

From Society To Policy: Laypeople's Social Representation of Tax as a Basis of Public Persuasion Strategy

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ABSTRACT

The research comes recognizing a picture of the laypeople's social representation of taxes in Indonesia. Implementing the content analysis procedure of qualitative methods, data were online collected through social media like WhatsApp, Facebook, and email. Three hundred and nine Indonesian respondents of varied demographic backgrounds participated in the study. The results present a wide variety of social representations about tax, broadly categorised into four major themes. The first theme concerns positive representations where taxes were associated with national or public interests, contributions to the state and society. In the second theme, taxes are regarded as negative, in which taxes are associated with financial or non-financial burdens, associated with complexity in tax reporting, misappropriations of state income from taxes, criticisms toward tax collecting institutions, and negative attitude towards the government and the taxes in general. The third theme encapsulates neutral perspectives on taxes and representations in forms of technical terms, tax type, state institutions, taxation mechanisms, and other neutral representation. In the final theme, tax represented as an obligation or responsibility. Importantly, the words that emerge as strong association with the term of tax could be used as a basis for developing message framing strategies. Indeed, the appropriate words could be selected and implemented as materials in developing a public persuasion strategy. The Directorate General of Tax (DGT) can consider it to arouse the more positive perceptual and emotional side of the society toward taxation.

Keywords: *Social Representation, Tax, Persuasion Strategy*

1. INTRODUCTION

The biggest source of income for the Government of Indonesia comes from the tax sector [1], [2]. More than 75% of state revenue is contributed through tax revenue. In 2014, tax revenue was 74% and continued to increase to 82.5% in 2018. On the other hand, in the last five years, the growth of tax ratio based on gross domestic income is still relatively low, around 11.1% compared to other developing countries [1], [3].

Various efforts to increase tax revenues were carried out. In 2019, the Ministry of Finance through its taxation policy highlights taxpayer compliance as a fundamental component that must be considered. Building tax awareness (sustainable compliance) is one of nine policies in the current tax reform [1]. Building tax awareness, increasing tax compliance and tax morals has become fascinating topics of study for economic scientists and behavioral economics, even

since the 1950s [4], [5]. Researches from the field of psychology began developing in the 1970s [6]. Various studies were conducted to examine tax compliance and non-compliance behavior [7]–[14].

In addition, research in Indonesia related to tax compliance and morale is found in many researchers in the fields of economics and administrative sciences. Otherwise, as far as my knowledge, there is still very little contribution from psychology. Some research on various factors that affect tax compliance in the Small and Medium Enterprises (SMEs) unit [15], [16]; compliance with corporate taxpayers [17], [18]; compliance of individual taxpayers [19]–[21]; tax non-compliance behavior [22]; and the intentions of tax compliance [23].

Among the various studies that have been carried out, there is very limited discussion of tax compliance from the perspective of social representation [4], [10], [24]. Otherwise, social representation come to be a substantial thing to acknowledge and predict the behavior of social-psychological phenomena at the society level [25]–[27]. In the context of taxation, social representation comprises a subjective form of personal knowledge socially exchanged with others. Furthermore, Lewis (1982) says that attitudes, judgments and behavioral intentions of individuals are more influenced by what they believe than what indeed happens [6]. Kirchler (2007) also states that in the context of certain situations, people discuss their views about taxation and other relevant matters with others. After which the motivation to comply or not comply develops, and this is what forms certain behaviors related to taxation[9].

When seen from the representation of society, the view of "tax" in various countries has many meanings. Social trust and distrust of tax collectors is reflected in the semantic terminology of tax. For example, in Latin, it is called 'impostation' (powerlessness). Whereas in the Netherlands, it is called 'Belasting' which means as tax or burden [28]. Moreover, in Germany known as 'Steuer' (support); in Scandinavia referred to as 'Skat' (an established thing for a collective goal). While in Germany, tax has a negative connotation and is associated with 'usury', 'cheat', and 'fraud'. In addition, further studies show other interesting results [29]. For instance, In Scotland, the research of Dean, Keenan, & Kenney (1980) shows the perception of inequality between contributions to government with personal benefits received [30]. Two-thirds of participants believe that the government is unwise in the use of tax revenue. Moreover, Scottish believe that their money is unused efficiently.

Furthermore, Schmolders's research in Germany and Kirchler's study in Austria present similar results [31]. They explore the social representation of taxes based on the job classification, including blue-collar workers; white-collar workers, civil servants, self-employed, farmers and retirees. In Schmolders's study, of the six groups, the most negative association was identified in the entrepreneurial group by 41%. Meanwhile, the least complaint was in the civil servant group at 23%. In general, 39% of associations that appear related to technical concepts such as tax rules, tax office, due date of tax reporting and payment. As well as, this can be classified as neutral representations. Subsequently followed by 29% of negative associations related to negative feelings and complaints about too much tax type, highly tax burden and so on. Furthermore, as much as 23% of the responses stated tax as necessary evil. A more in-depth analysis showed most of all respondents thought that the actual tax rate was overvalued [9], [31].

In addition, Kirchler's research show that the entrepreneur considers taxes as form of pressure in employment, highly administrative, highly complexity of taxation rules, and fiscal policy is remains unclear. Blue-collar workers show more criticism of government and politicians in general. Significantly, they state the government and politicians not only use the money to achieve their own personal goals, but also, they are responsible for large nation deficits. White-collar workers say that public security and social welfare are guaranteed by tax.

They consider the tax as a financial burden but indeed needed for the public interest. The civil servants group indicates there is no benefit from taxes in redistributing wealth and better social justice. In addition, tax has a negative connotation because non-cooperative people will try to avoid and manipulate taxes and profits to reduce their tax contributions. Whereas the student respondents who have the least tax experience, associating taxes with theoretical and technical concepts, mentioning the names of politicians and famous figures from fiction or comics. In general, spontaneous associations that first appeared altogether from respondents were more negative, in all work sub samples [24].

Based on the explanation in the above, it is pivotal to recognize the individual's social representation of taxes. Nevertheless, research in this area is rarely found, especially in the context of Indonesian society. This research primarily aims to present empirical data on the social representation of people in Indonesia about tax. How the public views tax in general can then predict how it affects attitudes, beliefs and intentions of taxation behavior.

2. RESEARCH METHOD

This research represents an exploratory study using a qualitative approach. Data were collected by surveys with open-ended questions. It was deployed through online media such as email and social media as well as Facebook and WhatsApp. A sum of 309 respondents participated in this study. Initially, based on age category, most respondents were represented by 20-30 years old group as much 45.31% (140 out of 309 respondents); followed by 30-40 years as much 38.51% (119 out of 309 respondents). In addition, by the taxpayer status (having a Taxpayer Identification Number, called as NPWP), 75.40% of respondents have the NPWP (233 out of 309 respondents), the remaining 24.60% do not have NPWP. Later, based on the education level, there are six classifications ranging from elementary-junior high school, senior high school or equivalent, diploma, bachelor's degree, master's degree, and doctoral degree. The two most respondent groups in sequence obtain bachelor's degree of 50.16% (155 respondents); then master's degree at 32.36% (100 respondents).

Lastly, demographic data were presented by the job classification. There are 10 occupational groups including (1) workers in academic institutions, (2) state-owned corporation, (3) civil servant, (4) private workers, (5) free workers, (6) farmers / fishermen / gardeners / others, (7) entrepreneurs, (8) students, (9) housewives, and (10) retirees. The highest number of respondents in the sequence are in the group of private-sector workers as much 29.45% (91 respondents); civil servants as much 17.48% (54 respondents); workers in educational institutions as much as 14.56% (45 respondents); free workers as much 12.30% (38 respondents); students by 10.68% (33 respondents); and entrepreneurs by 10.36% (32 respondents).

Significantly, the qualitative data were analyzed using descriptive content analysis. It is one of the appropriate analysis methods to describe the substantial characteristics of the message content, the characteristics of the message form, and conclusions from the message content [32]. Referring to Neuendorf (2002), the process of drawing conclusions is performed inductively, through the stages of the theory and the background of its determination. Followed by the step of conceptualization of variables. In addition, the operationalization process uses an utterance coding scheme. Coding scheme through the process of making a word dictionary that is the result of the agreement of the rater. Further, pilot reliability is carried out through inter-rater meetings to equalize understanding and limit the meaning and language used. In coding, the data are coded by three raters to find the binding agreement on subcategories, categories and final themes used.

3. RESULTS AND DISCUSSION

Data from 309 respondents produce 708 words codes. The results were gained from the inter-rater discussion with the level of rater agreement of 93.64%. Furthermore, from the 708 codes obtained, the word code reduction is carried out into groupings that can represent as many codes as possible that have the same meaning. Subsequently, the agreement resulted in 91 words codes. Of the 91 codes classified and extracted to 41 subcategories, up to 18 categories and five core themes, namely obligation, neutral, positive, negative, and uncategorized.

The results of a descriptive analysis show that negative themes (27.68%) appear more than positive themes (26.13%), obligation (24.29%), and neutral (20.90%). Nevertheless, the response was relatively equal between the four themes. In the negative themes, taxes were associated with burdens, complexity, misappropriations, various criticisms, and negative attitude towards government and taxes. Whereas in the positive themes, taxes were associated with national interests, people's welfare, and contributions to the country and society. Next, the neutral themes consist of technical terms of taxation, tax type, state institutions, taxation mechanisms, and the state regulation, and neutrally attitude. The latter one, taxes were represented as an obligation or sense of duty as a nation.

The data above showed that individuals had a dualism in their judgments. As mentioned by Descartes, between mind (mental processes) and body stand two distinct substances. Furthermore, conscious experiences like perception, memory, beliefs, hopes, and desires are subjective since it is abstract, intangible and unmeasurable. Therefore, an object can be interpreted otherwise and varied both by the similar person or between individuals. Likewise, in social psychology, it known as cognitive dissonance. There are dissonant relationships or inconsistencies that occur, where some mental processes such as between perceptions, perceptions-beliefs, attitudes are opposing or inconsistent [33]. Cognitive dissonance represents a commonplace phenomenon that is frequently experienced by individuals. People exceptionally rare seeing things all in black or white, positive or negative only. Therefore, in terms of thoughts, people can additionally possess mutually contradictory views to the same object of perception [33], [34].

Indistinguishably, in taxation's context, individuals can produce variety of cognitive representations, either aligned in certain directions or contradicting. In line with the statement of Kahneman and Tversky (2017) that people's perception of economic problems, especially in taxation, contains numbers of cognitive biases [35]. In fact, people do not constantly think rationally and tend to over-simplify their way of thinking about the government [36]. In addition, social representation does not focus on the fact or reality related to taxation. Otherwise, it focuses on how people interpret the reality. It also underlies on the construction of the knowledge in producing meaningful representations [37]. Therefore, the laypeople's understanding of taxes is fundamental in perceiving considerate behavior to comply with or not with taxation rules [9]. What people think or believe about the government's performance vastly affects the values, attitudes and behavior relating to public policy [38], [39].

Based on the behavioral economics approach, we can use framing theory to alter person's understanding of taxation [40]–[44]. Referring to the prospect theory, Kahneman and Tversky (1979) describe that people are not always accurate in weighting results based on objective reference points. Conversely, cognitive limitations make it easy for them to evaluate a result higher or lower than the existing objective reference points. This is inseparable from the cognitive dynamic in information processing. Assuredly, people exhibit

tendencies to weigh losses more tremendous in value than profits, even in the same equivalent value. Individuals tend to show preference for avoiding risks when confronted with circumstances set in favorable choices frame. Conversely, they tend to accept prospects when facing with situations that are framed as adverse choosings [45], [46].

Some researches support empirical evidence related to the effectiveness of framing theory in tax compliance. Framing information can alter an individual's point of reference when they translate changes in facts in their logic to be re-evaluated as meanings of profit or loss. As follows, finding the explicit and implicit association of taxes can help DGT. Especially, in formulating the significant and meaningful words that predicted has more determined effect to increase positive belief, attitude and behavioral intention toward tax.

4. CONCLUSIONS

The results reveal above are still limited in descriptive exploratory studies of social representations of taxes in Indonesia. This empirical study tries filling the research gap, particularly in tax compliance behavior from the psychological perspective. In brief, it can be concluded that some Indonesian shows strong positive representations of the current taxation. Particularly, tax represents as contribution, development, community welfare, shared interests, value, importance, pride, and tax awareness were arising.

However, the level of awareness and taxpaying behavior is still relatively low in Indonesian [1], [3]. This highlights fundamental questions, what causes this and how to utilize the modalities of social representations to increase tax awareness and tax compliance behavior. Therefore, more specific empirical research is required to resolve that questions. For instance, an experimental study to determine the deepest implicit association toward taxes. Alternatively, quantitative study to select specific words related to taxes which gained by this study. Besides, also needed an experimental testing of framing strategies based on the words code represent taxes.

Therefore, cognitive and social psychology approaches are crucially important to comprehend why individuals experience cognitive dissonance. Also to understand what makes people changes their perception and attitudes, especially in terms of public policy and taxation [35], [36], [47]. As well as behavioral economic approach needed for developing strategies in changing individual behavior due to economy and public policy. In summary, social representations become a determinant factor in shaping values, attitudes and behavior related to public policy and taxation [9], [37]–[39].

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