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## Assessing the Impact of Non-Formal Tax Education on Payment Compliance: The Mediating Role of Procedural Tax Knowledge within the Informal Sector of Ghana

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### **Abstract:**

*The study assessed the impact of non-formal tax education on payment compliance, mediated by procedural tax knowledge. The study employed Social Learning Theory (SLT) as the guidance in its investigation. It utilized a quantitative method and descriptive cross-sectional survey design. Data was sourced from informal sector registered SMEs within the Ghana Enterprises Agency located in the Greater Accra region of Ghana using a 14-item questionnaire developed through literature. A sample size of 1,152 was used in the study. The study employed the multistage sampling technique made up of simple random sampling and snowball sampling. Data was analyzed using partial least squares (PLS) through SMART-PLUS software. The study found that non-formal tax education influences payment compliance significantly. In addition, non-formal tax education influences procedural tax knowledge significantly. Further, procedural tax knowledge influences payment compliance significantly. Moreover, it was found that procedural tax knowledge mediates the impact of non-formal tax education and payment compliance significantly. In conclusion, the findings show that enhancing procedural tax knowledge through important or vital educational interventions not only propels compliance but also strengthens the association between tax education and tax compliance.*

**Keywords:** Tax education, non-formal tax education, compliance, payment compliance, procedural tax knowledge

### **1. Introduction**

According to Anyidoho (2022), the informal sector is one of the most critical sectors in the economy of many developing economies, of which Ghana is no exception. The author advanced that the sector is made up of diverse economic activities that are mostly not controlled, managed, regulated or unattended to by the government, which in most cases escape taxation. The sector covers those businesses that are unregistered, small in size, medium in size, casual in form and undeclared income or revenue (Makochekanwa, 2020). For instance, in Ghana, a significant majority of businesses within the informal sector cover microenterprises and small businesses (Makochekanwa, 2020), representing 91% of the informal sector in Ghana (Ghana Statistical Service, 2015). Despite the fact that almost all business operations within the sector utilize the facilities of the Ghanaian government, which are financed from government tax revenue, most operators within the sector fail to pay taxes (Udoh, 2016). In addition, the prevalent nature of businesses within the sector poses a significant level of challenge to the sector in relation to tax compliance (Mpofu, 2021). This is congruence with studies in Africa that claim that domestic revenue collection efficiency is belittled and crippled by the prevalent and colossal nature of informal businesses (Meagher, 2018; Makochekanwa, 2020; Sebele-Mpofu & Msipa, 2020). Notwithstanding this, the reports have shown that numerous countries, especially those in Africa, face diverse challenges when it comes to the issue of tax compliance, attributable to a lack of comprehension of informal sector businesses in relation to tax education (Devos, 2014; Saad, 2019). This shows that tax education can exert a significant impact on tax compliance by providing tax knowledge to informal sector operators, thereby enhancing tax obligations (Mascagni, 2020). Further, Kirchler et al. (2018) indicated that tax education plays a critical role in enhancing the overall tax knowledge, which is highly indispensable for improving the compliance levels of businesses. Although tax education has received some level of attention in the literature (Kirchler et al., 2018; Saad, 2019), Mohammed and Tangl (2024) indicated that specifically non-formal tax education, which covers informal learning activities such as workshops, business campaigns, media engagement, is observed as an important instrument in enhancing compliance, however, has been limitedly studied. On the contrary, knowledge regarding tax procedures has the capacity to mediate the gap between education and compliance by aiding informal sector businesses in applying what has been learned. Further, Mpofu (2021) claimed that despite significant efforts to enhance compliance with tax through non-formal education within the informal SMEs of Ghana, diverse informal sector businesses continue to fail to meet their tax responsibilities. This may be attributed to limited knowledge regarding tax system procedures, which limits the ability of informal sector SMEs to comply, even if they are aware of their tax obligations. Moreover, the focus of non-formal tax education is highly on tax payment. However, there is an avoidance of specific procedural knowledge required to ensure compliance (Mascagni, 2020). Without this

procedural tax knowledge, non-formal tax education may have a limited effect on actual payment compliance. In addition, there is also limited evidence when it comes to the mediating role of procedural tax knowledge on the association between non-formal tax education and payment compliance, specifically within the informal sector of Ghana. With most studies focusing on the formal sector, tax education and tax compliance, this study seeks to focus on:

- Examining the linkage between non-formal tax education and payment compliance within the informal sector and
- Assessing the mediating role of procedural tax knowledge on the linkage between non-formal tax education and payment compliance.

## 2. Literature

### 2.1. Theory Adopted – Social Learning Theory

Social Learning Theory (SLT) is one of the critical theories that provide important insight into how environmental and cognitive factors interact to exert effects on human learning and behaviour (Kurniawan, 2020). The theory focuses on issues of observation, attention, imitation, modeling, retention, reproduction, and reinforcement as the principal process emerging from a person's attentiveness to the business milieu, learning from the milieu and altering behaviour on the basis of knowledge and education obtained from the milieu (Bandura, 1977; Kurniawan, 2020). Within the context of tax studies, the theory indicates that the attitudes of taxpayers alter and enhance compliance when there is an increase in tax knowledge and education (Kurniawan, 2020). In addition, non-formal tax education services are an important springboard upon which informal sector SME business owners can observe, learn and develop tax-specific attitudes or behaviours. Despite this, procedural tax knowledge acts as a mediating variable by providing business people with the required skills and knowledge needed to apply what has been acquired or learned. It is vital to expound that without procedural tax knowledge, informal sector business people may find it difficult to implement observed behaviours. It has been argued that while non-tax education has the capacity to ensure a greater awareness level of business people within the informal sector, procedural tax knowledge provides a way to ensure effective tax compliance by aiding in transforming theoretical knowledge into practical behaviour or attitudes (Ogaluzor & Edori, 2023; Hidayat et al., 2023).

### 2.2. Non-formal Tax Education

One of the principal variables examined by the study is non-formal tax education. In the words of Kassa (2022), non-formal tax education is considered to be a learning activity that is not observed within the standard conventional educational systems. They occur as external to conventional methods of education used by structured educational institutions. According to Kassa (2022), this covers seminars, conferences, workshops, media engagement, campaigns, etc., with the aim of enhancing people's obligations towards tax payments. This kind of education is highly observed in informal economies where formal educational systems are limited, low or non-existent (Adjei & Mensah, 2021).

### 2.3. Payment Compliance

Another critical variable examined by the study is payment compliance. According to Torgler and Schaffner (2020), the concept of payment compliance is a critical aspect of the compliance concept that deals with the adherence of people or business owners to regulations underscoring the tax system. According to the authors, this includes timely tax payment, accurate tax filing and adherence to payment regimes. In the study by Torgler and Schaffner (2020), it was indicated that payment compliance is impacted by a diverse number of factors, namely knowledge of tax, fairness perception, and procedure complexity. In the informal sector of developing countries, achieving payment compliance is very challenging due to enforcement system limitations and low levels of comprehension of tax procedures (Okoro, 2022).

### 2.4. Procedural Tax Knowledge

Procedural tax knowledge is another indicator examined by the study. The concept of procedural tax knowledge covers the process of comprehending the required rules, regulations, processes, methods and techniques in dealing with tax responsibilities, including the filing of returns, payment estimation, deduction claims, and payment regimes (Muthama, 2021). Muthama (2021) argued that this form of knowledge provides individuals with insights into the requisite practical skills needed to comprehend the overall tax system effectively and efficiently. Studies have reported that limited levels of procedural tax knowledge have the capacity to hamper the overall tax compliance of individuals, even if these individuals have knowledge of their tax obligations (Muthama, 2021; Sanya & Wahba, 2023). Sanya and Wahba (2023) posited that procedural tax knowledge is highly critical when it comes to informal sector operations, where the level of education is low, and most individuals focus on succinct instructions to meet tax responsibilities.

### 2.5. Linkage between Non-Formal Tax Education and Payment Compliance

Although a significant number of studies have focused on tax education and compliance in general (Haji, 2020; Nartey, 2023), non-formal tax education and payment compliance specificity have limitedly been explored. In the study by Adeyemi et al. (2021), the authors reported that non-formal tax education, including workshops, community engagement, seminars, etc, influences a rise in awareness of taxes, thereby affecting payment compliance positively. In addition, Nartey (2023) argued that initiatives underscoring non-formal tax education within sub-Saharan Africa result in voluntary tax compliance among operators of informal business. Another scholarly work by Chowdhury and Zaman (2022) posited that in rural Bangladesh, non-formal tax education enhanced tax literacy, which directly influences a higher level of payment compliance. Further, some studies have also reported that a higher level of non-formal tax education has the capacity to influence the tax compliance levels of businesses (Harris, 2019; Kirchler et al., 2020).

### 2.6. Mediating Role of Procedural Tax Knowledge

In the study by Hughes (2022), the author claimed that procedural tax knowledge is critical when enhancing compliance. In addition, Karlinsky et al. (2020) indicated that procedural tax knowledge positively influenced payment compliance by reducing procedural uncertainties and enhancing confidence in the payment process. Hite et al. (2021) argued that procedural tax knowledge enhances payment compliance by providing clearer guidelines on payment procedures and deadlines. Moreover, Kimani et al. (2020) reported that even though non-formal tax education has been indicated to enhance tax awareness among owners of businesses in Kenya, payment compliance was significantly propelled by strong tax procedures. In a similar vein, in Nigeria, Okoye and Obasi (2021) indicated that non-formal tax education has the capacity to enhance the tax responsibilities of business people. However, tax procedures are the main deal when facilitating actual compliance behaviour. This insight shows the mediating role of procedural tax knowledge, tax education and compliance issues (Okoye & Obasi, 2021).

## 3. Research Methods

### 3.1. Research Design

Considering the overall purpose of the study, a quantitative method was employed. This allowed the researcher to obtain numerical data to examine how procedural tax knowledge mediates the linkage between non-formal tax education and payment compliance. In addition to this, the researcher employed the descriptive cross-sectional survey design. This design allowed the researcher to obtain data from study respondents within a given period of time, which also enabled the researcher to effectively provide an in-depth description of the study variables.

### 3.2. Population and Sample Distribution

The study obtained data from informal sector registered SMEs within the Ghana Enterprises Agency located in Greater Accra region of Ghana. The Ghana Enterprise Agency (GEA), formerly known as the National Board for Small-Scale Industries (NBSSI), is a government agency in Ghana tasked with promoting and supporting the development of micro, small, and medium-sized enterprises (SMEs) across various sectors of the economy. With a target population of 2,180 registered SMEs, a 1,152 sample size was used by the researcher. Further, the researcher utilized a multistage sampling technique made up of simple random sampling and snowball sampling. Out of the 14 sector categorizations of SMEs within the region, four major ones became the focus of the study: Agricultural, Commerce, Manufacturing and Service.

### 3.3. Analysis Method

The study utilized a 14-item instrument adapted from prior studies but modified by the authors within the context of Ghana for the study. The items were sourced from studies such as Othman et al. (2020), Twum et al. (2020), and Mohammed and Tangl (2024). The questionnaire was measured using a 5-point Likert scale from Strongly Agree (5), Agree (4), Not Sure (3), Disagree (2) and Strongly Disagree (1). Further, data was analyzed using partial least squares (PLS) for the analysis of data through SMART-PLUS software (Hair et al., 2022).

## 4. Results and Discussion

### 4.1. Demographic Results

In relation to business characteristics, out of 1152 respondents used by the study, respondents from the manufacturing sector represented (91.8%), the service sector represented 624(54%), the retail sector represented 299(26%), and 138(12%) represented the agricultural sector. Further, in terms of ownership, a significant majority are owned by domestic people, representing 1023 (91%), and the rest by foreign people, representing 98(9%). In view of the size of the business, the significant majority are within GHS 1,000 to GHS 5000, representing 33%, followed by those above GHS 10,000, representing 282(25%), and the lowest are those below GHS 1,000, representing 224(20%). Despite this, table 1 shows the demographic results in relation to gender, age, marital status, educational level, number of employees and religion.

	Indicator	Frequency	Percentage (%)
<b>Gender</b>			
	Male	667	58%
	Female	485	42%
Total		1152	100%
<b>Number of Employees</b>			
	1 – 2	464	40%
	3-9	516	45%
	10-49	139	12%
	above 49	33	3%
Total		1152	100%
<b>Marital Status</b>			
	Married	317	28%

	Divorced	47	4%
	Single	772	67%
	Widowed	16	1%
Total		1152	100%
<b>Educational Level</b>			
	Primary school	45	4%
	High School	224	19%
	Diploma	355	31%
	Graduate School	528	46%
Total		1152	100%
<b>Religion</b>			
	Christian	883	77%
	Moslem	252	22%
	Traditionalist	17	1%
Total		1152	100%

Table 1: Demographic Characteristics Results  
Source: Field Data, 2024

The result shows that most of the respondents were males, representing 58% of respondents and 42% of females. Further, it was also found that 40% of respondents had a maximum of 2 employees, 45% had 3 to 9 employees, 12% had 10 to 49 employees and 49 employees were employed by 3% of the respondents. Furthermore, a significant majority of the respondents are single 67%, followed by married individuals 28%, divorced 4% and widowed 1%. The sample has a relatively low educational attainment, with 19% having attended graduate school and 31% holding diplomas. It was found that 46% have completed high school, and a small percentage, 4%, have a primary school education. Moreover, a significant majority of respondents identify as Christians 77%, followed by Muslims 22%, with a very small percentage identifying as traditionalists 1%.

4.2. Measurement Model

The study constructs were evaluated using the data obtained from the respondents. The model from the analysis is shown below:

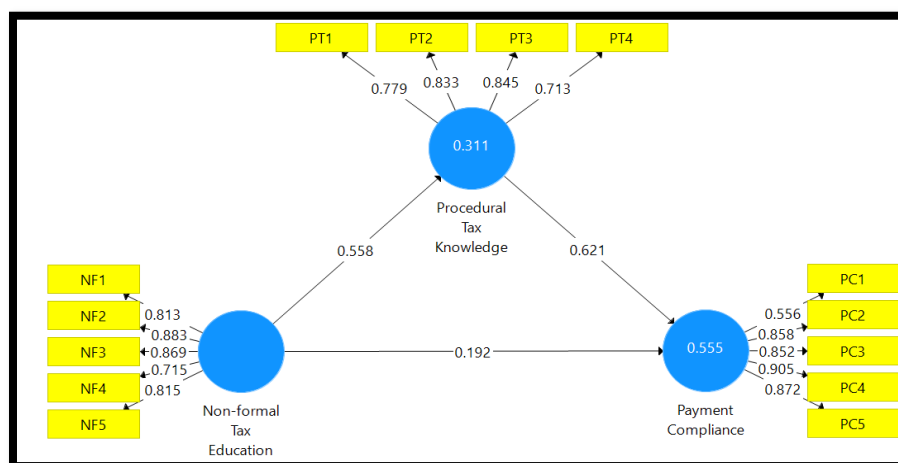


Figure 1: Measurement Model

4.3. Factor Loadings

In the words of Creswell (2019), factor loadings are indicated as the degree to which individual items in a correlation matrix are related to the primary dimension or factor that is designated. Pett et al. (2003) posited that a factor loading of values ranging from -1.0 to +1.0, with greater absolute values signifying stronger correlations or associations between the item and the underlying factor. The factor loading and VIF result are presented in table 2.

Items	Non-Formal Tax Education	Payment Compliance	Procedural Tax Knowledge	VIF
NF1	0.813			2.176
NF2	0.883			2.955
NF3	0.869			2.81
NF4	0.715			1.503
NF5	0.815			1.982
PC1		0.556		1.209

PC2		0.858		2.452
PC3		0.852		2.438
PC4		0.905		3.795
PC5		0.872		3.026
PT1			0.779	1.656
PT2			0.833	1.966
PT3			0.845	1.934
PT4			0.713	1.444

Table 2: Factor Loading and Multicollinearity Statistics (i.e. VIF)

The result presented in table 2 shows that non-formal tax education items obtained a factor loading score between 0.715 and 0.883, depicting a strong level of association with non-formal tax education. Further, payment compliance items obtained a factor loading score ranging from 0.556 to 0.905, indicating a strong level of association with payment compliance. Moreover, procedural tax knowledge items had scores ranging from 0.713 to 0.845, indicating a strong level of association with procedural tax knowledge. This suggests that all the factor loadings of all the items show greater absolute values, signifying stronger correlations or associations between the dimension items of the three important variables. Despite this, Hair et al. (2017) argued that multicollinearity is generally not problematic if the VIF value falls below 10 and does not exceed 10. The VIF result from table 2 shows scores ranging from 1.444 to 3.795, indicating that these values are within the recommended threshold and depict no issue for multicollinearity.

Further, on the good-of-fit results, payment compliance had  $R^2 = 0.555$  and Adjusted  $R^2 = 0.553$ , and procedural tax knowledge also had  $R^2 = 0.311$  and Adjusted  $R^2 = 0.310$ . This suggests that 55.5% and 31.1% of variations in payment compliance and procedural tax knowledge can be explained by non-formal tax education, respectively.

#### 4.4. Reliability Results

The reliability analysis and results are presented in table 3 as shown below:

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Non-Formal Tax Education	0.877	0.881	0.911	0.674
Payment Compliance	0.869	0.887	0.908	0.670
Procedural Tax Knowledge	0.805	0.820	0.872	0.631

Table 3: Reliability Results

In relation to Cronbach's Alpha, it assists researchers in measuring the internal consistency of the set of items used by the study (Hair et al., 2017; Creswell, 2019). Values from 0.7 and above are regarded as higher values, which depict higher agreement between the study items (Creswell, 2019). The result shown in table 3 shows that values from non-formal tax education (0.877), payment compliance (0.869), and procedural tax knowledge (0.805), which shows all the reliability indicators exhibited values surpassing the recommended threshold of 0.70 (Hair et al., 2011), thus confirming construct reliability. Further, the result shows that composite reliability value for non-formal tax education (0.911), payment compliance (0.908), and procedural tax knowledge (0.872), depicting strong internal consistency or reliability of the study constructs. Moreover, when it comes to convergent validity, it indicates that measures that are valid from the same phenomenon should display high covariance if they truly measure the concept or issue (Hair et al., 2022). Consequently, as posited by Hair et al. (2022), the Average Variance Extracted (AVE) "indicates the extent to which items within a specific construct positively correlate and share a significant amount of variance as assessed through AVE" (p.1). It has been argued that when the AVE score is greater than or equal to the recommended score or threshold of 0.50 (Creswell, 2019), then it posits that the study items converge to measure the underlying construct, thereby establishing convergent validity. Therefore, the result shows that the AVE score includes non-formal tax education (0.674), payment compliance (0.670) and procedural tax knowledge (0.631), indicating that all constructs exceeded the recommended threshold of 0.50, indicating the existence of convergent validity of the study constructs.

	Non-Formal Tax Education	Payment Compliance	Procedural Tax Knowledge
Non-Formal Tax Education	0.821		
Payment Compliance	0.538	0.818	
Procedural Tax Knowledge	0.558	0.728	0.794

Table 4: Discriminant Validity – Fornell and Larcker Criterion

	Non-Formal Tax Education	Payment Compliance	Procedural Tax Knowledge
Non-Formal Tax Education			
Payment Compliance	<b>0.607</b>		
Procedural Tax Knowledge	0.650	<b>0.873</b>	-

Table 5: Discriminant Validity – HTMT

Tables 4 and 5 show the results from Fornell and Larcker criterion and Heterotrait-Monotrait Ratio (HTMT) for assessing discriminant validity in the data set. For Fornell and Larcker criterion, the affirmation of discriminant validity occurs when the square root of the Average Variance Extracted (AVE) for a construct exceeds its correlation with all other constructs. In view of this, the result shows that non-formal tax education is (0.821), payment compliance is (0.818), and procedural tax knowledge is (0.794), indicating that these scores surpass their correlations with another construct, thus providing robust evidence for the establishment of discriminant validity. Further, in relation to HTMT, Hair et al. (2022) suggested a threshold value of 0.85 or lower, while Teo et al. (2008) proposed a more lenient threshold of 0.90 or lower. In view of this, the HTMT values presented in table 5 include payment compliance (0.607 < 0.09) and procedural tax knowledge (0.893 < 0.09), indicating that the HTMT ratio falls below the required threshold of 0.90, thereby confirming discriminant validity.

4.5. Structural Model

The path analysis presented a structure model and is shown in figure 2 below:

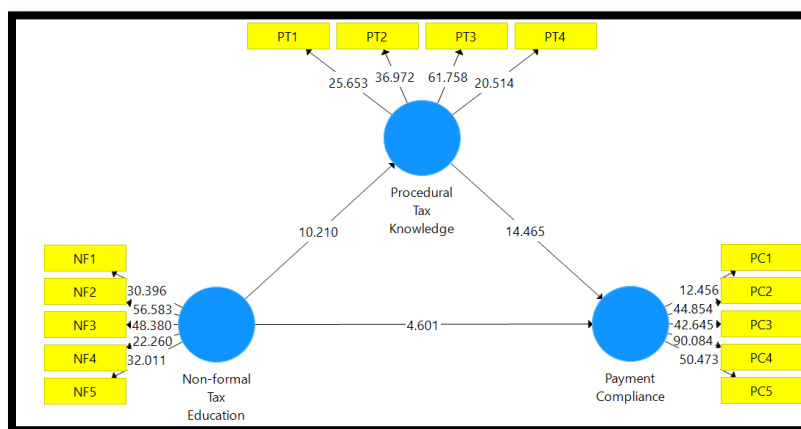


Figure 2: Structural Model from Mediating Analysis

4.6. Direct Relationship Results

The direct relationship result from the path coefficients is presented in table 6.

Paths	Beta Coefficient	T-Statistics	P-Values
Non-formal Tax Education -> Payment Compliance	0.192	4.601	0.000
Non-formal Tax Education -> Procedural Tax Knowledge	0.558	10.21	0.000
Procedural Tax Knowledge -> Payment Compliance	0.621	14.465	0.000

Table 6: Paths Results

In relation to effect sizes, the result shows that non-formal tax education influences payment compliance significantly, indicated as ( $\beta = 0.192$ ,  $T = 4.601$ ,  $p < 0.05$ ). This is a positive effect or impact, and 19.2% of the variance is explained. This shows that a unit change in non-formal tax education leads to a 19.2% impact on payment compliance. This implies that informal avenues, including community engagement and outreach, social programs, etc, have the capacity to influence tax payment compliance. This means that the government of Ghana and other tax authorities have the capacity to enhance payment of compliance from informal sector SME business owners through critical investment in non-formal educational programs or initiatives. This will provide these businesses with practical and accessible tax-related information that has the capacity to enhance the tax revenue of the government. This aligns with the study by Nartey (2023), who argued that initiatives underscoring non-formal tax education within sub-Saharan Africa result in voluntary tax compliance among operators of informal business. Another scholarly work by Chowdhury and Zaman (2022) posited that in rural Bangladesh, non-formal tax education enhanced tax literacy, which directly influences a higher level of payment compliance. Further, some studies have also reported that a higher level of non-formal tax education has the capacity to influence the tax compliance levels of businesses (Harris, 2019; Kirchler et al., 2020).

Further, non-formal tax education influences procedural tax knowledge indicated as ( $\beta = 0.558$ ,  $T = 10.21$ ,  $p < 0.05$ ). This is a positive effect or impact, and 55.8% of the variance is explained. It also shows that a unit change in non-formal tax education leads to a 55.8% impact on procedural tax knowledge. This suggests the vital role that alternative educational strategies provide in improving informal sector SME business owners' or individuals' comprehension of tax processes and procedures. This also shows that non-formal strategies or methods, including workshops, media engagement and campaigns, can complement formal education, equipping SME businesses with the knowledge required to navigate tax procedures without any issues. This supports the study by Okoye and Obasi (2021), who indicated that non-formal tax education has the capacity to enhance the tax responsibilities of business people. However, tax procedures are the main deal when facilitating actual compliance behaviour. It also aligns with the study by Sanya and Wahba (2023), who claimed

that a high level of non-formal tax education has the capacity to enhance the understanding of people regarding tax procedures and processes.

Moreover, procedural tax knowledge influences payment compliance significantly, indicated by ( $\beta = 0.621$ ,  $T = 14.465$ ,  $p < 0.05$ ). This is a positive impact, and 62.1% of the variance is explained. This shows that a unit change in procedural tax knowledge leads to a 62.1% impact on payment compliance. This underscores the importance of comprehending tax processes and procedures to propel compliance. It also shows that enhanced procedural knowledge reduces issues of confusion, error minimization, and rise in confidence, ultimately encouraging a culture of voluntary compliance that brings greater benefits to both governments and the business operators within the informal sector of Ghana. This aligns with the study by Hughes (2022), who claimed that procedural tax knowledge is critical when enhancing compliance. In addition, Karlinsky et al. (2020) indicated that procedural tax knowledge positively influenced payment compliance by reducing procedural uncertainties and enhancing confidence in the payment process.

#### 4.7. Mediating Results

Indicators	Beta Coefficient	T-Statistics	P-Values
Non-formal Tax Education -> Payment Compliance	0.538	8.953	0.000
Non-formal Tax Education -> Procedural Tax Knowledge	0.558	10.21	0.000
Procedural Tax Knowledge -> Payment Compliance	0.621	14.465	0.000

Table 7: Total Effects

In relation to total effect, the result shows that non-formal tax education exerts a significant effect on payment compliance indicated as ( $\beta = 0.538$ ,  $T = 8.953$ ,  $p < 0.05$ ). In addition, non-formal tax education exerts a significant effect on procedural tax knowledge indicated as ( $\beta = 0.558$ ,  $T = 10.21$ ,  $p < 0.05$ ). Furthermore, procedural tax knowledge exerts a significant effect on payment compliance indicated as ( $\beta = 0.621$ ,  $T = 14.465$ ,  $p < 0.05$ ). This generally shows that non-formal tax education, procedural tax knowledge and payment compliance are critical indicators when it comes to informal sector tax systems and operations. This generally confirms the study by Kimani et al. (2020), which reported that even though non-formal tax education has been indicated to enhance tax awareness among owners of businesses in Kenya, payment compliance was significantly propelled by strong tax procedures.

Indicators	Beta Coefficient	T-Statistics	P-Values
Non-formal Tax Education -> Procedural Tax Knowledge -> Payment Compliance	0.346	0.426	0.000

Table 8: Specific Indirect Effects

In relation to the mediation relationship, the result shows that procedural tax knowledge mediates the impact of non-formal tax education and payment compliance indicated as ( $\beta = 0.346$ ,  $T = 0.426$ ,  $p < 0.05$ ). This suggests that comprehension of tax procedures is a critical strategy through which education (non-formal in nature) enhances payment compliance of SME businesses within the informal sector of Ghana. It is vital to establish that non-formal tax education initiatives should not concentrate on just tax awareness that is general in nature but must focus on specific procedural knowledge. It is vital to indicate that by so doing, government educational efforts will have the capacity to transform individual behaviours towards tax payment and compliance. This aligns with the study by Kimani et al. (2020), who reported that even though non-formal tax education has been indicated to enhance tax awareness among owners of businesses in Kenya, payment compliance was significantly propelled by strong tax procedures. In addition, Okoye and Obasi (2021) indicated that non-formal tax education has the capacity to enhance the tax responsibilities of business people. However, tax procedures are the main deal when facilitating actual compliance behaviour.

## 5. Conclusion

Importantly, the study found that non-formal tax education influences payment compliance significantly. In addition, non-formal tax education influences procedural tax knowledge significantly. Further, procedural tax knowledge influences payment compliance significantly. Moreover, it was found that procedural tax knowledge mediates the impact of non-formal tax education and payment compliance significantly. In view of this, the study succinctly shows that non-formal tax educational initiatives, including community-based engagement, training, programs, campaigns, media engagement, etc., have a significant effect on the willingness of SMEs within the informal sector of Ghana to comply with tax policies, rules and regulations. This also indicates that procedural tax knowledge is very important in bridging the gap between tax education and payment compliance within the informal sector. Therefore, taxpayers within the informal sector who are critically informed about required tax procedures, requirements, steps, etc, in relation to tax payment have a greater likelihood of meeting their tax obligations or responsibilities. This implies that procedural tax knowledge comprehension is a critical dimension of in propelling positive taxpayer behaviour or attitude. Generally, the findings show that enhancing procedural tax knowledge through important or vital educational interventions not only propels compliance but also strengthens the association between tax education and tax compliance. Optimizing payment compliance among informal sector SMEs requires tax authorities and policymakers to employ the study findings to

develop targeted educational initiatives concentrating on tax awareness and procedural knowledge within the tax system in Ghana.

## 6. Theoretical Implications

It is important to establish that the discoveries from the study align with social learning theory (SLT). The theory argues that individuals develop important learning skills through observation, imitation, modeling, etc., within a social domain. Since non-formal tax educational initiatives generally rely on community engagement, peer learning, media engagement, etc, which offer platforms for observational learning, it supports the underpinning assumptions of SLT. Further, it is vital to establish that non-formal tax education leverages the social environments in which informal sector SME businesses operate, where learning is not only limited to formal structures but also occurs through engagement, dialogue, and real-world observation. This aligns with the assumptions underpinning SLT, which concentrate on learning through the power of reinforcement and modeling. The important effect of procedural tax knowledge within this context reflects the SLT concept that convoluted behaviours, including tax compliance, can be studied through guided experiences.

## 7. Managerial Implications

The positive effect of non-formal tax education on payment compliance offers important insight to tax authorities that tax behaviours extend beyond formal educational frameworks or traditional educational strategies. This shows that tax authorities and policymakers have to pay closer attention to non-formal tax initiatives to reach a larger audience within the informal sector of Ghana. These initiatives will be highly relevant in areas or regions where formal education is low, and SMEs may lack traditional tax education access. Further, the role of procedural tax knowledge in propelling compliance stresses the need for succinct, accessible, and user-friendly tax instructions. It is vital to establish the need for tax authorities and policymakers in Ghana to invest in streamlining the filing process and procedures within the tax system, provide step-by-step processes as guidance and online tutorials, and use helplines to provide support to taxpayers. It is also important for policymakers to include non-formal educational programs that are practical, procedural and have the capacity to promote tax compliance. This will help enhance rates of compliance within the informal sector of Ghana and propel a more tax-literate population in Ghana.

## 8. Research Limitation

The study is limited to only SMEs in the informal sector within the Greater Accra Region of Ghana. Another major limitation of the study was the possible inconsistent response from operators in the informal sector because of their poor record-keeping, which affected the analysis of the data to be collected. However, due diligence was taken to ensure that respondents understood the questions posed to them in the questionnaire with the overall aim of overcoming this challenge.

## 9. Future Research Recommendations

On the basis of the findings of the study, the following recommendations are provided. There is a need for future researchers:

- To examine the impact of digital non-formal tax education on filing compliance,
- To investigate the role of cultural factors in enhancing tax compliance issues within the informal rural sector of Ghana and
- To examine the mediating role of procedural tax knowledge on the linkage between informal tax education and reporting compliance.

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