

FACTORS AFFECTING TAX COMPLIANCE AMONG SMALL BUSINESS ENTERPRISES: EVIDENCE FROM POKHARA VALLEY

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ABSTRACT

Taxes are levied in almost every country, primarily to raise revenue for government expenditures. Tax compliance issue is a major problem in revenue generation by the government in Nepal. This study therefore aims to examine the impact of tax knowledge and awareness, detection and punishment, tax system and implementation, attitudes towards tax, tax rewards and incentives, and tax policy on tax compliance behavior of small-sized enterprises of Pokhara Valley. The study is based on descriptive and analytical research design with a quantitative nature of data. Required data were collected through primary sources by using a self-administered questionnaire, coded, and analyzed by employing both descriptive and inferential statistics namely mean, standard deviation, Pearson's correlation, and multiple linear regression models side by side 50 samples were selected along with a convenience sampling design. The study result confirms that the variables including tax knowledge and awareness, tax system and implementation, detection and punishment, and tax policy display low positive relationships with tax compliance behaviour but attitudes toward tax show a negative correlation. Besides this, the relationship between tax rewards and incentives and tax compliance behaviour is moderate. Additionally, all the explanatory variables have an insignificant impact on the tax compliance of the small-sized businesses of Pokhara Valley. It is anticipated that this study will offer significant new information and comprehension to academics, practitioners, policymakers, and other regulatory bodies involved in the creation of tax policies.

Keywords : Tax Knowledge, Tax Policy, Tax System, Punishment, Tax Compliance

INTRODUCTION

All kinds of government including national, provincial, or local, depend mostly on taxes for funding. The government must impose taxes on people, companies, or other organizations to generate funds for public use. Government operations and the supply of public goods and services, including infrastructure, healthcare, education, and national defense, depend on taxes. Taxes are used to affect economic behavior, redistribute wealth,

fulfill government debts, provide commodities for residents, and accomplish social policy objectives in addition to their core purpose of raising money for public spending and government operations (IslaM, 2016). Taxes are a type of payment that individuals, organizations, or businesses operating under government control must make to support the government. Taxation starts at birth and concludes with a person's death. When someone is born, they must pay the birth tax.

Similarly, when a person earns and consumes has to pay income tax, consumption tax, property tax, and estate tax when they pass away.

Business organizations want to minimize costs to maximize profit. There are two alternatives to maximize profit i.e. either to increase sales price or to decrease expenses. The first one is a danger because it decreases demand and ultimately reduces revenue. Therefore, the organizations need to manage expenses to maximize profit and hence they intend to pay less tax but the government's main source of revenue is tax. Therefore, the goals of the state to increase tax income and the citizenry to reduce tax incidence are at odds with one another. The existence of a contemporary tax system with certain technological advancements may occasionally be insufficient to resolve this dispute (Nerre 2008). How well organized both tax legislation and tax administration are not sufficient, since human factors become more important than their organization (Mutlu & Tasci 2013).

According to James and Alley (2004), tax compliance is the readiness of people and other taxable entities to behave in a way that complies with the language and spirit of tax legislation and administration without resorting to enforcement action. Any economy needs tax compliance to guarantee that the government receives the funds necessary to provide public services and promote economic growth. The extent to which a taxpayer complies with tax laws and regulations is referred to as tax compliance. Three categories of compliance are distinguished by McBarnett (2003), innovative, capitulative, and committed compliance. Committed compliance is the readiness of a taxpayer to carry out their tax obligations without complaint.

Capitulation compliance is the inability of a taxpayer to comply with their tax obligations, whereas creative compliance refers to any effort made by a taxpayer to reduce taxes by redefining income and deductible costs within the parameters of the law. Tax compliance is one of the policymaker's attention factors, under which demographic factors are most important on tax compliance (Alabede, 2014).

According to Kirchler (2007), Compliance might be required or Voluntary. Voluntary compliance is made possible by the taxpayer's commitment to voluntarily follow the guidelines and directives of the tax authority as well as the mutual trust and cooperation that grow between the two parties. However, in cases where there is a hostile tax environment—that is, where there is mistrust and a lack of collaboration between the authorities and the taxpayer—they have the power to enforce compliance. To enforce compliance, taxpayers who fail to pay their taxes may face an audit and a fine. In an earlier review of 43 tax compliance studies conducted between 1974 and 1985, Jackson and Milliron (1986) identified fourteen key variables of compliance behaviour: age, gender, education, income level, income source, occupation, peer influence, ethics, fairness, complexity, contact with tax authorities, sanctions, the likelihood of detection, and tax rates. The relationship between fines and tax compliance shows inconsistent findings (Fischer et al., 1992).

According to Alm and Gomez (2008) research, there is a significant positive relationship between taxpayers' perceptions of the advantages of political goods and their willingness to abide by tax laws. Attitudes represent the positive

and negative evaluation that an individual holds of objects. It is assumed that attitudes encourage individuals to act like them. Hence, a taxpayer with a positive attitude toward tax evasion is expected to be less compliant than a taxpayer with a negative attitude (Kirchler, et al., 2008). Everest-Philips and Sandall (2009) conducted a more thorough investigation of the relationship between compliance and public governance quality and discovered a correlation. They discovered that an equally good tax system makes good governance feasible and that good governance leads to a good tax system. Good governance, in the opinion of Akpo (2009), requires the public to have access to high-quality public goods. Citizens may become reluctant to pay taxes if the government does not provide them with public infrastructure and amenities in exchange for their tax dollars. After critically analyzing the Fischer tax compliance model (Fischer et al., 1992), Gerald and Patrick (2009) proposed that tax system/structure, noncompliance opportunities, and culture all have an impact on tax compliance.

According to Wanjohi et al. (2010), most taxpayers believe that the tax system is unfair. The respondents conveyed their discontent with the perception that their tax contributions are inadequate in comparison to those of their acquaintances and neighbors. They also had trouble understanding tax regulations, especially when it came to figuring out when taxes were due and filed. Most taxpayers did not use an accountant or tax counselor; instead, they filed their taxes on their own. Tax non-compliance has been linked to several variables, including challenges in comprehending tax regulations, the belief

that taxes are unfairly burdensome, favourable attitudes towards non-compliance from peers, and the possibility of incentives for non-compliance. It was determined that taxpayer attitudes in Kenya do not promote tax compliance. Alabede et al. (2011) identified knowledge, service quality, the role of policymakers, public quality for tax utilization, and ethnic diversity as significant factors that positively influence the improvement of tax compliance and mitigation of tax obligation. Nicoleta (2011) in Romania concluded that the explanation of taxpayers' compliance level included their perceptions of the tax system and how they felt about the way the tax authorities handled them. Taxpayers' perceptions of unjust tax burdens influence their opinions. The advantages one obtained for paying taxes and the perceived equality of the taxpayer's burden relative to other people's were the two aspects of tax justice that were considered. The second factor was how the tax system's Vertical equity was viewed by taxpayers. A taxpayer is more likely to view paying taxes as a hardship if they believe they pay more than their fair share in comparison to wealthier taxpayers.

According to Saad (2012), Malaysian taxpayers' opinions on the fairness of their income tax systems are noticeably higher than those of their New Zealand counterparts. On the other hand, it was discovered that taxpayers in New Zealand complied more with their tax obligations. Subjective norms and individual attitudes towards compliance were shown to be the most significant factors in determining the compliance behaviour of taxpayers between the two nations. Tax compliance was mostly

explained by perceptions of tax justice, which were strongly impacted by tax expertise as well as the perceived complexity of the tax system. According to Sardjono (2013), taxpayers' desire to pay depends on their comprehension of tax laws and their positive opinion of the tax system's efficacy.

Zeng (2014) discovered that the most significant factor influencing the participants' tax compliance behaviour was the tax law system. A study's findings indicate that a wide variety of factors, including the personal traits of taxpayers, the tax system, tax administration, and the state of the economy and politics, have an impact on tax compliance. The main issues of nontax compliance are taxpayers facing high tax rates, citizens' tax attitude and low tax morale, incorrect tax payment, unsuitable public spending concerning taxpayer preferences, disbelief in the existence, noncompliance of taxpayers due to unfriendly state-citizen relations, poor structure of the tax system & tax administration that doesn't meet the expectations & needs of taxpayers, noncompliance of taxpayers due to economic & political structures, low level of governmental accountability and transparency (Helhel & Ahmed, 2014). Tax knowledge does not affect tax compliance; therefore, efforts should be made to raise taxpayer awareness to increase tax compliance and, consequently, increase the amount of money collected by the government (Fauziati, et al., 2020). Tax complexity and tax knowledge are considered to be contributing factors to taxpayers' non-compliance behaviour (Saad, 2014). One important factor that has been found to influence tax compliance behavior is the attitude of taxpayers. Numerous

economic research studies have demonstrated that tax compliance is dependent on individual decisions about paying taxes or evading them. These studies have also confirmed that a large number of potential determinants of voluntary compliance, such as social norms, equity and fairness, perceptions of politics and the government, and accountability towards tax compliance attitude, can have an impact on an individual's income or profit (Jayawardane, 2015). According to Kamil (2015), a taxpayer's awareness, knowledge, tax penalties, and tax services have a big impact on how compliant they are as a person. According to Sinnasamy et al. (2015), peer pressure controlled by tax agents, tax rates, penalties, and tax fairness might all lead to higher tax compliance in Malaysia. In a study, Onu (2016) examined the methods used to measure attitudes in tax surveys and evaluated the data that has been collected to date to establish a connection between these measures of attitude and real compliance. The study makes numerous recommendations for enhancing the specificity of attitude measurements, using assessment scales, and reducing social desirability biases to increase their predictive usefulness. For the benefit of academics preparing to perform survey work, several guidelines are provided about how to measure attitudes and interpret attitude surveys. Additionally, the results of taxpayer surveys may be utilized to inform the creation and management of tax laws.

According to Kiow (2017), public governance and openness in government operations have an impact on individuals' ethical perceptions, which in turn have an impact on their tax compliance behaviour. For individual taxpayers to

accurately declare their income, ethical perception is crucial. Each has a different ethical viewpoint, which is shaped by their experiences interacting with the government as well as changes in their environment. Their compliance behaviour may be influenced by perceptions of how taxpayers' money is being used, the advantages they receive from the government, or the knowledge that others avoid paying taxes. If the government uses tax revenue responsibly or provides advantages to taxpayers in the form of public goods and social comforts, then taxpayer compliance will increase. According to Rahayu (2017), a society's awareness and comprehension of tax laws will boost government tax income. The study demonstrated the substantial direct impact that taxpayer awareness and knowledge of tax regulations, used alone and in combination, have on tax compliance. Even though respondents' levels of tax knowledge varied widely, Poudel (2017) found that tax knowledge had a substantial influence. His findings are supported by this investigation. The study's findings are consistent with those of Sinnasamy et al. (2015), who concluded that peer pressure controlled by tax agents, tax rates, penalties, and tax fairness might all boost tax compliance in Malaysia. According to Rahayu (2017), a society's awareness and comprehension of tax laws will boost government tax income. This study also shows the substantial direct impact that taxpayer awareness and knowledge of tax regulations, both alone and together, have on tax compliance.

Deyganto (2018) found that tax compliance is not significantly influenced by the taxpayer's education level or the competence of the tax authority, but rather by factors such as

gender, age, lack of tax knowledge, simplicity of the tax system, awareness of the penalty for tax evasion, taxpayer income level, and perception of tax rates. These factors are significantly correlated with a voluntary compliance attitude. Ghimire (2019) concluded that individual taxpayer compliance behaviour is significantly positively correlated with tax knowledge, tax system, and tax fairness. Tiwari (2021), found that there is a favourable correlation between tax compliance and government incentives, peer influence, tax awareness, and tax attitudes. The study's conclusions show that key factors influencing rental taxpayers' compliance behaviour are their awareness of and perception of taxes. It is more important to raise taxpayer knowledge, provide incentives from the government, and cultivate a favourable tax attitude than imposing fines on the taxpayers. The cost of non-compliance or the imposition of fines is negatively correlated with taxpayer compliance.

In this research, true reporting of the tax base, correct computation of the liability, timely filing of the return, and timely payment of the amounts due are considered tax compliance. The readiness of individuals to behave following the "spirit" and the "letter" of the tax law and administration without the use of enforcement activities is referred to as tax compliance, according to James and Alley (2002). Before then, tax compliance was described by Roth et al. (1989) as appropriately reporting tax liabilities on necessary tax returns submitted in line with the tax legislation in effect at the time the return is filed. The main objective of this paper is to examine the factors influencing tax compliance of small business enterprises in Pokhara Valley. The study tested the following

hypothesis to reach a conclusion based on the stated research objective.

DATA AND METHODS

A descriptive cum analytical research design has been used in this research. The purpose of the study has been fulfilled by examining the impact of six explanatory variables i.e. tax knowledge and awareness, detection and punishment, tax system and implementation, attitude towards tax, tax rewards and punishment, and tax policy on dependent variable i.e. personal income tax compliance. This study has been conducted in Pokhara Valley to know the perceptions of individual taxpayers. Therefore, all individual income taxpayers in the Pokhara Valley made up the study's population. The study's population of interest consisted of small enterprises from a variety of industries, such as retail, services, hospitality, and tourism. All small enterprises that are registered and operating inside Pokhara's borders were included in the population. A representative sample of small enterprises was selected from the population to ensure that the study would remain feasible and controllable. The study's sample size (n) was 50 small businesses, Mugenda & Mugenda (2003) n=30 is sufficient for such a study. The method of convenience sampling was used.

Quantitative data from primary sources was used in the study. A survey approach was employed and a structured questionnaire was used to collect data. A questionnaire comprising closed-ended questions was given to the respondents. A five-point Likert Scale, ranging from 1 ("strongly disagree") to 5 ("strongly agree"), was used to evaluate opinions. The well-structured questionnaire was sent to the responder via email and in-

person meetings. It was emphasized that there were no requirements and that participation was entirely optional. The directions provided in the questionnaire were followed by the respondents when they completed it. After that, emails and direct answers from the respondents were gathered. The respondents completed the questionnaire simultaneously and within eight to fifteen days after it was distributed. The data analysis approach included both descriptive and inferential studies. Standard deviations, averages, and tables were among the tools used in descriptive analysis to compile the data. Regression analysis and correlation coefficients were used for inferential analysis to look at the links between the variables. The computer application Excel and the Statistical Package for the Social Sciences (SPSS), version 26, were used for data processing. After data was coded and imported into SPSS, the required commands were run to provide the desired results.

RESULT AND DISCUSSION

Demographic Profile

Table I shows a bird's eye view of the demographic profile of respondents which shows male 74 percent and female 26 percent. Similarly, the maximum respondents are within the age group of 36 to 45 years and 72 percent of respondents have more than six years of work experience. In the case of educational qualification, 54 percent are under 10 + 2, 40 percent have a bachelor's degree and only 6 percent have a master's and above degree.

Table 1. Demographic Background Features of Respondents

Features		Frequencies	Percent
Sex	Male	37	74
	Female	13	26
Age of respondents	26 -35 year	8	16
	36 - 45 year	24	48
	46 and above	18	36
Work experience	Less than 1 year	0	0
	1 to 5 year	14	28
	6 and above	36	72
Educational Qualification	10 + 2 or below	27	54
	Bachelor	20	40
	Masters and above	3	6
	Retail	36	72
Business sector	Service	12	24
	Hospitality	2	4

Sources: *Field Survey, 2024*

Table 1 also depicts the respondent's profile categorized by business sector and the retail sector is the predominant sector within the sample, with 72 percent of respondents identifying their business activities within this domain. The remaining 24 percent of respondents reported engagement in the services sector and four percent were involved in the hospitality sector.

Tax Knowledge and Awareness

Tax knowledge and awareness refer to understanding tax laws, regulations, and obligations, as well as being cognizant of how taxes impact individuals, businesses, and society. It involves familiarity with tax filing requirements, deductions, credits, and compliance procedures. Awareness also encompasses staying informed about changes in tax policies and deadlines.

Table 2.

Descriptive Analysis of Tax Knowledge and Awareness (N=50)			
Code	Statements	Mean	Std. Deviation
TKA1	I am knowledgeable about the tax laws and regulations applicable to my small business.	3.36	0.722
TKA2	I am aware of the tax filing deadlines and requirements for my small business.	3.52	0.762
TKA3	I understand the deductions and credits available to reduce my tax liability.	3.22	0.737
Overall Mean		3.36	

Source: *Field Survey, 2024*

Table 2 shows three statements (TKA1, TKA2, TKA3) related to tax

knowledge and awareness, along with their corresponding mean scores and standard deviations. Overall, respondents reported a moderate level of tax knowledge and awareness, as indicated by an overall mean score of 3.36.

Detection and Punishment

The techniques used to identify unlawful or immoral activity and inflict penalties on individuals guilty are referred to as detection and punishment.

Table 3

Source: *Field Survey, 2024*

Table 3 presents three statements (DP1, DP2, DP3) along with their corresponding mean scores and standard

Descriptive Analysis of Detection and Punishment (N=50)

Code	Statements	Mean	Std. Deviation
DP1	I believe that paying taxes is a civic responsibility and important for the development of the country.	4.10	0.789
DP2	I perceive the tax system as fair and equitable for small business owners like myself.	3.80	0.535
DP3	I am willing to comply with tax obligations to contribute to the welfare of society.	4.50	0.505
Overall mean		4.13	

deviations. Overall, respondents reported positive attitudes toward tax compliance and perceived fairness in the tax system, as indicated by an overall mean score of 4.13.

Tax System and Implementation

A tax system is a set of regulations, laws, and practices that control how taxes are collected and allocated within a certain area. It covers a range of tax kinds, including corporation, sales, property, and income taxes, in addition to systems for assessing, collecting, enforcing, and administering taxes.

Table 4

Descriptive Analysis of Tax Systems and Implementation

Code	Statements	Mean	Std. Deviation
TSI1	The tax laws and regulations in Pokhara are clear and easy to understand.	3.70	0.614
TSI2	The tax filing and payment processes in Pokhara are efficient and user-friendly.	4.00	0.857
TSI3	The tax authorities in Pokhara provide adequate support and guidance to small business owners.	3.12	0.799
Overall mean		3.60	

Source: *Field Survey, 2024*

Table 4 presents the results of the TSI2 survey, which measures how efficient and user-friendly the tax filing and

payment processes are in Pokhara. The respondents gave this statement a mean score of 4.00, with a standard deviation of 0.857, indicating strong agreement. This suggests that the tax filing and payment processes are seen positively by the respondents. Respondents received a mean score of 3.12 with a standard deviation of 0.799 for TSI3 (The tax officials in Pokhara give enough help and direction to small company owners), which indicates considerable agreement with this statement but is significantly lower than TSI1 and TSI2. An aggregate mean score of 3.60 indicates that respondents' opinions on tax systems and their implementation were generally quite good.

Attitude towards Taxes

Attitude towards taxes refers to an individual or entity's beliefs, perceptions, and emotions regarding the payment of taxes and the role of taxation in society. It encompasses attitudes toward tax fairness, compliance, and government spending.

Table 5

Code	Statements	Mean	Std. Deviation
ATT1	I believe that the risk of being audited or penalized for tax non-compliance in Pokhara is high.	4.12	0.689
ATT2	The penalties imposed for tax non-compliance in Pokhara are severe and act as a deterrent.	2.66	0.798
ATT3	The tax authorities in Pokhara consistently enforce penalties and take legal action against tax evaders.	2.32	0.551
Overall mean		3.03	

Source: Field Survey, 2024

Table 5 indicates that for ATT1 (I think there is a high chance of getting audited or penalized for not filing taxes in Pokhara), respondents gave a mean score of 4.12, with a standard deviation of 0.689. This indicates strong agreement with the statement, indicating that they believe there is a high risk of tax non-compliance. Respondents received a mean score of 2.66 with a standard

deviation of 0.798 for ATT2 (The penalties enforced for tax non-compliance in Pokhara are substantial and operate as a deterrent), which indicates considerable agreement with this statement but considerably lower than ATT1. Respondents gave a mean score of 2.32, with a standard deviation of 0.551, for ATT3 (The tax officials in Pokhara frequently enforce fines and take legal action against tax evaders), implying lower agreement with this statement compared to ATT1 and ATT2. The overall mean score of attitudes towards tax is 3.03.

Tax Rewards and Incentives

Table 6

Code	Statements	Mean	Std. Deviation
TRI1	I perceive that the tax incentives offered by the government in Pokhara positively influence my compliance behavior.	3.44	0.993
TRI2	The availability of tax deductions and exemptions encourages me to comply with tax regulations in Pokhara.	3.80	0.782
TRI3	I believe that receiving tax rewards or benefits for compliant behavior would motivate me to maintain tax compliance.	4.26	0.565
Overall mean		3.83	

Source: Field Survey, 2024

Table 6 shows that, on average, respondents had positive perceptions of tax rewards and incentives. This is demonstrated by the overall mean score of 3.83 and strong agreement with the statement "I believe that receiving tax rewards or benefits for compliant behaviour would motivate me to maintain tax compliance" which is indicated by the TRI3 score of 4.26, which has a standard deviation of 0.565. With a mean score of 3.80 and a standard deviation of 0.782, TRI2 (The availability of tax deductions and exemptions encourages me to comply with tax regulations in Pokhara) indicates strong agreement with this statement, reflecting favourable opinions of the efficiency of tax deductions and exemptions in encouraging compliance. The mean score of 3.44 for TRI1 (I

believe that the tax incentives provided by the Pokhara government positively influenced my compliance behaviour), with a standard deviation of 0.993 indicates moderate agreement with the statement.

Tax Policy
Table 7

Descriptive Analysis of Tax Policy (N=50)			
Code	Statements	Mean	Std. Deviation
TP1	The tax rates are reasonable and do not pose a burden on small business enterprises.	4.24	0.744
TP2	I am aware of the tax policies implemented in Pokhara that directly affect my small business.	3.16	0.842
TP3	The tax policies in Pokhara are designed to support the growth and development of small business enterprises.	3.32	0.844
Overall mean		3.57	

Source: Field Survey, 2024

Table 7 presents the opinion of respondents towards three statements about tax policy. A high mean value of 4.24 with a standard deviation of 0.744 suggested that the respondents highly agreed that the tax rates are reasonable and do not pose a burden on small business enterprises. The overall mean score is greater than three which means that the respondents have a positive perception towards tax policy.

Tax Compliance Behavior
Table 8

Descriptive Analysis of Tax Compliance Behavior (N=50)			
Code	Statements	Mean	Std. Deviation
TCB1	I consistently and accurately report my income for tax purposes.	3.70	0.863
TCB2	I ensure that I meet all tax filing deadlines without delays.	3.28	0.97
TCB3	I make an effort to minimize tax evasion and underreporting of income.	3.70	0.763
TCB4	I maintain organized and up-to-date financial records to support tax compliance.	3.20	0.808
TCB5	I willingly cooperate with tax audits and provide the necessary information.	4.20	0.452
TCB6	I believe in the importance of tax compliance for the overall development of our community and country.	4.02	0.553
TCB7	I see tax compliance as an ethical duty, and I take it seriously.	3.16	0.738
TCB8	I am willing to make adjustments to my business practices to align with tax regulations.	3.50	0.647
Overall mean		3.59	

Source: Field Survey, 2024

Table 8 presents the descriptive analysis of respondents' tax compliance behavior, with a total sample size of 50 individuals. The analysis includes eight statements (TCB1 to TCB8) along with their corresponding mean scores and standard deviations. Overall, respondents reported moderately positive tax compliance behavior, as indicated by an overall mean score of 3.59.

Correlation Coefficient of Dependent and Independent Variables

Table 9

Relationship between Dependent and Independent Variables

	TCB	TKA	DP	TSI	ATT	TRI	TP
TCB	1						
TKA	0.234	1					
DP	0.252	.457**	1				
TSI	0.203	0.247	0.151	1			
ATT	-0.271	-0.207	-0.041	-0.556**	1		
TRI	.439**	0.161	0.369**	0.129	-0.404**	1	
TP	.333*	0.209	0.237	0.245	-0.233	0.238	1

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Note: TCB= Tax Compliance Behavior (Dependent variable), TKA=tax knowledge and awareness, DP= detection and punishment, TSI= tax systems and implementation,

ATT= attitude towards tax, TRI= tax rewards and incentives, TP= tax policy

Table 9 displays positive relationships between the dependent variable and independent variables except for attitude towards tax and tax compliance behaviour. The relationship between tax rewards and incentives and tax compliance behaviour is moderate level. However, tax knowledge and awareness, detection, and punishment, tax system and implementation, and tax policy show a weak correlation toward tax compliance behaviour.

Multiple Regression Analysis of Dependent and Independent Variables Table 10

Multiple Regression Analysis

Model	R	Adjusted R Square	Std. Error of the Estimate
1	.519a	0.27	0.19893

Table 10 presents the results of a multiple regression analysis aimed at understanding the relationship between the predictor variables and the dependent variable. The model, represented as Model 1, exhibits a correlation coefficient (R) of .519, indicating a moderate positive correlation between the predictor variables and the dependent variable. Moreover, the coefficient of determination (R Square) stands at 0.27, suggesting that approximately 27 percent of the variance in the dependent variable is explained by the independent variables included in the model.

It is essential to note the adjusted R square value, which is calculated to account for the number of predictors in the model. With an adjusted R square of 0.168, it suggests that around 16.8% of the variance in the dependent variable can be attributed to the independent variables while adjusting for the number of predictors. Furthermore, the standard error of the estimate is 0.19893, providing an estimate of the variability in the dependent variable that is not explained by the regression model.

Table 11
ANOVA test

	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.628	6	0.105	2.647	.028b
Residual	1.702	43	0.04		
Total	2.33	49			

Table 11 displays the results of an ANOVA test, assessing the overall significance of the regression model. The table indicates that the regression model is statistically significant (p = .028), suggesting that the predictors collectively explain a significant portion of the variance in the dependent variable. The F-statistic of 2.647 further supports this, indicating that the variance explained by the model is significantly greater than the unexplained variance.

Coefficients

Table 12
Regression Coefficient Analysis of Dependent and Independent Variables

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	2.178	0.707		3.082	0.004
TKA	0.063	0.089	0.107	0.708	0.483
DP	0.007	0.085	0.014	0.087	0.931
TSI	0.035	0.085	0.068	0.414	0.681
ATT	-0.012	0.097	-0.022	-0.121	0.904
TRI	0.191	0.087	0.351	2.2	0.033
TP	0.098	0.067	0.202	1.447	0.155

Dependent Variable: Tax compliance behavior

Independent variables: TKA, DP, TSI, ATT, TRI, TP

Table 13 presents the results of the regression coefficient analysis, detailing the impact of the independent variables (TKA, DP, TSI, ATT, TRI, and TP) on the dependent variable (Tax compliance behavior). The regression model was formulated with the variable TCB as the dependent variable, while variables TKA, DP, TSI, ATT, TRI, and TP were considered contenders. This model was structured as follows:

$$TCB = \beta_0 + \beta_1TKA + \beta_2DP + \beta_3TSI + \beta_4ATT + \beta_5TRI + \beta_6TP + \epsilon$$

Now, after considering the beta coefficient, this can be written as:

$$TCB = 2.178 + 0.063TKA + 0.007DP + 0.035TSI - 0.012ATT + 0.191TRI + 0.098TP + \varepsilon$$

In this analysis, the independent variable TRI (with a coefficient of 0.191 and a p-value of 0.033) appears to have a significant positive impact on tax compliance behavior. Other variables such as TKA, DP, TSI, ATT, and TP do not appear to have a statistically significant impact on tax compliance behavior, as their coefficients have p-values greater than 0.05 i.e. 0.483, 0.931, 0.681, 0.904, and 0.155 respectively. The significant positive correlations between tax compliance behavior (TCB) and tax rewards and incentives (TRI) ($r = 0.439^{**}$), as well as Tax Policy (TP) ($r = 0.333^{*}$), underscore the importance of perceived benefits and supportive policies in fostering compliance.

The regression analysis indicates that among the independent variables considered; only tax rewards and incentives (TRI) show a statistically significant positive impact on tax compliance behavior (TCB). With a coefficient of 0.191 and a p-value of 0.033, TRI suggests that businesses are more likely to comply with tax obligations when they perceive favorable rewards or incentives for doing so. Conversely, the coefficients for TKA, DP, TSI, ATT, and TP have p-values greater than 0.05, indicating that these variables do not have a statistically significant impact on tax compliance behavior in this particular sample.

The relationship and impact of tax knowledge and awareness and tax compliance are positive but not significant which is in contradiction with similar studies (Alabede, et al., 2011; Deyganto, 2018; Fauziati, et al., 2020; Kamil, 2015; Saad, 2012; Rahayu, 2017; Sardjono, 2013). Similarly, the explanatory variables including detection and punishment, tax system and implementation, attitudes towards tax, and tax policy have also not significant impact on the tax compliance behavior of sample respondents. Hence, it is controversial with the findings of

(Ficher, et al. 1992; Helhel and Ahmed, 2014; Alm and Gomez, 2008; Deyganto, 2018; Wanjohi, et al. 2010; Saad, 2012; Zeng, 2014; Kamil, 2015; Ghimire, 2019; Sinnasamy et al. 2015).

CONCLUSION

The study has looked at the impact of tax knowledge and awareness, detection and punishment, tax system and implementation, attitudes towards tax, tax rewards and incentives, and tax policy on tax compliance behavior of small-sized business enterprises of Pokhara Valley. The literature and study revealed six elements that have an insignificant impact except for one explanatory variable of tax rewards and incentives. For measurement, these characteristics are comprised of 18 items on a 5-point Likert scale that goes from "Strongly disagree" to "Strongly agree." This study indicates that the small-sized business owners in Pokhara who were polled did not exhibit compliance behaviour in a way that is independent of factors like tax awareness, tax detection and penalty, the efficacy of tax systems, attitudes towards taxes, and tax policies. One major implication of this study is to impart tax knowledge and awareness to small business entrepreneurs who support tax compliance by tax offices and agencies. Moreover, the future researcher may conduct research covering various aspects of tax compliance taking more sample size for different sectors other than small-scale business taxpayers.

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