

**SOCIAL NORMS AND TAX COMPLIANCE AMONG SMALL BUSINESS
ENTERPRISES IN UGANDA**

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**A Research Dissertation Report submitted to Makerere University in Partial fulfillment for
the requirements of the award of a Degree of Master of Science in Accounting and Finance
of Makerere University**

August, 2009

Declaration

I, Jennifer Nabaweesi declare that this research dissertation report is my original work. It has not been submitted to any University, College or School for the award of any degree or diploma.

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Approval

This Research Dissertation Report has been under our supervision as University Supervisors. We approve its submission for examination to Makerere University as a partial fulfillment for the requirements of the award of Master of Science in Accounting and Finance of Makerere University.

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Dedication

This dissertation is dedicated to my parents, sisters, brothers and great friends whose learning curiosity inspired me.

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List of Acronyms

GDP- Gross Domestic Product

ITA- Income Tax Act

SBEs- Small Business Enterprises

SPSS- Statistical Package for Social Science

URA- Uganda Revenue Authority

Abstract

The study was prompted by the high and alarming rates of non tax compliance among Small Business Enterprises in Uganda. The reason of this study was therefore to establish the relationship between Social Norms, Taxpayers' Morale and Tax Compliance among Small Business Enterprises in Uganda.

To achieve the above purpose, a cross-sectional research design together with the explanatory research design and analytical research design were used in the survey. The survey population included Small Business Enterprises operating in Kampala district. Purposive and simple random sampling methods were used to select samples used in the study. Self administered questionnaires were used to collect data from SBEs. Data was collected from 235 respondents. Data was analysed using SPSS (Statistical Package for Social Scientist).

The study found that Social Norms, Taxpayers' Morale and Tax Compliance are significantly correlated. Hence, putting in place deliberate strategies aimed at improving these soft elements would yield high levels of Tax Compliance among Small Business Enterprises. The study also recommended that the tax assessment procedures should be improved to enhance trust of the government, Uganda Revenue Authority should establish harmonious working relationship with all stakeholders, and there should be massive sensitization programmes to increase awareness and educate the public as well as remind them that they are partners as opposed to mere subjects who must pay. Once Uganda Revenue Authority adopts this stance, they are likely to be perceived as more accountable and trustable and the tax paying public will most likely comply in its obligation to pay.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

Traditionally, tax compliance has been examined in terms of levels of enforcement (Allingham & Sandmo, 1972; Cowell, 1990; Yitzhaki, 1974). Several researchers argue, however, that tax compliance cannot be explained entirely by levels of enforcement (Alm, Sanchez & De Juan 1995; Elffers, 1991, 2000; Frey 1997; Graetz & Wilde 1985; Torgler 2002). In the face of these difficulties, researchers have suggested other factors that need to be analyzed. It is plausible that tax compliance is affected by other factors such as government services, trust in institutions, perception of others' tax compliance and social norms among others. Alm, Sanchez & Juan (1995) and Alm, McClelland & Schulze (1999) suggested that social norms on tax could play an important role in determining compliance behaviour.

In Uganda, a number of Small Business Enterprises (SBEs), which for purposes of this study are defined as resident business units with a gross annual turnover of not more than fifty million Uganda shillings (Income Tax Act, 1997), remain outside the tax system through tax non-compliance.

Tax compliance means true reporting of the tax base, correct computation of the liability, timely filing of the return and timely payment of the amounts due (Franzoni, 1999). It is easier for SBEs to remain outside the tax net because they can remain inconspicuous to the tax administration. SBEs find it beneficial to take advantage of loopholes in the tax system in order to minimize their tax payments, hence the non-compliance (Wallace, 2002). In the face of these difficulties, the presumptive income tax system was introduced, to streamline income tax collection and widen the income tax base in Uganda (Sserwanga, 2002).

Despite the introduction of presumptive tax system as the method to tax SBEs in order to improve their compliance, there is still non-compliance among SBEs with only a 2% increase in domestic taxes from 23% (financial year 2001/02) to 25% (financial year 2006/07) (URA Corporate Plan 2002/03-2006/07). This could be due to factors that influence tax compliance like, a range of individual characteristics which include social norms, perceptions of fairness, perceived benefits and perceived penalty. Researchers from developed countries argue that social norms influence the level of tax compliance; it is possible that this could be the case in SBEs in Uganda.

1.2 Statement of the Problem

Non-compliance among SBEs is still a complex phenomenon that cannot be eradicated by partial diagnosis of its determinants and ignoring the social norms and morale of taxpayers. Majority of the taxpayers (SBEs) under the presumptive tax system in Uganda have continued to be difficult to monitor and mutate hence poor tax performance (Monitor July, 26th 2005). This could be partly caused by social norms, because they play an important role in compliance, though often ignored by public and tax policy makers. This therefore sets the basis for the researcher to investigate the relationship between social norms and tax compliance among SBEs in Uganda.

1.3 Purpose of the Study

The purpose of this study was to explore the relationship between social norms and tax compliance among small business enterprises in Uganda.

1.4 Objectives of the Study

- i) To examine the relationship between social norms and tax compliance.
- ii) To examine the relationship between social norms and taxpayers' morale.
- iii) To examine the relationship between taxpayers' morale and tax compliance.
- iv) To examine the relationship between social norms, taxpayers' morale and tax compliance.

1.5 Research Question

- i) What is the relationship between social norms and tax compliance?
- ii) What is the relationship between social norms and taxpayers' morale?
- iii) What is the relationship between taxpayers' morale and tax compliance?
- iv) What is the relationship between social norms, taxpayers' morale and tax compliance?

1.6 Significance of the Study

The findings of the study will make the following contributions:

- i) Provide relevant information and knowledge that will help tax administrators, policy makers and collectors identify factors that may affect tax compliance and obtain knowledge on social norms and taxpayers' morale as factors that influence tax compliance among SBEs. This will enable them draw applicable policies that will enhance tax compliance.
- ii) Provide an understanding of the implications and impact of tax policies in Uganda's SBEs.

- iii) Provide information that will enable small business proprietors, managers and employees appreciate the importance of tax compliance, the factors that may impact compliance and consequences of compliance. This will enable them make improvements.
- iv) Add to the existing knowledge on tax compliance in Uganda and close the knowledge gap that exists in the tax compliance discipline since few studies have been undertaken on tax compliance in Uganda.

1.7 Scope of the Study

Conceptual Scope

Many factors influence tax compliance, however this study was confined to the impact of social norms on tax compliance. Social norms in this study were measured using; norms of reciprocity, Contractual solidarity, Flexibility, Long term orientation and Role integrity while taxpayers' morale was measured using trust and satisfaction with government. Tax compliance in this study was limited to the four items which include; non-lodgments, tax debt, Pay income and promptness. Other factors will be held constant during this study.

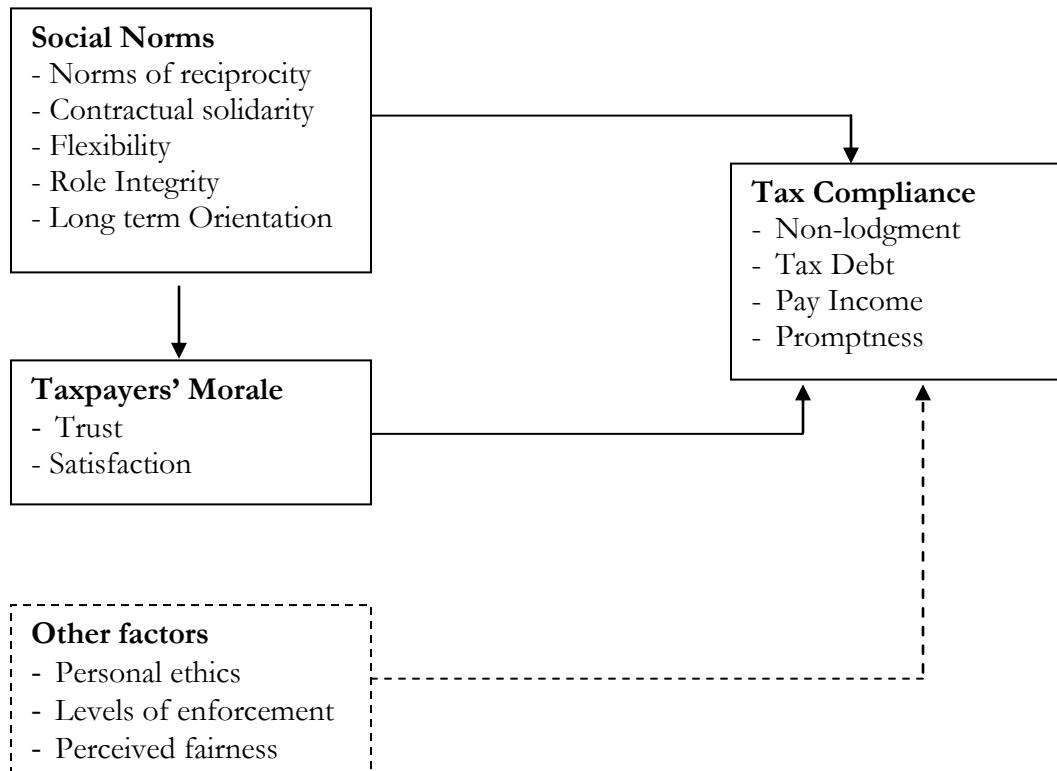
Geographical Scope

This study was conducted in Kampala, among SBEs operating in Kampala, this is because most SBEs operate and have their headquarters in Kampala.

1.8 The Conceptual Framework

The conceptual framework draws upon works of several authors like; Cummings, Martinez – Vazquez, McKee & Torgler (2004), Elster (1989) and Naylor (1989), Steenbergen, McGraw & Scholz, (1992), Ivens (2004) and Etzioni, (1988). Their work has been modified to suit the Ugandan tax environment.

Figure 1: The following conceptual framework is used to guide the study.



Based on literature review and modified by Researcher: (Cummings, Martinez – Vazquez, McKee & Torgler (2004); Elster, 1989; Naylor, 1989; Steenbergen, McGraw & Scholz, 1992; Ivens (2004); McNeil (1983) and Etzioni, 1988)

According to the model, social norms (Independent variable) influence taxpayers' morale (Intervening variable), which in turn influences the level of compliance (Dependent variable). Social norms and morals have been cited as reasons for high compliance with rules (Elster, 1989) and collective actions (Naylor, 1989). From a sociological perspective, it is often assumed

that human behavior is influenced by social norms to a substantial extent. Sometimes this also includes tax behavior as well as other economic behavior (Etzioni, 1988).

In a broader sense different studies try to investigate attitudes towards paying taxes which can be seen as a proxy for *tax morale*: the intrinsic motivation to comply and pay taxes and thus voluntarily contribute to the public good (Torgler & Schneider, 1999). If Individual attitudes, which according to this research mean morale, toward compliance are a function of social and cultural norms, then enhancing these norms may be a desirable policy option. According to Cummings *et al* (2004), Taxpayers' morale evolves from perceptions that the government is trustworthy, that the tax enforcement mechanisms are fair and that the fiscal exchange is beneficial. Ultimately in all the cultural settings investigated by previous researchers compliance does increase with enforcement efforts but this has been found to be a less effective mechanism than taxpayers' morale (Cummings *et al.*, 2004). Literature further indicates other factors that independently influence tax compliance such as personal ethics based on religion or cultural norms (steenbergen, McGraw & Scholz, 1992), levels of enforcement and perceived fairness. However this research scope will not cover these other factors.

1.9 Organization of the Study Report

The study report is made up of five chapters. Chapter one introduces the study by discussing background to the study, the statement of the problem, purpose of the study, research objectives and questions, the scope of the study and the conceptual framework.

Chapter two is a review of the variables in the study which are social norms, taxpayers morale and tax compliance. From the works of various scholars and academicians the variables are discussed and the relationship between them derived.

Chapter three describes the methodology that was used by the researcher to collect data in order to achieve the objectives of the study. This chapter describes the research design, study area and population, the sample size, sampling design, data sources and data collection methods as well as methods of presentation, interpretation and analysis of the findings.

Chapter four is a presentation, interpretation and analysis of findings of the study in light of the research objectives and questions.

Chapter five presents discussions, conclusions and recommendations that have been made from the discussions and interpretation of findings in the previous chapter. Areas for future research are also recommended.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews the existing literature on Social norms and Tax Compliance among Small Business Enterprises in Uganda. The literature tries to justify the existence of a relationship between social norms of small business taxpayers, together with the taxpayers' morale and tax compliance of the small business enterprises.

2.2 Definitions

2.2.1 Taxation

Taxation is a process by which a government or municipal quasi-public body raises monies to fund its operations. It is the impact an investment has on the investor's liability for payment of federal, state, and local taxes. It is a process of administration and collection of taxes (Tumuhimbise, 2000). As a study it is concerned with public revenue and public debt. Tax is a compulsory levy imposed by the public authority to taxpayers irrespective of the exact amount rendered to a taxpayer in return (Dalton, 1991). Economic theory defines a tax as a leakage from the circular flow of income into the public sector.

2.2.2 Presumptive Taxation

Presumptive taxation involves the use of indirect means to ascertain tax liability, which is different from the usual rules based on the taxpayer's accounts. The term presumptive is used to indicate that there is legal presumption that the taxpayer's income is not less than the amount resulting from application of the indirect method (Thuronyi, 1996).

In Uganda presumptive taxation is meant to cater for the incomes of small business taxpayers in the informal sector who do not keep records. Presumptive taxation is basically a method of determining income and tax liability of small business taxpayers with the view of widening the tax base and increasing the tax revenue yield (Tindimwebwa, 1999). This is by using other recognized variables like gross annual turnover without dependence on financial accounting reports (Income Tax Act, 1997). The presumptive method applies to resident, non-professional businesses with gross annual turnover not exceeding fifty million Uganda shillings (UGX 50,000,000).

However, high non-compliance rate has persisted irrespective of the tax reforms to include SBEs in Uganda's tax system (Sserwanga, 2003). In Uganda SBEs seem to reduce their tax payments by non-compliance (Gauthier & Renikka, 2001).

2.2.3 Small Business Enterprises (SBEs)

The definition of SBEs varies from person to person and from one economy to another. The definition is usually based on the number of employees, turnover or value of assets. SBEs are defined in respect to the number of people employed, capital employed and sales turnover (Astley, 1997). Belkaovi & Karpic (1998) employed net sales to define SBEs, while (Trotman & Bradley, 1981) used both sales and total assets to define SBEs. UNCTAD, (2000) defines SBEs as a business involving one to five persons, with simple enough activities to be managed directly on a person-to-person basis.

Due to the inconsistency in the definition of SBEs, the difference in the definitions will not be fundamental to this research (Hallberg, 2000). However for purposes of this study, SBEs are

defined as those resident business units with a gross annual turnover of not more than fifty million Uganda shillings (UGX 50,000,000). The definition includes any business irrespective of number of employees or capital invested, but excludes any professional and public utility business (ITA, 1997).

Small Business Enterprises (SBEs) play a pivotal role in modern industrial economies. In Uganda, according to Hatega (2007) it is estimated that the number of SBEs is more than 1,069,848, which constitutes more than 90% of Uganda's private sector. The composition being more of the informal sector than the formal sector, mainly dealing in trade, agro-processing and small manufacturing. 80% of these SBEs are located in the urban areas and they contribute 75% of the Gross Domestic Product (GDP). SBEs are very important for a developing economy like Uganda because they provide employment opportunities up to approximately 2.5 million people and are a basis for developing new ideas, as well as contributing to economic growth and sustainable development. (Hatega, 2007)

In Uganda, a number of Small Business Enterprises (SBEs) remain outside the tax system through tax non-compliance. It is easier for SBEs to remain outside the tax net because they can remain un-noticeable to the tax administration. Further more SBEs find it easier to slip out of the tax collectors' net, because the enforcement costs would exceed the potential tax revenue collected from the SBEs (Gauthier & Reinikka, 2001).

The above problems, associated with the complicated taxation method, led to the introduction of the presumptive income tax, to streamline income tax collection and widen the income tax base in Uganda (Sserwanga, 2002). Previously non-taxable SBEs were brought to the tax bracket

using the presumptive tax method, unless they opt to file a return (Chen & Reinnika, 1999). SBEs find it beneficial to take advantage of loopholes in the tax system in order to minimize their tax payments, hence the non-compliance (Wallace, 2002).

Although the presumptive tax system was introduced as the method to tax SBEs to improve their compliance, there is still non-compliance among SBEs. This could be because of the social norms. Researchers from the developed countries argue that social norms influence the level of tax compliance. And this could be the case in Uganda among SBEs.

2.3 Social Norms

According to Leslie, Larson & Gorman (1973) "...social norms are rules developed by a group that specify how people must, should, may, should not, and must not behave in various situations". These rules are based on interests, values and attitudes developed within the group. Therefore Social norms refer to individuals' perceptions of what most other people believe is appropriate (Wenzel, 2001).

However Edlund & Åberg (2002) puts it that, social norms are generally accepted ways of thinking, feeling or behaving that people in a group agree on and endorse as right and proper. The essence of a social norm is not basically what is legally defined; rather, it is informal or socially defined rules specifying what actions are regarded as proper and correct, or improper or incorrect. These rules are based on interests, values and attitudes developed within the group. Thus, a social norm is composed of a socially defined rule of behavior based on common values.

Fehr & Gächter (2000), define a social norm as a behavioural regularity that is based on a socially shared belief of how one ought to behave which triggers the enforcement of the prescribed behaviour by informal social sanctions. The concept of sanction goes hand in hand with the concept of social norm; sanctions are the group's punishments for violation of social norms. A social norm is composed of a socially defined rule of behavior based on common values, backed up by a system of sanctions.

As pointed out by Coleman (1990), social norms are usually taken for granted in social theory. Norms are system-level properties and, as such, supposed to bear some influence on individual behavior in the system. Following Coleman (1990), we assume that social norms do not exist unless a significant number of members of the system have an interest in upholding them.

According to McNeil (1983) there are ten dimensions of social norms which include; norms of reciprocity, contractual solidarity, role integrity, flexibility, long term orientation, implementation of planning, the linking norms, creation and restraint of power, harmonization with the social matrix and Propriety of means. However in this study, social norms is identified using five dimensions which include;- norms of reciprocity, contractual solidarity, role integrity, flexibility and long term orientation as the most critical dimensions in relation to social norms (Ivens, 2004).

2.3.1 Norms of Reciprocity

According to MacNeil (1980) a freely entered exchange will only occur when both parties expect a consequent improvement in their pre-exchange position and

each party assumes it will get something back for something given. Thus exchanges are not seen as necessarily being of roughly equal value. Indeed, the discharge of obligations incurred as a result of services received in the past entails obligations not specified in advance and the exact nature of the return is left to the discretion of the respondent (Blau, 1967). Reciprocity therefore is treating others as they treat you.

In relational arrangements, not all conditions of exchange are specified in formal contracts. In fact, they trust the other to conform to the relationship-specific norms. As a consequence, the actors readily accept that their respective imaginary rights-and obligations account is not always balanced. However, they expect that in the long run advantages they draw from the exchange with one another are distributed in a fair manner (Kaufmann & Stern, 1988; Kaufmann & Dant, 1992).

This norm may be considered as a form of inter-temporal compensation (Dwyer *et al.*, 1987; Pilling *et al.*, 1994; Frazier *et al.*, 1988). In the language of the relational exchange literature, this norm of distributive justice is referred to as reciprocity or mutuality. Mutuality is reflected by an actor's attitude that the realization of one's own success depends on the partners' overall success (Dant & Schul, 1992). Such an attitude prevents the parties from maximizing their individual relationship benefits at the expense of the exchange partner.

When a government taxes people it has to provide benefits in return, beginning with services, accountability and good governance but ending with liberty and representation. This reciprocal bargain – between taxation and representation – is what gives governments legitimacy in the modern world (Paler, 2003).

2.3.2 Contractual Solidarity

MacNeil's view is that “the fundamental root, the base, of contract is society” (MacNeil, 1980) because no society can operate without exchange. If a society is not to break down then the greater number of its contacts must be orderly (i.e. operate within a set of rules of behaviour which are accepted by the majority of that society) and individuals must hold a belief that most others are dependable (Blois & Ivens, 2005).

Solidarity is expressed through behaviors which contribute directly to relationship maintenance (Heide & John, 1992; MacNeil, 1980). The effect of solidarity is far-reaching. It assures “the preservation of the unique and continuing relationship in which transactions take place” (Kaufmann & Stern, 1988).

The extent to which an actor's behaviors express solidarity with the exchange partner thus functions as an indicator of the importance he attributes to this long-term relationship. Along with economic motivations emotional factors such as pity or personal friendships may also lead economic actors to show solidarity in the form of making important concessions to the other party (Heide, 1994).

Contractual solidarity can therefore also be described as the Preservation of the relationship (Kaufmann & Stern, 1988; Achrol, 1997).

2.3.3 Role Integrity

The partners in an exchange naturally retain a desire to achieve their own goals. Such an approach is more likely to be effective where the individuals involved believe that they are dealing with others who, from experience, can be expected to behave “properly or adequately in all circumstances” (Misztal, 1996).

Gill & Stern (1969), describe a role as a “set of prescriptions defining what the behavior of a position member should be”. The role expresses an actor’s rights as well as his obligations for example paying taxes. Role integrity implies honoring such obligations by showing a consistent and constant behavioral pattern (Werner, 1997). Kaufmann (1987) goes ahead to say role integrity is the maintenance of complex multidimensional roles forming a network of relationships.

2.3.4 Flexibility

Relationships are contingent on environmental conditions. These constellations of external factors are not static. They are often characterized by a high degree of volatility. This may lead to situations in which initial agreements between the actors may no longer meet the current environmental conditions and thus become inadequate (Thompson, 1967). The probability that at least one party feels the need to adapt at least parts of the original agreement after a certain lapse of time

increases with the length of the time horizon underlying the initial agreement (Ganesan, 1994).

In order to face problems arising because of environmental volatility the economic actors concerned may adapt the existing agreement (for example on prices, timing issues, contents) to the changed conditions. An actor's readiness to adapt an existing implicit or explicit agreement to new environmental conditions is called flexibility (Noordewier *et al.*, 1990). "It represents insurance that the relationship will be subject to good-faith modification if a particular practice proves detrimental in the light of changed circumstances" (Heide & John, 1992).

Along with the general readiness to react to unforeseen changes, flexibility may also be displayed through an actor's willingness to reduce the time span of agreements with the partner. However, such an attitude supposes a minimum degree of certainty about the other's intention to maintain the existing relationship, particularly on the part of the service provider which is URA in this case. It represents a sequential, adaptive approach to decision making and an increasing level of interaction between the parties who need to renegotiate the content and processes of their relationship frequently (John & Weitz, 1988).

Any contract running into the future has to have the capacity to be changed or it may run into problems. Indeed, in the case of long-term relationships, it has been asserted that the formal conditions under which they can be made "renegotiation

proof” are “so extreme as to have only a tenuous connection with agreements of the kind which are observed in practice” (Deakin & Wilkinson, 1998). Indeed Whitford points out that the law provides “an array of strategic weapons in case the relation breaks down” (Whitford, 1985). By comparison, in the case of relational exchanges, flexibility tends to exist within the transaction or the negotiation of, and agreement upon, mutual obligations between potential partners.

The relational exchange school posits that contracts are agreements intentionally left incomplete in order to preserve the actors’ flexibility to adapt to changes in environmental conditions (MacNeil, 1978).

2.3.5 Long-term Orientation

There is a close link between solidarity and long-term orientation. Both norms are directed towards relationship maintenance. Apparently, the partner attributes a high level of importance to his service provider’s relational orientation. One explanation might be that long-term relationships may require specific investments that can hardly be reallocated to alternative uses. Terminating the relationship might imply excessive costs for the reconfiguration of the system. Therefore, partners are willing to commit themselves, if they perceive their service provider to be interested in long-term cooperation.

Long-term orientation is an economic actor's desire and utility of having a long-term relationship with a specific contract partner (Ganesan, 1994)

2.4 Taxpayers' Morale

Taxpayers' morale is defined as the intrinsic motivation to pay taxes. It is the individuals' willingness to pay taxes or, in other words the moral obligation to pay taxes or the belief in contributing to the society by paying taxes (Cummings *et al.*, 2004).

In a broader sense a number of studies have tried to investigate attitudes towards paying taxes which can be seen as a proxy for tax morale: the intrinsic motivation to comply and pay taxes and thus voluntarily contribute to the public good (Torgler & Schneider, 1999). However, most of the attempts failed to consider how tax morale may arise or which factors have an impact on it. Tax morale is used as a residuum to capture unknown influences on tax evasion (Frey & Feld, 2002). Rather than just being extrinsically motivated by material incentives, intrinsic motivations largely determine tax compliance (Carroll, 1987).

In this study, tax payer's morale is identified to include trust and satisfaction in the state and tax officials as well as with the current political process. These might have a positive impact on tax morale. When the political system works well, and people are satisfied with the government, then their intrinsic motivation to pay taxes tends to increase or will increase (Alm *et al* 2006).

2.4.1 Trust

Anderson & Narus (1986) define trust as “the party’s belief that another party will perform actions that will result in positive outcomes for the party as well as not take unexpected actions that would result in negative outcomes for the party”. Trust is an attitude that influences behavior (Ivens, 2004).

Higher trust in the state might improve taxpayers' positive attitudes and commitment toward paying taxes, with a positive effect on overall tax compliance. Indeed, there is now some evidence that institutions that taxpayers perceive as fair and efficient might have a positive effect on tax morale (Alm *et al.*, 1993; Pommerehne *et al.*, 1994; Frey, 1997, Torgler, 2004, 2005; Alm & Torgler, 2006). Thus trust influences citizens' incentives to commit themselves to obedience (Togler & Schneider 2006).

2.4.2 Satisfaction

Geyskens & Steenkamp (2000) interpret satisfaction in relationships as a two dimensional construct. They distinguish between economic and social satisfaction. The first dimension refers to “evaluation of the economic outcomes that flow from the relationship”, the other to “psychosocial aspects of (the) relationship”.

Much of this work also suggests that, aside from trust, satisfaction with the current political process might have a positive impact on tax morale. When the political system works well, and people are satisfied with the government, then their intrinsic motivation to pay taxes tends to increase or will increase (Alm *et al.*, 2006).

2.5 Tax Compliance

Tax compliance typically means, true reporting of the tax base, correct computation of the liability (accuracy), timely filing of the return, and timely payment of the amounts due (timeliness) (Franzoni, 1999). Tax compliance in respect to income tax is defined as the ratio of declared income to actual income (Chang-Gyun, Hyun & Yoo, 2000). Tax non-compliance or evasion, on the other hand, happens when taxpayers intentionally fail to comply with their tax obligations, resulting to loss of revenue, which may cause serious damage to the proper functioning of the public sector (Franzoni, 1999).

Tax non-compliance can be addressed from a variety of perspectives, including prevailing social norms and morals, complexity of tax laws and regulations, ethical and sociological motivations, audit rates and penalties. Most of the analysis of non-compliance has focused on how non-compliance or evasion is deterred through detection and sanctions (Franzoni, 1999), which approach cannot satisfactorily explain non-compliance among taxpayers. Alm, Sanchez, & De Juan (1995), Elffers (1991), (2000); Frey (1997); Graetz & Wilde (1985); Torgler (2002), have come up and said that, tax compliance cannot be explained entirely by levels of enforcement.

2.6 Social Norms and Tax Compliance

Social norms refer to injunctive norms (Cialdini, Kallgren, & Reno, 1991) that is normative prescriptions regarding tax compliance or, conversely, the normative acceptability of noncompliance. Likewise, it has been argued that social norms, that is, the perceived practice or endorsement of evasion among reference others, impact on tax compliance (Wenzel, 2004). Social norms, if internalized, should reduce the perceived opportunity structure and, as mentioned, reduce the will to cheat on taxes.

Social norms have usually been studied as the perceived prevalence or acceptance of tax evasion among a reference group (DeJuan, Lasheras, & Mayo, 1994; Porcano, 1988; Webley, Cole, & Eidjar, 2001); or as naturally varying between different cultural or sub cultural groups (Alm, Sanchez, & DeJuan, 1995). In either case, the evidence is only of a correlation nature and we do not know whether social norms causally affect one's taxpaying behaviour or whether social norms are constructed so as to explain and justify the behaviour.

None the less following the logic of the moral/social actor view, social norms should influence taxpaying behaviour, when they are internalised through a process of identification with the relevant social group (Wenzel, 2004). That is, perceived social norms will causally affect tax compliance when taxpayers identify with the group to which the norms are attributed. The causal effect will be mediated by the internalisation of social norms through which they become part of the taxpayer's own individual make-up. However, from a sociological perspective, it is often assumed that human behavior is determined by social norms to a substantial extent. Sometimes this also includes tax behavior as well as other economic behavior (Etzioni, 1988).

In this literature, it is argued that tax evasion, or tax compliance, is determined by prevailing social tax norms to a substantial extent. For example, Alm, McClelland & Schultze (1999) turn to social norms of tax compliance in order to understand the puzzle that underreporting is not higher than it is, considering the low likelihood of detection and the weak penalties for tax cheating in most countries.

Smith & Kinsey (1987) develop a social-psychological model for tax paying behavior where normative expectations are given a central position. Lewis (1982) takes a similar position. Wentworth & Rickel (1985) conclude that norm commitment may be a crucial factor in the decision to comply with or evade legally mandated taxes. Alm, Jackson & McKee (1992) give experimental evidence for such a conclusion, and Frey & Weck-Hanneman (1984) draw the same conclusion based on tax surveys. They found that their measure of tax morality was significantly related to the size of the hidden economy, estimated with the technique of unobserved variables.

According to Edlund & Åberg (2002), Taxpayers have a sense of “reciprocity.” Hence, they are less resistant to earmarked taxes where they perceive the benefit of a tied government service. Another example of is that people are more likely to comply with a tax when they perceive that other taxpayers comply (Cummings *et al.*, 2004), the evidence that norms affect tax compliance. For example, people tend to contribute to public goods when they perceive that others contribute, even though they would maximize their own return by not contributing.

However the process of formation of norms and moral values related to tax behavior has, to our knowledge, not been empirically studied and the arguments claiming that norms exert strong influences on tax behavior are not totally convincing (Hessing, Elffers & Weigel 1988). The authors cast further doubts on the effectiveness of social tax norms in affecting tax behavior.

While according to Alm *et al.*, (2006) the existence of social norms suggests that citizens will comply as long as they believe that compliance is widespread and thus the accepted social norm.

Social norms have usually been studied as the perceived prevalence or acceptance of tax evasion among a reference group (DeJuan, Lasheras, & Mayo, 1994; Porcano, 1988; Webley, Cole, & Eidjar, 2001); or as naturally varying between different cultural or sub cultural groups (Alm, Sanchez, & DeJuan, 1995).

Taxation is thus a key arena for the development of norms of generalized state-society reciprocity, defined as “a continuing relationship of exchange that is at any given time unrequited or imbalanced, but that involves mutual expectations that a benefit granted now should be repaid in the future” (Paler, 2003).

2.7 Social Norms and Taxpayers' Morale

If individual attitudes towards compliance are a function of social norms, then enhancing these norms may be a desirable policy option (Cummings *et al.* 2004). According to the World Values Survey, social norms reflected in higher levels of trust in the state, lead to higher tax morale. And still in Cummings *et al.* (2004), the more citizens trust the government, the higher the intrinsic motivation to pay taxes.

If individuals notice that many others evade taxes, their willingness to pay taxes may decrease, crowding out their intrinsic motivation to comply with taxes; that is, taxpayers may believe that they can be opportunistic, and any moral costs of evading taxes decrease (Alm & Martinez-Vazquez, 2003; Frey & Torgler, 2004). Thus, we hypothesize that tax morale will decrease if people perceive that others are in general not compliant. Frey & Torgler (2004) and Torgler (2005) found evidence for such an effect.

2.8 Taxpayers' Morale and Tax Compliance

The intrinsic motivation for individuals to pay taxes (Frey, 1997) – what is sometimes termed their “tax morale” – differs across countries; that is, if taxpayer values are influenced by cultural norms, with different societal institutions acting as constraints and varying between different countries, then tax morale may be an important determinant of taxpayer compliance and other forms of behavior. However, isolating the reasons for these differences in tax morale is notoriously difficult. In particular, taxpayers’ morale is seen as an important and integral attitude that is related to tax non-compliance (Edlund & Åberg, 2002).

Taxes paid by individuals can be interpreted as the price paid for government’s positive actions. Taxpayers generally are sensitive to the way the government uses tax revenues. Thus, individuals’ tax compliance might be influenced by the benefits received from the government in the form of public goods and services relative to price they have to pay for them. Individuals might feel cheated if taxes are not spent adequately (Cummings *et al.*, 2004)

Tax compliance is enhanced when individuals view the paying of taxes as a fair fiscal exchange. In such situations compliance is likely to increase, *ceteris paribus*. In particular when the services provided by the government are viewed as widely desired and the decisions as to which services to provide are transparent and fair, compliance is likely to be higher than when these conditions are not met (Edlund & Åberg, 2002).

Thus, in a study of public attitudes towards taxation in OECD countries, Peters (2000) concludes that willingness to pay certain types of taxes is closely linked to perceptions of fairness. Scholars

widely agree that the public will not pay taxes unless some public goods and services – such as education, infrastructure, security and healthcare – are provided in return.

A higher trust in government might tend to increase taxpayers' positive attitude and commitment to the tax system and tax payment, which has finally a positive effect on tax compliance (Smith 1992, Smith & Stalans 1991).

Indeed, in the eyes of most citizens, the connection between tax payments and government spending is murky at best. While this appears to have negative implications for the relationship between taxation, accountability and responsiveness, it suggests that what matters most to citizens are general perceptions of government trustworthiness. I return to the link between government trustworthiness, legitimacy and accountable, responsive governance in Section (Edlund & Åberg, 2002).

Taxpayers are also sensitive about the ways in which the government uses their taxes. Individuals' tax compliance might be influenced by the benefits received from the government in form of public goods compared to the taxes that they pay for them. Individuals might feel cheated if taxes are not spent efficiently. Taxpayers perceive their relationship with the state not only as a relationship of coercion but also as one of exchange. Taxpayers are more inclined to comply with the law if the exchange between the paid tax and the performed government services are found to be equitable. Thus, if taxpayers trust the government, the legal system, the justice system, and/or the public officials, they are more willing to be honest in the payment of their taxes and previous studies found support for such a relationship (Torgler, 2004, 2005, Alm & Torgler, 2006).

2.9 Social Norms, Taxpayers' Morale and Tax Compliance

According to Alm & Torgler (2005), taxpayers' morale differs across countries because taxpayer values are influenced by cultural or social norms, with different societal institutions acting as constraints and varying between different countries. The authors go ahead to note that taxpayers' morale may then be an important determinant of taxpayer compliance and other forms of behavior (Edlund & Åberg, 2002).

As expressed by Sandmo (2005), people refrain from tax not only from their estimates of the expected penalty, but for reasons that have to do with social and morale considerations. The existence of social norms suggests that citizens will comply as long as they believe that compliance is widespread and thus an accepted social norm. On the other hand if individuals notice that many others evade taxes, their willingness to pay taxes may decrease, crowding out their intrinsic motivation to comply with taxes (Frey & Torgler, 2004; Alm & Martinez-Vazquez, 2003). Thus, an individual taxpayer is strongly influenced by what he or she perceives to be the behavior of other taxpayers. If taxpayers believe tax evasion to be common, their tax morale decreases; if they believe others to be honest, their tax morale increases (Togler, 2004).

2.10 Conclusion

While rarely examined, it is often taken for granted that social norms have a significant explanatory impact on tax evasion behavior. The purpose of this research is to analyze the relationships between social tax norms, taxpayers' morale and tax compliance. Tax compliance is a concern to governments around the world. Prior research has attributed unexplained inter-country differences in compliance rates to differences in social norms. Economics researchers

studying tax compliance called for more attention to social (as opposed to economic) influences on tax compliance. Although, there is considerable evidence that enforcement efforts can increase tax compliance, there must be other forces at work because compliance levels cannot be fully explained by the level of enforcement actions typical of most tax authorities.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This presents the research methods used to carry out the study. It covers research design, survey population, sample size, sampling procedures, sources of data, methods of data collection, measurement of variables, data analysis, limitations to the study and contingency measures used.

3.2 Research Design

A cross-sectional research design was used together with the explanatory research design and analytical research design, in order to ascertain the relationship between social norms and tax compliance among SBEs in Uganda.

3.3 Survey Population

The population consisted of SBEs operating in Kampala district estimated to be 37,500 as in the Uganda Bureau of Statistics 2002.

3.4 Sample Size

The sample size used for the study was 380 SBEs. This was based on Krejcie & Morgan (1970) table for determining the sample size. Where they contend that a sample size of 379 is appropriate for a population of 30,000 and 380 is appropriate for a population of 40,000 SBEs. Therefore given a population of 37,500 SBEs in Kampala district, a sample size of 380 was used for this study.

Systematic sampling was used to select the 380 SBEs. The first company was selected randomly from the list availed by Uganda Small Scale Industries Association (USSIA) and thereafter every

other 99th SBE was selected. Purposive sampling was used to select respondents in the firms. These respondents were either managers or business owners. Purposive because they had the relevant information relating to tax compliance that was needed to realize the objectives of the study.

3.5 Data Sources

Sources of data used in this study were both primary and secondary.

- **Primary Data**

Primary data was obtained from respondents using self administered questionnaires as well as interview administered questionnaires.

- **Secondary Data**

Secondary data was collected from previous studies on SBEs, documents and journals obtained from Uganda Manufacturers Association, Uganda Revenue Authority, World Bank Library, Institute of Public Certified Accountants of Uganda, Ministry of Trade and Industry, records of SBEs umbrella organizations and other professional journals and published literature. Internet libraries were also a vital source of the secondary data.

3.6 Data Collection Instrument

A self-administered, structured questionnaire was used. The questionnaire consisted of mainly closed questions using a 5 point-scale ranging from 1-strongly disagree to 5-strongly agree. The questionnaires were prepared in English but translated into Luganda (local language) for non-English speaking respondents.

3.7 Measurement of Research Variables

- Social norms was measured using norms of reciprocity, contractual solidarity, role integrity, flexibility and long term orientation as the most critical dimensions in relation to social norms (Ivens, 2004).
- Taxpayers' morale was measured basing on trust and satisfaction with government (Alm *et al*, 2006).
- Tax compliance was measured basing on the four items from (Wenzel, 2001) which include; non-lodgments, tax debt, Pay income and promptness. Non-lodgment; the researcher established from the respondent whether there had been attempts to avoid taxes by not declaring at all. Tax debt; questions whether one has an outstanding debt were used to measure compliance. Pay income; the researcher established whether the taxpayer had attempted to under declare taxes. Promptness; the researcher established from the respondent whether he/ she has ever delayed to pay taxes beyond the stipulated time.

3.8 Validity of the Instrument

For quality control, a pre-test of the research instruments to establish their validity was done. The instrument was given to two experts to give their opinions on the relevance of the questions using a 5-point scale of relevant, quite relevant, not sure, somewhat relevant and not relevant. Content Validity Index (CVI) of 0.974 and 0.872 were attained this is way above 0.5 the acceptable minimum.

3.9 Reliability of the Instrument

The reliability of the questionnaires was tested using the cronbach's alpha coefficient. The acceptable minimum is 0.5. The reliability of the questions used in the study range from 0.6206 to 0.9303 which is above the acceptable minimum of 0.5, as seen in the table below.

Table 1: Reliability Analysis

Variable	Alpha Cronbach's coefficient
Social Norms	0.9303
Taxpayers' Morale	0.6206
Tax Compliance	0.8110

This indicates that the instrument used to collect data from the respondents was dependable and reliable and yielded good results. The results and conclusions of this study can be significant for decision making. Other researchers in future can use the instrument for data collection in the same area and/ or field of research.

3.10 Data Processing and Analysis

The data collected was edited, coded, and analysed to identify the relationship between the independent, intervening and dependent variables. Data derived from the questionnaires was analysed using SPSS statistical package. Descriptive statistics were used to describe the data. Correlation and multiple regressions were used to show strength and nature of the relationships, predictability and variability in tax compliance.

3.11 Limitations to the Study

Measurement scales used in the study were adopted from previous studies carried out in more developed countries. The scales were adapted to suit the Ugandan setting to make them relevant.

Some respondents feared to respond to the questionnaire because they felt that the information that was required was private. To alleviate this fear the researcher obtained an introduction letter from Makerere University Business School (MUBS) to assure the respondents that the information they would avail would be used for strictly academic purposes and confidentiality would be ensured. On reading the introduction letter some respondents that were previously unwilling to fill in the questionnaire changed their attitude and were willing to fill in the questionnaire.

In order to study the nature of norms, morale and compliance a longitudinal study should have been done in order to assess them over time. Given the time limitations of the study the cross sectional approach was used to study the relationship between the variables.

CHAPTER FOUR: PRESENTATION, INTERPRETATION AND ANALYSIS OF FINDINGS

4.1 Introduction

This chapter is a presentation, interpretation and analysis of the findings of the study whose objectives were; to examine the relationship between social norms and tax compliance, to examine the relationship between social norms and taxpayers' morale, to examine the relationship between taxpayers' morale and tax compliance and to examine the relationship between social norms, taxpayers' morale and tax compliance.

4.2 Demographic Characteristics

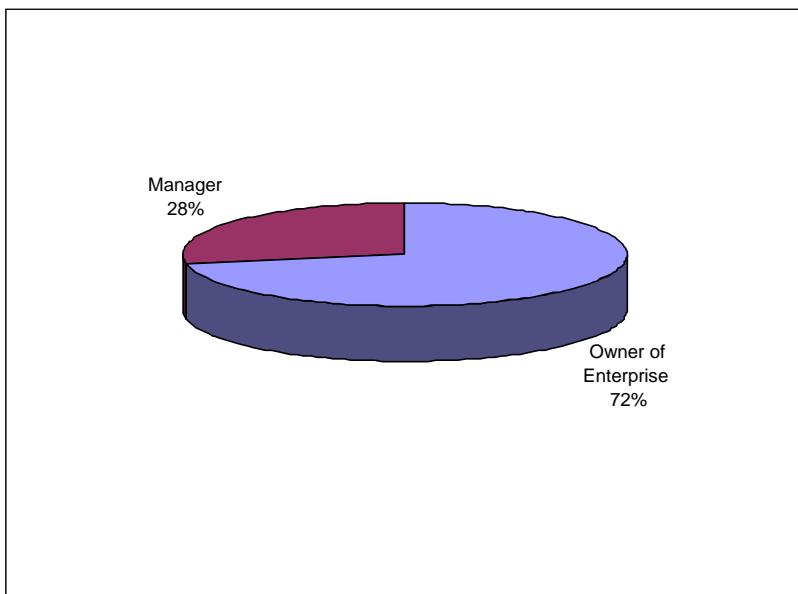
The demographic features of respondents include the category of the respondents, gender, age, level of education, longevity of the business and the nature of business.

4.2.1 The Response Rate

A total of 380 questionnaires were administered to managers and owners of small business owners with an expected return of 350 after accounting for non response computed at a confidence interval 92%. After the exercise 235 questionnaires were collected posting a response rate of 62%.

4.2.2 Category of Respondent

Figure 2: Category of respondents

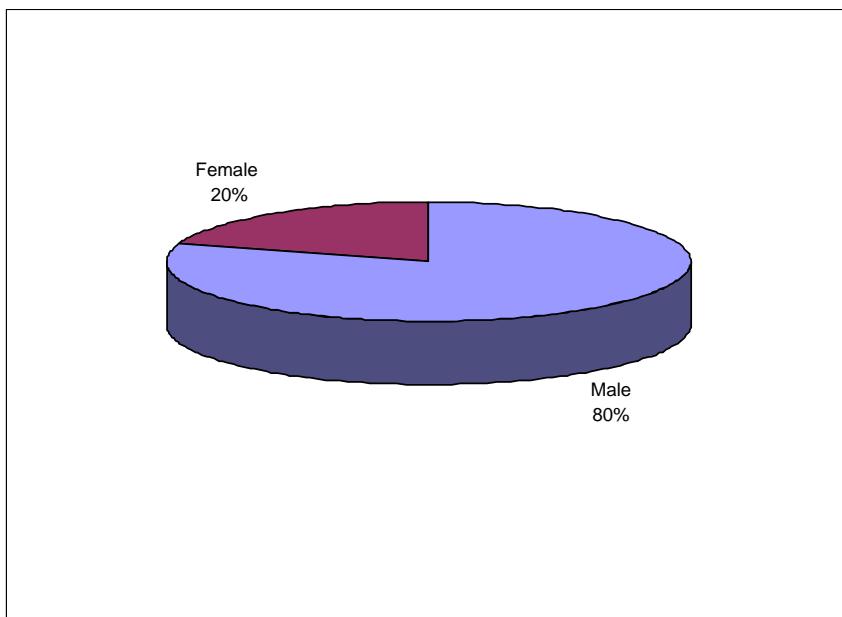


Source; Primary data

From the figure 2 above it can be seen that the largest proportion of respondents was owners of enterprises as compared to managers. The owners of enterprises were represented by 72% compared to 28% for managers. It could be concluded that most of the small business enterprises in Uganda are managed by their owners other than recruited managers.

4.2.3 Gender of Respondent

Figure 3: Gender of Respondent



Source; Primary data

As presented in the figure 3 above, a significant majority of the respondents were male. This accounted for a proportion of 80% as compared to 20% of the respondents who were female. It could be concluded that in every five small business enterprises four are owned by men as compared to one by women.

4.2.4 Age of Respondent

Table 2: Age of Respondent

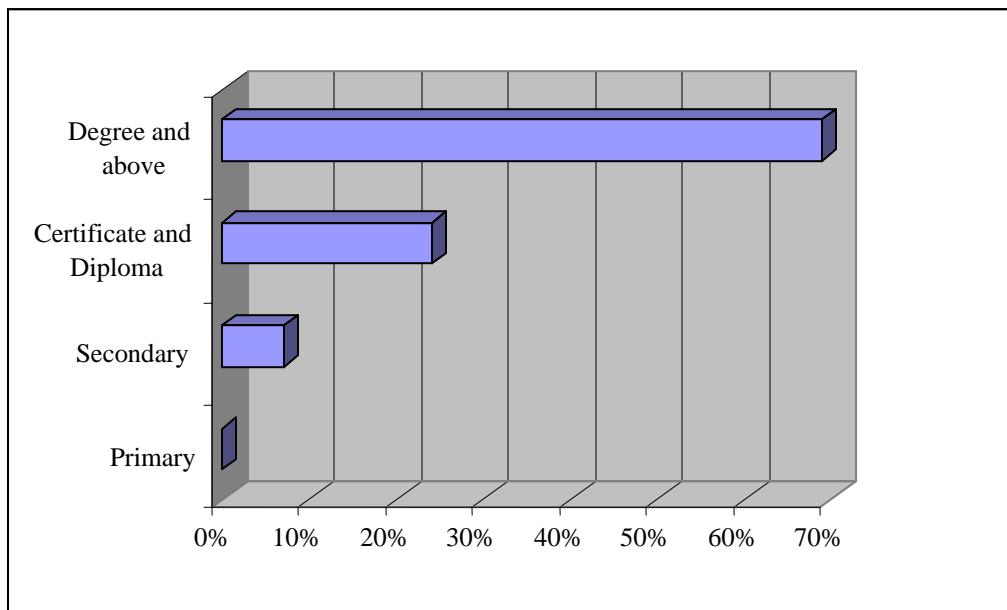
Age Bracket	Frequency	Percent
19- 29 years	53	22.6
30- 39 years	106	45.1
40- 49 years	38	16.2
Above 49 years	38	16.2
Total	235	100

Source; Primary data

As presented in the table 2 above, majority of the respondents were aged 30 years and above. This category represented 77% of the respondents as compared to 23% who were aged less than 30 years. The majority of those above 30 years fell in the age bracket of 30 to 39 years. This constituted 45% of the respondents.

4.2.5 Level of Education of the Respondent

Figure 4: Level of Education of Respondent



Source; Primary data

The information sought from the respondents about their level of education revealed that 69% of them had graduated from a university with a degree as compared to 24% who were certificate and diploma holders, only 7% who had reached secondary school level and none at primary level, as presented in the figure 5 above. The implication to these findings is that most Small Business Managers and owners are highly educated to know the need for taxation.

4.2.5 Number of Years in Business

Table 3: Number of Years in Business

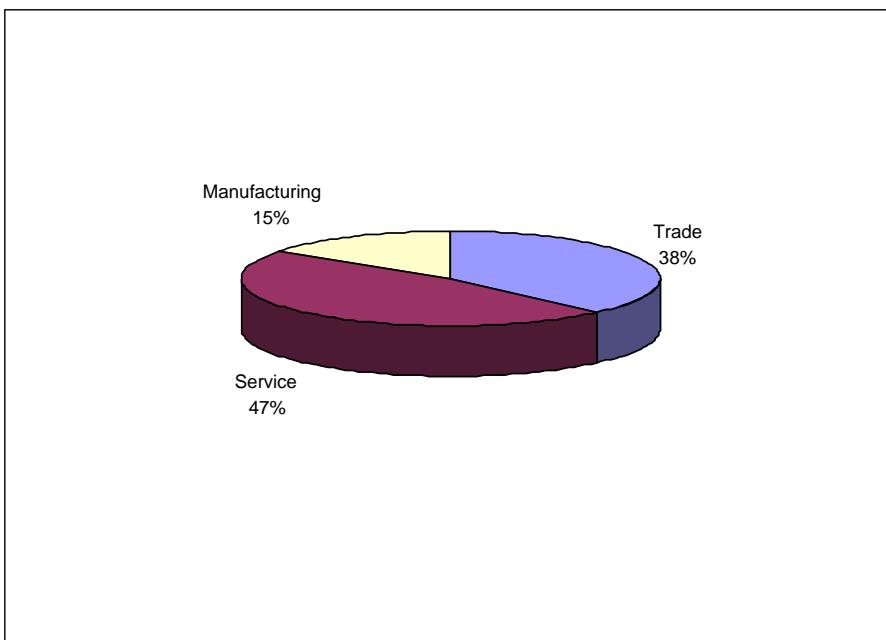
Number of years	Frequency	Percent
1-5	72	30.6
6-10	65	27.7
11-15	60	25.5
Above 15	38	16.2
Total	235	100

Source; Primary data

From the table 3 above, majority of the respondents have been in business for less than 5 years represented by 31% as compared to 28% who have been in business for 6-10 years, 26% who have been on business for 11-15 years and 16% who have been in business for more than 15 years. This explains the high births and high deaths of Small Business Enterprises in Uganda. It also implies that most of the small businesses in Uganda are young as in they have been in existence for a short while.

4.2.7 Nature of Business

Figure 5: Nature of Business



Source; Primary data

A total of 235 respondents in different businesses participated in this study, 38% were trade enterprises, 47% in the service oriented business and 15% manufacturing firms. This implies that service firms constitute a sizeable number of small business enterprises in Kampala. This is well presented in the figure 7 above.

4.3 Factor Analysis

Factor analysis was done to examine whether the constructs used were good measurements for the variables in the conceptual framework. The principal component analysis method and varimax rotation methods were used. Items with correlation coefficients of less than 0.5 were excluded from the rotation table.

4.3.1 Social Norms

The five constructs were extracted explaining 60% of social norms. Factor one Long term orientation, being the most important factor which explains about 16% of social norms, factor two Reciprocity explaining about 15% of social norms, factor three Flexibility explaining about 12% of social norms, factor four Role integrity explaining about 10% of social norms and factor five Contractual solidarity explaining about 9% of social norms. This confirms all the five constructs are measurements of social norms using construct validity. This is well presented in the rotated component matrix table 4 for social norms below.

Table 4: Rotated component matrix for social norms

Item/ Question	Long term orientation	Reciprocity	Flexibility	Role Integrity	Contractual Solidarity
We have an ongoing relationship with URA	0.770				
Maintaining an ongoing relationship with URA is important to us	0.679				
In this relationship taxpayers and URA both expect a lot from each other.	0.663				
Our relationship with URA will last	0.624				
Our relationship with URA can be described as a long-term venture.	0.595				
In this relationship with URA we expect long term goals	0.536				
URA and taxpayers do not expect court resolved conflicts	0.529				
URA is committed to improvements that benefit our business		0.726			
URA treats us well		0.708			
During negotiations URA is always fair		0.676			
URA helps us when we face problems		0.652			
Our relationship with URA will be beneficial in the long run		0.570			
URA values our business		0.538			
URA wants we the taxpayer to benefit from tax payment					
As taxpayers we always adjust to meet URA needs and demands			0.907		
As taxpayers we are flexible with URA issues			0.796		
Our relationship with URA is beyond the duty to pay tax.				0.803	
URA's tax decisions are easy to understand				0.677	
In case of mistakes we are patient with URA				0.621	
We are always fair to URA					0.650
Our relationship with URA is with a lot of benefit expectation					0.599
We are committed to paying our taxes to URA					0.545
Eigen Value	3.577	3.347	2.676	2.232	1.990
% of Variance	15.552	14.552	11.636	9.705	8.651
Cumulative %	15.552	30.104	41.740	51.445	60.096

Source; Primary data

4.3.2 Taxpayers' Morale

The two factors explaining 56% of taxpayers' morale were extracted. Factor one satisfaction explaining 29% of taxpayers' morale and factor two trust explaining 27% of taxpayers' morale. This confirms that trust and satisfaction are measures of taxpayers' morale. This is presented in the rotated component matrix table 5 for taxpayers' morale below.

Table 5: Rotated component matrix for taxpayers' morale

Item/ Question	Satisfaction	Trust
URA officials are always smart	0.850	
We are happy with URAs' friendliness	0.762	
We are pleased with URA's interest in us as taxpayers	0.753	
Our queries are answered competently by URA	0.669	
We are satisfied with URA's quality of services	0.586	
We are pleased with the way URA handles taxes	0.548	
URA keep the promises they make to us		0.841
URA is always honest with us		0.831
URA is trustworthy		0.767
URA is interested in our success		0.597
Eigen value	3.468	3.242
% of Variance	28.898	27.020
Cumulative %	28.898	55.919

Source; Primary data

4.3.3 Tax Compliance

The four factors explaining 86% of tax compliance were extracted. Factor one, timeliness explaining 30% of tax compliance, it explained more of tax compliance followed by factors non lodgment and pay income explaining 19% of tax compliance, followed by tax debt explaining 18% of tax compliance. This confirms that the four constructs are measures of tax compliance, as presented in the rotated component matrix table below.

Table 6: Rotated Component Matrix for Tax Compliance

Item/ Question	Timeliness	Non Lodgment	Pay Income	Tax Debt
We do not have an outstanding debt with URA	0.752			
URA has never penalized us as we pay taxes on time	0.728			
We pay tax in time	0.715			
We pay actual tax assessed	0.613			
We pay URA bills first before any other bills		0.937		
We disclose all income earned for tax purposes			0.904	
URA has never threatened us about an outstanding bill to clear				0.906
Eigen value	2.112	1.327	1.299	1.262
% of variance	30.170	18.964	18.556	18.023
Cumulative %	30.170	41.133	67.689	85.712

Source; Primary data

4.4 Inferential Analysis

Inferential analysis was done where by correlations were obtained to establish the relationship that exists between variables conceptualized in the framework.

Table 7: Spearman's' Correlation Matrix

	1	2	3
Social Norms (1)	1.000		
Tax Payers Morale (2)	0.591**	1.000	
Tax Compliance (3)	0.397**	0.400**	1.000

Source: Primary data

** Correlation is significant at the .01 level (2-tailed).

4.4.1 Relationship between Social Norms and Tax Compliance

From the table 7 of correlation matrix above it can be noted that there was a significant positive relationship between social norms and tax compliance ($r=0.397$, $P\text{-value} < 0.01$). This implies that social norms have a positive influence on tax compliance. So when the social norms of the small business owners and managers change, then tax compliance will also change in the same direction.

4.4.2 Relationship between Social Norms and Taxpayers' Morale

From the table 7 of correlation matrix above it can be noted that there was a significant positive relationship between social norms and taxpayers' morale ($r=0.591$, $P\text{-value} < 0.01$). This implies that social norms have a positive influence on taxpayers' morale and

therefore if social norms of small business taxpayers change, taxpayers' morale would change as well in the same direction.

4.4.3 Relationship between Taxpayers' Morale and Tax Compliance

From the table 7 of correlation matrix above it can be noted that there was a significant positive relationship between taxpayers' morale and tax compliance ($r=0.400$, $P\text{-value} < 0.01$). This implies that taxpayers' morale positively influence tax compliance. This also implies that when taxpayers' morale improves, then tax compliance would proportionately improve. Hence in the attempt to improve tax compliance, URA has to try and put in place techniques to improve taxpayers' morale.

4.5 Multiple Regression

Regression analysis was performed using stepwise regression method to explain the variability of the relationship between social norms and taxpayers' morale as independent variables and tax compliance as a dependent variable among small business enterprises in Uganda.

Table 8: Multiple Regression Analysis

Model	Standard coefficients Beta	t-test	Sig.	R square	Adj. R square	F	Sig. F
Social Norms	0.370	4.251 5.100	0.000 0.000	0.259	0.252	40.465	0.000
Taxpayers' Morale	0.187	2.569	0.011				

Source: Primary data

Regression analysis results as shown in table 8 above, indicated a significant linear relationship between social norms, taxpayers' morale and tax compliance ($F = 40.465$, sig = 0.000). It is a linear relationship because sig is <0.05. Social norms and taxpayers' morale explain 25.2% of tax compliance. Social norms (Beta=0.370) explains/ influences more of tax compliance than taxpayers' morale (Beta= 0.187). This implies that a 100% change in social norms led to 37% change in tax compliance and 100% change in taxpayers' morale led to 18.7% change in tax compliance.

4.6 Other Findings

4.6.1 Inferential Analysis

Inferential analysis was done where by correlations were obtained to establish the relationship that exists between the constructs of the variables conceptualized in the framework.

Table 9: Spearman's Correlation Matrix for the Relationship between Social Norms and Tax Compliance constructs among Small Business Enterprises in Uganda

	1	2	3	4	5	6	7	8	9	10	11
Flexibility (1)	1.000										
Reciprocity (2)	0.398**	1.000									
Contractual Solidarity (3)	0.525**	0.515**	1.000								
Role Integrity (4)	0.267**	0.551**	0.477**	1.000							
Long term Orientation (5)	0.312**	0.519**	0.549**	0.553**	1.000						
Social Norms (6)	0.627**	0.711**	0.664**	0.608**	0.656**	1.000					
Non-Lodgment (7)	0.364**	0.259**	0.456**	0.392**	0.230**	0.287**	1.000				
Tax Debt (8)	0.544**	0.293**	0.359**	0.426**	0.252**	0.391**	0.428**	1.000			
Pay Income (9)	0.445**	0.206**	0.429**	0.393**	0.417**	0.472**	0.415**	0.604**	1.000		
Promptness (10)	0.500**	0.224**	0.498**	0.220**	0.258**	0.362**	0.575**	0.606**	0.632**	1.000	
Tax Compliance (11)	0.569**	0.285**	0.472**	0.396**	0.272**	0.397**	0.696**	0.841**	0.715**	0.807**	1.000

Source: Primary data

** Correlation is significant at the .01 level (2-tailed).

From the table 9 of correlation matrix above it can be noted that there was a significant positive relationship between social norms constructs and tax compliance ($r=0.569, 0.285, 0.472, 0.396, 0.272$, P-values <0.01) respectively for flexibility, reciprocity, contractual solidarity, role integrity and long term orientation. This implies that the constructs of social norms positively influence tax compliance in terms of promptness, non lodgment, tax debt and pay income.

There was also a positive significant relationship between flexibility and non lodgment, tax debt, pay income and promptness ($r=0.364, 0.544, 0.445, 0.500$, P-values <0.01) respectively. This implies that flexibility positively influences tax compliance constructs. There was a positive significant relationship between reciprocity and non lodgment, tax debt, pay income and promptness ($r=0.259, 0.293, 0.206, 0.224$, P-values <0.01) respectively. This implies that reciprocity positively influences tax compliance constructs. There was a positive significant relationship between contractual solidarity and non lodgment, tax debt, pay income and promptness ($r=0.456, 0.359, 0.429, 0.498$, P-values <0.01) respectively. This implies that contractual solidarity positively influences tax compliance constructs. There was a positive significant relationship between role integrity and non lodgment, tax debt, pay income and promptness ($r=0.392, 0.426, 0.393, 0.220$, P-values <0.01) respectively. This implies that role integrity positively influences tax compliance constructs. There was a positive significant relationship between long term orientation and non lodgment, tax debt, pay income and promptness ($r=0.230, 0.252, 0.417, 0.258$, P-values <0.01) respectively. This implies that long term orientation positively influences tax compliance constructs.

Table 10: Spearman's Correlation Matrix for the Relationship between Social Norms and Taxpayers' Morale constructs among Small Business Enterprises in Uganda

	1	2	3	4	5	6	7	8	9
Flexibility (1)	1.000								
Reciprocity (2)	0.398**	1.000							
Contractual Solidarity (3)	0.525**	0.515**	1.000						
Role Integrity (4)	0.267**	0.551**	0.477**	1.000					
Long term Orientation (5)	0.312**	0.519**	0.549**	0.553**	1.000				
Social Norms (6)	0.627**	0.711**	0.664**	0.608**	0.656**	1.000			
Trust (7)	0.410**	0.529**	0.484**	0.196**	0.471**	0.466**	1.000		
Satisfaction (8)	0.389**	0.718**	0.547**	0.405**	0.530**	0.588**	0.619**	1.000	
Tax Payers' Morale (9)	0.452**	0.693**	0.558**	0.413**	0.588**	0.591**	0.817**	0.847**	1.000

Source: Primary data

** Correlation is significant at the .01 level (2-tailed).

From the table 10 of correlation matrix above it can be noted that there was a significant positive relationship between social norms constructs and taxpayers' morale ($r=0.452, 0.693, 0.558, 0.413, 0.588$, P-values <0.01) respectively for flexibility, reciprocity, contractual solidarity, role integrity and long term orientation. This implies that the constructs of social norms positively influence taxpayers' morale in terms of trust and satisfaction.

Table 11: Spearman's Correlation Matrix for the Relationship between Taxpayers' Morale and Tax Compliance constructs among Small Business Enterprises in Uganda

	1	2	3	4	5	6	7	8
Trust (1)	1.000							
Satisfaction (2)	0.619**	1.000						
Tax Payers Morale (3)	0.817**	0.847**	1.000					
Non Lodgment (4)	0.170**	0.298**	0.291**	1.000				
Tax Debt (5)	0.284**	0.275**	0.360**	0.428**	1.000			
Pay Income (6)	0.265**	0.329**	0.339**	0.415**	0.604**	1.000		
Promptness (7)	0.319**	0.349**	0.372**	0.575**	0.606**	0.632**	1.000	
Tax Compliance (8)	0.290**	0.338**	0.400**	0.696**	0.841**	0.715**	0.807**	1.000

Source: Primary data

** Correlation is significant at the .01 level (2-tailed).

From the table 11 of correlation matrix above it can be noted that there was a significant positive relationship between taxpayers' morale constructs and tax compliance ($r=0.290, 0.338$, P -values <0.01) respectively for trust and satisfaction. This implies that the constructs of taxpayers' morale positively influence tax compliance in terms of non lodgment, tax debt, pay income and promptness.

4.6.2 Descriptive analysis

Descriptive analysis was carried out to establish the variance between the demographic factors and the study variables, how perceptions are varying and are distributed.

Analysis of the variance of the category of respondent and study variables

There were no significant differences on the social norms, taxpayers' morale and tax compliance among owner of enterprise and manager ($\text{sig} > 0.05$), except for flexibility, tax debt and role integrity constructs ($\text{sig} < 0.05$) as shown in the anova table12 in appendix 2. This implies that social norms, taxpayers' morale and tax compliance of managers and owners of small business enterprises do not vary significantly.

Analysis of variance of sex of respondent and study variables

There was no significant difference among the males and the females in regard to social norms, taxpayers' morale and tax compliance ($\text{sig} > 0.05$), except for promptness, trust, long term orientation, role integrity and contractual solidarity ($\text{sig} < 0.05$) as shown in the anova table 13 in appendix 2.

This implies that the social norms, taxpayers' morale and tax compliance do not significantly vary with the sex of the respondents.

Analysis of variance of the age of respondents and study variables

There were significant differences among the various age groups in regard to taxpayers' morale and tax compliance ($\text{sig} < 0.01$), tax debt, satisfaction, long term orientation, reciprocity and

flexibility constructs. However there were no significant differences in social norms across age groups as shown in the anova table 14 in appendix 2.

This implies that taxpayers' morale and tax compliance varies significantly with the different age brackets of the respondents as compared to the social norms that do not significantly vary with the age brackets of respondents.

Analysis of the variance of level of education and study variables

There were significant differences on the social norms, taxpayers' morale and tax compliance across the education levels ($\text{sig} < 0.01$), flexibility, reciprocity, contractual solidarity, role integrity, long term orientation, satisfaction, promptness, pay income, tax debt and non lodgment except trust as shown in the anova table 15 in appendix 2.

This implies that depending on the level of education, the social norms, taxpayers' morale and tax compliance are significantly different.

Analysis of variance of length of existence of business and study variables

There were no significant differences on social norms, taxpayers' morale and tax compliance across the length of business existence ($\text{sig} > 0.05$) except for promptness, pay income, non lodgment, long term orientation and role integrity as shown in the anova table 16 in appendix 2.

This implies that the length of existence of a business does not significantly vary with the social norms, taxpayers' morale and tax compliance.

Analysis of variance of kind of business and study variables

There were significant differences on social norms, taxpayers' morale and tax compliance across the kind of business ($\text{sig} < 0.01$) except for tax debt and trust constructs ($\text{sig} > 0.05$) as shown on the anova table 17 in appendix 2.

This implies that kind of business that is trade, service and manufacturing significantly have different social norms, taxpayers' morale and tax compliance.

CHAPTER FIVE: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the discussion for the research findings, conclusions and the recommendations from the study. The discussions, conclusions and recommendations were made in accordance with the research objectives.

5.2 Discussions

5.2.1 Relationship between Social Norms and Tax Compliance

The findings revealed a significant positive relationship between social norms and tax compliance. The study has supported previous literature by other researchers that social norms and tax compliance have a relationship. For example Cialdini, Kallgren, & Reno, (1991), Wenzel (2004), Etzioni (1988), who investigated the relationship between human behaviour and social norms and found that they are significantly related. Similarly in the literature, it is argued that tax evasion, or tax compliance, is determined by prevailing social tax norms to a substantial extent. For example in Alm, McClelland & Schultze (1999). Then according to Alm *et al.*, (2006) the existence of social norms suggests that citizens will comply as long as they believe that compliance is widespread and thus the accepted social norm. Social norms have usually been studied as the perceived prevalence or acceptance of tax evasion among a reference group (DeJuan, Lasheras, & Mayo, 1994; Porcano, 1988; Webley, Cole, & Eidjar, 2001); or as naturally varying between different cultural or sub cultural groups (Alm, Sanchez, & DeJuan, 1995). Dimensions of social norms showed a significant positive relationship with tax compliance: flexibility, reciprocity, contractual solidarity, role integrity, long-term orientation influence positively tax compliance in terms of non lodgment, tax debt, pay income and promptness.

5.2.2 Relationship between Social Norms and Taxpayers' Morale

Social norms were found to be significantly correlated to taxpayers' morale. There was also a significant relationship between constructs of social norms: flexibility, reciprocity, contractual solidarity, role integrity, long-term orientation and taxpayers' morale in terms of trust and satisfaction. These findings support earlier work that was done by Cummings *et al.* (2004), who carried out a survey and found out that social norms are reflected in higher levels of trust in the state, leading to higher tax morale. And still the more citizens trust the government, the higher the intrinsic motivation to pay taxes, which in itself is taxpayers' morale.

5.2.3 Relationship between Taxpayers' Morale and Tax Compliance

There was a significant positive relationship between taxpayers' morale and tax compliance according to the findings of the study. These findings support the earlier work posted by Edlund & Åberg (2002) who stated that taxpayers' morale is seen as an important and integral attitude that is related to tax non-compliance. This implies that trust and satisfaction as constructs of taxpayers' morale positively influence tax compliance. This argument is similar to the previous studies by Edlund & Åberg (2002), Peters (2000), Smith (1992), Smith & Stalans (1991), Torgler (2004 & 2005) and Alm & Torgler (2006) that, if taxpayers are satisfied and trust the government, the legal system, the justice system, and/or the public officials, they are more willing to be honest in the payment of their taxes.

5.2.4 Relationship between Social Norms, Taxpayers' Morale and Tax Compliance

There was a significant relationship between the variables in the conceptual framework as shown in the table 5. Social norms significantly influences tax compliance, taxpayers' morale also has a significant positive relationship with tax compliance. This is similar to Sandmo (2005) who stated that people refrain from tax not only from their estimates of the expected penalty, but for reasons that have to do with social and morale considerations.

5.3 Conclusions

There was significant perception that tax compliance among small business taxpayers is based on social norms. Social norms refer to individuals' perceptions of what most other people believe is appropriate. Small business taxpayers value what most others believe is right, so if others pay taxes and consider it as right then they will pay their taxes and vice versa.

Taxpayers' morale was found to be significantly correlated to social norms. Elements of social norms like flexibility, reciprocity, role integrity, contractual solidarity and long term orientation strongly influence trust in government. Trust is affected by social norms which are the individuals' perceptions of what most other people believe is appropriate. Individuals will trust what they notice most others do than what is done by few people. Therefore taxpayers' morale which is the intrinsic motivation is strongly influenced by the behaviors of most others. It is further concluded that when most other people believe some thing is appropriate it creates satisfaction among most other people. Therefore there is a relationship between social norms and taxpayers' morale.

Taxpayers' morale and tax compliance were found to be significantly correlated. This means the higher the taxpayers' morale, the higher their tax compliance will be. The aspect of taxpayers' morale gains importance because the act of paying taxes cannot be fully explained by a standard economic expected utility approach. People pay their taxes, although there is a low probability of getting caught and being penalized. Thus, the degree of taxpayers' morale has consequences for real behavior, and it can be concluded that it is responsible for the behavior of tax compliance as indicated in the findings of this study. Therefore the results obtained indicate that the more trust the taxpayers' have in the government, the more the compliance. And the more the taxpayers' are satisfied by what the government is doing the more the tax compliance.

A significant body of research on tax compliance has been accumulated. Much work has concentrated on traditional topics, such as the impact of audit, penalty, and tax rates on compliance. However, there is overwhelming evidence that observed tax compliance behavior cannot be explained entirely with the traditional economic analysis that focuses mainly on deterrence components. Instead, there are several other factors that help explain why many people are compliant, especially the notion of social norms and tax morale. Tax compliance was found to be significantly correlated to social norms. There was also a significant correlation between social norms and taxpayers' morale, implying that social norms together with taxpayers' morale influence whether some one will comply or not. It can be concluded that social norms and taxpayers' morale affect tax compliance. So for tax compliance to improve the social norms and taxpayers' morale

must have improved first. Social norms and taxpayers' morale are linearly related to tax compliance. The changes in social norms and taxpayers' morale would cause a linear change in the tax compliance of small business enterprise owners and managers.

5.4 Recommendations

- URA should have a plan for checking and nurturing positive social norms, which will create a conducive platform for small business enterprises taxpayer satisfaction and trust.
- The tax assessment procedures should be improved to enhance trust of the government. The more the taxpayers feel that the government and the tax officers are not trustworthy, the more they will be tempted to evade taxes.
- The government of Uganda should develop policies that encourage the small business enterprises to realize high returns and make remarkable contribution to economic growth, other than stifling their own survival and operations.
- To enhance tax compliance among small business taxpayers URA should establish harmonious working relationship with all stakeholders, vigorous public relations to reverse the negative image of the institution.
- There should be massive sensitization programmes carried out to increase awareness, educate the public and remind them that they are partners as opposed to mere subjects who must pay. Once URA adopts this stance, they are likely to be perceived as more accountable and trustable and the tax paying public will most likely comply in its obligation to pay.

5.5 Areas of Further Study

1. It would be good if further research that involves small business enterprises in the whole country is carried out.
2. Further research on tax non compliance and how it can be eliminated would be necessary.
3. The other area for further study would be to establish all other factors that predict tax compliance. The extent to which each variable predicts tax compliance would also be established.
4. Another interesting area is why social norms seem not to be strong predictors of tax compliance. This would be interesting since it would stand to challenge previous work done especially in developed countries, which has tended to hypothesis that social norms are strong predictors of compliance.

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Appendices

Appendix 1. Questionnaire

**Makerere University
Makerere University Business School
Masters of Science in Accounting and Finance**

This questionnaire is to be filled in by **owners and managers** of Small Business Enterprises operating in Kampala.

Dear respondent,

This questionnaire is designed to collect information on "**Social norms and tax compliance among Small Business Enterprises in Uganda.**" The information provided is purely for academic purpose and will be treated with utmost confidentiality.

In order to accomplish this study, you are kindly requested to complete this questionnaire. Your kind cooperation is highly appreciated.

PART A: DEMOGRAPHIC CHARACTERISTICS (Please tick in the appropriate box)

1. Category of respondent

Owner of Enterprise

 1

Manager

 2

2. Sex of respondent; Male

 1
1

Female

 2

3. Age of the respondent

19- 29 years

 1

0-39 years

 2

40-49 years

 3

Above 49 years

 4

4. What is your level of education?

Primary

 1

Secondary

 2

Certificate & Diploma

 3

& above

 4

5. For how long has this business been in existence?

1-5 years

 1

6 -10 years

 2

11 -15 years

 3

Above 15 years

 4

6. What kind of business are you in?

Trade

 1

Service

 2

Manufacturing

 3

Please respond to the following statements by indicating the extent to which you agree or disagree, using the following.

Strongly Agree (SA)	Agree (A)	Not sure (NS)	Disagree (DA)	Strongly Disagree (SDA)
5	4	3	2	1

	PART B: Social norms	SA 5	A 4	NS 3	DA 2	SDA 1
1	As a taxpayer we always adjust to meet URA needs and demands					
2	As a taxpayer we are flexible with URA issues					
3	We are committed to paying our taxes to URA					
4	In case of mistakes we are patient with URA					
5	URA wants us the taxpayer to benefit from tax payment					
6	URA's tax decisions are easy to understand					
7	During negotiations URA is always fair					
8	URA values our business					
9	URA treats us well					
10	As a taxpayer we are loyal to URA					
11	URA is committed to improvements that benefit our business					
12	Our relationship with URA can be described as a long-term venture.					
13	URA and taxpayers do not expect court resolved conflicts					
14	We are always fair to URA					
15	URA helps us when we face problems					
16	Our relationship with URA is beyond the duty to pay tax.					
17	Our relationship with URA is with a lot of benefit expectation					
18	In this relationship we taxpayers and URA both expect a lot from each other.					
19	We have an ongoing relationship with URA					
20	Our relationship with URA will be beneficial in the long run					
21	Our relationship with URA will last					
22	In this relationship with URA we expect long term goals					
23	Maintaining an ongoing relationship with URA is important to us					
	PART C: Taxpayers' morale	SA 5	A 4	NS 3	DA 2	SDA 1
1	URA keep the promises they make to us					
2	URA is always honest with us					
3	We believe the information URA provides to us is true					
4	URA is trustworthy					
5	URA is interested in our success					
6	Am pleased with the way URA handles taxes					

7	We are pleased with URA's interest in us as taxpayers					
8	We are happy with URAs' friendliness					
9	URA officials are always smart					
10	Our queries are answered competently by URA					
11	URA always shows willingness to help					
12	We are satisfied with URA's quality of services					
	PART D: Tax compliance	SA 5	A 4	NS 3	DA 2	SDA 1
1	We pay our URA bills first before any other bills					
2	We have never attempted to avoid taxes					
3	We never complain about URA programmes					
4	URA has never threatened us about an outstanding bill to clear					
5	We do not have an outstanding debt with URA					
6	URA made us pay a penalty when we delayed to pay tax					
7	We disclose all income earned for tax purposes					
8	We have never under declared income for tax					
9	We pay actual tax assessed					
10	We have never delayed to pay taxes					
11	URA has never penalized us as We pay taxes on time					
12	We pay tax in time					

Appendix 2. Descriptive Analysis

Table 12: ANOVA of Category of Respondent

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Flexibility	Bet ween Groups	12.024	1	12.024	12.156	.001
	Within Groups	230.472	233	.989		
	Total	242.496	234			
Reciprocity	Bet ween Groups	.460	1	.460	.584	.445
	Within Groups	183.531	233	.788		
	Total	183.991	234			
Contractual Solidarity	Bet ween Groups	1.262	1	1.262	2.523	.114
	Within Groups	116.509	233	.500		
	Total	117.770	234			
Role Integrity	Bet ween Groups	3.931	1	3.931	4.518	.035
	Within Groups	202.750	233	.870		
	Total	206.681	234			
Long term Orientation	Bet ween Groups	.180	1	.180	.167	.683
	Within Groups	251.210	233	1.078		
	Total	251.391	234			
Trust	Bet ween Groups	2.993	1	2.993	2.939	.088
	Within Groups	237.256	233	1.018		
	Total	240.249	234			
Satisfaction	Bet ween Groups	.394	1	.394	.393	.532
	Within Groups	233.849	233	1.004		
	Total	234.243	234			
Non Lodgement	Bet ween Groups	.485	1	.485	.301	.584
	Within Groups	376.010	233	1.614		
	Total	376.496	234			
Tax Debt	Bet ween Groups	7.813	1	7.813	7.379	.007
	Within Groups	246.687	233	1.059		
	Total	254.500	234			
Pay Income	Bet ween Groups	1.109E-02	1	1.109E-02	.009	.925
	Within Groups	294.062	233	1.262		
	Total	294.073	234			
Promptness	Bet ween Groups	2.978	1	2.978	2.281	.132
	Within Groups	304.137	233	1.305		
	Total	307.115	234			
Social Norms	Bet ween Groups	.260	1	.260	.479	.490
	Within Groups	126.388	233	.542		
	Total	126.648	234			
Tax Payers Morale	Bet ween Groups	2.195	1	2.195	2.795	.096
	Within Groups	182.987	233	.785		
	Total	185.182	234			
Tax Compliance	Bet ween Groups	1.597	1	1.597	1.693	.194
	Within Groups	219.787	233	.943		
	Total	221.385	234			

Source: Primary data

Table 13: ANOVA of Gender of Respondent

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Flexibility	Between Groups	3.738	1	3.738	3.647	.057
	Within Groups	238.758	233	1.025		
	Total	242.496	234			
Reciprocity	Between Groups	1.641	1	1.641	2.096	.149
	Within Groups	182.351	233	.783		
	Total	183.991	234			
Contractual Solidarity	Between Groups	2.451	1	2.451	4.952	.027
	Within Groups	115.319	233	.495		
	Total	117.770	234			
Role Integrity	Between Groups	5.984	1	5.984	6.947	.009
	Within Groups	200.697	233	.861		
	Total	206.681	234			
Long term Orientation	Between Groups	7.044	1	7.044	6.717	.010
	Within Groups	244.346	233	1.049		
	Total	251.391	234			
Trust	Between Groups	4.427	1	4.427	4.374	.038
	Within Groups	235.822	233	1.012		
	Total	240.249	234			
Satisfaction	Between Groups	2.673	1	2.673	2.690	.102
	Within Groups	231.570	233	.994		
	Total	234.243	234			
Non Lodgement	Between Groups	.217	1	.217	.134	.714
	Within Groups	376.279	233	1.615		
	Total	376.496	234			
Tax Debt	Between Groups	.710	1	.710	.652	.420
	Within Groups	253.790	233	1.089		
	Total	254.500	234			
Pay Income	Between Groups	2.685	1	2.685	2.147	.144
	Within Groups	291.388	233	1.251		
	Total	294.073	234			
Promptness	Between Groups	6.159	1	6.159	4.768	.030
	Within Groups	300.956	233	1.292		
	Total	307.115	234			
Social Norms	Between Groups	1.064E-03	1	1.064E-03	.002	.965
	Within Groups	126.647	233	.544		
	Total	126.648	234			
Tax Payers Morale	Between Groups	.333	1	.333	.420	.518
	Within Groups	184.849	233	.793		
	Total	185.182	234			
Tax Compliance	Between Groups	2.983	1	2.983	3.182	.076
	Within Groups	218.402	233	.937		
	Total	221.385	234			

Source: primary data

Table 14: ANOVA of Age of Respondent

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Flexibility	Betw een Groups	9.633	3	3.211	3.179	.025
	Within Groups	232.333	230	1.010		
	Total	241.966	233			
Reciprocity	Betw een Groups	14.213	3	4.738	6.433	.000
	Within Groups	169.374	230	.736		
	Total	183.586	233			
Contractual Solidarity	Betw een Groups	1.307	3	.436	.861	.462
	Within Groups	116.458	230	.506		
	Total	117.765	233			
Role Integrity	Betw een Groups	1.926	3	.642	.721	.540
	Within Groups	204.690	230	.890		
	Total	206.615	233			
Long term Orientation	Betw een Groups	13.577	3	4.526	4.377	.005
	Within Groups	237.798	230	1.034		
	Total	251.375	233			
Trust	Betw een Groups	6.752	3	2.251	2.219	.087
	Within Groups	233.248	230	1.014		
	Total	240.000	233			
Satisfaction	Betw een Groups	25.523	3	8.508	9.390	.000
	Within Groups	208.390	230	.906		
	Total	233.913	233			
Non Lodgement	Betw een Groups	5.433	3	1.811	1.128	.339
	Within Groups	369.434	230	1.606		
	Total	374.867	233			
Tax Debt	Betw een Groups	35.820	3	11.940	12.637	.000
	Within Groups	217.313	230	.945		
	Total	253.133	233			
Pay Income	Betw een Groups	8.853	3	2.951	2.380	.070
	Within Groups	285.164	230	1.240		
	Total	294.017	233			
Promptness	Betw een Groups	13.554	3	4.518	3.550	.015
	Within Groups	292.730	230	1.273		
	Total	306.283	233			
Social Norms	Betw een Groups	1.765	3	.588	1.083	.357
	Within Groups	124.882	230	.543		
	Total	126.646	233			
Tax Payers Morale	Betw een Groups	15.178	3	5.059	6.852	.000
	Within Groups	169.818	230	.738		
	Total	184.996	233			
Tax Compliance	Betw een Groups	14.571	3	4.857	5.431	.001
	Within Groups	205.704	230	.894		
	Total	220.275	233			

Source: primary data

Table 15: ANOVA of Level of Education of Respondent

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Flexibility	Betw een Groups	26.093	2	13.047	13.987	.000
	Within Groups	216.403	232	.933		
	Total	242.496	234			
Reciprocity	Betw een Groups	6.818	2	3.409	4.464	.013
	Within Groups	177.173	232	.764		
	Total	183.991	234			
Contractual Solidarity	Betw een Groups	24.241	2	12.120	30.064	.000
	Within Groups	93.530	232	.403		
	Total	117.770	234			
Role Integrity	Betw een Groups	8.325	2	4.162	4.868	.008
	Within Groups	198.356	232	.855		
	Total	206.681	234			
Long term Orientation	Betw een Groups	16.056	2	8.028	7.914	.000
	Within Groups	235.334	232	1.014		
	Total	251.391	234			
Trust	Betw een Groups	1.135	2	.568	.551	.577
	Within Groups	239.114	232	1.031		
	Total	240.249	234			
Satisfaction	Betw een Groups	9.999	2	4.999	5.172	.006
	Within Groups	224.245	232	.967		
	Total	234.243	234			
Non Lodgement	Betw een Groups	62.086	2	31.043	22.907	.000
	Within Groups	314.409	232	1.355		
	Total	376.496	234			
Tax Debt	Betw een Groups	8.757	2	4.378	4.133	.017
	Within Groups	245.743	232	1.059		
	Total	254.500	234			
Pay Income	Betw een Groups	33.240	2	16.620	14.783	.000
	Within Groups	260.832	232	1.124		
	Total	294.073	234			
Promptness	Betw een Groups	50.634	2	25.317	22.900	.000
	Within Groups	256.482	232	1.106		
	Total	307.115	234			
Social Norms	Betw een Groups	13.409	2	6.704	13.736	.000
	Within Groups	113.239	232	.488		
	Total	126.648	234			
Tax Payers Morale	Betw een Groups	7.524	2	3.762	4.913	.008
	Within Groups	177.658	232	.766		
	Total	185.182	234			
Tax Compliance	Betw een Groups	24.823	2	12.412	14.649	.000
	Within Groups	196.561	232	.847		
	Total	221.385	234			

Source: Primary data

Table 16: ANOVA of Longevity of Business

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Flexibility	Betw een Groups	3.421	3	1.140	1.102	.349
	Within Groups	239.074	231	1.035		
	Total	242.496	234			
Reciprocity	Betw een Groups	3.682	3	1.227	1.572	.197
	Within Groups	180.310	231	.781		
	Total	183.991	234			
Contractual Solidarity	Betw een Groups	2.247	3	.749	1.497	.216
	Within Groups	115.524	231	.500		
	Total	117.770	234			
Role Integrity	Betw een Groups	7.173	3	2.391	2.768	.042
	Within Groups	199.508	231	.864		
	Total	206.681	234			
Long term Orientation	Betw een Groups	21.777	3	7.259	7.303	.000
	Within Groups	229.614	231	.994		
	Total	251.391	234			
Trust	Betw een Groups	5.501	3	1.834	1.804	.147
	Within Groups	234.748	231	1.016		
	Total	240.249	234			
Satisfaction	Betw een Groups	7.200	3	2.400	2.442	.065
	Within Groups	227.044	231	.983		
	Total	234.243	234			
Non Lodgement	Betw een Groups	40.012	3	13.337	9.156	.000
	Within Groups	336.484	231	1.457		
	Total	376.496	234			
Tax Debt	Betw een Groups	1.654	3	.551	.504	.680
	Within Groups	252.846	231	1.095		
	Total	254.500	234			
Pay Income	Betw een Groups	20.553	3	6.851	5.786	.001
	Within Groups	273.519	231	1.184		
	Total	294.073	234			
Promptness	Betw een Groups	14.776	3	4.925	3.892	.010
	Within Groups	292.340	231	1.266		
	Total	307.115	234			
Social Norms	Betw een Groups	4.023	3	1.341	2.526	.058
	Within Groups	122.625	231	.531		
	Total	126.648	234			
Tax Payers Morale	Betw een Groups	4.561	3	1.520	1.944	.123
	Within Groups	180.621	231	.782		
	Total	185.182	234			
Tax Compliance	Betw een Groups	6.290	3	2.097	2.252	.083
	Within Groups	215.094	231	.931		
	Total	221.385	234			

Source: Primary data

Table 17: ANOVA of Nature of Business

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Flexibility	Betw een Groups	27.435	2	13.718	14.798	.000
	Within Groups	215.060	232	.927		
	Total	242.496	234			
Reciprocity	Betw een Groups	6.128	2	3.064	3.997	.020
	Within Groups	177.863	232	.767		
	Total	183.991	234			
Contractual Solidarity	Betw een Groups	7.546	2	3.773	7.942	.000
	Within Groups	110.224	232	.475		
	Total	117.770	234			
Role Integrity	Betw een Groups	12.538	2	6.269	7.491	.001
	Within Groups	194.143	232	.837		
	Total	206.681	234			
Long term Orientation	Betw een Groups	7.136	2	3.568	3.389	.035
	Within Groups	244.254	232	1.053		
	Total	251.391	234			
Trust	Betw een Groups	1.570	2	.785	.763	.467
	Within Groups	238.679	232	1.029		
	Total	240.249	234			
Satisfaction	Betw een Groups	7.256	2	3.628	3.708	.026
	Within Groups	226.988	232	.978		
	Total	234.243	234			
Non Lodgement	Betw een Groups	23.755	2	11.877	7.812	.001
	Within Groups	352.741	232	1.520		
	Total	376.496	234			
Tax Debt	Betw een Groups	1.866	2	.933	.857	.426
	Within Groups	252.634	232	1.089		
	Total	254.500	234			
Pay Income	Betw een Groups	21.115	2	10.558	8.973	.000
	Within Groups	272.958	232	1.177		
	Total	294.073	234			
Promptness	Betw een Groups	10.947	2	5.473	4.288	.015
	Within Groups	296.169	232	1.277		
	Total	307.115	234			
Social Norms	Betw een Groups	7.987	2	3.993	7.808	.001
	Within Groups	118.661	232	.511		
	Total	126.648	234			
Tax Payers Morale	Betw een Groups	7.422	2	3.711	4.843	.009
	Within Groups	177.760	232	.766		
	Total	185.182	234			
Tax Compliance	Betw een Groups	9.557	2	4.778	5.233	.006
	Within Groups	211.828	232	.913		
	Total	221.385	234			

Source: Primary data