Volume: 11 Issues: 67 Special Issue [August, 2026] pp. 153 - 168
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.academicinspired.com/ijafb
DOI: 10.55573/IJAFB.116711

FOSTERING TAXPAYER INTEGRITY: THE MEDIATING ROLE OF TAX AWARENESS ON THE INFLUENCE OF TRUST IN AUTHORITIES AND TAX FAIRNESS TOWARDS MSME TAX COMPLIANCE

Jennisa Dwina Indriani[1]
Rusliza Yahaya[2*]
Noor Lela Ahmad[3]

[1] Department of Accounting and Finance, Universiti Pendidikan Sultan Idris, Malaysia
Department of Accounting and Finance, Institut Teknologi dan Bisnis Haji Agus Salim Bukittinggi, Indonesia
Email: jennisadwindriani@gmail.com
[2] Department of Accounting and Finance, Universiti Pendidikan Sultan Idris, Malaysia
Email: rusliza@fpe.upsi.edu.my
[3] Department of Accounting and Finance, Universiti Pendidikan Sultan Idris, Malaysia
Email: noor.lela@fpe.upsi.edu.my
Corresponding Author

Article history

Received date	:	19-6-2026
Revised date	:	20-6-2026
Accepted date	:	25-7-2026
Published date	:	1-8-2026

To cite this document:
Indriani, J. D., Yahaya, R., & Ahmad, N. L. (2026). Fostering taxpayer integrity: The mediating role of tax awareness on the influence of trust in authorities and tax fairness towards MSME tax compliance. *International Journal of Accounting, Finance and Business (IJAFB),* 11 (67), 153 - 168.

Abstract: *Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in supporting economic growth; however, improving taxpayer compliance remains a major challenge, particularly in developing economies. Traditional tax compliance approaches that rely heavily on enforcement and sanctions are increasingly considered insufficient to encourage sustainable compliance. Therefore, strengthening taxpayer integrity through trust, fairness, and awareness has become essential in promoting voluntary tax compliance. This study aims to examine the influence of Trust in Authorities and Tax Fairness on MSME Tax Compliance, with Tax Awareness as a mediating mechanism. This study employed a quantitative explanatory approach using primary data collected through structured questionnaires. The respondents consisted of 364 MSME taxpayers in Bukittinggi City, West Sumatra, Indonesia, selected through purposive sampling. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS by evaluating the measurement model and structural model. The findings reveal that Trust in Authorities significantly influences Tax Awareness ($\beta = 0.269$; $p = 0.006$) and MSME Tax Compliance ($\beta = 0.185$; $p = 0.020$). Tax Fairness significantly affects Tax Awareness ($\beta = 0.552$; $p < 0.001$) but does not directly influence MSME Tax Compliance ($\beta = 0.058$; $p = 0.525$). Furthermore, Tax Awareness significantly enhances MSME Tax Compliance ($\beta = 0.324$; $p = 0.001$). Mediation analysis shows that Tax Awareness mediates the relationship between Tax Fairness and MSME Tax Compliance but does not mediate the relationship between Trust in Authorities and compliance. This study contributes to behavioral taxation literature by integrating the Theory of Planned Behavior and Slippery Slope Framework, demonstrating that taxpayer awareness* *acts as a psychological mechanism that transforms perceived fairness into voluntary compliance. The findings suggest that human-centered tax governance should prioritize fairness, transparency, and awareness-building strategies to foster sustainable MSME taxpayer integrity.*

Keywords: *Trust in Authorities; Tax Fairness; Tax Awareness; MSME Tax Compliance; Voluntary Compliance.*

Introduction

Think of Micro, Small, and Medium Enterprises (MSMEs) as the true bedrock of global economic life. They do the contribute significantly: creating jobs, sparking grassroots innovation, and opening up inclusive financial networks. The worldwide data is staggering roughly 90% of all corporate entities fit this small-business description. Even more telling is their employment footprint, since they secure over half of all jobs across the globe. This massive capacity makes the MSME sector the ultimate shock absorber against financial crises, especially for people living in developing nations (OECD, 2021). Even so, managing this group is an uphill battle for tax authorities anywhere. Tax agencies constantly run into the same brick wall: bottom-tier compliance, terrible bookkeeping habits, and an underground economy that refuses to register (Mascagni et al., 2021). The result is a massive fiscal disconnect. There is a huge gulf between the actual market value these small operations generate and the tiny amounts they actually clear into the government treasury. Indonesia deals with this exact headache. The country has a massive MSME footprint of roughly 65.5 million units. An astonishing 97% of the domestic workforce finds employment within this sector. Furthermore, these tiny enterprises generate a massive 61% chunk of Indonesia's total Gross Domestic Product (GDP) (Kementerian Koperasi dan UKM Republik Indonesia, 2023). Yet, this huge fiscal footprint vanishes when looking at actual tax logs. The Directorate General of Taxes (2023) highlighted a bleak reality: actual tax collections from MSMEs look like pennies compared to the massive velocity of cash moving through this sector. Fixing this requires something much deeper than basic financial perks or rigid tax laws.

For decades, tax regimes operated on enforced compliance. This command-and-control approach leans on top-down pressure: endless audits, harsh penalties, and aggressive policing to keep business owners in line. The math behind this deterrence model is cynical. It assumes people only hand over tax money when they realize the odds of getting caught and punished are simply too high to risk. While policing tools are always necessary, aggressive enforcement at taxpayers eventually backfires. Heavy sanctions only build compliance rooted in deep fear rather than an honest willingness to pitch in (Kirchler et al., 2022). That is why modern fiscal strategy points toward voluntary compliance. Under this model, small business owners pay up because of personal ethics, institutional trust, clear fairness, and social duty. This shift to a voluntary approach treats taxpayers as real people with psychological and moral boundaries, not just cold financial agents. The Slippery Slope Framework (SSF) maps this dynamic by splitting tax compliance into two core pillars: authority power and trust in authorities. Power forces submission via constant audits. Trust, on the flip side, sparks voluntary cooperation by making business owners actually believe in the government's legitimacy and system fairness (Kirchler et al., 2008, 2022). For MSMEs, locking in true taxpayer integrity requires a shift

Volume: 11 Issues: 67 Special Issue [August, 2026] pp. 153 - 168
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.academicinspired.com/ijafb
DOI: 10.55573/IJAFB.116711

away from hierarchy: it demands a horizontal, mutual bond between small business owners and tax collectors.
This study turns to the Theory of Planned Behavior (TPB) by Ajzen (1991) to unpack what happens inside the taxpayer's mind. The core thesis is straightforward. A triad of internal factors innate beliefs, personal attitudes, and perceived behavioral control maps out an individual's choices long before they take any real action. In fiscal studies, tax decisions stem from how a person mentally rates the tax system, not just what the legal code says (Ajzen, 2020). Trust in authorities and tax fairness act as external anchors that mold taxpayer attitudes. Tax awareness functions as the critical internal gear. It actively converts those latent mindset shifts into tangible, unforced tax compliance choices. This makes TPB an excellent roadmap for tracing the mental steps behind an MSME owner's compliance habits. Looking closer, trust in authorities is the real trigger for voluntary compliance. Cooperation happens naturally when business owners see state offices operate with clean transparency, real justice, and absolute accountability. High levels of trust change the entire calculation: paying taxes transforms into a prideful investment in national infrastructure rather than a forced, painful financial burden. A global study by Batrancea et al. (2022) proved that institutional trust significantly ramps up a person's raw willingness to comply. Closer to home, Prastiwi and Diamastuti (2023) showed that this institutional trust is a non-negotiable factor for driving voluntary compliance among Indonesian taxpayers.

Next to trust, tax fairness acts as another heavy anchor for taxpayer choices. This concept looks at the system through the eyes of a small business owner. They weigh three distinct operational factors: how the legal code spreads out, the sheer weight of the financial burden, and the endless mountain of paperwork procedures required to stay legal. They constantly watch whether the tax office treats everyone equally and proportionally. When a tax system feels fair, public buy-in shoots up because people feel the civic weight is balanced properly across society (Taing & Chang, 2021). For MSMEs, fairness is highly sensitive. Tight margins force small business owners to run a constant cost-benefit analysis. They evaluate whether current tax policies directly threaten their survival, and they demand to see a clear, tangible payback from state programs before handing over their cash. However, past empirical data shows confusing contradictions regarding how trust and fairness directly hit compliance. Several papers argue that institutional trust and fairness perceptions directly maximize compliance behavior (Batrancea et al., 2022; Taing & Chang, 2021). Yet, other datasets reveal that positive outward views do not automatically guarantee tax money. This gap exists because a taxpayer's internal psychological filter decides whether those views turn into actual payments (Night & Bananuka, 2020). This friction in the literature shows why we need to study mediating variables to map the exact jump from institutional factors to final compliance.

Tax awareness is the exact psychological variable that explains this hidden leap. Tax awareness cuts much deeper than just knowing the rules: it requires a business owner to possess a solid understanding, moral clarity, and true civic consciousness regarding how tax money builds the nation. Business owners with this high level of awareness do not hand over cash simply to stay out of a courtroom. Instead, they file their returns because they view taxation as a direct, personal obligation to support their local community (Yasa et al., 2020). Thus, tax awareness acts as the internal psychological bridge that ties a taxpayer's view of the state directly to their actual compliance actions. Older studies verify this. Yasa et al. (2020) showed that growing taxpayer awareness directly lifts compliance by building a deeper sense of civic obligation.

Volume: 11 Issues: 67 Special Issue [August, 2026] pp. 153 - 168
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.academicinspired.com/ijafb
DOI: 10.55573/IJAFB.116711

Sari et al. (2022) also noted that awareness is what brings MSME taxpayers into the fiscal system voluntarily. The problem is that most past papers treat tax awareness only as a standalone independent variable. They fail to explain how it mediates the space between institutional environments and actual compliance choices. A major blind spot plagues most MSME tax literature: researchers constantly obsess over the direct links between regulatory rules and final compliance behavior. Researchers usually test how tax rates, penalties, tax knowledge, and service quality hit compliance numbers while ignoring the psychological processing happening inside the taxpayer's mind (Putra & Osman, 2021). This leaves a massive blind spot.True voluntary compliance cannot be engineered through top-down mandates. It is never a mechanical reflex triggered by outside legal codes. Instead, it slowly takes root inside a person, growing entirely from individual moral self-reflection and deep personal awareness.

Right now, we have very little empirical data showing how trust in authorities and tax fairness run through tax awareness to change MSME compliance, especially in the Indonesian context. Trust and fairness create positive perceptions toward the system, but taxpayers must internalize those perceptions first. They have to turn those views into active tax awareness before sustainable compliance behavior can happen. Examining tax awareness as a mediator gives us a closer look at how taxpayer integrity grows through a psychological shift from institutional trust into voluntary action. To patch these theoretical and empirical gaps, this study analyzes how trust in authorities and tax fairness affect MSME tax compliance in Indonesia with tax awareness acting as the mediator. By leaving behind old, enforcement-heavy models, this study merges institutional and psychological data to decode taxpayer integrity. The results will expand how academics use TPB and SSF in MSME tax research while offering practical steps for tax offices to design policies built around trust, fairness, and taxpayer awareness. Based on this layout, the study sets up seven hypotheses: H1: Trust in Authorities has a positive influence on Tax Awareness; H2: Tax Fairness has a positive influence on Tax Awareness; H3: Trust in Authorities has a positive influence on MSME Tax Compliance; H4: Tax Fairness has a positive influence on MSME Tax Compliance; H5: Tax Awareness has a positive influence on MSME Tax Compliance; H6: Tax Awareness mediates the influence of Trust in Authorities on MSME Tax Compliance; and H7: Tax Awareness mediates the influence of Tax Fairness on MSME Tax Compliance.

This setup answers three core questions. First, to what extent do Trust in Authorities and Tax Fairness influence Tax Awareness among MSME taxpayers in Indonesia? The second line of inquiry shifts focus directly to operational impacts: to what exact degree do Trust in Authorities, Tax Fairness, and Tax Awareness dictate MSME Tax Compliance across Indonesia? Following this, the third question explores the underlying psychology: does Tax Awareness function as the critical mediating bridge that connects Trust in Authorities and Tax Fairness to final MSME Tax Compliance choices? Answering these questions provides empirical data on how to lock in taxpayer integrity by moving from forced compliance toward voluntary compliance via institutional trust, perceived fairness, and internal tax awareness.

Literature Review

Tax compliance research has moved far legs beyond simple financial formulas Today, researchers analyze compliance as a dynamic behavioral issue shaped by psychology, institutions, and personal morals. Early literature treated taxpayers like mechanistic actors, assuming business owners only paid because they feared audits, fines, and financial losses.

Volume: 11 Issues: 67 Special Issue [August, 2026] pp. 153 - 168
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.academicinspired.com/ijafb
DOI: 10.55573/IJAFB.116711

Modern behavioral literature rejects this shallow view. Empirical evidence indicates that long-term compliance is rooted in personal values, individual mindsets, and internal motivation (Alm, 2021). To clarify these complex behavioral factors, this research blends the Theory of Planned Behavior (TPB) with the Slippery Slope Framework (SSF). The resulting model explains how trust in authorities and tax fairness drive MSME tax compliance through the mediating role of tax awareness. Ajzen (1991) introduced the TPB to show how intention directly shapes human action. This intention relies on three psychological pillars: attitude toward the behavior, subjective norms, and perceived behavioral control. People evaluate their personal beliefs, judge the system, and assess their own capabilities before taking action. Ajzen (2020) later confirmed that TPB works perfectly for compliance decisions because internal thoughts dictate final choices. Paying taxes is a planned action. Taxpayers look closely at government credibility, check if the system is fair, and weigh their own civic duty before they ever write a check.

For MSMEs, TPB helps explain how trust in officials and tax fairness act as outside signals that shape inside attitudes. When small business owners see that authorities are honest and the system treats everyone equally, they look at their tax bills in a more positive light. This shift in mindset sparks tax awareness, creating the internal drive needed for voluntary compliance. Because of this, tax awareness acts as the actual link that turns institutional trust into real, compliant behavior on the ground (Taing & Chang, 2021). This study utilizes the Slippery Slope Framework (SSF) introduced by Kirchler et al. (2008). The framework suggests that tax compliance stems from two primary forces: the power of tax authorities and the trust of the public. The power dimension pressures business owners to comply through regular audits, strict oversight, and financial penalties. Conversely, the trust element motivates entrepreneurs to pay willingly because they honor government authority, appreciate social cooperation, and feel a moral obligation to contribute.

Recent taxation studies emphasize that voluntary compliance is more sustainable because taxpayers act on awareness and perceived responsibility rather than fear of punishment (Kogler et al., 2022). Therefore, the SSF supports the argument that building trust, fairness, and awareness strengthens taxpayer integrity among MSMEs Trust in authorities basically implies that individuals expect state agencies and tax administrators to run the entire framework with integrity, openness, and high capability. Trust reflects taxpayers' belief that authorities manage tax revenue appropriately and create benefits for society (Batrancea et al., 2022) In the MSME context, trust is essential because small business owners base compliance decisions on their perception of government accountability and service quality When trust is high, business owners view paying taxes as a shared civic responsibility rather than a forced financial penalty.

Tax fairness is basically how taxpayers judge the rules. It reflects whether they see tax regulations, administrative procedures, and their overall financial burdens as equal and reasonable This concept divides into three separate dimensions: distributive, procedural, and interactional fairness. Together, these dimensions shape how individuals evaluate whether the entire taxation system treats them justly (Taing & Chang, 2021). A fair taxation environment strengthens taxpayers willingness to participate because they believe that their obligations correspond with their ability and the benefits received from public services. Conversely, perceived unfairness may reduce trust and weaken voluntary compliance.

Volume: 11 Issues: 67 Special Issue [August, 2026] pp. 153 - 168
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.academicinspired.com/ijafb
DOI: 10.55573/IJAFB.116711

Tax awareness shows how much taxpayers actually know, understand, and feel morally responsible for funding state operations and social development. This awareness creates a specific internal state This perspective encourages entrepreneurs to view tax payments as a genuine civic responsibility, moving beyond the idea of it being a mere forced legal obligation (Yasa et al., 2020). In this study, tax awareness is positioned as a mediating variable because institutional trust and fairness perceptions are expected to increase taxpayers awareness before influencing compliance behavior This concept drives the transition from enforced compliance toward voluntary compliance based on ethical values.

MSME Tax Compliance refers to taxpayers willingness and behavior in fulfilling taxation responsibilities according to applicable regulations, including registration, accurate calculation, timely payment, and proper reporting. Tax compliance consists of voluntary and enforced dimensions, but modern taxation systems increasingly emphasize voluntary compliance because it reflects long-term taxpayer commitment (Alm, 2021). For micro, small, and medium enterprises (MSMEs), regulatory comprehension alone does not dictate compliance Instead, psychological dimensions like trust, perceived fairness, and civic awareness heavily shape their behavior. Consequently, substantial empirical data from prior research connects a taxpayer's trust in government institutions to their ultimate compliance decisions. Batrancea et al. (2022), through cross-country research, demonstrated that trust in authorities significantly improves taxpayers willingness to comply because trusted institutions encourage cooperation. Prastiwi and Diamastuti (2023) documented identical results, showing that institutional trust drives voluntary tax compliance among Indonesian taxpayers. Based on SSF, trust also increases taxpayers awareness because individuals are more willing to understand and support taxation systems when they perceive authorities as reliable. Therefore, this study proposes:

H1: Trust in Authorities has a positive influence on Tax Awareness.
H3: Trust in Authorities has a positive influence on MSME Tax Compliance.

Tax fairness also represents a critical factor that shapes how individuals view the tax system and decide whether to comply. Research by Taing and Chang (2021) revealed that fairness perception significantly affects compliance intention because taxpayers evaluate whether the tax system treats them appropriately. Fair tax treatment increases acceptance and strengthens taxpayers moral responsibility toward taxation. However, some studies indicate that fairness does not automatically create compliance because taxpayers require internal awareness before transforming fairness perceptions into actual behavior (Night & Bananuka, 2020). Therefore, this study proposes:

H2: Tax Fairness has a positive influence on Tax Awareness.
H4: Tax Fairness has a positive influence on MSME Tax Compliance.

Tax awareness significantly boosts MSME compliance because knowledgeable taxpayers clearly grasp how their fiscal contributions drive national development. Yasa et al. (2020) found that tax awareness significantly improves taxpayer compliance because awareness encourages responsibility and willingness to follow taxation rules. Sari et al. (2022) documented comparable results, establishing that heightened awareness strengthens MSME compliance by fostering internal motivation. Based on TPB, awareness represents an internal belief system that influences behavioral decisions. Therefore, this study proposes:

H5: Tax Awareness has a positive influence on MSME Tax Compliance.

Volume: 11 Issues: 67 Special Issue [August, 2026] pp. 153 - 168
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.academicinspired.com/ijafb
DOI: 10.55573/IJAFB.116711

Existing literature explores trust, fairness, awareness, and compliance. However, most empirical studies isolate direct relationships, neglecting the complex interactions that connect these constructs. Studies on MSME taxation frequently investigate how tax rates, sanctions, tax knowledge, or institutional factors directly affect compliance without exploring the internal psychological process behind taxpayer decisions (Putra & Osman, 2021). This creates a theoretical limitation because voluntary compliance does not occur immediately after taxpayers perceive institutions positively. Instead, trust and fairness may first develop awareness before producing compliance behavior. Consequently, this study introduces tax awareness as a crucial mediating channel to explain how institutional elements shape MSME tax compliance Trust in authorities cements how taxpayers perceive state legitimacy, just as tax fairness strengthens their sense of justice. More importantly, these outer perceptions must shift into internal awareness to spark voluntary compliance. This logic mirrors TPB, which establishes that internal cognitive stages drive behavior before an individual acts (Ajzen, 2020). Therefore, this study proposes:

H6: Tax Awareness mediates the relationship between Trust in Authorities and MSME Tax Compliance.

H7: Tax Awareness mediates how Tax Fairness drives MSME Tax Compliance.

To resolve these prominent literature gaps, this research designs a conceptual model integrating both TPB and SSF dimensions. The structural framework positions Trust in Authorities and Tax Fairness as core exogenous predictors, specifies Tax Awareness as the intervening path, and targets MSME Tax Compliance as the primary endogenous outcome. This framework explains that taxpayer integrity is created through a psychological transformation process where positive institutional perceptions strengthen awareness and subsequently encourage voluntary compliance. Therefore, this study contributes to behavioral taxation literature by explaining not only whether trust and fairness influence compliance but also how these factors shape MSME compliance through taxpayers internal awareness.

Methodology

This study employs a quantitative explanatory research design to analyze the causal links among Trust in Authorities, Tax Fairness, Tax Awareness, and MSME Tax Compliance. This approach is ideal because the primary objective focuses on testing theoretically derived hypotheses and explaining the specific paths connecting independent, mediating, and dependent variables through statistical evaluation. Quantitative explanatory research enables an objective measurement of relationships between latent constructs, verifying the structural model against concrete empirical evidence (Creswell & Creswell, 2023). Therefore, this design is appropriate for investigating how institutional perceptions and psychological factors contribute to fostering taxpayer integrity and voluntary tax compliance among MSMEs.

This study utilizes primary data gathered directly from respondents using a structured questionnaire survey. The questionnaire method was considered suitable because this study examines taxpayers perceptions, attitudes, awareness, and compliance behavior that cannot be directly observed. The instrument comprises several measurement indicators representing four core research constructs: Trust in Authorities, Tax Fairness, Tax Awareness, and MSME Tax Compliance. To ensure theoretical relevance, all items were adapted from previous empirical

Volume: 11 Issues: 67 Special Issue [August, 2026] pp. 153 - 168
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.academicinspired.com/ijafb
DOI: 10.55573/IJAFB.116711

studies and measured using a Likert scale ranging from strongly disagree to strongly agree, a standard approach in behavioral taxation research (Hair et al., 2022).
The target population encompasses Micro, Small, and Medium Enterprises (MSMEs) operating in Bukittinggi City, West Sumatra, Indonesia. This sector was chosen because MSMEs drive economic growth yet consistently face significant hurdles regarding voluntary tax compliance. From this population, 364 MSME taxpayers served as the final research sample. This sample size is highly appropriate for Partial Least Squares Structural Equation Modeling (PLS-SEM), as PLS-SEM effectively analyzes complex predictive models containing multiple latent variables and structural mediation pathways (Hair et al., 2021). The number of respondents also exceeds the minimum sample requirement recommended for structural model analysis.

This research applies purposive sampling, a non-probability technique utilizing specific criteria tailored to the study objectives. Respondents were selected based on their relevance and ability to provide information related to MSME taxation behavior The selection criteria required respondents to be MSME owners or managers operating in Bukittinggi, possessing direct business experience, and managing or participating in tax compliance activities. Purposive sampling was chosen because this research required respondents with specific characteristics related to the investigated phenomenon rather than random participants (Campbell et al., 2020).

The research instrument was developed based on established measurement indicators from previous studies. Trust in Authorities evaluates taxpayers perceptions regarding government and tax administration competence, transparency, integrity, and reliability (Batrancea et al., 2022). Tax Fairness captures perceptions of equity concerning tax procedures, burden distribution, and equal treatment within the fiscal system (Taing & Chang, 2021). Tax Awareness assesses taxpayers understanding, responsibility, and moral consciousness regarding fiscal obligations (Yasa et al., 2020). Meanwhile, MSME Tax Compliance monitors actual taxpayer behavior in executing tax mandates. This behavior includes registration, reporting accuracy, timely payments, and regulatory adherence (Alm, 2021). Data evaluation relies on Partial Least Squares Structural Equation Modeling (PLS-SEM) executed via SmartPLS software. This method is ideal for prediction-oriented studies, intricate conceptual frameworks, and pathways involving structural mediation among latent constructs. Furthermore, PLS-SEM operates effectively without strict data normality assumptions. This flexibility makes it highly suitable for behavioral taxation research (Hair et al., 2022). The estimation procedure follows a two-stage approach: evaluating the measurement model (outer model) and testing the structural model (inner model).

The first stage involved evaluating the outer model to ensure the validity and reliability of the measurement instruments. Validity testing involves convergent validity and discriminant validity assessments. Convergent validity is evaluated through outer loading and Average Variance Extracted (AVE) values. Indicator loading values must exceed 0.70, while AVE values must be greater than 0.50. This threshold indicates that the construct explains more than half of its indicators' variance. Discriminant validity was examined using the Heterotrait-Monotrait Ratio (HTMT), where values below 0.85 or 0.90 indicate that each construct is empirically different from other constructs (Hair et al., 2021; Sarstedt et al., 2021).

Reliability assessment was conducted by examining Cronbach's Alpha and Composite Reliability (CR) values. A construct is considered reliable when both Cronbach's Alpha and

Volume: 11 Issues: 67 Special Issue [August, 2026] pp. 153 - 168
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.academicinspired.com/ijafb
DOI: 10.55573/IJAFB.116711

Composite Reliability exceed the recommended threshold of 0.70. In addition, Composite Reliability was emphasized because it provides a more accurate estimation of internal consistency in PLS-SEM compared with traditional reliability measurements. This procedure ensures that all indicators consistently measure their respective latent variables and that the research instrument produces stable and reliable results (Hair et al., 2022).

After confirming the quality of the measurement model, the second stage involved evaluating the inner model to examine the relationships among constructs. The structural model assessment evaluates R-square (R^2), f-square (f^2), and bootstrapping outputs. The R-square value determines the explanatory power of the independent variables toward the endogenous constructs, specifically Tax Awareness and MSME Tax Compliance. Furthermore, f-square analysis was performed to evaluate the effect size of each exogenous construct in explaining endogenous constructs, with values categorized as small, medium, or large effects according to PLS-SEM guidelines (Hair et al., 2021).

Hypothesis testing was conducted using the bootstrapping procedure in SmartPLS to evaluate direct and indirect relationships among variables. Bootstrapping was performed to generate standard errors and determine the significance of path coefficients without assuming normal data distribution. The significance level for this study is set at 5% (alpha = 0.05). A hypothesis is supported when the t-statistic exceeds 1.96 and the p-value is less than 0.05. The mediation effects of Tax Awareness were examined through the specific indirect effect analysis to determine whether Tax Awareness significantly mediates the influence of Trust in Authorities and Tax Fairness on MSME Tax Compliance Through these procedures, this research establishes a systematic, transparent, and replicable methodology to examine voluntary tax compliance behavior among Indonesian MSMEs.

Results

Respondent Profile

This study investigates Micro, Small, and Medium Enterprise (MSME) taxpayers operating in Bukittinggi, West Sumatra, Indonesia. The selection process utilizes purposive sampling based on specific criteria: business location, operational experience, and Taxpayer Identification Number (NPWP) ownership. Initial survey recruitment yielded 601 participating MSME actors. The respondent profile showed that 590 respondents (98%) operated their businesses in Bukittinggi City, indicating that the collected data represented the intended geographical context. Furthermore, 401 MSMEs (66%) had operated for more than two years, demonstrating that most respondents had sufficient business experience and direct exposure to business administration practices. Regarding tax registration, 469 respondents (78%) had officially registered as taxpayers and owned NPWP.

Applying these specific research criteria established a final sample of 364 MSME taxpayers for Partial Least Squares Structural Equation Modeling (PLS-SEM) estimation. These selected respondents provide an ideal data source because they possess practical experience with taxation obligations. This background makes them highly relevant for evaluating taxpayer trust, fairness perceptions, awareness, and compliance behavior.

Measurement Model Evaluation (Outer Model)

Volume: 11 Issues: 67 Special Issue [August, 2026] pp. 153 - 168
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.academicinspired.com/ijafb
DOI: 10.55573/IJAFB.116711

The measurement model evaluation was performed to ensure that all research constructs met validity and reliability requirements. The assessment consisted of indicator reliability, internal consistency reliability, convergent validity, and discriminant validity. The results showed that all indicators achieved outer loading values above the recommended threshold of 0.70, indicating adequate indicator reliability. The PLS-SEM estimation results are illustrated in Figure 1.

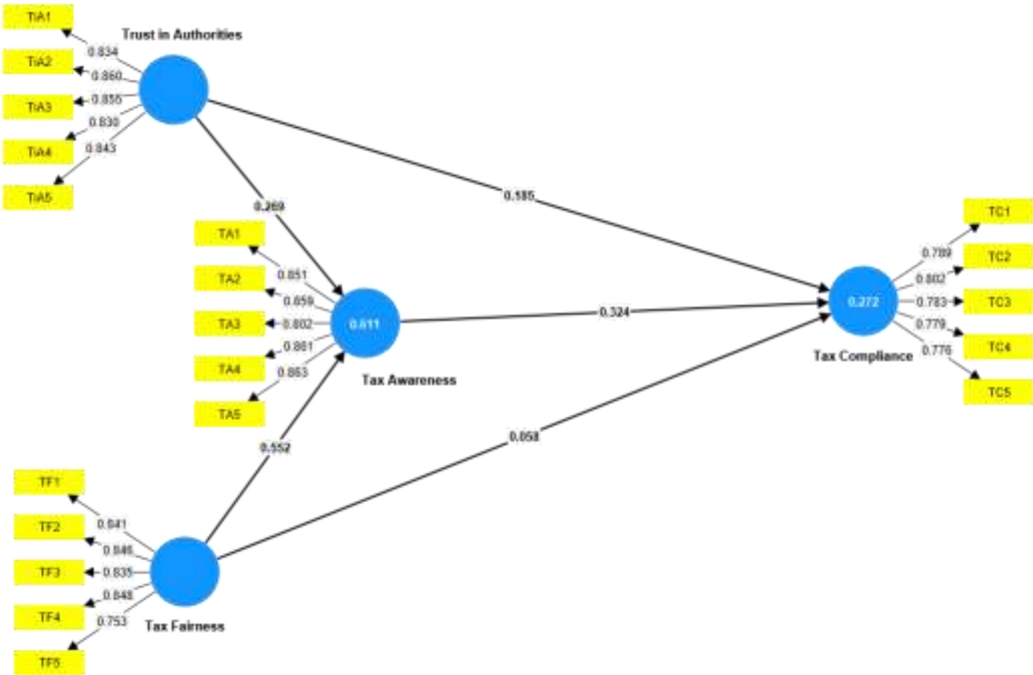

Figure 1. PLS-SEM Measurement and Structural Model Results
Source: SmartPLS Output

Figure 1 presents the overall PLS-SEM model estimation, including indicator loading values, path coefficients, and coefficient of determination (R^2). The model illustrates the relationships among Trust in Authorities, Tax Fairness, Tax Awareness, and MSME Tax Compliance. The reliability and convergent validity results are presented in Table 1.

Table 1. Measurement Model Evaluation

Construct	Loading Range	Cronbach's Alpha	Composite Reliability	AVE
Tax Awareness	0.802–0.863	0.902	0.927	0.718
MSME Tax Compliance	0.776–0.802	0.845	0.890	0.617
Tax Fairness	0.753–0.848	0.883	0.914	0.681
Trust in Authorities	0.830–0.860	0.899	0.926	0.713

Source: SmartPLS Output

The results demonstrate that all constructs achieved satisfactory internal consistency reliability. Cronbach's Alpha values ranged from 0.845 to 0.902, while Composite Reliability values

Volume: 11 Issues: 67 Special Issue [August, 2026] pp. 153 - 168
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.academicinspired.com/ijafb
DOI: 10.55573/IJAFB.116711

ranged from 0.890 to 0.927, exceeding the recommended value of 0.70. Furthermore, the Average Variance Extracted (AVE) values ranged between 0.617 and 0.718, exceeding the threshold value of 0.50. These results confirmed adequate convergent validity.
Discriminant validity was examined using the Fornell-Larcker criterion. The results indicated that the square root of AVE for each construct was higher than the correlations with other constructs. Therefore, Trust in Authorities, Tax Fairness, Tax Awareness, and MSME Tax Compliance represented different theoretical concepts. Overall, the measurement model fulfilled validity and reliability requirements and was suitable for structural model analysis.

Structural Model Evaluation (Inner Model)

The structural model evaluation was conducted to examine the explanatory power of the model and test the proposed hypotheses. The assessment included R-square (R^2), f-square (f^2), and bootstrapping analysis. The R-square analysis indicated that Tax Awareness obtained an R^2 value of 0.611, meaning that Trust in Authorities and Tax Fairness explained 61.1% of the variance in Tax Awareness. This result shows that taxpayers awareness is strongly influenced by institutional factors related to trust and perceived fairness. Meanwhile, MSME Tax Compliance obtained an R^2 value of 0.272, indicating that Trust in Authorities, Tax Fairness, and Tax Awareness explained 27.2% of MSME compliance behavior. This finding suggests that tax compliance is a complex behavioral phenomenon influenced by various psychological, institutional, and external factors. The f-square analysis showed that Tax Fairness had the strongest contribution toward Tax Awareness ($f^2 = 0.302$), representing a medium effect. Trust in Authorities showed a small effect on Tax Awareness ($f^2 = 0.072$), while Tax Awareness showed a small effect on MSME Tax Compliance ($f^2 = 0.056$). The direct effect hypothesis testing results are presented in Table 2.

Table 2. Direct Effect Hypothesis Testing

Hypothesis	Relationship	β	T Statistics	P Values	Decision
H1	Trust in Authorities → Tax Awareness	0.269	2.743	0.006	Supported
H2	Tax Fairness → Tax Awareness	0.552	5.784	0.000	Supported
H3	Trust in Authorities → MSME Tax Compliance	0.185	2.335	0.020	Supported
H4	Tax Fairness → MSME Tax Compliance	0.058	0.636	0.525	Not Supported
H5	Tax Awareness → MSME Tax Compliance	0.324	3.394	0.001	Supported

Source: SmartPLS Output

The results show that four direct hypotheses were supported, while one hypothesis was rejected. Trust in Authorities significantly influenced Tax Awareness and MSME Tax Compliance, supporting H1 and H3. Tax Fairness significantly influenced Tax Awareness, supporting H2. Tax Awareness also positively affected MSME Tax Compliance, supporting H5. However, Tax Fairness had no significant direct effect on MSME Tax Compliance, resulting in the rejection of H4. The mediation results are presented in Table 3.

Volume: 11 Issues: 67 Special Issue [August, 2026] pp. 153 - 168
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.academicinspired.com/ijafb
DOI: 10.55573/IJAFB.116711

Table 3. Specific Indirect Effect Testing

Hypothesis	Relationship	β	T Statistics	P Values	Decision
H6	Trust → Tax Awareness → Compliance	0.087	1.931	0.054	Not Supported
H7	Tax Fairness → Tax Awareness → Compliance	0.179	2.853	0.004	Supported

Source: SmartPLS Output

The mediation analysis indicated that Tax Awareness did not significantly mediate the relationship between Trust in Authorities and MSME Tax Compliance. However, Tax Awareness significantly mediated the influence of Tax Fairness on MSME Tax Compliance.

Discussion

The Influence of Trust in Authorities and Tax Fairness on Tax Awareness (RQ1)

The first research question examined how Trust in Authorities and Tax Fairness contribute to the development of Tax Awareness among MSME taxpayers. The findings confirmed that both institutional factors significantly influenced taxpayers awareness. Trust in Authorities had a significant positive effect on Tax Awareness ($\beta = 0.269$; $p = 0.006$). This result indicates that MSME taxpayers who perceive government institutions as transparent, reliable, and responsible tend to develop higher awareness regarding taxation obligations.

This finding supports the Slippery Slope Framework (SSF), which explains that trust between taxpayers and authorities creates voluntary cooperation. Trust reduces dependency on enforcement mechanisms because taxpayers begin to recognize taxation as a collective responsibility rather than only a legal obligation. This result is consistent with Batrancea et al. (2022), who found that trust in authorities strengthens taxpayer cooperation across different countries. Similarly, Prastiwi and Diamastuti (2023) demonstrated that institutional trust encourages voluntary tax behavior by increasing taxpayers confidence toward government accountability. In the context of MSMEs in Bukittinggi, trust becomes important because small business taxpayers often evaluate taxation based on their direct interaction with government institutions. Transparent services and positive experiences with tax authorities can strengthen their willingness to understand and participate in the tax system.

Furthermore, Tax Fairness showed a stronger influence on Tax Awareness ($\beta = 0.552$; $p < 0.001$). This indicates that MSME taxpayers develop stronger awareness when they perceive that tax regulations, procedures, and treatment are implemented fairly. This finding supports Taing and Chang (2021), who found that perceived fairness increases positive attitudes toward taxation. It also aligns with the Theory of Planned Behavior (TPB) because fairness creates positive beliefs that influence taxpayers internal evaluation before performing compliance behavior. For MSMEs in Bukittinggi, fairness is particularly important because many small entrepreneurs operate with limited financial capacity. When taxpayers perceive that tax obligations are reasonable and aligned with their business conditions, they are more likely to develop awareness rather than viewing taxes as an administrative burden. Therefore, the findings indicate that taxpayer integrity begins with awareness formation. Trust and fairness

Volume: 11 Issues: 67 Special Issue [August, 2026] pp. 153 - 168
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.academicinspired.com/ijafb
DOI: 10.55573/IJAFB.116711

create the psychological foundation needed to shift taxpayers from enforced compliance toward voluntary compliance based on understanding and responsibility.

The Influence of Trust in Authorities, Tax Fairness, and Tax Awareness on MSME Tax Compliance (RQ2)

The second research question examined the direct influence of Trust in Authorities, Tax Fairness, and Tax Awareness on MSME Tax Compliance. The results showed that Trust in Authorities significantly influenced MSME Tax Compliance ($\beta = 0.185$; $p = 0.020$). This means that MSME taxpayers are more willing to fulfill their obligations when they believe that tax authorities manage taxation systems transparently and responsibly. This finding is consistent with Kogler et al. (2022) and Batrancea et al. (2022), who emphasized that trust-based tax governance increases voluntary compliance because taxpayers perceive authorities as legitimate partners rather than controlling institutions.

Tax Awareness also had a significant positive effect on MSME Tax Compliance ($\beta = 0.324$; $p = 0.001$). This result confirms that awareness represents an essential element of taxpayer integrity. MSMEs with higher awareness tend to comply because they understand the importance of taxation for public development. The result supports Yasa et al. (2020), who revealed that taxpayer awareness increases compliance by strengthening responsibility toward taxation. Similar findings were reported by Sari et al. (2022), who confirmed that awareness encourages MSME taxpayers to comply voluntarily.

However, Tax Fairness did not directly influence MSME Tax Compliance ($\beta = 0.058$; $p = 0.525$). This finding differs from Taing and Chang (2021), who found that fairness perception directly affects compliance intention. The difference may occur because MSME taxpayers often face practical challenges such as limited taxation knowledge, administrative capability, and financial constraints. Therefore, although taxpayers perceive the system as fair, fairness alone may not immediately result in compliance behavior. This result highlights that voluntary compliance requires more than positive external perceptions. Taxpayers need internal awareness that transforms their perception into responsible actions. This condition reflects the reality of MSMEs in Bukittinggi, where business actors may acknowledge fairness in tax regulations but still experience practical barriers, including limited financial management skills, tax literacy gaps, and administrative challenges. Therefore, fairness needs to be transformed into awareness before it becomes consistent compliance behavior.

The Mediating Role of Tax Awareness in Strengthening MSME Tax Compliance (RQ3)

The third research question investigated whether Tax Awareness acts as a psychological mechanism connecting institutional factors with MSME Tax Compliance. The results showed that Tax Awareness did not significantly mediate the relationship between Trust in Authorities and MSME Tax Compliance ($\beta = 0.087$; $p = 0.054$). Therefore, H6 was not supported. This finding indicates that trust influences compliance more directly rather than through awareness formation. MSME taxpayers who already believe in government credibility and legitimacy may immediately comply because they trust that taxation systems operate appropriately. This result extends the SSF perspective by showing that trust itself can become a direct driver of voluntary compliance. Trust creates cooperation between taxpayers and authorities without depending entirely on other psychological mechanisms.

Volume: 11 Issues: 67 Special Issue [August, 2026] pp. 153 - 168
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.academicinspired.com/ijafb
DOI: 10.55573/IJAFB.116711

Conversely, Tax Awareness successfully mediated the relationship between Tax Fairness and MSME Tax Compliance (β = 0.179; p = 0.004). Therefore, H7 was supported. This finding demonstrates that fairness perception does not automatically create compliant behavior. Instead, fairness must first be transformed into taxpayers internal awareness before influencing actual compliance. In the context of MSMEs in Bukittinggi, fair regulations and equal treatment encourage taxpayers to understand the purpose of taxation. However, compliance emerges when MSME actors internalize this fairness into moral responsibility. This result supports Night and Bananuka (2020), who emphasized that psychological mechanisms explain how external factors influence taxpayer behavior. It also strengthens TPB by demonstrating that internal beliefs and awareness play a central role before individuals perform specific actions. The successful mediation role of Tax Awareness represents the main contribution of this study. Previous research mostly examined direct relationships between institutional factors and compliance. This study explains how fairness develops taxpayer integrity through awareness formation.

These findings align with the vision of creating a more human-centered taxation system. Sustainable tax governance should not rely only on sanctions, audits, and enforcement mechanisms. Instead, tax authorities need to strengthen voluntary compliance by developing awareness, fairness, and ethical responsibility among taxpayers. Therefore, fostering taxpayer integrity requires a transformation from "complying because taxpayers have to" toward "complying because taxpayers understand the value of taxation." Tax Awareness becomes the foundation for creating sustainable and cooperative tax compliance among MSMEs. From a practical perspective, tax authorities should prioritize taxpayer education, transparent communication regarding tax utilization, simplified services, and fair treatment for MSMEs. These strategies can strengthen awareness-based compliance and support more humanistic tax governance.

Despite its contributions, this study has limitations. First, the research focused only on MSMEs in Bukittinggi City, which may limit the generalization of findings. Future studies should examine broader geographical contexts. Second, this study focused on Trust in Authorities, Tax Fairness, and Tax Awareness. Future research may integrate other behavioral variables such as tax morale, digital tax literacy, perceived service quality, and government performance.

Acknowledgements
The authors would like to express their gratitude to the MSME taxpayers in Bukittinggi City, West Sumatra, Indonesia, who participated in this study and provided valuable responses. The authors also acknowledge the support of relevant institutions, stakeholders, and academic colleagues for their assistance and constructive feedback throughout the research process. The findings of this study are expected to contribute to strengthening voluntary tax compliance through taxpayer awareness, trust, fairness, and the development of a more human centered taxation system.

Volume: 11 Issues: 67 Special Issue [August, 2026] pp. 153 - 168
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.academicinspired.com/ijafb
DOI: 10.55573/IJAFB.116711

References

Alm, J. (2021). Tax Evasion, Technology, and Inequality. *Economics of Governance*, *22*, 321–343.

Ajzen, I. (1991). The Theory of Planned Behavior. *Organizational Behavior and Human Decision Processes*, *50*(2), 179–211.

Ajzen, I. (2020). The theory of planned behavior: Frequently asked questions. *Human Behavior and Emerging Technologies*, *2*(4), 314–324. https://doi.org/10.1002/hbe2.195

Batrancea, L., Nichita, A., Olsen, J., Kogler, C., Kirchler, E., Hoelzl, E., Weiss, A., & Torgler, B. (2022). Trust and Power as Determinants of Tax Compliance Across Nations. *Journal of Economic Psychology*, *89*, 102482.

Bornman, M., & Wessels, J. (2020). The Tax Compliance Decision-Making Process of Small Business Owners. *International Journal of Entrepreneurship and Small Business*, *41*(3), 323–343.

Creswell, J. W., & Creswell, J. D. (2023). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (6th ed.). Sage Publications.

Direktorat Jenderal Pajak. (2023). *Laporan Tahunan Direktorat Jenderal Pajak 2023*. DJP Kementerian Keuangan Republik Indonesia.

Etikan, I., & Bala, K. (2020). Sampling and Sampling Methods. *Biometrics \& Biostatistics International Journal*, *8*(1), 215–217.

Hair, J. F., Hult, G. T. M., Ringle, C. M., Sarstedt, M., Danks, N. P., & Ray, S. (2021). *Partial Least Squares Structural Equation Modeling (PLS-SEM) Using R: A Workbook*. Springer. https://doi.org/10.1007/978-3-030-80519-7

Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2022). *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)* (3rd ed.). Sage Publications.

Kementerian Koperasi dan UKM Republik Indonesia. (2023). *Perkembangan Data Usaha Mikro, Kecil, Menengah dan Usaha Besar*.

Kirchler, E., Hoelzl, E., & Wahl, I. (2008). Enforced Versus Voluntary Tax Compliance. *Journal of Economic Psychology*, *29*(2), 210–225. https://doi.org/10.1016/j.joep.2007.05.004

Kirchler, E., Gangl, K., Hofmann, E., & Kogler, C. (2022). Cooperative Tax Compliance: From Deterrence to Deference. *Current Directions in Psychological Science*, *31*(3), 210–215. https://doi.org/10.1177/09637214221079683

Kogler, C., Olsen, J., & Kirchler, E. (2022). Tax Compliance and the Slippery Slope Framework: A Review of Behavioural Tax Research. *Current Opinion in Psychology*, *44*, 78–83.

Luttmer, E. F. P., & Singhal, M. (2020). Tax Morale and Tax Compliance: Evidence from Social and Behavioral Approaches. *Annual Review of Economics*, *12*, 331–352.

Mascagni, G., Santoro, F., & Mukama, D. (2021). Teach to Comply? Evidence from a Taxpayer Education Programme in Rwanda. *Journal of Development Studies*, *57*(6), 1001–1020.

Night, S., & Bananuka, J. (2020). The Mediating Role of Adoption of an Electronic Tax System in the Relationship Between Attitude Towards Electronic Tax System and Tax Compliance. *Journal of Economics, Finance and Administrative Science*, *25*(49), 73–88.

OECD. (2021). *SME and Entrepreneurship Outlook 2021*. OECD Publishing.

Putra, P. O. H., & Osman, A. H. (2021). Tax Compliance of Small and Medium Enterprises: A Systematic Literature Review. *Journal of Accounting and Taxation*, *13*(2), 79–92.

Prastiwi, D., & Diamastuti, E. (2023). Building Voluntary Tax Compliance Through Tax

Volume: 11 Issues: 67 Special Issue [August, 2026] pp. 153 - 168
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.academicinspired.com/ijafb
DOI: 10.55573/IJAFB.116711

Morale and Trust: Evidence from Indonesian Taxpayers. *Cogent Business \& Management*, *10*(1), 2186742.

Sarstedt, M., Ringle, C. M., & Hair, J. F. (2021). Partial Least Squares Structural Equation Modeling. In C. Homburg, M. Klarmann, & A. Vomberg (Eds.), *Handbook of Market Research*. Springer.

Sari, R., Susanto, B., & Nugroho, W. (2022). Tax Awareness and Taxpayer Compliance Among Micro Small Enterprises: Evidence from Indonesia. *Jurnal Akuntansi Dan Keuangan Indonesia*, *19*(2), 145–163.

Taing, H. B., & Chang, Y. (2021). Determinants of tax compliance intention: Focus on the theory of planned behavior. *International Journal of Public Administration*, *44*(1), 62–73.

Yasa, I. N. P., Martadinata, I. P. H., & Astawa, I. G. P. B. (2020). Taxpayer Compliance from the Perspective of Taxpayer Awareness, Tax Sanctions, and Service Quality. *Accounting*, *6*(5), 685–692.