

Tax Compliance of MSMEs Taxpayer Based on Social Norms and Tax Morals

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ABSTRACT

This research aims to analyze the role of social and moral norms in influencing tax compliance among Micro, Small, and Medium Enterprises (MSMEs) operators. In this study, the Theory of Planned Behavior serves as the foundational framework to explore the impact of social and moral norms on tax compliance among MSMEs. Primary data were collected from 100 MSME respondents registered as taxpayers. The data collection technique involved surveys, and multiple regression analysis was employed to test hypotheses. The research findings indicate that social and moral norms significantly influence the tax compliance of MSME taxpayers. The better the social and moral norms possessed by taxpayers, the higher their level of compliance with tax obligations. Understanding that social and moral norms significantly affect tax compliance among MSMEs, the government and relevant institutions can design strategies to enhance compliance through approaches that reinforce social and moral values within society.

Keywords : **Social norm; Tax moral; Tax compliance; Theory of Planned Behavior; MSMEs**

ABSTRAK

Penelitian ini bertujuan untuk menganalisis peran norma sosial dan moral dalam mempengaruhi kepatuhan pajak pelaku Usaha Mikro, Kecil, dan Menengah (UMKM). Dalam penelitian ini, teori perilaku terencana (Theory of Planned Behavior) diadopsi sebagai kerangka dasar untuk mengeksplorasi pengaruh norma sosial dan moral terhadap kepatuhan pajak UMKM. Data primer dikumpulkan dari 100 responden UMKM yang terdaftar sebagai wajib pajak. Teknik pengumpulan data dilakukan melalui survei, dan analisis regresi berganda digunakan untuk menguji hipotesis. Hasil penelitian menunjukkan bahwa norma sosial dan moral secara signifikan mempengaruhi kepatuhan wajib pajak UMKM. Semakin baik norma sosial dan norma moral yang dimiliki oleh wajib pajak, maka semakin tinggi pula tingkat kepatuhan wajib pajak dalam memenuhi kewajiban perpajakannya. Dengan memahami bahwa norma sosial dan moral secara signifikan memengaruhi kepatuhan pajak UMKM, pemerintah dan lembaga terkait dapat merancang strategi untuk meningkatkan kepatuhan melalui pendekatan yang memperkuat nilai-nilai sosial dan moral dalam masyarakat.

Kata Kunci : **Norma sosial; Moral pajak; Kepatuhan pajak; Teori Perilaku Terencana; UMKM**

INTRODUCTION

Tax is a financial contribution paid by individuals and entities to the government. Entities such as Limited Liability Companies (LLC), State-Owned Enterprises, Regional-Owned Enterprises, Firms, Commander Partnerships (CV), Cooperatives, a publicly listed entity and a privately owned entity. Taxes serve as the primary source of income for the government to fund various programs and public services required by the community. Businesses, notably Micro, Small, and Medium Enterprises (MSMEs), have substantial potential as a tax source for the government. MSMEs play a crucial role in a country's economy, significantly contributing to economic growth, job creation, and poverty reduction (Amanamah, 2016).

In 2021, MSMEs in Indonesia contributed around 61.07% to GDP (Gross Domestic Product) (Komwasjak, 2021), but the contribution of MSMEs to income tax is still relatively low (Hermanto, 2022; Lestary et al., 2021; Mujiyati et al., 2020). In addition to income tax, MSMEs can contribute to other taxes such as value-added tax (VAT), sales tax and property tax, depending on the nature of their operations. The government can optimize tax revenue by ensuring all MSMEs understand and comply with tax obligations according to their business types.

Tax compliance is related to the behavior of taxpayers in fulfilling their tax obligations (Naitili et al., 2022). The taxation of Micro, Small, and Medium Enterprises (MSMEs) can be examined through the Theory of Planned Behavior lens. The Theory of Planned Behavior (TPB) is a relevant psychological theory in the context of taxpayer behavior. This theory provides a framework to explain and predict individual behavior based on their intentions (Ajzen, 2012). This theory can provide insight into the factors influencing the behavior of MSME entrepreneurs in managing and fulfilling their tax obligations. Applying behavioral theory in the context of MSME taxation can help understand the motivations and factors influencing MSMEs in fulfilling their tax obligations. It can also aid in designing more effective strategies and policies to enhance MSME tax compliance.

The Theory of Planned Behavior states that subjective norms can influence an individual's actions (Ajzen, 2012). Subjective norm is a crucial factor in influencing behavioral intentions (Al Zaqeba & Al-Rashdan, 2020; Khalid et al., 2022). Efebera et al. (2004) divided subjective norms into two dimensions: social norms and moral norms. Social norms involve the influence exerted by close associates, while moral norms relate to an individual's principles.

Social norms significantly influence taxpayer compliance behavior (Bobek et al., 2013). Social norms can influence ethical decisions through the existing consensus on social norms Efebera et al. (2004). Social norms can impact the public's perception of the importance of paying taxes as a citizenship responsibility. From this, it can be concluded that social norms influence tax compliance (Wenzel, 2004).

Moral norms relate to an individual's principles (Efebera et al., 2004). According to (Taing & Chang, 2021), tax morality significantly influences tax compliance intentions. Tax compliance means citizens fulfill their obligations by paying taxes promptly and in accordance with prevailing regulations. Individual taxpayers lacking good moral standing may lead to non-compliance (Abdi & Hersi, 2023).

Based on previous research, social and moral norms are essential in fostering tax compliance in society (Anggraeni et al., 2021). This is in line with the results of research (Primasari & Mutmainah, 2022; Putri, 2021; Tusubira & Nkote, 2013), which shows that the social norms of taxpayers are significantly positively correlated with taxpayer compliance. Meanwhile, research (Budiningrum & Wening, 2014; Proboningrum, 2018)

states that social norms have no effect on tax compliance. (Alshirah et al., 2019; Putri, 2021; Tusubira & Nkote, 2013) suggest that tax morality can influence MSME tax compliance, while research by (Indrawan & Larasati, 2022; Mursalin, 2020; Primasari & Mutmainah, 2022) shows that taxpayer morality does not significantly affect taxpayer compliance. Taxpayers who employ moral considerations demonstrate higher compliance in paying their taxes (Indriyani et al., 2018). The impact of taxpayer morality on tax compliance implies that the higher the taxpayer's morality, the higher their tax compliance.

Research on tax compliance is of utmost importance as taxes constitute a primary source of government revenue. The government can finance various development programs and projects, such as infrastructure, health, education, and security, through taxes. The discussion that focuses on the influence of social and moral norms on the tax compliance of MSME taxpayers is a novelty in this research and has yet to be extensively explored. Studies on tax compliance help understand taxpayer behavior and the factors influencing compliance levels, thereby assisting the government in improving tax revenue.

Based on the background described, this research aims to analyze the role of social norms and tax morals in influencing tax compliance among Micro, Small, and Medium Enterprises (MSMEs). The research was conducted through a quantitative approach by distributing questionnaires to MSMEs in Garut Regency. By understanding the factors influencing tax compliance, the government can design more effective tax policies to increase tax revenue from the MSME sector and support overall economic growth.

RESEARCH METHOD

This research employs a quantitative research design utilizing the survey method. The data source is primary data, specifically questionnaire responses collected from respondents. The population studied comprises Micro, Small, and Medium Enterprises (MSMEs) registered as taxpayers in Garut Regency. The sample size, determined through the Slovin formula, presented by formula 1.

$$\begin{aligned} n &= \frac{N}{1+Ne^2} \\ n &= \frac{42.437}{1 + (42.437 \times 10\%^2)} \\ n &= 99,76 \text{ (Rounded to 100)} \end{aligned} \quad (1)$$

In formula 1, n represents the sample size calculated based on the population size (N) and error tolerance value (e). Based on the formula 1, the number of samples is 100, where 1 sample is represented by one respondent. The sampling method in this research is Probability Sampling with the Simple Random Sampling technique. Probability sampling is a sampling technique that provides equal opportunities for each element (member) of the population to be selected as a sample member, and Simple Random Sampling is taking sample members from a population that is carried out randomly without regard to the strata in that population (Sugiyono, 2018).

The independent variables in this study are social norms (X1) and moral norms (X2), while the dependent variable is taxpayer compliance (Y). Social norms are represented by the influence from family, colleagues, media, tax officials, and relevant government agencies. Moral norms are assessed based on an individual's awareness of principles and beliefs in fulfilling tax obligations. Taxpayer compliance is identified by observing three indicators: compliance in reporting income, maintaining proper accounting records, and filing tax returns accurately and on time.

Data collection involves the distribution of questionnaires, and measurement for each variable is done using a Likert scale. Likert scale is a scale used to measure the attitudes, opinions, and perceptions of a person or group of people about social phenomena (Sugiyono, 2018). Respondents are asked to fill out the questionnaire with answer choices scored between 1 and 5. Data analysis techniques include descriptive statistical testing, research instrument testing, classical assumption testing, multiple regression analysis, and hypothesis testing. Data processing in this study uses SPSS (Statistical Package for the Social Sciences) software.

RESULTS AND DISCUSSION

The decision criteria in this study are based on the significance value (sig). The alternative hypothesis (Ha) is accepted if the sig value is less than 0,05. Conversely, if the sig value is 0,05 or higher, Ha is rejected. Table 1 presents the results of the partial test (t-test) for variables X1, X2 and Y.

Table 1. Partial Test Results (t-test)

Variable	Beta	t	Sig.	Decision
Social Norm (X1)	0,264	3,012	0,003	H1 accepted
Taxpayer Morality (X2)	0,440	5,028	0,000	H2 accepted

Source: Data processed, 2022

According to Table 1, the results of hypothesis testing in this study indicate that social norms have a significant and positive effect on taxpayer compliance. This is due to the sig value < 0,05 and the positive beta value. This result indicates that H1 is accepted, which states that social norms have an effect on taxpayer compliance. The magnitude of the influence of social norms on compliance is $(0,264)^2 = 6,97\%$. This research shows that the better the social norms of taxpayers, the higher the level of taxpayer compliance.

Based on the hypothesis testing results in Table 1, moral norms also have a significant and positive effect on compliance. This is due to the sig value < 0,05 and the positive beta value. This result indicates that H2 is accepted, which states that moral norms have an effect on taxpayer compliance. The magnitude of the influence of social norms on compliance is $(0,440)^2 = 19,36\%$. This result indicates that the better the moral norms of taxpayers, the higher the level of taxpayer compliance.

The coefficient of determination test in this study is used to examine how much influence the independent variables have on changes in the dependent variable. The result is presented in Table 2.

Table 2. Coefficient of Determination Results

	R Square	Adjusted R Square	Sig. F Change
Sub Structural	0,342	0,329	0,000

Source: Data processed, 2022

Table 2 shows the data processing results that R-square or R² of 0,342 or 34,2%. This value signifies that the percentage contribution of social norms (X1) and moral norms (X2) simultaneously to taxpayer compliance (Y) is 34,2%. The remaining 65,8% is the influence coming from other factors not examined in this study.

The findings of this research indicate that the better the social norms of taxpayers, the higher the level of taxpayer compliance in fulfilling their tax obligations. Taxpayers recognize that when social references encourage them to take action, they tend to feel social pressure to perform that action. The study identifies social norms as external stimuli for taxpayers, represented by influences from family, colleagues, media, tax officials, and relevant government agencies. Generally, individuals act based on their beliefs to behave in a certain way. Normative beliefs are motivated by others considered important or influential.

The role of social norms in tax compliance is related to the expectations and demands that society imposes on its members. Social norms emphasize the importance of mutual support, justice, and common interests. In the tax context, social norms influence public perception of the importance of paying taxes as a citizenship responsibility. If societal social norms value tax compliance, there will be positive pressure on individuals to fulfill their obligations. The results of this study are in line (Bobek et al., 2013; Primasari & Mutmainah, 2022; Putri, 2021; Tusubira & Nkote, 2013) which states that social norms affect tax compliance, and contradict (Budiningrum & Wening, 2014) which states that social norms have no effect.

Additionally, morality also influences tax compliance. This is due to an individual's belief that adhering to tax regulations or fulfilling tax obligations is both a legal and moral action. Taxpayer morality, as an internal factor, plays a significant role in determining whether a taxpayer acts compliantly or not. When someone holds strong principles of what is right, they tend to behave compliantly. Tax morality is tied to an individual's ethical views on what is considered right or wrong. When someone views paying taxes as a moral obligation, they are more likely to comply and responsibly fulfill that obligation. Morality shapes an individual's awareness of their contribution to building and maintaining social justice through fair tax payments. The results of this study are in line with (Alshirah et al., 2019; Taing & Chang, 2021) which state that morality affects tax compliance, and contradict (Indrawan & Larasati, 2022; Mursalin, 2020) which states that morality does not affect tax compliance.

For taxpayers who have strong social norms and morality regarding tax compliance, individuals tend to feel obliged to pay taxes voluntarily and on time. They understand that taxes are a source of national revenue needed to fund various public programs and projects that benefit society.

CONCLUSION

Based on the results of the study, it was found that social norms have a significant effect on tax compliance. This study has emphasized the substantial impact of social norms on tax compliance, revealing that high positive influence from taxpayers' social environment correlates with increased levels of tax compliance.

The greater the positive pressure from the taxpayer's social environment, the higher the level of tax compliance. In addition, moral norms emerged as an important determinant of tax compliance, with stronger adherence to principles of righteousness encouraging greater compliance. Moral norms have a significant effect on tax compliance.

The better one's morality in accordance with the principles of truth, the more it will encourage compliance. Social norms and strong moral beliefs regarding tax compliance can provide motivation for taxpayers to fulfill their tax obligations.

RECOMMENDATION

This research has some limitations, such as the data collection method using only surveys, potentially overlooking other unidentified factors. Additionally, the study focuses only on social norms and moral aspects.

For future research, it is recommended to use a more holistic approach by combining various research methods and considering other factors that can comprehensively influence tax compliance, such as other factors that are still related to the theory of planned behavior, for example taxpayer attitudes and behavioral control can be explored.

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