Influential Factors of Tax Evasion Among Micro, Small, and Medium Enterprises (MSME) Owners in Malaysia

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Abstract
Taxation is a means to collect money from the people of the country, and tax revenue is one of the main sources of income for the government. Tax evasion is a common practice in most countries and ways of minimising it has been a continuous challenge for most governments. Generally, tax evasion is an illegal method of tax avoidance and concerted efforts should be given to curb such actions in the country to ensure justice and equity for the taxpayers. The study aims to identify the factors that may cause tax evasion among the Malaysian Micro, Small, and Medium Enterprises (MSME) owners. A quantitative empirical study was pursued, using validated questionnaire for the collection of data. The non-probability sampling method was used to collect data from 159 respondents. Both the SPSS Version 27 and Smart PLS 4 were used for analysing the data. The results show that tax morale, tax fairness, tax complexity, and attitude towards tax evasion have a significant relationship with tax evasion. However, tax knowledge did not show a significant relationship with tax evasion. The findings from the study may provide valuable insights for policymakers and tax authorities to consider various strategies to reduce tax evasion. Future studies could possibly increase the respondents as well as other constructs.
Keywords: Tax Evasion, Tax Morale, Tax Fairness, Tax Complexity

Introduction
The way in which the tax authority of a country applies and collects taxes on its people and corporate entities is known as taxation (Acclime, 2023). Taxation is implemented at all levels, including income taxes and the Goods and Services Tax (GST). Direct tax and indirect tax are the two different kinds of taxes. Direct taxes are levied on profits or earnings and do not take the form of production costs; instead, they represent a redistribution of revenue from the private industry to the government. One type of direct tax is the income tax, which is charged to individuals when they earn above a specific amount of money. According to section 3 of the Income Tax Act 1967, income accrued and derived in Malaysia and foreign sources remitted to Malaysia are the only two circumstances where income is taxable.

The most significant direct tax in Malaysia is the income tax, as it constitutes a major portion of the nation's revenue. An individual (resident or non-resident) in Malaysia is obligated to pay tax if their income exceeds a certain threshold (LHDN, 2023). Not only individuals but also firms, both resident and non-resident, that generate income in Malaysia are subject to corporate income tax, which is also a direct tax collected by the government. Depending on the type of company, there are different corporate income tax rates (Acclime, 2023). On the other hand, indirect taxes are considered a production cost and a component of value added. The value of goods and services must, therefore, be increased through indirect taxes. Indirect taxes are not assessed against taxpayers directly but are frequently imposed on products and services, raising the cost of those items, such as the Sales and Service Tax (SST) in Malaysia, which was applied from 1st September 2018.

According to Benjamin Franklin (1789 cited in Archer (2022), only death and taxes are certain. Taxation is an essential part of the social contract that binds individuals and the economy, other than subsidizing public goods and services. The government's ability to build large dams, develop transportation systems, and deliver high-quality social services to its citizens is greatly influenced by the amount of tax revenue it receives from its people. The way taxes are gathered and spent can reveal a lot about a government's authority. As a result, taxes are essential to any nation's economy and the welfare of its citizens.

Tax evasion and avoidance seem to be the main aims of taxpayers as the world has transformed, pushing tax compliance into the background. If tax evasion comprises the adoption of illegal measures to reduce a person's tax liability, tax avoidance entails the use of legal means to achieve it. Concerted efforts have been put in place by various countries and international organizations to prevent undesirable tax-related events, such as tax evasion or tax fraud, as they pose a threat to society (Kassa, 2021). If the taxation system cannot implement appropriate policies to collect taxes, many people will exploit this opportunity to avoid paying taxes, making tax evasion more prevalent.

The years 2020 to 2022 have been a challenging period resulting from the Covid pandemic. In Malaysia, this pandemic caused many firms to lose money for about three years without any business, leaving numerous employees without pay, and some even without jobs. The employers are not to be blamed in this situation, as the whole world was under immense pressure. Consequently, some businesses may likely to take advantage of this situation to manipulate financial statements, making their businesses appear more in losses to avoid paying taxes altogether. Due to the pandemic's lasting effects on taxpayers, given the erratic nature of social, economic, and governmental operations under the new normal system, there may be more potential for tax evasion. The Inland Revenue Board of Malaysia (LHDN) reports that 31,598 entities, including individuals, enterprises, and other organizations, have yet to declare their income tax (FMT, 2022). The current situation will reduce the nation's tax revenue, causing the economy to deteriorate and hardships for the overall population in the country. Hence, it is essential to determine the factors that have affected and continue to affect taxpayers' intention to engage in tax evasion. This study aims to fill the gap in the literature by recognizing the enormous impact tax evasion has on a country and the paucity of research in this area for Malaysia. Specifically, this study seeks to identify the factors that lead to tax evasion, particularly among Malaysian MSME owners. The results of the study would, in turn, provide an in-depth understanding of factors influencing tax evasion among

MSME owners. The study primarily aims to fill this gap by systematically assessing the impact of tax morale, tax fairness, tax knowledge, tax complicity, and attitudes toward tax evasion on MSME owners in Malaysia. Overall, the study would contribute to a comprehensive understanding of the reasons and deterrents surrounding tax evasion among MSME owners in this country.

Literature Review
Tax Evasion Among MSME Owners
SME was renamed and redefined as MSME in the Malaysian context. A firm or LLP with a paid-up capital amount of RM2,500,000 or less and yearly sales of less than RM50,000,000 is classified as MSME and is liable to income tax. For the first RM600,000 of taxable income, the tax rate is 17%, and the rest is taxed at a rate of 24% (Tax Measures Budget, 2023). However, MSMEs can also be categorized into a few sectors, such as manufacturing and services, and three categories, namely micro, small, and medium. Each category has its own definition regarding sales turnover and the number of employees, as shown in Figure 2.2 (SME Corporation Malaysia, 2023).

The GDP of Malaysia's MSMEs increased by 11.6% in 2022, exceeding the 8.7% rise in the nation's overall GDP. This demonstrates the rising importance of MSMEs in promoting economic growth. However, with a growth rate of 3.8%, the number of people employed by MSMEs continued to increase more rapidly than in other industries, reching an overall number of 7.59 million people. The measure of labor productivity in MSMEs increased by 7.5% to RM76,433 per individual, surpassing the pre-pandemic figure of RM75,625 per individual in 2019 (Department of Statistics Malaysia, 2023). MSMEs make up over 90 percent of all enterprises in nearly every nation, contributing significantly to labor and the economy's growth globally and nationally (Nasution & Nanda, 2017). MSMEs, as a significant component of the economic system, often face hurdles to their development and survival due to constraints in legislation, access to finances, creativity, limited industry scale, taxation, and other management knowledge and procedures (Bank Negara, 2014). This clearly shows that they have a tough time complying with tax laws and fulfilling their obligations.

Micro and small enterprises share little in common with huge tax evaders; all unreported company activity is 'informal,' regardless of who initiates it. Formality, on the other hand, may only be moderately important for micro firms with limited expansion possibilities, and tax authorities rarely benefit from giving attention to such businesses. On the other hand, informality may be a wise option for businessmen to acquire cost benefits influencing competition, creating a significant tax collection breach (Farrel, 2004).
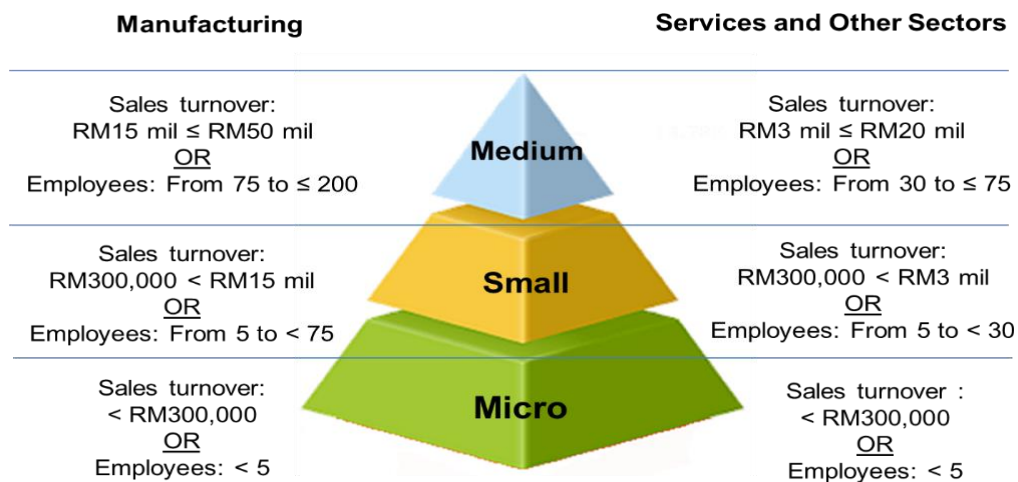
Figure 1: MSME Definition

Tax Moral

Tax morale is the innate drive to conform, make tax payments, and thereby willingly support the welfare of the public. Yet, most initiatives fail to take into account how tax morale can develop or which factors might affect it. As a result, tax morale is utilized as a residual factor to identify unidentified elements that affect tax evasion (Torgler & Schneider, 2005). Taxpayers have a responsibility to support the tax system by paying an appropriate amount of taxes despite the need for outside pressure. It serves as an internal driving force for taxpayers (Sadjiarto et al., 2020). Prior research has demonstrated that whenever taxpayers believe that tax evasion is immoral, it becomes undesirable. As a result, taxpayers won't intend to commit tax evasion. Tax morale refers to a taxpayer's perception of the benefits or drawbacks of tax evasion, as well as their decision to act in that way whenever they believe there is an opportunity or reason for doing so (Genta et. al., 2021). According to Feld and Frey (2007), tax morale or a taxpayer's honesty will improve when tax authorities act responsibly and with respect toward taxpayers during the course of their duties. Overall analysis proves that there is a considerable association between tax morale and tax evasion. Tax morale offers insights concerning individuals' own choices regarding whether and how much they avoid paying taxes (Torgler et al., 2007). According to McGee (2006), there are three main points to consider about the morality and ethics of tax evasion. The first one contends that tax evasion is morally wrong and shouldn't be engaged in by anyone; the second contends that the government is immoral and possesses no right to demand anything from anybody, and the third contends that tax evasion can be both moral and immoral depending on the circumstances. According to Sumartaya and Hafidiah (2014), there's a 59.41% impact on tax evasion and a substantial association between tax morale. So, the amount of tax evasion will become lower when taxpayers have a good moral code regarding tax payments.

Tax Fairness

Tax fairness could also be another reason for taxpayers, particularly MSME owners, to participate in tax evasion. Fair law dictates that taxes are generally distributed equally and according to each taxpayer's capabilities. Even with fair implementation, taxpayers should have the option to raise concerns about the delay in tax payment and request extra time from the authorities (Yee et al., 2017). It is widely understood that fair tax collection practices, guidelines, and execution are vital. Due to the unfair nature of the tax collection procedure,

unlawful activity may occur. Taxpayers can be positively influenced by tax fairness. For instance, when the tax rate is perceived as unfair and impractical, taxpayers may find themselves engaging in tax evasion activities and disclosing their yearly earnings to the authorities without disputing the precise amount (Rantelangi & Majid, 2018).

From a Malaysian perspective, Azmi and Perumal (2008) suggested through factor analysis that a fair tax system is crucial as it could enhance taxpayers' behaviors. However, using the Mann-Whitney and Kruskal Wallis tests, Mohamad et al (2013) discovered that tax fairness shows an increasingly significant relationship with taxpayers' behavior. Taxpayers who assert that the tax system is unjust and inequitable to them are prone to participate in tax evasion and believe that doing so is reasonable, according to (Barth et al., 2006; Fortin et al., 2007). There is a strong negative correlation connecting tax fairness and tax evasion; 75% of taxpayer respondents, in the perspective of fairness, claim that the concept of "ability to pay" has more impact on tax evasion than the concept of "benefits" (Song & Yarbrough, 1978). Therefore, if taxation is dealt with fairly, it will lessen the idea of taxpayers attempting to avoid paying their correct amount of taxes annually (Rantelangi & Majid, 2018).

Tax Education
Several educational measures have been outlined in previous literature to clarify misconceptions about the influence of educational factors on taxpayers' behaviors. This reflects knowledge of possible methods for tax evasion, overall educational achievement, specialized tax knowledge, and the general level of financial understanding (Ameyaw & Dzaka, 2016). Studies by Song and Yarbrough (1978); Witte and Woodbury (1985); Kasipillai et al (2003) have established a relationship between tax education and tax evasion. Thus, tax knowledge could also be a factor that causes MSME owners to commit tax evasion. Harris (1989) identified two types of tax education: general knowledge acquired through ordinary lifestyle or official education provided as part of a course, and knowledge targeted especially towards potential chances for tax evasion. Tax knowledge is essential for taxpayers to understand the reasons for and consequences of committing tax evasion. Well-educated taxpayers about tax evasion would be less likely to engage in it, whereas the opposite is true for those who are poorly informed. Information on taxes needs to receive more attention to improve the knowledge of both taxpayers and the tax authority (Poudel, 2017).

Increasing taxpayers' education also helps people become more aware of the nation's laws and tax structure. Numerous studies found that taxpayers' attitudes about the tax system are significantly impacted by their perceptions of the tax system, suggesting that increased tax knowledge raises each taxpayer's ethical standards. As a result, in Malaysia, they are more likely to desist from tax evasion (Palil & Mustapha, 2011; Mohamad et al., 2013). In a general view, providing adequate tax knowledge is a way of increasing the country's revenue from taxpayers (Sadjiarto et al., 2020). Taxpayers who take the time to learn about the tax system will feel more confident about upholding their obligations to the government. Tax knowledge emphasizes the duty of the taxpayer to ascertain and disclose their tax liability (Yee et al., 2017).

Tax Complexity
Complexity has been a key factor in tax evasion in many industrialized nations worldwide as tax systems have become more intricate over the years. Previous studies using archive data

and survey-based approaches show significant statistical evidence that complexity has a positive relationship with tax evasion (Richardson, 2006). Tax complexity, according to a tax accountant, relates to the length of time required to produce tax returns, including tax planning, or the duration it takes to provide tax advice and consultancy. A tax lawyer defines tax complexity as a challenge in comprehending and translating tax rules for use in tax compliance. For a taxpayer, tax complexity is measured by the amount of effort and money spent on compliance with the appropriate tax laws (Tran-Nam & Evans, 2014).

In several crucial aspects, a complex system differs from one that is complicated. Complexity suggests that a structure is difficult to comprehend and manage. It could be less reliable as well (Tanzi, 2018). Tax complexity, according to Alm (2012), may induce taxpayers to seek the aid of tax experts. This makes tax compliance costly and adds a reason to evade if the danger of being exposed is minimal and there is an opportunity for justification. In the worst-case scenario, complex tax systems may have been proposed as reasons for tax non-registration. It complicates tax officials' efforts to track the payment of taxes (Akinboade, 2007).

Kopczuk (2001) states that the two principles of tax complexity are, firstly, it allows for more ways to protect income from revenue, which raises the total expense of taxation. Secondly, complexity also raises the possibility of taxpayers making unintentional errors in estimating their tax liabilities. As a result, punishment becomes a less tempting tool of regulation, and raising the likelihood of detection becomes more expensive.

Attitude towards Tax Evasion

Attitude is a way of determining if something's actions are negative or positive (Kassa, 2021). It is the degree to which an individual initially perceives a behavior based on a positive or negative evaluation of that behavior (Adesanya, 2020). Individual attitudes about taxation have an impact on compliance (Owusu et al., 2019). Alleyne and Harris (2017) discovered that opinions regarding behavior are a major indicator of a person's desire to get involved in tax evasion. Since a person's perspective impacts their attitude regarding taxation, taxpayers' perceptions as well as attitudes toward tax evasion are used simultaneously (Yee et al., 2017). Other research has discovered an association between attitude and tax evasion (Kirchler et al., 2008). If taxpayers have a negative attitude about taxes, they may be hesitant to fulfill their responsibilities to the officials; however, if taxpayers have a positive attitude about taxes, they are more likely to follow the rules and pay their taxes (Abera, 2019). According to Palil and Mustapha (2011), the degree of tax attitudes was found to be associated with a significant link for compliance behavior in Malaysia, applying Stepwise Multiple Linear Regression analysis, a finding that Saad and Haniffa (2014) confirmed. Similarly, Alabede et al (2011) used moderated multiple regression to analyze the data received from a survey conducted in Nigeria to investigate their attitude toward the evasion of taxes. The findings revealed that taxpayers generally adhere to the adopted tax scheme. The main explanation was that the Nigerian system gave taxpayers less authority and more dignity; consequently, their tax compliance was higher.

Research Methodology

A questionnaire survey was applied in this study as a technique to collect the needed data. The survey was conducted by preparing a set of questions in a questionnaire to be answered by the respondents. The questionnaire consisted of 7 parts: a demographic section, each

section for the 5 explanatory factors, and one section for the explained variable. It was prepared in a Google Form. The forms were distributed only through online platforms such as Email, Teams, and WhatsApp as it was more convenient and safer.

The population of this study comprises MSME owners conducting their business in the Petaling district, Selangor. This district was chosen because it has the highest population. Petaling is particularly wealthy in terms of GDP due to various business activities. The district houses several malls and businesses, attracting individuals, including unemployed residents, to open their own businesses. Initiatives are also being taken to support the enhancement of MSMEs, as seen in the recent SOBA Lab in Petaling Jaya, where organizers provided information on obtaining funding, digital business transformation, and furthering education (The Star, 2023). A sample size of 150 respondents was determined in this study collected because a minimum sample size of 100 to 200 respondents is required to create a structural equation model for this study. In this study, a total of 159 respondents participated in the survey. This study uses a non-probability sampling method. This means that not all MSME owners in Petaling will have an equal chance to respond to the circulated questionnaire in this study. This study utilizes SPSS Version 27 and Smart PLS 4 for preparing the results.

Results and Findings
Business profile of MSME owners
The business profile of MSME owners has been segregated into 3 different parts: years in business, participating economy activities and annual sales turnover. It is interesting to know that well experienced entrepreneurs have the capacity of generating higher sales within the service sector as compared to others.
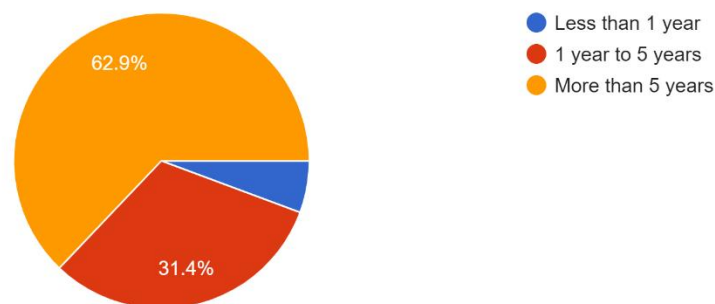

Figure 4.1 Years in Business of MSME owners

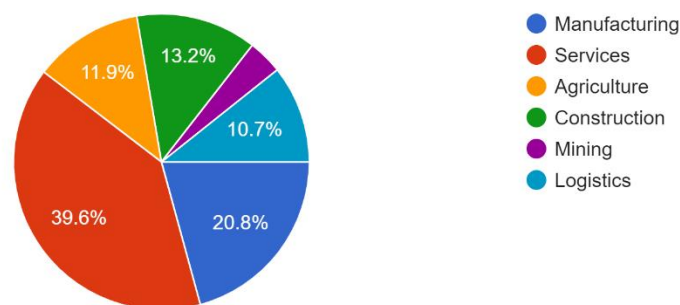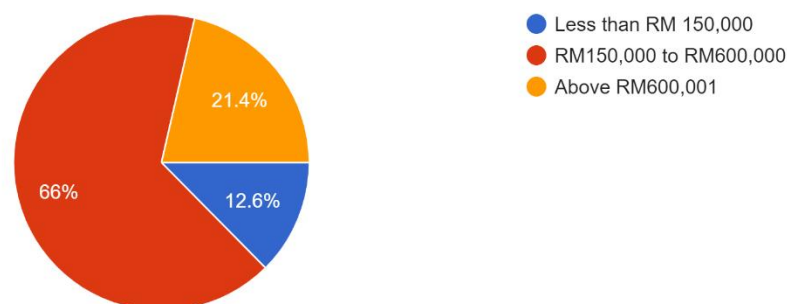**Figure 4.2 Participation in economy activities by MSME owners**

Figure 4.3 Annual Sales Turnover earned by MSME owners

Distribution of Constructs

The normality tests, like Shapiro Wilk and Smirnov-Kolmogorov have the capacity of determining the normal distribution of constructs or variables that are being used in this study. Both tests are tied to the null and alternative hypotheses as follows:

H0: The construct is normally distributed

H1: The construct is not normally distributed.

It is good to know that Mishra et. al.(2019) has given the highest credit to Shapiro-Wilk as the sample size (159) is lower than 2000. Higher p-values of constructs support the existence of normal distribution (Ghasemi & Zahediasl, 2012). Table 1.1 has indicated that the responses from MSME owners on the variables are not normal due to the generated lower p-values (All the p-values are lesser than 5%). This is inconsistent with that reported by (Ghasemi & Zahediasl, 2012)

Table 4.1
Distribution of Explanatory and Explained Constructs.

Constructs	P-values of Shapiro Wilk
Tax Evasion	< 0.001
Tax Morale	< 0.001
Tax Fairness	< 0.001
Tax Knowledge	0.003
Tax Complexity	< 0.001
Attitude Towards Tax Evasion	< 0.001

Exploratory Factor Analysis Through Harmen Single Factor Test
Table 4.2
Exploratory Factor Analysis – Harmen Single Factor Test
Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.578	28.592	28.592	8.578	28.592	28.592
2	2.327	7.758	36.350			
3	1.731	5.769	42.119			
4	1.239	4.132	46.251			
5	1.181	3.935	50.186			
6	1.073	3.578	53.764			
7	1.059	3.531	57.295			
8	.997	3.322	60.617			
9	.917	3.055	63.672			
10	.889	2.964	66.637			
11	.824	2.746	69.382			
12	.753	2.509	71.891			
13	.733	2.442	74.333			
14	.688	2.292	76.625			
15	.670	2.235	78.860			
16	.654	2.181	81.040			
17	.633	2.110	83.150			
18	.575	1.918	85.068			
19	.536	1.787	86.855			
20	.513	1.708	88.563			
21	.469	1.563	90.126			
22	.441	1.469	91.595			
23	.414	1.380	92.975			
24	.392	1.308	94.284			
25	.347	1.158	95.442			
26	.336	1.119	96.561			
27	.305	1.017	97.578			
28	.289	.965	98.542			

| 29 | .250 | .832 | 99.375 | | | |
| 30 | .188 | .625 | 100.000 | | | |

Extraction Method: Principal Component Analysis.

Harman's single factor has been identified as a significant way of detecting the presence of common method of bias. A major amount of common method variation exists if a single component appears or when one basic component accounts for most of the variance within measurements (Baumgartner et al., 2021). When the amount of variance obtained by a single variable surpasses 50%, the research has the presence of common method bias, (Analysis Inn, 2020). With the rationale of Harmen single factor, there is a possibility for different sets of items to join hands with single factor. It is noted that 28.6% of variance is tied to a single factor and it is lesser than 50%. This has indicated the absence of common method bias.

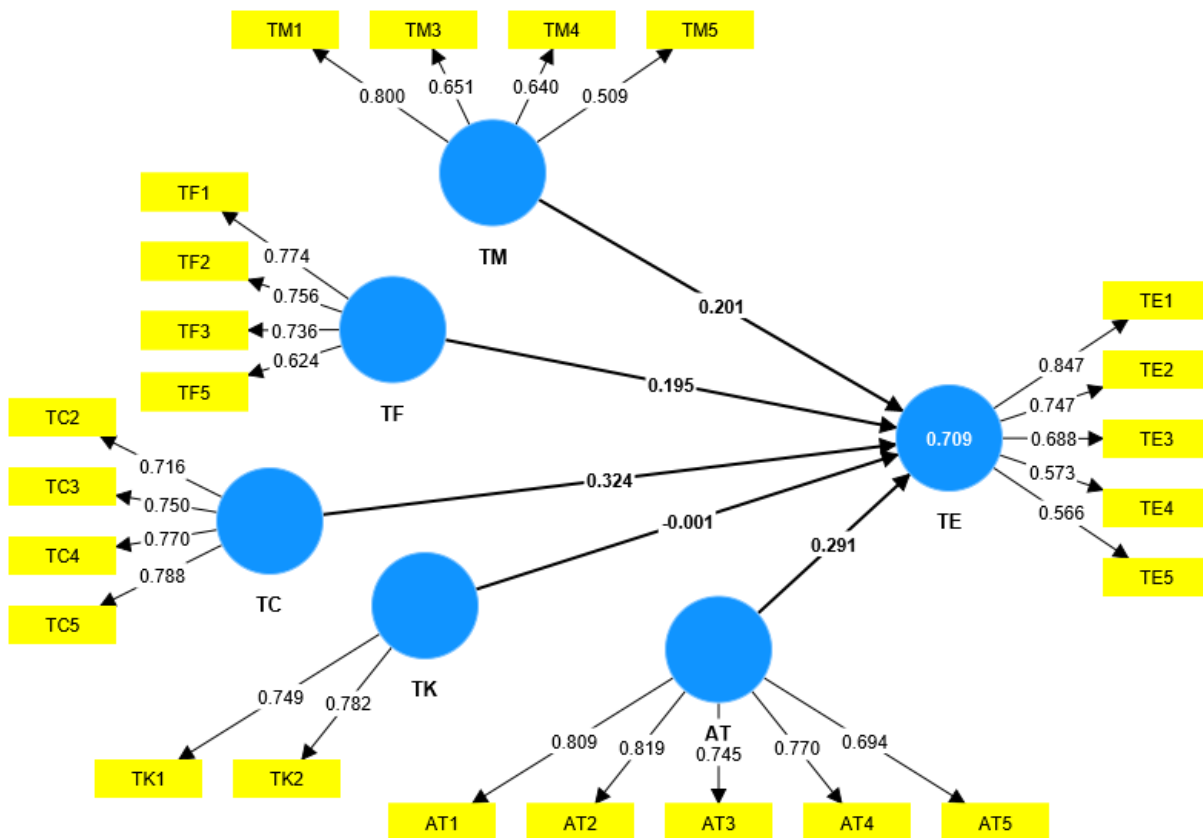**Confirmatory Factor Analysis of Constructs**

Figure 4.1 Construction of Model for Confirmatory Factor Analysis

Construct validity refers to the degree to which an evaluation assesses the idea being evaluated. It is critical for determining an approach's overall effectiveness, (Bhandari, 2022). According to Figure 4.1, all the factor loadings of items are greater than 50%. It is between 0.509 and 0.819. A total of 6 items within the explanatory constructs were removed from the model namely TM2, TF4, TK3, TK4, TK5 and TC1 as its values were all lesser than 0.5. Convergent validity is the degree on how two measurements of variables that ought to be theoretically related have connections, (Imran, Hameed, and Haque, 2018). It determines the reliability of the dependent and explanatory variables in a study. Cronbach's alpha, composite

reliability (rho a), composite reliability (rho c) and average variance extracted (AVE) are the components found in the results of this test. Composite reliability assesses a construct's inner coherence by accounting for common variations between variables as well as measurement errors. A greater composite reliability suggests the variables in the framework are closely connected. A typical benchmark for adequate composite reliability is 0.7 or above, (Cheung et al., 2023). Based on table 4.3, all the Cronbach's Alpha values for all the constructs are close to and greater than 70%, except tax knowledge and Tax Morale. As for composite reliability, Table 4.3 has supported the rationale of Cheung, et. al (2023). All the AVE values for all the constructs are greater than 50%, except Tax evasion and Tax morale. The AVE values for Tax evasion and Tax morale are close to 50%. Bonett and Wright (2015) have supported the Cronbach values that are more than 70%.

Discriminant validity is accomplished to assess the distinctiveness of the variables in the study. It illustrates the fact that the variables in the study have distinct identities as well as aren't unduly related to each other (Fawad, n.d.). Discriminant validity will exist only if the correlation values of constructs are lesser than the square root of Average Variance Expected (AVE) (Aj, Sami & Sidek, 2017). Based on Table 4.4, all the correlation values of constructs are lesser than square root of AVE, except the bi-variate correlations between TE, AT and TC.

Common Method Bias occurs when multiple variables are researched with a similar approach as predictions of the correlations among them have biases (Jordan & Troth, 2019). It is proposed that a VIF greater than 3.3 shows excessive convergence and, it may be influenced by Common method bias vice versa it is regarded to be Common method bias-free when every VIF produced from a single collinearity test is the same value or lesser than 3.3 (Kock, 2017). All the Variance Inflation Factor (VIF) for all the items are lesser than 3.3 and have supported the absence of Common Method Biasness or collinearity.

Model fit test is commonly used to determine whether the conceptual framework is reliable and appropriate for the study. The two main components focused on this test is SRMR and NFI. SRMR is the difference within the correlation found and a framework's recommended correlation matrix. NFI on the other hand is when subtracting the proposed model's Chi-Square value from 1 and dividing the values of null model's Chi-Square. As a result, the nearer the NFI result gets to 1 and the nearer SRMR get to 0, the better the fit of the framework, (Ringle, Wende & Becker 2015). Based on table 4.5, the SRMR value is 0.081 which is approaching to 0 and the NFI value is 0.653 which is approaching to 1. Thus, this clearly shows that the model developed is a very good fit for conducting this study.

Table 4.3
Components of Construct Validity

	Cronbach's alpha	Composite reliability (rho_c)	Average variance extracted (AVE)
AT	0.827	0.878	0.591
TC	0.75	0.842	0.572
TE	0.721	0.818	0.48
TF	0.698	0.815	0.525
TK	0.294	0.739	0.586
TM	0.587	0.749	0.433

Note: AT = Attitude towards tax evasion, TC = Tax complexity, TE=Tax Evasion, TF=Tax fairness, TK=Tax knowledge, and TM = Tax morale

Table 4.4
Discriminant Validity of Constructs

	AT	TC	TE	TF	TK	TM
AT	0.769					
TC	0.643	0.756				
TE	0.751	0.716	0.693			
TF	0.703	0.465	0.656	0.725		
TK	0.246	0.084	0.229	0.33	0.765	
TM	0.571	0.571	0.654	0.527	0.335	0.658

Table 4.5
Results of Model Fit Test

	Saturated model	Estimated model
SRMR	0.081	0.081
d_ULS	1.983	1.983
d_G	0.601	0.601
Chi-square	529.423	529.423
NFI	0.653	0.653

Multiple Regression Analysis
Multiple Regression Analysis measures the significant relationship and sensitivity between three and more variables. It deals with tri-variate analysis (deals with 3 variables) and multivariate analysis (> 3 variables). R-square (R^2) is an indicator of statistics that determines how much of a dependent variable's variation can be anticipated or determined through the independent variables. R^2 measures how effectively a regression model anticipates the result of data that was observed. Coefficient of determination is another name for R^2. Subsequently it is a linear regression study that evaluates the efficiency of the fit framework, (Abba, 2023). Adjusted R-square has the same technical explanation, except that it comes together with the adjustment of df (degree of freedom). Adjusted R-square is more important that R-square when it comes to multiple linear regression.

The multiple linear regression model follows:
$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + Error$

    Where:
    Y = Dependent Variable
    Xs = Explanatory Variables
    α = Y intercept

βs = the estimated slopes for explanatory variables.

Thus, the model is:
Tax evasion = α + $β_1$ (Attitude towards tax evasion) + $β_2$ (Tax complexity) + $β_3$ (Tax fairness) + $β_4$ (Tax knowledge) + $β_5$ (Tax morale) + Error

Table 4.6
Multiple Linear Regression Analysis through Bootstrap method

	Original sample (O)	Sample mean (M)	P values	Adjusted R-square
AT -> TE	0.291	0.287	0	0.7
TC -> TE	0.324	0.317	0	
TF -> TE	0.195	0.205	0.011	
TK -> TE	-0.001	0.009	0.985	
TM -> TE	0.201	0.2	0.002	

About 70% of the variations within the tax evasion can be explained by Attitude, tax complexity, tax fairness, tax knowledge, and tax morale. The technique of evaluating hypotheses is applied to determine the reliability of the collected information and provides an outline for making inferences about the sample size. According to Davis and Mukamal (2006) researcher constructs a particular hypothesis, examines the information obtained from the survey, and evaluates if the hypothesis created in the study earlier is supported by the evidence. The primary goal of this analysis is to determine whether the null hypothesis has been approved or denied based on the p-value generated by the testing of hypotheses in the PLS software using the bootstrapping approach. When the p-value is smaller than 0.05, it means the null hypothesis is denied and the alternative hypothesis is approved but when the p- value is equal or larger than 0.05, it means the null hypothesis is approved and the alternative hypothesis is denied, (Tidsskriftet, 2015). However, in this study, the null hypothesis must be rejected which means the p-value must be less than 0.05. Table 4.6 has supported the mixed p-values. Lower p-values has supported the rejection of null hypothesis. A total of 4 out of 5 alternative hypotheses is supported due to lower p-values. All the explanatory variables such as attitude towards tax evasion, tax complexity, tax fairness, and tax morale have significant associations with tax evasion, except tax knowledge.

It also states that tax knowledge is not a significant factor causing MSME owners to get involved in tax evasion even if it clearly shows a relationship in a few studies, namely: (Rantelangi and Majid, 2017; Saragih and Putra, 2021).

Conclusion
The objective of this research is to identify factors that would cause MSME owners to participate in tax evasion, and the factors chosen in the study are tax morale, tax fairness, tax knowledge, tax complexity, and attitude towards tax evasion. The results of the survey indicated that except for tax knowledge, the other factors examined in this study such as tax fairness, tax complexity, tax morale as well as attitude towards tax evasion exhibit a significant relationship with tax evasion.
Various parties in the country as such as policymakers and tax authorities are likely to benefit from this study because the findings provide them with valuable information on reasons for tax evasion and methods to reduce it. For example, improving tax morale among the public

may help to enhance tax compliance and in turn reduce tax evasion. Besides, tax evasion could be reduced when tax fairness in the country is improved and simplifying tax systems and reducing tax complexity could likely be effective means in curbing tax evasion in the country. Additionally, when public awareness in taxation is enhanced, this may help in shaping a more favourable attitude among the public towards in reducing tax evasion.

The study suffers from a couple of limitations. Firstly, only 159 respondents took part in this survey and future studies may increase the number of respondents as it helps to enhance the reliability of the findings. The study only adopted a questionnaire survey to collect its data and future researchers may considered mixed-method approach by incorporating qualitative interviews as this may enhance the richness of the data. Future studies may also explore other factors that could influence tax evasion in the country in order to provide more insight into the research area.

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