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Antecedents of Tax Compliance of Small Business Enterprises: a developing country perspective

Abstract

Purpose - The purpose of this study was to investigate the contribution of attitude towards electronic tax system, adoption of electronic tax system and isomorphic forces to tax compliance of Small Business Enterprises in a developing country in a single study.

Design/ methodology - This study is cross sectional and correlational. Data were collected through a questionnaire survey of 214 owner managed Small Business Enterprises in Uganda through their managers. Data were analyzed using Statistical Package for Social Sciences.

Findings – Attitude towards electronic tax system, adoption of electronic tax system and isomorphic forces significantly contribute to tax compliance to the extent of 57.4%. Isomorphic forces has a high predictive power of tax compliance as compared with attitude towards electronic tax system. Further, coercive, normative and mimetic isomorphism as constructs of isomorphic forces are significantly associated with tax compliance.

Research limitations / implications– Given that this study was cross sectional, monitoring changes in behaviour over time was not possible. The results are useful for policy makers and tax payers in developing countries. These results can also be generalized to other developing countries especially those in Africa and other continents dominated by developing countries.

Originality / Value–To the researchers' knowledge, this is the first study to examine the contribution of attitude towards electronic tax system, adoption of electronic tax system and isomorphic forces to tax compliance of small business enterprises in a developing country in a single study on the African scene.

Key words– Attitude towards electronic tax system, Adoption of electronic tax system, Isomorphic forces, Theory of reasoned action, Institutional theory, Technology Acceptance Model

Paper type– Research paper

1. Introduction

In this paper, we report the results of a study carried out to investigate the contribution of attitude towards electronic tax system, adoption of electronic tax system and isomorphic forces to tax compliance of Small Business Enterprises in a developing country in a single study. Tax compliance is critical for nations around the world because of governments' unstoppable search for revenue to improve service delivery (Musimenta et al., 2017; Andreoni et al., 1998, Ritsatos, 2014; Ibrahim, Musah and Abdul-Hanan, 2015; Armah-Attoh and Awal, 2013; Cerqueti and Coppier, 2009; Gohou and Soumare, 2012). Tax revenues provide governments with the funds needed to invest in development, dismiss poverty, deliver public services and build the physical

and social infrastructure for long-term growth (Nkundabanyanga et al., 2017; Ibrahim et al., 2015; OECD, 2010). Osundina and Olanrewaju (2013) state that taxation is a key player in every society of the world because it is a chance for government to collect revenue needed in satisfying its pressing obligations. Further, Dennis and Emmanuel (2014) argue that revenue generation through taxation has a significant contribution on Gross Domestic Product (GDP) and to be able to raise government revenue, taxpayers need to comply and pay the correct amount on time (Jayawardane, 2016). According to Jayawardane (2016), tax compliance is of paramount importance for governments to provide public goods and reallocate wealth. Ritsatos (2014) further argues that there is marked increase in the importance of tax compliance with countries having a debt crisis in the global economic environment while Ibrahim et al (2015) suggested that, tax revenue sustains economic development and finances both social programmes and infrastructure investment. Thus mobilization of tax revenues through taxation of all economic agents is the most important way government can provide public services (Ndekwa, 2014) and Small Business Enterprises (SBEs) are one of such economic agents.

In Uganda, Small Business Enterprises employ approximately 2.5million, contribute about 75% of the country's GDP and constitute approximately 90% of the private sector (Hatega, 2007). With all their significance, studies have shown that non-tax compliance is still evident among Small Business Enterprises (SBEs) (Kasipillai and Abdul Jabbar, 2006). All these Small Business Enterprises fall under the presumptive tax system yet during the field inspection of businesses in central and western Uganda, it was noted that businesses that fell under the presumptive tax bracket did not pay taxes to Uganda revenue authority (URA) (Auditor General report, 2015). The failure to comply with tax laws according to the theory of reasoned action (TRA) as advanced by Ajzen and Fishbein (1980) may be attributed to one's attitude towards tax compliance. The institutional theory which is based on the key idea that the adoption and retention of many organizational practices are often more dependent on social pressures for conformity and legitimacy than on technical pressures for economic performance (Kessler, 2013; DiMaggio and Powell 1983). In the context of this study, isomorphism is a key determinant of tax compliance in SBEs. In Uganda, filing of returns is made online but this can be possible when the entity filing returns has embraced the electronic tax system. According to the Technology Acceptance Model as proposed by Davis et al. (1989) suggests that one's belief in the use of information technology will enable its adoption and in the context of this study, will improve tax compliance.

Despite the significance of taxation and several tax reforms such as tax education and online tax services, non-tax compliance is still a challenge (Terkper, 2003) and this has led to an emergent interest by many researchers to find out why such tax compliance behaviours exist in Small Business Enterprises (Nkwe, 2013; McCoon, 2011; Merina, 2013; Musimenta et al. 2017; Ndekwa, 2014). However, none of the above studies has examined the contribution of attitude towards electronic tax system, adoption of electronic tax systems and isomorphic forces to tax compliance in a single study on the African scene. According to Nkwe (2013) findings, tax payer's attitude could be responsible for the compliance behaviours in Botswana. Similarly Chan et al. (2000) found that Hong Kong taxpayers have low promising attitude towards electronic tax (e-tax) system which results into lower level of tax compliance. Additionally, findings by Akbar (2014) suggest that positive evaluations such as convenience in terms of time, place and limited movements to the tax authority premises lead to the adoption of e-tax system which improves tax compliance among taxpayers. McCoon (2011), Mulligan and Lynne (2011) and Merima (2013) and later supported by Musiimenta et al. (2017) studies also suggest that isomorphic forces such as societies having greater respect for the law, instilling a spirit of professionalism and mimicking compliance behaviours improve tax compliance among tax payers. Kasipillai et al. (2006) and Doran, (2009), listed enforcement component factors (such as penalty, audit, and tax rates) as having a great impact on tax compliance behaviours. However, other researchers argue that tax compliance cannot entirely be explained by enforcement component factors (Elffers, 2000; Torgler 2002) and thus, in this study, we examine the contribution of attitude towards electronic tax system, adoption of electronic tax system and isomorphic forces to tax compliance among Small Business Enterprises in developing countries using evidence from Uganda. This is done through a questionnaire survey of 214 SBEs that are owner managed. Results suggest that attitude towards electronic tax system, adoption of electronic tax system and isomorphic forces are better placed to explain tax compliance of Small Business Enterprises.

The findings of this study are important for a number of reasons. Government through tax authorities may wish to improve tax compliance by sensitizing tax payers about the benefits of electronic tax systems which may positively change tax payers' attitude towards electronic tax system and embrace the system and thus tax compliance. The Ugandan Government made a move to introduce electronic tax system to ease tax payment but still, there are high levels of non-tax compliance as echoed by Hutton, Thackray and Wingender (2014) whose report indicates an

estimated VAT noncompliance levels for Uganda being significantly higher than those that have been estimated for countries at comparable income levels in recent years. Further, given that previous studies call for further studies on tax compliance especially on the African scene (see Musimenta et al., 2017; Mohdali and Pope, 2014), our study adds to the existing literature on what could explain tax compliance in a developing country.

The rest of the paper is organized as follows. The next section is literature review. In this section, the characteristics of Small Business Enterprises are explored and the theories informing our study are discussed. A review of existing literature is done to arrive at the hypotheses. The next section is methodology where the research design is outlined and this is followed by the results section. Discussion of results then follows and finally summary and conclusion.

2. Literature review

"Tax compliance refers to fulfilling all tax obligations as specified by the law freely and completely, or the degree to which a taxpayer complies or fails to comply with the tax rules of their country (Musimenta et al., 2017; Braithwaite, 2009)".

Further, Tax compliance is defined as an act of fulfilling all the tax obligations as stated by the law willingly and fully (Marti, 2010). Singh, (2003) also defines tax compliance as an act of lodging the Income Tax return form, stating all the taxable income truthfully, and paying all the tax obligations within the specified period minus having to wait for the authority for any follow-up actions. Similarly Brown and Mazur, (2003) argue tax compliance in terms of payment, filing and reporting. Theoretically, the views of the taxpayers and tax collectors are that tax compliance means observing the tax laws, which differ from one country to another (Chepkurui et al 2014). This study adopts the definition of tax compliance as that suggested by Musimenta et al (2017) and Braithwaite (2009).

Overview of Small Business Enterprises

The definition of small businesses varies from one country to another and from one industry to another, there is no universally accepted definition (Orobia et.al, 2013). However, the most common measures used include number of employees, annual turnover, industry, ownership and value of non-current assets (Agyei-Mensah, 2011). According to Ministry of Finance, Planning and Economic Development (MFPED), (2015) a Micro Enterprise is an enterprise employing up to four people, with an annual turnover of 12 million Uganda shillings, a Small

Enterprise one employing between 5 and 50 people, with an annual sales/revenue turnover of 360 million Uganda Shillings whereas a Medium Enterprise is an enterprise that employs more than 50 people with an annual sales turnover or assets of between 360 million and 30 billion Uganda shillings. However, for the purpose of this research, Small businesses are enterprises that employ 1 to 50 people and make an annual gross turnover not exceeding UGX.150, 000,000 (URA, 2016). Small business enterprises play a crucial role in encouraging mass economic growth and reasonable sustainable development (Pelham 2000). According to Wangui, Njeru and Ondabu, (2014) Small business enterprises are viewed as a key driver of economic and social development in the African context. They represent a large number of businesses in a country, generate much wealth, provide employment and are widely considered to be vital to a country's competitiveness in terms of revenue generation. Hatega, (2007) also urges that in Uganda Small business enterprises constitute 90% of the private sector contributing 75% of GDP and creating employment estimated at 2.5 million, improving standards of living and ensuring social and political stability. Previous taxation studies argue that tax compliance among several small business enterprises in developing economies is still low in spite of major reforms (James, Barbour & Stern, 2007; Ayoki, 2007; Terkper, 2003). This is because SBEs conveniently find their way out of the tax collectors' net, because the costs of administration would surpass the potential tax revenue collected from them (Gauthier & Reinikka, 2001). With this problem accompanied with the complex taxation systems, led to the introduction of the presumptive tax system to simplify income tax collection and widen the income tax base in Uganda (Sserwanga, 2009).

Theoretical framework

In this study, we employ the theory of reasoned action, institutional theory and technology acceptance model. In the past, the theory of reasoned action has been used by a number of researchers to explain ones' behaviour (see Lujja et al., 2016). The theory of reasoned action (TRA) is more appropriate for this study since it tight fists ones' behaviour using the constructs of attitude, social norms and behavioural intention to adopt a given product. Given that this study employs attitude towards electronic tax system, adoption of electronic tax system and isomorphic forces as possible explanations of tax compliance, this theory remains core. Also, the TRA is the well-known social–psychological attitude– behaviour model which incorporates external factors (normative beliefs) on intention to adopt an obvious behaviour (Lujja et al., 2016; Prager, 2012)

like tax compliance. The study further employs institutional theory because of its capacity to explain why organizational practices depend on other institutions in the same industry or locality (Musimenta et al., 2017). Such practices according to Musimenta et al. (2017) include the legal system (coercive forces), other organizations (mimetic forces) and cultural and professional norms (normative forces). Finally, the Technology Acceptance Model (TAM) was employed in this study due to its capacity to explain and predict user behaviour on information technology (Lai et al., 2004).

The Theory of Reasoned Action. The theory of reasoned action (Fishbein & Ajzen, 1975; Orobia et al., 2016) is a theory that assumes individuals make rational decisions pertaining to their actions and this means that for every behaviour, there must be an intention to perform that behaviour. In that regard it therefore follows, the higher the behavioural intention, the greater will be the probability of performing the behaviour in question (Gumel et al., 2015). The TRA model uses two major factors that are contributing to behavioural intention which are the attitude towards the behaviour and subjective norm. According to Ajzen and Fishbein, (1980), in order to gain deeper understanding of the factors influencing behaviour, it is required to look into beliefs that individuals hold about themselves and their environment. Therefore, beliefs are viewed as underlying a person's attitude and subjective norm, and ultimately determine the intention and behaviour to accept or reject the subject matter (Taib, et al., 2008). According to Ajzen and Fishbein (1980), Theory of reasoned action, attitude relates to one's own personal views about a behaviour. Attitude may also be defined as positive or negative views of an "attitude object" that is to say a person, behaviour or event. In relation to taxation, taxpayers' attitudes are the positive or negative views towards tax compliance behaviour. The outcomes of positive views are tax compliance and negative views are tax non-compliance (Nkwe, 2013). These views may be explained by taxpayers' perceptions of the electronic tax system (Ambrecht, 1998), tax payers' understanding of the usefulness and the ease of use of an electronic tax system (Davis et al., 1989). If a taxpayer has a positive attitude towards electronic tax systems, it is likely that tax compliance will improve.

Institutional Theory. The institutional theory which is based on the key idea that the adoption and retention of many organizational practices are often more dependent on social

pressures for conformity and legitimacy than on technical pressures for economic performance (Kessler, 2013; DiMaggio and Powell 1983). The institutional theory is the most influential theory in recent decades addressing issues of institutional development (DiMaggio and Powell 1983; Meyer and Rowen 1977). This theoretical approach was developed in connection with the study of organizations (DiMaggio and Powell 1983), but has since been expanded to cover the analysis of institutional change (Meyer and Rowen 1977). The institutional theory suggests that organizations respond to pressures arising from both their external and internal business environments and adopt structures and practices that are accepted as appropriate organizational choices and considered legitimate by other organizations in their fields (DiMaggio and Powell 1983, Meyer and Rowan 1977). Similarly, Hoffman (1999) urges that institutional theory deals with how organizations are affected by external and internal forces which locate beyond their own control. These forces cause them to adopt similar structures and practices. Hence over time, the organizations tend to become similar or isomorphic (Hoffman, 1999; Meyer and Rowan, 1977; Scott, 2007). However institutional isomorphism is a useful tool for understanding events that encompass organizational life (Di Maggio and Powell 1983) such as tax compliance among SBEs. According to Mizruchi and Fein (1999) firms constantly aim at maintaining and increasing legitimacy through agreeing with pressures that arise from their institutional environment. These pressures could be classified into three types that guide organizations toward isomorphism, namely coercive pressure stemming from power exerted by the tax collecting arm of the state, mimetic pressure arise from mimicking tax compliance behaviours of successful competitors, peers and collaborators in the uncertain environment (Dingwerth and Pattberg, 2009) and normative pressure which describes the effect of cultural beliefs, professional standards and the influence of professional communities on organizational characteristics (Ashworth et al., 2007). Strengthening isomorphic forces compelled taxpayers to fulfill their tax obligation and hence do away with tax evasion tendencies. This affirms literature by other researchers for example, the results of the study on tax compliance by McCoon (2011) indicated a strong correlation between various aspects of a country's culture and the extent of tax evasion within Latin America.

Technology acceptance model. Technology acceptance model (TAM) was originally proposed by Davis in 1986. TAM, a theoretical model was developed to help explain and predict user behaviour on information technology (Lai et al., 2004). TAM is considered an influential

extension of the Theory of Reasoned Action (TRA) (Ajzen and Fishbein, 1980). Davis (1989) and Davis, Bagozzi, and Warshaw (1989) proposed TAM to explain why a user accepts to use or rejects to use information technology(IT) by adapting TRA. Carter and Belanger (2004) as cited in Shajari and Ismail (2010) highlighted that Technology Acceptance Model (TAM) as used by many researchers especially in information systems to achieve a better understanding of IT adoption and its success in organizations. However TAM has proven to be a strong and robust framework to clarify adoption pattern of users (Shajari and Ismail, 2010). Chuttur (2009) admitted that several studies found significant statistical results for the high influence of attitude on behavioural intention to use a specific system and these studies provided a strong evidence to support TAM as a model for predicting systems usage behaviour. Furthermore, TAM provides a basis with which belief or attitude to use an electronic tax system enhances adoption of an electronic tax system which affects tax compliance behaviours among SBEs.

Attitude towards electronic tax system and tax compliance

Attitude towards electronic tax system refers to the degree to which a taxpayer has favourable or unfavourable evaluation towards use of the electronic tax system (Ajzen and Fishbein, 1980). Tax payment is a compulsory duty for every citizen in a given country (Nkwe, 2013). It is therefore expected that every citizen voluntarily complies to this cause though it is not the case with some citizens (Nkwe, 2013). Several researchers' findings indicate that there is relationship between attitude towards electronic tax system and tax compliance (Kiringa and Jagongo, 2017; Ondara, Kimani and Kwasira, 2016; Maisiba and Atambo, 2016; Al- Debei and Akroush, 2015; Akello, 2014 and Chan et al., 2000). Findings by Kiringa and Jagongo (2017) indicate that there is a strong relationship between the perception towards online tax filing in terms of ease and simple to file and also the system being secure and tax compliance. This means that a unit increase in perceptions or attitudes towards online tax filing would lead to increase in tax compliance among medium and small enterprises in Kibwezi sub county in Kenya. Furthermore, Ondara et al. (2016) suggest that there is a strong relationship between attitude towards electronic tax system and tax compliance. Also, Chan et al. (2000) found out that Hong Kong taxpayers have low promising attitude towards electronic tax system which results into lower level of tax compliance. Kiringa and Akroush (2015) also propose that consumer attitudes towards online system is positively and directly affected by trust and perceived website reputation this implies

that if taxpayers perceive or evaluate the e-tax system to be secure they will trust the system and will have favourable attitudes towards the e-tax system leading to tax compliance. Maisiba and Atambo (2016) however noted that electronic filing system is still a problem to many tax payers because of the many features on the web portal yet tax terms are not easily understood by small business owners since most of them are illiterate which affects their compliance behaviours. The foregoing discussion indicate that, positive attitude towards electronic tax system will improve tax compliance and in this study, we try to re affirm that:

> H_1: *There is a positive relationship between attitude towards electronic tax system and tax compliance*

Adoption of electronic tax system and tax compliance

Much as the new e-tax system payment in Uganda has become easy and simple, it is still only used by the large companies and small companies not connected electronically are still finding it difficult to pay taxes (Asianzu and Maiga, 2012). In their study, Maisiba and Atambo (2016) found that taxpayers of Uasin, Gishu County, Kenya are not comfortable using the e-tax system than the old manual tax system because tax payers prefer last minute compliance. Findings by Haryani et al. (2015) suggest that adoption of e-tax systems is voluntary in India, their findings suggest that voluntary adoption through taxpayers' e-filing of the tax return and e-payment increases tax compliance. Similarly, the results of the study on tax compliance by Muturi (2015) indicate that there is a strong positive correlation between adoption of e-tax system through online tax registration, online tax return filing, online tax remittance and tax compliance among small taxpayers in Meru County, Kenya. This implied that government would be able to raise more revenues if small business enterprise taxpayers adopt the electronic tax system. Contrary, Maisiba and Atambo (2016) findings suggest that tax payers in Kenya felt uncomfortable using electronic tax system as compared to the old manual system. They further found that taxpayers that evaluate electronic filing system as not easy to use do not adopt it which affect tax compliance. Given that previous studies confirm that adoption of electronic tax system improves tax compliance, we hypothesize that:

> H_2: *There is a positive relationship between adoption of electronic tax system and tax compliance.*

Isomorphic forces and tax compliance

   Barley and Tolbert (1997) argue that isomorphic forces support organizations in attainment of legitimacy which is important for their survival. Researchers have found out a relationship between isomorphic forces and tax compliance (Musimenta et al., 2017; Devos, 2012; McCoon, 2011; Bergman, 2002 and Galaskeiwicz and Wasserman, 1989). Findings by Musimenta et al. (2017) indicate that there is a strong relationship between isomorphic forces and tax compliance and this implies that, strengthening isomorphic forces compels tax payers to fulfill their tax obligations and hence do away with non-tax compliance behaviours. Devos (2012) in his study also found a significant relationship between tax professionals and compliance behaviours of tax payers, meaning employing tax professionals would improve tax compliance among tax payers. Similarly, findings by Bergman (2002) further supported by McCoon (2011) indicate that in Latin America there is a strong influence of social and cultural values on voluntary tax compliance within the country. Further, Galaskiewicz and Wasserman (1989) indicate that organizations are likely to model tax compliance behaviours of organizations they perceive to be more successful and legitimate than them and this means that tax compliant organizations play a big role in modelling compliance behaviours of organizations in their industry.

   In their study, Edelman and Suchman (1997) suggested that multiple isomorphic forces are more felt when operating together than in isolation especially in understanding external forces that affect ones' behaviour towards tax compliance. The implication of such a finding is that if society considers tax noncompliance as an acceptable norm, then it is likely that tax noncompliance will prevail. Further, Matten and Moon (2008) suggest that mimetic pressures can result in the adoption of practicing what other organizations are doing in regards to compliance. Societies which have greater respect for the law and are more law abiding appear to have less tax evasion and are therefore able to generate more tax revenue than those societies which are less law abiding (Musimenta et al. (2017). So, companies in the same industry or of the same size are likely to mimic others to comply with taxes. In this study, we reaffirm this position by hypothesizing that:

  H₃: There is a positive relationship between isomorphic forces and tax compliance

3. Methodology

Research Design, population and sample

This study's research design is cross sectional and correlational. The study population as extracted from the Uganda Revenue Authority (URA) internal revenue report 2015/16 Mbarara branch comprised of 698 Small Business Enterprises (SBEs) registered for tax purposes in Mbarara. Mbarara is the second largest commercial town of Uganda and with the highest number of small business establishments in western Uganda that is to say 17 percent (UBOS, 2011). Uganda is divided into 4 regions that is to say, western, northern, eastern and central. Western Uganda is second to central Uganda in terms of business establishments (UBOS, 2011). Basing on the population of 698, a sample size of 242 SBEs was determined using the Krejcie and Morgan (1970) Table of sample size determination. Simple random sampling method was used to select SBEs for the study. The rotary method of simple random sampling was used to select the 242 SBEs. The unit of analysis was the manager of the firm. Of the 242 SBEs, usable questionnaires were received from 214 respondents representing a response rate of 88%. The higher response rate is as a result of the ample time given to respondents. Majority of the respondents were male 53% while 47% were female. Further, majority of the Small Business Enterprises are owned and managed by age group that ranges from 30 to 40 years (about 39 %), followed by those who are below 30 years (about 38%) and age group 52years and above (about 4%). Diploma holders were the most respondents showing 30.3% response rate followed by certificate holders with 25.9%, 22% were bachelor degree holders and least level of education was the non-educated (2%). Most of the respondents had owned or managed small businesses for a period between 6-10 years (46.6%), this was followed by 33.1% of the respondents, and these had spent 1-5 years, and the least were businesses which had spent above 15 years.

The Questionnaire and variables measurement

Primary data was collected from respondents using a self-administered questionnaire where anonymity condition was adhered to in order to maintain confidentiality so as to get substantial information. We used the questionnaire because of its appropriateness in terms of data collection from a large group of respondents at a low cost, within little time and using less energy (Sekaran, 2003). A questionnaire may be open answer or closed answer format. The open-answer system allows and encourages respondents to give their opinion fully and with as much nuance as they are capable (Sudman and Bradburn, 1982; Bananuka et al., 2018). However, we considered

this approach inapplicable in this research because of the intention to calculate the mean ratings of the extent of agreement with each statement; in the alternative, we considered a closed-answer format which is easier to analyse (Sudman and Bradburn, 1982; Bananuka et al., 2018). The questionnaire was designed according to the study hypotheses and variables employed in this study (see Table I). A six (6) point Likert scale was used because an even Likert scale enables the researcher to extract exact information from the respondents on situations they have already experienced.

[Insert Table I about here]

Validity, Reliability, factorability and parametric tests

We tested for validity and reliability using the content validity index and Cronbach alpha. Validity determines whether the research instrument truly measures that it was intended to measure or how truthful the research results are (Golafshan, 2003: p.599). Field (2009) categorizes validity as criterion validity and content validity. The Content Validity Index was used to test the relevance and clarity of the questions. The instrument was given to 2 academicians, 2 practitioners and any other knowledgeable person to ascertain the relevance and clarity of the questions. The overall content validity index was 0.857. Reliability is the ability of a measure to produce consistent results when the same entities are measured under different conditions (Field, 2009) and once the Cronbach's alpha coefficient is above 0.70, the instrument is considered reliable (Cronbach, 1951). For this study, the Cronbach alpha coefficients of all the study variables were above 0.70.

To further test for reliability and validity, we ran factor analysis. Factor analysis was run basically to find out how much of the variance present in the data is common variance. Exploratory factor analysis was used to have those factors that explain better the study constructs through data reduction. Exploratory factor analysis was done by running a rotated component matrix thereby reducing the questions to those that are more relevant to the study variables. Before running factor analysis, we assessed the suitability of the data for factor analysis based on sample size adequacy, the Keiser-Meyer-Olkin (KMO) and Bartlett tests. The KMO and Bartlett's (1954) test of sampling adequacy was computed to ensure that factor analysis yields different and reliable factors (Kaiser, 1974). Field (2009) explains that KMO and Bartlett tests values range from 0 to 1. The following criteria is used to assess and describe the sampling adequacy. Below 0.5 = unacceptable, 0.5 to 0.7 = Mediocre, 0.7 to 0.8 = Good, 0.8 to 0.9 = Great and above 0.9 = Superb (Field, 2009; Hutcheson

and Sofroniou, 1999 and Kaiser 1974). The results show that the KMO values for the predictor and outcome variables are all above 0.5 which is acceptable (Field, 2009). Bartlett's test of sphericity in all scales also reached statistical significance that is to say significant value was 0.000 for each scale (see Appendix I - IV).

We further test for multicollinearity and we find that there are no multicollinearity problems since Durbin Watson test is 1.776. The Durbin–Watson test tests for serial correlations between errors (Field, 2009). Specifically, it tests whether adjacent residuals are correlated. The test statistic can vary between 0 and 4 with a value of 2 or close to 2 meaning that the residuals are uncorrelated. A value greater than 2 indicates a negative correlation between adjacent residuals, whereas a value below 2 indicates a positive correlation. The size of the Durbin–Watson statistic depends upon the number of predictors in the model and the number of observations. Multicollinearity exists when there is a strong correlation between two or more predictors in a regression model (Field, 2009). Multicollinearity poses a problem only for multiple regression because simple regression requires only one predictor. Field (2009) recommended that tolerance values below 0.1 indicate a serious multicollinearity problem and tolerance values below 0.2 indicate a potential problem. Variance Inflation Factor (VIF) is another measure of multicollinearity and it indicates whether a predictor has a strong linear relationship with other predictor(s). Myers (1990) suggests that a value of 10 is a good value at which to worry. For this study, the VIF values are all below 10 and the tolerance statistics are above 0.2. Therefore, there were no multicollinearity problems in our data.

4. Results

Descriptive statistics

We present descriptive statistics results in Table II. We generated means and standard deviations to summarize the observed data since according to Field (2009), means represent a summary of the data and standard deviations show how well the means represent the data. The mean score for the dependent variable (tax compliance) is 4.10 while the standard deviation is 0.98. This means that on average, Ugandans are tax compliant to some extent. However, given that the dependent variable is measured on a 6 point Likert scale, the minimum score of 1.23 indicates that there are some Ugandans that are not tax compliant. The mean and standard deviation for

attitude towards electronic tax system, adoption of electronic tax system and isomorphic forces is 4.24, 4.36, 3.80 and 1.27, 1.25, 0.88 respectively.

[Insert Table II about here]

Correlation analysis results

Pearson's Correlation analysis was conducted to measure the strength of linear associations between the study variables and is denoted by r. The Pearson correlation coefficient, *r*, can take a range of values from +1 to -1. A value of 0 indicates that there is no association between the two variables. A value greater than 0 indicates a positive association; that is, as the value of one variable increases, so does the value of the other variable. A value less than 0 indicates a negative association; that is, as the value of one variable increases, the value of the other variable decreases. Results in Table III shows that there is a positive significant relationship between attitude towards electronic tax system and tax compliance ($r=.531^{**}$, $p<.01$). This means that any positive change in attitude towards e-tax system is associated with a positive change in tax compliance and thus providing support to H1 which states that there is a positive relationship between attitude towards e-tax system and tax compliance of SBEs. Further, results indicate that there is a positive significant relationship between adoption of e-tax system and tax compliance ($r=.568^{**}$, $p<.01$). This implies that for each unit increase in adoption of e-tax system, there is up to 0.568 increases in tax compliance and thus H_2 which states that there is a positive relationship between adoption of electronic tax system and tax compliance is supported. Lastly, there is a positive significant relationship between isomorphic forces and tax compliance ($r=.698^{**}$, $p<.01$). This means that any positive change in isomorphic forces is associated with a positive change with tax compliance and this is in agreement with H3 which states that there is a positive relationship between isomorphic forces and tax compliance. More to that, normative, coercive and mimetic isomorphism as constructs of isomorphic forces are positively associated with tax compliance.

[Insert Table III about here]

Regression analysis results

We then run the regression model to determine the extent to which attitude towards electronic tax system, adoption of electronic tax system and isomorphic forces predict tax compliance of Small Business Enterprises in Uganda. Overall, the predictor variables explain 57.4% (Adjusted R^2=0.574) variance in the outcome variable. The adjusted R square provides an idea of how well the model generalizes the study variables and every researcher would like the Adjusted R Squared values to be the same as or close to R Squared (Field, 2009). For this study, the difference for the model is 0.006. The shrinkage of 0.006 (0.6%) means that if the model were derived from the population rather than a sample, it would account for approximately 0.6% less variance in the outcome. Whereas both predictor variables are significant, isomorphic forces has a higher predictive potential of tax compliance with a standardized β of 0.536 while attitude towards electronic tax system has a lower predictive potential of tax compliance with a standardized β of 0.146. Given that the predictor variables employed in this study only explains 57.4 percent, it means that there are other predictors not included in the study.

[Insert Table IV about here]

5. Discussion of results

According to the present results, attitude towards electronic tax system, adoption of electronic tax system and isomorphic forces are significant predictors of tax compliance of Small Business Enterprises. Based on the Theory of Reasoned Action, it can be argued that attitude towards electronic tax system improves tax compliance given that in Uganda, filing of returns is done online. When a taxpayer evaluates the e-tax system as favourable, for instance as time saving, improving performance in preparing tax returns, making work easier and being secure the person develops a positive attitude towards e-tax system and this translates into tax compliance. This is supported by the findings of Ondara et al. (2016) who concluded that there is a strong relationship between attitude towards electronic tax system and tax compliance. Similarly, findings by Kiringa and Jagongo (2017) indicate that there is a strong relationship between the perception towards online tax filing in terms of ease and simplicity to file and tax compliance. Whereas previous scholars' results are mixed for example Maisiba and Atambo (2016) who found that tax payers in Kenya felt uncomfortable using electronic tax system as compared to the old manual system, this current study provides an empirical evidence on the relationship between attitude towards e-tax system and tax compliance among small business enterprises in a developing country.

In Uganda, increased usage of the e-tax system by the tax payers is associated with improvement in tax compliance. This is precise because when a taxpayer uses an e-tax system for instance to file returns, pay the tax dues, avoid penalties, comply with the law and register to get a tax identification number this is likely to play a big role in tax compliance. According to TAM, one's perception on the use of information technology is critical to its adoption. Once information technology is embraced by the owners of SBEs, it is likely that, tax compliance will improve. This finding is in agreement with results of the study on tax compliance by Muturi (2015) which indicated that there is a strong positive correlation between adoption of e-tax system through online tax registration, online tax return filing, online tax remittance and tax compliance among small taxpayers in Meru County, Kenya. Isomorphic forces as explained by the institutional theory is critical to improvement in tax compliance among SBEs. The results indicate a positive significant relationship between isomorphic forces and tax compliance. When tax payers are coerced such as giving penalties and fines by URA arising from failure to pay taxes, URA enforcing tax laws and sanctioning non-tax compliance, it is likely that taxpayers will pay their taxes on time. In addition, tax payers that mimic others through copying economic agents and peers that pay taxes are most likely to pay taxes too increasing tax compliance. More so tax payers that contract tax consultants who belong to professional Organizations like Association of Chartered Certified Accountants and adhered to professional ethic, these tax consultants are most likely to change the compliance behaviours of the tax payer positively. The above findings are in agreement with Barley and Tolbert (1997) who argued that isomorphic forces support organizations in attainment of legitimacy which is important for their survival. Similarly, findings by Musimenta et al. (2017), McCoon (2011) Bergman (2002) and Galaskeiwicz and Wasserman (1989) also indicate a significant relationship between isomorphic forces and tax compliance Findings by Musimenta et al. (2017) indicated that strengthening isomorphic forces compels tax payers to fulfill their tax obligations and hence do away with non-tax compliance behaviours. Further, findings by Bergman (2002) and supported by McCoon (2011) indicated that in Latin America, there is a strong influence of social and cultural values on voluntary tax compliance.

6. Summary and conclusion

This study aimed to investigate the contribution of attitude towards electronic tax system, adoption of electronic tax system and isomorphic forces to tax compliance of Small Business

Enterprises in a developing country in a single study. This was achieved through a questionnaire survey of 214 owner managed small business enterprises through managers of these businesses. Results suggest that attitude towards electronic tax system, adoption of electronic tax system and isomorphic forces contribute to tax compliance to the extent of 57.4%. Overall, the findings of this study have important insinuations for academics as well as practitioners and regulators. For academics, this paper contributes to the already existing literature on tax compliance by documenting that both attitude towards electronic tax system, adoption of electronic tax system and isomorphic forces are significant predictors of tax compliance. For Government, findings are important in that, tax authorities may improve in their policies on tax administration. The revenue authorities should focus on increasing electronic tax system usage and ensure that there is further training of tax payers on the importance of tax compliance. In terms of policy and managerial implications, tax compliance can be achieved if strong institutions in the administration of taxes are built given that isomorphic forces is a significant predictor. The tax authorities need to ensure that all those businesses that qualify to pay taxes are registered and a mechanism for identifying those businesses not yet registered need to be put in place by the tax authorities / Government. It is important that tax penalties are introduced and enforced on the tax defaulters as this may compel tax payers to comply with the tax laws. Small Business Enterprises' owners and managers may need to ensure that they comply with tax laws and this is possible if the necessary infrastructures such as computers and qualified personnel are in place.

Like any other study, this study is not without limitations. Given that this study was cross sectional, monitoring changes in behaviour over time was not possible. However, the results are useful and can be generalized to all small businesses in developing countries. Further research could investigate other antecedents of tax compliance of small business enterprises given that this study's study antecedents only account for 57.4% of the variance in tax compliance.

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Table II: Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation

Table I: Definitions and operationalization of variables

Global variable	Definition	Dimensions	Measurement	Sample items
Attitude towards e-tax system	These are the positive or negative views that an individual holds towards e-tax system (Damayathanthi and Kevin, 2016)	Evaluative judgment	Respondents rank 8 items included in the questionnaire on a six point Likert scale.	Using e-tax system is secure
Adoption of e-tax system	The ability to a tax payer to use an e-tax system	Usage	Respondents rank 8 items included in the questionnaire on a six point Likert scale.	I use the e-tax system to file returns
Isomorphic forces	These are the pressures arising from both external and internal business environments which encourage individuals to accept related structures and practices (Dimaggio and Powell, 1983)	Coercive isomorphism,	Respondents rank 7 items included in the questionnaire on a six point Likert scale items included in the	Taxes attract penalties and fines from URA in case of failure to pay
		Mimetic isomorphism	Respondents rank 5 questionnaire on a six point Likert scale	We pay taxes because other economic agents are paying
		Normative isomorphism	Respondents rank 6 items included in the questionnaire on a six point Likert scale	Employees in this organization believe in public interest
Tax compliance	Is fulfilling all the tax obligations as stated by law willingly and fully (Marti, 2010)	Payment compliance	Respondents rank 7 items included in the questionnaire on a six point Likert scale	We pay actual tax assessed to URA
		Regulatory compliance	Respondents rank 6 items included in the questionnaire on a six point Likert scale	We file returns on the due date

Attitude towards electronic tax system	214	1.00	6.00	4.2430	1.27904
Adoption of electronic tax system	214	1.00	6.00	4.3692	1.25356
Isomorphic Forces	214	1.53	5.46	3.8091	.88118
Tax Compliance	214	1.23	5.77	4.1036	.98328

Source: Primary data

Table III: Correlation Analysis Results

	1	2	3	4	5	6	7	8	9
Attitude towards electronic tax system (1)	1								
Adoption of electronic tax system (2)	.710**	1							
Coercive Forces (3)	.562**	.666**	1						
Mimetic Forces (4)	.130	.051	.223**	1					
Normative Forces (5)	.301**	.348**	.270**	.543**	1				
Isomorphic Forces (6)	.419**	.446**	.615**	.802**	.830**	1			
Regulatory compliance (7)	.535**	.638**	.686**	.207**	.313**	.508**	1		
Payment compliance (8)	.389**	.353**	.616**	.500**	.493**	.701**	.507**	1	
Tax Compliance (9)	.531**	.568**	.749**	.410**	.466**	.698**	.863**	.873**	1

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Primary data

Table IV: Regression Analysis Results

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	.575	.212		2.714	.007		
Attitude towards electronic tax system	.112	.049	.146	2.260	.025	.483	2.072
Adoption of electronic tax system	.177	.051	.226	3.459	.001	.469	2.13
Isomorphic Forces	.599	.057	.536	10.595	.000	.780	1.28

R=.762   R²=.580   Adjusted R²=.574 F change =96.677   df1=3 df2=210 Durbin Watson=1.776

Source: Primary data

Appendix I: Factor structure for attitude towards electronic tax system

	Component
I have positive feelings for e-tax system	.861
I find it better to use e-tax system than the manual system of tax compliance	.856
E-tax system has made our life easy in terms of tax compliance matters	.821
Using e-tax system improves service delivery	.808
E-tax returns are difficult to file	.786
The e-tax system is safe, secure and comfortable to use	.774
Using e-tax system is convenient and time saving	.766
E-tax system is essential in accomplishing my work	.752
Eigen values	**5.171**
Percentage variance	**64.638**
KMO = 0.920; Approx. Chi square = 1044.725; Bartlett's test of Sphericity: df = 78; Sig = .000	

Extraction Method: Principal Component Analysis.
Source: Primary data

Appendix II: Factor structure for adoption of electronic tax system

	Component
I use the e-tax system to pay tax dues	.835
I use e-tax to be on time in complying with tax laws	.813
I register for the tax identification number through the e-tax system	.808
I use electronic tax system	.782
I use the e-tax system to file returns	.778
I use e-tax system to avoid tax penalties	.776
I equip myself with computer skills in order to deal with my tax matters	.765
My business computers are connected with internet for purposes of handling tax issues	.728
Eigen values	**4.943**
Percentage variance	**61.791**
KMO = 0.875; Approx. Chi square = 1026.622; Bartlett's test of Sphericity: df = 28; Sig = .000	

Extraction Method: Principal Component Analysis.
Source: Primary data

Appendix III: Factor structure for isomorphic forces

	Component		
	Coercive forces	Mimetic forces	Normative forces
Tax authorities are committed to enforcing the tax laws	.764		
URA made us to pay a penalty when we delayed to pay tax	.742		
There is violation of rules of fairness on the part of tax authorities	.709		
Taxes attract penalties and fines from URA in case of failure to pay	.693		
Sanctions for tax noncompliance are systematically applied	.659		
Sanctions for tax noncompliance are adequate	.602		
Our organization adheres to professional ethics, it is ethical to pay taxes	.585		
Granting tax pardons to tax evaders is unfair for they get away without punishment	.570		
We pay taxes if our peers are paying taxes		.820	
Our tax payment behavior is shaped by the peers in the industry		.743	
Our peers pay taxes assessed on them, so I find ways of doing the same		.735	
We pay taxes because other economic agents are paying		.654	
When URA introduces a new tax, before paying this tax we have to wait and see the reaction from the traders associations.		.639	
Employees in this organization believe in self-regulation			.836
Our staff in the tax department belong to professional organizations like ACCA or CPA			.774
Our staff hold university and other tertiary institutions qualifications			.747
Our organization subscribes to the best practice institutions like the Institute of Corporate Governance of Uganda (ICGU)			.568
Eigen values	**5.185**	**2.925**	**1.361**
Percentage of variance	**21.657**	**17.973**	**16.082**
Cumulative percentage	**21.657**	**39.630**	**55.711**

KMO = 0.788; Approx. Chi square = 1523.192; Bartlett's test of Sphericity: df = 136; Sig = .000

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Source: Primary data

Appendix IV: Factor structure for tax compliance

	Component	
	Regulatory compliance	Payment compliance
We state all taxes when declaring returns	.830	
We declare all income for tax assessment to URA	.809	
We have received a notice of assessment from URA	.799	
We always submit returns to URA and in addition submit hard copies of the return	.741	
When our accounts are not audited on the due date of filing returns we apply for extension of due date. Once the due date is granted we file within the granted period	.711	
We file returns on the due date	.643	
Upon filing returns, we register payment and proceed to pay	.542	
We pay taxes on time	.503	
We pay taxes on the due date upon filing returns		.791
We pay actual tax assessed to URA		.790
We pay our URA dues first before any other bills		.777
Our business has been exempted from paying withholding tax		.718
URA officials always come to our business to demand tax due		.702
Eigen values	**5.515**	**1.965**
Percentage of variance	**31.987**	**25.250**
Cumulative percentage	**31.987**	**57.536**

KMO = 0.881;   Approx. Chi square = 1233.289;   Bartlett's test of Sphericity: df = 78;   Sig = .000

Extraction Method: Principal Component Analysis.

 Rotation Method: Varimax with Kaiser Normalization.

Source: Primary data