



Tax Compliance Drivers In Indonesian SMEs Based On Knowledge Awareness And Religious Commitment

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Abstract: *This study aims to analyze the influence of tax knowledge, awareness, and religiosity on taxpayer compliance among small and medium enterprises (SMEs) in Indonesia. The study adopts a quantitative approach using primary data collected through questionnaires distributed to SME taxpayers. Data analysis was conducted using multiple linear regression with a significance level of 0.05. The results of the study show that tax knowledge has a t-value of 2.279 greater than the t-table value of 1.98498 and a significance level of $0.000 < 0.05$, indicating that tax knowledge partially affects taxpayer compliance. The awareness variable also shows a t-value of 2.680 > 1.98498 with a significance level of $0.000 < 0.05$, meaning that taxpayer awareness has a significant influence on compliance. Furthermore, the religiosity variable has a t-value of 2.988 > 1.98498 and a significance level of $0.000 < 0.05$, suggesting that religiosity has a positive and significant effect on taxpayer compliance. These findings imply that increasing taxpayers' understanding of taxation, enhancing their awareness of tax obligations, and strengthening their religious values can significantly improve compliance levels. The study contributes to the development of behavioral tax compliance models by highlighting the role of internal factors such as knowledge, awareness, and religiosity. The results are expected to provide insights for policymakers and tax authorities in designing effective strategies to foster voluntary compliance among SME taxpayers in Indonesia.*

Keywords: *Tax Knowledge, Awareness, Religiosity, Taxpayer Compliance.*

INTRODUCTION

Taxes constitute one of the most essential sources of state revenue and serve as the backbone for national development, government administration, and the realization of public welfare (Pahlawan et al., 2024). Through taxes, the government is able to finance various strategic sectors such as education, health, infrastructure, public services, and social protection. Therefore, increasing tax revenue is a crucial measure of the state's fiscal capacity and economic resilience. However, the achievement of optimal tax revenue is inseparable from the level of taxpayer compliance, which determines whether the tax system can run effectively and sustainably. In the Indonesian context, taxpayer compliance has long been a challenge, especially within the Micro and Small Enterprises (MSEs) sector, which is the backbone of the national economy. Despite its large contribution to employment and economic activity, the compliance rate of MSE taxpayers



remains relatively low (Herlambang, 2024), creating a gap between potential tax revenue and actual tax collection.

Micro and Small Enterprises (MSEs) are recognized as one of the most dynamic economic sectors in Indonesia. They contribute significantly to labor absorption, poverty reduction, and the development of local economies. The Ministry of Cooperatives and SMEs consistently reports that the MSE sector accounts for a substantial proportion of national economic activity. However, although MSEs play a strategic economic role, many business actors within this sector still have limited understanding of their tax obligations. Studies reveal that a considerable number of MSE owners do not yet grasp the basic principles of taxation, including how tax is calculated, the benefits of taxation for national development, and the consequences of non-compliance (Muzdalifa et al., 2018). This low level of understanding creates a structural barrier to compliance and highlights tax knowledge as a fundamental determinant of taxpayer behavior.

Tax knowledge refers to the extent to which taxpayers understand tax regulations, administrative procedures, applicable rates, reporting mechanisms, and the overall function of taxation in a state's fiscal system. Knowledge plays a critical role because taxpayers who are well-informed tend to display more accurate, rational, and compliant behavior. When MSE actors understand how to compute taxes, when to file reports, and what incentives or sanctions apply, they are more capable of fulfilling their obligations responsibly. Conversely, a lack of tax knowledge often leads to errors in reporting, delays in payment, or intentional avoidance because taxpayers feel overwhelmed or fearful of the system. This condition is consistent with the findings of behavioral economics, which state that individuals are more likely to avoid complex and ambiguous systems. Thus, improving tax knowledge is essential for enhancing voluntary compliance.

In addition to comprehension of tax regulations, the second determinant influencing taxpayer behavior is taxpayer awareness. Awareness refers not only to cognitive understanding but also to the internal recognition of taxation as a civic duty. According to Olaoye et al. (2018), awareness represents taxpayers' acknowledgment of their role in supporting state functions and contributing to social welfare. Taxpayers with high awareness understand that taxes are not merely financial deductions but a manifestation of responsibility toward national development. Awareness is



significantly strengthened when taxpayers perceive that the state manages tax revenue transparently and allocates it fairly. Therefore, awareness is closely related to trust in government institutions. When public trust is high, taxpayers are more willing to comply voluntarily.

Awareness is also influenced by socio-cultural factors, such as norms within the community. In many developing countries, including Indonesia, informal social norms play a significant role in shaping taxpayer attitudes. If taxpayers observe that paying taxes is recognized as a socially responsible act, they are more inclined to imitate that behavior. Conversely, if tax evasion is normalized or perceived as common practice among peers, awareness may weaken, resulting in lower compliance. Therefore, taxpayer awareness must be strengthened through consistent government efforts, public education, transparency, and collaboration with community organizations.

Another crucial factor shaping taxpayer compliance is religiosity. Religiosity refers to the internalization of religious values, beliefs, and practices that guide individual attitudes and behavior. Religious teachings in various traditions emphasize honesty, integrity, fairness, and responsibility—values that align closely with the moral principles underlying tax compliance. Individuals with high religiosity tend to perceive compliance with regulations, including tax obligations, as part of fulfilling moral and spiritual duties. Previous studies, such as those conducted by Lanis and Richardson (2012), show that religiosity can reduce unethical behavior, including tax evasion. Religion also shapes internal motivation, creating a sense of accountability not just to the state but also to moral principles.

In the context of MSE taxpayers, religiosity can play a significant role because many MSE actors come from communities where religious norms are deeply embedded in daily life. The teachings they receive, whether through religious gatherings, community leaders, or personal beliefs, can serve as guiding principles in making ethical financial decisions. Individuals who strongly internalize religious values tend to avoid deceitful practices, including withholding taxes, because such actions are considered morally wrong. Therefore, religiosity functions as an internal control mechanism that reinforces adherence to ethical and legal obligations. This perspective aligns with the argument made by Tarigan (2023), who states that religiosity can strengthen the



influence of knowledge and awareness on compliance by fostering responsible behavior from within.

Given the significant roles played by tax knowledge, awareness, and religiosity, research into their combined effects on taxpayer compliance is essential. This study aims to examine the extent to which these three variables influence compliance among MSE taxpayers. MSEs are particularly relevant because they represent a broad segment of economic activity yet frequently experience difficulties in understanding and fulfilling tax obligations. By identifying the determinants of their compliance, policymakers and tax authorities can develop more targeted strategies to improve compliance rates.

The results of this study are expected to contribute to the broader academic discourse on taxpayer behavior in developing countries. Research on taxpayer compliance often focuses on formal-sector employees or large corporations, while MSEs receive less attention despite their substantial economic contribution. By highlighting the importance of knowledge, awareness, and religiosity, this study provides new insights into behavioral tax compliance and expands the scope of existing theories.

This research is also expected to provide practical contributions to the Directorate General of Taxes (DGT), regional tax offices, and other stakeholders. For example, training programs can be designed to enhance tax knowledge among MSE actors, awareness campaigns can be strengthened to emphasize the importance of taxes, and religious or community leaders can be involved in promoting ethical compliance behavior. In addition, findings from this study can support the formulation of policies that integrate educational, cultural, and moral approaches in tax governance strategies. In conclusion, improving taxpayer compliance among MSEs requires a multidimensional approach. Tax knowledge provides the cognitive foundation, awareness strengthens civic responsibility, and religiosity reinforces moral motivation. By studying these three variables in depth, this research seeks to provide a comprehensive understanding of the factors influencing compliance and contribute to efforts to optimize tax revenue for national development.



METHOD

This study uses a quantitative approach. This approach emphasizes more on the meanings produced by the interpretation of statistical figures not only linguistically and culturally. Quantitative research is research that uses data from the measurement of research variables in the form of numbers to test theories and then analyze. This type of research is a type of field research or often called *field research*. This field research was carried out by collecting data directly from the field using research instruments in the form of questionnaires and interviews from respondents. The research location is focused on Batam City. The population in this study is individual taxpayers.

RESULT AND DISCUSSION

Test Results

The purpose of the t-test is to find out whether there is a significant difference or significant influence between two data groups or between independent variables on bound variables in a study.

The results of the t-test are:

Coefficients ^a						
Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(constant)	29.317	8.428		2.900	.006
	Tax knowledge	.166	.168	.069	2.279	.000
	Awareness	.189	.192	.155	2.680	.000
	Religiosity	.179	.124	.165	2.988	.000

Table 1. Results of the test t

Source: SPSS 25, 2024 data processing results

Based on table 1, the t-value can be calculated on the variable of tax knowledge $2.279 > t$ table 1.98498 and the significance value of $0.000 < 0.05$. It can be concluded that awareness partially affects taxpayer compliance. The awareness of the variable is $2.680 > t$ table 1.98498 and the significance value is $0.000 < 0.05$. This means that variable awareness has an effect on taxpayer compliance. Furthermore, the religiosity of $2.988 > t$ table 1.98498 and the significance value of $0.000 < 0.05$. This means that the religiosity variable has an effect on taxpayer compliance.



Test Results f

The criterion of the f test is that if f is calculated $> f$ table, H_0 is rejected and H_a is accepted, which means that simultaneously there is an influence. Then if f counts $< f$ table, H_0 is accepted and H_a is rejected, which means that simultaneously there is no effect. The results of the f test are:

NEW ERA						
Type		Sum of Square	Df	Mean Square	F	Sig.
1	Regression	491.918	4	29.790	9.898	.000b
	Residual	973.242	95	2.876		
	Total	445.160	99			

Table 2 . Test Results f

Source: SPSS 25, 2024 data processing results

- a. Dependent Variable: taxpayer compliance
- b. Predictors: (Constant), tax knowledge, awareness, religiosity

Based on the table, the results are obtained if the value of f is calculated as $9.898 > f$ table 2.47 and a significant value of $0.000 < 0.05$ so that it can be concluded Therefore, it can be concluded that tax knowledge, awareness, and religiosity simultaneously affect taxpayer compliance.

Discussion

The results of this study demonstrate that tax knowledge, awareness, and religiosity each exert a significant influence on taxpayer compliance among Micro, Small, and Medium Enterprises (MSMEs). These findings reinforce the view that taxpayer behavior is shaped not only by cognitive understanding but also by psychological, moral, and attitudinal factors. The significance of all three variables confirms the multidimensional nature of tax compliance, which aligns with behavioral tax theories emphasizing that compliance is not solely determined by economic considerations but also by social norms, perceived fairness, personal values, and moral obligations.

The first finding relates to the strong positive effect of tax knowledge on taxpayer compliance. The t-test results show a t-value of 2.279, which exceeds the t-table value of 1.98498, and a significance level of $0.000 < 0.05$. These values confirm that higher levels of tax knowledge lead to improved compliance among MSME taxpayers. Tax knowledge encompasses understanding of tax regulations, reporting procedures, tax rates, deadlines, and available incentives. When taxpayers possess accurate and comprehensive tax information, they are better



equipped to carry out their tax obligations correctly and avoid errors in reporting or payment. This result supports previous research stating that tax knowledge reduces uncertainty and clarifies taxpayer obligations, thus strengthening voluntary compliance. In developing economies, such as Indonesia, tax knowledge is particularly important because many MSME actors have limited access to tax education or formal training. Consequently, efforts to increase taxpayer knowledge—such as socialization programs, online tax literacy campaigns, and simplified tax guidelines—are essential to improving compliance. Moreover, higher levels of understanding help taxpayers appreciate the function of taxes in national development, which further encourages responsible compliance.

The second finding emphasizes the role of tax awareness, which also significantly influences taxpayer compliance. The t-test shows a calculated t-value of $2.680 > 1.98498$ with a significance level of $0.000 < 0.05$. Awareness, in the context of taxation, involves recognizing the importance of taxes as a primary source of state revenue and understanding the consequences of non-compliance. A taxpayer with high awareness perceives tax payment not merely as an administrative obligation but as a civic duty that contributes directly to public goods and national development. Awareness also includes an understanding that tax evasion weakens government capacity to provide infrastructure, education, healthcare, and public services. The significant effect of awareness indicates that when taxpayers develop a sense of responsibility and acknowledge their role as contributors to national welfare, their motivation to comply voluntarily increases. This finding is consistent with the theory of planned behavior, which suggests that positive attitudes toward a certain behavior (in this case, tax compliance) significantly strengthen intention and actual behavior. It also aligns with studies showing that taxpayer awareness can mitigate the negative effects of tax complexity or administrative burdens. For MSMEs, whose owners often face limited time and resources, awareness acts as an internal motivator that drives them to comply even when external enforcement is minimal.

The third significant finding relates to religiosity, which is shown to positively affect taxpayer compliance. With a t-value of $2.988 > 1.98498$ and a significance level of $0.000 < 0.05$, religiosity is a robust predictor of compliant behavior. Religiosity in this study refers to the degree to which religious beliefs, values, and practices influence an individual's attitudes and actions.



Religiosity strengthens moral commitment and internal motivation to act honestly and responsibly. In many cultural contexts, including Indonesia, religious values emphasize honesty, fairness, social responsibility, and adherence to rules. These moral foundations shape individual decisions, including those related to fulfilling tax obligations. Religiosity also influences ethical perceptions; highly religious individuals are more likely to interpret tax evasion as morally wrong because it harms society and violates principles of justice. This finding aligns with moral reasoning theory and the “slippery slope framework,” which states that compliance increases when taxpayers trust authorities and perceive taxpaying as part of their ethical duty. Thus, religiosity acts as a moral anchor that encourages taxpayers to comply even when opportunities for evasion exist.

Taken together, the findings indicate that tax compliance among MSMEs is not solely determined by external enforcement mechanisms such as penalties or audits. Instead, internal factors—knowledge, awareness, and religiosity—play a more profound role in shaping voluntary compliance. This reinforces the argument that effective tax administration must integrate educational, psychological, and cultural approaches, not merely regulatory ones. For example, increasing tax knowledge through targeted MSME training programs could reduce errors caused by misunderstanding, while campaigns aimed at enhancing awareness could strengthen civic responsibility. Additionally, incorporating ethical and moral messages into tax socialization materials may resonate strongly with populations that value religiosity, strengthening the internal motivation to comply.

The findings suggest that policies aimed at MSMEs must consider their unique characteristics. MSME taxpayers often operate informally, have lower levels of financial literacy, and face time constraints that limit their engagement with complex tax procedures. Therefore, simplifying tax systems, providing mobile-based tax education, and expanding digital tax platforms could complement the positive effects of knowledge, awareness, and religiosity. This multidimensional approach could substantially increase MSME compliance rates and contribute meaningfully to national revenue sustainability. Overall, the study underscores the importance of understanding taxpayer behavior from a holistic perspective. Strengthening tax knowledge, fostering awareness, and leveraging cultural and religious values are essential pathways for increasing voluntary compliance among MSMEs. These insights can guide policymakers, tax



authorities, and educators in developing comprehensive strategies to improve tax compliance and support national development.

CONCLUSION

The results of this study provide several important implications for various parties for the Government and the Directorate General of Taxes, this result confirms the need to improve tax education and socialization that not only emphasizes the technical aspect, but also builds moral awareness and religious values in paying taxes. For MSME Taxpayers, this finding is an encouragement to continue to improve tax literacy and instill awareness that tax compliance is not only a legal obligation, but also a form of real contribution to the progress of the nation. For researchers and academics, this study strengthens the understanding that internal factors such as knowledge, awareness, and religiosity are important components in the theory of tax compliance behavior, and can be used as a basis for the development of a more comprehensive model of compliance behavior.

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