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ASSESSING THE AWARENESS AND KNOWLEDGE LEVEL OF VALUE ADDED TAX AMONG RETAILERS IN CAPE COAST: IMPLICATIONS FOR TAX COMPLIANCE

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DECLARATION

STUDENT'S DECLARATION

I, **Stephen Awortwe,** declare that this thesis, with the exception of quotations and references contained in published works which have all 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 elsewhere.

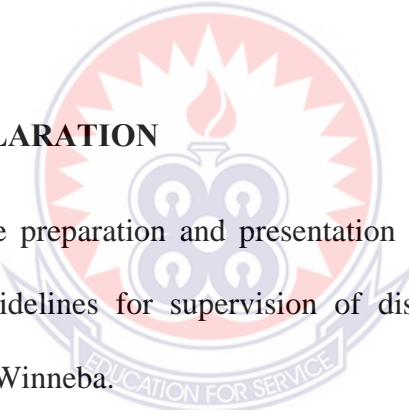Signature:…………………………

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SUPERVISOR'S DECLARATION

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

Dr. Joseph Ato Forson (Supervisor)

Signature:…………………………

Date:………………………………

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DEDICATION

This academic endeavor is dedicated to my beloved wife, Mrs. Pearl Doiley Kodjoe, whose unwavering support and encouragement have been invaluable throughout this study's journey.

ACKNOWLEDGMENT

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LIST OF ABBREVIATIONS

VAT	-	Value Added Tax
SDGs	-	Sustainable Development Goals
OLS	-	Ordinary Least Square
GRA	-	Ghana Revenue Authority
VA	-	Value Added
EDT	-	Deterrence Theory
TPB	-	Theory of Planned Behavior
ICE	-	Icek Ajzen (the psychologist who proposed the TPB)
GDP	-	Gross Domestic Product
IRS	-	Internal Revenue Service
OECD	-	Organisation for Economic Co-operation and Development
NHIL	-	National Health Insurance Levy
GETFUND	-	Ghana Education Trust Fund
HS Code	-	Harmonized System Code
GSS	-	Ghana Statistical Service
ECOWAS	-	Economic Community of West African States
ICT	-	Information and Communication Technology
SMEs	-	Small and Medium-sized Enterprises

ABSTRACT

This Study explores the extent of awareness and understanding among retailers in the Cape Coast Metropolis regarding Value Added Tax (VAT) and its Effect on tax compliance. Utilizing a sample size of 150 respondents and employing a descriptive research design, the study aims to evaluate retailers' awareness and comprehension of VAT, identify factors that influence this awareness, and examine how it affects tax compliance behaviors. The Finding reveals that retailers' awareness and knowledge levels of VAT are influenced by various factors. While formal education is a significant factor, other contributors include the accuracy of VAT information provided by the government, personal interactions with tax authorities, and communication within the market. These findings challenge the notion that awareness and knowledge of VAT are solely dependent on formal education, emphasizing the complex interplay of different factors in shaping retailers' understanding of VAT, which subsequently impacts their tax compliance practices. The moderate level of awareness observed among retailers highlights the need for targeted educational initiatives aimed at improving comprehension and compliance behaviors. Based on the key findings of the study regarding VAT awareness and its implications on tax compliance among retailers in the Cape Coast Metropolis, it was ascertained that Integrating VAT concepts into the formal education curriculum can lead to a long-term positive impact on tax compliance. By introducing students to VAT principles early on, they will develop an understanding of their tax obligations from the beginning of their business ventures. This foundational knowledge will shape their compliance behaviors as they transition into entrepreneurs.
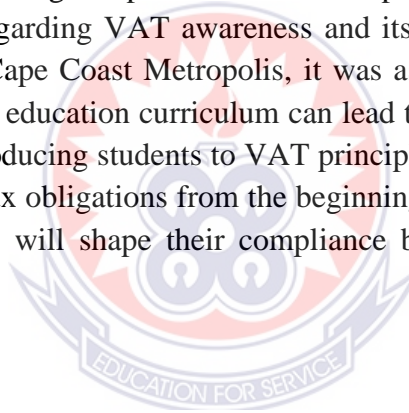
CHAPTER ONE

INTRODUCTION

1.0 Introduction

Value Added Tax (VAT) holds a significant position within the fiscal frameworks of many nations, Ghana included (Smith, 2018). It stands as a pivotal revenue source for governments, fueling public services and developmental endeavors. Ensuring effective administration and compliance of VAT is paramount for maintaining economic stability and fostering sustainable growth. However, as highlighted by Mwakalobo (2015), understanding the knowledge level of VAT among retailers and its impact on tax compliance is a critical area deserving attention.

While several studies have delved into VAT compliance and associated issues in Ghana (Attobrah, 2020; Amankwaah & Abina, 2019; Ojo, Twum, & Edisi, 2021), there exists a research gap concerning the specific knowledge level of VAT among retailers in Cape Coast. Existing studies have predominantly explored broader aspects of tax compliance, encompassing factors influencing compliance behavior and the efficacy of enforcement measures. This study aims to fill this gap by focusing specifically on retailers and their understanding of VAT, thereby enhancing comprehension of the variables influencing compliance behavior within this particular taxpayer group.

The study endeavors to evaluate the knowledge level of VAT among retailers in Cape Coast, Ghana, and its ramifications on tax compliance. By addressing the issue of insufficient knowledge and comprehension of VAT regulations, the study holds significance for policymakers, tax authorities, and retailers alike. Through both practical and theoretical implications, it aims to augment understanding of VAT compliance and furnish insights for enhancing compliance behavior among retailers.

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1.1 Background to the Study

The aim of every government is to make life better for its retailers. Governments across the world try to accomplish this through the provision of goods and services to their citizens at an affordable price. However, a country's development plans and programs can only be implemented if there are sufficient financial resources. Taxes are a dependable source of money for the government. One of the most crucial policies for rising nations, according to Webley, Adams, and Elffers (2002), is for them to increasingly mobilize their own internal resources to support economic growth. Webley et al. further asserted that the execution of a successful tax policy is the most crucial tool for mobilizing resources. One of the key factors in regulating national revenue, particularly in developed nations, is taxation (Moore & Schneider, 2004; Lymer & Oats, 2009). Since the beginning of civilized society, thousands of years ago, taxation has been a significant factor.

To cover government development and administration costs, it is necessary in majority of African nations to raise more money. In view of this, the government generates revenue mainly through taxation. A tax is a legally enforceable obligatory levy that is imposed by a nation's legislative body or by a decree (Musgrave, 2004). There are two main types of taxes, that is, the direct tax, charged directly on citizen's income and wealth, and the indirect tax, charged on goods, services and other avenues that is not directly on citizen's income. It is impossible to overstate the significance of taxes in a country's economic progress. Taxes are crucial government policy tools that have a significant influence in raising the rate of capital formation and as a result, can be used to attain high rates of economic growth (Agyei, 2002)

In ancient times, the sovereign's right to wage war against his or her subjects and collect their riches rested solely on the sovereign's absolute power (Moore, 2008). Moore talked about a more than 3500-year-old clay tablet that was found in Iraq. The tablet bears an inscription that emphasizes the significance of the tax collector, stating that while having a lord or a king may be notable, it is the tax collector who should be feared. Historical records indicate that the earliest documented taxation system can be traced back to ancient Egypt during the period of approximately 3000 BCE to 2800 BCE. It is reported that the Pharaoh would undertake a biennial expedition throughout the kingdom to gather contributions from the populace. Notably, these contributions, commonly referred to as taxes, were determined in part by observing and measuring the fluctuations in the water levels of the Nile River (Moore & Schneider, 2004)

Throughout the medieval period, a concept emerged that taxation was a fundamental and necessary power of the state, enabling it to compel its citizens to give up their belongings without getting their permission. This notion was characterized as a form of "forced exchange" or "coercive taxation" (Musgrave, 2004). According to Adriani and Van Hoorn (as cited in Moore & Schneider, 2004), this ideology gained strength with the rise of nation-states and the growing demand for governmental funding. As a result, this theory suggests that an explicit provision granting the government the power to tax is not necessarily required. Furthermore, fiscal legislation is not obligated to adhere strictly to the principles of taxation outlined by Adam Smith in *The Wealth of Nations*, namely equity, neutrality, certainty, and administrative efficiency (Moore, 2008). Nevertheless, it is important to note that a government's authority in taxation is not without limits, considering the contemporary belief that a government should be answerable to its citizens. This accountability necessitates that fiscal legislation align with the constitutional constraints of the respective country (Farrell et al., 2000).

Taxation in Ghana has a long history. The first customary law was enacted during the colonial era in 1855. Later, it was replaced with a customs statute modeled after the United Kingdom Customs Consolidated Act of 1876. The Gold Coast Customs Department was created in 1839, when a Principal Collector of Customs was sent to the former British colony. By 1850, the collection of customs duties was reliable, with a yearly total of 884 pounds, 11 shillings, and 11.5 pence. The Gold Coast's first Legislative Assembly was established on April 19, 1852, following a public convention of chiefs called by the governor (Adom, 2000). The Poll levy statute, which required a one-shilling levy to be paid by each inhabitant, including men, women, and children residing under British Protection, was successfully passed by this assembly. Several tax measures were subsequently put into place with the aim of expanding the tax base. The Customs and Excise Tariff Act of 1966 (Act 318), which oversaw regulating the administration of indirect taxes, replaced the old customs law of 1855 by 1966. The introduction of Value Added Tax (VAT) was part of the overall tax reform package (Allingham & Sandmo, 2002). The VAT is a fair and efficient way to raise revenue, as it is based on consumption rather than income or wealth." Victor Gaspar, former Minister of Finance of Portugal once said. In view of this, we can say, Value Added Tax (VAT) is a consumption tax that is levied on the value added to goods and services at each stage of production and distribution. It is an important source of revenue for many countries, including Ghana. Statistics show that over 160 countries around the globe implement VAT in their taxation system. In Africa, the standard VAT rate ranges from as low as 5% to as high as 20%. In Ghana, businesses with an annual turnover of GHS 200,000 or more are required to register for VAT, and the standard VAT rate as of 1st January 2023, is 15.0%.

According to the Ghana Revenue Authority (GRA), VAT revenues increased from GHS 8.7 billion in 2017 to GHS 12.48 billion in 2021. This shows that Ghana also generates huge sums of money through VAT.

The planned behavior theory suggests that an individual's compliance with tax laws is influenced by their intentions to comply, which are influenced by their attitudes towards paying taxes, social norms related to tax compliance, then benefits of paying such tax, and their perceived ability to pay taxes (Arjzen, 2000). How do individuals comply with tax laws when they have little or no understanding of such tax laws? Despite the importance of VAT for revenue generation and economic development in Ghana, many small-scale businesses are not fully aware of the tax and its implications. This lack of awareness and knowledge can lead to non-compliance with VAT regulations, which can result in penalties and fines for businesses, as well as revenue losses for the government. Therefore, it is important to assess the awareness and knowledge levels of small-scale businesses on VAT to identify areas for improvement and develop strategies to increase compliance and revenue generation for the government. This research aims to assess the awareness and knowledge levels of small-scale businesses on VAT in Cape Coast, Ghana, and to explore the implications for tax compliance. The research will use a quantitative approach, with data collected through a survey of small-scale businesses in Cape Coast. The survey will include questions on awareness and knowledge of VAT, compliance with VAT regulations, and the implications of VAT for business operations.

1.2 Statement of Problem

Goal 17 of the Sustainable Development Goals (SDGs) places a strong emphasis on the necessity of stepping up domestic resource mobilization, domestic tax mobilization,

and other forms of revenue collection. Retailers have the possibility of contributing enormously to increasing tax income.

However, it is known that low levels of awareness and knowledge impede taxpayers' compliance with tax laws, particularly merchants, and that this might have an impact on country's tax performance (3rd Strategic Report of GRA, 2019). While awareness and knowledge levels of VAT is widely accepted to have an impact on tax compliance, existing literature in Ghana such as (Attobrah 2020 ; Amankwaah and Abina 2019; Ojo, Twum, and Edisi 2021), largely fails to assess the awareness and knowledge levels of retailers on VAT and how this situation can lead to non-compliance. Once more, these investigations omitted looking at the variations in the knowledge levels based on business type, location, and size of operations of the retailer.

Previous research conducted in Ghana (Kiogora 2015; Ameyaw, Agyeman and Twum 2019; Owiredu 2018), have touched upon tax and VAT compliance knowledge levels of citizens in this regard, but they have not fully addressed the specific context of retailers in Cape Coast. The unique challenges, knowledge gaps, and compliance behaviors of retailers in this specific region have not been adequately explored. It is essential to fill this research gap and build upon existing studies to provide a more comprehensive understanding of VAT knowledge and compliance among retailers in Cape Coast.

Furthermore, empirical studies in Ghana (Kuug, 2016; Okpeyo, Musah, & Gakpeto, 2019) used multiple regression estimation to examine the relationship between VAT awareness and knowledge levels and tax compliance, but they did not look at how these levels directly influence tax compliance. Although this approach clearly produces inefficient estimates and incorrect inference given that OLS is unable to deal with

endogeneity issues arising from this relationship, using Ordinary Least Square (OLS) technique to estimate the causality between VAT awareness and knowledge level and tax compliance may not be the appropriate estimation technique (Barbone & Vzquez, 2012). Irrespective policy proposals may result from failing to notice such distinctions. To address these limitations, this study adopted the partial least square estimation suggested by Abdallah, Goergen, and O'Sullivan (2015) to investigate the impact of retailers' level of VAT awareness and knowledge on tax compliance as well as how this impact varies among retailers depending on their location, type of business and size of operation.

1.3 Purpose of the Study

The purpose of this study was to investigate and assess the knowledge level of Value Added Tax (VAT) among retailers in Cape Coast, Ghana, and to examine the implications of this knowledge on their tax compliance behavior.

1.3.1 Research Objectives

1. To investigates the level awareness and understanding of VAT among retailers in Cape Coast.

2. To determine the factors impacting retailers' awareness and understanding levels.

3. To assess the implications of retailers' awareness and knowledge of Value Added Taxes on tax compliance.

1.4 Research Questions

1. What is the level of awareness and understanding of Value Added Tax (VAT) among retailers in Cape Coast?

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2. What are the factors influencing the awareness and understanding levels of VAT among retailers in Cape Coast?

3. How does retailers' awareness and knowledge of VAT affect their tax compliance behavior?

1.5 Significance of the Study

This study aims to evaluate the awareness and understanding of Value Added Tax (VAT) among retailers in Cape Coast Metropolis, as well as its impact on tax compliance. Additionally, the research seeks to pinpoint the factors that affect retailers' awareness and knowledge levels. Consequently, the findings from this research hold significance: they can raise awareness within the government about potential shortcomings in Ghana's VAT administration, prompting the development of policies to address these issues. Moreover, they can enlighten retailers about existing challenges in VAT administration and implementation, thus fostering compliance. Additionally, the insights garnered can aid other researchers interested in exploring VAT-related topics.

1.6 Scope of the Study

This section outlines the boundaries of the study, which focuses on assessing the level of awareness and understanding of VAT among retailers within the Cape Coast Metropolitan area. Geographically, the study is centered on Cape Coast, the regional capital of the Central Region of Ghana. By encompassing both formal and informal retail sectors, a sample of 150 retailers will be selected to facilitate the investigation of the study's objectives. The Central Region was chosen due to its accessibility for the researcher to obtain the necessary data to address the research objectives.

1.7 Delimitation

1.7.1 *Tax Compliance*

The study's focus was notably narrow, concentrating solely on VAT officials and retailers within Cape Coast Metropolis. Despite its assertion of representing the entire country, its scope remained restricted. The research aimed to evaluate retailers' awareness and understanding of Value Added Taxes, along with its impact on tax compliance and revenue generation. However, it omitted consideration of other indirect taxes, direct taxes, businesses beyond the retail sector, and regions outside of Ghana.

1.8 Limitations

This study has certain limitations inherent to its design. Because it's cross-sectional, it couldn't monitor behavioural changes over time, potentially yielding different results from longitudinal data. Moreover, the scope was limited to the Cape Coast Metropolis of Ghana, not encompassing all Ghanaian stores. Additionally, the accuracy of participant responses may impact the study's findings.

1.8.1 Definition of Terms

According to Reinhardt et al. (2015) suggest that awareness encompasses prior knowledge regarding an item, event, or phenomenon, as well as competencies, abilities, and operational techniques.

A Value-Added Tax (VAT) is a consumption tax assessed on the value added in each production stage of a good or service.

Tax compliance refers to the choice made by taxpayers to abide by tax laws and regulations by paying taxes in a timely and accurate manner.

1.9 Organization of the Study

This research project comprises five chapters, each serving a distinct purpose. Chapter one lays the groundwork, presenting background information, the problem statement, study objectives, research questions, the significance of the investigation, and delimitations. Chapter Two, the literature review, delves into topics such as value-added tax, the unique characteristics of Ghana's retail sector, pertinent concepts, and an overview of the country's tax system and administration. Additionally, it includes an empirical review. Chapter Three outlines the methodology, encompassing the research topic, design, sample size and method, instruments, data collection process, and analysis procedures. Chapter Four discusses the data and findings, providing an analysis of respondent traits and alignment with study objectives. Finally, Chapter Five summarizes the study, presents conclusions, and offers suggestions for future research.
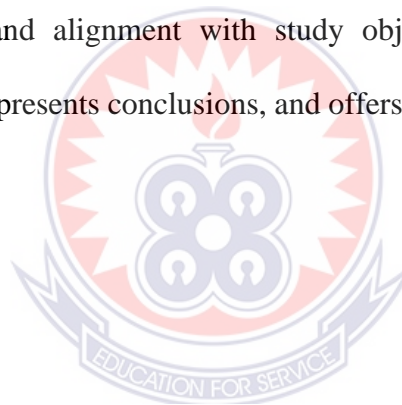
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter centers on a thorough examination of pertinent literature, emphasizing the theoretical foundations of the study and its implications for the contemporary economy, particularly regarding enhancements to Ghana's tax framework, notably Value Added Tax (VAT) for retail businesses. It delves into empirical studies relevant to the subject matter and outlines the accounting practices associated with VAT and retail enterprises in Ghana. The overarching objective of this chapter is to achieve a comprehensive comprehension of the underlying concepts and to substantiate the rationale for investigating the issue outlined in chapter one.

2.2 Theoretical Review

2.2.1 Institutional Theory

Institutional theory posits that organizations adhere to external institutional pressures, encompassing legal statutes, societal expectations, and industry benchmarks, to establish legitimacy and ensure continuity (DiMaggio & Powell, 1983). In examining VAT compliance among retailers in Cape Coast, Ghana, this theory offers valuable insights into how retailers' adherence to VAT regulations is shaped by the institutional milieu they inhabit, encompassing legal frameworks, regulatory enforcement mechanisms, and prevalent industry norms.

Legal Frameworks: The legal regulations governing VAT compliance serve as formal institutional pressures that influence retailers' behavior. This includes requirements related to registration, filing returns, and remitting VAT payments. Retailers may conform to these regulations to avoid penalties and legal repercussions, thereby

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maintaining their legitimacy in the eyes of tax authorities and society (DiMaggio & Powell, 1983).

Regulatory Enforcement: The effectiveness of regulatory enforcement mechanisms, such as audits and inspections conducted by tax authorities, also shapes retailers' compliance behavior. Strong enforcement measures can increase the perceived risks of non-compliance and encourage retailers to adhere more closely to VAT regulations to avoid sanctions. Conversely, weak enforcement may create opportunities for non-compliance, undermining the legitimacy of the tax system (DiMaggio & Powell, 1983).

Industry Practices: Informal norms and practices within the retail sector, such as peer pressure and competitive dynamics, also play a role in shaping VAT compliance. Retailers may observe the behavior of their industry peers and conform to prevailing norms regarding tax compliance practices. For example, if non-compliance is widespread and tolerated within the industry, retailers may feel less pressure to comply with VAT regulations themselves (DiMaggio & Powell, 1983). By applying institutional theory to the study, researchers can gain insights into the complex interplay between formal and informal institutional pressures that influence retailers' compliance with VAT regulations. This analysis can inform policymakers and tax authorities about the factors that contribute to effective VAT administration and enforcement, ultimately enhancing the legitimacy and stability of the tax system.

2.2.2 The Deterrence theory

The first time this approach was used was by Allingham and Sandmo in the context of tax compliance in 1972. They suggested that tax compliance behavior is influenced by economic factors such as tax rate, penalty, and the likelihood of spotting noncompliance. According to this theory, a taxpayer is treated like a rational economic

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agent who weighs the benefits and costs of tax evasion and decides not to pay if the former is greater than the latter (Walsh, 2012). According to the study, taxpayers are perfectly immoral benefit maximizers who decide to avoid taxes when the potential gain outweighs the expenses associated with doing so (Allingham & Sandmo). According to the hypothesis, penalties discourage taxpayer's compliance behavior, and tax compliance would grow with lower tax rates, greater penalty rates, and higher likelihood of being caught.

Studies by authors (Reinganum, 1983 and Alm, McClelland, and Schulze, 1992) have discussed the importance of perceived risks in tax compliance decisions. Retailers who are aware of VAT regulations and have a good understanding of their obligations are more likely to perceive higher risks of detection by tax authorities. They understand that non-compliance can lead to audits, penalties, and reputational damage. Also, knowledgeable retailers are more likely to be aware of the penalties associated with VAT non-compliance (Toggler, 2007). The awareness of severe penalties, such as fines or legal consequences, acts as a deterrent to non-compliance. Finally, Writer James Alm (2012) has extensively discussed the relationship between economic benefits and tax compliance. He believed that retailers who are aware of the benefits of complying with VAT, such as maintaining a good business reputation, accessing government contracts, or avoiding future legal consequences, are more likely to have higher compliance intentions.

The approach has drawn criticism for non-compliance goes beyond what can be seen, which makes it unreasonable to defend compliance by the taxpayers (Slemrod, 2007). It assumes that individuals are rational actors who carefully weigh the costs and benefits of compliance. However, it overlooks other factors, such as moral considerations, social

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norms, and psychological biases, which can also influence compliance behavior (Cullis & Lewis, 1997. Another limitation is that while the EDT acknowledges the importance of awareness and knowledge, it does not provide a comprehensive framework for assessing the specific dimensions and depth of knowledge required for tax compliance. It is necessary to consider the specific components of VAT regulations that retailers should be aware of, such as registration requirements, invoicing, record-keeping, and filing procedures. As a result, several authors have claimed that to effectively address tax compliance difficulties, behavioral as well as economic elements must be considered.

2.2.3 Theory of Planned Behavior

According to the planned behavior theory, which is a behavioral theory, people do not just act on their own; they also act in accordance with their perceptions (Ajzen, 1991). The behavioral perspective integrates social and psychological impacts with elements that affect taxpayer compliance behavior, such as perception, age, knowledge, culture, and tax justification. The significance of this model comes from its prediction that non-economic factors like age, perception, and knowledge indirectly affect tax compliance behavior through having an impact on incentives and attitudes toward noncompliance. The TPB, proposed by Icek Ajzen, suggests that behavioral intentions are determined by three key factors - attitudes, subjective norms, and perceived behavioral control. Assessing the awareness and knowledge level of retailers on indirect taxes is crucial to understanding their attitudes toward tax compliance (Attobrah, 2020). If retailers perceive VAT compliance as burdensome or unnecessary, it might negatively impact their compliance intentions. Conversely, if they recognize the importance of tax compliance and the benefits it brings to society and their own business reputation, their attitudes might be more favorable.

According to Scott (2001), retailers' compliance behavior can be influenced by the norms and expectations prevalent in their social and professional networks. If they perceive strong social pressure from other retailers, tax authorities, or business associations to comply with VAT regulations, it may positively influence their compliance intentions. Conversely, if noncompliance is prevalent or tolerated within their network, it may weaken the subjective norms and decrease their compliance intentions. Similarly, as explained by Tetteh (2019), retailers' knowledge level and understanding of indirect taxes play a crucial role in determining their perceived behavioral control. Higher awareness and knowledge can lead to increased confidence in fulfilling tax obligations. Contrariwise, a lack of knowledge or perceived complexities related to indirect taxes might undermine their confidence and hinder compliance intentions. External factors, such as access to reliable tax information and support from tax authorities, also influence perceived behavioral control.

The Theory of Planned Behavior (TPB) has some limitations when applied to the study. These limitations include its simplified view of behavior, limited focus on knowledge and awareness, lack of cultural and contextual specificity, and neglect of emotional and ethical factors. The TPB does not fully account for the complexities of behavior, the process of acquiring knowledge, cultural variations, and the influence of emotions and personal values on tax compliance. Further research specific to the context of retailers and indirect taxes is needed to address these limitations and enhance the applicability of the TPB in this area.

2.3 Empirical Review

Every successful research effort starts with a comprehensive and in-depth literature evaluation (Boote & Beile, 2005). A study's empirical evaluation is crucial because it

provides the framework for differentiating its findings from those of other studies. In their study work, Nakanoa and Muniz (2018) observed that an empirical review can give insight into the research methods and findings that are already available and can aid researchers in creating new techniques for testing hypotheses. This section aims to assess prior research on the level of retailers' knowledge and awareness of Ghana's value-added taxes.

2.3.1 Previous Studies on Value Added Taxes

Several studies have been conducted on Value Added Taxes in Ghana and other countries. For example, Sulemana (2017) assessed the impact of the value-added tax (VAT) on small and medium enterprises in Ghana and found that the VAT was a significant burden for these businesses. The study also found that the awareness and understanding of VAT among SME owners were low, which affected their compliance with VAT regulations. In another study, Andoh and Andoh (2020) investigated the factors affecting VAT compliance in Ghana. The study found that the level of education, business size, and the perception of the tax system's fairness were significant determinants of VAT compliance in Ghana. In a study conducted in Nigeria, Aminu and Yusuf (2017) assessed the awareness and knowledge levels of VAT among small and medium enterprises. The study found that the awareness and understanding of VAT among SMEs were low, which affected their compliance with VAT regulations.

2.3.2 Awareness and Knowledge of Value Added Taxes

Several studies have examined the awareness and knowledge levels of Value Added Taxes among retailers in different countries. For instance, a study conducted by Hossain and Alam (2019) in Bangladesh found that retailers' awareness of Value Added Taxes was generally low. The study identified a lack of awareness campaigns and inadequate

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dissemination of information as key factors responsible for low awareness levels. Similarly, a study conducted by Al-Sartawi and AlAmoush (2021) in Jordan found that retailers' knowledge levels of Value Added Taxes were generally low. The study identified the lack of education and information campaigns as the main reason for the low knowledge levels. Similarly, a study by Adomako, Opoku, and Osei-Assibey (2020) found that taxpayers in Ghana had a low level of awareness and knowledge of tax laws and policies, particularly on VAT and NHIL. The study attributed the low level of tax awareness to taxpayers' lack of access to information and inadequate public education on tax laws and policies.

In Cape Coast, a study conducted by Osei and Acheampong (2017) found that retailers' awareness levels of Value Added Taxes were low. The study identified a lack of information dissemination, inadequate education campaigns, and insufficient media coverage as factors responsible for low awareness levels. Similarly, a study by Takyi and Affum (2019) in Cape Coast found that retailers' knowledge levels of Value Added Taxes were low. The study attributed the low knowledge levels to inadequate education campaigns and insufficient media coverage.

Even though these researchers extensively covered issues affecting the awareness and knowledge level of VAT, very few could adequately establish a link between awareness and knowledge level and tax compliance that can be tested. Awareness and knowledge level can be measured through electronic means (Gitaru, 2017), through print media (Ross, 2007) or through sensitization programmes (Ross, 2007). This study analyses the impact of the awareness and knowledge level of retailers through these mediums on tax compliance.

2.3.3 Tax Compliance

According to James and Alley (2004), the simplest definition of tax compliance is the extent to which those who pay taxes adhere to the tax code. Compliance is upholding all tax duties in accordance with the law. This could be conceptualized as complying with three separate sorts of compliance, such as the requirements for submission, payment, and reporting (Brown & Mazur, 2003). Tax compliance is the willful payment of taxes by individuals and corporations (Kirchler, 2007). The Internal Revenue Service (2000) defines compliance as taking place when those who are required to pay taxes voluntarily do so in accordance with the tax laws, report their annual true earnings, and pay the appropriate amount of tax within the designated time frame. In the words of Ming, Normala & Meera (2005), this involves registering the business for tax purposes or giving the necessary information to the tax authorities to declare their tax-paying status, declaring their tax-filing status, accordingly, filing tax returns (if necessary), and paying their taxes within the allotted time frame. Simply expressed, tax compliance is the free and complete discharge of all statutory tax obligations. Singh and Bhupalan (2001) assert that it is crucial to uphold the value of honesty, have the information and expertise necessary to apply that knowledge, observe deadlines, and make available the true and adequate records essential for tax earnings as well as other relevant documentations. Many tax administrators concentrate on the issue of achieving tax compliance because it is difficult to persuade taxpayers to become tax compliant (James & Alley, 2004). Since the majority of retailers in Ghana work in the informal economy, it is difficult to charge taxes on them.

Because of this, most shops do not pay their taxes on time, and the few that do not also lack the knowledge and awareness needed to encourage compliance (Terkper, 2007). This study will examine the level of retailer awareness and knowledge on VAT-related

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issues from three main perspectives: awareness and knowledge on VAT generated from electronic media like the internet and television; awareness created through print media; awareness created through sensitization programs; and the impact on tax compliance. This study will **assess** the level of retailers' awareness and knowledge on VAT related issues from three main angles.

2.3.4 The Impact of Awareness and Knowledge Level of VAT on Tax Compliance

For governments all over the world, including Ghana, value added tax (VAT) is a significant source of income. For the VAT system to be successfully implemented and functional, taxpayer compliance, which refers to people and businesses fulfilling their tax duties, is essential. The association between tax compliance in Ghana and VAT awareness and knowledge is investigated by this empirical review.

The awareness and knowledge level of VAT among taxpayers play a crucial role in influencing tax compliance behavior (Alm, 2012; James, 2014). When individuals and businesses are aware of VAT regulations, understand its requirements, and possess knowledge about their tax obligations, they are more likely to comply with tax laws (Erard, 2013). Several studies have shown a positive relationship between awareness and knowledge level of VAT and voluntary tax compliance. In a study by Gbadamosi et al. (2017), it was found that taxpayers with higher awareness and knowledge levels of VAT were more inclined to voluntarily comply with tax obligations in Ghana. Similar findings were made by Owusu-Addo and Ofori-Frimpong (2016), who discovered that taxpayers with superior VAT knowledge and awareness were more likely to voluntarily comply with tax legislation.

Public education campaigns play a significant role in increasing awareness and knowledge of VAT among taxpayers. As found by Ayee (2015), effective public

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education campaigns in Ghana positively influenced taxpayers' awareness and knowledge level of VAT, leading to improved tax compliance behavior. The government's efforts in disseminating accurate and understandable information about VAT regulations are crucial for enhancing compliance levels. While awareness and knowledge are important factors, the presence of penalties and effective enforcement mechanisms further enhances tax compliance. A study by Ackah et al. (2019) highlighted that taxpayers in Ghana who were aware of the penalties associated with noncompliance and perceived the likelihood of being caught for non-compliance had a higher level of tax compliance. Thus, a combination of awareness, knowledge, penalties, and enforcement measures can strengthen tax compliance behavior.

2.4 Conceptual Review

2.4.1 The Concept of Taxation

Taxation is the process by which the sovereign, through its legislative body, collects money to pay for governmental costs. According to the law, the government is obligated to recoup its fair portion of both individual and corporate income (Mundan, 2010). "The levying of compulsory contributions by public authorities having tax jurisdiction, to defray the cost of their activities" is the definition of taxation. (2008) Ali-Nakyea. The taxpayer does not gain any particular advantages. The state uses the money earned to provide infrastructure, maintain law and order, and manufacture specific goods and services, and more.

A further definition of taxation given by Agyeman (2005) is "the demand by the central or local government for a compulsory payment of money by citizens of a country other than as payment for some specific service or as a penalty for some specific offence." Other benefits of taxation include protecting domestic industries, reducing inequalities

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resulting from wealth distribution, and regulating various aspects of the country's economy, including the balance of payments, productivity, and investment (Mundan, 2012). Taxation also serves the specific purposes of regulating certain consumption patterns, such as those related to alcohol and tobacco.

Taxation represents an inherent authority held by the state, adopted through the legislative process to impose taxes, and raise money to support the government and its stated goals. In simple terms, taxation embodies the state's power to amass funds for public use, as no government can exist without it, making taxation an absolute necessity (Terkper, 2011). However, this power to tax is subject to constitutional and inherent limitations. For instance, taxes can only be imposed for public purposes and upon taxable individuals and properties within a specified jurisdiction.

Aside from financing government operations, taxation also serves as a tool to fulfill national objectives related to social and economic development. Non-revenue objectives of taxation include strengthening struggling businesses through exemptions or incentives, shielding local industries from foreign competition via increased import taxes, utilizing it as a bargaining tool in trade negotiations, mitigating the effects of inflation or economic downturns, reducing wealth inequality, and exercising police power to promote general welfare (Mundan, 2012).

2.4.2 Definition and classification of Tax

According to Mundan (2012), a tax is a mandatory contribution to state revenue that the government imposes on business earnings and workers income. It may also be included in the price of specific goods, services, and transactions. A tax is a fee that the government levies on certain goods, money, or activities. A tax is considered direct if

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it is taken out of an individual's or business's income directly. Indirect taxes are those that are assessed based on the cost of goods and services (Musgrave, 2005).

Taxes were divided into two categories by Mundan (2012) based on their burden: direct and indirect taxes. This study is focused extensively on VAT. Taxes that are levied directly are levied directly are levied against the individual who also bears their burden. Examples include corporate taxes, estate taxes and income taxes. Tax that is levied against the taxpayers who transfer the tax liability to another party. Examples include excise tax, VAT, custom duties, etc. This study is focused extensively on VAT.

2.4.3 The Concept of VAT

Value Added Tax (VAT) is a tax levied on the additions made to goods and services at each stage of production and delivery. Like a retail sales tax but collected all along the production line as opposed to simply at the retail level. When one taxable person sells to another taxable person or a final customer, VAT is applied. The term "valued added" describes the rise in value that occurs at each stage of production or transfer. Although VAT is ultimately paid by consumers, it is nonetheless collected at every level and permits tax credits based on input VAT paid. The VAT revenue is unaffected by the length of the production and distribution chain (Shome, 2006).

The term "Value Added" refers to the increase in value of goods and services at each stage of production or transfer of goods and services, as defined by Ghana's VAT Act, 1998 (Act 546), which was repealed and replaced by the VAT Act, 2013 (Act 870), amended in 2021 by the VAT Act, 2021 (Act 1072), and again in 2022 by the VAT Act, 2022 (Act 1087). Therefore, regardless of whether the purchaser is a private consumer or another business, VAT is charged on the sale of products and services by registered enterprises. More than 130 nations have adopted it, including every OECD member bar the United States. VAT, which is levied on supplies made by taxable

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individuals while conducting business, is regarded as a tax on consumers. When properly implemented, it has the same effect as a single-stage sales tax. VAT is a consumption tax that is levied on the money spent on buying goods and services and concentrates on the value added via company operations.

"VAT is a tax on consumers and is levied on the supplies of goods and services made by a taxable person in furtherance of a business carried by him," claims Pritchard (2009). A well implemented VAT is like a corresponding single-stage sales tax, according to Peggy, 2005, citing Quarshie, (2009). He asserts that the value-added tax (VAT) is not a new tax at all, but only a different mechanism to manage sales tax under the spending tax. To reduce consumption of goods that produce negative externalities, as well as to stabilize national income and redistribute income, any kind of taxes may be utilized. Maurice Lauré, who instituted VAT in 1954, is credited with its creation (Minh Le, 2003). Businesses frequently employ the invoice-credit method of calculating VAT, which involves offsetting their sales obligation against the VAT they paid on purchases. As a result, no net revenue is obtained from business-to-business transactions, and the tax only affects consumable goods in the end (Crawford et al., 2010). To make sure it exclusively taxes domestic consumption, VAT is frequently zero-rated for exports and fully applied to imports. Among the earliest were Germany, France, and Denmark.

European countries to extend VAT to the retail sector. Many developing countries, such as Nigeria, Senegal, and Morocco, have also adopted VAT to streamline their tax systems. It has become a significant source of tax revenue worldwide, generating about 20% of global tax revenue (Quarshie, 2009).

2.4.4 Value added tax (VAT) in Ghana

Another significant change to the Ghanaian tax code that was made in an effort to increase tax efficiency was the implementation of the Value Added Tax (VAT). In France, VAT was originally implemented in 1954. Its application was later broadened to encompass services in 1978 and agriculture in 1983, making VAT one of the most significant fiscal changes of the 20th century. Currently, more than 130 nations throughout the world have accepted it (Bhattarai & Koirala, 2007). Value Added Act, 1994 (Act 486), a component of the Tax Reform Program that started in 1993, was the legislation that initially brought VAT to Ghana in 1995. In 1993, a contract for the development and application of VAT was signed. The VAT law, which is like the Canadian system, was enacted into law in December 1994 and was scheduled to go into force in March 1995. It was operational at a flat rate of 17.5 percent, as opposed to the previous sales tax rate of 15 percent (Terkper, 1999).

VAT was vehemently opposed, as after just three months of existence the government was compelled to postpone its implementation, much as what occurred when the Income Tax was initially imposed in 1931. The discussion over what would become Ghana's first serious attempt to enact a comprehensive domestic indirect tax regime was swiftly reopened in May 1995 by Parliament. Following public protests about the alleged cascading effects of the VAT system, Parliament felt it was necessary to act. The government revoked it on June 14th, 1995. Adom (2000) opined that VAT failed at the early stage of its implementation because of several reasons. Among them are:

1. Conflict between the VAT Service and CEPS led to delays in staff appointments and transfers.

2. The initial VAT rate of 17½% was considered harsh compared to the previous 15% sales tax.

3. The introduction of VAT occurred during an unfavorable economic situation.

4. Insufficient public education on the new tax system.

5. Inadequate training of VAT Service personnel.

6. The GH¢ 2,500 annual turnover threshold was considered too low, resulting in unqualified individuals becoming taxable persons.

The Value Added Tax System was successfully reestablished in Ghana in 1998 in response tom public uproar and protests about a considerable increase in prices related to the implementation of VAT. The Value Added Tax Actcof 1998 (Act 546) and the Value Added Tax Regulations of 1998 (L.I. 1646) provided legal backing for the reintroduction. An extra 2½% for GET Fund was eventually added, bringing the total to 12½% from the initial 10% rate. All regional capitals had reopened VAT offices (Ghana, Republic, 2009).

The successful reintroduction of VAT in 1998 was attributed to a number of factors, according to Chapman (2001), including a strong political commitment from both the government and opposition members of parliament, effective tax administration planning, which included selecting experienced administrators and allowing enough time for VAT registration and collection, a reasonable low introductory rate, high registration threshold, and advantageous timing for the introduction of the VAT.

In 2003, the introduction of the National Health Insurance Levy (NHIL) under the ACT 650 added an additional levy of 2½% to be paid on top of the existing 12½% VAT. Subsequently, in 2013, the VAT Act 2013 (Act 870) replaced the previous VAT Act (Act 546). Currently, the VAT rate has been increased to 15% along with the NHIL rate of 2½%, GETFUND rate of 2½%, and Covid- 19 health recovery levy of 1%. Registered traders were required to charge and collect these taxes (Ghana, Republic,

2009). VAT/NHIL at a rate of 17½%, and the threshold was also increased to an annual turnover of one hundred and twenty thousand Ghana cedis (GHS120,000) or more (Ghana, Republic, 2014).

2.4.5 VAT and exempt Supply

A consumption tax called value added tax is levied on the cash used to buy products and services. The consumer is ultimately responsible for making the payment at every level of the production and distribution of goods and services. Although certain things are exempt and others are zero-rated, the standard rate is 15%. Producers and service providers are required to pay value added tax (VAT) in proportion to how much their output is worth more than their inputs. (Or, in other words, a percentage of the value he personally added to the good). A tax is imposed on the value added to goods and services at each stage of the production and distribution process.

Both the standard VAT rate and the three percent flat rate scheme are applicable to the same exempt supplies. To increase the production and supply of specific goods and services in Ghana, the VAT law exempts several goods and services from the tax (Republic of Ghana, 1998). The commodities and services that are exempt from VAT and NHIL are listed below:

1. Live animals: This category includes livestock such as cattle, sheep, goats, swine, and poultry but excludes exotic animals such as horses, asses, and mules.

2. Products for the disabled: Items made solely for use by people with disabilities.

3. Supplies of educational services provided by accredited and recognized by educational institutions.

4. Medical services, essential medications, prescribed active ingredients for prescribed medications, selected imported special medications, and essential

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medications as listed under Chapter 30 of the "HS Code," all of which are produced or supplied by retail in Ghana. These items were chosen by the Minister for Health and given parliamentary approval.

5. Transportation: This includes air, sea, rail, and bus travel.

6. Equipment: Devices, appliances, and parts used in a variety of industries and sectors.

7. Petroleum, diesel, liquefied petroleum gas, kerosene, and residual fuel oil are examples of hydrocarbon products made from crude oil.

8. Land Building and Construction: Granting, assigning, or giving up an interest in land or buildings, apart from certain services.

9. Imported cattle, fish, and poultry that are intended for breeding.

10. Ghana produces raw animal products such as edible meat and offal with little processing.

11. Ghanaian-produced raw agricultural and aquatic food items, such as fish, vegetables, fruits, nuts, coffee, cocoa, etc.

12. Edible fruit, nut, cereal, tuber, and vegetable seeds, bulbs, roots, and other forms of propagation.

13. Chemicals, fertilizers, insecticides, veterinary medications, and vaccines are examples of agricultural inputs.

14. Fishing equipment: Boats, nets, gear, and imported inputs for fishing.

15. Water supply: Excludes packaged and distilled water.

16. Electricity: Domestic use up to a specified consumption level.

17. Printed matter: Everything that is entirely printed or made via a duplicating process, excluding certain goods.

18. Postal services: Supply of postage stamps.

However, no credit may be given to the company making exempt sales for the VAT/NHIL paid on purchases or costs applied for the exempt sales - S. 24(3). VAT/NHIL is not chargeable on the sale of exempt supplies. However, the company can recoup these input taxes by adding them in manufacturing and distribution costs. Businesses that only manufacture exempt supplies must be aware that they cannot register for VAT.

2.4.6 Computation of VAT

Every registered person is required to do three things:

1. Pay VAT (called input tax) on all taxable purchases of goods and services and obtain tax receipts called tax invoice for them.

2. Charge VAT (called output tax) on all taxable sales of goods and services and issue tax invoice for them.

3. At the end of the month deduct the total input tax from the total output tax and remit only the difference to VAT office.

2.4.7 Input VAT

Input Tax is the VAT charged by Suppliers on Purchases made by customers and include.

1. Goods and services supplied.

2. Goods imported.

3. Goods removed from wholesale.

It also includes the VAT on things like

1. Office equipment for a business

2. Telephone bills for business purposes

3. Payments for services for a business, e.g., accountants and legal fees

2.4.8 Output VAT

Output VAT is the VAT a registered person charges his customers when he makes taxable supplies of goods and services at the rate specified by law which is currently 15% according to Ghana Revenue Authority.

2.4.9 Concept of Retailing and retail business

Retailing is a form of distribution in which a company purchases goods from suppliers or manufactures them in-house before selling them to customers directly (Smith, 2004). A retailer is a reseller who gets things from one party to sell to another and from whom consumers buy products. There are more than 1,100,000 merchants just in Ghana and East African nations (Terkper, 1999). The word "retail" is derived from the old French word "tailer", which in the context of tailoring implies "to cut off, clip, pare, divide." It was first mentioned in 1433 as a word denoting a "sale in small quantities." The Dutch and German words for retail- detatailhandel and Einzelhandel, respectively- also apply to the sale of things in tiny amounts. Retail is defined as the scale of items to the public for use or consumption as opposed to resale in the Oxford Concise Dictionary. The process of selling in pieces to the direct or final consumer is known as retail (Adu-Amankwaa, 2009).

In most retail circumstances, the business a consumer acquires a product from is a reseller of goods acquired from others rather than the actual maker. But under a corporate channel setup, several manufacturers also run their own retail stores (Bagahwa & Naho, 2005). Although consumers are the retailers' buyers, they do not always make purchases from them. For instance, a purchase made by a consumer from another consumer would not be considered a retail buy. It can be difficult to tell the difference between selling to consumers as a business for legal and tax purposes and

doing it as a hobby without a formal business standing in Ghana and other nations (Osei, 2000).

2.4.10 Distinguish Characteristics of the retail Business in Ghana

In Ghana and other emerging nations, retail trade is a typical feature of their economies. Numerous citizens in the business sector are employed by it. Retailers could only hire a small number of individuals due to the predominance of self-employment activity, the majority of whom are members of their close families (Farrell, John, & Fleming, 2000). Owners do not belong to any powerful trade associations, except from unions representing workers, due to a lack of a trade union organization. Because of this aspect of retail enterprises, it is challenging for policymakers to support individuals who are in need while still focusing on the owners (Ghana Business News, 2009).

According to Farrell et al. (2000), the majority of retail enterprises have little to no job security. Employees in this industry are subject to the whims and fancies of their bosses and may lose their positions at any time. As there is typically no legally enforceable contract of employment, the employees are unable to file any legal claims for any unjust treatment. For such terminations, typically no remuneration is given (Ghana Business News, 2009). The retail industry is also characterized by markets that are deregulated and competitive. Because it is so fluid, no one, not even the government, can control the operations of the informal sector. The benefits of such an endeavor (i.e., regulation of the informal sector) will be considerably outweighed by the costs, and such an effort will really be a waste of time.

Once more, due to the large number of operators in that industry, there is fierce competition for customers in the marketplace. Selling pure water as they pursue passing cars down the streets of Accra is a classic example. 'Survival of the fittest' applies here.

In addition, it uses fa lot of labor and technology. Yankson (1992) reported finding low and subpar technology applied in the informal sector company units the investigated in Ghana. The tools used by entrepreneurs in the informal sector are either hand-made by the entrepreneurs themselves or purchased locally and then improved. 'Technological innovation' is demonstrated in the informal sector through its use of locally produced tools. The owners do not have enough money to import more sophisticated technologies. The sector relies heavily on labor for its production.

According to Allingham and Sandmo (2002), a marketplace is a site where products and services are traded. A city square serves as the conventional market square, where vendors erect stalls, customers peruse the goods. This type of market is extremely old, and there are still innumerable examples operating all over the world. Small family-run businesses still rule the retail industry in various parts of the world, but massive retail chains are steadily eroding this market share (Arnold, 2005). Assibey-Mensah (2003) and Atuguba (2006) divided Ghanaian retailers into the following categories based on the products they sell: hairdressers and wig retailers, hardware retailers, electrical supply retailers, food retailers, department stores, convenience stores, network and electricity credit retailers, internet service providers, personal selling/mobile retailers, and vending retailers.

2.5 Conceptual Framework

Figure 1 Conceptual Framework
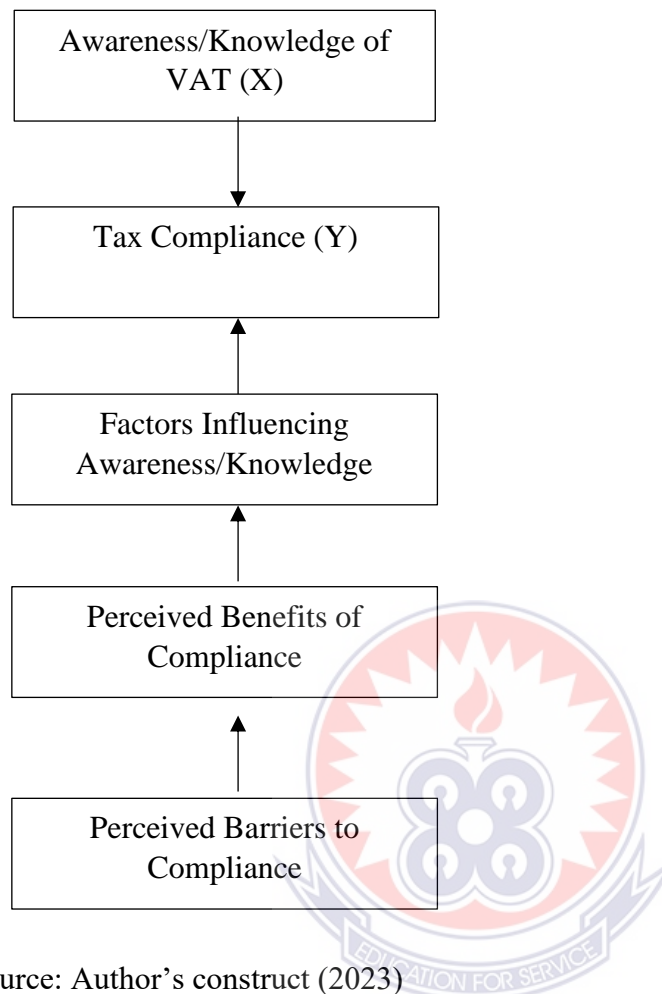
Source: Author's construct (2023)

2.6 Chapter Summary

This chapter assessed the theoretical underpinnings, the basic concepts of the study and some empirical evidence backing this study. This analysis has laid grounds for the study to be based on and this study also seeks to add to the existing body of knowledge.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This section examined the various strategies and techniques used to collect and analyze the data for this study. Research must be conducted using a method that is methodical, methodological, rigorous, conventional, and unbiased if it is to be considered scientific (Johnson, 2001). Research design, study area, population, sample size and sampling methodology, data collection tool, data collection methodology, and data processing analysis were the primary topics discussed in this chapter.

3.1 Research Approach

Methodologies for conducting research might be qualitative, quantitative, or hybrid (qualitative and quantitative). Data are acquired using the quantitative method, which uses scores, metrics, and other measurements (Bhattachenee, 2012). This approach works by developing generalizable concepts and testing hypotheses. Under this practice, questionnaires, surveys, personality assessments, and other standardized testing tools are used to collect data. While mixed methods are used to conduct research that includes both quantitative and qualitative data selection, analysis, and synthesis, qualitative design gathers data through interviews and observations. This strategy is used when integration is necessary to provide a deeper understanding of the study problem than all the people. Creswell (2003) asserts that the level of knowledge of the researcher, the audience for the research report, and the nature of the research topic are crucial considerations in selecting an effective research approach. Sampong (2015) contends that survey designs can be used in both quantitative and qualitative

investigations to produce reliable results and promote the aim of generalization, which is a cornerstone of positivist philosophy.

As a result, due to the study's quantitative nature, a quantitative research approach is used in this research. Furthermore, according to Dolincar and Ring (2014), it is appropriate for assessing a phenomenon while considering a cross-section of the population at a certain moment. Quantitative research methods can restrict the researcher's biases even when qualitative methods produce more detailed results than quantitative methods.

3.1.2 Research Design

Wengel, Mclntosh, and Cockburn-Wootten (2019) define research design as the method a researcher use to integrate the many pieces of a study logically and cogently. Based on the goals the research is trying to accomplish, three different forms of research are known as exploratory research design, descriptive research design, and explanatory research design. An explanatory research design is the best to use when the researcher wants to investigate or establish a causal relationship between variables, while a descriptive research design helps to describe an event, phenomenon, or situation (Sauders, Lewis, & Thornhill, 2009). An exploratory design is used when the research is about clarifying our understanding of a problem.
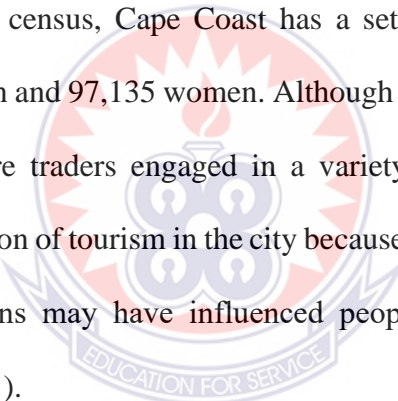
Considering the study's objectives, the descriptive and explanatory research designs are the most appropriate for this research. This is due to the fact that the first and second objectives—measuring the level of VAT awareness and knowledge among Cape Coast retailers and identifying the factors that affect those levels—are consistent with the descriptive research design because they enable the researcher to understand the level of VAT knowledge that retailers possess as well as the factors that affect it. To establish a causal connection between knowledge levels about VAT and tax compliance, the third

objective is to evaluate the consequences of retailers' awareness and understanding of these topics relates to the explanatory study methodology.

3.1.3 Study Area

The study area is the city of Cape Coast. Cape Coast serves as the regional capital of Ghana. It served as the first capital of Ghana, formerly known as the Gold Coast, before shifting to Accra in 1877. The Gulf of Guinea, the Atlantic Ocean, the Twifo Hemang Lower Denkyira District, the Komenda Edina Eguafo Aburem District, and the Abura Asebu Kwamankese District are all Cape Coast's neighbors on its northern, western, eastern, and southern borders, respectively.

According to the 2021 census, Cape Coast has a settlement population of 189,925 people, with 92,790 men and 97,135 women. Although Cape Coast is a coastal city, the bulk of its residents are traders engaged in a variety of retail pursuits rather than fisherman. The population of tourism in the city because of Cape Coast Castle and other nearby tourist attractions may have influenced people's choices of work. (Ghana Statistical Service, 2021).

According to a survey done in 2016 by Inkoom, the study's areas contain every type of retail sector firm and activity in Ghana. Once more, the region chosen is the most practical because the researcher and those who will be hired to help with data collection are there. This will guarantee that the questionnaires and interviews are administered effectively and efficiently. Long-term, this would make it easier to gather primary data within the allotted time for submitting the final product.

3.2 Population

According to Ary, Jacobs, Razavieh, and Soensen (2006), the population is the entire

collection of cases that meet a certain set of requirements. It should be emphasized that,

regardless of the fundamental units, the term "population" always refers to the entire

collection of characteristics about which the researcher is interested in learning more

and forming conclusions. It can also be viewed as the target audience for the study, a

group of people about whom the researcher is eager to learn more and draw conclusions

(Babbie, 2005). The population of the study consists of both non-registered stores and

all retailers in the Cape Coast metropolitan who satisfy the requirements to be registered

for VAT.

Both VAT-registered businesses (retailers) and unregistered retailers were the focus of

the study. The fact that most Ghana's retail businesses are in the informal sector and

that their activities are extremely diverse justifies focusing on all retailers to broaden

the application of the findings and to obtain a representative sample size from the

population. The accessible population, which is a subset of the target population, is the

section of the population to whom the researcher has reasonable access (Creswell,

2012). The population that is reachable is those living in Cape Coast Township and the

surrounding areas near to the Cape High Court because it is where the target population,

Cape Coast, is located. Because it is the center of the metropolis and where most of the

commercial activity occurs, this segment of the population also represents the greatest

number of stores in the Cape Coast Metropolis.

3.3 Sampling Procedure

There is a need for an effective way of determining the sample size to be representative

of a given population due to the ever-increasing demand for research. One cannot

investigate everyone everywhere and accomplish everything when conducting research (Miles & Huberman, 2002; Malhotra & Birks, 2007). The list of all population units from which the sample is drawn is referred to as the sampling frame (Cooper & Schindler, 2008). It includes all the units that could make up a sample and serves as a physical representation of the target population (Kothari, 2004). Researchers like Krejcie & Morgan (1970), Ary et al. (2006), and Malhotra & Birks (2010) assert that choosing a sample size of five percent or higher is reasonable in a descriptive survey study.

According to a report by Ghana Revenue Authority 2022, the number of VAT registered retailers in the Cape Coast metropolis was 345 and a convenient estimated population size of unregistered retailers to be 355, totaling 700 retailers, both registered and unregistered. To this study all, a sample size of 150 is obtained and was calculated using Adam (2020) sample size determination formula.

$$N = \frac{Z^2.P.(1-P)}{e^2}$$

Where:

- *n* is the sample size
- *Z* is the Z-value (the number of standard deviations from the mean corresponding to the desired confidence level, e.g., 1.96 for 95% confidence).
- *p* is the estimated proportion of the population that has the attribute of interest.
- *e* is the margin of error (the desired level of precision).

These formulas help researchers determine the appropriate sample size to ensure their study results are statistically significant and representative of the population.

The sample size is evenly distributed, in that it contains an even number of retailers from various categories like hardware, electric supplies, repair services, handicraft, general and provision shops and others.

3.4 Source of Data

The source of data for this study is primarily from a survey conducted among retailers in Cape Coast, Ghana. Additionally, secondary data sources such as academic literature, government reports, and statistical databases may also be utilized to provide context and background information for the study

3.4.1 Retail Business Categories and Sample Size

Table 1 presents the sample size distributed across various categories of retail businesses in Cape Coast. The data, sourced from the Ghana Revenue Authority (2022), highlights the diversity and scale of retail operations in the area. The table categorizes retail enterprises into different types and shows the number of registered businesses in each category:

Table 1: Sample size by the various strata of enterprises used.

Categories of retail businesses	Registered size
Hardware	31
Electrical supplies	42
Handicraft	17
Repair services	29
General &Provisional stores	126
Computer and computer accessories	30
Restaurants and bars	25
Textile/Leather Works	45
Total	345

Source: Ghana Revenue Authority (2022)

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3.5 Data Collection Instrument

The concerns around determining the degree of knowledge and awareness of VAT on retail companies in the Cape Coast Metropolis are covered by the data gathered. The emphasis was on the business owners' level of awareness and the retailers' level of compliance. The difficulties that shops encounter in obtaining and paying VAT were also considered. Most of the information gathered was quantitative and was obtained through surveys. The questionnaire was used to directly elicit information from the respondents. Documents related to retailers' VAT collection were also used to gather information.

The primary method for gathering data is through a questionnaire. A questionnaire is a form that asks prepared questions and requires written responses from the respondents (Korang, 2014). Respondents who can read and understand the questions on the instrument are given a questionnaire. Compared to an interview guide, this type of instrument is more adaptable. It has a high response rate, is simple to administer, offers the chance to watch nonverbal behavior, and when given directly, provides the ability to rectify respondents' misunderstandings. When delicate subjects must be addressed, it takes longer, is more inconvenient, and is less productive than other ways. This tool is thought to aid the researcher in gathering trustworthy and reasonable data within a reasonably simple framework.

There were four sections (A, B, C, and D) and 36 items in the questionnaire. Both closed-ended and open-ended pieces were included in the set. Eight items in the instrument's first part were designed to elicit information about the respondents' demographics. Gender, age, highest academic degree, and number of years in business were considered. The instrument's section B contained 12 components. These questions

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were designed to gauge the respondents' degree of familiarity and expertise with VAT-related topics. Seven items make up Section C of the survey. These questions were meant to gather information on the variables affecting respondents' awareness of VAT-related difficulties. The instrument's Section D contained seven items. These things. The unconstrained items asked for a free answer on the concerns in the respondents' own words. This type of item is thought to offer or provoke a deeper response to the subject. The respondents didn't require much help from the researcher to complete the questionnaires on their own. There were several rating scale questions. Because data gathered through questions can be reliable, constant, and have a uniform measure without variance, questionnaires were used. Additionally, it lessens prejudice brought on by how an issue is presented by the researcher (Bryman & Bell, 2003).

3.6 Validity and Reliability of the Instrument

According to Pallant (2001), the term "validity" refers to a measure that accurately captures the idea it is meant to measure. Validity in this context simply refers to how successfully the researcher's desired replies from the respondents were gathered via the questionnaire. The degree to which a study correctly responds to the questions it was designed to address is known as validity. It evaluates the reliability or standard of the research methodology and the accuracy of the findings. On the other hand, content validity was defined by Gravetter and Forzano (2006) as the extent to which a test assesses an intended content area. They believe that content validity is decided by expert opinion and cannot be measured using a quantitative method.

The questionnaire was made accessible to the researcher's supervisor for assessment and criticism with the goal of enhancing the content validity of the research instrument. The questionnaire was altered, and certain information was removed with the help of

the senior supervisor since it was thought to be erroneous or to have violated the respondents' privacy.

3.7 Data Collection Procedures

The data were gathered over the course of three weeks. The period of data collecting is scheduled to run from April 30 to May 20, 2023. The responders have no more than 30 minutes to finish the surveys. An informal familiarization visit to the research region was conducted prior to the administration of the questionnaire to confirm the number of VAT registered enterprise operators and unregistered retailers.

The researcher provided some assistance, but the questionnaires were self-administered. Before the questionnaire is given out, each enterprise, division, sector, or unit's respondents are given a brief speech outlining the study's objectives. The study participants are given the questionnaires. Every question on the form is gone through with them, and anything that might not be clear is explained. They are once more instructed on how to react to the goods. To avoid interfering with work time, they are advised to complete the questionnaires during their break or right after work. The researcher helps those who are unable to read or write fill out the surveys.

The questionnaire should be completed on the same day, as honestly and independently as possible. The majority of completed surveys are collected the same day they were handed out. The surveys are dispersed throughout the companies and among the study region's units. The device must be administered by the researchers during a three-week period, as was already mentioned. The 150 administered questionnaires will be located, claim the researchers.

3.8 Data Processing and Analysis

Data cleansing, transformation, editing, and modeling are all included in the process of data analysis (Adèr & Mellenbergh, 2008). To generate descriptive analyses for this investigation, one statistical software package (SPSS 22.00) will be used. The statistical analysis software package known as SPSS 22.0 was used to edit, code, and analyze the data obtained from the surveys. First, groups of the collected data from the respondents were created for modification. After alteration, they were manually coded using numerical values. The keying process was then finished by entering the data into the data view. Following these, the data were collected, cleaned, and organized into tables for presentation and discussion in the following chapter of this study. To promote understanding and clarify meaning, the tables served as illustrations. Frequency distributions, percentages, and cross tabulations were employed to examine the research findings because the research methodology was descriptive.

For the research questions, thus, the level of awareness and knowledge of VAT among retailers in Cape Coast, factors that influence retailers' awareness and knowledge level regarding value added tax in Cape Coast were analysed using a frequency distribution where we derived the mean and standard deviation. This was interpreted using the quartile ranges where a mean below 1.25 is low, a mean between 1.25 and 3.75 is moderate and a mean above 3.75 is high. And for the last research question, thus, the relationship between awareness and knowledge of value added taxes and tax compliance among retailers in Cape Coast was analyzed using pearson correlation.

3.9 Ethical Considerations

Ethics plays a crucial role in research involving human participants, dictating the appropriate conduct of researchers in accordance with societal norms (Best & Kahn,

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2012). Adherence to established processes and ethical standards safeguards the well-being of the researcher, research subjects, and study clients, preventing any potential negative consequences. Various ethical considerations were taken into account throughout the study, encompassing aspects such as the right to privacy, informed consent, anonymity and confidentiality, deceit, and scientific misconduct. The researcher ensured compliance with university regulations, addressing ethical conditions such as plagiarism, academic honesty, and proper acknowledgment of copyrighted sources.

3.10 Chapter Summary

The methodology for the study was described in the chapter, along with the descriptive and explanatory research designs that were employed. The data used is also described in this chapter. The study evaluates the level of retailer awareness and knowledge regarding VAT in the Cape Coast metropolis and its impact on tax compliance to set this work apart from others. The study's sample size limits its generalizability, and it is also constrained by the fact that it only assesses VAT-specific levels of tax awareness and understanding.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

The main objective of the study was to assess the awareness and knowledge level of Value Added Tax among retailers in Cape Coast Metropolis and its implication on tax compliance. Specifically, the study seeks to measure the level of awareness and knowledge of VAT among retailers in the Cape Coast Metropolis, identify the factors that influence retailers' awareness and knowledge levels and assess the implications of retailers' awareness and knowledge of Value Added Taxes on tax compliance.

There are two main sections to the chapter. The respondents' backgrounds were the primary topic of the first section. The following factors were taken into consideration: the respondents' sex, age, number of years of retailer experience, and highest level of education. The study's goals were the main topic of the second section.

4.1 Background Characteristics of the Respondents

This section predominantly examines the demographic composition of the respondents, including their gender, age, tenure in the retail industry, and educational attainment. It also delves into the nature of their retail operations and their VAT registration status. To capture insights into the backgrounds of the respondents, eight specific data points were formulated. The results are presented below:

Table 2: Age distribution of respondents by sex using cross tabulation

Age group of respondents in years	Sex of respondent				Total	
	Male		Female			
	Freq.	%	Freq.	%	Freq.	%
Less than 20	4	2.7	5	3.3	9	6.0
20 – 29	26	17.3	41	27.3	67	44.7
30 – 39	22	14.7	25	16.7	47	31.3
40 and above	10	6.7	17	11.3	27	18.0
Total	62	41.4	88	58.6	150	100

Source: Field Data (2023)

Results on respondents' age distribution by sex are shown in Table 2 above. The majority (58.6%) of retail shop owners in the research area were women, as shown in the table. The chart also reveals that the age range of 20 to 29 years was occupied by the majority of male (41.9%) and female (46.6%) retail company owners. However, just 6.0% of retail business owners were under the age of 20. According to Table 2's findings, the majority (44.7%) of retail shop owners fall into the younger age bracket. According to the probability sampling technique utilized, every responder was randomly sampled and had an equal chance of being chosen. Because most of the operators still have a lot of years left in the business before retiring, the results are a favorable sign for the future of the retail industry in Ghana. The findings also show that more young people start their own businesses in areas with higher education facilities. This can be used as evidence by policymakers to create more opportunities for young people to start their own businesses.

Table 3: Distribution of respondents by highest academic qualification

Highest academic qualification	Freq.	%
MSLC/BECE	31	20.7
WASSCE/SSSCE/O' Level/A' Level	64	42.7
Diploma	18	12.0
Bachelor's Degree	32	21.3
Others	5	3.3
Total	150	100

Source: Field Data (2023)

Table 3 displays the distribution of respondents' highest academic degrees. The data indicates that a majority (42.7%) of retail business owners held a WASSCE/SSSCE/O' Level/A' Level qualification. In contrast, only 21.3% and 12.0% of participants possessed bachelor's degrees. The findings indicate that most retail business owners have significantly less experience. This explains why most business owners were in their 20s since they started their business as soon as they graduated from high school. However, most respondents had some form of education, which is advantageous for the sector.

Table 4: Distribution of respondents by category business and gender

Highest academic qualification	Frequency (Freq.)		Total
	Male	Female	
Hardware	13	3	16 (10.7%)
Electrical supplies	17	4	21 (14.0%)
Handicraft	4	17	21 (14.0%)
Repair services	12	0	12 (8.0%)
General and provisional stores	8	47	55 (36.7%)
Restaurants and bars	8	17	25 (16.7%)
Total	62	88	150 (100%)

Source: Field Data (2023)

The survey also gathered data on the type of business that the owners of retail businesses are engaged in. The information was gathered via a closed-ended item. Table 4 presents the findings. According to Table 4's findings, more of the respondent's retail sales (36.7%) were classified as general and provisional establishments. In this group of operators, there were 48 women and 8 men. Once more, 16.7% of the respondents worked as retailers in the restaurant and bar industries. 8 men and 17 women were included in this group. However, just 14% of the respondents were engaged in handicraft business. 17 women and 4 men made up this group as well. This shows that the amount of traditional and exotic goods made by residents has decreased, and policymakers can start making changes to this industry. The findings also demonstrate that the study covers most of the categories in the Cape Coast Metropolis's retail business gender consideration.

Table 5: Number of years trading as a retail business operator

Years of trading as a retailer	Frequency (Freq.)	Percent (%)
Less than 3 years	65	43.3
4 – 6 years	51	34.0
7 - 10 years	28	18.7
10 years and above	6	4.0
Total	150	100

Source: Field Data (2023)

The survey also gathered data on how long the respondents had been operating as stores. Table 5 shows the distribution of the respondents' years of operation as retail business owners. According to Table 5, most retail business owners (77.3%) stated that they have been in operation as such for less than six years. The chart also reveals that 18.7% of retail business owners have been in operation for between seven and 10 years. This demonstrates why most responders are young entrepreneurs since a sizable portion

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of them have only recently entered the retail industry. This is encouraging because the responders have sufficient company experience and are still in their early years, making them receptive to fresh ideas that will benefit their future undertakings.

Figure 1 shows how many retailers in the city have filed their VAT returns. This study focused on retailers whose ventures are very likely to attain this revenue by the end of one financial year since in Ghana, a shop is required to register for VAT when their annual income is GHS200,000 and above. The findings indicated that just roughly 40% of these retailers are registered for VAT, with the remaining 60% not.

Figure 2 Percentage of retailers registered for VAT
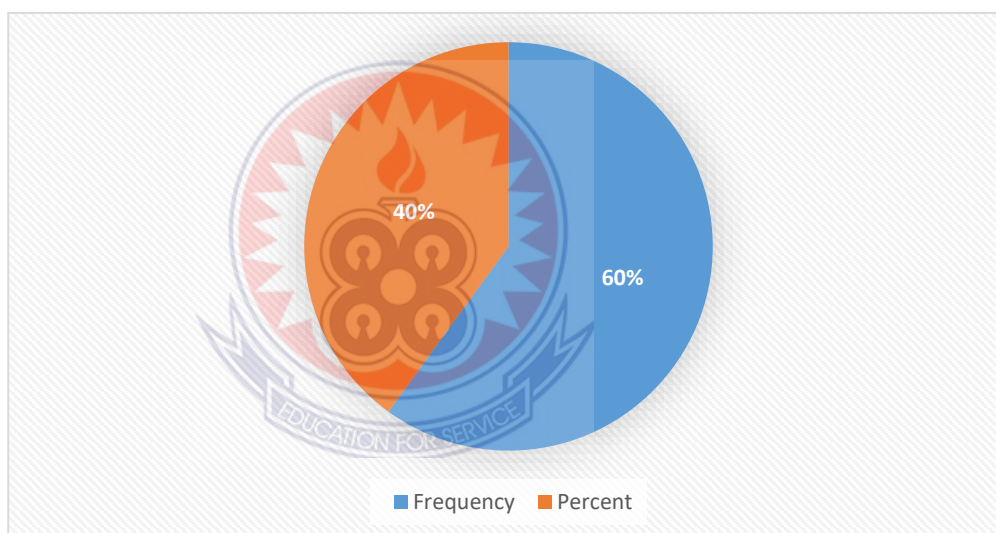
4.2 Analysis pertaining to the research objectives

This section presents the results pertaining to the research objectives. It focuses on assessing the awareness and knowledge level of Value Added Tax among retailers in Cape Coast Metropolis and its implication on tax compliance. Specifically, the study seeks to measure the level of awareness and knowledge of VAT among retailers in the Cape Coast Metropolis, identify the factors that influence retailers' awareness and knowledge levels and assess the implications of retailers' awareness and knowledge of

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Value Added Taxes on tax compliance. Statistical tools such as frequency and percentage distributions were used to analyze the data. The results are presented as follows:

4.3 Objective one – The level of awareness and Knowledge of VAT among Retailers in Cape Coast

The first substantive objective of the study was to measure the level of awareness and knowledge of VAT among retailers in Cape Coast. Some of the issues considered were; whether respondents had knowledge about VAT, how the knowledge was obtained and the current VAT rate in Ghana. Again, other closed-ended questions were used to assess respondents' awareness of issues relating to VAT. In all, twelve items were used to elicit information on the awareness and knowledge level of respondents. The results are summarized as follows:

Table 6: Sources of knowledge on VAT

		How VAT knowledge was obtained			
		Formal Education	Workshop	Job training	No response	**Total**
Do you have knowledge	**Yes**	60	9	29	1	99
about VAT	**No**	1	1	2	47	51
Total		61	10	31	48	150

Source: Field data (2023)

First the retail business operators' respondents were asked to indicate whether they have any knowledge of VAT and the sources through which they acquired this knowledge as shown in Table 6. Out of the total 150 respondents, 99 individuals (66%) indicated that they possess knowledge about VAT, while the remaining 51 respondents

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(34%) reported having no knowledge of it. Among these respondents who demonstrated awareness of VAT, the study delved into the origins of their knowledge. Notably, a significant portion of respondents, accounting for 40% of the total, had gained their VAT knowledge through formal education. This implies that educational institutions play a pivotal role in disseminating information about VAT and its implications. This finding is in line with the findings of Moses (2019) which attributed knowledge level to be highly influenced by formal education than any other form of education.

Furthermore, the findings revealed that 19.3% of respondents acquired their understanding of VAT through on-the-job training. This suggests that workplace experiences contribute significantly to the comprehension and application of VAT concepts in real-world scenarios. Interestingly, only a minor proportion of respondents, specifically 6.0%, reported obtaining their knowledge from workshops. This suggests that workshops may not be as prevalent or effective as other means of conveying information about VAT.

Table 7: Attended VAT Seminar by GRA

	Frequency (Freq.)	**Percent (%)**
Yes	28	18.7
No	122	81.3
Total	150	100

Source: Field Data (2023)

Table 7 shows the proportion of retailers' knowledge on VAT that is because of seminars organized by Ghana revenue Authority. The analysis of the data indicates that a relatively small proportion of retailers have attended these seminars. Specifically, 18.7% (28 respondents) reported participating in GRA-organized VAT seminars, while the majority, comprising 81.3% (122 respondents), acknowledged not having attended

such events.

Adu Kumi (2022) discusses the limited reach of VAT seminars organized by the GRA and suggests the need for improved accessibility and effectiveness. This outcome suggests that the reach of GRA's VAT seminars among retailers in Cape Coast is limited, with most retailers yet to benefit from this specific knowledge dissemination avenue. As a result, there appears to be room for enhancing the awareness and understanding of VAT among retailers in the region. The findings underscore the need to assess the accessibility and effectiveness of these seminars, and potentially explore ways to increase participation. This analysis prompts a closer examination of the factors influencing retailers' engagement with these seminars, with the goal of fostering a more comprehensive and informed understanding of VAT regulations and implications in the retail sector of Cape Coast. This situation aligns with the Deterrence Theory's argument that increasing the certainty and swiftness of detection and punishment enhances compliance. The GRA's seminars could serve as a valuable tool for enhancing the certainty of being informed and educated about VAT regulations, potentially influencing retailers' compliance behaviors positively.

Table 8: Respondents awareness on VAT related issues

	N	Mean	Std. Deviation
It is easy to acquire knowledge on VAT	150	2.8667	1.13910
I know and understand the essence of VAT	150	3.2467	1.20367
I know and understand the function and benefit of VAT	150	3.2000	1.18151
I know and understand the process of filling VAT returns, preparing financial statements and how to pay VAT	150	3.0733	2.76628
I know and understand the calculation of VAT	150	3.1200	2.77312
I know and understand the preparation of VAT account	150	2.8733	1.32248
I know and understand the implementation of sanctions for tax avoidance	150	3.2733	1.20901
I know and understand the effects of VAT rate changes on pricing of products	150	3.3400	1.27879

Source: Field data (2023)

Table 8 presents information on respondents' awareness of VAT related issues. The data analysis pertains to respondents' perceptions, measured on a Likert scale, regarding various VAT-related aspects.

Results indicate a moderate level of knowledge on VAT-related matters among retailers. Respondents displayed a general understanding of the essence, functions, and benefits of VAT, with notable diversity in their perceptions. While respondents expressed moderate awareness of preparation of VAT accounts, understanding of sanctions for tax avoidance and the effects of VAT rate changes on prices, with individual viewpoints varied significantly.

Interestingly, respondents reported a moderate familiarity with the process of handling VAT tasks such as filing returns, preparing financial statements, calculation of VAT

and making payments. Nonetheless, the high standard deviation revealed a wide range of perceptions. The assessment underscores a moderate awareness of VAT concepts and implications among retailers in Cape Coast. While a baseline understanding exists, there is substantial variability in perceptions and knowledge levels. These findings emphasize the significance of targeted educational efforts to enhance uniform understanding among retailers, which can ultimately influence tax compliance behaviors and practices.

The study's findings underline the complex interplay between awareness, knowledge, and compliance behaviors among retailers regarding VAT. These findings, viewed through the lens of the Theory of Planned Behavior and the Deterrence Theory, highlight the need for multifaceted interventions that strengthen education, improve the accessibility of information, and enhance the certainty of consequences. By addressing these aspects, policymakers and stakeholders can potentially foster a culture of improved VAT compliance within the retail sector in Cape Coast

4.4 Analysis of findings pertaining to objective two – the factors that influence retailers' awareness and knowledge levels

The researcher wanted to assess the factors that influence retailers' awareness and knowledge levels of VAT in the Cape Coast Metropolis. Respondents were asked about some factors which they believe have an influence on their awareness and knowledge level. Results are presented below.

Table 9: Factors that influences retailers' awareness on VAT

	N	Mean	Std. Deviation
My level of Education informed my knowledge on VAT	150	2.9000	1.35483
The availability and accuracy of information on VAT by the government informed my knowledge on VAT	150	2.7533	1.14655
My interactions with tax authorities informed my knowledge level on VAT	150	2.9533	1.27620
The level of awareness and communication in the market informed my knowledge level on VAT	150	2.8733	1.23319
External factors such as economic conditions, market structures etc. informed my knowledge level on VAT	150	2.8333	1.14936
My experience in VAT related processes informed my knowledge level on VAT	150	2.9933	1.31841

Source: Field data (2023)

The outcomes illuminate the multifaceted nature of factors influencing respondents' understanding of VAT. Respondents attribute varying degrees of influence to different factors. Education emerges as the highest contributor, indicating that knowledge acquisition is a major factor influencing knowledge and awareness level, but awareness was not solely dependent on educational background, other factors contributed significantly.

In terms of governmental involvement, respondents acknowledge the role of accurate VAT information provided by the government, which holds a moderate influence on their awareness. This underscores the importance of reliable and accessible information dissemination in enhancing VAT awareness. Direct interactions with tax authorities are

notable influences, signifying that personal engagement significantly shapes respondents' VAT knowledge. The recognition of tax authorities as sources of information underscores their pivotal role in fostering awareness and comprehension.

Market communication also holds a moderate impact, with the level of awareness and communication within the market playing a role in informing respondents' knowledge. This suggests that the exchange of information within the business environment contributes to VAT awareness.

External factors, including economic conditions and market structures, moderately influence respondents' VAT knowledge. These factors highlight the contextual elements that contribute to understanding VAT dynamics.

Furthermore, respondents' own experience with VAT-related processes slightly informs their awareness, emphasizing the role of hands-on involvement in shaping understanding. Respondents were asked if other factors can influence their awareness level and some attributed it to the current cost of input; explaining that if the cost of goods and services are high, consumers would like to find out what the increase is attributed to. They then become aware, through the wholesalers, that the VAT rate has been increased.

Most Researchers who covered this topic attributed high proportions of awareness and knowledge level to respondents' level of formal education or otherwise (Attobrah, 2021; Inkoom 2016 & Moses, 2019). However, our research revealed that over the years, other factors contribute moderately to respondents' awareness and knowledge level and education is not the only medium. These findings can be closely related to the Theory of Planned Behavior, which posits that individuals' behaviors are influenced by their attitudes, subjective norms, and perceived behavioral control. In this context, the

factors identified—education, governmental involvement, interactions with tax authorities, market communication, external conditions, and personal experience—can be seen as shaping respondents' attitudes, perceptions of norms, and perceived control over their awareness and knowledge of VAT. Education, for instance, functions as a key influencer, aligning with the notion that higher levels of knowledge acquisition facilitate favorable attitudes towards tax compliance, thereby increasing the likelihood of complying.

In conclusion, the analysis reveals a dynamic interplay of factors that collectively influence retailers' awareness of VAT. Education, government-provided information, interactions with tax authorities, market communication, external conditions, and personal experience all contribute to varying extents. These insights underscore the multifaceted nature of VAT awareness and its potential implications for tax compliance practices among retailers.

4.5 Analysis of findings pertaining to objective three - the implications of retailers' awareness and knowledge of Value Added Taxes on tax compliance.

The next subs1tantive objective of the study was to examine the implications of retailers' awareness and knowledge of Value Added Taxes on tax compliance. The study utilizes a Likert-scale survey to gather insights from respondents, primarily retailers, regarding their perceptions and experiences related to VAT and tax compliance.

Table 10: Implications of awareness and knowledge of VAT on Tax Compliance related issues

Correlation is significant at the 0.05 level (2-tailed).

		Do you have knowledge about VAT	Do you believe that having knowledge about VAT increase your compliance with them
Do you have knowledge about VAT	Pearson corr.	1	-.191
	Sig. (2 tailed)	-0.19	.0
	N	15	150
Do you believe that having knowledge about VAT increase your compliance with them	Pearson corr.	-.191	1
	Sig. (2 tailed)	.019	
	N	15	150

Source: Field data (2023)

The result presented above shows a weak correlation (relationship) between VAT knowledge levels and tax compliance. This is because, using absolute values, the closer the correlation coefficient is to 0, the weaker the relationship between the variables. And the small magnitude of -0.191 indicates that VAT knowledge levels may only have a limited impact on tax compliance behavior.

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Table 11: Implications of awareness and knowledge of VAT on Tax Compliance related issues

	N	Mean	Std. Deviation
Do you believe that having knowledge about VAT increase your compliance with them	150	3.5400	1.15061
Does your knowledge level of VAT non-compliance penalties influence your compliance	150	3.0867	1.14655
Do you think that the accuracy level in filling your VAT returns is influenced by your knowledge level of VAT	150	3.1667	1.12576
The level of awareness and communication in the market informed my knowledge level on VAT	150	2.9533	1.20032
Do you believe that your ability to stay up to date with changes in VAT regulations or rates is influenced by your knowledge level in VAT	150	3.2133	1.25632
Do you believe that your ability to comply with VAT regulations without facing any difficulties depends on your knowledge level	150	2.9933	1.31841

Source: Field data (2023)

The research aims to explore the relationship between retailers' awareness and knowledge of Value Added Tax (VAT) and how this awareness influences their tax compliance behaviors. The following is a detailed analysis that contextualizes the findings within the scope of the research topic.

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The first survey question delves into whether having knowledge about VAT increases compliance. The mean response of 3.54 indicates that retailers, on average, moderately agree that possessing knowledge of VAT positively impacts their compliance behaviors. This finding aligns with the research topic, suggesting that retailers recognize the significance of understanding VAT regulations to adhere to compliance requirements. This insight highlights the potential role of education and training programs in enhancing retailers' awareness of VAT regulations.The second question explores whether knowledge of VAT non-compliance penalties influences compliance behavior. The mean response of 3.0867 suggests that retailers somewhat agree that awareness of penalties affects their compliance actions. This result underscores the idea that knowledge of the consequences associated with non-compliance can act as a deterrent, motivating retailers to adhere to VAT regulations. It emphasizes the need for effective communication of penalty implications to foster better compliance behavior.

The third question assesses the impact of VAT knowledge on the accuracy of filling VAT returns. With a mean response of 3.1667, retailers moderately agree that their understanding of VAT contributes to the precision of their return submissions. This finding reinforces the notion that a solid grasp of VAT regulations enables retailers to complete returns accurately, potentially reducing errors and mitigating the risk of compliance issues. As such, it highlights the importance of providing resources and support to help retailers comprehend complex VAT regulations.

The fourth question investigates whether knowledge level influences staying informed about VAT regulatory changes. The mean response of 2.9533 indicates that retailers have a somewhat less strong agreement on this aspect. This suggests that retailers may not universally perceive their knowledge of VAT as the primary factor influencing their

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ability to keep up with regulatory updates. This underscores the need for accessible and timely information dissemination channels to assist retailers in staying informed about changes in VAT regulations.

The fifth question explores whether the ease of complying with VAT regulations depends on knowledge level. The mean response of 3.2133 suggests that retailers moderately agree that their VAT knowledge impacts the ease of compliance. This insight underscores the potential connection between education, understanding, and compliance ease. It implies that investing in training and resources to bolster retailers' VAT knowledge could contribute to smoother compliance processes.

These findings are closely related to the deterrence theory, which suggests that sanctions deter taxpayers' non-compliance behavior. Respondents' awareness of non-compliance penalties serves as a deterrence to prevent tax non-compliance behavior. This is because their awareness of such penalties, which is the punishment of non-compliance, outweighs the perceived benefits of non-compliance and therefore individuals would fulfill their tax obligations to avoid these penalties.

In conclusion, the findings reflect a slight relationship between retailers' awareness and knowledge levels on VAT and their tax compliance, in respect to their knowledge levels on non-compliance penalties, accuracy in filling VAT returns and their ability to stay up to date with changes in VAT regulation.

4.6 Chapter Summary

The conclusions gleaned through the process of gathering data are explained in the chapter. Two major sections made up the chapter. First, the background characteristics of the respondents were examined, considering factors like the respondents' sex, age, years of retail experience, and greatest level of education. The goals of the study were

the focus of the second section. Here the findings indicate that a greater portion of retailers have knowledge of VAT. The findings also indicated that formal education, even though being an important factor, is not solely the factor influencing retailers' awareness and knowledge levels on VAT. And lastly it was covered that retailers' knowledge on VAT has a small impact on their tax compliance behavior. But respondents believe that their knowledge on VAT, VAT non-compliance penalties and staying up to date with changes in VAT regulations positively impact their compliance behavior.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

An overview of the study's key findings and its conclusions are presented in this chapter. Based on the important goals of the study, significant findings are provided. Conclusions and suggestions are then given. The final part makes recommendations for additional research.

5.2 Summary of Findings

The study's main goal was to determine how well-informed Cape Coast Metropolis retailers were about value added tax and how that knowledge affected their ability to comply with tax laws. The study specifically aims to measure the level of VAT awareness and knowledge among retailers in the Cape Coast Metropolis, identify the variables affecting retailers' levels of awareness and knowledge, and evaluate the effects of retailers' VAT awareness and knowledge on tax compliance. The study also offers some suggestions for practical actions that the government and other interested parties might take to raise awareness and knowledge to increase tax compliance.

The Cape Coast metropolis is where the study was conducted. The descriptive and explanatory survey design was used in the study. Retail business owners make up the study's population. The study focused on businesses (retailers) that were both registered and unregistered for VAT and shared similar traits. There is no denying the fact that most of the Ghana's retail business are part of the informal sector, whose activities are very diverse. As a result, the justification for focusing on both registered and unregistered

businesses is to have accurate data and to obtain a sample size that is representative of the population. 150 retail businesses, both VAT-registered and unregistered, were included in the sample. The proper sample size was calculated using the Adams (2020) sample size determination factor. The stretch passed through the majority of the Cape Coast Metropolis' retail businesses.

For the study, primary source data was employed. The only tool employed to acquire primary data from the owners of retail businesses was a questionnaire. The questionnaire had four sections with both closed-ended and open-ended questions that were used to address the research objectives and demographics. Using SPSS software, version 22, data analyses were conducted, including cross tabulation, frequencies, percentages, and Pearson correlation. The first substantive objective was assessing respondents' awareness and knowledge levels, and the following major conclusions emerged:

Out of the total respondents, 66% (99 individuals) indicated having knowledge of VAT, while 34% (51 respondents) reported lacking knowledge about it. Among those aware of VAT, 40.7% had gained their understanding through formal education, highlighting the role of educational institutions in disseminating VAT information. Additionally, 32% acquired their VAT knowledge through on-the-job training, demonstrating the importance of workplace experiences in comprehending and applying VAT concepts. Only 6.7% reported obtaining knowledge from workshops, suggesting workshops may be less effective in conveying VAT information.

The analysis of participation in GRA organized VAT seminars revealed that 18.7% (28 respondents) had attended these seminars, while 81.3% (122 respondents) had not. This

suggests limited reach and effectiveness of these seminars among retailers in Cape Coast, pointing to the need for improved accessibility and effectiveness of such knowledge dissemination avenues. In terms of awareness on VAT-related issues, the data analysis indicated a moderate grasp of VAT concepts among retailers. Respondents generally understood the essence, functions, and benefits of VAT, but perceptions varied. Moderate awareness was seen in areas like VAT calculation, preparation of VAT accounts, and the effects of VAT rate changes on prices, but there was considerable diversity in individual viewpoints. Respondents also showed moderate familiarity with VAT tasks like filing returns, preparing financial statements, and making payments, although perceptions varied widely. Notably, respondents exhibited relatively higher awareness of sanctions for tax avoidance.

The next substantive objective of this research was to identify the factors that respondents believe influence their level of awareness. With regards to the factors that influence retailers' awareness and knowledge levels, it can be observed that within this intricate web of influences, formal education emerges as the primary driving force that shapes respondents' knowledge and awareness levels of VAT. The study by Yeboah and Bright (2019) highlights the importance of formal education as a key factor influencing retailers' awareness and knowledge levels of VAT. However, it's important to note that awareness isn't solely dependent on educational background; a range of other factors also significantly contribute. These factors include Governmental involvement particularly the provision of accurate VAT information, direct interactions with tax authorities, market communication reflecting the level of information exchange within the business environment, external factors including economic conditions and market structures and lastly respondents' own

experience with VAT-related processes, all these influence retailers' knowledge levels on VAT.

The final substantive objective was to assess the implications of retailers' awareness and knowledge of Value Added Taxes on tax compliance. The key findings were that there is a weak relationship between retailers' knowledge on VAT and their tax compliance where their knowledge level has a small impact on their tax compliance behavior. Respondents believe that having knowledge on VAT positively impacts their compliance behavior, as well as having knowledge on VAT non compliances penalties and staying up to date with changes in VAT regulations.

Basically, the survey's findings reveal that respondents recognize the significance of VAT knowledge for compliance behaviors. Their opinions vary across different aspects, emphasizing the potential impact of targeted education and accessible resources on improving compliance rates and fostering a more effective VAT system within the retail sector.

5.3 Conclusion

To accomplish economic and assure a quick pace of economic development is the goal of a lower middle-income nation like Ghana (Inkoom, 2016). It necessitates significant financial investments in administrative costs and other forms of development for which taxes in unquestionably the main source of internal revenue for the state.

This research project aimed to evaluate the awareness and knowledge level of Value Added Tax (VAT) among retailers in Cape Coast Metropolis and its implications on tax compliance. The study revealed significant insights into the factors influencing retailers' understanding of VAT and how their awareness impacts compliance behaviors.

The findings demonstrate that 66% of respondents possessed knowledge of VAT, with formal education emerging as the predominant factor influencing this awareness. Unexpectedly, workshops seemed to have a limited impact on disseminating VAT information. Furthermore, the study highlighted the relatively low participation in Ghana Revenue Authority (GRA) organized VAT seminars, indicating room for improvement in knowledge dissemination through these avenues.

The analysis on awareness of VAT-related issues unveiled a moderate grasp of VAT concepts among retailers. This awareness varied across different areas, such as understanding VAT calculation, preparation of accounts, and the effects of rate changes. Surprisingly, respondents exhibited a higher awareness of sanctions for tax avoidance.

The research also uncovered the factors that retailers believe influence their level of awareness. Formal education was identified as the primary factor, but other contributors included governmental involvement, direct interactions with tax authorities, market communication, external factors, and personal experience. This multifaceted interplay illustrates the intricate nature of retailers' VAT awareness.

Regarding the implications of awareness and knowledge on tax compliance, the study highlighted that respondent believed their VAT knowledge positively influenced compliance behaviors, in line with the findings of other researchers (Mensa, 2021 & Sekor, 2017). They recognized the importance of understanding VAT regulations, penalties, accuracy in return filing, staying informed about regulatory changes, and the ease of complying with regulations. These beliefs underscored the potential of education and accessible resources to enhance compliance rates and improve the effectiveness of the

VAT system.

In comparison to previous studies in the field (Moses, 2016 & Attobrah, 2021), this research provides new insights into the nuanced factors shaping retailers' awareness and knowledge of VAT. The study emphasizes the significance of formal education, governmental involvement, market communication, and personal experience. Additionally, it points out the limited reach of certain knowledge dissemination avenues, suggesting opportunities for improvement.

This study contributes to a better understanding of the challenges and solutions related to VAT awareness and compliance among retailers. By delving into various factors influencing awareness and knowledge, it provides a comprehensive view that can inform policy interventions and educational initiatives. Future research could delve deeper into the effectiveness of specific educational programs and workshops in enhancing VAT awareness and compliance.

5.4 Recommendations

Based on the key findings of the study regarding VAT awareness and its implications on tax compliance among retailers in the Cape Coast Metropolis, the following recommendations are provided for various stakeholders.

Integrating VAT concepts into the formal education curriculum can lead to a long-term positive impact on tax compliance. By introducing students to VAT principles early on, they will develop an understanding of their tax obligations from the beginning of their business ventures. This foundational knowledge will shape their compliance behaviors as they transition into entrepreneurs and retailers, leading to a culture of voluntary

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compliance.

When VAT information is readily available and easy to understand, retailers are more likely to comply. Clear and accessible information helps retailers grasp their obligations, reducing confusion and uncertainty. This can minimize the likelihood of inadvertent non-compliance due to lack of knowledge. Improved access to information will also enable retailers to make informed decisions and adapt their business practices in response to changing VAT regulations.

GRA can enhance the effectiveness of VAT seminars and workshops by tailoring the content to address the specific challenges faced by retailers in Cape Coast Metropolis. Interactive sessions, practical case studies, and real-world scenarios can help retailers understand how VAT regulations directly affect their business operations. Engaging seminars can foster a proactive approach to compliance and enable retailers to apply the knowledge gained in their day-to-day activities.

By understanding the communication preferences and needs of retailers in Cape Coast, GRA can design outreach strategies that resonate with the local business community. Collaborating with local business associations can provide insights into the most effective ways to reach retailers and engage them in VAT-related activities. Personalized approaches can lead to increased participation and improved understanding of VAT compliance requirements.

Engaging in educational programs, seminars, and workshops offers retailers an opportunity to interact with tax experts and fellow business owners. This active participation can lead to a better grasp of complex VAT regulations and how to implement them accurately. As

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retailers become more knowledgeable, they are more likely to avoid errors that could trigger non-compliance and penalties.

Staying informed about changes in VAT regulations enables retailers to make timely adjustments to their business practices. When retailers are aware of rate changes, new compliance requirements, or policy updates, they can incorporate these changes seamlessly into their operations. This proactive approach to staying informed minimizes the risk of non-compliance due to outdated information.

In conclusion, implementing these recommendations will foster a comprehensive approach to improving VAT awareness and tax compliance behaviors among retailers. Through education, targeted outreach, and collaboration between stakeholders, retailers will gain a clearer understanding of their tax obligations and the benefits of compliance. As a result, retailers will be more likely to voluntarily adhere to VAT regulations, leading to increased revenue for the government and a more transparent tax system.

5.5 Recommendations for further research

While this study has provided valuable insights into the awareness and knowledge level of Value Added Tax (VAT) among retailers in Cape Coast Metropolis, there are several avenues for further research that can deepen our understanding of this complex issue and address certain limitations of the current study:

Moving forward, there are promising avenues for extending the scope of research to gain a deeper understanding of Value Added Tax (VAT) awareness and its implications for tax compliance among retailers in Cape Coast Metropolis. This study has paved the way for future investigations that can shed light on previously unexplored aspects of the issue.

First, a longitudinal study could be undertaken to trace the trajectory of compliance behaviors over an extended period, revealing whether improved VAT awareness leads to sustained compliance and identifying any shifts in behavior over time. Additionally, broadening the research to encompass multiple regions within Ghana would offer insights into regional variations and how local contexts influence retailers' compliance decision

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APPENDIX

QUESTIONNAIRE

UNIVERSITY OF EDUCATION, WINNEBA

SCHOOL OF BUSINESS

Department of Applied Finance and Policy Management

Dear respondent,

I am student of University Of Education, Winneba, offering Master of Business Administration (Finance) Programmed at the School of Business. This questionnaire is being used to gather information for my research work on the topic "Assessing the awareness and knowledge level of Value added Tax among retailers in the Cape Coast Metropolis and its implication on tax compliance". All the answers you provide will be treated as confidential and for academic purpose only. Kindly complete the questionnaire. Please feel free to answer the questions as objectively as you can. Please tick [√] the appropriate box or write your response which is applicable to you in each question.

Thank you for your co-operation.

SECTION A: DEMOGRAPHIC INFORMATION OF RESPONDENTS

1. What is your sex?

   Male   [   ]

   Female   [   ]

   Prefer not to disclose it   [   ]

2. What age group do you belong?

   Less than 20yrs   [   ]

   20-29yrs   [   ]

   30-39yrs   [   ]

   $\geq$ 40yrs   [   ]

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3.   Including this year, how many years have you been trading as a retailer?

1-3 year   [   ]

4-6 years   [   ]

7-10 years   [   ]

10 years and above   [   ]

other (specify) ………..………………

4.   What highest academic qualification have you obtained?

MSLCE/BECE   [   ]

O/A' Level/SSCE/WASSCE   [   ]

Diploma   [   ]

Bachelors   [   ]

Other (specify) ……………….…………….

5.   What type of retail business do you do?

Hardware   [   ]

Electrical supplies   [   ]

Handicrafts   [   ]

Repair Services   [   ]

Provision stores   [   ]

Other (specify)………………….…

6.   Please indicate your position in this retail shop/business, are you the owner or you are answering this questionnaire on behalf of the owner?

Manager   [   ]

Caretaker   [   ]

Accountant   [   ]

Other   [   ]

7.   Is your business entity registered with any tax authority?

Yes   (   )

No   (   )

8. Do you keep financial records of your activities?

    Yes   (   )

    No   (   )

9. Do you have any knowledge about VAT?

    Yes   [   ]

    No   [   ]

10. If yes to the question (9) above, how was this knowledge obtained? Through;

    Formal Education   (   )

    Workshop   (   )

    On the job training   (   )

11. Have you attended any VAT seminars by Ghana Revenue Authority?

    Yes   [   ]

    No   [   ]

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SECTION B: AWARENESS AND KNOWLEDGE LEVEL OF RESPONDENTS.

(Source: Twum et al., 2020)

The following statements relate to perception of Taxpayer Awareness. Indicate your level

of agreement on how these issues pertain to the Ghana Revenue Authority. Use the scales

of 1= strongly disagree; 2 =disagree; 3 = uncertain; 4 = agree; and 5= strongly age

KNOWLEDGE AND AWARENESS ON VAT	1	2	3	4	5
12. It is easy to of acquire knowledge on VAT					
13. I know and understand the essence of VAT					
14. I know and understand the function and benefit of VAT					
15. I know and understand the process of filling VAT returns, preparing financial statements and how to pay VAT					
16. I know and understand the calculation of VAT					
17. I know and understand the preparation of VAT account					
18. I know and understand the implementation of sanctions for tax avoidance					
19. I know and understand the effects of VAT rate changes on pricing of products					

20. Do you know the current VAT rate in Ghana?

    Yes   [   ]

    No   [   ]

SECTION C: FACTORS THAT INFLUENCE THE AWARENESS OF VAT

(Source: Twum et al., 2020)

The following statements relate to perception of Taxpayer Awareness. Indicate your level

of agreement on how these issues pertain to the Ghana Revenue Authority. Use the scales

of 1= strongly disagree; 2 =disagree; 3 = uncertain; 4 = agree; and 5= strongly agree

FACTORS THAT INFLUENCE VAT AWARENESS	1	2	3	4	5
21. My level of Education informed my knowledge on VAT					
22. The availability and accuracy of information on VAT by the government informed my knowledge on VAT					
23. My interactions with tax authorities informed my knowledge level on VAT					
24. The level of awareness and communication in the market informed my knowledge level on VAT					
25. External factors such as economic conditions, market structures etc. informed my knowledge level on VAT					
26. My experience in VAT related processes informed my knowledge level on VAT					

27. Are there any other factors that influenced your knowledge level on VAT?

Yes   (   )

No   (   )

If yes, please

specify…………………………………………………………………………

…………………………………………………………………………………

…………………………………………………………………………………

………

SECTION D: IMPLICATIONS OF AWARENESS AND KNOWLEDGE OF VAT

ON TAX COMPLIANCE (Source: Twum et al., 2020)

The following statements relate to perception of Taxpayer Awareness. Indicate your level

of agreement on how these issues pertain to the Ghana Revenue Authority. Use the scales

of 1= strongly disagree; 2 =disagree; 3 = uncertain; 4 = agree; and 5= strongly agree

Statements	1	2	3	4	5
28. Do you believe that having knowledge about VAT increases your compliance with them					
29. Does your knowledge level of VAT non-compliance penalties influence your compliance					
30. Do you think that, the accuracy level in filling your VAT returns is influenced by your knowledge level on VAT					
31. Do you believe that your ability to stay up-to-date with changes in VAT regulations or rates is influenced by your knowledge level in VAT					
32. Do you believe that your ability to comply with VAT regulations without facing any difficulties depends on your knowledge level					

33. How are you able to file VAT returns and follow all VAT procedures concerning

 issue of VAT invoices?

 …………..………………………………………………………………

 …………..………………………………………………………………

34. How has VAT compliance affected the operational cost of your business?

 …………..………………………………………………………………

 …………..………………………………………………………………

 …………..………………………………………………………………

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