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TAX MOBILISATION IN THE INFORMAL SECTOR IN GHANA: A CASE OF THE CAPE COAST METROPOLITAN ASSEMBLY

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DECLARATION

Student's Declaration

I, Eric Frimpong, declare that this thesis, with the exception of quotations and references contained in published works which have been identified and duly acknowledged is entirely my own original work and it has not been submitted either in part or whole for another degree in this university or elsewhere.

Signature ………………………………..……

Date:…………………………………………….

Supervisor's Declaration

I hereby declare that the preparation and presentation of the thesis was supervised in accordance with guidelines on supervision of thesis as laid down by the University of Education, Winneba.

Name of Supervisor: Dr. Mathew Lobnibe Arah

Signature ………………………………..……

Date:……………………………………………..

DEDICATION

Firstly, I dedicate this thesis to my late grandfather, Joseph William Frimpong, who took me under his wing and motivated me to be who I am today.

I also dedicate this work to Kylian William Frimpong, his mother and all family members and friends who have contributed to my academic journey this far.

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TABLE OF CONTENTS

Content **Page**

LIST OF TABLES

Table **Page**

ABBREVIATIONS AND ACCRONYMS

CBK - Chop Bar Keepers

CCMA – Cape Coast Metropolitan Assembly

CD – Customs Division

CEPS - Ghana Custom Excise and Preventive Service

CIT – Corporate Income Tax

CSFA - Coffee and Shea nut Farmers Association

DTRD – Domestic Tax Revenue Division

EIA – Exchange of Information Agreement

ERP – Economic Recovery Programme

GACC – Ghana Anti-Corruption Coalition

GAMA - Greater Accra Markets Associations Ghana Cocoa

GDP – Gross Domestic Product

GNAG - Ghana National Association of Garages

GNAT - Ghana National Association of Tailors and Dressmakers

GPRTU - Ghana Private Road Transport Union

GRA - The Ghana Revenue Authority

HAG - Hairdressers Association of Ghana

ICT – Information and Communication Technology

ICUMS – Integrated Customs Management System

IRS - Internal Revenue Service

ITAPS – Integrated Tax Application and Preparations Systems

MMDAs – Metropolitan Municipal District Assemblies

MSE- Micro and Small Enterprises

NFSL – National Fiscal Stabilization Levy

NHIL – National Health Insurance Levy

NRS – National Revenue Secretariat

OECD – Organisation for Economic Cooperation and Development

PHC – Population and Housing Census

PNDCL – Provisional National Defense Council Law

RAGB – Revenue Agencies Governing Body

RGD – Register Generals Department

SAP – Structural Adjustment Programme

SARA – Semi Autonomous Revenue Agencies

SMEs – Small and Medium-sized Enterprises

SPSS – Statistical Package for Social Sciences

SSA – Sub-Saharan Africa

SSD – Support Service Division

TBP – Theory of Planned Behavior

TCA – Thematic Content Analysis

TRA – Theory of Reason and Action

TUC - Trade Union Congress

VAT - Value Added Tax

VIT – Vehicle Income Tax

WCOP – World Customs Organisation Protocol

WTOP – World Trade Organisations Protocol

ZIMRA – Zimbabwe Revenue Authority

ABSTRACT

Revenue mobilisation is one of the key activities of every government across the globe. One of the major means through which governments generate and mobilise revenue to undertake developmental activities is through taxation. In third world countries like Ghana, mobilising revenue from the informal sector has become a burdensome adventure. This is as a result of a large informal sector in place which is home to most of the economic players. In Ghana, it is estimated that, only 20% of Ghanaians pay direct income tax which is a very worrying situation. This thesis therefore, uses the mixed method approach to examine tax mobilisation in the informal sector in Ghana with Cape Coast as its area of study. The views of 396 respondents from the informal sector were sought using questionnaire as well as 5 elite interviews were conducted. After analysis of the data, the study revealed that, lack of permanent and visible place of business, poor record keeping practices and poor accounting practices, high illiteracy rate, lack of motivation and incentive as well as inadequate revenue collectors affect revenue mobilisation from the informal sector. Additionally, the study revealed that, individuals would work in the informal sector because of the low tax rate as compared to the formal sector, cumbersome bureaucratic procedure in the formal sector compared to the informal sector, high rate of illiteracy, and inadequate job opportunities in the formal sector. Also, the study revealed that, the use of ICT tools has a positive correlation with tax mobilisation in the informal sector. On the basis of the above, the study therefore recommended motivation for tax collectors to reduce corruption, use of ICT tools to enhance tax collection, broadening of the tax net, and proper accounting procedures amongst others as policy actions to be taken to enable more revenues to be generated from the informal sector.

CHAPTER ONE

INTRODUCTION

1.0 Background to the Study

The ability of a country to raise sufficient resources determines its ability to provide for the welfare and security of its population, as well as to build and consolidate representative democracy (Armah-Attoh & Mohammed, 2013). Tax revenue collection is the most important task for any state, as practically all of its activities rely completely on these monies. Each state's existence is dependent on tax money, which acts as a focal point for future development efforts (Pierson, 2011).

As a result, the state must create effective and efficient ways to collect these funds in order to carry out important programmes (Schonauer, 2011). Governments have used tax revenues for a variety of socio-economic purposes since the beginning of time, including infrastructure, security, waste management, education, health care, public transportation, and pensions for the aged, among others.

Tax is a non-refundable, non-returnable money collected by the government from citizens for the state's socio-economic growth. It can also be described as a tax imposed on a person's earning, property, or activities in exchange for government assistance. In its broadest sense, taxation is a mandated payment from the public to create revenue for the government, which it uses to fund capital projects and recurrent expenses. Dr. H. Dalton, a renowned tax authority in his book "Principle of Public Finance", defines tax as an obligatory contribution imposed by a public authority in respect of the precise volume of services supplied to the tax payer in return. Direct and indirect taxes are the two types of taxes. Direct taxes are collected on the possessions and earnings of individuals and profit-making businesses, and their burden cannot be passed to another party. Corporation tax, capital gain tax, personal income tax, company tax, and property tax are all examples of direct taxes (Aamir et al, 2011). Indirect taxes are collected on goods and services whose burden can be transferred depending on the elasticity of demand or supply of the product in question. Purchase tax, sales tax, import duties, export duties, excise duty, and VAT are all examples of this. Taxation is widely recognised as a key component of a country's "business climate". This climate has not been kind to emerging countries like Ghana (Adeyiga, 2013). The informal economy or sector in Ghana has a lot of potential for raising much-needed domestic revenue and reducing enormous budget deficits. The informal sector employs a big portion of the country's active labour force and, as a result, earns a significant quantity of revenue that is liable to income tax.

In the near future, the industry is predicted to grow at an exponential rate, potentially serving as a "goldmine" for increased income mobilisation. The implementation of income tax on the informal sector in a fair and efficient manner has a good chance of narrowing the deficit in domestic revenue generation. The broadening of the tax net to cover as many players in the informal economy as feasible will enlarge the tax base and hence cut rates. "Attempts to boost government income while simultaneously cutting tax rates have resulted in the necessity to develop measures to extend the tax base." (World Bank, 2018). The majority of Ghana's population is employed or works in the informal sector. That is, the local economy is mostly informal, with 88 percent of the workforce employed in it (GSS, 2014). Meanwhile, the informal sector's contribution of income tax revenue has been abysmally small.

Most firms and persons in the formal sector are plainly overburdened with high tax rates as a result of the tax base being narrowed as a result of most informal enterprises being outside the tax net. Only by broadening the tax base to include every single income earner in the informal economy can this scenario be changed. "How to tax the informal sector is a serious subject," according to Baryeh and Ezeka (2017).

Governments that are trying to liberalise their economies but are running out of money are seeking for new sources of revenue. According to the Ghana Anti-Corruption Coalition (GACC), less than 2 million Ghanaians pay direct taxes as at 2020. According to the study, around 1.5 million eligible Ghanaian tax payers pay direct tax, giving Ghana one of Africa's lowest tax-to-GDP ratios. Ghana is losing more money due to leakages, having lost more than a billion dollars in the last two years due to tax exemptions. As a result of this claim, it is obvious that the informal sector's under-taxation is to blame for Ghana's tax system's inequities.

To address this, numerous administrations have implemented a series of tax reforms to address the problem and raise more tax income since the inception of the Fourth Republic. The introduction of the Value Added Tax (VAT) in 1998, the merger of the three revenue agencies into one primary institution, the Ghana Revenue Authority (GRA), in 2009, the implementation of the vehicle tax, the introduction of Integrated Customs Management System (ICUMS) for tax mobilisation and the recent opening of GRA portal and mobile application for tax payment and many other tax reforms are among the most important. In the informal sector where the attention is, standard assessment in 1963, occupational grouping taxation in 1986 as well as the tax stamp have all been introduced to generate more revenue from the Informal sector. Despite all of these efforts and improvements, there are still concerns about Ghana's tax mobilisation system, particularly from the informal sector.

1.1 Statement of the Problem

The presence of a large informal sector is claimed to be crippling efficient domestic tax collection in most African countries (Makochekanwa, 2020). In Africa, the informal sector is huge, accounting for the bulk of micro-enterprises and small firms, as well as a large share of employment (Benjamin & Mbaye, 2020). The administration and policy of informal sector taxes have come up in recent conversations about how to raise additional money for struggling developing nation governments specifically. One of the key issues facing third-world countries on their path to socio-economic development is how to regulate the burgeoning informal economy and maximise income tax revenue from it. “How to tax the informal sector is a critical subject,” Baryeh and Ezeka (2017) acknowledged. Governments that are trying to liberalise their economies but are running out of money are seeking for new sources of revenue. “The informal sector, which accounts for a large and rising share of the economy in developing nations yet pays very little in taxes, is an obvious target of attention” (Anuradha and Ayee, 2002).

Ghana, a country with a formal and informal economy, faces significant challenges in mobilizing taxes, particularly from the informal sector. While the formal sector employs roughly 20% of the working population, the informal sector (which includes agriculture) employs the remaining 80%. (Osei Boateng and Ampratwum, 2011). Since Ghana’s independence, governments have had a significant issue in taxing the informal sector. According to Mr. Adogla Bessah, Assistant Commissioner of the Ghana Revenue Authority (GRA) Takoradi Medium Tax Office, over 80% of informal sector businesses do not pay tax. The informal sector’s tax revenue is grossly insufficient in comparison to its vast magnitude. Also, the agricultural industry in Ghana is one of the key sections of the economy that is under-taxed, resulting in a significant revenue loss since a large portion of the workforce, especially in rural regions, work in the informal sector (Ofori, 2009).

Even though, more studies have been conducted in this direction, like Ofori (2009) who used quantitative approach to find out the challenges of tax mobilisation from the informal sector in 3 selected cities including, Tema, Ho, and Kaneshie (Accra) and Ackah (2014) looked at "introduction of direct tax play a vital role in revenue mobilisation" as well as Annor (2012) who used quantitative study to look at "assessment of payment of income tax in the informal sector: a case study of Cape Coast tax district", this recurring phenomenon shows no signs of slowing or winding down now or in the near future. The available literature did little to highlight and assess the taxation strategies that are already in place to mobilise more direct tax revenue from the informal sector in Ghana which in effect creates a gap, which this study seeks to fill. Additionally, most studies barely touched on key areas such as the informal agricultural sector which is deemed as one of the most underwhelming areas tax revenues are generated in the country. Therefore, this work will place much emphasis on the informal sector and small businesses in commerce. To add to, little literature exists on the effects of taxing the informal sector in Ghana. Again, most of the studies in this direction used quantitative method to conduct the study and in effect creates methodological gaps. Even though, a number of tax revenue measures have been undertaken by successive governments since the inception of the Fourth Republic but the difficulties of getting the needed revenue from the informal sector still linger. Indeed, the contribution of informal taxes to the overall tax net in Ghana is not more than twenty percent (20%), though the sector constitutes about eighty percent (80%) of Ghana's economy (Osei-Boateng & Ampratwum, 2011). The main problem of this thesis therefore is to investigate the challenges associated with tax mobilisation from the informal sector and its resultant abysmal contribution to total tax revenue in Ghana despite the fact that it is the larger economy compared to the formal sector.

1.2 Purpose of the Study

The study's overall purpose is to identify, discuss and address the difficulties of taxation in Ghana's informal sector. This research looked at the following specific objectives in order to address the overall objective of the study.

1.3 Objectives of the Study

1. To find out the major factors that make the informal sector difficult to be taxed in the Cape Coast Metropolitan Assembly.
2. To assess the effectiveness of already existing strategies on tax mobilisation from the informal sector in the Cape Coast Metropolitan Assembly.
3. To examine the measures that can be put in place to ensure effective tax mobilisation from the informal sector in the Cape Coast Metropolitan Assembly.
4. To examine the extent to which the use of ICT tools can help in revenue mobilisation from the informal sector in the Cape Coast Metropolitan Assembly.

1.4 Research Questions

1. What are the factors that make the informal sector difficult to be taxed in the Cape Coast Metropolitan Assembly?
2. What are the existing strategies on tax mobilisation from the informal sector in the Cape Coast Metropolitan Assembly?
3. What measures can be put in place to ensure effective revenue mobilisation in the Cape Coast Metropolitan Assembly?

4. How will the use of ICT tools help in generating and mobilising taxes from the informal sector in the Cape Coast Metropolitan Assembly?

1.5 Significance of the Study

This study is relevant for a variety of reasons, including the fact that it will contribute in three ways.

First and foremost, the study will add to tax knowledge by shedding more-light on the difficulties that make taxing the informal sector in Ghana extremely challenging. It would also evaluate the efficiency of Ghana's current revenue mobilisation techniques. As it contributes to the current literature on informal taxes in Ghana, the study will also serve as a reference point for future research.

In addition, policymakers such as the Ghana Revenue Authority, the Ministry of Finance, and other stakeholders would benefit from the study in order to assist Ghana generate more revenue from the informal sector. Because of their incapacity to truly identify and include the reason of non-compliance by informal sector entities, tax authorities frequently have difficulty enforcing tax rules. This project examines all the challenges that arises from tax mobilisation from the informal sector and it takes into account all the suggestions and recommendations. Tax practitioners and consultants will once again have the opportunity to craft expert advice that is most appropriate and suitable for effective tax mobilisation.

Theoretically, the study would help test the available theories on taxation and the informal sector in Ghana and find out if indeed, the basic underlying assumptions on these theories applies to the study or not.

1.6 Scope of the Study

The study was limited to the Cape Coast Metropolis, which was chosen due to acquaintance with the area and the presence of business owners. Familiarity and convenience influence researcher's choice of study area (Jerring, 2017). Yin (1984) asserts that researchers often select study areas based on factors such as accessibility, availability of resources, convenience and personal interests. This however influenced the researcher in choosing Cape Coast as an of study.

In the Cape Coast metropolis, the research focused on actors in the agricultural sector and enterprises in the informal sector, such as petty traders, hawkers, hairdressers, dressmakers, craftsmen, and others. Also, the study was limited to the Cape Coast Metro because of poor revenue records. For instance, the Cape Metro Assembly recorded a 4% revenue decline between 2020 and 2021.

1.7 Limitation of the Study

One of the study's primary limitations is that people are often skeptical of anybody discussing tax matters; as a result, participants in the informal sector, whose operations are mostly hidden, were hesitant to freely reveal information about their business activities and tax status. This resulted in the study being skewed towards participants who freely contributed information, resulting in the findings been dominated by a certain group of informal sector participants.

Also, illiteracy among the respondents, that is the informal sector players affected data collection. The researcher had to spend much time explaining into detail the purpose of the study and what everything entails. In most cases, the researcher had to translate the questionnaire into the local dialect.

1.8 Organisation of the Study

The study is put into five chapters. The first chapter is an overview of the study comprising a background of the study and the statement of the problem, the objectives and research questions as well as the significance of the study. The scope and limitations of the study was discussed.

In chapter two, a review of the related and relevant literature on taxation is provided.

Chapter three explains the methodological framework upon which this study is conducted. The data collection and analysis techniques and how the data was analyzed are discussed with definite justification.

In chapter four, the results and the findings of the study are discussed.

Chapter five discusses the summary, recommendations and conclusion.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter delves further and in greater detail into the available literature that are important to this research. It gives an outline of Ghana's taxation system. The research's conceptual issues, theoretical, and empirical insights are also presented. The chapter once again emphasises and explores what many writers and academic researchers have examined and written on taxes and the issues associated with collecting income tax from Ghana's informal sector. The purpose of this chapter is to get a thorough comprehension of the ideas at hand as well as a justification for researching the problem presented in Chapter 1.

2.1 Theoretical Framework

Any competent academic research of this sort, in fact, necessitates the development of a theory or theories. Theories are more or less like optics through which researchers examine complex social situations (Macdonald et al, 2021), and it is on this premise that Paul (2012) claims that any research that does not include a theory is blind. To emphasise the importance of the link between theory and research, Paul (2012) recommended all stakeholders in the knowledge production sector to base their research on theory as a matter of need. Theories assist people in prioritising information and allowing them to focus on the most important topics. Theories are also used to explain, describe, and forecast what the future holds in order to prepare for incoming events, and a theory may be used to mobilise support for future events based on this foundation (Kaufman, 2013). On this note, the ability to pay theory of taxes, Azjen's (1991) Theory of Planned Behavior, and the theory of Informal Economy were the most relevant theories utilised to define and explain this research.

2.1.1 The Ability to Pay Theory

In public Economics, there are several taxation theories. The ability to pay theory, is frequently viewed in terms of sacrifice. The concept of a progressive income tax, which states that persons with more means should pay a higher percentage of their income, has been around for centuries. In actuality, it was developed in 1776 by none other than Adam Smith, the founder of economics. "As nearly as practicable, the subjects of each state should pay to the maintenance of the government in proportion to their respective capabilities; that is, in proportion to the revenue that they receive under the protection of the state." Advocates for ability-to-pay taxation say that individuals who have reaped the greatest benefits from the country's way of life, such as higher earnings and wealth, can afford and should be compelled to contribute a bit more to keep the system working. The argument is that the society in which government tax revenue has helped build infrastructure such as highways and fiber optic communications networks, as well as a strong military, public schools, and a free market system, provides the environment in which they can succeed and continue to succeed. Progressive taxation is viewed as inherently unjust by critics. They argue that it punishes hard effort and accomplishment while lowering the desire to earn greater money. To make the system more equitable, many say that everyone should pay the same income tax rate, known as a "flat tax."

The essence of this theory to the study is to find out if indeed the government's inability to mobilise enough revenue from the informal sector can be attributed to the income and profit margins of the sector operators and to also ascertain the equity margin of the taxation system in place in the informal sector. The underlying assumption of the theory focuses on higher income earners paying higher taxes to the state.

2.1.2 The Theory of Planned Behaviour (TPB)

Attitudes and subjective standards determine behavioural intentions, according to the theory of reason and action (TRA) (Fishbein & Ajzen, 1975). Following that, in 1991, Azjen introduced the Theory of Planned Behaviour (TPB) as an extension of the theory of reason and action, which looked at how an individual's intention to perform a specific behaviour is influenced by three factors: attitudes, subjective norms, and perceived behavioural control. According to Hanno and Violette (1996), attitudes and subjective norms determine universal perspectives on taxation. According to Ajzen (1991), "Attitude is the individual's assessment of a behaviour as favourable or unfavourable." Subjective norms measure a person's view that the opinions of other relevant persons may influence his or her decision. Furthermore, perceived behavioural control refers to an individual's level of control (difficulty or opportunity) over his or her own capacity to engage in a certain behavior.

This theory is relevant to the study because it acknowledges subjective behaviors such as peoples' belief systems, which can lead to chronic tax evasion and justifications for not filing returns for tax purposes. As a result, this theory serves as a foundation for investigating the beliefs, attitudes, and behaviors that have the potential to shape and influence informal sector operators' ability to execute their tax obligations as citizens of the state. The theory approached the study by asserting that, all subjective norms have significant negative effects on the reasons amongst operators in the informal sector of the Cape Coast Metropolis.

2.1.3 Theory of the informal economy (Legalist and the illegalist/ Voluntarist Schools of thought)

The theory of the informal economy has four main schools of thoughts namely; dualist, structuralist, legalist and the illegalist of which only two will be much relevant to the study. These two are the Legalists and the Illegalist. These thoughts under the theory of the informal economy are two sides of a coin.

In the late 1980s and early 1990s, Hernando de Soto pioneered legalist beliefs, believing that the informal sector is made up of 'fortunate' micro-entrepreneurs who prefer to operate informally to save the costs, time, and effort involved with formal enterprise (de Soto, 1989). Micro-entrepreneurs, according to de Soto (2000), will continue to create informally as long as government procedures are inefficient and expensive. Unreasonable government rules and regulations, he believes, are suffocating formal private enterprise. According to the legalist school of thinking, the government's passage of various commercial laws and regulations places an excessive demand on firms, promoting involvement in the informal sector. They hold the belief that, the simplicity of formalisation procedures and regulations may minimise the rate of informality among enterprises.

The illegalist school, popularised by Neo-classical and Neo-liberal economists like Maloney, holds that, informal entrepreneurs intentionally want to dodge laws and taxes, and in certain circumstances, to engage in illegal products and services. This school is linked to the idea that the informal sector is a shadow or black economy. Informal entrepreneurs, according to this school of thought, choose to operate unlawfully or even criminally in order to avoid paying taxes, complying with business rules, paying electricity and leasing fees, and other expenditures associated with operating formally (Chen, 2012). Economic agents include the informal sector's possible punishments when calculating the opportunity cost of working in the informal sector. The use of this theory is to assert the claims made by both schools of thought to find out if indeed informal sector operators within the Cape Coast Metropolis operate informally because of the several regulations in the formal sector and cost involved of operation as held by the legalist school or perhaps to ascertain the claims by neo classical economists who asserts that, informal operators deliberately engage in the sector in order to avoid the payment of taxes.

The three (3) theories namely, the ability to Pay Theory, The Theory of Planned Behaviour and the Theory of the Informal Economy explained by the researcher are all relevant to the study. Perhaps all these three theories will be used in explaining the results of the study.

The three theories are linked to each other in this way;

Financial Behaviour in the Informal Economy: The ability to pay theory can be applied to understand the financial behaviour of individuals in the informal economy. It suggests that individuals in the legal informal economy may struggle to fulfill their financial obligations due to limited financial resources while those in the illegal informal economy may have the ability to pay but choose not to due to the illegal nature of their activities.

Attitudes and Financial Behaviour in the Informal Economy: The theory of planned behavior can shed light on the attitudes that influence financial behaviour (payment of taxes) in the informal economy. For example, individuals in the legal informal economy may have positive attitudes towards fulfilling their tax obligations, but limited resources may hinder their ability to do so. In contrast, individuals in the illegal informal economy may have negative attitudes towards paying taxes or complying with regulations due to their illegal activities.

Subjective Norms and Financial Behaviour in the Informal Economy: Subjective norms play a role in shaping tax compliance behaviour in the informal economy. Individuals in the legal informal economy may feel social pressure to fulfill their tax obligations, while those in the illegal informal economy may perceive social norms that support non-compliance with tax or regulatory requirements.

Perceived Behavioral Control and Financial Behavior in the Informal Economy: Perceived behavioral control is relevant to understanding financial behaviour in the informal economy. Individuals in the legal informal economy may perceive limited control over their financial situation due to low income or unstable earnings, which can impact their ability to pay. In contrast, individuals in the illegal informal economy may perceive control over their financial situation but intentionally choose not to fulfill their financial obligations due to the perceived benefits of avoiding taxes or regulations.

2.2 Historical Overview of Taxation in Ghana

Governments have always found it efficient to acquire information from individuals using extremely basic and uncomplicated techniques to collect taxes. It's no surprise that the original tax regimes focused on imports and personal income because they were easier to track and collect. Towards the end of the Middle Ages, certain European governments, such as Germany and Italy, instituted a head tax for the poor and a net worth tax for the wealthy as a means of ensuring that those who could afford it paid higher taxes. During Major Hill's administration in 1852, the British colonial rulers pushed on the introduction of direct taxes and indirect taxes to fund the development of schools, improvements to the judicial system, basic health care, and infrastructure. This was greeted with strong opposition from the local population, ending in the removal of direct taxes (Cox, 2013). At a time when World War II was raging, the British colonial administration began taxation in Ghana, then the Gold Coast, in September 1943. Various attempts had been made previously, for example, in April 1852, the poll tax ordinance was passed under the then-Governor Major Hill to earn money to support the growing expense of British administration (Bal, 2014). The Income Tax Ordinance (No.27) of 1943 was therefore the first Income Tax Law. This Ordinance was based in large part on the main ideas of the Income Tax Act in force in the United Kingdom at the time. It imposed the tax on all incomes originating in Ghana, with the exception of foreign source income, which was not subject to the tax until it was remitted to Ghana. The various personal reliefs and deductions established in this regulation were one of its distinguishing features. Since its inception, this ordinance has been changed multiple times. The income Tax (Amendment) Ordinance 1952 was passed in 1952 to address the majority of the shortcomings in Ordinance No27. After eight (8) years of tax management, this was the result. A consolidation edition was issued in 1953, as required by the 1952 legislation. Act 68, passed in 1961, and introduced significant changes to the consolidated edition, which were followed by Acts 178 and 197 in 1963, and Act 312 in 1965. In September 1966, a second consolidated version (The consolidated Tax Degree 1996- No 78) was released, and in December 1975, a third consolidated edition (The Income Tax Degree 1975- SMCD5) was released (Andah, 1987). In the year 2000, a new tax legislation, Act 592 of 2000, was enacted to deal with tax administration. That Act unifies all taxes levied in Ghana, including income tax, gift tax, capital gains tax, and so on. The Internal Revenue Service (IRS) was formed by IRS Law PNDCL.143 in 1986.

2.3 Major Tax Reforms in Ghana

The Ghana Revenue Authority Act 2009, Act 791, was enacted in 2009. This Act unified all of Ghana's revenue authorities into a single entity. This GRA is divided into three sections: Customs division, which is in charge of customs duties administration, Domestic Tax Revenue Division; which is the result of the merger of two former operational divisions, Internal Revenue Service (IRS) and VAT Services, and is now in charge of domestic tax administration, and Support Service Division (SSD), which is in charge of finance, administration, research, human resources, and information technology (GRA ACT, ACT 791 2009).

The Internal Revenue Service (IRS), the National Revenue Secretariat (NRS), and the Custom Excise and Preventive Service (CEPS) were all given autonomy with their respective tasks at this time. Some of the reforms at the time included the World Bank's endorsement of computers in tax administration and management in 1989, as well as the implementation of a taxpayer identity numbers system (PKF International Limited, 2012). Furthermore, the Corporate Income Tax (CIT) rate was cut from 55 percent in 1989 to 35 percent in 1993 and 25 percent in 2006 between 1989 and the early 2000s. In 2001, a new tax legislation called the Internal Revenue Act of 2000 (Act 592) was approved to administer direct taxes (PKF International Limited, 2012). After the modification, the only notable national levies in the country were the National Health Insurance Levy (NHIL), which imposed a 2.5 percent surcharge on some products and services, and the five (5) National Fiscal Stabilisation Levy (NFSL). Apart from the VAT, which is charged on goods and services, people in Ghana are subjected to sales and service taxes, income taxes administered by the GRA's Domestic Tax Revenue Division (DTRD), and Customs and Excise duties administered by the Customs Division (CD). The GRA was established in order to unify the work of all of the country's key revenue-raising institutions. The GRA, which was founded in 2009, is a federation of all of Ghana's key revenue collection institutions. The GRA Act 2009 covered the IRS, the Value Added Tax Division, CEPS, and the Revenue Agencies Governing Board (RAGB) (Act 791). GRA's mission was to ensure maximum tax compliance in order for the government to produce enough income. The Authority was also entrusted with facilitating commerce and ensuring the safe movement of commodities across the country's borders. This meant the GRA had to adopt policies to boost revenue, as well as regulate international agreements that govern the country's relations with other tax jurisdictions and institutions, such as the World Customs Organisation Protocols (WCOP), World Trade Organisation Protocols (WTOP), double taxation, and Exchange of Information Agreements (EIA) (Nyamadi, 2014). The Integrated Tax Application and Preparation Systems (ITAPS) and the ETSA were also established in 2018 as a result of the GRA's mission, which is incorporated in the Act. The goal was to make paying taxes easier and less expensive for MSEs, therefore increasing compliance and reducing revenue collection inefficiencies.

2.3 Overview (Concept) of Taxation

Taxation has diverse meanings according to empirical literature; nonetheless, most scholars and academics, like Mintrom & Luetjens (2016), describe tax as a “compulsory charge paid to the state or municipal authorities on property and economic activity.” Akhtar, John & Wong (2019) look at tax as a government-imposed involuntary levy on income, spending, or capital assets for which the person receives nothing in return. As a result, Abdallah (2006) considers taxing to be a "sovereign right of the state utilised to shift resources from private to public usage in order to realise society's economic and political goals.” Kestens, Cauwenberge &

Christiaens (2012) evaluate taxes as a compulsory charge paid to the government by people, institutions, or groups, in keeping with Abdallah's argument. Taxation is a system of mandatory payments placed on persons, businesses, and property by a government or other authorised public entity in order to support public expenditure (Microsoft Encarta, 2005). Taxation is the process of the government levying mandatory payments or contributions on persons, corporations, and property in order to fund government activities. (Gbadago, 2012). The individual who is taxed is commonly referred to as a 'tax payer.' An individual investor or a limited liability business might be viewed as the tax payer. Taxation is a critical component in revenue mobilisation. This, in turn, necessitates well-defined tax policies that are both legally sound and operationally viable. The most pressing issue confronting countries is how to increase the efficiency of their tax administration. Tax is the amount that is normally levied on the tax payer. As a result, tax refers to the financial costs imposed by tax authorities on the tax payer. The most important feature is that there is a legal need to pay or deliver, and one thing that all taxes have in common is that they are enforced by law.

Taxation is the backbone of any country, since it is utilised by governments throughout the world to manage or satisfy the people's myriad and unquenchable requirements. The mobilisation of income in Ghana's economy is dependent on taxation. For instance, in the year 2020, the total revenue to the government of Ghana was 55.132 billion cedis of which tax revenue accounted for 44.452 billion cedis constituting 80.63% whereas non-tax revenue accounted for only 10.680 billion cedis (19.37%) of the total revenue (BOG report, 2020).

2.3.2 Nature of Taxation

The percentage of tax charged determines the nature of tax according to Alm (2019).

Progressive Tax: A tax is progressive if the percentage tax rate increases as income increases, or if higher income draws proportionately higher taxes than lower earnings.

Regressive Tax: A tax is considered to be regressive if payments as a percentage of income decrease as income increases; in other words, the lower the income, the larger the proportion of tax paid, and vice versa.

A tax is neutral if payment as a percentage of income is constant as income rises (Alm, 2019).

2.3.3 Types of Taxes

There are basically two main types of taxes. These are direct and indirect taxes.

Direct Tax

A direct tax is defined as "a tax, such as income tax, levied on the income or profits of the person who pays it rather than on products and services," according to the Oxford dictionary. A sort of tax in which the incidence and impact of taxation fall on the same entity is known as direct tax. The burden of direct taxation cannot be passed from one person to another. These are mostly income or wealth taxes. Direct taxes include income tax, corporate tax, property tax, inheritance tax, and gift tax. Direct taxation in Ghana is largely progressive, with the Internal Revenue Service being particularly specific. The incidence and yield are simple to calculate, and the tax payer knows exactly how much he will have to pay. Even while the influence on incentives and savings may be significant, and the expense of administration may be high compared to indirect taxes, yield grows automatically as wealth and population increase. In Ghana, for example, the Internal Revenue Service uses a direct tax system that is progressive in terms of tax revenue collection. Income tax, gift tax, and capital gain tax are the three forms of direct taxes specified by the IRS.

Income Tax

According to the Internal Revenue Act 2000, Act 592, Income tax is a sort of direct tax levied on a person's earnings or gains as specified by the legislation controlling the tax system. The legislation does not define income in any way. It does, however, offer an indication of what is considered taxable income. Income tax is a tax levied on an individual's total income, according to the Ghana Revenue Authority (income from employment, business and investment). If you are a lone owner or a partner in a partnership and your monthly income exceeds GH 319, you must pay income tax. To provide for the imposition of income tax and other associated reasons, the Ghanaian government passed the Income Tax Act, 2015 (Act 896) in 2015.

Capital Gains Tax

The profit or profits earned on the sale or disposal of an asset other than trade inventories are subject to a capital gain tax. In other words, this is a tax on the profit or gains realised on the sale or disposal of an asset other than trading inventory. The taxation of the rise in the capital worth of assets between the date of purchase and the date of disposal is known as capital gain tax. Within thirty days of the realisation of an asset, taxpayers must declare any capital gain and pay any resulting tax. The majority of capital gains come from the selling of real estate, property, stocks, bonds, precious metals, and other investments. The tax is levied on valuable objects or assets that have been sold for a profit.

CGT is payable by every person on any capital gains accruing or derived from the realisation of assets and liabilities. Where the chargeable income of an individual includes a gain from the realisation of an investment asset not charged elsewhere, the individual may elect that the gain, less any loss from the realisation of that asset, is taxed at the rate of 25%.

The capital gains tax is the levy on the profit that an investor makes when an investment is sold. It is owed for the tax year during which the investment is sold.

Capital gains taxes are due only after an investment is sold and these taxes apply only to capital assets, which include stocks, bonds, digital assets like cryptocurrencies and Non-Fungible Tokens (NFTs), jewelry, coin collections, and real estate. Long-term gains are levied on profits of investments held for more than a year and Short-term gains are taxed at an individual's regular income tax rate, which is higher than the tax on long-term gains.

According to the section 35, Act 896 of the Income Tax Act, 2015 as amended,

1. A gain made by a person from the realisation of an asset is the amount by which;

(a) The sum of the consideration received for the asset exceeds the cost of the asset at the time of realisation; or

(b) The sum of the consideration offered for the liability is less than the amount outstanding at the time of realisation.

2. A loss of a person from the realisation of an asset or liability is the amount by which;

(a) The cost of the asset exceeds the sum of the consideration received for the asset at the time of realisation; or

(b) The sum of the consideration offered for the liability is more than the amount outstanding at the time of realisation.

Individuals and companies are charged different rates of the Capital Gain tax.

For Individuals, the gain is treated as an isolated transaction and therefore taxed at a rate of 15% of the net gains realised. For businesses, the Capital Gains are included in the business' annual returns and taxed accordingly.

Gift Tax

According to the GRA Act 791, 2001, a gift is defined to mean a receipt without consideration or for inadequate consideration. A thing given willingly to someone without payment is considered a gift. Gift received by an individual is included in the assessable income of the individual and taxed at the applicable tax rate of 25% (for non-resident) or the highest marginal rate of 35% (for resident). However, an individual may elect and apply a 25% tax on gifts received other than in respect of business or employment.

A gift is anything of value that is transferred from one individual to another. According to the IRS, the transfer may occur either directly or indirectly, where full consideration (measured in money or money's worth) is not received in return."

Property is considered a gift if it has value and is transferred to another individual without any significant form of compensation.

Section 110 of Act 592 defines gift as a receipt without consideration or for inadequate consideration. The receipt may constitute certain types of assets identified by the law which may be transferred between persons. Taxable gift means any of the following: assets situated in Ghana such as: building of permanent or temporary nature, land, Shares, bond and other securities, Business and business assets as well as any means of transportation (land, air, sea), goods or chattels not included in the above or part of, or any right or interest in or over any of the assets referred to above. Items that may not be considered as gifts includes; educational expenses for someone, medical expenses for someone, medical expenses for someone else, gift to a spouse, gift and donations to political and non-profit organisations.

An asset or a benefit obtained as a gift by or for the benefit of a resident person, whether located in Ghana or outside Ghana. A resident is someone who has spent a total of 183 days in Ghana during the evaluation year.

An asset received as a gift by or for the benefit of a resident person, whether located in Ghana or outside Ghana, and which has been or is credited in an account or invested, accumulated, capitalised, or otherwise handled with in the name of, on behalf of, or at the direction of such person.

A taxable gift an individual receives under a will or intestacy, by that person's spouse, child, parent, brother, sister, aunt (means parent's sister), uncle (means parent's brother), nephew or niece (means child of a parent's sister or brother), or by a religious body that uses the gift for the benefit of the public or a section of the public and for charitable purposes is exempt from the tax (GRA ACT 791, 2009).

Property Tax

Property taxes are levied on real estate, such as land and buildings, and are used to fund public services such as police and fire departments, schools and libraries, and roads (GRA, 2009).

As of now, property tax in Ghana is governed by the Property Rate Act, 2004 (Act 684) and the Local Government Act, 2016 (Act 936). Property tax is levied by the various Metropolitan, Municipal, and District Assemblies (MMDAs) in Ghana.

The property tax is imposed on the annual rental value of properties, which is determined by the MMDAs based on the location, size, and quality of the property. The rate of property tax varies across different MMDAs but generally ranges from 0.5% to 1% of the annual rental value.

Property owners are required to register their properties with the MMDAs and obtain a property identification number. They are also responsible for paying the property tax annually, usually in advance or in installments. Failure to pay property tax can result in penalties and legal actions.

It is important to note that property tax revenue is a significant source of revenue for MMDAs, which is used to finance local infrastructure development, services, and other local government activities.

However, it is worth mentioning that the implementation and enforcement of property tax in Ghana face challenges such as inadequate valuation of properties, low compliance rates, and limited capacity of MMDAs to effectively administer and collect property taxes.

The government of Ghana is making efforts to address these challenges and improve property tax administration through initiatives such as the Ghana Revenue Authority's Property Revenue Mobilisation Programme. This programme aims to enhance property tax collection by improving valuation methods, taxpayer education, and enforcement mechanisms.

Advantages of direct tax

According to the Malbin & Glavin, (2018), direct tax has the following advantages;

It increases equality

Because direct taxes are based on a person's capacity to pay, they encourage equality among taxpayers and citizens. Depending on how much money someone makes, they are charged a different amount.

It encourages certainty

One of the advantages of direct taxes is that they are set and finalized before they are paid. When it comes to income tax, the yearly tax remains the same year after year as long as the pay is constant.

It assures elasticity

Taxes are the government's profits, and when they fluctuate, the earnings fluctuate as well. They have the ability to go higher or lower.

It is simple to collect

The government does not have to spend money on tax collection because it is already done at the source of revenue. Automatic payroll deduction systems are used by certain businesses to save time and money.

Indirect Tax

Taxes that can be passed on to another company or individual are known as indirect taxes. Typically, they are placed on a producer or supplier, who subsequently passes the tax on to the consumer. Indirect taxes are levied on someone other than the individuals or organisations that are responsible for paying them. Indirect taxes are collected on a person or organisation with the intention of shifting or passing the tax on to another. Specific duties are one type of indirect tax (rate of duty based on fixed or specific amount per some physical attribute of the commodity being taxed). Tax payment is simple and convenient with indirect tax, and evasion is difficult. Value added tax (VAT), import and export tariffs, excise duties, and the National Health Insurance levy are some of the indirect taxes that will be covered in Ghana.

Value Added Tax

In certain jurisdictions, Value Added Tax (VAT) is also known as Goods and Services Tax (GST). It is a sort of tax on products or services that is levied on any value added during the manufacturing and distribution process. Value-Added Tax (VAT) is a tax that is levied on most goods and services transactions when new value is produced during the manufacturing process. According to the GRA, value added tax (VAT) is a tax levied under the value added tax (VAT) Act 1998 on the value added to products and services at each level of the production and distribution chain (Act 546). It is included in the ultimate price a customer pays for products or services.

Import and Export Duties

Import and export tariffs are imposed on products, goods, and services that are brought into or exported from the nation. Import duty is a charge levied by a country's customs officials on imports and some exports. The import duty is generally determined by the item's worth. Import duty is also called as a customs duty, tariff, import tax, or import tariff, depending on the situation.

Excise Duties

Excise duties are levies that a government imposes on produced goods. Alcoholic drinks, logs and lumber, construction supplies (cement, roofing sheets), and fuel and energy are all examples. Section 56 of Law 330, as amended, states that no excise duty shall be payable on any goods manufactured in Ghana and shipped as stores for consumption outside Ghana on a ship or aircraft proceeding to a place outside Ghana, or exported by their manufacturer, upon application to the Commissioner and subject to such conditions as he may impose.

The National Health Insurance Levy

The National Health Insurance Levy (NHIL) is a consumption tax established by the National Health Insurance Act of 2003. (Act 650). Payments for products and services delivered in Ghana or imported into the nation are subject to the National Health Insurance Levy.

Advantages of Indirect tax

1. **The poor can contribute:** Unlike direct taxes, which often exclude the poor, indirect taxes allow them to participate in the collection of revenue for a country or state.

2. **Indirect taxes are less visible**: Indirect taxes are difficult to spot since they are included in the item's retail price. Because the tax is levied in modest amounts, people do not believe they are being taxed. Add to that the fact that they are not mentioned on the price tag and are only visible on the transaction receipt. They can also be prevented by refusing to purchase the items (Toumala, 2016).

3. **Easy to collect**: Unlike direct taxes, which involve completion of documentation and filing, indirect taxes are paid at the time a consumer purchases a product. The

provider is responsible for collecting the tax and remitting it to the government (Portal, 2012).

4. **Reduces dangerous product consumption**: Alcohol and cigarettes are substantially priced. People are deterred from eating dangerous commodities because of the high cost of such products, which is why they are taxed (Portal, 2012)

2.3.4 The Purpose of Taxation

The major objective of taxes, as stated previously in the definition, is to produce income to cover the cost of services given by the government. Other goals of taxation include reducing wealth inequalities, restricting certain types of consumption, such as alcoholic beverages and cigarettes, protecting domestic industries, and controlling certain areas of the economy, such as the balance of payments, employment saving, investment and productivity (Bal, 2014).

2.3.5 The Cannons of Taxation

The traits are referred to as cannons of taxation by Adam Smith (1778), a notable British economist who specified four cannons of taxation in his book “An inquiry into the nature and causes of the wealth of nations.” These are incredibly important ideas, and they are just as valid now as they were back then. Cannons of taxation are basically the characteristics and attributes of a good tax system. A good tax system is one that is based on a set of principles that are appropriate for the situation (rules). The tax system should achieve a balance between the taxpayer's and the tax authorities' interests. These canons are still recognised as qualities or attributes of a good tax system.

1. **Equity**

Per this principle, everyone should pay the government according to his or her financial capabilities. The wealthy should pay more taxes to the government since they could not have achieved and enjoyed their wealth without the protection of government authorities (Police, Defense). According to Adam Smith, taxes should be proportionate to income, meaning that residents should pay taxes in proportion to the revenue they get under the state's protection.

2. Certainty

According to Adam Smith, a person's tax should be expected rather than arbitrary. The tax payer should know ahead of time how much tax he must pay, when he must pay it, and in what manner he must pay it to the government. To put it another way, every tax should meet the cannon of certainty. At the same time, a solid tax system guarantees that the government is confident in the quantity of tax revenue it will receive. At the same time, a solid tax system guarantees that the government is confident in the quantity of tax revenue it will receive.

3. Convenience

Tax payment methods and times should be as convenient as feasible for taxpayers. Land revenue, for example, is collected at the time of harvest, and income tax is subtracted at the source. Convenient tax system will encourage people to pay tax and will increase tax revenue

Tax payment methods and times should be as convenient as feasible for taxpayers. People will be more likely to pay taxes if the system is more convenient.

4. Economy

This idea emphasises that tax administration should be efficient. The cost of collecting taxes should be less than the amount collected. If the taxes levied are extensive yet difficult to administer, it may be pointless. As a result, imposing some taxes would be pointless if they were impossible to manage. It's also known as the fiscal adequacy canon.

5. Additional Cannons

Since Adam Smith's time, the government's activities and functions have grown dramatically. Governments must provide economic stability, full employment, eliminate income disparity, and encourage growth and development. The tax system should be designed to accommodate the needs of expanding state activity. As a result, contemporary economists devised the following taxation canons.

6. Productivity

By this principle, the tax system should be able to generate sufficient money for the government, eliminating the need for deficit financing. In a growing economy, this is a useful practice to follow.

7. Elasticity

Every tax levied by the government should be elastic in character, according to this principle. In other words, tax revenue should be able to increase or decrease in accordance with the needs of the government. For example, if the government requires more revenue during a crisis, the tax should be able to generate additional revenue by increasing its rate.

8. Flexibility

It should be easily possible for the authorities to revise the tax structure both with respect to its coverage and rates, to suit the changing requirements of the economy. With changing time and conditions, the tax system needs to be changed without much difficulty. The tax system must be flexible and not rigid. The tax system should not be complicated. That makes it difficult to understand and administer and results in problems of interpretation and disputes.

9. Diversity

This principle suggests that instead of focusing on a single revenue source, the government should collect taxes from many sources. It is not ideal for the government to rely on a single source of revenue since this may result in unfairness for a specific segment of the population and uncertainty for the government's ability to gather finances. If tax money originates from a variety of sources, any drop in revenue due to a single reason is sure to be minor.

10. Simplicity

The tax system should be as simple as possible. This makes it difficult to comprehend and administrate, resulting in ambiguity and disagreements.

2.3.5 Importance of Taxation

As previously said, tax money is extremely important in conducting a state's operations. For several years in a row, tax receipts have accounted for more than 70% of total income earned in a fiscal year in Ghana (Agyapong, 2010). According to lecture notes by Dr. Emmanuel Carsamer, a former HOD of the Economics department at the University of Education, Winneba, tax income plays the following vital functions in a nation's or tax jurisdiction's economic growth. These are some of them:

(a) Taxation is an important source of money for the government. It is used to pay expenditure programs and maintain law and order.

- Life and property protection
- Funding infrastructure development and current government programs. Construction of roads, dams, and school buildings, for example.

(b) Limit intake of toxic commodities like as alcohol and cigarettes, both of which are bad for our health and morals.

c) Management of specific parts of the local economy, such as

- Balance of payment
- Inflation-controlling fiscal instrument
- Reducing the fiscal deficit
- Reduce inequities caused by wealth distribution, such as the wealth gap between affluent and poor.

(d) Local industries in their infancy are protected.

2.3.6 Challenges of Taxation

Many developing nations have adopted significant tax changes in order to raise income and reduce corruption over the last two decades (Gupta, 2012). Despite significant gains in tax collection and Ghana's relative success in comparison to its neighbors, there is no doubt that taxes are still prone to significant leakages. These leakages are more a matter of administration than policy, which reflects the often-repeated claim that “tax administration is tax policy” in developing countries. Tax administration is categorised into 3 primary agencies: the Domestic Tax Revenue Division (DTRD), the Value-Added Tax Service (VATS), and Customs, Excise and Import Administration (Mikesell, 2013). The rapid expansion and nature of the business conducted electronically on the internet and other communication networks, as reported by Ghana News Agency, David Adom (1998), raised a range of concerns for the formulation of tax policy and the effectiveness of current administrative methods and techniques. This is due to the nature of electronic-commerce transactions, which blurs borders, affects the nature of revenue, and eliminates the audit trail. “These limit the capacity of the taxman to verify the authenticity of earnings declared by taxpayers and shrink the tax base," he continued. As further hurdles to increasing, Adom (1998) listed tax dodging strategies, irregular flows of resources, taxing of the informal sector, and the impossibility to establish a "tax court."

1. Taxpayers' Lack of Taxpaying Culture

This was exacerbated by a perceived inequitable tax structure. High relative rates and a complicated and partially illogical system of procedures, particularly for customs and corporation taxes, resulting in huge potential incentives for taxpayers prepared to bribe to reduce their personal tax burden and/or expedite customs clearance of their products (Joshi, Prichard & Heady, 2014).

2. Wage Inequality

Public sector low pay as compared to the private sector encouraged corruption. The typical public employee's income is around 20% of the equivalent private-sector salary, with only 5% for unskilled workers in most low- and middle-income countries (Connelly et al., 2013).

Inadequate working conditions and no incentive for employees to take initiative, lack of technical equipment and inadequate office facilities were common working conditions. Furthermore, the criteria for hiring, promoting, and rewarding employees and management are imprecise, leaving a lot of room for interpretation (Agyemang et al, 2013).

3. Insufficient equipment

Due to a lack of proper technology to deal with, information on potential tax payers is not even being gathered. In certain cases, police conspire with taxpayers to defraud the system by stating lesser tax amounts than the state is owed. Some even plunder taxpayers by taking advantage of their ignorance or illiteracy. Still another does not treat tax payers with professionalism. Our society has no sense of customer service. (Damayanti & Supramono, 2019).

4. The embezzlement of tax funds

The lack of administrative capability makes it difficult to keep track of the multiple weekly payments. These group executives hold tax collections for themselves and send them over to the tax authorities before paying the tax authorities. Payment issues arise as a result of this. In severe cases, CEOs embezzle funds received, leaving the tax authorities with little recourse.

2.4 Determinants of tax mobilisation efforts

2.4.1 Economic factors

The tax base, which is reflected in the GDP's size, serves as the primary determinant of tax effort (Tanzi, 1992). The structure of the economy is important in addition to its size. Practically all economic activity in developing nations, particularly in sub-Saharan Africa, the informal sector dominates. Tax mobilisation efforts are made more difficult by the informality of economic activity (Joshi et al., 2014). A sizable agricultural sector that is mostly focused on subsistence farming also poses difficulties (Joshi et al., 2014), since it has short value chains and a relatively low value addition rate, which limits the potential for raising taxes using contemporary taxation methods like personal income tax and Value Added Tax (VAT). Another barrier to hiking income taxes is the level of incomes and per capita GDP in emerging nations.

A significant fraction of people have wages that are barely sufficient for subsistence (extremely near to the poverty line). Because of this, the vast majority of low-income nations have extremely low marginal income tax rates (Sicat and Virmani, 1988). On the other hand, increasing taxes from low-income people's incomes presents both political and societal difficulties (Ricciuti et al., 2016). Other restrictions on taxing the incomes of the poor include considerations of equality and cost-effectiveness (Bird and Zolt 2005; Junquera-Varela et al. 2017). Natural resource-rich developing nations typically rely on this source of funding for their governments and make little attempt to build a system for collecting non-resource taxes. Higher natural resource revenue correlates negatively with overall domestic non-resource tax receipts, according to empirical data. However, Thomas and Trevio (2013) offer further information on what contributes to this propensity. They contend that governance issues, internal conflicts, sizable tax exemptions, and tax enforcement are more important factors than differences in statutory tax rates in explaining differences in non-resource domestic revenues between resource-rich and non-resource rich countries. Countries that rely on trade taxes frequently make little effort to collect effective but difficult-to-tax personal incomes. However, due to political stability, trade shocks, and price shocks, trade taxes are subject to instability (Haldenwang and Ivanyna, 2018).

2.4.2 Social factors

Social factors affect how people behave and conform to conventions. Besley and Persson (2014) claim that social and cultural norms have developed in a way that enables a decent level of tax compliance, which accounts for a major portion of the observed high tax per GDP ratio in contemporary high-income nations. In contrast, the majority of developing nations have lower tax rates because to lax tax-paying morals. Any given statutory amount of taxes will generate less income than would otherwise be anticipated due to a lower compliance standard.

Norms can, nevertheless, be molded (Bénabou and Tirole, 2011). In general, a feeling that government institutions are being unfairly treated or that tax cheating is widespread and that the state is less able to identify and crack down on non-compliance may impair tax morale. The tax system becomes unjust because only a few taxpayers incur a larger burden, which reduces compliance and tax efforts, unless a broad-based with low-rate tax structure that strives to bring every qualified taxpayer into the tax net is in place. Social contracts and people' need for a responsible and transparent government are other factors that affect compliance norms, as are the supply of public goods (Timmons, 2005), high-quality services for their taxes (Hanousek and Palda, 2004), and quality of governance (Moore, 2007).

2.4.3 Institutional capacity

According to North (1989), the effectiveness of institutions affects how rules are developed and how they are enforced. As a result, the ability of institutions to influence people' attitudes towards paying taxes is required for the execution of taxation as a norm (Nikiema and Zahonogo, 2017).

The tax administration will need to act like a police force in cases of substantial non-compliance (Savi et al., 2015). However, the main obstacles that have prevented tax administrations from acting as policemen have been lack of resources. Instead, they must play a role in supporting voluntary compliance by offering high-quality taxpayer services and educating taxpayers about voluntary compliance with tax laws. Similar to this, tax administrations must have enough resources to carry out tax enforcement in order to identify and punish noncompliance. The position of the tax administration within the government, as well as its level of autonomy and use of technology, all have an impact on its capacity (Mavungu and Krsic, 2017).

2.4.4 Political factors

The degree of political system development is a key solution for creating effective taxation institutions and creating standards for compliance (Balamatsias, 2016). Political systems have an impact on how the tax code is developed and, consequently, how effectively taxes are mobilised. Strong incentives to develop institutions and ability for revenue mobilisation are unlikely to exist under weak and unaccountable regimes, and it is also doubtful that their population would develop robust norms of compliance (Bird et al., 2008; Ardanaz and Scartascini, 2013). In most developing nations, weak political systems frequently fail to create structures for checks and balances, and a lack of accountability has led to poor governance and widespread fiscal corruption. According to Baum et al. (2017), corruption decreases tax compliance and has a negative impact on most of the components of overall tax income. Therefore, political leadership's commitment is essential to enhancing governance frameworks for increased revenue mobilisation activities (Purohit, 2007; Martini, 2014).

2.5 The Use of ICT tools in Tax Administration

In order to create, produce, analyse, process, package, distribute, receive, retrieve, store, and transform information, a wide range of software, hardware, telecommunications, and information management techniques, applications, and devices are used (Brady et al., 2002).

Information and communication technology (ICT) adoption and usage are altering company operations as well as how individuals live and work. ICT-related innovations are constantly being developed.

ICT is used to improve performance in revenue administrations by decreasing human error and processing delays, giving tax officers easily available data, encouraging voluntary compliance hence minimising tax evasion, and supporting improved decision-making by tax authorities (Efunboade, 2014). Efunboade (2014) indicates that in Nigeria, the tax administration has been automated, including computerised procedures and initiatives developed specifically to solve particular facets of the tax system, such as:

1. TIN (Tax Identification Number): Every taxable individual in Nigeria is given a computer-generated unique identifier called a "TIN Number" as part of the TIN (Taxpayer Identification Number) Project, an electronic tax identification system. This project aids in the creation of a national tax database that connects all taxing bodies and significant national stakeholders. The Federal Government of Nigeria and the nation's States are providing funding, and the Joint Tax Board is in charge of overseeing it. A legal and technological method of bringing every taxpaying Nigerian into the tax system is the TIN initiative. In order to achieve the maximum level of identity uniqueness, the TIN registration collects the taxpayers' properties, assets, biodata, and biometric information (fingerprints). To prevent major downtime and project failure, preventative measures like disaster recovery and contact management centres are put in place. Any person, business entity, registered organisation, or group of persons wishing to conduct critical operations, such as establishing a bank account and awarding a contract, must now possess a TIN. This will minimise the incidence of tax evasion.
2. Project FACT (Factual Accurate Complete Timely) is an electronic system that combines accounting, tax registration, and tax payment.
3. ITAS (Integrated System of Tax Administration) covers business process reengineering, system development, change management, and automation of finance and accounts functions including contact management, tax refund application software, and software for verifying tax clearance.

The role of ICT in public finance especially in tax administration has increased in recent times as it has generated a lot of attention among scholars (Jemiluyi and Jeke, 2023). For instance, Uyar et al. (2021) looked at how ICT may be used to reduce the threat of tax evasion in a wide sample of developing nations and the resulting effects on tax collection. According to the panel research, ICT has the ability to raise tax collection while amplifying the decreasing impact of the digitisation of government services on tax evasion. Gnangnon (2020) found the same thing in comparable research of the indirect effects of ICT on tax revenue: internet usage encourages tax reform, which has a favourable impact on developing country revenue mobilisation. Mascagni et al. (2021) investigated if ICT may improve Ethiopia's problem with non-tax compliance. The authors discovered that ICT improves tax compliance, which has a knock-on impact of higher income taxes and VAT. Li et al. (2020) and Harelimana and Gayawira (2020) for China and Rwanda, respectively, both recorded findings of a similar kind. According to Li et al. (2020), who conducted an empirical analysis on the Chinese Golden Tax Project (GTP) using data from publicly traded companies, the implementation of the ICT-powered GTP increased tax compliance by over 2%. Harelimana et al. (2020) discovered in Rwanda that electronic billing machines (EBM) encourage small- and medium-sized businesses to comply with tax laws.

On the contrary, other studies establish a negative correlation between ICT and tax administration. For instance, Mallick (2021) discovered that the usage of ICT-enabled tax procedures had a statistically significant negative impact on the mobilised direct and indirect tax income of the combined tiers of government in India using a composite ICT infrastructure index. In a similar vein, Okunogbe and Pouloquen (2022) discovered that the introduction of e-filing of tax returns increased tax evasion among businesses that were previously reluctant to do so. They examined how automation of tax administration has influenced tax payment in Tajikistan. Furthermore, Hanrahan (2021) disputes the ability of ICT in OECD nations to generate money. Static research looking at how digitalisation affects the 36 OECD members' ability to generate taxes imply that as economies get more digitalised, tax revenue decreases.

Chimilila and Leyaro (2022) argues that, technology advancements have made their way into the field of tax administration in order to offer state-of-the-art answers for nearly all tax administration operations, from the registration of taxpayers through the filing of tax returns, auditing, paying taxes, and enforcing compliance. The implementation of these technologies has increased tax administration efficiency, decreased tax administration expenses, decreased compliance costs, and facilitated tax payment. To name a few, online self-service applications have streamlined the registration process, improved point-of-sale (POS) revenue collection, sealed revenue leakage, e-filing systems have streamlined tax declaration submission, electronic fiscal devices (EFD) have streamlined receipt issuance and VAT compliance, and mobile payment has streamlined the payment process (digital person to government (P2G). ICT use in tax administration boosts integrity and lowers revenue loss in addition to increasing internal efficiency and simplifying compliance. ICT offers opportunities to lessen direct interactions between taxpayers and tax officials and enhances risk-based audits and enforcement, all of which help to increase revenue. ICT increases compliance, administration, and evasion, enlarging the tax base in the process, according to empirical research. For instance, Ünal (2019) discovered a negative correlation between the extent of tax evasion and ICT (mobile cellular phones and internet users). In recent research, Hamudi (2022) makes the case for increased use of new telecommunications technologies to make it easier to pay taxes online and connect these payment systems to the data of the taxpayer for better compliance and oversight. The report also identifies potential for communicating various tax-related information to taxpayers via electronic and communication channels in an effort to educate taxpayers and encourage compliance.

2.6 Overview of the Informal Sector

The phrase "informal sector" is a contentious one. The notion is a hazy one, as Peattie (1987) remarked decades ago, and it is popular because it incorporates the interests of a wide range of interest groups. Portes & Haller (2010) coined the phrase to describe work that took place outside of traditional job markets. The goal was to classify firms based on their "degree of rationalisation, or manifestation of impersonal social organisation principles" (Jennings, Weaver & Mayew, 2012). The International Labour Organisation adopted the notion in the 1970s, and it was mostly utilised for tiny and microenterprises that were not subject to government control or taxation (Shannon, 2018). These were mostly thought of as subsistence companies. In 1989, De Soto reinvented the phrase when he saw the informal sector as a source of dynamism and expansion that was only hampered by ineffective government regulation. As a result, the informal sector's definition shifted to an emphasis on the legal status of the business: whether it was registered and obeyed all applicable laws. This legal term is still widely used today (Kenyon, 2007). Firms in the informal sector exist because they violate or are exempt from a number of laws and regulations, including labor laws, environmental legislation, registration, and taxation.

The Informal Sector is defined by the Institute of Economic Affairs (IEA) in Budget Focus (2012) as activities that are not controlled by regulatory frameworks such as environmental, tax, or labor laws, but are frequently subjected to governance and regulation by local authorities, and are not normally monitored or included in countries' Gross Domestic Products (GDP). The Department of Economics at the

University of Dar es Salaam (2018) describes the industry as one that is characterised by a high degree of lack of governmental oversight, cash transactions, inadequate accounting, and the lack of records. According to Mbilinyi and Mutalemwa (2010), the sector is largely comprised of unregistered and difficult to tax groups, which include "small scale traders, farmers, small manufacturers, craftsmen, individual professionals, and many small-scale businesses." Bongwa (2009) refers to it as the "hard to tax." Others refer to it as the "hidden," "shadow," or "subterranean economy," among other terms. There is no consensus on how the Informal Sector should be defined, but scholars agree on one thing (Sebele-Mpofu & Msipa, 2020), which is that it is diverse, pervasive, and growing in developing countries, and that it encompasses some critical business sectors such as retail, manufacturing, and construction, among others (Benjamin & Mbaye, 2014). "Currently, there are two techniques to characterizing informal sector activity: the definitional and behavioural," according to Farrell et al (2000 cited by Osei-Boateng & Ampratwum, 2011). 'The informal sector is economic activity that is not reported in official statistics such as the Gross Domestic Product or National Income accounts,' according to the definitional method (Osei-Boateng & Ampratwum, 2011). 'The informal sector is based on whether or not activity complies with the existing judicial, regulatory, and institutional framework,' according to the behavioral approach (Osei-Boateng & Ampratwum, 2011).

According to Thomas (1992), the research topic determines which definition to use: the 'definitional method' is used to assess the size and economic value of the informal sector, while the 'behavioural approach' is used to understand the reasons of the informal sector. Because of the scarcity of data, the covert nature of the industry, and the political ties to the sector, it is impossible to assess its true size (Kundt, 2017). In developing nations, the informal sector is projected to contribute 35-50 percent of GDP (Maina, 2017). The informal sector in low-income nations is stated as being two times the size of the equivalent sector in OECD countries. Latin America and the Caribbean is anticipated to have the largest contribution, accounting for 39.9%, followed by Sub-Saharan Africa (SSA) with 37.8% and East Asia with 22.1 percent and lastly OECD countries (Schneider & Buehn, 2018). According to Medina and Schneider (2018), Bolivia (in Latin America) has the world's biggest informal sector, with an estimated Contribution to GDP of over 63 percent, followed by Zimbabwe (in SSA), with an estimated GDP contribution of around 60 percent. According to Dickerson (2014), the informal sector accounts for 30 percent of global GDP and 40 to 60 percent of the SSA economy (Dickerson, 2014). Bhorat, Naidoo, and Ewinyu (2017) expostulate that the Informal Sector presently occupies a pivotal position in developing countries, contributing around 50 to 80 percent of GDP of these developing nations, representing a larger portion of employment of about 60 to 80 percent and 90 percent of new jobs.

2.6.1 The Informal Sector in Ghana

Trading, food preparation, agriculture, dressmaking, transportation, construction, footwear, traditional healing, gold smiting, livestock, and credit facilities are among the most common activities in the informal sector in many Sub-Saharan African countries, including Ghana. Osei-Boateng & Ampratwum, (2011) identified that most of the activities in the informal sector are trading, food preparation, agriculture, transportation, construction, footwear, traditional healing, gold smiting, livestock, and credit facilities. This is because it is difficult to determine or assess the total income of sector operators since they use non-declaration of income, under-declaration of income, and sometimes purposefully increase expenses, resulting in inflated profit and making tax liabilities calculation more difficult (Odera, 2013). The Ghana National Association of Garages, Ghana National Association of Tailors and Dressmakers, Hairdressers Association of Ghana, Chop Bar Keepers and the Ghana Private Road Transport Union (GPRTU) of Trade Union Congress (TUC), Ghana Cocoa, Coffee and Shea nut Farmers Association (CSFA) are examples of groups found and operating in the informal sector.

2.6.2 Characteristics of the Informal Sector in Ghana

Following a thorough examination, the following key features of Ghana's informal sector may be derived.

1. **Official protection and popular recognition are reduced.**

Much of the work done by informal sector entrepreneurs is kept out of the public eye. Operators in the sector employ this strategy to avoid paying taxes. The final outcome of this evasion plan has an impact on the government's support and protection against impostors (Farrell et al, 2000).

2. **Primarily self-employment.**

According to the English WordWeb dictionary, self-employment is defined as the act of earning money directly from consumers, clients, or other organisations rather than working for a company. Every Ghanaian who constructs a home structure along the street normally includes a room or two as a store for selling, which is usually run by the individual or family members.

3. **Paying less than the minimum salary and failing to pay social security.**

Operators in the informal sector have a low overall operating revenue. As a result, they set their wages below the minimum wage and refuse to pay social security contributions on behalf of their employees. Almost half of the workforce is paid less than the government's minimum wage (Boadu, 2016)

4. **Little or no work security.**

Employees are concerned about job security and would like to familiarise themselves with high-security positions. However, it has been shown that jobs in the informal sector in Ghana are less secure than positions in the public and civil sectors. Employees in the informal sector do not have a legally enforceable agreement with their employers (Ofori, 2009).

5. **Easy entry**

This, on the other hand, relates to the capital basis and regulatory requirements for starting a firm. It is recognised for having a cheap capital need and a low regulatory requirement, which attracts more low-income people to participate in the industry (Joshi, Prichard & Heady, 2014).

6. **Use of unoccupied public or private land without permission**

The majority of informal sector operators' activities take place in unlawful locations, particularly public spaces that have been inactive for a long time (Obeng-Odoom, 2011). The majority of their actions in metropolitan areas take place in truck parks and on the roadside sidewalk.

7. **Absence of a Trade Unions in most cases**

Individualistic in nature, informal sector operators engage in a wide range of activities, making the creation of Trade Unions to represent the interests of its members exceedingly difficult. In any case, the establishment of such labor unions may 'expose' informal operators, exposing them to the possibility of being formalised (registering with an authorised organisation) and having to pay tax, which is why some operate informally.

8. **Individual or family ownership of a small-scale enterprise**

The average informal sector firm is personally owned and run, often for less than five years, according to Oteng-Ababio (2012). The size is frequently measured by the number of employees, including apprentices and family members, or the amount of money invested. The typical employment size is four people, albeit this number varies depending on the nature and kind of activity, from sole proprietorship to partnership, family businesses, and cooperatives.

2.6.4 The Role of the Informal Sector in Ghana

The majority of small-scale businesses operate in the informal sector, contributing to national growth. The informal sector is quickly expanding and is projected to increase its productive potential in order to contribute more to the country's overall GDP. The informal sector contributes to the economy's growth and development through producing goods and services, creating jobs, and learning new skills (Debrah, 2007). Since its inception, the informal sector has made a substantial contribution to Ghana's socio-economic development. A close look at the activities of the informal sector in relation to the economy's growth trajectory indicates the considerable contribution that it contributes to national development, according to ISSER, (2003) cited by Ofori, (2009). The following are some noteworthy contributions made by the informal sector.

1. **Contribution to the national economy**

The informal sector's operators collectively create a wide range of commodities and services that contribute to the country's overall production. The informal sector is better at providing some commodities and services than the formal sector. “The relevance of the informal sector in the home economy is evident in the great variety of goods and services provided by the sector,” according to ISSER (2003) cited by (Ofori, 2009). In order to feed the country, the rural informal sector plays a key role in agriculture. There would have been a severe shortage of raw supplies if the informal sector had not existed.

2. **Acquisition and training of skills**

Another area where the informal sector makes a significant contribution is in the field of labour force training in the acquisition of craft skills. The conventional apprenticeship system is used to accomplish this. Though the informal sector does not provide a perfect system for training manpower for industrial employment due to the inadequacy of the training methods, it does play an important role in the development of indigenous entrepreneurship, particularly in artisan activities, in both urban and rural Ghana (Boampong, 2005). An indigenous basis is required for successful industrialisation. The increase of the small business sector will aid in the development of an experienced managerial and entrepreneurial class, which will provide as a foundation for more efficient indigenous instrument and large-scale industry management (Webb et al., 2013). Although some informal sector firms fail during the first five years of existence, others thrive and evolve from being informal to formal, eventually employing hundreds of thousands of people.

3. **Job creation and distribution of income**

One of the primary causes of the informal sector, as previously noted, is a lack of work possibilities in the official sector. In Ghana, the informal sector offers a plethora of career prospects. As a result, many who are unable to find work in the official sector turn to the informal sector for support. The informal sector is the major source of employment (Ofori, 2009). At least 80% of the labor force is employed in this industry. Participants in the informal sector earn some compensation for their labor by giving jobs. For the impoverished and illiterates who may never have the opportunity to work in the formal sector, the informal sector is a key source of income.

4. **The informal economy accelerates innovation.**

According to Bula (2012), small and very big businesses contribute disproportionately to innovation, but the amount and impact of breakthroughs varies by industry. Small business failure rates are frequently greater, since they take on more risk in order to build potential concepts that may be developed into competitive goods and processes. Many of these inventive businesses fail, not because they succeed, but because they are acquired by larger businesses that can advertise their goods more successfully. As a result, there is a beneficial relationship between small and large businesses, as small businesses give the means of enhancing innovation incentive and, as a result, the rate of change.

2.7 Taxation in the Informal Sector

The informal sector has a considerable market share in Ghana's economy, as it does in many other developing nations. The informal sector accounts for approximately 80% of overall employment in Ghana (Osei-Boateng and Ampratum, 2011). Because of the rapid expansion of sector operations, the government is confident about increasing income mobilisation from the sector to fund the country's economic activities. This sector, on the other hand, is far too diversified, encompassing large and small firms, urban and rural businesses, visible and invisible operations, and activities conducted both locally and beyond borders. The formal sector operators believe the government is defrauding them by scrutinizing them for tax payments while neglecting the informal sector operators. If not rectified, the degree of compliance of formal sector operators in paying taxes may decline, lowering the country's income generation (Barone & Mocetti, 2011). According to research, many informal sector operators pay taxes not because it is their responsibility to do so, but because it allows them to continue operating. That is, they pay taxes to prevent illegitimacy, instability, and arbitrary state harassment (Odera, 2013).

2.8 Taxation of the Informal Agriculture Sector

The most common feature of developing countries is that a significant majority of the population works in the so-called “primary” sector, primarily subsistence agriculture; indeed, the proportion of the population engaged in providing food supplies for domestic consumption is the best available indicator of a country's economic development stage. It reaches 80-90 percent in the poorest and most backward nations; 40-60 percent in the relatively poor but semi-developed economies; and 10% or less in highly developed places. This indicates that as development progresses, the proportion of the working population involved in food production for domestic consumption decreases while the proportion engaged in manufacturing, commerce, and services rises (Besley & Persson, 2011).

Agriculture taxation, in one form or another, plays a critical role in the acceleration of economic development in every state, because it is only the imposition of compulsory levies on the agricultural sector that can be relied on to increase the supply of food for sale, and thus the supply of ‘savings’, in the sense required for economic development. Japan and Soviet Russia, despite their differences in social structures and economic conditions, have both relied heavily on agricultural revenue (one through a land tax, the other through a system of compelled deliveries at cheap rates) to fund their economic development. In both Europe and Asia, a yearly land tax stated as a percentage of the value of the crop per acre is one of the oldest kinds of taxation. Land tax was remained the primary source of revenue in the Middle East, India, and many other locations around the turn of the century; but, its relative importance in

Europe had been dropping for a century or two due to the declining relative importance of agriculture in overall national income. Since then, however, political forces combined with monetary changes have virtually everywhere succeeded in almost totally undermining the weight of this tax, and its reinstatement today confronts significant political and administrative challenges. However, there is little doubt that by raising agricultural taxes, all of these nations' development rates could be significantly accelerated.

The primary political argument to this tax is that it is socially inequitable in its application since it does not take into consideration needs and hence disproportionately affects impoverished agricultural families. However, the anti-social aspects of the tax might be avoided by making it a progressive tax that varies with the entire size of family assets. Traditional social conventions and the current land tenure structure have made the imposition of an annual land tax impracticable in most parts of Africa. Instead, an inferior replacement was frequently used: the poll tax, which is charged based on the number of adult males in each district. The poll tax has a number of advantages, including simplicity of assessment, and it is less irritating in nations with less economic disparity in rural regions than it would be in older, over-populated countries with significant levels of economic inequality (Besley & Persson, 2011). The necessity of an effective system of taxes for the agricultural or subsistence sector of the society for economic growth cannot be overstated. Africa's governments will eventually need to adopt a system that allows them to tax the land's production, not simply its residents, or agricultural items that are in high demand elsewhere and have low export taxes.

2.9 Informal Sector Taxation in Ghana: Historical Methods

All previous and current administrations have found it exceedingly difficult to tax the informal sector (the major employer of the active Ghanaian labor force). With the government under increasing pressure to satisfy the society's socio-economic and infrastructure development demands, there is a pressing need for the government to earn more local money. The enormous informal sector, which is mainly untaxed, is one possible source of much-needed money. Ghana's government continues to lose billions, if not trillions, of cedis in tax income to the informal economy (World Bank, 2002). Attempts to tax the informal sector, which is regarded "tough to tax," have been tried in the past. To some extent, the approaches adopted were successful. These approaches are generally presumptive in nature, implying that taxable income is expected. The following are the many techniques of taxing the informal sector that have been used in the past:

2.9.1 Standard assessment

The Standard Assessments Act, 1963, Act 205, was the first effort in Ghana to tax the informal sector (that is, small companies and self-employed). Over the years, this Act has been amended and combined into the Internal Revenue Act of 2000 (IRS Act 592). The standard assessment was a taxation structure in which people and corporations were assessed a fixed lump-sum tax based on the type of commercial activity they engaged in. The levies are based on an assumed average income level for members of a specific occupation or company grouping. The normal assessments were, in theory, payments on accounts that were to be offset against the amount of income tax that was actually owed. In practice, and with the tax authorities' implicit approval, standard assessments strongly reflected the ultimate tax liabilities of the different occupational categories included (World Bank, 2002). In contrast to the usual lump-sum payment under standard assessment, the Standard Assessments Act in Ghana included graduation for some occupational groups. For example, doctors and dentists had to pay differing lump-sum taxes depending on the number of years they had been in practice, whereas fishermen's lump-sum payments were calibrated by the length of their vessel. The plan's principal benefit was that "the scheme increased vertical equity. "Self-employed professionals with salaries many times the national average, such as physicians, attorneys, and dentists, were required to make some payments, though not in exact proportion to their personal efforts" (World Bank, 2002). Despite its benefits, however, the plan had numerous flaws that prevented it from meeting the policy objectives. The key flaws were recognised by the World Bank in an article titled "Tax Compliance and the Informal Sector in Ghana."

• The tax administration's insufficient administrative capabilities prevented efficient supervision of the program. Inspection of clearance certificates, for example, was put in the hands of other law enforcement organisations such as the police and the License Office, who worked with noncompliant people and profited from the system instead of guaranteeing compliance (World Bank, 2002).

• The very poor informal sector found the yearly lump-sum payments to be excessively exorbitant. Small-scale informal sector operators who did not require clearance certificates to conduct commercial activities were notorious for evasion (World Bank, 2002).

The scheme violated the principle of vertical equity, to the extent that it imposed the same tax liability on high- and low-income professionals such as doctors and lawyers. Hence, some low-income professionals were not encouraged to comply (World Bank, 2002).

2.9.2 Occupational (identifiable) grouping taxation

Some small-scale companies and informal sector operators in Ghana are classified as part of occupational groups. GPRTU, market women union, seamstresses and tailors union, hawkers' organisation, and others are examples of occupational groups. The yearly lump-sum charges under the Standard Assessment Scheme were difficult to pay for members of certain occupational groups. Again, due to the inadequate management, insufficient monitoring of the plan allowed for huge tax cheating. As a result, the informal sector's tax policy has switched to the more common practice of increasing provisional assessments and requiring quarterly payments. This was also challenging for enterprises in the informal sector, allowing for noncompliance once again. Thus, in 1986, when the government undertook tax reforms as part of the Economic Recovery Program (ERP) and Structural Adjustment Program (SAP) with the goal of strengthening the administrative structures of tax institutions, there was a need to revisit the policy goal of increasing government revenue by broadening the tax base so that tax rates could be systematically reduced to reduce the tax burden (World Bank, 2002). The normal assessment method was reintroduced in a more advanced version, dubbed 'Identifiable Grouping Taxation.' The government enacted the Income Tax Amendment Law, 1987, PNDCL 177, as a result of the pilot plan, which began with the huge transportation industry. The legislation mandated that anybody who possessed a certain type of car pay a certain amount of tax. There were two types of tax payments detected. Taxis and intra-city commuter services, for example, were required to pay particular cedi sums on a daily basis based on passenger capacity. Long-distance and freight trucks in the second category were paid a percentage of their gross receipts every trip. Because of a fault with the previous Standard Assessment Scheme, the scheme was initially made a final tax payment.

However, the plan was altered to an installment payment scheme for equitable considerations, because informal transport providers are obliged to file returns and payments at the end of the appraisal year. Occupational groups were selected as agents, and commissions spanning from 2 to 2.5 percent of their yearly total collection were paid to them, contrary to the regular assessment plan (World Bank, 2002). Small enterprises and the self-employed, who had previously dodged taxation, benefited from occupational grouping taxation, which contributed to improve horizontal equity. It was also considerably easier and simpler to collect taxes. With the addition of taxpayer identity, the method improved to some extent. However, it faced several significant difficulties, including tax revenue misappropriation, poor record keeping by the organisations, and excessive collection costs owing to commissions paid to the executives who collected the taxes. This went against one of Adam Smith's tax cannons.

2.9.3 Tax Stamp

Attempts to bring the informal sector into the tax net in the past have not yielded the expected outcomes. There are still a substantial number of businesses in the informal sector that are not subject to income tax. Indeed, some informal sector operators receive money from all three primary sources of income recognised by the tax legislation, namely work, business, and investment, but pay no tax. The implementation of a new 'tax stamp' program was prompted by the desire to persuade more people in the informal sector to pay taxes. The tax stamp is a sort of regular assessment plan that levies a quarterly lump-sum tax payment. Unlike in the instance of identifiable groups taxation, when agents were utilised to collect tax on behalf of IRS, the tax stamp is managed by the IRS. This system has emerged to somewhat fix the flaws in the previous systems. The tax stamp system divides the informal sector into categories depending on the amount of money they make. Every business in the informal sector is required to obtain a tax stamp (a sticker) and produce it whenever a tax official requests it. Inability to show a tax stamp is punishable by a fine of not less than GH20.00 but not more than GH50.00. The tax stamp method appears to be effective in terms of informal sector transport providers, as drivers and/or owners are required to purchase a Vehicle Income Tax (VIT) sticker at the start of each quarter. This sticker is supposed to be placed on the vehicle's front windscreen for police inspection. If the motorist does not comply, he or she will be detained and punished. This acts as a strong deterrent to noncompliance. It is, however, extremely difficult to impose tax stamps for transient and mobile informal sector firms. As a result, a large number of enterprises stay outside the tax net. In comparison to the former standard assessment system and identification grouping taxation, the compliance rate appears to be the greatest. The tax stamp system has, once again, mostly eliminated the corruption connected with identifying group taxes.

2.10 Why Taxing the Informal Sector should be a Priority?

The informal economy's taxation is justified by its potential contribution to income, growth, and governance. However, it is critical to thoroughly examine the source of this excitement. Most importantly, the direct revenue gains of taxing the informal sector are likely to be minimal, with possibly negative consequences for vertical equity. As a result, much of the case for taxing the informal sector is based on the possibility for more indirect revenue, faster growth, and improved governance. These effects are less well-documented in the literature. Overall, they make a compelling case for further attempts to tax the informal economy, albeit there is a need for more sensitivity to potential costs and more study into anticipated benefits.

2.10.1 Effects on revenue and equity

Much of the discussion on the costs and advantages of taxing the informal sector has centered on the levies' immediate revenue and equitable implications. On the surface, taxing the informal economy looks to be a potentially substantial source of government revenue, given the informal economy accounts for a considerable and rising proportion of GDP in many nations (Schneider et al. 2010). In fact, however, the revenue benefits from enhanced informal economy taxation are likely to be limited in the short to medium term. As a result, given poor revenue returns, high administrative expenses, and the doubtful utility of taxing low-income persons, many tax experts have been suspicious of the usefulness of spending considerable precious resources in developing nations on taxing tiny informal sector enterprises (Keen, 2012). When viewed only in terms of revenue and equality, the case for extending informal sector taxation is based to a large extent on more indirect links. One idea is that taxing tiny informal sector businesses, while generating little income in the near term, helps to bring these businesses into the tax net, ensuring increased tax compliance as they grow. Simply put, it is a question of cultivating a tax compliance culture among SMEs. A similar argument flips the traditional equity argument on its head, claiming that informal companies' inability to pay taxes is a source of injustice for formal enterprises. This might diminish overall tax morale and deter larger businesses from complying with the law, resulting in lesser government income (Joshi, Prichard & Heady, 2014). The latter point is supported by evidence that tax morale is worse in nations with a bigger informal sector (Torgler & Schneider 2010), but these links are only poorly experimentally proven.

2.10.2 Implications for governance

Another key aspect driving current interest in taxing the informal sector is the idea that tax payments by informal economy enterprises might help the state promote good governance and political accountability. This argument is based on a larger body of research that suggests that tax payments can help to improve overall governance through three different pathways. To begin, the state may be more responsive and responsible to organisations that pay taxes in order to foster quasi-voluntary tax compliance (Ulriksen, 2013). Second, those who pay taxes may be more likely to demand responsiveness and accountability, since it fosters a sense of ownership over government actions (Prichard, 2010). Third, measures to tax informal sector operators may encourage informal sector groups to participate in collective action and political participation, laying a longer-term framework for increased bargaining (Prichard, 2010).

These possible links imply that, if pursued in a comparatively contractual fashion, increasing taxation of the informal sector might constitute a major basis for extending political voice among relatively marginalised people (Chen, 2012). Nonetheless, there is still a lot of evidence to back up these claims. According to Keen (2012), official efforts to tax the informal sector in Ghana resulted in some type of negotiation between the informal sector groups and the government. In a similar spirit, Prichard (2010) finds that increased taxation on small businesses in Ethiopia ahead to the 2005 elections sparked public outrage and spurred the government to enlist more industry participation in managing the presumptive tax scheme. Finally, de Mel et al. (2012) found that the formalization of enterprises in Sri Lanka, including their entry into the tax net, increased trust in the government, albeit they do not investigate any larger governance consequences. As a result, these difficulties continue to be a potentially compelling rationale for taxing informal sector operators, while additional study is needed.

2.10.3 Implications for growth

The consequences of extended taxing for the growth of small businesses are at least as substantial as the immediate revenue implications of informal sector taxation. This is critical for supporting job creation and poverty reduction among low-income groups, as well as long-term economic development and the growth of a bigger tax base. Many tax experts are concerned that greater taxes of small businesses would stifle growth and that the expense will far outweigh the income gain. This argument makes intuitive sense, and it is based on the idea that small businesses choose informality exactly because they feel it will benefit them, given the costs of formality. Despite this notion that taxation will stifle growth, a rising body of evidence shows that formalization of which admission into the tax net is a key component may have considerable growth advantages or, at the absolute least, will not stifle it. The notion that informality imposes a number of costs on businesses, as well as denying them access to some possibilities accessible to formal businesses, is at the heart of those conclusions. Greater access to financing, better opportunity to connect with major companies and the government, less harassment by police and municipal authorities, and access to larger training and assistance programs are some of the advantages of formality. Of course, the fact that many businesses continue to choose informality despite these apparent benefits suggests that there are still significant barriers to formality, that the potential benefits of bringing businesses into the tax net are likely to be dependent on the specific features of how this goal is achieved, and that any costs and benefits will likely vary across businesses.

The fact that formal enterprises expand faster than informal firms provide much of the early evidence that formalization may lead to quicker growth. However, such findings leave the question of causation open: do formal organisations develop faster because they are formal, or do formal firms formalise because they have larger growth prospects? A small number of research have lately begun to give more solid data. Fajnzylber et al., (2009) use panel data on micro enterprises in Mexico to examine the effects of formalization. They conclude that formalization in the form of loan, training, tax payments, and involvement in business groups has a beneficial influence on company profitability, growth, and survival. Formalization appears to be moving tiny businesses closer to their ideal size. De Mel et al. (2012) found evidence that formalization provided considerable advantages for a limited number of enterprises, whereas most firms' earnings were essentially unaffected, albeit firm owners thought they gained higher legitimacy, in controlled research in Sri Lanka. McCulloch et al. (2010) found that microenterprises with the largest number of workers (highest employment quartile) benefit the most from formalization in an analysis of Indonesian microenterprises. McKenzie and Sakho (2010) look at micro businesses in Bolivia and use distance from the tax office as an instrumental proxy for informality in order to determine the causal influence of formalization. They discover that formalization, in the form of tax registration, boosts firm profitability, but only for mid-sized businesses. Another reason why microbusinesses may get less benefits from formalization is that their goals may differ from those of bigger corporations. Many microbusinesses are conducted by persons who are not entrepreneurs, but who are doing something while waiting for a chance to enter paid occupations, or who are operating microbusinesses in addition to other professions to supplement income, according to a body of research (Chen, 2012). In such cases, growing the firm may not be the primary incentive, and formalization is more likely to be ineffective and costly. More broadly, there may be distinctions between businesses that want to enter the tax net in order to take advantage of new possibilities and those that are merely ‘caught’ by the authorities. Fajnzylber et al. (2009) are the only study to clearly make this difference, and they found that paying taxes was beneficial to all enterprises, resulting in at least a 20% boost in earnings, whether they were caught unexpectedly or willingly.

2.11 Taxing the Informal Sector: Policy Options

Because of the numerous costs and advantages of taxing the informal sector, there is debate on how high it should be prioritised. However, there is widespread agreement on the importance of upgrading current procedures, which are usually unproductive and prone to misuse. The majority of prior research on this topic has been on the technical design of acceptable policies for taxing the informal economy, with a lesser body of work addressing the issue of administrative reform. Three policy approaches for taxing the informal sector are proposed by Anuradha, Prichard, and Heady (2013) and these are; Indirectly taxing the informal sector through trade taxes, reliance on current taxes on businesses in the formal sector, and taxes imposed on the basis of a presumption.

2.11.1 Indirectly taxing the informal sector

The most straightforward approach to tax the informal sector is to charge the products and services it buys and sells indirectly, most notably through VAT and import and export tariffs. In this case, indirect means that informal sector businesses are not registered as taxpayers, but are taxed as a result of taxes paid on products and services purchased further up the value chain. In this sense, many unregistered businesses pay some taxes, but not as much as they would if they were registered. More importantly, because this technique does not involve active engagement in the tax system by the informal sector, it is likely to have a limited influence on long-term compliance, does not carry the potential growth advantages of formalization, and is unlikely to inspire governance advances. In practice, this is the most common way for informal sector businesses to be taxed. While export taxes were formerly a major method of taxing agricultural output of cash commodities (such as cocoa, coffee, and tea) in poor nations, their importance has waned in recent decades. Import taxes, on the other hand, have remained an important source of income for developing countries, despite steep rate decreases during the 1980s. According to Atkinson & Stiglitz (2015), border taxes still account for more than 16 percent of government revenue in the poorest nations, compared to 5.4 percent in richer developing countries and 0.7 percent in industrialised ones. They also create a model that clearly describes this trend as a technique for dealing with tax evasion by non-banking potential taxpayers who are difficult to tax. The conventional economic argument against import and export taxes is that they prohibit nations from fully using their comparative advantage, and hence may stifle growth more effectively than domestic taxes. The difficulty of taxing the informal sector weakens this argument: Limitations in the imposition of domestic taxes might justify trade taxes (tariffs), as Atkinson & Stiglitz (2015) shown, and Joshi, Prichard & Heady (2014) demonstrated how an untaxable agricultural industry could justify taxing on imported fertilizer. Furthermore, it is a type of taxation that does not necessitate active informal sector engagement in the tax system (such as filing tax returns), avoiding the challenges of high compliance costs and inadequate education and ability in some sectors of the informal sector.

2.11.2 Reliance on current taxes on businesses in the formal sector.

The most obvious alternative to indirectly taxing businesses is to expand the reach of common formal sector taxes such as income taxes and VAT to small informal businesses. It's a matter of bolstering enforcement by identifying and enforcing compliance with tiny informal sector businesses (Joshi, Heady & Prichard, 2014) It may be bolstered by the introduction of extra compliance incentives, such as lower rates or awards for small businesses that keep good records, while these sorts of measures can add to the total complexity of the tax system and provide incentives for small businesses to stay small, or seem tiny (Loeprick, 2009). While strengthening enforcement of formal sector taxes may be appropriate for larger firms in the informal sector, the government's administrative expenses are probably incredibly high in comparison to potential revenue, imposing high compliance costs on small businesses and exposing them to harassment and abuse. As a result, developing countries have overwhelmingly chosen to set relatively high VAT and income tax thresholds in order to exclude the vast majority of small and micro businesses, which are instead subject to presumptive tax regimes. The only exception is the widespread usage of withholding taxes in various nations. Withholding taxes are comparable to indirect taxes, but they have the advantage of being credited against the tax burden of tax-compliant businesses. This implies that only non-compliant businesses pay taxes in the end, creating an incentive for non-compliant businesses into becoming tax compliant. These withholding taxes can be imposed on imports or local transactions, such as when major tax-compliant corporations collect withholding taxes on transactions with small enterprises that aren't always tax compliant. Large construction corporations, for example, may be forced to withhold taxes from payments to minor subcontractors. Sierra Leone (which forces renters to withhold tax on rent payments to landlords), Burkina Faso (where all firms must withhold taxes on operations with non-tax-registered traders), and Bangladesh are all examples of countries that apply withholding tax on domestic transactions (which has very extensive withholding requirements).

According to Crawford, Keen & Smith (2010) a large number of nations, including Benin, Burkina Faso, the Central African Republic, Egypt, Gabon, Guinea, Mali, Mauritania, Niger, Pakistan, Rwanda, Sudan, Togo, and Uganda, employ withholding taxes on imports that can be deducted from income tax. Burkina Faso, Mali, Niger, and Togo all apply higher withholding rates on importers who do not have a tax identification number, putting added pressure on those who do not pay their taxes. Keen (2009) likewise gives a theoretical counter-argument to Atkinson & Stiglitz (2015) assertion, demonstrating that tariffs have no place if both VAT and withholding taxes are set optimum. A withholding tax on imports operates as a tariff on non-compliance businesses (raising income from them), but is refunded back to compliant businesses, according to Keen's argument against tariffs. This implies that foreign commerce for tax-compliant businesses is unaffected, allowing the country to better use its competitive advantage. While withholding taxes have apparent benefits, they can be operationally cumbersome, add incoherence into the broader system, and deter more fundamental change (IMF, 2011). Effective withholding tax systems need withholding businesses' cooperation and, most significantly, an effective method for crediting those enterprises from whose tax is withheld. Sierra Leone and Burkina Faso, for example, struggle to identify and manage a significant number of withholding agents. Bangladesh, on the other hand, has had great success with withholding taxes, collecting more than half of its income tax collection this way despite enormous administrative complexity.

2.11.3 Taxes imposed on the basis of a presumption

Taxing small informal sector businesses is complicated by two factors: high compliance costs for small taxpayers and high collection costs for tax authorities (Loeprick 2009). As a result, several governments impose presumptive taxes on small businesses. These taxes employ a simplified tax base indication (profits and/or value added) to simplify record keeping for businesses and tax collectors' assessment of tax liabilities. While presumptive taxes have this basic feature in common, their form varies greatly from country to country. Loeprick (2009) discusses the potential alternatives for presumptive taxation, while Bird and Wallace (2003) provide a number of country examples, with a focus on transition countries. The choices can be categorised as follows:

Allowing for the simplification of the generally applicable tax base, such as by the use of cash accounting rather than accrual accounting. The International Monetary Fund (2011) backs this strategy, stating that "the challenge is not that small merchants cannot keep simple records." Persuading people to share them is the challenge.

Instead of net profit or net value added, any other financial metric is used as the tax basis. Loeprick (2009) cites turnover as a common metric, although Auerbach (2013) advocate for a tax on gross assets.

Using a non-monetary indication of tax liability, such as floor area or personnel count. This is the most straightforward strategy, as it allows tax collectors to estimate tax amounts even in the absence of accounts, but it also has the most evident flaws. In their most basic form, such taxes may resemble a simple business charge, with microbusinesses paying a lump sum tax at a defined rate on a regular basis.

Presumptive tax regimes are relatively common; however, their particular characteristics vary greatly between nations. In Ethiopia, instead of paying income tax and VAT, mid-sized businesses must pay a presumptive tax on income (based on turnover) and a 2 percent turnover tax. Kenya replaces both income tax and VAT with a 3 percent flat rate on turnover. Tanzania has a system in place where tax is levied as a percentage of turnover, with those that do not keep appropriate records paying a higher rate. Small companies in Ghana are subject to a 3 percent flat rate turnover tax, which replaces ordinary VAT, whereas microbusinesses are subject to a tax stamp regime, in which a set tax is paid on a quarterly basis (Prichard, 2010).

2.12 Factors That Contribute to Tax Evasion

Tax evasion is a symptom of a slew of other issues. It's a classic cause-and-effect situation. There are several elements that contribute to tax avoidance. In the informal sector, these issues are more obvious and exaggerated. Illiteracy, a lack of voluntary compliance, cash transactions, a low level of record-keeping, and inaccessibility to tax offices are only a few of these problems (Seidu & Asante, 2012).

2.12.1 A high rate of illiteracy

It is commonly known that around 60% of entrepreneurs in the informal sector are illiterates. The difficulty of income tax filing, account preparation, and general lack of voluntary compliance are all linked to this problem (i.e. illiteracy). In general, income tax return forms are difficult to fill out, necessitating a good level of education in order to properly read and fill out the form. Again, the income return form is not available in local languages that are easily understood by illiterates, resulting in non-declaration of income as a form of tax evasion (Otieku, 1988).

2.12.2 Voluntary compliance is lacking.

For satisfactory income taxation, a high level of voluntary compliance on the side of taxpayers is essential. When evasion is common and there is little or no moral disapproval from the public, even the best administrative organisation cannot collect income taxes from the self-employed satisfactorily. The use of force to enforce tax compliance is unsustainable over time, necessitating the need to focus on voluntary compliance (Otieku, 1988).

2.12.3 Predominance of cash transaction

Most informal businesses in Ghana conduct business on a cash basis because some do not accept bank checks for fear of them bouncing, nor do they accept e-transactions such as mobile money due to fees. Cash transactions are common, which allows for tax avoidance. A cash transaction leaves no traces of the money exchanged. Cash transactions can allow for the manipulation of records and data for the purpose of tax minimization (Otieku, 1988).

2.12.4 Tax administration management and personnel

The management style and the level of individuals in charge of tax administration can both encourage tax evasion. Tax evasion may come from a corrupt and low-morale tax officer, since some officials may conspire with taxpayers to avoid paying taxes. Tax evasion may be reduced to some extent by having a strong and competent tax administration.

2.13 Forms of Tax Evasion in the Informal Sector in Ghana

One of the most serious issues affecting tax administration, particularly in developing nations, is tax evasion. The informal sector has more challenges in terms of tax evasion. “In Ghana, one of the largest difficulties facing tax administration is income tax evasion,” writes Ameyaw and Dzaka (2016). In a subsequent analysis of the challenges facing Ghanaian tax administration, Amanamah (2016) recognised tax evasion as a concern. Tax evasion is the intentional falsification of facts in a tax assessment after the tax due has been imposed in order to decrease the liability. “Any deliberate attempt by a taxpayer, his agent, or a tax official to decrease the eventual tax burden of the taxpayer by using any unlawful methods constitutes tax evasion,” according to Amanamah (2016). It is the taxpayer's purposeful attempt to misrepresent facts that are crucial to an objective determination of his liabilities" (Amanamah, 2016). Tax evasion is caused by a multitude of issues, including widespread illiteracy, ignorance of tax regulations, the prevalence of difficult-to-identify single proprietors, an insufficient number of tax offices and inspectors, and complex tax legislation (Amanamah, 2016). Because it is an unlawful activity, evidence of income tax evasion is difficult to come across in any country, especially in underdeveloped countries.

However, in developed countries, there is a greater understanding of tax avoidance than in developing countries. This is owing to the refined data and abundance of research resources available in wealthy countries (Ameyaw and Dzaka, 2016). Tax evasion not only costs the government money, but it also erodes public faith in the tax system's fairness. In any country, especially in underdeveloped countries, determining the level of tax evasion is exceedingly difficult. In industrialised economies, attempts have been made to determine the scope of its incidence. One study in the United States compared the totals reported on federal income tax returns to those calculated in the national income accounts. The difference between these two income totals was used to estimate the amount of tax evasion (Seidu & Asante, 2012). Non-declaration of income, under-declaration of income, and inflation of deductions from income are all examples of evasion by the ‘difficult-to-tax’ (i.e. predominantly informal sector enterprises) category (Perry, 2019).

2.13.1 Income under-declaration

This type of evasion occurs when a person provides or files income tax returns, but the income shown on the forms is understated. Income from job, business, and investment have been designated as the key sources of income under the IRS Act. Although many persons in the informal sector obtain money from all three sources, they may only reveal income from one or two of them, resulting in under-declaration of income. However, it is exceedingly difficult for tax authorities to uncover such under-declaration because the informal sector's operations are hidden from tax officials (Seidu & Asante, 2012).).

2.13.2 Non-declaration of income

Every income earner is required to file a report of income no later than four months after the end of a base period within the year under the Internal Revenue Act of 2000 (Act 592). This is used to calculate the income-ultimate earner's tax liability. The vast majority of operators in the informal sector do not provide yearly revenue returns. The most obvious source of evasion by the difficult-to-tax category is the 'non-declaration of income' type of evasion, which mostly entails failing to file tax returns. The request for the taxpayer to provide income tax returns to the tax office is the first step in ascertaining the genuine income and tax liability of the taxpayer. In the words of Otieku (1988) "…where majority of tax payers fail to file these returns either out of ignorance or deliberately, it becomes very difficult to identify them, ascertain their income and assess them to tax. The refusal to file return is one means of keeping one's incomes outside the reach of the tax authorities and thus evades the taxes there on."

2.13.3 Inflation of deductions from income

The deductible costs from income are over stated under 'inflation of deductions from income,' so that a lesser amount of taxable income is reported. This type of tax avoidance is not just committed by informal sector operators, but also by formal sector firms. According to tax legislation, "for the purpose of determining a person's income for a base period from any company, employment, or investment, there should be deducted:

All outgoings and costs spent by that person solely, exclusively, and necessarily in the creation of the income during that time; b. any additional deductions as may be prescribed by Regulations made under section 114 [Section 13 of IR Act 592].

According to the current tax literature, the terms “wholly” and “exclusively” relate to the quantity of spending, “exclusively” to the purpose for which the expenditure was spent, and “necessarily” to the element of force required to classify the expenditure as permitted. The informal sector's operators have a tendency to mix their personal and company costs, resulting in larger expenses being charged against business revenue, lowering one's tax burden (Seidu & Asante, 2012).

2.14 The use ICT to formalise the Informal sector (e-formalization)

The level of informality is relatively high in developing nations, particularly in the Sub-Saharan African countries. In order to address it, a growing number of governments are developing and putting into effect policies to promote digital technology in order to assist the shift from the informal to the formal sector through a variety of e-government programmes. These policies and programmes are referred to as “e-formality” (Chacaltana et al., 2018). The growth of e-government services and support for the digital economy are at the heart of e-formalization. As a result, formalisation and ICT developments are interrelated in today's world (Kring and Leung, 2021), and these developments are likely to influence formalisation process changes, lead to more formalisation, boost productivity, improve norms and regulations, offer incentives, and enhance enforcement mechanisms (Chacaltana et al., 2018). Nearly 85% of the working force in Africa, according to estimates from the ILO, works in the informal sector. The ensuing loss in tax revenue is enormous given the massive magnitude. The expense and time involved in meeting registration requirements is one of the obstacles to reaching high levels of company registration and formalisation. One solution to lower these barriers and improve formalisation is the use of ICT in government service delivery (e-government). Although it is unlikely that this will happen immediately and automatically, formalisation is expected to add more taxpayers to the tax base. While using the benefits of e-formalization, tax administrations must establish a culture that encourages compliance among individuals transitioning from the informal to the formal sector. Gallien and van den Boogaard (2021) emphasise the issue that taxpayers who are registered with the tax authority and submit declarations nonetheless report a zero-tax declaration on all taxes, including income tax. They do this by citing recent research on tax compliance in Eswatini, Rwanda, and Uganda.

2.15 Empirical Review

This section reviews the empirical literature on the theme, challenges associated with taxation from the informal sector. The gap in previews studies in this section provides basis for the choice of instrumentation and methodologies in the third chapter.

Mintah (2020) utilised a survey technique to look at the elements that influence self-employed people's tax compliance intentions in Ghana. He collected data from 725 self-employed people and used the Partial Least Squares-based Structural Equation Modeling approach to analyze it. According to the conclusions of the survey, most self-employed persons wish to be tax compliant. Furthermore, the study found that some antecedent-based intervention strategies may cause people to cooperate by default. Regardless, a person's desire to cooperate is mostly determined by his or her trust in the tax system and authorities. According to Mintah's research, trust is a major social component influencing people's willingness to pay taxes. As a result of his research, it's clear that behavioural and administrative elements have a big influence on tax compliance. The study, on the other hand, was conducted at random, with all self-employed persons being considered regardless of their geographic location in Ghana. As a result, the research provides an average view on the issue, which may be deceptive if considered to represent the overall state of the economy. As a result, this notion begs to be investigated further in order to reject or confirm the findings.

Alleyne and Harris (2017) accounted for taxpayers' intention to conduct tax evasion in Barbados using variables from the extended theory of planned behavior (TPB). The survey used a mixed technique to collect data from 150 taxpayers, and the results were derived utilizing multivariate and thematic analysis. An unfavorable attitude toward tax evasion, perceived obstacles in carrying out the action, and a strong sense of moral obligation, according to the study, all lead to a decline in the desire to engage in tax evasion. Furthermore, subjective standards played no part in the study. Because the study focuses solely on tax evasion rather than tax avoidance, it does not address all difficulties in tax mobilisation from the informal sector. Furthermore, the survey covered all taxpayers without drawing any conclusions about the informal sector. This raises questions about the application of their results to Ghana's informal economy.
Castro and Scartascini (2015) presented the results of a large field experiment in which property tax taxpayers' opinions of the degree of enforcement, reciprocity, and peer effects of the tax system in an Argentine municipality were altered. The results suggest that taxpayers who received the deterrent message had a much higher likelihood of complying (almost 5%) than those in the control group. The average effects of the other two therapies are unknown. These average effects, on the other hand, mask important studies.

The chance of compliance increased for certain taxpayers after receiving the reciprocity and peer-effects signals, but decreased for others, depending on their underlying belief distribution. Despite identifying the primary administrative criteria that impact compliance, the study's geographical focus (Argentina) means that the findings may not be relevant to Ghana. Furthermore, the study was a large-scale study in which the informal sector was not given special consideration, implying that the findings may not be relevant to the informal sector. “Tax evasion and governance difficulties in the Nigerian informal sector,” according to Sani and Umar (2014). The research looked at how the informal sector operates in Nigeria's Bauchi state. Data from both primary and secondary sources was gathered and examined. The association between tax evasion ethics and government performance was investigated using the Spearman rank order correlation test. The findings found that, while paying taxes is ethical, people refuse to do so owing to poor governance and other causes (religious, political, and socio-cultural), as well as a high degree of illiteracy. The study however placed much emphasis only on tax evasion in the informal sector without having a holistic view of the whole challenges faced by revenue authorities in the informal sector. Also, the limitation in the scope of the study may perhaps imply that, it may not be applicable to the Ghanaian context even though both countries have a few similarities in the informal sector.

Sebele-Mpofu and Msipa (2020) investigated on the “feasibility of administering informal sector taxation: Approaches and hurdles. A case of the informal sector in Bulawayo, Zimbabwe”. The study was carried out to evaluate the strategies and challenges to informal sector taxation in Zimbabwe. Sequential mixed method approach using questionnaires and interviews were used to seek responses from ZIMRA officers and other informal players. The major findings were that, the key motives towards the informal sector taxation were not clearly outlined and there was inadequate appreciation of the drivers of the informal sector. Conclusively, the study revealed that, ZIMRA is not well equipped to enforce any tax laws on the informal sector.

Munjeyi (2017) carried out a study to investigate "informal sector taxation: is there anything worth research?" The study sought to establish the usefulness of a great array of recommendations aimed at taxing the informal sector. The paper in its methodological approach reviewed literature. The study found out that, there are many practical policy strategies that developing countries can implement to combat informal sector taxation problems. The study however, in its use of secondary data only may fall short of critical issues on the ground which may be well addressed with the use primary data. Also, the study was not delimited to a particular geographical area and as a result may not be applicable to all countries who may have differing characteristics in the informal sector.

Obara and Nangih (2017) conducted a study on the topic, "Taxing the informal sector and revenue generation in developing countries: An empirical investigation from Rivers State of Nigeria". The study examined the effects of taxing the informal sector in Nigeria. A total of 110 questionnaires were distributed respondents within the Port Harcourt Metropolis and its environs. The responses were presented using descriptive statistical tools of bar charts and tables. Chi square tests and kruskal Wallis were used to test the hypothesis formed. Findings revealed that, taxing the informal sector will boost revenue generation and impact positively on the economic development of developing countries. However, the study only resorted to the use of questionnaires or in other words, used the quantitative method. In this regard, the researcher may perhaps fail to have an in-depth understandable of issues bordering on the topic. Also, the study only looked at the effects of revenue generation from the informal sector without highlighting on other components of the phenomenon itself. This creates an opportunity for further studies to be conducted which will combine methods and look at other major challenging issues from the informal sector in the Ghanaian context.

Phiri and Nakamba-kabaso (2012) researched on the topic, "Taxation of the informal sector in Zambia". The paper attempts to establish whether significant scope exists for informal sector taxation in Zambia. The study reviewed the methods available for measuring informality and compares the results these methods have achieved in different contexts. The study applied the Currency Demand Approach to Zambia from 1973-2010. The findings revealed that, the informal GDP averaged 47.7% of official GDP per annum and that the informal sector's tax potential averaged 42% of total tax revenue per annum. The studies' finding were limited to a particular period of time (1973-2010). This however may imply that, as society changes over time, the studies after a period of over a decade may not be able to address issues it was set out to deal with.

Munjeyi, Muntasa and Muchuchuti (2017) investigated on the "informal sector tax revenue potential: A case of Zimbabwe". The paper sought to analyze the performance of informal sector tax revenue and to establish whether economic resources should be channeled to this sector in a bid to tax it. The study adopted the literature review method. The evidence show that the informal sector plays an important role in the Zimbabwean economy. The study established that, Zimbabwe has no effective mechanism to collect revenue from the informal sector and as result, insignificant revenue is generated from the sector. The use of the literature review method however, limits it to the use of only secondary data. This means that, the studies is not based on first hand data and only relied on information provided by other scholars and researchers. Ajaz and Ahmad (2010) sought to determine the "impact of corruption and governance on tax collections" in Pakistan on a global scale. According to the study, corruption has a negative impact on tax collection, but excellent governance contributes to higher tax collection performance.

In Poland, Etel (2019) learned about "How to Reduce Costs of Local Tax Collection." According to the report, addressing local tax evasion, expanding electronic methods of contact with taxpayers, and using video tax procedures would all help lower tax collection costs. Stella (1993) looked at tax farming as a radical solution to the tax problem in poor nations. She discovered that successful tax farming is a useful technique for addressing the taxation problem in poor nations, even if the government would have to spend a lot of money to monitor private tax collectors. "Tax collection in poor countries-New evidence on Semi-autonomous revenue agencies (SARAs)" was the subject of a study conducted by Haldenwag, Schiller, and Garcia (2014). Peru was the location of the research. The study's goal was to figure out how effective SARA is in collecting taxes. Municipalities that use SARA collect more income and have more consistent revenue than those that use traditional tax administrators. In Africa, In Ghana, Bekoe et al. (2013) did study on "Tax changes and revenue mobilisation." They wanted to look at Ghana's tax reform program in depth and see if it has improved the entire tax system's and individual taxes' revenue mobilisation capabilities, based on estimations of tax buoyancies and elasticities. They discovered that tax revisions had a favorable impact on the entire tax structure as well as individual tax handles, as indicated by the buoyancy and elasticity of more than one. Except for excise charges, all individual taxes had greater than unity buoyancies and elasticities during the reform era.

Samuel Afosah (2019) did research in Ghana on the issue of "inadequate Tax Collection in Ghana from 2004 to 2017." The study's goal was to apply a qualitative approach to figure out why Ghana's tax collection is so low. According to the findings of the study, GRA lacks the political will to enforce and execute current tax legislation. "Tax reform and revenue productivity in Ghana," according to Newman

Kusi (1998). His research examines the relationship between the 1983-1993 tax reform and revenue performance, as well as ways to increase revenue. The findings reveal that the tax reform had a considerable influence on both individual taxes and the overall tax system's productivity. Revenue generation, tax administration efficiency, and equality have all improved as a result of the tax reform. “Tax compliance among self-employed in Ghana: do demographic features matter?” Asante and Seidu (2011) did a study with the title “Tax compliance among self-employed in Ghana: do demographic characteristics matter?” The research was conducted in Ghana’s Tema Metropolis. Female, educated, older, and married self-employed people in Ghana are less likely to be tax evaders, according to the study.

Hence, at the backdrop of these findings, this study therefore seeks to provide new insights into the taxation literature by conducting a research study to investigate the challenges associated with tax mobilisation from the informal sector in Ghana for the purpose of having a robust and a comprehensive outlook and enhance the literature on the phenomenon.

2.16 Summary

This chapter was grouped under three main key items; the theoretical review, the conceptual review and the empirical review. The Theoretical Review focused on the various theories that underpins the study. The Ability to pay Theory, The theory of human behaviour and the theory of the informal economy. The conceptual review focused on the various concepts on taxation (general overview), the informal economy or sector, and taxation in the informal sector. Lastly, various studies conducted on the study was put under the empirical review.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The study focuses on tax mobilisation from the informal sector in Ghana. This chapter discusses in detail the research approach and research design adopted by the researcher for this investigation. The chapter also deals with the population of the study, sample and sampling procedure or techniques. It further lays emphasis on the instruments used in collecting data for the study. The validity and reliability of the instruments used were also discussed as well as the data collection procedures. In addition, how the data collected was analyzed and interpreted can be found right in this chapter. Lastly, ethical consideration done and profile of the Study area (Cape Coast Metro) were not left out in this chapter.

3.1 Philosophy upon which the Methodology of this Study is Anchored

In research, paradigms are conceptual frameworks for understanding the universe (natural and social), as well as what knowledge is and how we obtain it. This study's technique will be firmly based on Pragmatism's wider philosophical underpinnings. This was necessary because philosophical beliefs or assumptions have a significant impact on and guide the decision-making and conduct of social science research (Greene & Hall, 2010). Creswell (2013) proposed, based on this, that the wider philosophical assumptions that a research work wants to espouse should be explicitly described in detail before the start of a meaningful investigation. According to him, this would allow the researcher to explain why he or she chose quantitative, qualitative, or mixed methodologies research approaches. As a result, the methodology outlines the philosophical foundations of your selected research methodologies (Cothari, 1990).

Pragmatism is the philosophy that underpins this study's methodology. Pragmatism is a rational and logical approach to doing things or thinking about issues that is centered on dealing with real-world events rather than ideas (Merriam-Webster n.d). It is also a philosophy that investigates the link between action and truth, practice and theory in another level (Peirce, 1992). Pragmatism is also a concept that asserts that reality has a functional aspect and sees the universe as a collection of practical activities arising from thought. There is no distinction between what is and what ought to be, subjective and objective, theory and practice, in the eyes of a pragmatist. All of them are, in reality, two sides of the same coin (Peters, 2007). Pragmatism as a philosophy began in America around the turn of the nineteenth century. Many people have advocated for this concept, including Charles S. Peirce, William James, John Dewey, Richard Rory, Hilary Putman, and others (Hookway, 2016). Despite the fact that there are various variants, the following are some of the most prevalent assumptions:

The usefulness of truth is the litmus test. To put it another way, something is true if it works. If something is true, it is real. Pragmatism is primarily concerned with reality, or what actually works. Reality is only deemed knowledge if it is true, and an activity or entity's veracity is determined by the action done. As a result, theory may become practice, or what should be, can become what is, if only real action is made. Regardless of the preceding justifications, pragmatism was used in this study since it was identified in the Mixed Method literature as the best acceptable philosophy for mixed method research (Brierley, 2017).

Furthermore, pragmatism is a mixture of or a bridge between positivism, which supports quantitative research techniques, and constructivism, which promotes qualitative research methods (Brierley, 2017).

As a result, it is based on adductive reasoning, which asserts that the universe is full of complicated and infinite techniques for obtaining knowledge from all variables or actors (Taatila & Raij, 2012).

Furthermore, pragmatism does not trust in the certainty of one study approach, and as a result, flexibility is highly stressed in order to prevent neglecting essential aspects that could be excluded by a perspective that is set by pre-existing assumptions (Sweltzer–kelly, 2008).

3.2 Research Design and Approach

A research design, according to Kothari (1990), refers to judgments on what, where, when, how much, and by what means a study should be conducted. In other words, it is the set of actions and circumstances for data gathering and processing that leads to logical conclusions. According to Harwell (2011), research design refers to the method or plan utilised to recruit participants, as well as how to gather what sort of data from them in order to reach conclusions about the study topic. As a result, the study design serves as a blueprint for data collection, measurement, analysis, and presentation (De vaus, 2001). This study used a mixed-methods approach. According to Burch & Carolyn (2016), this form of approach is appropriate to research topics that demand a serious assessment of real-life situations or a multi-level viewpoint, and it incorporates both qualitative and quantitative data gathering and analysis techniques. It is also the purposeful use of rigorous quantitative methodologies to measure the distribution or frequency of qualitative data or constructs in order to give the constructions or qualitative data greater significance. Finally, researchers utilise it to combine the benefits of both qualitative and quantitative data gathering methodologies (Creswell, 2014). The main advantage of the mixed method is that qualitative data add more meaning to numeric data, while numeric data also add more precision to qualitative data (Creswell et al, 2010). The convergent parallel design was used. The researcher collects both quantitative and qualitative data, analyses them separately and then compares the results to see if the findings confirm or disconfirm each other. The key assumption is that, both qualitative and quantitative data provide different types of information. Even though, both data set are different, they should yield the same results. The key idea of this design is to collect both forms of data using the same or parallel variables. For instance, if a concept is being measured quantitatively, the same should be measured qualitatively in an open-ended interview. The Convergent parallel design enabled the researcher to have a side-by-side approach by making comparison within a discussion, presenting first the quantitative data and the findings and then later the qualitative data and findings. In this case, the qualitative data and findings validated the quantitative data and findings.

Table 3.1 Method Indicator

S/N	Method Indicator	Method Used
A	Sources of data	Both primary and secondary data
B	Data Collection methods	Mixed method (Qualitative and Quantitative)
C	Study population	All informal workers or operators in Ghana and staff of GRA and CCMA.
D	Target population	All informal operators in the Cape Coast metropolitan, elite staff of GRA (Cape Coast) and elite staff of the Cape Coast Metropolitan Assembly.
E	Sampling techniques	Purposive sampling and stratified sampling

		techniques
F	Sample size	5 respondents for elite interview (1 tax expert and 2 officers of GRA and CCMA each). 396 informal operators within the Metro.
G	Criteria for selection	Must be a resident of the Cape Coast Metropolitan. Must be operating within the informal sector in the Metropolis Must be an elite staff of the GRA in Cape Coast. Must be a staff at the CCMA.
H	Data collection instruments	Questionnaire (quantitative) Semi-structured interview guide (qualitative)
I	Data analysis methods	Descriptive statistics a tool in SPSS for quantitative data. Thematic analysis for qualitative The two data set were analyzed side by side using the convergent parallel design.

Source: Author's construct 2022.

3.3 Study Population

The study population is the total group of people from whose data may be obtained and sourced, allowing the researcher to establish references and come up with definitive conclusions. According to Hungler and Polit (1999), it is a collection of all items, members, or subjects that have particular criteria. Burns and Grove (1993) believe that a research population is made up of all elements that match the sample requirements for a study. The study's population, on the other hand, is made up of all informal operators in Ghana, as defined or categorised by the Ghana Revenue Authority. Because all informal operators in Ghana share similar features, they may all be included in the sample. The study population also comprises of staff from the CCMA and GRA.

3.4 Target Population

According to Frankel & Wallen (2003), a target population is a group of people or items for whom a researcher wants his findings to be generalizable and relevant. It may also be defined as the total set of people or items about whom researchers want to generalise their findings. The target population of the study is the informal sector operators in the Cape Coast Metropolitan. It is made up of all businesses classified by GRA as informal businesses including but not limited to agricultural farmers, petty traders, hawkers, hairdressers, dressmakers, artisans, chop bar operators, provision stores among others. These represent the chunk of informal sector operators in the Metro. However, elite staff from the Ghana Revenue Authority and the Cape Coast Metropolitan Assembly were targeted as well.

3.5 Sampling Techniques

In research, sampling is critical because it lays the groundwork for appropriate data collection and analysis. If one's sample is incorrect, the study's conclusions will be very suspect. Sampling is a method of picking individuals or a subset of the population in order to make statistical inferences and estimate population characteristics. There are two types of sampling techniques: probability and non-probability. The term "probability sampling" refers to the process of selecting a sample from a population using the randomisation principle, often known as "random selection" or "by chance." All individuals of the population have an equal chance of being chosen in a probability sample (Osuala, 2007). In non-probability sampling, samples are chosen based on the researcher's subjective assessment rather than random selection. In order for the researcher to receive the proper responses for the study, most respondents have prior knowledge of the study's topic matter. Both probability and non-probability sampling were used in the study.

The non-probability sampling, that is, purposive sampling was used to select two (2) officials from the Cape Coast GRA office (one officer each from the Cape Coast South GRA office and the Cape Coast North GRA offices respectively) as well as two (2) officials from the Cape Coast Metropolitan Assembly (One officer each from the Cape Coast North and South Sub Metro offices). The determining factor here is the special knowledge on the subject matter. In other words, the person must have a very good knowledge on the strategies already in place to collect revenue from the informal sector and all other relevant information needed for the study as well as the individual being prepared to share it for academic purposes. Additionally, one (1) other tax analyst with very extensive knowledge on taxation was interviewed for the study. After identifying such special respondents, an elite interview is done by posing questions to them from the semi-interview guide and sometimes too outside the guide and their answers were written down. Before the interview, the purpose of the interview and the sort of issues involved is explained to the respondents. Again, it was made clear to them that the information was for academic purpose and therefore their anonymity and confidentiality was assured.

Furthermore, 396 respondents who are informal operators in the Cape Coast Metropolis were chosen using probability sampling, specifically Stratified sampling. Stratified sampling is a sampling method that divides a population into smaller homogeneous sub-groups known as strata. The strata are constructed based on shared features or characteristics among the members.

The 396 participants were divided into groups of informal businesses with similar features. There is no denying that informal sector activities are quite diverse, which justifies stratification of the sample frame in order to obtain a reasonably representative sample size from the frame. According to Lillian Trager (1987), no one denies that the informal sector is diverse; all statistics point to a wide range of activity among informal sector businesses and entrepreneurs. Dividing the population into a number of relevant strata means that the sample was more likely to be representative, since you can verify that each of the strata was represented proportionally within the sample," according to Saunders et al (2000). The informal sector businesses for the study were divided into the following strata or categories; Agriculture, Textile, Woodworking, Repair Services, Handicrafts, Commerce and Building Construction. These were selected because they represent the chunk of informal sector operators in the Metropolis. This in the writer's view gave a fair representation of the sample frame. It was extremely difficult, if not impossible, to get a representative sample of a given large population such as informal sector enterprises in Ghana. The lottery method was used in each stratum to select the participants.

3.6 Sample Size Determination

According to Fowler (2013), sample size refers to a "subset of the whole population taken into account by the researcher from which data would be gathered and processed." Fowler went on to say that because the sample size's reactions and conclusions are generally projected to reflect the full population, the sample size should be representative of the population. According to the Ghana Statistical Service's 2010 Population and Housing Census, the Metropolis has 121,654 people aged 15 and above, with 54.7 percent being economically active and 45.3 percent being economically inactive. 90.7 percent of the economically active population (66,497) is employed, while 9.3 percent is jobless. According to the data, more than two-thirds of the working people (68.4%) work in the private informal sector, while barely one-fifth (21.4%) work in the public sector. As a result, the intended sample size is roughly 41,253.403 (approximately 41,253).

Yamane (1969)'s methods for sample size determination, as stated in equation 1, were utilised to determine the sample size for the study within the Cape Coast Metropolitan region.

$$n = \frac{N}{(1 + Ne^2)} \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots Equation\ 1$$

Where;

n= sample size of informal sector workers.

N= population of informal sector workers.

e= error term.

$$n = \frac{41253}{(1 + [41253 * 0.05^2])} = 396.15874$$

Therefore, 396 respondents were used for the quantitative aspect of the studies and 5 respondents for the qualitative aspect. In total, 401 respondents were used for the studies.

However, it is indicative to note that, the researcher used the 2010 PHC data for the study because it gave a more detailed and comprehensive analysis or breakdown of the population dataset. The 2020 PHC data which happens to be the current to help in this type of study does not have a proper breakdown of the population groups and as a result will not be ideal for calculating the sample size.

3.7 Sources of Data

To protect the integrity of the study an individual is performing, the sources from which one gathers data for his or her research are quite significant. The data for this study was acquired from two major sources: secondary and primary. According to (Hox & Boejie, 2005), secondary data is information that was initially obtained for a distinct reason but was later repurposed for a new research purpose. To put it another way, it is information gathered by someone other than the present user. Books, papers, and journals were used to gather secondary data. The analysis was based on these and other published resources found on the internet. From chapter one, which is the introduction chapter, to chapter three, which is methodology and data analysis approaches, these sources make up the work. Primary sources are the second source of data for this study. Data acquired for a specific study goal is referred to as primary data (Hox & Boejie, 2005). This signifies that the data was acquired from its original source precisely for the purpose for which it was intended. Because of the nature of the study, the researcher gathered both quantitative and qualitative data from Ghana Revenue Authority and CCMA employees as well as informal operators in the Metropolitan area.

3.8 Data Collection Methods

The success and integrity of a study are determined not only by the type of data gathered, but also by the data gathering method used. Data collection is the process of acquiring and analysing data or information on factors of critical importance in order to answer research questions or assess outcomes (Burnham et al, 2004). Quantitative and qualitative data gathering approaches were employed in this study. The quantitative method of data collection is defined as the collecting of data in numeric form that can be measured and assessed (Cresswell, 2009). A developed questionnaire was used to acquire quantitative data from informal sector actors or operators for this study.

The qualitative data collection approach, on the other hand, is concerned with gathering information that can assist you in gaining a better understanding of complicated topics. Because the issues at hand were so complicated, it was impossible to quantify them numerically. The qualitative data was acquired using a semi-structured interview guide with top employees from the Ghana Revenue Authority (GRA, Cape Coast) who were experts on taxation and had unique understanding of the issue. The responses were put down in a face-to-face elite interview.

3.9 Research Data Collection Instruments

Two types of instruments were used in this study: a questionnaire and a semi-structured interview guide. Questionnaire was the first research instrument. A questionnaire is a sequence of questions that are aimed to collect data or information from persons. It might be closed ended, open ended, or a mix of the two. In a closed ended questionnaire, the respondent is given pre-determined answers from which to choose. The questions in an open-ended questionnaire do not have answers, thus the respondents must give them. Because it's easier to examine closed-ended questions than open-ended ones. The study used the Likert scale which is an example of a closed ended questionnaire to solicit for responses. The Likert scale provides response options that are fixed and limited to respondents. Respondents were presented with a statement or question and were asked to indicate their level of agreement or disagreement. This ranged from “strongly agree” to “strongly disagree”. The use of a questionnaire was chosen since it saved time and covered a larger number of people. Second, the questionnaire’s answers corroborated or confirmed the majority of the concerns mentioned in the qualitative data. A total of 396 participants were asked to complete the survey using the questionnaire. A semi-structured interview guide was the second research instrument. A semi-structured interview guide combines a pre-planned series of questions with the interviewer's ability to go further into certain themes by asking supplementary or follow-up questions (Kajam-boo, 2005). The semi-structured interview guide was chosen for this study because it provides for some flexibility and allows the researcher to go further into the topics under investigation while also providing the possibility to obtain new information that was not initially planned (Chilisa, 2012). Five (5) respondents were given the interview guide.

3.10 Data Analysis

Data analysis is the systematic processing of data in order to derive some kind of meaning that can be shared with others (Hatch, 2002). The data were evaluated in the same way since the study collected two separate types of data. The Statistical Package for Social Sciences was used to examine the quantitative data gathered through the use of a questionnaire (SPSS). This is a typical computer software program that is used to execute statistical computations, particularly when examining data in the social sciences (Gravetter & Forzano, 2006). The Statistical Package for Social Science (SPSS) is a user-friendly program that does the majority of data analysis in terms of quantitative analysis. It is the most often utilised statistical data analysis in research (Muijs, 2004). The data was analyzed using the Statistical Package for Social Sciences (SPSS) descriptive statistics functions.

Thematic Analysis was used to examine the qualitative data acquired through the use of a semi-structured interview guide. This type of data analysis includes breaking down the data into digestible topics, synthesizing it, looking for patterns and meanings, determining what’s significant and what needs to be learned, and deciding what to tell others (Tagoe, 2009). With his description, analysis, and interpretation of the data at hand, the researcher is able to evaluate enormous amounts of data precisely and methodically (Burham et al, 2004). The researcher was able to organise the various information into digestible topics for simpler examination.

However, both type of data was analysed side by side using the convergent parallel design where both data were collected independently and analyzed or interpreted concurrently. This enabled the researcher to have a comprehensive understanding of the research problem. Also, this enabled the researcher to compare and contrast the findings from the quantitative and qualitative analysis to have patterns and relationships. Thus, enabling the researcher to integrate the results from both data sources and have a more comprehensive interpretation. In this instance, the qualitative data validated the quantitative data and helped provide a more robust analysis by combining the strength of both data types in a parallel manner.

3.11 Ethical Consideration

People from many areas of life can connect directly through research, which necessitates the observance of specific ethical guidelines (Babie, 2004). Preventing deceit, ensuring the confidentiality and anonymity of respondents, avoiding harm, and obtaining the agreement of respondents are all important considerations in social research (Burns and Grove, 1993). Respondents who participated in the study did so voluntarily. This means that no respondents were compelled to answer questions. People who refused to answer questions were never coerced into doing so. In addition, the researcher obtained respondents' agreement and guaranteed them of anonymity, promising that any material provided would be utilised solely for academic purposes. In addition, all sources of information utilised in the study were properly recognised, with the exception of the researcher's unique ideas.

3.12 Field work

The researcher had previously made casual visits to the GRA offices in the metropolis to meet with GRA personnel. There were two main reasons for doing so. First and foremost, in order to design significant research questions for the study, it is necessary to comprehend the fundamental core concerns that compose taxes. Second, make friends with some of the significant figures, as well as those who worked as liaison officers and supported me in identifying people with unique expertise of the issue. As a result, when the researcher finally received permission and an introduction letter from the Department of Political Science to go onto the field to collect data, everything was already in place, and data collection went smoothly from the second week of September to the last week of November in 2022.

3.13 Study Area

The study was limited to the Cape Coast Metropolitan Area. The Cape Coast Metropolis is one of Ghana's six metropolises and the only one of the Central Region's 22 MMDAs. On February 29, 2008, the Cape Coast Metropolitan was upgraded from a Municipal to a Metropolitan. The city is Ghana's smallest metropolis, with a total size of 122 square kilometers. The Cape Coast Metropolitan Area is one of Ghana's oldest MMDAs, with Cape Coast serving as both its administrative and regional center. The Twifo Hemang Lower Denkyira District borders the Metropolitan on the north, the Abura Asebu Kwamankese District on the east, the Komenda Edina Eguafo Abrem Municipal on the west, and the Gulf of Guinea on the south. According to the 2010 Population and Housing Census (PHC), the Metropolis has a population of 169,894, with 82,810 men and 87,084 women. Abura, Ankaful, Cape Coast, Effutu, Ekon, Mpeasem, Pedu, Cape Vars, and

Akotokyire are among the Metropolitan's more than 20 communities. Fishing, farming, commerce, and other commercial and administrative operations are the main economic activity. According to the 2010 PHC, the Metropolis has 121,654 people aged 15 and above, with 54.7 percent being economically active and 45.3 percent being economically inactive. 90.7 percent of the economically active population (66,497) is employed, while 9.3 percent is jobless. According to the primary occupations of the people in the Cape Coast Metropolis, service and sales employees account for 32.5 percent of the employed 15 years and older, craft and related trade workers account for 23.6 percent, and professionals account for 13.2 percent. As a result, the wholesale and retail trade business is the largest in the Metropolis, employing a quarter of the workforce (25.1%). One out of every seven people is employed in the education and manufacturing industries. According to the data, more than two-thirds of the working people (68.4%) work in the private informal sector, while barely one-fifth (21.4%) work in the public sector. In the Metropolis, the private formal sector employs just around one out of every ten people (9.5%), with males (13.3%) outnumbering females (5.9 percent). While the private informal sector employs more than three-quarters of all employed females (77.6%), it also employs slightly more than half (58.4%) of their male counterparts.

3.14 Summary

This chapter has explained vividly the methodological frameworks that were used in the study. The study adopted the mixed method, underpinned by the pragmatist school of thought. Data was collected via structured questionnaire for quantitative and interview guide for qualitative. The respondents were selected through a stratified random and purposive sampling techniques where data was finally subjected to analysis using thematic content analysis and SPSS. The main themes discussed in this chapter include the philosophy supporting the study, research design, population of the study, sampling techniques, sample size determination, data collection instruments, data collection procedure, data analysis procedure, ethical consideration and finally the profile of the study area.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.0 Introduction

The study focuses on the challenges associated with tax mobilisation in the informal sector in Ghana. The study used primary data from 396 informal sector workers as well as 5 elite informants in the Cape Coast Metropolitan area. This chapter presents the results and discusses the results vis-à-vis findings of related studies based on the research objectives.

4.1 Socio-Demographic Characteristics of the Respondents

This section of the analysis focused on the socio-demographic features of the respondents that were in Cape Coast Metropolitan area. The study considered the age, sex, marital status, income earned and level of education for the socio-demographic features of the respondents. The results are summarised in Table 4.1 below.

Table 4.1 Socio-demographic Characteristics of Respondents

Variables	Categories	Frequency	Percentage
Age	16-19 years	23	5.8
	20-30 years	49	12.4
	31-40 years	166	41.9
	41-50 years	99	25.0
	51-60 years	59	14.9
Sex	Male	239	60.4
	Female	157	39.6
Marital status	Married	163	41.2

	Single	138	34.8
	Widowed	43	10.9
	Divorced	52	13.1
Level of education	Basic school	101	25.5
	Secondary school	175	44.2
	Tertiary	50	12.6
	Never attended school	70	17.7
Type of business	Commerce	71	17.9
	Agriculture	64	16.2
	Textile	52	13.1
	Woodwork	83	21.0
	Repair service	46	11.6
	Handicrafts	54	13.6
	Construction	26	6.6
Income earned per month	1-300 cedis	44	11.1
	301-700 cedis	51	12.9
	701-1500 cedis	93	23.5
	1501-3000 cedis	94	23.7
	Above 3000	114	28.8

Source: Author's Field data, 2022.

The results in Table 1 show that 23 (5.8%) of the respondents were between the ages of 16-19 years, 49 (12.4%) were between the ages of 20-30 years and 166 (41.9%) of the respondents were between the ages of 31-40 years. Also, 99 (25.0%) of the respondents were between the ages of 41-50 years and 59 (14.9%) were between the ages of 51-60 years of age. This shows that most of the respondents were in their youthful ages. Therefore, they are energetic enough to conduct their businesses on a regular basis and this make them fit for the study since they earn income and pay certain amounts of taxes.

The results further indicate that 239 (60.4%) of the respondents were males while 157 (39.6%) of the respondents were females. This shows that majority of the people working in the informal sector in Cape Coast Metropolis are males with females having a slightly lesser population than the males.

Table 1 again shows that 163 (41.2%) of the respondents were married. 138 (34.8%) were single and 43 (10.9%) were widowed. Also, 52 (13.1%) were divorced.

Again, Table 1 shows that 101 (25.5%) of the respondents had completed basic school. 175 (44.2%) of the respondents had completed secondary school, 50 (12.6%) had also completed tertiary education while 70 (17.7%) do not have formal education whatsoever. This indicates that most of the respondents were unable to complete their education after their basic or secondary school education. This can be attributed to the fact that most people that are unable to continue their tertiary education end up in learning vocational skills like woodwork, repair services and construction (Alhassan, 2009).

Table 1 further depicts that 71 (17.9%) were involved in commerce, 64 (16.2%) were engaged in agriculture, 52 (13.1%) also lived on textiles and clothing, 83 (21.0%) were engaged in woodwork and 46 (11.6%) were involved in repair service. Again, 54 (13.6%) of the respondents were engaged in handicrafts and 26 (6.6%) were engaged in construction.

Per the results shown in Table 1, 44 (11.1%) of the respondents earned 1-300 cedis per month, 51 (12.9%) earned 301-700 cedis and 93 (23.5%) earned between 701-1500 cedis. Also, 94 (23.7%) earned between 1501-3000 cedis and 114 (28.8%) earned more than 3000 cedis per month. This means, most of the informal sector operators within the Cape Coast enclave earn between GH₵ 1500 and GH₵ 3000 in a month. The implication is that, more revenues could be generated from informal sector players within the Metropolitan.

4.2 What factors make the Informal Sector Difficult to tax?

This section of the chapter focuses on answering research question one of this study "What factors make the informal sector difficult to tax". The five-point Likert scale was used to assess these factors that make the informal sector difficult to tax. A summary of the responses is presented in Table 2 below;

Table 4. 2: Factors that make the Informal Sector Difficult to tax

Statements	Strongly Disagree F %	Disagree F %	Neutral F %	Agree F %	Strongly agree F %	Mean	Standard Dev
Lack of permanent and visible place of business	27 (6.8)	33 (8.3)	75 (18.9)	174 (43.9)	87 (22.0)	3.6591	1.11489
Predominance of cash transactions	41 (10.4)	36 (9.1)	39 (9.8)	161 (40.7)	119(30.1)	3.7096	1.27051
Poor record keeping practices	56 (14.1)	33 (8.3)	31(7.8)	165 (41.7)	111(28.0)	3.6111	1.34833
Poor accounting practices	53 (13.4)	5 (1.3)	75 (18.9)	158 (39.9)	105(26.5)	3.6490	1.26111

High rate of illiteracy	27 (6.8)	52 (13.1)	88 (22.2)	170 (42.9)	59 (14.9)	3.4596	1.10506
Absence of trade union organisation	61 (15.4)	58 (14.6)	50 (12.6)	120 (30.2)	107(27.0)	3.3889	1.41431
Absence of official protection and recognition	20 (5.1)	47 (11.9)	69 (17.4)	220 (55.6)	40 (10.1)	3.5379	.99674
Lack of voluntary compliance	43 (10.9)	55 (13.9)	71 (17.9)	151 (38.1)	76 (19.2)	3.4091	1.24852

Source: Author's Field data (2022)

The results shown in Table 2 indicate that majority of the respondents 174 representing 43.9% (M= 3.6591; Std. Dev. = 1.11489) agreed that lack of permanent and visible place of business is a factor that makes the informal sector difficult to tax. 87 (22%) strongly agreed that lack of permanent and visible place of business affects tax mobilisation. 75 respondents representing 18.9% of the total were neutral on the subject of discussion. 33 (8.3%) and 27 (6.8%) of the respondents disagreed and strongly disagreed respectively that, the lack of permanent and visible place of business affects tax mobilisation within the Cape Coast enclave. This implies that, most respondents agreed that, most informal operators do not have permanent spaces they operate to make it easier for tax officials to trace and apply tax charges. This in essence means that, little revenues could be generated from such group, thus making tax mobilisation a complex task. This was reiterated by an informant from the Cape Coast Municipal Assembly.

He indicated that,

> "*Tax collectors always complain about not being able to locate some business entities especially hawkers and other invisible traders who are always moving around. Because of that, they cannot identify these people properly and collect from them. Others intentionally and intentionally*

*dodge tax officials to avoid paying taxes" (*Key informant, Cape Coast Metro Assembly*).*

These findings are well in line with Farrel et al., (2000) who indicated that much of the work done by informal sector entrepreneurs is kept out of the public eye. Operators in the sector employ this strategy to avoid paying taxes. The final outcome of this evasion plan has an impact on the government's tax collection (Farrell et al, 2000).

Again, most of the respondents 161 which makes up 40.7% of the total (M= 3.7096 ; Std. Dev. =1.27051) agreed that predominance of cash transactions, affects tax mobilisation in Ghana. A further 119 (30.1%) strongly agreed that predominance of cash transactions serve as a challenge to effective tax mobilisation 41 (10.4%) disagreed, 39 (9.8%) were neutral. That is, they do not know whether the predominance of cash transactions has any bearing on tax mobilisation capacity of revenue agencies in the Cape Coast Metropolis. 36 respondents indicating 9.1% of the total disagreed. This implies that, people prefer to use cash for transactions than engaging in e-transactions such as the use of mobile money and other digital means for several reasons. The tax expert who was engaged in the study indicated that, people in the informal sector prefer using 'physical cash' because of the fear of attracting the extra charges that comes with it. This in essence implies that, there will be little or no traces of transactions done which will make accounting for tax purposes difficult for officials. This finding is in line with findings of other studies.

For instance, Agyemang (2013) instigated that most informal businesses in Ghana conduct business on a cash basis because some do not accept bank cheques for fear of them bouncing, nor do they accept e-transactions such as mobile money due to fees. Similarly, Otieku (1988) revealed that cash transactions are common, which allows for tax avoidance. A cash transaction leaves no traces of the money exchanged. Cash transactions can allow for the manipulation of records and data for the purpose of tax minimization.

Majority of the respondents 165(41.7%) (M= 3.6111; Std. Dev. =1.34833) agreed that poor record keeping practices is one of the factors that make the informal sector difficult to tax. Again, 111 respondents representing 28% strongly agreed that poor record keeping has an impact on revenue mobilisation from the informal sector in the Metro. Also, 56 (14.1%) strongly disagreed whiles 33 (8.73%) disagreed. A further 31(7.8%) were neutral on the subject of discussion. On issues of poor accounting practices, 158 (39.9%) agreed, 105 (26.5%) strongly agreed, 75 (18.9%) were neutral, 53 (13.4%) strongly disagreed and 5 (1.3%) disagreed. From the results, it is clear that most of the respondents indicated that; poor record keeping and accounting practices are major reasons making the informal sector difficult to tax. Poor record keeping and accounting practices makes it very difficult for tax officials to know exactly the revenues made. This revelation is in line with Adom (1998) who listed poor accounting and record keeping as tax dodging strategies employed by tax payers especially people in the informal sector. Poor accounting methods opens a window for informal operators to understate their earnings or revenues and thus, pay little to the state.

Also, majority of the respondents 170 constituting 42.9% (M=3.4596 ; Std. Dev. =1.10506) agreed that high illiteracy rate is a factor that makes the informal sector difficult to tax. High illiteracy on the part of tax payers especially those in the informal sector is a major problem for tax mobilisation. A further 88 of the respondents were neutral this constitutes 22.2% of the total. 59 (14.9%) strongly agreed, 52 (13.1%) were neutral and 27 (6.8%) of the respondents disagreed. It is indicative from the above that, most of the respondents share the opinion that, the low educational level of people operating in the informal sector affects tax mobilisation. This implies that, people are not enlightened enough about the purposes of taxation. Again, they are not well aware that, paying taxes is a responsibility that needs to be fulfilled at all cost. They mostly see it as a burdensome endeavour. This finding was buttressed by one interviewee who suggested that: people do not see the need to pay taxes because it is a burden. He said that; "I believe within the metro; the education level is low and as result a lot of people do not know why they should pay these taxes. They normally see it as a burden" (Key informant, Cape Coast sub-metro Assembly). This finding agrees with that of Damayanti and Supramono (2019) who assert that some tax officials even plunder taxpayers by taking advantage of their ignorance or illiteracy.

Most of the respondents (120) representing 30.2% (M= 3.3889; Std. Dev. =1.41431) agreed that absence of trade union organisation is a factor that makes the informal sector difficult to tax. 27% of all respondents (107) strongly agreed that the absence of trade union organisation is a factor that makes the informal sector difficult to tax. 61 (15.4%) strongly disagreed to the subject of discussion whiles 58 (14.6%) disagreed. The remaining 50 (12.6%) were neutral indicating that they do not know whether the absence of trade unions affects tax mobilisation or not within the Cape Coast metropolitan. The discussion above means that, the absence of trade unions in the informal sector negatively affects tax mobilisation in the informal sector.

Again, respondents were asked if the absence of official protection and recognition makes the informal sector difficult to tax the informal sector. Majority of the respondents 220 (55.6%) (M= 3.5379; Std. Dev. =0.99674) agreed that absence of official protection and recognition make the informal sector difficult to tax. 69 (17.4%) were neutral, 47 being 11.9% disagreed and a further 40 (10.1%) strongly agreed. From the statistics, it is indicative that most of the respondents agreed that, the lack of official protection of the informal sector as well as recognition makes it difficult for taxes to be applied. This implies that, due to the nature of the informal sector, a lot of its operators are not identified. There is little protection from the government and other relevant stakeholders. A staff from the Ghana Revenue Authority (GRA) added that, *"The whole issue with the informal sector is the nature of the sector. The informal sector is not well structured and it makes it very difficult for the GRA to generate more from these areas"*. (Key Informant, GRA staff).

Respondents were asked if the lack of voluntary compliance makes taxation in the informal sector difficult. It was revealed from the studies that most of the respondents 151 (M= 3.4091; Std. Dev. =1.24852) representing 38.1% agreed that lack of voluntary compliance makes the informal sector difficult to tax. 76 respondents being 19.2% strongly agreed, 71 (17.9%) were neutral, 55 (13.9%) disagreed and 43 (10.9%) strongly disagreed. The studies evidently revealed that, most informal sector operators do not comply to tax payment voluntarily and may find any means possible to avoid the payment of it. This implies that, individuals who operate within the informal sector are tax evasive and may do whatever it takes to avoid payment of taxes including conniving with tax officials to pay less or avoid payment at all. This was reiterated by an interviewee who is a tax expert.

He said that,

> "*Many people are tax evasive and others are reluctant to pay because they do not know what these monies are used for. Tax agents on many occasions connive with people who are supposed to pay tax and they defraud the state. This makes it difficult for more revenue to be generated*

> *from the informal sector. If these loopholes are sealed, then we can collect more revenue from the informal sector* (informant, Tax expert).

This finding of the study is in line with that of Damayanti and Supramono (2019) who indicated that police conspire with taxpayers to defraud the system by stating lesser tax amounts than the state is owed. Some even plunder taxpayers by taking advantage of their ignorance or illiteracy. Still others do not treat tax payers with professionalism. Joshi, Richard and Heady (2014) also indicated that high relative rates and a complicated and partially illogical system of procedures, particularly for customs and corporation taxes, resulting in huge potential incentives for taxpayers prepared to bribe to reduce their personal tax burden and/or expedite customs clearance of their products. Furthermore, Agyemang et al (2013) also added that, the lack of administrative capability makes it difficult to keep track of the multiple weekly payments and that CEOs embezzle funds received, leaving the tax authorities with little recourse.

The study again discovered that, there is no proper data to capture available tax payers especially all those in the informal sector. This has affected the government's ability to mobilise funds from the informal sector effectively. This as a result of the scattered nature of the informal sector. This was cited by three important informants. One indicated that, a lot of the informal sector players are not captured under the tax bracket. He mentioned that, "Many people are not captured in the tax bracket and that makes it a very difficult task for revenue mobilisation" (Key informant, tax expert). Another interviewee from the Cape Coast Metropolitan Assembly shared in the sentiments of the tax expert. He also mentioned that, "there is no data available to capture all available tax payers within the assembly which makes it difficult to generate more since a lot of people escape the payment." (Key informant, Cape Coast

North sub-metro Assembly*)*. Another from the Ghana Revenue Authority added that, "there are just few people captured under the tax dragnet and it makes collection very difficult*"* (Informant, GRA, Cape Coast Main). This finding of the study is clearly in line with several studies which indicated that, the lack of a proper database of potential taxpayers in developing countries compounds this shortage of statistics problems, stifles the crafting of proper strategic plans on how to tax the sector or mitigate the risk of noncompliance or proper forecasting (Bird, 2007; Mashiri, 2018; Prichard, 2009).

Other important revelations from the study on the difficulties faced on tax mobilisation from the informal sector is the inadequate revenue or tax collectors for the Assembly. The available men for collecting taxes are not enough to cover enough grounds. Even the available revenue collectors are not well motivated and as such will not give their all in collecting these taxes. What this means is that, the few available tax collectors due to the lack of motivation on the side of the Assembly may be reluctant to go the extra mile and collect more revenues for the assembly. This was emphasised by an interviewee at the Account's Office of the Cape Coast Sub-Metro Assembly.

He said,

> *"There are inadequate tax collectors whose mandate is to go around and collect these taxes for the assembly. Again, the revenue collectors and staff are not well motivated to accrue more revenue for the assembly. This has made it very difficult for the Assembly to meet its revenue target. We sometimes employ new revenue collectors but after some few months they either quit themselves or we have to sack them for incompetence. We are therefore putting things together to solve this challenge".* (Key Informant, Cape Coast Metropolitan Assembly, staff from the finance office).

It was again revealed from the study that, individuals fail to avail themselves for taxation purposes because they do not have value for whatever taxes they pay for. Tax payers basically do not see what their taxes are used for and as a result it feels like a burden whenever they are forced or asked to pay taxes. This is seen both at the local and national level where services that ought to be benefitted are not received but they are constantly asked to pay high taxes. The implication of this is that, individuals will evade taxes with the least opportunity they get because taxes collected by the state and local assemblies are not used to provide the basic needs of the people such as portable water, markets, roads, employment avenues among others. One informant revealed that, "Tax payers complain of high rates and as a result do not want to pay. They also, complain of not having value for money. That is, they are not getting the services they ought to get after paying these numerous taxes.*" (*Key informant, Cape Coast Metro Main Assembly*).* Another interviewee affirmed the claims made by the initial interviewee that:

> *Many people are tax evasive and others are reluctant to pay because they do not know what these monies are used for. The GRA and other tax mobilisation agencies are not transparent and accountable enough to the people for them to know exactly what their monies are used for".* (Key informant, Tax expert)

Last but not the least, it was revealed that, people fail to avail themselves tax purposes because of the prevailing economic conditions and the high tax rate on informal sector operators. This makes it very hard for sometimes tax collectors to take monies if people complain bitterly about not making enough sales. Others use that as an open window and escape the payment of taxes to the assembly. This implies that, the harsh economic conditions have affected informal operators' ability to pay taxes. An interviewee said, *"*because of the nature of the informal sector, when people are unable to pay sometimes and complains of hardship, it becomes difficult to forcibly take these monies. Sometimes, traders complain they have not sold anything at all and that means we cannot take anything too". (Key Informant, Cape Coast Sub-Metro Assembly, Executive).

Lastly, it was revealed that members from poor fishing communities are exempted from certain taxes like the property rate tax. An interviewee mentioned that;

> "*The assembly does not really collect taxes from people from the informal agricultural sector. These areas are basically reserved for the GRA. Mostly, when we embark on tax property tax rates collection, people from these communities are mostly exempted because of their current economic conditions.*" (Informant, Cape Coast Sub metro assembly)

In addition to all these revelations, the study brought to light about the major reasons why a lot of people always prefer to operate in the informal sector than the formal sector. A lot of factors were identified as being reasons for chunk of people operating in the informal sector and this result in affecting tax mobilisation from the informal sector. One of the major reasons that was identified was taxation. That is, individuals being afraid to be taxed on their income generated. The study revealed that, mostly a lot of people do not want to pay taxes. In other words, they intentionally operate in the informal sector just to escape payment of taxes because they see paying taxes as a nuisance. In the words of the interviewees, one who is a staff of the GRA said that,

> "*I think one will be taxation. If you check with the Informal sector, they are not grouped into our taxation data base system and taxing them is really difficult. That is why most people would like to work in the informal sector than to work in the formal sector because for the formal sector the government has each and everyone's tax database so taxation becomes simple and easy. They are now putting in efforts to get the people in the informal sector into the database using the Ghana card. The informal*

> *sector is mostly made up of entrepreneurs, market women, artisans etc and all those people are not registered with the Ghana Revenue Authority so they mostly do not pay taxes*."

Another interviewee, a tax expert affirmed this by saying,

> "*Taxation is a major factor a lot of people are working in the informal sector. When you are working in the formal sector it is easier for your books to be audited as compared to the informal sector. In fact, with the informal sector, they are notable to breach all laws surrounding taxation and they always get away with it. This is because there are no formal structures to get into their books and really audit them. Due to this, a lot of people want to work over there and establish their businesses."* (Tax, expert).

Additionally, another from the CCMA indicated that,

> *"I also think some people may want to avoid the payment of fixed income taxes so they will always prefer working in the informal sector." (Informant, CCMA).*

This finding however confirms the Theory of Planned Behaviour as applied in the study in the Literature Review. The basic assumption of the theory is centred on how an individual's intention to perform a specific behaviour is influenced by three factors: attitudes, subjective norms, and perceived behavioural control. According to Hanno and Violette (1996), attitudes and subjective norms determine universal perspectives on taxation. According to Ajzen (1991), Attitude is the individual's assessment of a behaviour as favourable or unfavourable. It is clearly indicative that, individuals' attitudes and behaviours towards taxation direct them towards operating in the informal sector than the formal. Also, people do not comply to taxation due to their attitudes and behaviours.

The study revealed once again that, individuals prefer to work in the informal sector because of the structures, procedures, rules, layers and bureaucratic nature of the formal sector. Informal sector operators would rather work in an environment that requires less strenuous mechanisms and procedural activities. It is easier to set up your business in the informal sector than to set up in the formal sector. To avoid all these, individuals would prefer to work in the informal sector. This was established by interviewees who all emphasised on the long procedural processes involved with the formal sector. In his own words, interviewee from GRA said that,

> "*Also, in the informal sector the rules governing their activities are less. The formalities to establish a business is less cumbersome and vigorous as compared to the formal sector because with the formal sector, you need to register your business with the Registrar Generals Department (RGD), you must provide information on the number of directors, number of authorised shares but in the informal sector, you can start your own business without even registering it until let us say GRA officials come around to check the number of people who have not registered their businesses. That is when people start to register their businesses in the informal sector. In some cases, informal sector players are able to register their businesses in a fraudulent way due to corrupt officials. So, we can see someone selling "koko" for example. That person has not registered with GRA and does not pay VAT and other taxes. If you look at the steps for registering your business in the formal sector and in the informal sector, it is more cumbersome in the informal sector than the formal sector* (informant, GRA). Another interviewee added that,

> *"I also think access and bureaucracy is another major factor. We all know that accessing formal sector jobs is very difficult and there are a lot of requirements and standardization one would have to meet. For instance, when I was going to open an account for my business, I was asked to bring Auditor's report and a whole lot of things. This will make others choose to operate in the informal sector than to be in the formal*

> *sector. There are too many layers, dissemination of information and the long chain of bureaucracy serve as a disincentive for people to really work there. Too many rules, too many layers but in the informal sector everything goes*." (Informant, Tax expert). An interviewee from CCMA added that, "*It is easy to be in the informal sector if you do have a small capital, you can start something and earn some level of income."* (Informant, CCMA).

However, the findings established affirms the Legalist School of Thought (under the theory of the informal economy) as applied in the chapter two of the study. The Legalist school of thought led by Hernando de Soto believes that, Micro-entrepreneurs, according to de Soto (2000), will continue to create informally as long as government procedures are inefficient and expensive. Unreasonable government rules and regulations, he believes, are suffocating formal private enterprise. According to the legalist school of thinking, the government's passage of various commercial laws and regulations places an excessive demand on firms, promoting involvement in the informal sector. They hold the belief that, the simplicity of formalisation procedures and regulations may minimise the rate of informality among enterprises. The findings of the study confirm the theory that individuals would want to work in the informal sector because of the strict rules and bureaucracy in the formal sector. On the other hand, the findings reject the posit of the Illegalist school of thought who believes that, informal sector operators are criminals who want to operate in the informal sector (black market) because they want to engage in illegal products and also dodge the payment of taxes.

Further, the study revealed that, education is a key factor that causes a lot of people to operate in the informal sector. The study brought to light that; the educational level of individuals plays a major part in their choice of sector operation. Individuals who have low academic credentials mostly end up in the informal sector as revealed by Table 1 of the study where most of the respondents have low educational level and end up in the informal sector. Interviewees asserted that,

> "*Also, education plays a key factor. We all know that in the formal sector, you need education and some level of skill to be able to work there. If you are uneducated you cannot work in the formal sector. So, for instance, if I am not educated, why don't I get into something that suits my skill."* (Informant, Tax expert). Another interviewee affirmed this by saying that, *"Cape Coast here, most of the people who work in the informal sector like the traders and shop owners mostly do not have a good level of education. So normally they prefer starting a small business or learn a skill if they are unable to go farther in education."* (Informant, CCMA).

Lastly, it was revealed that some individuals work in the informal sector as a result of unemployment. Individuals who find difficulties securing jobs in the formal sector then ends up setting up businesses in the informal sector when the needed capital is acquired. This was revealed by informant at the Cape Coast Metro assembly. He said that,

> "*I also believe a lot of people work in the informal sector because of the high rate of unemployment. There are some people who have completed university but still sell. For instance, there is this girl I know very well who completed UCC 3 years ago but because of unemployment she chose to sell kenkey and I can tell you for a fact she is doing very well. It is easy to be in the informal sector if you do have a small capital, you can start something and earn some level of income*" (Informant, CCMA).

This finding however contradicts the findings of Williams and Gurtoo (2009) who claimed that, not all individuals work in the informal sector out unemployment or economic compulsion. In other words, his study revealed that not all do such work purely out of economic necessity and in the absence of alternative means of livelihood.

4.3 Effectiveness of Tax Strategies in Mobilising Funds from the Informal Sector

This section of the chapter focuses on answering research question two of the study "How effective are tax strategies in mobilising funds from the informal sector". This section sought to find out about the strategies revenue agencies have been using in tax mobilisation from the informal sector. The five-point Likert scale was used to assess the effectiveness of tax strategies in mobilising funds from the informal sector. A summary of the responses is presented in Table 3 below;

Table 4.3: Effectiveness of Tax Strategies in Mobilising Funds from the Informal Sector

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Standard deviation
	F %	F %	F %	F %	F %		
Publicity and sensitisation	19 (4.8)	67(16.9)	79 (19.9)	158(39.9)	73 (18.4)	3.5025	1.11718
Issuance of demand notices	40(10.1)	47(11.9)	89(22.5)	133 (33.6)	87 (22.0)	3.4545	1.23880
Privatisation and outsourcing	31 (7.8)	65(16.4)	66 (16.7)	145 (36.6)	89 (22.5)	3.4949	1.22525
Investment and lobbying	18 (4.5)	37 (9.3)	102(25.8)	153 (38.6)	86 (21.7)	3.6364	1.06216

Source: Author's Field Data (2022)

The results shown in Table 3 indicate that majority of the respondents 158 (39.9%) agreed that publicity and sensitisation is an effective strategy used in mobilising funds from the informal sector. A further 79 representing 19.9% were neutral. That is to say, respondents did not know if publicity and sensitisation is an effective strategy used to mobilise taxes by tax agencies including the Cape Coast metro Assembly. Additionally, 73 of the total respondents being 18.4% strongly agreed whiles 67 (16.9%) disagreed and 19 (4.8%) strongly disagreed. The finding implies that, revenue agencies normally publicise and sensitise tax payers especially informal operators on their tax paying obligations. This was clearly affirmed by an informant from the Cape Coast Metropolitan Assembly. He claimed that,

> "*There are revenue collectors that have been employed to collect revenue as the primary source. To improve revenue mobilisation, the Assembly embarks on revenue task force by engaging relevant stake holders such as Assembly members, traders as well as staff from the various departments to ensure the assembly generate more revenues*" *The people are therefore sensitised and educated on the need to avail themselves for tax purposes.* (Key Informant, Cape Coast Metropolitan Assembly, Finance Office).

Similar revelations were found by Kandole (2015) in Somalia and Puopiel and Chimsi (2015) in Northern Region of Ghana where radio programmes and talk shows were among some of the activities adopted in sensitising people on the need to pay their taxes. It is also for the fact that every good resource mobilisation strategy starts with the publicity and sensitisation of taxpayers and stakeholders on the need to pay taxes in order to contribute to local level development. Opoku et al., (2014) also revealed that internal revenue mobilisation mechanisms within the Abura Asebu Kwamankese district includes public sensitisation and educational campaigns, radio announcements and visitation to market places.

Also, most of the respondents agreed that issuance of demand notices and privatisation and outsourcing are effective strategies in mobilising funds from the informal sector. 133 (33.6%) agreed that issuance of demand notices is an effective strategy for tax mobilisation in the informal sector within the Cape Coast Metropolis. 89 being 22.5% of the total being neutral and 87 (22%) strongly agreed. A further 47 (11.9%) disagreed and the remaining 40 which constitute 10.1% strongly disagreed. Also, with privatisation and outsourcing, majority being 145 (36.6%) agreed that privatisation and outsourcing is an effective strategy used in collecting or mobilising revenue from the informal sector within the Cape Coast metro. 89 (22.5%) strongly agreed, 66 respondents constituting 16.7% were neutral. 65 (16.4%) disagreed and the remaining 31 (7.8%) respondents strongly disagreed that outsourcing and privatisation are effective strategies used to mobilise revenues from the informal sector. The implication of this data is that, issuing demand notices as well as outsourcing and privatisation is an effective strategy used to collect taxes from informal sector players. Issuing of demand notice means providing information regarding the amount of tax owed, the reason for the demand and the period within which tax must be paid. Here, the tax payer is issued a questionnaire when he or she pays lesser tax than what he or she is supposed to pay. Also, revenue agencies in some instances outsource or hand over revenue collection to private individuals. An informant affirmed this by saying that,

> "*The Cape Coast Metropolitan Assembly has individuals as revenue collectors who go out to collect revenue from the informal sector operators like the market traders, hawkers, carpenters among others. Also, there are electronic platforms like the E-Transact for the payment of property rate tax*. (Key informant, CCMA main Assembly).

This was confirmed by Fjeldstad and Heggstad (2012) study in Tanzania where the collection of property rates is being outsourced to private agents. Manwarring and Haas (2017) indicated that private outsourcing provides greater incentives and potential means with which collectors will be motivated to expand tax revenues. It can also lead to more predictable streams of revenue for governments. When respondents were asked on whether investment and lobbying is an effective strategy in mobilising revenue, most respondents 153(38.6%) agreed, 102 being 25.8% were neutral on the subject of discussion, 86 representing 21.7% strongly agreed whiles 37(9.3%) strongly disagreed and 18 (4.5%) disagreed. It is evident from the finding that, investment and lobbying is used as a major strategy for mobilising tax from the informal sector in the Cape Coast metropolitan. This lends support to ActionAid Ghana's (2002) recommendation for district assemblies to see the need to develop skills in getting information, lobbying, and advocacy and negotiation skills to be able to mobilise more resources.

Other findings revealed from the study is that the current strategies used by the Ghana Revenue Authority and other revenue agencies is performing better than it used to be. An informant mentioned that,

> "*The current situation (strategies) is helping GRA to generate more funds and helping to bring in more tax payers into the dragnet. GRA has key strategies that has helped to improve tax mobilisation from the informal sector. This includes, broadening the tax base, improving tax compliance, improving the perception of the whole tax system, improving non-tax revenue collection as well as strengthening the institutional capacity for revenue mobilisation. Various mechanisms have been put across to get to where we are and there are more that can possibly be achieved". (Key informant, GRA; Cape Coast).*

Also, another interview added that, the current strategies have helped than before and it is important we have a proper benchmark to compare the year-on-year revenues generated. In his words he mentioned that,

> "*To a large extent, we need to compare the quota of the informal sector to the GDP. These are key indicators to the economy. There should be projections and yardsticks to compare. Nonetheless, revenue from the informal sector is better than we used to accrue. Generating more revenue from the informal sector will help boost government activities as more money means more business as usual for the government*". (Key Informant, tax expert).

From the Assembly view point, the key strategy is having people go around to take taxes from informal sector players. Also, there are electronic platforms which is mostly used in the payment of property tax. This according to them has really helped the assembly generate much more. The informant said,

> "*There are individuals as revenue collectors who go out to collect revenue from the informal sector operators like the market traders, hawkers, carpenters among others. Also, there are electronic platforms like the E-Transact for the payment of property rate tax"* (key informant, Cape Coast Metro Assembly).

Another member of the Cape Coast sub-metro assembly affirmed this by saying that, "There are revenue collectors employed to collect revenue as the primary source".

Again, another interviewee from CCMA sub-assembly suggested that:

> "*Generating more revenue from the informal sector in our space is very useful since it helps the Assembly to generate more revenue in order to meet their targets. There are a lot of administrative expenses such as buying of electricity prepaid, buying papers and other useful items that needs to be catered for by the assembly and these are from the taxes. Again, the assembly provides some petty services to the people. It creates*

employment for tax collectors within the Cape Coast enclave". (Key Informant, CCMA sub-unit).

It was further indicated in one interview that:

"W*hen more revenue is generated from the informal sector, the GRA will be able to meet its target and even exceed as it happened in the 3rd quarter of the year. This basically means, more revenue will be generated for the economy and hence boost government activities.* (Key Informant, GRA main office Cape Coast).

4.4 What measures can be put in place to ensure Effective Tax mobilisation from the informal sector?

This section of the chapter focuses on answering research question three of the study "What measures can be put in place to ensure effective taxing systems". The five-point Likert scale was used to assess the measures that can be put in place to ensure effective tax from the informal sector. A summary of the responses are presented in Table 4 below;

Table 4.4: Measures that can be put in place to ensure effective tax

Statements	Strongly Disagree F %	Disagree F %	Neutral F %	Agree F %	Strongly agree F %	Mean	Standard deviation
Formalization of the informal sector and improving growth	92(23.2)	0	103 (26.0)	177 (44.7)	24 (6.1)	3.1035	1.26966
Advocating tax compliance and accountability	0	8(21.7)	69 (17.4)	129 (32.5)	112 (28.3)	3.6742	1.10577
Deploying stakeholders dialogue,	7 (1.8)	92 (23.2)	95 (24.0)	110 (27.8)	92 (23.2)	3.4747	1.13489

engagement and bargaining							
Addressing equity, redistributive justice and minimizing inequality	57(14.4)	18 (4.5)	0	245 (61.7)	76 (19.2)	3.6692	1.25048
Minimizing the unfair competitive advantage over the formal sector	65(16.4)	118 (29.8)	150(37.9)	43 (10.9)	20 (5.1%)	3.2172	1.21522
Equity in tax systems, structures and tax rates	0	60 (15.2)	73 (18.4)	136 (34.3)	127 (32.1)	3.8333	1.04215
Boosting formal sector tax compliance and tax morale	47(11.9)	42 (10.6)	66 (16.7)	142 (35.9)	99 (25.0)	3.5152	1.29547

Source: Author's Field Data (2022)

It can be seen from Table 4 that majority of the respondents 177(44.7%) agreed that the formalisation of the informal sector and improving growth can ensure effective taxing. 109 (26.0%) were neutral and 92 being 23.2% of the total strongly disagreed. A further 24 respondents constituting 6.1% strongly agreed that formalising the informal sector and improving growth is a good measure to help improve tax mobilisation from the informal sector. Formalising of Informal sector activities has been advocated for in various development agenda platforms such as the Addis Ababa Action Agenda (Kundt, 2017a), International organisations such as the International Monetary Fund and the World Bank (Spotlight, 2012; IMF, 2011). Various researchers have proposed that such formalisation will result in improved productivity, growth, survival and profitability of informal sector activities and firms in the sector (Joshi et al., 2014; Loeprick, 2009). Kundt (2017) calls for the need to encourage formalisation and growth of micro, small and medium-sized enterprises in order to promote sustainable and inclusive growth. The formalisation argument, especially informal sector taxation and growth gains link remains perhaps the least developed in the tax literature (Rogan, 2019). In some developed countries, the informal sector is enabled and grown as such and taxed as such, without literally forcing them to formalise.

The finding is further buttressed by one interviewee from who is a tax expert. In effect, interviewees indicated that, to formalise and ensure growth in the informal sector, the tax net should be broadened enough and the Ghana card is a key tool needed to open up the tax net. In his words he indicated that;

> "*The key strategy is to broaden the tax net as much as possible. The GRA now wants to link the Ghana card as a source to get more people into the bracket. Once the data is captured from the Ghana card, it will broaden the tax base. For instance, the data provides the number of people who are between 18 to 60 years and this means these people are actively working and should be paying taxes.*" (Key informant, Tax expert).

Another interviewee from the GRA affirmed the sayings of the tax expert by saying that,

> "*The Ghana card and the individuals should be appropriately looked at. That is, everyone who has registered for the Ghana card and falls within the work force should be made to pay tax so far as he is working. We agree that there is much to be done in trying to get a lot of people from the informal sector into the dragnet. Therefore, pragmatic measures such as the use of the Ghana card will gradually help the situation*" (key informant, GRA Cape Coast).

Additionally, another interviewee from the Cape Coast metro indicated that, to increase or ensure growth of individuals who pay tax in the informal sector within the Cape Coast enclave, the assembly is on the verge of creating a new task force that will operate in the night to take taxes from night workers. This according to him will expand the tax net and ensure growth in tax mobilisation within the Cape Coast enclave. In his words, he said

> "*Apart from revenue collectors going around to collect revenue for the assembly and the revenue tax force, the assembly has realised that, there are a lot of informal sector operators who work in the night. The assembly is trying to get revenue collectors and tax force to collect revenue from these night operators. The Assembly can perhaps receive money from those who work in the night to boost their revenue generation potentials*". (Key Informant, CCMA staff).

Also, most of the respondents 129 (32.5%) agreed that advocating tax compliance and accountability is a major strategy to help improve tax mobilisation from the informal sector. 112 respondents constituting 28.3% of the total strongly agreed that advocating tax accountability is a major tool to help boost revenue mobilisation from the informal sector. 86 respondents being 21.7% disagreed that advocating tax compliance and accountability can help boost revenue generation and mobilisation from the informal sector. A further 69 (17.4%) were neutral, that is to say, they do not know whether advocating tax compliance and accountability is a major strategy to help improve tax mobilisation. The data implies that, to accrue more revenue from the informal sector, individuals should be made to comply to tax laws and more importantly there should be proper accountability by the government through its agencies. In fact, accountability will enhance tax compliance majority of individuals complained of not necessarily knowing what our taxes are used for.

The issue of accountability was highlighted in one of the interviews where it was stated that:

> "*Again, the GRA should tell us what they use our taxes for. That is, they should be more accountable to the people. The developmental projects*

> *they have used our monies for. For instance, in the developed countries like USA, they pay a lot of taxes. Every state you enter you pay tax but the people are all ready to pay because they know their monies will be used for development. Therefore, if we also know what our taxes are used for, it will convince people to pay more but if they are paying taxes but are not seeing any constructive thing or development, they will not pay. There should be an update often, more importantly, with the passage of the Right to Information bill. They should be accountable to the people and this will make the citizens fulfill their tax payment duties."* (Key Informant, tax expert).

This was however reiterated by an informant from the GRA who clearly talked about the government through the GRA as its agency accounting to the people to allay fears, doubts and uncertainties in the minds of tax payers.

The issue of accountability was re-emphasised by another interviewee from the Cape Coast Metropolitan Assembly who indicated that, the people should be accounted to ensure tax compliance. In his own words, he indicated that;

> "*The assembly should account to the tax payers. The amount generated and what it has been used for should be put forward to the public for everyone to know. This can be done through public education and stake holders dialogue".* (Key, informant, Cape Coast sub-Metro Assembly)

Rogan (2019) explains this as the reciprocal engagement by way of a fiscal exchange hypothesis. Taxpayers exchange tax compliance for accountability and responsiveness in fulfilment of the social contract (Otusanya et al., 2019). Firstly, because citizens are contributing to funding the government, they might demand a more responsive type of governance. Secondly, because citizens are funding the government, the state is more likely to exhibit a higher degree of responsiveness and accountability to its citizens, perhaps also as a way to earn trust and boost tax morale and compliance (Kundt, 2017a; Rogan, 2019; Sebele-Mpofu, 2020). The attainment of the governance objective (through increased accountability and tax compliance) has raised a lot of controversial questions among researchers.

Also, when respondents were asked if deploying stake holders dialogue, engagement and bargaining, majority of the respondents, that is 110 (27.8%) agreed. 95 respondents constituting 24% of the total were neutral. This means, they do not know whether deploying stake holders dialogue and engagement is a relevant tool to help revenue mobilisation from the informal sector. 92 (23.2%) strongly agreed that stakeholders dialogue and engagement could help boost revenue mobilisation from the informal sector. However, 92 (23.2%) disagreed whiles 7 (1.8%) strongly disagreed. It is indicative from the data that, more revenues could be mobilised from the informal sector if there are proper consultation, dialogues, education and engagement with all stakeholders including associations of informal sector players. This was re-emphasised by two interviewees who both claimed there should be consultation, dialogue and enlightenment to all informal sector players. In the words of the informant,

> *"The Executives of Trade Unions and Associations of informal players should be provided with extensive education on the importance of paying taxes and the subsequent consequences of not availing oneself for tax payment purposes and these executives will in turn educate their members"* (Key Informant, Cape Coast GRA main Office).

Another from the Cape Coast Metro Assembly indicated that, "there should be vigorous public education to all the sector players on the need to pay these taxes and encourage them to use the electronic means more". The finding of the study is in line with other studies including Prichard (2010) who submits that, taxation is viewed as a social contract constructed upon bargaining between the state and its taxpayers, as it leans on a quid pro quo. The strengthening of the implicit social contract is argued to have spill-over effects, such as boosting of collective bargaining, political participation, dialogue and stakeholder consultation between government and the Informal sector (Joshi et al., 2014; Kundt, 2017a; Rogan, 2019). Tax becomes a tool to elicit representation (Resnick, 2019). Bargaining can be done through the Informal sector associations and government, thus enhancing public engagement (Kundt, 2017a).

> *The tax collectors should be well motivated in order to work extra harder*". (Key Informant, Cape Coast Sub-Metro Assembly, Executive).

Table 4 further shows that majority of the respondents 245 being 61.7% agreed that addressing equity, redistributive justice and minimising inequality are effective strategies that can ensure effective tax mobilisation from the informal sector. A further 76 (19.2%) strongly agreed but 57 respondents constituting 14.4% strongly disagreed and 18 (4.5%) disagreed. On equity in tax systems, structures and tax rates, most respondents being 136 (34.3%) agreed, 127 constituting 32.1% strongly agreed, 73 (18.4%) were neutral and a further 60 respondents indicating 15.2 disagreed. No respondent strongly disagreed. The data indicates that, more revenue can be mobilised from the informal sector when issues bothering on equity in tax rates and structures are dealt with. That is to say, individuals who earn more should be made to pay more and individuals who earn less should be made to pay less. Minimising inequality in the tax system and structures should be a major concern for tax collection agencies. This was echoed by interviewees who shared that individuals who earn more and live in affluent areas like airport residential area should be made to pay more property tax. In the exact words of the informant, he indicated that,

> *"Property tax should be collected effectively by working in tandem with the MMDAs. The country will generate a lot of revenue because for the properties you can see them physically. Every MMDA should have names*

> *of all Landlords and house owners. In fact, the areas should be put into clusters so that the more developed areas will pay more than those who are less developed. The groups should be put into 3 or 4 based on the location. For instance, people living in and around Airport residential area should not pay same as people living in coastal fishing communities. However, we should note that tax should not be burdensome. It should be paid in proportion to the income of the payers. If you over tax the people, they will rebel or not pay. Therefore, more mechanisms should be put in and with time it will catch up with the people*. (Key Informant, tax expert).

Another informant added that, mostly individuals in poor fishing communities within the Cape Coast enclave are exempted from some categories of taxation. That is to say, individuals who are mostly described poor are not made to pay property taxes especially. In his words, he said that,

> *"The assembly does not really collect taxes from people from the informal agricultural sector especially the fishing communities. Mostly, when we embark on property tax rates collection, people from these communities are mostly exempted because of their current economic conditions."* Key informant, Cape Coast sub-Metro Assembly).

The findings of the study agree with the "Ability to Pay Theory as deployed in the chapter two (2) of the study. The theory's main assumption is that, taxes should be given in proportionate to one's ability to pay. The implication is that, individuals within the informal sector should be taxed proportionate to how much they earn and their ability to pay. This will boost tax compliance and hence lead to more revenue mobilisation from the informal sector. These findings of the study agree with Rogan (2019) study. According to Rogan (2019), tax equity largely describes the perceived fairness of the tax rate or part of the income is usually paid by companies and individuals to government as tax. Equity comes in various forms, vertical equity that is more concerned with redistributive justice, those with higher incomes should contribute a greater share to tax.

Again, most of the respondents 142 (35.9%) agreed that boosting formal sector tax compliance and tax morale are effective strategies that can ensure effective taxing. 99 respondents representing 25% of the total strongly agreed that boosting formal sector tax compliance and morale can serve as a tool for mobilising revenue from the informal sector. A further 66 (16.7%) respondents were neutral and 47 being 11.9% strongly disagreed. 42 respondents also disagreed that boosting formal sector tax compliance and tax morale help to effectively mobilise more revenue from the informal sector.

Table 4 again shows that most of the respondents 150 (37.9%) were neutral that minimising the unfair competitive advantage over the formal sector would help boost revenue mobilisation from the informal sector. A total of 118 (29.8%) respondents disagreed. 65 respondents being 16.4% strongly disagreed. But 43 of the respondents constituting 10.9% agreed that minimising the unfair competitive advantage over the formal sector would be an effective means of mobilising more revenue from the informal sector. 20 respondents who make 5.1% of the total strongly agreed. The data implies that, a lot of individuals do not know (are indifferent) whether minimising the advantage the informal sector has over the formal sector due to its nature and structure.

Additionally, the study revealed that, for more revenues to be generated, revenue collectors and task force operators should be well motivated to spice them up and work extra harder. He said that, "The tax collectors should be well motivated in order to work extra harder". (Informant, Cape Coast sub-Metro Assembly)

The study revealed once again that, generating more revenue from the informal sector has a positive implication or effects on the Ghanaian economy. When effective strategies are put in place the government through its tax agencies such as the Ghana Revenue Authorities and the CCMA, more revenues will be mobilised which in effect will have more impact on the economy as a whole. One interviewee indicated that,

> *"To a large extent, we need to compare the quota of the informal sector to the GDP. These are key indicators to the economy. There should be projections and yardsticks to compare. Nonetheless, revenue from the informal sector is better than we used to accrue. Generating more revenue from the informal sector will help boost government activities as more money means more business as usual for the government."* (Key informant, tax informant).

Another from the Cape Coast Metro Assembly added that, mobilising more revenue from the informal sector within the metro serves an avenue for the assembly to undertake a lot of developmental projects. In his words he said that,

> "*The Assembly cannot always wait on the central government so generating more revenue from the informal sector will help the assembly develop the local area very well. Maintenance of streetlights, currently the Abura market is being constructed by the assembly and all comes from the IGF mainly generated from the operators in the Informal sector"* (key informant, CCMA).

Another informant from the Cape Coast sub-metro assembly also said that, generating more revenues means that the assembly will have more funds to take care of administrative costs and other expenses. He said,

> "*Generating more revenue from the informal sector in our space is very useful since it helps the Assembly to generate more revenue in order to meet their targets. There are a lot of administrative expenses such as buying of electricity prepaid, buying papers and other useful items that needs to be catered for by the assembly and these are from the taxes.*

> *Again, the assembly provides some petty services to the people. It creates employment for tax collectors within the Cape Coast enclave."* (Key informant, Cape Coast Sub-metro assembly).

An interviewee from the GRA indicated that,

> *"When more revenue is generated from the informal sector, the GRA will be able to meet its target and even exceed as it happened in the 3rd quarter of the year. This basically means, more revenue will be generated for the economy and hence boost government activities"* (Key informant, GRA Cape Coast)

4.5 How will the use of ICT Tools help to Increase Revenue Mobilisation from the Informal Sector?

This section of the chapter focuses on answering research question three of the study "How can the use of ICT tools help in increased revenue mobilisation from the informal sector". The five-point Likert scale was used to assess the use of ICT tools to increase revenue mobilisation from the informal sector. A summary of the responses is presented in Table 4 below;

Table 4.5: Use of ICT tools to increase revenue mobilisation from the informal sector

	Strongly Disagree F %	Disagree F %	Neutral F %	Agree F %	Strongly agree F %	Mean	Standard deviation
ICT tools can aid in proper record keeping	36 (9.1)	24 (6.1)	75 (18.9)	156 (39.4)	105 (26.5)	3.6818	1.19058
The use of ICT tools can sharpen the efficiency levels of the tax officials	50 (12.6)	27 (6.8)	46 (11.6)	183 (46.2)	90 (22.7)	3.5960	1.26226
Assist players in the informal sector to own and manage their own data	29 (7.3)	3 (0.8)	61 (15.4)	177 (44.7)	126 (31.8)	3.9293	1.07682
Assists in making projections based on the information stored	12 (3.0)	44 (11.1)	81 (20.5)	205 (51.8)	54 (13.6)	3.6187	.95655
Aids in monitoring and controlling processes for revenue mobilisation	26 (6.6)	37 (9.3)	126(31.8)	133 (33.6)	74 (18.7)	3.4848	1.09880
Increase revenue through efficient and effective software programmes	16 (4.0)	54 (13.6)	82 (20.7)	160 (40.4)	84 (21.2)	3.6111	1.08629

Source: Author's Field Data (2022)

Per the results shown in Table 5, majority of the respondents 156(39.4%) agreed that ICT tools aid in proper record keeping. 105 respondents indicating 26.5% strongly agreed that that ICT tools aids in proper record keeping. 75 respondents constituting 18.9% of the total were neutral. That is, they did not know whether ICT tools aid in proper record keeping. 36 (9.1%) respondents strongly disagreed whiles 24 out of all respondents disagreed. The results imply that, the use of ICT aids in keeping records of all tax payers especially those in the informal sector. This allows for easy access to records of informal tax payers to ensure proper tax compliance.

Also, when respondents were asked if the use of ICT tools can sharpen the efficiency levels of the tax officials, most of the respondents being 183 (46.2%) agreed. 90 respondents constituting 22.7% of the total strongly agreed. 50 (12.6%) strongly disagreed and 46 (11.6%) were neutral and did not know if ICT tools can sharpen the efficiency levels of the tax officials. 27 respondents constituting 6.7% disagreed.
Again, majority of the respondents 177 (44.7%) agreed that ICT tools can assist players in the informal sector to own and manage their own data and also in making projections based on the information stored. 126 respondents representing 31.8% strongly agreed, 61 (15.4%) respondents were neutral, 29 (7.3%) strongly disagreed and 3 respondents corresponding to 0.8% disagreed. This implies that the use of ICTs is useful to informal sector players to own and keep, own and manage their own data which can help them to make projections on sales. This will lead to proper accountability and thus increase tax compliance.

Additionally, when respondents were asked whether the use of ICT tools assists in making projections based on the information stored, majority of respondents being 205 (51.8%) agreed. 81 respondents who make 20.5% of the total were neutral. That is, they were indifferent on whether ICT tools aid in making projections based on information stored. 54 (13.6%) respondents strongly agreed, 44 (11.1%) disagreed and 12 (3%) strongly disagreed. It is thus indicative that, the use of ICTs assists in making projections based on the information stored. That is, revenue agencies can use data stored to make projections and estimations on revenue that could be accrued within a specified period.

Most of the respondents 133(33.6%) once again agreed that ICT tools aid in monitoring and controlling processes for revenue mobilisation. 126 respondents constituting 31.8% of the total were neutral on whether ICT tools aid in monitoring and controlling processes for revenue mobilisation. Further, 74 (18.7%) respondents strongly agreed, 37 being 9.3% strongly disagreed and 26 (6.6%) disagreed. It is indicative that, ICT tools can aid in monitoring and controlling processes for revenue mobilisation.

Table 5 once again revealed that most respondents 160 (40.4%) agreed that ICTs increase revenue through efficient and effective software programmes. 84 (21.2%) strongly agreed whiles 82 (20.7%) were neutral. 54 respondents being 13.6% disagreed and 16 (4%) respondents strongly disagreed. The dataset implies that, the use of ICTs helps in increasing revenue through efficient and effective software programs.

These were however buttressed by key informants who all confirmed the positive relationship between the use of ICT tools and revenue mobilisation from the informal sector within the Cape Coast Metropolitan. Informants asserted that, ICTs has a huge impact on revenue mobilisation especially from the informal sector due its enormous benefits. In their own words, informants mentioned that;

> "*ICT have a very positive impact. Through ICT we have easy identification of tax payers and make it easier for revenue mobilisation. We know those who are supposed to pay tax. It gets better if we are able to bring more people on board. This however, eliminates the challenge of accountability. For instance, the collection of market tolls and issuance of tickets was not much effective and made accountability difficult. Therefore, ICT will help us to have a data base of all tax payers*". (Key Informant, Tax expert).

Another opinion was made from a more financial perspective which stated that:

> "*Currently, there are partners such as E-Transact and GIZ who help in generating bills. Before we can embark on revenue mobilisation, we serve bills and as such, e-transact helps in generating these bills and receiving funds. They have a short code accessible on mobile money and afterwards they send it to the assembly. The people are more comfortable paying since they sometimes they do not want direct human contact. It is very effective and the assembly has been able to realise more revenue since the introduction of these ICT tools*" (Key Informant, Cape Coast Metropolitan Assembly).

Another interviewee briefly made it known that:

"*We use ICT tools as mentioned earlier like the E-transact for revenue mobilisation. It is very quick, safe, reliable and convenient. It also reduces revenue leakages. There is a code we inform our tax payers to dial and follow the prompt after the bill has been generated for them through the same medium*" (Key Informant, Cape Coast Sub-Metro Assembly).

Similar to the points made earlier, one interviewee re-emphasised that:

"*Even though the use of ICT like the creation of portals for tax payment is making it very easy for GRA to generate more revenue and avoid a lot of leakages that used to be in the system, the informal sector players mostly complain about its complexities*." (Key Informant, Cape Coast South GRA Office).

These findings are in line with the results of Brun et al (2020) who provided evidence from the fixed effect estimator to show that though ICT readiness report a positive relationship with tax revenue, it is not statistically significant and ICT usage is a significant tax revenue mobilisation enhancer.

Additionally, the authors report that ICT usage boosts direct tax revenues through personal income tax, and indirect tax revenues through VAT and the effect is apparent via three channels; control of corruption, government effectiveness and tax compliance. While sceptics contend that ICT diffusion can be disastrous to resource mobilisation efforts in the developing world if not properly applied by taxpayers and administrators (Akitoby 2018), there is also the notion that it can provide real opportunities for broadening the tax net, addressing tax evasion, and tax system corruption while reducing the cost of levying taxes (McCluskey & Huang 2019). Also, Almunia et al (2021) found that tax authorities can use IT applications to automate regular crosschecks of self-reported tax liability with other data sources. Khwaja et al (2011) also indicated that tax authorities can better target audits by building a risk profile for taxpayers using data on their past behaviour and information gathered from other firms.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The study sought to assess the challenges associated with tax mobilisation from the informal sector in Ghana. This chapter presents a summary of the main findings, conclusions and makes informed recommendations relevant for policy makers to tax mobilisation and ensure taxes are effectively utilised from the informal sector.

5.1 Summary of Findings

Generally, the study sought to examine the challenges associated with tax mobilisation from the informal sector in Ghana. The study specifically sought to assess the factors that make the informal sector difficult to tax, effectiveness of tax mobilisation strategies, use of ICT to increase revenue mobilisation and measures put in place to ensure effective tax mobilisation from the informal sector.

The study further employed a mixed method approach where quantitative data was gathered from 392 respondents with interviews from 4 staff and executives from GRA and Assemblies within Cape Coast Metropolis and 1 tax expert. The data was analysed both quantitatively and qualitatively. The quantitative data was analysed descriptively using SPSS v21. Frequencies, percentages, means and standard deviations were therefore used to present the quantitative data.

5.2 Key Findings

With regards to objective one of the study, it was found that, lack of permanent and visible place of business makes it difficult for tax mobilisation agencies to trace informal sector operators and collect taxes. This is due to the nature of the informal sector where a lot of players operate without having a fixed and permanent place of business.

Also, predominance of cash transactions makes it difficult for more revenues to be generated from the informal sector within the Cape Coast metro. People in the informal sector prefer using 'physical cash' because of the fear of attracting the extra charges that comes with it. This will leave little or no traces of transactions done which will make accounting for tax purposes difficult for officials. The study revealed that, poor record keeping practices and poor accounting practices are factors that make the informal sector difficult to tax. Poor record keeping and accounting practices makes it very difficult for tax officials to know exactly the revenues made and opens a window for informal sector players to understate their level of income which to a long extent affect revenue mobilisation from the informal sector in the metropolis.

Also, high illiteracy rate affects revenue mobilisation from the informal sector in Cape Coast. This is because, a lot of people associate payment of taxes as a burden and will do everything possible to avoid its payment. Individuals are not enlightened enough to know the essence of paying taxes and as a result will do everything to escape its payment. The absence of trade union organisation and absence of official protection and recognition were seen as factor that affects tax mobilisation from the informal sector within the Cape Coast metro. Lack of voluntary compliance make the informal sector difficult to tax as well because individuals are tax evasive and will everything not to comply to the payment of taxes. The study again revealed that, there is no proper data or database of informal tax payers in the Cape coast metropolis which makes a lot of people escape the payment of taxes.

Also, the study found out that, there are inadequate revenue collectors for the Cape Coast Metro assembly and that makes it difficult to generate more revenues for the assembly.

Again, tax mobilisation becomes difficult from the informal sector because individuals do not have value for money. That is, the government and its agencies do not account for monies collected and also, they do not oversee proper developmental projects within the Cape Coast enclave. The study revealed once again that, due to the prevailing poor economic conditions, informal sector players are unable to pay their taxes. High cost of items coupled with other economic mishaps have affected sales making it difficult for informal sector operators to have enough income and pay taxes. The study further revealed that individuals prefer to work in the informal sector because they want to escape the payment of taxes because it is easier to escape taxes informal sector than the formal sector. This is due to the fact that, GRA are unable to capture informal sector operators in the tax bracket. This finding confirms the Theory of Planned behaviour which was applied in the study. That is, individuals' behaviour, attitudes and subjective norms drive them to avoid the payment of taxes. Also, due to the long procedural, bureaucratic structures and the cost involved in operating in the formal sector as compared to the informal sector, people would rather work in the informal sector than to be in the formal sector. This finding however, confirms the Legalist school of Thought under the theory of informal economy and reject the Illegalist school of thought. This means, as long as government procedures remains strict and expensive, individuals will continue to operate in the informal sector. Also, the educational level of individuals put them in the informal sector since normally, the informal sector does not really need a high-level educational background as compared to the formal sector. Additionally, high rate of unemployment has contributed to a lot of people operating in the informal sector.

With respect to objective two of the study, it was revealed that Publicity and sensitisation through education and public address system, Issuance of demand notices in form of questionnaire and information telling the tax payer what he or she owes in taxes, Privatisation and outsourcing and investment and lobbying are effective strategies that are used in tax mobilisation of the informal sector. Also, using revenue collectors and task force as in the case of the CCMA. Additionally, key strategies employed in generating more revenues include; broadening the tax base by using the Ghana card, improving tax compliance, improving the perception of the whole tax system, improving non-tax revenue collection as well as strengthening the institutional capacity for revenue mobilisation.

With regards to objective three of the study that the formalisation of the informal sector and improving growth can ensure effective taxing. This can be done through broadening the tax net more importantly and that includes putting measures to register all informal businesses and formalising their operations with the Ghana card being at the centre of it all. This will ensure growth and thus increase more revenue from the informal sector. Also, the study revealed that advocating tax compliance and accountability by ensuring that informal sector players file their taxes and pay them regularly as well as the government through its agencies ensuring proper accountability can help mobilise more revenues from the informal sector. When the people know what their taxes are used for just like what happens in the developed world, they will avail themselves for tax purposes and comply voluntarily, the study revealed. Again, deploying stakeholders' dialogue, engagement and bargaining could raise more revenues from the informal sector operators within the metro. As a matter fact as revealed by the study, more revenues could be mobilised from the informal sector if there are proper consultation, dialogues, education and engagement with all stakeholders including associations of informal sector players. Again, addressing equity, redistributive justice and minimising inequality are effective strategies that can ensure effective taxing, that is individuals who earn more should be made to pay more taxes. This finding however, confirmed the "The Ability to Pay Theory" as applied in the study. Taxes should be leveraged based on one's level of income to ensure equity in the taxation process. Moreover, it was realised that, boosting informal sector tax compliance and tax morale are effective strategies that can ensure effective taxing. It is further revealed that most of the respondents were neutral that minimising the unfair competitive advantage over the formal sector. Lastly, revenue collectors and task force as in the case of the CCMA should be well motivated to ensure good work done and also minimise corruption on their part.

The study further revealed that, generating more revenue from the informal sector has a huge positive implication on the economy as a whole. This could be done when the appropriate strategies are put in place for revenue mobilisation especially from the informal sector. The assemblies will have more resources to undertake developmental activities or projects at the local level like the construction of the Abura market, fixing of street lights and also to take care of administrative costs. For objective four of the study, it was shown that majority of the respondents agreed that ICT tools can aid in proper record keeping which will aid in easy access to data and information. Also, the study revealed that, the use of ICT tools can sharpen the efficiency levels of the tax officials. Again, majority of the respondents agreed that ICT tools can assist players in the informal sector to own and manage their own data and also in making projections based on the information stored. Most of the respondents agreed that ICT tools aid in monitoring and controlling processes for revenue mobilisation and that they can increase revenue through efficient and effective software programmes like the use of e-transact.

5.3 Conclusion

It is concluded that lack of permanent and visible place of business, predominance of cash transactions, poor record keeping practices and poor accounting practices as well as corruption are factors that make the informal sector difficult to tax. Also, the study further concludes that high illiteracy rate, absence of trade union organisation, absence of official protection and recognition and lack of voluntary compliance make the informal sector difficult to tax. Moreso, the study concludes that, lack of motivation and incentive as well as inadequate revenue collectors affect revenue mobilisation from the informal sector. Further, it is concluded that, individuals would work in the informal sector because of their attitude towards taxation, their level of education, the long procedural, bureaucratic and expensive processes involved in the formal sector, and unemployment.

Again, it is concluded that publicity and sensitisation, issuance of demand notices, privatisation and outsourcing and investment and lobbying are effective strategies that are used in tax mobilisation of the informal sector. The use of tax collectors and task force are also strategies employed by the CCMA in collecting taxes as well as the use of e-Transact in collecting property rate especially. Further, it is concluded that broadening the tax base by using the Ghana card, improving tax compliance, improving the perception of the whole tax system, improving non-tax revenue collection as well as strengthening the institutional capacity for revenue mobilisation are all strategies employed in generating more revenues. It is again concluded that, formalisation of the informal sector and improving growth, advocating tax compliance and accountability, deploying stakeholders' dialogue, engagement and bargaining and addressing equity, redistributive justice and minimizing inequality are effective strategies that are ensure effective taxing. Additionally, the study concludes that equity in tax systems, structures and tax rates, boosting formal sector tax compliance and tax morale are effective strategies that can ensure effective taxing. It is further concluded that minimizing the unfair competitive advantage over the formal sector. The study concludes that, generating more has a significant positive effect on the economy at large and also giving the assembly more resources to operate effectively.

Again, it is concluded that ICT tools can aid in proper record keeping and that use of ICT tools can sharpen the efficiency levels of the tax officials. Again, the study concludes that ICT tools can assist players in the informal sector to own and manage their own data and also in making projections based on the information stored. The study further concludes that ICT tools aid in monitoring and controlling processes for revenue mobilisation and that they can increase revenue through efficient and effective software programmes.

5.4 Recommendations and policy actions

The study based on the findings makes the following recommendations to improve tax mobilisation in the informal sector;

The study recommends that, tax officials who go around to collect taxes especially for the assembly should be motivated enough to reduce corruption. This will avoid tax leakages and ensure enough revenue is generated from the informal sector.

In addition, the Ghana Revenue Authority should work in tandem with the various MMDAs across the country to put forward stringent means of collecting property rates or taxes from the citizens. This can be made possible if the MMDAs have the list of all landlords and make sure they pay the property rate without anyone escaping. However, it should be well noticed that these payments should be done in proportion to the ability of the tax payer to pay.

Again, the use of the Ghana card as one of the means to broaden the tax net should be properly and effectively monitored. All those who are yet to register and receive their cards should be forced to do so. Having the database basically means the GRA can have access to all eligible tax payers and ensure tax compliance. It is well established from literature that, the operators in the informal sector are almost four times the number of formal sector players. Having the database will help in easy identification of tax payers and thus more mobilisation of funds.

Further, there should be enough education to the sector players on the essence of availing themselves for tax purposes, teaching them on proper accounting methods and proper record keeping. This will go a long way to ensure that the right data is acquired and the right amounts will be generated.

To add to, it is evident from the study that, the use of ICT tools has a significant correlation with effective revenue mobilisation. In light of this, more efforts should be put across to use in mobilizing more revenue for the state. It was revealed that, there are some challenges by some tax payers due to the complex nature of the system sometimes. Therefore, tax payment portals and other systems should be made user friendly and very easy for all and sundry to use. Also, shop owners and informal sector operators should be encouraged to use computers and ICT tools to store data and use it more for accounting purposes. The more ICT is used in the tax mobilisation process; the more revenue will be generated since it will even reduce elements of corruption.

Moreover, tax mobilisation agencies should be accountable to the tax payers. It was well established that, proper accountability has a significant correlation with tax compliance. Hence, the GRA and the various assemblies should be transparent enough and accountable enough to highlight on the gains made and what those monies were basically used for. I strongly believe, this will help remove the notion in people's minds that, our taxes are only squandered by our officials and not put to good use.

Lastly, there should be proper law enforcement of tax laws in the country. As the IRS tax code indicates, "Tax evasion is an illegal activity in which a person or entity deliberately avoids paying a true tax liability. Those caught evading taxes are generally subject to criminal charges and substantial penalties. To willfully fail to pay taxes is a federal offence". Tax evaders should be punished based on the mentioned law and be made to face the necessary charges and sanctions. This will serve as a deterrent to a lot of people who may want to flee from the payment of taxes. A proper law enforcement system means, everyone will be scared to evade taxes and hence pay which will go a long way to helping the state generate more revenue from the informal sector.

As revealed by the study, a lot of individuals operate in the informal sector because of the high cost involved in operating formally. This has resulted in costing the government a lot money that could be generated from these people. Just like what the Legalist school (under the theory of informal economy) says, the simplicity of formalisation procedures and regulations may minimise the rate of informality among enterprises. In light of this, the study recommends that, the government through its tax institutions and agencies should lessen and simplify the gruesome regulations and long procedures involved in operating in the formal sector. This will go a long way by encouraging more people to register their businesses and thus bring more people into the tax net. This means, a lot of people will start paying income taxes which will increase the revenue generation capacity of the government and ensure more development.

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APPENDIX

QUESTIONNAIRE AND INTERVIEW GUIDE

TAX MOBILISATION FROM THE INFORMAL SECTOR IN GHANA. A CASE OF THE CAPE COAST METRO.

Dear Respondent,

Eric Frimpong, an Mphil student of the Department of Political science, university of Education Winneba, is undertaking a study on tax mobilisation from the informal sector in Ghana, a case of the of the Cape Coast Metropolitan Assembly, as partial fulfillment for the award of an Mphil degree in Political Science.

The information that would be taken from you will be used strictly for only academic purposes. Therefore, you are assured of your anonymity and confidentiality of any information that will be provided.

In case you are in doubt of the purpose of the survey, kindly contact my supervisor for the thesis, Dr Mathew Arah on 0244968445.

BACKGROUND

DEMOGRAPHICS

Age: (a) 16-19 [ ] (b) 20-30 [ ] (c) 31-40 [ ] (d) 41-50 [ ] (e) 51-60 [ ]

Gender: (a) male [ ] (b) Female [ ]

Marital Status: (a) Married [ ] (b) Single [ ] (c) Widowed [ ] (d) Divorced [ ]

Level of Education: (a) Basic school level [ ] (b) Secondary school level [ ] (c) Tertiary [ ]

(d) Never attended school [ ]

Type of Business: (a) Commerce [ ] (b) Agriculture (including fishing) [ ] (c) Textile [ ] (d) Woodworking [ ] (e) Repair Services [ ] (f) Handicrafts [ ] (g) Building Construction [ ]

Level of income per month (In Ghanaian Cedis)

(a) 1-300 [ ] (b) 301-700 [ ] (c) 701-1500[ ] (d) 1501-3000 [ ] (e) above 3000

SECTION B

FACTORS THAT MAKE THE INFORMAL SECTOR DIFFICULT TO TAX

The statements relate to factors that make informal sector difficult to tax. Using the scale below, indicate the extent to which informal sector is difficult to tax.

1= Strongly Disagree 2= Disagree 3=Neutral 4=Agree 5. Strongly agree

Statements	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
Lack of permanent and visible place of business					
Predominance of cash transactions					
Poor record keeping practices					
Poor accounting practices					
High rate of illiteracy					
Absence of trade union organisation					
Absence of official protection and recognition					
Lack of voluntary compliance					

SECTION C: EFFECTIVENESS OF TAX STRATEGIES IN MOBILISING FUNDS FROM THE INFORMAL SECTOR

The statements relate to effectiveness of tax strategies in mobilising funds from the informal sector. Using the scale below, indicate the extent to which tax strategies are effective.

1= Strongly Disagree 2= Disagree 3=Neutral 4=Agree

5. Strongly agree

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
Registering for tax purposes have led to growth of small firms					
The building of voluntary tax compliance has minimised the costs of collection					
The creation of database of informal sector players have reduced the costs of tax collection					
Taxing the informal sector has strengthened equity by having all citizens of the state funding government expenditure for public goods and utilities through their income-earning abilities					

SECTION D: MEASURES THAT CAN BE PUT IN PLACE TO ENSURE EFFECTIVE TAX

The statements relate to measures that can be put in place to ensure effective taxation. Using the scale below, indicate the extent to which each can help improve taxation in the informal sector.

1= Strongly Disagree 2= Disagree 3=Neutral 4=Agree 5. Strongly agree

Statements	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
Formalisation of the informal sector and improving growth					
Advocating tax compliance and accountability					
Deploying stakeholders dialogue, engagement and bargaining					
Addressing equity, redistributive justice and minimising inequality					
Minimising the unfair competitive advantage over the formal sector					
Equity in tax systems, structures and tax rates					
Boosting formal sector tax compliance and tax morale					

SECTOIN E: HOW CAN THE USE OF ICT TOOLS HELP IN INCREASED REVENUE MOBILSATION FROM THE INFORMAL SECTOR

The statements relate to the use of ICT in increasing revenue mobilisation in the informal sector. Using the scale below, indicate the extent to which the use of ICT can increase revenue mobilisation in the informal sector.

1= Strongly Disagree 2= Disagree 3=Neutral 4=Agree

5. Strongly agree

Statements	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
ICT tools can aid in proper record keeping					
The use of ICT tools can sharpen the efficiency levels of the tax officials					
Assist players in the informal sector to own and manage their own data					
Assists in making projections based on the information stored					
Aids in monitoring and controlling processes for revenue mobilisation					
Increase revenue through efficient and effective software programmes					

INTERVIEW GUIDE FOR GRA AND CCMA STAFF

1. How do you assess the current strategies put in place by the GRA in mobilising funds from the informal sector?

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2. What impacts do you think the use of ICT tools have on revenue mobilisation from the informal sector?

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3. To what extent do you think effective revenue mobilisation from the informal sector can help the Ghanaian economy?

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4. What strategies do you think must be put forward by the government and the GRA to effectively mobilise more income taxes from the informal sector?

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5. Why is the informal sector in Ghana difficult to tax?

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6. Why do some individuals prefer to operate in the informal sector?

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