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Determine the Effect of Subjective Norms on Tax Compliance among Small and Medium Enterprises (SMEs) in Mbugani and Igogo wards in Nyamagana District

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Abstract— *This study was conducted to determine the effect of subjective norms on tax compliance among small and medium Enterprises (SMEs) in Mbugani and Igogo wards in Nyamagana district The study adopted a cross-sectional survey in the investigation with quantitative approach where primary data were collected from SMEs with 293 taxpayers' sample size. Self-administered questionnaires were used to gather the data. Descriptive statistical methods, correlation and regression analyses were used to analyze the data. The data was then analyzed with the Statistical Package for Social Scientist software (SPSS version 25),using Regression analysis and analysis of variance (ANOVA).The research findings based on hypothesis revealed that,subjective norms are positively related (coefficient = .510, t = 4.437, p = .000) to tax compliance and significant. The researcher also conducted reliability tests that produced Cronbach's alpha (α) coefficients around .70 and above. In running regression analysis, measures with the highest variances in each construct were considered whose analysis of variance (ANOVA) model was statistically significant (F=10.563, p=0.000). Overall, the results show if SMEs are subjected to social acceptance (subjective norms) and social interaction and awareness beliefs there is a positive effect to tax compliance. Therefore a direct Tax Education without addressing the social norms might not meet their respective objectives.*

Keywords— ***Determine, Subjective Norms, Tax Compliance, Small and Medium Enterprises.***

I. INTRODUCTION AND BACKGROUND OF THE STUDY

Tax collection is a significantrevenuesource for governments for most countries across the globe. Marandu*et al* (2015) reports that governments across the globe are struggling to generate income revenues through tax collection, however governments 'efforts are obstructed in many countries by tax evasion. Globally there is alarming loss from tax evasion which is expected to exceed US$ 3.1 trillion, and this loss is equivalent to about 5.1% of world Gross Domestic Product (*ibid*). Comparatively the loss is equivalent to about 54.9% of expenditure in the section of health care (*ibid*). Marandu*et al* (2015) add that the bearing of intentional failure to pay the required tax to tax authorities is significantly higherin developing countries. For instance, African and South American countries lose approximately 97.7% and 138.5% of their health care budgets through tax evasion respectively (*ibid*). Non-compliance is a big problem in the number of low - income nations among its taxpayers including Tanzania, where major forms of non-compliance are tax evasion and avoidance is a worldwide problem that decreases government revenue and erodes public trust in the tax system (Organization for Economic Corporation and Development, 2018).

However, according to OECD/ATAF/AUC (2018), Tax collections in African countries account for just about 18% of GDP, whereas the average tax-to-GDP ratio in OECD countries is 34%(OECD, 2018). Thus, the non-compliance behaviour of taxpayers contributes to the loss of revenue to the government and hence leads to failure for the government to provide sufficient services to citizens and ensuring fair redistribution of income.

Tanzania Revenue Authority has made significant efforts in recent years to increase taxpayer compliance. Despite this, the country ranked third in 2010 with a tax-to-GDP ratio of 14%. Tax evasion is a significant problem, in the fiscal year 2009/10, tax revenue losses owing to evasion amounted to one-sixth of the total Tanzanian budget. As a result, the government remains heavily reliant on aid, which accounts for about 34% of its budget of the government's budget as recorded by the African Development Bank (AfDB, 2010a).

Meanwhile Uganda recorded the lowest tax to GDP ratio among the nations surveyed, with tax income accounting for only 12% of GDP. While the tax share has nearly multiplied as of 1991/92 fiscal year, when it was just 6.7%, tax funds collected has grown slowly during the previous decade (AfDB, 2010b).

In recent years, the Tanzania government has managed to collect tax revenue which is averaged to 12.3% of tax's GDP ratio for 2011/12 to 2017/18 financial years. Moreover, for seven years, the minimum GDP's tax ratio attained was 11.5% in the year 2011/12 and in the financial year 2015/2016, the maximum tax-to-GDP ratio of 13.1% was achieved (NBS, 2019). Most Sub-Saharan countries, in particular, prioritize increasing domestic revenue through taxation (Drummond *et al.*, 2012). However, most African countries' domestic revenue bases are weakened by widespread low tax compliance, primarily in the form of tax evasion (IMF, 2011; Widianto, 2015; Yayuk&Eka, 2017).

Governments depend on taxes to meet their public expenditures. Taxation is a mandated and obligatory input to the government by its citizens. It is mandatory in the opinion that a legislative instrument gives the government the authority to collect such payments. However, a deeper look at this phrase indicates that it might also refer to payments to the government like penalties. Tax, according to the most reliable definition, is a mandatory payment levied by a governmental authority regardless of the service provided to the taxpayer in exchange(Kalas*et al*, 2017).

In brief, taxations is fundamental to development of a country socially, economically and politically. Therefore an effective tax system should ensure the following for a country's development; should generate revenue, minimize inequality and ultimately promote good governance (Cobham, 2005). Revenue are used by the government to address several emergencies such as outbreak of diseases, accidents, famine, adverse conditions resulting from natural disasters such as earthquakes, floods, fires etc. Revenues are paramount to government long-term financing of a country's infrastructures such as roads, hospitals, schools, water systems, telecommunication systems and airports.

Although there is income from other sources such as aids, and sale of natural resources, Moore (2004) and Ross (2001) argue that the contribution of such sources is low particularly if the government intends to develop the capacity of its institutions. Furthermore revenues based on tax collection are relatively more predictable compared to revenues from other sources (Bulir & Hamann, 2007; Baine (undated)). Tax revenues can be used by the government to reduce poverty thus minimizing inequality. Lastly governments use tax revenues to build up institutions and democracy and thus make the government accountable to taxpayers.

While non-compliance by taxpayers is a persistent and growing global issue (Sikayu*et al*, 2020), there are innumerable indications implies developing countries, in particular Sub-Saharan Africa, have remained to be heavily hit by widespread tax non-compliance (Danquah&Assibey, 2018;Aminy, 2020; Ali, Fjeldstad& Sjursen,2014).In addition, Alabede (2014) and Ali*et al* (2013) are of the view that developing countries have been experiencing several challenges related to tax compliance through extensive tax avoidance and evasion schemes. In general, Tax compliance is low, and a considerable fraction of SMEs in the informal sector of the economy avoid paying any taxes at all (Adhiambo, 2013; Oladipupo and Obazee, 2016).

Tax compliance is essentially, it's the result of taxpayers rationally pursuing their own interest, according to research and practice in tax administration. From this perspective, taxpayers are likely to evade tax unless the chances of detection and the seriousness of the predicted penalties make tax evasion an unappealing alternative. However, as mentioned byAlm & Benno (2011), Alm*et al* (2016) this isn't the only way to get people to comply.

Social motivations (intrinsic motivations), rather than merely just selfishness (mostly motivated by material incentives), also affect taxpayers' behaviour and these include social norms and ethical concerns, perceptions of fairness and legitimacy(Inasius, 2019; Wenzel, 2017). Among the social motivations, social norms are believed to be more prevalent or acceptance of tax evasion among reference groups of micro-enterprises (Alkhatib*et al*,2019; Tusibira, 2018).

Social norms naturally vary between different cultural or sub cultural groups (Wadesango*et al*, 2018). In any instance, the current evidence is purely correlational, and It's uncertain if social norms impact one's taxpaying conduct in a causal way or whether they're created only to explain and justify taxpayer behavior.As previously mentioned, existing literature emphasizes the importance of economic issues when attempting to make voluntary tax compliance efficient.Emerging voices, on the other hand, highlight to important social aspects while emphasizing that additional research is needed to verify them. As a result, the researcher's goal in this study is to provide further evidence to explain how social norms influence voluntary tax compliance.

II. STATEMENT OF RESEARCH PROBLEM

Despite the great efforts that the government and other stakeholders have done to improve tax compliance, income tax compliance remains one of the biggest challenges facing tax administration in Tanzania. In the financial year 2009/10, it was estimated that one-sixth of Tanzania's budget was lost owing to tax evasion and further AFDB (2010a) indicated that tax evasion has a greater effect on the economy as the country remains significantly reliant, accounting for approximately 34% of the government's budget (Ali *et al.*, 2013). Similarly, the study by Great Level Board on Unlawful Africa's Financial Flows revealed that over United State Dollar 50 billion in revenue is lost yearly in Africa owing to unlawful financial flows, the majority of which is due to tax avoidance (AUC/ECA, 2015). Despite the importance of tax collection in the generation of government revenue and the prevalence of low-level compliance, there is little empirical evidence (evaluating tax compliance behavior least when deterrent variables are combined with) on social norms categories among SMEs in Tanzaniaparticularly in Mwanza region.

Much emphasis of existing studies on tax compliance has focused on "Audit likelihood" and "detection and sanctions" are constraining criteria that "determine how successfully tax officers can perform tax audits," "identify erroneous tax returns," and "impose fines and recoup unpaid taxes". These includeNzioki andOsebe (2014),Musau (2015),Masaku(2015),Nnduruchi*et al* (2017) in Kenya; Wadesango *et al* (2018) in Zimbabwe; Yeboah andOwusuaa(2016) in Bangladesh; Tishar and Hasanuzzaman (2019) in Malaysia; Hamid *et al*(2018), and Strader and Fogliano (2012) in Romania.

Furthermore, very few studies have investigated the impact of four social norms constructs on SME tax compliance behaviour in Tanzania. Among them, one study on this topic looked at the effect of social norms in general terms such as society's desire to pay taxes, and influence from some members of the society and admired as a hero when taxpayer engages in acts of tax evasion among SME venders, wholesalers, producers, and service providers are the several types of retailers in Tanga region but did not focus on specific constructs/components of social norms practiced by SMEs. As a result, this research fills a knowledge gap by looking into the impact of subjective norm on tax compliance among SMEs in Tanzania, specifically in the Mbugani and Igogo wards of the Nyamagana district.

Research Objectives

This study had both general and specific objectives.

General Objective

The general objective of this study is to investigate the effect of social norms on tax compliance among SMEs in Tanzania: A case of Mbugani and Igogo wards in Nyamagana district.

Specific Objectives

To determine the effect of subjective norms on tax compliance among SMEs in Mbugani and Igogo wards in Nyamagana District..

Research Hypotheses

There is a positive relationship between subjective norms and tax compliance among SMEs in Mbugani and Igogo wards in Nyamagana District.

Significance of the Study

The study findings highlighted important social norms influencing tax compliance. So Tanzania Revenue Authority gained insights into these social norms that may lead to low tax compliance to small and medium enterprises. These findings also imply that TRA may need to learn about taxpayers' social psychology in order to improve policies and measures to enhance compliance as well as form the basis for developing Tax Fact Pack to assist SME owners/operators in fulfilling their responsibilities as taxpayers. The study findings are of immense benefit to the government and policy makers by alerting them about the importance of intrinsic motivators (social norms) of tax compliance and become a foundation for new policy formulation to improve tax revenue base.

These study findings also contribute to bridging Tanzania's knowledge gap by giving a broad use to economies with related settings particularly EAC member states as there is scarce knowledge about how social norms influence tax compliance. Furthermore, the study’s findings further contribute to the tax knowledge not only in Tanzania but also internationally as a source of reference for future studies as well as added to the body of knowledge on the influence of social norms on taxation. This research looked at the impact of social, cultural, and personal variables on tax compliance. The findings of this study are expected to give concepts and foundations for the development of a new strategy. The insights gained from this study might help the Tanzanian government and the Tanzania revenue authority to create appropriate tax policies for SMEs. This research has proposed principles for developing a strategy to investigate tax compliance behavior among small businesses. It has shown the fundamental elements that help people comply with their tax obligations.

The findings of the study will be valuable to the business community and management teams in understanding tax compliance environmental elements and how they can be addressed regarding to social norms. Finally, academicians and researchers interested in expanding their know-how in the subject area of tax compliance and administration will find this research motivating.

III. SCOPE OF THE STUDY

To make the study manageable, the study's scope specifies the bounds in terms of respondents, subject content, study location, and time period (Muhammad and Burki 2020). This study confined itself to subjective norms influencing tax compliance among various SMEs in Mbugani and Igogo wards. It involved taxpayers of SMEs that have been in business for at least 12 months as owners/operators would have been expected to be paying regular taxes according to Tanzania Taxation Law. Essentially, this was a cross-sectional study in which the researcher endeavored to collect data from many different individual taxpayers withina shorter time frame for two weeks.

Theoretical Review

This study was guided by the social influence theory like the major supporting theory to guide the study. This theory was developed by BibbLatane in 1981. The social influence takes the view that Compliance behavior and attitudes about the tax system are assumed to be influenced by the conduct and social norms of an individual's reference group. The concept suggests that, like other aspects of human conduct, tax behavior is influenced by social interactions. As a result, the conduct of a taxpayer's reference group, such as family, neighbors, and friends, may have an impact on his or her tax behavior and attitude of peers (Ali, Fjeldstad & Sjursen, 2014).

The study also was guided by The Evolving Compliance Model. Some researchers see the model of compliance as an evolving one rather than a static model. This concept arose based on decades of regulatory rule enforcement studies, which sparked a debate between those who advocate for restriction and those who advocate for compliance, or between penalty and persuasion (Reiss, 1984; Hawkins, 1984; Pearce and Tombs, 1990; Snider, 1990). Evidence demonstrates that deterrence works in some areas, such as occupational health and safety, if and only if it is used sparingly (Scholz, 1991; Braithwaite, 1985). A change away from rule enforcement and in the direction of a more communitarian model of self-regulation enhances compliance in nuclear safety and other areas (Rees, 1994).

Empirical Literature Review

Mutatembwa (2013) investigated how Tanzania's small and medium taxpayers' tax compliance is influenced by societal norms and the tax system. Using descriptive and correlation analysis for components of social norms, data was obtained from a representative sample of 108 small and medium taxpayers in Tanga city in the categories of merchants, wholesalers, manufacturers, and service providers (injunctive social norm). In our society, tax evaders are not seen as heroes.There is a positive association between chosen components of social norms and tax compliance, according to the tax system, tax compliance, and lastly social norms.According to the findings, there is a considerable beneficial association between societal norms, the tax system, and tax compliance. However, only one injunctive social norm was examined while this study is examining subjective norms in the Tanzanian context.

Alm, McKee, Schulze, Bose, and Yan (2017) conducted a study to see if appealing to social norms could help with tax payment compliance.They developed a model of how social norms influence an individual's compliance decision and validated their predictions using data from laboratory studies in which various appeals were used to two social norms categories namely 'subjective norms', and 'injunctive norms' were presented to taxpayers of different incomes with different messages. Their findings, tax appeals have a small but statistically significant impact on tax compliance. Individual taxpayers who breach the tax compliance norm are less likely to violate the norm if an appeal is filed, but those who are in compliance may be more inclined to violate the norm unless their actions are rewarded with some form of social acceptability.

Marandu *et al* (2015) on their review of eighteen past studies on factors affecting tax compliance revealed that there are numerous factors identified as factors determining tax compliance behaviour. During their investigation, they looked at whether subjective norms have a role in determining tax compliance, and they discovered that normative factors had a positive or negative connection with tax compliance and that none of the studies obtained lack of association of mixed findings of the nine normative findings they generated through aggregate analysis revealed that seven findings displayed positive relationship with tax compliance and the two displayed negative relationships and they concluded that normative variables were good predictors of tax complaince

Wenzel (2017) investigated Australian taxpayers on whether tax ethics and social standards are genuine reasons for tax compliance or just rationalizations for self-interested behaviour. A two-wave survey of 1161 Australian individuals was analyzed in a cross-lagged panel analysis, and the first set of The findings revealed that tax ethics had a direct effect on tax compliance and compliance levels. Personal tax ethics were also shown to be directly influenced by perceived social norms (subjective norms) in the study, but only for respondents who strongly identified with the relevant group. Personal ethics were transferred onto the social group's perceived normative standards at the same time.

Finally, the researchers discovered that perceived norms had a causal impact on tax compliance, which was somewhat mediated by their impact on personal ethics. Tax compliance, on the other hand, has an impact on the impression of norms.Overall, the study found that individual ethics and societal norms have a multifaceted role in taxpaying behavior among taxpayers. The proposed research examines four social norms in a developing nation where taxpayers' perceptions of tax compliance vary.

Tusubira (2018) looked at the direct and indirect effects that social norms have on tax compliance among Ugandan SMEs. The researcher used a semi-structured interview with 26 corporate SME owners and managers and also using a questionnaire he surveyed 386 corporate SME owners and executives from Kampala. The data from the interview was analysed using thematic techniques while descriptive statistics were applied for quantitative data from the questionnaire. The study found that corruption tends to have varying effects on compliance attitudes. It was also discovered that company SMEs' daily tax compliance decisions have a greater direct impact on their tax non-compliance behavior than ethical and social norms.

Alshira'h *et al* (2020) sought determinants of sales tax compliance in the context of SME in Jordan by expanding Fischer's model viewpoint on tax compliance and adding the moderating impact of tax knowledge as well as the direct influence of tax service quality in the context of SME in Jordan in their recent desktop model study. This study suggested a model that incorporates social norms, psychological, and economic elements to provide insight into Jordanian SMEs' sales tax compliance. Peer influence is a role in the formation of attitudes and perceptions (descriptive norms) among Jordanian SME taxpayers, according to the Fischer Model, with "peer" referring to the taxpayer's mates. As a result, peer influence is one of the study's predictors of sales tax compliance, and it is described as the effect of prominent individuals on the sales tax compliance decisions of company owners.

Research Gap

The studies reviewed above indicate that there are few empirical studies, the effect of social norms on tax compliance is currently understudied. (Tusubira, 2018) and most of the scholarly articles are theoretical or speculative (Alm*et al.*, and Yan 2017; Alshira'h *et al*, 2020). Most of the studies examined the influence of one social norm (Tusubira, 2018) or two social norms concurrently (Alm *et al*, 2017) on tax compliance and one social norms namely particularly subjective norms have not been examined and yet it appears under Tanzania context.

The only Tanzanian study by Mutatembwa (2013), which was in Tanga among SMEs only examined the impact of injunctive social norms on tax compliance and did not examine other social norms which are prevalent among SME owners/operators in Tanzania. Hence an empirical study is required to ascertain the effect of subjective norms individually or collectively on tax compliance behaviour among SMEs in the Tanzanian context.

Consequently, this study determined the relevant factors that influence the compliance behaviour of the SMEs taxpayer in Mbugani and Igogo wards in Nyamagana where subjective norms were used as a substitute for measuring tax compliance conduct of taxpayers. Timely payment of tax was chosen due to its simplicity and convenient mode of measuring compliance behaviour of the taxpayer as it is reliable under many studies (Mwangi, 2014; Masawa, 2017; Eliamin, 2018; Sebhat *et al.*, 2019). Elly (2015) suggested that taxpayer behaviour as human behaviour is dynamic and vary depending on time and space, thus it was vital to carry out this specific study in Mbugani and Igogo wards of Nyamagana district to identify key social norms factors that have a direct correlation to their tax compliance behaviour.

Research Approach

The research approach was generally quantitative where primary data were collected from SMEs in Mbugani and Igogo wards in Nyamagana District. According to Zikmund and Babin, (2012) Survey research is a research project that examines big and small groups utilizing samples chosen from the target population to assess relative incidence, distribution, and interrelationships (Mustapha, 2012). The ultimate goal of survey research was to get knowledge concerning a large population by polling a small sample of them (Sifuni, 2017).This study adopted a cross-sectional survey, as the researcher collected information once from the respective sample of SMEs taxpayers and used correlation and regression techniques to arrive at the conclusion.

Geographical Area of Study

The selected areas for the research were Mbugani and Igogo wards found in Nyamagana District in the Mwanza Region.The two wards were chosen by the researcher because they are among of wards in the Nyamagana district with the highest percentage of SMEs of diverse cultures and hence the researcher was able to obtain sufficient data on subjective norms related to tax compliance.

Target population

Population means a collection of events, persons, or objects that the researcher wanted to look at for a study. It had all of the aspects that the researcher was looking for in order to draw some conclusions using sample statistics. Covering a set of prospective measures such as instance being seen would also be included in the population. According to TRA tax payer's regional distribution report of a quarter ending March 2021, there are 389,911 SME's in Mwanza region. 1350 in Mbugani ward and 400 in Igogo ward. This study, therefore, targeted a population of 1750 people from the aforementioned wards.

Sample Size

The sample size of this study was determined by using a table of computed population and sample by Krejcie and Morgan (1970). According them, a population of 1750 required a sample of 313 respondents. The break-down of the sample size of each SME category.

Sampling Techniques

Since this research took a quantitative approach; to obtain a representative sample of the population, simple random sampling was used. An strategy to sampling that assures that every member of the population has the same chance of being included in the sample (Sekaran & Bougie, 2013).

Table 1. Sample Distribution Table

S/N	SME category	Sample size (number of respondents) in Mbugani	Sample size (number of respondents) in Igogo
1	Manufacturers	34	30
2	Wholesalers	53	31
3	Retailers	45	30
4	Service providers	45	45
	Total	**177**	**136**
Total Sample Size			**313**

Data Sources and Collection Instruments

The data in this study were gathered from primary sources using administered questionnaire and secondary sources using documentary reviews from TRA reports. A questionnaire was the first data collection instrument used in this research. It was considered as an essential instrument that could assist the researcher to obtain data objectively, was less costly and easier to compile data (Creswell, 2014).

Validity and Reliability of instrument

Validity deals with how accurately the data obtained capture what it purports to measure. This study ensured content validity by subjecting the data collection instrument to a pilot test with few participants to check for any weaknesses in the design and development of the questionnaire and then incorporated changes into the final constructed questionnaire(Rattray & Jones, 2007).Data validity was also tested using the Average Variance Extracted (AVE) approach and an AVE of at least 0.50 was highly recommended (Hair *et al.*, 2006, 2010).

Reliability tests made use of Cronbach's alpha coefficient is the most often used technique for assessing the internal consistency of items included in a scale and therefore determining whether the scale has a homogeneous structure or not. It is based on the average correlation of all items in the test(Abril,Waldzus& Collins, 2020).Cronbach's Alpha coefficients over 0.70 are acceptable, according to Hair *et al* (2006, 2010), and the research instrument can yield reliable and valid data, albeit this can be reduced to 0.60 in exploratory research.

Data Analysis

Data analysis, according to Cooper & Schindler (2006), is the process of reducing, summarizing, pattern investigation, and statistical assessment in order to verify or disprove hypotheses or for other data analysis reasons. The data to be collected through the questionnaire was edited for completeness, classified, and verified for consistency or mistakes in the preliminary before processing of the replies. The information was then coded and placed into a computer system for analysis using SPSS software to generate descriptive and statistics on respondents' profiles and the independent and dependent variables' relationship through inferential statistics in form of multiple regression analysis.

Descriptive statistics

Simple descriptive statistics were applied in analyzing the respondents' profile (position in the SMEs, age, education level, nature of business and type of taxpayer). Respondents' profiles were presented as frequency distribution tables.

Multiple regression analysis

Multiple regression analysis is used when there is more than one independent variable and its purpose is to measure the proportional contribution of the independent variable towards dependent variable. The analytical model for Multiple Regression of the relationship of this research was hypothesized in the form of:

$$R(Y) = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon \text{ where;}$$

R = Ratio,Y = Tax compliance, the dependent variable, α = intercept or a constant (the value of TC when Independent Variables are 0), $\beta_1$to β_5 = regression coefficients of the modal (change induced by each coefficient in Y), X_1 = Personal norms, X_2 = Descriptive norms, X_3 = Subjective norms, X_4 = Injunctive norms, X_5 =Tax education and ε = the probabilistic error term [that cannot be explained by the linear relationship with *x* (Cooper &Schinder, 2014)

Therefore, the relationship between each category of social norms and tax compliance for each research hypothesis was established using the standard regression equation, through enter method. Therefore, the regression model according to research were

$$R(Y) = 1.916 - .059X_1 + .091X_2 + .333X_3 + .510X_4 - .224X_5 + .594$$

Ethical considerations

At the initial phase of the research, the research investigator must adhere to a set of behavioral rules and conventions known as ethics in business research to minimize bias and to respect the rights of everyone participating in that research project namely: researcher, participants or moderators (Dikko, Maryam 2016). Maintaining the privacy of the data given, participants were not required to write their names, phone numbers or any other identifying information and they were assured that their responses would be kept anonymous. Moreover, the study's goal was stated in the questionnaire's introduction, and the questionnaires were only sent to willing manufacturers, wholesalers, and retailers in the Mbugani and Igogo wards.

IV. DATA FINDINGS AND DISCUSSION

The researcher collected data from five (5) categories of respondents, business owners, directors, managers, accountants and others of which the majority were business owners (47.4%) and the minority being accountants (3.4%) (Table 2).

Table 2. Respondents category

		Frequency	Percent
Valid	Owner	139	47.4
	Director	76	25.9
	Manager	56	19.1
	Accountant	10	3.4
	Other	12	4.1
	Total	293	100

Source: Research data,2021

Also, data were collected from four (4) age groups of respondents, of which the majority aged between 35-50 (56%) and minority were above 50 (2.4%)

The Assessment of Effect of Subjective norms on Tax Compliance

Data were subjected to factor analysis using Principal Component Analysis (PCA) orthogonal varimax rotation. The factor analysis was guided by Hair et al. (2006; 2010) guideline which delineate the best cut-offs the research data exhibited necessary to meet the six assumptions for factor analysis and other inferential analysis

Table 3. PCA Measures of Social Norms, Tax education, and Tax compliance

Measurres	PN	SN	DN	IN	TE	TC
Average loadings	0.897	0.903	0.914	0.909	0.793	0.805
Initial Eigenvalues	3.269	4.084	2.519	2.482	2.600	4.479
Eigenvalues after rotation	2.677	4.084	2.519	2.482	2.305	4.459
Total percentage variance	53.545	81.687	83.953	82.749	38.418	44.586
Cumulative variance (%)	53.545	81.687	83.953	82.749	38.418	44.586
Anti image correlation	> 0.5	> 0.5	> 0.5	> 0.5	0.5	> 0.5
Determinant	0.779	0.483	0.670	0.983	0.377	0.100
Kaiser-Meyer-Olkin Measures (KMO)	0.533	0.763	0.571	0.523	0.485	0.690

Source: research data,2021

Effect of Subjective norms on Tax Compliance

The goal of the study was to see how subjective standards affected tax compliance.The study hypothesized that there is a favorable association between subjective standards and tax compliance in order to reach this goal.The study run correlation analysis between subjective norm and tax compliance variables to establish any relationship between them.

The regression analysis results

The results showed that subjective norms are positively related (coefficient = .510, t = 4.437, p = .000) to tax compliance and significant.Subjective norms influence on the behaviour of taxpayers was positive and significant influence. This implied that friends, authorities have a strong influence on tax compliance. Similarly, if authorities, friends or significant others evade tax, more likely this influence will have similar results to individual tax payer. Nurwanah et al., (2018) and Tusubira, (2018) had similar results that subjective norm tends to increase tax compliance. Subjective norms “are socially constructed through the influences of the surrounding people, friends, tax consultants, tax officers, and company corporate leaders”.

Regarding to the hypothesis, that the taxpayer's mindset has a favorable and considerable impact on subjective tax compliance behavior norms. The higher taxpayers' subjective norms, the more likely they are to comply with tax payments. Subjective norms have a significant positive link with small business tax compliance behavior.There is a considerable correlation between descriptive norms and compliance behavior, according to our findings.The findings also show that subjective standards shape others' expectations of one's own behavior.

V. CONCLUSION

This study looked at the link between social standards and tax observance of SMEs in Tanzania specific Mwanza region and reviewed tax compliance literature and research approaches. The regression model provides reliable findings for two tax compliance social norms constructs. The study concludes that subjective norms influence taxpayer’s behaviour positively and significantly. This implied that friends, authorities have a strong influence on tax compliance.

Similarly, if authorities, friends or significant others evade tax, more likely this influence will have similar results to individual tax payer. Because subjective norms are "taxpayers are more likely to obey the influences of their surroundings, friends, tax consultants, tax officers, and firm corporate leaders because they are socially developed via the influences of their peers, friends, tax consultants, tax officers, and firm corporate leaders.

The reasons behind the study results are combative issue which requires further research. Because individual reporting of personal compliance is likely to be overreported, finding an appropriate indicator for taxpayer compliance was a major difficulty. As a result, it was difficult for directly framed question concerning respondents' opinions on whether or not paying taxes is wrong.

Running subjective norm campaigns might encourage business SMEs to comply with taxpaying as its revealed by the study’s findings. These efforts might include writing reminders SMEs with outstanding corporation tax arrears, emphasizing what others have done to comply (descriptive norms), and encouraging non-compliant SMEs to clear their debts.

VI. RECOMMENDATION

The study recommends that tax education contents be carefully selected and focused to undo the negative effects of social norms. It was observed that subjective norms have a direct effect on compliance. Therefore a Direct Tax Education without addressing the this norms might not meet their respective objectives. Teaching on tax rates, and the importance of paying tax doesn't change tax payers mind and norms. Gaining this understanding, the researcher recommends that another tax education approach should be used by Tanzania Revenue Authority (TRA) and government to improve the level of tax compliance.

VII. AREAS FOR FURTHER RESEARCH

The research provides us in the right path for further studies. A more extensive analysis on the understanding of social norms is required for a better understanding of tax compliance attitudes and behavior among SMEs in Tanzania. In this context, citizens opinions of the state's role, in this regard, the administration of tax legislation, perceptions of enforcement, government trust and power, and the influence of payments to non-state actors on tax compliance are all essential factors to examine.

Moreover, study on fairness in tax collection and comparative treatment of taxpayers is required. The question is whether it possible to achieve compliance in Sub-Saharan countries without a large and expensive enforcement infrastructure, and if so, under what conditions? This is an essential subject because governments seeking power through public consent are likely to confront limitations in their use of force in tax collection. Further studies should be conducted to uncover other elements that impact tax compliance. Factors influencing tax compliance among SMEs in other regions of Tanzania. An investigation on the relationship between voluntary tax compliance strategies and deterrent measures should be conducted.

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