

Original Research Article

Tax Service Quality and Tax Compliance among Small and Medium Enterprises in North Rift Economic Block, Kenya: A Moderated Mediation Model of Government Trust and Social Value Orientation

ABSTRACT

Aims: This study examined the moderated mediation of social value orientation and government trust in the relationship between tax service quality and tax compliance among small and medium enterprises (SMEs).

Study design: Grounded on the social contract theory, this study adopts a positivist research philosophy that is informed by an explanatory research design.

Place and Duration of Study: The study was conducted in the North Rift Economic Bloc, Kenya.

Methodology: A sample of 393 SME owners/managers was selected from a target population of 21,232 SMEs using a stratified sampling technique. A self-administered questionnaire was used to collect the data from the respondents. Cronbach's alpha coefficient of 0.7 and factor analysis were applied to test the research instrument's reliability and validity, respectively. Data analysis involved descriptive and inferential statistics, including hierarchical regression analysis using the Hayes Process macro was conducted to test the hypotheses.

Results: Tax service quality ($\beta = .541, p < .001$), government trust ($\beta = .375, p < .001$), and social value orientation ($\beta = .234, p < .001$) had a positive and significant effect on tax compliance. Additionally, tax service quality ($\beta = .395, p < 0.001$) significantly influences government trust. Government trust mediates the relationship between tax service quality and tax compliance ($\beta = .1482, CI = .0981, .2015$), whereas social value orientation moderates the nexus between tax service quality and tax compliance ($\beta = .3502, p < .001, \Delta R^2 = 0.0314$), government trust and tax compliance ($\beta = .1916, p = 0.05, \Delta R^2 = .0103$), and the indirect relationship between tax service quality and tax compliance via government trust, with stronger effects at higher levels of social value orientation ($\beta = .1677, SE = .0400, CI = .0930, .2502$).

Conclusion: Enhancing tax service quality and fostering government trust can improve tax compliance among SMEs. Understanding the role of social value orientation is vital for designing effective tax policies and optimizing revenue collection.

Keywords: Tax Compliance; Tax Service Quality; Government Trust; Social Value Orientation.

1. INTRODUCTION

Taxation is a fundamental tool used by governments worldwide to generate revenue essential for funding public goods and services, infrastructure development, poverty eradication, and promoting social equity while also fostering economic growth, enhancing government legitimacy, and promoting accountability(1, 2). Efficient tax revenue mobilization reduces dependence on external assistance, facilitates sustainable economic growth, and expands fiscal space. However, despite its importance, many

countries, particularly developing ones, face significant tax compliance challenges, which undermine the effectiveness of taxation (3). Non-compliance, whether intentional or not, undermines tax system fairness and hinders socio-economic progress by reducing government resources (4). This problem exacerbates fiscal deficits and weakens governments' ability to provide essential public services, necessitating the engagement of stakeholders, including governments, development partners, and civil society organizations (CSOs), to find effective solutions.

Tax compliance refers to how well taxpayers meet their obligations, including accurate income reporting, timely filing of returns, and paying taxes by the due dates. Conversely, tax non-compliance involves actions such as late filings, underreporting income, overstating deductions, and failing to pay taxes on time. These practices strain government budgets, reducing the capacity to deliver services and eroding public trust in government legitimacy (5). According to a report by the Tax Justice Network, governments worldwide lose about \$ 3.1 trillion in annual revenue due to tax non-compliance, equivalent to more than 5.1% of the world's GDP (6). Developing countries are hit hardest, with tax revenue losses ranging from 6% to 13%, compared to 2–3% for OECD nations. Furthermore, the shadow economy, activities not reported for taxation, accounts for 16–45% of GDP, depending on the country. Tax non-compliance in developed nations, such as the United States, leads to annual losses of approximately \$1 trillion, primarily due to underreporting and unpaid taxes. Europe faces similar challenges, with substantial tax losses in countries like Italy, Germany, and France (7). In Africa, tax losses due to non-compliance are equally troubling, averaging 10%, or around US\$25 billion annually. Countries such as Nigeria and South Africa experience significant challenges due to underreporting of income and high tax rates. In Kenya, tax non-compliance results in an annual revenue loss exceeding \$ 565.8 billion, which exacerbates persistent budget deficits typically addressed through borrowing. These issues hinder the ability of governments to provide essential public services and infrastructure. Furthermore, limited tax contributions from the informal sector weaken the government's capacity to finance sustainable development initiatives (8).

Tax compliance has been examined through a range of theoretical frameworks. The Social Contract Theory, articulated by Hobbes, Locke, and Rousseau, explores the contractual arrangement established between individuals and governmental authority, wherein citizens forfeit certain liberties in return for security and various services (9). This theoretical framework regards taxation as an essential element in preserving social order and justice, indicative of a mutual relationship between the populace and the state. As societal norms transform, the social contract underscores the importance of effective governance and the transparent allocation of tax revenues in promoting public trust and facilitating tax compliance (10). Consequently, although taxation lacks the characteristics of a formal contract, it represents a reciprocal relationship in which taxpayers contribute to societal operations in exchange for benefits received. The Political Legitimacy Theory, developed by Dowling and Pfeffer, has looked into the dependency of an organization's legitimacy based on its conformation with societal norms and expectations to emphasize the importance of equity and fairness in government activities (11). The legitimacy of government, in the case of tax compliance, means that the general public trusts government institutions. Trust increases compliance, while distrust loosens it (12). Similarly, Vogel's Fiscal Exchange Theory posits that perceived benefits from tax payment, derived from the quality of governance and/or service delivery, create a sense of reciprocity that improves tax compliance (13). Efficient governance that aligns with societal expectations promotes voluntary adherence, while feelings of injustice may result in tax non-compliance.

Enhancing public service quality, particularly tax services provided by authorities is essential for improving tax compliance. When taxpayers perceive public services as beneficial, they are more likely to comply with their tax obligations, as they recognize the value of their contributions to society (14). To promote voluntary compliance, tax authorities globally have adopted more client-centred approaches, tailoring services to

meet individual needs (15). This strengthens the social contract between the state and citizens, as taxpayers view their taxes as vital for societal welfare (16). High-quality services build trust and cooperation between taxpayers and authorities, which in turn boosts compliance (17). Key factors such as convenience, transparency, and reliability play a significant role in promoting compliance, as evidenced by research from various regions (18). Simplifying tax procedures through better service delivery reduces tax non-compliance by increasing public trust (19). Additionally, studies highlight that e-service quality positively impacts public trust and satisfaction, showing how technology can support trust-building and foster compliance (20).

Trust in government is crucial for ensuring democratic stability, effective governance, and successful policy implementation, as it directly affects citizens' compliance with laws and regulations. When individuals trust their government, they perceive it as legitimate, which fosters cooperation and civic engagement. In the realm of taxation, government trust creates a psychological contract between taxpayers and authorities, promoting compliance through a shared commitment to societal welfare (21). A tax system built on trust, where citizens see tangible benefits like improved infrastructure, is more likely to achieve higher compliance and reduced tax non-compliance (22). Understanding the link between government trust and tax compliance is vital for strengthening democratic processes and enhancing social efficacy. Empirical research consistently shows a positive relationship between trust in government and tax compliance (23). Greater institutional trust increases taxpayers' willingness to comply, influenced by perceptions of fairness and effective service delivery (24). Furthermore, mutual trust between taxpayers and authorities is essential for maximizing compliance, regardless of the government's power dynamics (25).

Social value orientation (SVO) plays a critical role in tax compliance by framing the social dilemma in which individuals must balance personal interests with the communal benefits of taxation (5). This tension between taxpayers and tax authorities highlights the need for policies promoting fairness, transparency, and trust to encourage compliance (26). Individuals with a cooperative SVO are more likely to comply with tax obligations, especially when they perceive their contributions as benefiting society. High-quality tax services that address citizens' needs and foster trust between taxpayers and authorities are essential for enhancing compliance. Research shows that improving service quality, such as simplifying tax procedures, reduces tax non-compliance by increasing public trust (19). Studies also indicate that e-service quality positively affects public trust and satisfaction, suggesting that technology facilitates trust-building and compliance (20). Additionally, SVO, which categorizes individuals based on cooperative or competitive tendencies, influences tax morale. Prosocial individuals prioritize collective welfare and tend to have higher compliance rates. Aligning communication strategies with taxpayers' SVO can further improve compliance outcomes (27), emphasizing the need to consider psychological and social factors.

Taxation is critical to Kenya's government financing, accounting for around 90% of revenue collection (28). However, small and medium-sized enterprises (SMEs), which make up 98% of enterprises and employ 86% of the workforce in Kenya, contribute less than 1% of total tax revenue (29). Despite their significant role in the economy, non-compliance among SMEs remains a serious challenge, preventing the government from adequately financing education, healthcare, and other essential services. The Kenyan government has introduced the Medium-Term Revenue Strategy, which aims to raise tax revenues to 20% of GDP and improve compliance from 70% to 90% by the 2026/27 fiscal year (30). However, more work is needed to understand and address the factors contributing to low compliance rates, particularly among SMEs.

The study examines the moderated mediation effects of social value orientation and government trust on the relationship between tax service quality and SME tax compliance. The study hypothesizes that tax service quality, government trust, and social value orientation do not significantly influence compliance and that government

trust does not mediate the relationship between service quality and compliance. Additionally, it proposes that social value orientation does not conditionally moderate this relationship.

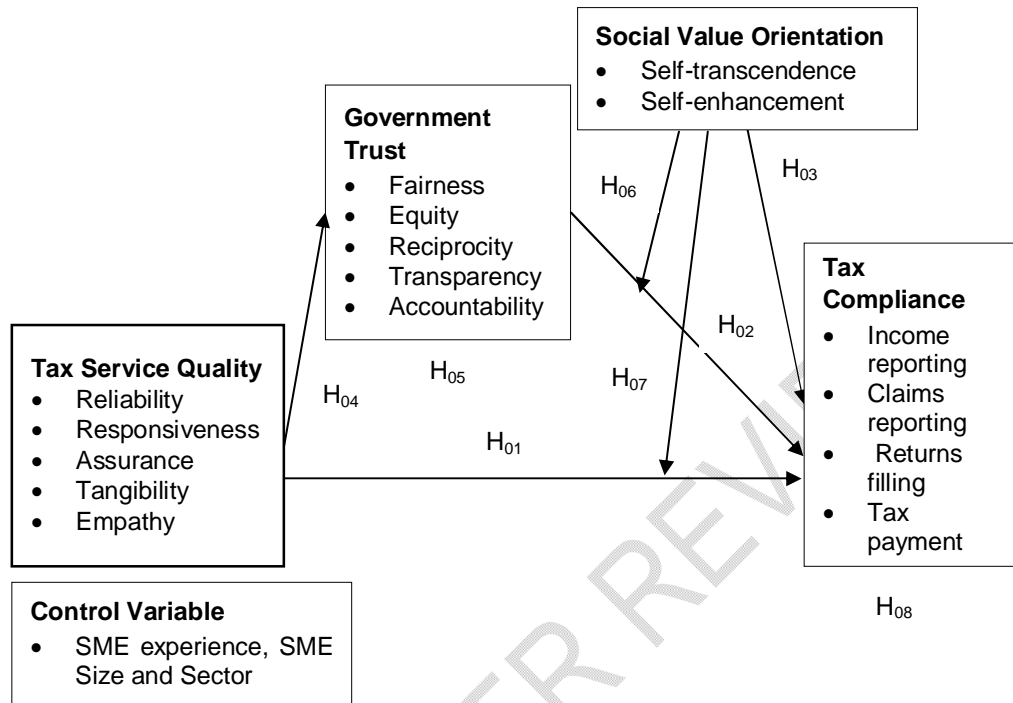


Figure 1: Conceptual Framework for the Study

2. MATERIAL AND METHODS

2.1 Research Design, Population, Sample Size, and Sampling Procedure

This study employed an explanatory research design to systematically explore causal relationships and underlying mechanisms through a deductive approach. The aim was to test hypotheses and enhance understanding of the subject matter by confirming, refining, or challenging existing concepts (31). Utilizing a survey research strategy, the study gathered cross-sectional data through quantitative methods to evaluate theoretical propositions. The target population consisted of 21,232 SMEs within the North Rift Economic Bloc in Kenya, segmented into retail trade (6,655), wholesale trade (1,421), service sector (12,367), and manufacturing sector (789). A sample of 393 SMEs was determined using Yamane's formula to ensure representativeness, with 123 from retail trade, 26 from wholesale trade, 229 from the service sector, and 15 from manufacturing.

Stratified sampling was employed to ensure proportional representation across the industry sectors, followed by simple random sampling to ensure each SME had an equal chance of selection (32). Data collection involved a structured questionnaire divided into five sections: demographic information, tax service quality, government trust, social value orientation, and tax compliance. Of the distributed questionnaires, 373 were completed, resulting in a 97% response rate.

2.2 Measurement of Study Variables

Established measurement scales were utilized, with responses gathered using a five-point Likert scale. Variables were validated with Cronbach's alpha and a content validity index (CVI) exceeding the recommended threshold of 0.7 (33). Tax compliance was measured through adherence to tax laws, including income reporting and tax payment (34, 35). Tax service quality was assessed based on tangibility, reliability, responsiveness, assurance, and empathy (36). Government trust was evaluated through fairness, equity, reciprocity, transparency, and accountability (37, 38). Social value orientation was measured using Schwartz's dimensions of self-transcendence and self-enhancement (39). Control variables included SME experience, sector, and size to provide a detailed understanding of tax compliance factors(40).

2.3 Data Analysis

The collected data underwent a thorough cleaning process, including editing and coding, before being entered into statistical software for analysis. Descriptive statistics were used to summarize the data, while inferential statistics, such as Pearson correlation and regression analysis, were applied to explore relationships between variables and test the research hypotheses. The focus was on understanding the moderated mediation effects within the study's theoretical framework. The study's framework was grounded in methodologies proposed by(41), (42)and (43). Hypotheses H₀₁ through H₀₈ were tested using linear and multiple regression equations, ensuring the inferential statistics aligned with the study's statistical and conceptual models.

2.4 Model specification

2.4.1 Direct Effects Testing

$$Y = \beta_0 + \beta_1 C + \varepsilon$$

$$Y = \beta_0 + C + \beta_1 X + \varepsilon \dots\dots\dots (H_{01})$$

$$Y = \beta_0 + C + \beta_1 X + \beta_2 M + \varepsilon \dots\dots\dots (H_{02})$$

$$Y = \beta_0 + C + \beta_1 X + \beta_2 M + \beta_3 W + \varepsilon \dots\dots\dots (H_{03})$$

$$M = \beta_0 + C + \beta_1 W + \beta_2 X + \varepsilon \dots\dots\dots (H_{04})$$

2.4.2 Mediation Testing

$$M = a_0 + C + a_1 X + \varepsilon \dots\dots\dots (Mandatory)$$

$$Y = b_0 + C + b_1 M + \varepsilon \dots\dots\dots (Mandatory)$$

$$Y = C'_0 + C + b_1 M + C'_1 X + \varepsilon \dots\dots\dots (Not Mandatory, but a significant relationship suggests partial mediation, whereas non-significance indicates full mediation).$$

$$\text{Mediation} = a_1 \times b_1 \dots\dots\dots (H_{05})$$

Or

$$\text{Mediation} = C (\text{Total effect}) - C' (\text{Direct effect})$$

Calculate the total effect (C) as follows:

$$Y = CX + \varepsilon = (a_1 \times b_1) + C'$$

2.4.3 Moderation Testing

$$Y = b_0 + b_1M + b_2W + b_3MW + \varepsilon \dots\dots\dots (H_{06})$$

$$Y = C'0 + C + c'1X + c'2W + c'3XW + \varepsilon \dots\dots\dots (H_{07})$$

2.4.4 Moderated Mediation Testing

$$Y = (b_1 + b_2W) * a_1 \dots\dots\dots (H_{08})$$

3. RESULTS AND DISCUSSION

3.1 The descriptive statistics for the constructs under study

The results indicate a moderate level of tax compliance, with a mean score of 4.2241 and a standard deviation of 0.35353, showing moderate variability. The distribution is nearly normal, with skewness of 0.078 and kurtosis of 0.126, suggesting no significant outliers. Tax service quality had a higher mean of 4.4002, reflecting positive perceptions, and moderate variability (SD = 0.41349). The distribution is also near normal, with skewness of -0.100 and kurtosis of 0.126. Government trust scored moderately at 4.0477, with medium dispersion (SD = 0.40056) and a slightly peaked normal distribution (skewness = 0.102, kurtosis = 0.743). Lastly, social value orientation mirrored tax compliance, with a mean of 4.2241 and similar variability, showing moderate adherence to social values and a normal distribution (skewness = 0.078, kurtosis = 0.126). These results reflect generally moderate and positive responses across the variables.

Table 1: Summary of the Descriptive Statistics for the Constructs

	N	Mean	Std. Deviation	Skewness	Kurtosis		
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Tax compliance (TC)	377	4.2241	.35353	.078	.126	-.067	.251
Tax service quality (TSQ)	377	4.4002	.41349	-.100	.126	-.600	.251
Government trust (TGT)	377	4.0477	.40056	.102	.126	.743	.251
Social value orientation (SVO)	377	4.2241	.35353	.078	.126	-.067	.251
Valid N (listwise)	377						

3.2 Correlation Analysis

The study used Pearson's correlation coefficient to assess the strength and direction of linear relationships between variables. Pearson coefficients range from -1 to +1, with positive values indicating a direct relationship and negative values an inverse relationship. The analysis revealed significant positive correlations between all variables and tax compliance. Social value orientation had the strongest correlation with tax compliance (r = .678, p < .01), followed by government trust (r = .642, p < .01) and tax service quality (r = .568, p < .01). Additionally, there was a positive relationship between tax service quality and government trust (r = .373, p < .01). These results suggest that higher social value orientation, trust in government, and perceived quality of tax services are associated with increased tax compliance. None of the correlation coefficients exceeded 0.8, indicating that multicollinearity was not an issue. The findings highlight the important role of these factors in influencing tax compliance behavior.

UNDER PEER REVIEW

Table 2: Pearson Correlation results

	Tax compliance	Tax service quality	Government trust	Social value orientation
Tax compliance	1			
tax service quality	.534**	1		
Government trust	.547**	.373**	1	
Social value orientation	.471**	.372**	.362**	1

** . Correlation is significant at the 0.01 level (2-tailed).

3.3 Hypotheses Testing Results

Results for Covariates and Direct Effects Hypotheses (H₀₁ to H₀₃)

The study examined the impact of control variables (SME experience, sector, and size) on tax compliance through regression analysis. Model 1 demonstrated that these covariates significantly predicted tax compliance, collectively accounting for 8% of the variance ($R^2 = .080$). Specifically, SME experience ($\beta = .120$, $p < .01$), sector ($\beta = .083$, $p < .05$), and SME size ($\beta = .167$, $p < .01$) all had positive effects on tax compliance. The model was statistically significant ($F = 10.845$, $p < .001$).

Hypothesis H₀₁: This hypothesis proposed no significant effect of tax service quality on SME tax compliance. Model 2, which controlled for the covariates, revealed that tax service quality significantly predicted tax compliance ($\beta = .541$, $p < .001$), explaining 35.4% of the variance ($R^2 = .354$), a substantial improvement over Model 1 ($\Delta R^2 = .273$). These results reject H₀₁ and highlight the crucial role of high-quality tax services in fostering tax compliance. The findings align with Social Contract Theory, which argues that citizens are more likely to comply with tax obligations when they receive efficient government services. This supports the idea that responsive and high-quality tax services promote voluntary compliance, essential for sustaining a robust tax system. The results corroborate studies by earlier researchers, such as (44) and (18), who also identified a positive impact of service quality on tax compliance.

Hypothesis H₀₂: This hypothesis suggested that government trust does not significantly influence tax compliance. Model 3, which included covariates and tax service quality, found government trust to be a significant predictor of tax compliance ($\beta = .375$, $p < .001$). This model explained 48.3% of the variance ($R^2 = .483$), rejecting H₀₂ and emphasizing the role of government trust in promoting compliance. These findings are consistent with Political Legitimacy Theory, which asserts that trust in government encourages taxpayers to fulfil their obligations. Studies by (45) and (46) similarly identified a positive association between government trust and tax compliance.

Hypothesis H₀₃: This hypothesis examined the effect of social value orientation on tax compliance. Model 4, controlling for tax service quality and government trust, found that social value orientation significantly affected tax compliance ($\beta = .234$, $p < .001$). This model accounted for 51.6% of the variance ($R^2 = .516$), rejecting H₀₃. The results align with literature on prosocial behavior, including research by (27) and (47), which shows that individuals with cooperative tendencies are more likely to comply with tax obligations.

Table 3: Results for Covariates and Direct Effects Hypotheses

Var.	Model 1		Model 2		Model 3		Model 4	
	Unstandardized Coefficients		Unstandardized Coefficients		Unstandardized Coefficients		Unstandardized Coefficients	
	β	t	β	t	β	t	β	t
(Constant)	3.101***	22.476	.926***	4.438	.035	.168	-.458	-2.040
Expe	.120**	3.474	.099**	3.392	.071**	2.711	.072**	2.829
Sector	.083*	2.302	.074*	2.461	.083**	3.066	.080**	3.044
Turnover	.167**	3.211	.175***	4.021	.167***	4.263	.146***	3.828
TSQ			.541***	12.541	.393***	9.444	.334***	7.971
TGT					.375***	9.631	.324***	8.312
SVO							.234***	5.037
R ²	.080		.354		.483		.516	
Adj. R ²	.073		.347		.476		.508	
SEE	.61144		.51330		.45972		.44533	
ΔR^2	.080		.273		.129		.033	
F	10.845***		157.273***		92.754***		25.372***	

* $p = .05$, ** $p = .01$, *** $p < .001$

Where; β = unstandardized parameter of estimates coefficients, Var = Variable Name, Expe = SME experience, Sector = SME sector, Turnover = SME turnover, ETSG = tax service quality, TGT = taxpayers government trust, SVO = social value orientation

Effect of tax service quality on Government trust (H₀₄)

Hypothesis H₀₄ explored the impact of tax service quality on government trust. Model 1 showed that SME experience positively influenced government trust ($\beta = .090$, $p < .05$), while SME sector and size were not significant predictors. This model explained 1.6% of the variance in government trust. In Model 2, which included tax service quality, SME experience remained a significant predictor, and tax service quality had a strong positive effect on government trust ($\beta = .395$, $p < .001$). This model explained 15% of the variance in government trust, rejecting H₀₄. The findings confirm that tax service quality significantly enhances government trust, supporting Fiscal Exchange Theory, which posits that high-quality services from tax authorities foster trust in government institutions. Efficient and transparent services build public trust and promote voluntary tax compliance, consistent with studies by (48) and (49).

Table 4: Results for tax service quality on Government trust

Var.	Model 1		Model 2	
	Unstandardized Coefficients		Unstandardized Coefficients	
	β	t	β	t
(Constant)	3.966***	26.699	2.376***	9.541
Expe	.090*	2.400	.074*	2.121
Sector	-.017	-.435	-.023	-.640
Turnover	.017	.308	.024	.452
TSQ			.395***	7.681
R ²	.016		.150	

Adj. R ²	.008	.141
SEE	.65828	.61237
ΔR ²	.016	.135
F	1.973	59.026***

*p = .05, **p = .01, ***p < .001

Where; β = unstandardized parameter of estimates coefficients, *t* = t-statistic, Var = Variable Name, Expe = SME experience, Sector = SME sector, Turnover = SME turnover, ETSG = tax service quality, TGT = taxpayers government trust, SVO = social value orientation.

Testing for the Mediating Effects of Government trust on the Relationship Between tax service quality and SME's tax compliance (H₀₅)

Hypothesis H₀₅ tested whether government trust mediates the relationship between tax service quality and SME tax compliance, using the four-step approach suggested by (50) and (41). First, tax service quality was found to significantly impact government trust (β = .395, p < .001). Second, government trust positively influenced tax compliance (β = .377, p < .001). Third, tax service quality had a strong direct effect on tax compliance (β = .531, p < .001). Finally, the mediation analysis showed both a direct effect of tax service quality on tax compliance (β = .412, p < .001) and an indirect effect through government trust (β = .149, CI [0.113, 0.190]). Sobel's z-test confirmed partial mediation (z = 4.714, p < .001), rejecting H₀₅. This demonstrates that government trust strengthens the effect of tax service quality on tax compliance, aligning with the complementary mediation framework proposed by (51).

Table 5: Results for Mediation and Total Effect

Predictors names	Model 1	Model 2	Model 3	Model 4
	TGT	TC	Mediation M3= a ₁ ×b ₁	Total effect=CI (TC)
	β	β	β	β
Expe	.0738	.0712		.0988*
Sector	-.0231	.0830*		.0744
Turnover	.0235	.1666***		.1754***
TSQ	.3952***	.3926***		.5408***
TGT		.3749***		
R ²	.1504	.4828	a ₁ =.3952×.3749=.1482	.3535
MSE	.3750	.2113	CI=.0981, .2015	.2635
F	14.0012***	90.4736***		59.1772***

*p = .05, **p = .01, ***p < .001

Where; TGT = government trust, TC = SMEs tax compliance, TSQ = tax service quality, CI = Confidence intervals, B = Unstandardized parameter estimates coefficients.

Moderating Effect on Government Trust and Tax Compliance (H₀₆):

Hypothesis H₀₆ examined the moderating effect of social value orientation (SVO) on the relationship between tax service quality (TSQ) and SME tax compliance (TC). Model 3 found that the interaction between TSQ and SVO significantly predicts tax compliance (β

= .102, $p < .01$), accounting for an additional 2.5% of the variance ($R^2 = .543$, $\Delta R^2 = .025$). The interaction plot indicated that higher SVO strengthens the positive relationship between TSQ and TC, leading to the rejection of H_{06} . SVO influences perceptions of moral norms and societal responsibility, with individuals oriented towards values like conservation and self-transcendence more likely to view tax non-compliance as immoral. This results in higher tax compliance, while those focused on self-enhancement values, such as success and dominance, tend to have lower compliance rates (27, 34, 52).

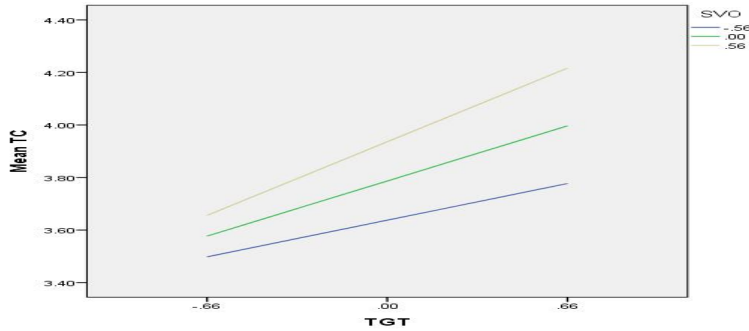


Figure 2: Graphic representation of the moderating effect of TGT on TSQ and TC

Moderating Effect on Tax Service Quality and Tax Compliance (H_{07}):

Hypothesis H_{07} assessed whether social value orientation (SVO) moderates the relationship between government trust (GT) and SME tax compliance (TC). Model 4 revealed that the interaction term (GT x SVO) significantly predicts tax compliance ($\beta = .097$, $p < .01$), contributing an additional 1.9% of the variance ($R^2 = .562$, $\Delta R^2 = .019$). The interaction plot indicated that higher SVO enhances the positive relationship between government trust and tax compliance, leading to the rejection of H_{07} . This finding aligns with previous research demonstrating that social values can strengthen taxpayers' commitment to the tax system, fostering trust and improving compliance (53). Governments can enhance tax compliance by aligning services with social value orientations(54).

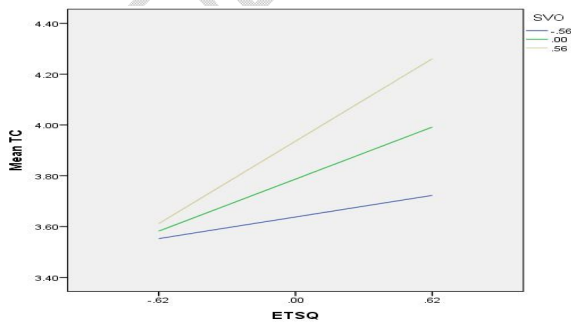


Figure 3: Graphic presentation of the moderating effect of social value orientation on the relationship between tax service quality and SMEs tax compliance (H_{07})

Table 6: Results for Moderating effect of social value orientation on Study**Variables**

Predictors Name	Model 6 TGT		Model 7 TC	
	β	<i>t</i>	β	<i>t</i>
Expe	.0738	1.9149	.0770*	2.3405
Sector	-.0231	-.5614	.0883*	2.5861
Turnover	.0235	.5020	.1155**	3.3769
TSQ	.3952***	6.7251	.3329***	5.9137
TGT			.3178***	5.8566
SVO			.2686***	6.2007
Int_1			.3502***	4.3025
Int_2			.1916*	2.4244
R ²	.1504		.5780	
MSE	.3750		.1738	
F	14.0012***		75.0731***	

p* = .05, *p* = .01, ****p* < .001

Where; β = unstandardized parameter estimates coefficients, TC=SMEs tax compliance, TSQ = tax service quality, TGT = taxpayers government trust, SVO = social value orientation, Int_1 (TSQ*TC) =Interaction of tax service quality and SMEs tax compliance, Int_2 (TGT*TC) =Interaction of government trust and SMEs tax compliance.

Moderating Effect on the Indirect Relationship via Government Trust (H₀₈):

Hypothesis H₀₈ suggested that social value orientation (SVO) moderates the indirect effect of tax service quality (TSQ) on tax compliance (TC) through government trust (GT). Using Hayes Model 15, the analysis confirmed a significant moderated mediation effect, with the index of moderated mediation being notable ($\beta = .052$, CI [0.027, 0.084]). This finding indicates that the indirect effect of TSQ on TC via GT is stronger for individuals with higher SVO. The results led to the rejection of H₀₈, supporting the hypothesis of moderated mediation. These findings emphasize that enhancing government trust and improving tax service quality, particularly by aligning with taxpayers' social values, is critical for fostering voluntary tax compliance (27, 55).

Table 7: Conditional Process Analysis of the Indirect Effects at Three Levels of Social value orientation (SVO)

Levels of the SVO	β	SE	LLCI	ULCI
Low levels of SVO (-1)	.0835	.0208	.0464	.1282
Mean levels of SVO (0)	.1256	.0266	.0770	.1808
High levels of SVO (+1)	.1677	.0397	.0950	.2503

CI = 95% confidence interval for indirect effect; if CI does not include zero, the indirect effect is statistically significant.

4. CONCLUSION

This study concludes that several key factors significantly influence tax compliance among SMEs. First, high-quality tax services are shown to have a positive impact on tax compliance, indicating that efficient and effective tax systems encourage SMEs to fulfill their tax obligations. Second, trust in government emerges as a critical determinant of tax compliance; greater trust in government correlates with higher levels of compliance. This finding underscores the importance of transparent governance and the accountable use of tax revenues in fostering taxpayer trust and compliance. Third, SMEs with a strong social value orientation, which emphasizes collective welfare, demonstrate better compliance. This suggests that promoting social responsibility within SMEs can enhance tax compliance.

Additionally, the study finds that the quality of tax services directly enhances government trust, which in turn boosts tax compliance. The mediating role of government trust in the relationship between tax service quality and tax compliance highlights the necessity of adopting integrated strategies to simultaneously improve service quality and build trust in government institutions. Furthermore, social value orientation is found to amplify the effects of both government trust and tax service quality on tax compliance. This indicates that fostering prosocial values among taxpayers can strengthen the impact of trust-building efforts and improve compliance outcomes. The study also reveals that social values moderate the indirect relationship between tax service quality and compliance via government trust, emphasizing the need to consider individual motivations and social orientations in the formulation of tax policies.

CONSENT

A written informed consent was obtained from the participants. A copy of the written consent is available for review by the Editorial office/Chief Editor/Editorial Board members of this journal.

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