Tax Knowledge, Not Motivation, Determines Compliance: Study of Women-Owned Batik SMEs

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Abstract. This study focuses on the individual predispositions of women entrepreneurs in the weaving and batik sector and their impact on business management. The research also examines the influence of tax regulations and tax knowledge on taxpayer compliance, specifically in relation to the Harmonization of Tax Regulations. The study used a quantitative approach with a sample of 100 women entrepreneurs from Batik SMEs who completed a questionnaire. The results indicate that individual predisposition does not directly impact taxpayer compliance, while tax knowledge has a significant positive effect on taxpayer obedience. Additionally, the Harmonization of Tax Regulations does not mediate the relationship between individual predisposition and tax knowledge in taxpayer compliance. The findings of this study suggest that women entrepreneurs in the batik industry should prioritize gaining tax knowledge to ensure tax compliance and better business management.

Keywords: Women entrepreneurs · Batik SMEs · Tax compliance · Harmonization of Tax Regulations · Individual predisposition

1 Introduction

The Indonesian woven fabric industry is one of the sectors that are be developing. This condition is supporting by the government's focus on tourism development. The Ministry of Industry continues to support the development of woven fabrics in Indonesia, one of which is the holding of the Industrial Technology Improvement Partnership Fund (DAPATI) program. This activity was held on November 4, 2021, for Small and Medium Industries (IKM) in increasing capability and technical guidance.

The Ministry of Tourism is in line with the program campaigned by the Ministry of Industry by making Indonesian woven fabrics a souvenir for travelers who travel to tourist areas throughout Indonesia. The woven fabric business actors are spread throughout Indonesia. Java Island is the area with the highest number of woven fabric business actors, namely 125,722 units. Data presented by BPS in Village Potential (Podes) in 2014–2018 shows that there is an increase in weaving business actors in Indonesia on average 4% per year.

One of the wealth of fabrics owned by Indonesia is Pekalongan Batik fabric. Indonesia has 5's areas of the largest weaving and fabric MSEs in Indonesia [1]. The first position is in Pekalongan Regency with 15,158 MSEs, second in Ende District with 10,547 MSEs, third in Manggarai District with 9,970 MSEs, fourth in Nusa Tenggara Timur with 9,167 MSEs, and fifth in Southwest Sumba with 8,884 MSEs. Weaving and batik craftsmen are mostly women or housewives. The Market Research Study show that women SMEs account for 9.1% of Indonesia's GDP [2].

The role of women in the business world provides many benefits. Markus (2021) explains that women have a new breakthrough in the business world that is mostly run by men and often women even provide many unexpected benefits. Female entrepreneurs (16%) admit that MSME business has very profitable prospects compared to male MSME business actors (12%). MSME business actors have high school education and only 15% are educate at the university level [3]. The level of education is one of the factors that affect the ability of business owners to use accounting information [4].

The development of the business world is also followed by the development of tax regulations. The government issued a law on harmonization of tax regulations which aims to build a fair, healthy, effective, and accountable taxation system. This condition causes MSME business actors, especially women, to continue to learn both in business development and the development of tax regulations for business continuity.

2   Literature Review

MSME's are businesses that are managed or owned by individuals. The Law of the Republic of Indonesia Number 20 Year (2008) briefly explains the meaning of MSME's [5]. MSME's are divided into micro, small, medium, and large enterprises. Micro-enterprises are productive businesses owned by individuals and/or individual business entities with criteria regulated by law. Micro businesses have a maximum net worth of IDR 50,000,000, small businesses have a net worth of more than IDR 50,000,000 and a maximum of IDR 500,000,000. Medium-sized enterprises have a net worth of more than Rp. 500,000,000 and a maximum of Rp. 10,000,000,000 and annual sales of more than Rp. 2,500,000,000 up to a maximum of Rp. 50,000,000,000.

Behavioral accounting is a branch of social science that deals with subjective interests or judgments and behavior. Behavioral accounting helps analyze the behavior of accountants and users of accounting reports [6]. The fundamental theory of behavioral accounting explains that personal tendencies are related to motivation, needs, attitudes, past knowledge, and expectations [7]. Behavioral accounting tends to present the behavior of people who vary based on the expected rational model of a behavior [8].

Personal tendency is a behavior that is adopted from certain behaviors that will be related to cognitive factors such as personality, opinions, and things that are believed [9]. Personal tendencies such as hedonicity are one of the factors that motivate a person to decide to buy organic products [10].

Tax according to the law is a mandatory contribution to the state owed by an individual or entity that is coercive under the law, the benefits of which are not obtained directly and are used for the purposes of the state for the greatest prosperity of the people [11]. Taxpayer awareness, tax knowledge, and tax sanctions have a positive and significant
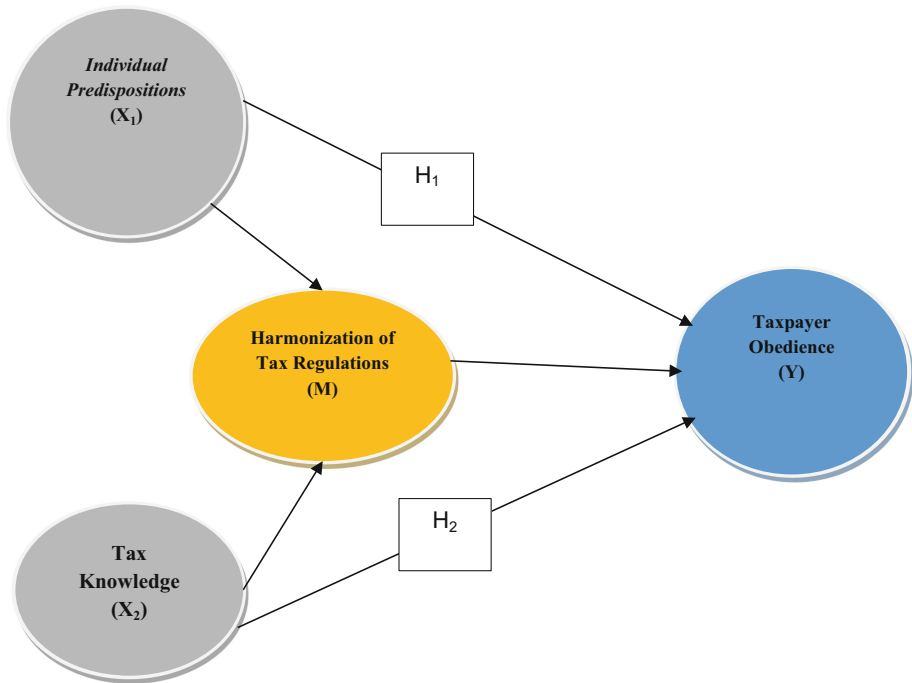
Fig. 1. Hypothesis Framework

effect on taxpayer compliance [12] and that tax knowledge and level of understanding [13].

H$_{1a}$: Personal tendencies (motivation) mediated by harmonization of tax regulations affect taxpayer compliance.

H$_{1b}$: Personal tendencies (attitudes) mediated by harmonization of tax regulations affect taxpayer compliance.

H$_{1c}$: Personal tendency (tax knowledge) mediated by harmonization of tax regulations influences taxpayer compliance.

H$_{1d}$: Personal tendencies (income expectations) mediated by harmonization of tax regulations affect taxpayer compliance.

H$_2$: Knowledge of taxation mediated by harmonization of tax regulations influences taxpayer compliance.

3   Research Methods

This study uses a quantitative approach is using a questionnaire as a data collection tool. The population in this study were women entrepreneurs of Batik SMEs. Questionnaires were distributing to 100 women entrepreneurs of Batik SMEs using *purposive sampling*

method. Quantitative research aims to test the hypothesis that was built by looking at the cause-and-effect relationship that occurred in [14]. Data analysis will use the Path Analysis method to identify direct and indirect, significant, and insignificant relationships of each variable used.

Research variables include exogenous, endogenous, and mediating variables. The exogenous variables are *individual predisposition* (motivation, attitude, entrepreneurial knowledge, and income expectations) and taxation knowledge, the endogenous variable is tax compliance, while the mediating variable is the harmonization of tax regulations. The mediating variable using to analyze the path of each indicator using and obtain the results of the direct and indirect effects of endogenous and exogenous variables. The influence exerted by the mediating variable can mediate fully, partially, or even not mediate [15].

Test the validity (test *loading factor*, AVE value, *discriminant validity,* and *cross loading*) and reliability (calculated *composite reliability* and *Cronbach's alpha*). The structure test of the model is tested using *R-Square analysis, Path Coefficients, T-statistics, Predicted Relevance,* and *Model Fit.* The population of this research is women's Batik SMEs. Sampling using *a purposive sampling method.* The sample in this study was 100 respondents with the following criteria.

1. MSME business actors report their business results by taxation or withholding taxes by business partners.
2. Running an MSME business in the last 2's years.
3. Carry out bookkeeping or recording expenses and income of business finances.

4   Results and Discussion

4.1   Respondents' Demographics

This study is 100 women entrepreneurs of Batik SMEs in East Java, Central Java, and the Special Region of Yogyakarta. The questionnaire testing in pilot tests with 50 students who had taken courses in entrepreneurship and research methods. The returns and conformity with the *purposive sampling* were 86 questionnaires. Demographics of respondents based on year of birth has been classified into 4's generations called *baby boomer* many as 2's respondents, gen X is 50 respondents, Gen Y is 28 respondents, and Gen Z 6 respondents. Based on the education level of women entrepreneurs, Batik SMEs have dominated by high school graduates with as many as 52 respondents (60%), junior high school graduates with 13 respondents (15%), elementary school graduates with 12 respondents (14%), undergraduate graduates 7's respondents (8%), and masters graduate 2's respondents (2%). The average turnover owned by business actors in a year are presented in Table 1.

4.2   Validity and Reliability

Based on demographics and data obtained from returning questionnaires, validity and reliability tests were fulfilled reliable with *combined loadings and cross-loadings.* This

Table 1. Average Turnover of Respondents per Year

No.	Turnover	Amount (Respondent)	Percentage
1	Rp0–Rp60,000,000	61	71%
2	>Rp60,000,000–Rp250,000,000	10	12%
3	>Rp250,000,000–Rp500,000,000	9	10%
4	>Rp500,000,000–Rp5,000,000,000	2	2%
5	>Rp5,000,000,000	4	5%
Total		**86**	**100%**

Source: Processed Data

Table 2. Test the Validity and Reliability

Variables	CR	CA	AVE	VIF
IP-Motivation	0.851	0.651	0.741	1.322
IP-Attitude	0.852	0.653	0.742	1.426
IP-Entrepreneurial Knowledge	0.858	0.668	0.751	1.103
IP-Revenue Expectations	1,000	1,000	1,000	1,398
Knowledge of Taxation (PP)	0.90342	0.917	0.8	2.108
Harmonization of Taxation Regulations (HPP)	0.937	0.910	0.788	1.473
Taxpayer Obedience (KWP)	0.952	0.937	0.800	2.064

Source: Processed Data

test is shown to test the indicators that are arranged in each variable used in this study. The test results use a minimum standard of or greater than 0.70 for each indicator. The results of testing the *individual predisposition* (IP) variable consist of 15 statements based on motivational factors (6 descriptions), attitudes (3's), entrepreneurial knowledge (4's), and income expectations (2's). Based on the data processing, the test statements that meet the assessment standard are obtaining call IP1, IP2, IP7, IP8, IP11, IP12, and IP15. The tax knowledge variable consists of 4 statements with the results of the assessment test statements all above the standard test value. The Harmonized Tax Regulation (HPP) variable consists of 7 and 4 descriptions (HPP1, HPP2, HPP3, and HPP4) that meet the assessment standards. The taxpayer compliance variable is composed of 5's of all the descriptions that meet the assessment standards.

The validity test is obtained from the results of the *composite reliability* (CR) equal to or greater than 0.7 and *Cronbach's alpha* (CA) with a minimum test value of or greater than 0.60. The reliability test is obtained from the results of *average constructs extracted* (AVE) with a minimum value of 0.50 test results. The results of testing the validity and reliability are presented in Table 2.

Table 3. Discriminatory Validity

	IP-IP Motivation	-IP Attitude	IP-Entrepreneurial Knowledge	IP-Expectation of Income	Tax Knowledge (PP)	Harmonization of Tax Regulations	Taxpayer Compliance (KWP)
IP-Motivation	**(0.861)**						
IP-Attitude	0.334	**(0.861)**					
IP-Entrepreneurial Knowledge	0.190	0.016	**(0.867)**				
IP-Revenue Expectations	0.207	0.469	−0.003	**(1,000)**			
Tax Knowledge (PP)	0.292	−0.003	0.156	−0.218	**(0.896)**		
Harmonization of Tax Regulations (HPP)	0.083	0.010	0.200	−0.080	0.477	**(0.888)**	
Taxpayer Obedience (KWP)	0.127	−0.133	0.236	−0.190	0.654	0.524	**(0.894)**

Source: Processed Data

The next test to be carried out is to test the selected research variables themselves. Large compared to testing with other variables. The results of the discriminant validity test are presented in Table 3.

4.3   Data Path Analysis (Path)

The next test is to test path analysis to test the direct relationship between *individual predisposition* and taxpayer compliance, and the relationship between tax knowledge and taxpayer compliance. Path analysis is also used to identify indirect relationships that arise due to the addition of the Harmonized Tax Regulations (HPP) variable as a mediating variable. The results of the model fit test in this study are presented in Fig. 2.

The fit model presented in Fig. 2 above is obtained based on the hypothetical framework that has been built in Fig. 1. Testing the fit model is also the process of testing the hypothesis in this study. APC value is 0.177 or equal to 17.7% with P value = 0.022, are 0.352 is equal to 35.20% with P value < 0.001. The VIP value is 1,556, the G0F value is 0.532 (in the big category). The overall path coefficient value is 0.252 and p value 0.001, while the path coefficient and p value for each hypothesis are presented in Table 4.

4.4   Discussion

Processing and analyzing result data presented above are the basis for present the discussion. The presentation of direct and indirect relationships of the research variables is present in Table 5. The data analysis present in Table 5 explains and summarizes the direct and indirect relationships of the hypotheses built in this study. Direct and indirect relationships were obtained based on the mediating variables used [15]. The mediating variable can provide full, partial, and non-mediating mediating effects.
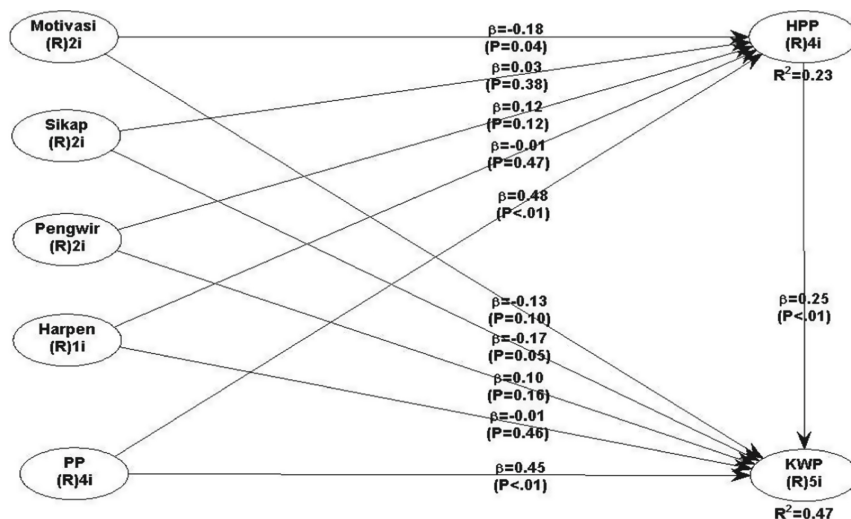
Fig. 2. Model Fit Testing

Table 4. Summary of Path Coefficients and P-Value Per Hypothesis

Hypothesis	Path Coefficient	P-Value
H_{1a}	−0.183	0.038
H_{1b}	0.033	0.380
H_{1c}	0.124	0.118
H_{1d}	−0.008	0.472
H_2	0.479	<0.001

Source: Processed Data

The results of data processing explain that *individual predisposition* have no effect directly and indirectly to taxpayer compliance even though the tax regulation harmonization variable (HPP) is added as a mediating variable so that **H_{1a} rejected.** The results of data processing -attitudes **H_{1b}** explain that *individual predisposition does* not have a direct or indirect effect on taxpayer compliance even though the harmonization of tax regulations (HPP) is added as a mediating variable so **H_{1b} rejected.** The results of data processing **H_{1c}** explain that the *individual predisposition*- entrepreneurial knowledge has no direct and indirect effect on taxpayer compliance even though the tax regulation harmonization variable (HPP) is added as a mediating variable so that **H_{1c} rejected.** The results of data processing **H_{1d}** explain that the *individual predisposition* factor - income expectations do not have a direct or indirect effect on taxpayer compliance even though the tax regulation harmonization variable (HPP) is added as a mediating variable so that **H_{1d} rejected.** Data processing **H_2** explain that the tax knowledge factor has a direct and significant effect. The results of the indirect relationship test obtained through the HPP

Table 5. Summary of Direct and Indirect Relationships

	Direct Effect		Decision	Indirect Effect		Decision
	Path Coefficient	P-Value		Path Coefficient	P-Value	
IP Motivation - KWP	−0.134	0.100	Rejected	−0.183	0.038	Rejected
IP Attitude – KWP	−0.168	0.053	Rejected	0.033	0.380	Rejected
IP Peng. Wirau – KWP	0.105	0.159	Rejected	0.124	0.118	Rejected
IP Har.Pen – KWP	−0.012	0.455	Rejected	−0.008	0.472	Rejected
PP - KWP	0.450	<0.001	Accepted	0.479	<0.001	Rejected

Source: Processed Data

mediation variable and taxpayer obedience obtained the P value > 0.001. The results of this test explain that the HPP variable does not have a mediating impact, because the results obtained still have a significant impact, so H2 is rejected.

5 Conclusions

The results of data processing and analysis above explain that there is no direct and indirect relationship between *individual predisposition* consisting of motivation, attitudes, entrepreneurial knowledge, and income expectations on taxpayer compliance even though a mediating variable is given, namely harmonization of tax regulations. Taxpayer obedience is more influenced by tax knowledge, so the mediating variable, namely harmonization of tax regulations, does not affect taxpayers in tax reporting.

Further research can add some behavioral factors and use of technology that affect a person in running a business, decision making, obedience in reporting business results. Besides that, it can expand the population and the sample used to get better results enriching science.

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