

UNIVERSITY OF GHANA

COLLEGE OF HUMANITIES

CORRUPTION PERCEPTION AND TAX NON-COMPLIANCE AMONG SELF-EMPLOYED INDIVIDUALS IN GHANA

BY

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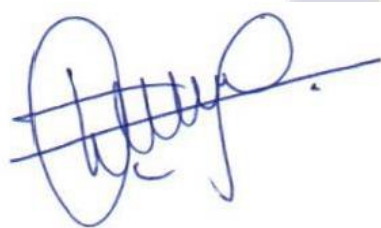
THIS THESIS IS SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF PHILOSOPHY (MPHIL) DEGREE IN ACCOUNTING.

JUNE, 2022

INTEGRI PROCEDAMUS

DECLARATION

I, Emmanuel Lamptey Odartey, hereby declare that this work is the result of my research and has not been presented by anyone for any academic award in this or any other university. All references used in this work have been fully acknowledged



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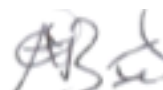
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CERTIFICATION

We hereby certify that this thesis was supervised in accordance with the laid down procedures by the University of Ghana.



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DEDICATION

This thesis is dedicated to my wife, Deborah Griselda Lamptey, and my supervisor, Prof. Godfred

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ACKNOWLEDGEMENT

I am most grateful to the Almighty God for the strength, good health and wisdom He gave me to complete this thesis successfully.



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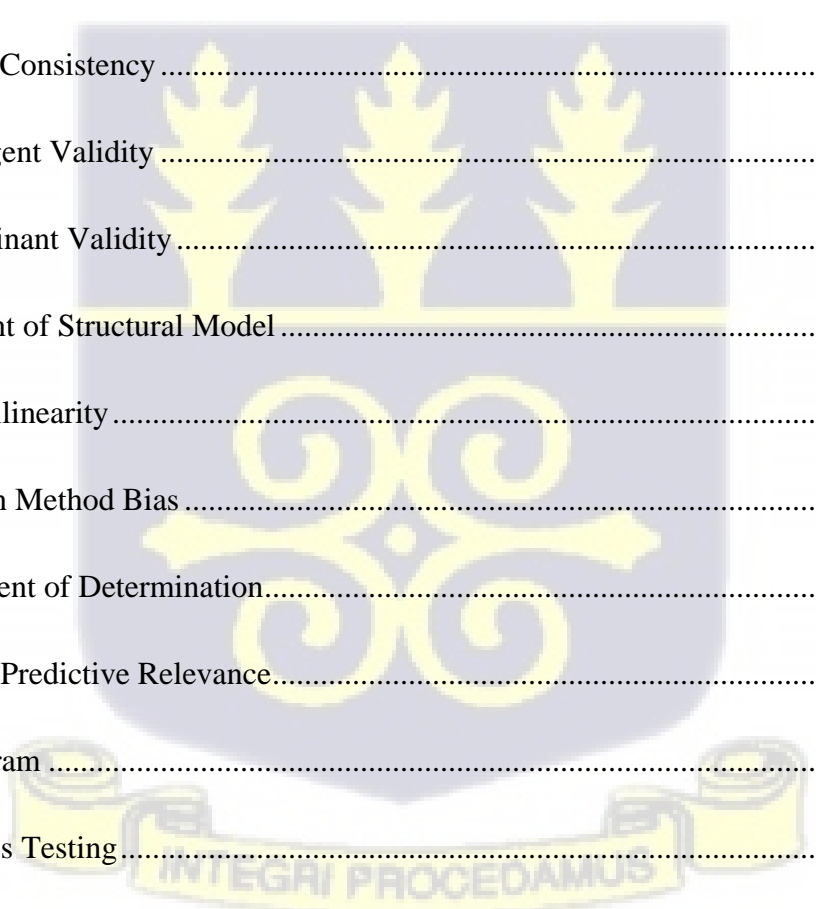
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LIST OF ABBREVIATIONS

ABBREVIATION	MEANING
CP	Corruption Perception
TG	Trust in Government
TS	Tax System Complexity
TC	Tax Non-compliance
RE	Religiosity
TR	Tax Rate Fairness
IBES	Integrated Business Establishment Survey
GSS	Ghana Statistical Service
GII	Ghana Integrity Initiative
IMF	International Monetary Fund
NBSSI	National Board for Small Scale Industries
PLS-SEM	Partial Least Square Structural Equation Model
GRA	Ghana Revenue Authority
MSEs	Micro Small and Medium Enterprises
TPB	Theory of Planned Behaviour
OECD	Organisation for Economic Cooperation and Development



ABSTRACT

This thesis assesses perceived corruption and tax non-compliance in Ghana within the informal sector; and investigates some key factors that lead to tax non-compliance among individuals within the informal sector of Ghana. Based on a review of the theory of planned behaviour, the study evaluated the impact of perceived corruption, trust in government, tax rate fairness, tax system complexity and religiosity on tax non-compliance. In addition, the study investigates the moderating role of religiosity on the relationships between perceived corruption, trust in government, tax rate fairness, tax system complexity and tax non-compliance. A total of 598 valid responses were received from individuals working within the informal sector. The data was collected via a self-administered questionnaire. A structural model analysis employing the Partial Least Square based on the Structural Equation Modelling technique was used to test the study's hypothesized relationships. The result of the study indicates that individuals with a higher level of perceived corruption are more likely to engage in tax non-compliance. The study further reveals that tax system complexity leads to high levels of tax non-compliance within the informal sector. When individuals are frustrated by the tax system as a whole, they end up evading taxes. The result indicates that tax rate fairness, trust in government and religiosity are negatively related, which suggest individuals in the informal sector would be motivated to comply when they perceive the government and tax system to be transparent. Furthermore, religiosity was able to moderate the relationships between the factors that influence tax non-compliance behaviour. The findings from the study are beneficial to the tax authorities, managers of firms and policy makers in establishing ways to mitigate the occurrence of tax non-compliance behaviour in the informal sector. The study highlights the factors that influence individuals to engage in tax non-compliance behaviour. To academic researchers, the study provides insightful recommendations on carrying out similar

future studies with different methodology and populations to contribute to tax and compliance research.



CHAPTER ONE

INTRODUCTION

1.0 Background

It is an irrefutable reality that taxes are the primary source of government revenue all over the world. Quite surprising, the phenomena of tax evasion has become an impediment around the necks of governments and tax authorities worldwide, as its prevalence impedes government efforts to collect the necessary income for the provision of public goods and services (Augustine & Enyi, 2020; Obaid, Ibrahim, & Mat-Udin, 2020b). In impoverished countries, widespread evasion, persuasion, and corruption have a significant impact on revenue collection (Evans, Rosid & Tran-Nam, 2018; Bird, 2015). Corruption is a negative omen that leads to inefficient tax systems, undermines tax collecting credibility, and diminishes individuals' and corporations' willingness to pay the right amount of taxes, has accounted for revenue (Imam & Jacob, 2014).

Corruption is defined as the “use of public office for private gain in ways that violate declared rules” (IMF, 2016, p. 3). The predominance of corrupt practices in the tax system perpetrated by tax official and taxpayers often defeat governments' effort to mobilise enough tax revenue, as there is the likelihood that tax officials can be bribed by any taxpayer to evade taxes (Alkhatib, Abdul-Jabbar, Abuamria, & Rahhal, 2019). The impact of corruption is enormous, extending beyond the use of opaque business structures to hide the benefits of illegal activity such as purposeful non-compliance and expanding income and wealth inequality. The 2015 IMF report pegged revenue loss due to tax non-compliance through acts of corruption at USD 2 billion globally. In the instance of African revenue losses, Sub-Saharan Africa (SSA) accounts for about USD 198 million, or

62.85%, of the total USD 315 million (Michael, 2012). According to the Ghana Integrity Initiative 2020 corruption index study, Ghana loses about USD 39 million in revenue each year due to tax non-compliance caused by corruption. In terms ranking based on corruption Ghana placed 10th in Sub-Saharan Africa and 75th in the world (GII, 2020; Michael, 2012).

Because of the secrecy surrounding corruption and its social nature as a phenomenon, the majority of the indicators used to identify and assess it are based on subjective measurements, often known as corruption perception (Campbell, 2013). As a social element, corruption has a significant impact on how taxpayers behave, as individuals are frequently influenced by the actions of those around them (Obaid et al., 2020a). As a result, it may deter taxpayers from willingly paying what is expected of them as the correct amount taxes (Jahnke, 2015); exacerbate relevant stakeholders attitude of mistrust toward related institutions (Melgar, Rossi, & Smith, 2010); strengthen the existing negative public views demonstrated by taxpayers to disengage from reciprocal relationships with the government (Fjeldstad & Tungodden, 2003); and encourage taxpayers to behaving badly (Melgar, Rossi, & Smith, 2010); and (Torgler, Demir, Macintyre & Schaffner, 2008). Because corruption is seen as a key driver of non-compliance, taxpayers may choose to underreport taxes or pay bribes to tax officials since it is less costly to manipulate the system than paying taxes (Çule & Fulton, 2009). Thus, the perception of corruption may be more harmful than the actual wrongdoing (Melgar et al., 2010).

Despite the fact that corruption is a major problem in developing nations, little study has been done on how people perceive corruption in the context of taxation. Considering the fact that much work by early and existing researchers' investigated corruption and tax compliance, empirical evidence

on the impact of corruption perception on purposeful tax non-compliance is limited. As a result, a study on people's perceptions of corruption and tax non-compliance cannot be overemphasized in bridging the revenue gap and encouraging voluntary compliance in Ghana, where the ongoing declining trend in producing adequate income to finance public expenditure is a key source of worry. Despite the estimated eighty six percentage offer of employment to the populace by the Ghanaian informal sector (GSS, 2012), Amponsah, Isshaq, and Agyapong (2019) find that most informal sector participants do not register with constitutional authorities for the purpose of paying taxes, and that they can easily cheat taxes. This appears to be the cause of the high rate of noncompliance among taxpayers (Owusu, Bekoe, Anyetei, & Anokye, 2020; Azah, 2005). While abilities and purpose to be corrupt and non-compliant continue to grow, research interest in tax compliance has remained strong.

As a result, this study adds to the body of knowledge on tax evasion by focusing on people's perceptions of corruption. Highlighting why most owners in the informal sector support tax evasion, the study looks into the rampant occurrences in terms of corruption reportage. The findings of this study contribute significantly to the body of knowledge on corruption perception the behaviour of non-compliance to taxes.

1.1 Problem Statement

Generally, revenue collection in developing countries is plagued by widespread evasion, persuasion, and corruption (McKerchar & Evans, 2009; Bird, 2015). Corruption causes inefficient tax systems, diminishes tax collecting legitimacy, and affects corporate and individuals' willingness to pay their fair share of taxes, resulting in lower tax collection levels (Alm et al.,

2016). To minimise the issue of corruption, extant studies recommend that developing countries prioritise reducing corruption in order to improve tax compliance (McKerchar & Evans, 2009; OECD 2012).

Due to the rising rate of recorded occurrences of tax noncompliance and its negative impact on a country's effort to earn substantial revenue from taxes, the concern of worldwide scholars is constantly called to the topic of corruption. Although there is much acknowledgment from extant literature that involvement in corruption does not exclude both the officer and payer of taxes (Obaid et al., 2020a; GII, 2020; Alkhatib et al., 2019; Kira, 2017) shows that corruption perception in the area of taxes in recent years will not see any decline soon if not tackled aggressively.

From 2011 to 2017, the happenings of corruption involving taxpayers and authorities resulted in about 5% to 15% excess tax burdens (IMF/WTO, 2015; OECD, 2017). In June 2020, the commissioner general of the Ghana Revenue Authority (GRA) stated during the launch of a Tax Audit and Quality Assurance Unit (TAQAU) that *“approximately GH400-600 million remains uncollected due to bottlenecks and acts of transparency”*, while *“GH300-400 million is missed on compliance and debt management infractions due to compromise”*. There have been quite a number of on corruption perception in the past. Aside the appreciable research awareness into corruption perception, prevailing studies have predominantly given attention to corruption perception and tax compliance (Alkhatib, Abdul-Jabbar, Abuamria, & Rahhal, 2019; Alm et al., 2016; Nor Ghani, Nor Mansor, Mohd, & Razieh, 2012; John & Slemrod, 2008), not much research have examined the relationship between corruption perception and tax non-compliance.

Surprisingly, topics like religiosity, fiscal morale and tax non-compliance (Benk et al., 2016; Mohdali & Pope, 2014; McKerchar et al., 2013), personal belief, referent group, perceived level of difficulty or opportunity, ethical obligation, ethics, and intention to evade (Owusu et al., 2020); ETPB variables, tax complexity, trust, ABIS ETPB variables, tax complexity, trust, ABIS strategies and intention to pay taxes (Mintah, 2020), dominated the prevailing studies. Research on how corruption perception impact tax non-compliance using individual units in the informal sector has not been much. Otusanya (2011) is of the view that research on how to make perceived corruption less attractive is the way to go, instead of focusing on measures of increasing tax 'morale'.

Furthermore, the TPB and its extended form have been a major used as a theoretical underpinning for most of the behavioural factors influencing tax non-compliance in the majority of non-compliance research. While the importance of these ideas cannot be overstated, given the extent to which taxpayers' behaviour has become unpredictable of late, it is expected that a better awareness for the challenge of wilful tax defiance through a study of this nature would be much beneficial. In Ghana, for example, observation of substantial inequality in the tax system has been made (Atuguba, 2006), and the difficulty in filing taxes (Saad, 2014) has affected individuals' defiance intentions, particularly among the self-employed. The application of the TPB as a theoretical framework to investigate the elements that drive corruption perception and tax non-compliance while controlling for religion, on the other hand, has yet to pass the essential empirical test. This study examines the impact of corruption perception on tax non-compliance by looking at a variety of characteristics such as tax system complexity, tax rate fairness, and trust in government trust being regulated by religiosity.

Though the aforementioned factors under consideration in this research have on their own made significant contribution toward the tax discussion, this research appropriately examine the phenomenon relying on a plethora of factors (corruption perception, tax system complexity, tax rate fairness, trust in government and income) while controlling for religiosity in achieving a more comprehensive view in terms of contribution. This study further contends that the religious disposition of a person has some significant impact on the extent to which perceived corruption occurs. This shows that a person's religious beliefs have a substantial influence on his or her decision to be corrupt, and so are less likely to engage in tax evasion. In summary, this study looks at the impact of a person's religious beliefs on their view of corruption and the role religion plays in tax evasion.

This study fills in the gaps on the prevalence of tax non-compliance by concentrating on the impact of corruption, a complex tax system, tax rate fairness, and trust level in government on tax non-compliance. The TPB underpins the study in terms of investigating the link that exists between the study variables. In this study, the moderating influence of religion is explored on the association between the characteristics stated and tax non-compliance.

1.2 Research Objectives

Generally, the study explores how corruption perception impacts on tax non-compliance. Specifically, the study is to;

1. Investigate the occurrence of perceived corruption in Ghana.

2. Examine the factors that impact individuals to engage in tax non-compliance.
3. Examine the moderating role of religiosity in the relationship between corruption perception and tax non-compliance.

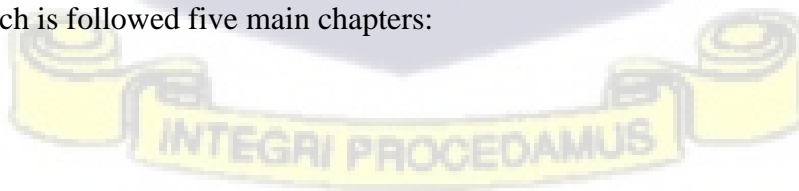
1.3 Significance of the Study

The importance of this research are presented in two parts. In terms of research, the study augments the discussion on tax non-compliance by highlighting the factors that influence an individual's corruption perception and intention to be non-compliant. The findings of the study provide evidence of the tax non-compliance discussion, especially self-employed persons in the informal sector where research attention has been low as the target group. The study also contributes to prevailing awareness on the deliberate refusal by persons to pay taxes relying on a plethora of factors religiosity is used as a control variable.

Practically, the appropriate state players or stakeholders in the revenue mobilisation game will be abreast on the motivating factors that make persons in the informal sector more defiant towards paying of taxes alongside the mechanisms that would help reduce, if not completely eliminate the desire to evading taxes in Ghana. Tax regulators are guided by the research findings to identify the causes of persistent willingness by persons not to pay taxes.

1.4 Organization of the Study

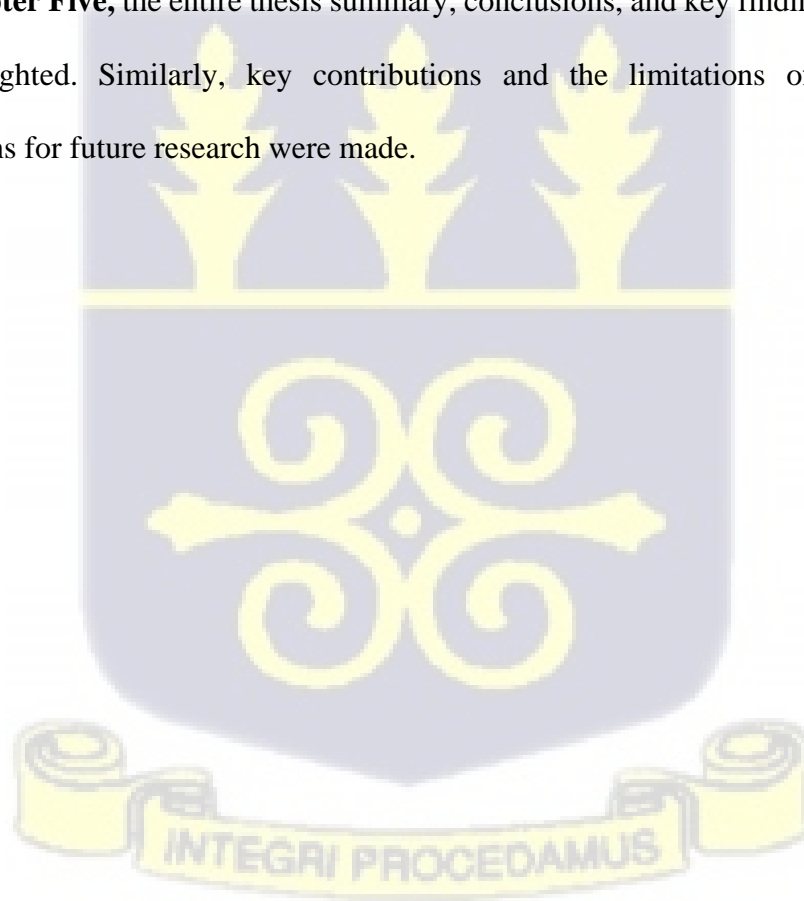
The entire research is followed five main chapters:



The First Chapter (Chapter One) discusses the study perspective to include; a general overview and what the research outcome would be. Specifically, the background of the study, the problem statement, the study objectives, questions and the research significance are extensively discussed. Extant literatures on corruption perception, self-employed persons, development of hypotheses, conceptual or research framework among others were discussed in **Chapter Two**.

The research methodology was detailed in the **Chapter Three**. Thoroughly, the main research design, techniques for sampling and procedure for data collection and analysis was discussed. Again, in **Chapter Four**, the result from the analysis were presented alongside as discussion of key findings from the data.

Finally, in **Chapter Five**, the entire thesis summary, conclusions, and key findings of the research were by highlighted. Similarly, key contributions and the limitations of the study, and recommendations for future research were made.



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

A discussion of what went into prior studies and the theoretical lens of this study was done through a review of extant literature. Thus, all variables relevant to the conduct of this research were discussed.

2.1 Concept of Corruption

Corruption is still a major social, political, and economic issue that countries deal with in various ways (Obaid & Udin, 2020; Rohwer, 2009). The term "corruption" refers to the use of power for personal gain or benefit (Aguilera & Vadera, 2008). Governments' taxation effectiveness is readily derailed by corrupt activities, which are defined "as the use of public office for private gain in ways that contravene declared laws" (IMF, 2016, p.3). Tax authorities may accept bribe from any taxpayer to allow such persons dodge taxes (Alkhatib et al., 2019). Similarly, Sampford, Shacklock, Connors and Galtung (2006) defined corruption to mean "*a public official (A) acting for personal gain, violates the norms of public office and harms the interests of the public (B) to benefit a third party (C) who rewards A for access to goods or services, C would not otherwise obtain*". These conceptualisations appear to emphasise more on 'government corruption', which refers to the abuse of government-backed authority or opportunity for personal gains (Rasid, Evans & Tran-Nam, 2017).

With corruption being perceived as a form of dishonesty or fraudulent conduct undertaken by a person or organisation entrusted with power for private gain, Bussell (2015) maintains that irrespective of the numerous definitions of corruption, there is no single definition that can suffice all research purposes. For the purpose of this study, corruption is defined as the diversion of public gains into private hands through public office holders' wilful actions or inactions, contrary to the rules and norms that established that public office. Despite the importance of taxes, tax non-compliance is likely to rise year after year in several countries. Because of corruption, lack of accountability, and transparency, this ailment is more pronounced in poor countries than in industrialized economies (Kira, 2017; Chude & Chude, 2015). Against this backdrop, the study aims to assess the impact of corruption perception and related antecedents on tax evasion in an emerging economy such as Ghana. Due to the difficulty of quantifying actual corruption, this study will use corruption perception as a proxy for actual corruption behaviour.

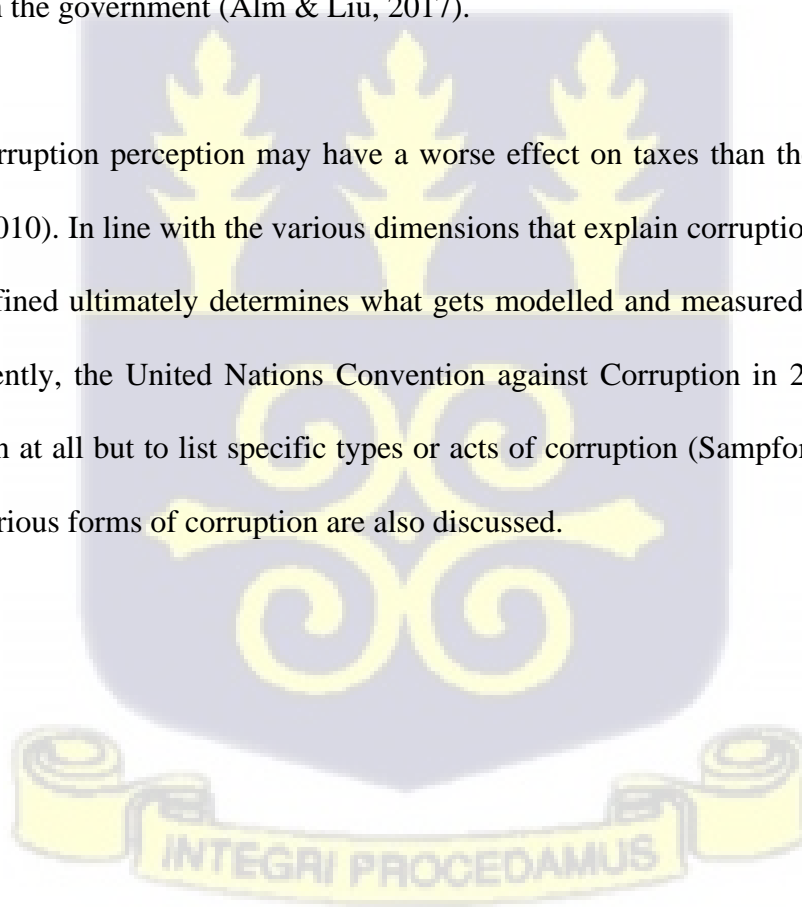
2.3 Perceived Corruption

The canker of corruption or its common proxy, corruption perception, negatively affects the taxpayer's behaviour in the form of tax evasion, tax compliance or non-compliance, tax reporting or non-reporting, tax filing or non-filing or tax payment and non-payment. Described as the perceived abuse of privileged positions for personal gain and disruption of a system for achieving unmerited gains (Okoduwa, 2009), corruption perception stagnates the national developmental agenda. Tax morale is one of the crucial elements needed in analysing tax paying behaviour. According to Luttmer and Singhal (2014), tax morale is a general term capturing non-pecuniary motivations for tax compliance as well as factors that fall outside the standard, expected utility

framework. These motivations include individuals' loss of reputation in the event of non-compliance or evasion; the hope for reciprocal motivations; the willingness to pay taxes in exchange for benefits that the state provides to them or to others; and peer behaviour and the possibility of social recognition or sanctions from peers.

It has been observed that perceived corruption erodes volition among people in an attempt to pay the right amount of taxes (Jahnke, 2015). It fosters a culture of distrust among stakeholders towards related institutions (Melgar, Rossi & Smith, 2010), and it reduces the moral cost of evading tax thereby instigating taxpayers to exploit vulnerabilities within the tax system (Torgler, Demir, Macintyre, & Schaffner, 2008). Taxpayers are stimulated to disengage from any reciprocal relationship with the government (Alm & Liu, 2017).

Accordingly, corruption perception may have a worse effect on taxes than the corruption itself (Melgar et al., 2010). In line with the various dimensions that explain corruption perception, how corruption is defined ultimately determines what gets modelled and measured (Sampford et al., 2006). Subsequently, the United Nations Convention against Corruption in 2002, opted not to define corruption at all but to list specific types or acts of corruption (Sampford et al., 2006). In this study the various forms of corruption are also discussed.



2.3 Forms of Corruption

2.3.1 Grand and Petty Corruption

Grand corruption, according to Rose-Ackerman (2000), is corruption at the highest echelons of a national government. Confidence in good government, the rule of law, and economic stability are all quickly destroyed when there is this kind of corruption. Petty corruption, on the other hand, occurs when little sums of money are exchanged, allowing individuals wanting preferential treatment or the employment of friends and family in modest positions to have their way (Sampford et al., 2006). The most critical differentiator between grand and petty corruption is that the former involves the distortions or disruptions of the central functions of government whereas the latter develops and exists within the context of established governance and social frameworks.

2.3.2 ‘Active’ or ‘Passive’ Corruption

In transactional offences such as bribery, ‘active bribery’ usually refers to the offering or paying of the bribe, while ‘passive bribery’ refers to the receiving of the bribe. In criminal law terminology, these terms are often used to distinguish between a successful completion of certain corrupt actions and attempts or incomplete offences. From the foregoing, ‘active’ corruption would include cases where payment and/or acceptance of a bribe actually took place. It would not include cases where a bribe was offered but had not been accepted yet, or solicited but not paid (Sampford et al., 2006).

2.3.3 Embezzlement, Theft and Fraud

Embezzlement, theft and fraud in the context of corruption involves the use of money and or the acquisition of property or valuable items by individuals who are not entitled to them but, who by

virtue of their authority or position, exploit that authority. In the case of embezzlement and theft, the persons to whom properties are entrusted take the property. In the case of fraud, however, the perpetrators use false pretences and misleading information to induce the owner of the property to voluntarily relinquish it (Sampford et al., 2006).

2.3.4 Extortion

Extortion relies on coercion through threat of violence and or blackmailing to induce cooperation (Sampford et al., 2006). Like other forms of corruption, the ‘victim’ can be the public interest or individuals adversely affected by a corrupt act or decision. In extortion cases, the person who is coerced also becomes a victim. While government officials or insiders can commit extortion, such officials can also be victims of it.

2.3.5 Favouritism and Nepotism

Favouritism and nepotism involve abuse of discretion. The source of motivation often arises from the question to satisfy the interest of another who is related to the perpetrator through family ties, political party, tribe, old school or other groups (Sampford et al., 2006). If an individual bribes an official to hire him or her, the official acts in self-interest.

The most widely used definition of corruption is that it is the use of public office for private gain in ways that violate declared rules (IMF, 2016). These conceptualisations appear to emphasise more on ‘government corruption’, which refers to the abuse of government-backed authority or opportunity for personal gains (Rasid et al., 2017). Campbell (2013) note that the secretive nature

of corruption makes its measurement and assessment often dominated by subjective indicators referred to as ‘perceptions of corruption’. As such, perceptions of corruption may be extremely harmful than corruption itself (Melgar, Rossi & Smith, 2010), as they undermine compliance. Therefore, this study predicts tax non-compliance as a relevant discussion in that, in the abundance of corruption, tax non-compliance dominates and Ghana is not an exception considering country’s unpleasant position in the global corruption perception index.

2.4 Concept of Tax Non-compliance

There are a plethora of tax non-compliance researches across developed and emerging countries due to its attached burden on countries’ efforts to raise appropriate income. In general, defining of tax non-compliance to comprehensively fit what it entails has been challenging to tax scholars, owing to disparities in scope and circumstances that drive taxpayer non-compliance (Yusof et al., 2014; Obaid et al, 2020a). Different academics or authors advocated for different definitions of tax non-compliance. The charge of tax evasion is based on the wilful failure to file tax returns, as well as the concealment of income or allowed deductions for tax due.

Tax non-compliance, according to Khan and Ahmad (2014), is described as a taxpayer's refusal to submit, report, and pay his or her tax to the tax authority. As a result, tax non-compliance is defined as the difference between the actual amount of taxes paid and the amount owed (Kamleitner, Korunka, & Kirchler, 2012). Research has shown that the deliberate delay in filing tax return; refusal to submit returns; not reporting the true income generated; overstating expenses for tax purposes; and overstretched duration for paying taxes are some of the manifestations of tax non-compliance (Al-Ttaffi & Abdul-Jabbar, 2015; Al-Ttaffi, 2017; Alkhatib et al., 2019; Chohan,

2020). Regardless, failure of taxpayers to meet their tax duties, which results in tax non-compliance, can be intentional or inadvertent (James & Alley, 2002).

Deliberate tax defiance occurs when a taxpayer deliberately exploits tax rules and regulations for personal advantage, whereas unintentional non-compliance occurs as a consequence of a lack of understanding on the part of the taxpayer, or due to a person's inability to appropriately interpret the tax law (Alabede et al., 2011; Kirchler, 2007). In this context, non-compliance is a very unpleasant issue, particularly in underdeveloped countries like Ghana, where tax laws and enforcement institutions are seen to be weak. Therefore, perceived corruption has resulted in the loss of significant government tax money that would have aided national progress.

In developing nations, including Ghana, all efforts to make the dodging of taxes less motivating and advocate voluntary payment of taxes to put tax revenue margins on the rise has not yielded the expected gains. Tax non-compliance, whether economic or behavioural, is exceedingly costly administratively since it undermines the primary goal of raising tax revenue. As a result, the GRA was able to increase the overall level of deliberate compliance while relying less on imposed compliance (OECD, 2019).

2.5 Perspectives of Tax Non-compliance

Taxes are the main wheels that enable most governments to executive their agenda of providing public goods and services (Gilligan & Richardson, 2005). The chunk of government revenues are generated from taxes. All other things being equal, the extent to which governments are able to satisfy the public interest through the provision of socio-economic needs would depend on the

effectiveness of the mechanisms put in place to generate enough revenue. Ali-Nakyea (2014) defined tax as “the levying of compulsory contributions by public authorities having tax jurisdiction, to defray the cost of their activities where no specific reward is gained by the taxpayer” (Ali-Nakyea, 2014, p. 4). For most researchers, taxation is purposeful for the government to adequately finance expenditures on behalf of the public based on collected revenue, ensure economic stabilisation and income redistribution (Garay, Simonovits & Tóth, 2012; Lymer & Oats, 2009; Shanmugam, 2003)

Gilligan and Richardson (2005) share a similar view that “the successful collection of taxation revenue is central to providing the necessary infrastructures that allow for the continuing economic well-being of a nation, whatever its relative level of development”. Drawing on the foregoing brings to light a discussion of the two main non-compliance paradigms from the perspective of neoclassical and behavioural economics.

2.5.1 The Neoclassical Economics Perspective of Tax Non-compliance

Maximisation of expected utility is the genesis of the deterrence model of tax compliance. This model described taxpayers as rational actors of self-interest (Allingham & Sandmo, 1972), and hence, the behaviour of taxpayers equalled a game embedded with prearranged possibilities of audit, detection, and penalty rate. Similarly, Koplín, Allen, Gurrin, Peters, Lowe, Tang & Dharmage, (2013) noted that approaches adopted by taxpayers toward tax compliance or non-compliance is not different from how they would handle any risky decision or gamble game. Against this backdrop, the likelihood of evasion by taxpayers as rational utility maximisers would

be high due to the low level of deterrence variables. The relevance of this model is largely based on the theoretical evaluation of tax compliance and non-compliance (Devos, 2004). To a large extent, the stance of the neoclassical economic school of thought to discourage tax non-compliance is geared toward enforcement, and hence, enhanced compliance (Filippin et al., 2013). However, these model is credited with criticisms of its inability to predict taxpayer behaviour accurately (Alm, 2012; Hashimzade, Myles, & Tran-Nam, 2013).

2.5.2 The Behavioural Economics Perspective of Tax Non-compliance

Although many researchers have turn attention toward tax compliance studies by investigating “why so many individuals pay their taxes”, oppose to tax evasion from an economic perspective (non-compliance); this drift in attention is accounted for by the disregard for the numerous tax avoidance opportunities at the expense of engaging in illegality by many taxpayers. It therefore appropriate to illicit what drives taxpayers’ non-compliance behaviour on a whole. In literature some factors have been identified to be accounting for tax non-compliance include tax morale, trust, religiosity, attitude, tax system complexity, fairness, corruption and income among others. In this study, four of these factors will be used as control variables that is, tax system complexity, tax rate fairness, trust in government and income.

2.6 Theoretical Review – Tax Non-compliance

Various theories were used in non-compliance studies to underpin the explanation of various constructs in accordance to literature. According to Kirchler (2007), the drivers of tax non-compliance behaviour differ depending on the jurisdiction and the individuals involved. The

relationship between corruption perception and tax non-compliance among the self-employed in the informal sector is investigated in this study, which is based on planned behaviour theory.

2.6.1 Theory of Planned Behaviour

The study adopts Theory of Planned Behaviour (TPB) as propounded by Ajzen (1991). This explained behaviour as centred on attitude and beliefs of an individual. It evolved from the theory of reason action, which stipulated that intention is the best prediction of behaviour (Fishbein & Ajzen, 1975; Ajzen, 1991). Intention, therefore, is the combination of attitudes exhibited towards behaviour while behaviour is the process of converting intention into action. TPB anchors on three beliefs: behavioural beliefs, normative beliefs and control beliefs (Fishbein & Ajzen, 2010). TPB stipulated that individual exhibited behaviour arises because of the intention to behave, which is determined by three factors of beliefs. Behavioural beliefs mean the individual beliefs that occurred as a result of behaviour and result evaluations.

Normative beliefs mean normative expectation and motivation for meeting those expectations. Control beliefs means the belief of inhabit behaviour that will be displayed or the existing of things to support. The TPB is relevant in the explanation of behaviour of individual taxpayers in meeting their tax obligations. Confidence in behavioural outcome dictates what to be done. Taxpayer's knowledge about tax will lead to tax payment that is meant for government developmental projects (behavioural belief), confidence on the normative expectations of others, and what to be done in meeting these expectations (normative belief), satisfaction from tax, and efficient and effective tax

system motivate tax payers to oblige and obey tax laws. The control beliefs anchor on tax penalties. The theoretical framework's variables are explained below.

2.6.2 Theoretical Framework

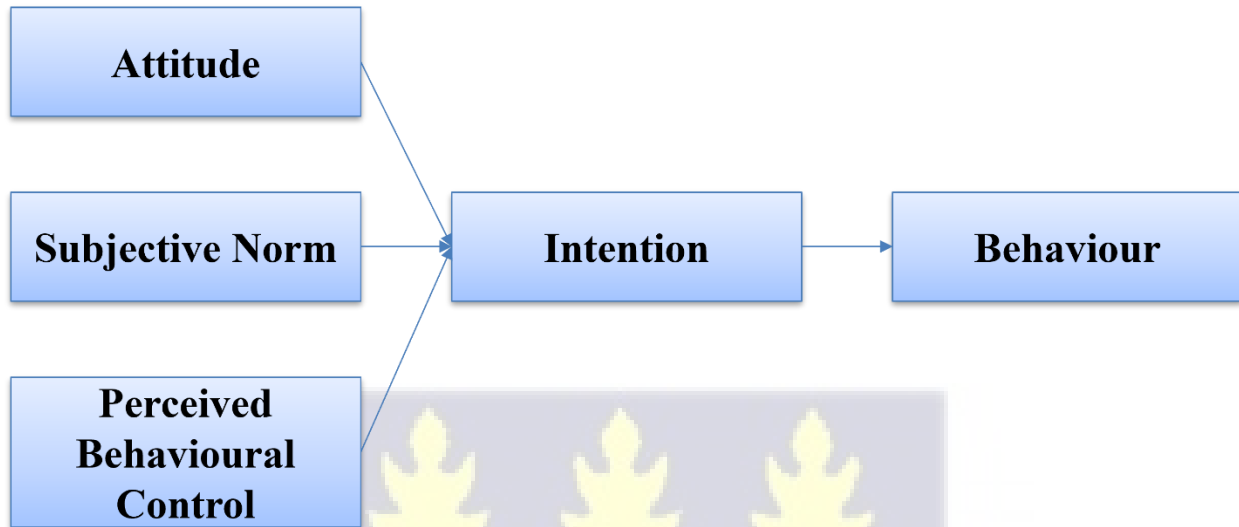


Figure 2.1: The Theory of Planned Behaviour

The variables are explained below:

2.6.3 Attitude and Tax Non-compliance

The term 'attitude' according to Ajzen and Fishbein (1980); Beck and Ajzen (1991) depicts the extent to which a person perceives an 'attitude object' to be approving or disapproving. Hite and Roberts (1992) in classifying attitude mentioned two stands: affective and instrumental attitude. Affective position of attitude thrives on the feelings or logic of guilt by the individual in engaging in the said behaviour while instrumental attitude often refers to the financial gain and apparent objectivity of

the tax structure in making the individual engage in such a behaviour (Zainan, Noor, Omar, Aziz & Sanusi, 2017; Baldry, 1987). Drawing on the TPB as the theoretical bases for this research, the extent of engaging in tax non-compliance behaviour on the basis of the influence of corruption perception, tax system complexity, trust in the government, tax rate fairness and income is an intent borne out of the attitude of the taxpayer.

2.6.4 Subjective Norms and Tax Non-compliance

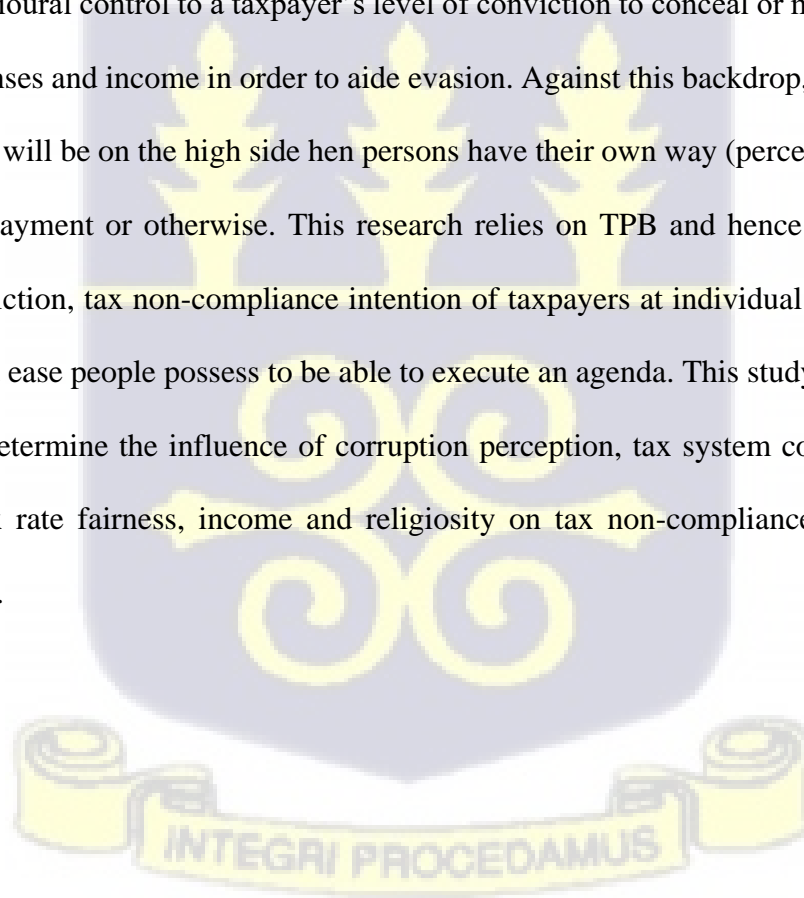
According to Ajzen (1991), subjective norm is described as the perceived pressure from a social group to carry out the behaviour or otherwise. Subjective norms specify how the thoughts of other important people influence the choices made by persons in performing a behaviour object. Perceived as how a person ascribe to referent others' belief that a behaviour should be carried out he or otherwise, subjective norm further emphasizes the fact that referent others think it is prudent to engage in the behaviour. Therefore, the incentive for subjective norms is a content of the social group (Ajzen, 1991).

The decision of individuals to engage in a behaviour of tax non-compliance will be justifiable for candidates involve, largely when he/she is confident of approval or otherwise of the said behaviour from role models, peers, family, co-workers as either persons or groups, and to what extent people ascribe to the position of a referent group (Beck & Ajzen, 1991). The stance of taxpayers would be appreciated if they discover the approval of their non-compliance decision by referent group (Kirchler et al., 2008). Hence, using the TPB as a theoretical basis and discussing the variables thereof, exploiting the link between perceived corruption, tax system complexity, trust in

government, tax rate fairness, and religiosity on tax non-compliance, predicting non-compliance behaviour is driven by subjective norms.

2.6.5 Perceived Behavioural Control and Tax Non-compliance

A person's disposition to engage in a specific behaviour depends on the level of freedom at ones disposal (Ajzen, 1991). Therefore, the perception to demonstrate or put up a behaviour depends on the opportunity or level of difficulty. Advancing the tax non-compliance discourse, perceived behavioural control is largely exhibited when individuals level of perceive ease is high. (Lee & Kozar, 2005). Generally, the feeling of being caught or risk of detection enormously influences a person's decision of wilful non-compliance. A similar claim by Bobek and Hatfield (2003) ascribe perceived behavioural control to a taxpayer's level of conviction to conceal or manipulate the true outlook of expenses and income in order to aide evasion. Against this backdrop, it is assumed that non-compliance will be on the high side hen persons have their own way (perceive ease) of filing, reporting, and payment or otherwise. This research relies on TPB and hence predicts that in a particular jurisdiction, tax non-compliance intention of taxpayers at individual level is measured by the perceived ease people possess to be able to execute an agenda. This study therefore finds it appropriate to determine the influence of corruption perception, tax system complexity, trust in government, tax rate fairness, income and religiosity on tax non-compliance using TPB as a theoretical basis.

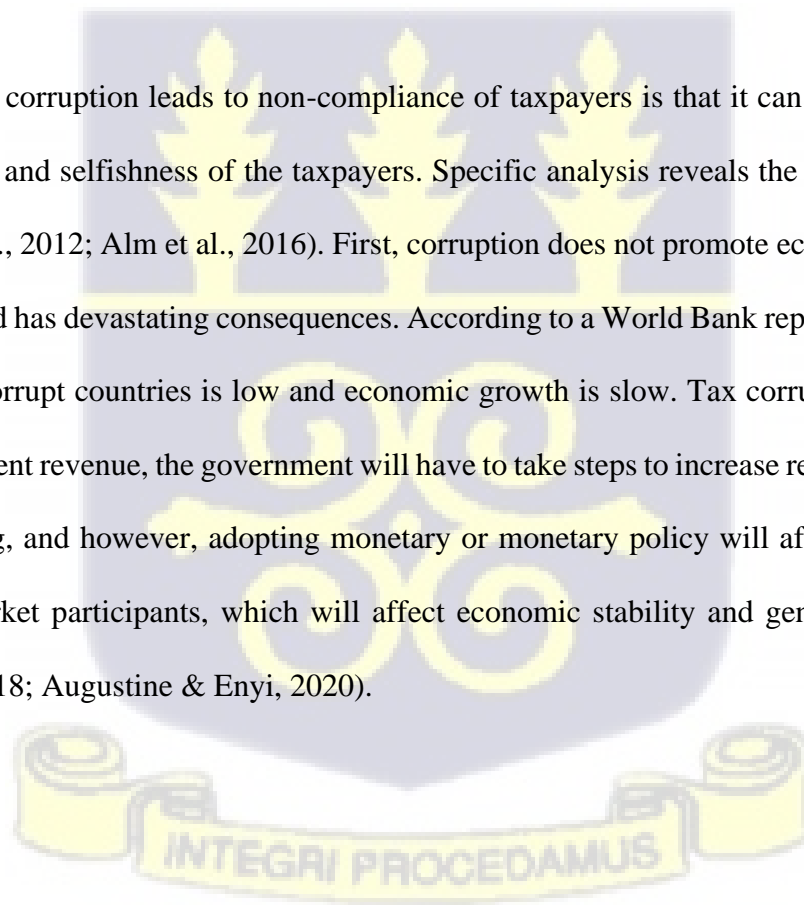


2.7 Factors of Tax Non-compliance

2.7.1 Corruption and Tax Non-compliance

Corruption is defined as the behaviour of government employees who use their rights to further their personal interests in violation of the rules. In particular, corruption can be divided into economic and non-economic crimes, economic crimes appear primarily as corruption and bribery, non-economic crimes, and are current public servants exposed to unrealistic sexual matters (Alkhatib et al., 2019). There are signs of corrupt ethics and negligence of duty (John & Slemrod, 2008; Nor Ghani et al., 2012; Alm et al., 2016). Tax non-compliance can be divided into three categories: “selfishness non-compliance, ignorance non-compliance and emotional non-compliance”.

The reason why corruption leads to non-compliance of taxpayers is that it can lead to emotional non-compliance and selfishness of the taxpayers. Specific analysis reveals the following reasons (Nor Ghani et al., 2012; Alm et al., 2016). First, corruption does not promote economic and social development and has devastating consequences. According to a World Bank report (1996), private investment in corrupt countries is low and economic growth is slow. Tax corruption will greatly reduce government revenue, the government will have to take steps to increase revenue to maintain normal spending, and however, adopting monetary or monetary policy will affect the economic behavior of market participants, which will affect economic stability and general development (Rosid et al., 2018; Augustine & Enyi, 2020).



Corruption is a complex political, social and economic phenomenon that all countries face in different ways (Rohwer, 2009). “Corruption is a concept that refers to the abuse of power for personal gain or gain” (Alkhatib et al., 2019). Alm et al. (2016) indicates that there is a long-standing link between corruption and tax evasion and both are major threats to the global economy, and corrupt practices significantly reduce the effectiveness of government taxation, as any taxpayer can easily get tax exemption by bribing tax officials instead of paying all their taxes (Aguilera & Vadera, 2008). Okpala (2013) argued that the extent of corruption among tax officials leads to an increase in the level of tax compliance among taxpayers.

Akdede (2011) examined the factors leading to tax evasion and tax evasion in Nigeria and found that the level of corruption among tax officials has a positively significant link with tax evasion. It has also been argued that rising levels of corruption will lead to higher rates of tax non-compliance (Mansor & Gurama, 2016). Other researchers have also indicated that corruption is positively linked to tax non-compliance (Alm et al., 2016). Numerous studies have shown that taxpayers are more sceptical about corrupt practices by public officials, and this is the main reason they do not comply with and pay their taxes (John & Slemrod, 2008; Nor Ghani et al., 2012; Alm et al., 2016).

Taxpayers are of the opinion that the high level of corruption among the tax personnel and the inefficient tax system and administration, could encourage both individual as well as corporate level taxpayers, to hide their income, thus falling into the trap of tax non-compliance behaviour (Rosid et al., 2018; Augustine & Enyi, 2020). In addition, “individual taxpayers are of the view that the high level of corruption among the tax personnel and a corrupt tax system and

administration, encourage them to hide their income, thus driving them toward tax non-compliance” (Wadhwa & Pal, 2012). Further, Tijani and Mathias (2013) discovered a positive relationship between corruption and tax non-compliance. They concluded that corruption contributes and motivates taxpayers towards tax non-compliance behaviour.

2.7.2 Tax System Complexity and Tax Non-compliance

Tax system complexity is described as the certainty by which relevant tax authorities seek to improve the fairness of the tax system and at the same time reduce its ambiguity through simplification of tax laws and procedures (Alkhatib et al., 2019; Saad, 2014; McKerchar, Ingraham, & Karlinsky, 2005). On the part of Alkhatib et al. (2019), an increase in a complex tax system could affect both financial and non-financial costs, thus recognizing and complying with taxpayers' merits. Cox and Eger (2006), who focused on the State Road Fund in Kentucky, argued that tax complications have increased tax violations. Similarly, Gambo, Mas'ud, Nasidi, and Oyewole (2014) established a statistically negative but significant relationship between tax complexity and tax compliance in Africa; hence, the resultant effect is tax non-compliance.

In contrast, Kirchler, Niemirowski and Wearing (2006) found a positive link between tax complexity and tax non-compliance while Forest and Sheffrin (2002) failed to explore the effects of complexity on taxpayers' perceptions of fairness and tax non-compliance. According to the theory of equilibrium, Fjeldstad, Sjurssen, and Ali (2012) have stated that if the tax system is considered complex, taxpayers may question its fairness. Therefore, the more complex the tax system, the more taxpayers will be aware of the inequality of the entire system and subsequently

discouraged from being tax compliant. The highest recipe of deliberate refusal to pay taxes accounted for by; delayed time for filing because a large number of taxpayers depend on the expertise of tax professionals and the cost element to comply, uncertainty in the tax law - leaving most individuals ignorant about how tax liabilities are ascertained as concluded by Jayawardane and Low (2017). Therefore, based on theoretical justification, the complexity of the tax may offer some degree of denial of tax compliance behaviour, and perhaps the complex or cumbersome tax system may fuel a perceived lack of equity in the system, which may result in tax non-compliance behaviour as a key determinant (Rosid et al., 2018; Augustine & Enyi, 2020).

To reduce the level of non-filing, non-reporting and non-payment as the main components of tax non-compliance, it is evidenced that a corrupt and complex tax system need to be worked on; such that reasonable simplicity in the tax system could be achieved to serve the interest of all taxpayers and tax authorities (Gurama, 2015; Akinyomi & Okpala, 2013; Alon & Hageman, 2013). Hence, the extent of difficulty during the process of filing, reporting and payment of taxes is justifiable in ones opinion to engage in tax non-compliance or otherwise.

2.7.3 Tax Rate Fairness and Tax Non-compliance

Tax rate fairness is one of the drivers of tax non-compliance (Alshira'h & Abdul-Jabbar, 2019; Thomas, 2012), and therefore considered as one of the main determinants of tax non-compliance (Jackson & Milliron, 1986). Although fairness in itself is difficult to define and measure, and also perceived as a dormant variable, it is generally described as impartial and just treatment or behaviour without favouritism or discrimination. Consequently, Christensen et al. (1994) indicate

that there are four reasons for the difficulty in defining the term fairness specifically because it is described as multidimensional. This suggests that a good measure of unbiased cheaters should, at the very least, cover a wide variety of dimensions, as well as access at different levels. Largely, the position and conviction of tax administrators and the taxpayers show that growing dissatisfaction of fairness in tax rates account for the low level of tax compliance (Chau & Leung, 2009).

In addition, a fair tax rate system is based on three elements, namely country legitimacy, the motivation of taxpayers' compliance to pay their taxes and the performance of the tax authority (Ajaz & Ahmad, 2010). It is reported that fairness in tax rates per the tax burden levied by tax authorities or government procedure leads to instilling trust in the community and convincing the taxpayers that the tax law is fair; and, in turn, this reduces tax non-compliance (Samuel & Dieu, 2014; Ulbig, 2002). Prior research confirms the aforementioned assertion (McKerchar, Bloomquist, & Pope, 2013; McGee, 2012; Kirchler & Wahl, 2010). In distributive justice, an individual cares about the fairness of his actions and wants to be treated on the basis of his merits, efforts and needs (Kirchler et. al., 2008). If you feel that your tax burden is higher than that of other people in the same income group, your tax compliance is likely to decrease more widely at the group level; taxpayers want their group to be treated fairly compared to other income groups.

On the contrary, Ajaz and Ahmad (2010) maintain public governance contribute immensely to tax rate fairness, and hence minimizes tax non-compliance. This is because to get a good tax system, the role of public governance cannot be overemphasized. Tan and Chin-Fatt (2012) further emphasized that a group of principles such tax rate fairness and confidence in the basis for

designing a good tax system. In view of this, Berkeley (2006) and Cummings et al. (2009) conclude that the high perception of taxpayers about fair fiscal exchange encourages taxpayers to be compliant or otherwise. According to Alm, Jones, Cherry and McKee (2011), higher tax rates discourage tax compliance effort of individuals and businesses, while encouraging all kinds of activities to avoid or evade them. It was further argued that increasing marginal tax rates will encourage taxpayers to avoid higher taxes (Alm, Jones, Cherry, & McKee, 2011) while tax rates will not necessarily be reduced.

Allingham and Sandmo (1972) concluded that taxpayers can choose to report their income in full or under-report, regardless of tax rates. Since the effects of tax rates were questionable (positive, negative, or no effect on non-compliance), Kirchler, Hoelzl and Wahl (2008) and McKerchar and Evans (2009) suggest that the degree of trust between taxpayers and the government plays an important role in assessing the impact of tax rates on non-compliance. When trust is low, a high tax rate can be seen as unfair treatment of taxpayers and when trust is high, the same level of tax rate can be seen as a contribution to society (Kirchler, Hoelzl, & Wahl, 2008).

Maseko (2014) pointed that the perceptions of taxpayers be it individuals or group to fairness in tax rates influences tax non-compliance decisions. Generally, the majority of tax rate studies that have been linked to tax compliance per extant literature have focused on income levels and sales tax, however, the outcome is still not clear because of its mixed nature; while nothing much has been done in terms of tax rate fairness and tax non-compliance. In this light, more studies are required to examine the relationship between tax rate fairness and tax non-compliance through corruption perception, especially in a developing country like Ghana.

2.7.4 Trust in Government and Tax Non-compliance

The issue of trust in government is very relevant to the compliance level of taxpayers. Defined in simple terms as the belief that a person or institution is safe and reliable or there is honesty on the side of someone and he or she is harmless. The Cambridge Dictionary (2016) described trust to mean an arrangement which is lawful in nature where a person demonstrates some sort of influence or control of an individual or entities assets or goods. Considering the fact that trust is a symbol of mutual relationship between the taxpayer and tax authority, failure by tax the authority to treat the taxpayers (individual, the group, or society) at large in a responsible and respectful manner will lead to tax non-compliance (Kirchler, 2007). It highlights that trust is created when the government understands how to treat taxpayers with respect (Feld & Fray, 2002), with the implementation of a favourable tax system (Walsh, 2012), and through transparency and accountability. Therefore, the link between corruption perception and tax non-compliance through perceived corruption cannot be overruled.

Political stability and a country's ruling party can play an important role in deciding tax non-compliance behaviour. For example, if an individual supports the current ruling party, the individual may choose to comply because it believes that it is trustworthy, efficient, and fair. Conversely, opposition taxpayers may be more non-compliant because they recognize that the government is not on their side. Trust, awareness of fiscal fairness and corruption have been considered to play an important role in tax compliance (Torgler, 2004). Thus, if the government behaves fairly, favours its citizens, and is considered an uncorrupted government, then taxpayers

will make a round trip on their own initiative (Feld & Frey, 2007). Trust is related to corruption perception. Based on this, Nzotta (2007) stated that the main cause of tax exemption in Nigeria was a high level of corruption on the part of senior government officials at all levels of government. This attitude influences the willingness of taxpayers to pay taxes by seeing public officials in their pockets without any sanctions, and encourages the tax authorities to bribe rather than pay the government.

Therefore, trust in the government is one of the factors that affects the level of taxpayer compliance (Siahaan, 2012). On this basis, in Sitardja and Dwimulyani (2016), Bad and Pavlou (2012) cite that trust is a function of the relationship between the government and the citizens with the latter's expectations being in line with environmental uncertainties. Relying on traditional approaches to law enforcement will not establish effective tax compliance. Therefore, the government should gain the trust of taxpayers so that tax non-compliance cannot occur (Alm et al., 2011). Taxpayer confidence can be influenced, among other things, by the tax-rate quality of first-rate service quality (Walsh, 2012). Tax rules must favour taxpayers (Chandrasorn, 2012), enhance good governance (Lucio & Scartascini, 2013), and the judicious use of public funds by the government (Sitardja & Dwimulyani, 2016).

Olson (2013) shared a view that taxpayers and their relationship with the governments is a contractual matter. Olson (2013) and Ya'u and Saad (2018) highlight the existence of an unwritten or social contract in which taxpayers should fulfil their obligations to pay the taxes payable, while the government provides service and oversight so that taxpayers can discharge their obligations openly. However, few studies have considered the relationship between corruption perception and

tax non-compliance as driven by the trust in government in a developing country, but rather dwelling much more on trust and tax compliance. Thus, this study seeks to investigate the tax non-compliance level initiated by the trust in government per the corruption perception in Ghana.

2.7.5 Religiosity and Tax Non-compliance

Religion has been defined as a system of faith and worship or human recognition of a superhuman controlling power, and religiosity is the quality of being religious (Oxford Dictionary, 2012). According to Johnson, Jang, Larson and De Li (2001, p. 25), religious commitment or religiosity is defined as “the extent to which an individual is committed to the religion he or she professes and its teachings, such that individual attitudes and behaviour reflect this commitment”. Describing the term “religion” is very difficult (Pargament, Magyar-Russell & Murray-Swank, 2005, p. 667). This is because “the roots of religion are so numerous, the weight of their influence in individual human lives so varied, and the forms of rational interpretation so endless, that uniformity of product is impossible” (Allport, 1950, p. 26).

Notwithstanding, it is interesting to note that faith in the form of specific religious beliefs and practices helps to define an individual’s motivation and personality that go beyond the basic desires to gain rewards or to avoid self-punishment (Allport, 1961, p. 301). Prior to studies Torgler (2003b), Stack and Kposowa (2006) stressed its relevance, religiosity had not gained the needed recognition in tax compliance or non-compliance studies as one likely variable that might explain the mystery of tax non-compliance. McKerchar et al. (2013) therefore found that there is no

evidence to support the idea that religiosity affects fiscal morale, instead suggesting that personal morality may have a more robust effect on non-compliance. In Ghana for instance, where religiosity studies were mainly geared towards tax compliance, there is the need to investigate the influence of religiosity on tax non-compliance, especially when so much domestic revenue is lost through corruption perception being perpetrated by tax officials and payers alike. Given the relevance of the various constructs to this study in determining the influence of perceived corruption on tax non-compliance among the self-employed in Ghana, a discussion of these factors is enshrined in the conceptual framework below.



2.8 Conceptual Framework

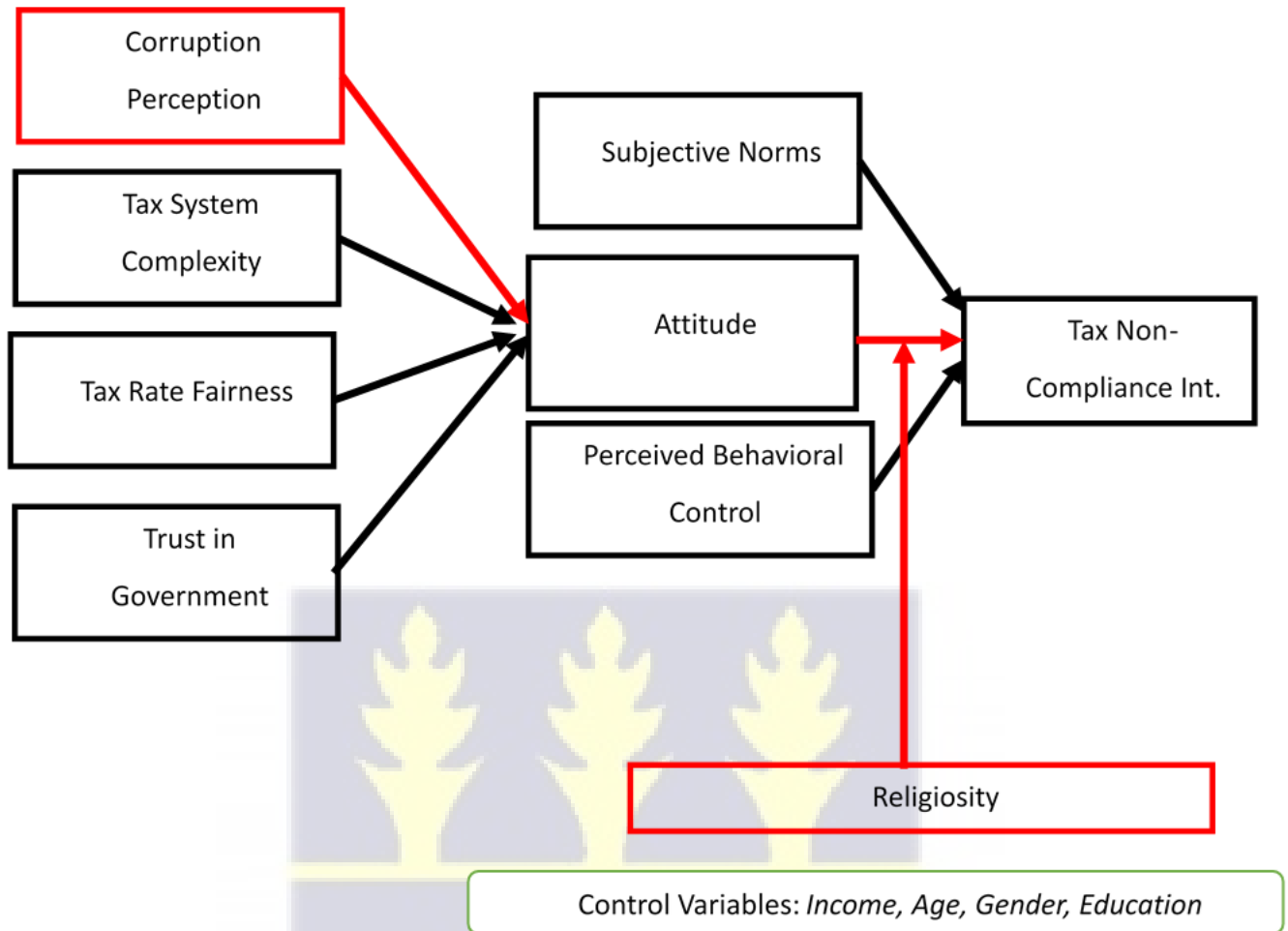


Figure 2.1: Conceptual Framework by Researcher



2.9 Development of Hypotheses

This part of the study accounts for the hypotheses developed and how they explain the conceptual framework based on the research questions. Testing the support offered by the measurement model based on the hypotheses formulated. The study therefore tests the main hypotheses as follows:

2.9.1 Corruption Perception and Tax Non-compliance

Corruption is perceived as the behaviour of government employees who use their rights to further their personal interests in violation of the rules. Persons who are convinced that corruption is a tool that enable them attain their interests irrespective of national interest are more likely to engage in it without guilt. Furthermore, corruption is a concept that refers to the abuse of power for personal gain (Alkhatib et al., 2019). Alm et al. (2016) indicate that there is a long-standing relationship between corruption and tax evasion and both are major threats to the global economy. It is important to note that corruption can be divided into economic and non-economic crimes; economic crimes appear primarily as corruption and bribery while non-economic crimes are current public servants exposed to unrealistic sexual matters (Alkhatib et al., 2019). There are signs of corrupt ethics and negligence of duty among public officials (John & Slemrod, 2008; Nor Ghani et al., 2012; Alm et al., 2016). Corrupt practices significantly reduce the effectiveness of government taxation, as any taxpayer can easily get tax exemption by bribing tax officials instead of paying all taxes (Aguilera & Vadera, 2008).

Tax non-compliance can be divided into three categories: selfishness non-compliance, ignorance non-compliance and emotional non-compliance. In either case, there is a relationship between corruption perception and tax non-compliance (Akinyomi & Okpala, 2013; World Bank report,

1996). “Taxpayers are of the opinion that the high level of corruption among the tax personnel and the inefficient tax system and administration, could encourage individuals as well as corporate level taxpayers to hide their income, thus falling into the trap of tax non-compliance behaviour” (Augustine & Enyi, 2020; Rosid et al., 2018; Akinyomi & Okpala, 2013). Similarly, Tijani and Mathias (2013) and Wadhwa and Pal (2012) found corruption perception to be a relevant predictor that drives persons toward tax non-compliance behaviour. These researchers have established that wilful non-compliance would be highly perpetrated when the person involve is more interested in the benefit, he or she derives. However, persons who perceive corruption as a crime will be discouraged from engaging in tax non-compliance. This study therefore posits that a person’s intention to be tax non-compliant is driven by the level of corruption perceived. This study hypothesised that;

H1: There is a positive relationship between corruption and tax non-compliance.

2.9.2 Tax System Complexity and Tax Non-compliance

Tax system complexity being the means of certainty by which relevant tax authorities seek to improve the fairness of the tax system and at the same time reduce its ambiguity through simplification of tax laws and procedures (Alkhatib et al., 2019; Saad, 2014), have increased tax violations out of a complex system (Cox & Eger, 2006). Alkhatib et al. (2019) further mention than an increase in a complex tax system could affect both financial and non-financial costs, thus recognizing and complying with taxpayers' merits. The relationship between tax system complexity and tax non-compliance from prior studies has been divergent or mixed. For instance, Gambo et al. (2014), found an adverse relationship between perceived tax complexity and tax non-

compliance while Kirchler et al. (2006) found a positive link between tax complexity and tax non-compliance. On the part of Forest and Sheffrin (2002), they failed to explore the effects of complexity on taxpayers' perceptions of fairness and tax non-compliance.

Consequently, if the tax system is considered complex, taxpayers may question its fairness and this will make them non-compliant (Fjeldstad et al., 2012). Similarly, the more complex the tax system, the more taxpayers will be aware of the inequality of the entire system and subsequently discouraged from being tax compliant. From literature, the complexity of the tax may offer some degree of denial of tax compliance behaviour, and perhaps the complex tax system fuels a perceived lack of equity in the system by taxpayers, which is a motivation for them to portray tax non-compliance behaviour (Augustine & Enyi, 2020; Rosid et al., 2018). On the contrary, a less difficult tax system will reduce non-compliance behaviour among taxpayers. Therefore, the decision of a person's engagement in tax non-compliance is driven by a complex tax system.

This study hypothesised;

H2: There is a positive relationship between tax system complexity and tax non-compliance.

2.9.3 Tax Rate Fairness and Tax Non-compliance

Although fairness in itself is difficult to define and measure, and perceived as a dormant variable, it is generally described as impartial, just treatment or behaviour without favouritism or discrimination. Besides, tax rate fairness is one of the drivers of tax non-compliance (Alshirah & Abdul-Jabbar, 2019; Thomas, 2012). Researchers previously postulate that when a good and unbiased tax rates are used, at the very least, cover a wide variety of dimensions at the appropriate

level, more persons will desire tax compliance while the position and conviction of tax administrators, and the taxpayers show that growing dissatisfaction of fairness in tax rates account for tax non-compliance (Samuel & Dieu, 2014; Chau & Leung, 2009; Ulbig, 2002). From this assertion, persons who are convinced that applicable tax rates used in determining their tax liabilities by tax authorities are fair or unbiased, they would be motivated to engage in tax non-compliance or otherwise. This study therefore hypothesised;

H3: There is a negative relationship between tax rate fairness and tax non-compliance.

2.9.4 Trust in Government and Tax Non-compliance

Trust in government is very relevant to the compliance or otherwise of taxpayers as it is an expression of the belief that a person or institution is safe and reliable; or there is honesty on the side of someone and he or she is harmless. Considering the fact that trust is a symbol of mutual relationship between the taxpayer and tax authority, failure by tax the authority to treat the taxpayers (individual, the group, or society) at large in a responsible and respectful manner will lead to tax non-compliance (Kirchler, 2007). This means that trust is a relevant predictor of tax non-compliance (Torgler, 2004). Thus, from prior studies, if citizens are of the view that the tax authorities are not transparent to them, taxpayers will skilfully evade and increase tax non-compliance (Sitardja & Dwimulyani, 2016; Bad & Pavlou, 2012; Walsh, 2012; Siahaan, 2012).

On the basis of trust being a social contract that require taxpayers to fulfil their obligations to pay the taxes due (Ya'u & Saad, 2018; Olson, 2013), tax rules in favour of taxpayers will reduce tax non-compliance behaviour or otherwise. Therefore, in the absence of trust and implementation of

good governance (Lucio & Scartascini, 2013) and the proper use of public funds by the government (Sitardja & Dwimulyani, 2016), there will be apathy among taxpayers resulting in huge non-compliance. This study hypothesised;

H4: There is a negative relationship between trust in government and tax non-compliance.

2.9.5 Moderating Role of Religiosity on the Relationship between the Factors and Tax Non-compliance

Religion has been defined by the Oxford Dictionary (2012) is a system of faith and worship or human recognition of a superhuman controlling power, and religiosity is the quality of being religious. According to Johnson, Jang, Larson and De Li (2001, p 25), religious commitment or religiosity is defined as “the extent to which an individual is committed to the religion he or she professes and its teachings, such that individual attitudes and behaviour reflect this commitment”. Describing the term “religion” is very difficult (Pargament, Magyar-Russell and Murray-Swank, 2005, p. 667). This is because “the roots of religion are so numerous, the weight of their influence in individual human lives so varied, and the forms of rational interpretation so endless, that uniformity of product is impossible” (Allport, 1950, Pp. 26). Notwithstanding, it is interesting to note that faith in the form of specific religious beliefs and practices helps to define an individual’s motivation and personality that go beyond the basic desires to gain rewards or to avoid self-punishment (Allport, 1961, p. 301).



Prior to studies by Torgler (2003b), Stack and Kposowa (2006) stressed its relevance, religiosity had not gained the needed recognition in tax compliance or non-compliance studies as one likely variable that might explain the mystery of tax non-compliance. It may be regarded as a belief in God (or gods) or it connotes other spiritual beliefs in determining the degree to which people fully meet their tax obligations within any developed or emerging economy. Margolis (1997) argued that religious faith can apparently provide moral obstacles to differentiate between good and bad behaviour in any religion.

The importance of this concept cannot be over emphasized since a chunk of the tax literature investigates the role of moral values upheld by individuals towards tax non-compliance. In the tax compliance or non-compliance discourse, religious people would surely be expected to have high moral values, atheist may also have similarly high values. Individual's internal elements including moral beliefs and/or religious beliefs are basis for their compliance or non-compliance and hence, in the decision-making process, many taxpayers use their inner values (Stalans, Smith & Kinsey, 1989). Thus, in the context of tax compliance or non-compliance research, the role of religiosity is different from that of moral values, despite some likely commonality to exist within any tax paying population.

Aside from the overriding psychological and socio-political approach to tax non-compliance, non-economic factors, including religiosity play a vital role in determining taxpayer non-compliance behaviour. However, this form of moral belief emerges from a religious stimulus (Pope & Mohdali, 2010). Tittle and Welch (1983) were the first to study taxing religiosity. Their findings show that

the characteristics of the religious community influence certain abominable practices, including tax evasion. Subsequently, Peter et al. (1994) in their study concluded that religious communities were more prone to deception of religion. Despite this research, religious studies were very limited and unpopular until after 2000 (Riahi-Belkaoui, 2004). The development of transcendental theories suggests that social and religious principles must be incorporated to develop a holistic view of tax compliance. From there, religious research has advanced internationally and beyond Christianity or Islam.

From extant literature, researchers such as Mohdali and Pope (2014) from an intra-individual and inter-individual analysis position investigated the impact of international and interpersonal religious commitments on voluntary tax compliance and found tax cut opportunities for self-employed taxpayers. Similarly, Benk et al. (2015) strengthened the positive relationship between tax non-compliance and religion as a result of interrelated religious commitments despite prior research trends showing inconsistent measures of religiousness, as many researchers choose different (and isolated) varieties to suit the nature of their research (Hill & Hood, 1999). Similarly, other researchers found a positive relationship between religiosity and tax non-compliance; however, some disagree. Welch et al. (2005) found that attitudes surrounding tax evasion in the neighbourhood have a similar effect on people regardless of their level of religiosity, as tax evasion may be viewed as moral or immoral in religion and hence, people are expected to be non-compliant if they take a moral stand. McKerchar et al. (2013) therefore found that there is no evidence to support the idea that religiosity affects fiscal morale, instead suggesting that personal morality may have a more robust effect on non-compliance.

In Ghana for instance, religiosity studies were mainly geared towards tax compliance while the few studies on tax non-compliance have been inconclusive. The need to investigate the influence of corruption perception on tax non-compliance would be strengthened as the study seeks to moderate the five constructs (corruption perception, tax system complexity, tax rate fairness, trust in government and income) through religiosity, especially when much domestic revenue is lost through perceived corruption being perpetrated by tax officials and payers alike. However, the level of uncertainty or less attention in prior literature on the self-employed tax non-compliance calls for further investigation. In complementing the tax non-compliance discourse, Baron and Kenny (1986) adduced that the moderating variables' integration to stimulate the relationship in a study model is very key in the domain of inconclusive study outcomes. Furtherance to this, the research examines the moderating effect of religiosity on the relationship between corruption perception, tax system complexity, tax rate fairness, and trust in government on tax non-compliance.

Inasmuch as some prior studies have established that religiosity influences tax non-compliance (Benk et al., 2016; Mohdali & Pope, 2014), others found otherwise (Strielkowski & Čábelková, 2015). Stack and Kposowa (2006) found that people with religious affiliation are not prone to tax non-compliance. Similarly, Richardson (2008) confirmed a negative relationship between religiosity and tax non-compliance. Based on these findings we hypothesize that:

H6: There is a negative relationship between religiosity and tax non-compliance.

H7: Religiosity moderates the effect of corruption perception on tax non-compliance.

H8: Religiosity moderates the effect of tax system complexity on tax non-compliance.

H9: Religiosity moderates the effect of tax rate fairness on tax non-compliance.

H10: Religiosity moderates the effect of trust in government on tax non-compliance.

H11: Religiosity moderates the effect of income on tax non-compliance.



CHAPTER THREE

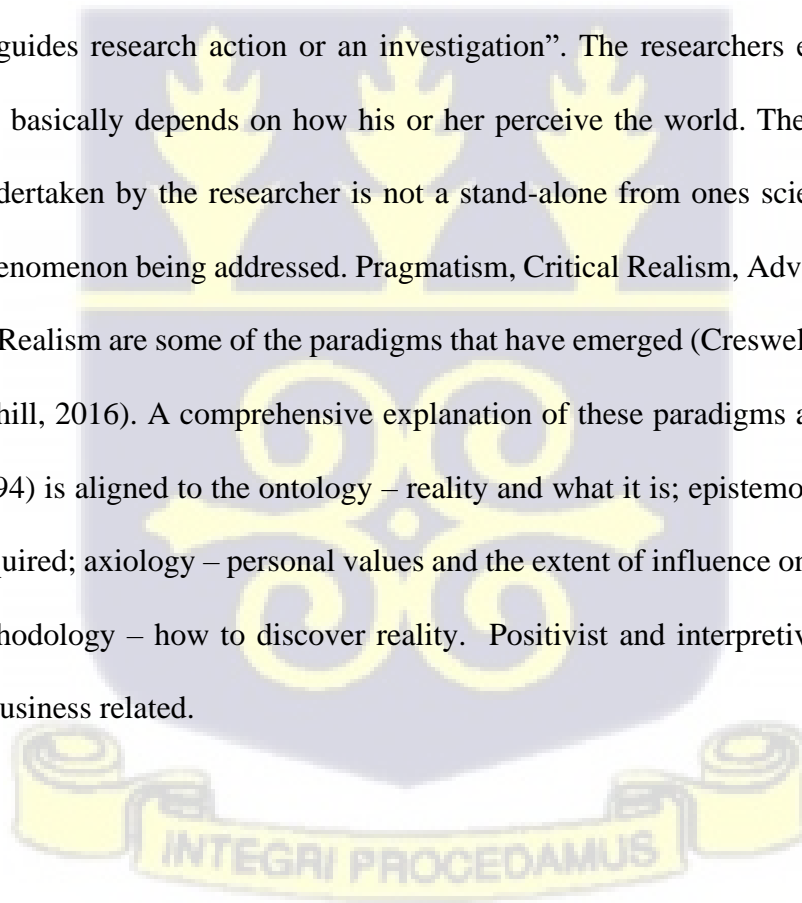
METHODOLOGY

1.0 Introduction

The various modalities, processes, techniques and designs to achieve the core objective of this research are discussed in this chapter. Primarily, issues on the philosophical stance and paradigm, sample and sampling out of the research population are all not excluded. Again, measurement of constructs and data analysis technique is also captured.

3.1 Research Paradigm

Guba and Lincoln (1994, p. 107) define a research paradigm to mean “a basic set of beliefs or worldview that guides research action or an investigation”. The researcher's explanation of the research process basically depends on how he or she perceives the world. The entire process of investigation undertaken by the researcher is not a stand-alone from one's scientific community alongside the phenomenon being addressed. Pragmatism, Critical Realism, Advocacy, Positivism, and Interpretive Realism are some of the paradigms that have emerged (Creswell, 2013; Saunders, Lewis, & Thornhill, 2016). A comprehensive explanation of these paradigms according to Guba and Lincoln (1994) is aligned to the ontology – reality and what it is; epistemology – knowledge and how it is acquired; axiology – personal values and the extent of influence on the environment; and finally, methodology – how to discover reality. Positivist and interpretivist paradigms are largely used in business-related.



While the positivist ascribe to an objective ontology such that knowledge generated is free of individual explanation from a quantitative design perspective, the interpretivists ascribe to a subjective ontology because the acquisition of knowledge is dynamic and researchers are logically inductive by their approach. This research ascribe to the positivist stance, and hence, quantitative research allowing for generalisation of the study findings based on hypotheses formulated on corruption perception and tax non-compliance in the Ghanaian informal sector.

3.2 Research Design

An outline of the entire approach that is used for the integration of all the mechanisms to achieve the main goal of research constitute the design of the research (Broadhurst, Holt & Doherty, 2012). Adopting an appropriate plan to conduct a research is informed by the researcher's methodological stance which is either defined as qualitative, quantitative or mixed. While qualitative research is more exploratory and assist in ideas development, its data collection procedures are wide-ranging. Again, qualitative research usually draws on small sample sizes. The use of qualitative and quantitative research approaches concurrently in a single study unit account for a mixed research approach. Unlike the quantitative and qualitative approaches, this approach of mixed research is often regarded as superior in terms of the outcome.

In examining the relationship between constructs and also test theories, researchers often adopt a quantitative research approach (Creswell, 2009). The confirmation of hypotheses about an occurrence is key in quantitative approach. The analysis of responses in quantitative research is done using more rigid instruments, and quantify constructs for the prediction of causal relationship (Creswell, 2013). Drawing on the study objectives and philosophical assumptions discussed, this

research is conducted from a quantitative point of view, and hence, deductive by way of its reasoning. Using the survey method for this research, information about respondents highlights the study constructs and the relationship that exist between these constructs.

3.3 Unit of Analysis

In scientific research, a unit of investigation is the key unit that is examined subsequent to the data collected. Determining the unit of analysis in every research cannot be over emphasised. Researchers may make generalisations based on the subject of the study. In research, the three units often discussed include firm, country, and individual levels. This research focuses on the perception of corruption tax non-compliance among individual taxpayers in the informal sector as the unit of analysis.

3.4 Population and Sample Size

The relevant larger group of elements or objects from which a research sample is chosen is described as the research populace (Babbie, 2005; Hair, 2011). Based on the fact that the population is embedded with prearranged information that the research is designed to collect, a definition of the target populations is not detached from the research topic of interest, accessibility and availability of the populace depending on the applicable unit of analysis, and the duration. This research draws on the sole owners in the Ghanaian informal sector, both registered and unregistered self-employed individuals. Usually, the businesses that are categorised as sole proprietorships include micro enterprises (hire 1-5 people) and small enterprises (hire 6-30 people)

(GSS, 2018). In selecting the study sample for this study, a total population of 626,382 micro (509,053) and small (117,329) businesses across Ghana (IBES II, 2014) is the underpinning basis. Consequently, the study sample constitute 500 self-employed individuals in the informal sector of Ghana.

3.5 Sampling Technique

The procedure for randomly selecting a number of people for a study and the collection of data about its attributes was explained. According to Panneerselvam (2009), sampling improves the accuracy of research and ensures an economical behaviour. The method of sampling used in the research determines if the results are generalizable for the whole population or not. The probability and non-probability methods of sampling are two widespread sampling methods. With probability sampling, individuals within the populace have the same chance of participation.

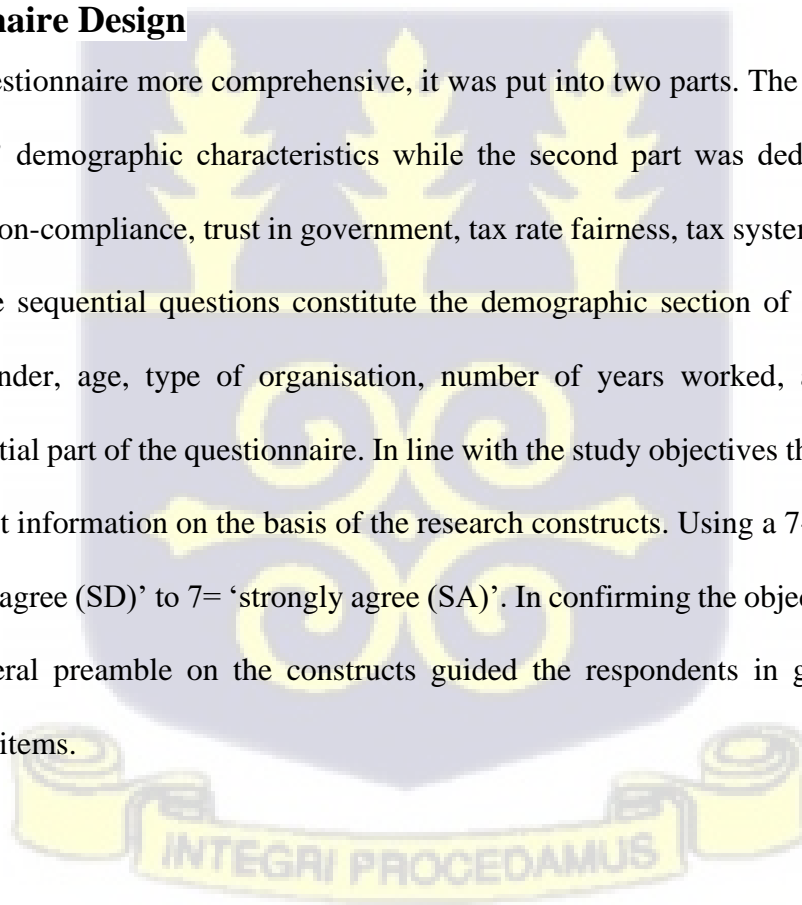
In satisfying the study objectives, simple random sampling technique was adopted. By way of self-administering the questionnaire to various categories of self-employed individuals across all sectors. This approach is found appropriate because all individuals have equal chance of being selected for the study without bias. Also, considering the large sample size and the homogenous characteristics of self-employed individuals in the informal sector, this method is more reliable for the sample selection. The study surveyed people from all around the country to avoid creating a gap by focusing just on people from economically developed areas (IBES II, 2014), due the fact that most self-employed individuals are found in the urban areas.

3.6 Data and Sources of Data

The use of primary data was justified by the study's purposes. The conduct of research by engaging target respondents by means of observation, questionnaires, and discussions without relying on pre-gathered data for outcome is termed primary data. Thus, the originality of the data collected out of relevant procedures is very key in addressing the research problem. For the purpose of this research, survey questionnaire was the most appropriate data collection tool used in eliciting respondents' information. Questionnaires can be useful in research if they are well-designed and properly piloted. To the advantage of this research, employing a survey questionnaire gave the researcher a real-time wider coverage of target respondents.

3.7 Questionnaire Design

To make the questionnaire more comprehensive, it was put into two parts. The first part captured the respondents' demographic characteristics while the second part was dedicated toward the constructs (tax non-compliance, trust in government, tax rate fairness, tax system complexity, and religiosity). Five sequential questions constitute the demographic section of the questionnaire. Respondents gender, age, type of organisation, number of years worked, and income level constitute the initial part of the questionnaire. In line with the study objectives the second part was designed to illicit information on the basis of the research constructs. Using a 7-point Likert scale (1= 'strongly disagree (SD)' to 7= 'strongly agree (SA)'. In confirming the objective nature of this research, a general preamble on the constructs guided the respondents in giving appropriate responses to the items.



3.8 Measurement of Constructs

Constructs of this research were measured by adapting and changing various previous measures to match the study's goals. A number of variables were used to assess the constructs; five indicators assessed tax rate fairness and tax system complexity, respectively, using the Spiegel and Kloss (2017) and Saad (2014) scales. By adapting Owusu et al. (2019) scale, six indicators examined trust in government, ten indicators indicated religiosity, and nine indicators measured tax non-compliance. Finally, the study adapted Rosid et al.'s (2019) scale to measure corruption perception using fourteen factors. As a result, the averages extracted from the analysis are used to determine how to measure the various variables for each respondent. The behavioural nature of this research in predicting the influence of perceived corruption on non-compliance based on existing literature confirms the appropriateness of these scales.

3.9 Ethical Consideration

The collection of data from persons or individuals requires the approval of the Ethics Committee for the Humanities (ECH) in accordance with the University of Ghana rules of engagement in conducting research. Adherence to ethical concerns cannot be taken for granted in order to avoid putting partakers in situations that would jeopardize their participation; for the good standing of the research; and not to put the credibility of the researcher's institutions at stake. The ECH was approached for ethical approval and this was granted for a one year period in fulfilment of the above requirement (Reference Number: ECH 158/20-21).



3.10 Pilot Study

A preliminary study was carried out to evaluate the validity of instruments. Pre-trial of questionnaires is relevant to the research such that the content, format, and sequence of the questions improve afterwards (Panneerselvam, 2009). Given the foregoing and exclusion from the main sample size of study respondents, thirty (30) individuals were engaged for the pre-trial. The goal of this exercise was to determine the respondents' level of comprehension of the questions. The research again checked to see if the meaning of the questions was correctly conveyed, if the questions were relevant, and if the respondents were interested.

3.11 Structural Equation Modelling (SEM)

Structural equation modelling is a multivariate analytical approach used to simultaneously test and estimate complex causal relationships among variables, even when the relationships are hypothetical, or not directly observable (Williams, Vandenberg, & Edwards, 2009). SEM is used to assess “whether a hypothesized model is consistent with the data collected to reflect the theory” (Lei & Wu, 2007, p. 34). Concurrently combining factor analysis and linear regression models, SEM allows the researcher to statistically examine the relationships between theory-based latent variables and their indicator variables by measuring directly observable indicator variables (Hair, Hult, Ringle, & Sarstedt, 2014).

SEM is able to simultaneously examine multi-level dependence relationships, “where a dependent variable becomes an independent variable in subsequent relationships within the same analysis” (Shook, Ketchen, Hult, & Kacmar, 2004, p. 397) as well as relationships between multiple

dependent variables (Jöreskog, Sörbom, du Toit, & du Toit, 1999). By explicitly assessing error in the structural model, SEM “provides a powerful means of simultaneously assessing the quality of measurement and examining causal relationships among constructs” (Wang & Wang, 2012, p. 1). So while multiple regression analysis assumes there is no error in the data, SEM approach is designed to consider interactive effects and complex models to find an optimal model that reduces cross-loadings and identifies the higher loadings for relevant measures. When analysing direct, indirect, and total effects: SEM facilitates the assessment of direct, indirect and total effects. Direct effects include relationships between independent and dependent variables, e.g., family ownership has a direct positive effect on firm performance.

Indirect effects involve relationships between independent and dependent constructs that are either mediated or moderated by variable, other than itself e.g., the impact of family ownership on firm performance is moderated by the owning family’s involvement in management. Total effects relate to the impact as a result of the sum of more than one direct or inverse relationship. Quite apart from minimising the total error related to the measurement model, SEM enables researchers to simultaneously assess the relationships between multi-item constructs. It is on this basis Hair et al. (2017) noted that the accurate manipulation or application of SEM is more beneficial than principal component analysis, multiple regression, factor and cluster analysis and all other first generation techniques for data analysis. There are two main methods to structural modelling: “covariance based SEM and variance-based SEM” (Hair, Ringle, & Sarstedt, 2011a, p. 139). The best of these methods to use depend principally on their basic assumptions and outcomes, and the estimation procedures (Hair et al., 2014; Shook et al., 2004).

3.11.1 Co-variance Based Structural Equation Model (CB-SEM)

In CB-SEM, minimisation of the differences that exist between the theoretical and the matrices of estimated covariance account for a reduction of the estimated set of model parameters (Hair et al., 2010). The maximum likelihood (ML) is the main estimation procedure employed by CB-SEM. It is purposeful at “reproducing the covariance matrix (i.e., minimizing the difference between the observed and estimated covariance matrix), without focusing on explained variance” (Hair et al., 2011a, p. 139). In other words, with CB-SEM, the R^2 is a by-product of the overall statistical objective of achieving good model fit (Hair et al., 2014). Benz et al., (2014) opined that in applying CB-SEM approach for data analysis, it is appropriate to first state the theoretical model. Only when a model is correctly specified can all parameters be estimated (Lei & Wu, 2007). Thus, if the model lacks a sound theoretical foundation, and if the direction of the relationship between variables cannot be determined, CB-SEM should not be the method of choice. The testing or confirmation of models backed by theories is well done using CB-SEM.

3.11.2 Partial Least Square Structural Equation Model (PLS-SEM)

The PLS-SEM particularly is more suitable for early-stage theory development and testing (Hair et al., 2014; Ringle et al., 2013), permits examination of constructs and relationships in complex structural models. PLS-SEM uses a regression-based ordinary least squares (OLS) estimation method with the goal of explaining the latent constructs' variance by “minimizing the error terms (and maximizing) the R^2 values of the (target) endogenous constructs” (Hair et al., 2014, p. 14). The appropriateness of PLS-SEM manifest well in theory development to find relationships, their directions and strengths, as well as observable measures. In PLS-SEM application, the path models

are defined by a pair of linear equations namely; the measurement model and the structural model. According to Hubona and Ash (2016), while the relationship between the constructs based on the appropriate items is examined by the measurement model, the path relation among the constructs is specified by the structural model after optimising parameters of the measurement model. PLS-SEM does not require normally distributed data (Hair et al., 2014), works efficiently with small sample sizes and complex models and makes practically no assumptions about the underlying data distributions.

In sum, PLS-SEM approaches offer a range of unique benefits, as compared with first generation statistical procedures. The robustness of PLS-SEM in analysing both small and large sample sizes of data which are not normally distributed cannot be overemphasized compare to CB-SEM (Afthanorhan, 2013); and its ability to work with complex models (Hair et al., 2014). In recent years, the number of published articles using PLS-SEM has seen a significant increase relative to CB-SEM (Hair et al., 2017b). Based on the guidelines suggested by Hair et al. (2011) in choosing the required statistical method.

3.11.3 Guidelines for the Selection of CB-SEM and PLS-SEM

Extant literature has documented relevant guidelines in helping researchers with the choice of SEM (CB-SEM and PLS-SEM) approach that will help achieve the require objectives of the research (Hair et al., 2012). The specified type of measurement model (formative or reflective); characteristics of the data, and evaluation of the structural model are among the underlying assumptions that determine the appropriate SEM type to use.

3.11.3.1 Objective of the Research

The understanding and appropriate application of CB-SEM and PLS-SEM is relevant to the researcher. Against this backdrop, Gefen et al. (2000) advance the recommendation by prior researchers that the need to have insight on precise questions of the research as well as the development of each approach cannot be overlooked. If the theory being investigated is well established, and the measurement is effectively executed, then CB-SEM often works well. But CB-SEM assumes normality of data distributions, which is seldom met in social sciences research. In contrast, PLS-SEM is non-parametric and not only works well with non-normal distributions, but also has very few restrictions on the use of ordinal and binary scales, when coded properly.

3.11.3.2 Reflective and Formative Constructs (Measurement Model Specification)

The measurement model specification also influences whether PLS-SEM or CB-SEM is applicable. Existing research suggest the measurement model specification can be either reflective or formative subject to the indicators and constructs directional relationship (Binz et al., 2014; Henseler & Chin, 2010). In general, the construct exists independently of the indicators in a reflective model. For a reflective model, the direction of arrows points from the constructs to the indicators (Hair et al., 2014). Formatively, arrows points from three indicators to the construct (Coltmana, Devinneyb, Midgleyc, & Venaikd, 2008). While CB-SEM is justified for on reflective constructs, PLS-SEM is much applicable for both reflective and formative constructs (Henseler & Chin, 2010; Hair et al., 2012).

3.11.3.3 Data Characteristics and Algorithm

In order to conduct further analysis, the CB-SEM software requires some underlying assumptions to be met. As a result, independence of the observation, normality test, and uniformity of variable metric all fall under these assumptions (Sosik et al., 2009). The use of CB-SEM necessitates normality of the data and a large sample size. When one of the assumptions in the CB-SEM is violated, the result will be exceedingly imprecise, according to Hair et al., (2011). Following the central data theorem, Beebe, Pell, Seasholtz (1998) suggest data normality is not required when using PLS-SEM because of its applicable calibration procedures that convert any non-normal data. PLS-SEM is a more robust method for analysing data with non-normal distributions. Thus, when it comes to data distribution, CB-SEM shoulders a normal distribution with PLS-SEM making no distributional assumptions but adopts both normal and non-normal distributions.

3.11.3.4 Quality of Structural Model

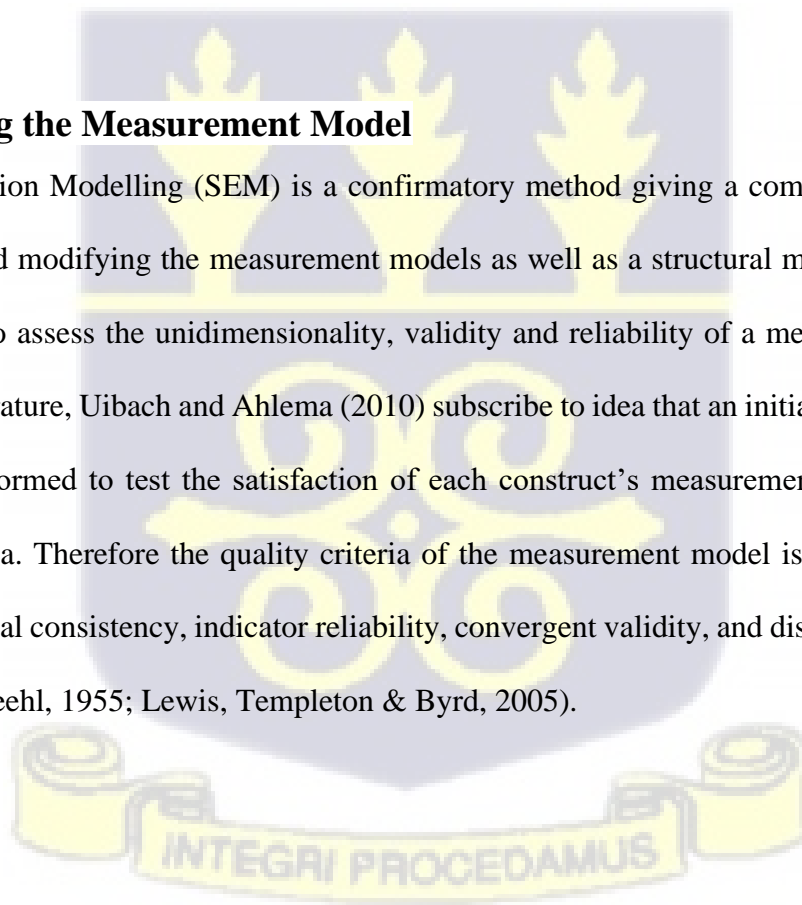
A decision on which of the SEM approaches to use goes hand in hand with quality analysis of the structural model. Despite the fact that both approaches allow for simultaneous structural relationship evaluation, the assessment of the structural model quality differs for both approaches. For example, the fitness of the CB-SEM is based on accurate approximation of the observed covariance matrix and minimizes the differences between the theoretical and probable covariance matrices (Hair et al., 2011). Therefore, how a projected sample fits the population is demonstrated by the CB-SEM.



Conversely, PLS-SEM fit, depends on explanation of differences in endogenous constructs (Hair et al., 2014). According to Hair et al. (2011), this method is appropriate for predictive and theory building researches since it is able to estimate parameters that best define and explain the difference of the dependent construct. Similarly, it demonstrates the extent to which a proposed model fits into the sample drawn from a specific study population. The use of PLS-SEM approach in this study is to test the study constructs structural relationships. The goal of this research is appropriately accomplished through PLS-SEM in predicting the impact of the constructs of interest on each other, and also take care of data distribution issues and eliminate normality assumptions. These prior advantages of PLS-SEM makes it applicable to this study not disputing the fact that CB-SEM can also be used for reflective models.

3.12 Assessing the Measurement Model

Structural Equation Modelling (SEM) is a confirmatory method giving a comprehensive means for assessing and modifying the measurement models as well as a structural model. The method has the ability to assess the unidimensionality, validity and reliability of a measurement model. From extant literature, Uibach and Ahlema (2010) subscribe to idea that an initial structural model analysis be performed to test the satisfaction of each construct's measurement features for the suggested criteria. Therefore the quality criteria of the measurement model is accounted for by testing the internal consistency, indicator reliability, convergent validity, and discriminant validity (Cronbach & Meehl, 1955; Lewis, Templeton & Byrd, 2005).



3.12.1 Internal Consistency Reliability

The Cronbach alpha (CA) often measures the internal consistency of constructs, which draws on indicator inter-correlations for the measurement of construct reliability (Hair, Hult, Ringle, & Sarstedt, 2017). Largely, its definition relies on indicator reliability and certain formulas of reliability (Cronbach & Meehl, 1955). In terms of PLS-SEM, the Fornell and Larcker criterion of composite reliability (CR) is a preferred measure (Chin, 1998). Although the CA and CR measure the same thing, the different indicator loadings are accounted for by the CR while the CA underestimates internal consistency on the basis that all indicators are equally weighted. Composite reliability recognizes that different meanings are associated with indicators with different factor loadings and its computation is based on using the loadings obtained from the model (Hair et al., 2012). As a result, the CR is a more reliable measure of reliability compared to the CA. The indicator loadings are used to assess the indicator's reliability. In determining whether an indicator should be included as a measure of the construct, Hair, Babin, Anderson, and Rolph (2010) recommend indicator loadings of 0.70 and above. However, indicator loadings of 0.4 and higher is considered appropriate if all other diagnostic tests such as validity and reliability are passed.

3.12.2 Convergent Validity

Hair et al. (2017) refers to convergent validity as the proportion of variance shared by a set of indicators; or the extent of positive correlation that exist between same constructs due to alternative measures (Hair et al., 2017). Also, the level to which the various indicators of a construct correlate with each other is termed convergent validity (Lewis et al., 2005). Despite the fact that convergent

validity is exist in correlations among construct indicators, the Average Variance Extracted (AVE) measures sufficient convergent validity. Hair et al. (2011) recommends an AVE score of 0.5 or higher for constructs to meet the convergence validity. Urbach and Ahleman (2010) conclude that a higher AVE indicates that the construct can averagely describe more than half of the difference in its indicators, which suffice the evidence of convergent validity.

3.12.3 Discriminant Validity

Hair et al. (2013) explain the relevant role of discriminant validity in the evaluation of models.. Discriminant validity gives the assurance that the measure of a construct is distinctive and represents interested occurrence that other not captured by other SEM measures, according to empirical evidence. It specifies that a test should not have a high correlation with measures from which it is predicted to deviate. If discriminant validity is not proven, constructs have an impact on more than simply the manifest variables to which they are supposedly related. Researchers, on the other hand, cannot be positive if the outcomes underlying theorized structural routes are actual or whether they are attributable to statistical differences.

Much preference is given to the Fornell and Larcker (1981) criterion in determining discriminant validity. This approach relates the AVE value of each construct to the squared inter-construct correlation line with the various constructs in the structural model. According to Hair et al (2017), the reasoning behind the Fornell and Larcker approach is to assess a construct's level of shared variance with its allied indicators compare to any other construct. As rule of thumb, a construct's shared variance with any other construct should not have an AVE greater than its own. A less thorough method of determining discriminant validity is an examination of the cross loadings is.

Hair et al. (2012) postulates that the most preferable rule for this technique is that a variable's indicator loadings on its own construct should outweigh the structural models remaining constructs. As a result, discriminant validity problem exists in the presence of cross loadings that appear to be bigger than the out loadings of the indicators or otherwise (Hair et al., 2011).

3.13 Assessing the Structural Model

It is necessary to assess the structural model following a thorough examination of the model's measurement. The research then continued to analyse the structural model after establishing the applicability of the constructs using the tests of reliability and validity in the assessment of the model measurement. According to Urbach and Ahlemann (2010), to adduce evidence that the hypotheses established by the structural model support the data collected, the structural model is assessment is very paramount. The structural model evaluation include a test for multicollinearity, the coefficient of determination (R^2), and the model predictive significance.

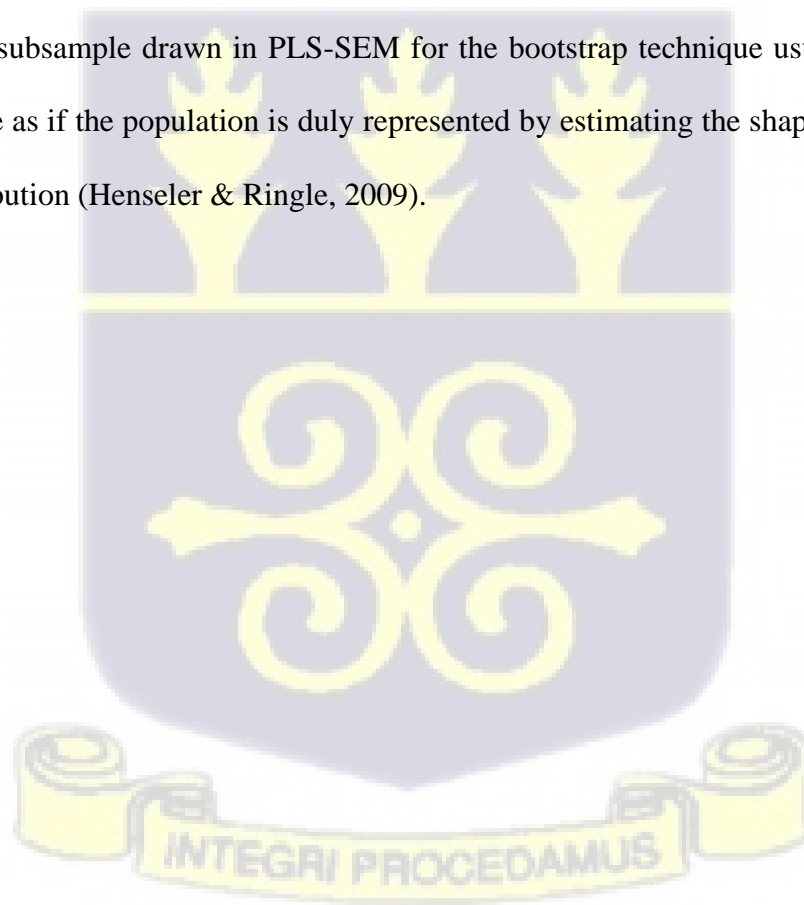
The Variance Inflation Factor (VIF) is highly suggested for detecting multicollinearity before evaluating the study's hypotheses (Henseler & Ringle, 2009). The VIF evaluates the study's concept of collinearity and gives an intuitive indicator of the effects of multicollinearity on the difference of a regression coefficient. As rule of thumb, VIF values should be less 10 to be able to infer data the data is free from multicollinearity challenges (O'Brien, 2007).

The coefficient of determination (R^2) of the dependent variable is another significant structural model assessment metric (Henseler & Ringle, 2009). The R^2 shows the extent to which the variance in the dependent variable is explained by independent variables. The PLS path model can

be classified as significant, moderate, or weak depending on the level of variance the independent variable explain in the dependent variable (Chin, 1998a), and hence, a low R^2 depict the conceptual model inability to describe the independent construct.

The predictive relevance of the model is tested using Hair et al. (2014) blindfolding rules. After calculating the model's parameter, the blindfolding technique omits some data which is subsequently estimated using the data parameters previously obtained (Henseler & Ringle, 2009). To be predictively significant, the model's cross-validated redundancy (Q^2) should be more than zero, according to the recommended criteria (Sarstedt et al., 2014).

In conclusion, the bootstrapping approach which is a resample procedure is used in testing the study hypotheses in determining the coefficient and significance of the paths in the structural model. A large subsample drawn in PLS-SEM for the bootstrap technique usually cater for the observed sample as if the population is duly represented by estimating the shape, spread and bias of sample distribution (Henseler & Ringle, 2009).



CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

This chapter discusses the outcomes of the data collected and analysis. First, descriptive statistics on the data's characteristics are presented and discussed alongside the hypotheses for each model.

4.1 Respondents Profile

The respondents' descriptive data is shown in Table 4.1. Males make up the majority of the study sample, which is more than double the number of females. That is, males account for 67.6% of the population, while females account for 32.4 per cent. The service sector is the most prevalent activity among respondents in terms of their industrial type (kind of organization). As a result, the service sector makes up 63.4 per cent of the total sample.

The majority of the respondents are under the age of 41, accounting for 86 per cent of the total. This indicates that the majority of the respondents in the study sample are relatively young. In terms of income, the bulk of respondents (80.50 per cent) earn less than GH¢4,000 per year. This outcome suggests the likelihood of respondents largely underreporting their income so they could easily evade.



Table 4.1: Demographic Characteristics of Respondents

Variable	Grouping	Frequency	Per cent
Gender	Male	404	67.6
	Female	194	32.4
Age	25 and Below	101	16.9
	26-30	144	24.1
	31-35	150	25.1
	36-40	119	19.9
	41 and Above	84	14.0
Type of Organization	Service	379	63.4
	Commerce	112	18.7
	Agriculture	90	15.1
	Others	17	2.8
Worked with current organization for (years)	Less than 3	215	36.0
	3-4	116	19.4
	5-6	78	13.0
	more than 6	189	31.6
Income (GHC)	2,000 and Below	297	49.7
	2,001-3000	184	30.8
	3,001-4000	67	11.2
	4,000-5,000	28	4.7
	Above 5,000	22	3.7

4.2 Descriptive of Constructs

The mean scores and standard deviations of respondents' opinions on the particular indicators used to measure the study's primary constructs are presented in this section. The mean score of each indicator or item under the construct indicates how much respondents agree or disagree with each assertion. Table 4.2 shows the overall mean of 5.12 for the dependent variable (tax non-compliance) per the analysis. This score is an indication that the majority of respondents agreed

with the statements describing tax non-compliance as, unpleasant, and unappealing since most of the indicators had a mean score between 5.21 and 5.73 above the overall mean. As a result of this finding, self-employed persons in the sample have a negative attitude towards tax non-compliance.

In terms of the independent variables, the construct ‘trust in government’ shows an overall mean of 3.80. The score for this construct is slightly above the average mean of 3.50 on the Likert scale, indicating that the respondents are quite in support of the claim that when there is less transparency in the tax system, taxpayers’ will be non-compliant. Most respondents were emphatic that the services provided by government are not compatible with the amount of taxes paid and hence, a mean score of 5.36 representing the extent of their agreement to the item and how they desire to be non-compliant in the absence of trust.

Tax rate fairness has an overall mean score of 4.47, such that the indicator; the tax laws ensure that everyone pays a fair and correct amount of taxes is scored as high as 4.89 above the total mean of the construct. This outcome suggests that an above average number of respondents have a strong belief that in a jurisdiction of fair tax assessment, taxpayers will be non-compliant and vice versa. In terms of the complexity of the tax system, the results showed a mean score between 4.71 and 5.01 for all five indicators concluding into an average mean score of 4.90, suggesting that it is highly difficult to challenge the tax system as well preparing and filing tax returns and, hence, translating into taxpayers’ intention to be more non-compliant. Corruption perception had an overall mean score of 4.56, which is an indication that the respondents are in strong support of the statements measuring corruption perception in this study. Therefore, if the respondents have a

preconceived mind of tax system and tax authorities being less transparent, the taxpayers are more likely to indulge in non-compliance.

The concept religiosity, which is employed as a moderating variable in the study, has an overall mean of 5.01 in Table 4.2, indicating that the majority of respondents are discouraged from being non-compliant due to their strong religious beliefs. As a result, people feel that leaving according to their religious beliefs prevent them from engaging in illegality such tax evasion, which is highly criminal first and foremost as a citizen. Moreover, most people remain unhappy about high-level public officials involvement in corrupt acts (highest mean = 6.44).

Table 4.2: Descriptive Statistics of Constructs

Code	Variables and Indicators	Mean	Std. Dev.
	Tax Non-compliance		
TC1	It is my duty as a citizen to pay taxes as required by the law	5.73	2.068
TC2	I pay taxes as required by the law to support the country	5.55	2.043
TC3	Citizenship carries with it a duty to pay tax	5.46	2.020
TC4	I pay my taxes as required by the law because of a sense of responsibility	5.34	2.083
TC5	It becomes difficult to govern the country when people don't pay their tax	5.21	2.203
TC6	I pay my taxes as required because I know that I will be audited 0.72 I prepare my tax return correctly because I fear my reputation would be ruined if I were to get caught for not following the tax laws	4.41	2.231
TC7	Not paying taxes is one of the worst crimes a person can commit because it harms the whole community	4.63	2.177
TC8	The harm to the community through people not paying tax is regretful	4.78	2.040
TC9	If everyone paid the correct amount of tax, we would enjoy better public facilities	4.97	2.274
	Overall	5.12	
	Trust in Government		
TG1	The services provided by the government are not comparable with the amount of taxes paid	5.36	2.125
TG2	Despite being able to vote, I have no say over the government's decisions to spend public funds	4.91	2.441
TG3	The government is transparent in spending taxpayers' money	2.96	2.211

TG4	I believe that the Ghanaian government is spending public funds prudently	3.20	2.217
TG5	Public funds are allocated equitably for the Ghanaian citizens' well-being	2.97	2.176
TG6	I have trust that Government will use the tax well in the future	3.41	2.241
	Overall	3.80	
	Tax Rate Fairness		
TF1	The tax laws ensure that everyone pays a fair and correct amount of taxes	4.89	2.190
TF2	The amount of tax expected to be paid by all Ghanaians is fair because it is based on taxable income (after allowable deductions)	4.56	2.145
TF3	Tax rates in Ghana is fair towards every tax payer	3.77	2.173
TF4	Tax rates are assigned depending on an individual's' income with no biases	4.36	2.144
TF5	Several tax items are levied at the same time	4.77	2.449
	Overall	4.47	
	Tax System Complexity		
TS1	Formal process of how a tax proposal and amendments becomes law is complicated	5.01	2.024
TS2	Examination and verification of tax and tax return carried out by the tax authority is complex and takes time	4.86	2.028
TS3	The process of challenging a tax assessment is difficulty	4.98	2.050
TS4	Guidance provide by the tax authority or any other law to resolve uncertain tax issues is complex	4.92	1.931
TS5	Process of preparing and filling a tax return as well as paying taxes is complex	4.71	2.183
	Overall	4.90	
	Religiosity		
RE1	I often read books and magazines about my faith	5.32	2.006
RE2	I often join the activities of my religious organization	5.48	1.864
RE3	I often try to live all my life according to my religious beliefs	5.19	1.995
RE4	I enjoy spending time with others of my religious affiliation	4.86	2.090
RE5	Religious beliefs influence most of my dealings in life	5.20	1.962
RE6	My whole approach to life is based on my religion	4.72	2.140
RE7	I keep well informed about my local religious group and have some influence on its decisions	4.69	2.065
RE8	It is important for me to spend periods of time in private to think and reflect on my religion	5.31	1.822
RE9	I spend time trying to enhance my understanding of my faith	5.42	1.818
RE10	It doesn't matter much what I believe so long as I am good	3.85	2.456
	Overall	5.01	
	Corruption Perception		
CP1	The current level of corruption is high.	4.85	1.903
CP2	Most people think that the level of corruption is high.	3.91	2.162
CP3	The frequency of corruption is rare.	3.18	1.989
CP4	The current level of corruption is a serious problem.	3.87	2.132
CP5	When I think about the level of corruption, I am unhappy	4.44	2.284

CP6	The current level of corruption involving high level public officials	5.11	1.756
CP7	Most people think that the level of corruption involving high-level public officials is high.	4.25	2.511
CP8	The frequency of corruption involving high-level public officials is rare.	3.07	2.123
CP9	The current level of corruption involving high level public officials is a serious problem.	4.63	2.072
CP10	When I think about the level of corruption involving high-level public officials, I am unhappy.	6.44	1.176
CP11	The current level of corruption involving low-level public officials	5.69	1.665
CP12	Most people think that the level of corruption involving low-level public officials is high.	4.75	2.084
CP13	The frequency of corruption involving low-level public officials is rare.	4.05	2.410
CP14	The current level of corruption involving low-level public officials is a serious problem.	5.03	2.111
CP15	When I think about the levels of corruption involving low-level public officials, I am unhappy.	5.14	2.143
Overall		4.56	

Note: TC – Tax Non-compliance, TG -Trust in Government, TF – Tax Rate Fairness, TS – Tax System Complexity, RE – Religiosity, CP – Corruption Perception

4.3 Assessment of Measurement Model

Examination of the quality of the measurement model and calculation of the structural model parameters is done using the Partial Least Squares approach. Assessment of reliability and validity of the measurement model are initially done before examining the links within the structural model. Thus, this section reports the results of each of the analyses used in assessing the validity and reliability of the measurement model.

4.3.1 Indicator Reliability

The various construct cross loadings was used for evaluation of the indicator reliability. Results shown in Table 4.6 suggest that the loadings of all the indicators of each construct values (bolden)

are above 0.5, which is the required minimum threshold as mentioned by Hair et al. (2014). This confirms that there is reliability in the questions used to measure the study constructs.

4.3.2 Internal Consistency

After the indicator reliability evaluation yielded appropriate results, the internal consistency test was performed. The degree to which a set of indicators assesses the same construct is referred to as internal consistency. The Cronbach Alpha (CA) and the Composite Reliability (CR) are the most commonly used measurements of construct internal consistency. However, in PLS SEM, the composite reliability is the recommended metric (Chin, 1998a). According to Hair, Sarstedt, Ringle and Mena (2012), CR is preferable to CA since CA implies that all indicators are weighted equally, which is not always the case. CR, on the other hand, relies on the indicator loadings derived from the measurement model. When the CR or CA of each of the constructs passes the suggested criterion of 0.7, the measurement model's internal consistency is valid (Hair et al., 2011). Table 4.3 shows that internal consistency is satisfactory, with CA and CR values ranging from 0.73 to 0.90, all over the required criterion of 0.7 except CA for trust in government at 0.40, hence it is less satisfactory.

4.3.3 Convergent Validity

The Average Variance Extracted (AVE) criterion was used to test the measurement model's convergent validity, as stated by Fornell and Larcker (1981). The AVE recommends a criterion of 0.5 or above, implying that each construct should account for more than half of the variance in its

set of indicators. Table 4.3 shows that all of the AVEs are more than 0.5, indicating that all of the constructs in the measurement model have appropriate convergent validity (Hair et al., 2011).

Table 4.3: Cronbach Alpha, Composite Reliability and AVE

Variables	CA	CR	AVE
Corruption Perception	0.80	0.86	0.50
Religiosity	0.84	0.88	0.51
Tax Non-compliance Intention	0.87	0.90	0.58
Tax Rate Fairness	0.73	0.83	0.54
Tax System Complexity	0.81	0.87	0.63
Trust in Government	0.40	0.70	0.57

Note: CA – Cronbach’s Alpha, CR – Composite Reliability, AVE – Average Variance Extracted

4.3.4 Discriminant Validity

The Fornell and Larcker criterion, the Heterotrait-Monotrait (HTMT) approach, and employing cross loadings are three approaches to measuring the discriminant validity of constructs. However, the Fornell and Larcker (1981) criterion is the most commonly used in practice to measure discriminant validity. This method compares the AVE value of each construct to its squared correlation with all other constructs in the structural model. The square root of a construct's AVE should be bigger than the correlations between the constructs, according to the Fornell-Larcker criterion. The square roots of the AVEs in the diagonals are larger than the correlations between the constructs displayed beneath the values in the diagonals, according to Table 4.4. As a result, the findings complied with Fornell and Larkers’ (1981) guideline and demonstrated discriminant validity.

Table 4.4: Discriminant Validity (Fornell and Larcker Criterion)

Variables	1	2	3	4	5	6
1 Corruption Perception	0.708					
2 Religiosity	0.064	0.714				

3	Tax Non-compliance Intention	0.112	-0.290	0.758			
4	Tax Rate Fairness	-0.031	0.149	-0.138	0.737		
5	Tax System Complexity	0.012	-0.194	0.422	-0.067	0.795	
6	Trust in Government	-0.014	0.188	-0.189	0.030	-0.172	0.753

The HTMT is the second method for determining discriminant validity. It is the average of the correlation of the indicators in a construct, according to Henseler, Ringle, and Sarstedt (2015). In the existing research, the proposed threshold for demonstrating discriminant validity using the HTMT technique has been a source of debate. To obtain discriminant validity, some studies advocate a correlation between constructs of less than 0.85 (Clark & Watson, 1995), while others recommend a correlation of 0.90 (Gold, Malhotra & Segars, 2011). Table 4.5 shows that the results are below both recommended limits, indicating that discriminant validity was satisfactorily accomplished in the study.

Table 4.5: Heterotrait-Monotrait Ratio (HTMT Criterion)

Variables	1	2	3	4	5	6
1 Corruption Perception						
2 Religiosity	0.086					
3 Tax Non-compliance Intention	0.131	0.335				
4 Tax Rate Fairness	0.070	0.202	0.167			
5 Tax System Complexity	0.050	0.230	0.502	0.100		
6 Trust in Government	0.102	0.256	0.256	0.104	0.260	

To attain discriminant validity, the cross-loadings should indicate that each indicator has higher loadings on its own construct than any other construct, despite being a less stringent technique (Hair et al., 2012). Table 4.6 demonstrates that discriminant validity was attained since the components (bolden) have stronger cross loadings on their own than the other constructs in the model.

Table 4.6: Cross Loadings

Code	Corruption Perception	Religiosity	Tax Non-compliance Intention	Tax Rate Fairness	Tax System Complexity	Trust in Government
CP2	0.782	0.099	0.072	-0.009	-0.022	-0.011
CP4	0.704	0.036	0.087	-0.048	-0.013	-0.016
CP5	0.807	0.066	0.090	-0.011	0.018	0.004
CP6	0.629	0.040	0.056	0.015	0.025	0.007
CP7	0.616	0.033	0.080	-0.032	0.038	-0.027
CP8	0.691	0.002	0.082	-0.035	0.007	-0.015
RE1r	0.032	0.683	-0.220	0.108	-0.104	0.128
RE2r	0.043	0.716	-0.193	0.096	-0.110	0.136
RE3r	0.065	0.699	-0.198	0.081	-0.154	0.107
RE5r	0.045	0.730	-0.176	0.131	-0.122	0.173
RE6r	0.050	0.668	-0.176	0.173	-0.064	0.178
RE8r	0.037	0.751	-0.239	0.096	-0.186	0.096
RE9r	0.051	0.744	-0.232	0.076	-0.202	0.139
TC1r	0.099	-0.246	0.835	-0.106	0.368	-0.201
TC2r	0.100	-0.228	0.848	-0.071	0.346	-0.150
TC3r	0.082	-0.263	0.828	-0.094	0.338	-0.187
TC4r	0.093	-0.224	0.823	-0.126	0.336	-0.109
TC5r	0.099	-0.179	0.738	-0.083	0.309	-0.140
TC7r	0.026	-0.178	0.596	-0.074	0.265	-0.086
TC8r	0.082	-0.211	0.583	-0.183	0.262	-0.109
TF1r	-0.027	0.185	-0.135	0.792	-0.050	0.089
TF2r	0.012	0.139	-0.087	0.715	-0.067	0.005
TF3r	-0.043	0.032	-0.098	0.764	-0.045	-0.024
TF4r	-0.034	0.043	-0.066	0.670	-0.034	-0.023
TG1r	-0.027	0.200	-0.194	0.035	-0.173	0.983
TG2r	0.061	-0.002	-0.039	-0.017	-0.052	0.411
TS1r	-0.009	-0.147	0.344	-0.105	0.786	-0.157
TS2r	0.019	-0.142	0.314	-0.077	0.811	-0.143
TS3r	0.031	-0.130	0.364	0.006	0.795	-0.107
TS4r	-0.005	-0.201	0.317	-0.041	0.789	-0.145

Note: TC – Tax Non-compliance, TG -Trust in Government, TF – Tax Rate Fairness, TS – Tax System Complexity, RE – Religiosity, CP – Corruption Perception



4.4 Assessment of Structural Model

Before attempting to verify the study's hypotheses, the structural model was reviewed after determining that the measurement model was reliable and valid. This is performed by examining the coefficient of determination, predictive relevance, and path coefficient importance, as well as performing the multicollinearity test and the common method bias test.

4.4.1 Multicollinearity

The Variance Inflation Factor (VIF) is used to check for multicollinearity. The construct's VIF should preferably be around 3 or less. Because the VIF values of all constructs are less than 3, there are no multicollinearity issues in the model, as shown in Table 4.7. (Hair et al., 2017).

Table 4.7: Multicollinearity of Constructs VIF, R² and Q²

Variables	VIF
Corruption Perception	1.007
Religiosity	1.093
Tax Rate Fairness	1.026
Tax System Complexity	1.062
Trust in Government	1.058
R²	0.251
Q²	0.139
Herman One Factor Model	12.47%

4.4.2 Common Method Bias

A common method bias test was performed as part of the structural model assessment to show the extent to which all items are loaded into a single common factor. As a general rule, the Herman's single factor score test should not be larger than 0.5, or 50%. Because the Herman's single factor score of 0.1247 (12.47 per cent) is smaller than the 0.5 (50 per cent) threshold, the results show

that the data is free of frequent technique bias concerns (Podsakoff et al., 2012). The implicit threat posed by putting all elements into a single factor is that the structural model is not jeopardized.

4.4.3 Coefficient of Determination

In order to evaluate the model's sample predictive power, R^2 is used as a measure of how well the independent variables explain the amount of variance in the dependent variable (Tax Non-compliance). The results show that in the direct and indirect path models, the independent factors explain approximately 25% of the variance in the dependent variable. This suggests that the corruption perception among self-employed persons moderately account for tax non-compliance intention (Hair et al., 2012).

4.4.4 Test for Predictive Relevance

The cross validated redundancy (Q^2) measure is used in this work to examine the predictive accuracy of the structural model. As a general rule, the Q^2 values for a certain independent variable should be greater than 0 to demonstrate the structural model's prediction accuracy for that variable. The findings show that the model has a high predictive validity because the Q^2 value (0.139) is greater than zero (0) recommended (Fornell & Cha, 1994, p.72).

4.5 Path Diagram

Figure 4.1 represents the path diagram that was used as a guide in examining the hypotheses of the study in Smart PLS 3.0. The path diagram is based on the conceptual framework of the study and

depicts the relationships between the variables of interest in the study. The direct relationships hypothesized between the factors corruption perception, tax system complexity, tax rate fairness, trust in government, religiosity and the main variable of interest, tax non-compliance.



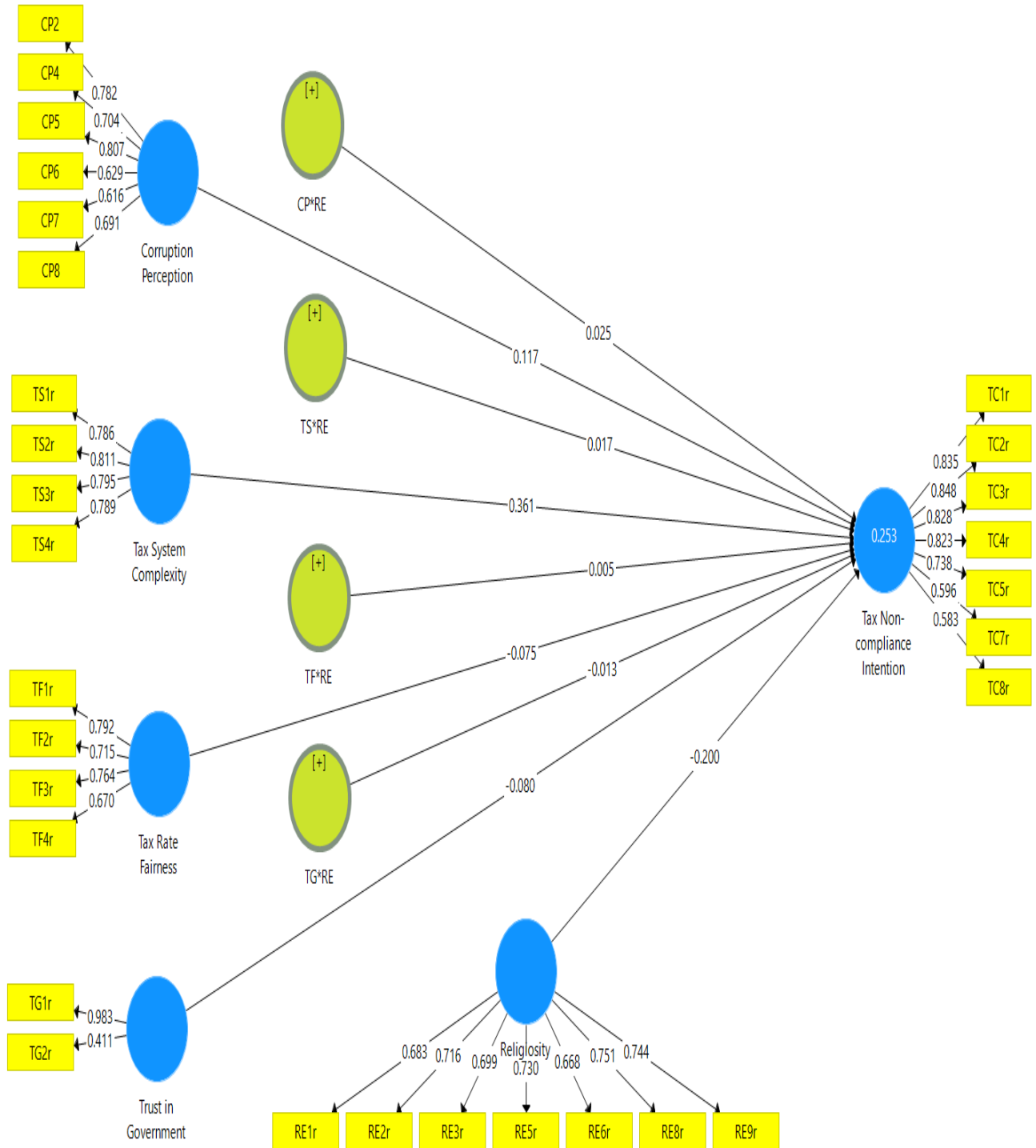


Figure 4.1: PLS Direct Model

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4.6 Hypotheses Testing

Table 4.8: Hypotheses Testing (Coefficients, P-values for Hypotheses)

Hypothesis	Hypotheses Path	Coefficient	P Value	Results
H1:	CP -> Tax Non-compliance	0.117	0.000	Accepted
H2:	TSC -> Tax Non-compliance	0.362	0.000	Accepted
H3:	TRF -> Tax Non-compliance	-0.078	0.022	Accepted
H4:	TG -> Tax Non-compliance	-0.085	0.038	Accepted
H5:	Religiosity -> Tax Non-compliance	-0.200	0.000	Accepted

4.7 Discussion of Results

The results of the structural model analysis of the relationships between the research constructs are presented in Table 4.8. From Table 4.8, all of the independent factors demonstrated a substantial relationship with tax non-compliance. While corruption perception and tax system complexity demonstrated a positive relationship with tax non-compliance, the other three constructs of the independent factors demonstrated a negative relationship with tax non-compliance.

4.7.1 The Relationship between Corruption Perception and Tax Non-compliance

As shown in Table 4.8, the results show a positive and statistically significant ($= 0.05$) relationship between corruption perception and tax non-compliance, which is consistent with predictions. With a p-value of 0.000, the result is consistent for this construct. According to the study, people who perceived the entire tax system and authority to be less transparent are more likely to evade taxes. Thus, the intention to voluntarily comply by filing, reporting, and paying their taxes is less motivating and not relevant. This result further suggests that when individuals have perceived

doubt for all intent and purposes about the tax system, they are usually of the view that evasion is not bad since taxes collected are largely not used for the intended purposes. The findings support the literature of a significant positive relationship between corruption perception and tax non-compliance (Alkhatib et al., 2019; Alm et al., 2016). In terms of theory, the theory of planned behaviour generally argued that when individuals perceive a situation to be unfavourable, they find it more difficult to yield to it, and hence, they develop an unwarranted attitude to engage in it or they become non-compliant once they are not in favour of it.

4.7.2 The Relationship between Tax System Complexity and Tax Non-compliance

The relationship between tax system complexity and tax non-compliance also showed a positive and highly significant relationship between the two constructs. According to the study, the more difficult individual taxpayers view tax legislation and procedures, the more likely they are to evade. This finding supports the literature that the complex and time-consuming nature of tax rules makes them difficult for taxpayers to understand, resulting to non-compliance intentions. There is a theoretical underpinning that individuals who are unable to read the tax laws and content or believe they find it difficult to comprehend the tax terminologies, usually develop a non-compliant attitude and use their perceived inabilities to evade taxes. This outcome supports the claim in literature that when people view the tax system in terms of the ‘letter’ and ‘spirit’ of the law to be complex, they demonstrate a high non-compliant attitude towards taxes (Alkhatib et al., 2019; Kirchler, 2006) but this contradicts the claim by Gambo et al. (2014).



4.7.3 The Relationship between Tax Rate Fairness and Tax Non-compliance

In terms of the relationship between tax rate fairness and tax non-compliance, the results show a substantial negative and highly significant relationship as predicted. The results suggest when individuals perceive a lot of biases and inequity in the tax system, they are forced to evade on the grounds that they are not being treated fairly. Consequently, each taxpayer is hopeful that he or she is made to pay taxes at a rate that commensurate the amount that they genuinely earn. On the contrary, when individuals believe they are unfairly charged with regard to the amount of tax they are given to pay under the provisional tax assessment system, they are more likely to underreport, fail to file and refuse to pay taxes. As indicated by Alshira'h and Abdul-Jabbar, (2019) and Thomas (2012), the result affirms the argument in literature that when tax rates are high, individuals will surely try to beat the tax system in order to engage in tax non-compliance.

4.7.4 The Relationship between Trust Government and Tax Non-compliance

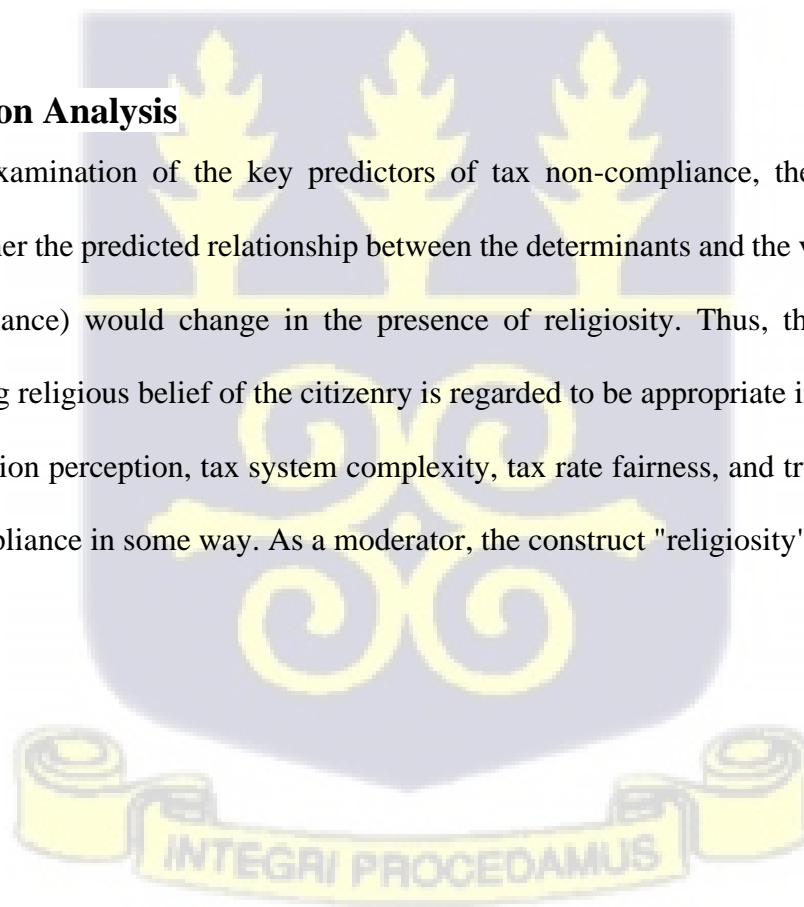
As shown in Table 4.8, the result demonstrates a negative and statistically significant ($=0.05$) relationship between trust in government and tax non-compliance. The study's p-value of 0.038 indicates that when individual taxpayers regard the tax system and tax authorities to be fair and transparent, there is high intent not to evade. Theoretically, the extent of trust demonstrated by tax authorities mostly create a synergistic and mutual relationship between taxpayers and government. In effect, when individuals have much confidence in government in terms of judicious use of tax revenue to the benefit of the citizenry, there will be less justification for evasion. Thus, this result confirms the assertion in literature (Ya'u & Saad, 2018; Sitardja & Dwimulyani, 2016; Olson, 2013) that trust in government and tax non-compliance are inversely related.

4.7.5 The Relationship between Religiosity and Tax Non-compliance

Similar to tax rate fairness and trust in government, the results also show the existence of a negative and highly significant relationship between religiosity and tax non-compliance. This finding implies that tax non-compliance levels of individuals is likely to be less when people are more religious. For instance, an individual who has a strong religious belief or faith will always examine his or her guilty conscience or judge tax non-compliance as a sin and disloyalty to the state. Theoretically, the attitudinal belief of evasion through religiosity maintains that when people are more religious, their indulgence in issues of tax non-compliance will be quite low or vice versa. This result supports the proposition in literature (Pope & Mohdali, 2014; 2010) that when individuals hold their religious values in high esteem, the lesser they engage in tax evasion.

4.8 Moderation Analysis

Following an examination of the key predictors of tax non-compliance, the study sought to determine whether the predicted relationship between the determinants and the variable of interest (tax non-compliance) would change in the presence of religiosity. Thus, this study analyses whether, a strong religious belief of the citizenry is regarded to be appropriate in determining, the effect of corruption perception, tax system complexity, tax rate fairness, and trust in government on tax non-compliance in some way. As a moderator, the construct "religiosity" was used.



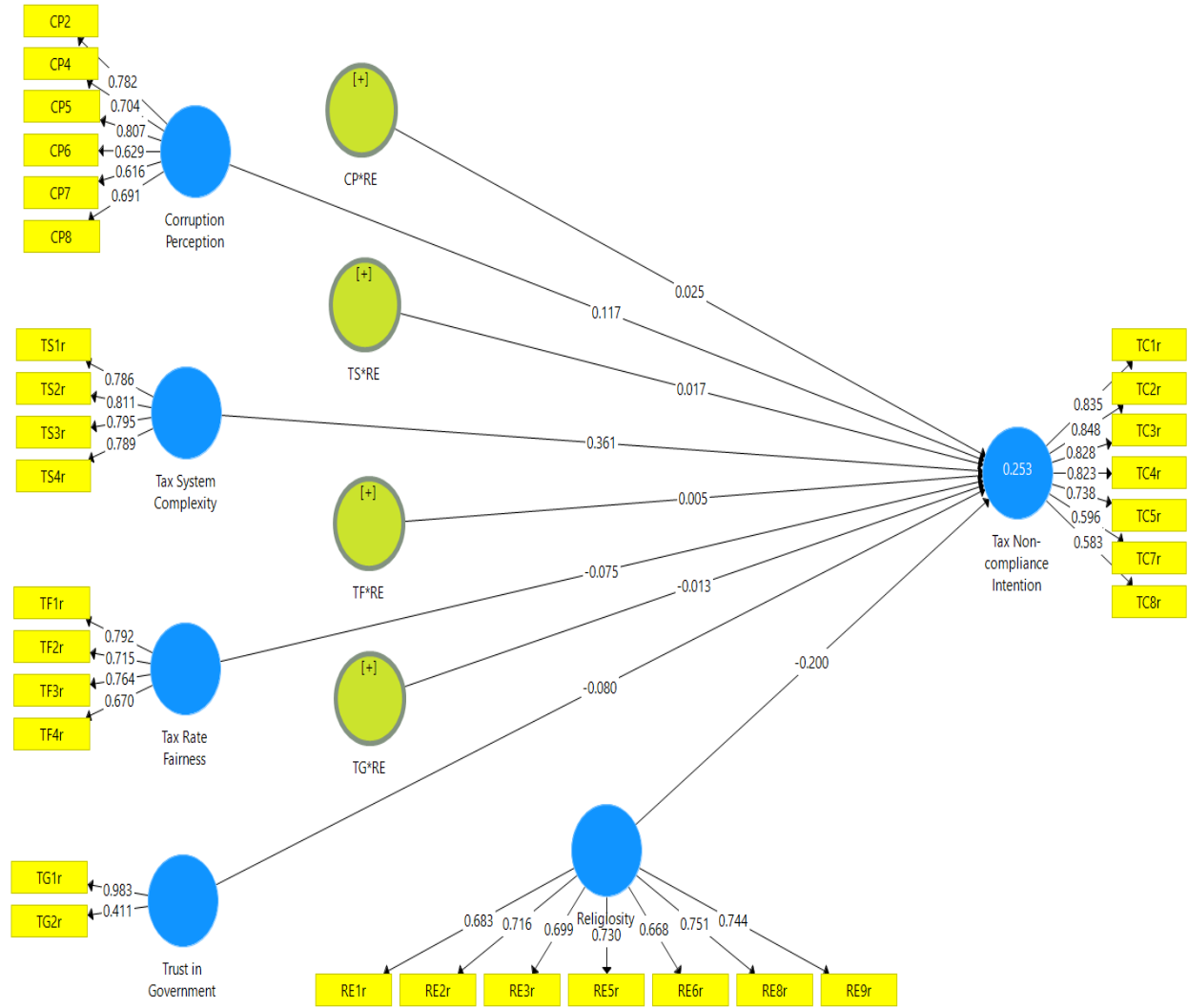


Figure 4.2: Moderation Model

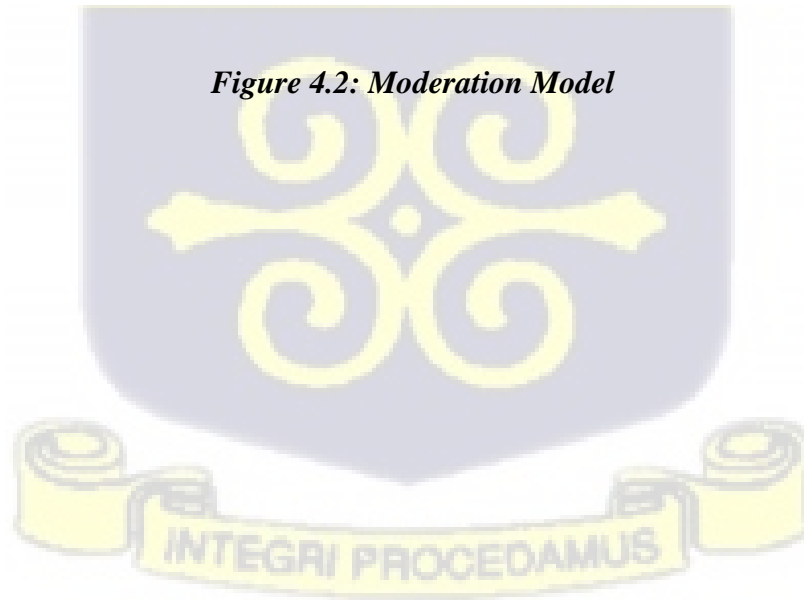


Table 4.9: Hypotheses Testing (Coefficients, P-values for Hypotheses)

Hypothesis	Hypotheses Path	Coefficient	P Value	Results
H6:	CP*RE -> Tax Non-compliance	0.025	0.564	Rejected
H7:	TF*RE -> Tax Non-compliance	0.005	0.901	Rejected
H8:	TG*RE -> Tax Non-compliance	-0.013	0.766	Rejected
H9:	TS*RE -> Tax Non-compliance	0.017	0.685	Rejected

Note: TC – Tax Non-compliance, TG -Trust in Government, TF – Tax Rate Fairness, TS – Tax System Complexity, RE – Religiosity, CP – Corruption Perception

4.8.1 Corruption Perception, Religiosity and Tax Non-compliance

The perception of religiosity among individual in the country, as stated in Table 4.9 moderates the relationship between corruption perception and tax non-compliance. The moderation analysis accounted for a drastic change in path coefficient though it is still shows a positive relationship. While corruption perception was found to be positive and significantly related to tax non-compliance on its own, with the introduction of religiosity a positive and highly insignificant relationship was discovered between corruption and tax non-compliance. This result demonstrate that even in the presence of extreme religious faith, people can still be non-compliant. Thus, when people perceive the system to be less transparent, their religious affiliation or faith will not deter them from evading taxes.

4.8.2 Tax Rate Fairness, Religiosity and Tax Non-compliance

Similar to corruption perception, as indicated in Table 4.9, the religiosity moderates the relationship between tax rate fairness and tax non-compliance. The moderation analysis shows almost a negative in path coefficient, though the relationship remains a positive one. While tax rate fairness was found to be negative and significantly related to tax non-compliance on its own,

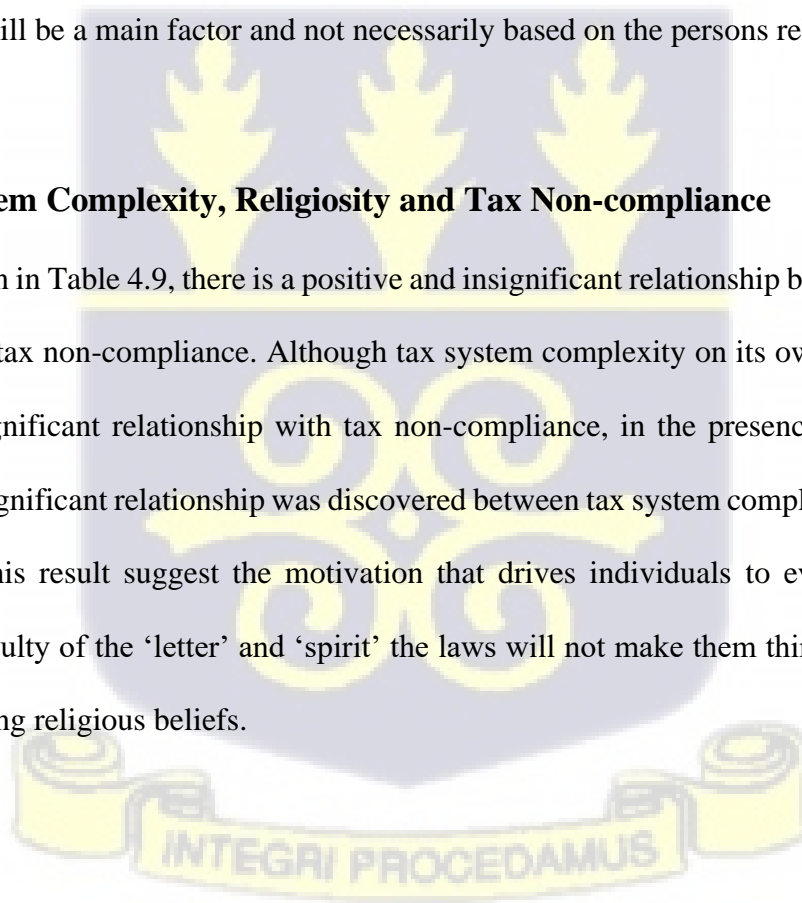
in the presence of religiosity, a positive and highly insignificant relationship was discovered between tax rate fairness and tax non-compliance. This result evidence that no matter how religious a person is, an unfair tax system will not demotivate him from evading taxes.

4.8.3 Trust in Government, Religiosity and Tax Non-compliance

As shown in Table 4.9, in the presence of religiosity, trust in government shows a negative relationship with tax non-compliance with a drastic reduction in the coefficient. Unlike the significant relationship shown by trust in government on its own with tax non-compliance, there is an insignificant relationship between trust in government and tax non-compliance in presence of religiosity. This result implies that for an individual to evade taxes how transparent the government is will be a main factor and not necessarily based on the persons religious belief.

4.8.4 Tax System Complexity, Religiosity and Tax Non-compliance

Finally, as shown in Table 4.9, there is a positive and insignificant relationship between tax system complexity and tax non-compliance. Although tax system complexity on its own demonstrated a negative and significant relationship with tax non-compliance, in the presence of religiosity; a positive and insignificant relationship was discovered between tax system complexity and tax non-compliance. This result suggest the motivation that drives individuals to evade taxes on the account of difficulty of the 'letter' and 'spirit' the laws will not make them think otherwise even if they have strong religious beliefs.



CHAPTER FIVE

SUMMARY, RECOMMENDATION AND CONCLUSION

5.0 Introduction

This chapter outlines all the significant concerns raised in the research. First, the chapter summarizes the study's principal findings and implications. The study's contributions are then examined, as are its shortcomings. The chapter concludes with practice and future research recommendations.

5.1 Summary and Conclusion of the Study

Most nations around the world rely, to a large extent, on revenue mobilization from taxes paid by its citizens. This makes the issue of tax compliance and tax non-compliance of optimum importance to most nations. In response to this, most researchers have investigated the factors that influence individuals and corporations to comply with the tax laws in their various jurisdictions. Although most existing studies have acknowledged the need to examine ways of increasing tax revenues of nations, these studies have focused predominantly on tax compliance with little attention on the role of tax non-compliance. Most extant literature on the issue of revenue generation through taxes have examined how some factors affect the levels of tax compliance of individuals and corporations. These studies argue that to increase tax revenue, attention needs to be given to what will influence individuals and entities to be tax compliant. While not disputing this fact, the current study argues that investigating tax non-compliance behaviour is of equal relevance.

To add to the scant knowledge in existing tax literature on tax non-compliance, this study investigates the factors that influence individuals to engage in tax non-compliance. Given that the few studies that examined tax non-compliance have focused on factors such as religiosity, ethics, morale intensity, trust, tax complexities and fiscal moral, this study examines perceived corruption as a main determinant of tax non-compliance along other factors. Specifically, the study examines the prevalence of perceived corruption in the Ghanaian tax system and examines the relationships that exist between corruption perception, tax system complexity, tax rate fairness, trust in Government, income and tax non-compliance. The study further investigated whether the religiosity of an individual could moderate the relationships between the identified factors and tax non-compliance.

Using the Theory of Planned Behaviour as the underpinning theory of the study, the study hypothesized that the variables of interest, which were either attitudinal, as a result of social norms or perceived behavioural control, would have either a positive or negative effect on tax non-compliance or that religiosity will moderates all these relationships. The Partial Least Squares-Structural Equation Modelling technique was used in this study to test the hypothesized relationships between the study constructs. The PLS-SEM approach is employed in this study over the CB-SEM due to the study's goal of predicting the impact of the constructs of interest on one another.

The findings of the study suggest that there is a high level of perceived corruption in the Ghanaian tax system, which impacts the level of tax non-compliance. Overall, five out of the nine hypotheses

made were accepted. The direct relationships of the constructs of interest all yielded the expected results.

First, corruption perception was found to be a positive and significant antecedent of tax non-compliance. Thus, when individuals perceive the entire tax system and authority to be less transparent and corrupt, they are more likely not to be tax compliant.

Second, the relationship between tax system complexity and tax non-compliance was equally positive and highly significant. This finding supports the claim that the more difficult individual taxpayers view tax legislation and procedures, the more likely they are not to comply with the tax laws.

Third, the results revealed a negative and significant relationship between tax rate fairness and tax non-compliance. Thus, when individuals believe they are unfairly charged with regard to the amount of tax they are given to pay under the provisional tax assessment system, they are more less likely not to comply with tax laws and evade taxes.

Similar to tax fairness, the relationship between trust in government and tax non-compliance was found to be negative and statistically significant. This suggests that when individuals have confidence in government to make judicious use of tax revenues and to be fair in the allocation of tax revenues, the level to which they would be tax non-compliant is low.

The findings of the study also reveal that the higher the religiosity of individuals, the lesser the levels of tax non-compliance. Individuals with a strong religious belief or faith are often guided by their conscience to judge tax non-compliance as a sin and disloyalty to the state and hence will not engage in that.

The moderating analysis shows an insignificant relationship for all the hypotheses, which suggests that the religiosity of an individual affects the impacts of the factors corruption perception, tax fairness, trust in government and tax system complexity on tax non-compliance behaviours of individuals.

5.2 Implications of Findings

The findings of the study have significant implications to research, practice and policy especially in the area of tax administration. To research, the study adds to a less researched area of tax non-compliance research, by investigating the factors that influence individual's corruption perception and intention to be non-compliant. The results of the study highlight the tax non-compliance levels of individuals and suggests the factors that influence non-compliance. The findings point to the fact that non-compliance behaviors of individuals are influenced by their perceived corruption in the tax system and how complex the tax systems are. The study also finds that when the tax laws are considered to be fair by individuals, when they trust the government and when their levels of religiosity are high, they are less likely to be non-compliant. Researchers can test the relevance of these factors in other jurisdictions to examine its strength in explaining tax non-compliance behaviours.

To practice, the drivers of tax non-compliance among individuals are highlighted and hence measures are put in place to mitigate the motivation for tax non-compliance. Tax authorities are guided in identifying the factors that influence persistent non-compliance. These findings can serve as a guide to governments and tax revenue collection entities in putting together strategies and

policies to improve mobilization of tax revenues. Tax collection entities can map out strategies that reduce the levels of tax non-compliance using the factors identified in this study, which will, in turn, increase revenue mobilization.

5.3 Contributions

The study makes relevant contributions to the tax discourse. Specifically, the study adds on to an area in the tax literature with limited research attention, tax non-compliance, by examining the influence that perceived corruption and other factors have on individuals' tax non-compliance behaviours. Most studies that have examined corruption have focused on how corruption affects tax compliance without giving attention to tax non-compliance.

Again, unlike most studies on tax non-compliance, this study employs the structural equation modelling technique to measure the unobserved nature of the variables in the study for better interpretation of results.

5.4 Limitation of the Study

Although the study has some significance and contributions, it has some limitations. The study measures intentions or perceptions and not actual behaviour. The intentions of individuals may not translate to actual behaviour as intentions may change over time. Care should therefore be taken in interpreting the results of the study. Also, the data collected may not include individuals from all the sectors of industry and parts of the country and hence may not be a full representation of the views of Ghanaians in general. The findings should therefore be generalised with caution.

Again, the data is cross-sectional and taken over a specific period in time and the responses of the individual respondents may vary over time.

5.5 Suggestions for Future Research

Based on the findings of the study, an important way to extend the tax discourse is for future studies to examine other factors that influence tax non-compliance than those examined in this study. Future studies can also assess tax non-compliance of other groups of tax payers as the category of tax payer may reveal different tax non-compliance behaviours. Future studies can employ other methodological approaches like qualitative methods to allow for respondents to share their own views on the variables of interest to enrich the tax non-compliance discourse.



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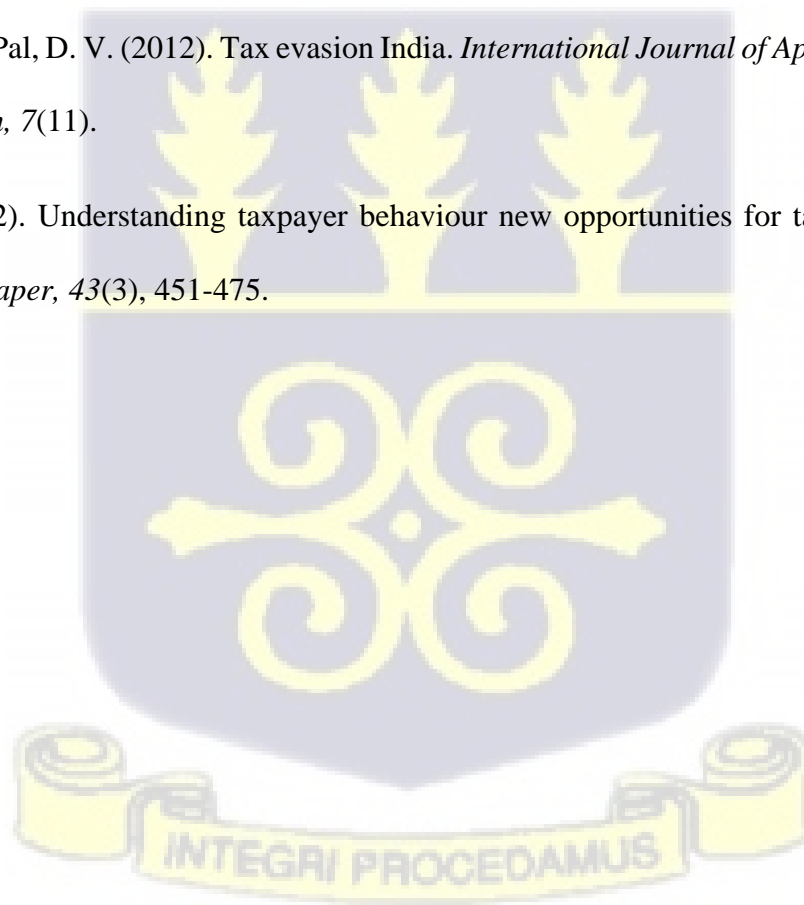
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APPENDIX

Research Questionnaire

QUESTIONNAIRE ON TAX NON-COMPLIANCE

This questionnaire is designed to seek information on some that leads to tax non-compliance in Ghana. We seek your maximum cooperation and data provided will be solely used for this research purposes with utmost confidentiality. Please respond by ticking the appropriate option in the spaces provided.

SECTION A: Demographics

1. Gender: Male Female
2. Age: 25 and below 26-30 31-35 36-40 41 & above
3. Type of organization you work in?
4. Worked with current organization for: Less than 3 years 3-4 years 5-6 years more than 6 years
5. Income (in GHC): 2,000 and Below 2,001 – 3,000 3001 – 4,000 4,001 – 5,000 Above 5,000

SECTION B: Tax Non-Compliance

Kindly rate your level of agreement to each of these tax compliance indicators by a [✓] on a 7-point Likert scale with 1= strongly disagree, and 7=strongly agree.

Code	Tax Non-Compliance	1	2	3	4	5	6	7
TC1	It is my duty as a citizen to pay taxes as required by the law							
TC2	I pay taxes as required by the law to support the country							
TC3	Citizenship carries with it a duty to pay tax							
TC4	I pay my taxes as required by the law because of a sense of responsibility							
TC5	It becomes difficult to govern the country when people don't pay their tax							
TC6	I pay my taxes as required because I know that I will be audited 0.72 I prepare my tax return correctly because I fear my reputation would be ruined if I were to get caught for not following the tax laws							
TC7	Not paying taxes is one of the worst crimes a person can commit because it harms the whole community							
TC8	The harm to the community through people not paying tax is regretful							
TC9	If everyone paid the correct amount of tax, we would enjoy better public facilities							

Trust in Government: Kindly indicate your level of agreement to each of these questions about the use of tax and trust in the government by a [✓] on a 7-point Likert scale with 1= strongly disagree, and 7=strongly agree.

Code	Trust in Government	1	2	3	4	5	6	7
TG1	The services provided by the government are not comparable with the amount of taxes paid							
TG2	Despite being able to vote, I have no say over the government's decisions to spend public funds							
TG3	The government is transparent in spending taxpayers' money							
TG4	I believe that the Ghanaian government is spending public funds prudently							
TG5	Public funds are allocated equitably for the Ghanaian citizens' well-being							
TG6	I have trust that Government will use the tax well in the future							

Tax Rate Fairness: Kindly indicate your level of agreement to each of these questions about the tax rates in Ghana by a [✓] on a 7-point Likert scale with 1= strongly disagree, and 7=strongly agree.

Code	Tax Rate Fairness	1	2	3	4	5	6	7
TF1	The tax laws ensure that everyone pays a fair and correct amount of taxes							
TF2	The amount of tax expected to be paid by all Ghanaians is fair because it is based on taxable income (after allowable deductions)							
TF3	Tax rates in Ghana is fair towards every tax payer							
TF4	Tax rates are assigned depending on an individual's' income with no biases							
TF5	Several tax items are levied at the same time							

Tax System Complexity: Kindly indicate your level of agreement to each of these questions about the tax system complexity in Ghana by a [✓] on a 7-point Likert scale with 1= strongly disagree, and 7=strongly agree.

Code	Tax System Complexity	1	2	3	4	5	6	7
TS1	Formal process of how a tax proposal and amendments becomes law is complicated							
TS2	Examination and verification of tax and tax return carried out by the tax authority is complex and takes time							
TS3	The process of challenging a tax assessment (tax amount payable) is difficulty							
TS4	Guidance provide by the tax authority or any other law to resolve uncertain tax issues is complex							

TS5	Process of preparing and filling a tax return as well as paying taxes is complex								
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Religiosity: Kindly indicate your level of agreement to each of these questions about your religion of affiliation or belief by a [✓] on a 7-point Likert scale with 1= strongly disagree, and 7=strongly agree.

Code	Religiosity	1	2	3	4	5	6	7
RE1	I often read books and magazines about my faith							
RE2	I often join the activities of my religious organization							
RE3	I often try to live all my life according to my religious beliefs							
RE4	I enjoy spending time with others of my religious affiliation							
RE5	Religious beliefs influence most of my dealings in life							
RE6	My whole approach to life is based on my religion							
RE7	I keep well informed about my local religious group and have some influence on its decisions							
RE8	It is important for me to spend periods of time in private to think and reflect on my religion							
RE9	I spend time trying to enhance my understanding of my faith							
RE10	It doesn't matter much what I believe so long as I am good							

Corruption Perception: Kindly indicate your level of agreement to each of these questions by a [✓] on a 7-point Likert scale with 1= strongly disagree, and 7=strongly agree.

Code	Corruption Perception	1	2	3	4	5	6	7
CP1	Business corruption is inevitable in some cultures.							
CP2	In some countries, it is alright to pay someone extra in order to get things done quickly even if the law forbids such practices.							
CP3	Giving expensive gifts to business clients and partners is an acceptable form of business practice in some countries.							
CP4	When doing business in an overseas country, it is important to adopt the local business ethics and practice even if you do not agree with it.							
CP5	The rules governing ethical business transactions change from one culture to another.							
CP6	When doing business with a foreign-based partner, it is alright to offer a bribe to that person if the culture in that country is known to be open to that practice.							
CP7	It is important to blend in with the culture that you do business with, even if it means to be biased in offering business contracts.							
CP8	When dealing with a business partner from abroad, it is important to inform the relevant authorities if the overseas partner asks for a bribe.							
CP9	Business negotiations, whether performed locally or overseas, should observe a standard form of protocols							

CP10	I will not compromise my moral and business ethics for the sake of increasing business sales.								
CP11	Business partners and clients from overseas should be treated the same way like the local partners and clients.								
CP12	One should observe strict business ethics even if doing business in an overseas country. (inverse)								
CP13	There should be standard business ethics and protocols for all countries.								
CP14	Moral and ethical standards should be observed at all times when doing business in a foreign country.								

