

**AKETEN APPIAH-MINKA UNIVERSITY OF SKILLS TRAINING AND  
ENTREPRENEURIAL DEVELOPMENT**

**PUBLIC GOVERNANCE QUALITY AND TAX COMPLIANCE BEHAVIOR IN  
GHANA: THE MODERATING ROLE OF FINANCIAL CONDITION AND RISK  
PREFERENCE.**

**NICHOLAS AMISSAH**

**SEPTEMBER, 2023**

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**BY**

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**A THESIS SUBMITTED TO SCHOOL OF GRADUATE STUDIES, AKETEN APPIAH-  
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DEVELOPMENT IN PARTIAL FULFILMENT OF THE REQUIREMENT OF THE  
AWARD OF A MASTER OF PHILOSOPHY DEGREE IN ACCOUNTING.**

**SEPTEMBER, 2023**

## **DECLARATION**

### **Candidate's Declaration**

I declare that this submission is my own work in partial fulfillment of Master of Philosophy Degree in Accounting and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any degree of the University.

**Nicholas Amissah (8211360013)**

.....

.....

**Signature**

**Date**

### **Supervisor's Declaration**

We hereby declare that the preparation of the thesis was supervised in accordance with the guidelines on supervision of the thesis laid down by the Aketen Appiah-Minka University of Skills Training and Entrepreneurial Development.

**Prof. Joseph Mbawuni**

.....

.....

Signature

Date

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I am also grateful to my friend **Paul Akendita Agmabire** and all my family whose prayers and support keeps spurring me on to this height.

## **DEDICATION**

I dedicate this work to my mother Gertrude Ekua Kaase Doughan and Janet Esi Badua Doughan, my family and all who showed tremendous love throughout my studies.

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## ABSTRACT

The study examines the PGQU-public governance and TCOM-tax compliance behavior in Ghana and examines the moderating effects of FCO-financial condition and RPE-risk preference. In particular, the study aimed to analyze the association between public governance quality and tax compliance behavior in Ghana, investigate the moderating effect of financial condition on the association between public governance quality and tax compliance behavior in Ghana, and investigate the moderating effect of risk preference on the association between public. The study adopted quantitative method, and it employed the descriptive and explanatory research design. Structured questionnaires were administered to solicit primary data for the study. The target population for this study encompassed tax payers which includes business entities and individuals within the various sector of economy in selected regional capital in Ghana, which is estimated over 1,200. A sampling size of 291 with response rate of 210 representing over 71% was generated for the study using the convenience and purposive sampling technique. The primary data from the respondents were analyzed using SPSS version 23 and AMOS. The study revealed positive association on public governance quality and tax compliance behavior. It also found that, financial condition moderates statistically positive significant on the relationship between PGQU and TCOM in Ghana, followed by negative insignificant moderating role of risk preference on the relationship between PGQU and TCOM. The conclusion drawn is that, there is association between tax compliance behavior and public governance quality but statistical insignificant. However, financial condition of individual strengthens significantly positively to the association between public governance quality and tax compliance behavior, while risk preference reported weak insignificant effect on the main two variables.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

The government financial resources that help to undertake numerous responsibilities mostly emanate from tax revenue. Tax is the financial charge or compulsory obligation levied or imposed on taxpayers. Tax is mostly seen in many countries as the primary source of revenue for government activities (Alabede, 2001 & Olaofe, 2008). Ghana as an emerging economy is heavily reliant on tax to generate requisite financial resources to mitigate constants cumulative spendings geared towards development to improve standard and quality of lives of the citizens. Eshag (1983) added that tax mobilized by government to undertake its economic activities is largely determine by taxpayers' willingness to pay. This has been a persistence problem commonly traceable to both developed and developing countries. In light of this, Kaldor (1963) assert that, it is required of developing countries to generate 15 percent and beyond of their Gross Domestic Product (GDP) to alleviate from underdevelopment. The assertion has been adopted as the threshold for expert knowledge tax revenue by International Monetary Fund (IMF, 2011). Cobham and Jansky (2017) reported that, tax non-compliance has result to over US\$3.1trillion loss of Governments tax revenue worldwide, causing huge sums of budget deficit among most developing countries including Ghana. Cebula and Feige (2012) reported that United State of America recorded over US\$ 600 billion loss of revenue yearly to tax noncompliance. Carrero and Seara (2016) added that European Union also recorded £50 billion to 70 billion loses revenue to tax non-compliance per annum. Tax noncompliance to developing countries, specifically, Africa loss US\$14 billion tax revenue to non-compliance annually as reported by Mwanza (2016). Report from ISSER (ISSER- institute of Statistical Social and Economic Research, 2019) indicated that Ghana has been experiencing an adverse effect on tax revenue mobilisation due to rapid increase of tax

noncompliance in recent years. According to Okpeyo et al. (2019), tax non-compliance is a difficult problem for developing economies like Ghana that need attention. There have been several studies, attempting in various perspective to voice out to mitigate pending issues of tax noncompliance, some on the angle to improve quality of service, tax provision, tax education and awareness (Al-Ttaffi and Abdul-Jabbar, 2016)

However, constrictive factors associated with many of these economies has made it difficult to collect adequate tax revenue (Amoh and Ali-Nakyea, 2019; Amoh and Adom, 2017). Good governance is very key to tax compliance. Public governance quality cannot be left as one of the key tools to mitigate tax non-compliance. Public governance Quality in this study essentially refers to Security/safety and Rule of Law (personal safety, rule of law, and national security, transparency and accountability), Sustainability of Economic Opportunity (management of public affairs, infrastructure and rural sector, business environment), Participation & Human Rights (participation, rights and gender), and concern for Human Development (welfare, education and health) for growth and development (IIGA, 2018).

Graham and Bruhn (2009) argue that, the leadership of political party in government make decision to impose taxes which has an intense impact on citizens. Its noteworthy that PGQU-public government quality and how it utilizes revenues generated from tax informs taxpayers' perception of their willingness to tax compliance. Position of government's capacity to carry out its duties based on evaluation of state legitimacy, institutional environment (tax justices, corruption and exercising rule of law), and credibility and political ratification (Dickerson, 2014). Studies claim that, as part of main factors influencing the widespread of noncompliance in developing nations is perceived public governance performance. The fiscal social contract idea that underlies taxation provides strong support for the spending perspective (Doerrenberg, 2014). Taxpayers are legally

obligated to fund the government, and governments are required to protect the welfare of their constituents. Additionally, Ajzen (1991), asserts that theory of planned behavior also highlights the rationality of human action in the notion that the desired activity is beyond of the control of the individual. According to this idea, a taxpayer decides whether to comply with his or her tax duties by taking into account the advantages and disadvantages of doing so. The taxpayer will in fact take the outside information into account. Masarirambi (2013) contends that compliance maximization of revenue from the expanding informal sector requires essential attention on factors that promote economic development. Mohdali and Pope (2014) also demonstrated that the reasons for taxpayers' non-compliance or compliance behaviors are inconclusive and possibly not established in an African context, which is part of the contribution of this study in the ongoing search for appropriate solutions to tax non-compliance.

Submission of Ibrahim et al. (2015) shows the ground-breaking micro-econometric study on the drivers of tax morale in an African country while Alabede, Zainol, and Idris (2011) make the case for financial condition/ status and risk choice as moderating factors to public governance quality and tax compliance. Numerous empirical research into the phenomenon have been conducted as a result of these basic concerns. According to Riahi Belkaou (2004), the subject has primarily been treated from the theoretical perspective of economic deterrence models in research publications, thus Allingham and Sandmo's A-S models, in 1972, on Becker's deterrence theory from 1968. However, despite these expansions, there is little work to indicate how taxpayers' perceptions of the public governance quality, considering impacts of financial condition and preference associated with risk as moderating factors.

## **1.2 Statement of the Problem**

Existing studies have emphasized on the following variables; socioeconomic development, mediating role of financial condition and risk preference that have influence on governance quality and tax compliance behavior (Umar et. al, 2018, Alabede et. Al, 2011, Sebele-Mpofu, 2020), however there still existence of low level of tax compliance in Ghana (ISSER, 2019) and other emerging economies which has led persistence budget deficit and translate to most borrowing to meet the increasing government expenditures especially in in Ghana (Amoh and Adom, 2017; Amoh and Ali-Nakyea, 2019).

In a number of research (Wisudawaty et al., 2018; Awaluddin and Tamburaka, 2017; Al-Ttaffi and Abdul-Jabbar, 2016; Osei-Darko, 2012; Alabede et al., 2011), it has been investigated how the quality of tax services and public governance affect tax compliance behavior but there has not been any change in tax compliance in Ghana. there have been many amendments of tax related act in Ghana but has not improve tax compliance.

Moreover, the indicators especially for measuring governance quality has been updated of which their studies partially fall short of the current index for measuring public governance quality.

The majority of studies have tackled the problem from the theoretical standpoint of economic deterrence models (Riahi Belkaou, 2004); however, many academics have abandoned this position to demonstrate that dissuasion may not be entirely necessary to comprehend the realities of tax evasion.

Increasing Tax noncompliance have resulted inadequate government revenue which the national economy is currently in reprieve of International Monetary Fund.

Considering the above problem, this study selects the emerging disparity in the economic growth in the strands of risk preference and condition with finance as moderating role to PGQU and

TCOM behavior in Ghana. This study will also consider introducing level of income and number of dependents as control variables to the tax compliance behaviour.

### **1.3 Objectives of the Study**

The objective of this study is to examine the public governance quality and tax compliance behavior, the moderating role of digitalization system and financial performance in Asante Region of Ghana. Specifically, the study seeks:

1. to analyze the relationship between PGQU-public governance quality and TCOM-tax compliance behavior in Ghana.
2. to examine the moderating role of FCO-financial condition on the relationship between PGQU-public governance quality and TCOM-tax compliance behavior in Ghana.
3. to examine the moderating role of RPE-risk preference on the relationship between PGQU-public governance quality and TCOM-tax compliance in Ghana.

### **1.4 Research Questions**

The following research questions serve as the study's guiding principles:

1. What is the relationship between PGQU-public governance quality on TCOM-tax compliance behavior in Ghana?
2. What is the moderating role of FCO-financial condition on the relationship between PGQU-public governance quality and TCOM-tax compliance behavior in Ghana?
3. What is the moderating role of RPE-risk preference on the relationship between PGQU-public governance quality and TCOM-tax compliance in Ghana?

### **1.5 Delimitation of the Study**

The scope of this study is explained from two perspectives: context and geography. Regarding contextual scope, the study focuses on the public governance and tax compliance behavior in Ghana. The study also focuses on risk preference and financial condition as moderators to the main dependent and independent variables.

Geographically, the study is subject to the regional population ratio outsource from Ghana Statistical Service (GSS, 2021). Ashanti region becomes the focus of the study in terms of questionnaire administration considering its business exposures.

Regional capital is chosen because it is the most populous (GSS, 2021), dominated by a variety of business activities (formal and informal). Ghana's Region capital is a centrally placed administrative region in the country's vantage belt.

### **1.6 Significance of the Study**

The research adds to the debate on public governance quality and tax compliance behavior in Ghana as well as moderating role of financial condition and risk reference. This study opens up many other areas for research regarding particular aspects of tax compliance behavior in Ghana and other areas of the economy. In addition, the study is related to the larger research on ways to make the public sector more efficient and improve governance.

This study is important for tax officials, policy makers, the general public, students, and the tax regulators to understand the issues that affect tax compliance. The study attempts to position tax compliance behavior at the peak of social responsibility. This will enable all stakeholders to make integral informed judgement and improve tax-compliant for socioeconomic development. The fundamental premise is that through proper expanding tax revenue and enhancement of governance quality, government will be able to engage in the economy to establish extensive

feasible policy and projects initiate to alleviate puberty and promote good standard of living, growing existing businesses, or introducing new business activities.

### **1.7 Limitation of the Study**

Simon and Goes (2013) assert that restrictions are incidents and situations that are beyond the researcher's control and limit the study's findings. Research initiatives may be constrained by the use of instruments, samples, analyses, self-reports, restricted funding, study design choices, and other reasons (Siddiqui, 2010). Instrumentation, sample, analysis, nature of self-report, restricted funding, research design preference, and other considerations may all be limitations in research studies (Siddiqui, 2010).

Furthermore, limited time and financial resources. This research intended to cover many formal and informal household to reliable data for the study. However, proper time management is observed to achieved the aim and objectives of the study. Also, funds were mobilized in support of the activities of the study.

### **1.8 Organization of the Study**

Five chapters make up this thesis report. The introduction to the thesis comes first in chapter one. The context of the analysis, the problem statement, the study purpose, research questions, significance of the study, the study's limitations, and finally the delimitation are all included. The principles and literature reviews relevant to study and their effects on financial performance are introduced in chapter two. The four sub-sections of the literature review are conceptual review, empirical review, theoretical review, and conceptual framework. The third chapter describes the study's methodology. The methodology will discuss the research method and design, the survey's field and population, sample size and sampling techniques, the tool and procedure used to collect

the data, and ultimately ethical consideration. The interpretation and analysis of the data gathered on the ground in Chapter 4 will address the findings of the literature. The fifth chapter, which appears to be the last chapter, is devoted to a summary of the major findings, recommendations, and directions for future research.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0. Introduction**

The chapter consist of the following dimensions: conceptual review, which outlined key research findings and made connections to the overarching purpose and study objectives, theoretical review, which dealt with numerous ideas that served as a blueprint and a guide for the model. The last form was empirical review, which also dealt with related research on the issue; and critique of their conclusions.

#### **2.1 Conceptual Review**

##### **2.1.1. Concept of Taxation**

Basically, taxation involves the process where government of jurisdiction levies compulsory payments or contribution on individuals, entities and properties to help government to secure revenue for its activities. Taxation forms part of the major means of revenue to government to meet the spending nature of government activities. Miller and Oats (2006) contend that taxation is needed to finance public activities that intend to foster growth and development.

PK et. al. (2021) added that taxation involves the procedures by which a government, or the taxing authority, levies a tax on its citizens and business organizations. As a result, the tax is obligatory financial charge or monetary charge or other type of levy imposed by a government organization on a taxpayer to pay for government costs and other expenditures in public activities (Awitta, 2010).

In order to construct a system of taxation, a nation's tax structure reflects both its leaders' and the nation's collective values that will address evenly the tax burden among all manner of people

(Gbadago, 2018). Adam Smith (1776) postulates feature that every good tax system must possess. Cannons of taxation, these include; Equity, Convenience, Certainty, Economy, Simplicity, Flexibility and Productivity. Studies reveal that most individuals fail to obliged with tax due to the difficulty and complexity of some countries' tax administration and policies. The opposition to taxes is frequently so strong that it could cause societal instability (Evans, 2009). Citing Adam Smith (1776), James and Nobes (2009). These principles are still valid today and still serve as a roadmap for creating tax laws and policies. However, there is no good tax, according to Nightingale (2002), because it is almost impossible to accomplish all of these goals with a single tax policy. This is due to the possibility that an efficient tax may be unfair. Lamb et al. (1998), asserts that tax that is considered equitable may not be efficient, and a tax that is considered efficient may not be equitable and people typically detest paying taxes because of how they affect their income. Few people are happy about paying taxes, as postulate by Owens (2006). Awitta (2010) added that, if tax policy is to succeed, it must be widely accepted by the populace.

#### **2.1.1.1. The purpose of taxation**

Taxation utmost purpose is to finance the recurrent spending programmes to maintain law and order. Lyme and Oats (2010) in their report outlined the various functions of taxation which explains it purpose. These include; generating revenue to mitigate government projects, thus tax serves as the main source of government revenue to finance infrastructure developmental project; Redistribution of wealth and income to advance societal welfare and equality. This is to ensure social justice, fiscal tool to control unfavorable balance of control, inflation and narrowing the gap that exist between poor and rich, in essence to create conducive surroundings to empower businesses to alleviate poverty.

### **2.1.2. Overview of Ghana Tax System**

Emphatically, taxation is a significant source of funding to almost all governments around the world, including Ghana and other emerging economic countries (Lymer & Oats, 2009). Ghana is a sovereign nation, and the government jurisdiction set out tax laws and collects taxes to fund its operations. The Internal Revenue Service (IRS) Customs, the VAT Service (VATS) and the Excise and Preventive Service (CEPS) were three distinct, semi-autonomous revenue agencies that handled the administration of various tax classes prior to 2009. A governing board was present at each of these revenue agencies. The Revenue Agencies Governing Board (RAGB) was created in 2002 by the merger of the various governing boards. The Ghana Revenue Authority, which is led by a Commissioner-General, was established in 2009 by combining the three autonomous revenue agencies with the RAGB. However, the RAGB was in charge of administration, while the individual Commissioners were in charge of operational oversight of the taxes within their respective domains. Additionally, the Unit acted as a test bed for the future merger of the various tax agencies. The Ghana Revenue Authority was established with the help of the lessons learned. The GRA has been engaged in a program of extensive administrative reforms since its creation, which is contained in three strategic plans for the years 2012–2014, 2015–17, and 2018–21.

The plans were purposively created to combine and completely modernize the Authority in order for it to fulfill its decree. They also aimed to strengthen enforcement mechanisms, expand the tax base, introduce innovative way to enhance processes and procedures and to discourage cutting-edge to increase tax revenue collections. The, the Customs Division, Services Division Domestic and Tax Revenue Division were the Authority's initial three divisions. The GRA is agency of government in charge of assessing and collecting taxes. It carries out the terms of the tax statutes and serves as the first adjudicator in the event of a dispute between the parties. The Ministry of Finance and Economic Planning oversees the GRA.

### **2.1.2.1 Ghana Tax system**

Within the governance set up, there are several sources of revenue but in the Ghanaian paradigm, it has been categorized in two folds, namely; tax revenues and non-tax revenues. According to Ministry of Finance (MoF) and Institute for Fiscal Studies (IFS), Ghana, (IFS, MoF, 2021) reported, GH¢ 8.5 billion of non-tax revenues and grant funding in 2019 which correspond to 2.5 percent of Gross Domestic Product (GDP). Vast bulk of this revenue emanated from taxes and levies levied by ministries, departments, and agencies (MDAs), oil revenues, dividends, and surface rentals (IFS, 2021).

Direct taxes have also contributed massively to Ghana's revenue generation. Over the past two decades, Ghana's total tax collections have increased, rising from just over 8% of GDP in 2000 to 13.4% in 2020 (IFS 2021). Despite the fact that this is a sizable rise, the overall level of tax revenue mobilization is still low when compared to other countries in the region and those with comparable incomes. IFS and Ministry of finance Ghana (IFS, 2021) reported aggregate trend of direct revenue growth from 2.5% of GDP to over 6% of GDP. They further accentuate that, indirect tax collection that does not include import taxes has grown more slowly, rising from 4% to 5% of GDP. Over the previous two decades, import duty receipts have remained largely constant, slowly increasing from 1.5% of GDP in 2000 to little over 2% between 2016 and 2018. Commodity imports as a percentage of GDP have fluctuated only slightly over time (from 20.6% in 2005 to 20.1% and 18.0%, respectively<sup>10</sup>), indicating stable effective (weighted) average import duty rates.

Given Ghana's long-standing budgetary difficulties, revenue collection has recently been a matter of particular urgency. The total central government debt climbed by about 5% points between 2018 and 2019 to reach 62% of GDP, while the entire government budget balance for 2019 was -4.8% of GDP (Ministry of Finance, 2020b). Ghana had significant economic upheaval in 2020 as a result

of the COVID-19 pandemic, which resulted in falling income and rising expenses. As a result, the overall fiscal balance fell to -11.7% of GDP, with the cost of employee compensation and debt repayments totaling more than total tax receipts. At the end of 2020, the public debt stock, excluding the bailout for the financial sector, was around 72% of GDP (Government of Ghana, 2021).

**Table 2.1. Types of Tax in Ghana**

TAX	TAX BASE
<b>Direct Tax</b>	
<b>Corporate income tax (CIT)</b>	Corporate profits
<b>Personal income tax (PIT)</b>	Individual earnings
<b>Mineral royalties</b>	Revenues from mineral sales
<b>National Fiscal Stabilization Levy (NFSL)</b>	Pre-tax profit in selected sectors
<b>Stamp duty</b>	Transaction value
<b>Airport tax</b>	Flight passenger
<b>Indirect Tax</b>	
<b>Value added tax (VAT)</b>	Taxable consumption
<b>National Health Insurance Levy (NHIL)</b>	All taxable sales
<b>Ghana Education Trust Fund Levy (GETFL)</b>	All taxable sales
<b>Petroleum taxes</b>	Petroleum purchases
<b>Import duty</b>	Imported goods
<b>Communication service tax (CST)</b>	Electronic communication services
<b>Excise duty</b>	Selected goods, e. g. alcohol, tobacco

Source: Ghana Revenue Authority (GRA), 2023.

For the sake of clarity, the tax base is explained in a simplified way. The airport tax is categorized as a direct tax in the table because it follows the categorization of tax types used by the GRA.

#### **2.1.2.2. Ghana Tax Reforms**

Since the inception and administering of taxation in Ghana, there has been series of tax reforms to suit and expand government parameters of revenue sources. For instance, introduction of VAT in 1995, withdrawn due to the citizens protest and objections, but latter reintroduced in 1998 after comprehensive education of citizens.

Recently Parliament of Ghana passed or amend Five laws that have (collectively referred to as "the Acts") affected both individual and corporate taxes. Budget Statement and Economic Policy (Budget for 2023) included a number of fiscal measures that were included in the enactment of these Acts. Acts such as the, Income Tax (Amendment) (No. 2) Act of 2023 (Act 1094), the Ghana Revenue Authority (Amendment) Act of 2023 (Act 1096), Excise Duty (Amendment) Act of 2023 (Act 1093), the Growth and Sustainability Levy Act of 2023 (Act 1095), and the Revenue Administration Act of 2022 (Act 1086) are among them. On April 3, 2023, The Acts were Gazetted. Since none of the Acts have an effective date, the date of the gazette notification (3 April 2023) serves as the Acts' effective date.

#### **2.1.3 Tax Compliance**

Tax compliance has no definite meaning, the concept has different measures base on the angle of perspective. Fischer et al (1992) also outline four (4) factors that promotes or hidens tax compliance. These include; demographic form of tax compliance (gender/sex, age and level of education), the system and structure of taxation (complexity of the tax system, probability of detection and penalties and tax rates), perception and attitude of tax payers (peer influence and

fairness of the tax system) and noncompliance opportunity (occupation, level of income and income source)

As demanded by the study's purpose and objectives, tax compliance is defined as taxpayers' (either business/ corporate entity or individual) decision to file returns and pay taxes in a timely and accurate manner in accordance with tax laws and regulations (GRA, 2019). Simply put, tax compliance denotes to submitting a tax return accurately stating income and deduction, settlement of assessed tax with due date.

Yong & Hooper, (2011), also reported set of core indicators of tax compliance, these include tax rate, tax authority role, tax audits, tax awareness, detection probability, perception on government spending, tax return and administration, and taxpayers' financial constraint. Barbuta-Misu (2011) also added further classification of the drivers of tax compliance. In his submission, Barbuta-Misu pointed out three (3) noneconomic and seven economic elements. The amount of actual income, tax rate, fines, penalties, tax benefits, and the likelihood of a tax audit were identified as the seven economic determinants of tax compliance. Tax attitudes, individual, social, and national norms, as well as the perception of the fairness of the tax system, are non-economic drivers. Organization of Economic Cooperation and Development (OECD, 2016), also identify two groups of compliance; administrative and technological compliance. They further explain that technological rules deal with figuring out the required taxes, whereas administrative rules deal with filing, paying, and making sure that deadlines are met.

Taxpayers should have a say in government choices and spending as well as the creation of penalties and tax audits in order to ensure that people pay their taxes on time (James et al., 2019; Alm et al., 1993). Although tax compliance is a problem that has been addressed for a long time, it is still complex and will continue to be so if it is not fixed. This suggests that factors other than

those adequately accounted for by the fundamental economics-of-crime approach must affect decisions regarding tax compliance. Consequently, even though this approach has provided some insightful findings, the breadth is too limited to properly comprehend tax compliance.

#### **2.1.4. Public Governance Quality (PGQU)**

In order to comprehend the concept of PGQU it is prudent to highlight on governance. However, as with most social occurrences, governance is very broad with no definite definition. The study considered Umar et al., (2018) definition of governance, which refers as employing the mandate given to the government to execute various activities to meet the contractual financially binding agreement with the people they represent. Governance is the process through which several parties engage with one another to affect how public policies are implemented.

The inception of public governance concept by World Bank in 1989 on their report on developing countries especially Africa, describe it as managing the affairs of a nation with political gain or power (Sardar, 2011). Referring to World Bank (1994), the idea of governance refers to the use of administrative authority, economic and political power to manage the affairs all levels of administrations. These activities manage the state matters at all levels is therefore known as public governance (Umar et al., 2018). It consists of the institutions, controls, and procedures that allow individuals and groups to communicate their differences, exercise their rights, and express their interests. They provided illustrations of the three components of public governance; administrative governance is the process of enforcing laws. Economic governance refers to the processes for making decisions that have an impact on a state's economic operations and its interactions with other economies. Elahi (2009) added that political governance also involves the process of formulating policies using well-informed decisions.

PGQU is a framework that aims to evaluate the performance of public governance across six aspects, encompassing political stability, voice and accountability, high-quality regulatory oversight, lack of terrorism or violent crimes, rule of law, and the prevention of corruption (Kaufmann et al., 2010).

Voice and accountability; This encapsulates the perception of a nation's residents' power to choose the representatives who represent them in government and the capable zeal to embrace or substitute them in successive elections depending on how well or poorly they perform. It projects to the freedom of citizens to express their opinions on topics of governance as well as the availability of a free press that allows for the dissemination of those opinions.

Political stability and absence of violence/terrorism; This measures attitudes toward the likelihood of a violent overthrow of the government, as well as political instability and terrorism. Government effectiveness; it measures the quality of public services and the civil service that being perceived by the citizens. Additionally, it gauges how well public policies are developed and put into action, as well as how dedicated the government is to doing so.

Regulatory quality; This factor gauges how well the public believes the government can encourage private sector growth through sensible laws and regulations.

Rule of law; This component assesses how successfully laws governing contracts, property rights, the police, the courts, and other aspects of society are seen to be enforced by the government, as well as how effectively these laws combat crime and violence.

Control of corruption; This factor measures how well people perceived the government delivery in the use of authority for personal benefit, as well as how well it guards against both small- and big-time corruption and elite takeover of the government. Following its inception, Mohammed and Strobl, (2010) articulated that public governance (PG) has been viewed as an integral aspect of

economic development, which defines the strategy for reviving the norm of taxpayer compliance with tax laws (Alabede, Ariffin, & Idris, 2012). In this regard, governments are held accountable to the populace and the ministers and the cabinet are also answerable to parliament for the effective and efficient governing of the nation, while ministers and the cabinet are held accountable to parliament for formulating and executing general policy. How well governments perform these functions is very essential to the planned behavior of tax payers in measuring their fulfilment.

#### **2.1.5. Financial Condition (FCO)**

Over the past few decades, a lot of academics have sought to define financial condition. According to Berne and Schramm (1986), FCO is the likelihood that a government or individual will fulfill their financial responsibilities. Simply put, financial condition determines the individual state of satisfactory and unsatisfactory about their cash flows. Other researchers assert that financial condition refers to financial solvency of one in catering its demand and services on a continuing basis (Nollenberger et al. 2003; Groves et al. 2003; and Ritonga and Buanaputra, 2022). They made distinctions between short-term, long-term, fiscal, and service-level solvency. Irwan et al. (2012), contended that, cash solvency explains a person's ability to create enough cash over the course of one or two months to settle their debts. Long-term solvency refers to an organization's capacity to pay for all of its expenditure operations, including both routine and one-time expenses that will only materialize during the years in which they must be made. They further highlighted budgetary solvency which also explains the capacity to create enough revenue to cover existing or anticipated levels of demand and service. Additionally, service-level solvency refers to an organization's capacity to offer standardized level services to their customers.

### **2.1.6 Risk Preference (RPE)**

Basically, risk preference projects the way people view risk, which portrays sort level of important factor to consider by individual to make informed judgment. It is referring to options associated with risk that taxpayers think are preferable to other possible accessible alternatives (Aksiana and Sujana, 2019).

People are reasonable and believe that while making decisions, they have a tendency to be risk adverse. The assumption of rationality and people's behaviors, asserts that individuals are typically constrained by their own cognitive biases and the outside environment, which causes their risk preferences to vary depending on the situation. However, this is rarely the case in real life. Alabede et al., (2011) in his report postulated three categories of risk preference, namely; risk neutrality, risk seeking, and risk aversion. This was further explained by Alebade et al. (2011) as moderating factor that generally address the options available for taxpayers considering risk associated with finance, health risk, social risk, safety risk and risk with career.

## **2.2 Theoretical Review**

The theory as guide for this explains the collection of assumptions or guiding principles that have been developed to explain a collection of events or facts. It is crucial to have a theory that can predict natural phenomena, has undergone thorough testing, and is widely accepted. The theory of Planned Behavior and Prospect theory.

### **2.2.1 Theory of Planned Behavior (TPB)**

The theory of planned behavior as proposed by Ajzen (1991) is review to extend the theory of reasoned action (Ajzen & Fishbein, 1980; Fishbein & Ajzen, 1975) which made possible to curb the shortcomings associated with behaviors trait of individuals with incomplete conscious control.

By incorporating observed behavioral control, Ajzen expands this theory to improve the theory of reasoned action's capacity for prediction. It highlights the connection between human behavior and psychology that links beliefs and behavior.

Ajzen (1991) asserts that a person's intention (behavioral intention) towards a specific conduct affects that person's behavior. According to Ajzen, theory of planned behavior has three components: control beliefs, normative views, and behavioral beliefs. According to this approach, specific characteristics that have organized origins and influences have an impact on how people behave in social situations.

Using the example of taxpayer compliance behavior, he demonstrates how individual beliefs are derived through behavior and evaluation of these findings. The PGQU is a representation of normative views, which are the ideas about the normative expectations of others and the incentive to comply with these expectations (Saragih and Aswar, 2019). Control beliefs, such as the conflicts arising from preference risk and taxpayers' financial situation, will be evident regarding the existence of elements that either encourage or impede that conduct.

The inform judgement from the behavior can emanate from the surroundings or within oneself. This suggests that a taxpayer's compliance or lack thereof with tax laws depends on the advantages and consequences of his actions in filing taxes. Additionally, the taxpayer will take outside data into account. Therefore, certain elements in His acts are control of trust will have an impact on taxpayers.

### **2.2.2. Prospect Theory**

Prospect theory describes how one make informed decisions in an incomplete volition or uncertain circumstances (Saragih and Aswar, 2019). Kimberley first proposed this hypothesis in 1979, and Daniel Kahneman and Amos Tversky expanded on it in 1992. As an alternate approach to

explaining decisions people make when faced with danger, prospect theory was developed. In essence, it was created to be a stand-in for expected utility theory (Edward, 1996).

Numerous studies use prospect theory as the fundamental perspective to examined taxpayers' compliance and noncompliance theoretically with the moderating role of risk (Alabede et al. 2011; Irawati and Sari 2019). It explains risk preference such as, health risk, educational risk, dependent risk etc. which taxpayers consider it laden factor opportunity.

The risk factor of the taxpayer may determine preparedness to settle the tax obligation, However, a high-risk level for a taxpayer who is risk-seeking will not stop them from paying taxes, whereas a low risk level for a taxpayer who is risk-averse will result in the avoidance of tax liability. According to Tversky and Kahneman, the emotional impact of losses is greater than the emotional impact of gains. Given two options with the same outcome, an individual will prefer to have more options.

## **2.3 Empirical Review**

### **2.3.1. Public Governance Quality (PGQU) and Tax Compliance Behavior (TCOM)**

The issues of PGQU and TCOM transcend globally in many economics with no exemption developing countries especially in Ghana. The consensus of theorists is that planned behavior projects to benefit demand that intend to bring in compliance (Emerson, 1976). In light of this, there exist sturdy relationship between taxpayers and government that opines an increasing propensity of taxpayers to comply and to portray desirable posture to pay taxes due (Al-Okaily, 2020). This implies the onus of government to steer the affairs and address the pending issues to uphold anti-corruption laws and ethical standards that were inadvertently established in public administrations for socioeconomic progress.

Everest-Phillip and Sandall (2009) emphasized that having a good tax system is required for having excellent public governance, and vice versa, that good tax system is vital for achieving good public governance. Through the payment of taxes, citizens provide financial assistance to the government so that it can carry out its duties.

Studies on taxpayers' perceptions of the government on personal income tax compliance were conducted by Aronmwan et, al. (2015). The results demonstrated that the taxpayer's opinion of the government's responsibility, integrity, proper management, transparency, and other qualities is a crucial consideration when thinking about tax compliance.

The study revealed a significant positive correlation between personal tax compliance and the effectiveness of the government. The results of Modugu et al (2012) and Ortega, Ronconi, and Sanguinetti (2016), which postulated that tax payer perceive that if the government is performing well, compliance is more likely to increase., provided support for this study. There is less need to use coercive techniques to enforce compliance as the desire to pay is automatically increased (Bitzenis & Vlachos, 2018; Dickerson, 2014) the more credible the state looks to its citizens in their minds and eyes.

Meagher (2018), asserts that taxing represents a mechanism to provide informal actors more negotiating power with the state through tax negotiations, leading to gains, service provision, and public accountability. According to Kundt (2017), the implied social contract is the main foundation of the argument and must be upheld.

Sebele (2020) also contended in his study on Zimbabwe's informal economy's administration, tax compliance, and morale. According to the study's findings (Joshi et al., 2014), taxing the informal sector is likely to improve political accountability and promote good governance. The study used a sequential exploratory Mixed Method Research design that leans heavily toward qualitative data

collection and integration of questionnaires, semi-structured interviews, and document reviews. The findings demonstrate a significant relationship between tax compliance in the unorganized sector, tax satisfaction, and governance effectiveness. This ultimately influences the taxpayer's choice of paying taxes or evading them.

However, despite the positive relationship projected by numerous researchers, there other studies which their findings showed inverse result (Palil et al. 2012; Alon and Hageman 2013; and Enginda and Baisa 2014). They discovered that there was no substantial correlation between perceived government spending and tax compliance, proving that TC level was unrelated to the effectiveness of the government's services.

Additionally, Fochmann and Kroll (2015) discovered a u-shaped negative relationship between tax obligations and the contribution to the public good. In other words, up to a point, people's own contributions to the common good enhanced tax compliance. However, above this point, these public benefit contributions had less of an impact on tax compliance.

The effectiveness of public governance is a matter that affects all residents of a country since it has a direct impact on the advantages of governance. Taxpayers fund the government by paying taxes, hence they should care about it as they are the source of the funding for it. Therefore, governance activities may have a positive or an adverse impact on taxpayers' compliance behavior. It noteworthy that, PGQU has been investigated as a significant factor influencing tax compliance, however the findings of research on the relationship between PGQU and TCOM have been deemed conflicting. These similarities call for more investigation, particularly in an enclosed setting where it has not before been done.

### **2.3.2 Public Governance Quality (PGQU), Tax compliance behavior (TCOM) and Financial Condition (FCO)**

FCO as a moderator for factors affecting TCOM and PGQU, literature has shown relationship between people's commitment and performance appears to be moderated by their FCO and family responsibilities (Brett, Cron & Slocum, 1995). Few behavioral investigations have been empirically provided evidence in favor of the interaction impact of FCO on people's behavior. The findings (Doran, et, al., 1991) confirmed the idea that a person's financial condition influences how consistent his or her attitude and behavior are.

Alebede (2011) also reported that, good or low FCO affect the association between tax compliance and PGQU, when FCO is a mediator of individual TCOM and PGQU. However, irrespective the connection between tax compliance and its causes, a person's FCO may have a favorable or negative impact on his willingness to abide by the tax laws.

Literature has suggested that association may be influence by third variable been it mediation or moderation due to inconsistent findings regarding the association between TCOM and a few of its factors, most notably the financial status of taxpayers (Alabede, 2011; Irwan et, al., 2012). Taxpayer's financial status might be stressful, especially when payments, like taxes, need to be made. Similarly, Bloomquist (2003) demonstrates that one of the causes of stress for taxpayers is financial burden.

There are signs in previous behavioral studies that family responsibilities and financial situation affect the association between people's tax compliance behavior and the effectiveness of public government. In 2011, Alebede et al. According to empirical evidence, the moderating effects of FCO on people's conduct have been supported by a few behavioral research. This suggests that a person's commitment to fulfilling their duties, including paying taxes, may be moderated by their

financial situation. In a culture with a high family income, the effect of individual financial circumstances on TCOM and its drivers may be more apparent.

### **2.3.3. Tax Compliance, Public Governance Quality and Risk Preference**

Baron and Kenny (1986), postulate that moderating variable is one that alters the link between an independent and a dependent variable, determining its strength or direction. Such a moderating variable is known as prospective moderation, as Helm and Mark (2012) demonstrated. It's possible that a moderating variable influenced the outcomes of the several research studies, which is one explanation for the conflicting findings.

However, there is conflicting empirical support for the association between PGQU and TCOM (Park and Hyun, 2003; Torgler and Schneider, 2009; Alebede et al., 2011).

The submission of Musimenta et al. (2017) shows that, when risk preferences have a strong association with taxpayer compliance, the level of compliance will be low. Study conducted by Alabede (2011a) with risk preference as moderator from the proposed model of tax compliance for Nigeria contended that tax payers will be highly influence by their preference risk. He posits that individual risk is measure against the benefit gain and the level of negative impact of loss. However individual will choose to gain instead, by satisfying the closely preference.

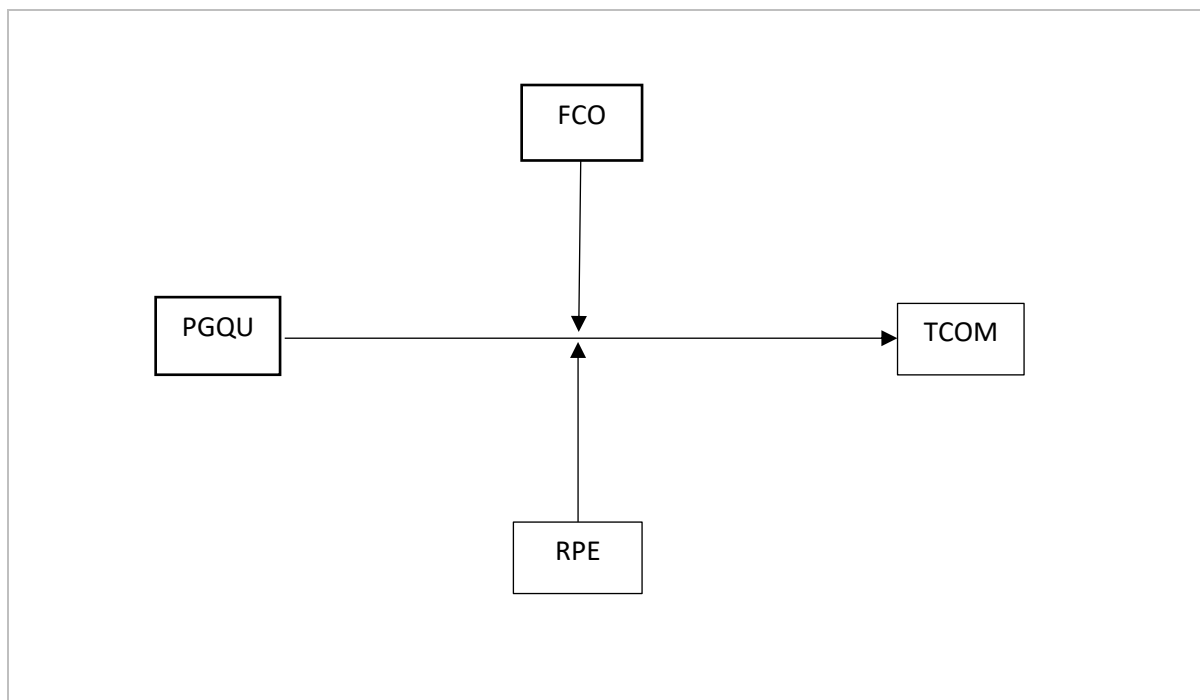
According to Saragih and Aswar (2019), risk preferences can either improve or diminish the connection between TC and PG efficiency. Every taxpayer must make a judgment on whether to take a risk when dealing with risks that arise. When a taxpayer struggles in his personal life, his compliance with the law may suffer. Examples include not knowing enough about taxes or being unaware of recent policy changes.

Risk Preference affects a person's behavior is that intend to affect its influence to TC (Sitkin and Pablo, 1992).

risk preferences can influence how well taxpayers understand tax laws and how likely they are to follow them (Dwi et al. 2019; Utari & Setiawan 2019; and Asrianti 2018).

The moderating role of risk preference in the link between TC and PGQU is theoretically supported by the prospect theory. Kahneman & Tversky (1979) assert that, people frequently make inconsistent choices as a result of shifting circumstances. However, risk preference has little impact on compliance taxpayer (Irawati & Sari 2019; Setiawan & Meliana 2017; and Adiasa, 2013).

#### 2.4. Conceptual Framework



**Figure 2.1. The Research Framework**

**Source: Researcher 2023**

The figure consists of four variables namely, PGQU-public governance quality, TCOM-tax compliance behavior, RPE-risk preference and FCO-financial condition. The PGQU represent the independent variable and TCOM also represent the dependent variable. The direction from public

governance to tax compliance indicate the relationship which is moderated by risk preference and financial condition.

## **2.5. Summary**

In conclusion, research on the relationship between PGQU and TCOM has produced mixed results. Public governance has been examined as a crucial factor influencing tax compliance. More research is needed, especially in a closed environment where it has not yet been done, because of these parallels.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter outlines the research approach that was used. Marczyk et al, (2005) postulate that research methodology and design is very important and plays systematic role for simplification and rational presentation of research work to achieve the aims and objectives of the study. The research methodology used in the study is covered in this chapter. It explains the background and justification for the selection of the research methodology. The chapter projects to the research processes and its underpinning principles, the sequential organisation and logical linkage of the researcher's actions. Furthermore, it also consists of the: research philosophy/ paradigm, research method, and strategy, research approach, research design, data sources, population, sampling size and sampling technique, instrument and procedure of data collection, data analysis and techniques, validity and reliability of research instrument and ethical consideration.

#### **3.2 Research Paradigm**

A research paradigm offers a set of beliefs and understandings upon which your research project's ideas and practices may be based. Research paradigms plays very significant role that serve as a project's philosophical foundation. In a nutshell, they are the researcher's general worldviews (Creswell, 2009).

Once the research ethos has been identified, a suitable approach can be chosen. Understanding the conceptual underpinnings of your research will also enable you to complete any analyses that may be required of you more successfully.

A research philosophy is a viewpoint on the methods to employ when obtaining, examining, and utilizing facts pertaining to a topic. Research philosophy portrays conviction about the methods that should be utilized to gather, analyze, and utilise data about a phenomenon (Tsung, 2016).

It falls under the category of "epistemology," which denotes what is understood to be true as opposed to "doxology," which denotes what is merely believed to be true. Thus, the goal of science is to move from doxa to episteme, from what is believed to what is known. Assumptions regarding the sources and the nature of information are used at every stage of the research process (Bajpai, 2011). The research philosophy will be founded on the major suppositions made by the author, which will also serve as the framework for the study plan.

### **3.2.1 The research philosophy adopted for the study**

The present study adopts the realism and the objectivist research paradigm respectively from the epistemological and ontological philosophical stance. The realism emphasizes the validity of reality and the fact that objects exist in the human mind on their own (Saunders et al., 2012) and the objectivist articulates that social entities exist in reality independently of the social players who are concerned about them. (Saunders et, al., 2012). The paradigm was chosen because they rely on scientific evidence to reveal the true nature of the operations of the society.

**Epistemology** as one area of philosophy is concerned with how knowledge is obtained. Epistemology is particularly interested in the potentials, nature, sources, and boundaries of knowledge in a given field of study. Alternatively, epistemology examines the standards by which researchers classify knowledge into that which it includes and that which it excludes. According to Hallebone & Priest (2009), epistemology focuses on what is believed to be true. Epistemology is the generally recognized understanding of a certain topic of study (Bryman & Bell, 2011).

Resource and emotional researcher are two subcategories that could be distinguished. Resource study examines data from the perspective of the natural world.

There are many different subjects and issues covered in the study of epistemology. Research philosophy draws from a wide range of sources. Information sources can be divided into the four groups listed below, especially those that are relevant to business research.: Knowledge that is intuitive and is based on intuition, faith, beliefs, etc. Intuitive knowledge is more heavily influenced by human emotions than it is by facts; authoritative knowledge also draws on data from books, research papers, experts, supreme powers, etc.; By using logical reasoning, logical knowledge is the generation of new knowledge; Empirical knowledge is based on demonstrable, verified, and impartial facts. By analyzing primary data findings, researchers can produce logical knowledge, and the research's findings may be interpreted as empirical knowledge.

This study can be traced to **realism**, another epistemological school of thinking that has to deal with scientific investigation (Blaxter et al., 2010). The primary attribute of realism is that it emphasizes the truthfulness of reality and the idea that things exist independently in human minds (Saunders et al., 2012). There are two sorts of realism: direct realism and critical realism. Direct realism explains both what is learned by the researcher and what is felt by our senses. On the other hand, critical realism contends that reality is not what we perceive; rather, it is merely a representation of what we perceive. The first is concerned with the ability to explore the topic being studied, as opposed to the critical realist, who recognizes the value of multi-level research in the context of the individual, the group, and the organization.

**Ontology** is simply “the science or study of being” in the global of business (Blaikie, 2010) and it discusses the reality of nature. The central question in ontology is whether social entities should be considered as objective or subjective. In other words, you need to assess whether social actors'

views and behaviors have an impact on the social phenomena that are the subject of your study, or does the universe exist independently of the social world. Wilson (2010) specifies objectivism and subjectivism as two significant facets of ontology.

Subjectivism holds the view that social actors who are interested in them shape social phenomena by their views and actions. The formal definition of constructionism is "ontological position which asserts that social phenomena and their meanings are continuously accomplished by social actors" (Bryman, 2012). Second, subjectivism emphasizes how social phenomena are shaped by the opinions and conclusions of the social actors who are interested in them (Collins & Hussey, 2014).

Saunders et, al. (2012), assert that objectivism takes the stance that social entities exist in reality independently of the social players who are concerned about them. On the other hand, objectivism "is an ontological position that asserts that social phenomena and their meanings have an existence that is independent of social actors" (Bryman, 2012). Objectivism, which is the first characteristic of ontology, is the theory that social things persist in reality separate from social actors (Collins and Hussey, 2014).

### **3.3 Research Method**

According to Bajpai (2011), Research methods are a systematic and scientific way to gather, compile, analyze, interpret, and draw conclusions about any business challenge. These can be used to classify various sorts of research procedures into distinct groups, taking into the greatest consideration the nature and objective of the study, the methods used to obtain the data, the type of data used, the research design, and other aspects. For the purpose of the study, it maintained the quantitative, qualitative and mixed methods. Qualitative methods explains the in-depth focus groups, interviews, and participant observation approaches engaged in the analysis that places an

emphasis on process and meanings (Sale et al., 2002). However, quantitative research uses mathematical models to test ideas and hypotheses relevant to the natural world (Creswell, 2009). It entails a systematic scientific analysis of quantitative phenomena and their interactions. Researchers can utilize a variety of data gathering and analysis strategies in a single study when mixed method technique are engaged.

### **3.3.1 Qualitative**

Qualitative research provides a thorough understanding of the fundamental motivations, attitudes, and stimuli behind various human behaviours (Kaae & Traulsen, 2015). Qualitative research is based on Words, thoughts, emotions, sounds, and other intangible, non-quantifiable elements are the foundation of qualitative research. It has been said that information is considered qualitative if it cannot be analyzed using mathematical techniques. This trait may also indicate that an incident doesn't occur frequently enough to allow for the gathering of accurate data. Qualitative improves understanding of human issues in many scenarios (Patton, 2014). If the researcher enjoys understanding a particular topic from the viewpoint of respondents in order to create a survey that can be generalised using a large sample size, then a qualitative research approach is taken (Rosenthal, 2016). Qualitative data can be collected in a variety of ways using semi- or unstructured approaches. A few typical methods include individual interviews, focus groups (group discussions), and participation/observations. Semi- or unstructured methods can be used to acquire qualitative data in a variety of ways. Individual interviews, focus groups, and participation/observation studies are a few common techniques.

### **3.3.2 Quantitative Research Method**

Quantitative research generates numbers or numbers that can be transformed into relevant statistics. Comparatively more rigid methods are used to collect quantitative data than qualitative data. Quantitative research dwells on quantification of research data and application of statistical analysis (Klupp, 2011). Larger sample sizes are used to measure attitudes, perspectives, activities, and other specific factors in order to reach general conclusions. Quantitative research uses data that can be quantified to establish facts and spot trends in the field. Unlike qualitative research, quantitative research theory precedes observation. Quantitative research involves the activity of deducting, confirming, theory(hypothesis) testing, explaining, predicting, standardizing data collection, and statistically analysing (Johnson and Onwuebguzie 2004). Number of studies formats, such as print, online or online polls, mobile or mobile interview, website interceptors, systematic observations, face-to-face and longitudinal studies are used to obtain quantitative data. Quantitative usually uses questionnaire instruments. Such designs as descriptive, correlational, quasi-experimental, and experimental establish cause-effect relationships among variables. It collects data from a small group to indicate the perspectives of a larger population.

### **3.3.3 The mixed method approach**

The mixed method research strategy, according to Cresswell & Cresswell (2018), entails gathering both qualitative data and quantitative data to achieve the research objectives as well addressing the research questions and/or hypotheses.

Exacting methods are used for data collection, analysis, and interpretation of both quantitative and qualitative data. To be employed in the design analysis, these two forms of data are consolidated, clarified, added to from one database to another, or integrated into a larger framework (Cresswell, 2014; Cresswell & Cresswell, 2018).

In the field of social science, combination of different research strategies and data in investigating social phenomenon dominates (Plano, 2010).

The principal assumption of mixed methods research is combining quantitative and qualitative research methods to augment the appreciation of a research problem (Creswell, 2014).

### **3.3.4 Research Approach Adopted**

The study adopts quantitative research method in achieving the aims and objectives of the study.

Quantitative research makes use of numbers to clarify, deduce, and solve issues. Priority is placed on gathering numerical data, summarizing that data, and drawing inferences from the data (Sun & Kumar, 2008).). Simply put, quantitative research collects and analyzes data using numbers and arithmetic. In quantitative studies, it is usual to present study findings using tables, graphs, and charts.

Quantitative researchers consider broad parameter, population-level knowledge of behaviour and other events. With the use of quantitative data analysis, data from large samples may be processed and analyzed in a consistent and trustworthy manner. Requisite testing procedures are carefully considered to make the report, predictions of data collection confidently conclusive.

### **3.4 Research Design**

Basically, research design is the process involved in selection of specific data gathering and analysis methodologies. The phrase "research design" appears to be best defined as a comprehensive plan for conducting a research activity. Saunders et al. (2012), provides a framework for choosing certain methods for collecting and interpreting data.

An in-depth understanding of a phenomenon can be seen in a descriptive study, a quantitative research methodology. Researchers from a variety of fields use descriptive research to clearly

pinpoint the target audience, market, or circumstance. Descriptive analysis is focused on analyzing and characterizing a variable or collection of variables as they occur, addressing questions such as who, what, why, where, and how much, and employing standardized questionnaires to make the process more descriptive (Prempeh & Nsiah-Asare, 2016). To give you precise and crucial information, descriptive survey research combines quantitative and qualitative data. The study's target audience is involved through a quick research technique known as a descriptive survey design. For the objective of the study, the descriptive and explanatory research design were used. Explanatory research seeks to understand why events occur by finding cause-and-effect connections. Hypothesis testing can be used in explanatory investigations to identify causes and effects in this manner. The descriptive design explores the nature of current conditions and describes an existing phenomenon by characterizing individuals or groups numerically (McMillan & Schumacher, 2010). The descriptive design is chosen because the researcher wants to describe the situation as it is right now.

### **3.5 Population of the Study**

Study of Sherbinin, et. al., (2007). assert that population consist of a group of people with observable features from whom data can be gathered. A population is typically a sizable collection of people or things that are the subject of a scientific study. This may also refer to a group of persons or objects with the same features that an academic intends to study in order to outsource statistical conclusions or inferences (Gall et al. 2006).

The population of the study includes selected tax payers in the regional capital in Ghana. The study uses individuals, firms and business owners that forms taxpayers' group in the selected regional capital of Ghana. The study considers 1200 population size for the study.

### **3.6 Sampling Technique and Sample Size**

The study espoused the multi-purpose sampling technique. Purposive sampling technique is with the intention the researcher is aware of the required information and can decide the group of individuals that can provide the required information for the study (Tongco, 2007). With purposive sampling, samples are chosen from the overall sample size based on the researcher's evaluation. The researcher uses purposive sampling technique to select two regional capitals (Accra and Kumasi) due to their business exposure.

Random sampling positions each member at equal advantage within the population to be selected for the study to represent the sample. Gravetter & Forzano (2018) added that the logic behind random sampling is that it removes external or internal influences and maintain unbiased in the selection process that intent to represent fairly the outcome of the samples. To determine a reliable sample size, the study adopted Krejcie & Morgan (1970) table which spelt out the required sample considering its population.

Krejcie & Morgan (1970) table is employed in selecting sample size for the study. From the Table 3.1, the population of over one thousand two hundred clues on a sample size of about 291. Drawing on this, the researcher used a sample size of 291.

### **3.7 Sources of Data**

Basically, mobilisation of data involves primary source or secondary source (Saunders et al., 2012). Primary data is a term used to describe information that has never been preserved before. It represents the preliminary findings of the study. Primary data collection and analysis may need more time and effort than secondary data study. Primary sources offer unfiltered data and first-hand proof. For instance, numerical data, artistic creations and transcripts from interviews. The use of primary source data gives you immediate access to the subject of your study.

Secondary data on the other hand, provide supplemental data and analysis from other researchers. Book reviews, Journal articles, financial or non-financial report and scholarly publications are a few examples. Secondary sources of information, such as newspapers, magazines, books, journals, web portals, and so on. Secondary data collecting procedures save money, time, and effort. In particular, secondary research does not add to the corpus of literature by generating new (fresh) data.

In order to examine how taxpayers view public governance in Ghana, to achieve the objectives and coherence of the study conclusions, it is crucial to collect data from primary sources. Only primary data were used in the study for analysis and discussion.

Primary data would help implore first-hand data obtained from respondent to support the study's aims be realized. The use of primary data ensures the necessary knowledge helped the researcher solve the study's questions. Primary data is gathered by administering structured questionnaires to selected respondents. This helped the researcher to obtain first-hand knowledge for the research.

### **3.8 Data Collection Instrument**

Data collection helps mobilize and analyse data from various sources to resolve research problem and evaluate possible outcome. Data collection could be conducted in diverse (Nwana, 1981), this implies distinct ways that data could be solicited for the study, among them are use of questionnaires, interviews, focus group discussions and observations, etc.

To answer the research question, data collection plays very important role. It is noteworthy that for the research objectives to be achieved, process of gathering information from all pertinent sources as well the medium through which the information is acquired must be considered. This study data was gathered from respondents through the use of a structured questionnaire. The

purpose of a questionnaire is to gather data from respondents by posing a series of questions to them.

According to Prempeh and Nsiah-Asare (2017), a questionnaire is a structure of text that depicts the purpose of the study intended to elicit the necessary data through the respondents' written responses. When compared to other methods, questionnaires can be a quick and convenient approach to find out a lot about people's attitudes, opinions, preferences, and intentions. The usage of questionnaires is an efficient, straightforward, and affordable way to collect a lot of data from a big sample of people.

### **3.9 Validity and Reliability of Data**

For every study it is very important to test the Reliability and validity that proves the authenticity to assess the originality of the study. They demonstrate the effectiveness of a method, strategy, or test. Validity is concerned with the precision of a measure, while reliability is concerned with the consistency of a measure. Validity describes how closely study findings are produced in accordance with the requirements of the scientific research procedure. Validity is a vital component for all types of investigations (Oliver 2010). Study validity comes in many forms, but Cohen et al. (2007) identified the main ones as concurrent validity, construct validity, criterion-related validity, content validity, internal validity, external validity, and face validity. In view of this, the researcher gave the first draft of the questionnaire to his supervisor as well as experts in the field of warehousing to assess whether the research instrument can measure the objectives of the study or can answer the researcher questions. Prior to the questionnaire's final draft, the experts' advice was taken into account.

However, reliability is the degree to which the same outcomes may be consistently obtained with the same tools. Concisely, the reliability of your study must prove otherwise the comparability of

other researchers results using similar research techniques under like circumstances. Because there is no foolproof way to shield data from the effects of one observer's subjectivity, dependability is always a concern (Babbie, 2010). Das et, al. (2010) claims that reliability problems are frequently directly related to subjectivity, and if a researcher takes a subjective approach to the study, the level of dependability of the work will be jeopardized. The Cronbach alpha got signaled that the instrument was reliable. The succeeding chapter shows the result of the reliability test. The EFA and CFA were used to test the scale reliability and the variables internal consistency.

### **3.10 Data Analysis**

The quality and interpretation that one derives from data has more to do with data collection and analysis than with survey scale, according to Saunders et al. (2007). Data analysis includes organizing and decomposing data into its component pieces as well as performing statistical computations on the raw data (Osuala, 2005). Descriptive (Means and Standard Deviations) and Inferential Statistics. This type of analysis helps describe and analyse the relationship that exist among the variables.

The study employed Structural Equation Modeling (SEM) to conduct the inferential analysis of regression. Zainudin (2015) postulate that SEM is an updated modeling to compute multivariate analysis. Researchers and academics alike frequently use this technique to analyze data collected through questionnaires. Since the analysis carried out will produce more precise results, using AMOS programs to tailor this SEM method is extremely appropriate (Mustafa, Nordin and Razzaq, 2020).

Confirmatory factor analysis (CFA) is also employed to tests for each factor compatibility thus to assess how well the factors were well-suited. For every test portrays its required threshold that poofs it level of significancy. The factor loadings values are primary used as threshold to determine

the compatibility. The loading factor value, which must be greater than or equal to 0.50, but less than or equal to 1.00, and in the positive range.

The additional requirements put forward for this fit are broken down into three categories of fitness validity: convergent validity, fitness index and construct validity.

The Convergent Validity (Average Variance Extracted-AVE) and Construct Validity metrics must be met for validity assessment. Fornell & Larcker (1981) propose that the AVE value in satisfying the Convergent Validity measurement standards is greater or equal to 0.5, Kline (2005) supported that, the value of AVE that can assess compatibility is at least 0.50. The measurement criteria for reliability come next. The Composite Reliability value for this criterion is greater than or equal 0.7. For fitness index Byrne (2001), propose the Root Mean Square Error of Approximation (RMSEA) value which should be less than or equal to 0.08, while the Goodness of Fit Index (GFI), Comparative Fit Index (CFI), and Tucker-Lewis coefficient (TLI) also known as Bentler-Bonett non-normed fit index (NNFI) values should be greater than or equal to 0.90 (Bentler, 1990).

### **3.10.1 Model Specification**

The independent variable, Public Governance is regressed against the dependent variable. Tax compliance. The study employed the linear regression model in SEM form. Studies such as Alabede et al. (2011), Oduro et al. (2018), Feix and Belo (2019) and Batinge and Jenkins (2021) employed multiple regression model. However, the general multiple regression model used to analyse data in this study is as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Where Y = dependent variable

X1, X2 and X3 = independent variables

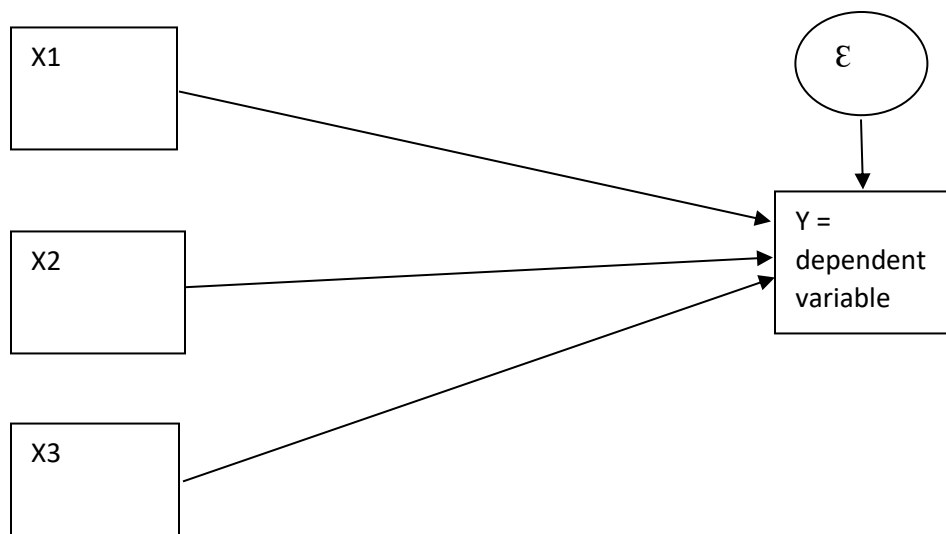
$\varepsilon$  = error term

$\beta_1, \beta_2$  and  $\beta_3$  = coefficient of the independent variables

$\beta_0$  = coefficient of constant

### 3.10.1.2. The Structural Equation Model (SEM) form of the Regression Model

Structural equation modeling (SEM) is a measurement model which uses path analysis to test all speculative dependencies, is a methodology for representing, estimating, and testing a network of relationships between variables, also known as latent variables or composite variables (Hoyle 1995, 2011; Kline 2010). Specifically, the figure 3.1 shows the regression model  $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon$  in the structural form.



**Figure 3.1: The Structural Equation Model (SEM) form of the Regression Model**

**Source: Researcher 2023**

Specific model

$$TCOM = \beta_0 + \beta_1 PGQU + \epsilon_i \dots\dots\dots(1)$$

$$TCOM = \beta_0 + \beta_1 PGQU + \beta_2 FCO + \beta_3 PGQU * FCO + \epsilon_i \dots\dots\dots(2)$$

$$TCOM = \beta_0 + \beta_1 PGQU + \beta_2 RPE + \beta_3 PGQU * RPE + \epsilon_i \dots\dots\dots(3)$$

Where TCOM = Tax compliance Behaviour

PGQU = Public Governance Quality

FCO = Financial Condition

RPE = Risk Preference

### 3.10.1.3 Modeling the interaction effects of a moderator for the observed variable

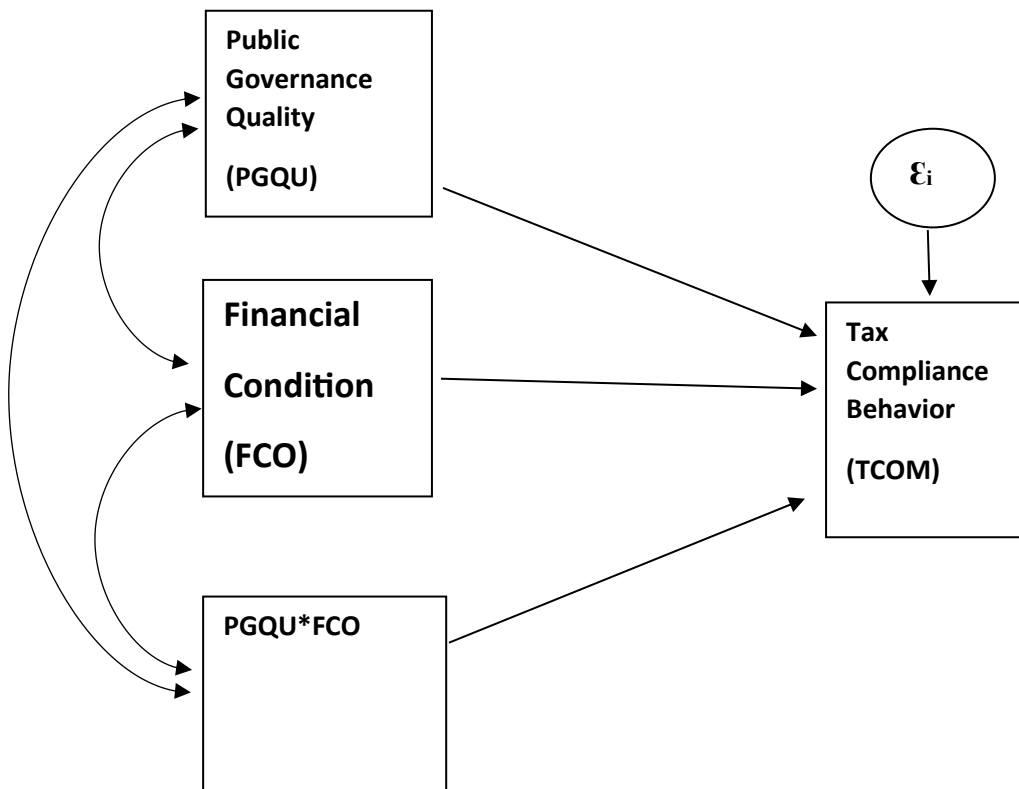
Moderation analysis, sometimes referred to as moderated multiple regression (MMR), is used to determine whether the values of a third variable have any impact on the strength or direction of the association between the independent and dependent variables (Aguinis, 2004). As was previously said, although moderation suggests a causal impact's weakening, a moderator can also strengthen the causative effect. The impacts on the dependent variable may be reduced or increased depending on how the independent variable and moderator interact in the model.

Measuring the causal association amongst independent variable PGQU and dependent variable TCOM for various levels of moderator variables risk preference (RPE) and financial condition (FCO) is a crucial component of moderation.

The PGQU on TCOM explains the simple influence of independent variable on the dependent variable taken into consideration the third variable FCO and or RPE as moderators. In light of that the equation,  $TCOM = \beta_0 + \beta_1 PGQU + e$  represents the simple regression model.

However, the effect of the moderating variable FCO in the model will also represent,  $TCOM = \beta_0 + \beta_1 * PGQU + \beta_2 * FCO + \beta_3 * PGQU * FCO + e$ . From the equation,  $\beta_3$  as part of the regression

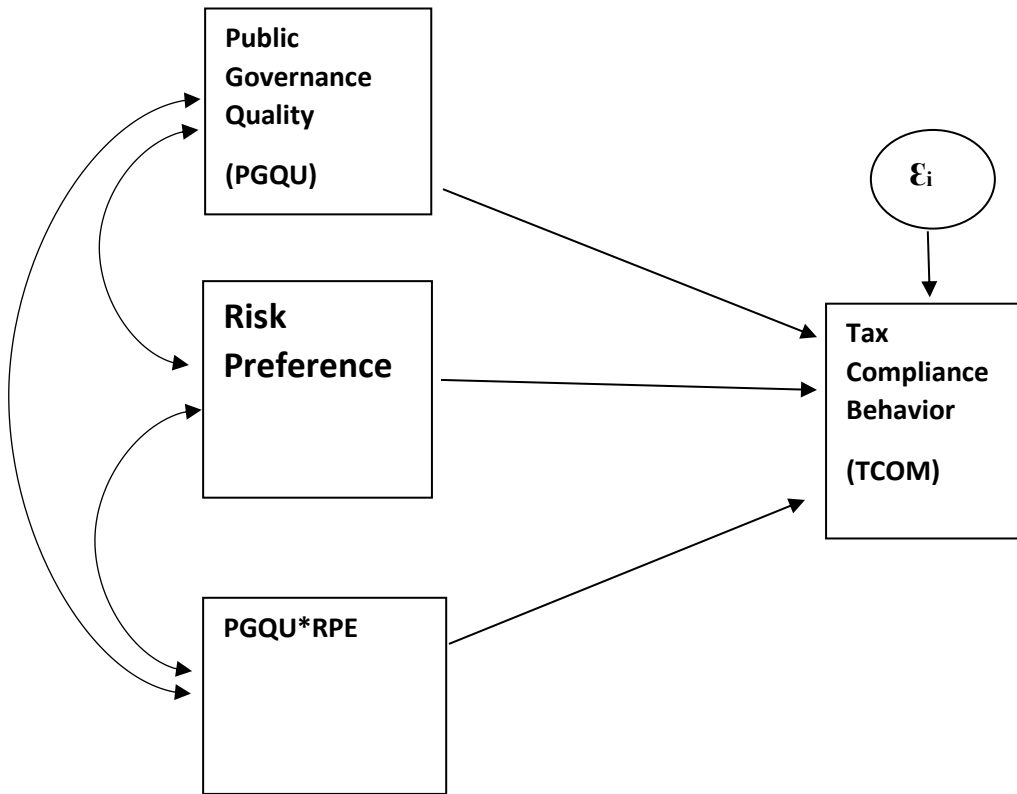
coefficient measures the interaction effect between PGQU FCO while coefficient  $\beta_1$  measures the simple effects of PGQU when the value of FCO = 0 (no interaction effects involved). The term PGQUFCO is formed which confirms the test of moderation after that. For every test for moderation in a model, it is required to test  $\beta_3$  the coefficient of PGQUFCO. When the coefficient  $\beta_3$  is significant, it determines that FCO moderates the relationship between PGQU and TCOM. Having all variables and data in hand, the researcher will analyse that the moderator FCO is actually moderating the relationship between TCOM and PGQU. The information can be modeled in the figure 3.2 below.



**Figure 3.2 Illustrates how the regression equation 2 is modeled in AMOS graphic.**

**Source: Researcher 2023**

Similarly, to equation 3, with all variables data intact, the text for moderating variable RPE is on the association that exist between TCOM and PGQU. For the purpose of the moderator, there is the need to generate new variable that explains the multiplication of PGQU and RPE. Thus, the variables involve will be PGQU, TCOM, and PGQU\*RPE. The figure 3.3 below indicate the structural form of the model.



**Figure 3.3 illustrates how the regression equation 3 is modeled in AMOS graphic**  
**Source: Researcher 2023**

### 3.11 Variables Define

Once the methodical technique and its requirements are established, it is vital to identify, define, and characterize the various variables for the study as well as their measures.

**Tax Compliance behavior:** is seen as complying with tax laws and regulations when the tax base is reported accurately, tax obligations are calculated correctly, tax returns are filed on time, and taxes are paid on time.

**Public governance quality** is a construct that aims to assess the performance of the activities in six areas: voice and accountability; political stability and the absence of terrorism or acts of violence; government effectiveness; regulatory quality; rule of law; and control of corruption (Kaufmann et al., 2010a) that can be connected to the Index of Africa Governance (2019).

**Taxpayer's financial condition:** is one of the moderators as far as the study is concerned, it explains the degree to which the taxpayer is satisfied with his or her financial situation and that of their household, i.e., that his or her household's spending won't exceed his or her income. Prioritize paying for basic necessities like food, clothing, and housing before taxes, as well as any situations where a person's limited income is immediately demanded (such as when they perceive a threat of legal action from a lender).

**Risk Preference:** Risk-laden alternatives that a taxpayer believes to be more attractive than other potentially available options fall within the operational definition of risk preference. These include safety risk, social risk, financial risk, career risk, educational risk, and danger to one's health.

If the moderator and independent factors interact significantly, the moderator's concentration will have an impact on how the independent variables influence the dependent variables.

### **3.12 Ethical Consideration**

Ethics is the Self-regulatory concepts and procedures for making judgments and defining professions (Janssen & Kraft P 2012). All participants were guaranteed anonymity, and any information submitted was only utilized for the intended purpose. The identities of the responders, as well as anything that would infringe on the participants' rights were kept

out of the study. No one was also compelled to fill out the questionnaires. All safety measures were out in place to ensure the safety of respondents.

## **CHAPTER FOUR**

### **ANALYSIS AND DISCUSSION OF RESULTS**

#### **4.1 Introduction**

This chapter projects to the result of the data analysis and discusses emanated from the results of the PGQU and TCOM in Ghana, the moderating role of FCO and RPE. To analyze the information obtained from respondents, it employs both descriptive and inferential tools.

#### **4.2 Response Rate**

Two hundred and twenty nine (295) questionnaires were issued to the respondents, and 210 (71%) of them were returned, which is deemed sufficient for study. As stated by Mugenda & Mugenda (2003), in running analyses to fulfill the study's objectives, it is regarded that questionnaire rate of return of 70% or more deemed enough to represents the study's entire population. The return rate accounts for 71% of the entire questionnaire, and this was considered good enough for analysis.

#### **4.3 Demographic Information of Respondents**

Demographic data is essential to research data analysis and cannot be ignored. Becker (2008) mentioned that information on demographic analyzes a population's static and dynamic aspects of the study. In light of this, questions on the respondents' backgrounds and general information, including their age , gender, source of income, level of education and level of income, were asked in the empirical survey for this study. These highlighted particular traits of the respondents in this study and attested to the respondents' participation in the study as respondents. Table 4.1 gives descriptive statistics regarding the respondents' background information.

**Table 4.1: Demographics of the Respondents**

<b>GENDER</b>	Frequency	Percent (%)
Male	121	57.6
Female	89	42.4
Total	210	100.0

<b>AGE</b>	Frequency	Percent (%)
20-29 Years	23	10.9
30-39 Years	65	30.9
40-49 Years	75	35.8
50-59 Years	43	20.5
60 Years and above	4	1.9
Total	210	100.0

<b>LEVEL OF _EDUCATION</b>	Frequency	Percent (%)
SHS/ SSS/ O Level	5	2.4
HND/ Diploma	29	13.8
Degree	56	26.7
Post graduate/ Professional	120	57.1
Total	210	100.0

<b>SOURCE_ OF INCOME</b>	Frequency	Percent (%)
Private Employment	51	24.3
Public Employment	82	39.0
Self-Employment	42	20.0

Unemployed	3	1.4
Both Private & Public Employment	4	1.9
Both Private & Self Employment	10	4.8
Both Public & Self Employment	18	8.6
Total	210	100.0
<b>LEV_OF INCOME</b>	<b>Frequency</b>	<b>Percent (%)</b>
100 to 999	4	1.9
1000 to 1999	8	3.8
2000 to 2999	23	10.9
3000 to 3999	21	10.0
4000 to 4999	34	16.2
5000 to 5999	33	15.7
6000 and above	87	41.5
<b>Total</b>	<b>210</b>	<b>100.0</b>

#### 4.3.1 Gender

The gender is represented by two variables used to analyse gender distribution: male (121), and female (89). The frequency shows minimum respondents of 89(42.4%) and a maximum frequency of 71 (57.6%) are observed for female and male respectively. Male respondents had the highest frequency over the female respondents, indicating that males dominated more in the study

considering level of professionalism and involvement in commercial activities. This results in a male to female distribution of 1: 0.74, which does not necessarily point to gender bias but rather to the study's overall balance.

#### **4.3.2 Age**

The respondents' ages distribution are divided into five groups: 21–29years (n=23), 30–39years (n=65), 40–49years (n=75), 50–59years (n=43) and 60years and above (n=4). A greater percentage of respondents falls within the active age group with quiet number of experience, as evidenced by 75 respondents (35.8%) falling within the 40–49 age range, followed by 65 respondents (30.9%) being within the 30–39 age range, indicating level of youth participation. Next is 50- 59 years with 20.5% (n=43) indicates level of maturity with diverse exposure and experience as far as the puRPEose of the study is concerned. Age 20-29 also recorded 23 respondent with 10.9% and age 60 and above also recorded the least respondents with 1.9%.

#### **4.3.3 Level of Education**

It is very importants to evaluate respondents' educational backgrounds since it will reveal their aptitude for reading and inteRPEreting questions. Four variables were used to analyse the respondents' educational background: SHS/ SSS/ O level (n = 5 ), A level/diploma (n = 29), bachelor's degree (n = 56), and postgraduate or professional (n = 120). Maximum frequency of 120 (57.1%) connected with post graduate or professionals, next is the respondent with bachelor's degree suggests with the frequency of 56 corresponding to 26.7%. These indicates that most of the respondents have attain higher education which confirms their capacity to read and interpret questions.

#### **4.3.4 Source of Income**

On the source of income seven variables is used to determine the respondents' income source. The data shows the frequency of the various source of of income with their respective percentages, private employment (n=51), Public employment (n=82), Self-employment (n=42), unemployed (n=3), both private and public employment (n=4), both private and self employed (n=10) and both public and self- employment (n=18). Income from public employment recorded the maximum frequency of 82 with 39.0%, followed by private employment of 51 respondents with 24.3%. unemployment recorded the least frequency of 3 with 1.9%. This background information was included because the source of income was considered vital in determining the point of perspective effect of response from diverse income source.

#### **4.3.5 Level of Income**

On the level of income, seven variables were considered to determine the range or level of income of respondents. All the amount are in Ghana cedi currency. The table 4.1 shows that, 100 to 999 (n=4), 1000 to 1999 (n=8), 2000 to 2999 (n=23), 3000 to 3999 (n=21), 4000 to 4999 (n=34), 5000 to 5999 (n=33) and 6000 and above (n=87). The income level of 6000 and above recorded the maximum frequency of 87 with 41.5% and level of 100 to 999 recorded least frequency of 4 with 1.9%.

#### **4.4. Reliability and Validity Text**

A multidimensional data set was analyzed using exploratory factor analysis (EFA) in order to evaluate the consistency and reliability of the scale. Reliability was evaluated using Cronbach's alpha (CA). Additionally, confirmatory factor analyses (CFAs) were carried out in Amos (v.23)

using the maximum likelihood method to evaluate the factor structure of the measures for the investigated constructs as well as the fit of the measurement model.

In respects of threshold for the purpose of informed judgement, Previous studies have outlined various criteria that are considered crucial (Brown, 2014; Hair et. al., 2010), including the need for chi-square/degree of freedom (CMIN/DF) which is to be less than 3, standardized factor loadings to be greater than or equal to 0.5, CMIN to be statistically insignificant at 5%; TLI (Tukey-Lewis index), CFI (comparative fit index) and NFI (Normed fit index) are all greater or equals 0.9, GFI (goodness of fit) should be greater than 0.8; SRMR (standardized root mean square residual) and RMSEA (root mean square error of approximation) also supposed to be less than 0.08.

#### **4.4.1 Exploratory Factor Analysis (EFA) Text**

As a way to ascertain how each of the observed constructs are loaded on its appropriate relevant component, EFA was used to explore the association factors. This method used to reduce or eliminate factors on the questionnaire whose loading was off relative to the latent variables (Sur, 2005). Table 4.2 displays the final EFA results for the observable variables under their correct latent variables.

**Table 4.2: Exploratory Factor Analysis (EFA)**

<b>Rotated Component Matrix</b>				
Measurement	Component			
Items	1	2	3	4
TCB1	.754			
TCB2	.748			
TCB3	.869			
TCB4	.857			
TCB5	.853			
PGQ2			.875	
PGQ3			.905	
PGQ4			.896	
PGQ5			.886	
FC2				.838
FC3				.858
FC4				.814
FC5				.813
RP1		.790		
RP2		.881		
RP3		.881		
RP4		.911		
RP5		.699		

<b>KMO and Bartlett's Test</b>		
TVE		78.199%
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.862
Bartlett's Test of Sphericity	Approx. Chi-Square	3174.712
	df	153
	Sig.	0.000
Determinant		1.514E-7

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations

**Source: Field Survey (2023)**

The Table 4.2 presents the numeric values of observed variables, indicating their criterial values and factor loadings on their right respective latent variables/ component. The study considers Observed variables loaded at their rightful latent variable/ component and greater than 0.5 for further analysis. Items eliminated include TCB6, TCB7, TCB8, TCB9 and TCB10; PGQ1, PGQU6, PGQ7, PGQ8, PGQ9 and PGQ 10; FC1, FC6, FC7, FC8, FC9 FC10; and RP6, RP7, RP8, RP9 and RP10. It was identified that the number of observed variables in their right definiteness for TCOM was five (5), PGQU was four (4), FCO was four (4) and RPE was five (5). The coefficient of the determinant was estimated at 1.514E-7 with a Kaiser-Meyer-Olkin Measure of Sampling of .862. According to the KMO, the observed variables loading in their right construct of the latent variables was 86.2% adequate. A significant p-value of 0.000 was found by Bartlett's

Test of Sphericity from a Chi-Square of 3174.712 and a degree of freedom of 153. Additionally, a total Variance of 78.199% was recorded for the four latent variables. All other observed variables, however, that were not correctly positioned on the rotated component matrix were eliminated. The final EFA showing variables are listed under their appropriate latent variables in Table 4.2.

#### 4.4.2 Confirmatory Factor Analysis (CFA)

The CFA deemed to evaluate the convergent validity considering the composite reliability (CR) and average variance extracted (AVE). Fornell and Larcker, (1981) spelt out criteria estimator that set the threshold for the various factor loadings. They mentioned, Composite Reliability is estimated to be at least 0.7 and AVE (average variance extracted) greater than 0.5 which explains one-dimensionality and adequate convergent validity.

**Table 4.3: Confirmatory Factor Analysis (CFA)**

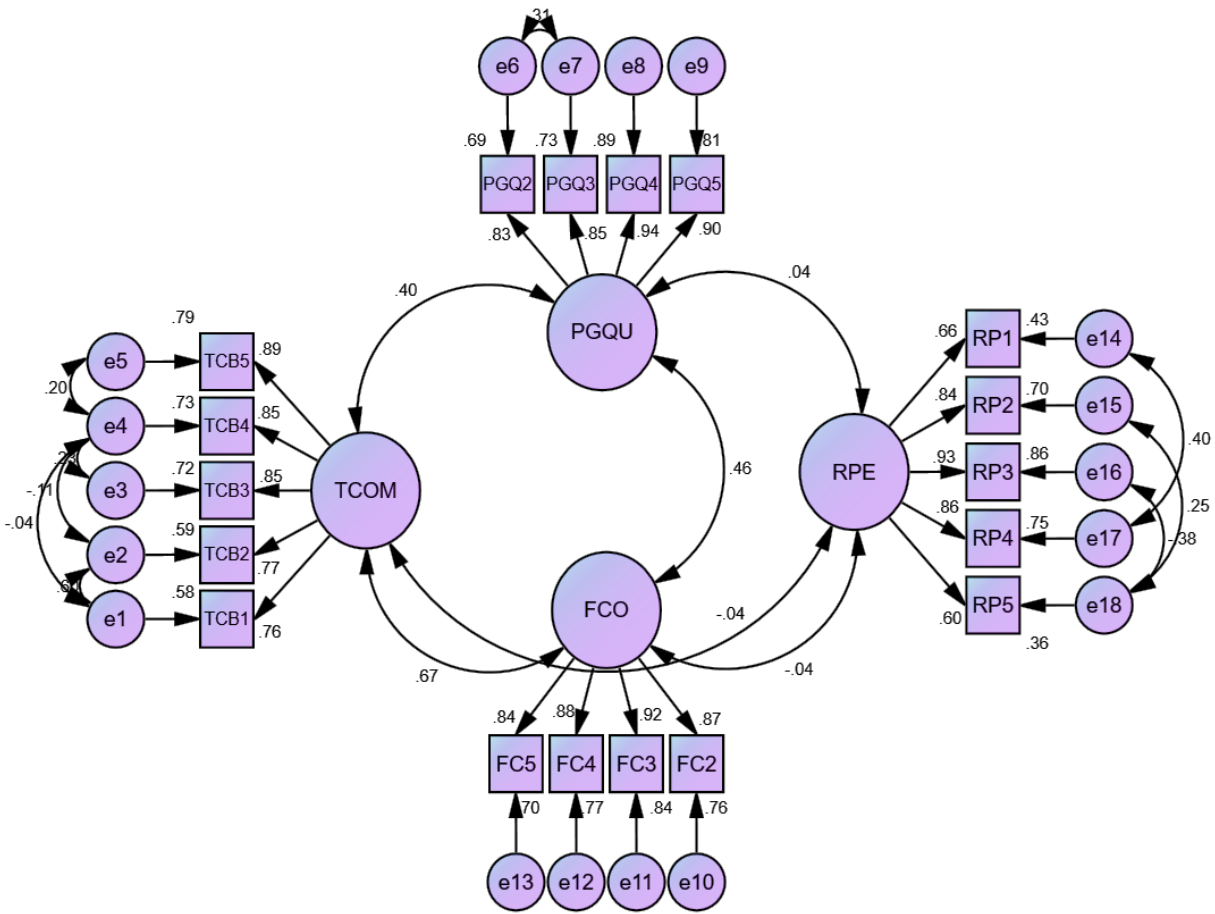
<b>Model Fit:</b> CMIN = 160.448; DF = 120; CMIN/DF = 1.337; TLI = .984; CFI = .987; GFI = .926; RMR = .040; RMSEA = .040; PClose = .843;	<b>Factor Loadings</b>
<b>PGQU: CA = .939; CR = .934; AVE = .780</b>	
PGQ2	.833
PGQ3	.853
PGQ4	.943
PGQ5	.900
<b>FCO: CA = .928; CR = .929; AVE = .767</b>	
FC2	.871
FC3	.915

FC4	.879
FC5	.836
<b>RPE: CA = .887; CR = .888; AVE = .620</b>	
RP1	.659
RP2	.836
RP3	.926
RP4	.864
RP5	.603
<b>TCOM: CA = .923; CR = .915; AVE = .683</b>	
TCB1	.764
TCB2	.771
TCB3	.846
TCB4	.891
TCB5	

**Source: Field Survey (2023)**

A CFA was performed using the principal component estimate to test the measurement model with Amos (version 23) program software. All of the fit indices generated by the measurement model were within the following required criteria values: CMIN/df being 1.337 ( $\leq 3.000$ ), TLI = 0.984; CFI = 0.987; *GFI* = .926; RMSEA = 0.040; RMR = 0.040; PClose = 0.843; Indicating strong reliability among the measurement items as expected, the CR and Cronbach's Alpha (CA) were both above the minimal threshold of 0.7 (Brown, 2014; Bamfo et al., 2018; Dogbe et al., 2020). Additionally, all of the constructs' average extracted variances (AVE) were greater than 0.5, which

is the cutoff value suggested by Fornell & Larcker (1981). The model, therefore, has a good fit with observed data. **Table 4.3** above and **Figure 2** below displays the measurement model fit indices.



**Figure 4.1: Confirmatory Factor Analysis**

#### 4.4.3 Discriminant Validity

Composite reliability (CR) and Convergent validity measures how closely each observed item interacts with the other observed variables on the same construct (Cole et al., 2018). Expected values for the AVE and CR should be at least 0.7 and 0.5, respectively. In order to further examine

the study and attain convergence validity, the AVE and CR were computed. The results demonstrate that at least .620 and .915, support the standards for AVE and CR (Innabi & Dodeen, 2018). The method of other researchers, such as Arthur et al. (Arthur et al., 2022), explained that discriminant validity is acquired when AVE has a value above the correlation coefficient, which the coefficient values were derived from the CFA output using the covariance, was used to evaluate the discriminant validity. Table 4 compares the AVE and associated latent variable association.

**Table 4.4: Discriminant Validity**

<b>Variables</b>	CR	AVE	PGQU	RPE	FCO	TCOM
PGQU	.934	.780	<b>.883</b>			
RPE	.888	.620	.036	<b>.787</b>		
FCO	.929	.767	.457***	-.040	<b>.876</b>	
TCOM	.915	.683	.403***	-.039	.666***	<b>.827</b>

#### **4.5. Descriptive Statistics of study variables**

All of the factors that were considered in this study were evaluated using Alston and Miller's (2001) interpretation of the Likert scale. The scores on the survey questionnaire's 5-point scale were ordered in ascending order. According to the standards established by Alston and Miler, the following interpretation values were given to them: One is firmly opposed (1.00–1.99), two is opposed (2.00–2.49), three is neutral (2.50–2.99), four is in agreement (3.00–3.99), and five is strongly in agreement (4.00–5.00). Different descriptive statistics for the study variables are shown in Table 4.5.

**Table 4.5. Descriptive statistics of study variable**

<b>Variables</b>	<b>Mean</b>	<b>Std. Dev.</b>
<b>(PGQU)</b>	<b>3.6154</b>	<b>.97485</b>
PGQ2- Justice is fairly administered in Ghana (rule of law)	3.5524	.98778
PGQ3- There is less diversion of public funds in Ghana (Control of corruption)	3.6143	.97273
PGQ4- There is transparency and accountability system of government	3.6000	.97921
PGQ5- There is Political stability and absence of violence/ terrorism in Ghana.	3.6952	.95970
<b>(FCO)</b>	<b>3.6761</b>	<b>1.06928</b>
FC2- I carefully considers if I can pay for something before buying.	3.6619	1.02363
FC3- I am able to manage my short-term expenses	3.7952	1.02176
FC4- I have enough reserves for long-term financial plan	3.7619	1.10262
FC5- I am satisfied with my monthly income	3.4857	1.12912
<b>(RPE)</b>	<b>4.2723</b>	<b>1.03898</b>
RP1- I have good eating habit	3.4667	1.10732
RP2- I take safety measures in risky task	3.5143	1.00824
RP3- I don't take risk investing in my career	3.6143	.99702
RP4- I reject risk associated with election context	3.5857	1.00942
RP5- I am deterred by risky investment	3.5952	1.07293
<b>(TCOM)</b>	<b>3.8609</b>	<b>1.11830</b>
TCB1- I disclose all sources of my return	3.9095	1.03822
TCB2- I report my income for tax purposes	3.8857	1.06546
TCB3- I file for tax claims	3.8333	1.18839
TCB4- I file my tax returns on or before the due	3.8190	1.17617
TCB5- I pay the required taxes	3.8571	1.12329

#### **4.5.1 Descriptive Statistics of Public Governance Quality**

In order to examine the quality of Public Governance, four questions on a 5-point Likert scale. The questions were focused on the index for African governance as accepted indicator to measure and evaluate public governance quality especially in Africa.

From Table 4.4, mean score of variables range from 3.55 to 3.69, falling within the agreement range according to Alston and Miller (2001). This is supported by a composite mean and standard deviation of 3.61 and 0.974 respectively. This suggests that respondents were in agreement that all eight variables constitute the nature and type of records used in public governance quality.

#### **4.5.2 Descriptive Statistics of Tax compliance behavior**

Table 4.5 above shows the mean score for each variable together with its related standard deviation. The study employs Alston and Miller's (2001) interpretation of a question with a five-point Likert scale that is placed in ascending order: Strongly disagree (1.00-1.49), disagree (1.50-2.49), uncertain (2.50-3.49), agree (3.50-4.49), and strongly agree (4.5-5.00) are the four possible responses.

From Table 4.5 above, the questions under the construct of tax compliance behavior is adopted as part of the study to evaluate compliance nature and level of respondent.

In table 4.5, TCB1 recorded the highest mean of 3.909 with standard deviation of 1.038 and TCB4 recorded the least mean of 3.819 with standard deviation of 1.176.

#### **4.5.3 Descriptive Statistics of Financial Condition**

Table 4.5 above shows the mean score and the standard deviation of the different variables. The study employs Alston and Miller's (2001) interpretation of a question with a five-point Likert scale that is placed in ascending order: Strongly disagree (1.00-1.49), disagree (1.50-2.49), uncertain

(2.50-3.49), agree (3.50-4.49), and strongly agree (4.5-5.00) are the four possible responses. The Table 4.5, above presents the statement in relation to descriptive analysis of financial condition of respondent. The statements include report of income for tax purposes ( $m=3.676$ ,  $sd=1.023$ ), filing for tax claims ( $m=3.795$ ,  $sd=1.021$ ), file of tax returns on or before the due ( $m=3.761$ ,  $sd=1.102$ ), and payment of required taxes ( $m=3.485$ ,  $sd=1.129$ ). These statements are expressed in code; *FC2*, *FC3*, *FC4* and *FC5* respectively. *FC3* recorded the highest mean score of 3.7952 with SD of 1.0217 and least mean score of ( $m=3.4857$   $SD=1.12912$ )

#### **4.5.4 Descriptive Analysis of Risk Preference**

In Table 4.5 above, the mean score for each variable is shown. The following interpretation of a five-point Likert scale question is used in the study, which adopts Alston and Miller's (2001) explanation: Strongly disagree (1.00–1.49), disagree (1.50–2.49), uncertain (2.50–3.99), agree (3.50–4.49), and strongly agree (4.5–5.00). From Table 4.5, presents the mean score and its corresponding standard deviation that shows the arithmetic average of all scores in a distribution. The statement, deterred by risky investment had the maximum mean score ( $m=3.61$ ,  $sd=0.997$ ), followed by taken safety measures in risky task ( $m=3.59$ ,  $sd=1.072$ ). The next rank was good eating habit ( $m=3.58$ ,  $sd=1.009$ ), the fourth was reject risk associated with election context ( $m=3.99$ ,  $sd=0.26$ ), and do not take risk investing in my career recorded least mean score with standard deviation ( $m=3.46$ ,  $sd=1.107$ ). The *RP3* recorded the highest mean score, followed by *RP5*, next is *RP4* and *RP2* with *RP1* the least mean score.

#### 4.6. Path Analysis

To quantify the connections between various variables, path analysis was created (Wright, 1921).

The causal connections between variables are explained through path analysis. The analysis of the magnitudes and significance of direct, indirect, and total effects among variables is implied by the use of a graphic representation of a SEM. It is ideal to introduce path analysis in the context of a recursive model. The results of the path analysis are summarized in table 4.6. below.

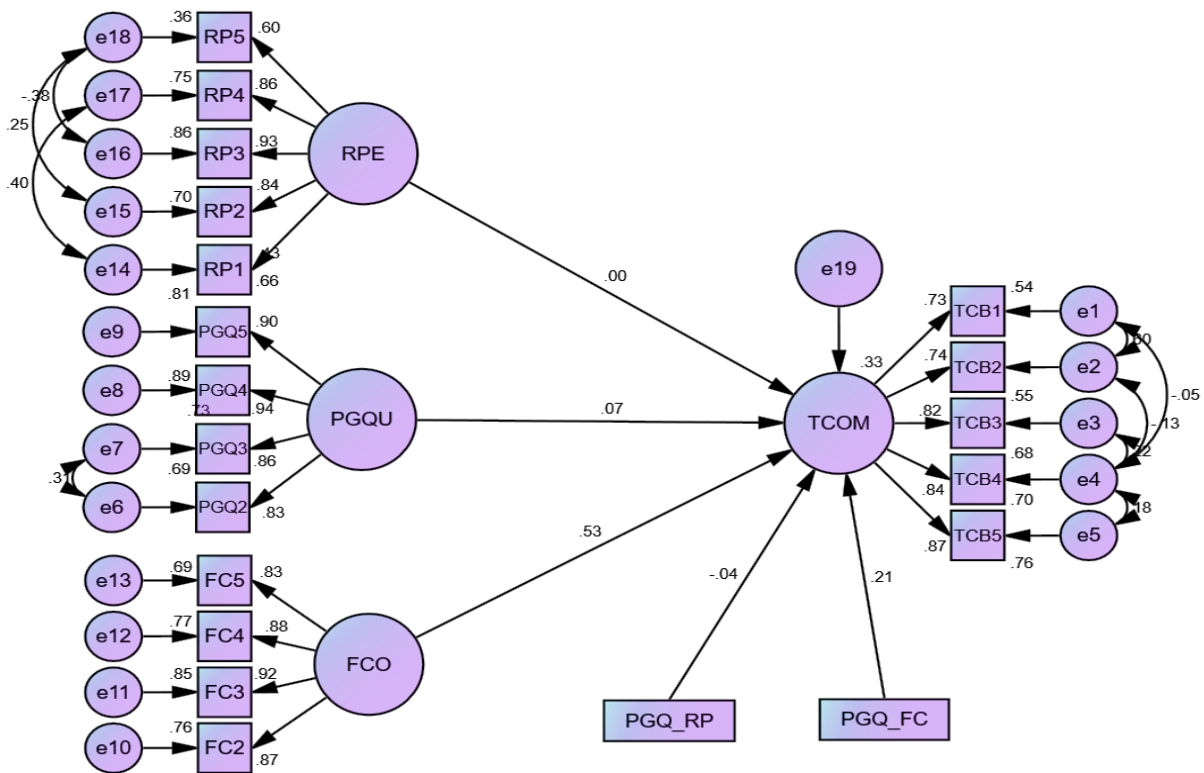


Figure 4.2: Path Analysis of Standardized Estimate

**Table 4.7: Path Summary**

Direct Path	Estimate	S.E.	C.R.	P
RPE → TCOM	.003	.064	.048	.962
PGQU → TCOM	.065	.057	1.150	.250
FCOO → TCOM	.428	.062	6.906	.000
PGQU× <b>RP</b> → TCOM	-.007	.010	-.704	.482
PGQU× <b>FCO</b> → TCOM	.027	.008	3.266	.001

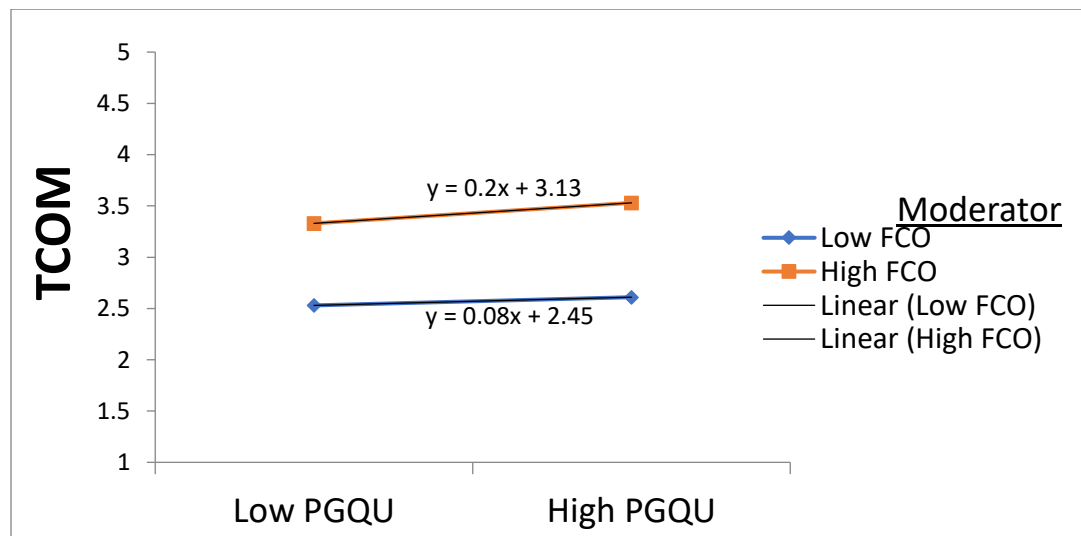
**Source: Field survey**

#### **4.6.1 Research Question One: What is the relationship between PGQU-public governance quality (PGQU) on TCOM-tax compliance behavior (TCOM) in Ghana?**

The first research question sought to determine the association that exist between PGQU and TCOM. The direct effect analysis (PGQU→TCOM) from Table 4.7 shows that PGQU had a direct positive impact on TCOM ( $\beta = .065$ ; C.R. = 1.150. The effect PGQU had on TCOM was reported as statistically insignificant at 5%. The PGQU on TCOM had a p-value of .250 which indicates statistical insignificance, this is in consonant with the submission of Palil et al. (2012), Alon and Hageman (2013), and Enginda and Baisa (2014). They stated that public impression of government spending did not significantly correlate with TCOM, indicating that the improvement of PGQU will influence insignificant tax payers compliance.

**4.6.2 Research Question Two: What is the moderating role of FCO-financial condition (FCO) on the relationship between PGQU-public governance quality (PGQU) and TCOM-tax compliance behavior (TCOM) in Ghana?**

Table 4.7 also illustrates how FCO in Ghana moderates the link between PGQU and TCOM. TCOM is directly impacted by the FCO, which acts as a moderator. It also reported p-value less than 0.05 ( $\beta = .027$ ; C.R. = 3.265), this was statistically significant. This indicates that Ghana's FCO moderate the association between PGQU and FCO and that strengthens the relation with the positive betta coefficient. Figure 4.3 represent plots two-way interaction effects for unstandardized estimates which intends to provide further analysis to confirm the standardized estimates of the moderating effect. Figure 4.3 represent plots two-way interaction effects for unstandardized estimates which intends to provide further analysis to confirm the standardized estimates of the moderating effect.

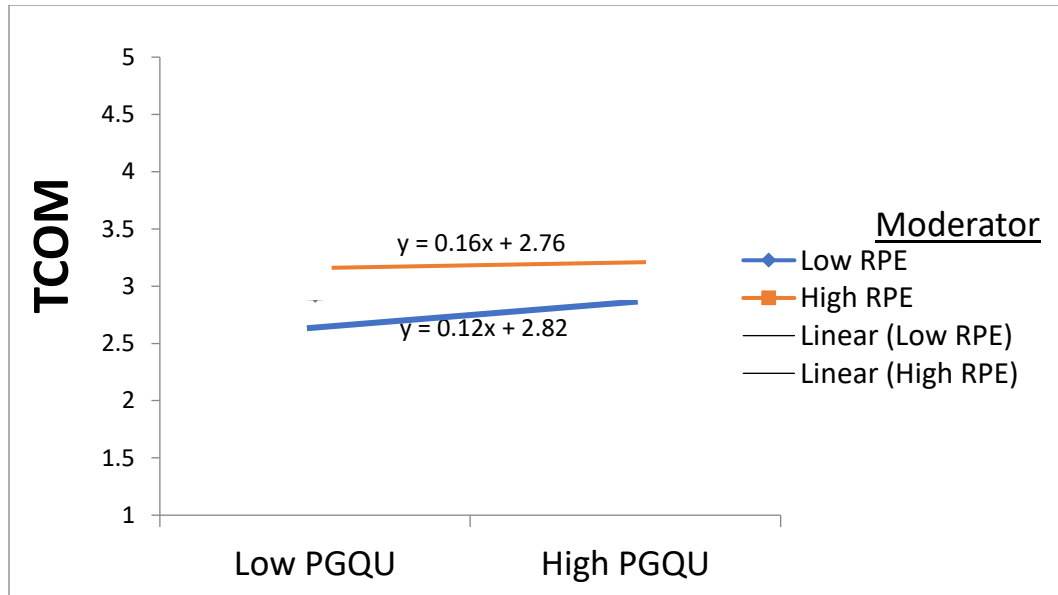


**Figure 4.3 plots two-way interaction (FCO) effects for unstandardized variables**

Results of simple slope analysis conducted to better understand the nature of the moderating effects are shown in Figure 4.3. As seen in Figure 4.3, the line is much steeper for High FCO. This shows that at High level of FCO, the impact of PGQU on TCOM is much stronger in comparison to Low FCO. The low level of FCO decreased the strength of the relationship between PGQU and TCOM increased. From the Figure 4.3 above, FCO strengthens the positive relationship between PGQU and TCOM which confirms the results in table 4.7.

#### **4.6.3 Research Question Three: What is the moderating role of risk preference (RPE) on the relationship between public governance quality (PGQU) and tax compliance (TCOM) in Ghana?**

Table 4.7 displays the moderating impact of risk preference on the link between TCOM and PGQU. The interaction term RP as a moderator reports a direct negative effect on the relationship between public governance quality and tax compliance behaviour (TCOM) in Ghana, with statistically insignificant p-value  $> 0.05$  ( $\beta = -.007$ ; C.R. =  $-.7004$ ). This indicates that RP do not moderates the causal effects of public governance quality on tax compliance. Figure 4.4 also represent plots of two-way interaction effects (RPE) for unstandardized variables which intends to provide further analysis to confirm the standardized estimates of the moderating effect. From the figure 4.4 below, RPE dampens the relationship between PGQU and TCOM.



**Figure 4.4 Plots two-way interaction (RPE) effects for unstandardized variables**

Results of simple slope analysis conducted to better understand the nature of the moderating effects are shown in Figure 4.4. As seen in Figure 4.4, the line is much steeper for Low RPE, these shows that at Low level of RPE, the impact of PQU on TCOM is much stronger in comparison to high RPE. As shown in Figure 4.4, as the level of RPE increased the strength of the relationship between PGU and TCOM decreased.



but they have been carefully modified to fit the Ghanaian context in light of the country's existing economic, environmental and societal realities. The mean score of variable PGQU ranges from 3.55 to 3.69, TCOM ranges from 3.81 to 3.90, FCO ranges 3.48 to 3.79 and RPE ranges from 3.46 to 3.61, all falling within the agreement range according to Alston and Miller (2001). This is supported by a composite mean and standard deviation of 3.61 and 0.987 (PGQU), 3.86 and 1.118 (TCOM), 3.67 and 1.069 (FCO), and 4.27 and 1.038 (RPE) respectively. This suggests that respondents were in agreement that all construct with their respective variables constitute the nature and type of records used in the study. These results falls within the composite of Alabede et al. (2011) descriptive report on compliance behavior and quality of governance.

With reference to research question one that sought to analyse the relationship between PGQU and TCOM, the findings show positive relationship between TCOM and PGQU. However, there was insignificant relationship discovered in the analysis that:  $p\text{-value} > 0.05$ ,  $\text{coef.} = 0.065$ ,  $C.R = 1.15$  and this contradicts the findings of Alabede et al. (2011). The results contradict Umar et al. (2016), who looked at socioeconomic factors as mediating role between PGQU and TCOM in developing nations. The results of the aforementioned showed a substantial positive correlation between TCOM and perceived PGQU. Notwithstanding, the insignificant results conforms with report of Palil et al. (2012), Alon and Hageman (2013), and Enginda and Baisa (2014). They found governance quality insignificantly relate with tax compliance.

This study's second research question, intends to examine the FCO as moderator on the relationship between PGQU and TCOM. The results showed that the interaction term FCO as a moderator reports a direct impact on tax compliance behavior (TCOM) in Ghana. This was statistically significant with a  $p\text{-value} < 0.05$  ( $\beta = 0.027$  and  $C.R. = 3.266$ ). Moderation analysis allows researchers to analyze how a third variable direct or strengthens the relationship between the

predictor and outcome variable. It is used to determine whether the relationship between two variables changes depending on the value of a third variable, known as the moderator. The results shows that FCO moderate the link between PGQU and TCOM which confirms the planned behavior theory, thus behavioral intention of an individual towards a specific behavior affects that individual's conduct. (Ajzen, 1991), Among the three dimension of Ajzen (1991) theory of Planned Behavior, Control beliefs. Control beliefs (beliefs in the presence of objects that either support or prevent that conduct) such as the controversies that emanate from preference risk and financial condition of taxpayers. However, Alabede et al. (2011) reported positive relation variable FCO on the link amongst TCOM PGQU but statistically insignificant relationship.

The last but not the least research question also intends to scrutinize the moderating role of RPE on the relationship between PGQU and TCOM.

The moderation effect of risk preference on the relationship between public governance quality (PGQU) and tax compliance (TCOM) in Ghana. The findings displayed RPE as a moderator reports a negative insignificant association on TCOM and PGQU ( $p$ -value= 0.482, CR.= -0.704,  $\beta$  = -0.007), Thus, RPE indicated negative insignificant relationship between PGQU and tax TCOM in Ghana. This indicates that the moderating variable (risk preference) dampens the causal effects of PGQU on TCOM.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

The findings and conclusions of the study are discussed in this chapter, as well as their significance and contribution to both theory and practice. There are four sections to this chapter. section one deals with what was discovered and how it relates to the study's goals and hypothesis; section two is about what was concluded as a result of what was discovered; and section three is spelt out the areas for onward investigation.

#### 5.2 Summary of Findings

To determine the association that exist between PGQU on TCOM. The study reported coefficient of  $\beta = .065$  Composite Reliability = 1.150. That is, when PGQU is improved, TCOM increases by 6.5%. The impact recorded statistically insignificant relation which confirms the findings of Palil et al. (2012), Alon and Hageman (2013), and Enginda and Baisa (2014) submissions.

The second objective examine the moderating effect of financial condition on the association between dependent and independent variables in the stance of TCOM and PGQU respectively. The results reported a p-value of less than 0.05 ( $\beta = .027$ ; C.R. = 3.265) indicating statistically significant and that FC moderate on the link between PGQU and TCOM.

Thirdly, the moderating impact of RPE on the link between TCOM and PGQU. The study reported p-value  $> 0.05$  (coefficient estimator=  $\beta = -.007$ ; C.R. =  $-.7004$ ), indicating statistically insignificant. This shows that risk preference, as moderating variable, reduces the causal impact of public governance quality on tax compliance.

The interaction term (RPE) as a moderator reports a direct negative effect on the relationship between public governance quality and tax compliance (TCOM) in Ghana.

### **5.3 Conclusions**

Based on the data presented, the study draws a number of conclusions for the aim and objectives slated in this research. The study's general goal was to determine the PGQU and TCOM, moderating role of FCO and RPE.

- With respect to research question one, which addresses the objective one, the findings show positive link between PGQU and TCOM. However, the results discovered positive insignificant relationship.
- This study's second research question results showed that the interaction term FCO as a moderator reports a direct impact on TCOM and PGQU in Ghana. This was statistically significant, thus FCO moderate the link between PGQU and TCOM.
- The third research question reported also intends to examine the moderating role of risk preference on the relationship between PGQU and TCOM. Risk Preference indicate negative insignificant relationship between PGQU and TCOM in Ghana. This shows weak moderating effects of PGQU on TCOM.

### **5.4 Recommendations**

It noteworthy that countries with favorable economy provide vibrance and conducive environment that intends to strive business easier to expatriate the parameters of tax outsource. Governments must urgently formulate and implement feasible policy that improve financial condition/ status as well as wellbeing of citizens. In light of this, taxation can be used as a tool for protecting local investors for the purpose of creating more employment opportunities and conserving the limited foreign exchange earnings of the country.

A steady commitment on the side government and involvement of the taxpayers could be a starting point while making improvements to achieve the national development agenda. More governance reforms geared toward enhancing public satisfaction could be influenced by multilateral organizations and donor nations. The current effort seems insufficient.

### **5.5 Suggestions for Future Research**

Observed research gaps can serve as a springboard for additional empirical research. A study could be conducted considering to capture the time impacts of changes in the implementation of rule of law under the auspices of tax agencies as an intervention program to improve tax compliance the interventions

There is also the need to conduct a similar study in other regions in Ghana considering other economic sectors in order to determine whether or not the findings can be generalized to other parts of the West African subregion considering informal sectors.

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**APPENDIX I**  
***QUESTIONNAIRE***

*Dear respondent,*

*Please could you spend some few minutes to complete this questionnaire? The purpose of the study is to “assess public governance quality and tax compliance behaviour in Ghana; the moderating role of risk preference and financial condition”. This is entirely an academic activity. You are entreated to respond to the questions sincerely since any information provided will strictly be kept confidential. Kindly respond to the questions by ticking (✓) the appropriate response applicable in your case. There is no right or wrong answer.*

**Section A: Demographics**

**1. Gender:**

- a) Male [ ]
- b) Female [ ]

**2. Age:**

- a) 20-29 years [ ];
- b) 30-39 years [ ]
- c) 40-49 years [ ]
- d) 50-59 years [ ]
- e) 60 years and Above [ ]

**3. Level of Education:**

- a) SHS/SSS/ O Level [ ]
- b) HND/ Diploma [ ]

- c) Degree [ ]
- d) Post graduate or professional [ ]

**4. Source of Income**

- a) Private Employment [ ]
- b) Public Employment [ ]
- c) Self Employed [ ]
- d) Unemployed [ ]
- e) Both Private and Public Employment
- f) Both Private and Self-employment
- g) Both public and self-employment

**5. Level of Income (Cedi Currency)**

- a) 100- 999 [ ]
- b) 1000- 1999 [ ]
- c) 2000- 2999 [ ]
- d) 3000- 3999 [ ]
- e) 4000- 4999 [ ]
- f) 5000- 5999 [ ]
- g) 6000 and above [ ]

## Section B: Public Governance Quality

Please indicate the extent to which you agree with the following statements regarding public governance quality. Respond using a Likert scale of: *1=Strongly disagree, 2=Disagree, 3=Indifferent, 4=Agree and 5=Strongly agree.*

Code	Public Governance Quality (PGQU)	1	2	3	4	5
PGQ1	There is Regulatory quality to stimulate private sector development					
PGQ2	Justice is fairly administered in Ghana (rule of law)					
PGQ3	There is less diversion of public funds in Ghana (Control of corruption)					
PGQ4	There is transparency and accountability system of government					
PGQ5	There is Political stability and absence of violence/terrorism in Ghana					
PGQ6	There is Government effectiveness on quality of public services and the civil service					
PGQ7	I am satisfied with the manner the government is handling the education system					
PGQ8	Ethnic and Religious conflict is not a threat to stability in Ghana					
PGQ9	I trust the government in making good laws in Ghana					
PGQ10	I am satisfied with the manner the government is handling the education service					

### Section C: Tax compliance Behavior

Please indicate the extent to which you agree with the following statements regarding the extent to which you engage in the following risk activities. Respond using a Likert scale of: *1=Strongly disagree, 2=Disagree, 3=Indifferent, 4=Agree and 5=Strongly agree.*

Code	Tax Compliance Behavior	1	2	3	4	5
TCB1	I disclose all sources of my return					
TCB2	I report my income for tax purposes					
TCB3	I file for tax claims					
TCB4	I file my tax returns on or before the due					
TCB5	I pay the required taxes					
TCB6	I keep true records of all my economic transaction for tax purposes					
TCB7	I report my tax liability accurately					
TCB8	I renew my business registration on or before due date with requisite body					
TCB9	I report my tax liability completely					
TCB10	I pay the required taxes on or before the due date					

### Section D: Risk Preference of Tax Payers

Please indicate the extent to which you agree with the following statements regarding the extent to which you engage in the following risk activities. Respond using a Likert scale of: *1=Strongly disagree, 2=Disagree, 3=Indifferent, 4=Agree and 5=Strongly agree.*

Code	Risk Preference of Tax Payers	1	2	3	4	5
RP1	I have good eating habit					
RP2	I take safety measures in risky task					
RP3	I don't take risk investing in my career					
RP4	I reject risk associated with election context					
RP5	I am deterred by risky investment					
RP6	I don't consume alcohol					
RP7	I don't take risk in quitting a job without securing another					
RP8	I am not engaged in gambling					
RP9	I don't publicly challenge a rule					
RP10	I am not engaged in gambling					

**Section E: FINANCIAL CONDITION**

Please indicate the extent to which you agree with the following statements regarding the extent to which you evaluate your financial condition. Respond using a Likert scale of: *1=Strongly disagree, 2=Disagree, 3=Indifferent, 4=Agree and 5=Strongly agree.*

Code	Financial condition	1	2	3	4	5
FC1	I am able to afford economic emergency equivalent to what I earn or receive in a month.					
FC2	I carefully consider if I can pay for something before buying.					
FC3	I am able to manage my short-term expenses					
FC4	I have enough reserves for long-term financial plan					
FC5	I am satisfied with my monthly income					
FC6	I am able to operate within my personal budget allocations					
FC7	I am able to provide financial support to sustain essential need to my family and society					
FC8	I often secure credit facility to meet my expenditure					
FC9	I have sufficient living expenses in liquid savings					
FC10	I Pay my bills on time and in full					

