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THE ROLE OF SOCIAL NORMS IN TAX COMPLIANCE BEHAVIOUR OF SMES IN EMERGING ECONOMIES LIKE UGANDA.

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Abstract:

Taxpayers have different motivations for paying taxes. How successfully taxpayers comply with the tax system will depend on the social standing of the taxpayers and the ability of the tax authority to impose the legal requirements for such a system. We have had minimal corporate tax revenue contributions to the overall tax revenue in Uganda, especially from small and medium corporations over the past decade and relatively little attention has been directed towards understanding what the challenge could be. Could corporate tax compliance behaviour be determined by the power dimensions or social psychological stance, and in which magnitude? Evidence has cast doubt on the ability of power dimensions to effectively influence tax compliance behaviour, suggesting that social norms may be an influential tool in determining tax compliance behaviour. Combining descriptive and analytical research design and utilising a structural equation model, the study helps to provide answers to these questions using social norms theory and the slippery slope framework. Descriptive norms generally have significant direct effects on tax compliance behaviour.

Keywords:

Social Norms, Tax Compliance Behaviour, SMEs, Uganda

Introduction

Most countries in the world depend on tax compliance as a source of revenue mobilisation for them (Ojo & Shittu, 2023; Andreoni et al., 1998). Authors like Appah & Duoduo, 2023), Franzoni (1999) and Kornhauser (2007) suggest countries design their tax laws to encourage

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compliance. In this context, tax compliance includes accurate reporting, timely returns, and payment. Other aspects include obtaining a Tax Identification Number, maintaining accurate records, filing taxes on time, paying fines, allowing audits, and using tax advisors (Khin et al., 2023) Nkwe, 2013). Researchers worldwide have focused more on tax compliance of personal income which is highly appreciated (Beer et al., 2023; Hansford & Hasseldine, 2012; Lignier & Evans, 2012). However, in developing nations, particularly in Sub-Saharan Africa, little research has been conducted, making income tax the second-best option after Uganda's value-added tax (Uganda Revenue Authority, 2020).

While earlier research suggests that increasing domestic revenue is a top priority for the majority of Sub-Saharan African nations (IMF, 2012; Moore, 2013), taxpayers in most African economies face difficulties with domestic tax bases due to widespread tax avoidance and evasion schemes (Ali et al., 2013). This is because these countries need to free up fiscal space to finance essential public goods and services and lessen their reliance on foreign aid. According to McKerchar and Evans (2009), tax noncompliance is a persistent and expanding worldwide issue, with emerging economies dealing with even more complicated issues. As a result, it is crucial to examine how SMEs behave regarding corporate tax compliance so that we can identify the factors that record a strong influence on this behaviour. Accordingly, reducing the corporation tax non-compliance rate by SMEs will increase government revenue while also lessening the negative effects on social justice and the unfavourable effects on the efficacy and efficiency of the nation. The results of this study may help to understand the influence of societal norms on SMEs' corporate tax compliance behaviour because Uganda, as one of the developing countries, shares a lot of practices with other economies, notably in Sub-Saharan Africa.

Direct taxes account for the second largest portion of Uganda's net collections and are a major source of revenue for both developed and developing economies (Hijattulah, 2009; Pope & Hijattulah, 2008). However, over the past ten years, their overall contribution rate has only increased to 33 percent. Only 9% of Uganda's revenue comes from corporate taxes (OECD, 2022), while direct tax revenue peaked in the fiscal year 2005–06 at 30%. After that, it declined to 20% in the fiscal year 2019–2020 (Uganda Revenue Authority, 2020). According to Mawejje (2013), informal business accounts for 45.8% and 40.3% of Uganda's GDP and GNI, respectively, making up the country's shadow economy. During the same period, Uganda's tax-to-GDP ratio stayed between 10 and 13 percent (Matovu, 2010), while other countries such as Namibia at 31 percent, Kenya at 21.2 percent, Burundi at 19 percent, and Ghana at 17.2 percent (Tusubira and Nkote, 2013) saw increases. Additionally, Uganda's tax compliance rate was assessed to be 32%, which is lower than Tanzania's at 46% and Kenya's at 53% when compared to other East African Community countries (Ali et al., 2013). Also, Uganda is dependent on donor funding to subsidise the budget shortfalls which is an indicator that low tax revenue is being collected (Occhiali & Kalyango, 2023).

Despite this experience, the majority of prior research on corporate tax has been conducted in developed nations (see, for example, Evans et al., 2013; Mills, 1998; Hanlon, et al., 2005; Richardson & Sawyer 2001). Additionally, the lack of precise explanations and solutions for corporate SMEs' tax non-compliance encourages further study in this field. In addition, the researcher is aware of some preliminary research on the relationship between societal norms and SMEs' corporate tax compliance concerning the corporate tax system in existence, namely in Uganda. As a result, this study aims to identify to what extent social norms are related to tax

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compliance behaviour of corporate SMEs in Uganda so that we can contribute to the literature of sub-Saharan Africa and the world over.

Literature Review and Hypotheses Development

A vast literature is available for studies undertaken on the notion of deterrence (Allingham and Sandmo, 1972). This notion suggests that taxpayers will want to make the most of benefits over costs in the tax compliance decision if they are not regulated by audit rates and penalties (James & Alley, 2002; Andreoni et al., 1998; Fischer et al., 1992; Srinivasan, 1973). Such a situation seems very unlikely (Alm et al., 1992). Scholars have criticised Allingham and Sandmo's (1972) deterrence theory due to its shortcomings (Feld & Frey, 2007; Andreoni et al., 1998; Alm et al., 1992). Since there has always been more money raised than the theory would explain, the gaps between theory and data may not be addressed by assuming that taxpayers are sufficiently averse to risk (Feld & Frey, 2007). This suggests that there may be more explanatory elements, such as honesty, and that these factors cannot fully account for the heterogeneity in tax compliance behaviour (Alm, et al. 1992). It may also be the case that a small proportion of income tax returns are subject to a thorough tax audit and that there is insufficient punishment for both fraudulent and non-fraudulent evasion (Alm et al. 1992).

Social Norms and Corporation Tax Compliance

The belief that social norms could have a noteworthy role in tax compliance behaviour has a strong intuitive appeal. Numerous studies have also demonstrated how national variations in social standards of compliance impact compliance. Examples of research demonstrating different levels of tax compliance for social and attitudinal norms include simulation analyses (Pommerehneet al. 1994; Alm et al. 1999), investigative economics (Alm et al., 1993; Alm et al., 1995), and empirical work by Frey and Weck-Haniiemann (1984). The US loses more tax revenue as a result of income underreporting brought on by taxpayer non-compliance conduct. Closing the tax gap between what should be paid in taxes and what is collected is recognised even when the IRS concentrates its resources on detection and enforcement (Bobek et al., 2015). The extraordinary compliance levels—the rise in tax compliance above and beyond the typical standards based on the economic model—were discovered despite the use of economic theory constructs such as variability of tax rates, audit rates, and sanctions or penalty structures (Andreoni et al. 1998). This means that social psychological factors might have influences on the behaviour associated with tax compliance. The research was done in response to the appeal by Blanthorne and Kaplan (2008), Bobek, et al. (2007), and Davis et al. (2003), among others, which included the finding that moral and social factors influence taxpayer behaviour. However, there is still disagreement over the specific characteristics of the moral and social impacts.

Social Influence: Social Norms, Conformity, and Compliance Theory

Cialdini and Trost (1998), the key proponents of the theory of social influence put forward that under social influence, people generate and manage change in the social world through influence processes, depending on how well the processes are handled. Social influence can be used to foster growth and to move people away from negative habits and to more positive directions, hence creating conditions for new change opportunities or otherwise, creating conflict and resentment. Therefore, to understand the process of personal change, you must fully understand the process of interpersonal influence (Cialdini & Trost, 1998). In their work, Cialdini and Trost looked at the major components of the body of social science information

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i.e., social norms, conformity, and compliance as the central themes that direct goals, and provide support in explaining human behaviour.

Before they reviewed extant literature, norms had been conceptualised as jointly negotiated rules for social behaviour, customs, traditions, standards, rules, values, fashion, and all other criteria of conduct as a consequence of the interaction of individuals (Sherif, 1936), and that such behaviour was uniform across particular groups, requiring unfettered random compliance (Pepitone, 1976). From the review of Cialdini et al. (1991); and Cialdini et al. (1990), it came out rightly clear that norms vary to the extent that they are prescribing the valued social behaviour. Specifically, social norms are seen by group members as guidelines and expectations that direct or limit certain social conduct without the need for legal boundaries (Cialdini and Trost, 1998). The authors provide the following branches of social norms that this study adopts: personal norms, descriptive norms, injunctive norms, and subjective norms. Injunctive norms, for instance, are the general societal expectations of behaviour; expectations of valued others for one's behaviour are known as subjective norms; standards that arise from observing the behaviour of others are known as descriptive norms; and personal norms are those that relate to one's expectations for appropriate behaviour. As a result, this classification of social standards takes into account both an individual's internal moral scope and external social pressures. The social norm theory included personal norms about one's ethical principles as an expression of the interrelationships between the various components.

Bobek et al. (2012) refined Cialdini and Trost's 1998 findings on social norms, focusing on tax compliance. In their study, they used 174 experienced taxpayers to test hypotheses using a fictitious scenario. The social norm questions' factor analysis effectively revealed four different social norm constructs: injunctive, subjective, descriptive, and personal norms. These findings were consistent with those of Cialdini and Trost (1998). The findings demonstrated that subjective norms—the expectations of close friends and family—as well as personal norms—an individual's standards or ethical beliefs—have a direct impact on decisions about tax compliance, while descriptive norms—the expectations of others and general societal expectations—have an indirect effect. This shows how social norms have a significant direct and indirect impact on tax compliance behaviour. Numerous attitudinal factors that might be connected to social norms and taxpayer compliance were also the subject of an inquiry. These findings made it even more evident how important social norms are to taxpayer compliance behaviour. When social norms are analysed as a whole, researchers can determine the degree and direction to which diversity in tax compliance behaviour can be predicted (Onu & Oats, 2015).

Social Norms and Corporate Tax Compliance Behaviour

Several theories of normative behaviour have suggested a distinction between injunctive and descriptive norms (Cialdini et al., 1991; Codol, 1975; Marques et al., 1998; Shaffer, 1983). Injunctive norms have a moral tone and characterise what people should do, whereas descriptive norms characterise behaviour of what most people pleasure in doing regardless of its appropriateness. This distinction also is reflected in theories in which people are influenced by others to gain personal and social rewards versus to act effectively (Deutsch & Gerard, 1955; Chaiken et al., 1996; Cialdini & Trost, 1998; Wood, 2000; Christensen *et al*., 2007). The theory further holds that the two distinct types of social norms affect conduct differently since each calls on a separate source of human motivation. Thus, whereas descriptive norms are said to inform behaviour via example, injunctive norms are said to enjoin it via informal sanctions.

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Research explicitly designed to test the theory has provided support for both central postulates by demonstrating that norms guide action directly only when they are focal and that activating one or the other of the two types of norms produces significantly different behavioural responses (Reno et al., 1993; Cialdini *et al*., 2006). Furthermore, subjective and personal factors should be able to offer a push that can predict tax compliance behaviour both separately and in combination with each other (Bobek et al., 2015).

Descriptive Norms towards Corporate Tax Compliance Behaviour
Descriptive norms explain the customs of a certain setting. Stated differently, descriptive norms are actions that serve as examples of typical behaviour and are likely to be adaptive and successful courses of action. This implies that one can almost always make an efficient decision by keeping track of what other participants are doing (Cialdini et al., 2006). By offering guidance on how to modify behaviour in a given situation, these norms encourage certain behaviours (Reno, et al., 1993). When deciding how to act in a particular scenario, descriptive norms might act as a heuristic prompt or decisional shortcut (Cialdini et al., 1990; Lapinski, et al., 2007). As such, they impact societal judgement and individual behaviour by disseminating information about what makes sense or works in that particular situation (Ford & Ferguson 2008). A demonstration of this can be found in the area of marketing, where advertisers load commercials with scenes of crowds in their stores, and them claiming that their products are fast-growing, sort of convincing prospective buyers that many others think the same way, which among consumers may be enough proof of what is happening, identification with others actions (Venkatesan, 1966) which then informs behaviour (Cialdini, *et al*., 1991).

As a result, according to Eriksson et al. (2014) indicates that descriptive norms and injunctive norms present themselves in a diverse mannar. In other words, descriptive norms will be able to direct individuals on what should be done under uncertain circumstances (Cialdini & Goldstein, 2004; Lapinski & Rimal, 2005). Injunctive norms represent what individuals accept as true and therefore right and therefore can influence people to behave the way others want since this is what is approved as acceptable behaviour (Onu & Oats, 2015). From the foregoing, we hypothesise that:

H_1: Corporate SMEs' descriptive norms towards tax compliance behaviour will predict their personal, subjective, and injunctive norms towards tax compliance behaviour.
H_{1a} Descriptive norms have a significant relationship with injunctive norms
H_{1b} Descriptive norms can significantly affect subjective norms
H_{1c} Descriptive norms and personal norms are significantly related

Injunctive Norms and Corporate Tax Compliance
Conversely, norms that specify what ought to be done or what action is generally accepted and unacceptable are known as injunctive norms. According to the Theory of Reasoned Action (Ajzen & Fishbein, 1980), descriptive norms and injunctive norms are comparable, with a discrepancy in descriptive norms (Kallgren et al., 2000). According to some studies (Cialdini et al., 1990; Kallgren et al., 2000), descriptive norms might not effectively influence behaviour amongst taxpayers compared to injunctive norms and group identification may be the reason (Lapinski, et al., 2007; Rimal & Real, 2003).

Thus, it could be argued that one reason people may be helpful in our society is to act following the societal norm, which is positively sanctioned (Berkowitz, 1972). Similarly, one reason

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people may repay the gifts, favours, and services they have received is to conform to the norm for reciprocity, thereby gaining social approval and avoiding social disapproval (Gouldner, 1960). Therefore, whether a particular norm will influence, a response is dependent on the degree to which the respondent's attention is focused on that norm so that its distinctive nature can help in identifying the actual relationship that exists with corporate tax compliance behaviour (Eriksson, *et al*., 2014). Alm et al. (1999) emphasised that in the context of taxes, a person or group will behave responsibly provided others behave in a socially acceptable way. As a result, as long as taxpayers consider compliance to be the social norm, they will comply and pay taxes. Stated differently, taxpayers' compliance behaviour is contingent upon their understanding of the other taxpayer's behavioural setting. From the foregoing discussion, the following hypothesis has been tested;

H_2: Corporate SMEs' injunctive norms towards tax compliance behaviour will predict their subjective and personal norms towards corporate tax compliance behaviour

H_{2a} Injunctive norms of tax compliance and subjective norms are significantly related

H_{2b} Injunctive norms of tax compliance are significantly related to personal norms

Subjective Norms and Corporate Tax Compliance

Subjective norms as defined by Ajzen (1991) are the perceived social pressure to perform or not to perform the behavioral beliefs that an individual hold about what would be the expected acceptability of the individual's intended behaviour and their willingness to align behaviour with the referent others. Subjective norms are also described in terms of the belief about the socially shared beliefs about expected social behaviour. Individuals holding subjective norms must evaluate the demands of the norms in taking or not taking on a particular behaviour (Bobek *et al*., 2015). Given its significance as suggested by Ajzen (1991), subjective norms have been explored in several studies applying the same premise of which tax compliance behaviour has not been an exception (Onu & Oats, 2015). Building and sustaining social relationships is the goal of subjective norms, and these ties will be helpful when people are motivated to follow the standards of referent others. Taking the context of taxation, tax compliance behaviour would be the consequence of subjective norms if a taxpayer believes that others around them take paying taxes as a socially acceptable practice since this will support the taxpayer in aligning their intentions to the perceived acceptable behaviour by the group. Taxpayers will not comply with the tax law where the acceptable behaviour is not to comply (Onu & Oats, 2015). From this, we hypothesise that:

H_3: Corporate SMEs' subjective norms towards tax compliance behaviour will influence their personal norms towards corporate tax compliance behaviour.

Personal Norms and Corporate Tax Compliance Behaviour.

Personal norms are defined as people's moral standards acquired, for instance, through the internalisation of social norms (Kelman, 1958; Onu & Oats, 2013). Personal norms are more about one's internal influence in attempting to maintain a socially acceptable self-image and live up to self-based expectations (Schwarz, 1977; Braithwaite, 2009). Personal norms relate to perceptions of norms held by referent others, for example, family members, friends, and co-workers (Bobek *et al*., 2007). Literature shows that personal norms on tax non-compliance might hurt tax compliance behaviour, though Wenzel (2004) found contrary results where personal and social norms had relatively minimal effects on tax compliance in an Australian taxpayer survey. Adopted personal norms of honesty in tax compliance were negatively

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correlated with tax non-compliance and mitigated the effects of harsh penalties, indicating that deterrence effects only arise in situations when individual ethics are weak (Wenzel, 2004a). After adjusting for personal norms, Wenzel (2004b) could not discover a significant impact of societal norms on tax non-compliance. Previous research also reveals conflicting relationships between personal and social norms and tax compliance. However, a study conducted in Australia (Wenzel, 2004) found both social and personal norms were highly correlated with tax compliance, with personal norms having a stronger effect than social norms. These findings were consistent with those suggested by Terry and Hogg (2000). Additionally, Feld and Tyran (2002) show that allowing participants to vote on various aspects of the laboratory tax regime affects social norms and hence compliance.

A survey by Walsh (2013) on SMEs in 2008 found personal norms factors to have a significant influence on SME taxpayers' compliance behaviour. This cultivates a feeling that social norms taken in isolation may not influence tax compliance unless they are considered at an individual or personal norms level (Wenzel, 2004a). Furthermore, Cawle (2005) indicates that feelings of guilt and social stigmatisation are about personal and social norms, and since they are more important than the detection risk and punishment for influencing the behaviour of the individual, a tax administration needs to know how norms influence behaviour. Turner (1985) developed a theory of self-categorisation, in which he argued that the self can be perceived as unique and individual, and different in comparison with others. At other times, however, the self can be perceived as belonging to some social category (in-group), and relatively interchangeable with its members. The social norms of a group can, thus, influence the behaviour of individuals or businesses that identify with the group. This adjustment is not a result of group pressure but the result of a process in which the norms are internalised by the individual and become a real part of his or her values (Wenzel 2002a). Social norms that are adopted by the individual become quite simply the individual's or personal norms (Cawle, 2005). This readiness may also be related to the intentions behind the tax as well as the attitudes that taxpayers exhibit at any particular time (Abdul-Razak & Adafula, 2013). The authors indicate that the general opinion of the person or business in a certain circumstance influences their desire to pay taxes, abide by the tax laws, or participate in the specified conduct. It's hypothesised from the foregoing discussion that:

H_4: Corporate SMEs' norms toward tax compliance behaviour will directly predict their tax compliance behavioural choices; the association between tax compliance behaviour and descriptive, injunctive, and subjective norms will only be indirect (through personal norms).

H_{4a} Personal norms of tax compliance will significantly relate to enforced compliance
H_{4b} Personal norms of tax compliance and voluntary compliance are significantly related

H5: Corporate SMEs' injunctive norms, subjective norms and descriptive norms towards tax compliance behaviour will directly predict their tax compliance choice.

H_{5a} Injunctive norms of tax compliance and enforced compliance are significantly related
H_{5b} Injunctive norms of tax compliance are significantly related to voluntary compliance
H_{5c} Descriptive norms of compliance and enforced tax compliance are significantly related
H_{5b} Descriptive norms of compliance are significantly related to voluntary compliance
H_{5e} Subjective norms of compliance are significantly related to enforced compliance
H_{5f} Subjective norms of compliance and voluntary tax compliance are significantly related

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The following conceptual framework summarises the reviewed literature and guides the testing of the formulated hypotheses for this study.

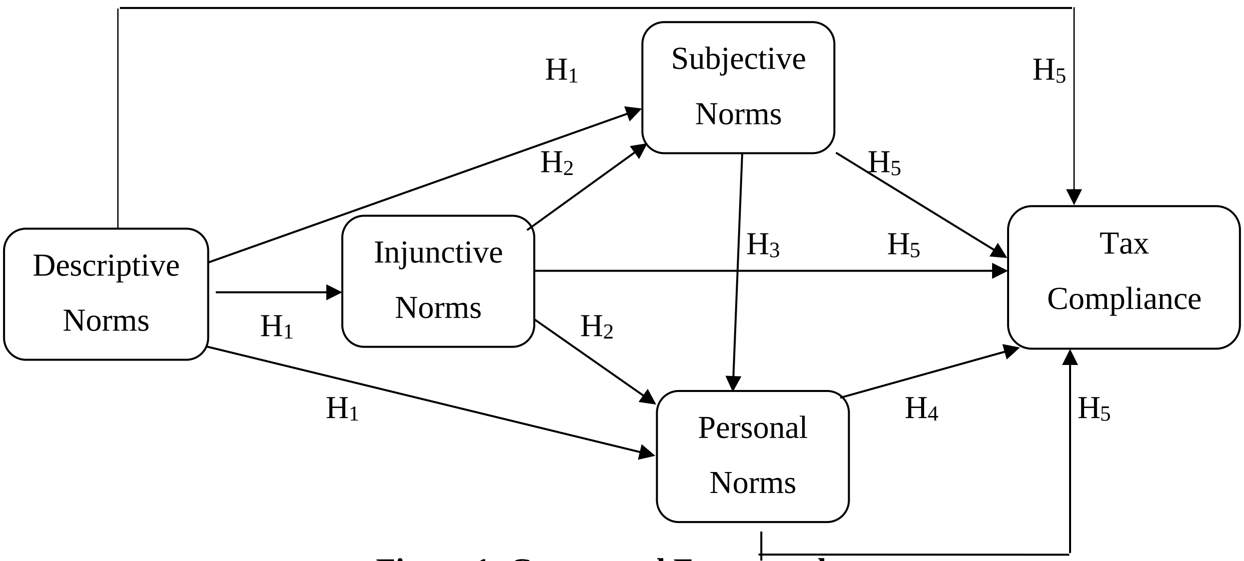

Figure 1: Conceptual Framework

Source: Adopted from Bobek et al. 2015, Bobek et al. 2012, Kirchler 2009 with Modifications

Research Methodology

Design and Procedure

To forecast corporate tax compliance behaviour among corporate small and medium-sized enterprises (SMEs) in Uganda's. This study was conducted in the Central and Eastern regions. The study used a descriptive and analytical research approach with a structural equation model. Given that corporate tax regulations are uniformly applicable to all corporations nationwide and that more than 70% of enterprises are located in these regions (COBE, 2010), it stands to reason that corporate SME tax compliance practices would not differ much across other regions.

A sample of 400 SMEs was selected purposively from a population of 10,841 firms (COBE, 2010). This study adopted Krejcie and Morgan's (1970) table in determining the sample size as it provides sample sizes (s) for every corresponding population size (N). However, due to expected non-response and missing values, only 386 useful responses were received from participants representing a 96.5 percent response rate. The study targeted only one person from each corporate SME, the owner-managers who strategically perform tax procedures or authorisation of tax transactions. A self-administered questionnaire containing items derived from prior studies was adapted to suit the hypotheses of this study. Measurement items were pretested before the full survey was done all ambiguous and redundant items were improved before the final survey. The authors undertook exploratory factor analysis to detect the item loadings and meaningful dimensions before running a confirmatory factor analysis (CFA) as it is quasi-judicial (Tukey, 1977).

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Measurement of Variables

The social norms constructs were measured using scales with items adopted from earlier studies on descriptive norms, subjective norms, personal norms, and injunctive norms (Bobek, Hageman, and Kelliher, 2015; Bobek, Hageman, and Kelliher, 2012). These instruments are highly valid and reliable. These scales were slightly altered in wording to suit the Ugandan study context. The construct of personal norms was measured using four items all anchored on a Likert scale with seven points - completely disagree = 1 to completely agree = 7. This construct of personal norms was operationalised using the degree to which respondents were aware of their obligations to make rightful tax disclosures and felt about an overstatement of deductions if they felt guilt and shame for taking additional unjustifiable deductions. The scale had both positive and reverse-coded items to guard against bias in responses, a tendency for respondents to provide agreement responses across measurement items even when they would have offered a different objective response. The overall Cronbach's alpha (α) coefficient for this construct was 0.93 denoting sufficient reliability.

The injunctive norms construct was measured by the same scale and operationalised with three items using the degree to which the respondents agreed or disagreed with statements describing the various attributes of the injunctive norms in their firms concerning corporate tax compliance on a seven-point Likert scale anchored as - completely disagree = 1 to completely agree = 7. Sample questions included: Corporate owners would feel guilty for taking an additional Ugx3,500,000 deduction; Corporate owners would feel ashamed taking an additional Ugx3,500,000 deduction; and corporate owners would be scared to be caught if they take an additional Ugx3,500,000 deduction. The overall reliability Cronbach's alpha (α) coefficient was 0.81.

The descriptive norms variable was measured by four items that sought respondents to indicate how completely they agreed or disagreed with the statements describing a range of attributes of the descriptive norms in their corporations for corporate SME tax compliance on a seven-point Likert scale anchored as - completely disagree = 1 to completely agree = 7. Sample measurement items for descriptive norms include: given the opportunity, my company would take the additional Ugx3,500,000 deduction like others (*reversed*); my company would take a portion of the additional Ugx3,500,000 deduction closest to what others deduct (*reversed*); A high percentage of them would deliberately pay less corporate taxes than they legally owe (*reversed*); and a great percentage of them would inaccurately, but unknowingly pay less corporate taxes than they legally owe (*reversed*). This construct had a reliability Cronbach's alpha (α) coefficient of 0.80.

The subjective norms construct was assessed with four items based on Bobek et al. (2012, 2015). Respondents were asked to use a seven-point Likert scale, anchored at complete disagreement = 1, to indicate how much they agreed or disagreed with the statements defining various aspects of the subjective norms in their enterprises concerning corporate SME tax compliance. Sample items include: peers, friends, family members, and corporate staff would think that our company should not declare the extra Ugx10,000,000 profit (*reversed*); Peers, friends, family members, and corporate staff would think that our company should declare the extra Ugx10,000,000 profit; peers, friends, family members and corporate staff would approve of our decision to understate the income by Ugx10,000,000 profit (*reversed*); and peers, friends, family members and corporate staff would disapprove the idea of not including Ugx10,000,000 profit. Items were balanced with both positive and reverse-coded items to avoid

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response biases. Overall reliability Cronbach's alpha (α) coefficient of 0.89 was achieved for subjective norms.

Corporate Tax Compliance Behaviour
Tax compliance behaviour was measured by two dimensions: enforced tax compliance and voluntary tax compliance with the related items (Kirchler & Wahl, 2010). Measurement items were adopted and tailored to the study context. The items under each dimension were measured on a seven-point Likert scale ranging from - completely disagree = 1 to completely agree = 7. Specifically, voluntary compliance was measured by five items that include: a company pays corporate taxes as required by regulation because it's clear that is what we have to do; the company pays corporate tax because of the need to support the state and society; the company pays corporate tax because we like to contribute to everyone's good; company pays corporate tax following the regulation because for us it's the natural thing to do; and the company pays corporate tax as required by regulation as we regard it as our responsibility as citizens. The overall Cronbach's alpha (α) coefficient for voluntary compliance was 0.91. The enforced compliance construct was operationalised by five items which include: we pay corporate tax because of the large number of tax checks by URA; the company pays corporate tax because URA often carries out checks; We pay because we know the company will be audited; we follow the regulation in paying corporate tax because of the punishments for tax evasion are very severe; and we pay corporate taxes because we do not know exactly how to evade without attracting attention. Enforced compliance had an overall Cronbach's alpha (α) coefficient of 0.90. All items used in this study were tested for reliability and validity using Cronbach's alpha (α) coefficient and CFA respectively.

Results, Discussions, and Implications
The response rate for the analysis and inquiry units in the current study was 96.5%. The unit of analysis in this study was corporate SMEs, and the respondents were either owners or members of the management team who were in charge of their company's tax affairs. The respondents' ages ranged from 31 to 50 on average. The majority of responders (57.8%) were men, while 42.2 percent were women, according to the findings. The results show that just 7.5 respondents had diplomas, while 92.5 percent of respondents were graduates. Most of the corporate SMEs (96.2 percent) had turnover ranging from more than Ugx.12,000,000 to Ugx.30,000,000,000; with 94.8 percent of them having capital of over ugx.12,000,000. The means (M) and standard deviation (SD) of the study variables were distributed as follows: descriptive norms (M = 3.56, SD = .782), subjective norms (M = 4.37, SD = 1.196), injunctive norms (M = 3.33, SD = 1.059), personal norms (M = 4.51, SD = 1.346), enforced compliance (M = 5.50, SD = 1.370) and voluntary compliance (M = 5.37, SD = 1.317 as seen from the Table 2 below.

The study examined the relationship between the observed and latent variables. With the help of the Analysis of Moment Structures (AMOS 23) software, we tested the model. As the first step in the analysis, a CFA was carried out to ensure that all the indicators used in the final analysis load standardised regression weights above the recommended minimum threshold of 0.5, this level was achieved as can be seen from the measurement model results in Table 1 below. The convergent validity of the investigated components was validated by these results in conjunction with the average variance extracted (AVE).

Results of the fit indices arising from the two-stage approach; measurement model and structural model, overall reveal good model fit as the observed data fit well with the models under study. The results for the measurement model were as follows. Below the upper threshold of 3, the Chi-Square ($\chi 2$)/df ratio is 1.658 (probability level $p < .001$). The goodness of fit index (GFI) was 0.902, which is marginally over 0.90 and above the suggested GFI threshold. However, as Kelloway (1998) noted, GFI values are sometimes affected by sample size. Furthermore, the normed fit index (NFI) was 0.937, which is still higher than the suggested cutoff of 0.90, according to the data. The model produced results that were all above the suggested index values of 0.9 and above: Bollen's (1998) incremental fit index (IFI) of 0.974, Tucker and Lewis (TLI) (1973) index, also called non-normed fit index (NNFI) (Bentler & Bonett, 1980) of 0.970, and the comparative fit index (CFI) value of 0.974. The root mean square error of approximation (RMSEA) for the population was 0.041. Browne and Cudeck (1993) recommend that RMSEA values of about 0.08 or less would indicate a good fit, and all the average variance extracted (AVE) values for the study variable were above .5 required to meet convergent validity; personal norms (AVE = 0.763), injunctive norms (AVE = 0.767), descriptive norms (AVE = 0.712), subjective norms (AVE = 0.767), voluntary compliance (AVE = 0.706), and enforced compliance (AVE = 0.771). The CFA results, therefore, confirm the convergent validity of the indicator variables that were used in the study construct measurement. Before comparing the latent construct correlation coefficients with the square root of the Average Variance Extracted (AVE), we evaluated the discriminant validity by computing the average variance extracted (AVE) values (Rosid, Evans, and Tran-Nam, 2016). According to Bagozzi and Yi (1988), discriminant validity was shown by the square root values of the Average Variance Extracted being larger than the correlation between the constructs.

Table 1: Standardized Regression Weights

Standardized regression weights			Estimate	*p*-value	Squared multiple correlations estimate
PN_1	<---	Personal norm	.887	***	.787
PN_2	<---	Personal norm	.933	***	.870
PN_3	<---	Personal norm	.869	***	.755
PN_4	<---	Personal norm	.800	***	.639
IN_3	<---	Injunctive norm	.635	***	.404
IN_2	<---	Injunctive norm	.780	***	.608
IN_1	<---	Injunctive norm	.887	***	.787
DN_4	<---	Descriptive norm	.625	***	.391
DN_3	<---	Descriptive norm	.711	***	.506
DN_2	<---	Descriptive norm	.724	***	.524
DN_1	<---	Descriptive norm	.789	***	.622
SN_4	<---	Subjective norm	.846	***	.715
SN_3	<---	Subjective norm	.899	***	.808
SN_2	<---	Subjective norm	.881	***	.777
SN_1	<---	Subjective norm	.876	***	.767
VC_1	<---	Voluntary compliance	.923	***	.853
VC_2	<---	Voluntary compliance	.961	***	.924
VC_3	<---	Voluntary compliance	.915	***	.837

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VC_4	<---	Voluntary compliance	.806	***	.650
VC_5	<---	Voluntary compliance	.846	***	.715
EC_1	<---	Enforced compliance	.910	***	.828
EC_2	<---	Enforced compliance	.904	***	.816
EC_3	<---	Enforced compliance	.895	***	.801
EC_4	<---	Enforced compliance	.843	***	.711
EC_5	<---	Enforced compliance	.835	***	.697

Note: Group number 1 – default model

Descriptive statistics for this study are presented in Table 2 below.

Table 2: Shows Descriptive Statistics and Correlations Results

	Mean	S.D	1	2	3	4	5	6
Enforced Compliance (1)	5.497	1.370	1					
Voluntary Compliance (2)	5.365	1.317	.376**	1				
Subjective Norm (3)	4.365	1.196	.062	.017	1			
Descriptive Norm (4)	3.561	.782	.482**	.197**	.120*	1		
Injunctive Norm (5)	3.334	1.059	-.008	.065	.542**	.111*	1	
Personal Norm (6)	4.508	1.346	.056	.184**	.410**	.090	.320**	1

**. Correlation is significant at the 0.01 level (2-tailed), *. Correlation is significant at the 0.05 level (2-tailed).

Descriptive norms and enforced compliance (r = 0.482, $p \leq 0.01$) were significantly and positively correlated. Descriptive norms and voluntary compliance showed a strong and positive connection ($r = 0.197$, $p \leq 0.01$), as did personal norms and voluntary tax compliance ($r = 0.184$, $p < 0.01$). Subjective norms and descriptive norms had a strong positive connection ($r = 0.120$, $p < 0.05$). Subjective norms showed a significant and positive correlation ($r = 0.542$, $p \leq 0.01$) with both injunctive norms and personal norms, respectively. Injunctive norms positively correlated fairly significantly with descriptive norms ($r = 0.111$, $p \leq 0.05$). Personal norms positively correlated with injunctive norms significantly. These findings suggest that small and medium-sized businesses' corporate tax compliance behaviour could be enhanced by networking, influencing corporate tax compliance behaviour, and utilising positive social norms. In the second stage, a structural equation model was assembled and assessed. The results show that the model fit well with the observed data. The Chi-Square ($\chi2$)/df ratio = 1.645 (probability level $p < .001$) below the upper threshold of 3. The goodness of fit index (GFI) was 0.902, which was also slightly higher than the recommended GFI value of 0.90 and over. Normed fit index (NFI) result was 0.937, the same as in the measurement model, still over and above the recommended threshold of 0.90. The population root mean square error of approximation (RMSEA) was 0.041 comparable to the fit indices of the measurement model. Bollen's (1998) incremental fit index (IFI) = 0.974, the Tucker and Lewis Index (TLI) of 0.970, and the comparative fit index (CFI) value of 0.974 were all above the suggested index values of 0.9. The following results relate to the hypotheses set out above:

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Table 3: Standardized Regression Weights Using Maximum Likelihood Estimates

	Estimate Unstandardized (B)	*SE*	*C.R.*	Estimate standardized (*β*)	*p*
Descriptive norms → Injunctive norms (H_{1a})	.151	.069	2.201	.111	.028
Descriptive norms → Subjective norms (H_{1b})	.092	.066	1.394	.060	.163
Descriptive norms → Personal norms (H_{1c})	.060	.080	.754	.035	.451
Injunctive norms → Subjective norms (H_{2a})	.604	.049	12.438	.535	***
Injunctive norms → Personal norms (H_{2b})	.174	.070	2.494	.137	.013
Subjective norms → Personal norms (H_3)	.372	.062	6.027	.331	***
Personal norms → Enforced compliance (H_{4a})	-.019	.051	-.382	-.019	.702
Personal norms → Voluntary compliance (H_{4b})	.192	.053	3.591	.196	***
Injunctive norms → Enforced compliance (H_{5a})	-.103	.070	-1.465	-.080	.143
Injunctive norms → Voluntary compliance (H_{5b})	.057	.074	.773	.046	.440
Descriptive norms →Enforced compliance (H_{5c})	.797	.080	9.957	.455	***
Descriptive norms→Voluntarycompliance (H_{5b})	.274	.084	3.267	.162	.001
Subjective norms →Enforced compliance (H_{5e})	.093	.065	1.437	.081	.151
Subjective norms → Voluntary compliance (H_{5f})	-.100	.068	-1.477	-.091	.140
Note: Group number 1 – default model					

Source: Primary Data

The first hypothesis H_1 examined the connection between the descriptive norms of corporate SMEs on tax compliance and their injunctive, subjective, and individual norms for corporate tax compliance behaviour. Contrary to what was hypothesised, Table 3 above shows that corporate SMEs' descriptive norms towards tax compliance behaviour (β = 0.111, C.R. = 2.201, p = 0.028) only positively and significantly predicted corporate injunctive norms, and partly conformed to Hypothesis H_1 and as suggested by Bobek et al. (2007) and Bobek et al. (2012, 2015). The descriptive norms of corporate SMEs did not significantly predict either subjective norms or personal norms (β = 0.060, C.R. = 1.394, p = 0.163 and β = 0.035, C.R. = 0.754, p = 0.451). In contrast to the conclusions of Bobek et al. (2012) and Bobek et al. (2007), these results did not support H1, which holds that corporate SMEs' descriptive norms regarding tax compliance are a strong predictor of subjective norms. However, our findings on individual norms about company tax compliance behaviour were in line with those of Bobek et al (2012), which also help in fitting into Cialdini and Trost's (1998) findings that suggest that descriptive norms or societal actions develop into sanctioned behaviour with time.

The second study hypothesis H_2 examined the relationship between the injunctive norms of business SMEs regarding their behaviour in terms of tax compliance and their subjective and personal norms regarding the same. The findings indicate a statistically significant positive association between the injunctive norms and subjective norms of corporate SMEs (β = 0.535, C.R. = 12.438, p < 0.001). The results also reveal that corporate SMEs' injunctive norms had a positive association with personal norms which was statistically significant (β = 0.137, C.R. = 2.494, p = 0.013). Overall, injunctive norms have more predictive power over subjective norms than personal norms since there is a stronger standardised path coefficient between subjective norms than personal norms, which agrees with the findings of Bobek et al. (2012).

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Harnessing favourable corporate SMEs' practices or customs would be a prerequisite first of all improving the perceptions of the relevant others and second, the personal corporate SMEs' culture that would positively contribute towards corporate tax compliance (Ford & Ferguson, 2004; Alm, et al., 1999).

The relationship between corporate SMEs' subjective norms regarding tax compliance behaviour and their personal norms regarding corporate tax compliance behaviour was investigated in Hypothesis H_3. The results of this test show that views of personal norms towards corporate tax compliance conduct were positively and statistically significantly impacted by the subjective norms of corporate SMEs towards tax compliance behaviour (β = 0.331, C.R. = 6.027, $p < 0.001$). This finding supported hypothesis H_3 and was in line with Bobek et al.'s (2012) work which had similar results. Indeed, if it so happens that the people or corporations around an SME perceive paying taxes as the right thing to do, they may influence the internal ethical behaviour of that SME and the management toward complying with the corporate tax code. Taxpayers that are surrounded by other corporate SMEs, friends, and relatives that cherish paying taxes will ultimately demonstrate ethical values that support taxpaying behaviour (Bobek, et al. 2012; Hanno & Violette, 1996; Bobek & Hatfield, 2003).

Hypothesis 4 aimed at testing the relationship between corporate SMEs' personal norms with their compliance behaviour since we assume that the effects of all the other forms of social norms will only exert their influence through corporate SMEs' personal norms since paying taxes is assumed to be of a private decision and therefore will be the only social norms construct to interface with corporate tax compliance behaviour directly. To test this hypothesis, we observe the four paths running from personal norms to voluntary tax compliance and enforced tax compliance. Specifically, personal norms exhibited a non-significant effect on enforced compliance (β = -0.019, C.R. = -0.382, p = 0.702). However, corporate SMEs' personal norms towards tax compliance had a positive and significant effect on voluntary compliance behaviour of corporations (β = 0.196, C.R. = 3.591, $p < 0.001$), which partially supports hypothesis. The significant relationship found between personal norms and voluntary compliance behaviour was consistent with Bobek et al.'s (2012) finding in a relationship between personal norms and tax compliance. Furthermore, Wenzel (2004b) found that personal norms significantly predicted Australian residents' tax compliance behaviour while researching the function of personal norms in tax compliance. Subjective norms would positively affect voluntary compliance behaviour for corporate taxes through corporate personal ethical beliefs towards corporate tax compliance. This suggests that since personal norms dynamics have a significant impact on SME taxpayers' voluntary tax compliance behaviour, it is necessary to take advantage of them (Walsh, 2013).

To investigate the direct relationships between business SMEs' choice of corporate tax compliance and their personal norms, subjective norms, injunctive norms, and descriptive norms, Hypothesis H_5 was developed. For corporate personal norms, only one direct prediction of voluntary compliance was made, and no significant association was found between personal norms and enforced compliance behaviour. However, the results of the other forms of social norms are presented here under:

There was no significant influence between injunctive norms (β = -0.080, C.R. = -1.465, p = 0.143), and (β = 0.046, C.R. = 0.773, p = 0.440), and compliance behaviours of enforced compliance and voluntary compliance. Hypothesis H_5 was therefore partly rejected due to a

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lack of injunctive norms having direct influence over corporate SMEs' enforced compliance and voluntary compliance. These results did not conform in part with Bobek et al.' (2012) finding that injunctive norms significantly predict tax compliance behaviour. This finding informs that the government or tax authority may not target common practices or customs to create improvements in corporate tax compliance. If at all possible, efforts should be focused on other social norms due to their importance in predicting corporate tax compliance behaviour among corporate SMEs.

Conversely, descriptive norms met the conditions of hypothesis H_5. Descriptive norms of corporate SMEs towards tax compliance positively and significantly predicted enforced compliance (β = 0.455, C.R. = 9.957, p < 0.001). Additionally, descriptive norms towards tax compliance (β = 0.162, C.R. = 3.267, p = 0.001) significantly affected voluntary compliance in a positive direction. Nonetheless, these findings contradicted the conclusions of Bobek et al. (2012) and Bobek et al. (2007), who found that the descriptive norms construct did not significantly predict tax compliance behaviour. Given the importance of descriptive norms for corporate SMEs' tax compliance behaviour, the tax body must examine and comprehend the general behaviour of corporate SMEs and their actions related to corporate tax compliance to prevent negative behaviour that would serve as an inappropriate example for other corporate SMEs (Ford & Ferguson, 2008).

Lastly, hypothesis H_5 set out to test whether a significant direct relationship exists between corporate SMEs' subjective norms towards corporate tax compliance behaviour. The findings confirm that; subjective norms towards tax compliance did not demonstrate a significant effect on SMEs' enforced compliance (β = 0.081, C.R. = 1.437, p = 0.151) or (β = -0.091, C.R. = -1.477, p = 0.140) on voluntary tax compliance. However, the fact that the subjective norms of corporate SMEs did not significantly predict the compliance behaviours of both voluntary and enforced tax compliance meant that Hypothesis H_5 was not supported. The results of this study contradicted the claims made by Bobek et al. (2012) and Bobek et al. (2015), who claim that subjective norms significantly and favourably influence tax compliance behaviour. These results imply that no amount of increase in subjective norms would effectively create a desired change in corporate SMEs' tax compliance behaviour except tax avoidance.

Substantial contribution to the academic knowledge of the researcher as well as to the bodies of knowledge in the field of corporate tax compliance behaviour of SMEs, making a transformation of the deterrence to social-psychological tax compliance theories through their integration to suit developed and developing economies that experience SMEs tax non-compliance. Therefore, Uganda will benefit from this study as the findings may allow the knowledge of which contribution social norms create to necessitate alteration of the corporate tax policies in line with the constructs of the individual predictors so that probable voluntary tax compliance may be secured from corporate SMEs. The existing literature indicates studies that have been undertaken on corporate tax compliance, nonetheless, the researcher has tentative knowledge of a study on SME corporate tax compliance in Uganda which adopted the tax compliance theory under the current study. Consequently, this thesis will widen the knowledge of these two theoretical models in explaining the corporate tax compliance behaviour of SME taxpayers in Uganda and developing countries in a broad spectrum.

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