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TAX RISES IMPACT ON THE SPENDING PATTERN OF THE POPULATION IN GREATER ACCRA REGION OF GHANA

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ABSTRACT

The study was aimed at examining the role of high tax rises on the spending patterns of the people in Accra township of Ghana. The research gathered data from both secondary and primary sources and used the quantitative research method approach. The key instruments used for the data collection was questionnaire. In all seventy (70) respondents were selected for the study comprising thirty five (35) people from Accra township and thirty five (35) University of Ghana students. The study found out that taxation is very good for nation building since the allocation of funds depends upon the collection of taxes and the government used that revenue for specific purposes. This has a direct economic impact on the socio economic development of Ghana. The study found out that there is a fairly strong relationship between people spending and high tax rises. That is to say the study found out that when tax is high it affects people spending negatively especially the poor because it reduces their income levels, put a tax burden on them, it increases their expenditure and it also increases poverty. The study found out that to be able to ensure effectiveness and efficiency in our tax system it is essential to strike the right balance between designing an attractive tax, there must be transparency and effectiveness in the tax system, tax reform needs to be promoted to widen the tax base and bring a larger part of the population into the formal economy and also tax must reduce excessive reliance on aid and offers a path away

from unsustainable revenue streams. It is recommended that the government of Ghana should structure the tax based system in a way that there is no inequality in the payment by the poor and the rich and also the people of Ghana should understand the importance of taxation for the development of Ghana and hence there should not be invasion of tax since tax brought to light the importance of tax.

Keywords: Tax, Spending Pattern, Population, Greater Accra Region, Ghana.

INTRODUCTION

The development of every nation depends mainly on taxation (Jao, 2000; Addison & Osei, 2001). A solid revenue base is one of the foundations of every great nation and this includes Ghana. Revenue gained from taxes is very important in developing every economy (Alfranica & Galindo, 2003). According to the World Bank Report on the finances of government of Ghana in 2011, percentage of tax revenue to GDP in Ghana was measured at 14.87%. Also, according to the Bank of Ghana Monetary Policy Report on fiscal developments, preliminary fiscal data from the ministry of finance and economic planning showed that for the first quarter of 2012, total revenue and grants amounted to GHC 3.5billion, representing 5% of GDP (BoG Report, 2012).

Thus, taxation contributes so much to the revenue of Ghana and as such taxation issues are top priority issues in the development of Ghana. There are two main systems or types of taxation levied in Ghana, which are direct and indirect taxes. (BoG, 2012) The primary purpose of tax is to collect revenue to finance government expenditure (Aizenman & Jinjarak, 2005; Boating, 2009). Therefore there is always the need to mobilise more revenue in order to achieve fiscal policy objectives.

Many countries including Ghana have increased their taxes as a major source of government revenue (Boating, 2009). According to Li (2004) over the last decades there have been changes in the rates and structure of tax systems, as well as important variation in the level and composition of people spending in both developed and developing countries. Much less research has been conducted on how high tax rises impact on people spending trends especially in Ghana (Herrera, 2007; Baer & Galvao, 2008; Boating, 2009). Research on the role of tax rises on the spending patterns of the population of a country have long been studied as such how potential changes to the personal income tax system affect the size of the overall economy is a serious issue of concern that must be investigated into.

Statement of Problem

Analysis of the tax structure in Ghana shows that the bulk of government revenue comes from indirect tax and direct tax having the potential of contributing immensely to the development of the economy (Boateng, 2009). Successive governments have increased the rates of taxes many times in Ghana. The question is what is the role of high taxes on the spending pattern of people?

Ghana has gone through several tax reforms through the years, with three different agencies being in charge of tax collection in Ghana. These agencies were the Internal Revenue Service (IRS), the Value Added Tax Service (VATS), the Customs, Excise and Preventive Service (CEPS). These three tax agencies (the CEPS, VATS and IRS) had been operating separately until December, 2009 when they were amalgamated into one by parliamentary Act 791 under

the then President H. E. Prof. Evans Atta Mills to be known as Ghana Revenue Authority (Ghana Revenue Authority, 2013).

Since the amalgamation of the three tax agencies in Ghana, a lot of work have being carried out in the area of taxation and currently Ghana Revenue Authority is in charge of many tax collection in Ghana but none of them have tried to assess the role of tax rises on the spending patterns of the people of Ghana using Greater Accra township as a study area. This study seeks to bridge this knowledge gap by examining the role of high tax rises on the spending patterns of the people of Accra township.

Main Research Objective

The main objective of this study is to examine the role of high tax rises on the spending patterns of the people in Accra township of Ghana. The study will be guided by three research objectives;

1. To find out the extent to which taxation has contributed to the economic development of Accra.
2. To assess the effects of high taxes on the spending pattern of the people in Accra.
3. Assess the effectiveness and efficiency of the taxes system in Ghana

Research Questions

From the study's objectives, three research questions are to be verified.

1. What is the contribution of taxation to the economic development of Accra?
2. What are the effects of tax rises on the spending pattern of the people in Accra?
3. How effective and efficient are the tax system in Ghana?

LITERATURE REVIEW

Concept of Taxation

Taxation is defined differently by many scholars from different backgrounds. Borge and Rattso (2004) define tax as money that is compulsorily levied by the state or local authorities on individuals, property, or business. This money, he notes to be the price we pay for a civilized society.

Accordingly, Milanovic (2006) also define tax as levying of compulsory contributions by public authorities having tax jurisdiction, to defray the cost of their activities with no reward gained by the tax payer. Harberger (2006) examine taxation to be a compulsory transfer of money from private individuals, institutions or groups to the government.

A tax is a levy imposed by government or a legal entity in a country, on its citizens (Altus Directory, 2010). Pratt (2001) sees tax as an exaction to support the government, which means, that tax provides a way for government to obtain a greater portion of revenue needed to keep it in operations. It can thus far be seen that tax is not just a source of revenue; though it has become a great instrument that policy makers use to achieve socio-economic goals. This study argues that research has a role to play on the role of taxation as a macroeconomic tool of determining the spending patterns of people.

Brief History of Taxes in Ghana

According to Boateng (2009), taxation was introduced in Ghana in the year 1943. Despite this, prior to its introduction in 1943, governments had made some attempts to introduce it already. For example, in April 1852, in order to obtain revenue to fund the increased cost of British Administration, the government introduced what it called the Poll Tax Ordinance.

Men, women, and children living in districts under British protection were made to pay one shilling per head per year as a poll tax ordinance.

Some weaknesses in the system of tax collection made these attempts of direct tax introduction fail, coupled with the fact that the first revenue collected were not used for the purpose for which they were introduced. That was how taxation begun in Ghana and since then there has been important amendments in the tax laws over the past years.

From Kearney (2003) and Teffera (2004), Income Tax Ordinance was introduced in 1943 and it was the first income tax law. Since there was an Income Tax Act already in United Kingdom, our ordinance was modeled on that act. Our ordinance levied the tax primarily on incomes that had their source in Ghana which meant that income from foreign source was not taxable unless it was remitted in Ghana.

Effects of high Tax Rise on People Spending

According to Moreno-Dodson (2008), the impact of a tax is the pinch of payment. The incidence of a tax is the money burden and this is on the person who finally pays the tax. The term thus indicates the final resting place of the tax. In Income Tax administration, the person who pays the tax bears both the impact and the incidence, whilst in commodity taxes some or all of the taxes which are paid by traders are passed on to the consumers by way of increased prices (Weller, 2007).

According to Moreno-Dodson (2008), when mean income rises relative to the median income in the income distribution, a majority coalition of those with lower income will tend to support higher taxes, presumably more in the form of direct, and progressive, taxes as opposed to indirect taxes. There is a fairly large applied literature on tax burdens on people. Most of the empirical studies on tax incidence are country-specific studies relying on micro simulation models and computable general equilibrium models. The general conclusion reached in this literature is that the effects of high tax rises on spending are very serious in developing countries (Paresh, 2003; Bird and Zolt, 2008).

More recent research on the impact of tax rises on people spending has been concerned with the effectiveness of government policy in improving or at least mitigating the worsening of income distribution. In the recent literature much more emphasis has been placed on the relationships between growth and income distribution (Bird, 2005), and public spending and growth (Kearney, 2003; Paresh, 2003; Bird, 2005). It is now quite clear that the expenditure of people is affected by the tax they pay (Paresh, 2003).

In summary, the literature has focused on the relationships between growth and income distribution. On the relationship between people spending patterns have mainly concentrated on the impact of particular types of spending on different income classes. Much less research effort has gone into analyzing the effect of the variability of tax rate on people spending. This justify the need for this study.

METHODOLOGY

Research Design

The research is a descriptive survey through which views and opinions were sampled from the people in Accra township. Ampofo (2020) views descriptive survey as a design that portrays accurately the characteristic of particular individual situations or groups. In other words, the descriptive survey is a research method that is non-experimental and deals with the relating among non-manipulated variable. A descriptive survey also provides a

quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population. It includes cross-sectional and longitudinal studies using questionnaire or structured interviews for data collection, with the intent of generalizing from a sample to a population (Creswell, 2013).

The descriptive survey was considered the most appropriate design for conducting this research because information gathered from the descriptive research can be meaningful or useful in diagnosing a situation since it involves describing, recording, analyzing and interpreting conditions that exist. The descriptive survey was again considered the most appropriate design for conducting this study because it is the one that deals with things as they currently are (Creswell, 2013). Descriptive survey design also helped achieved the goal of the study, which was to assess the role of tax rises on the spending patterns of the population of Accra township.

According to Ampofo (2020), survey permits the researcher to gather information from a large sample of people relatively quickly and inexpensively. Most surveys are based on samples of a specified target population – the group of persons whose interest is expressed. They are designed to provide a ‘snapshot of how things are at a specific time’ There is no attempt to control conditions or manipulate variables (Kusi, 2012).

The Study Area

The study was conducted in Accra the capital town of Ghana. The researcher’s experience on taxation in business management has helped them gain access to the information needed for the successful completion of this study. The area is within our purview hence reducing the cost as well as risk involved in travelling. This makes the data collection process easy and convenient.

Population

The target population of this study was permanent residents within Accra township locating at University of Ghana area. The study population was numbered two hundred and thirty two (232). The study ascertained their views on the role of high tax rises on the spending patterns of the people in Accra township.

Sample Size and Sampling Techniques

Kusi (2012) explains that ‘it is imperative for you to determine an aspect of population to be involved in your study’. A study may entail a large population unlike others with small population. In such situation, a portion of the entire population may be selected for study and this is what is termed as sample.

Simple random sampling was used in selecting the seventy (70) people within the Accra township for the study. Simple random sampling means that each member of the sampling population has an equal chance of being selected. It called for a sufficiently large sample to ensure that the sample reflect the population (Ampofo, 2020).

Conceptually, simple random sampling is the simplest of the probability sampling techniques. It requires a complete sampling frame. Advantages are that it is free of classification error and it requires minimum advance knowledge of the population other than the frame. Its simplicity also makes it relatively easy to interpret data collected via simple random sampling. In all seventy (70) respondents were selected for the study comprising thirty five (35) people from Accra township and thirty five (35) University of Ghana students. This sample size was chosen for the researcher to be able to manage them and also to avoid

superficial perspective on the side of the researcher. Students' questionnaires were handed over to students and guided through the questions.

Instrumentation

The researcher used a questionnaire in collecting data for the research. A questionnaire is a research instrument consisting of series of questions for the purpose of a survey or statistical study. The structured questionnaire type was used. Kusi (2012) and Ampofo (2020) explain that a structured questionnaire is a data collection instrument which contains predetermined standard questions or items meant to collect numerical data that can be subject to statistical analyses.

The questionnaire used for this study was both close ended and open ended questions with options like (Very common, Common, Uncommon, Yes or No, Very uncommon, strongly agree, Agree, Disagree, Strongly Disagree and Ranking). It was divided into four sections which are as follows: Section A: Personal data and Section B: provides questions on the extent to which taxation has contributed to the economic development of Accra, Section C: on the effects of high taxes on the spending pattern of people and Section D: on the effectiveness and efficiency of the various types of taxes in Ghana Questionnaires required less time and money compared to other methods like focus group discussions (Ampofo, 2020).

Pretesting of the Instrument

A pilot study was conducted in Accra township on the workers of Accra Metropolitan Assembly which has the same socio- demographic as that of the people of Accra township. The questionnaires were administered to ten (10) people. The pilot study was done to improve the reliability of instrument. Changes were made to questions deemed inappropriate after the pilot study.

Validity of the Instruments'

A research instrument is said to be valid when it measures what it is supposed to measure. Face validity is in relation to the misunderstanding and misinterpretation of the question. This was checked by way employing pretesting method. Content validity on the other on other hand refers to the capacity of the instrument to prove adequate coverage of a topic. Adequate preparation of the instrument under guidance of an expert opinion and pre-testing of the question helped established the content validity.

Reliability of the Study

Reliability has to do with an instrument consistently producing the same result every time it is used. The test retest method was used to test for the reliability of the instrument. The questionnaires were administered to workers of Accra Metropolitan Assembly with knowledge on taxation which has the same socio- demographic as that of the respondents for this study.

Data Collection Procedure

The researcher obtained permission from the respondents stating the purpose and objectives of the study and the cooperation of the research participants. The participants were told of the purpose, time, venue and how to answer the questionnaires. They were also assured of their confidentiality and anonymity. The researcher self-administered the questionnaires to respondents

Data Analysis Technique

Analysis of data provided facts and figures that enabled interpretation of the results and reaching conclusions from the findings of the study. All items of the questionnaires were coded. Items in the form of Likert scale were rated between 5-1, with 5 being the highest and 1 being the lowest. Questionnaires were edited to ensure that clear, legible, relevant, and appropriate responses had been provided. The coded items and their corresponding frequencies were fed into the computer using the SPSS software programme. Data were analyzed using simple percentages and frequencies.

PRESENTATION, ANALYSIS AND DISCUSSION OF RESULTS

Introduction

The main objective of this study is to find out the role of high tax rises on the spending patterns of people in Accra township. This was done through the use of structured and semi structured questionnaire in the data collection process. In analyzing the results of the data collected through the study, the researchers have divided this chapter into the following sub-divisions:

- i. Biographical data.
- ii. The extent to which taxation has contributed to the economic development of Accra.
- iii. The effects of high taxes on the spending pattern of people in Accra.
- iv. The effectiveness and efficiency of the taxes system in Ghana.

Biographic Data of Respondents

Section A of the questionnaires gathered data on the respondent's biography which is presented in Table 1.

Table 1

Sex Distribution of Respondents

Sex	Frequency	Percentage (%)
Male	35	50%
Female	35	50%
Total	70	100%

Source: Field Survey, 2021

Table 1 presents the gender of participants who responded to the questionnaire items. From the table, 70 respondents were given questionnaire. All responded to the questionnaire. Out of the 70 respondents, 35(50%) were male while 35(50%) were females. The implication is that; both male and female respondents were equally represented in the survey.

Table 2

Age Distribution of Respondents

Age	Frequency	Percentage (%)
Below 25	20	28.57%
25-30	30	42.85%
31-35	10	14.28%
36-40	5	7.14%
Above 40	5	7.14%
Total	70	100%

Source: Field Survey, 2021

The age distribution of the sample population is presented in Table 2. The table shows that majority of the respondents were between 25-30 years representing 30(42.85%) of the respondents. This was followed by those under 20 years who also recorded 20(28.57%), followed by those between 36-40 years and above 40 years respectively recording 5 (7.14%) each. The implication of this is that, majority of respondents were older from 25 years.

Table 3
Highest Level of Education of Respondents

Response	Frequency	Percent
1st Degree	35	50%
Masters	-	-
Diploma	5	7.14%
Prim-SHS	30	42.85%
Total	70	100.0

Source: Field Survey, 2021

Table 3 shows the educational level of respondents. Results from table 3 shows that 35 (50%) the respondents had a first degree whiles 30 (42.85%) of the respondents also have attended primary to senior high school and the remaining 5 (7.14%), have diploma. The implications of this is that majority of the respondents are educated.

The marital status of the respondents is represented in the bar graph below.

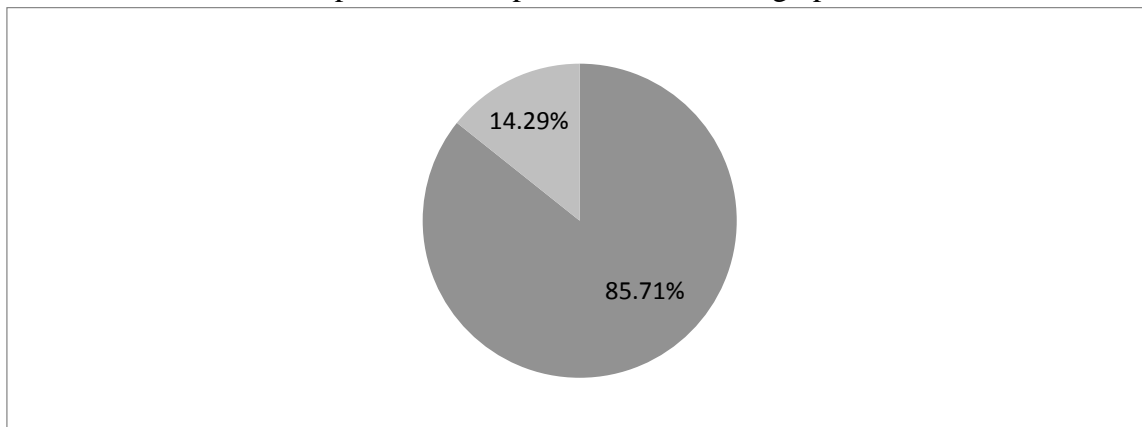


Figure1: Marital Status of Respondents

Source: Field Survey, 2021

From the figure above it could be deduced that 30 (42.86%) of the respondents are single while 40 (57.14%) said they are married. The implication of the above means that majority of the respondents are responsible for spending.

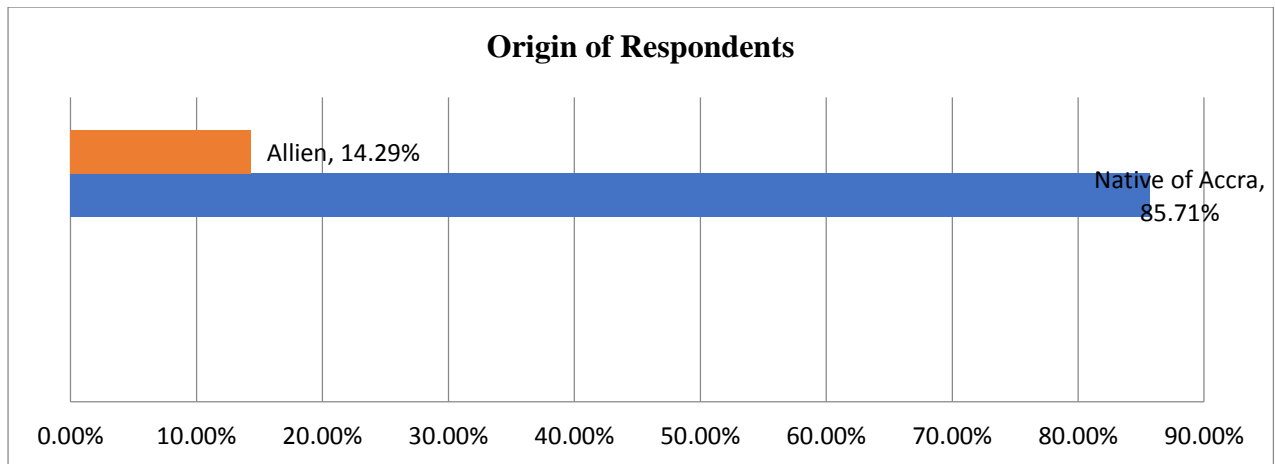


Figure 2: Nature of Respondents Origin
Source: Field Survey, 2021

From Figure 2 above majority of the respondents were native of Accra representing 60 (85.17%) whiles 10 (14.29%) were Aliens. The implication of this is that Majority of the respondents in the selected areas of this study in Accra are natives.

In order to justify whether or not the respondents are real natives of Accra, the number of years they have stayed in the town was asked in order to avoid any less information on the issue under discussion. This is represented in below

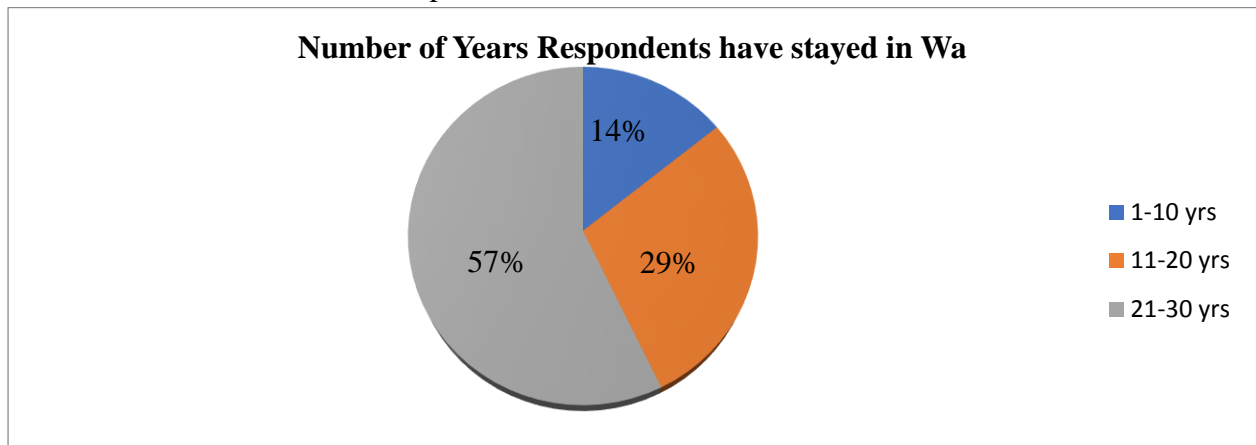


Figure 3: Number of Years Respondents have stayed in Accra
Source: Field Survey, 2021

Figure 3 above was to help know how many years of staying in Accra by the respondents and their experiences of high tax rises impact on their spending pattern.

Analysis of Data

The analyses of the items are based on the three research questions which are as follows:

4. What is the contribution of taxation to the economic development of Accra?
5. What are the effects of tax rises on the spending pattern of the people in Accra?
6. How effective and efficient are the tax system in Ghana?

Research Question 1: What is the contribution of taxation to the economic development of Accra? This questionnaire sought to find out the contribution of taxation to the economic development of Accra and the relevant data is presented below.

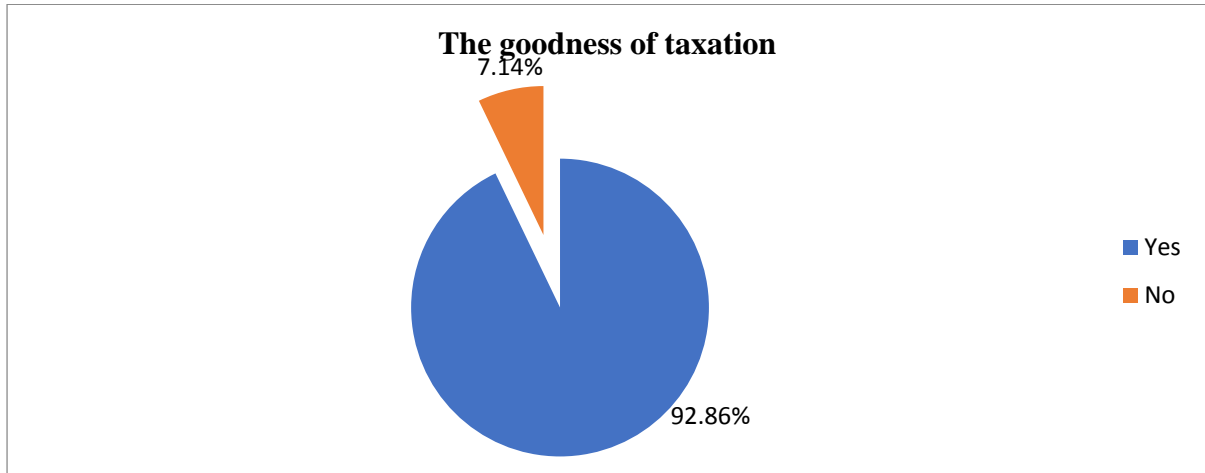


Figure 4: The goodness of taxation
Source: Field Survey, 2021

From figure 4 majority of respondents 65 (92.86%) indicated that tax is good while 5 (7.14%) also indicated that tax is not good. The above result is consistent with a study by Adam and Browne (2010) who asserted that tax is an exaction to support the government, which means, that tax provides a way for government to obtain a greater portion of revenue needed to keep it in operations. It can thus far be seen that tax is good. Addison and Osei (2005) also posited that tax is the most important source of revenue for the economic growth of developing countries.

Table 4
Contribution of Taxation to the Development of Accra

	Frequency	Percent	Valid Percent	Cumulative Percent
A. Finance social infrastructure needs	40	57.1	57.1	57.1
B. Economic growth	15	21.4	21.4	78.6
C. promote good governance and accountability by strengthening the relationship between government and citizens	5	7.1	7.1	85.7
D. ensure that the costs and benefits of development are fairly shared	10	14.3	14.3	100.0
Total	70	100.0	100.0	

Source: Field Survey, 2021

Table 5
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
contribution of taxation to the development of Accra	70	1.00	4.00	1.7857	1.08871
Valid N	70				

Source: Field Survey, 2021

From Table 4 and 5 on the contribution of taxation to the development of Accra, it was apparent that majority of the respondents 40 (57.1%) indicated that tax is used to finance social infrastructure (development purpose) in Accra. This was followed by 15 (21.4%) who also indicated that tax has helped in the economic growth of Accra. Again 10 (14.3%) indicated that tax collection ensure that the costs and benefits of development are fairly

shared while 5 (7.1%) indicated that tax promote good governance and accountability by strengthening the relationship between government and citizens.

Also statistical results were used to analyze the contribution of taxation to the economic development of Accra. This was justified by mean and standard deviation of which both must fall between 0 and 1. The mean and standard deviation which shows how taxation has helped in the development of Accra. A mean of 1.7879 and a standard deviation of 1.08871 indicate that tax is good.

The above results is in consistent with a study by Alfranca and Galindo (2003) who posited that taxation help in development of a nation. Aizenman and Jinjark (2005) also indicated that taxation also affects the allocation of production and income of the community. Such changes caused by different taxes have far-reaching effects on the economic welfare of the society thereby ensuring economic growth of a nation.

Again Baer and Galvao (2008) asserted that one of the most important resources of revenue for every Government is tax; tax payment became a compulsory contribution by every citizen to Government to enable the Government to fulfill its commitments towards society. Bird (2005) (2005) asserted that there is no doubt about the importance of taxation to the development of an economy since tax help in its structural and standard economic growth and development of a nation.

Research Question 2: What are the effects of tax rises on the spending pattern of the people in Accra? This questionnaire sought to find the effects of tax rises on the spending pattern of the people in Accra and the relevant data is presented below.

Table 6
Agreement by Respondents on High Tax Rises

Statistics			
	contribution of taxation to the development of Wa	Agreement by respondents on high tax rises	
Valid	70		70
Missing	0		0

Source: Field Survey, 2021

Table 7
Agreement by Respondents on High Tax Rises

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	30	42.9	42.9
	No	40	57.1	100.0
	Total	70	100.0	100.0

Source: Field Survey, 2021

Results from Table 6 shows that majority of respondents 40 (57.1%) out of 70 indicated that they are not in agreement with high tax rises while 30 (42.9%) indicated that high tax rises is good. The implication of this is that high tax rises is not good. This result is in consistent with a study by Bird (2008) who posited that high tax rises is very important given that, it is a kind of progressive tax and takes more from the people who have more. This decreases the consumption of luxury goods by the rich and facilitates the diversion of resources from luxury goods production to that of capital construction.

According to Boateng (2009), high tax rises ensures a degree of flexibility in the system of tax, increasing the possibility of tax revenues rising as income increases. The progressive ability direct tax makes it ideal for developing countries. For this reason, it promotes distributive justice in developing countries. Bank of Ghana (2012) also postulated that high tax rises is not good since it does not alleviated poverty when the tax system is indirect. They further indicated that high tax rises put a lot of pressure and burden on the poor. The problem with a high tax rises is that it may not be appropriate in welfare analysis in developing countries like Ghana.

Table 8
Negative Effects of High Tax Rises on Peoples Spending

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A. It brings about tax invasion	5	7.1	7.1	7.1
	B. It reduces peoples income	10	14.3	14.3	21.4
	C. It brings about tax burden on people	15	21.4	21.4	42.9
	D. It increases poverty	17	24.3	24.3	67.1
	E. It affects people expenditure	23	32.9	32.9	100.0
	Total	70	100.0	100.0	

Source: Field Survey, 2021

Table 9
Statistics on the Negative Effects of High Tax Rises on Peoples Spending

N	Valid	70
	Missing	0
Mean		3.6143
Median		4.0000
Mode		5.00
Skewness		-.520
Std. Error of Skewness		.287
Sum		253.00

Source: Field Survey, 2021

However from the summary statistics results above there is a negative skewness of $-.520$ meaning that the mean (3.6143) is less than the median (4.0) and the median is less than the mode (5.0). This means that there is a negative relationship between high tax rises and people spending thus the skewness is negative or left skewed implying that there is a negative relationship or statistical difference between high tax rises and people spending pattern. This is justified by the frequency table above.

This result is in consistent with a study by Borge and Rattso (2004) who assess the impact of tax on people spending especially in low income areas. They asserted that anytime taxes are increased on goods and services it affect people spending negatively. Also a study by Harberger (2006) who asserted tax rise a money burden on people and this is on the person who finally pays the tax. Tax administration, the person who pays the tax bears both the impact and the incidence, whilst in commodity taxes some or all of the taxes which are paid by traders are passed on to the consumers by way of increased prices. This also confirms to

the study by Alfranca and Galindo (2003) who asserted that the expenditure of people is affected by the tax they pay.

Table 10
Regression Results for Positive Effects of High Tax Rises Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.679 ^a	.462	.454	.36844

a. Predictors: (Constant), positive effects of high tax rises

Table 11
ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.912	1	7.912	58.286	.000 ^b
	Residual	9.231	68	.136		
	Total	17.143	69			

a. Dependent Variable: Agreement by respondents on high tax rises

b. Predictors: (Constant), positive effects of high tax rises

Table 12
Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.846	.105		8.081	.000
	positive effects of high tax rises	.462	.060	.679	7.635	.000

a. Dependent Variable: Agreement by respondents on high tax rises

Source: Field Survey, 2021

However from the regression results above the R of 0 .679^s means there is a fairly strong positive relationship between agreement of high tax rises and the positive effects of high tax rises on the economic development of Accra. Moreover, the ANOVA table gives an F statistics of 58.286 > 1 implying that there is a statistical difference between people's agreement to high tax rises and its positive effects. This was justified by the significant level of 0.00 in the ANOVA table which indicates that there is no evidence to prove that high tax rises is good.

Research Question 3: How effective and efficient are the tax system in Ghana?

This questionnaire sought to find how effective and efficient the tax system in Ghana and the relevant data are is presented in table 4.9 below.

Table 13
Effective and Efficient Tax System in Ghana

	(F)	(%)
1. Right balance between designing an attractive tax	20	28.57
2. Transparently and effectiveness in the tax system	20	28.57
3. Widen the tax base and bring a larger part of the population into the formal economy	20	28.57
4. Tax must reduce excessive reliance on aid and offers a path away from unsustainable revenue streams	10	14.29
Total	70	100

Source: Field Survey, 2021

Results from Table 13 shows that majority of respondents 20 representing 28.57% each indicated that to ensure an effective and efficient tax system in Ghana, there should be right balance between designing an attractive tax, transparently and effectiveness in the tax system and widen the tax base and bring a larger part of the population into the formal economy. Also 10 out of the 70 respondents representing 14.28% indicated to ensure an efficient and effective tax system in Ghana the tax must reduce excessive reliance on aid and offer a path away from unsustainable revenue streams.

The above results confirmed to a study conducted by Boateng (2009) who asserted that to ensure effective mobilization of tax system, it is essential to strike the right balance between designing an attractive tax regime for investment and growth, and securing the necessary revenues for public spending. Tax policy is central to domestic resource mobilization. When transparently and effectively designed and implemented, it provides an essential financial platform for sustainable development. Also Paresch (2003) and Herrera (2007) asserted that effective taxation reduces excessive reliance on aid and mineral rents and offers a path away from unsustainable revenue streams for many African economies.

SUMMARY, CONCLUSIONS AND RECOMMENDATION

Summary of Major Findings

The main objective of this study is to find out the role of high tax rises on the spending patterns of the people in Accra township. A descriptive survey was employed for the study. A questionnaire was used to gather data from seventy (70) people in Accra township.

The first research question was to find out the contribution of taxation to the economic development of Accra. The study found out that taxation is very good for nation building since the allocation of funds depends upon the collection of taxes and the government using that revenue for specific purposes. This has a direct economic impact on the country. The study also found out that taxation is good for the development of Accra and Ghana as a whole since it has helped in the financing of social infrastructure like construction of schools, clinics, roads, market just to mention a few. Also the study found out taxation has helped in the development of Accra since it provide a stable and predictable fiscal environment to promote economic growth and investment. Again the study found out that taxation is good for the development of Accra since it ensure that the costs and benefits of development are fairly shared.

The second research question was to analyze the effects of tax rises on the spending pattern of the people in Accra township. The study found out that there is a fairly strong relationship between people spending and high tax rises. That is to say the study found out that when tax is high it affects people spending negatively especially the poor because it reduces their income levels, put a tax burden on them, it increases their expenditure and it also increases poverty. The study also found out that high tax rises is good. The study found out that when tax is high it increases growth of the economy in terms of development, it also helps people to spend well, and it also helps in income distribution of people.

The third research question for this study was to find out how effective and efficient is the tax system in Ghana. The study found out that to be able to ensure effectiveness and efficiency in our tax system it is essential to strike the right balance between designing an attractive tax, there must be transparency and effectiveness in the tax system, tax reform needs to be promoted to widen the tax base and bring a larger part of the population into the formal

economy and also tax must reduce excessive reliance on aid and offers a path away from unsustainable revenue streams

Conclusions

Based on the findings of the study, the following conclusions could be drawn. From the findings of this study the researcher concluded that tax is good since it has helped in the development of Ghana in terms of financing of social infrastructure like construction of schools, roads, market, hospitals, provision of street lights just to mention a few.

Secondly, the researcher also concludes that high tax rises is both good and bad. The good aspect of it is that it increases growth of the economy in terms of development, it also helps people to spend well and it also helps in income distribution of people while the bad aspect of it is that when tax is high it affects people spending negatively especially the poor because it reduces their income levels, put tax burden on them, it increases their expenditure and it also increases poverty.

Finally the researchers can conclude from the findings of this study that to ensure effectiveness and efficiency in our tax system in Ghana it is essential to strike the right balance between designing an attractive tax, there must be transparency and effectiveness in the tax system, tax reform needs to be promoted to widen the tax base and bring a larger part of the population into the formal economy and also tax must reduce excessive reliance on aid and offers a path away from unsustainable revenue streams.

Recommendations

From the findings and conclusions of this study, the researcher strongly recommends the following:

1. The government of Ghana should structure the tax based system in a way that there is no inequality in the payment by the poor and the rich.
2. The people of Ghana should understand the importance of taxation for the development of Ghana and hence there should not be invasion of tax since tax brought to light the importance of tax.
3. There should be implementation of both long-run and short-run policies to enhanced tax revenue generation and this must be used for infrastructure development in Ghana.
4. There should be positive relationship between tax revenue and people spending. Thus high tax rises must not affect people level of income and spending. That is increase in tax must be tight to increase in peoples level of income which can be an indication that people expenditure plays a crucial rule in enhancing sustained growth and development.
5. Again there should be promotion for efficient and effective tax system in Ghana by tax authorities. There should be a wide agreement among tax officials that corruption has a significant negative impact on tax revenues hence the tax revenue must be used for the social infrastructural development so that the people who pay it will also enjoy the benefit from it.

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