GHANA'S UNTAPPED ECONOMY

Analysis of Tax Compliance Behaviour of Informal Sector Workers in the Greater Accra Region

About BudgIT Ghana

budgIT
GHANA

BudgIT Ghana is a civic technology organisation that specialises in intersecting citizen engagement with technology to promote transparency and accountability in governance. As a pioneer in social advocacy melded with technology, BudgIT Ghana uses a range of technologies to simplify government budgets and matters of public spending for citizens to foster accountability and responsible governance. With a pronged focus on Budget Access, Tracka, Extractives, Tax Justice and Institutional Support, our methodology is to use the most refined data-mining skills to present data to citizens and empower them to demand better service delivery and good governance.

International Growth Lead: **Abiola Afolabi**

BudgIT Ghana: **Jennifer Addochoe Moffatt and Hamid Abdel-Mumuni**

Data Visualisation/Design Concept: **Patrick Ayayi** (odosgallery)

Source: **Ministry of Finance, Ghana**

Consulting Team: Prof. Godfred M.Y Owusu (Lead Consultant), Gabriel Korankye, Charles Owusu, Rockson Mintah

Disclaimer: This report has been produced by BudgIT Ghana to provide information on informal sector taxation and public data issues. BudgIT Ghana hereby certifies that all the perspectives expressed in this document accurately reflect our analytical views, which we believe are reliable and fact-based. While reasonable care has been taken in preparing this document, no responsibility or liability is accepted for errors or any views expressed herein by BudgIT Ghana for actions taken due to information provided in this report.

BudgIT Ghana

Ghana's Untapped Economy:
Analysis of Tax Compliance Behavior of Informal Sector Workers in the Greater Accra Region

Prepared for: **BudgIT Ghana, SWIT and the International Budget Partnership.**

Consulting Team:

Prof. Godfred Matthew Yaw Owusu, University of Ghana
Prof. Richard Boateng, University of Ghana

Mr. Gabriel Korankye, University of Professional Studies, Accra
Mr. Charles Ofori Owusu, University of Ghana
Mr. Rockson Mintah, Accra Technical University

Executive Summary

This report presents the validated findings from the project titled "Analysis of Tax Compliance Behavior of Informal Sector Workers in the Greater Accra Region", commissioned by BudgIT Ghana with support from the International Budget Partnership (IBP). The research investigates tax compliance patterns, challenges, and opportunities within the informal economy of Ghana, with a specific focus on the Greater Accra Region. It combines extensive qualitative and quantitative research methods and incorporates stakeholder validation to ensure relevance, accuracy, and policy responsiveness.

The study adopts a sequential exploratory mixed-methods design. Phase one involved nine Focus Group Discussions (FGDs) across retail, hospitality, and creative/manufacturing sectors, providing contextual insights into tax awareness, gendered experiences, and compliance behavior. Phase two involved a cross-sectional survey of 500 informal sector workers across four geographical zones, offering quantifiable data on tax compliance levels, sectoral and gender variations, and barriers to compliance.

The findings underscore that Ghana's informal sector is not inherently tax averse. While tax awareness exists, it is often fragmented and conflated with municipal levies or market tolls. Compliance is largely reactive and driven by fear of sanctions rather than civic duty or systematic processes. A significant gender dimension emerges: women, who dominate the sector, face disproportionate enforcement, bear higher indirect tax burdens, and report gender-insensitive treatment from tax officers. Despite their central economic role, 67% of businesses remain unregistered, and formal tax filing is rare.

Survey results reveal moderate overall tax compliance (mean = 3.70/7), low current compliance behavior (mean = 3.18), but promising future compliance intentions (mean = 4.49). Gender differences in compliance were statistically insignificant, yet female respondents identified unique challenges such as unstable income and high compliance costs. Sectoral analysis shows the retail sector expressing higher intent to comply in the future, suggesting sector-specific opportunities for intervention.

Major barriers to compliance include perceived mismanagement of tax revenues, corruption among officials, lack of tangible public benefits, complexity of the tax system, and limited record-keeping capacity. These perceptions fuel distrust and reduce the incentive to formalize. Additionally, 20 ranked compliance barriers revealed strong agreement among respondents—with over 60% strongly agreeing that corruption and lack of visible benefits are significant deterrents.

The final stakeholder validation workshop affirmed the study's conclusions and enriched the policy direction with actionable recommendations. Participants, including representatives from the Ghana Revenue Authority, Ministry of Finance, MMDAs, CSOs, academia, and informal sector associations, called for reforms that are inclusive, gender-responsive, and digitally enabled.

Exhibit 1 Participants at the Focus Group Discussion

Key Findings

The research revealed a complex interplay of knowledge, perception, and structural barriers that shape tax compliance in the informal economy.

1. Low and Fragmented Tax Knowledge

While a majority of informal sector workers (69%) reported having some awareness of taxes, their understanding is often superficial and fragmented. Many equate taxation with daily market tolls and local levies, failing to distinguish them from formal obligations to the Ghana Revenue Authority (GRA). This knowledge gap is exacerbated by a lack of sustained, accessible tax education.

2. Compliance Driven by Fear, Not Duty

Formal tax compliance is low and largely reactive. Payments are typically made only under the threat of enforcement, rather than as a voluntary civic duty. While current compliance behavior is poor, a significant number of participants expressed a high intention to comply in the future if the system were simpler, fairer, and more transparent.

3. Pervasive Distrust and Perceived Inequity

A profound lack of trust in government is the most significant barrier to voluntary compliance. Participants widely perceive that tax revenues are mismanaged and lost to corruption, with little to no visible return in the form of public services or infrastructure in their communities. This is compounded by a sense that the tax system unfairly targets small, vulnerable businesses while larger corporations evade their responsibilities.

4. Significant Gender Disparities

Women, who constitute the majority (92%) of the informal workforce, face a disproportionate tax burden. They are more exposed to frequent, and often intimidating, enforcement of daily levies. Their compliance is further hindered by income instability and the high costs associated with the formal tax process, which disproportionately affect their ability to manage household finances and caregiving responsibilities.

5. Barriers to Formalization

The complexity, cost, and bureaucracy of registration processes deter many informal businesses from formalizing. While the benefits of formalization are recognized, they are often perceived as being outweighed by the anticipated increase in tax burden and administrative hassle, with no corresponding support or services from the state.

6. Moderating Effect of Demographic Variables

By far, tax compliance behaviors among informal sector actors in Greater Accra are moderated by key demographic factors:

- Gender moderates the frequency and nature of enforcement exposure.
- Education enhances understanding and willingness to engage with formal processes.
- Registration status enables formal compliance and access to services.
- Experience influences tactical avoidance or selective compliance.
- Business type and income level affect perceived fairness and the ability to comply consistently.

These insights suggest that any tax reform targeting the informal sector must be demographically segmented — using tailored approaches for different groups rather than a one-size-fits-all model.

Targeted Stakeholder Recommendations

1. Ministry of Finance & Ghana Revenue Authority (GRA)

i)Design and implement gender-responsive tax policies and anti-harassment protocols.

ii)Deploy mobile and USSD-enabled platforms for tax registration and payments.

iii)Launch "Your Taxes at Work" campaigns and publish annual tax impact reports.

iv)Simplify national tax registration through mobile tax booths and tiered systems.

v)Develop a public and easily accessible dashboard tracking tax payments in communities and districts, dubbed Ghana Community Tax Dashboard (see Appendix D8), to enhance the visibility of tax payments and promote tax compliance.

vi)Link tax incentives to compliance and visibly reinvest in informal sector communities.

2. Metropolitan, Municipal, and District Assemblies (MMDAs)

i)Coordinate with GRA to harmonize tax collection and revenue-sharing systems.

ii)Set up mobile kiosks at transport hubs and markets for tax services.

iii)Translate compliance guidelines into local languages and visual formats.

iv)Encourage localized tax education in community centers, religious platforms, and associations.

3. Civil Society Organizations (CSOs) & Development Partners

i)Support tax justice advocacy, especially for women and youth in the informal economy.

ii)Co-design simplified compliance guides and support digital tools for outreach.

iii)Fund pilot projects for mobile registration and compliance monitoring systems.

iv)Amplify public education on rights, responsibilities, and grievance mechanisms.

4. Informal Sector Associations & Community Leaders

i)Act as community-based tax education champions and liaisons with GRA/MMDAs.

ii)Co-create simplified and translated tax compliance guidelines with authorities.

iii)Encourage group registrations, collective MoMo tax payments, and peer reminders.

iv)Partner with GRA to administer compliance incentive schemes (e.g., raffles, certifications).

Integrated Policy Recommendations

1. Simplify and Localize Tax Processes
- Establish mobile tax registration and payment booths in markets and transport hubs.
- Introduce simple, tiered tax rates based on verified income bands.

2. Leverage Mobile Technology
- Roll out MoMo-based tax payment systems with SMS receipts.
- Develop a GRA tax USSD platform and mobile app for registration, payments, and reminders.

3. Adopt Gender-Responsive Tax Practices
- Train tax officials in gender sensitivity and anti-harassment enforcement.
- Introduce flexible tax incentives or relief programs for women-led microenterprises.

4. Rebuild Trust through Transparency
- Launch a "Your Taxes at Work" campaign to publicly link tax collection to visible community investments (e.g., sanitation, lighting, market stalls).
- Publish simple annual tax impact reports for informal sector districts.
- Develop the Ghana Community Tax Tracker to enhance visibility and encourage compliance at the community, district, and regional levels.

5. Partner with Community Associations
- Formalize the role of trade associations and cooperatives in disseminating tax education.
- Co-create simplified compliance guidelines with local leaders and market queens.

Expand Research and Inclusion

Recognizing the current study's urban focus, it is recommended that future research expand to cover the diverse realities of the informal sector nationwide. Key directions include commissioning a national mixed-methods study to quantify tax burdens and contributions across different demographic segments; extending qualitative research to rural communities, particularly focusing on agricultural traders and artisans; and investigating the unique entrepreneurship dynamics of migrant and youth populations, including their interaction with cross-border taxation and digital compliance tools.

By implementing these recommendations, Ghana can begin to bridge the gap between the state and its informal economy, transforming the tax system from a source of fear and distrust into a cornerstone of a strengthened social contract and sustainable national development.

Exhibit 2 Participant Receiving a Certificate of Participation in FGDs

This report concludes that transforming Ghana's informal tax landscape requires reforms that are community-rooted, equity-driven, and digitally supported. A transparent, simplified, and inclusive tax system—anchored in trust and mutual responsibility—can unlock the sector's potential to contribute more meaningfully to national development.

Table of Contents

GHANA'S UNTAPPED ECONOMY

CHAPTER 1: INTRODUCTION

This report presents the comprehensive findings, analysis, and recommendations from the consultancy undertaken to assess the factors influencing tax compliance and equity within Ghana's informal sector, focusing specifically on the Greater Accra Region. Commissioned by BudgIT Ghana with support from the International Budget Partnership (IBP), this research was initiated to address the pressing need for evidence-based insights that can inform the development of fair and effective tax policies.

The informal sector is the bedrock of Ghana's economy, contributing an estimated 70% to the Gross Domestic Product. Despite its economic significance, its contribution to national tax revenue is less than 2%. This stark disparity points to systemic challenges in tax compliance, fosters an inequitable distribution of the national tax burden, and undermines the government's ability to target economic policies efficiently. The issue is further compounded by a significant gender dimension, as women—who constitute approximately 92% of the informal workforce—face a unique set of barriers, including limited access to financial literacy and formal banking systems, and the adverse effects of regressive tax policies.

In light of these challenges, this consultancy was tasked with conducting a rigorous assessment of the informal tax landscape. The project was titled: Ghana's Untapped Economy: Analysis of Tax Compliance Behavior of Informal Sector Workers in the Greater Accra Region. The primary objectives were to evaluate the levels of tax compliance among various informal sector groups, identify the gender-specific challenges hindering compliance, analyze the differential burden of tax payments on men versus women and other marginalized groups, and ultimately provide actionable recommendations to foster greater tax equity.

As the consultant for this project, we have successfully executed all phases of the assignment as detailed in the Terms of Reference. This report is the culmination of that work, synthesizing the extensive research, data analysis, and stakeholder engagement conducted. The key deliverables that were developed and completed over the course of this project include:

- An Inception Report (D1), which established the agreed-upon methodology, work plan, and timelines for the assignment.
- A gender-disaggregated Map of Informal Sector Groups (D2) covering the southern, middle, and northern zones of Ghana to provide a foundational understanding of the sector's composition.
- A detailed Research Methodology (D3), a Focus Group Discussion Guide (D4), and a Questionnaire (D5), which were the core instruments for primary data collection and were refined with stakeholder input.
- The collection and comprehensive analysis of primary data, the results of which informed the Comprehensive Research Report (as in the first draft of this report).
- A Presentation of Key Findings , which was prepared and delivered to facilitate a validation workshop (D6) with key policymakers and civil society organizations.
- This Final Validated Report (D7, this report), which incorporates the critical feedback from the validation workshop and is submitted alongside all relevant project documentation and raw data.

This report is intended to serve as a vital resource for advocacy, policy development, and public discourse, aiming to foster enhanced transparency and drive reforms that support a more inclusive, equitable, and sustainable economic future for all participants in Ghana's informal economy.

CHAPTER 2: RESEARCH FRAMEWORK AND METHODOLOGY

2.1. Overall Research Design

This study employed a sequential exploratory mixed-methods research design, as detailed in the Inception Report (see Appendix D1). The research was executed in two primary phases. The initial qualitative phase utilized Focus Group Discussions (FGDs) to explore the nuanced perceptions, experiences, and challenges related to tax compliance from the perspective of informal sector workers. The insights from this phase were crucial for informing the development of the instruments for the second, quantitative phase. The quantitative phase involved a cross-sectional survey designed to measure the levels of tax compliance, assess influencing factors, and evaluate the burden of tax payments across a larger, representative sample.

2.2. Mapping and Defining the Informal Sector

Operational Definition

For the purpose of this study, the informal sector was defined based on the International Labor Organization's (ILO) framework as encompassing "all economic activities by workers and enterprises whose activities are usually outside the legal and regulatory framework and are characterized by non-formal arrangements." This definition acknowledges that the sector includes not only unregistered micro-enterprises but also employment relationships based on casual or personal agreements rather than formal contracts.

Sectoral and Geographical Classification

To ensure a comprehensive analysis, the informal sector was first categorized into three broad operational groups based on the mapping exercise (see Appendix D2):

1. Retail Sector: Comprising market vendors, street vendors, and petty traders. This group was selected for its high visibility and significant representation within the informal economy.
2. Hospitality Sector: Including food vendors, "chop bar" operators, and small-scale caterers. This sector is vital for daily life in the region and often operates with limited resources and registration.
3. Creative and Manufacturing Sector: Consisting of artisans such as tailors, seamstresses, hairdressers, barbers, and carpenters, representing the entrepreneurial and skills-based segment of the sector.

For the primary data collection, a multi-stage approach was used within the Greater Accra Region. The region was divided into four distinct geographical zones to capture diverse economic environments: the Coastal Zone (e.g., Accra Metropolitan Assembly, Tema Metropolitan Assembly), the Central Business District (CBD) (e.g., La Dade Kotopon, Ayawaso West), the Industrial Zone (e.g., Ashaiman, Kpone Katamanso), and the Peri-Urban Zone (e.g., Ga East, Adentan). Two assemblies were purposefully selected from each zone for data collection.

2.3. Primary Data Collection

The data collection procedures adopted are discussed briefly in this section and detailed in Appendices D3, D4 and D5.

Phase 1: Qualitative Data Collection (FGDs)

- Sampling: A total of 72 participants were purposefully selected for nine Focus Group Discussions (three for each of the three informal sector categories), with each group consisting of eight participants. The FGDs were conducted at the University of Ghana Business School. Key selection criteria stipulated that participants must have been in business for a minimum of 12 months and must operate within one of the four designated geographical zones of the Greater Accra Region. This purposive strategy ensured a rich and diverse dataset grounded in relevant experience.

- Instrumentation: A semi-structured FGD Guide (see Appendix D4) was developed. It featured open-ended questions designed to explore themes of tax awareness, compliance behaviors, gender-specific challenges, perceptions of the tax system, and recommendations for improvement. The instrument was rigorously developed through a literature review, reviewed by two academic experts, and validated in a consultative meeting with BudgIT, IBP, and other stakeholders before use.

- Phase 2: Quantitative Data Collection (Survey) Sampling: The target population for the survey was the estimated 1.5 million informal sector workers in the Greater Accra Region (STATSBank Ghana, 2024). Using Yamane's formula with a 5% margin of error, a minimum sample size of 400 was calculated. To enhance statistical power and account for potential non-responses, a final sample of 500 participants was achieved. A multi-stage sampling technique, combining stratification (by zone and informal sector group) and purposive selection, was used to recruit respondents.

  Instrumentation: A structured Questionnaire for Survey (see Appendix D5) was developed, drawing insights from the preceding FGDs and reviewing existing literature. The questionnaire consisted of three sections: Section A captured demographic data and information on business characteristics and tax knowledge; Section B assessed the level of tax compliance using a 5-item, 7-point Likert scale; and Section C explored 18 specific challenges and barriers to compliance, also rated on a 7-point Likert scale. A distinct sub-section required respondents to rate the severity of these challenges for men versus women on a 3-point scale. Industry experts and the funding partners validated the instrument before being self-administered by trained data collection assistants. All 500 questionnaires were completed and returned, yielding a 100% response rate for the deployed surveys.

2.4. Data Analysis Techniques
- Qualitative Data: Data from the nine FGDs were analyzed thematically following the Gioia methodology. This systematic process involved the documentation and transcription of all sessions, followed by data reduction, condensation, and display. Finally, key themes related to the research objectives were generated. Participants were given the opportunity to review transcripts to ensure the accuracy and reliability of the data.

- Quantitative Data: The survey data from the 500 questionnaires were analyzed using statistical software. Descriptive statistics (simple frequencies, means, standard deviations) were used to summarize the demographic characteristics of the respondents and their views on the core constructs. To address the research objectives, inferential analyses were conducted, including a simple t-test to evaluate gender differences in compliance levels and challenges, and an Analysis of Variance (ANOVA) to assess differences in tax compliance across the three informal sector groups.

2.5. Ethical Considerations

- Strict ethical protocols were maintained throughout the research process. Informed consent was obtained from all 572 participants before their involvement in the FGDs and the survey. Participants were assured of confidentiality and complete anonymity, with their names and any identifying information replaced by codes in all research documents. For the FGDs, explicit verbal and written consent was sought before any audio recordings were made, and participants were allowed to verify the transcribed information for accuracy.

2.6 Chapter Summary

Chapter 2 outlines the research design, methodology, and data collection procedures employed in this study on informal sector tax compliance in Ghana. The study adopted a sequential exploratory mixed-methods approach, combining qualitative and quantitative strategies to gain both depth and breadth of understanding. The research was conducted in two main phases: an initial qualitative phase involving Focus Group Discussions (FGDs) to gather experiential insights, followed by a quantitative survey phase to measure key variables across a broader population.

The qualitative phase was designed to explore the lived realities, challenges, and perceptions of informal sector actors concerning tax compliance. Insights from this phase informed the design of the subsequent quantitative survey, ensuring contextual relevance and thematic alignment. The second phase involved a cross-sectional survey which sought to quantify levels of compliance, assess influencing factors, and examine the burden of tax payments on informal workers across the Greater Accra Region.

In defining the informal sector, the study adopted the International Labor Organization's (ILO) operational framework, which characterizes the sector as comprising economic activities and employment arrangements that exist largely outside formal regulatory structures. This includes both unregistered businesses and casual employment relationships based on personal or non-contractual arrangements.

The sector was further classified into three key categories: (1) the Retail Sector, including petty traders and market vendors; (2) the Hospitality Sector, consisting of food vendors and small caterers; and (3) the Creative and Manufacturing Sector, which covers skilled trades such as tailoring, hairdressing, and carpentry. Geographically, the Greater Accra Region was divided into four zones: the Coastal Zone, Central Business District (CBD), Industrial Zone, and Peri-Urban Zone. Two local government assemblies were selected from each zone to ensure diversity in economic activities and socio-demographic contexts.

For the **qualitative phase**, 72 participants were purposively selected for nine FGDs—three per sectoral group. Each discussion group included eight participants who had operated businesses for at least one year within the selected zones. The discussions were guided by a semi-structured FGD Guide, which featured open-ended questions related to tax knowledge, compliance behavior, gender challenges, and policy perceptions. The guide was validated through literature reviews and consultative input from academic and policy stakeholders, including BudgIT and the International Budget Partnership (IBP).

The quantitative phase targeted an estimated informal sector population of 1.5 million in the Greater Accra Region. Using Yamane's formula with a 5% margin of error, a sample size of 400 was calculated, but increased to 500 to allow for non-response. The sample was stratified by both geographic zones and sector categories. The survey instrument consisted of structured questions divided into three main sections: demographic data and business characteristics; tax knowledge and compliance behavior (measured using a 7-point Likert scale); and barriers to compliance, including gender-based challenges rated on a 3-point scale. The instrument was validated by experts and administered by trained data collectors, resulting in a 100% completion rate.

Data analysis followed rigorous standards. **Qualitative data** from the FGDs were analyzed thematically using the Gioia method. This involved transcript validation by participants, data reduction, coding, and thematic categorization aligned with the research objectives. **Quantitative data** were analyzed using statistical software. Descriptive statistics such as means and frequencies were used to summarize responses, while inferential statistics, including t-tests and ANOVA, were employed to assess gender differences and variations across the informal sector groups.

Ethical integrity was maintained throughout the study. All 572 participants provided informed consent, and strict protocols were observed to ensure anonymity and confidentiality. Personal identifiers were removed from all records. Audio recordings of FGDs were only made with explicit verbal and written permission, and participants were given the opportunity to validate the transcripts for accuracy.

In summary, Chapter 2 details a robust, participatory, and context-sensitive research methodology. The combined use of qualitative and quantitative methods ensured a holistic exploration of informal sector tax compliance. By anchoring the study in rigorous ethical practice and methodological triangulation, the research provides a strong foundation for interpreting the findings and drawing policy-relevant conclusions.

GHANA'S UNTAPPED ECONOMY

*Exhibit 5 Bead Seller
Showing Products for Sale*

Analysis of Tax Compliance Behaviour of Informal Sector Workers in the Greater Accra Region
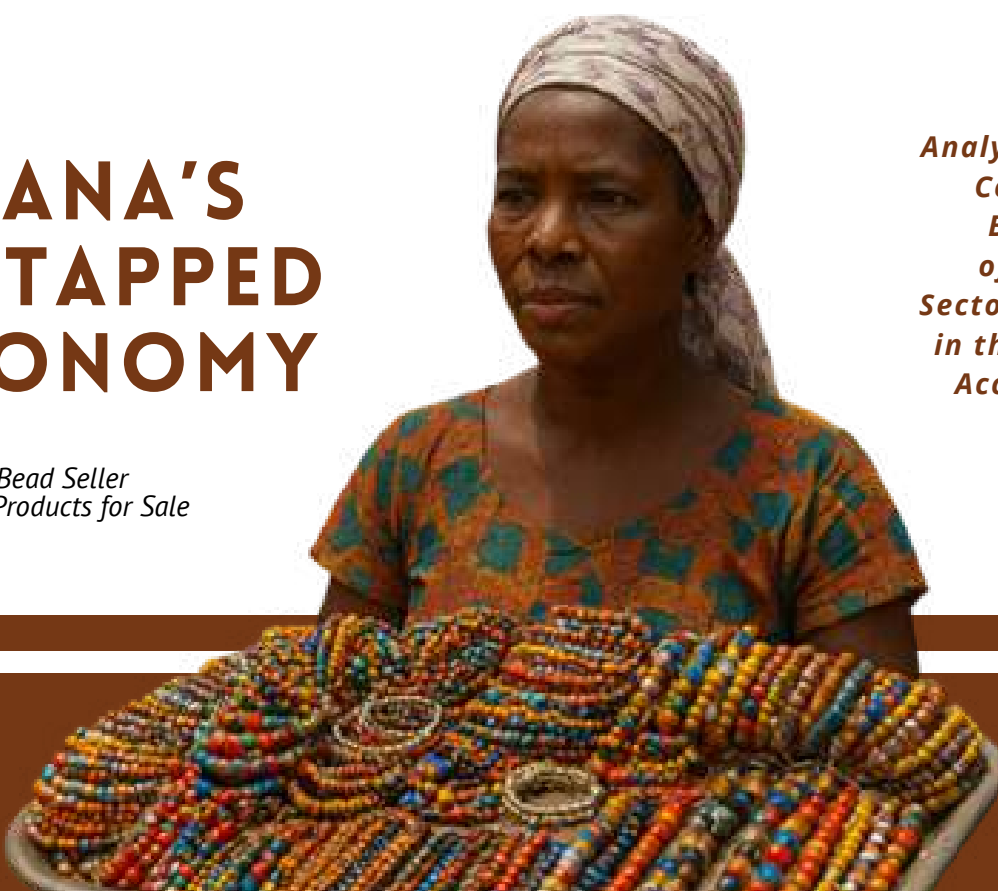
CHAPTER 3: FINDINGS FROM FOCUS GROUP DISCUSSIONS

3.1 Demographics of Respondents

This section presents a demographic overview of 70 respondents across the Greater Accra Region who participated in nine focus group discussions.

The study sample was composed of a highly diverse group of informal sector workers, reflecting the demographic, economic, and social complexities of Ghana's informal economy. A clear gender imbalance was evident, with 77% of participants being female and only 23% male. This finding is consistent with the gendered distribution of work in Accra's informal sector, where women are significantly represented in trades such as petty retail, food processing, hairdressing, catering, and fashion. Men were more commonly involved in technical and artisanal occupations like welding, printing, driving, and plumbing.

Participants ranged in age from 21 to 69 years, with the most common age brackets being 25–30 years (33%) and above 35 years (30%). This demonstrates that the informal economy in Accra is largely driven by working-age adults, with a smaller but notable presence of youth aged 18–24 (13%). A fair proportion also fell into the 31–35 age bracket (14%), pointing to active participation across a broad age spectrum.

Educational attainment among participants varied widely. The majority had achieved basic or secondary education, with 33% having completed Junior High School (JHS) and 26% completing Senior High School (SHS). Only 24% had tertiary-level education, including diplomas and degrees, while 8% had no formal education or only primary education. A small portion (9%) had vocational or technical training. These figures highlight a significant need for simplified tax education and outreach efforts, especially targeting low-literacy groups.

Marital status was also diverse, with 47% of respondents identifying as single, 41% as married, and the remaining 12% as divorced, widowed, cohabiting, or undisclosed. While household size data was inconsistently reported, qualitative comments suggest that many participants support families with 3 to 6 dependents, underscoring the economic responsibilities borne by informal workers and the potential multiplier effects of tax-related financial strain.

In terms of occupation, the respondents were engaged in a wide array of activities. The most common economic roles were retail trading (40%), beauty and fashion services (20%), and catering/food processing (14%). Other sectors included technical services, mobile money vending, and creative industries (26% combined). Business ownership was overwhelmingly individual, with 87% of participants running sole proprietorships, and only 10% operating family businesses. Most businesses were micro in scale, with 61% reporting no employees, and 35% employing between 1 to 5 workers

Participants' years of business experience ranged from less than one year to over 25 years. The dominant experience range was 5 to 10 years (42%), followed by 10 to 20 years (27%), less than 5 years (23%), and more than 20 years (8%). This reflects a blend of newer entrants and long-standing operators, many of whom possess deep familiarity with market systems but remain disengaged from formal tax structures.

From an economic standpoint, the monthly revenue levels reported ranged from as low as GHS 105 to as high as GHS 20,000, though the higher end figures were rare outliers. The majority earned between GHS 500 and GHS 3,500, with 42% earning GHS 500–1,500, 24% in the GHS 1,501–3,500 bracket, and 20% below GHS 500. On the expense side, monthly business operating costs varied from GHS 150 to over GHS 15,000, with most participants falling within the GHS 500–2,500 range (72%). These figures reveal that many informal businesses operate with tight margins, and unexpected tax enforcement or penalties can severely disrupt livelihoods.

Concerning business formalization, 67% of respondents operated unregistered businesses, while 33% had formal registration. Registration was more common among men and those with tertiary education or operating higher-revenue businesses. Despite registration being a prerequisite for legal protection and access to government services, the high rate of unregistered businesses reflects widespread mistrust or lack of awareness of formalization benefits.

All respondents were based in urban or peri-urban areas within Accra, with no rural representation in the sample. Businesses were typically situated in marketplaces, roadside stalls, small workshops, or home-based setups. Additionally, none of the respondents reported having a disability, raising concerns about either the inclusivity of the sample or underreporting due to stigma or lack of disclosure.

In summary, the FGD participants represent the dominant structure of Ghana's informal sector: largely female, middle-aged, with modest education levels, operating small sole-proprietor businesses with limited capital, and generally outside the formal registration framework. These demographic realities are essential for shaping tax compliance strategies that are inclusive, equitable, and responsive to the lived conditions of informal sector actors. Tailored interventions such as simplified registration processes, mobile tax collection units, targeted education campaigns, and flexible payment systems could significantly enhance tax compliance while minimizing financial distress among this critical economic group.

3.2 Theme 1: Tax Knowledge and Compliance

3.2.1 Tax Awareness

1. Tax Knowledge

Participants demonstrated a basic understanding of taxes, often distinguishing between direct and indirect taxes. However, most equated taxation with daily market tolls or fees to municipal authorities rather than formal obligations to the Ghana Revenue Authority (GRA).

"I am aware that we have two types of taxes: direct and indirect… I pay a flat income tax through the GRA, but we've had issues with how it was increased without consultation." (Male, Auto-Body Mechanic, 24 years, Registered)

"We those with containers pay an annual fee to AMA and also GHS1.00 daily to GRA collectors. By the time we're done paying, we're hard up… this is what I know as taxes." (Female, Provisions Trader, 25 years, Registered)

2. Sources of Tax Information or Training

Most respondents lacked formal tax education. Information came sporadically through visits from GRA officers, market associations, or personal experience. A common complaint was the absence of proactive education and unclear tax structures.

"We have not received any training from anyone… tax officials just come and start explaining when they want to lock your shop." (Female, Retail Trader, 25 years, Registered)

"I only heard about taxes during my business registration, but no one really explained the different kinds or how they work." (Female, Baker, 3.5 years, Registered)

3. Perceived Tax Compliance

There was widespread confusion over what constitutes compliance. Many believed paying market tolls or association dues fulfilled their tax obligations. Others openly admitted non-compliance or inconsistency due to unclear expectations.

"I don't believe I'm fully tax compliant… I pay GHS5 here and there, but that's all. I'm not sure what else is expected." (Male, Electrician, 8 years, Unregistered)

"I pay taxes through the daily tickets at the market. That's what I know as tax compliance." (Female, Food Vendor, 15 years, Unregistered)

3.2.2 Tax Compliance Behavior

1. Tax Registration and Compliance Practices

Registration levels varied. Some had Tax Identification Numbers (TIN) but didn't associate them with filing obligations. Others linked business registration to market operation permits, not to tax compliance.

"I have a TIN, but I don't know how to use it. They told me to get it during my registration, and that was it." (Male, 4 years, Registered)

"I don't have a TIN. I only use my Ghana Card, and they don't ask for anything else." (Female, hairdresser, 3 years, Unregistered)

3.2.2 Tax Compliance Behavior

1. Tax Registration and Compliance Practices

Registration levels varied. Some had Tax Identification Numbers (TIN) but didn't associate them with filing obligations. Others linked business registration to market operation permits, not to tax compliance.

"I have a TIN, but I don't know how to use it. They told me to get it during my registration, and that was it." (Male, 4 years, Registered)

"I don't have a TIN. I only use my Ghana Card, and they don't ask for anything else." (Female, hairdresser, 3 years, Unregistered)

2. Filing of Tax Returns

Very few participants had ever filed tax returns. Filing was mostly perceived as something relevant to formal businesses or salaried workers, not informal traders.

"I file my taxes online because I do contracts for institutions. But most of my colleagues have never filed before." (Male, Furniture Supplier, 4 years, Registered)

"We don't file tax returns… we don't even know we are supposed to. Nobody has told us." (Female, Caterer, 10 years, Unregistered)

3. Regular Tax Payment

Most participants paid taxes irregularly or only when enforcement officers arrived. Some interpreted their compliance as punctual if they paid on request, even if sporadically.

"If I have the money, I pay them. If not, I ask them to come back… that's how I pay."
(Female, Hair Stylist, 5 years, Unregistered)

"I go to their office to pay whenever they don't come. I believe in doing my part."
(Male, Mobile Money Vendor, 5 years, Registered)

4. Reasons for Paying or Not Paying Taxes

The main reasons for non-payment included high costs of living, lack of clarity in procedures, limited perceived benefits, and distrust in the government's usage of revenue. Some cited harassment by collectors as a deterrent.

"I don't see what they use our taxes for. My shop floods, and the roads are bad… why should I pay?"
(Female, Provisions Trader, 6 years, Unregistered)

(If I don't pay, they threaten to close my shop. That's the only reason I pay anything."
(Female, Lingerie Seller, 5 years, Unregistered)

3.3 Theme 2: Gender and Tax Compliance
3.3.1 Gender-Specific Challenges

1. Gender and Tax Compliance Challenges

There was a split in opinion on whether gender impacts tax compliance. Some participants argued that women bear a heavier tax burden due to their dominant presence in retail and caregiving roles, which expose them more frequently to indirect taxes. Others maintained that taxation should be based on income, not gender.

"Yes, women pay more in terms of indirect taxes; it is women who pay much indirect taxes because we are the ones taking care of the house." (Female, Retail Trader, 6 years)

"I don't believe there are any gender-specific challenges… tax is focused on income, not gender." (Male, Service Provider, 7 years)

2. Personal Experiences with Gender and Tax Compliance

Women shared specific experiences where tax enforcement felt gendered, especially through verbal coercion or exploitative behavior. Others described more lenient treatment towards women or bias against men.

"I didn't have money when they came, but the officer told me to pay directly into his MOMO account… he gave me a receipt afterwards." (Female, Service Provider, 3.5 years)

"When you cross the road, the tax officer will follow you unless you give him something. If not, he won't leave." (Female, Manufacturing Worker, 2 years)

3.3.2 Tax Burden

1. Perceptions of Fairness in the Tax System

Views on fairness were often tied to enforcement practices. Many women perceived the system as inequitable—not because of gender, but due to inconsistent assessments or failure to consider business size. Men and women alike complained about being taxed despite poor infrastructure and services.

"For me, the tax we are supposed to pay is 500 cedis, but I can plead to pay 400 cedis as a woman. But for the men, they are forced to pay the full amount." (Female, Retail Trader, 2 years)

"The taxes are too much… even after leaving office, politicians take ex-gratia. We, the citizens, carry the burden." (Male, service provider, 4 years)

2. Impact of Taxes on Household Income

Many women reported that taxes—especially unexpected ones—directly disrupted household budgeting. Daily taxes were especially difficult for low-income vendors who made small margins. Others felt they could manage taxes if payments were predictable or scheduled.

"If the tax collector comes and I'm not ready, it affects what I take home… I may not meet the needs of my family that day." (Female, Service Provider, 2 years)

"I roam to sell. On some days, no one buys. Yet I'm still expected to pay daily tax from the GHS2 I might use to eat." (Female, Manufacturing Vendor, 5 years)

Exhibit 7 Participants Completing Consent Form for the FDG

3.4 Theme 3: Perceptions and Attitudes

3.4.1 Perceptions of Taxation

1. Fairness of Taxing Informal Sector Businesses

Participants expressed strong reservations about the fairness of taxing informal businesses. Many felt that small business operators were unfairly targeted while larger, better-resourced businesses often evaded taxes.

"I don't think they should be taxing small businesses... a lot of large industries evade taxes... yet they come to us roadside mechanics." (Male, Auto Mechanic, 24 years, Unregistered)

"The way the tax is assessed isn't always fair because it doesn't show the true tax liability." (Male, Retail Trader, 4 years, Registered)

2. Perceptions of Tax Rates for Informal Businesses

Many respondents considered the current tax rates burdensome relative to their earnings. Others believed the government needed to better explain the rationale behind rates and how they were calculated.

"The rates are too high for the kind of money we make... they should come and see how much we really earn." (Female, Retail Trader, 25 years, Registered)

Ghana's Untapped Economy

"I think they should come and explain the purpose of the tax that we are paying and why the particular rate." (Female, Retail Trader, 10 years, Registered)

3. Trust in Government Use of Tax Revenue

Lack of trust in how tax revenues are utilized was a dominant sentiment across all FGDs. Many participants felt disillusioned by unmet promises and the perceived misuse of public funds.

"No, I don't trust the government… they say they use taxes for development, but we don't see it." (Female, Food Vendor, 3 years, Unregistered)

"They spend it on unnecessary things… driving flashy cars and living lavish lives. I don't trust them at all." (Male, Event Organizer, 7 years, Unregistered)

3.4.2 Formalization and Transition

1. Consideration of Business Formalization

Many participants had considered formalizing their businesses but were deterred by cost, bureaucracy, or lack of clarity about benefits. Others expressed willingness but delayed action until business growth justified it.

"I want to register, but I need a shop first… they don't take us seriously because our businesses are small." (Male, Service Provider, 8 years, Unregistered)

"If registration fees can be deducted from my MoMo, I'll register." (Female, Food Seller, 3 years, Unregistered)

2. Perceived Benefits and Challenges of Formalization

While some saw formalization as a path to credibility, access to loans, and contracts, others saw little benefit—especially given the perceived additional tax burden without corresponding public support.

"I believe the only benefit is credibility. But I don't see the benefits in relation to taxes… I'm doing okay without it." (Female, Event Decorator, 4 years, Unregistered)

"It makes it easy for your customers to locate you and distinguish you from others." (Female, Fashion Designer, 5 years, Registered)

3. Support Needed to Transition to the Formal Sector

Participants emphasized simplifying the registration process and improving outreach. Many requested mobile services, fee reductions, and digital systems to encourage uptake.

"Make the process simple and seamless… use electronic means to streamline and simplify it." (Male, Painter, 7 years, Unregistered)

"If someone could come and do the registration for us, it would be easier. If I must go, I won't get time." (Female, Artisan, 2 years, Unregistered)

3.5 Theme 4: Recommendations and Suggestions

3.5.1 Suggestions for Government Support to Simplify Tax Payment
Participants emphasized the need for simplified, accessible, and localized tax systems. Many called for mobile or door-to-door services, decentralized registration centers, and community-based education.

"Small tax centers should be set up rather than people having to go to the office to pay taxes."
 (Female, Soap Maker, 3 years, Unregistered)

"They should make the process simple and come closer to us… even bring officers to markets and explain step by step." (Male, Barber, 24 years, Unregistered)

3.5.2 Role of Technology in Tax Compliance
Participants supported leveraging mobile money, USSD short codes, and dedicated apps to ease tax payments. There was a clear call for digital inclusion and online processes for both payment and registration.

"We can use mobile money with short codes for payments… they should make the app simpler." (Female, hairstylist, 3.5 years, Unregistered)

"There should be an electronic process for paying taxes… like toll booths or loading money onto a card." (Female, retailer, 5 years, Registered)

3.5.3 Advocacy Role of Community Leaders or Associations
The role of associations, chiefs, and market leaders was viewed as crucial for advocacy, education, and organizing collective compliance. Some participants suggested that associations could even collect taxes on behalf of GRA.
"Associations should remind members to pay taxes monthly, just like they pay dues… assist members with tax forms and registration." (Female, Beautician, 3 years, Unregistered)

"We can use our traditional and church leaders to motivate us to pay taxes, but if we don't see improvements, we lose interest." (Male, Painter, 10 years, Unregistered)

These recommendations highlight a strong appetite among informal sector actors for **more inclusive, convenient, and transparent tax systems.** Participants are open to compliance if processes are made simpler, digital tools are used effectively, and trust is restored through visible development outcomes.

3.6 Chapter Summary

Chapter 3 of the study presents rich insights from nine focus group discussions conducted with 70 informal sector workers across the Greater Accra Region. This chapter offers a comprehensive understanding of the demographic characteristics of respondents and explores key themes relating to tax knowledge, compliance behavior, gender-related challenges, perceptions of the tax system, and participant recommendations for reforming tax administration within Ghana's informal sector.

The demographic profile of participants reveals a diverse but distinctly gendered structure within the informal economy. A significant majority (77%) of the respondents were female, consistent with the high female participation in petty trading, catering, hairdressing, and fashion services within Accra. Male participants were primarily engaged in technical trades such as welding, driving, and printing. Most respondents were working-age adults, with the largest representation between the ages of 25 and 30 (33%), followed by those over 35 years (30%). Educational backgrounds varied, with the majority having completed basic or secondary education—33% at the Junior High School (JHS) level and 26% at the Senior High School (SHS) level. A notable 24% had tertiary qualifications, while a smaller segment had either vocational training or no formal education at all.

Occupationally, the respondents represented a wide range of informal activities. Retail trading was the most common (40%), followed by beauty and fashion (20%) and food-related businesses (14%). Other activities included mobile money vending and small-scale manufacturing. Business ownership was predominantly individual, with 87% running sole proprietorships. Most businesses were micro-in-scale, with over 60% operating without any employees. Monthly revenue and expenses reflected modest means, with the majority earning between GHS 500 and GHS 3,500 and incurring expenses typically in the GHS 500–2,500 range. Many businesses operated on tight profit margins, vulnerable to disruptions from irregular tax enforcement. Furthermore, 67% of participants were unregistered, often due to the lack of trust in the formal system or limited awareness of the benefits of formalization.

The first major theme discussed was tax knowledge and compliance. While participants generally understood the concept of taxation and could distinguish between direct and indirect taxes, many associated taxes solely with daily market tolls or local assembly fees. Formal understanding of tax obligations—especially regarding the Ghana Revenue Authority (GRA)—was limited. Most had not received any formal tax education and relied instead on sporadic visits from tax officials or hearsay within their communities. Few participants had ever filed tax returns, and tax payments were irregular, often made only when enforcement officers were present. Some admitted that they complied only out of fear of penalties, rather than any sense of civic responsibility.

Gender emerged as a significant factor shaping tax experiences within the informal sector. Women, who dominate retail and caregiving roles, reported bearing a heavier tax burden through daily indirect taxes and frequent enforcement encounters. Some women shared experiences of gendered enforcement practices, including coercive tactics or preferential treatment. Many reported that taxes directly disrupted their household finances, especially when payments were unplanned or excessive. While some men felt that taxation should remain gender-neutral and based on income, women's accounts illustrated how gender roles influence the experience and burden of compliance.

Participants also expressed strong views on the fairness and effectiveness of the tax system. There was widespread discontent over what was perceived as a punitive and inequitable system. Many believed that small businesses were disproportionately targeted for tax collection while large businesses often evaded responsibility. The perceived lack of transparency in how tax rates were determined and how revenues were used fueled a broader distrust in government. Participants frequently cited poor infrastructure, and unmet development promises as reasons for their reluctance to pay taxes. This sense of disillusionment with the state's stewardship of tax funds was a common theme across all focus groups.

Regarding business formalization, participants were generally aware of its potential benefits, including access to credit, contracts, and business credibility. However, many remained unregistered due to high costs, bureaucratic processes, or unclear incentives. Some expressed willingness to register if the process was made simpler or if digital/mobile options were introduced. Others felt that formalization was not necessary at their current scale of operation and would only consider it when their businesses grew larger.

In their recommendations, participants called for practical reforms that would simplify tax processes and make them more accessible. Many suggested decentralized or mobile tax services, especially in marketplaces and trading areas. There was strong support for the use of technology—particularly mobile money, USSD codes, and simplified apps—to facilitate tax payments and registration. Participants also underscored the importance of involving trusted intermediaries such as trade associations, traditional leaders, and church groups in promoting tax compliance. These community figures, they argued, could help bridge the trust gap between informal workers and the tax authorities.

In sum, Chapter 3 illustrates that informal sector actors are not inherently opposed to tax compliance. Rather, they are deterred by a system that appears distant, opaque, and misaligned with their lived realities. Their voices reflect a readiness to comply—if the tax system becomes simpler, fairer, and visibly beneficial. By addressing these concerns through tailored reforms, tax authorities in Ghana have a clear opportunity to improve compliance while reinforcing social equity and economic inclusion.

CHAPTER 4: FINDINGS FROM SURVEY

4.1 Demographic Characteristics of Respondents

Table 1 presents a summary of the demographic distribution of the 500 respondents who completed the survey. The data indicate a significant gender imbalance within the informal sector, with women constituting approximately 61% of the total sample. This underscores the strong female representation in informal economic activities. Additionally, the age distribution reveals that the sector is predominantly driven by younger individuals, with about 74% of respondents aged 45 years or below. These findings highlight the youthful and gendered nature of Ghana's informal economy.
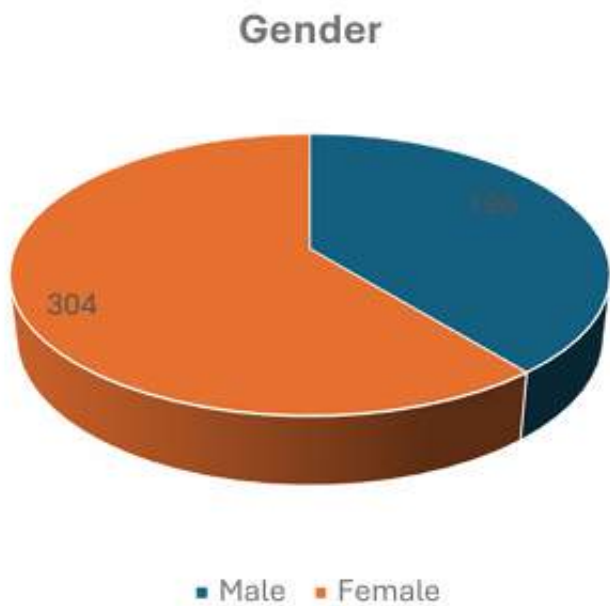
Figure 1: Gender Distribution of Respondents

■ Male ■ Female

Table 1: Demographic Characteristics of Respondents

Attribute	Item	Frequency	Percentage (%)
Gender	Male	196	39.20
	Female	304	60.80
Age	Below 30 years	148	29.60
	31 - 45 years	222	44.40
	46 - 60 years	111	22.20
	Above 60 years	19	3.80
Marital Status	Single	200	40.00
	Married	274	54.80
	Divorced	12	2.40
	Cohabiting	14	2.80
Religion	Christian	403	80.60
	Muslim	90	18.00
	Traditionalist	2	0.40
	None	5	1.00
Level of Education	Non-formal	117	23.40
	Basic Education	148	29.60
	Secondary	152	30.40
	Tertiary	83	16.60
Years in Business	Below 2 years	60	12.00
	2 - 5 years	165	33.00
	6 - 10 years	140	28.00
	11 - 20 years	70	14.00
	Above 20 years	65	13.00

The survey results show that a majority of respondents were married (approximately 55%), suggesting a considerable level of family responsibility among informal sector participants. Most respondents identified as Christian (over 80%), while only about 1% reported no religious affiliation. In terms of educational attainment, the majority had completed secondary education (30.4%), followed by those with basic education (29.6%). Notably, around 23% of respondents had no formal education, highlighting the need for accessible and inclusive tax education initiatives.

Work experience within the informal sector was relatively limited, with 73% of respondents having ten years or less of experience. About 33% had worked in the sector for two to five years, indicating a substantial period during which they would have developed relevant knowledge and insights to inform the study.

4.2 Demographic Characteristics of Businesses

Regarding sectoral distribution, most respondents operated within the retail sector (over 46%), reaffirming the sector's dominance in Ghana's informal economy. This was followed by the service sector (about 32%), which includes food vendors, mini-bars, and small restaurants. The creative and manufacturing sector accounted for roughly 22% of the sample—approximately half the size of the retail group. This distribution reflects the broader national pattern, where retail remains the backbone of informal economic activity.

Nature of Business

- Services 32%
- Retail 46%
- Manufacturing 22%

Legend:
- Services
- Retail
- Manufacturing
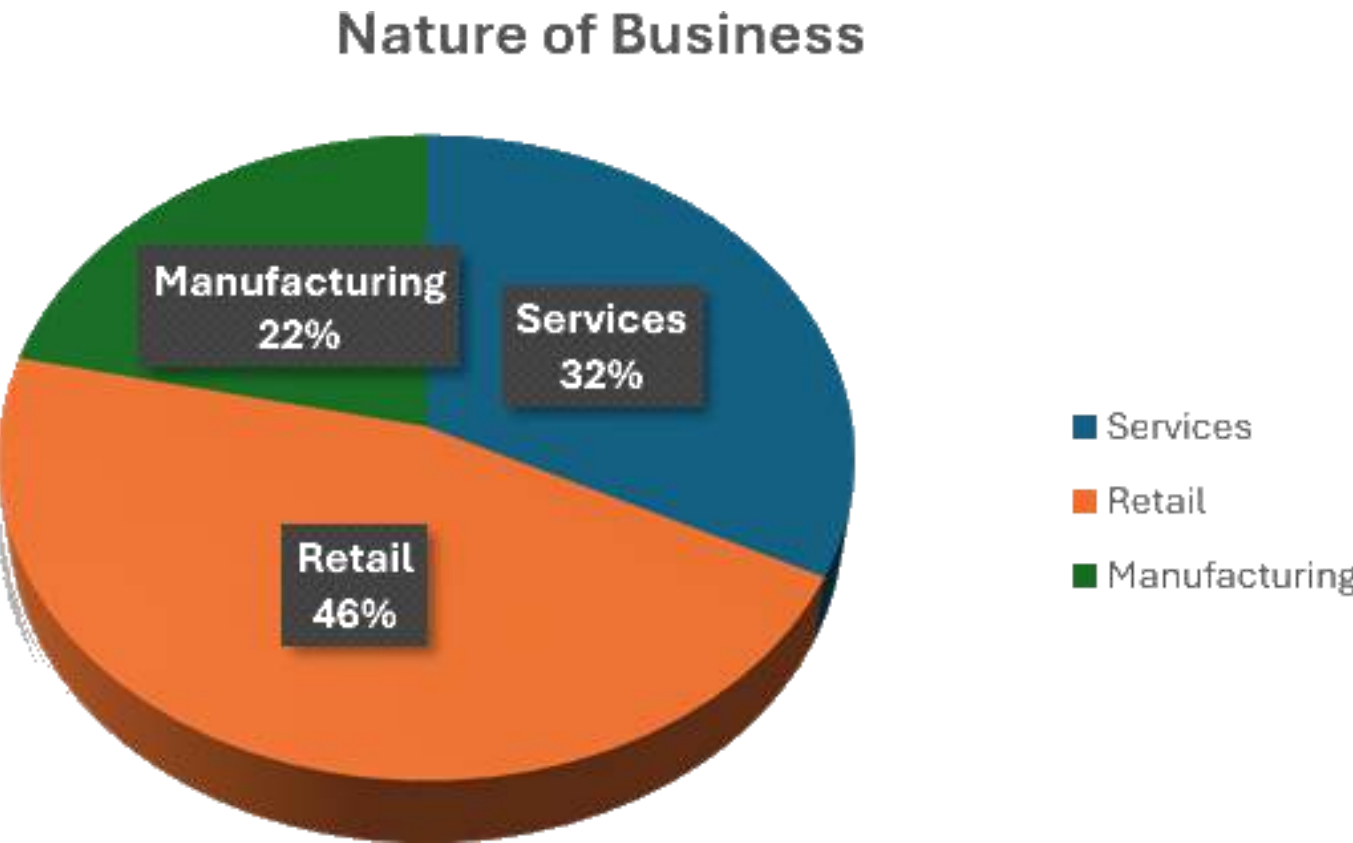
With regard to the formalization of businesses, the results indicate that over 70% of respondents had not registered with the Registrar General's Department (see Table 2). Similarly, 67% of respondents had not registered their businesses with the Ghana Revenue Authority (GRA) for tax purposes. Interestingly, however, the majority (54%) had completed some form of registration with their respective municipal or district assemblies. This suggests a preference for local-level registration, possibly due to its relative accessibility or perceived relevance compared to national registration processes.

Table 2: Business Attributes of Respondents

Attribute	Item	Frequency	Percentage (%)
Nature of Business	Services	158	31.60
	Retail	232	46.40
	Manufacturing	110	22.00
Registration:			
Registrar General	Yes	135	27.00
	No	365	73.00
GRA	Yes	165	33.00
	No	335	67.00
Assembly	Yes	270	54.00
	No	230	46.00
Do you have any Tax Knowledge?			
	Yes	345	69.00
	No	155	31.00
Do you have any knowledge of your Tax Responsibilities?			
	Yes	310	62.00
	No	164	32.80
	None	26	5.20

To assess respondents' tax knowledge and awareness of their tax responsibilities, two key questions were posed: whether they had any knowledge of taxes, and whether they were aware of their specific tax obligations. The results, as presented in Table 2, reveal that a substantial proportion of respondents (69%) reported having some knowledge of taxes, while 62% indicated awareness of their tax responsibilities. These findings suggest that most respondents are not entirely uninformed about taxation or their obligations, indicating a foundational level of awareness upon which targeted education and compliance interventions can be built.

4.3 Tax Compliance Level in the Informal Sector

The tax compliance levels of informal sector workers were assessed using three dimensions: overall tax compliance, actual tax compliance behavior, and future tax compliance intentions. These were measured based on the mean scores of respondents. The results show that, overall, respondents perceive themselves as moderately compliant with tax obligations, with a mean score of 3.70.

A closer examination of the indicators reveals a nuanced picture. While respondents rated their actual tax compliance behavior slightly below the midpoint—indicating a tendency toward non-compliance—their future intentions to comply were notably higher, with a mean score of 4.49 (above the neutral midpoint of 4.00). This suggests a positive disposition toward improved compliance in the future, despite current behavioral gaps.

Table 3: Respondents' Levels of Tax Compliance

Level of Compliance	Minimum	Maximum	Mean	Standard Deviation
TC_Comp	1	7	3.70	1.55
TC_Beh	1	7	3.18	1.67
TC_Int	1	7	4.49	2.01

Note: TC_Comp – Tax Compliance; TC_Beh – Tax Compliance Behavior; TC_Int – Tax Compliance Intentions (all are Composite variables)

4.4 Gender Differences in Tax Compliance

A simple t-test was conducted to examine gender differences in tax compliance levels among informal sector workers. As presented in Tables 4 and 5, although the mean scores for tax compliance varied slightly between males and females, these differences were not statistically significant. This indicates that there is no meaningful difference in the level of tax compliance between male and female respondents. Both genders demonstrated comparable levels of compliance across all three dimensions assessed in this study: overall tax compliance, tax compliance behavior, and tax compliance intentions.

Table 4: Gender Differences in Tax Compliance (Descriptive Statistics)

Group Statistics	Gender	Mean	Standard Deviation	Standard Error Mean
	Male	3.718	1.557	0.116
TC_Comp	Female	3.688	1.556	0.095
	Male	3.194	1.667	0.125
TC_Beh	Female	3.175	1.677	0.103
	Male	4.519	1.926	0.144
TC_Int	Female	4.478	2.068	0.127

Note: TC_Comp – Tax Compliance; TC_Beh – Tax Compliance Behavior; TC_Int – Tax Compliance Intentions (all are Composite variables)

4.5 Differences in Levels of Tax Compliance Across Sectors

Following the analysis of gender-based differences in tax compliance, the study further examined variations in tax compliance levels across the different sectors within the informal economy—namely, retail, service, and creative and manufacturing. A one-way Analysis of Variance (ANOVA) was employed to assess whether sectoral affiliation influences tax compliance outcomes.

As presented in Table 6, the results indicate that, across all tax compliance measures, respondents in the retail sector perceive themselves as more compliant compared to those in the service and creative/manufacturing sectors. This trend holds across overall tax compliance, actual compliance behavior, and future compliance intentions.

Table 7 provides further statistical validation, showing that overall tax compliance levels differ significantly across sectors. However, when compliance was disaggregated into its behavioral and intentional components, the outcomes varied. While there were no statistically significant differences in actual tax compliance behavior among the sectors, the results revealed significant differences in future tax compliance intentions.

These findings suggest that sectoral affiliation does not significantly influence current compliance behavior, but it does play a role in shaping attitudes and intentions toward future compliance. This implies that while sector-specific factors may not drive present-day compliance actions, they may be important predictors of future engagement with the tax system.

Table 5: Gender Differences in Tax Compliance (Levene's Test for Equality of Variances)

Constructs		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference Lower	Upper
TC_Comp	Equal variances assumed	0.044	0.834	0.202	443.000	0.840	0.030	0.150	-0.265	0.326
	Equal variances not assumed			0.202	381.756	0.840	0.030	0.150	-0.265	0.326
TC_Beh	Equal variances assumed	0.259	0.611	0.117	444.000	0.907	0.019	0.162	-0.299	0.337
	Equal variances not assumed			0.117	383.384	0.907	0.019	0.161	-0.298	0.336
TC_Int	Equal variances assumed	2.627	0.106	0.216	445.000	0.829	0.042	0.194	-0.339	0.423
	Equal variances not assumed			0.219	401.970	0.827	0.042	0.191	-0.334	0.418

Note: TC_Comp – Tax Compliance; TC_Beh – Tax Compliance Behavior; TC_Int – Tax Compliance Intentions (all are Composite variables)

Table 6: Test of Differences in Levels of Tax Compliance Across Sectors (Descriptive Statistics)

Construct	Groups (Nature of Business)	Mean	SD	SE	95% Confidence Interval for Mean Lower Bound	Upper Bound	Minimum	Maximum
TC_Comp	Services	3.507	1.521	0.129	3.251	3.763	1	7
	Retail	3.899	1.561	0.108	3.686	4.112	1	7
	Manufacturing	3.565	1.555	0.157	3.254	3.877	1	7
	Total	3.704	1.555	0.074	3.559	3.849	1	7
TC_Beh	Services	3.060	1.712	0.146	2.772	3.349	1	7
	Retail	3.284	1.689	0.117	3.054	3.514	1	7
	Manufacturing	3.160	1.569	0.158	2.845	3.474	1	7
	Total	3.187	1.670	0.079	3.032	3.343	1	7
TC_Int	Services	4.218	1.947	0.165	3.892	4.543	1	7
	Retail	4.834	2.064	0.143	4.552	5.116	1	7
	Manufacturing	4.173	1.896	0.191	3.793	4.554	1	7
	Total	4.496	2.012	0.095	4.308	4.683	1	7

Note: TC_Comp – Tax Compliance; TC_Beh – Tax Compliance Behavior; TC_Int – Tax Compliance Intentions (all are Composite variables)

Table 7: Test of Differences in Levels of Tax Compliance Across Sectors (Analysis of Variance - ANOVA)

		Sum of Squares	df	Mean Square	F	Sig.
TC_Comp	Between Groups	15.140	2	7.570	3.162	0.043
	Within Groups	1055.855	441	2.394		
	Total	1070.994	443			
TC_Beh	Between Groups	4.246	2	2.123	0.761	0.468
	Within Groups	1233.704	442	2.791		
	Total	1237.950	444			
TC_Int	Between Groups	44.807	2	22.404	5.648	0.004
	Within Groups	1757.184	443	3.967		
	Total	1801.991	445			

Note: TC_Comp – Tax Compliance; TC_Beh – Tax Compliance Behavior; TC_Int – Tax Compliance Intentions (all are Composite variables)

Table 8: Test of Differences in Levels of Tax Compliance Across Sectors (Robust Tests of Equality of Means)

		Statistica	df1	df2	Sig.
TC_Comp	Welch	3.158	2	241.020	0.044
	Brown-Forsythe	3.172	2	360.359	0.043
TC_Beh	Welch	0.734	2	245.227	0.481
	Brown-Forsythe	0.779	2	377.419	0.460
TC_Int	Welch	5.595	2	247.951	0.004
	Brown-Forsythe	5.836	2	381.102	0.003

Note: TC_Comp – Tax Compliance; TC_Beh – Tax Compliance Behavior; TC_Int – Tax Compliance Intentions (all are Composite variables)

Tables 6, 7 and 8 are illustrated in the graphs, Figures 3, 4 and 5.
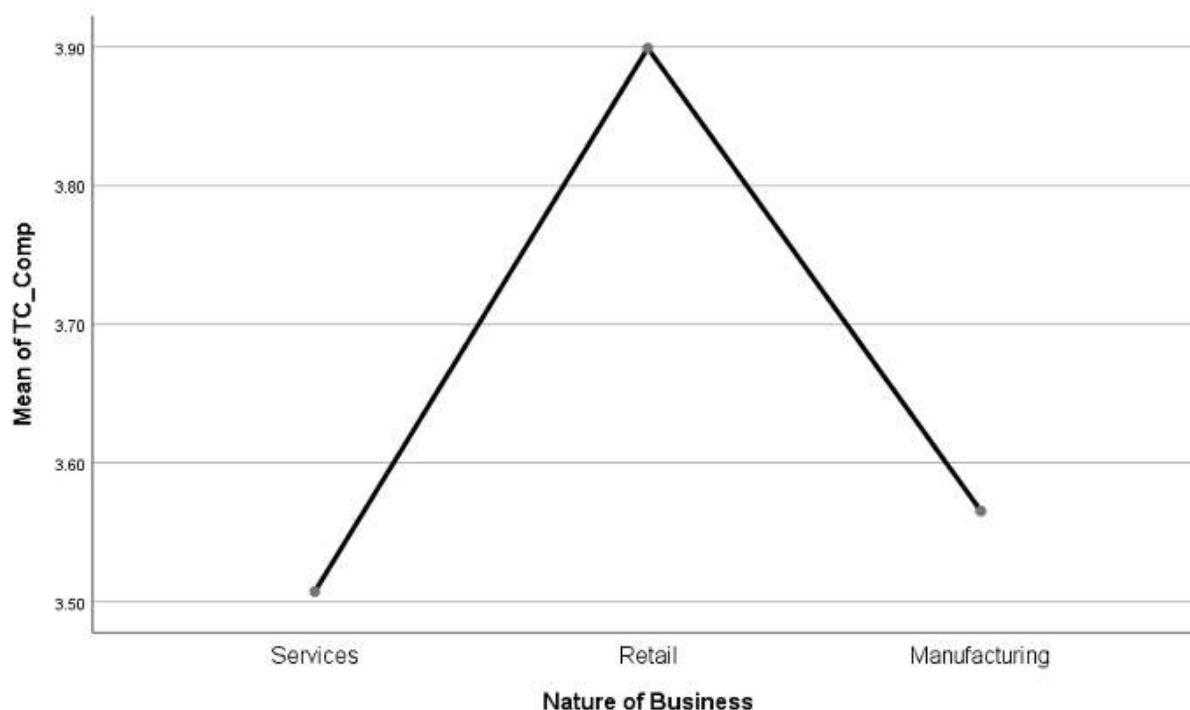
Figure 3 Nature of Business versus Tax Compliance
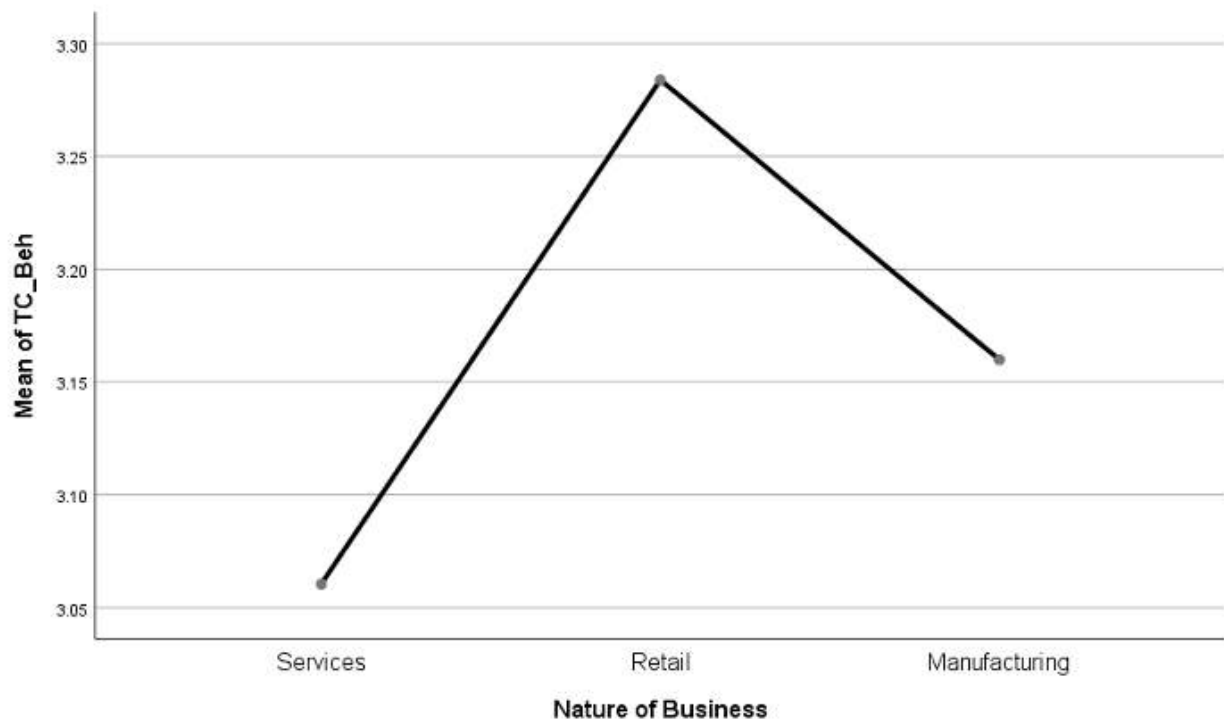
Figure 4 Nature of Business versus Actual Tax Compliance Behavior
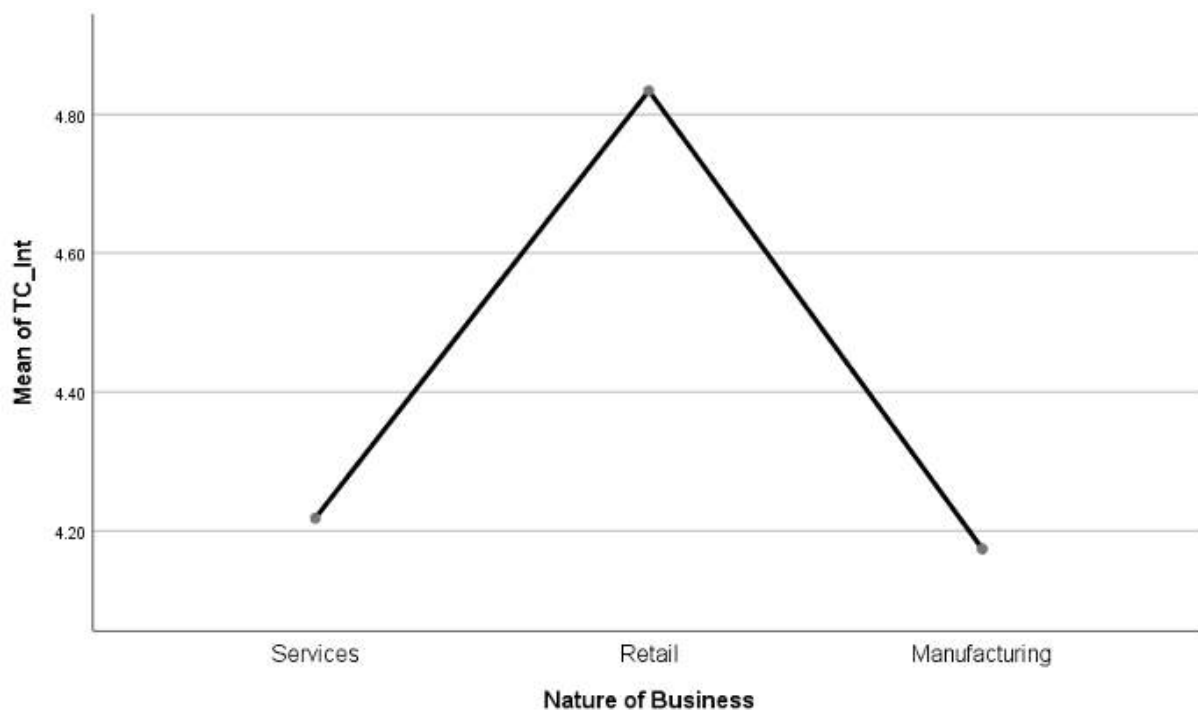
Figure 5 Nature of Business versus Future Tax Compliance Intentions

4.6 Challenges and Barriers to Tax Compliance

4.6.1 General Challenges

The study identified a range of challenges and barriers that inhibit tax compliance among informal sector workers. The results, as presented in Tables 9 and 10, show that a significant majority of respondents perceive the listed factors as major obstacles to fulfilling their tax obligations. Notably, at least 30% of respondents strongly agreed with each of the identified challenges as hindrances to their tax compliance behavior or intentions. Based on the mean scores of survey responses, all items recorded average values above 4.50 (on a 7-point scale), indicating strong agreement that these issues negatively impact compliance.

Among the challenges, perceived corruption emerged as the most prominent barrier. Specifically, the highest-ranked obstacle was "perceived mismanagement or misappropriation of tax revenues," followed closely by "perceived corruption among government officials" and "perceived corruption among tax officers." Each of these top three issues recorded mean scores above 6.00, underscoring the extent to which distrust in public financial management undermines voluntary compliance.

Other significant barriers included the perceived lack of tangible benefits from paying taxes, irregular and unstable income, and the inability to maintain proper business records. These challenges, ranked fourth to sixth respectively, highlight both structural and perceptual impediments that discourage informal sector actors from engaging with the formal tax system.

4.6.2 Gender Specific Challenges

In terms of gender specific challenges, we realize that there is no significant difference between the mean scores of the various challenges across gender. However, while both genders are concerned about corruption within government and among tax officials, we also observe that males prioritize "lack of benefits from taxes", while their female counterparts rather prioritize "irregular and unstable income". Another challenge that is glaringly different across gender is "high cost associated with tax compliance" (ranked 8th by females and 16th by males) and "poor understanding of tax laws (ranked 6th by males and 13th by females).

Figure 5 Nature of Business versus Future Tax Compliance Intentions

Code	Item	Mean	1	2	3	4	5	6	7
CH1	Poor understanding of tax laws	5.30	50	26	27	37	55	95	190
			10.00%	5.20%	5.40%	7.40%	11.00%	19.00%	38.00%
CH2	Low level of awareness	5.25	53	24	19	39	50	109	189
			10.60%	4.80%	3.80%	7.80%	10.00%	21.80%	37.80%
CH3	Poor knowledge of the basic reason for paying tax	5.20	59	28	21	38	39	90	207
			11.80%	5.60%	4.20%	7.60%	7.80%	18.00%	41.40%
CH4	Lack of tax education and sensitization by tax authorities	5.44	46	19	20	46	40	82	229
			9.20%	3.80%	4.00%	9.20%	8.00%	16.40%	45.80%
CH5	Lack of (or inability to keep) proper accounting records	5.51	49	12	18	41	41	75	246
			9.80%	2.40%	3.60%	8.20%	8.20%	15.00%	49.20%
CH6	Lack of technical support from authorities	5.17	49	17	26	76	39	67	208
			9.80%	3.40%	5.20%	15.20%	7.80%	13.40%	41.60%
CH7	The culture of tax evasion and avoidance in the informal sector	5.11	62	13	25	81	46	77	175
			12.40%	2.60%	5.00%	16.20%	9.20%	15.40%	35.00%
CH8	Multiple taxation	4.80	70	16	28	100	43	64	162
			14.00%	3.20%	5.60%	20.00%	8.60%	12.80%	32.40%
CH9	The complex nature of the tax system	5.01	68	26	18	60	40	82	188
			13.60%	5.20%	3.60%	12.00%	8.00%	16.40%	37.60%
CH10	Low/no technology knowledge	4.74	83	21	25	80	39	64	169
			16.60%	4.20%	5.00%	16.00%	7.80%	12.80%	33.80%
CH11	High cost associated with tax compliance	5.32	54	13	18	54	41	79	222
			10.80%	2.60%	3.60%	10.80%	8.20%	15.80%	44.40%
CH12	Irregular and/or unstable income	5.92	25	15	14	29	33	64	301
			5.00%	3.00%	2.80%	5.80%	6.60%	12.80%	60.20%
CH13	Perceived lack of benefits from paying taxes	6.08	21	12	8	27	33	72	310
			4.20%	2.40%	1.60%	5.40%	6.60%	14.40%	62.00%

Code	Item	Mean	1	2	3	4	5	6	7
CH14	Perceived corruption on the part of tax officials	6.08	20	13	8	23	35	59	325
			4.00%	2.60%	1.60%	4.60%	7.00%	11.80%	65.00%
CH15	Perceived corruption on the part of government officials	6.10	22	12	7	23	30	60	329
			4.40%	2.40%	1.40%	4.60%	6.00%	12.00%	65.80%
CH16	Perceived mismanagement/misappropriation of tax revenues	6.12	19	13	8	28	30	54	331
			3.80%	2.60%	1.60%	5.60%	6.00%	10.80%	66.20%
CH17	High tax penalty	5.31	49	13	16	72	51	59	222
			9.80%	2.60%	3.20%	14.40%	10.20%	11.80%	44.40%
CH18	The fear of being overtaxed	5.30	46	14	22	76	38	69	216
			9.20%	2.80%	4.40%	15.20%	7.60%	13.80%	43.20%
CH19	Ability to get away with non-compliance	4.57	94	19	26	87	39	64	154
			18.80%	3.80%	5.20%	17.40%	7.80%	12.80%	30.80%
CH20	Weak enforcement mechanisms	4.65	110	18	15	56	42	68	173
			22.00%	3.60%	3.00%	11.20%	8.40%	13.60%	34.60%

Table 10: Mean and Standard Deviation Scores of Challenges or Barriers to Tax Compliance

Code	Item	Min	Max	Mean	SD
CH16	Perceived mismanagement/misappropriation of tax revenues	1	7	6.116	1.620
CH15	Perceived corruption on the part of government officials	1	7	6.102	1.638
CH14	Perceived corruption on the part of tax officials	1	7	6.076	1.651
CH13	Perceived lack of benefits from paying taxes	1	7	6.076	1.600
CH12	Irregular and/or unstable income	1	7	5.915	1.776
CH5	Lack of (or inability to keep) proper accounting records	1	7	5.513	2.001
CH4	Lack of tax education and sensitization by tax authorities	1	7	5.438	1.998
CH11	High cost associated with tax compliance	1	7	5.323	2.057
CH17	High tax penalty	1	7	5.305	2.001
CH18	The fear of being overtaxed	1	7	5.304	1.996
CH1	Poor understanding of tax laws	1	66	5.302	3.427
CH2	Low level of awareness	1	7	5.251	2.031
CH3	Poor knowledge of the basic reason for paying tax	1	7	5.205	2.129
CH6	Lack of technical support from authorities	1	7	5.167	2.056
CH7	The culture of tax evasion and avoidance in the informal sector	1	67	5.109	3.471
CH9	The complex nature of the tax system	1	7	5.010	2.167
CH8	Multiple taxation	1	7	4.796	2.110
CH10	Low/no technology knowledge	1	7	4.738	2.223
CH20	Weak enforcement mechanisms	1	8	4.645	2.376
CH19	Ability to get away with non-compliance	1	7	4.571	2.249

GHANA'S UNTAPPED ECONOMY

4.7 Chapter Summary

Chapter 4 presents key findings from the survey component of the study, which involved 500 informal sector workers in the Greater Accra Region. The chapter explores the demographic and business characteristics of respondents, their tax knowledge and compliance behavior, as well as gender and sectoral differences in compliance. It also identifies critical barriers to tax compliance and highlights both general and gender-specific challenges.

The demographic profile of respondents reveals that Ghana's informal sector is predominantly female, with women constituting 61% of the sample. The sector is also largely youthful, as 74% of respondents were 45 years old or younger. A majority were married and identified as Christians, and educational attainment was modest, with most having completed secondary (30.4%) or basic education (29.6%), while 23% had no formal education. In terms of work experience, most respondents had been in business for 10 years or less, suggesting a sector characterized by both emerging entrepreneurs and relatively experienced operators.

From a business perspective, the informal economy was found to be heavily skewed toward retail activities, which accounted for 46% of respondents. This was followed by the service sector (32%) and the creative and manufacturing sector (22%). Despite operating within defined economic spaces, formalization remains low: over 70% of businesses were not registered with the Registrar General's Department, and 67% had not registered with the Ghana Revenue Authority (GRA). However, 54% of respondents had registered their businesses with local assemblies, pointing to a preference for local-level recognition and the potential accessibility of municipal structures.

When it comes to tax knowledge and compliance, 69% of respondents reported having some knowledge of taxes, and 62% were aware of their tax obligations. These findings suggest a basic level of awareness, which can be leveraged for further engagement and education. Compliance levels were measured across three dimensions—overall compliance, actual compliance behavior, and future intentions. On average, respondents rated themselves as moderately compliant (mean = 3.70 out of 7), though actual behavioral compliance was slightly below average (mean = 3.18). Notably, future tax compliance intentions scored higher (mean = 4.49), indicating a willingness among informal sector actors to engage more with the tax system if conditions improve.

Gender-based analysis using a t-test showed no statistically significant differences in tax compliance levels between men and women. Both genders reported similar compliance behaviors and intentions. However, differences emerged when examining sectoral variations. One-way ANOVA results revealed that while current tax compliance behavior did not significantly differ across the retail, service, and manufacturing sectors, there were significant differences in future tax compliance intentions. Workers in the retail sector reported higher levels of intended compliance, suggesting that sectoral context may shape attitudes toward formalization and tax engagement over time.

One of the most revealing aspects of the survey was the identification of barriers to tax compliance. Respondents expressed strong agreement with all 20 listed

challenges, with mean scores exceeding 4.50 on a 7-point scale. The most significant barriers included perceived mismanagement and misappropriation of tax revenues, corruption among government and tax officials, and a lack of tangible benefits from paying taxes. Other notable challenges included irregular and unstable income, poor recordkeeping, high compliance costs, and limited tax education. These findings highlight a combination of structural, perceptual, and institutional factors that discourage compliance.

Gender-specific analysis of these challenges showed some notable differences in prioritization. While both genders cited corruption as a top concern, men were more likely to emphasise the lack of benefits from taxation and poor understanding of tax laws. In contrast, women were more affected by irregular income and the high cost of compliance. These gendered differences suggest that policy responses must be sensitive to the lived realities and economic vulnerabilities of different groups within the informal sector.

In summary, Chapter 4 provides a rich understanding of tax behavior and compliance dynamics within Ghana's informal economy. While awareness of tax obligations exists, actual compliance remains moderate due to deep-seated barriers—especially distrust, perceived corruption, and economic instability. However, the strong future compliance intentions among respondents represent a strategic opportunity. With targeted reforms that enhance transparency, reduce complexity, and promote inclusive engagement, there is clear potential to foster a more compliant, equitable, and formalized informal sector.

Exhibit 8 Woman selling beans at the central market

CHAPTER 5: DISCUSSION OF FINDINGS

5.1 Tax Knowledge and Awareness among Informal Sector Workers: A Mixed Perspective

Understanding the level of tax knowledge among informal sector workers is crucial for designing effective compliance strategies. Data from both the survey and the focus group discussions (FGDs) present a nuanced picture—where knowledge exists, but its depth, accuracy, and behavioral translation vary significantly.

Survey Findings: Surface-Level Awareness, Limited Behavioral Translation
A significant proportion of survey respondents reported having some understanding of tax matters. Specifically, 69% indicated that they possess tax knowledge, and 62% acknowledged awareness of their tax responsibilities. These figures suggest that lack of awareness is not the primary barrier to compliance. Many informal sector workers are familiar with the concept of taxation and recognize their obligations.

However, this knowledge does not consistently translate into tax-compliant behavior. The gap between cognitive awareness and actual compliance points to **structural, economic, and psychological barriers** that go beyond mere ignorance. These may include fear of penalties, perceived corruption, lack of benefits, income instability, and high compliance costs—all of which were also flagged in other sections of the study.

FGD Findings: Fragmented Understanding and Localized Perceptions
The FGDs reveal a more complex and context-driven understanding of tax knowledge. While most participants agreed that taxes should be paid, their **conceptions of what constitutes a tax were often limited or inaccurate**. For many, the term "tax" referred only to **daily tolls, market fees, or tickets issued by revenue collectors from Metropolitan, Municipal, and District Assemblies (MMDAs)**. These were often viewed not as contributions to national revenue but as user fees or "dues" for operating in public spaces.

This fragmented view aligns with findings from Prichard and Bentum (2009) and Joshi et al. (2014), who argue that informal operators frequently conflate **taxation with user charges**, undermining the legitimacy and understanding of the formal tax system. Participants seldom linked their payments to broader national development goals or public goods provisioning.

Moreover, **the source of tax information was largely informal**—consisting of peer-to-peer discussions, word-of-mouth interactions with tax collectors, or guidance obtained during business registration. There was **minimal evidence of structured or sustained tax education initiatives** from formal institutions like the Ghana Revenue Authority (GRA) or local government agencies. This supports the observations of Atuguba (2021) and Anyidoho et al. (2023), who note that the **"invisibility" of tax institutions in the everyday operations of informal actors** contributes to weak compliance norms and apathy.

Synthesis: *Knowledge Exists, but it is Incomplete and Unevenly Applied*

Together, the survey and FGDs illustrate a critical distinction: **formal tax knowledge (as recognized by institutions) and functional tax understanding (as perceived by informal workers) are not the same**. While the survey reflects a relatively high level of self-reported awareness, the FGDs expose gaps in **depth, accuracy, and practical interpretation** of tax obligations.

This dichotomy underscores the need for more **targeted, practical, and culturally relevant tax education programs,** particularly those that address:

- The distinction between user fees and national taxes
- The link between taxation and public services
- Step-by-step guidance on filing procedures and entitlements

Without bridging this knowledge-action gap, even high awareness levels may not yield improved compliance outcomes.

5.2 Level of Compliance among Informal Sector Workers: Generally Low

Findings from both the focus group discussions (FGDs) and the survey clearly indicate that formal tax compliance among informal sector workers in the Greater Accra Region is generally low. While awareness of tax obligations exists, the actual practice of fulfilling those obligations—such as filing returns, reporting income accurately, and making timely payments—is sporadic and largely motivated by external pressure rather than intrinsic civic duty.

FGD Insights: *Compliance Driven by Fear, Not Systems*

The FGDs revealed that although some participants had obtained Tax Identification Numbers (TINs) or completed basic business registration, very few consistently complied with tax payment responsibilities. Most reported that they only made tax payments when **officials visited their premises or threatened sanctions,** suggesting that compliance is **reactive (enforced) rather than systematic (voluntary)**. This fear-driven behavior reflects a lack of institutional trust and limited taxpayer engagement

Participants also reported that the irregular **nature of their income,** combined with **confusion about tax procedures,** further discouraged consistent compliance. These findings align with the World Bank's observation, as cited in Asiedu et al. (2017), that tax compliance within Ghana's informal sector is **episodic and enforcement-triggered,** rather than built on a structured or voluntary compliance culture.

Survey Insights: *Low Current Compliance, Moderate Future Intentions*

Survey results reinforce the FGD findings, indicating that **current tax compliance behavior is poor** among informal sector workers. A significant proportion of respondents admitted to:

- Not filing their taxes, and
- Underreporting their income to reduce tax liability.

These behaviors were largely attributed to **unstable income levels, the complexity of the tax system,** and a general sense that the system does not serve their interests.

However, a notable insight from the survey is the **contrast between current behavior and future intentions.** When asked about their willingness to comply in the future, many respondents expressed a **high intention to pay taxes when they are due.** This suggests a potential readiness to engage with the tax system—**if key structural barriers can be addressed.**

Synthesis: Tax-Compliance Gap Exists and Opportunity for Reform

The qualitative and quantitative findings converge on several core obstacles to sustained tax compliance:

- **System complexity and lack of clarity,** which overwhelm many informal sector actors.
- **Inadequate taxpayer education and outreach,** leading to misconceptions and passive resistance.
- **Perceived lack of benefits or public returns,** which creates a disconnect between what taxpayers give and what they receive.

This aligns with the concept of the "tax–compliance gap" proposed by Fjeldstad and Heggstad (2012), where voluntary compliance is undermined by the **perceived absence of a reciprocal relationship between taxpayers and the state.**

Although formal compliance is currently low, the expressed willingness of informal sector workers to comply in the future—combined with their recognition of tax obligations—offers a window of opportunity. Policy reforms aimed at:

- **Simplifying the tax process,**
- **Improving taxpayer education,**
- **Increasing transparency and visible returns on tax payments, and**
- **Building trust between tax authorities and informal workers**

could shift compliance behavior from one that is fear-driven and sporadic to one that is systematic and voluntary.

5.3 Barriers to Tax Compliance

Tax compliance in Ghana's informal sector remains a significant policy challenge. Drawing on both quantitative survey data and qualitative insights from focus group discussions (FGDs), this study identifies a set of interrelated barriers that hinder voluntary compliance among informal sector workers. The convergence and divergence between the findings from the two data sources provide a rich understanding of the complexity of tax behavior in this context.

1. Perceived Corruption and Distrust in Government

A substantial proportion of survey respondents cited corruption among government and tax officials as a major deterrent to tax compliance. Many informal workers expressed a lack of trust in how tax revenues are managed, with concerns that their contributions would be misused or diverted due to corruption (Appiah et al., 2024;

Owusu et al., 2021). This mistrust reduced their motivation to comply with tax obligations, especially in the absence of transparency and accountability.

Similarly, focus group participants echoed these concerns, noting the disconnect between taxes paid and visible public benefits. They pointed to poor infrastructure, sanitation, and service delivery as evidence that their tax payments were not making a difference. Many also believed that tax policies disproportionately burdened micro and small enterprises, while larger, politically connected firms escaped scrutiny (Atuguba, 2021; Aseidu et al., 2017; Danquah & Osei-Assibey, 2016). This reinforced a sense of injustice and alienation, eroding trust in the system (Pritchett et al., 2010).

Both data sources agree that distrust in governance and perceived corruption significantly undermine tax morale. While the survey highlights generalized perceptions of corruption, FGDs provide deeper insight into the emotional and experiential dimensions of this distrust, particularly the perception of unequal treatment.

2. **Economic Instability and Income Insecurity**
Per the survey, economic challenges, including unstable and unpredictable incomes, were cited as major barriers to consistent tax compliance. Informal sector workers often lacked the financial stability required to meet regular tax obligations. This situation was compounded by multiple overlapping tax demands—ranging from local levies to national taxes—which made compliance burdensome.

Comparably, participants in the FGDs spoke about the lack of proportionality in tax demands relative to their incomes. They argued that taxation often failed to consider the realities of seasonal income or day-to-day fluctuations in earnings. Many were subsistence entrepreneurs who felt the tax system lacked empathy for their precarious conditions.

The survey captures income instability as a structural barrier, while the FGDs highlight how these economic realities interact with tax design and policy, leading to resentment and disengagement.

3. *Complexity of the Tax System and Poor Record-Keeping*
Per the survey, a lack of bookkeeping skills and low financial literacy were highlighted as critical barriers. Most informal businesses do not maintain proper records, making it difficult to calculate tax obligations. The complexity of tax procedures further discouraged compliance, especially among those with limited formal education.

In addition, FGD participants described the tax system as intimidating and inaccessible. They noted that forms, filing procedures, and regulatory requirements were difficult to navigate without support. Many associated formalization with bureaucracy and prohibitive costs—echoing what Chen (2012) describes as the "formalization paradox."
Both sources converge on this point: the informal sector lacks the tools, training, and resources to engage with formal tax systems. However, FGDs go further to show how these issues contribute to broader fears of entering formal regulatory frameworks.

4. Lack of Tangible Benefits from Paying Taxes

The perception that tax payments do not yield direct or visible benefits was widespread among survey participants. Respondents felt disconnected from public service improvements, and few believed that paying taxes would result in business support or social protection.

This sentiment was equally strong in FGDs, where participants questioned the very value of taxation. They cited poor roads, inefficient healthcare, and weak local governance as proof that the government does not reciprocate tax contributions. Some also expressed frustration at the absence of tax education and outreach. This finding is consistent with empirical studies that associate the willingness to pay tax with government performance (Koomson et al., 2025).

While the survey identifies a rational calculus of costs and benefits, the FGDs highlight a deeper moral and emotional disconnection. The absence of a perceived social contract undermines the legitimacy of taxation, consistent with Fjeldstad and Heggstad's (2012) concept of the **"tax-compliance gap."**

Synthesis

The integrated findings from the FGDs and survey reveal a coherent but multifaceted set of barriers to tax compliance in Ghana's informal sector. Both sources emphasize **systemic distrust, economic hardship, and structural complexity** as key deterrents. The qualitative data from FGDs provides a deeper context for understanding the emotions, perceptions, and lived realities behind the survey responses, underscoring the need for a holistic and empathetic policy approach.

5.4 Gendered Dimensions of Tax Compliance in Ghana's Informal Sector

Gender emerged as a critical, though often overlooked, factor influencing tax compliance within the informal sector. In Ghana, women dominate several key informal sector activities such as retail trade, beauty services, and food vending (Forkuor et al., 2020; Peprah et al., 2023). However, findings from both the focus group discussions (FGDs) and the survey reveal that women's experiences with the tax system are marked by unique challenges—many of which stem from structural inequalities, caregiving responsibilities, and financial precarity.

Findings from FGDs: Unequal Burdens and Gender Insensitivity

The FGDs provided rich, experiential insights into the gendered realities of tax compliance. Women participants, particularly those engaged in daily wage activities and petty trading, reported that they bear both business-related and consumption-based taxes. They expressed frustration with tax enforcement officers, citing instances of intimidation and coercion disproportionately targeted at female vendors. Interestingly, some noted occasional leniency from officers based on their gender—pointing to inconsistencies and discretionary application of tax laws.

Crucially, the FGDs underscored a systemic lack of gender sensitivity in tax administration. Participants felt that tax policies and assessments failed to consider caregiving roles, unstable income streams, and other gendered economic vulnerabilities. These perspectives align with the arguments of Grown and Valodia (2010), who call for integrating gender considerations into tax policy—especially in developing economies where women's informal labor is substantial yet undervalued. Despite these disparities, few women in the FGDs explicitly advocated for gender-specific tax reforms. This suggests both the normalization of unequal treatment and a lack of awareness about alternative or inclusive models of taxation. Nonetheless, the evidence points to a pressing need to reform tax policy and administration in ways that recognize and respond to women's lived realities in the informal sector.

Survey Findings: Prioritization of Challenges by Gender

Unlike the FGDs, the survey did not identify wholly unique barriers for women but rather showed differences in how men and women ranked existing challenges. While corruption was a major concern across both genders, **women prioritized income instability,** whereas **men emphasized the perceived lack of benefits from taxes.** This distinction is consistent with the gendered economic realities of the informal sector, where women—especially those managing households—often deal with irregular income and are more sensitive to financial disruptions.

The second notable difference pertained to **perceived costs of compliance.** Women identified the financial cost of compliance (including filing fees, penalties, and associated transaction costs) as a major challenge. Several underlying factors may explain this:

- Women often priorities urgent, short-term needs such as food, healthcare, and children's education over tax payments.
- Many face barriers to accessing capital or financial assistance, making even modest compliance costs feel prohibitive.
- Female informal sector workers tend to earn less on average than their male counterparts, making any tax-related expense a relatively larger financial burden.

On the other hand, men most frequently cited a poor understanding of tax laws as their primary obstacle. This suggests that men are more likely to be deterred by complex tax language, overreliance on informal sources of tax information, and a lack of structured education or communication from tax authorities. These findings indicate that while both genders face shared systemic barriers, the intensity and nature of these barriers are shaped by gendered economic and social conditions.

Synthesis
Both the qualitative and quantitative data converge on the conclusion that Ghana's current tax system does not sufficiently accommodate the specific challenges faced by women in the informal sector. While men face knowledge-based barriers, women are more constrained by financial costs, income instability, and caregiving roles. The lack of visible, tangible benefits from taxation—especially in terms of services that support female entrepreneurs—further alienates women from the tax system.

The findings reinforce the argument that tax policy and administration must be **gender-responsive**. This means not only collecting sex-disaggregated data and conducting gender impact assessments, but also redesigning tax communication, payment platforms, and enforcement strategies to reflect the distinct realities of female informal workers. Without such reforms, tax compliance will remain unequal and limited in effectiveness.

5.5 Recommendations for Improving Tax Compliance

FGD participants were not opposed to taxation in principle. Rather, they advocated for reforms that would make tax payment simpler, more transparent, and more aligned with their realities. There was strong support for **simplifying the tax process,** including mobile registration, on-site assessments in markets, and reduced documentation requirements. These align with recent calls for "fit-for-purpose" tax administration in the informal sector (ICTD, 2024).

Digital tools and mobile technology were also seen as enablers of compliance. Participants proposed mobile money payments, short codes, and user-friendly apps to facilitate low-cost, real-time transactions. This reflects successful digital tax innovations like Kenya's iTax and Rwanda's M-Declaration system, which have enhanced small business compliance (ITIF, 2025; ICTD, 2023).

Finally, there was a consensus on the need to **engage community leadership**—including market queens, religious leaders, and trade associations—as intermediaries. These trusted figures could help educate, motivate, and organize informal sector workers to comply with tax rules. The literature supports this approach: van den Boogaard et al. (2022) highlight that local leaders often possess greater legitimacy than formal authorities in informal settlements and markets.

5.6 The Moderating Effect of Demographic Variables

1. Gender
- **Women** were more represented in daily market-based trades (e.g., food vending, hairdressing, petty retail) and faced higher exposure to indirect taxes like market tolls.
- They were more likely to report paying taxes informally or daily, often under pressure from enforcement officers.
- Men, on the other hand, were more commonly found in services like mechanics, printing, or construction-related activities and tended to report less frequent but larger lump-sum payments, especially if they pursued contracts or registered businesses.
- Moderating effect: Gender influences both the frequency and formality of tax compliance — women are often more compliant in the context of informal, day-to-day payments, while men's compliance is more conditional on formality and business size.

2. Education Level
- Respondents with tertiary or post-secondary education were more aware of the need to file tax returns and more likely to have heard of TINs and the role of the GRA.
- They were also more confident discussing issues like tax deductions, VAT, or formalization benefits.
- Conversely, those with JHS or no formal education tended to confuse taxes with user fees or saw taxes as an unpredictable imposition.
- Moderating effect: Education positively influences tax knowledge, which in turn correlates with willingness and capacity to comply with formal tax obligations like registration and returns.

3. Business Registration Status
- Registered business owners were more likely to report efforts at tax compliance, such as filing, regular payments, or seeking clarification from GRA offices.
- They were also more likely to see tax payment as part of business legitimacy or as necessary for accessing contracts or public procurement opportunities.
- Unregistered businesses, which constituted the majority, mostly complied informally or when under pressure, and viewed tax as a burden rather than a civic duty.
- Moderating effect: Registration status directly influences the level and formality of compliance. Registered businesses engage more predictably and systematically with tax processes.

4. Years of Experience
- Those with more than 10 years of experience had stronger coping mechanisms — they knew how to navigate tax enforcement, when to negotiate, and how to avoid penalties.
- However, they also demonstrated deep-seated distrust, often citing past disappointments or unmet promises as reasons for selective compliance.
- Newer entrants (1–3 years) were more likely to be unaware of procedures or uncertain of obligations, especially if they hadn't interacted with GRA.
- Moderating effect: Experience influences strategic compliance behavior — long-term operators may be more skilled at avoiding penalties without necessarily paying regularly, while newer operators are more likely to comply ad hoc or due to fear.

5. Type of Business and Daily Income

- Businesses with **stable income flows** (e.g., catering, beauty salons, printing) were more open to regular payment arrangements and formalization.
- Those with **volatile or low daily earnings** (e.g., hawkers, street food vendors) viewed taxes as disruptive, particularly when daily tolls were expected on low-sale days.
- Businesses dealing with **formal contracts** (e.g., supplying goods to offices) were more likely to be compliant due to the visibility and enforcement tied to procurement.
- **Moderating effect:** Business type and income stability shape both attitudes toward payment and ability to comply. High-volatility businesses perceive taxation as a higher relative burden.

Per the above, it is evident that tax compliance behavior in Ghana's informal sector is not uniform. Rather, it is significantly shaped by a range of demographic factors, including gender, education level, business registration status, years of experience, and the type of business operated. These factors serve as important moderators of both attitudes toward taxation and actual compliance practices.

Gender emerged as a notable differentiator in tax behavior. Women, who dominate small-scale retail and caregiving-related trades, are more frequently exposed to informal and daily tax collection practices such as market tolls and local levies. They tend to comply more regularly but within the informal framework, often paying small amounts under pressure from enforcement officers. Men, on the other hand, were more represented in service-based or technical trades and tended to engage less frequently, but more formally, particularly when their businesses required interaction with institutions or contract bidding. This gendered pattern suggests that women bear a more sustained but informal tax burden, while men engage more strategically when the stakes are higher.

Educational attainment also significantly influenced tax knowledge and compliance. Participants with tertiary education demonstrated greater awareness of tax categories, procedures, and rights, and were more confident in engaging with the Ghana Revenue Authority (GRA). Those with only basic education or none at all often-equated taxes with local fees showed confusion around formal obligations, and were more likely to perceive taxation as arbitrary. This suggests that higher levels of education contribute to informed compliance, while limited education fuels mistrust and confusion.

Business registration status further shaped compliance practices. Registered businesses were more likely to engage in filing tax returns, maintaining records, and making regular payments—often motivated by the need to access public contracts or establish credibility. In contrast, unregistered operators tended to comply only when prompted by enforcement visits, viewing taxation as a penalty rather than a civic responsibility. Thus, registration status is strongly correlated with formal compliance and a structured relationship with tax authorities.

Years of business experience influenced compliance in more nuanced ways. Long-term entrepreneurs (10+ years) often displayed pragmatic, even skeptical, compliance strategies, shaped by past interactions with tax authorities and unmet policy promises. They were more likely to navigate the system through negotiation or selective payment. In contrast, newer entrepreneurs were more likely to pay out of fear or uncertainty, often lacking awareness of procedures or rights. Experience, therefore, moderates not just knowledge, but also the nature and rationale of compliance—ranging from reactive to calculated.

Lastly, the **type of business and income stability** affected compliance levels. Businesses with consistent revenue, such as beauty services, catering, and printing, were more inclined to plan for taxes and consider formalization. In contrast, those with irregular or subsistence-level income, such as hawkers and street vendors, viewed taxes as an additional hardship and complied less consistently, particularly on days with low or no sales. This suggests that the economic stability of a business moderates both the perceived fairness and affordability of tax obligations.

In summary, gender roles, education, experience, formality of operations, and income patterns all shape how informal workers interact with the tax system. These findings underscore the need for demographically sensitive tax policy and enforcement strategies that reflect the diverse realities of the informal economy.

5.7 Chapter 5 Summary

Chapter 5 provides a comprehensive interpretation of the study's findings, integrating insights from both the survey and focus group discussions (FGDs) to explain tax compliance behavior within Ghana's informal sector. The chapter focuses on five major areas: tax knowledge and awareness, levels of compliance, barriers to compliance, gender dynamics, and the moderating effects of demographic factors.

The analysis of tax knowledge reveals that while many informal sector workers claim to understand their tax responsibilities, this knowledge is often superficial and does not translate into consistent compliance. Survey data showed that 69% of respondents reported having some tax knowledge, and 62% claimed awareness of their tax duties. However, FGDs exposed that this awareness is fragmented and often limited to local market tolls or fees rather than formal taxes required by national authorities like the Ghana Revenue Authority (GRA). Tax knowledge among participants was primarily acquired informally, through peers or occasional encounters with tax officers, with little structured education from official institutions. This disconnection between surface-level awareness and formal compliance practices underscores a gap that must be addressed through targeted, context-specific tax education.

Regarding compliance levels, the study found generally low adherence to formal tax obligations among informal workers. Most participants only complied when threatened with penalties or visited by officials, indicating that compliance is reactive rather than voluntary. The survey further confirmed this, revealing poor current compliance behavior but comparatively strong future compliance intentions. Many respondents expressed a willingness to comply if systemic barriers—such as income instability, confusing procedures, and lack of benefits—were addressed. This reveals a critical opportunity for reform: the tax–compliance gap could be narrowed by improving trust, simplifying processes, and offering tangible incentives for compliance.

Barriers to tax compliance emerged as a central concern. Both quantitative and qualitative data highlighted several interrelated challenges. Chief among them was distrust in government, largely due to perceived corruption and a lack of visible public benefits from tax payments. Participants often viewed the tax system as unjust and biased toward larger firms, with minimal returns for small-scale operators. Economic instability, including unpredictable income and the burden of multiple taxes, further discouraged regular compliance. The complexity of tax procedures and poor record-keeping practices were also major obstacles, especially for individuals with limited formal education. These factors collectively erode tax morale and deepen the compliance gap.

Gender dynamics were found to play a significant, though nuanced, role in shaping tax compliance. Women dominate the informal sector in Ghana, particularly in retail, food vending, and personal care services. FGDs revealed that women face unique challenges, including greater exposure to indirect taxes, coercive enforcement practices, and the pressure of balancing caregiving roles with business operations. While women tended to comply more regularly with local levies and daily tolls, their engagement with formal taxation was limited by financial constraints and a perceived

lack of value in the system. Men, on the other hand, were more likely to identify information gaps—particularly a poor understanding of tax laws—as their main barrier. The findings underscore the need for gender-sensitive tax policies that recognize and address the distinct economic realities of women in the informal sector.

Finally, the chapter discusses the moderating effects of key demographic variables on tax behavior. Gender influenced the frequency and formality of tax compliance, with women more likely to make informal, daily payments and men more inclined to engage formally when required for contracts. Education was a significant factor, as individuals with higher education levels were better informed and more likely to comply with formal procedures. Business registration status was also critical; registered businesses demonstrated more consistent and structured compliance, driven by legitimacy and access to opportunities. Years of experience played a role as well: while veteran entrepreneurs often used strategic compliance tactics, newcomers were more fearful and reactive. The type of business and income stability also affected compliance; businesses with regular earnings were more open to formalization, while those with volatile income viewed taxes as an unaffordable burden.

In summary, Chapter 5 reveals that tax compliance within Ghana's informal sector is shaped by a complex interplay of knowledge gaps, structural barriers, gendered experiences, and socio-economic characteristics. While there is no outright resistance to taxation, the system is perceived as opaque, unfair, and disconnected from the needs of informal workers. These findings point to the need for comprehensive reforms that prioritize trust-building, simplification, digital innovation, gender responsiveness, and the integration of informal workers into the broader fiscal framework.

Chapter 6: Stakeholder Validation and Report Finalization

6.1. The Validation Workshop

In line with the project's commitment to collaborative engagement, a Final Validation Workshop was held on May 30, 2025, at the Sunlodge Hotel in Accra. The primary objectives were to present the research findings to key stakeholders, collect feedback to refine the analysis and policy proposals, promote collaborative ownership of the recommendations, and inform the next steps for strategic advocacy. The extended report is presented in Appendix **D6.**

Stakeholder Profile: The workshop convened approximately 31 key stakeholders, ensuring a diverse and comprehensive range of perspectives. Participants included representatives from:
- Government bodies: Ghana Revenue Authority (GRA), Ministry of Finance, and Metropolitan, Municipal, and District Assemblies (MMDAs).
- Informal sector associations and representatives.
- Civil Society Organizations (CSOs).
- Academia and research institutions.
- Development partners.
- Media and advocacy groups.

6.2. Validation of Key Research Findings

The workshop served as a critical platform to validate the core findings of the study. Stakeholder discussions affirmed the research conclusions, including:

- **Low Tax Knowledge and Confusion:** Participants confirmed that informal workers frequently confuse national taxes with local levies, and that compliance is often driven by enforcement visits rather than voluntary adherence.
- **Gender-Specific Burdens:** The finding that women, who form the majority of the informal workforce, face disproportionate and often intimidating enforcement practices was strongly corroborated.
- **Perceived Inequity and Distrust:** Stakeholders echoed the sentiment that small businesses feel unfairly targeted compared to larger corporations. This perception is exacerbated by a lack of visible links between tax revenue and public service improvements, fueling distrust.
- **Barriers to Formalization:** The research finding that registration processes are viewed as complex, costly, and unresponsive was confirmed as a significant deterrent to formalization.

6.3. Summary of Stakeholder Feedback and Recommendations

The interactive sessions yielded a rich set of practical, grassroots-focused recommendations for reform, which included:

- **Education and Awareness:** A strong consensus emerged on the need for sustained tax education, starting from a young age and leveraging trusted community networks like religious institutions.
- **Simplification and Digitization:** Stakeholders strongly advocated for automating tax processes using accessible mobile applications and Mobile Money (MoMo) platforms. They also suggested introducing incentive schemes, such as raffles, for compliant taxpayers.
- **Institutional Coordination:** A key recommendation was for the GRA and MMDAs to jointly collect and equitably share tax revenues to improve efficiency and reduce the burden on taxpayers.
- **Equity and Sensitivity:** Participants called for the design of gender-responsive tax policies and the depoliticization of enforcement to ensure fairness and neutrality.
- **Transparency and Trust-Building:** There was a strong call to visibly link government projects to taxes collected from the informal sector to reinforce the value of taxation and build public trust.

6.4. Incorporation of Feedback into Final Report

The insights, validations, and recommendations from the workshop were instrumental in refining the analysis presented in this report. All feedback has been carefully considered and integrated, particularly in shaping the actionable recommendations detailed in Chapter 7, thus fulfilling the requirements for the final validated report (D7, this report).

CHAPTER 7: ACTIONABLE RECOMMENDATIONS

The findings from the Informal Sector Tax Reform Project (ISTCRP) reveal a layered and complex reality for tax administration within Ghana's informal economy. While the informal sector is a vital contributor to employment and livelihoods, its integration into the formal tax net is limited by a lack of understanding, low trust, and structural barriers.

Participants expressed a readiness to comply when systems are accessible, transparent, and fair. However, their experiences are often marked by inconsistent enforcement, unclear procedures, and minimal visible returns, fostering a compliance culture driven more by fear than by civic duty. Gender dynamics further complicate this, with women bearing disproportionate financial and enforcement burdens.

These findings highlight urgent priorities for reform. The following recommendations are designed to build a more inclusive, equitable, and effective tax system for Ghana's informal economy.

7.1. Enhancing Tax Equity: Address the Gender Gap and Support Marginalized Groups

A significant finding is the disproportionate tax burden on women and other vulnerable groups within the informal sector. The system's design often fails to account for the unique economic and social realities they face. The following policy proposals aim to create a more equitable tax framework.

Specific Policy Proposals
1. **Conduct a Gender Audit of Tax Enforcement:** Undertake a comprehensive review of informal tax collection and enforcement practices to identify and rectify biases that negatively impact women traders and entrepreneurs.
2. **Design Gender-Responsive Tax Policies:** Develop and implement policies that acknowledge the economic realities of women in the informal sector. This could include:
   - **Flexible Payment Schedules:** Allow for payment plans that align with the daily or irregular cash flows common in women-led micro-enterprises.
   - **Credits for Caregiving Entrepreneurs:** Introduce tax credits or reduced rates for entrepreneurs with significant caregiving responsibilities, which predominantly fall on women.
   - **Support for Home-Based Workers:** Develop specific tax provisions that recognize and support the legitimacy of home-based businesses.

3. Empower Women in Policy Co-Design: Establish formal forums and workshops where women traders and representatives from women's associations can actively participate in co-designing tax reforms, enforcement protocols, and related social protection schemes.

4. Recruit and Train Female Community Tax Agents: Prioritize the recruitment, training, and deployment of women as peer tax educators and community tax agents. Their presence can help build trust, improve communication, and provide tailored support to female taxpayers.

7.2. Improving Voluntary Compliance: Build Trust, Educate, and Streamline

Low voluntary compliance is driven by a deep-seated lack of trust, limited tax literacy, and cumbersome administrative processes. To foster a culture of willing participation, strategies must focus on transparency, education, and simplification.

Strategies to Build Trust, Educate, and Streamline

1. **Enhance Transparency through Visible Reinvestment:**
   - **"Your Taxes at Work" Campaigns:** Launch highly visible, community-level reinvestment projects using locally collected taxes. Prioritize immediate needs identified by the community, such as improving market stalls, sanitation facilities, security lighting, and water access.
   - **Public Accountability Dashboards:** Create and display local tax dashboards (both digital - Ghana Community Dashboard – see Appendix D8) - and physical) in markets and community centers to show revenue collected and how it is being spent.
   - **Participatory Budgeting:** Involve informal sector workers in "Participatory Budgeting Forums" to give them a direct voice in how tax revenues are allocated for local infrastructure projects.

2. **Improve Tax Education and Sensitization:**
   - **Targeted Educational Materials:** Develop and distribute accessible tax education materials using pictorials, storytelling, and local languages to overcome literacy barriers.
   - **Community-Based Campaigns:** Roll out sensitization campaigns in partnership with trusted local entities like trade associations, market leaders, and community radio stations. Utilize mobile vans to reach traders directly in marketplaces.
   - **Integrate Tax Literacy:** Incorporate basic tax education into entrepreneurship and vocational training programs, with a special focus on programs for youth and women.

3. **Streamline Registration and Payment Processes:**
   - **Decentralize Access:** Implement mobile registration and payment kiosks in high-traffic commercial hubs like markets and lorry parks to bring services closer to the taxpayers.
   - **Expand Digital and Mobile Options:** Enhance and promote digital self-service platforms, including user-friendly USSD codes and mobile money payment options. Ensure these tools include guided, low-literacy-friendly interfaces.
   - **"Tax-on-the-Go" Mobile App:** Develop a simplified mobile application tailored for micro-entrepreneurs, featuring intuitive navigation, payment reminders, and clear, simple language.

7.3 Targeted Recommendations for Key Stakeholders

A collaborative approach is essential for successful reform. The following recommendations are tailored for the specific actors who have a critical role to play in transforming informal sector taxation.

Ministry of Finance & Ghana Revenue Authority (GRA)

- **Lead Policy Reform: C**hampion the development and implementation of the gender-responsive tax policies and equity-focused audits outlined in section 7.1.
- **Drive Simplification and Digitalization:** Spearhead the initiatives to streamline registration and payment through mobile kiosks, USSD platforms, and a dedicated mobile app.
- **Formalize Partnerships:** Establish formal partnerships with informal sector associations to leverage their networks for tax education, bulk registration, and feedback collection.
- **Commission Further Research:** Fund and support a national mixed-methods study to gain a more comprehensive, data-driven understanding of the informal economy, including rural areas, migrant workers, and youth entrepreneurs.
- **Ghana Community Tax Dashboard:** Develop a public and easily accessible dashboard tracking tax payments in communities and districts (see Appendix D8) would enhance the visibility of tax payments and promote tax compliance.

Metropolitan, Municipal, and District Assemblies (MMDAs)

- **Ensure Visible Use of Tax Revenue: T**ake the lead on implementing the "Your Taxes at Work" campaigns by ensuring that locally collected revenues are used for visible, high-impact community projects.
- **Host Participatory Budgeting Forums:** Organize and facilitate forums where informal sector representatives can help set priorities for local infrastructure and services.
- **Support Grassroots Sensitization:** Collaborate with the GRA and CSOs to support community-based tax education campaigns within local markets and trading hubs.
- **Monitor and Report on Local Tax Usage:** Leverage the Ghana Community Tax Dashboard and other platforms and mechanisms to manage the local tax accountability dashboards to provide transparency to citizens.
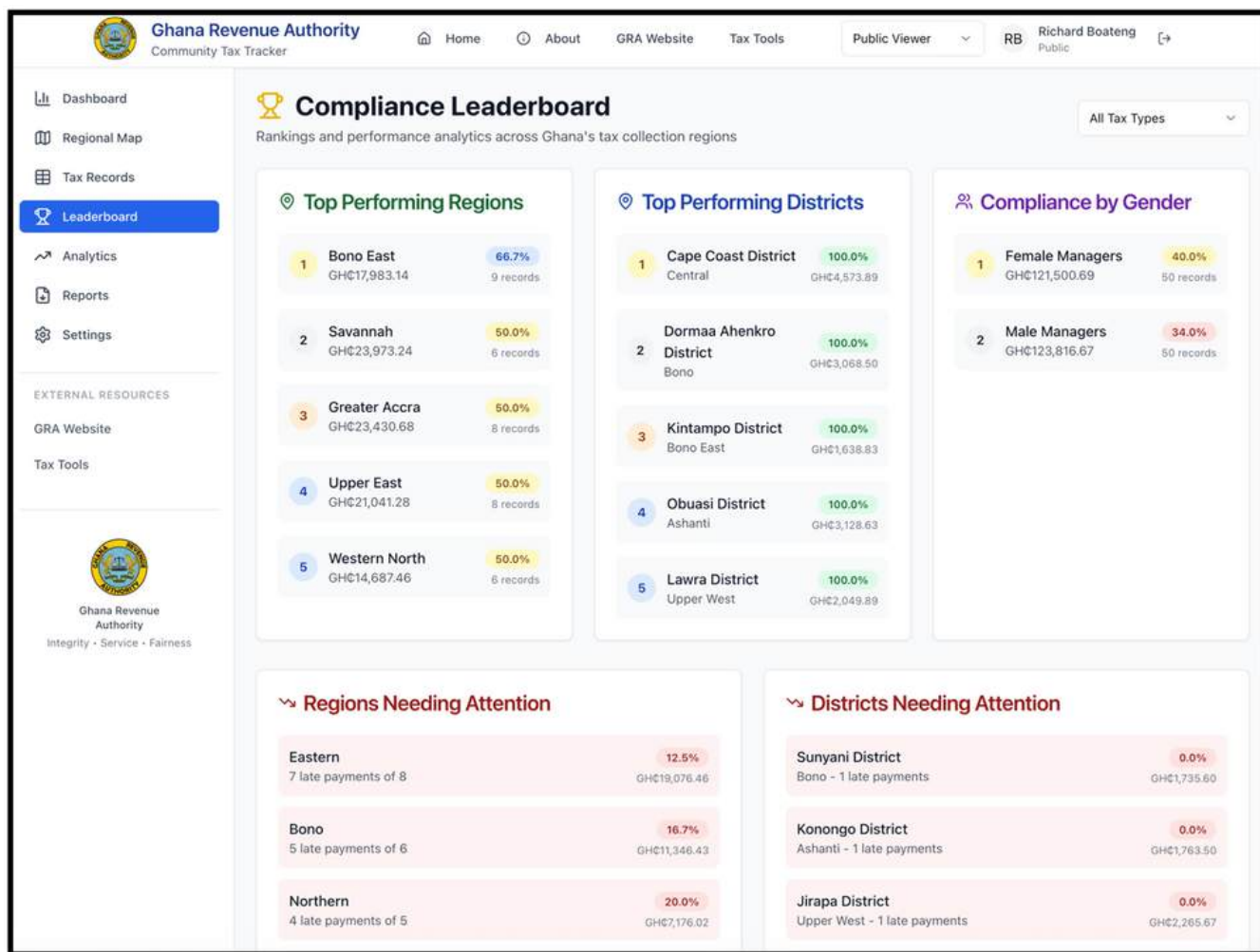
Exhibit 12 Ghana Community Tax Tracker showing Compliance Leaderboard

Civil Society Organizations (CSOs) & Development Partners

- **Advocate for Equity and Co-Design:** Champion the inclusion of women and marginalized groups in the tax reform process and advocate for gender-sensitive policies.
- **Build Capacity for Associations:** Provide training to market associations and other informal groups on fiscal literacy, dispute resolution, and effective government engagement.
- **Independent Monitoring and Research:** Conduct independent monitoring of tax collection practices and support research that investigates the tax realities of often-overlooked groups, such as rural workers, migrants, and youth.
- **Facilitate Dialogue:** Act as intermediaries to foster constructive dialogue between informal sector workers, the GRA, and MMDAs to build trust and find common ground.

7.4 Chapter Summary

This chapter outlines a series of actionable recommendations to reform Ghana's informal sector tax system, addressing key challenges of inequity, low trust, and administrative barriers. To enhance tax equity, it proposes conducting a gender audit of enforcement practices, designing gender-responsive policies such as flexible payment schedules and credits for caregivers, and empowering women in policy co-design. To improve voluntary compliance, the chapter recommends building trust through visible reinvestment of tax revenues in community projects, launching accessible tax education campaigns, and streamlining registration and payment with digital and mobile solutions. Finally, it provides targeted recommendations for key stakeholders, calling on the Ministry of Finance and GRA to lead policy reform and digitalization, MMDAs to ensure transparent use of local tax revenue, and CSOs to advocate for equity, build capacity, and facilitate dialogue. Together, these strategies aim to create a more inclusive, fair, and effective tax system that strengthens the social contract with the informal economy.

7.5 Future Research Directions: Expand Research and Inclusion

The study's urban focus leaves out rural informal workers, migrant populations, and youth, whose tax realities may differ significantly.

Future research studies should consider:
- Commission a **national mixed-methods study** incorporating quantitative surveys to estimate income thresholds, tax burdens, and potential contributions across demographic segments.
- Extend qualitative research to **rural communities,** especially agricultural traders and artisans.
- Investigate **migrant and youth entrepreneurship dynamics,** including cross-border taxation, mobile business models, and digital compliance tools.
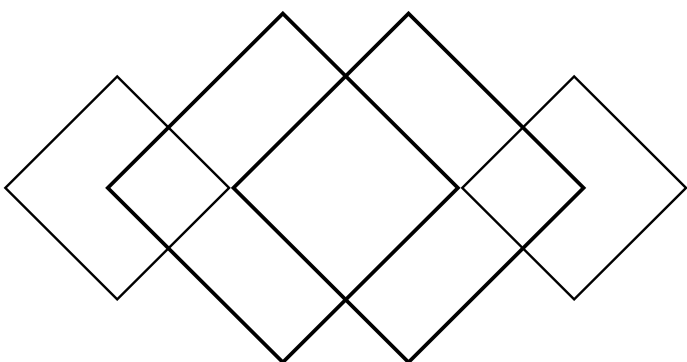
Appendix D1 – Inception Report

Background

The development of every nation depends on its capacity to generate enough revenue to finance public expenditure. One of the major and by far the most reliable sources of revenue development is through taxation. However, a major challenge that governments across the globe have been confronted with for decades is the inability to meet their annual tax revenue targets. This challenge is even more pronounced in countries with large informal economy. Globally, the informal sector employs about 60% of the world's employed workforce that are 15years and older. In Ghana, the informal sector forms about 62% of the countries commercial enterprises and employs more than 65% of the active labor force in the country (GGA, 2023).

Thus, the informal sector, although described as the "hidden" economy, contributes significantly to the economies of countries, especially developing economies. Notwithstanding the significant contribution by the sector, it has been argued that the informal sector has been characterized by a high incidence of tax non-compliance and has often been described as 'the difficult to tax group'[1], [2]. This study delves into the tax compliance debate focusing on the informal sector within the Greater Accra region of Ghana.

[1] Michael Danquah and Eric Osei-Assibey, 'The Extent and Determinants of Tax Gap in the Informal Sector: Evidence from Ghana', Journal of International Development, 30.6 (2018), 992–1005 <https://doi.org/10.1002/jid.3361>.
[2] Nana Akua Anyidoho and others, 'The Taxed Informal Economy: Fiscal Burdens and Inequality in Accra', World Development, 187.December 2024 (2025), 1–20 <https://doi.org/10.1016/j.worlddev.2024.106879>.

Objectives

The study seeks to:
1. assess the levels of tax compliance among different informal groups in the Greater Accra Region.
2. identify gender-specific challenges and barriers to tax compliance.
3. evaluate the burden of tax payments on men vs women, low-income earners and marginalized groups in the Greater Accra Region.
4. provide actionable recommendations to enhance tax equity and compliance within the informal sector

Methodology

Research Design and Approach

The study will employ the mixed method approach to research to achieve the intended objectives. Thus, both the qualitative and quantitative approaches will be employed in this study. First, a qualitative enquiry through focus group discussions with relevant stakeholders from the various informal sector groups will be conducted. A total of 18 focus group discussions will be conducted, each comprising of at least six participants

Michael Danquah and Eric Osei-Assibey, 'The Extent and Determinants of Tax Gap in the Informal Sector: Evidence from Ghana', Journal of International Development, 30.6 (2018), 992–1005 <https://doi.org/10.1002/jid.3361>.
[1] Nana Akua Anyidoho and others, 'The Taxed Informal Economy: Fiscal Burdens and Inequality in Accra', World Development, 187.December 2024 (2025), 1–20 <https://doi.org/10.1016/j.worlddev.2024.106879>.

Population and Sample

The target population for this study will be the informal sector workers within the Greater Accra Region. According to a recent report by STATSBank Ghana (2024), informal sector workers number up to 1,547,346 people. To ensure a fair representation in our sample, the multi-stage sampling technique which requires a combination of several sampling techniques at random stages will be employed. The multi-stage sampling technique is particularly useful in creating a more efficient and effective sample than the use of only a single sampling technique.

First, we will divide the population into four geographical clusters as follows:

ZONE   Coastal Zone

Districts Included:
- Accra Metropolitan Assembly (AMA) (Jamestown, Chorkor, Osu, La, Adabraka, Kaneshie, etc.)
- Ledzokuku Municipal Assembly (LEKMA) (Teshie, Nungua, parts of Spintex)
- Krowor Municipal Assembly (Nungua, parts of Teshie)
- Tema Metropolitan Assembly (Tema New Town, Manhean)

Key Features:
- Coastal communities, fishing hubs, and historical sites.
- High-density population with informal settlements
- Strong cultural and tourism influence (e.g., Jamestown Lighthouse)

ZONE   Central Business District (CBD)

Districts Included:
- Accra Metropolitan Assembly (AMA) (Ridge, Osu, Adabraka, Ministries, Independence Avenue, etc.)
- La Dade Kotopon Municipal Assembly (Labone, Cantonments, Burma Camp, La Township)
- Ayawaso West Municipal Assembly (Airport Residential, Dzorwulu, Roman Ridge, Legon, parts of East Legon)
- Ayawaso Central Municipal Assembly (Kwame Nkrumah Circle, Kokomlemle, Accra New Town)

Key Features:
- Major financial, political, and business hub of Ghana.
- Headquarters of banks, embassies, and multinational corporations.
- Expensive real estate and high-end residential zones.
- Severe traffic congestion and urban development challenges.

ZONE 3 Industrial Zone

Districts Included:
- Tema Metropolitan Assembly (TMA) (Tema Industrial Area, Tema Harbour, Community 1-12)

- Ashaiman Municipal Assembly (Ashaiman town, Zenu, Lebanon, parts of Katamanso)
- Kpone Katamanso Municipal Assembly (Kpone, Katamanso, Community 25, Sebrepor)
- Ningo-Prampram District Assembly (Prampram, Dawhenya, Afienya)

Key Features:
- Industrial and manufacturing hub (Tema Free Zone, steel factories, petroleum depots).
- Major port operations at Tema Harbour.
- High population growth due to employment opportunities.
- Emerging residential estates and commercial centers.

ZONE   Peri-Urban

Districts Included:
- Ga East Municipal Assembly (Haatso, Dome, Taifa, Ashongman, Abokobi)
- Ga West Municipal Assembly (Amasaman, Pokuase, Medie, parts of Ofankor)
- Ga North Municipal Assembly (Ofankor, Mayera, parts of Pokuase)
- Ga South Municipal Assembly (Weija, Gbawe, McCarthy Hill, Kasoa Barrier)
- Adentan Municipal Assembly (Adenta, Ashiyie, Amrahia, Pantang)
- La Nkwantanang-Madina Municipal Assembly (Madina, Oyarifa, Danfa)
- Shai Osudoku District Assembly (Dodowa, Ayikuma, Asutsuare)

Key Features:
- Fast-growing residential areas with mixed socioeconomic classes.
- Expanding road networks and housing developments.
- Hosts major educational institutions (University of Ghana, Valley View, etc.).
- Challenges include infrastructure gaps and environmental concerns.

Based on the zonal classification, two different assemblies within each zone will be purposely selected for the data collection. To ensure that the participants within the selected assemblies reflect the characteristics of the population, consideration will be given to the different informal sector enterprises. In this study, the informal sector enterprises will be categorized into three different sectors as follows:

1. Retail Sector (market traders and petty traders)
2. Hospitality Sector (Food vendors and small-scale caterers)
3. Creative and Manufacturing Sector (Tailors, Seamstresses, hairdressers, carpenters)

Sample Size Determination

To achieve the desired level of confidence for the study's results, the sample size for the study will be based on the Yemeni's formula:

$$n = N(1 + N*e2)$$

Where sample size, N=population size; and e=margin of error.

Given the population size of the informal sector and an estimated margin of error of 5%, the required sample size for the survey is approximately 400. Therefore, a minimum of 400 participants will be used in the analysis.

- **Interview Guide and Questionnaire Development**

- The interview guide for the focus group discussions will be made of open-ended questions, prepared by the researchers (consultants) with reference to prior literature. The interview guide will subsequently be evaluated and reviewed by two other academics with expertise in the area of study, after which corrections and comments would be addressed. At the third stage of preparation of the interview guide, the consultant will submit the protocol instrument to the funding partners (IBP and BudgIT) for feedback. Upon receiving the comments from the funding partners, the consultant will incorporate the necessary changes and submit the interview guide for final approval. The final interview guide after the approval will subsequently be administered for the data collection through the focus group discussions.

- Flowing from the responses of the participants of the focus group discussions, the consultant will develop a questionnaire for the survey part of the study. The survey questionnaire for the quantitative section of the study will consist of two main parts. The first part will include questions that seek to gather demographic information of the respondents. The second part will solicit information on the perception of tax compliance and the factors that influence tax compliance behavior. This section of the questionnaire will be made of closed-ended questions (and where necessary, open-ended questions), from tested and approved scales from prior studies. The survey instrument will be submitted to the funding partners to review and approve before it is administered to the participants.

- **Data Collection Strategy**

- A total of 18 focus group discussions (six for each of the three informal sector groups) will be conducted. Six participants will be selected from the different informal sector worker groups to be involved in the focus group discussion session. After the focus group discussions, data for the quantitative analysis will be collected via self-administered survey.

- **Data Analysis Technique**

- Data collected will be analyzed based on the nature of the data collected. The qualitative data from the focus group discussions will be analyzed following Gioia et al.'s (2013) approach to qualitative data analysis. This approach involves documentation, data reduction, condensation, data display and verification, and finally, generation of themes for discussion. Thus, with the consent of the participants, the focus group discussions will be recorded, (translated, where necessary) and transcribed. Subsequently the reliability of the transcribed information will be verified by allowing the participants to review the transcribed conversations for confirmation. The data will then be coded, and themes will be generated.

conversations for confirmation. The data will then be coded, and themes will be generated.

The survey data will be analyzed in two phases:
1. **demographic analysis of the respondents and constructs, and**
2. **measurement and structural model analysis.**

The researchers will employ the simple frequencies to examine the demographic characteristics of the respondents, while the measures of central tendency (mean and standard deviation) will be employed to evaluate the views of the respondents on the specific indicators used in measuring the constructs of the study. Inferential analysis will be conducted to examine the relationships that exist among the study variables using the Structural Equation Modelling (SEM) based- technique.

Ethical Considerations

The following measures will be taken to ensure all ethical considerations are met. First, the participants' and respondents' consent will be sought before their participation in the study. Further, before recording, all participants will be informed and their consent sought, as well, the participants will be engaged to confirm the final transcribed information. In addition, to ensure complete anonymity of the respondents and participants, their names and any other information that directly points to their identity will be replaced with codes.
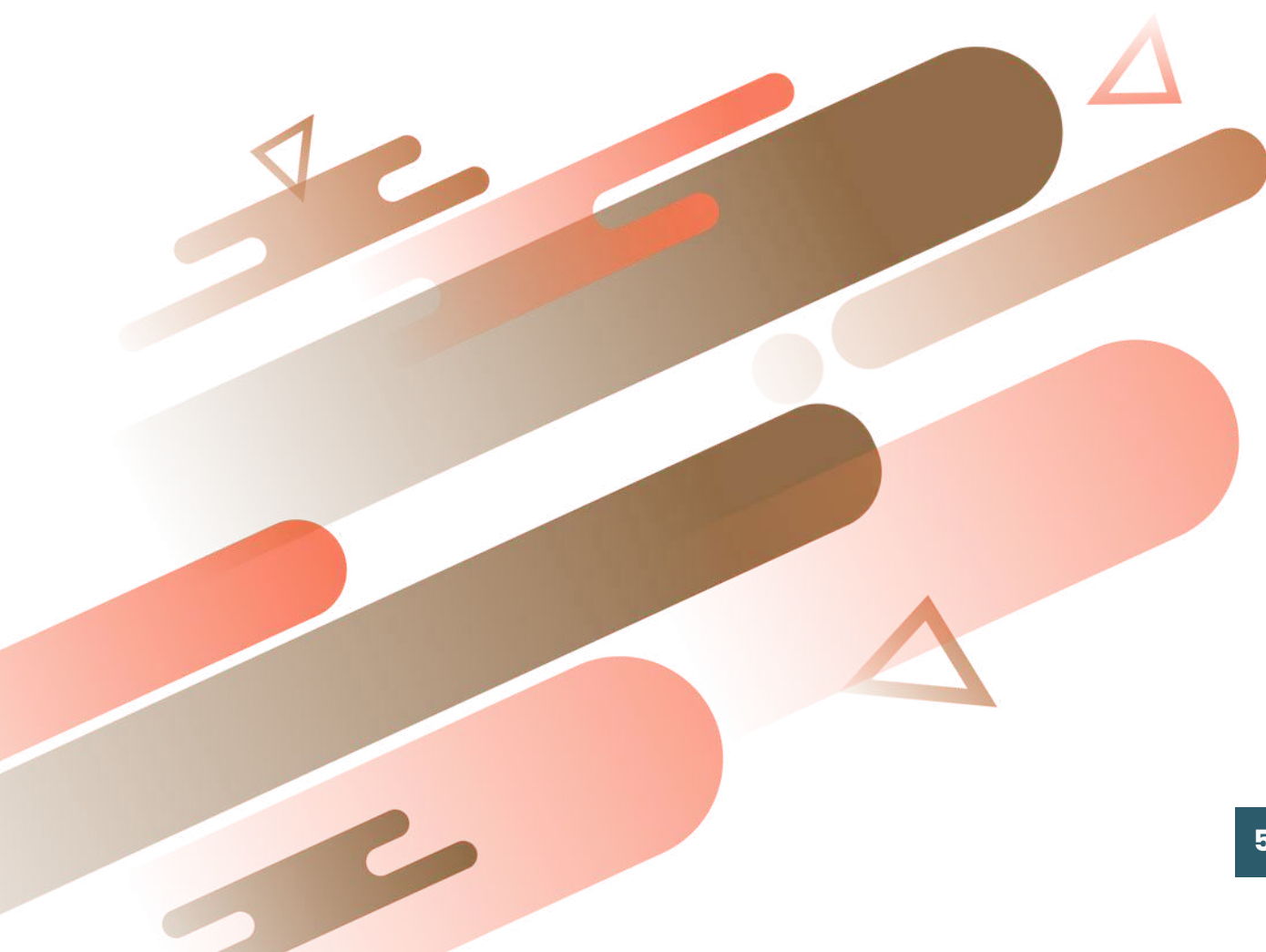
Appendix D2: Mapping the Informal Sector in Ghana

Introduction

The section highlights the different perspective on how the informal has been conceptualized and provides an overview of the Ghanaian informal sector. The main objective is to provide a workable definition of the informal sector and develop a map of different informal sector groups in Ghana for the study. The section is organized as follows: a general background and the conceptualization of the informal sector is presented in the next section followed by a summary of the key characteristics of the informal sector. A landscape and the key industries of the Ghanaian informal sector is provided. The contributions by the sector especially by women, and the dominant challenges that players in the sector are confronted with are also highlighted.

Background and Conceptualization of the Informal Sector

The informal economy, historically referred to as the traditional sector, has been a subject of intense debate and diverse interpretations within international development discourse since it was discovered in Africa in the 20th century. In particular, the definition of the informal economy has become a topical issue since its introduction by Keith Hart in 1970. The informal sector has been conceptualized as "unregulated economic enterprises or activities". Other studies, building on the premise of earlier scholars, define the informal sector to encapsulate "all economic activities that contribute to the officially calculated gross national product (GNP) but are currently unregistered". While these definitions consider the contribution of the activities of the sector to a country's GNP to be relevant, both authors highlight the unregistered/unregulated nature of players in this space to be central to what constitute the informal sector.

From an economic-based perspective, however, the International Monetary Fund (IMF) considers the informal sector to include:
1. all unregistered economic activities with market value conducted by individuals and households; and
2. hidden economic production activities undertaken by legally registered enterprises that may choose to conceal their total activities from relevant authorities, such as tax administrators, to avoid paying taxes or other regulatory charges/levies, or in extreme cases, engage in illegal activities (IMF, 2020).

The position of the IMF departs substantially from the earlier conceptualization of the informal sector that highlighted registration of businesses to be a key determinant of the informal economy. Thus, from an economic perspective, the informal sector also includes duly registered businesses that deliberately obscure their activities from relevant state authorities for cosmetic gain, such as avoiding the payment of taxes.

From a labor standpoint, the informal sector consists of "economic units that are producers of goods and services mainly intended for the market to generate income and profit and that are not formally recognized by government authorities as distinct market producers and thus not covered by formal arrangements" (ILO, 2023). Notwithstanding the different characterization of the informal economy, it revolves essentially around enterprises, and such enterprises are usually not registered, and their activities are not regulated. In addition to the characteristics of enterprises, the informal economy also focuses on employment relationships that are not legally regulated. Therefore, any form of labor arrangement based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees forms part of the informal sector.

Characteristics of the Informal Sector

Notwithstanding the different conceptualization of the informal sector, a cursory assessment of the different views suggests the informal sector is largely characterized by following:

   i)low quality employment
   ii)inadequate social protection
   iii)poor governance
   iv)low productivity
   v)ease of entry
   vi)low capital requirement
   vii)largely small scale and self-employment
   viii)low skill requirement and casual jobs
   ix)poor working conditions, and no formal contracts for employees
   x)employment is generally based on fiduciary agreements
   xi)cluttered with numerous unregistered enterprises
   xii)enterprises not regulated or under any recognized framework
   xiii)normally engage in underground activities
   xiv)enterprises are mostly individual, or family owned
   xv)"difficult-to-tax" group

Three key things can be deduced from the different conceptualization of the "informal sector" and their characteristics:
   1.Engagement in economic activity by individuals and enterprises
   2.Unregulated sector
   3.Non-formal arrangements.

Based on these unique characteristics we define the informal sector in this study to include "all economic activities by workers and enterprises whose activities are usually outside the legal and regulatory framework and are characterized by non-formal arrangements".

Classification of the Informal Sector

The informal sector is largely classified into two groups, made up of proprietary micro enterprises (PMEs) and small-scale enterprises (SMEs). The PMEs consist of enterprises managed and owned by an individual who is responsible for the operation of the business. In terms of staff strength, the number of employees for

businesses classified as PMEs typically ranges between 1 and 9. Small-scale enterprises, on the other hand, are businesses with one or more owners and a maximum of 49 employees. Entities with more than 50 employees but not exceeding 249 are classified as medium enterprises by the World Bank.

Landscape of the Informal Sector in Ghana

In Ghana, the Office of the Registrar of Companies classifies entities with turnover and assets not exceeding GHS 400,000.00 as small enterprises, while those with turnover and assets ranging between GHS 400,001.00 and GHS 10,000,000.00 are classified as medium enterprises. In terms of tax administration, however, the Ghana Revenue Authority (GRA) defines the informal sector to include small-scale self-employed:

- Dressmakers or tailors
- Hairdressers or beauticians or barbers
- Susu collectors,
- Chop bar owners,
- Cooked food sellers
- Butchers
- Container or kiosks, or tabletop operators
- Garage owners
- Artisans (masons, carpenters, welders, mechanics, vulcanizers, electricians, sprayers)
- Hawkers and itinerant traders.
- Okada operators
- Taxi and bus operators
- Masons
- Tilers
- Carpenters
- Welders
- Domestic workers such as housekeepers, gardeners, and florists
- Online or digital business

Unlike the rural areas, where the informal sector predominantly revolves around fishing, farming and artisanal mining, the urban regions of Ghana exhibit a wide variety of informal sector activities. In addition to the list provided above, the informal sector in urban areas also includes event planners, decorators, MCs, DJs, mechanics, vulcanizers, upholsterers, ICT service providers, food vendors, beverage producers, caterers, and retailers of various goods. This diverse array of occupations highlights the significant contribution of the informal sector to the urban economy.

Major industries within the informal sector
The key activities that enterprises in the informal space undertake include:
- Agriculture: Activities range from farming to the sale of farm produce, fishing and fish mongers.
- Mining: Made up of artisanal mining and the sale of final products, such as jewelry.
- Finance: Includes services such as loans and currency trading.

- Education: Covers activities from teaching to the provision of teaching aids.
- Automobile: Comprises mechanics, vulcanizers, and upholsterers.
- Construction: Involves masons, carpenters, welders, and tilers.
- Manufacturing: Cosmetics producers, small ammunition, shoes, and clothing.
- Commerce: Includes import, export, distributors, wholesalers and retailers.
- Transport: Okada operators, taxi and bus operators
- Food and beverages: food vendors, produces beverages, and caterers
- ICT: online applications, software development, repairs and maintenance of equipment
- Professional services: legal, healthcare, architecture

Table 11: List of Informal Sector Organizations in Ghana

No.	Some of the Informal Sector Organizations in Ghana
1	Ghana Private Road Transport Union (GPRTU)
2	Ghana Cooperative Transport Society (GCTS)
3	Progression Transport Owners Association (PROTOA)
4	Ghana National Chemical Sellers Association
5	Ghana National Tailors and Dressmakers Association
6	Musician Union of Ghana
7	Phonogram Producers Association
8	Ghana Tape Recorders Association
9	National Drinking Bar Operators Association
10	National Garage Owners Association
11	Greater Accra Second Hand Spare Parts Dealers Association
12	Refrigeration and Air-Conditioning Workshop Owners Association
13	Chop Bar Keeps and Cooked Food Sellers Association
14	Hairdressers Association
15	Susu Collectors Association
16	Traditional Healers, Fetish Priests, Mallams and Drug Peddlers Association
17	Sandcrete Block Manufacturers Association
18	Ghana Gold and Silver Smiths Association
19	Secondhand Clothes Dealers Association
20	Radio and Television Repairers Association
21	Ghana Cooperative Distillers Association Ltd
22	Corn mill Owners Association
23	Licensed Diamond Winners Association
24	Ghana Association of Private Sports Papers
25	Ashiaman Livestock Breeding and Traders Association
26	Butchers Association
27	Ghana Livestock and Meat Marketing Association
28	Video Operators Association
29	Ghana Private Schools Association
30	Day Care Centres Association
31	Akpeteshie* Distillers Association
32	Secondhand Car Dealers Association
33	Ghana Union Traders Association (GUTA)

Source: ACER Research Paper 355[8]

Contribution by the Informal Sector

The informal sector has wide-ranging impacts on the economic and social development of countries especially developing countries. Recent statistics from the ILO indicates that more than 60% of all workers are employed in the informal sector globally. This figure is higher in Sub-Saharan Africa where 67.6% labor force are in the informal sector in 2020 (ILO STAT, 2020). Further, it is estimated that about 80% of all enterprises globally are in the informal sector (ILO, 2023). According to the most recent estimates, non-agricultural employment in the informal economy is approximately 77% of total employment in sub-Saharan Africa (ILO, 2023). This suggests that more than two-thirds of the labor force in sub-Saharan Africa fall within the informal sector.

Recent data from ILO estimates the informal sector to constitute about 83% of the employment in Ghana (ILO, 2023). A WIEGO report reveals that in Greater Accra women out-number men in informal employment, constituting about 56% of the workforce in the informal sector (WIEGO, 2020). Further, the report identifies five main areas of engagement within the informal sector, these are domestic workers, home-based workers, market traders, street vendors and waster pickers. Home-based workers and market-based workers were the largest groups accounting for about 27% and 26% respectively of the informal sector employees.

Administrative Structure of the Greater Accra Region

The Greater Accra Region is the smallest of all the 16 regions in Ghana, but the most populated, with about 17.7% of the total population of Ghana (GSS, 2021). The region consists of 29 Metropolitan, Municipal and District Assemblies. Specifically, there are 2 metropolitan assemblies, 23 municipal assemblies and 4 district assemblies. Below is a table indicating the various assemblies and their capitals.

Matthew Kofi Ocran, Estimating the Size and Trends of the Informal Economy in Ghana, African Economic Research Consortium, 2018.

Table 12: List of Metropolitan, Municipal and District Assemblies (MMDAs) in the Greater Accra Region and their Capitals

No.	MMDAs	Capital
1	Accra Metropolitan	Accra
2	Tema Metropolitan	Tema
3	Ablekuma Central Municipal	Latebiokorshie
4	Ablekuma North Municipal	Ablekuma North
5	Ablekuma West Municipal	Dansoman
6	Adenta Municipal	Adenta
7	Ashaiman Municipal	Ashaiman
8	Ayawaso Central Municipal	Kokomlemle
9	Ayawaso East Municipal	Nima
10	Ayawaso North Municipal	Accra NewTown
11	Ayawaso West Municipal	Dzorwulu
12	Ga South Municipal	Ngleshie Amanfrom
13	Ga Central Municipal	Sowutuom
14	Ga East Municipal	Abokobi
15	Ga North Municipal	Ofankor
16	Ga West Municipal	Amasaman
17	Korle Klottey Municipal	Osu
18	Kpone Katamanso Municipal	Kpone
19	Krowor Municipal	Nungua
20	La Dade-Kotopon Municipal	La
21	La-Nkwantanang Municipal	Madina
22	Ledzokuku Municipal	Teshie
23	Okaikwei North Municipal	Abeka
24	Tema West Municipal	Tema Community 2
25	Weija-Gbawe Municipal	Weija
26	Ada East District	Ada Foah
27	Ada West District	Sege
28	Ningo-Prampram District	Prampram
29	Shai-Osudoku District	Dodowa

Source: Local Government Service (https://lgs.gov.gh/greater-accra/)

Challenges in the Informal Sector

The sector is faced with multiplicity of challenges due to their shadow operations. Several reports suggest that a myriad of challenges, including those presented below .

- Lack of Access to Formal Financial Services: Majority of the informal workers and entrepreneurs operate outside the traditional banking system, making it difficult for them to secure loans, open bank accounts, or obtain credit. This financial exclusion limits their ability to invest in their businesses and manage economic downturns.
- Absence of Training and Skill Development: Individuals in the informal sector possess valuable skills but often lack formal training that could enhance their productivity or help them adapt to market demands. Also, workers in the informal sector are often denied access to training and skill development by institutions particularly state institution making it cumbersome to access vocational training programs. These workers find it difficult to upgrade their skills and improve their earning potential.
- Regulatory Barriers: Government bureaucracies often become a barrier for informal enterprises to navigate often discouraging these workers from formalizing their operations.
- Fear of Regulatory Compliance: Informal workers often operate without recourse to the requirements of the regulatory environment. The fear of inspections, taxation, and legal repercussions lead many of these informal workers to remain in the shadows, limiting their ability to scale and compete effectively in the market.
- Economic Vulnerability: Worker in the informal sector are often vulnerable to economic fluctuations and external shocks. In times of crisis, such as during a pandemic or economic downturn, informal workers found themselves without a safety net, leading to increased poverty and instability.
- Income Insecurity: Informal workers experience underemployment, bad working conditions, uncertain work relationships, and low wages. This high-income insecurity makes it difficult for these workers to plan and improve their living standards.
- Lack of Government Support: Poor working environment, including lack of essential services (electricity, water, sanitation, and waste disposal). These services are not just necessities but also crucial for service delivery by informal workers, such as water for food preparation and electricity for sewing machines.

Nana Akua Anyidoho and others, 'The Taxed Informal Economy: Fiscal Burdens and Inequality in Accra', World Development, 187.December 2024 (2025), 1–20 . 10 Anuradha Joshi, Wilson Prichard, and Christopher Heady, 'Taxing the Informal Economy: The Current State of Knowledge and Agendas for Future Research', Journal of Development Studies, 50.10 (2014), 1325–47 . 11 Women in Informal Enployment: Globalizing and Organizing (WIEGO), COVID-19 Crisis and the Informal Economy: Informal Workers in Accra, Ghana, 2021.

Participation of Women in the Informal Sector

The contribution of women to the economic growth development of countries is well recognized in the literature. In Ghana, women generally outnumber men in the distribution labor force (WIEGO, 2020). Within the informal sector, women account for about 56% of the total employment in the sector (WIEGO, 2020). In the Greater Accra Region, women constitute 55.92% of the total labor force in the informal sector and dominate virtually all the various occupational clusters as demarcated by WIEGO (2020). Indeed, the participation of women in the informal sector has been associated with significant improvement in their socio-economic welfare, reflected in their ability to earn income, support their families financially, acquire assets, further their education, and contribute to decision-making,.

Notwithstanding the dominance of women in the informal sector, they are largely disadvantaged in several areas. Prior studies have revealed a myriad of challenges faced particularly by women in the informal sector, ranging from a lack of access to space, land ownership and tenure systems, access to capital, difficulties with existing regulations, high incidence of bad debts, poor working conditions, and wage disparities, . These challenges impair their abilities to thrive in the sector (ACET, 2022).

Appendix D3: Research Methodology

This section outlines the procedure and strategies that were adopted to execute the project. The section discusses the research design, data collection techniques and the statistical techniques that were employed to analyze the data.

Research Design

Based on the objectives of the study, both quantitative and qualitative research designs were employed, and primary data was sourced for the analysis. First, the study begins with a qualitative enquiry through focus group discussions with relevant stakeholders from the various informal sector groups. This provided a baseline information that informed the second phase of the study. The second part of the study involves a survey that sought information on the factors the influence the tax compliance levels of the informal sector players. These approaches are discussed further in the subsequent sub-sections.

Qualitative Methods

Approach

To gain deeper insights into the factors influencing tax compliance behavior, qualitative methods were employed in the early part of the data collection phase. In-depth interviews were conducted with a subset of the targeted informal sector groups through focus group discussions. A total of nine (9) focus group discussions were conducted across three broad groups within the informal sector in the greater Accra region. The focus group discussions were conducted at the University of Ghana Business School with three concurrent panels running in the morning, afternoon and evening. Each focus group consisted of 8 participants and two discussants. A total of 72 informal sector workers in the Greater Accra region participated in the focus group discussions.

The participants were of diverse business backgrounds, categorized into three main groups: retail sector, hospitality (or service) sector, and creatives and manufacturing sector. These sectors were selected for the study based on a number of considerations. The retail sector which includes market vendors and petty traders, was chosen because it represents a significant portion of the informal economy and typically operates outside formal tax structures. The hospitality or service sector consists of food vendors, small scale caterers and small restaurants. This sector was included due to its critical role in providing affordable meals to many residents of the Greater Accra Region. Businesses in the hospitality sector often operate with limited resources and are mostly unregistered and non-compliant with tax regulations. The final group included participants from the creative and manufacturing sector, which comprises seamstresses, tailors, hairdressers, carpenters, plumbers, and other artisans. This category of informal sector players was included in the study due to their strong entrepreneurial presence. Additionally, businesses in this sector are generally small-scale and unregistered.

Sample and Sampling Strategy

A total of 72 participants were included in the nine focus group discussions that were conducted (each discussion group consisted of 8 participants). The sample was purposefully selected in order to ensure that the participants met a set criterion that is necessary to achieve the objectives of the study. First, the participants were expected to have worked for a minimum of 12 months, which makes them eligible to pay tax. Further, the participants were expected to operate within one of the four zones (peri-urban, coastal, industrial and central business district) within the Greater Accra Region that was earmarked for the study. The final criterion was that the participants should operate within one of the three sectors. This was to ensure that the participants were from diverse backgrounds and sectors and are capable of providing more diverse information on the tax compliance levels of informal sector players.

Instrument Development

In order to elicit from the participants in-depth information on their tax compliance behavior and the challenges that they face in effort to comply, the study relied on an interview guide for the focus group discussions. The interview guide consisted of several pre-designed open-ended questions that provoked the participants to express themselves on the key issues and themes that were being addressed in the study. The questions that made up the interview guide were prepared in reference to prior literature and subsequently reviewed by two academics with expert knowledge in the research domain.

Further, a consultative meeting with funding partners (IBP and BudgIT), industry experts and other academics was organized to review, validate and approve the interview guide. All suggestions and comments were carefully considered to modify and improve the instrument before the final interview guide was approved for data collection. This was to ensure the validity and reliability of the instrument and that the key issues have been captured in the interview guide.

Quantitative Methods

Approach
The quantitative data collection phase focused on gathering data on the levels of tax compliance, and the burden of tax payments among the different informal sector groups. The survey method was employed for the quantitative part of the study to allow access to responses from a large group of people within the study context. The study employed questionnaires as the main instrument of data collection.

Population, Sample and Sampling Technique
The target population for the quantitative phase of the study was informal sector workers in the Greater Accra Region. The Greater Accra Region was chosen for its metropolitan nature, and data from the Ghana Statistical Service (GSS) indicates that the majority of the informal sector players in Ghana operate in the region.

According to the GSS (2024) data, the number of informal sector workers in the Greater Accra Region are estimated at about 1.5 million people. Employing a stratified and purposive sampling approaches, the study sampled 500 informal sector workers to respond to the questionnaires. The sample size was arrived at using Yemeni's formula:

$$n = \frac{N}{(1 + N * e^2)}$$

Where n = sample size; N = population size; and e = margin of error.
Given the population size of the informal sector and an estimated margin of error of 5%, the required sample size for the survey was calculated to be approximately 400 (precisely 399.89). This figure was set as the minimum sample size. However, the final sample used in the study comprised 500 respondents. The study population was stratified based on the four identified zones within the region—Peri-Urban, Coastal, Industrial, and Central Business District—and further stratified into informal sector groups: Retail, Hospitality/Service, and Creative/Manufacturing. Respondents were then purposively selected to ensure that each had operated in their respective enterprises for at least 12 months and were thus well-positioned to provide informed responses.

Questionnaire Development
Drawing on insights from the focus group discussions and existing literature, a questionnaire was developed for the quantitative phase of the study. The instrument comprised three sections: the first section captured the demographic characteristics of the respondents; the second section assessed their level of tax compliance; and the third section explored the challenges or barriers to tax compliance encountered by the respondents. The second and third sections consisted of closed-ended questions measured on a 7-point Likert scale, ranging from 1 (Strongly Disagree) to 7 (Strongly Agree).

Following its development, the survey instrument was presented at a validation meeting convened by the funding partners for deliberation, review, and approval by industry experts. Once validated, the questionnaire was deployed for data collection. A total of 500 questionnaires were self-administered with the assistance of trained data collection assistants. All 500 questionnaires were successfully completed and returned, and were subsequently included in the final data analysis.

Data Analysis Techniques

The data analysis phase involved a comprehensive examination of both the quantitative and qualitative data collected. The qualitative data from the focus group discussions were analyzed using Gioia et al.'s (2013) approach, which includes documentation, data reduction, condensation, data display and verification, and the generation of themes for discussion. All nine focus group discussions were transcribed, and detailed reports were written for each session. These transcripts and reports were carefully reviewed to ensure they accurately captured the discussions. The reports were then assessed to extract emerging themes, which were consolidated into a single analysis report. The final thematic analysis was refined and reviewed to eliminate duplication and overlapping ideas.

For the quantitative data, statistical analysis was conducted to identify trends, correlations, and key factors influencing tax compliance behavior. The analysis was carried out in two phases: (i) demographic analysis of the respondents and constructs, and (ii) measurement and structural model analysis.

Simple frequency analysis was used to describe the demographic characteristics of the respondents, while measures of central tendency (mean and standard deviation) were used to assess perceptions relating to the study constructs. A t-test was conducted to evaluate gender differences in tax compliance levels and barriers. Analysis of variance (ANOVA) was also employed to determine differences in tax compliance across various informal sector groups—namely retail, hospitality/service, and manufacturing/creative sectors. Additionally, inferential statistics were applied to assess the tax burden on informal sector operators. The findings from both qualitative and quantitative data sources were integrated to provide a comprehensive understanding of tax compliance behavior in the informal sector within the Greater Accra Region.

Ethical Considerations

The necessary ethical approvals were obtained to ensure that the research adhered to established ethical standards. Several measures were implemented to uphold these standards. First, informed consent was obtained from all participants prior to their involvement in the study. Additionally, participants were notified before any recording took place, and their permission was explicitly sought. After transcription, participants were engaged to review and confirm the accuracy of their statements. To maintain strict confidentiality, all names and any identifying information were anonymized and replaced with codes.

APPENDIX D4: FOCUS GROUP DISCUSSION INTERVIEW GUIDE

Informal Sector Tax Compliance in Accra

Introduction

- Thank the participant for their time.
- Explain the purpose of the research and emphasize confidentiality.
- Obtain informed consent (written or recorded).

Thank you for taking the time to participate in this focus group discussion. We're here to explore your perceptions and experiences of informal sector workers, focusing on the various tax types that affect the informal sector entities and workers and their compliance levels. Your insights will help us understand your views better and identify areas for potential improvement that can positively impact you and your entity nationwide. Please feel free to share your thoughts openly—there are no right or wrong answers.

Section 1: Demographic Information

1. **Basic Information**
   a. Name (optional)
   b. Age (or date of birth)
   c. Gender
   d. Location (specific market or area of operation)
   e. Primary occupation/business activity
   f. Years of experience in this occupation/business (ensure it's been at least 12 months)
   g. Educational level
   h. Household size/number of dependents
   i. Contact information (if follow-up is needed)

2. **Business Characteristics**
   a. Type of business (e.g., sole proprietorship, family business, etc.)
   b. Number of employees (if any)
   c. Business registration status (registered or unregistered)
   d. Average monthly income/revenue (estimate)
   e. Primary business expenses

Section 2: Tax Knowledge and Compliance

1. **Tax Awareness**
   a. "What taxes are you aware of that might apply to your business?" (Explore awareness of income tax, VAT, property tax, etc.)
   b. "Have you ever received any information or training about taxes for your business?" (Probe for sources of information, frequency, and quality of information)

    c. "Do you believe you are currently tax compliant?" (Explore their understanding of compliance)

    d. What do you think is the importance of paying tax?

2. **Tax Compliance Behavior**

    a. "Have you ever registered for any tax identification number (TIN)?" (If yes, gather details)

    b. "Have you ever filed a tax return?" (If yes, gather details about frequency and process)

    c. "Do you regularly pay any taxes?" (If yes, explore types of taxes paid, methods of payment, and frequency)

    d. "What are your primary reasons for paying or not paying taxes?" (Explore motivations, barriers, and perceptions of fairness)

Section 3: Gender and Tax Compliance

1. **Gender-Specific Challenges**

    a. "Do you think women in the informal sector face particular challenges related to tax compliance?" (Explore issues like access to information, time constraints, cultural norms, etc.)

    b. "Have you personally experienced any challenges related to your gender and tax compliance?"

2. **Tax Burden**

    a. "Do you think the current tax system places a greater burden on women, men, or is it equal?" (Explore perceptions of fairness and equity)

    b. "How do you think paying taxes affects your household income and ability to meet your family's needs?"

Section 4: Perceptions and Attitudes

1. **Perceptions of Taxation**

    a. "Do you think it's fair to tax businesses in the informal sector?" (Explore reasons for their views)

    b. "Do you think the tax rates for informal businesses are reasonable?" (Explore perceptions of tax rates and the potential impact on business profitability)

    c. "Do you trust the government to use tax revenue effectively?" (Explore levels of trust and how it influences compliance)

2. **Formalization and Transition**

    a. "Would you ever consider formalizing your business?" (Explore motivations and barriers to formalization). Have you...

Measure of Formalization	Readiness for Formalization		
	Within Next 12 Months	Within Next 12 – 18 months	Not Sure
1. Registration with Registrar General			
2. Registration with GRA			
3. Contracts for employees			
4. Business place registered with GRA/or other local tax offices			
5. Registered with associations relevant to the business			
6. Paying related taxes for employees			
7. Registered with SSNIT or related bodies			
8. Paying SSNIT and other benefits for employees			
9. Employees entitled to leave, and other provisions related to productivity			

    b. "What benefits or challenges do you think formalization would bring to your business?"

    c. "What kind of support would you need to transition to the formal sector?"

Section 5: Recommendations and Suggestions

1. **Improving Tax Compliance**

    a. "What do you think the government could do to make it easier for informal businesses to pay taxes?" (Explore suggestions for simplifying processes, providing incentives, improving tax education, etc.)

    b. "How can technology be used to improve tax compliance in the informal sector?" (Explore the potential of mobile money, digital platforms, etc.)

    c. "What role do you think community leaders or associations could play in improving tax compliance?"

2. **Enhancing Tax Equity**

    a. "How can the tax system be made more equitable for different groups in the informal sector (e.g., women, youth, low-income earners)?"

    b. "Do you have any other suggestions for making the tax system fairer and more inclusive?"

Conclusion

- Thank the participant again for their time and valuable input.
- Provide contact information in case they have any further questions or concerns.

Remember:

- Adapt the interview guide to the specific context of each interview and the participant's occupation/business.

- Use open-ended questions to encourage detailed responses.
- Listen actively and probe for deeper understanding.
- Maintain a respectful and non-judgmental attitude throughout the interview.

Exhibit 13 Market Women Sorting out Rice

APPENDIX D5: QUESTIONNAIRE FOR SURVEY

Dear Respondent

This survey instrument seeks to gather data for research aimed at exploring tax compliance within the diverse informal sector of the Greater Accra Region. You are assured that all your responses will be kept strictly confidential.

Kindly respond by ticking (√) the appropriate option in the spaces provided.

Section A: Demographics

1. Gender: Male [ ]   Female [ ]

2. Age: Below 20 [ ]20–30yrs [ ]   31-45yrs [ ]   46-60 [ ]   Above 60 [ ]

3. Kindly indicate where you live: ....

4. Marital status: Single [ ] Married [ ]   Divorced [ ]   Cohabiting [ ]

    Other (specify):..

5. How many children do you have? (specify number) ....

6. Educational level: Non-formal [ ] Basic education   [ ] Secondary [ ] Tertiary [ ]

7. Religion: Christian [ ]   Muslim [ ]   Traditionalist [ ]   None [ ]

    Other (specify): ....

8. How long have you been in business?

    below 2yrs [ ]   2 - 5yrs [ ]   6- 10yrs [ ]   10 - 20yrs [ ]   Above 20yrs

9. Kindly indicate your business location: ....

10. Nature of business(specify):

    a. Services...
    b. Construction..
    c. Manufacturing ....

11. How many employees do you have (if any) – indicate (number): ....

12. Do you belong to any association or professional group?   Yes [ ] No [ ]

13. If you do, indicate the specific association or professional body
    ....

14. Is your business registered with the registrar?   Yes [ ]   No [ ]

15. Is your business registered with GRA?   Yes [ ]   No [ ]

16. Do you have any knowledge about taxes?   Yes [ ]   No [ ]

17. How would you rate your knowledge on taxes?

No Knowledge [ ]   Just a little [ ]   Somewhat [ ]   A lot [ ]

18. Do you know about your tax responsibilities? Yes [ ]   No [ ]

19. Where do you get information on tax and your tax payment responsibilities from?

	Never	Rarely	Often	Always
Radio/information center				
Television				
Newspapers				
Information vans				
Social media (YouTube, Facebook, TikTok, twitter or X, Instagram)				
Social messaging apps (WhatsApp, telegram)				
Traditional messages (text message)				
GRA website				
Friends and family				
Church				
GRA tax agents				
Other (specify)				

20. Do you have a Tax Identification Number (TIN)?   Yes [ ]   No [ ]

21. Do you have a Ghana Identity Card   Yes [ ]   No [ ]

22. Do you pay any form Taxes?   Yes [ ]   No [ ]

23. If you do, what specific taxes do you pay? [state all] ....

....

24. For each of the specific taxes stated above, indicate how much do you pay for each:
....
....

25. Do you make any payments (or pay any levies) to the assembly? Yes [ ]   No [ ]

26. If you do, how much do you pay and for what specific levy?

....

27. How much revenue do you generate on a daily, weekly or monthly basis? (averagely) ....

28. How much (on average) do you think you pay in taxes on a daily, weekly or monthly basis? ....

29. Do you feel burdened by the amount of tax(es) you pay?

....

Section B: Tax Compliance

Using a 7-point Likert scale, appropriately rate your extent of agreement with the following statements on your level of tax compliance; indicating in order of conviction with a "tick" (√) Where; 1= "Strongly Disagree (SD)," and 7= "Strongly Agree (SA)."

Tax Compliance		1	2	3	4	5	6	7
TC1	I report my income fully, including all other sources to the relevant tax authorities							
TC2	I do not attempt to cheat by omitting to report any extra income in my tax return form							
TC3	I declare extra income which is not earned from my regular income source							
TC4	I will not fail to comply with the tax laws in future							
TC5	I pay my taxes when they fall due							

Section C: Challenges

This section seeks to assess the challenges and barriers to tax compliance within the informal sector. The following statements are designed to assess the challenges and barriers to tax compliance. On a scale of 1 to 7 (where 1 = strongly disagree and 7 = strongly agree), kindly rate your level of agreement with these statements.

Challenges	1	2	3	4	5	6	7
1. Poor understanding of tax laws							
2. Low level of awareness							
3. Poor knowledge of the basic reason for paying tax							
4. Lack of tax education and sensitization by tax authorities							
5. Lack of (or inability to keep) proper accounting records							
6. Lack of technical support from authorities							
7. The culture of tax evasion and avoidance in the informal sector							
8. Multiple taxation							
9. The complex nature of the tax system							

Challenges	1	2	3	4	5	6	7
10. Low/no technology knowledge							
11. High cost associated with tax compliance							
12. Irregular and/or unstable income							
13. Perceived lack of benefits from paying taxes							
14. Corruption on the part of tax officials							
15. Corruption on the part of government officials							
16. High tax penalty							
17. Ability to get away with non-compliance							
18. Weak enforcement mechanisms							
19. Other (Specify):							

Kindly indicate to what extent you believe the following challenges affect women than men. On a scale of 1 to 3 (where 1=mildly, 2=somewhat, and 3=severely), indicate the extent to which you believe the following challenges or barriers influence the tax compliance levels of the various genders.

Challenges	Women				Men		
	1	2	3		1	2	3
1. Poor understanding of tax laws							
2. Low level of awareness							
3. Poor knowledge of the basic reason for paying tax							
4. Lack of tax education and sensitization by tax authorities							
5. Lack of (or inability to keep) proper accounting records							
6. Lack of technical support							
7. The culture of tax evasion and avoidance in the informal sector							
8. Multiple taxation							
9. The complex nature of the tax system							
10. Low/no technology knowledge							
11. High cost associated with tax compliance							
12. Irregular and/or unstable income							
13. Perceived lack of benefits from paying taxes							
14. Corruption on the part of tax officials							
15. Corruption on the part of government officials							

Challenges	Women			Men		
	1	2	3	1	2	3
16. High tax penalty						
17. Ability to get away with non-compliance						
18. Weak enforcement mechanisms						
Other (Specify):						

APPENDIX D6: VALIDATION WORKSHOP REPORT

Final Validation Workshop Report
Project Title: *Ghana's Untapped Economy: Analysis of Tax Compliance Behavior of Informal Sector Workers in the Greater Accra Region*
Date: Friday, 30th May 2025
Venue: Sunlodge Hotel, Tesano – Accra
Organizers: BudgIT Ghana & SWIT, with support from the International Budget Partnership (IBP)

1. Executive Summary

The Final Validation Workshop convened key stakeholders to review and affirm research findings from the study on tax compliance within Ghana's informal economy in the Greater Accra Region. The forum was structured to ensure that findings are analytically sound, socially resonant, and policy relevant. Stakeholder inputs were instrumental in refining interpretations, uncovering actionable insights, and guiding the next steps toward inclusive tax reforms. The session also highlighted pressing themes around trust, gender equity, tax knowledge, and digitization.

2. Objectives of the Workshop

The final validation workshop meeting was organized to;
- Present research findings on the informal sector tax compliance research project.
- Collect stakeholder feedback for refining findings and policy proposals.
- Promote collaborative ownership and policy relevance of recommendations.
- Inform next steps for strategic implementation and advocacy.

3. Participant Profile

The session was attended by approximately 31 stakeholders representing:
- Ghana Revenue Authority (GRA)
- Ministry of Finance and MMDAs
- Informal sector representatives
- Civil Society Organizations (CSOs)
- Academia and research bodies
- Development partners
- Media and advocacy groups

i) **Low Tax Knowledge & Confusion:** Participants confirmed that informal workers often confuse taxes with local levies or tolls. Many only comply during enforcement visits, highlighting weak voluntary compliance norms.

ii) **Gender-Specific Tax Burdens:** Women constitute a majority of informal workers and face disproportionate tax enforcement. Gender-insensitive approaches and intimidation were reported, demanding urgent policy response.

iii) **Perceived Inequity & Distrust:** Small businesses believe they are unfairly targeted compared to large firms. Poor visibility of how tax revenue is used worsens distrust in formal systems.

iv) **Barriers to Formalization:** Though operators recognize the benefits of formalization, registration processes are viewed as complex, costly, and unresponsive, reducing uptake.

4.5 Demographic Influences on Compliance

i) **Education:** Higher education correlates with improved tax understanding.

ii) **Gender:** Shapes both exposure to enforcement and type of tax burden.

iii) **Experience:** Older businesses use selective compliance strategies.

iv) **Income Type:** Regular income increases the likelihood of compliance.

5. Practical Suggestions for Reform

Workshop participants proposed several grassroots-focused strategies:

1. **Education & Awareness:** Tax education should begin early by targeting children and youth with foundational lessons that instill a lifelong understanding of civic duty and financial responsibility. Moreover, adult education efforts should leverage trusted community networks, particularly religious gatherings, to ensure wide and culturally resonant outreach. Overall, tax education must be approached as a collective national effort, engaging all stakeholders, from the government to civil society organizations, to educators and community leaders, to create a more informed and compliant citizenry.

2. **Simplification & Innovation:** To enhance tax compliance and public trust, the government should automate the tax return process through the use of accessible mobile applications and Mobile Money (MoMo platforms. This will make it easier and faster for informal sector operators to fulfill their tax obligations. Also, informal sector operators who prove compliant should be incentivized through raffles and/or rewards, as this can further promote general participation and compliance, most especially among those who happen to be hesitant taxpayers. It is also crucial that government projects are visibly and

transparently linked to taxes collected. This will reinforce the value of taxation and foster a stronger sense of accountability and trust between the general public and the state.

3. **Institutional Coordination**: In an effort to improve the efficiency and equity in tax administration, the Ghana Revenue Authority (GRA) and the Metropolitan, Municipal, and District Assemblies.

   - GRA and MMDAs should jointly collect and share taxes.
   - Strengthen collaborations with associations in the informal economy.

4. **Equity & Sensitivity**:
   - Design gender-responsive tax policies.
   - Depoliticize taxation to ensure neutrality and fairness in enforcement.

6.0 Summary of Stakeholder Inputs from the Workshop
   - Educate informal sector operators to regulate their activities by registering their businesses.
   - Begin tax education from an early age, targeting children and youth.
   - Promote tax education as a collective, shared responsibility involving all stakeholders.
   - Introduce raffles or incentive schemes for compliant tax operators.
   - Ensure GRA and MMDAs collaborate on tax collection and share proceeds equitably.
   - Incorporate tax education into religious gatherings and community institutions.
   - Depoliticize taxation processes to ensure neutrality and fairness.
   - Adopt an automated tax return system to simplify compliance.
   - Tie government-funded projects visibly to taxes collected from the informal sector.
   - Explain the gap between perceived and actual tax compliance to build clarity and trust.

7. Policy Recommendations

1. **Localize and Simplify Tax Processes**
   - Mobile tax booths in markets and open spaces.
   - Introduce tiered tax rates aligned with income levels.

2. **Digitize Tax Systems**
   - MoMo and USSD-enabled tax platforms.
   - Integrate a taxpayer-friendly mobile app.

3. **Gender-Sensitive Taxation**
   - Train tax officers on gender responsiveness.
   - Introduce policies that offer flexibility for women-led businesses.

transparently linked to taxes collected. This will reinforce the value of taxation and foster a stronger sense of accountability and trust between the general public and the state.

3. **Institutional Coordination**: In an effort to improve the efficiency and equity in tax administration, the Ghana Revenue Authority (GRA) and the Metropolitan, Municipal, and District Assemblies.

   - GRA and MMDAs should jointly collect and share taxes.
   - Strengthen collaborations with associations in the informal economy.

4. **Equity & Sensitivity**:
   - Design gender-responsive tax policies.
   - Depoliticize taxation to ensure neutrality and fairness in enforcement.

6.0 Summary of Stakeholder Inputs from the Workshop
   - Educate informal sector operators to regulate their activities by registering their businesses.
   - Begin tax education from an early age, targeting children and youth.
   - Promote tax education as a collective, shared responsibility involving all stakeholders.
   - Introduce raffles or incentive schemes for compliant tax operators.
   - Ensure GRA and MMDAs collaborate on tax collection and share proceeds equitably.
   - Incorporate tax education into religious gatherings and community institutions.
   - Depoliticize taxation processes to ensure neutrality and fairness.
   - Adopt an automated tax return system to simplify compliance.
   - Tie government-funded projects visibly to taxes collected from the informal sector.
   - Explain the gap between perceived and actual tax compliance to build clarity and trust.

7. Policy Recommendations

1. **Localize and Simplify Tax Processes**
   - Mobile tax booths in markets and open spaces.
   - Introduce tiered tax rates aligned with income levels.

2. **Digitize Tax Systems**
   - MoMo and USSD-enabled tax platforms.
   - Integrate a taxpayer-friendly mobile app.

3. **Gender-Sensitive Taxation**
   - Train tax officers on gender responsiveness.
   - Introduce policies that offer flexibility for women-led businesses.

4. **Transparency and Trust Building**
   - Run campaigns showing how tax money funds public services.
   - Publish accessible tax dashboards with visual impact.

5. **Community-Based Engagement**
   - Work with market associations and cooperatives for compliance drives.
   - Empower local leaders to champion tax literacy.

8. Conclusion

The Final Validation Workshop validated the central finding: Ghana's informal sector is not tax-averse but is hindered by systemic confusion, poor communication, gender bias, and weak institutional trust. The pathway forward lies in inclusive, tech-driven, locally grounded reforms, especially those that recognize the unique burdens and potential of women and youth in the informal economy. Stakeholders strongly endorsed collaborative, transparent, and digitized systems to close Ghana's tax gap.

APPENDIX D8: GHANA COMMUNITY TAX TRACKER

Ghana Community Tax Tracker:
A Digital Platform for Revenue Transparency and Compliance

1. Introduction

Effective tax collection is foundational to national development, yet challenges such as low compliance, limited transparency, and mistrust often plague tax systems in many developing economies. The **Ghana Community Tax Tracker** is a proposed digital solution developed under the auspices of the **Ghana Revenue Authority (GRA)** to address these challenges. By leveraging modern data analytics, geographic intelligence, and user-friendly interfaces, the platform aims to empower tax authorities, businesses, and citizens alike with real-time insights into revenue collection and compliance across all 16 regions of Ghana.

2. Mission and Purpose

The Ghana Community Tax Tracker is envisioned as a **comprehensive digital platform** designed to:
   - Enhance transparency in tax collection processes.
   - Improve compliance monitoring and enforcement.
   - Build public trust in revenue utilization.
   - Strengthen collaboration between the GRA, businesses, and Ghanaian citizens.

Through the integration of real-time analytics and GPS-based visualization, the platform will provide unprecedented visibility into community-level tax collection data, allowing stakeholders to make informed decisions and track the effectiveness of public finance strategies.

3. Core Benefits by Stakeholder Group

a. For the Ghana Revenue Authority
The platform will serve as an advanced compliance and monitoring tool, offering:
- Real-time revenue tracking across all 16 regions.
- GPS-based compliance mapping for all registered businesses.
- Demographic analytics to inform targeted enforcement strategies.
- Automated penalty calculations and tracking of payment compliance.

b. For Businesses
The Tax Tracker will simplify tax engagement for businesses by:
- Providing a secure portal for digital record keeping and receipt management.
- Clarifying penalty structures and payment deadlines.
- Benchmarking compliance performance by region or industry.
- Supporting accurate and transparent interactions with tax officials.

c. For Ghanaian Citizens
The public-facing dashboard will foster civic trust and awareness through:
- Transparency into how and where tax revenue is collected and used.
- Community-level insights into business tax compliance.
- Tools for understanding the link between taxes and development funding.
- Mechanisms for holding institutions accountable through open data access.

4. Key Features and Capabilities

a. Advanced Analytics
- Real-time revenue monitoring across 320 active tax records.
- Compliance analysis by region, district, and sector.
- Demographic patterns in taxpayer behavior.
- Automated calculations for penalties on late payments.

b. Geographic Intelligence
- GPS mapping of tax collection points and businesses.
- Regional heat maps indicating compliance levels.
- Performance comparisons across districts.
- Revenue tracking at the community level.

c. Export & Reporting Tools
- Customizable CSV exports for detailed analysis.
- Filtering, search, and historical trend tools.
- Compliance leaderboards to rank high- and low-performing communities.
- Data visualization for decision-makers and researchers.

d. Multi-User Access with Role-Based Permissions
- GRA Officials: Full administrative rights and data management.
- Public Viewers: Access to transparency dashboards.
- System Admins: User management and system configuration.
- Role-specific security settings to protect sensitive data.
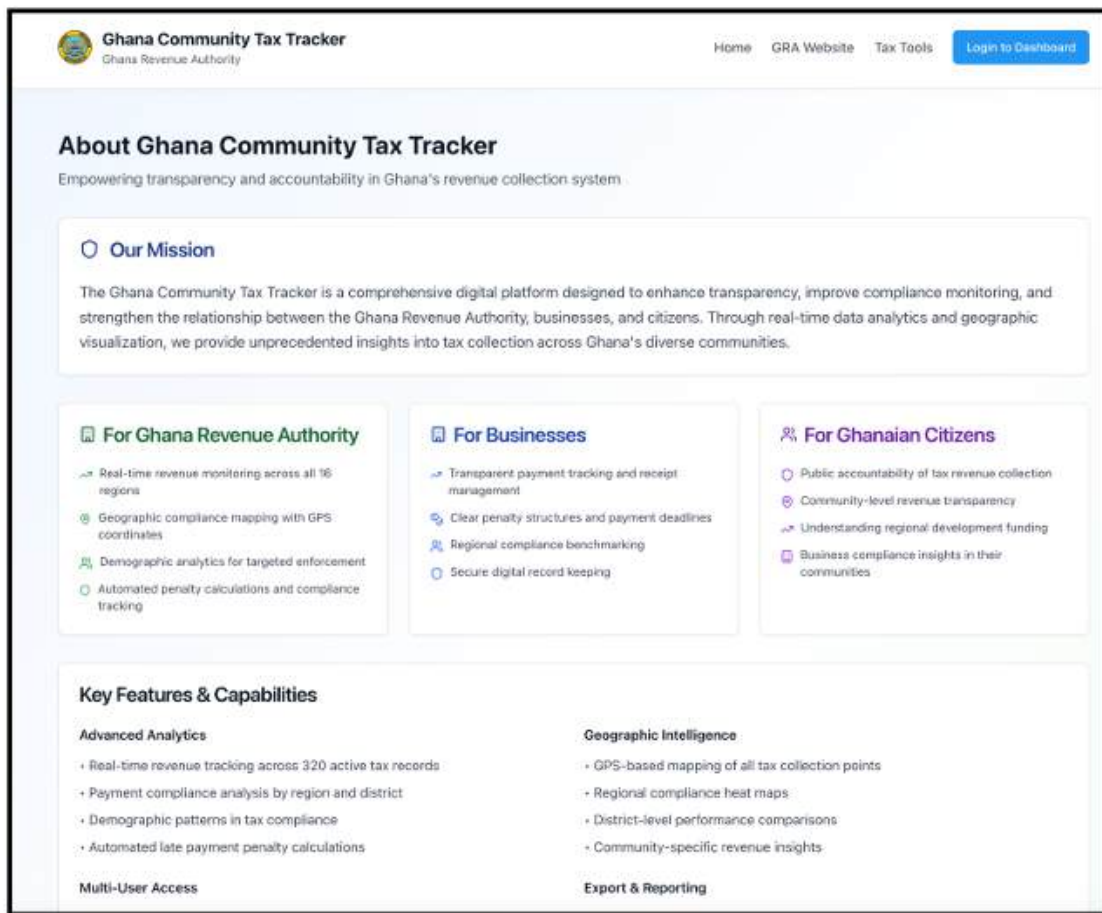
Exhibit 14 Ghana Community Tax Tracker showing the About Page
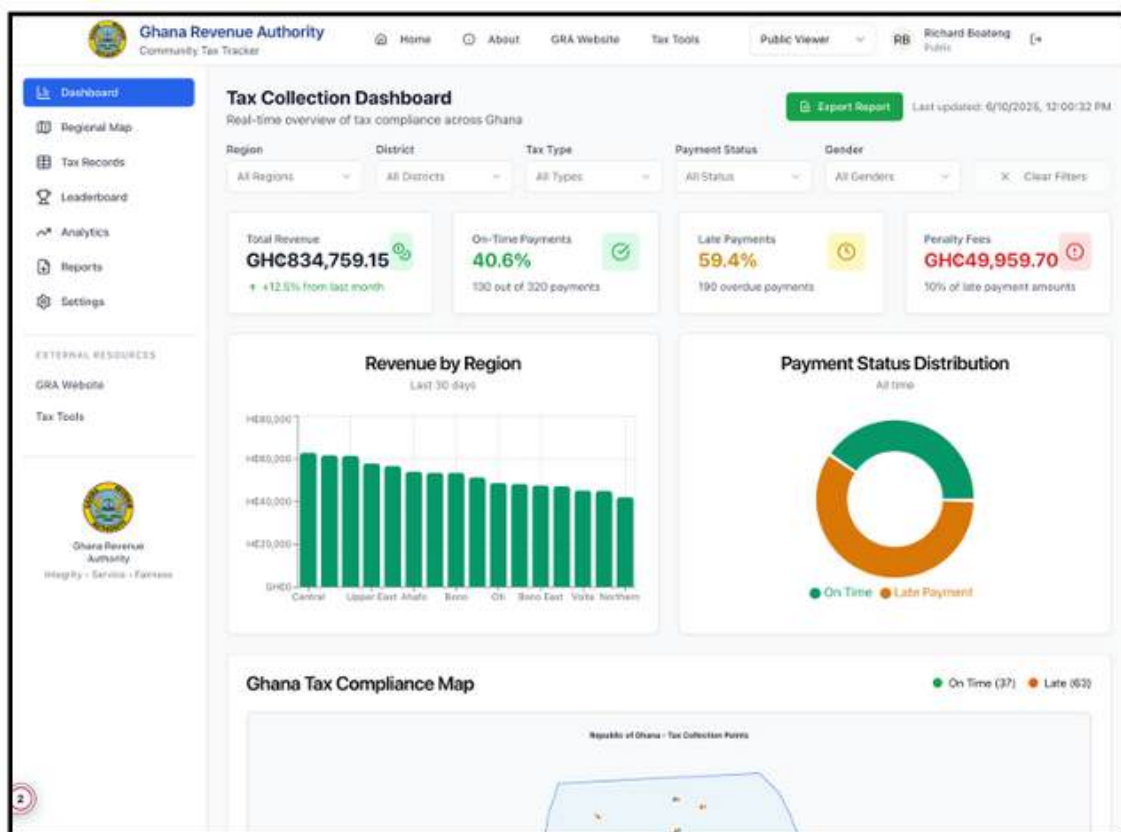

Exhibit 15 Ghana Community Tax Tracker showing the Public Access Dashboard (after authentication)
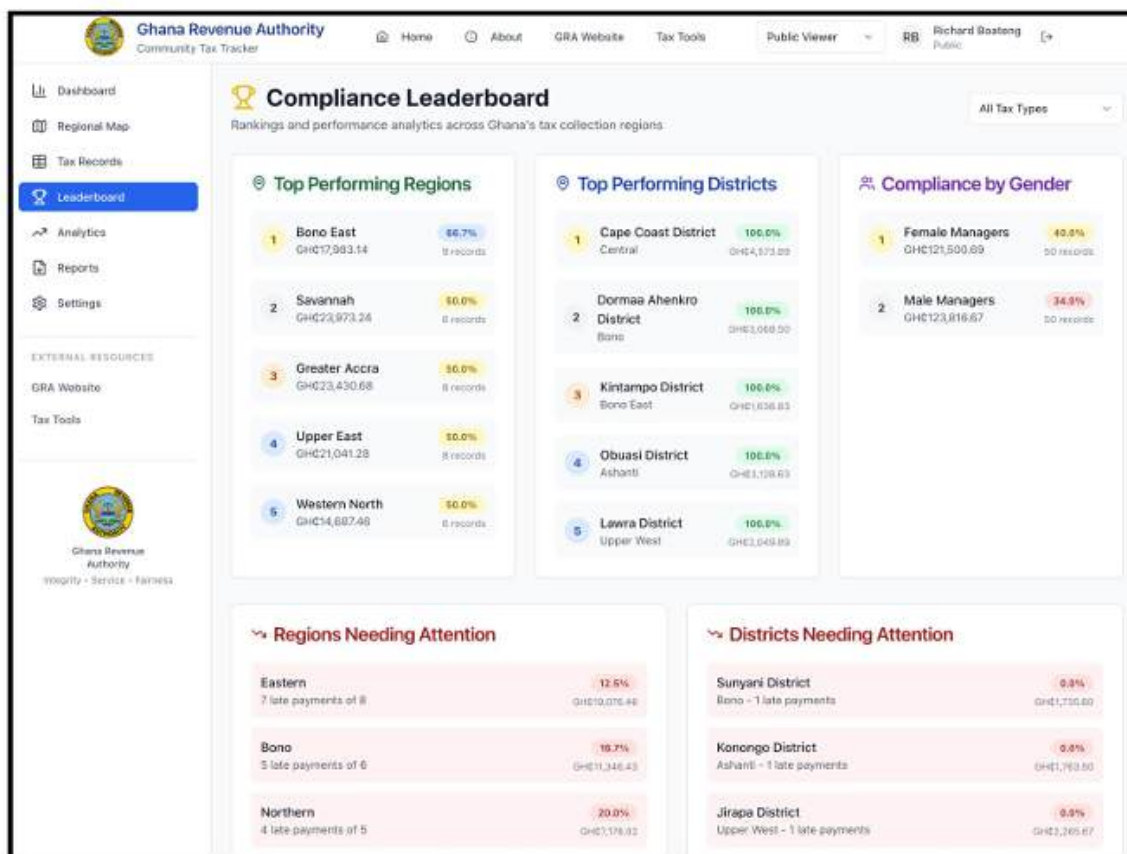
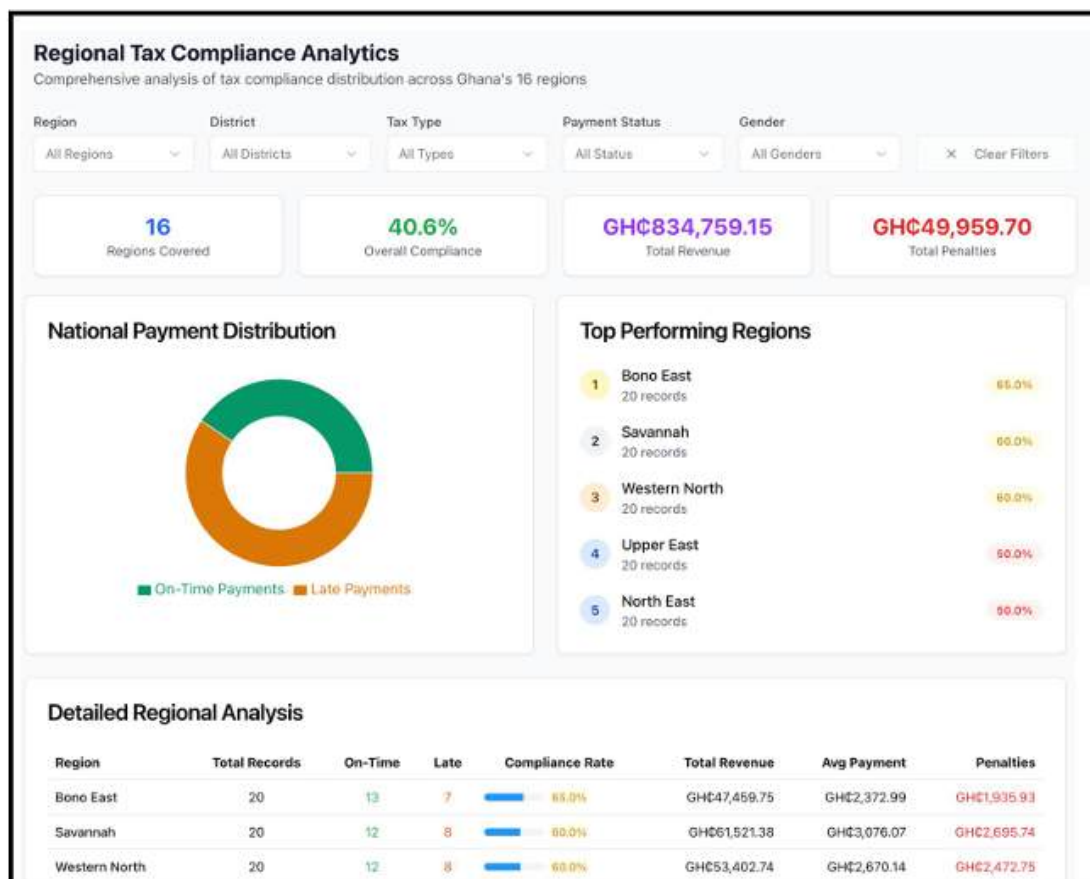Exhibit 16 Ghana Community Tax Tracker showing Compliance Leaderboard

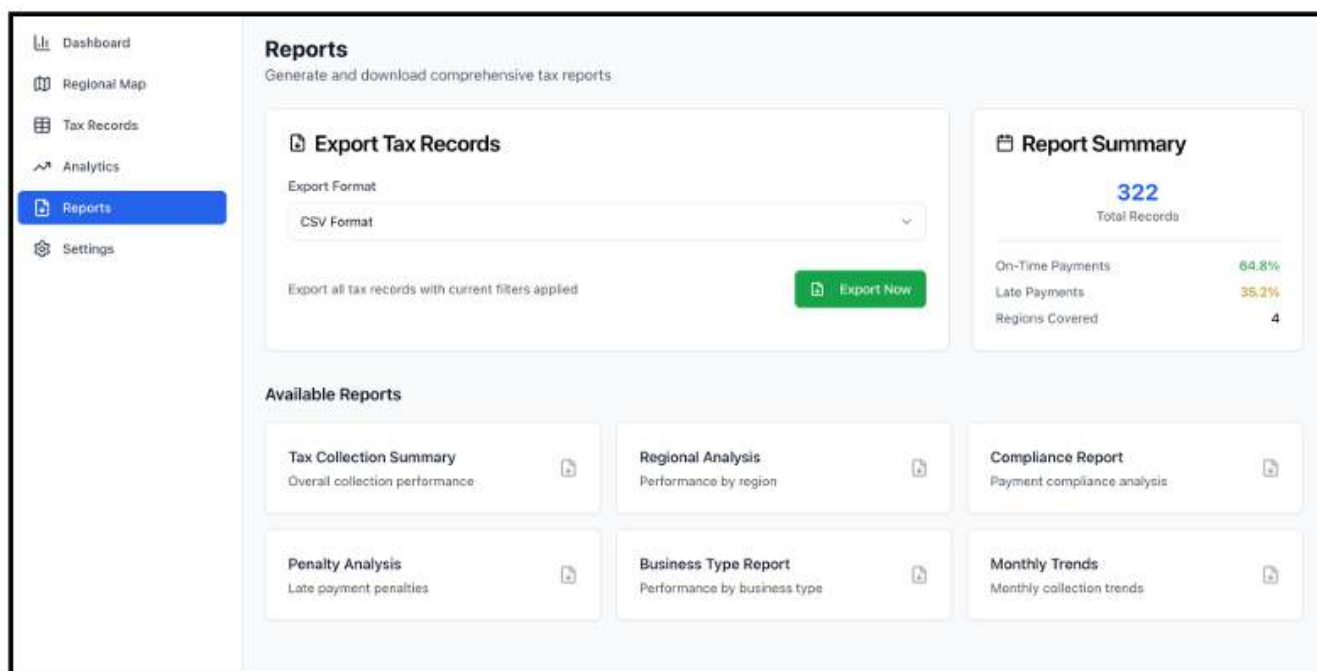Exhibit 17 Ghana Community Tax Tracker showing the Regional Tax Compliance Analytics

Exhibit 18 Ghana Community Tax Tracker showing the Reports (Export) Functionality

5. Example of Functionalities of the Ghana Community Tax Tracker

1. Reports and Data Export

One of the platform's core functionalities is the **Reports Module**, which allows users to generate and download tax-related reports in customizable formats, including CSV files. This feature supports detailed analysis by enabling users to apply filters and extract data relevant to specific periods, tax types, regions, or compliance categories. Users can generate various types of reports such as summaries of overall tax collections, payment compliance, regional or district analyses, and insights categorized by business types or payment timelines.

This module empowers both GRA officials and external stakeholders with the ability to:

- Conduct off-platform analyses.
- Monitor tax performance trends.
- Share data for policy planning and audits.

2. Leaderboard and Compliance Rankings

The **Leaderboard Module** provides a dynamic overview of tax compliance rankings across Ghana's administrative units. It allows users to view and compare performance among regions and districts, helping identify top performers and areas requiring enforcement attention. The system categorizes these insights in real time, promoting a data-driven approach to compliance monitoring.

In addition to geographic comparisons, the leaderboard includes segmentation by gender, offering an analytical lens into how different demographic groups participate in the tax system. This function supports the design of inclusive and targeted tax education campaigns or policy adjustments.

3. Interactive Analytics Dashboard

At the heart of the platform is a **robust analytics engine** that transforms raw tax records into visual insights. Through interactive charts and tables, the dashboard presents patterns in tax payment behaviors, on-time versus late payments, and penalty accumulation. These insights can be viewed nationally or disaggregated by administrative level, enabling stakeholders to assess tax performance at multiple scales.

The analytics tools are particularly beneficial for:
- Spotting systemic issues in payment delays.
- Forecasting revenue trends.
- Guiding responsive enforcement or incentive strategies.

4. Regional and District-Level Performance Monitoring

The platform's **Regional Analysis Module** allows users to drill down into specific regions and districts to evaluate compliance rates, average payments, and the effectiveness of local tax enforcement. It provides a structured interface for regional officers and administrators to understand their jurisdiction's performance and compare it against others.

This capability enables localized decision-making and fosters healthy competition among regions, potentially improving compliance outcomes.

5. User Roles and Accessibility

The platform is designed with **multi-user access controls**, assigning permissions based on role:
- **GRA Officials** can manage records, generate reports, and administer penalties.
- **Public Viewers** can access dashboards to promote transparency.
- **System Administrators** can manage user roles and system configurations.

This layered access model balances security and transparency, allowing both institutional oversight and public accountability.

6. Compliance Tracking and Penalty Insights

An important functionality of the platform is its ability to **track compliance status and automate penalty assessments**. Businesses that miss payment deadlines are flagged within the system, and penalties are calculated based on pre-set rules. This reduces manual intervention, limits errors, and ensures consistency in tax administration.

Additionally, compliance tracking enables the GRA to:
- Monitor defaulters over time.
- Design targeted outreach programs.
- Reduce enforcement costs through automation.

6. Summary

The Ghana Community Tax Tracker represents a forward-looking digital infrastructure that brings visibility, accountability, and intelligence into Ghana's tax system. Its key functionalities—spanning reporting, compliance analytics, regional benchmarking, and automated tracking—position it as a critical tool for fiscal transparency and governance reform. Though currently in its prototype phase, the platform's architecture and design reflect a scalable solution capable of improving tax morale, strengthening institutional trust, and enhancing domestic revenue mobilization across Ghana's diverse communities.

REFERENCES

Anyidoho, N. A., Gallien, M., Rogan, M., & van den Boogaard, V. (2023). Mobile money taxation and informal workers: Evidence from Ghana's E-levy. *Development Policy Review, 41*(5), e12704.

Anyidoho, N. A., Gallien, M., Rogan, M., & van den Boogaard, V. (2025). The Taxed Informal Economy: Fiscal Burdens and Inequality in Accra. *World Development, 187*(December 2024), 1–20. https://doi.org/10.1016/j.worlddev.2024.106879

Appiah, T., Domeher, D., & Agana, J. A. (2024). Tax Knowledge , Trust in Government , and Voluntary Tax Compliance : Insights From an Emerging Economy. *SAGE Open,* (June), 1–13. https://doi.org/10.1177/21582440241234757

Asiedu, E., Chuqiao, B., Pavelesku, D., Sato, R., & Tanaka, T. (2017). Income Tax Collection and Noncompliance in Ghana. *Ghana Policy Brief,* World Bank, Washington, DC.

Atuguba, R. (2021). Tax Culture: Perspectives from an African State. *American Journal of Trade and Policy, 8(*1), 25-58.

Chen, M. A. (2012). The Informal Economy: Definitions, Theories and Policies. WIEGO Working Paper No. 1, https://www.wiego.org/wp-content/uploads/2019/09/Chen_WIEGO_WP1.pdf

Danquah, M., & Osei-Assibey, E. (2016). *Informality and the tax gap: a case of non-farm enterprises in Ghana.* International Growth Centre (IGC) Working Paper. S-33206-GHA-1. London, UK.

Fjeldstad, O. H., & Heggstad, K. (2012). Building taxpayer culture in Mozambique, Tanzania and Zambia: Achievements, challenges and policy recommendations. Bergen: Chr. Michelsen Institute (CMI Report R 2012:1)

Forkuor, J. B., Buari, M. A., & Aheto, C. K. A. (2020). Breaking barriers: The experiences of women in male dominated informal sector occupations in urban Ghana. *Gender Issues, 37*(1), 25-43.

Gioia, D. A., Corley, K. G., & Hamilton, A. L. (2012). Seeking Qualitative Rigor in Inductive Research: Notes on the Gioia Methodology. *Organizational Research Methods*, *16*(1), 15-31. https://doi.org/10.1177/1094428112452151 (Original work published 2013)

Good Governance Africa (GGA). (2023). *Integrating Ghana's Informal Sector for Growth & Development*. Accra.

Grown, C., & Valodia, I. (2010). *Taxation and gender equity: a comparative analysis of direct and indirect taxes in developing and developed countries*. Routledge.

Information Technology and Innovation Foundation. (2025, February 27). *Kenya's digital tax policy*. ITIF. https://itif.org/publications/2025/02/11/kenya-digital-tax-policy/

International Centre for Tax and Development. (2023, September 13). Tax e-Services in Rwanda: Uptake, Impacts and Shifts after COVID-19 - ICTD. ICTD. https://www.ictd.ac/project/tax-e-services-in-rwanda-uptake-impacts-and-shifts-after-covid-19/

International Centre for Tax and Development (ICTD) (2024) Taxing Informal Economies: Practices, Challenges, Ways Forward, ATAF-ICTD Policy Paper, ATAF and ICTD (accessed 30 January 2025).

International Labour Organization Statistics. (2021). Statistics on the Informal Economy. Retrieved from ILOSTAT website: https://ilostat.ilo.org/topics/informality/

Joshi, A., Prichard, W., & Heady, C. (2014). Taxing the Informal Economy: The Current State of Knowledge and Agendas for Future Research. *The Journal of Development Studies, 50*(10), 1325-1347. https://doi.org/10.1080/00220388.2014.940910

Koomson, T. A. A., Bekoe, R. A., & Owusu, G. M. Y. (2025). Perceptions of government performance and willingness to pay tax in Africa. *Accounting Research Journal, 38*(1), 106-121.

Owusu, G. M. Y., Bekoe, R. A., & Mintah, R. (2021). Predictors of tax compliance intentions among self-employed individuals : the role of trust , perceived tax complexity and antecedent-based intervention strategies. *Small Enterprise Research*, *0*(0), 1–22. https://doi.org/10.1080/13215906.2021.1989622

Peprah, C., Peprah, V., & Ocloo, K. A. (2023). Improving the socio-economic welfare of women through informal sector activities in Ghana. *Environment, Development and Sustainability, 25*(4), 3005-3028.

Prichard, W. & Bentum, I. (2009). *Taxation and Development in Ghana: Finance, Equity and Accountability.* University of Sussex.

Pritchett, L., Woolcock, M., & Andrews, M. (2010). *Capability Traps? The Mechanisms of Persistent Implementation Failure,* Working Paper 234 (No. 234). Center for Global Development

STATSBank Ghana. (2024). Informal Sector Employment of Population 15 Years and Older by Sex, Age, Locality, Region and Education, Employment Status. Retrieved from Annual Household Income and Expenditure Survey (AHIES) website: https://statsbank.statsghana.gov.gh/pxweb/en/Annual Household Income and Expenditure Survey (AHIES)/-/informality.px/

van den Boogaard, V., Prichard, W., Beach, R., & Mohiuddin, F. (2022). Enabling tax bargaining: Supporting more meaningful tax transparency and taxpayer engagement in Ghana and Sierra Leone. *Development Policy Review,* *40*(1), e12543.

GHANA'S UNTAPPED ECONOMY

Analysis of Tax Compliance Behaviour of Informal Sector Workers in the Greater Accra Region

budgiT
GHANA

SWIT

International Budget Partnership