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The Influence of Educational Background on Tax Compliance among SMEs in the Informal Sector of Ghana

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Abstract:
Purpose: This study investigates the influence of educational background on tax compliance among SMEs in the informal sector of Ghana. It focuses on how SME owners' educational qualifications influence their filing tax compliance, payment tax compliance, and reporting tax compliance in the informal sector of Ghana.
Design/Methodology/Approach: This study used a quantitative survey research design to collect data from 1168 SME owners operating in the informal sector in Accra and Kumasi, Ghana, using the MANCOVA method of analysis.
Findings: The study found a statistically significant difference between educational background and filing tax compliance among SMEs in the informal sector in Ghana [F (3,1164),7.22, p=0.000] and a statistically significant difference between educational background and payment tax compliance among SMEs in the informal sector in Ghana [F (3,1164),5.17, p=0.001]. The study also discovered that SME owners with a high school certificate were more likely to pay and file taxes than SME owners with other educational credentials or degrees.
Implications/Research Limitation: The results of this study extend and add to the growing empirical studies on taxation and SME business. However, the study was limited to only SMEs in the informal sector of Ghana.
Practical Implication: The study results have the prospect of encouraging Ghanaian policymakers to understand the significance of targeted educational programmes or support for SMEs in the informal sector in improving tax compliance.
Originality/Value: This study is the first to directly investigate how educational qualification can influence tax filing, payment and reporting compliance in Ghana. Nonetheless, this study varies from previous empirical research in terms of methodology and context.

Keywords: Filing tax compliance, payment tax compliance, reporting tax compliance, informal SME sector, MANCOVA, educational background

1. Introduction

Tax compliance has been found to play a critical role in economic development and sustainability in developing countries (Werekoh, 2022; Adekoya et al., 2022). Abdu and Adem (2023) indicated that tax compliance is vital for generating public revenue for governments in developing countries. It is a medium that fosters accountability and transparency in government operations. Contributors become more active in the governance process and demand more responsibility from their leaders (Sebele-Mpofu, 2020).

However, in many developing countries, the informal sector constitutes a significant portion of the economy and often operates outside the tax system (Makochekanwa, 2020). Ghana is no exception to the high number of informal sector activities in the economy. According to Osei-Boateng and Ampratwum (2011), the informal sector is a substantial contribution to Ghana's economy, employing a big proportion of the people, particularly in metropolitan areas. The informal sector contributes to economic growth by offering goods and services, bridging gaps in the formal market, and encouraging entrepreneurship and innovation (Adom, 2016).

Tax compliance in Ghana's informal sector offers issues for revenue collection and fiscal sustainability since informal firms frequently operate outside the tax system, leading to revenue leakage and impeding government efforts to mobilise domestic resources (Ampaabeng, 2019; Hammond et al., 2023). The informal sector in Ghana undercuts fair competition and provides an uneven playing field for enterprises that comply with tax legislation (Frimpong, 2023). As a result, improving tax compliance in the informal SME sector will help level the playing field by attracting informal enterprises into the formal sector and promoting fair competition.

Tax compliance has been viewed as the voluntary payment of taxes in accordance with the spirit of the tax laws, the payment of taxes for fear of penalties and audits in accordance with the spirit of tax laws, and the paying of taxes after arranging taxpayers' activities to minimise tax liabilities by complying with tax laws (Mitu, 2020; Yuniarta & Purnamawati, 2020). However, tax compliance in this study comprises adhering to payroll tax requirements, sales tax obligations, and any other relevant tax filings (filing tax compliance); the timely and accurate payment of taxes owed by individuals, businesses, or other entities in accordance with applicable tax laws and regulations (payment tax compliance); and the preparation and submission of various tax forms, documents, and reports required by the relevant tax authorities (reporting tax compliance).

This study aims to investigate the influence of educational background and tax compliance (filing tax compliance, payment tax compliance and reporting tax compliance) in the informal SME sector in Ghana to fill the gap in the literature. The informal sector serves as a source of employment and income for individuals who may have limited education or formal job opportunities (Turkson et al., 2022). Therefore, this study is of the view that the educational background of individuals and SME (Small and Medium Enterprises) owners can influence their understanding of tax compliance, their willingness to comply with tax regulations, and their ability to fulfil tax obligations effectively.

2. Literature Review

2.1. Social Learning Theory (SLT)

An individual can learn by observation and direct experience. The social learning theory identifies attention, retention, reproduction, and reinforcement as the main processes that evolve from an individual's attentiveness to the environment, learning from the environment, and acting based on the knowledge obtained from the environment (Bandura, 1977). The theory explains how the interaction of environmental and cognitive factors affects human learning and behaviour. The environment plays a significant role in impacting behaviour since it directs individuals by imposing consequences for every action they engage in (Kurniawan, 2020).

This research will be guided significantly by the theory of Social Learning. According to Skinner (1938), the most common viewpoint of this theory is that, through social interaction, people undergo a mind information-retaining process which influences the actions or behaviour they exhibit. Skinner (1938) further accented and associated the theory with operant conditioning. Kurniawan (2020) signified that taxpayers' attitudes regarding tax compliance increased as they broadened their knowledge of tax matters. This justified the social learning theory.

Individuals with greater degrees of education may have been exposed to formal education systems that teach tax principles and ethical values. They may see and absorb tax compliance habits demonstrated by instructors, classmates, or authority figures, therefore affecting their own compliance behaviour (Akers et al., 1979). Tax education curriculum and pedagogy can have an impact on students' comprehension of taxation, views of tax justice, and attitudes towards compliance. According to Tyler and Trinkner (2017), higher levels of education may result in increased internalisation of pro-social taxation norms, instilling a feeling of civic duty and obligation to contribute to the common good.

Educational environments allow individuals to connect with peers, instructors, and other authority figures, which influences their views and behaviours about taxes (Kurniawan, 2020). Norms of honesty, integrity, and legal compliance instilled in educational institutions can influence people's views regarding tax compliance and desire to adhere to societal standards.

Social contact, which involves encounters with socialisation agents and other community members, such as a person's relationships with other relevant individuals, affects the individual's attitudes, values, and conduct (Churchil & Moschis, 1979).

2.2. Prior Studies on the Relationship between Educational Background and Tax Compliance

Prior research on tax compliance in Ghana has focused on factors that influence tax compliance, such as compliance cost, tax rates, tax audits, morals of taxpayers, religion, tax knowledge, socio-economic characteristics (gender, gross monthly income), tax education, service quality and age (Okpeyo et al., 2019; Carsamer & Abbam, 2023; Adu & Amponsah, 2020; Twum et al., 2020; Kumi et al., 2023; Susuawu et al., 2020).

There have been various studies on the subject matter all over the globe; for instance, Hofmann et al. (2017) conducted a Meta-analysis on tax compliance across sociodemographic categories in 111 countries. The study used four meta-analyses comprising 459 samples (N = 614,286) from 111 countries published between 1958 and 2012. The study found a small average estimated effect sizes ranging from $r = 0.12$ for the relationship between compliance and age, $r = 0.06$ for sex, $r = −0.02$ for education, and $r = −0.04$ for income. The effects are more pronounced in Western countries, and sociodemographic characteristics have little impact on compliance.

Fauziati et al. (2020) studied the impact of tax knowledge on tax compliance in Kota Padang, Indonesia. The study employed a quantitative approach, two hundred and thirty-seven (237) respondents and t-statistics for data analysis. The study found that tax knowledge has no impact on tax compliance.

Deyganto (2018) examined the factors influencing tax voluntary compliance attitude with the tax system in the Gedeo Zone. The study sampled 323 taxpayers, collected data through structured questionnaires and interviews with officers and taxpayer's representatives and used a binary logistic regression model to analyse the data through Stata software application version 12.0 and SPSS version 23.0. The study found that out of fourteen explanatory variables incorporated in the model, seven variables such as gender, age, lack of tax knowledge, simplicity of tax system, awareness of penalty, probability of being audited, and perception of tax rate were found to be key factors influencing taxpayers' voluntary compliance attitude with the tax system. The study further found that education level, tax authority efficiency, peer influence, occupation, income level of taxpayers, perception of government spending, and perception of fairness and equity have no significant influence on tax voluntary compliance attitude.

Abdullah and Sapiei (2018) examined the influence of religiosity, gender and Islamic educational background of Muslims on zakat compliance in Malaysia. The study used a quantitative approach and 690 self-administered questionnaires to working Muslim individuals in Klang Valley, Malaysia. The study found that religiosity had a significant influence on zakat compliance, and three dimensions of religiosity, namely obligation, virtues and vices, and optional ritual, were significantly related to zakat compliance. The study further found that gender was also significantly related to zakat compliance, but in a negative direction, suggesting that Muslim working females are less compliant with zakat

obligations compared to their male counterparts. The study also found that formal Islamic educational background had no significant influence on zakat compliance.

Rodriguez-Justicia and Theilen (2018) determined the effect of education on tax morale. Using a quantitative approach, the study found that while the tax morale of individuals who are net receivers of welfare state benefits increases with their educational level, it decreases with educational level among those who are net contributors. The study further found that the more highly educated, who have been shown to be better able to assess information in the media on public affairs, exhibit higher levels of tax morale in countries that have better quality public services, a fairer tax system and more transparent institutions.

This study will address the empirical research gap in this topic area, which has yet to be studied. Investigating the influence of educational background on tax compliance among SMEs in the informal sector of Ghana is vital because higher educational attainment may possess stronger record-keeping skills, making it easier for them to compile the necessary information for tax compliance. Individuals and SME owners with greater levels of education are more likely to understand the repercussions of tax evasion, such as penalties and legal ramifications, and prioritise tax payments appropriately. Higher education levels may be more likely to comply with reporting obligations in an honest and open manner, appreciating the necessity of providing their fair contribution to society.

Based on the above assertion, this study may be hypothesised as follows:

- H1 (Hypothesis 1): There will be statistically significant differences between Educational background and filing tax compliance among SMEs in the informal sector of Ghana.
- H2 (Hypothesis 2): There will be statistically significant differences between Educational background and payment tax compliance among SMEs in the informal sector of Ghana.
- H3 (Hypothesis 3): There will be statistically significant differences between Educational background and reporting tax compliance among SMEs in the informal sector of Ghana.

3. Methodology of the Study

3.1. Research Design

The research employed a survey design with a quantitative approach to establish the relationship between SME owner's educational background and tax compliance in the informal SME sector. This approach was selected to use statistical means to establish the differences between the dependent and independent variables (Mohammed et al., 2021; Huang et al., 2021).

3.2. Sample and Sampling Technique

The study collected data from 1168 informal SMEs operating in three (3) of the sixteen (16) regions in Ghana: the Ashanti region, Greater Accra region and Northern region. These three regions in Ghana were chosen based on their concentration of economic activity, with Greater Accra and Ashanti being the two largest in terms of informal business operations (Ampaabeng, 2019), and the researcher's proximity to these locations, knowledge of the environmental surroundings of the communities and perceived awareness of the higher number of SMEs and business hubs.

Choosing any other region would have made it difficult to discover informal SMEs in the neighbourhood since they are unregistered and concealed from authorities. Purposive and sample random sampling techniques were used for this study. The data were collected using face-to-face contact and online (WhatsApp) platforms.

3.3. Data Collection and Analysis Method

The study data was collected using structured questionnaires for the target respondents through face-to-face contact and online (WhatsApp) platforms. The survey questionnaire was administered to collect data on tax compliance, which was divided into tax filing compliance, tax payment compliance and tax reporting compliance. The questionnaires had two sections: Section A collected demographic data, while Section B collected data on tax constructs placed on a five-point Likert scale of Strongly agree (5), Agree (4), Not Sure (3), Disagree (2) and Strongly disagree (1).

In evaluating the correlation between the dependents and independent variable, Multivariate Analysis of Covariance (MANCOVA) was employed using IBM-SPSS statistical software version 25. According to Li and Chen (2019), MANCOVA is used to test the statistical significance of the effect of one or more independent variables on a set of two or more dependent variables. MANCOVA allows the researcher to evaluate many dependent variables at the same time, giving the researcher a complete picture of the connections between the independent and dependent variables (Tonidandel & LeBreton, 2013).

Variables	Operational Definition	Source
Educational Background	• A person's academic history, including their formal education, degrees earned, certifications, and any relevant training or coursework. • It typically includes information such as the schools attended, degrees obtained (e.g., BECE certificate, WASSCE certificate, Diploma, Bachelor's, Master's, PhD), fields of study, academic achievements, and any specialised training or qualifications.	Albert, (2017) Adelman, et al. (2014)
Tax Filing Compliance	• Adherence to tax laws and regulations by individuals, businesses, or other entities. • Filing tax returns on time according to the requirements of the relevant tax authorities • Adhering to payroll tax requirements, sales tax obligations, and any other relevant tax filings.	Musimenta et al. (2017) Hendriks and Maposa, (2020)
Tax Payment Compliance	• The timely and accurate payment of taxes owed by individuals, businesses, or other entities in accordance with applicable tax laws and regulations. • Fulfilling tax obligations by paying the correct amount of taxes to the appropriate tax authorities.	Fitsum (2019).
Tax Reporting Compliance	• The accurate and timely submission of financial information to tax authorities in accordance with tax laws and regulations. • The preparation and submission of various tax forms, documents, and reports required by the relevant tax authorities. • Accurately reporting all sources of income, including wages, salaries, investment income, rental income, and any other earnings, on their tax returns.	Abdu and Adem, (2023) Rosid and Ariyani, (2022)

Table 1: Details of Questionnaire and References

4. Data Analysis and Results

4.1. Analysis of Background Variables

The study revealed that out of the 1168 informal SMEs sampled for the study, 47 respondents, representing 4%, hold primary school certificates; 225 respondents, representing 19.3%, hold high school certificates; 361 respondents, representing 30.9%, hold diploma certificates, while 535 respondents, representing 45.8% holds graduate degree certificates. This indicates that the majority (45.8%) of the respondents hold graduate degree certificates, while a minority (4%) of the respondents hold primary school certificates.

Background Variable	Frequency	Percentage
Educational Background		
Primary School	47	4.0
High School	225	19.3
Diploma	361	30.9
Graduate	535	45.8

Table 2: Background Variable of the Study

4.2. Reliability and Validity Test

Validity is how correctly a research measures or analyses what it purports to measure (Borsboom et al., 2004). To Riege (2003), validity assesses the study results' significance, relevance, and applicability to the research questions or hypotheses under investigation. The questionnaire was validated by a team of 15 experts in taxation studies. Upon endorsement of validity, the test-retest reliability coefficient of the instrument after two weeks of administration among 50 participants.

The study revealed that tax filling compliance had a reliability of 0.85, tax payment compliance had a reliability of 0.78 whiles tax reporting compliance had a reliability of 0.72 which was above the acceptable coefficient level of r ≥ 0.7 (Taber, 2018). Reliability refers to the consistency, stability, and dependability of measures or results (Meyer, 2010).

4.3. Mean Score of Variables of the Study

The study indicates that with filing tax compliance, SME owners with primary school certificates had a mean of 3.53 and a standard deviation of 0.92, SME owners with high school certificates had a mean of 3.64 and a standard deviation of 0.92, SME owners with diploma certificate had a mean of 3.43 and the standard deviation of 0.93 whiles SME owners with graduate certificate had a mean of 3.31 and the standard deviation of 0.94. This implies that SME owners with high school certificates are highly compliant with tax filing.

With regard to payment tax compliance, SME owners with primary school certificates had a mean of 3.63 and a standard deviation of 0.73, SME owners with high school certificates had a mean of 3.64 and a standard deviation of 0.76, SME owners with diploma certificates had a mean of 3.68 and a standard deviation of 0.82, and SME owners with graduate certificates had a mean of 3.51 and a standard deviation of 0.83. This implies that SME owners with high school certificates are highly compliant with tax payments.

With reporting tax compliance, SME owners with primary school certificates had a mean of 3.67 and a standard deviation of 0.75, SME owners with high school certificates had a mean of 3.78 and a standard deviation of 0.84, SME owners with diploma certificates had a mean of 3.67 and a standard deviation of 0.83, and SME owners with graduate certificates had a mean of 3.61 and a standard deviation of 0.88. This implies that SME owners with diploma certificates are highly compliant with tax reporting.

	Educational Background	Mean	Std. Deviation
Filing Tax Compliance	Primary School	3.53	.92
	High School	3.64	.92
	Diploma	3.43	.93
	Graduate	3.31	.94
	Total	3.42	.94
Payment Tax Compliance	Primary School	3.63	.73
	High School	3.78	.76
	Diploma	3.68	.82
	Graduate	3.54	.83
	Total	3.63	.81
Tax Reporting Compliance	Primary School	3.63	.75
	High School	3.64	.84
	Diploma	3.67	.83
	Graduate	3.61	.88
	Total	3.64	.86

Table 3: Mean Score of Variables of the Study

4.4. Box's Matrices Test

The Box's M of 21.19 indicates that the homogeneity of covariance matrices across groups is assumed (F (18, 123360.14) = 1.16, p = .28). This indicates that linearity and multicollinearity were satisfactory.

Box's M	21.19
F	1.16
df1	18
df2	123360.14
Sig.	.28
Tests the null hypothesis that the observed covariance matrices of the dependent variables are equal across groups.	
a. Design: Intercept + Educational Background	

Table 4: Box's Test of Equality of Covariance Matrices

4.5. Multivariate Tests

The study revealed that the main effect of educational background is statistically significant (Wilks' Λ= .98, F (9, 2828.15), 3.25, p =.000, partial η2 = .008).

Effect		Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
Intercept	Pillai's Trace	.92	4653.67[b]	3.00	1162.00	.000	.923
	Wilks' Lambda	.08	4653.67[b]	3.00	1162.00	.000	.923
	Hotelling's Trace	12.02	4653.67[b]	3.00	1162.00	.000	.923
	Roy's Largest Root	12.02	4653.67[b]	3.00	1162.00	.000	.923
Educational Background	Pillai's Trace	.03	3.23	9.00	3492.00	.001	.008
	Wilks' Lambda	.98	3.25	9.00	2828.15	.001	.008
	Hotelling's Trace	.03	3.27	9.00	3482.00	.001	.008
	Roy's Largest Root	.02	9.16[c]	3.00	1164.00	.000	.023
a. Design: Intercept + Educational Background							
b. Exact statistic							
c. The statistic is an upper bound on F that yields a lower bound on the significance level.							
d. Computed using alpha = .05							

Table 5: Multivariate Tests

4.6. Levene's Test

The study revealed that Levene's test of filing tax compliance was not statistically significant (p=.930), the Levene's test of payment tax compliance was not statistically significant (p=.441), and the Levene's test of filing tax compliance was not statistically significant (p=.403). This means that the variances between the groups were equal, and the homogeneity of variance assumption was met.

		Levene Statistic	df1	df2	Sig.
Filing Tax Compliance	Based on Mean	.150	3	1164	.930
	Based on Median	.198	3	1164	.897
	Based on Median and with adjusted df	.198	3	1138.237	.897
	Based on trimmed mean	.203	3	1164	.894
Payment Tax Compliance	Based on Mean	.900	3	1164	.441
	Based on Median	.776	3	1164	.507
	Based on Median and with adjusted df	.776	3	1152.243	.507
	Based on trimmed mean	.908	3	1164	.436
Tax Reporting Compliance	Based on Mean	.972	3	1164	.405
	Based on Median	1.515	3	1164	.209
	Based on Median and with adjusted df	1.515	3	1134.909	.209
	Based on trimmed mean	.826	3	1164	.480
Tests the null hypothesis that the error variance of the dependent variable is equal across groups.					
a. Design: Intercept + Educational Background					

Table 6: Levene's Test of Equality of Error Variances

4.7. Multiple Analysis of Covariance (MANCOVA) Tests of Between-Subjects Effects

The MANCOVA result shows a statistically significant difference between educational background and filing tax compliance among SMEs in the informal sector in Ghana [F (3,1164),7.22, p=0.000]. The MANCOVA result shows a statistically significant difference between educational background and payment tax compliance among SMEs in the informal sector in Ghana [F (3,1164),5.17, p=0.001]. The MANCOVA result shows no statistically significant difference between educational background and reporting tax compliance among SMEs in the informal sector in Ghana [F (3,1164),0.30, p=0.822].

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	Filing Tax Compliance	18.890[a]	3	6.30	7.22	.000	.018
	Payment Tax Compliance	10.112[b]	3	3.37	5.17	.001	.013
	Tax Reporting Compliance	.668[c]	3	.22	.30	.822	.001
Intercept	Filing Tax Compliance	6380.220	1	6380.22	7315.35	.000	.863
	Payment Tax Compliance	7046.652	1	7046.65	10804.54	.000	.903
	Tax Reporting Compliance	6982.037	1	6982.04	9533.55	.000	.891
Educational Background	Filing Tax Compliance	18.890	3	6.30	7.22	.000	.018
	Payment Tax Compliance	10.112	3	3.37	5.17	.001	.013
	Tax Reporting Compliance	.668	3	.22	.30	.822	.001
Error	Filing Tax Compliance	1015.205	1164	.87			
	Payment Tax Compliance	759.154	1164	.65			
	Tax Reporting Compliance	852.47	1164	.73			
Total	Filing Tax Compliance	14698.50	1168				
	Payment Tax Compliance	16169.76	1168				
	Tax Reporting Compliance	16310.33	1168				
Corrected Total	Filing Tax Compliance	1034.10	1167				
	Payment Tax Compliance	769.27	1167				
	Tax Reporting Compliance	853.14	1167				
a. R Squared = .018 (Adjusted R Squared = .016)							
b. R Squared = .013 (Adjusted R Squared = .011)							
c. R Squared = .001 (Adjusted R Squared = -.002)							
d. Computed using alpha = .05							

Table 6: MANCOVA Tests

The study indicates that the educational background of SME owners in the informal sector relates to their filing and payment tax compliance but does not relate to reporting tax compliance. The study also found that SME owners with high school certificates largely comply with tax filing and payment in the informal sector of Ghana.

5. Discussion of Results

The study sought to investigate the relationship between educational background and tax compliance among SMEs in the informal sector of Ghana.

The first objective of this study sought to determine whether or not there is a significant difference between educational background and filing tax compliance among SMEs in the informal sector of Ghana. The study found a statistically significant difference between educational background and filing tax compliance among SMEs in the informal sector in Ghana [F $(3,1164)$,7.22, p=0.000]. The study further found that SME owners with high school certificates are largely compliant with tax filing as compared to SME owners with other certificates or qualifications.

The finding of the study is consistent with the work of Rodriguez-Justicia and Theilen (2018), which shows that the more highly educated, who have been shown to be better able to assess information in the media on public affairs, exhibit higher levels of tax morale in countries that have better-quality public services, a fairer tax system, and more transparent institutions.

However, the finding contradicts the work of Abdullah and Sapiei (2018), who state that formal Islamic educational background had no significant influence on zakat compliance. The divergence of the findings to review

literature stems from the reasoning that tax filing compliance relates to the educational level of some citizens, while it does not relate to other compliance.

The second objective of this study sought to examine whether or not there is a significate differences between educational background and payment tax compliance among SME's in the informal sector of Ghana. The study found a statistically significant difference between educational background and payment tax compliance among SME's in the informal sector in Ghana [F (3,1164),5.17, p=0.001]. The study also discovered that SME owners with a high school certificate were more likely to pay taxes than SME owners with other educational credentials or degrees.

The finding of the study can be linked to the social learning theory in the sense that SME owners with greater degrees of education may see and absorb tax compliance habits demonstrated by instructors, classmates, or authority figures, therefore affecting their own compliance behaviour (Akers et al., 1979). Tax education curriculum and pedagogy can have an impact on students' comprehension of taxation, views of tax justice, and attitudes towards compliance. Kurniawan (2020) indicated that taxpayers' attitudes regarding tax compliance increased as they broadened their knowledge of tax matters. Higher levels of education may result in increased internalisation of pro-social taxation norms, instilling a feeling of civic duty and obligation to contribute to the common good (Tyler & Trinkner, 2017).

The third objective of this study sought to examine whether or not there is a significate differences between educational background and reporting tax compliance among SME's in the informal sector of Ghana. The study found no statistically significant difference between educational background and reporting tax compliance among SMEs in the informal sector in Ghana [F (3,1164),0.30, p=0.822].

The finding of the study is consistent with the finding of Deyganto (2018) that education level had no significant influence on tax voluntary compliance attitude. The agreement of the finding of the study to literature indicate that individuals educational background does not relate their ability to comply with tax standards, ensuring accurate and reliable tax reporting.

6. Conclusion

The study sought to investigate the influence of SME owners' educational background on tax compliance using 1168 SME owners in the informal sector in Accra and Kumasi, Ghana, and analysing the data through MANCOVA. The study shows that SME owners' educational backgrounds in Ghana's informal sector have a considerable impact on their tax filing and payment compliance. SME owners with a high school diploma are more likely to comply with tax payments than those with other diplomas or credentials.

The study suggests that educational attainment, particularly a high school certificate, is critical in encouraging informal sector SMEs to file taxes and pay on time.

The study also suggests that individuals' educational backgrounds have no direct relationship to their ability to comply with tax reporting requirements. This shows that, while education influences tax compliance behaviours, other factors not considered in this study, such as access to resources, understanding of tax legislation, and institutional support networks, may play important roles in deciding tax compliance among SMEs in the informal sector.

This study's findings advise Ghanaian policymakers on the significance of targeted educational programmes or support for SMEs in the informal sector to improve tax compliance. Practitioners and tax authorities can employ these data to create interventions and support systems that target the unique requirements of SMEs in the informal sector, with the goal of improving overall tax compliance.

The study encourages authors to investigate contextual factors to better understand the determinants of tax compliance beyond educational backgrounds and to inform policy interventions aimed at improving reporting accuracy and reliability. Additionally, authors should consider refining methodologies to better capture the complex interactions between educational backgrounds and tax compliance behaviours, possibly through longitudinal studies or qualitative research methods.

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