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Determinants of tax compliance in Cameroon: Case study of microfinance institution in Cameroon

Déterminants de la conformité fiscale au Cameroun : étude de cas d'une institution de microfinance au Cameroun

Nicodème KEMDONG TENEKEU
Lecturer, Faculty of Economics and Management (FEMS),
University of Bamenda, Cameroon

Christopher NGOH SAM
Lecturer, Higher Institute of Commerce and Management (HICM),
University of Bamenda, Cameroon

Dilane SA-AH NAHYEM
BSc in Accounting, Faculty of Economics and Management (FEMS)
University of Bamenda, Cameroon

Correspondence address :	Faculty of Economics and Management (FEMS), The University of Bamenda, Cameroon P.O. Box 39 Bambili, NW Region – Cameroon (+237) 233 366 033
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Abstract

This study explores the determinants of tax compliance amongst Microfinance Institutions (MFIs) in Cameroon. To achieve this objective, primary data were collected from 120 accountants and managers across 60 registered MFIs using structured questionnaires. Composite scores were constructed from Likert-scale items and estimated using Ordinary Least Squares (OLS) regression at the 5% significance level. The results indicate that tax awareness (β=0.335, p<0.01), perceived fairness (β=0.301, p<0.01), and tax digitalization (β=0.263, p<0.01) significantly and positively influence tax compliance, while institutional age also shows a positive effect. The results of the findings imply that strengthening taxpayer education, digital infrastructure, and governance transparency enhances voluntary compliance.

Key Words: Tax Digitalization, Tax Awareness, Perceived Fairness in tax system, Tax compliance.
JEL Classification : H21
Paper type : Empirical Research

Résumé

Cette étude explore les déterminants de la conformité fiscale parmi les institutions de microfinance (IMF) au Cameroun. Pour atteindre cet objectif, des données primaires ont été recueillies auprès de 120 comptables et gestionnaires de 60 IMF enregistrées à l'aide de questionnaires structurés. Des scores composites ont été construits à partir d'items de l'échelle de Likert et estimés à l'aide d'une régression par les moindres carrés ordinaires (OLS) à un niveau de signification de 5 %. Les résultats indiquent que la sensibilisation fiscale (β = 0,335, p < 0,01), la perception de l'équité (β = 0,301, p < 0,01) et la numérisation fiscale (β = 0,263, p < 0,01) ont une influence significative et positive sur la conformité fiscale, tandis que l'ancienneté de l'institution a également un effet positif. Les résultats de ces conclusions impliquent que le renforcement de l'éducation des contribuables, des infrastructures numériques et de la transparence de la gouvernance améliore la conformité volontaire.

Mots clés : Numérisation fiscale, sensibilisation fiscale, perception de l'équité du système fiscal, conformité fiscale.
JEL Classification : H21
Type du papier : Recherche Empirique

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1. Introduction

In recent years, the adoption of digital technologies in tax administration has become a global priority to enhance taxpayer compliance, efficiency, and transparency. Tax digitalization—using electronic platforms for filing returns and paying taxes—represents a key innovation transforming tax systems worldwide. The Organisation for Economic Co-operation and Development (OECD) emphasizes that digital tax solutions simplify processes, reduce compliance costs, and improve revenue collection (OECD, 2023). In Cameroon, efforts to modernize tax administration through digital platforms, such as electronic filing systems and automated reporting, aim to boost compliance and transparency (Diacron Group, 2024). Research in Tanzania shows that tax digitalization explains a significant portion of variation in voluntary compliance (Humphrey, 2025). Similarly, studies in Cameroon highlight the critical roles of internet accessibility, platform reliability, and ease of use in shaping compliance behaviors among taxpayers, including Microfinance Institutions (MFIs) (Fossung & Warrah, 2022). These findings underscore technology's growing importance in tax systems while revealing infrastructural and usability challenges as key barriers to adoption. Empirical evidence indicates that better-informed taxpayers—through targeted education, simplified guides, and outreach—show marked increases in voluntary compliance, gaining confidence and clarity in their obligations (OECD, 2023). For MFI clients, often in informal or semi-formal economies, education is especially vital to demystify tax processes and address misconceptions or fears (Humphrey, 2025). By breaking down complex laws into practical information, these efforts help taxpayers navigate filing and payments effectively, minimizing errors and delays.

Despite government initiatives like digital transformation and policy reforms, many taxpayers in the MFI sector still underreport or evade taxes. This gap limits revenue, undermines equitable formal economy participation, and hinders sustainable development. Addressing MFI-specific challenges is thus essential for strengthening Cameroon's tax system and fostering inclusive growth. However, technology alone does not guarantee compliance. Taxpayer awareness, the knowledge and understanding of tax laws, procedures, and incentives directly influences accurate and timely compliance. While literature highlights digitalization, awareness, and perceived fairness as key drivers, most studies focus on developed countries or large formal sectors. A gap persists in examining MFIs and small-scale taxpayers in developing regions like Cameroon, where unique conditions affect tax strategy adoption and effectiveness. Despite ongoing digital reforms in Cameroon's tax administration, compliance gaps persist among Microfinance Institutions (MFIs). This paradox motivates the central research question: To what extent do tax awareness, tax digitalization, and perceived fairness influence tax compliance among MFIs in Bamenda? The study integrates the Technology Acceptance Model (TAM), the Theory of Planned Behavior (TPB), and Social Exchange Theory. It contributes empirically by providing micro-level evidence from the North West region of Cameroon. The paper is divided into five sections. Section 2 provides literature and hypothesis development, followed by a detailed discussion of data collection and method in the methodology in Section 3. Section 4 discusses the results. Finally, Section 5 provides conclusions of the study and highlights the main limitations, while providing future research.

2. Literature and hypothesis development

Tax digitalization refers to the process of leveraging digital technologies and electronic platforms to enhance the efficiency, accuracy, and transparency of tax administration systems. This process includes activities such as electronic filing (e-filing) of tax returns, online tax payments, digital record-keeping, and automated tax auditing systems. By shifting from manual, paper-based procedures to digital platforms, tax authorities aim to reduce administrative costs, improve compliance rates, and make the tax process more accessible and user-friendly for a broader range of taxpayers (OECD, 2023; Smith & Fischer, 2024).

Fossung & Warah (2022) researched on "An Assessment of Tax Digitalization and Tax Compliance Relationship in Cameroon: The Mediating Role of Behavioural Intentions". Fossung and Warah (2022) conducted a study to explore the relationship between tax digitalization and tax compliance in Cameroon, focusing specifically on the role of behavioural intentions as a mediating factor. The researchers adopted a causal research design and gathered data from 200 taxpayers actively using the e-tax system in Douala and Yaoundé. Participants were selected through purposive sampling, ensuring that only individuals familiar with digital tax platforms were included. The study utilized a structured questionnaire based on a five-point Likert scale to assess factors such as system usability, accessibility, and perceived reliability. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) to establish the relationships between variables. The results revealed that perceived ease of use and system reliability significantly influenced taxpayers' behavioural intentions to use the digital tax platform. These behavioural intentions, in turn, positively impacted actual compliance rates. However, high internet costs and occasional system downtimes were identified as barriers to optimal usage. The study concluded that improving system reliability and affordability could further enhance compliance rates in Cameroon.

Djossa-Tchokoté et al. (2024) studied on "E-Governance, Digitized Tax Procedures, and SME Business Process Performance in Cameroon" This study assessed how the adoption of digitized tax procedures under e-governance initiatives affected the performance of SMEs in Cameroon. Collected data from 180 SMEs in Buea, Bamenda, and Douala that had adopted the e-tax filing system. The researchers used a mixed-methods approach, combining quantitative surveys with qualitative interviews to understand the experiences of business owners. Key variables included ease of filing, accessibility, perceived transparency, and compliance outcomes. Data were analysed using descriptive statistics and thematic analysis. The findings revealed that digitized tax systems significantly reduced the administrative burden on SMEs, with over 75% of respondents indicating improved operational efficiency. However, limited digital literacy and infrastructural deficits, such as poor internet connectivity in rural areas, hindered broader adoption. The study suggested targeted training programs and infrastructure investments to ensure inclusivity and equity in digital tax compliance.

H1: Tax digitalization significantly influences tax compliance.

Tax awareness refers to the extent to which taxpayers understand tax laws, their obligations, and the broader benefits of compliance. It encompasses knowledge of the tax system, awareness of filing procedures, and an understanding of the consequences of non-compliance. Awareness campaigns are critical for informing taxpayers about their roles and responsibilities in supporting public finances. Tax awareness is not just about disseminating information; it involves educating individuals on the value of taxation as a civic duty that funds public goods and services (Aksnes, 2021). When taxpayers are well-informed, they are more likely to comply voluntarily, thereby reducing enforcement costs and increasing government revenue. In many cases, taxpayers are unaware of the procedures for filing returns or the penalties associated with non-compliance. A lack of awareness often results in unintentional non-compliance, especially among individuals and businesses operating in informal sectors (Mwangi & Muturi, 2022).

This is compounded by limited outreach efforts and the complexity of tax systems, which can discourage even those willing to comply. By addressing these gaps, tax authorities can foster a culture of compliance, thereby enhancing voluntary participation in the tax system. For

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Microfinance Institutions (MFIs) and their clients in regions like Cameroon's Northwest, tax awareness is a key determinant of compliance behaviour. Many small-scale entrepreneurs and informal sector workers who rely on MFIs for financial services lack basic knowledge of tax regulations. As a result, they are often unable to fulfil their tax obligations, which undermines both their financial stability and the effectiveness of tax administration (Nguyen, 2023). Awareness initiatives tailored to the unique needs of MFI stakeholders, such as simplified tax guides, training workshops, and multilingual resources, can significantly improve compliance rates in this sector.

Moreover, increased tax awareness contributes to building trust between taxpayers and tax authorities. When taxpayers understand how their contributions are utilized for public development and are aware of the incentives for compliance, they are more likely to perceive the system as fair and transparent. This perception is crucial for fostering voluntary compliance and reducing resistance to tax policies, especially in contexts where mistrust of government institutions is prevalent (Okello, 2020).

Tax awareness significantly influences compliance behaviour by shaping taxpayers' attitudes, perceptions, and decisions regarding their tax obligations. When individuals are informed about the purpose and benefits of taxation—such as funding public infrastructure, education, and healthcare—they are more likely to view compliance as a civic responsibility rather than a financial burden (Kusi & Tutu, 2023). Research has shown that taxpayers with higher levels of awareness exhibit greater trust in tax authorities and are more inclined to comply voluntarily, thereby reducing the need for costly enforcement measures (Dowe, 2021; Tande & Warrah, 2022). Additionally, awareness about filing procedures, deadlines, and penalties for non-compliance minimizes errors and fosters timely submissions, reducing the prevalence of unintentional evasion (Saad, 2014). In the context of Microfinance Institutions (MFIs), tax awareness plays a pivotal role in improving compliance among small-scale entrepreneurs and informal sector workers who often lack basic knowledge of tax systems (Ongwamuhana, 2022). By bridging this informational gap, awareness campaigns empower taxpayers to fulfil their obligations with confidence, enhancing overall compliance rates and strengthening the effectiveness of tax administration.

H2: Tax awareness significantly influences tax compliance**.**

Perceived fairness in tax systems is a foundational concept that significantly influences taxpayers' willingness to comply voluntarily with tax obligations. It refers to the individual or collective perception of whether a tax system is just, equitable, and administered with integrity. This perception is typically structured around three critical dimensions: distributive fairness, procedural fairness, and retributive fairness (Adams & Webley, 2021). When taxpayers can clearly observe how their contributions translate into public goods such as better roads, functional healthcare systems, and quality education they are more inclined to perceive the tax system as just and worthy of support (Fossung & Warrah, 2022). Conversely, opaque spending practices, misappropriation of funds, or lack of visible public investment foster scepticism and disengagement from the system. Ensuring that taxation reflects individuals' or institutions' ability to pay is crucial in promoting a sense of justice. Additionally, consistency and impartiality in tax enforcement significantly influence fairness perceptions. Arbitrary audits, politically motivated inspections, or discretionary penalties breed distrust and perceptions of systemic bias (Diacron Group, 2024). When taxpayers believe that the tax system is fair characterized by equitable treatment, proportional tax burdens, transparent administration, and responsible use of public funds—they are more likely to internalize tax obligations as a civic duty, thus complying without coercion (Adams & Webley, 2021; Kusi & Tutu, 2023). This perception of fairness nurtures trust in tax authorities and fosters a reciprocal relationship between citizens and the state, where compliance is seen as part of a social contract (Torgler & Schneider, 2007; Aslam et al., 2024).

Conversely, perceived unfairness—such as selective enforcement, corruption, or unequal tax burdens—can trigger resistance, including tax evasion, deliberate non-compliance, and negative attitudes toward government institutions (Djossa-Tchokoté et al., 2024; Fossung & Warah, 2022). For Microfinance Institutions (MFIs) in Cameroon, perceived fairness takes on heightened importance due to their service to low-income and marginalized populations, who are often acutely aware of systemic inequalities and may view taxation as an added burden if not properly justified (Humphrey & Mbale, 2021). These MFIs operate in socioeconomically vulnerable environments, where even minor policy misalignments can be interpreted as exploitative or biased (Nguyen, 2023). Transparent communication about how taxes are used, inclusive policy dialogues, and mechanisms for redress or clarification can help build legitimacy and foster a sense of fairness (Tande & Warrah, 2022; Njoh & Fongang, 2023).

When MFIs perceive that they are being treated equitably, their willingness to comply increases, reducing the administrative burden on tax authorities and strengthening overall compliance. By institutionalizing fairness through consistent practices, accessible taxpayer services, and visible reinvestment of tax revenues into community development, authorities can significantly enhance compliance behaviour, thereby reinforcing the sustainability and integrity of the tax system (Bird & Zolt, 2014). Aslam et al. (2024) researched on "The Effect of Citizens' Perception of Governance on Tax Compliance: A Cross-Country Analysis in Sub-Saharan Africa". Aslam and colleagues (2024) explored how citizens' perceptions of governance influenced tax compliance behaviour across 32 Sub-Saharan African countries, including Cameroon. The study employed Afrobarometer data and logistic regression models to examine variables such as trust in government, perceptions of corruption, and satisfaction with public services. Data were collected from over 10,000 respondents using stratified sampling methods to ensure representation across demographics. The results highlighted a strong correlation between positive perceptions of governance and higher tax compliance rates. Trust in government institutions and transparency in tax administration were found to be critical drivers of compliance. Conversely, perceptions of corruption and inequitable tax policies significantly reduced compliance intentions. The study emphasized the importance of addressing governance issues to foster a culture of voluntary compliance across the region.

Additionally, investing in transparent and accountable public financial management systems is vital. When taxpayers are informed about how their contributions are being used—particularly through publicly accessible reports, budget tracking tools, and fiscal transparency portals—they are more likely to perceive the tax system as just and purposeful (Tande & Warrah, 2022; Humphrey & Mbale, 2021). Effective communication also plays a pivotal role; regular dissemination of information through diverse, accessible platforms such as community forums, local radio programs, and mobile messaging services fosters taxpayer engagement and helps dispel misinformation or suspicion (Njoh & Fongang, 2023). In regions like Cameroon, where governance challenges and perceptions of corruption are prevalent, the consistent and impartial enforcement of tax laws is crucial (Djossa-Tchokoté et al., 2024). Uneven treatment of taxpayers or selective enforcement can quickly erode confidence in the fairness of the system. Therefore, tax authorities must work to uphold procedural justice, ensuring that all taxpayers are treated equally regardless of their size, location, or political affiliation (Kusi & Tutu, 2023). For Microfinance Institutions (MFIs), which operate at the intersection of formal finance and grassroots communities, partnering with tax agencies to provide tax literacy programs and clarity around legal obligations can further mitigate perceived bias and encourage cooperative compliance (Ilemona, 2023).

H3: Perceived fairness significantly influences tax compliance

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- **Theories explaining determinants of tax compliance**

Theory of Planned Behaviour (TPB)

Tax awareness is the cognitive cornerstone of fiscal responsibility. According to the Theory of Planned Behaviour (TPB) proposed by Ajzen (1991), an individual's intention to perform a behavior is driven by their attitude toward that behavior. Kassipillai et al. (2003) argue that increased tax knowledge is directly correlated with higher compliance, as it reduces the "unintentional non-compliance" caused by complex laws. Furthermore, Kirchler (2007) suggests that when taxpayers are aware of how their contributions fund public goods, their "tax morale" improves. Thus, awareness transforms the tax from a perceived penalty into a understood social contribution. According to Ajzen (1991), human behavior is driven by intentions, which are formed by attitudes, subjective norms, and perceived behavioral control. Tax Awareness directly shapes the "Attitude" component of this model. Kassipillai et al. (2003) argue that tax knowledge is a prerequisite for a positive attitude toward the fiscal system; without it, taxpayers perceive the system as a "black box" of penalties. When awareness is high, taxpayers understand the societal benefits of their contributions, aligning their personal values with state goals (Kirchler, 2007). This reduces "unintentional non-compliance" and fosters a sense of moral obligation, transforming tax from a forced extraction into a deliberate civic act.

Technology Acceptance Model (TAM)

The integration of technology into tax administration is best analyzed through the Technology Acceptance Model (TAM) developed by Davis (1989). This model posits that Perceived Usefulness and Perceived Ease of Use are the primary drivers of digital adoption. In the tax context, Mustapha and Idris (2015) find that e-filing systems reduce the "compliance cost" (time and effort) for the taxpayer. Additionally, Bird and Zolt (2008) emphasize that digitalization reduces the physical interaction between taxpayers and officials, thereby minimizing opportunities for corruption and bureaucratic friction. As the system becomes more transparent and accessible, the barrier to compliance drops.The modernization of tax systems is best explained through Davis's (1989) TAM, which focuses on Perceived Usefulness (PU) and Perceived Ease of Use (PEOU). In the context of digitalization, Mustapha and Idris (2015) posit that e-filing and e-payment systems serve as "enabling technologies" that reduce the compliance burden. When a digital tax portal is perceived as easy to navigate (PEOU), taxpayers are more likely to find it useful (PU) for saving time and avoiding errors. Furthermore, Bird and Zolt (2008) highlight that digitalization minimizes face-to-face interactions, thereby reducing bureaucratic "red tape" and opportunities for informal rent-seeking. This technological transparency encourages higher rates of voluntary adoption and compliance.

Social Exchange Theory (SET)

The relationship between the state and the taxpayer is often viewed as a "psychological contract" rooted in Social Exchange Theory (SET) as articulated by Blau (1964). Wenzel (2003) identifies three dimensions of fairness—distributive, procedural, and retributive—that dictate this exchange. If taxpayers perceive that the tax burden is distributed equitably (Tyler, 2006) and that the government provides high-quality public services in return (Frey & Torgler, 2007), they feel a sense of reciprocity. When this fairness is absent, taxpayers utilize "neutralization techniques" to justify evasion as a way to restore equity in an unfair system.Social Exchange Theory, as articulated by Blau (1964), suggests that social behavior is the result of an exchange process where parties seek to maximize reciprocity. Taxation represents a "Psychological Contract" between the citizen and the state. Wenzel (2003) and

Tyler (2006) emphasize that Perceived Fairness is the currency of this exchange. If taxpayers perceive Distributive Fairness (equitable burden sharing) and Procedural Fairness (transparent and respectful treatment by authorities), they feel a duty to reciprocate through compliance (Frey & Torgler, 2007). Conversely, if the state is perceived as failing to provide adequate public goods or if corruption is rampant, the "exchange" is viewed as lopsided, leading taxpayers to justify evasion as a means of restoring equity.

3. Methodology of the study

3.1. Scope and Area of the Study

The research was conducted between October 2024 and July 2025. The study population comprises all registered Microfinance Institutions (MFIs) in Bamenda. According to recent records from the Ministry of Finance (2024), there are 60 officially registered MFIs operating in the region, and about 60 in Bamenda, making those in Bamenda to be the central focus of this research.The target population consists of individuals within the MFIs who are directly involved in tax-related processes, particularly accountants and managers. These professionals are responsible for ensuring compliance with tax regulations and engaging with tax digitalization platforms. With each MFI typically employing one accountant and one manager, the target population is estimated at 120 individuals (60 accountants and 60 managers).The accessible population includes accountants and managers from MFIs located in urban and semi-urban areas of Bamenda, where access to digital tax systems and internet connectivity is more prevalent. The Ordinary Least Squares (OLS) method will be used to estimate the model's parameters. OLS minimizes the sum of squared residuals, ensuring the best linear unbiased estimates (BLUE) under standard assumptions.

3.2. Variables and their Measurements

Table 1: Variables and their Measurements

Variable Type	Variables	Indicators	Measurement
Dependent Variable	Taxpayer Compliance	Timely filing, Timely payment, Accurate reporting, Adherence to tax laws and regulations	5-point agreement Likert Scale
Independent Variables	Tax Awareness	Knowledge of tax obligations, Awareness of deadlines, Understanding of penalties, Familiarity with tax incentives	5-point agreement Likert Scale
	Perceived Fairness	Perception of equity in tax laws, Transparency of tax processes, Trust in tax authorities, Proportionality of tax burden	5-point agreement Likert Scale
	Tax Digitalization	Accessibility to tax platforms, System reliability, Availability of support, Security of online platforms	5-point agreement Likert Scale
Control Variables	Age of MFI	Age in years	Ordinal Scale

Source: Researcher's computation, 2025.

3.3. Model Specification and Estimation Technique

This represents the linear regression form of the functional model with parameters:

$$TC = \beta_0 + \beta_1 TA + \beta_2 TD + \beta_3 PF + \beta_4 AMFI + \varepsilon$$

Where: **TA** = Tax Awareness; **TD** = Tax Digitalization; **PF** = Perceived Fairness of the Tax System; **AMFI** = Age of the Microfinance Institution; β_0 = Constant or intercept; $\beta_1 - \beta_4$ = Coefficients of the independent variables ε = Error term

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4. Presentation of results

4.1. Descriptive results

Table 2: Descriptive results

Variable	N	Min	Max	Mean	Std. Dev
Tax Awareness	120	1.20	5.00	3.87	0.74
Perceived Fairness	120	1.40	5.00	3.76	0.81
Tax Digitalization	120	1.00	5.00	3.91	0.69
Age of MFI	120	1	5	2.98	1.12
Tax Compliance	120	1.50	5.00	4.02	0.63

Source; Researcher's computation, 2025.

Based on the descriptive statistics provided for the 120 Microfinance Institutions (MFIs) surveyed in Bamenda, the following interpretation highlights the central tendencies and variations of your key research variables.

Tax Compliance recorded the highest mean score of 4.02. This suggests that, on average, MFIs in Bamenda perceive themselves as being highly compliant with tax obligations. The relatively low standard deviation (0.63) indicates that responses were closely clustered around the mean, showing a high level of consensus among the sampled institutions regarding their compliance levels. With a mean score of 3.91, Tax Digitalization is viewed quite favorably by the respondents. This indicates that the adoption of electronic platforms for filing and payments is well-established within the MFI sector in the region. The standard deviation of 0.69 suggests that while most MFIs have integrated digital solutions, there is a slight variation in the extent of adoption or the ease of use across different institutions. The mean score for Taxpayer Awareness is 3.87. This implies that the management of most MFIs possesses a good understanding of tax laws, filing procedures, and incentives. However, the standard deviation of 0.74 is higher than that of digitalization and compliance, suggesting that knowledge gaps still exist for some institutions, potentially due to the complexity of tax regulations. Perceived Fairness recorded the lowest mean among the three primary independent variables at 3.76. While this still indicates a generally positive perception, the higher standard deviation of 0.81 shows that there is more disagreement among MFIs regarding the equity of the tax system. Some institutions likely feel the tax burden or administration is less fair than others do. The Age of the MFIs showed a mean of 2.98 with the highest standard deviation of 1.12. This indicates a diverse sample ranging from newly established firms to well-established institutions. The wide spread (Std. Dev = 1.12) ensures that the study captures the compliance behaviors of MFIs at different stages of their organizational lifecycle.

4.2. Correlation results

Table 3: Correlation Analysis

Variable	Tax Awareness	Perceived Fairness	Tax Digitalization	Age of MFI	Tax Compliance
Tax Awareness	1.000				
Perceived Fairness	0.58**	1.000			
Tax Digitalization	0.61**	0.59**	1.000		
Age of MFI	0.40**	0.42**	0.45**	1.000	
Tax Compliance	0.60**	0.63**	0.65**	0.55**	1.000

Source: Researcher's Computation, 2025

The table 3 presents Pearson correlation coefficients between the variables, all statistically significant at the $p < 0.01$ level (indicated by **).

The correlation coefficient is 0.60, indicating a moderate to strong positive relationship. This means that higher levels of tax awareness among staff are associated with better tax compliance in the institution. The correlation coefficient is 0.63, slightly stronger than the previous, showing that when taxpayers perceive the tax system as fair, compliance tends to improve. This positive relationship suggests perceived fairness encourages better adherence to tax regulations. The correlation coefficient is 0.65, the strongest among the independent variables. This indicates that effective use and satisfaction with the tax digitalization system are strongly linked to higher tax compliance. It suggests that digital systems facilitate easier and more accurate tax filing and payment. The correlation coefficient between Age of MFI and Tax Compliance is 0.55, which indicates a moderate positive relationship that is statistically significant at the 0.01 level. This implies that as the age of a microfinance institution increases, its level of tax compliance also tends to increase. This relationship suggests that older MFIs are more likely to comply with tax regulations compared to newer ones. The likely explanation is that more established MFIs have accumulated experience, better organizational structures, and more developed internal systems for handling tax-related matters. They may also have stronger relationships with tax authorities, more resources to adopt digital tax systems, and a deeper understanding of tax laws and obligations.

4.3. Regression Analysis

Diagnostic tests were conducted to check for violations of key assumptions required for multiple regression analysis. The Normality Test (The Shapiro-Wilk test) was used to assess the normality of the distribution of variables. A p-value greater than 0.05 indicated that the data followed a normal distribution, furthermore, Multicollinearity Test: Variance Inflation Factor (VIF) and Tolerance values were used to test for multicollinearity among the independent variables. VIF values less than 10 indicated no significant multicollinearity issues. And finally Heteroscedasticity Test: The Breusch-Pagan test was employed to assess the homogeneity of variances in the residuals. A p-value greater than 0.05 suggested that the data did not violate the assumption of homoscedasticity.

Table 4: Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	R^2 Change	F Change	Sig. F Change
Tax Compliance (DV) and Independent Variables	0.612	0.374	0.359	0.421	0.374	24.85	0.000

Source: Researcher's Computation, 2025

The model summary in table 4, indicates a moderate positive relationship between the independent variables (Tax Awareness, Perceived Fairness, and Tax Digitalization) and the dependent variable (Tax Compliance), with an R value of 0.612. This suggests that collectively, the independent variables have a reasonable correlation with tax compliance in the institutions studied. The R^2 value of 0.374 means that approximately 37.4% of the variance in tax compliance can be explained by the combined effect of the three independent variables. The adjusted R^2 of 0.359 accounts for the number of predictors in the model and provides a slightly more conservative estimate, confirming that the model explains about 35.9% of the variation in tax compliance while adjusting for the degrees of freedom.

The standard error of the estimate is 0.421, which reflects the average distance that the observed values fall from the regression line—indicating moderate prediction accuracy. The R^2 change of 0.374 alongside an F change of 24.85 and a significance level (Sig. F Change) of 0.000 confirms that the independent variables collectively contribute significantly to explaining variations in tax compliance. This means the model is statistically significant and the predictors are useful for understanding the factors influencing tax compliance within the sampled financial institutions.

4.4. Discussion of findings

Table 5: Coefficients table

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.254	0.423		2.964	0.004
Tax Awareness	0.312	0.072	0.335	4.333	0.000
Perceived Fairness	0.278	0.065	0.301	4.277	0.000
Tax Digitalization	0.245	0.068	0.263	3.603	0.001
Age of MFI	0.158	0.071	0.172	2.225	0.028

Source: Researcher's Computation, 2025

In the table 5, Tax digitalization showed a significant positive effect on tax compliance, consistent with the Technology Acceptance Model (TAM), which highlights perceived ease-of-use and usefulness as critical factors for technology adoption. In the regression model, tax digitalization had a standardized coefficient (Beta) of 0.263 and was statistically significant ($t = 3.603$, $p = 0.001$). This indicates that improvements in the digital tax platform, such as ease of navigation and reliability, are associated with higher compliance levels. Empirical studies, such as Fossung and Warah (2022), also support this finding by demonstrating that system reliability and usability directly influence taxpayers' behavioural intentions and actual compliance. Nonetheless, challenges like internet costs and connectivity issues, as reported by Djossa-Tchokoté et al. (2024), can hinder the widespread adoption of these digital systems, highlighting the need to address infrastructural barriers alongside system improvements.
Tax awareness similarly had a strong positive impact on tax compliance, with a Beta coefficient of 0.335 ($t = 4.333$, $p < 0.001$), making it the most influential predictor among the independent variables. This aligns well with the Theory of Planned Behaviour (TPB), which posits that individuals' attitudes, subjective norms, and perceived behavioural control drive their intentions to comply. The empirical evidence from studies like Ilemona (2023) further supports this, showing that tax education and awareness programs significantly raise compliance rates by improving taxpayers' knowledge and morale. The high Beta value in this study suggests that enhancing taxpayer awareness is crucial for improving compliance within MFIs, as better-informed taxpayers are more likely to file returns and fulfill obligations on time.
Perceived fairness was also a significant determinant of tax compliance, with a Beta of 0.301 ($t = 4.277$, $p < 0.001$). This finding corroborates Social Exchange Theory (SET), which frames compliance as a function of perceived fairness and the benefits received from the tax system. When taxpayers believe the system is fair, transparent, and that their contributions are used responsibly, they are more inclined to comply. Aslam et al. (2024) found that trust in government and transparency significantly affect compliance intentions across Sub-Saharan Africa, including Cameroon. The relatively high Beta coefficient here underscores the importance of perceived fairness in shaping compliance behaviors in the context of MFIs.
Additionally, the age of the microfinance institution (MFI) was a statistically significant but less influential predictor (Beta = 0.172, $t = 2.225$, $p = 0.028$), indicating that more established institutions tend to have better tax compliance. This may be due to their accumulated experience and stronger administrative capabilities in managing tax obligations, supporting findings like those from Asiedu et al. (2022) that older firms generally demonstrate higher compliance.

5. Conclusion

This study has delved into the multifaceted issue of tax compliance within Microfinance

Institutions (MFIs) in Bamenda, placing a particular focus on the roles played by tax awareness, tax digitalization, perceived fairness in the tax system, and the institutional maturity of MFIs. The study establishes that informed and well-equipped institutions are more likely to understand their tax responsibilities, perceive the benefits of compliance, and respond positively to taxation efforts. This underlines the importance of sustained taxpayer education initiatives, especially those targeted at improving clarity, accessibility, and practical understanding of the tax process among institutional taxpayers.

In addition, the way the tax system is structured and administered—particularly in terms of fairness and transparency—has been shown to be an important influence on the attitudes and behaviours of taxpayers. When tax policies are viewed as equitable, consistently enforced, and geared toward the common good, institutions tend to be more willing to comply voluntarily. This speaks to the need for ongoing reforms in tax governance that prioritize fairness, open communication, accountability, and the visible allocation of tax revenue to public benefits. It also highlights the relevance of building trust between tax administrators and taxpayers—trust that is earned not just through policy, but through consistent, equitable, and transparent administration.

The integration of digital systems into the tax infrastructure marks another transformative factor that shapes compliance outcomes. Digital tax platforms, when well-designed and adequately supported, offer MFIs the ability to navigate compliance tasks more efficiently, reduce bureaucratic bottlenecks, and minimize errors. However, the digital divide—manifested in issues such as weak internet connectivity, low digital literacy, and insufficient technical support—still poses a significant challenge. Addressing these barriers must become a priority for tax authorities aiming to modernize the tax landscape and ensure that digital tools are truly accessible and beneficial across all institutional types and sizes.

Moreover, institutional characteristics such as the age and maturity of an MFI also matter. More mature institutions often have better developed internal systems, more experienced staff, and greater institutional knowledge, which collectively enhance their ability to comply with tax obligations. This finding calls attention to the need for targeted support for younger or less experienced institutions that may face structural or operational hurdles in their efforts to remain compliant. Institutional development, capacity-building programs, and peer learning initiatives can serve as effective measures to close these gaps and ensure a level playing field.

In a broad view, the study underscores that improving tax compliance requires a holistic and multifaceted strategy. It is not enough to focus solely on enforcement or penalties; rather, compliance efforts must address the entire ecosystem in which MFIs operate. This includes strengthening institutional capacities, improving the quality and fairness of tax governance, simplifying tax processes through appropriate digital technologies, and fostering a culture of voluntary compliance rooted in trust and accountability.

This research contributes meaningful insights to both academic discourse and policy development. The application of established behavioural and technological theories to a local institutional context offers a grounded and context-sensitive understanding of compliance challenges and opportunities in developing economies. These findings can inform tax policy reforms that are responsive to the realities faced by MFIs, particularly in regions like the Northwest of Cameroon, where structural limitations, institutional diversity, and developmental needs intersect.

As the tax environment in Cameroon continues to evolve with advancements in digital infrastructure and policy reforms, it is imperative for future studies to build upon this research by exploring additional variables that may influence compliance. These could include perceptions of government service delivery, enforcement intensity, audit risks, or broader socioeconomic conditions. The continuous refinement of our understanding of compliance behaviour will be instrumental in shaping a more inclusive, effective, and sustainable tax system that not only collects revenue but also promotes financial discipline, institutional accountability, and long-term development.

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