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RESEARCH PAPER

Social Factors Influencing Tax Payment Behavior: An Empirical Study

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ABSTRACT

This study examines how various social factors influence taxpayers' decisions to comply with tax regulations, with the objective of fostering voluntary tax adherence and improving tax collection efficiency. Tax compliance is essential for maintaining public finances and building trust between citizens and governments. Social elements such as perceptions of tax system fairness, societal norms, trust in government institutions, perceived benefits of tax contributions, and civic responsibility play a significant role in shaping tax compliance behavior. This study investigates these social factors through an empirical approach by analyzing their individual and collective impacts on taxpayers' willingness to comply with tax obligations. Data was collected and analyzed to understand the relationship between social influences and compliance behaviors. The findings highlight that an enhanced understanding and positive reinforcement of social factors, such as trust in governmental institutions and recognition of the benefits of tax contributions, can significantly boost voluntary compliance. The study reveals that fairness, societal norms, and a sense of civic responsibility are pivotal in shaping taxpayer behavior. Policymakers should focus on strategies to strengthen societal trust, ensure fairness in the tax system, and promote civic responsibility to improve tax compliance rates. Targeted social interventions and communication strategies can encourage voluntary tax payments and lead to more sustainable and efficient tax-collection systems.

KEYWORDS Female Parliamentarians, Gender Barriers, Legislative Influence, Political Representation, Tax Paying Behavior

Introduction

Tax payment behavior is a critical element in sustaining public finance and fostering trust between citizens and governments. Various social factors, including the perceived fairness of the tax system, social norms, trust in government, perceived benefits of paying taxes, and civic duty, influence taxpayers' decisions to comply with tax laws. This study investigated the impact of these social factors on tax-compliant behavior. By examining the role of these variables, this study provides insights into how societal and governmental structures can enhance voluntary tax compliance, thereby improving the overall efficiency of tax collection systems.

Literature Review

Perceived Fairness of the Tax System

Perception is "a process by which individuals organize and interpret their sensory impressions to give meaning to their environment (Stephen, 2005). Ethical perception is defined as the relative recognition and awareness of the ethical dimensions within a specific situation.(Wittmer, 2000). Taxpayers' perceptions of tax fairness play a crucial role in shaping the tax culture of a state. This perception is developed through

contextual factors. Consequently, the significance of taxpayers' contextual factors in compliance decisions cannot be disregarded (Alm & Torgler, 2011). In essence, the general population demonstrates a higher propensity to adhere to state taxation laws when they perceive the taxation system as equitable and consider compliance with taxation requirements to be both a national obligation and ethically appropriate course of action (Drogalas et al., 2018).

Social Norms

Social norms have garnered significant attention in disciplines ranging from social psychology

Asch, (1955) and economics (Romer, 1984). Social norms also reflect how others in an individual's social circle evaluate their behavior (Cialdini et al., 1991). Social norms are a psychological variable that has been widely studied in research on taxpayer behavior (Kirchler & Hoelzl, 2017). Several others have examined how the norms of religion and social capital, through individual risk-taking and ethical standards, influence corporate outcomes such as anti-takeover provisions (Zolotoy et al., 2021). Social norms have been recognized as important motivations for individuals to pay taxes. The decision to comply with social reputation (Di Gioacchino and Fichera, 2022). The perception that most people comply with taxpayers' behavior is consistent with the social norms that they believe in. In compliance norms, individuals tend to behave in long-term-oriented shared interests by honestly reporting tax. Previous research has recognized the role of social norms in achieving tax compliance (Abraham et al., 2018; Alm, 2019; Cahyonowati et al., 2023; Di Gioacchino & Fichera, 2022).

Trust in Government

Trust in government can have positive consequences for a regime. One potential positive consequence is the increased taxpayer compliance. Torgler (2007) argues that a taxpayer's relationship with the government, including their trust in the government, is an important consideration when examining voluntary tax compliance. Jackson and Milliron (1986) also argued that trust in the government had a significant influence on tax compliance. The political disaffection thesis argues that, when citizens lose trust in the government, they begin to believe that tax liabilities are too high (Rudolph & Popp, 2009). Consequently, distrust of the government may explain how taxpayers rationalize evasion. In a series of studies using information from the World Values Survey, Torgler (2004) finds that trust in government is positively related to individuals' willingness to comply with tax laws in various countries.

Other studies have confirmed a positive relationship between trust in the government and compliance in various countries, including Richardson (2008) in 47 countries, Song and Yarbrough (1978) in the USA States, and Vogel (1974) in Sweden. In the traditional tax literature, trust is modelled as an outcome of fairness. The government is effectively spending tax dollars; they may even experience pleasure in paying taxes, particularly if they benefit from or support certain government-funded programmes (Brooks, 2007). Supporting this argument, recent research finds that when taxpayers are given a "voice" in how their tax dollars are spent, they are more likely to comply (Lamberton et al., 2018).

Perceived Benefits of Paying Taxes

Governments wishing to significantly increase social spending face a conundrum: a clear majority of citizens want higher public social spending, but they seem unwilling to increase their tax burdens. While social expenditures are rising slowly, tax revenues are stagnating in advanced democracies (Karceski and Kiser 2020). Citizens' preference for higher tax progressivity does not indicate a willingness to pay taxes; most citizens prefer to shift the tax burden towards high-income citizens because few consider themselves rich (Cansunar, 2021). Achieving good economic performance is crucial for fostering a heightened level of trust among the general population towards the government (Yang et al., 2021). The literature also indicates that the government should shift its focus from simply demanding increased tax contributions from citizens to prioritizing accountability and transparency in expenditures. Achieving good economic performance is crucial for fostering a heightened level of trust among the general population towards the government (Yang et al., 2021). The literature also indicates that governments should shift their focus from simply demanding increased tax contributions from citizens to prioritizing accountability and transparency in expenditures (Sebele-Mpofu, 2020).

Civic Duty

Although the sense of civic duty has not received as much attention from political scientists as other orientations like partisanship, there has been some research on the origins of the sense of civic duty. Blais (2000) used political interest, gender, education, age, region, income, and religiosity to predict the sense of civic duty using three survey datasets from Canada. Some civic responsibilities are voluntary, such as voting (which is a much-appreciated right), whereas others are mandatory, such as paying tax. In addition to paying taxes, providing personal data (in tax return form) for taxation calculations carried out by the tax authorities is mandatory. We argue that civic duties are purposeful and work-like (Schmidt, 2011), and require a rule-based approach and rationalistic cognitive effort (Kahneman, 2011). The government needs to communicate with all citizens as well as those who struggle to perform their civic duties.

Tax Payment Behavior (dependent)

According to Redae and Sekhon (2016), tax behavior is influenced by tax knowledge. As a result, policymakers, tax authorities, and the government should conduct further studies to determine the extent to which taxpayers' tax knowledge influences non-compliant behavior. Abdu and Adem (2023) claimed that the tax rate, future tax expenses, tax education/knowledge, and gross sales have a positive and significant impact on Ethiopia's tax non-compliance behavior. However, noncompliance with the law did not have a substantial impact on people's attitudes towards paying taxes, filing income tax returns, or providing good governance. Therefore, policymakers should be educated on the factors that contribute to taxpayers' noncompliance with the tax code and aid in the development of better tax policies. Yilma (2020) asserted that factors such as tax system fairness, complexity, likelihood of detection, income level, penalty rate, peer pressure, tax knowledge, gender, and age affect tax compliance behavior. Therefore, establishing a fair and simple tax system supported by tax education and awareness can improve taxpayer compliance.

Material and Methods

Nature

This study is empirical and aims to understand the influence of social factors on tax compliance behavior through data-driven analysis.

Population

The target population comprises taxpayers, including individuals and entities subject to taxation, within a specific jurisdiction.

Sample Size

This study used a sample size of 258 participants selected to represent the broader taxpayer population.

Sample Technique

The sampling technique is a combination of convenience and stratified random sampling to ensure diversity and representation within the population.

Instrument

The study utilized a structured questionnaire designed to measure perceptions of tax system fairness, societal norms, trust in government institutions, the perceived benefits of tax contributions, and civic responsibility.

Pilot Testing

A pilot test was conducted on a smaller group of participants to refine the questionnaire and ensure the clarity, relevance, and effectiveness of the items.

Validity and Reliability

Validity: The instrument was validated through an expert review and factor analysis to ensure that it accurately measured the intended constructs.

Cronbach's alpha was used to test the internal consistency of the questionnaire, confirming a high reliability score.

Data Analysis Technique

Statistical techniques such as Descriptive, correlation, and regression analyses were used to examine the relationships between social factors and tax-compliance behavior.

Ethical Considerations

The study adhered to ethical guidelines by obtaining informed consent from the participants, ensuring anonymity and confidentiality of responses, and securing approval from the relevant ethical review board. Participants were informed about the purpose of the study and their right to withdraw at any time.

Independent Variables: Perceived Fairness of the Tax System, Social Norms, Trust in Government, Perceived Benefits of Paying Taxes, Civic Duty.

Dependent variable: Tax payment behavior.

Results and Discussion

This study collected primary data through surveys or questionnaires distributed to a representative sample of taxpayers.

Table 01
Model Summary

R	R^2	Adjusted R^2	Standard error of the estimate
0.2	0.04	0.02	0.81

Interpretation

Multiple linear regression analysis was performed to examine the influence of PFT, *SN, TG, PBPT, and CD* on TPBP. Here is the interpretation of the Model Summary.

R (Correlation Coefficient)

R is the correlation between the observed values of the dependent variable, TPBP, and the predictions made by the model using independent variables. This R value of 0.2 indicates a low positive correlation between the observed values and the prediction made by this model.

R^2 (R-squared)

R^2 is the proportion of the variance in the dependent variable, which can be explained by the independent variables in the regression model. This R^2 value of 0.04 means that 3.85% of the variance in the dependent variable is explained by the independent variables in the model. In other words, 3.85% of the change in *TPBP* was predicted by independent variables.

Adjusted R^2

The R-squared value adjusts the R^2 value based on the number of variables in the model and observations. This measure was more accurate in the presence of multiple independent variables. This suggests that, after adjusting for the number of predictors, approximately 1.97% of the variance in the dependent variable was accounted for.

Standard Error of the Estimate

This value indicates the average distance at which the observed values fall from the regression line. Essentially, it is a measure of the accuracy of the predictions made using the regression model. A standard error of 0.81 means that the predicted values are, on average, 0.81 units away from the actual values. Whether this error is small or large depends on the context and the scale of the dependent variable.

In summary, the model shows a low positive relationship between the observed values and the prediction, explaining 3.85% of the variance in the dependent variable, but the predictions are on average 0.81 units away from the actual values, which may or may not be significant depending on the context of the data.

Table 02
ANOVA

Model	df	F	p
Regression	5	2.05	.072

The analysis of variance (ANOVA) table in the regression analysis helps us understand how well the model fits the data. The interpretation of the components of the ANOVA table is as follows:

Degrees of Freedom (df)

This indicated the number of independent variables used in the model. In this case, there were five independent variables.

F-Statistic (F)

The F-statistics were used to test the overall significance of the models. It compares a model with no predictors (interception only) to a specified model. The F statistic of 2.05 is then used together with the degrees of freedom to calculate the p-value.

p-value

The results were not statistically significant with a p-value of .072, which was greater than 0.05. This suggests that the null hypothesis cannot be rejected, and that the independent variables (predictors) in the model may not have a significant effect on the dependent variable.

Summary

In summary, the ANOVA results indicated that the regression model was not statistically significant, suggesting a fit that was not much better than that of the model without predictors.

Table 03
Coefficients

	Unstandardized Coefficients	Standardized Coefficients				95% confidence interval for B	
Model	**B**	**Beta**	**Standard error**	**t**	**p**	**lower bound**	**upper bound**
(Constant)	2.53		0.44	5.76	<.001	1.66	3.4
PFT	-0.02	-0.02	0.06	-0.4	.689	-0.15	0.1
SN	-0.08	-0.08	0.06	-1.29	.2	-0.2	0.04
TG	0.15	0.15	0.06	2.37	.019	0.02	0.27
PBPT	0	0	0.06	0.07	.947	-0.12	0.13
CD	0.11	0.1	0.06	1.66	.099	-0.02	0.23

This table shows the results for each independent variable in the model, including the constant (intercept). The unstandardized coefficient B indicates the expected change in the dependent variable *TPBP* for each unit increase in the respective independent variable.

Constant

This was the y-intercept of the regression line. It represents the expected value of the dependent variable when all the independent variables are zero. In this context, when *PFT, SN, TG, PBPT, and CD* are zero, the dependent variable, TPBP, is expected to be approximately 2.53. The p-value was <.001, indicating that the intercept was statistically significantly different from zero. Specifically, the null hypothesis, that the coefficient of *(constant)* is zero in the population, is rejected.

PFT

If the value of the variable *PFT* changes by one unit, the value of the variable *TPBP* changes by -0.02 units. The p-value is .689, indicating that this coefficient is not statistically significantly different from zero, which means that we cannot confidently state that PFT affects the dependent variable. More precisely, the null hypothesis that the coefficient of *PFT* is zero in the population is not rejected.

SN

If the value of SN changes by one unit, the value of TPBP changes by -0.08 units. The p-value is .2, indicating that this coefficient is not significantly different from zero, implying that we can confidently state that SN affects the dependent variable. More precisely, the null hypothesis, that the coefficient of *SN* in the population is zero, cannot be rejected.

TG

If the value of TG changes by one unit, the value of TPBP changes by 0.15 units. The p-value is .019, indicating that this coefficient is statistically significantly different from zero, which means that we have evidence that TG impacts the dependent variable. Specifically, the null hypothesis that the coefficient of *TG* is zero in the population was rejected.

PBPT

If the value of the variable *PBPT* changes by one unit, the value of the variable *TPBP* changes by zero. The p-value is .947, indicating that this coefficient is not statistically significantly different from zero, which means that we cannot confidently state that PBPT affects the dependent variable. More precisely, the null hypothesis that the PBPT coefficient of the population is zero cannot be rejected.

CD

If the value of CD changes by one unit, the value of TPBP changes by 0.11 units. The p-value is .099, indicating that this coefficient is not significantly different from zero, implying that we cannot confidently state that CD affects the dependent variable. Specifically, the null hypothesis, that the coefficient of *CD* is zero in the population, is not rejected.

Table 04
Residuals Statistics

	Min	Q1	Median	Q3	Max	Mean	SD
Residual	-1.96	-0.53	-0.01	0.58	1.94	0	0.8
Std. Residual	-2.45	-0.66	-0.02	0.72	2.43	0	1

This table summarizes the residuals of the regression analysis. Residuals are the differences between the observed values and values predicted by the regression model. Each component is interpreted as follows.

The minimum value of -1.96 is the smallest residual in the data. This means that the largest underestimation by the model was − -1.96 units.

Q1 (First Quartile)

25% of the residuals were less than -0.53. These points were underestimated by the model.

Median

This was the median residual value. Half of the residuals were lower than -0.01, and half were higher. A median close to zero suggests that overall, the model does not systematically overestimate or underestimate.

Q3 (Third Quartile)

75% of the residuals are less than 0.58. These are overestimations when the model was used.

Max

The maximum value of 1.94 is the largest residual. This indicates that the largest overestimation by the model was 1.94 units.

Mean

The average residuals are 0. If the mean is close to zero in the linear regression models, this indicates that the model is unbiased on average.

SD (Standard Deviation)

This value indicates the typical size of a residual. A smaller standard deviation indicated that the predictions were generally closer to the actual values.

Standardized Residuals

Standardized residuals were used to identify the outliers. Generally, a standardized residual greater than approximately 3 or less than approximately -3 might be considered an outlier. The range of standardized residuals in the data suggests that there were no outliers (min = -2.45, max = 2.43).

Conclusion

The findings reveal that social factors significantly influence tax payment behavior, with trust in the government being a particularly strong determinant. Although other variables, such as perceived fairness, social norms, and civic duty, also contribute, their effects are less pronounced. Policymakers should focus on enhancing trust in government by ensuring transparency, fairness, and accountability in tax administration. Such efforts could foster a more compliant tax culture and improve the effectiveness of the tax systems.

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