

CHAPTER 6

DISCUSSION AND CONCLUSION

6.1 Introduction

This chapter discusses the study's findings based on the research questions. The first section presents the overall conclusions based on the results. This is followed by the theoretical underpinnings, practical implications, and contributions of the study. Finally, the limitations of the study and recommendations for future research are presented.

6.2 Recapitulation of the Study

The present study focuses on identifying the factors that influence tax compliance behavior among professionals in Malaysia. Previous studies by Jackson & Miliron (1986) and Richardson & Sawyer (2001) have suggested that various factors can influence an individual's tax compliance behavior. Given the broad scope of tax compliance research, this study selected several factors that could potentially contribute to tax compliance behavior among professionals. The study adopted the MARS Individual Behavior and Performance Model (McShane & Glinow, 2005) and included additional variables of religiosity and ethical sensitivity. The results were used

to achieve the research objectives of the study, as summarized below:

1. To examine the influence of motivation, ability, role perception, religiosity and ethical sensitivity on the tax compliance behaviour among professionals in Malaysia.
2. To investigate the moderating effect of situational factor in the relationship between motivation and tax compliance behavior
3. To investigate the moderating effect of situational factor in the relationship between ability and tax compliance behavior
4. To investigate the moderating effect of situational factor in the relationship between role perception and tax compliance behavior
5. To investigate the moderating effect of situational factor in the relationship between religiosity and tax compliance behavior
6. To investigate the moderating effect of situational factor in the relationship between ethical sensitivity and tax compliance behaviour

6.3 Key Findings of the Study

Due to the limited studies investigating the MARS Model of Individual Behavior and Performance (MARS) (McShane & Von Glinow, 2005), the primary objective of this study is to examine how individual behavior factors influence tax compliance behavior among professionals within the framework of the MARS Model.

The study developed ten hypotheses on the relationship between individual behavior factors and tax compliance behavior. The following section presents the study's

conclusions and answers to the research questions.

6.3.1 Research Question 1

In the present study, motivation was operationalized within two main domains: intrinsic and extrinsic motivation. The study aimed to investigate whether the intrinsic and extrinsic motivation of individual professionals had a significant positive influence on their tax compliance behavior. This was captured in the first research question: "Does motivation have a significant positive influence on tax compliance behavior among professionals in Malaysia?"

The validity and reliability of the measures were tested using a first-order factor model, followed by a second-order factor model using the two-stage approach suggested by Chin et al. (2003) and Fassott, Henseler, and Coelho (2016). The results of the second-order factor models and the multicollinearity test of the constructs, as presented in Tables 5.4, 5.5, 5.6, and 5.7, did not support the hypothesis that "motivation has a positive effect on tax compliance behavior." This was further supported by the lack of effect size of motivation on tax compliance behavior.

In the present study, the motivation construct included two components: intrinsic and extrinsic motivation. Previous studies have linked intrinsic motivation to the concept of tax morale, which includes pride, honesty, trust, and altruism (Andreoni et al., 1988). However, the present study focused on trust as a representation of the intrinsic motivation domain. The slippery slope framework, which acknowledges the

influence of trust in authority for predicting tax compliance, has been used in several studies (Kirchler, 2007; Kirchler, Hoelzl, & Wahl, 2008). However, the findings of the present study contradict those of some published studies (e.g., Batrancea et al., 2019; Abdulsalam Mas'uda et al., 2014; Wahl et al., 2010) and indicate that trust, as a proxy for intrinsic motivation, does not increase tax compliance among professionals. Nevertheless, the present study's findings are consistent with those of Sellywati Mohd Faizal et al. (2017) and Benk & Budak (2012). In Sellywati Mohd Faizal et al. (2017), trust was tested as a mediator to justice with tax compliance, and the findings indicated no significant relationship between trust and procedural justice and compliance. Similar findings were found in Benk & Budak (2012), where the Slippery Slope Framework was empirically tested by investigating the impact of power and trust on enforced tax compliance and voluntary tax cooperation. The study found that trust in authority has no significant influence on enforced compliance. Although more studies support the influence of trust on tax compliance behavior than contradict it, the present study's findings cannot be ignored. This may be due to the study's focused sample of professional groups.

It is worth noting that extrinsic motivation has been extensively studied in other fields, such as organizational behavior, where it has been shown to have a positive impact on performance and productivity (Deci et al., 1999; Ryan & Deci, 2000). However, the findings of the present study suggest that in the context of tax compliance among professionals in Malaysia, extrinsic motivation does not have a significant positive influence on tax compliance behavior. The lack of significant findings in this study could be attributed to the design of the reward system, the type of rewards, and the interaction effects between intrinsic and extrinsic motivation.

Further research is needed to explore the potential influence of extrinsic motivation on tax compliance behavior, and to design effective reward systems that can increase tax compliance among professionals in Malaysia.

The findings of the present study suggest that the motivation construct, comprising intrinsic and extrinsic motivation, did not significantly influence tax compliance behavior among professionals in Malaysia. These results are surprising, given that previous research has reported a positive correlation between motivation and tax compliance behavior. However, several factors may explain why this study did not support this hypothesis. Firstly, the sample used in this study consisted of professional groups, which may differ in their attitudes and behaviors towards tax compliance compared to the general taxpayers. Additionally, the operationalization of motivation as a construct may have been too broad, leading to a lack of specificity in the measurement of the construct. Another reason could be related to the measurement of extrinsic motivation, which relied on self-developed items that may not have adequately captured the complexity of the construct. Overall, these factors suggest that further research is necessary to clarify the relationship between motivation and tax compliance behavior, particularly in the context of different populations and with a more comprehensive measure of motivation.

6.3.2 Research Question 2

The next variable examined in the present study was the ability construct, which is the second element in the MARS model. The study aimed to investigate the relationship between the MARS model and tax compliance behavior, with ability represented by the tax knowledge variable discussed in the literature review. Ability was measured using three components of tax knowledge: general knowledge, legal knowledge, and technical knowledge. However, due to low convergent validity scores, only the legal knowledge dimension was deemed suitable for further analysis.

The second research question, "Does ability have a significant positive influence on tax compliance behavior among professionals in Malaysia?" aimed to investigate the relationship between ability, represented by tax knowledge, and tax compliance behavior. However, based on the results of the path coefficient and p-values, it was found that there is no significant relationship between ability and tax compliance behavior among professionals in Malaysia. Therefore, Hypothesis 2, which stated that ability has a positive effect on tax compliance behavior, was rejected. This finding was further supported by the observation that none of the effect sizes were significant.

While some studies support the role of tax knowledge in predicting tax compliance behavior (Natrah Saad, 2014; Mohd Rizal Palil, 2010; Lutfi Hassen Al-Taffi & Saeed A. Bin-Nashwan, 2000), several studies have proven otherwise (Hazman Hadi Abdul Ghani et al., 2020; Sahari Salawati et al., 2020; Manual & Xin, 2016; Fauziati et al., 2020; Kassipillai, Aripin & Amran, 2013; Lin Mei Tan & Carrol Chin

Fatt, 2007; Hasseldine & Kaplan, 1992). This indicates that an increase in tax knowledge has no significant effect on the respondent's tax compliance attitudes. Interestingly, a higher level of tax knowledge was not found to produce a better taxpayer in Malaysia. This could be because individuals with higher tax knowledge tend to learn about legal loopholes in the tax regulation, making tax non-compliance unnecessary. Thus, they will use their knowledge to reduce or even avoid taxes, which supports the Deterrent Theory.

Another possible explanation for this could be that although professionals are generally highly educated, tax literacy among professionals may not be as high as assumed, as revealed by Ogembo's (2020) data. Early career professionals may also face financial constraints that prevent them from hiring professional tax agents. As a result, those who cannot afford professional assistance may struggle to understand and comply with their tax obligations.

Another possibility is that the study may have focused on a limited scope of tax knowledge, such as legal knowledge, and may have missed other important dimensions of tax knowledge that could be relevant for tax compliance behavior. Initially, there were three dimensions tested under the tax knowledge domain, however, due to reliability issues, the other two dimensions were removed. These dimensions could be relevant for tax compliance behavior, such as practical knowledge of tax preparation procedures. While legal knowledge may be important for understanding tax laws and regulations, practical knowledge may be more relevant for actually completing tax forms and meeting tax obligations. For instance, a professional with a high level of legal knowledge may understand the legal requirements for tax reporting

but may not be familiar with the practical steps involved in completing tax forms. This lack of practical knowledge could result in errors or omissions on tax forms, even if the individual has a high level of legal knowledge. Therefore, it is possible that the limited scope of tax knowledge measured in the study may not be fully capturing the range of knowledge that is relevant for tax compliance behavior among professionals in Malaysia.

Additionally, the study may have had a limited sample size, which could have reduced its statistical power to detect significant relationships between tax knowledge and tax compliance behavior. In this study, a small sample size may have been used, which could have decreased the ability to detect significant relationships between tax knowledge and tax compliance behavior. A larger sample size would have provided more statistical power to detect significant relationships, thereby increasing confidence in the study's findings. In addition, a larger sample size may have allowed for more variability in the data, which could have provided a more nuanced understanding of the relationship between tax knowledge and tax compliance behavior among professionals in Malaysia. Thus, the limited sample size of the study is a potential limitation that could have affected the accuracy and generalizability of the study's findings.

6.3.3 Research Question 3

The third element of the MARS model is role perception, which refers to the extent to which taxpayers understand their duties and responsibilities as taxpayers.

In this study, the research question aimed to investigate whether role perception has a significant positive influence on tax compliance behavior among professionals in Malaysia. The results of the analysis indicate that role perception had a significant positive effect on tax compliance behavior, thus supporting the hypothesis that H3: Role perception has a positive effect on tax compliance behavior. Moreover, the effect size of role perception on tax compliance behavior was found to be large. These findings suggest that taxpayers who have a better understanding of their roles and responsibilities are more likely to comply with tax regulations. However, it is important to note that there may be other factors that could influence the relationship between role perception and tax compliance behavior, and further research is needed to fully understand the nature of this relationship.

The significant influence of role perception in explaining tax compliance behavior in the present study aligns with previous research conducted by Muleye Tarekegn (2016), Wahl, Kastlunger, & Kirchler (2010), Cleary (2009), and Eichenberger & Frey (2002). It can be inferred that individuals with a strong sense of civic duty comply honestly with tax laws as a result of their responsibility as citizens. It seems that respondents may view paying taxes as an act of civic virtue rather than as an obligation imposed by the government. This aligns with Green's (2009) statement on page 232 that:

“Paying taxes may or may not be a patriotic act-that depends on how one defines patriotism. But it is certainly a duty of citizenship.”

Citizens who fulfill their civic obligations understand that the government needs financial support to function effectively and efficiently. Taxation is one of the ways in which citizens can contribute to the provision of public goods and services, such as education and public safety. In many ways, paying taxes can be seen as a personal responsibility and a way to promote fairness and equity in society. Progressive tax systems, for example, help to address income inequality. When citizens see that their tax dollars are being used effectively and efficiently, they are more likely to trust the government and its institutions. Failure to comply with tax laws can result in fines, penalties, and legal action, making compliance a matter of self-preservation. A well-funded government can also help to promote economic stability by providing public goods and services, as well as by implementing policies that promote growth and stability in the economy. Overall, citizens who understand the importance of taxation and comply with tax laws due to a sense of responsibility towards the greater good are contributing to the well-being of society.

6.3.4 Research Question 4

The present study investigated whether religiosity affects tax compliance behavior among professional groups. However, the survey findings indicated that religiosity does not have a significant effect on tax compliance behavior, leading to the rejection of hypothesis H4, which stated that "Religiosity has a positive effect on tax compliance behavior." This conclusion was supported by the observed lack of effect size between religiosity and tax compliance behavior.

The findings of the present study differ from those of the majority of previous studies, including Nor Raihana Mohd Ali (2013), Torgler (2012), and Torgler & Schneider (2007), which support the hypothesis that religiosity positively influences tax compliance behavior. However, some studies, such as Amankwaah Eric et al. (2019), Jun & Yoon (2018), Rifki Bintang Perdana (2018), Eiya (2016), and Stack & Kposowa (2006), suggest otherwise. In a study by Nor Raihana Mohd Ali et al. (2018), Malaysia and Turkey were compared to better understand the relationship between religion and tax compliance. Interestingly, religiosity was found to have a significant influence on voluntary tax compliance in both countries. However, it was only a significant predictor of enforced compliance in Turkey, not in Malaysia. This may be because the majority of Malaysian respondents were salaried taxpayers with limited opportunities to evade taxes, and tax laws seemed to have had a minimal impact on shaping their tax compliance attitudes.

There could be various reasons for the lack of impact of religiosity on tax compliance behavior. For instance, tax compliance may depend on social norms, moral values, fairness, and trust in government institutions, in addition to religious beliefs. Social norms and moral values are the unwritten rules that guide people's behavior in a society (Bicchieri, 2006). They are the collective expectations of what is considered acceptable or appropriate behavior in a given context. These norms and values can be influenced by various factors, such as family, peers, education, and culture. In the context of tax compliance, social norms and moral values may play a significant role in shaping individuals' behavior. For example, individuals may feel obligated to pay their taxes because it is perceived as a moral duty or a social responsibility. This obligation may stem from their personal values or from the expectations of their

community, regardless of their religious affiliation. Moreover, social norms and moral values may provide a sense of social identity and belongingness to individuals. For instance, individuals may conform to tax compliance norms because it is consistent with their personal or community values, or because it aligns with the expectations of their social group.

Furthermore, although religious beliefs may influence individuals' behavior towards tax compliance, it is not the only determining factor. Some religious individuals may not be motivated by their beliefs to comply with tax regulations, as Kirchler et al. (2008) have noted. This could be due to several reasons. Firstly, some individuals may prioritize other religious practices or beliefs over tax compliance. For example, in some religions, individuals are expected to donate to charitable causes as a form of religious practice, and may perceive charitable giving as a more important religious obligation than paying taxes. In such cases, their religious beliefs may not be aligned with tax compliance. Secondly, some individuals may have a different interpretation of their religious teachings regarding tax compliance. Religious teachings are open to interpretation, and individuals may differ in their understanding of what their religion expects of them. For instance, some individuals may interpret their religious teachings as encouraging tax evasion as a form of resistance against corrupt governments, which may be in conflict with tax compliance. Thirdly, some individuals may have a weak religious motivation towards tax compliance. Religion is only one of the many factors that influence individuals' behavior towards tax compliance. Other factors, such as legal obligations, social norms, and personal values, may be more salient to these individuals than their religious beliefs.

Finally, the heterogeneity of religious beliefs within a population may also affect the impact of religiosity on tax compliance behavior, as individuals from different religious sects or denominations may have different interpretations or expectations of their religious obligations related to taxes. The level of religious education and understanding can also vary among individuals, which can impact their tax compliance behavior. For instance, individuals with a higher level of religious education and understanding may be more aware of the religious teachings related to taxes and may be more likely to comply with tax regulations.

6.3.5 Research Question 5

The relationship between ethical sensitivity and tax compliance behavior was found to be significant in the study. Hypothesis 5, which stated that ethical sensitivity has a positive effect on tax compliance behavior, was analyzed using the Multidimensional Ethics Scale (MES), which is known to have multiple dimensions. In addition to the traditional analysis of the MES, the study also employed a first-order factor model and a second-order factor model using a two-stage approach. The significance of the relationship between ethical sensitivity and tax compliance behavior was determined by examining the strength of the path coefficient and the p-values in the structural model assessment. Overall, the results indicated that ethical sensitivity was a significant predictor of tax compliance behavior.

As a result, the hypothesis H5, which states that “ethical sensitivity has a positive effect on tax compliance behaviour”, was accepted. However, it was found

that ethical sensitivity only had a small effect on tax compliance behaviour, which is consistent with previous studies such as Awang & Amran (2014), Alm & Torgler (2012), and Henderson & Kaplan (2005). The findings of the present study also align with Theng T.D (2012) and Suhaila Abdul Hamid's (2014) studies. Theng T.D investigated tax ethics among Malaysian professionals, including accountants, lawyers, and doctors, and found that tax evasion can be perceived as ethically justified depending on circumstances. Suhaila Abdul Hamid's study, which examined ethical sensitivity among Malaysian and New Zealand tax practitioners, indicated that while the effect size was small, ethical sensitivity significantly predicts tax compliance behaviour.

Thus, it can be concluded that ethical sensitivity plays an important role in tax compliance behaviour among professional groups in Malaysia. This group perceives that paying tax involves moral principle and values in which involves the judgment of right and wrong.

6.3.6 Moderating Role of Situational Factor

The situational factors construct was examined as a moderator in the present study. It was assumed that taxpayers are generally motivated to pay taxes, have a good knowledge of the tax system, and realize their civic duties towards the nation. However, in cases where they face financial constraints or peer influence, they may be inspired to evade the tax law. In the present study, financial constraints and peer influence constitute the situational factors that moderate the relationship between

religiosity and ethical sensitivity.

There has been little research exploring the moderating role of financial constraints and peers' influence in predicting tax compliance behavior. Additionally, there has been little research investigating the moderating role of both financial constraints and peers' influence in financial studies. Sasmaz (2019) studied the moderating role of socioeconomic factors in understanding the effect of peers on tax compliance behavior. In this study, socioeconomic factors appeared to have a significant moderating role, which is consistent with Sanga (2019). In a study by Alabede et al. (2011), however, financial condition was tested as a moderator towards the relationship between public governance quality and tax compliance behavior, and similar to the current study, the moderating role of financial constraints was not significant. On the other hand, there is a lack of studies investigating the moderating role of peers' influence in understanding tax compliance behavior.

Thus, situational factor construct was viewed as a second-order construct while financial strain and peers influence constructs were considered as first-order constructs. Financial constraints and peers influence formed the situational factors construct, which is the moderating variable.

As there are formative constructs existing in the moderator, a two-stage approach was used. The findings of the moderator analysis are presented as follows:

6.3.6.1 Research Question 6

The present study tested the influence of the situational factor construct as a moderator on the relationship between motivation as an independent variable and tax compliance behaviour as the dependent variable. The study hypothesized that H6: “The positive relationship between motivation and tax compliance behaviour among professionals in Malaysia will be stronger when situational factor is high.” However, the findings indicated that hypothesis 6 was not supported. This means that higher situational factors do not strengthen the relationship between motivation and tax compliance behaviour.

Thus far, to the best of the present researcher’s knowledge no previous studies have analysed situational factor as a moderator towards the relationship between motivation and tax compliance behaviour. The moderating role of situational factor investigated in this study is comprised of financial constraints and peers influence domain, however, no previous studies that have investigated either the moderating role of financial constraints or peers influence towards understanding the relationship between motivation and tax compliance behaviour.

Despite the scarcity of research on the moderating role of financial constraints or peers influence in understanding tax compliance behavior, several academic and business studies have tested the variable of peers influence as a moderating influence (e.g., Nova Dyah Wulanningtas & Fauzan, 2022; Norazah Mohd Suki & Norbayah Mohd Suki, 2019; Ekpe, Adubasim, & Adim, 2016; McSpadden, Patrick, Oh, Yaroch, Dwyer, & Nebeling, 2016). All of these studies have consistent

findings where peers moderate the effect of motivation and the dependent variable. The findings of these studies contradict the findings of the present research. This inconsistency may be due to the nature of tax compliance itself, which involves issues of law compliance.

Furthermore, as the effect of motivation on tax compliance behavior in this study was not supported, it may be difficult to detect any moderating effect of situational factors. In addition, previous studies that have utilized the MARS model as their underlying framework also found that situational factors do not moderate the relationship between the independent variable and the dependent variable (see, for example, Inggrita Gusti Nasution, 2014, and Zhou et al., 2013).

6.3.6.2 Research Question 7

H7 proposed that the positive relationship between ability and tax compliance behavior among professionals in Malaysia would be stronger when situational factors are high. However, the findings showed that situational factors did not strengthen the positive relationship between ability and tax compliance behaviour, resulting in the rejection of H7.

To date, no research has been found that surveyed the moderating role of either financial constraints or peers' influence in understanding the relationship between tax knowledge and tax compliance behaviour. However, the moderating role of peers' influence has been found to be a significant influence on knowledge sharing

(Zahra, Neubaum, & Larrañeta, 2007), knowledge among adolescents (Khalil & Prokhorov, 2021), and adolescent sexual knowledge (Baxter, 2013). However, the findings of the current study do not support the findings of these studies

A possible explanation for this could be that many professionals seek the services of tax professionals. According to a study by the Australian Taxation Office (ATO) in 2019, 67% of medical practitioners, 49% of legal professionals, 28% of engineers, and 13% of IT professionals used a tax agent. If professionals rely on tax agents to manage their tax affairs, they may not need to have a high level of tax knowledge, which could diminish the importance of tax knowledge in determining tax compliance behavior.

Another possible reason is that professionals who use tax agents may have a higher level of trust in the tax agent to provide accurate advice and handle their tax affairs correctly. This trust may be based on the tax agent's reputation, qualifications, experience, and track record in delivering high-quality tax services. When professionals trust their tax agent, they may be less influenced by their peers when it comes to tax compliance behavior. Peer influence refers to the social pressure that individuals may feel to conform to the norms and expectations of their social group or network. In the context of tax compliance, peer influence may take the form of colleagues or friends who share their own experiences and opinions about tax compliance and encourage others to comply or evade taxes. However, when professionals use tax agents, they may rely less on their peers for tax compliance information and advice. Instead, they may look to their tax agent for guidance on how to comply with tax laws and regulations. This reduced need for peer influence may lead

to a weaker moderating effect of peers on the relationship between tax knowledge and tax compliance behavior among professionals who use tax agents.

Apart from that, the ceiling effect could be another possible reason. A ceiling effect occurs when a variable reaches a maximum level, beyond which further changes have little or no effect on the outcome variable. In the context of tax compliance, a ceiling effect could occur if the professionals already have a high level of tax knowledge, such that any further increase in tax knowledge has little effect on tax compliance behavior. For example, if the professionals already have a good understanding of tax laws and regulations and are aware of the potential consequences of non-compliance, increasing their tax knowledge may not lead to a significant increase in their compliance behavior. This could be because their existing level of tax knowledge is already sufficient for them to comply with tax laws, or because other factors, such as their attitudes or beliefs about tax compliance, have a stronger influence on their behavior. The presence of a ceiling effect can make it difficult to detect the relationship between tax knowledge and tax compliance behavior, as any further increase in tax knowledge may have little effect on compliance. It can also make it difficult to test the moderating effect of other variables, such as financial constraints or peer influence, as the relationship between tax knowledge and compliance may already be at its maximum level.

6.3.6.3 Research Question 8

As previously mentioned, it is hypothesized that H₈ “*The positive relationship between role perception and tax compliance behavior among professionals in Malaysia will be stronger when situational factor is high*”. The findings suggest that both financial constraints and peers influence have a moderating effect on the relationship between role perception and tax compliance behavior.

The results do indeed support the idea that a higher situational factor strengthens the positive relationship between role perception and tax compliance behavior. Therefore, the situational factors of financial constraints and peer influence do affect tax compliance behavior for professional groups. This suggests that individuals who have a strong sense of civic duty are more likely to comply with tax regulations when faced with financial constraints or when influenced by their peers.

The finding is consistent with past studies, which suggest that social norms strongly influence tax compliance behavior. When individuals perceive that their peers comply with tax regulations, they may feel social pressure to do the same. For instance, if an individual knows that their colleagues or neighbors consistently file their taxes on time and pay their fair share, they may feel a social obligation to do likewise. Similarly, when individuals have a strong sense of civic duty, they may believe that paying taxes is a way to contribute to society and fulfill their obligations as a citizen. This sense of obligation can be reinforced by social norms that emphasize the significance of tax compliance for the common good. For example, if an individual perceives that their peers and community value tax compliance and consider it an

important civic duty, they may feel more motivated to comply with tax regulations.

Another possible reason is reciprocity as a fundamental principle in social exchange. When individuals perceive that their peers are compliant with tax regulations, they may feel an obligation to reciprocate by also complying with tax regulations. This is because they may perceive that their peers are contributing to the common good by paying their fair share of taxes, and they feel obligated to do the same. Similarly, when individuals feel a sense of civic duty, they may feel that paying taxes is a way to reciprocate for the benefits they receive from society, such as public services and infrastructure.

The relationship between situational factors, such as financial constraints and peer influence, and tax compliance behavior can be explained by the role of perceived responsibility. Social responsibility refers to an individual's sense of obligation to contribute to the common good and act in the best interests of society. Individuals who have a strong sense of social responsibility may feel a greater obligation to comply with tax regulations, even when facing financial constraints. This is because they perceive tax compliance as a way to contribute to the common good and fulfill their obligations as responsible citizens. Similarly, when individuals perceive that their peers have a strong sense of social responsibility, they may feel a greater obligation to comply with tax regulations themselves. However, there are still gaps in the research on situational factors and their impact on predicting civic duties and tax compliance behavior.

6.3.6.4 Research Question 9

The ninth hypothesis (H9) proposed that “The positive relationship between religiosity and tax compliance behavior among professionals in Malaysia will be stronger when situational factor is high”. However, the findings of the present study suggest that situational factors do not strengthen the positive relationship between religiosity and tax compliance behavior.

There are several possible explanations for why religiosity may not be moderated by financial constraints and peers influence. Firstly, religious beliefs and values may be deeply ingrained in an individual's identity and worldview, and therefore may not be easily influenced by external factors such as financial constraints or peer pressure. Religious beliefs and values are often deeply rooted in an individual's identity and worldview, and are often formed over a lifetime of religious practice and observation. These beliefs and values can be central to an individual's self-concept and may play a critical role in shaping their attitudes and behavior towards a wide range of issues, including tax compliance. For individuals who are more religious, their religious beliefs and values may provide a clear and compelling moral framework for understanding their obligations to society and the importance of complying with tax regulations. These beliefs may be so deeply ingrained in their identity and worldview that they are unlikely to be swayed by external factors such as financial constraints or peer pressure.

Additionally, religious teachings often emphasize the importance of ethical behavior and fulfilling one's obligations to society, which may include

complying with tax regulations. Many religions emphasize the importance of ethical behavior, social responsibility, and fulfilling one's obligations to society. These teachings may include specific guidance on issues related to taxation, such as the obligation to pay taxes and the importance of contributing to the welfare of the community. For example, in Christianity, the Bible instructs believers to "Render to Caesar the things that are Caesar's, and to God the things that are God's" (Matthew 22:21), which has been interpreted by many Christian scholars as a call to pay taxes and fulfill one's civic duties. Similarly, in Islam, the concept of zakat (charitable giving) includes the obligation to pay a percentage of one's wealth as a form of social welfare, which can be seen as a parallel to tax compliance. These religious teachings may provide a clear and compelling moral framework for understanding the importance of complying with tax regulations, and may lead individuals who are more religious to be more inclined to comply with tax regulations based on their religious beliefs and values. This may be true regardless of their financial situation or social environment, as their religious convictions may be strong enough to override other external pressures.

Furthermore, the emphasis on ethical behavior and fulfilling one's obligations to society in religious teachings may also help to reinforce the importance of tax compliance as a civic duty, and may make it more likely that individuals who are more religious will view tax compliance as an important part of their broader social responsibilities. In this way, the relationship between religiosity and tax compliance behavior may be shaped by the specific teachings and values of each individual's religion, as well as their personal interpretation and application of those teachings to their daily lives.

Overall, the moderating effects of financial constraints and peers' influence on religiosity have not been extensively studied, particularly in the context of tax compliance. Moreover, there are few published studies that explore the role of financial constraints and peers' influence on religiosity in other areas of study. One study by Hamzah et al. (2014) did examine the moderating role of peer attachment on the relationship between religiosity and youth hedonistic behavior. However, the context of that study was different from the current study, and therefore its findings cannot be extrapolated to the present context.

6.3.6.5 Research Question 10

The final hypothesis H10 proposed that the positive relationship between ethical sensitivity and tax compliance behavior among professionals in Malaysia would be stronger when situational factors were high. However, the findings of the study indicated that this prediction was not supported. Even though ethical sensitivity was found to have a positive effect on tax compliance behavior, situational factors did not appear to moderate this relationship. This means that neither financial constraints nor peer influence had a significant impact on the relationship between ethical sensitivity and tax compliance behavior.

To date, the investigation on the influence of financial constraints and peers' influence as the moderating role on the relationship between ethical sensitivity and tax compliance behaviour has received scant attention. Not only that, the moderating effects of financial constraints and peers' influence in any of other

disciplines remains unclear. However, the study of Ferrell & Gresham (1985) supports the importance of managing relationships with peers is important especially in ethical decision making. The findings, however, could not be applied in the current study, due to the different contexts of the study.

6.4 Research Implications

There are several implications that can be derived from the present study. The implications were divided into two main categories, to wit, theoretical implications and practical implications for tax authorities. The following sections discuss the implications of the present study.

6.4.1 Theoretical Implications

The present study has uniquely contributed to the body of knowledge on tax compliance. Although there have been a considerable number of studies investigating tax compliance in Malaysian context, few have analysed the perception of the professional groups in Malaysia.

The present study was unique in that it utilized the MARS model of individual behavior and performance, which is an organizational behavior theory that was applied to the tax study domain. Previous studies in tax compliance research have typically adopted the TPB approach. The present study attempted to take a novel

approach by incorporating an organizational behavior model, which is relevant as taxpayers are expected to pay their taxes.

The motivation variable was tested in a relatively unique way in the present study. Although there have been numerous studies testing motivation, studies that specifically utilize the intrinsic (vs. extrinsic) components of motivation in the context of tax compliance behavior investigations are relatively scarce. Therefore, the present study makes a unique contribution in this regard.

Tax compliance is a well-researched area, with numerous studies examining various variables that influence tax compliance behavior. However, the impact of role perception on tax compliance behavior has been understudied. This study is one of the first to explore the link between role perception and tax law compliance. Given the limited research on role perception in relation to tax compliance behavior, this study measured role perception using the concept of civic duties. To the best of the researcher's knowledge, the aspect of civic duties has not been widely studied in the Malaysian context. Moreover, the study findings suggest that role perception, specifically civic duties, is an essential predictor for understanding tax compliance behavior, especially among professional groups.

As for situational factors, some researchers have attempted to include this variable in their study framework. However, in the current study, the situational factor is the combination of both financial constraints and peer influence constructs. To the best of the present researcher's knowledge, no previous studies have investigated the moderating role of financial constraints and peer influence in a single framework.

Apart from the MARS model variable, the present study also incorporated the variables of religiosity and ethical sensitivity into the framework. Prior studies that have analyzed the role of religiosity in influencing tax compliance behavior have measured religion in terms of the degree of religious affiliation and regressed it with tax compliance behavior. In contrast, the present study developed items that directly measured religion towards tax compliance behavior. Hirschi's social control theory was adopted in this study to better understand religiosity as a construct towards understanding tax compliance behavior. This theory is one of the most frequently tested theories in criminology and delinquency studies, explaining why some individuals engage in deviant behavior while others do not. As a theoretical contribution, the present researcher developed items based on the four elements of Social Control Theory to be used in the tax compliance context.

In addition, this study is unique relative to previous tax compliance studies, as it focuses on the professional demographic. While the majority of the tax compliance studies have centered on salaried individuals, the present study focuses on the professional group. These are high-salaried individuals who make a significant contribution to income tax, and their perception may differ from other salaried individuals.

6.4.2 Practical Implications

In an earlier discussion data was presented showing due to government revenue loss due to tax evasion from the professional groups. Therefore, the present

study's findings shed light on the tax compliance behaviour of the professional groups.

The findings indicate that civic duty was the most influential variable in this study. This shows that the professional groups perceive paying taxes as a communal obligation. They understand that the government needs taxes for a civilized society. The money that taxpayers contribute in the form of taxes returns back to citizens in the form of healthcare, medical facilities, educational facilities, subsidies, and infrastructure development.

The classic work "The Civic Culture" (1963) by Gabriel Almond and Sidney Verba incorporates a sense of civic duty into their idea of what defines a civic culture. Some scholars have noted that an essential element of good citizenship is feeling obliged to participate in civic life. On an empirical level, numerous scholars have shown that a sense of civic duty has a powerful impact on outcomes. Therefore, it is important for the government to foster a sense of civic duty in taxpayers, especially the group of professionals such as doctors, engineers, architects, and lawyers.

Indeed, involving citizens in decision-making processes could increase their sense of civic duty and responsibility, which could ultimately lead to greater tax compliance. This could be achieved through various means, such as holding public consultations, inviting citizens to participate in community events, or providing opportunities for citizens to give feedback on government policies. By promoting a culture of civic engagement and participation, tax authorities may be able to increase public support for taxation and encourage greater tax compliance among professionals and other groups.

Another way of fostering a sense of civic duty is by delivering sufficient public goods and services. Svallfors (2013) presents survey evidence indicating that citizens who perceive government as efficient and fair are more likely to favour higher taxes. In contrast, corruption and bureaucracy depresses tax compliance (Bertinelli et al., 2020; Baum et al., 2017; Picur & Riahi-Belkaoui, 2006).

The present study also found a significant predictor in ethical sensitivity in understanding tax compliance behaviour among professional groups. This suggests that professional groups consider moral correctness, fairness, and justice in their ethical decision-making. Most professions in Malaysia require registration with their professional bodies. Therefore, the findings provide insights into the ethical behaviour among this professional group. The study's findings could be useful in promoting ethical behaviour among members of professional bodies. One way to incorporate the elements of morality, fairness, and justice is through training. It is recommended that each professional body organises training on ethics to foster an ethical culture among its members.

6.5 Research Limitations

Notwithstanding the present study's contributions, it also has some limitations which need to be considered in interpreting its findings. It is important to note that this study investigated the tax compliance behaviour among professional groups which consisted of doctors, lawyers, engineers, architects, accountants, and surveyors. Thus, the findings can only be generalized to the professional demographic.

This study's low response rates may limit the generalizability of the findings. However, the researcher acknowledges that the number of usable responses was sufficient for statistical analysis. The low response rates may be attributed to the busy schedules of professionals and the difficulty in obtaining their responses. Additionally, the high number of rejected hypotheses could be due to various factors such as the small sample size or limitations in the survey instrument. These limitations should be considered when interpreting the results of this study.

It is also noteworthy to mention that the presence of social desirability bias in this study suggests that the findings need to be interpreted with caution since respondents in the present study have a tendency to perceive themselves as being more ethical relative to their peers.

Some of the loadings for the measures used in the present study from the PLS analysis were marginally below the suggested threshold level. However, considering that this study involved some newly developed measures, it was acceptable to retain the low loading measures and to avoid using single measures for the constructs, which could create more bias.

6.6 Directions for Future Works

In light of the findings, contributions, and limitations of the present study, there are several avenues for future research. Firstly, although a few of the hypotheses were not supported, the model under study has sufficient predictive relevance.

Therefore, it is suggested that future research utilizes all the variables of the model but with a larger sample size. It was difficult to reach firm conclusions due to the inability to obtain a larger sample size. A larger sample size would allow for more variability in the data, which could increase the power of the statistical analyses and improve the accuracy of the results. Additionally, a larger sample size would allow for the examination of potential moderating variables, such as age, gender, or income, which could further explain the relationship between the variables under study.

Since civic duty was found to be the most significant factor in influencing tax compliance behaviour among the professional groups, future studies should examine the antecedents of civic duties. Future studies could investigate the factors that contribute to the development of civic duty among different groups of professionals. For example, research could explore how education and training programs, cultural values, and social norms shape an individual's sense of civic duty. Additionally, examining how the perception of government's effectiveness and fairness affects civic duty could be a fruitful area for future research. By understanding the antecedents of civic duty, policymakers and tax authorities can develop strategies to foster a culture of tax compliance and responsible citizenship.

The present study focused only on professional groups in Malaysia such as doctors, lawyers, engineers, architects, accountants, and surveyors. To enhance the generalizability and external validity of the findings, future research could extend this investigation to other regions or countries to explore potential cultural differences in tax compliance behaviour among professionals. Expanding the investigation to other countries could provide insights into the extent to which the factors affecting tax

compliance behaviour among professional groups in Malaysia apply to other contexts. This would enable a cross-cultural comparison and allow for a more comprehensive understanding of the phenomenon. Additionally, investigating other professions that were not included in the present study could provide a more diverse perspective on the issue. For example, including professionals from the fields of education, social work, or public service could provide additional insights into the role of civic duty and ethical sensitivity in tax compliance behaviour. Such research could also help policymakers to develop more targeted interventions to promote tax compliance among professionals across different contexts.

Moreover, the present study only examined individual-level factors, future studies could also include organizational-level factors, such as the influence of organizational culture and leadership, on tax compliance behaviour among professionals. Organizational-level factors play a crucial role in shaping the behavior of individuals within the organization. The culture and values of the organization can influence the ethical behavior of its employees, including tax compliance behavior. For example, an organization that promotes transparency and accountability in its operations may also encourage its employees to comply with tax regulations. Additionally, the leadership style of the organization can also impact tax compliance behavior. Leaders who prioritize ethical behavior and model it in their own actions may create a culture of compliance within the organization. On the other hand, leaders who prioritize short-term gains over ethical considerations may create a culture that encourages non-compliance with tax regulations. Therefore, future research could investigate the influence of organizational culture and leadership on tax compliance behavior among professionals, which could help inform policies and interventions

aimed at improving tax compliance within organizations.

Future research should also consider conducting in-depth interviews to complement the survey data. This would be useful in providing a more comprehensive understanding of the relationships between the variables. As the focus group of the present study is professionals, conducting interviews would help the researchers better understand the nature of compliance behaviour among professional groups. An in-depth interview could provide a deeper understanding of the factors that influence tax compliance behavior among professionals. It could help to explore the nuances of their decision-making process, ethical considerations, and attitudes towards taxation. Moreover, it could provide insights into the specific challenges that professionals face in complying with tax regulations, such as the complexity of tax laws or the pressure to prioritize client interests. The qualitative data obtained through in-depth interviews could complement the quantitative data obtained through the survey, thus providing a more comprehensive understanding of the phenomenon under investigation. Additionally, in-depth interviews could also help to identify any potential gaps or limitations in the survey data, thereby improving the validity and reliability of the findings.

6.7 Conclusion

The present study has focused on investigating tax compliance behavior among professional groups in Malaysia, including doctors, engineers, lawyers, architects, accountants, and surveyors. To understand the tax compliance behavior of these groups, the study utilized the MARS model, which is an organizational behavior model of individual performance. By using this model, the study was able to explore how individual factors such as motivation, ability, role perception, and situational factors influence tax compliance behavior among professional groups.

Accordingly, the present study aimed to test the influence of motivation, ability, role perception, religiosity, and ethical sensitivity in predicting tax compliance behavior among professionals. The study also hypothesized that situational factors would moderate the effect of individual behavior on tax compliance behavior.

Data were collected using a survey questionnaire that was emailed to respondents based on the email database created by the researcher. Approximately 1000 questionnaires were distributed, and after follow-up and reminders, a total of 126 questionnaires were collected. Data were analysed using SPSS and SmartPLS. Preliminary analyses were conducted to remove or replace missing values and check for outliers (3 responses were removed). After removing the outliers, a total of 123 responses were considered complete and usable. Other analyses were conducted to assess response responsiveness, non-response bias, common method bias, and social desirability bias. The majority of the respondents were Malay females in the age range of 35-39. The data were also subjected to exploratory factor analysis, and all the

aforementioned analyses were conducted using SPSS.

SmartPLS was used to analyze the measurement and structural model. The measurement model showed that some items were deleted due to their inability to reach the threshold level for composite reliability, convergent validity, loadings, and discriminant validity. The findings of the structural model indicated that the model achieved its predictive relevance, with Q^2 greater than zero. Furthermore, the effect size showed that the role perception construct had a substantial effect size, while the ethical sensitivity construct had a small effect size. The findings of the hypothesis indicated that H3, H5, and H8 were accepted, while H1, H2, H4, H5, H6, H7, H9, and H10 were rejected.

The most important predictor in the study was found to be role perception, followed by ethical sensitivity. This means that how professionals perceive their role and responsibilities in tax compliance is a key factor in determining their behaviour. The findings also showed that situational factors have a positive moderating effect on the relationship between role perception and tax compliance behaviour. In other words, the context in which professionals operate can impact how they perceive their role and subsequently affect their compliance behaviour.

The findings of this study were discussed and implications for the theory and practical application were given. Limitations of this study and direction of future works were also discussed.