Trust in E-government among Youth in the Bethlehem Governorate and Perceptions of Tax Compliance

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Received: 27/05/2024  Accepted: 22/06/2024  Published: 15/07/2024

Abstract:

This article aims to investigate the attitudes of youngsters about trust in E-government and how those sentiments relate to their predicted tax attitudes. The majority of earlier research examined the nature and consequences of adult confidence in E-governments, and the perspectives of youngsters are not taken into account in tax compliance studies. In order to verify the components of youngsters attitudes of tax compliance and trust in the E-government, data from 150 youngsters from Bethlehem Governorate using questionnaires. Youngsters between the ages of 18 and 22 were the target demographic. The returned questionnaires were examined and 120 questionnaires were valid for analysis, and the data were analyzed using the Smart PLS program. The results of this study demonstrate that trust in E-government has a positive and statistically significant impact on youngsters’ perceptions of tax compliance. The originality and scientific contribution of this research lie in its focus on youngsters' trust in E-government and its impact on tax compliance, a less-studied area.

Keywords: Tax compliance; Trust in E-government; Social Influence Theory; Youngsters; Bethlehem Governorate.
الثقة في الحكومة الإلكترونية بين الشباب في محافظة بيت لحم وإدراكهم للالتزام الضريبي

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تاريخ الاستلام: 27/05/2024
تاريخ القبول: 22/06/2024
تاريخ النشر: 15/07/2024

ملخص:
تهدف الدراسة للعثور على مواقف الشباب حول الثقة في الحكومة الإلكترونية وكيفية ارتباط مشاعرهم بمواقيفهم
الضرارية المتوقعة. لقد بحثت غالبية الأبحاث السابقة في طبيعة ونتائج ثقة البالغين في الحكومات، ولم تأخذ
وجهات نظر الشباب في الاعتبار في دراسات الامتثال الضريبي. من أجل التحقق من العوامل المؤثرة في
مواقف الشباب للامتثال الضريبي والثقة في الحكومة الإلكترونية، تم جمع بيانات من 150 شابًا من محافظة
بيت لحم باستخدام الاستبيانات. كان الشباب الذين تتراوح أعمارهم بين 18 و 22 عامًا هم الفئة المستهدفة. تم
فحص الاستبيانات التي تم إرجاعها وكانت (120) استبانة صالحة للتحليل، وتم تحليل البيانات باستخدام برنامج
Smart PLS. تظهر نتائج هذه الدراسة أن الثقة في الحكومة الإلكترونية لها تأثير إيجابي وهم إحصائيًا على
تصورات الشباب للامتثال الضريبي. تمكن أصالة هذا البحث وساهمته العلمية في تركيزه على ثقة الشباب في
الحكومة الإلكترونية وتأثيرها على الالتزام الضريبي، وهو مجال أقل دراسة.

الكلمات المفتاحية: الامتثال الضريبي؛ الثقة في الحكومة؛ نظرية التأثير الاجتماعي؛ الشباب؛ محافظة بيت
لحم.
1. Introduction

Tax compliance is not a brand-new issue; rather, it has long been a top concern for E-governments everywhere. The government and tax authorities in the majority of nations have implemented a number of measures to address this issue, which make this evident (Alkhatib et al., 2019; Torgler, 2003). The primary reason is because taxes are a significant source of revenue for most nations and are used to fund public expenditures on things like infrastructure, healthcare, education and training, disaster assistance, national security, and law and order maintenance.

However, Alkhatib et al. (2021); Farrar et al. (2017), discovered that one of the factors contributing to tax evasion among taxpayers was the widespread belief that they owed the government nothing since it did nothing for them. This likely reflects their lack of confidence in the government, which might be detrimental to their views toward tax compliance. Previous study has demonstrated that scholars are cognizant of the significance of confidence in government matters while elucidating tax compliance. Citizens' confidence in the legal system and their level of satisfaction with the public services they get are both considered aspects of their trust in the government (Alkhatib et al., 2020; Azmi & Perumal, 2008). In earlier research, the majority of economists discovered that taxpayer behavior is more significantly impacted by faith in the government (Mohdali & Pope, 2014; Saruji, et al., 2019). One of the elements influencing tax compliance behavior has also been identified: the government's implementation of the tax system, regardless of its fairness (Chan et al., 2000; Murphy, 2004). In addition, Torgler and Schneider (2007) discovered that if the government is reliable, people are more inclined to abide by tax regulations. People who trust their government are more likely to abide by rules and regulations. On the other hand, low levels of trust might also mean that citizens are unaware of the policies and programs that government has implemented on their behalf.

The majority of earlier research has concentrated on adults or those with tax payment experience, even though it is equally crucial to comprehend the perspectives of younger generations. This is due to the possibility that, in comparison to the elder generation, they may have different viewpoints. As a result, the main focus of this research will be on how youngsters perceive E-government trust and how it affects how they perceive tax compliance.

2. Literature Review

Tax compliance does not have a common definition, (Yusof et al., 2014). The course of the research has led to the creation of several words and definitions. Reporting all earned income to the tax authorities within the allotted timeframe is considered tax compliance (Jackson & Milliron, 1986). It also refers to the ability of taxpayers to abide by tax laws that mandate that they file tax returns and pay taxes right away (Abdul-Jabbar & Pope, 2008), accurately declare all income for tax purposes, and pay their tax obligations by a date set by the applicable tax or tax authorities (Palil et al., 2016), as well as the willingness of individuals, corporations, and other taxable groups to abide by tax laws without resorting to coercion (James & Alley, 2004).

Personal views concerning compliance or noncompliance influence behavioural tax compliance. An individual's mindset influences their conduct when it comes to sticking to a cause. According to one definition, attitude is a state of mind connected to, feeling, or emotionally opposed to events or situations (Crisp & Turner, 2007). It may also mean anything that arises from an individual's innate desire to react to an event (Abdul-Jabbar et al., 2020) or something that is influenced by an individual's beliefs that guide their behaviour. A taxpayer's attitude may result in one of two outcomes: either a favourable or negative opinion of their tax compliance behaviour. Tax attitude is described in tax perceptions as an assessment of concepts, items, or individuals. Tax noncompliance is referred to by bad perceptions, and tax compliance is referred to by positive outcomes (Saruji et al., 2019).

The attitude of tax compliance among the populace is significantly influenced by trust in the government. It is a crucial metric for assessing the effectiveness of several laws, policies, and programs that heavily rely on public cooperation and compliance. According to a prior research, a number of characteristics, including justice, transparency, competence, satisfaction, and public services, can impact a person's level of trust in their government. But when it comes to assessing
public confidence in government, the majority of earlier research has mostly concentrated on justice and openness.

Abdul-Jabbar et al., (2020) and Kim (2003) have determined that fairness is one of the key elements that significantly influences tax compliance habits. When a person is taxed based on their abilities, this is referred to as being fair (Kostritsa & Sittler, 2017). Fairness influences tax compliance and reporting and is a positive aspect of the tax system. Tax avoidance may increase if the system is viewed as unfair and unjust, which would reduce its effectiveness (Richardson, 2006). As a result, tax compliance literature strongly favors tax fairness.

In summary, taxpayers will pay taxes if they have grown to trust the government. If taxpayers believe their taxes will be used justly and equitably by the government, they will willingly pay taxes (Abdul-Jabbar et al., 2020; Richardson, 2006; Saruji et al., 2019). The taxpayer will follow the tax code if they are persuaded that the government treats every citizen equally.

3. Research Framework

A conceptual framework of E-government trust is shown in Figure 1, which affects how tax compliance is perceived. In the setting of Palestine, the study attempts to investigate the statistical relationship between youngsters' views of tax compliance and their level of trust in the E-government. Studies by Aguirre and Rocha, 2010; Alm and Torgler, 2006; Saruji et al., 2019; show a favorable correlation between citizens' tax-compliant conduct and their level of trust in the E-government. According to Torgler and Schneider (2007), if people have trust in the E-government, they will be more inclined to comply with tax laws. Governments that uphold the rights of citizens and behave justly will encourage tax compliance, as evidenced by studies (Alkhatib et al., 2019; Alkhatib & Maria, 2021; Murphy, 2004). Thus, the hypothesis that has to be investigated is:

H1: Perceptions of tax compliance are positively impacted by trust in the E-government.

![Fig. 1 Research Framework](image)

4. Methodology

The data used in the current study were collected at the individual level to represent the study's analytical unit. A total of 150 youngsters that were members of people from Bethlehem governorate. A proportionate random sample technique was used to distribute the questionnaires to the chosen respondents. Over the course of a week, the questionnaires are distributed where 130 questionnaires were collected, while 120 analyzed data points (or 80% of the total) after the questionnaires are screened. All of the research study's items and variables were modified based on previously conducted studies. All of the study's measures were based on a five-point Likert scale, with 1 denoting strongly disagree and 5 denoting strongly agree. Barone and Mocetti (2011) provided the inspiration for all 3 of the items that made up the tax compliance measure. Eight items that were modified from Saruji et al. (2019) were used to measure trust in E-government.

5. PLS Data Analysis and Results

Using Smart PLS 3, the study uses the Partial Least Squares (PLS) analysis technique to evaluate the research model. The two-stage analytical technique described by Gerbing (1988) was used to analyze the measurement model, which comprises the relationship between variables and their indicators. The structural model, or the links between the variables, was also tested in this study using a similar methodology (Hair et al., 2019).
5.1 Measurement Model Assessment
Two (2) measures of validity were used to assess measurement models: discriminant and convergent validity. Convergent validity is assessed using composite reliability, average variance extracted (AVE), and indicator loadings. Table 1 presents the results. It was discovered that all of the items' loading above the minimum criterion of 0.50. The composite reliability values varied from 0.925 to 0.942, and these likewise surpass the recommended level of 0.70. The values ranged from 0.658 to 0.872, the AVE values from 0.620 to 0.784, and they were all substantially over the recommended threshold of 0.50 (Hair et al., 2019). Taking into account the results, it is concluded that the current study has a trustworthy convergent validity.

Table 1. Convergent validity

<table>
<thead>
<tr>
<th>Variables</th>
<th>Items</th>
<th>Loading</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Compliance</td>
<td>TC1</td>
<td>0.745</td>
<td>0.942</td>
<td>0.620</td>
</tr>
<tr>
<td></td>
<td>TC2</td>
<td>0.775</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>TC3</td>
<td>0.872</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>TG1</td>
<td>0.725</td>
<td>0.925</td>
<td>0.784</td>
</tr>
<tr>
<td></td>
<td>TG2</td>
<td>0.735</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>TG3</td>
<td>0.839</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>TG4</td>
<td>0.819</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>TG5</td>
<td>0.795</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>TG6</td>
<td>0.876</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>TG7</td>
<td>0.822</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>TG8</td>
<td>0.658</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Following the establishment of the convergent validity, the discriminant validity test was conducted using Hair et al. (2019)'s criteria. The measurement compares the values of the latent variable correlations with the square root of AVE. Table 2 displays the outcome, which shows that in every case, the square roots of the AVEs were larger than the diagonal values from each row and column. As a result, it is verified that the discriminant validity is adequate. Overall, the results of the measurement model's validity tests in this study show that both discriminant and convergent validity are satisfactorily achieved.

Table 2. Discriminant Validity Analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>TC</th>
<th>TG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Compliance (TC)</td>
<td>0.765</td>
<td></td>
</tr>
<tr>
<td>Trust in E-government (TG)</td>
<td>0.628</td>
<td>0.783</td>
</tr>
</tbody>
</table>

5.2 Structural Model Evaluation:
An explanation of the shared contribution of the exogenous and endogenous elements in the study is provided by the strength of prediction for the current research model, which is represented by R-square ($R^2$) or the coefficient of determination (Hair et al., 2019). The $R^2$ value was calculated using the Smart PLS algorithm function to indicate the amount of variation that the exogenous variables account for (Hair et al., 2019). Therefore, this variable has an $R^2$ value of 0.364, meaning that trust in E-government account for 36.4% of the variation in tax compliance.
Subsequently, bootstrapping was performed using 5,000 resampling’s from 120 examples to evaluate the path coefficients ($\beta$) using the one-tailed test. As a result, the path estimates and t-values obtained in this investigation were also examined in reference to the correlations that were postulated. Table 3 displays the results of the structural model study. The results suggest a favorable correlation between tax compliance and trust in E-government ($\beta = 0.342; t = 4.237; p = 0.000$), supporting hypothesis H1.

<table>
<thead>
<tr>
<th>Hypothesis: Path</th>
<th>Path Coefficient</th>
<th>T-Statistics</th>
<th>P-Value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Trust in E-government &gt; Tax Compliance</td>
<td>0.342</td>
<td>4.237</td>
<td>0.000**</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Note: Significant at **$p < 0.01$, *$p < 0.05$.

6. Discussion

Trust in E-government plays a crucial role in shaping tax compliance, as noted by Aguirre and Rocha (2010); Torgler and Schneider (2007). Individuals exhibiting higher levels of Trust in E-government are more inclined to fulfil their tax obligations. Consequently, it becomes imperative to scrutinize the impact of trust in E-government within the realm of tax compliance. Hypothesis one (H1) posits a positive and significant correlation between Trust in E-government and tax compliance. The findings underscore that a strong trust stance among youngsters substantially fosters tax compliance, aligning with predictions from socio-psychological approaches (Kohlberg, 1969). Past research, including studies by Mohdali and Pope (2014); Torgler and Schneider (2007), supports these results by consistently revealing a positive relationship between trust in E-government and the tax compliance of youngsters.

7. Conclusion

One of the Palestinian government’s main and long-term sources of funding is taxation. However, the difficulty of tax compliance has made it more difficult for the government to optimize the collection of anticipated tax revenues to fund development initiatives. Though there are numerous variables that influence tax compliance, including psychological and economic variables, this study focused on crucial variable: trust in E-government. The previous results on this parameter was discussed, and it was discovered this is a strong correlation between him and tax compliance.

References


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