td>-0.0279</td>
<td>-0.0158</td>
<td>-0.76</td>
</tr>
<tr>
<td>Income Scale 8</td>
<td>-1.004**</td>
<td>(0.460)</td>
<td>-2.18</td>
<td>-0.0539</td>
<td>-0.0247</td>
<td>-2.19</td>
</tr>
<tr>
<td>Income Scale 9</td>
<td>-1.061**</td>
<td>(0.525)</td>
<td>-2.02</td>
<td>-0.0605</td>
<td>-0.0410</td>
<td>-1.48</td>
</tr>
<tr>
<td>Income Scale 10</td>
<td>-1.155*</td>
<td>(0.594)</td>
<td>-1.94</td>
<td>-0.0725</td>
<td>-0.0595</td>
<td>-1.22</td>
</tr>
<tr>
<td>Employment</td>
<td>0.534***</td>
<td>(0.162)</td>
<td>3.30</td>
<td>0.0290</td>
<td>0.0093</td>
<td>3.11</td>
</tr>
<tr>
<td>Educational Level</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tertiary</td>
<td>0.962**</td>
<td>(0.379)</td>
<td>2.54</td>
<td>0.0537</td>
<td>0.0261</td>
<td>2.06</td>
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<tr>
<td>Basic</td>
<td>0.428*</td>
<td>(0.243)</td>
<td>1.76</td>
<td>0.0348</td>
<td>0.256</td>
<td>1.36</td>
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<tr>
<td>Age</td>
<td>-0.0044</td>
<td>(0.007)</td>
<td>-0.67</td>
<td>-0.0002</td>
<td>0.0004</td>
<td>-0.67</td>
</tr>
<tr>
<td>Male</td>
<td>0.0062</td>
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<td>0.04</td>
<td>-0.0003</td>
<td>0.0083</td>
<td>-0.04</td>
</tr>
<tr>
<td>Marital Status</td>
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<td>-0.23</td>
<td>-0.0022</td>
<td>0.0095</td>
<td>-0.23</td>
</tr>
<tr>
<td>Level of National Pride</td>
<td>-0.6132</td>
<td>(0.9515)</td>
<td>-0.64</td>
<td>-0.0333</td>
<td>0.0518</td>
<td>-0.64</td>
</tr>
<tr>
<td>Financial Satisfaction</td>
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<td>(0.156)</td>
<td>0.23</td>
<td>0.0008</td>
<td>0.0085</td>
<td>0.10</td>
</tr>
<tr>
<td>Trust for Others</td>
<td>-0.0329</td>
<td>(0.330)</td>
<td>-0.22</td>
<td>-0.0018</td>
<td>0.1794</td>
<td>-0.10</td>
</tr>
<tr>
<td>Constant</td>
<td>2.1622*</td>
<td>(1.1199)</td>
<td>1.93</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Observations 1,527
Log Likelihood -164.08471
Pseudo R2 0.1338
Prob > chi2 0.0001

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Source: Author’s Computation from WVS6
4.5 Discussion of Findings

The overall objective of this study was to investigate the effect of religiosity in encouraging tax morale of taxpayers in Ghana. To achieve this, the researcher came up with three (3) specific objectives. The first objective sought to examine the effect of religiosity on tax morale in Ghana. The analysis revealed that individuals who are religious have high tax morale. Thus, they are less likely to cheat on tax if they have the opportunity. The probability of not cheating on tax increased by 3 Percentage points for individuals who are religious. The result is significant at 1 percent level. This result is consistent with the findings of several authors (eg: Torgler, 2003, 2006; Daude et al., 2013; Kountouris & Remoundou; 2013; Leonardo & Martinez Vazquez, 2016) who found a positive relationship between religiosity and tax morale. That is, religious people have higher tax morale than those who are not religious. This result is however inconsistent with the finding of Ibrahim et al. (2015) who found a negative significant relationship between religiosity and tax morale in Ghana. The result was presented in Table 4.2.

The second objective was to ascertain whether tax morale correlates with citizens’ level of education. From the results, it was revealed that education has a significant relationship with tax morale as compared to no education. As presented in table 4.2, both basic and tertiary education significantly influence tax morale as the probability of not cheating on tax (tax morale) increased by 5 Percentage points and 3 Percentage points for individuals who have tertiary education and basic education respectively. The result which is significant at 5 percent and 10 percent levels for tertiary and basic education respectively implies that individual who are educated are less likely to cheat on tax if the they have the opportunity, since they are perceived to have knowledge of the tax regulations and are aware of the uses of tax, and therefore are likely to have higher tax morale than those who are not educated (Torgler & Schneider, 2007). The findings from this study however, contradict the argument by Lago-Penas & Lago-Penas (2010) that highly educated taxpayers have knowledge of the misappropriation of government revenue, hence are more likely to use every opportunity to evade taxes to their advantage.
The third objective sought to investigate how other factors aside religiosity might influence tax morale in Ghana. The result revealed that higher scale of income, employment status and educational level determine individual’s tax morale in Ghana. With respect to employment, the result revealed that employment positively influences tax morale. That is, individuals who are employed are more likely to have high tax morale, and therefore less likely to cheat on tax if they have the chance than those who are unemployed. This finding is consistent with Torgler (2007) who argues that the employment status of an individual is a major determinant of tax morale. The result was presented in Table 4.2.

In terms of income scale, the result found that individuals on the highest scale, that is on income scale 8, 9 and 10 are more likely to evade taxes if the opportunity presents itself, as compared to those on a lower income scale. The result is significant at 10 percent for the 8th and 9th income scale and 5 percent significant for the 10th income scale. This result is consistent with the argument of Jackson & Milliron (1986) that taxpayers with higher income might not necessarily receive high return of government services, and so might reduce their tax morale. The result was presented in Table 4.2.

From the study findings, it has been established that factors such as religiosity, educational level, employment status and higher scale of income influences individuals’ tax morale. Given the significant high level of tax morale, it would be expected that this would translate into the country’s tax performance. On the contrary, Ghana’s performance in tax mobilization when compared to its lower middle income peers leaves much to be desired. Tax-to-GDP ratio in 1983 was 4.6 per cent and by 1986, it had reached 12.6 per cent but these gains were compromised by the marginal declines in these ratios from 1988 to 1990. Ghana’s tax effort increased from 16.3 per cent in 2000 to 21.8 per cent in 2004, and marginally declined to 21.3 per cent in 2005. The situation has not seen any improvement over the years. Few people carry the tax burden as the economy is highly informalised.

This discrepancy between the study findings and the reality on the ground can only be explained by a psychological phenomenon known as cognitive dissonance.
Cognitive dissonance was first formulated by Festinger (1957). It is induced when a person holds two contradictory beliefs, or when a belief is incongruent with an action that the person had freely chosen to perform. This situation produces discomfort for the individual and therefore the individual strives to either change the belief or the behavior in order to appear consistent. In view of our finding, whiles the results indicate the people’s willingness to pay tax, the reality is that very few in fact do. That is, their belief or attitude is not matched by action. Kuran (1997) described this as inconsistency between the “private truth” and the “public lie”. The notion is that people may make use of their public signal of a level of tax avoidance they (allegedly) consider “acceptable” so as to minimize their probability of detection.

The next chapter discusses the summary, conclusion and recommendations based on the findings of the study.
CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

While the preceding chapter presented the analysis and discussion of the study findings, this chapter presents the summary, conclusion and recommendations based on the findings of the study.

5.1 Summary of Key Findings

This study sought to investigate the effect of religiosity in encouraging tax morale of taxpayers in Ghana with three (3) specific objectives. The first objective was to examine the effect of religiosity on tax morale in Ghana, the second objective was to ascertain whether tax morale correlates with citizens’ level of education whereas the third objective was to investigate how other factors aside religiosity might influence tax morale in Ghana. The study was significant as limited studies carried out by Eiya et al. (2016) in Nigeria, and Ibrahim & Abdul-Hanan (2015) in Ghana found no significant relationship between tax morale and religiosity. Consequently, the current study sought to fill this gap in literature by looking at the subject matter from the perspective of a developing country.

The results of the study revealed that individuals who are religious have high tax morale, and are therefore less likely to cheat on tax if they have the opportunity as compared to those who are not religious. This result is consistent with the findings of several authors (see: Torgler, 2003, 2006; Daude et al., 2013; Kountouris & Remoundou; 2013; Leonardo & Martinez Vazquez, 2016) who found a positive relationship between religiosity and tax morale. This result is however inconsistent with the finding of Ibrahim et al. (2015) who found a negative significant relationship between religiosity and tax morale in Ghana. The result was presented in Table 4.2.
In line with the second objective, the study found that an individual’s educational level significantly influences tax morale. Results from Table 4.2 revealed that education significantly influences tax morale as the probability of not cheating on tax increases by 5 Percentage points and 3 Percentage points for individuals who have tertiary education and basic education respectively. This study finding however contradicts the argument by Lago-Penas & Lago-Penas (2010) that highly educated taxpayers have knowledge of the misappropriation of government revenue, hence are more likely to use every opportunity to evade taxes to their advantage.

Finally, it emerged from the study that aside religiousity and educational level, other important variables such as employment status and income level influence Ghanaians’ tax morale. With respect to income scale, the study revealed as presented in table 4.2, that individuals on the highest scale, that is income scale 8, 9 and 10 are more likely to evade taxes, and hence have less tax morale than those on a lower income scale. This finding is consistent with the argument by Jackson & Milliron (1986) that taxpayers with higher income might not necessarily receive high return of government services; this perception is likely to lead to injustice and might reduce their tax morale.

Furthermore, the study found that an individual’s employment status positively influences tax morale. That is, individuals who are employed are more likely to have high tax morale, and therefore less likely to cheat on tax if they have the chance than those who are unemployed. This finding is consistent with Torgler (2007) who argues that the employment status of an individual is a major determinant of tax morale. The result was presented in Table 4.2.

5.2 Conclusion and Policy Recommendations

We have seen from this study that taxes constitute important source of revenue for governments in both developed and developing countries of the world. Nonetheless, the amount of revenue which governments can generate through taxes depends on among other factors, the willingness of taxpayers to comply with
the tax laws in their respective countries. This raises the issue of tax morale. Thus, the basic contribution of this study was to examine religiosity as a factor that affects tax morale in Ghana.

With data extracted from the World Values Survey (WVS) Wave 6 on Ghana, evidence has been established that religiosity exerts influence on tax morale. This influence tends to persist even after controlling other variables such as income, educational level, employment status, financial satisfaction and demographic variables (gender, age, marital status, etc). This empirical finding therefore supports the significance of incorporating non-economic factors into tax compliance studies.

The study findings have several implications for policy makers and tax administrators in Ghana. With evidence established on the effect of religiosity on tax morale, it is recommended that integrating factors such as religiosity as an extension of the economic model of man will open a new working instrument, without losing robustness. Furthermore, major internal and external determinants which influence tax compliance must critically form the government and tax administrators’ strategies, in order to create confidence in their credibility, thereby increasing individual’s willingness to pay tax. Again, as revealed from this study, the level of tax morale of individuals is greatly influenced by religious background, educational level, employment status and income level. Therefore in formulating strategies to increase voluntary compliance, it is recommended that relevant authorities be aware of, understand and appreciate individual taxpayer’s compliance behavior as well as the need to provide tax education services in order to appeal to the moral conscience of the citizenry, to stimulate honouring of their tax obligations, thereby discouraging tax evasion. Also, the religious values held by Ghanaians probably could be used to encourage them so as to increase their willingness in complying with tax laws for the country’s benefits. Additionally, religious institutions should take up the responsibility of influencing their followers towards tax compliance so as to discourage tax evasion.
5.3 Recommendations for Future Research

It is recommended that further empirical studies be undertaken to better understand the determinants of tax morale in Ghana. Additionally, more studies should be undertaken in Africa and particularly in Ghana to validate more evidence on the effect of religiosity on tax morale.
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