Investigating the Effect of Public Trust on Tax Compliance

Mohamad Thahir Haning
Universitas Hasanuddin Makassar; Indonesia

Hasniati Hamzah
Universitas Hasanuddin Makassar; Indonesia

Mashuri H. Tahili
Universitas Muhammadiyah Luwuk Banggai; Indonesia

Follow this and additional works at: https://scholarhub.ui.ac.id/jbb

Investigating the Effect of Public Trust on Tax Compliance

Mohamad Thahir Haning[1], Hasniati[2], Mashuri H.Tahili[3]

Faculty of Social and Political Science, Hasanuddin University of Makassar, Indonesia[1,2]
Faculty of Social and Political Science, Muhammadiyah University of Luwuk Banggai, Indonesia[3]
thahir.haning@unhas.ac.id[1]; hasniati@unhas.ac.id[2]; mashuri@unismuhluwuk.ac.id[3]

Abstract. Upright now, we rarely find any research that measures the effect of the slippery slope framework on taxpayers' trust in paying their tax. This article seeks to investigate the effect of power and trust as exogenous variables based on the slippery slope frameworks theory while the endogenous one is a public trust of taxpayers. We employ a survey to investigate this matter and conduct quantitative analysis afterward. Respondents are employees at the Tax Service Authorities in three areas, they are, South Makassar, Maros, and Palopo, which are selected by using purposive sampling with a total population of 2,500 people. We use the determination of research sampling 20% of the population leading to a total number of samples of 500 people. The data were gained through questionnaires and analyzed by using SPSS and Structural Equation Modelling (SEM). Our findings indicate that power has a positive and significant effect on the public trust of taxpayers. We also find that trust has a positive and significant effect on the public trust of taxpayers. Moreover, both power and trust have a positive and significant effect on the public trust of taxpayers simultaneously. In this article, we argue that the strategy to increase the public trust of taxpayers' compliance is through power and trust. The article also confirms that the slippery slope framework can be applied to developing taxpayers' compliance.

Keywords: public trust, tax compliance, power, taxpayers, slippery slope framework

Abstrak. Saat ini, kami jarang menemukan penelitian yang mengukur efek kerangka kerja yang licin pada kepercayaan wajib pajak dalam membayar pajak mereka. Artikel ini berupaya untuk menyelidiki pengaruh kekuasaan dan kepercayaan sebagai variabel eksogen berdasarkan pada teori kerangka kerja lereng yang licin, sedangkan yang endogen adalah kepercayaan publik terhadap wajib pajak. Kami menggunakan survei untuk menyelidiki masalah ini dan melakukan analisis kuantitatif sesudahnya. Responden adalah karyawan di Kantor Pelayanan Pajak di tiga daerah, yaitu, Makassar Selatan, Maros, dan Palopo, yang dipilih dengan menggunakan purposive sampling dengan total populasi 2.500 orang. Kami menggunakan penentuan sampel penelitian 20% dari populasi yang mengarah ke jumlah total sampel 500 orang. Data diperoleh melalui kuesioner dan dianalisis dengan menggunakan SPSS dan Structural Equation Modeling (SEM). Temuan kami menunjukkan bahwa kekuasaan memiliki efek positif dan signifikan terhadap kepercayaan publik pembayar pajak. Kami juga menemukan bahwa kepercayaan memiliki efek positif dan signifikan terhadap kepercayaan publik wajib pajak. Selain itu, baik kekuasaan dan kepercayaan memiliki efek positif dan signifikan terhadap kepercayaan publik pembayar pajak secara bersamaan. Dalam artikel ini, kami berpendapat bahwa strategi untuk meningkatkan kepercayaan publik terhadap kepatuhan wajib pajak adalah melalui kekuasaan dan kepercayaan. Artikel ini juga menegaskan bahwa kerangka kerja lereng yang licin dapat diterapkan untuk mengembangkan kepatuhan wajib pajak.

Kata kunci: kepercayaan publik, kepatuhan pajak, kekuasaan, pembayar pajak, kerangka kerja lereng yang licin

INTRODUCTION

Nowadays, the effort to improve compliance of taxpayer in Indonesia are the focus of an interesting study of experts in economics, politics, sociology, and public administration. In empirical field, one of the most dominant strategies applied by governments in Europe to improve taxpayers' compliance is to implement a psychological strategy of tax contract. The strategy concerning to the public involvement in the decision-making process concerning the tax policy, which can then create a psychological contract between the government and society in creating taxpayers' compliance (Feld and Frey, 2002; Feld and Frey, 2007). Within this context, the Slippery Slope Frameworks theory proposed four major assumptions that compliance paying taxes can be explained by: 1) high trust and low authority; 2) high authority and low trust; 3) high authority and high trust; 4) the close relationship between the two elements of authority and trust as a moderate relationship (Hofmann, Gangl, Kirchler, and Stark, 2014; Kichler,

Hofmann, and Gangl, 2012; Kogler et al., 2013).

Actually, the slippery slope framework theory as the main focus of analyzing the strategy to increase the taxpayers' compliance through power and trust. Taxpayers perception and psychological contact will increase their trust in government. It relates to the term of public trust may occurred. Actually, there are many researchers have studied the slippery slope framework, but unfortunately, there has limited the research in measuring the slippery slope framework influenced on the public trust of taxpayers' compliance in paying tax through slippery slope frameworks.

The discussion of taxpayers' compliance has become attractive to be improved, because the facts showed that taxation is the main source of funding for development of the economy and infrastructure for both to the advanced countries and developing countries. Thus, improving the taxpayers compliance, it needs to reform the tax administrative and service system to minimize the non-compliant taxpayers (Chaizi, 2004; Gunadi, 2013; Pandiangan, 2008). However,

the non-compliance taxpayers are increased, and it becomes the main challenge for government, especially for taxation institution to enhance the optimization in serving public service. In the perspective of public administration, in creating the organizational trust, it needs integrity, benevolence, and competence of public servant to improve public service more effective and efficient (Alwi and Tahili, 2017).

In another side, trust in management is needed to develop the inter-collaboration in public organization, because it is a necessary mechanism which closely related to security that supports inter-coordination, especially in the global environment. Trust management systems are increasingly important or getting more and attention for the researcher (Petković and Jonker, 2007). Likewise, trust-building is the domain of management strategy, and trust-building has to be improved through trust development process, trust principles, and imperatives of trust (Iivonen, 2004).

Public trust seemed as a main issue and the core of study in public administration, political science, and some scholars have been focused on public trust as a discipline (Berman, 2006; Denhardt, 2004; Kim, 2005a; Putnam, 1995). They studied about public trust that views public trust as an important issue in government, and empirical researches seemed to be consistent with research finding that public trust can be improved by institutional reform through communication and strategy and improving institutional performance to build public trust (Poppo and Schepker, 2010).

This research focuses on the strategy to develop public trust of taxpayer in paying tax by combining power and trust based on the theory of the slippery slope framework. The assumption is that if public trust is low on the institution of tax service authorities and tax system, it will have an impact on the decreasing level of public trust of taxpayer to pay tax. Conversely, if public trust is high on the tax institution and authorities, then it may effect in the growth of taxpayer compliance in paying tax. However, what strategies should the government undertake to increase public trust in the government as a tax service provider? this still needs to be debated because the government does not always have the sensitivity to increase public trust and even it regarded as a paradox. On the other hand, the Government expects the taxpayer compliance to increase, but on the other hand, the government and local government have lack responsibility, accountability, and transparency in managing trust and tax service quality. However, there is an interesting phenomenon and has drawn public attention to the tendency of public trust decline in public sector organizations (Bouckaert and de Walle, 2001; Huotari and Iivonen, 2004; Van de Walle and Bouckaert, 2003). The public trust is a form of trust given by groups or individuals in social institutions or systems in strengthening the compliance and benevolence of citizen (Straten, Friele, and Groenewegen, 2002), and public trust is closely related to behavior of citizen (Parker and Parker, 1993).

The public trust may be influenced by the experience of a person associated with representative institutions or systems and may also be influenced by media imagery (Bromiley and Harris, 2006; Mechanic and Schlesinger, 1996). Several studies have been conducted to find out public trust through public opinion surveys by the World Economic Forum (WEF) in 14 countries-Argentina, Brazil, Canada, Germany, India, Indonesia, Italy, Mexico, Nigeria, Russia, Spain, Turkey, Britain, and the United States- found a powerful setback in public. Government confidence between 2001 and 2005 in all countries shows that only 6 of the 14 countries trust citizens (WEF Geneva, 2005). In Latin America, only 49 percent of the population surveyed by Latinobarómetro in 18 Southern and Central American countries in 2005; According to the trust barometer in financial that only 57 percent population trusted on financial service, so that there should be improving such as Security of data and assets, fairness, financial inclusion, and innovation of financial literacy (Deidre Campbell, 2019).

Based on the empirical evidence above, it proved a strong indication that the study of public trust in government has became the object of study in public administration. So that, this article has a strong evidence that public trust should be studied mainly related to the public trust of taxpayer.

This article purposes to measure the effect power and trust on the public trust of taxpayers in paying tax in the South Sulawesi Province. The output of research have a model that can be used as a strategy to increase the compliance of taxpayers based on slippery slope framework, whether in the national or local tax service authorities.

RESEARCH METHOD

This article is using a quantitative approach through structural analysis to determine the effect of power and trust on public trust of taxpayers. The model constructed in this research uses the slippery slope framework theory to influence public trust. So that will be found a strategy to increase the public trust of the taxpayer in tax service at Tax Services Authorities (TSA) namely; TSA of South of Makassar, Maros, and Palopo. The three regions of this study have diverse characteristics from geographic, the amount of tax revenue, the performance of tax revenue strategy, and tax management. Respondents in this study were employees at the tax office in three Tax Office Services (TSA) that selected by using purposive sampling, and the total of population of 2500 people. We used the determination of 20% of the population, therefore the total of respondents in this study amounted to 500 respondents. To obtain accurate data, we used questionnaires and they analyzed by using SPSS and structural equation modeling (SEM). Likert scale was applied with the 4-point scale, from very low scale 0 and very high 4.

The number of respondents in this study consists of 500 respondents with the rationale that the more respondents in the study the higher the level of validity and representation of the population. The population in this study spread in three research areas namely TSA of South of Makassar, Maros, and Palopo as many as 2.500 people. For sample selection using the purposive technique with the main basic criterion consideration of respondent selection according to the respondent age based on the registered data on each tax service institution.

After analyzed validity and reliability test, the questionnaires distributed to each respondent through field auxiliaries, the questionnaire returned 500 questionnaires and did not return consist of 20 questionnaires so that the total questionnaires analyzed in this study were 480. For the measurement of each variable that is power, variable consists of 6 items, and 5 items of trust variables so that the total indicator in this research is 11 item. The endogen variable namely; public trust is 5 items, so that the total item

questionnaire of variables X1, X2, and Y amounted 16 items. Testing the validity using Pearson Product Moment (PPM) analysis technique and data reliability used Cronbach's alpha analysis technique with reliability criteria per item of the questionnaire is ≥ 30 at significance level $\alpha = 0,05$.

The validity test is used to measure valid or not a

questionnaire instrument. The results of instrument reliability analysis in this study amounted to 0.80 or including the high category (Gozali, 2012; Hair and Sarstedt, 2014). Based on the slippery slope framework, we then formulate the research paradigm that used to test the research hypothesis is described as follows:
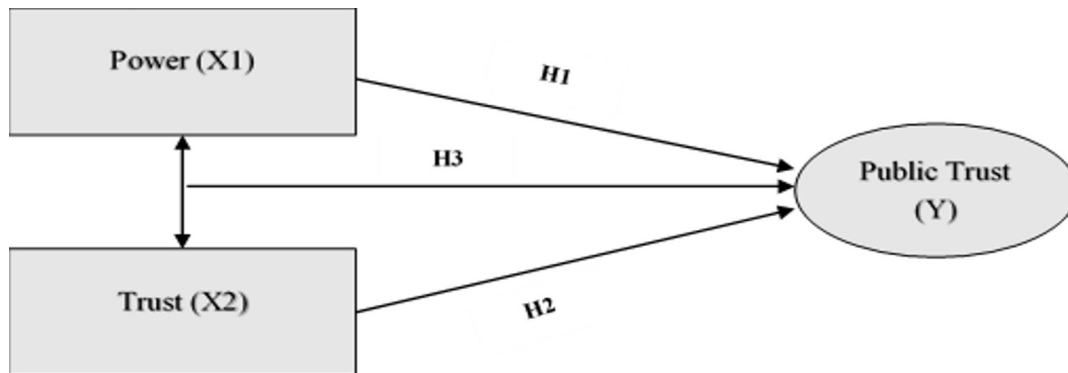

Figure 1. Structural Modelling
Source: Processed by the author (2019)

The above framework, we emphasize that basically the compliance of paying taxes is determined by their trust in government institution of the tax service. The taxpayer's perception of fairness in the tax service process is a major part of concern in the management of the tax system (Gangl, Hofmann, and Kirchler, 2015). The slippery slope framework (SSF) is a model that combines power and trust. Several studies to strengthen the concept of the slippery slope framework showed that trust and power have a moderate relationship in explaining taxpayers compliance (Kichler et al., 2012) The results of this study reinforcing this framework have been extensively tested by researchers in European countries to prove the assumptions underlying the slippery slope framework (Kastlunger, Lozza, Kirchler, and Schabmann, 2013; Kirchler, Muehlbacher, Kastlunger, and Wahl, 2007). Meanwhile, the importance of how taxpayers feel they are treated by tax authorities and it has a relationship of mutual respect that leads taxpayers to behave loyally and to pay taxes honestly. In several studies, the trust in tax authorities is found to be positively correlated with tax payments (Hamm, 2017; Hamm, Hoffman, Tomkins, and Bornstein, 2016; Iqbal, 2014).

Some authors argued that trust in public institutions are enhanced through their administrative rules, standards, laws, and regulations relating to the provision of services and information. the institutional enable for enhancing trust in moral accountability, through making its process more transparent and reducing public officials' discretionary power. Trust in government is typically measured in terms of citizens 'subjective judgments based on their experience, suggesting that citizens' trust arises when compete is occurred (Denhardt, 2004; Welch, Hinnant, and Moon, 2005). Based on those empirical tested, we then propose the first hypothesis as follows:
H1: Power will have an effect on public trust of taxpayers in paying tax.

Meanwhile, in literature explained that trust has examined in the literature of social and philosophical perspectives (March and Olsen, 1984; Olsen, Hjorth, Harmon, and

Barfort, 2018). Trust is associated with the perceived vulnerability of the individuals as a result of the actions of others (Sønderskov and Dinesen, 2016). Trust can be relate to psychological of individual in the acceptance of vulnerability and need to positive intentions and expectations from other behaviors (Almagwashi, Tawileh, and Gray, 2014; Eriksen and Fallan, 1996; Rousseau, Sitkin, Burt, and Camerer, 1998). Based the organizational perspective, trust defined as a collective intention to other groups need to perform be honest, commitments, and do not take advantage of others (Cummings and Bromiley, 1996; Cummings and Worley, 2009; McKnight, Cummings, and Chervany, 1998; McKnight et al., 1998; Rawlins, 2008). Based on those argumentation, we then proposed the second hypothesis as follows:
H2: Trust will have an effect on public trust of taxpayers in paying tax.

Moreover, tax compliance can be defined as the process of taxpayers in getting more obey after getting the information and the service of tax authorities about the validity of income report and the experience of the tax service authorities in accordance with the implementation of laws, regulations and court decisions (Alm, McKee, and Beck, 1990; Andreoni, Erard, and Feinstein, 1996). However, there is an interesting phenomenon has interested the public attention concerning to the tendency of public trust decline in public sector organizations (Bouckaert and de Walle, 2001; Van de Walle and Bouckaert, 2003; Van de Walle, Van Roosbroek, and Bouckaert, 2008). Overcoming the unintended facts of lower public trust in government services, so that, public trust should be enhanced and make sure that trust must be built in the individual or groups behaviour for social institutions or tax systems (Straten et al., 2002). The government must provide the best performance in charitable organizations as the foundation of building trust between government and citizen (Lewicki, Tomlinson, and Gillespie, 2006; Van de Walle et al., 2008).

Furthermore, both power and trust should be integrated to develop the taxpayers' compliance. In the slippery slope,

the framework suggests that the tax authority and the power of the tax authority were combined in improving taxpayer compliance (Ali and Ahmad, 2014). On the other hand, promoting tax compliance can be undertaken through auditing as well as an efficient fiscal of penalty for tax offenders. The tax authority of a particular nation should be granted sufficient power to carry out its duty. In developing the taxpayers' compliance can also be expected when the citizen has high tax morale. Tax morale can be defined as the intrinsic motivation to pay taxes (Cummings and Worley, 2009; Feld and Frey, 2002; Frey and Torgler, 2007; McKnight et al., 1998).

From these empirical studies, we come to proposed the third hypothesis as follows:
H3: Power and trust will have an effect on the public trust of taxpayers in paying tax.

RESULTS AND DISCUSSION

Testing the effect of the power and trust on the public trust of taxpayers, in this article, there are three hypotheses proposed to measure the effect of each dimension. However, before analyzing the research data, we provide the analyze of validity and reliability each instrument.

Testing Validity and Reliability
Before the researchers distribute the research instrument to the selected respondents, it should be tested the validity and reliability of the instrument. This step should be conducted because in applying the structural research model, all of the instrument ensure that have validity and reliable.

Basically, the validity of the data describes the appropriateness of each instrument of the variable. While the reliability of the data shows the reliability of research data. Each indicator of the variable is called valid if the value of "Estimate"> 0.05. While a reliable instrument needs to be done by testing the reliability of the instrument where the indicator of the variable called reliable if the value of AVE $\geq$ 0.05 and CR $\geq$ 0.07 (Gozali, 2012). Based on the description, it can be argued that all the variable used in this research have high reliability based on the instrument measurement

by looking at the loading factor, cross-loading, composite reliability, and AVE value (average variance extracted). Loading factor shows the correlation value between the indicator and its construct expected loading value> 0.7.

Loading factors value is another measure of discrete validity. The expected value that each indicator has a higher loading for the construct is measured which is compared to the factor loading value of another construct. Meanwhile, composite reliability (CR) indicates that this value is an internal consistency that is high composite reliability value means the consistency value of each indicator in measuring the construct.

Accordingly, the construct reliability is a measure of internal consistency in scale items, much like Cronbach's alpha (Netemeyer, Bearden, and Sharma, 2003). The composite reliability value expected > 0.7 and in this research, it has been achieved > 0.89. Furthermore, the AVE value is used to measure the number of variances that the construct can capture compared to the variance caused by the misuse of the measurement. AVE value must be greater (> 0.5) (Hair Jr, Black, Babin, and Anderson, 2014). In terms of determining the value of AVE, experts confirm that the minimum recommended AVE value is 0.5. If the AVE score is greater than 0.5, then each indicators of the instrument must be proved that it actually measures the latent construct objectively.

In this article, we are also using single and multiple regression analysis to prove the effect of each variable and simultaneously. It is necessary to know the certainty level of validity and reliability of the instrument. Keep in mind that the validity is used to test the indicator variable, so that the value of the construct should be fitted. The result of data reliability test analysis found that the value of integrity indicator for power variables < 0.5, then trust variable there are two indicators that have low loading factor value that is benevolence and fairness. However, public trust variable there was only 1 indicator which has a low factor loading value under 0.5 that is competency apparatus. Based on those analysis, we then eliminated the indicator in order to obtain high data reliability values. The following summary test results validity and reliability test (see Table 1).

Table 1. Testing Output of Validity and Reliability Variabel

Variable	Indikator	Standardized Loading	Measurement Error	CR	AVE	Alpha
Power	administrative rules (PW1)	0.51	0.51			0.739
	Standards (PW2)	0.63	0.29			0.745
	Valid information (PW3)	0.66	0.44	0.610	0.843	0.744
	Transparency (PW4)	0.50	0.25			0.750
	Accountability (PW5)	0.51	0.26			0.749
Trust	Reliability (TR2)	0.59	0.35			0.756
	Honest (TR3)	0.63	0.29	0.691	0.770	0.756
	Fairness (TR4)	0.50	0.25			0.753
Public Trust	Discipline of Apparatus (PT2)	0.66	0.83			0.735
	Openness data and information (PT3)	0.75	0.76			0.732
	Tax progress report and worthiness (PT4)	0.74	0.85	0.781	0.800	0.735
	Tax services performance (PT5)	0.63	0.60			0.735

Source: Processed primary data (2018)

The criteria for determining The statistical test of a structural model is used to test the research hypothesis. In this paper, the model is appropriate or have a model feasibility by looking at the expected small Chi-Square value, the RMSEA value (the root mean square error approximation indicating goodness of fit can be expected when the model is estimated in the population (Hair, Black, Babin, and Anderson, 2009, 2014; Hair, Hult, Ringle, and Sarstedt, 2016). Based on the criteria of CFA showed that the result of instrument based on confirmatory factor analyze has get the high fit of measure (see Table 2).

Table 2. The Fit Model Measurement

No.	Model goodness of fit indies	Cut-off Value	The results of Cut-off Value analysis	Noted
1	X^2-Chi-Square	Expected small	148.131	Fit Model
2	Probability	≥ 0.05	0.000	Fit model
3	CMIN/DF	≤ 2.00	1.905	Fit model
4	RMSEA	≥ 0.08	0.410	Fit model
5	GFI	≥ 0.90	0.951	Fit model
6	AGFI	≥ 0.90	0.925	Fit Model
7	TLI	≥ 0.95	0.895	Fit Model
8	CFI	≥ 0.95	0.919	Fit Model

Source: Processed primary data (2018)

Structural Model Analysis

The structural model in this study uses software AMOS which includes two exogenous variables and one endogenous variable using the technique of equation model of the structural equation. The output of the structural equation model is presented in the following table:

Table 3. The Result of SEM Analysis

			Estimate	S.E.	C.R.	P	Label
publictrust	<---	power	.436	.089	4.892	***	par_11
publictrust	<---	trust	.345	.101	3.424	***	par_12
pw5	<---	power	1.000				
pw4	<---	power	1.016	.138	7.369	***	par_1
pw3	<---	power	1.224	.145	8.426	***	par_2
pw2	<---	power	1.299	.157	8.269	***	par_3
pw1	<---	power	.999	.134	7.450	***	par_4
tr4	<---	trust	1.000				
tr3	<---	trust	1.357	.201	6.741	***	par_5
tr2	<---	trust	1.333	.194	6.884	***	par_6
pt2	<---	public trust	1.000				
pt3	<---	public trust	1.178	.094	12.485	***	par_7
pt4	<---	public trust	1.117	.090	12.475	***	par_8
pt5	<---	public trust	1.072	.096	11.203	***	par_9

Source: Processed primary data (2018)

Table 4. The Result of Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collincarity	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
(Const.)	3.257	.677		4.814	.000					
power	.263	.040	.283	6.535	.000	.324	.287	.277	.958	1.043
trust	.298	.065	.199	4.598	.000	.257	.206	.195	.958	1.043

Source: Processed primary data (2018)

The multiple regression (see Table 4) shows that there is a positive and significant influence of power variables on the public trust of taxpayers to pay taxes. The results of the analysis found that the value of the linear regression coefficient of 0.436 at the level of significance 0.05. Based on the results of this study can be stated that the hypothesis (H1) accepted. Furthermore, the result of SEM analysis shows that there is the influence of trust variable to public trust of the taxpayer to pay tax, with regression coefficient value equal to 0,345 or 0,35. Based on the results of the analysis, furthermore can be put forward a multiple regression equation as follows:

Public trust = 3.257 + 0.263*Power + 0.298*Trust + ε

The multiple regression coefficient $R^2 = 0.143$ or 14,3% both power and trust influenced simultaneously on public trust of taxpayer to pay tax regularly.

The result of multiple regression equation shows that there is an influence of power and trust variable simultaneously to a public trust. The constant value of 3.257 shows that the fixed value of the exogenous public trust variable is 3.257. Effect of power variable equal to 0.263 at a significance level of 0.05, so it explains that there is a positive influence of power variable to public trust equal to 26,3%, and then for trust variable equal to 29.8% have influence toward public trust. of determination of 14.3% and the rest is determined by other variables.

It means that the hypothesis (H2) accepted, and both Power and Trust have a positive effect on public trust with R2 =14,3%, so the hypothesis (H3) is accepted. Therefore, It indicates that the second hypothesis is acceptable. Similarly, the results of multiple regression analysis found that there is a positive and significant influence of trust variables on public trust taxpayers in paying tax.

The research results confirm that the hypothesis that stated there is a positive influence of power and trust variables simultaneously influence the public trust taxpayers to obediently pay taxes with the coefficient study also confirms the slippery slope framework theory that power and trust have an influence on taxpayer compliance paying taxes (Kirchler, Hoelzl, and Wahl, 2008; Kirchler et al., 2007). They argued that high confidence is a prerequisite for creating a climate of synergy between tax-management agencies and taxpayers. Their research finds that the slippery slope framework that between power and trust is two combinations of variables positively effect on the public trust of taxpayer compliance and willingness to work together, reciprocity, and trying to create a climate of harmonization and teamwork. The result of SEM analysis in the form of the structural equation described as follows:
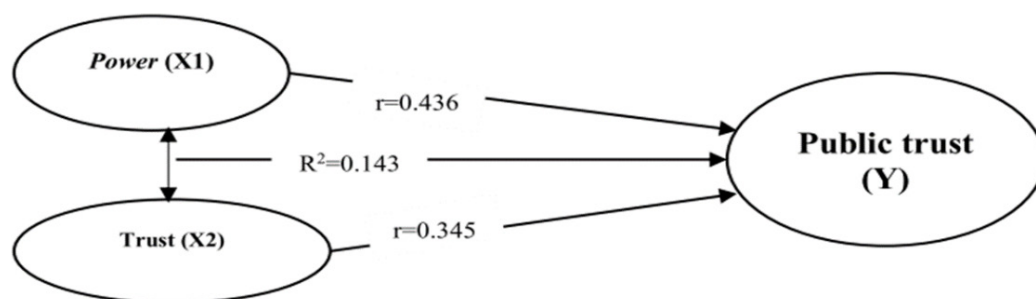

Figure 2. The Results of Structural Analysis
Source: Processed by the author (2019)

Research Discussion

By using the number of samples in this study as many as 500 respondents determined by purposive sampling technique with the criteria of the sample size of 20% of the total population of 2500 people spread in three Tax Service Authorities (TSA), namely TSA of South Makassar, Maros, and Palopo, we found that the three hypotheses proposed in this study showed accepted based on the structural modelling analyzed through AMOS software. This article also confirmed the theory of slippery slope framework in improving taxpayer compliance in paying tax. It can be determined by two main dimensions, namely power and trust.

Based on the inferential statistics with Amos version 24 has obtained the feasibility of the model that is $\chi2 = 148,131 \geq \rho = 0.000$. This study proves that the first hypothesis (H1) which states that there is a positive influence power on public trust of taxpayers in paying tax is accepted with a correlation coefficient of 0.436 at 0.05 significance level.

Meanwhile, trust is the second exogenous variable evidenced by the results of structural equation model analysis show that trust has a positive and significant influence on the public trust of taxpayers in paying tax. The results of this study indicate that the second hypothesis (H2) by the result of structural equation analysis indicates that there is influence that equal to 0,345 or 34,5% has effect to public trust of taxpayers, so that second hypothesis is supported. According to the result of multiple regression analysis shows that there is a positive and significant influence of two variables simultaneously influenced on public trust of the taxpayer in paying tax. Thus, the third hypothesis (H3) stated both power and trust have an effect simultaneously on the public trust of the taxpayer in paying tax is accepted. It can be proved by the results of multiple regression coefficient (R2) of 0.143 with tvalues = 6,535 ≥ ρvalues = 0.000 for power variables. While the result of the regression analysis for the trust variable obtained tvalues = 4.598 ≥ ρvalues = 0.000.

As it viewed from the contribution of each variable in increasing public trust, it can be emphasized that power has a big enough contribution to the public trust with a variable contribution of 43.6%, meanwhile trust variable only 34.5%. In this study proved that power is the main variable in building public trust of taxpayer in paying tax. The result finding corroborated of the empirical result showed that trusted in public officials can be seen from the flexibility

102 International Journal of Administrative Science & Organization, May 2019
Bisnis & Birokrasi: Jurnal Ilmu Administrasi dan Organisasi

Volume 26, Number 2

to apply their skills and knowledge, discretion, authority, efficiency improvement, responsiveness, and effectiveness (Gordon, 2000). Furthermore, the results found that some indicators affected the government's performance in the economic field involved supervision of political party corruption, the quality of public services, crime, and attention to public advice have a significant relationship with widespread public trust (Kim, 2017; Kim, 2005b). Other scholars, for example, Zucker (1986) found that trust in institutions can support the realization of other types of trust, such as process-based trust and characteristic trust. Basically improving institutional performance is a source of public trust (Poppo and Schepker, 2010).

Thus, public trust can provide benefits for improving the performance of public organizations. In contrast, public trust is generally derived from the best performance of government institutions utilizing the power that is useful for communities and the private sector. This is reasonable because organizations that want to perform well, in principle, start with the best experience ever and trust that the organization is capable of performing optimally (Cook, Jacobs, and Kim, 2010; Eccles, 2015; Van Ryzin, 2011).

The results of this study reinforce the theory of slippery slope frameworks (Kastlunger et al., 2013; Kichler et al., 2012; Kogler et al., 2013) argued that power and trust combinations have a strong influence on tax pay compliance. Compliance to pay taxpayers tax is most influenced by their belief in tax service institutions. In this study proves that the better power and trust will have a significant effect on increasing public trust.

Both theoretically and practically, Trust has important and significance dimension in the study of public organizations (Carnevale and Wechsler, 1992). Trust is the decisive factor for realizing public trust to be obedient to paying taxes. The compliance of community groups or the private sector grows because they trust in the tax authorities.

In this research, trust is built from several indicators that have been proven to have an important role in creating trusts namely; reliability, honesty of tax institution officials, commitment or acts in avoiding ilegal behavior such as; acts of corruption, collusion, illegal levies, and nepotism. In accordance with the expectations of society in general that the behavior is absolutely avoided because it can decrease the public trust of taxpayers and negative impact will get to decrease the taxpayers compliance to pay tax.

Furthermore, Public trust plays an important role in economic theories concerning the existence and legitimacy of the public sector (Greiling, 2007). The fundamental nature of trust in social relationships and social systems has been well covered in the existing literature. Research on public trust and performance measurement in public organizations are really important because it will determine the success of public sector performance and citizen confidence to the government service. Public trust in this research is interpreted as taxpayer trusted by the institution of tax service so that will grow compliance pay taxes. The results of research conducted found that public trust is the main basis to build compliance taxpayers pay taxes. There are several indicators that have proven to be closely related to efforts to create a public trust to tax service institutions, among others employee discipline. Such as discipline in tax services, tax liability, punishment, and justice. Public trust will increase

highly if only the tax officials have a preference for creating public information responsiveness.

In principle, the elements of transparency, community participation, and accountability are important factors to be improved. Meanwhile, the core of target in general in the framework of the implementation of bureaucracy reform to realize good governance, eradication, and prevention of corruption and the achievement of openness for public participation and building public trust. In addition, the use and accountability of the public regarding taxation need to be taken seriously by officials of tax institutions because public do wants the central government in managing tax and also for local government are needed to build the Tax Services Authorities (TSA) to be transparent in providing valid information about the acceptance, use, and accountability of the tax-sourced budget. Then, it also seems important indicator to build public trust in the performance of the tax service, which consists of inputs, processes, outputs, outcomes, and impacts. In this aspect, the performance of tax service is the implementation process of taxation policy which including; data of tax services, provision, ease to access the tax information, technology, competence, consistency, and commitment of tax service authority to create tax institutions as trusted organizations. Some experts agreed that public trust in public organizations is crucial for at least four reasons, namely: 1) There was a tendency that public organizations have lower understanding and concern to improve and/or increase citizen trust (Schwartz and Gibb, 1999); 2) It needed a deeply concern and understanding about trust-building, because it was a key driver to limit the destruction of trust in government caused by government was failure in managing public trust (Lewicki and Mcallister, 1998; Lewicki et al., 2006); 3) The failure in creating public trust through public policy in public organization can destroy the reputation of the organization, so taking consideration to involve the multiple stakeholders seeking to build public trust in needed (Bach and Veit, 2018; Gordon, 2000; Van de Walle and Bouckaert, 2003); 4) Most of public trust research through in-depth research included the collectivity of the trust dimension, such as psychological perception and interpersonal trust (citizen and government) as it has been proven that many studies have focused on intra and inter-organizational effects on the achievement of organizational performance (Bachmann and Zaheer, 2006; Bromiley and Harris, 2006; Dirks and Ferrin, 2001).

This research also confirmed that public trust can be strongly making the community groups or stakeholders have a trust collective of organizations that are inter-organizational and stakeholder psychological contracts. Lane and Bachmann (1998) argued that public trust is a manifestation of the aggregation of perceptions about the belief in an institution that can create organizational trust. The results of this study is also consistent with the results of research such as Fard and Rostamy (2007) and Mardiyanta (2013) found that public trust is an important dimension for public organization officials because public trust is a central point in supporting the development and implementation of policies, more specifically to realize the effectiveness, cooperation, and compliance.

Based on the whole of discussions, then we strongly argue that as empirically, public trust has a significant role in the improvement of government performance in public

organization. The important role of public trust in the public organization, such as: 1) Public trust is essential to support the achievement of organizational success, because public trust not only provides a source of goodness for all communities and organizations, it also reinforces public commitment; 2) It also as a tool to any attempt to achieve high moral improvement for other public sectors; 3) Failure to keep public trust can lead to negative consequences including decreasing public support, demeaning the image of the organization, reducing authority, or possibly shutting down the organization itself.

CONCLUSION

The results of this study has been giving a new horizon concerning to the improvement of theory of slippery slope framework that has two main variables in developing taxpayers compliance. As a matter of fact, both power and trust have and effect on the public trust of taxpayers in paying tax, Thera three hypothesis of research has been proposed, and it proved that two main factors namely the exogenous variables power and trust have significantly affected public trust in taxpayer paying tax in South Sulawesi Province. . Results of research conducted using path analysis through statistics software with AMOS obtained the feasibility of the model that is $\chi2 = 148,131 \geq \rho = 0.000$. This study proves that the H1 is accepted, in which it reveals that there is a positive influence power to public trust taxpayers to obediently pay taxes can be accepted with a correlation coefficient of 0.436 at 0.05 significance level or 43,6% power influences on the public trust of taxpayers. Trust variable that proved by the results of structural equation model analysis show that trust has a positive and significant influence on the public trust of taxpayers. The results of this study indicates that the second hypothesis (H2) is accepted.

Furthermore, the result of multiple regression analysis showed that there was a positive and significant effect of two variables simultaneously between power and trust to public trust of the taxpayer in paying tax. Finally, the third hypothesis that has been proposed hypothesis 3 (H3 is supported with the result of multiple regression found the coefficient (R2) of 0.143 with tvalues $= 6,535 \geq \rho$values $= 0.000$ for power variables. However, the result of the regression analysis for the trust variable obtained values $= 6.535 \geq \rho$values $= 0.000$.

In the slippery slope framework perspective, there are two variables that determine the success of the public trust on tax service authority Based on the results of descriptive statistical analysis and structural model analysis found that power has a positive and significant influence on public trust in improving taxpayer compliance pay taxes.

Empirically, trust has a positive and significant influence on public trust increase taxpayer compliance pay taxes. power and trust variables together have a positive and significant influence on public trust in increasing taxpayer compliance to pay taxes in three areas Tax Service Authorities such as TSA of South of Makassar, Maros, and Palopo. Therefore, we argue that strategies which can be implemented in increasing public trust of taxpayers' compliance by maintaining the power and trust. In this case, the public trust can be improved by using the strategies such as increasing the power of tax authority and quality of tax service, including administrative rules, standards or Standard Operating Procedures (SOP), information validities, administrative tax reform justice, public participation, no corruption, transparency, accountability, efficient and effective.

Strengthening the trust of tax service institution includes reliability, honest, fairness. This three aspects correlates positively to the development of public trust of taxpayers.

Despite power and trust have significantly influence public trust, therefore it needs to improve the public trust of taxpayers to pay tax and enhancing the compliance of taxpayers, there are two major variables that significantly affect public trust namely power and trust. Both of them to be the robust strategy that must be combined and implemented to develop public trust of taxpayers.

Finally, the results of this study has been confirmed that theory of slippery slope framework should be applied in creating the public trust of taxpayers to pay tax, especially at South Sulawesi Province. For the challenging research on the future we recommended the the model of public trust in developing of taxpayers' compliance can be made analyzed broader for the others regions in Indonesia because it is necessary to be done in order to help the central government and General Taxation Directorate to find more information to enhance the taxpayers' compliance to pay tax in Indonesia.

ACKNOWLEDGEMENT

REFERENCES

Ali, A. and N. Ahmad. 2014. Trust and Tax Compliance Among Malaysian Working Youth. *International Journal of Public Administration*. Vol. 37, No. 7, pp. 389-396.

Alm, J., M. McKee, and W. Beck. 1990. Amazing Grace: Tax Amnesties and Compliance. *National Tax Journal*. Vol. 43, No. 1, pp. 23-27.

Almagwashi, H., A. Tawileh, and A. Gray. 2014. Citizens' Perception Towards Preserving Privacy in e-Government Services: A Cross-sectional Study. *Proceedings of the 8th International Conference on Theory and Practice of Electronic Governance*. pp. 24-27.

Alwi and M. H. Tahili. 2017. *Creating a Trusted Public Organization: Organizational Trust Analysis in Implementation Network of the Education Quality Assurance Policy in Indonesia*. Vol. 43, pp. 11-16.

Andreoni, J., B. Erard, and J. Feinstein. 1996. Tax Compliance. *Journal of Economic Literature*. Vol. 36, No. 2, pp. 818-860.

Bach, T. and S. Veit. 2018. The Determinants of Promotion to High Public Office in Germany: Partisan Loyalty, Political Craft, or Managerial Competencies? *Journal of Public Administration Research and Theory*. Vol. 28, No. 2, pp. 254-269.

Bachmann, R. and A. Zaheer. 2006. *The Handbook of Trust Research*. https://doi.org/10.4337/9781847202819

Berman, H. J. 2006. Public Trust and Good Governance: An Essay. *Inquiry*. Vol. 43, No. 1, pp. 6-9. Retrieved

from JSTOR.

Bouckaert, G. and S. V. de Walle. 2001. Government Performance and Trust in Government. Instituut Voor de Overheid - K.U. *Leuven*. Vol. 39.

Bromiley, P. and J. Harris. 2006. Trust, transaction cost economics, and mechanisms. In *Handbook of Trust Research*. Edward Elgar.

Carnevale, D. G. and B. Wechsler. 1992. *Trust in the Public Sector: Individual and Organizational Determinants. Administration and Society*. Vol. 23, No. 4, pp. 471-494.

Chaizi, N. 2004. *Reformasi Administrasi Publik: Teori dan Praktik*. Jakarta: Grasindo.

Cook, F. L., L. R. Jacobs, and D. Kim. 2010. *Trusting What You Know: Information, Knowledge, and Confidence in Social Security*. Vol. 72, No. 2, pp. 397-412.

Cummings, L. L. and P. Bromiley. 1996. The Organizational Trust Inventory (OTI): Development and validation. In *Roderick M. Kramer, Tom R. Tyler, Trust in Organizations: Frontiers of Theory and Research*. Thousand Oaks, London: SAGE Publications.

Cummings, T. G. and C. G. Worley. 2009. *Organization Development and Change* (2nd ed.). USA: South-Western Cengage Learning.

Deidre Campbell. 2019. *The 2019 Edelman Trust Barometer: Financial Services*. Retrieved from Edelmen website: https://www.edelman.com/research/trust-in-financial-services-2019

Denhardt, R. B. (Ed.). 2004. Trust as Capacity: The Role of Integrity and Responsiveness. *In Sound governance: Policy and administrative innovations*. pp. 99-111. Westport, Conn: Praeger Publishers.

Dirks, K. T. and D. L. Ferrin. 2001. The Role of Trust in Organizational Settings. *Organization Science*. Vol. 12, pp. 450-467.

Eccles, C. 2015. Restoring Trust in Government. In *John Wanna, Evert A. Lindquist and Penelope Marshall, New Accountabilities, New Challenges*. ANU Press.

Eriksen, K. and L. Fallan. 1996. Tax knowledge and attitudes towards taxation; A report on a quasi-experiment. *Journal of Economic Psychology*. Vol. 17, No. 3, pp. 387-402.

Fard, H. D. and A. A. Rostamy. 2007. Promoting Public Trust in Public Organizations: Explaining the Role of Public Accountability. *Public Organization Review*. Vol. 7, No. 4, pp. 331-344.

Feld, L. and B. Frey. 2002. Trust breeds trust: How taxpayers are treated. *Economics of Governance*. Vol. 3, No. 2, pp. 87-99.

Feld, L. P. and B. S. Frey. 2007. Tax Compliance as the Result of a Psychological Tax Contract: The Role of Incentives and Responsive Regulation. *Law and Policy*. Vol. 29, No. 1, pp. 102-120.

Frey, B. and B. Torgler. 2007. Tax morale and conditional cooperation. *Journal of Comparative Economics*. Vol. 35, No. 1, pp. 136-159.

Gangl, K., E. Hofmann, and E. Kirchler. 2015. Tax authorities' interaction with taxpayers: A conception of compliance in social dilemmas by power and trust. *New Ideas in Psychology*. Vol. 37, pp. 13-23.

Gordon, M. T. 2000. Public Trust in Government: The US Media as an Agent of Accountability? *International Review of Administrative Sciences*. Vol. 66, No. 2, pp. 297-310.

Gozali, I. 2012. M*odel Persamaan Struktural Konsep dan Aplikasi dengan program AMOS 19.0*. Semarang: Universitas Diponegoro.

Greiling, D. 2007. Trust and Performance Management in Non-profit Organizations. *The Innovation Journal: Public Sector Innovation Journal*. Vol. 12, No. 3, pp. 1-23.

Gunadi. 2013. *Panduan Komprehensif Pajak Penghasilan*. Jakarta: Bee Media Indonesia.

Hair, J. F., W. C. Black, B. J. Babin, and R. E. Anderson. 2009. *Multivariate Data Analysis* (7th ed.). Upper Saddle River: Prentice Hall, NJ.

Hair, J. F., W. C. Black, B. J. Babin, and R. E. Anderson. 2014. *Multivariate Data Analysis, 7th ed.* (7th ed.). England: Pearson Education Limited.

Hair, J. F., G. T. M. Hult, C. M. Ringle, and M. Sarstedt. 2016. *A primer on partial least squares structural equation modeling (PLS-SEM)* (2nd ed.). Vol. 2. Los Angles: SAGE Publication Inc.

Hair, J. F. and M. Sarstedt. 2014. Innovative and established research methods in family business: Description, illustration and application guidelines. *Journal of Family Business Strategy*. Vol. 5, No. 1, pp. 1-3.

Hair Jr, J. F., W. C. Black, B. J. Babin, and R. E. Anderson. 2014. *Multivariate Data Analysis* (7th edition). England: Pearson Education Limited.

Hamm, J. A. 2017. Trust, Trustworthiness, and Motivation in the Natural Resource Management Context. *Society and Natural Resources*. Vol. 30, No. 8, pp. 919-933.

Hamm, J. A., L. Hoffman, A. J. Tomkins, and B. H. Bornstein. 2016. On the influence of trust in predicting rural land owner cooperation with natural resource management institutions. *Journal of Trust Research*.

Hofmann, E., K. Gangl, E. Kirchler, and J. Stark. 2014. Enhancing Tax Compliance through Coercive and Legitimate Power of Tax Authorities by Concurrently Diminishing or Facilitating Trust in Tax Authorities. *Law and Policy*. Vol. 36, No. 3, pp. 290-313.

Huotari, M.-L. and M. Iivonen. 2004. Trust Building as a Management Strategy. In *Trust in Knowledge Management and Systems in Organizations*. Hersey, New York: Idea Group Publishing.

Iivonen, M. 2004. Chapter 2: Trust Building as a Management Strategy. In *Maija Leena Huotari, and Iivonen, M., Trust in Knowledge Management Systems in Organizations*. Hershey: Idea Group Publishing.

Iqbal, H. M. 2014. *The Quality of Governance and Tax Effort: Evidence from Developed and Developing Countries*. Vol. 30.

Kastlunger, B., E. Lozza, E. Kirchler, and A. Schabmann. 2013. Powerful authorities and trusting citizens: The Slippery Slope Framework and tax compliance in Italy. *Journal of Economic Psychology*. Vol. 34(C), pp. 36-45.

Kichler, E., E. Hofmann, and K. Gangl. 2012. From mistrusting taxpayers to trusting citizens: Empirical evidence and further development of the slippery slope framework. In A.N.Lebedev (Ed.), *Economic psychology in the modern world*. Collected papers. Moscow: Ekon-inform.

Kim, S. 2017. *Governance Values and Public Trust in Government: An Exploratory Study of Indonesia,*

Malaysia, and Thailand. pp. 1-32.

Kim, S.-E. 2005a. The Role of Trust in the Modern Administrative State: An Integrative Model. *Administration and Society*. Vol. 37, No. 5, pp. 611-635.

Kim, S.-E. 2005b. The Role of Trust in the Modern Administrative State: An Integrative Model. *Administration and Society*. Vol. 37, No. 5, pp. 611-635.

Kirchler, E., E. Hoelzl, and I. Wahl. 2008. Enforced versus voluntary tax compliance: The "slippery slope" frame-work. *Journal of Economic Psychology*. Vol. 29, No. 2, pp. 210-225.

Kirchler, E., S. Muehlbacher, B. Kastlunger, and I. Wahl. 2007. *Why Pay Taxes? A Review of Tax Compliance Decisions*. Retrieved from https://ideas.repec.org.

Kogler, C., L. Batrancea, A. Nichita, J. Pantya, A. Belianin, and E. Kirchler. 2013. Trust and power as determinants of tax compliance: Testing the assumptions of the slip-pery slope framework in Austria, Hungary, Romania and Russia. *Journal of Economic Psychology*. Vol. 34(C), pp. 169-180.

Lane, C. and R. Bachmann. 1998. *Trust within and between organizations; conceptual issues and empirical applica-tions*. Oxford University Press.

Lewicki, R. J. and D. J. Mcallister. 1998. Trust and Distrust: New Relationships and Realities. *Academy of Management Review*. Vol. 23, No. 3.

Lewicki, R. J., E. C. Tomlinson, and N. Gillespie. 2006. Models of Interpersonal Trust Development: Theoretical Approaches, Empirical Evidence, and Future Directions. *Journal of Management*. Vol. 32, No. 6, pp. 991-1022.

March, J. G., and J. P. Olsen. 1984. The New Institutionalism: Organizational Factors in Political Life. *The American Political Science Review*. Vol. 78, No. 3, pp. 734-749.

Mardiyanta, A. 2013. Restore Public Trust Through Deliberative Public Policy Formulation. *Bisnis and Birokrasi Journal Universitas Indonesia*. Vol. 20, No. 1, pp. 1-9.

McKnight, D. H., L. L. Cummings, and N. L. Chervany. 1998. Initial Trust Formation in New Organizational Relationship. *Academy of Management Review*. Vol. 23, No. 3, pp. 473-490.

Mechanic, D. and M. Schlesinger. 1996. The impact of managed care on patients' trust in medical care and their physicians. *JAMA*. Vol. 275, No. 21, pp. 1693-1697.

Netemeyer, R. G., W. O. Bearden, and S. Sharma. 2003. Scalling Procedures: Issues and Application. *Thousand Oaks*. London: SAGE Publication Inc.

Olsen, A. L., F. Hjorth, N. Harmon, and S. Barfort. 2018. Behavioral Dishonesty in the Public Sector. *Journal of Public Administration Research And Theory*, Article in Press.

Pandiangan, L. 2008. Modernisasi and reformasi pelayanan perpajakan berdasarkan UU terbaru. Jakarta: PT Elex Media Komputindo.

Parker, S. L., and G. R. Parker. 1993. Why Do We Trust Our Congressman? *The Journal of Politics*. Vol. 55, No. 2, pp. 442-453. https://doi.org/10.2307/2132274

Petković, M. and W. Jonker. (Eds.). 2007. *Security, Privacy, and Trust in Modern Data Management*.

Poppo, L. and D. J. Schepker. 2010. Repairing public trust in organizations. *Corporate Reputation Review*. Vol. 13, No. 2, pp. 124-141. https://doi.org/10.1057/crr.2010.12

Putnam, R. D. 1995. Tuning In, Tuning Out: The Strange Disappearance of Social Capital in America. *PS: Political Science and Politics*. Vol. 28, No. 4, pp. 664-683.

Rawlins, B. R. 2008. Measuring the relationship between organizational transparency and employee trust. *Public Relations Journal*. Vol. 2, No. 2, pp. 1-21.

Rousseau, D. M., S. B. Sitkin, R. S. Burt, and C. F. Camerer. 1998. Not so different after all: A cross-discipline view of trust. *Academy of Management Review*. Vol. 23, pp. 393-404.

Schwartz, P. and B. Gibb. 1999. *When Good Companies Do Bad Things: Responsibility and Risk in an Age of Globalization*. New York: John Wiley and Sons Ltd.

Sønderskov, K. M. and P. T Dinesen. 2016. Trusting the State, Trusting Each Other? The Effect of Institutional Trust on Social Trust. *Political Behavior*. Vol. 38, No. 1, pp. 179-202.

Straten, G. F. M., R. D. Friele, and P. P. Groenewegen. 2002. Public trust in Dutch health care. *Social Science and Medicine (1982)*. Vol. 55, No. 2, pp. 227-234.

Van de Walle, S. and G. Bouckaert. 2003. Public Service Performance and Trust in Government: The Problem of Causality. *International Journal of Public Administration*. Vol. 26, No. 8-9, pp. 891-913.

Van de Walle, S., S. Van Roosbroek, and G. Bouckaert. 2008. Trust in the public sector: Is there any evidence for a long-term decline? *International Review of Administrative Sciences*. Vol. 74, No. 1, pp. 47-64.

Van Ryzin, G. G. 2011. Outcomes, Process, and Trust of Civil Servants. *Journal of Public Administration Research and Theory*. Vol. 21, No. 4, pp. 745-760.

WEF Geneva. 2005. *Full Survey: Trust in Governments, Corporations, and Global Institutions Continue to Decline*. Switzerland.

Welch, E. W., C. C. Hinnant, and M. J. Moon. 2005. Linking Citizen Satisfaction with E-Government and Trust in Government. *Journal of Public Administration Research and Theory*. Vol. 15, No. 3, pp. 371-391.

Zucker, L. G. 1986. Production of Trust: Institutional Sources of Economic Structure, 1840-1920. *Research in Organizational Behavior*. Vol. 8, pp. 53-111.