NOTTINGHAM UNIVERSITY BUSINESS SCHOOL

UNDERSTANDING TAX MORALE AND TAX COMPLIANCE OF OWNER-MANAGERS OF SMALL COMPANIES

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Abstract

Owner managers of small companies (OMSCs) present an important group for tax research, as they constitute a majority of taxpayers, although little is known about their tax compliance behaviour. Hence, the key purpose of this study is to understand how OMSCs' tax compliance and tax morale, intrinsic motivation to pay taxes, are shaped through their social roles: as an individual and as a manager. Moreover, the study explores the influential factors on OMSCs' tax morale such as religiosity. This study is particularly important for providing a detailed picture of the factors that are key to successful tax compliance, which might help OMSCs and policy design. Additionally, it is one of the first studies to understand OMSCs' tax morale, particularly the first one in the context of Turkey, with a predominant by Muslim population.

This study is based on three phases. First, the OMSCs' tax morale model is developed building on the Theory of Planned Behaviour. In this phase, the factors that are grouped under Personal Norms, Corporate Norms and Perceived Behavioural Control are identified with the critical review of literature and their influences on OMSCs' tax morale and tax compliance are discussed. Next, in the qualitative exploratory phase of the research, the model's relevance to the research context is confirmed and necessary modifications to the model are made according to the results of the thematic analysis of 20 face to face interviews with OMSCs. The third phase comprised the confirmatory phase of the research. Based on 447 responses from an on-line survey, the model was tested using Structural Equation Modelling via Partial Least Squares.

The results of this study show a strong positive relationship between tax morale and tax compliance of OMSCs. Interestingly, the most influential factor in predicting and explaining tax morale are Personal Norms, which refer to OMSCs' personal beliefs and values, including religiosity. In contrast, Corporate Norms, which refer to normative beliefs of an OMSC about his/her company, were found to be affecting negatively on tax morale but in terms of magnitude are far less influential than Personal Norms. Perceived Behavioural Control positively influences tax morale but again to a smaller extent compared to Personal Norms. These findings suggest that OMSCs' personal beliefs and values are the main determinant of their tax compliance behaviour rather than their corporate concerns.

Overall, the current study illustrates how tax morale and tax compliance of OMSCs are shaped by using the model that utilises the factors that are discussed in the literature alongside additional factors that have emerged from the qualitative phase of this study. The model benefits policy makers by portraying OMSCs' tax morale that might help policymakers to identify problems and aid them in devising policies to improve tax compliance of OMSC.

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List of Abbreviations

AFA	Aggregated Factor Analysis
AKP	Justice and Development Party
AVE	Average Variance Extracted
CB-SEM	Covariance Based Structural Equation Modelling
CFA	Confirmatory Factor Analysis
CPA	Certified Public Accountant
CR	Composite Reliability
EFA	Exploratory Factor Analysis
ERP	Enterprise Resource Planning
EU	European Union
EVT	Expectancy Value Theory
FA	Factor Analysis
GP	General Practitioner
IRS	Internal Revenue Service
ITO	Istanbul Chamber of Commerce
KMO	Kaiser-Meyer-Olkin Measure of Sampling Adequacy
KOSGEB	Small And Medium Companies' Support And Development Agency
MVT	Motor Vehicle Tax
OECD	The Organisation for Economic Co-operation and Development
OLS	Ordinary Least Squares
OMSC	Owner Managers of Small Companies
PBC	Perceived Behavioural Control
PCA	Principal Component Analysis
PLS- SEM	Partial Least Square-Structural Equation Modelling
RQ	Research Question
SCPA	Sworn in Certified Public Accountant
SEM	Structural Equation Modelling
SEM-PLS	Structural Equation Modelling-Partial Least Square

SME	Small and Medium Enterprises
TESK	Confederation of the Tradesman and Artisans of Turkey
TL	Turkish Liras
TOBB	Chambers of Commerce, Trade, Commodity and Exchange
TOL	Tolerance
TPB	Theory of Planned Behaviour
TRA	Theory of Reasoned Action
TRAD	Turkish Revenue Administration
TUIK	Turkish National Statistics Bureau
US	United States
VAT	Value Added Tax
VIF	Variance Inflation Factor

Chapter 1
Introduction

1.1 Overview

Tax, as a complex phenomenon, has been at the centre of the social life for centuries. It has such significant importance in society that in some cases it triggered social reactions. Hence, starting with the first known tax rebellion1 which was more than four thousand years ago, countless rebellions and riots occurred throughout the history of human kind that affected dynasties, states and societies in many dramatic ways. Therefore, the nature of tax and taxation is discussed to uncover the context of tax. Consequently, a constant debate has occurred in the tax-focused literature in many disciplines that asks whether taxes are money that should be 'paid' or 'taken' (Wildavsky and Carolyn, 1986). Both sides of the argument refer to different aspects of taxation, which are the voluntary compliance side and the inevitable obligatory side respectively. The obligatory side of tax has dominated tax research because tax was perceived solely as a revenue generation tool for the state, in most of the previous academic discussion (Hanlon and Heitzman, 2010). Moreover, taxes seemed indispensible for the state; therefore, taxation was considered vital. It other words, former literature perceived tax as the 'Achilles' Heel' for the State's well-being. Benjamin Franklin simply and best puts the situation into words in 1789 and said 'In this world nothing can be said to be certain, except death and taxes' (Franklin et al., 1798). Although the necessity of taxes is commonly agreed, the possible other roles of taxation are ignored (Crowe, 1944). Hence, with the growing importance of taxes alongside the diversified functions of the state, taxation has gone beyond being solely a revenue generation tool and holds wider roles comprising the representation, redistribution and regulation of the markets. In short, the concept of paying taxes has changed. As it is nicely put by a US judge in a case against tobacco companies in 1927 about the new roles of tax: "taxes are what we pay for civilised society" (Holmes, 1927 in Stebbings, 2009, p.1). Therefore, new social political goals of taxation started a discussion about engaging tax policies with taxpayers and encouraging voluntary side of taxation, which also known as tax compliance.

[1] The first known tax rebellion occurred in 2350 BC "*Urukagina's Reform (Babylonia/Sumer), tax reduction and related reforms affected by Urukagina, the Ishakku (ruler) of the Sumerian city-state of Lagash (modern Tello), intended to alleviate the oppressive taxes and policies of his predecessors. The Lagashites had long been oppressed by the ubiquitous and harsh bureaucracy of the Ur-Nanshe dynastic rulers, most especially by the high and multifarious taxes and the appropriation of property belonging to the temple. Consequently, they rose up and threw out the dynasty, choosing a ruler, Urukagina, from an entirely different family."* (Burg, 2004, p.9)

The emergences of new necessities and raising interest about achieving voluntary tax payments have pushed tax research beyond the main perceptions that consider taxes are compulsory payments. Hence, the tax compliance research has generated academic interest (Roth et al., 1989). Tax compliance research aims to reveal the reasons underlying a taxpayer's willingness to pay taxes (Andreoni et al., 1998). Furthermore, in the last couple of decades tax compliance research has expanded to understand the motivations behind tax compliance behaviour, which is referred as tax morale (Torgler, 2007). Tax morale is defined as 'intrinsic motivation to pay taxes' (Alm and Torgler, 2006: p.241) and the later literature such as Torgler and Murphy (2005), Daude et al. (2012) and McKerchar et al., (2013) investigates the factors behind the intrinsic motivation.

Following the same path as recent tax literature, this PhD research is focused on motivations behind voluntary taxpaying behaviour. Especially, it tries to shed light on factors that influence intrinsic motivation to pay taxes. Moreover this research expands the scope of the tax morale and tax compliance research to the corporation level, which has not been fully investigated in the literature (Gangl et al., 2013). In particular, it focuses on the possible conflict between the personal values (Personal Norms) of owner managers and their managerial concerns for their companies' well-being (Corporate Norms) and how these two set of norms influence their tax compliance decisions through shaping their tax morale. Therefore, this research centres on owner managers of small companies (OMSCs) and the factors that influence their tax morale.

In this introductory chapter, the researcher aims to set the general framework of this doctoral research and specifies research questions that the PhD intends to answer. For this purpose, the chapter provides background literature about tax compliance and specifically about the tax morale literature. Following that, the scope of the research and the research aims and the research questions are highlighted. Additionally, the objectives and the contribution of the study are specified. Lastly, the design of the research and the methodology are explained. Finally, the chapter concludes with introducing the structure of the thesis.

1.2 Background Literature and Research Gaps

Tax collection and tax policies are some of the most important issues of policymaking not only because of the compulsory nature of taxes but also because of its role in defining the relationship between the state and the citizen. Additionally, they have major implications for the perception of the government in the eyes of its citizens. Despite commonly unpleasant impression amongst many citizens, taxes are vital for the functioning of the modern state. In contrast to being such a crucial subject for policy-making and therefore policy studies, the literature historically focused only on the enforcement side (Andreoni et al., 1998). The

dominant view of tax compliance was based on expected utility models which predict that evasion of taxpaying is negatively correlated with the probability of getting caught (Andreoni et al., 1998). The logic behind the expected utility models lay in the assumption that taxpayers are always prone to seek income maximisation. Hence, taxpayers are seen as economic rationality seekers and selfish calculators of pecuniary gains and losses (James and Alley, 2002). In this approach, taxes are framed as the money that needs to be collected by the state (Braithwaite, 2003). Therefore, utility models describe the taxpayer-state relationship on the basis of economic utility (Torgler, 2007). Hence, deterrence policies are the only way to make taxpayers comply. This particular attitude has been criticised mainly for three reasons. Firstly, measures to force taxpayers to pay with compulsory tax collection is considerably costly and it expands the volume of revenue administration beyond effective management (Alm, 1999). Secondly, taxpayers are more likely to seek avoidance or evasion opportunities under a domineering environment (Kirchler et al., 2009; Webley, 2010). Lastly and most importantly, the economic rationality of the tax compliance decision is criticised because, whilst taxpayers are individuals, they are not simply independent and selfish utility maximisers but human beings with different motives who are influenced by their personal norms, beliefs and social roles (Kirchler, 2007). Moreover, there has been a considerable amount of work and debate around this discussion (see James and Edwards, 2010 for a review) which makes tax compliance research one of the core topics of contemporary tax literature.

Many researchers acknowledge that the common explanation offered by expected utility models that tax evasion increases personal utility through reducing the tax bill falls short of explaining the behavioural side of taxpaying behaviour (Elffers, 2000). Therefore, starting with the 1980s, the tax literature addressed the idea of voluntary tax compliance to account for factors that motivate taxpayers to comply voluntarily (Milliron and Toy, 1988). Tax compliance is defined as willingness to pay taxes (Roth et al., 1989) and the idea is promoted in an attempt to distinguish voluntary taxpaying behaviour from the compulsory side of taxpaying (Hasseldine et al., 2007). This new approach to tax compliance claims that taxpayers are not only driven by their financial and economical concerns, but they are also influenced by sociological and psychological factors (Feld et al., 2008). Consequently, the approach widens the idea of tax compliance from a narrow view of economic rationality to an idea that there might be other important factors in motivating taxpayers to comply (James and Alley, 2002). Sociological and psychological studies have identified a number of explanatory factors that are effective on tax compliance behaviour. For instance, influences of factors such as social support, social influence, attitudes and certain background characteristics such as age, gender, race and culture have been identified in sociological studies on tax compliance (Jackson and Milliron, 1986). Moreover, psychological factors such as the importance of

equity and fairness (Etzioni, 1986), feelings about guilt and shame (Erard and Feinstein, 1994), attitudes toward state and the authority (Schmölders, 1970) and religious beliefs (Torgler, 2006) have also been found to be influential on tax compliance decisions. Consequently, taxpayers may act according to their judgement of what is favourable with consideration of all factors that affect their conscience. In addition, the new tax compliance approach challenged the classic tax compliance views of state-taxpayer relationship, which explained it solely on the economic basis. The new approach claims that social desire to be a good person or 'good citizen' might affect tax compliance decisions even though they are not economically beneficial (James and Alley, 2002).

Although involving the behavioural factors of tax compliance extended the literature, the economic approach still has a place in tax research because of influence of financial considerations on taxpayer behaviour (James and Alley, 2002). For corporations, it might be argued that pecuniary considerations and the maximisation of shareholder wealth are likely to take precedence over other possible corporate goals, thus making the economic approach even more appropriate (Alm and McClellan, 2012). Nevertheless, even at the corporation level, compliance decisions are made by individuals; therefore, they are also affected by non-economic factors to a certain degree (Alm and McClellan, 2012). However, researchers have yet to discover the extent of this influence. Nonetheless, the different approaches on tax compliance present different sides of the coin when better tax compliance understanding should consider both of the approaches by combining and examining them in different contexts of tax research. Hence, understanding taxpayer compliance remains a complex task for both researchers and tax administrations (Andreoni et al., 1998; McKerchar et al., 2013).

Different reasons for voluntary tax compliance deserve closer attention if the literature is to offer a more comprehensive understanding of tax compliance and tax evasion. Some researchers come to the view that tax morale, which is defined as the intrinsic motivation to pay taxes, can help to understand voluntary tax compliance better (Schwartz and Orleans, 1967; Roth et al., 1989; Pommerehne et al., 1994; Kirchler, 2007; Torgler, 2007: Feld et al., 2008). Moreover, tax morale is described as the 'key' to the puzzle of understanding taxpayer compliance behaviour (Kornhauser, 2006, p.139), and referred to as the 'black box' or 'residuum' of all tax evasion and avoidance behaviour (Frey and Feld, 2002 p.86). McKerchar et al. (2013) depicted tax morale as the error term for the difference between predicted and observed behaviour, a puzzle within a puzzle. Although researchers have attempted to shed light on taxpayers' internal motivations to comply with empirical studies (Torgler and Murphy, 2005; Book, 2007; Alm and McClellan, 2012), solving the puzzle seems almost impossible when little is known about the key itself (McKerchar et al., 2013). Nevertheless,

the perception of tax morale being 'key' to voluntary tax compliance motivated the tax literature to explore tax morale.

After framing the concept of tax morale as key to the tax compliance, Long and Swingen (1991) found supporting evidence that a considerable number of taxpayers is always behaving honestly even when tax evasion is a possibility. Accordingly, the concept of tax morale attracted attention towards solving the taxpayer compliance problem and has received a large amount of attention to uncover possible reasons for intrinsic motivation (Torgler, 2007: Feld et al., 2008). Possible reasons/factors that trigger an intrinsic motivation to pay taxes are explored in the literature in the hope of better understanding of motivation. Hence, the tax morale literature suggests a number of factors that are relevant to taxpayers' tax morale, such as religiosity (Torgler, 2006; Pope and Mohdali, 2010), fairness perception (Ahmed and Braithwaite, 2005), government perception (Kirchler, 2007), patriotism (Qari et al., 2012; Pickhardt and Prinz, 2014), political views (Alm et al., 1999), and tax complexity (Bobek and Hatfield, 2001). However, the factors that influence tax morale are still new to the literature and more research on both tax morale and the factors that influence it are needed (Torgler and Murphy, 2005; Kirchler, 2007; McKerchar et al., 2013)

Despite the growing attention to tax morale, the literature still lacks a comprehensive understanding of how it influences tax compliance and the decision-making processes of taxpayers (Hamid, 2014). Erard and Feinstein (1994) argued that integrating tax morale into models promises better explanations for actual compliance behaviour. Furthermore, moral and cultural motivations have also been integrated into the taxpaying behaviour literature as the main determinants of tax morale (Pope and McKerchar, 2011).

Although, Torgler (2007) described it, as is its infancy stage, the tax morale literature is growing (please see the section 2.7 for review of the tax morale literature). However, the research conducted to understand tax morale and empirical results might still considered as limited (Alm and McClellan, 2012; McKerchar et al., 2013). Hence, the need for further and more robust findings on tax morale is evident.

Additionally, theories that might help understand the intention and behaviour relationship are rarely utilised in the tax compliance research (Bobek and Hatfield, 2003; Manhire, 2014). Furthermore, understanding how tax compliance is shaped through tax morale with use of predictive models are in the infant stage in tax literature. In this regard, Ajzen's (1991) Theory of Planned Behaviour is claimed to be one of the most effective models in exploring intention and behaviour relationship (Madden et al., 1992). Nevertheless, the use of Ajzen's theory in tax research is very limited although the model's exploratory capacity

proposes a structure[2] that can predict tax morale as an intention of tax compliance using attitude towards behaviour, subjective norms and perceived behavioural control constructs to predict it (Bobek et al., 2007a, b; Langham et al., 2012). Therefore, the literature clearly presents a gap in utilising the exploratory theories, particularly theory of planned behaviour.

Tax morale research is considerably scarcer in non-Western contexts, including Muslim countries (Pope and Mohdali, 2010). Considering the fact that cultural motivations are found to be effective on tax morale (Torgler, 2003a; Alm and Torgler, 2006) and religion is evaluated as one of the most influential factors on society and individual (Milton, 1957), there is a clear need for more research to understand tax morale and its factors under a different culture.

Existing tax morale literature is commonly focused on individual taxpayers[3] (Braithwaite and Ahmed, 2005). Nevertheless, corporations are significant contributors to tax revenue compared to individual taxpayers. Furthermore, tax morale is highly likely to have an effect at a corporation level through executives' personal stances. In other words, corporate decisions are made by groups of individuals whose decisions are affected by their tax morale (Alm and McClellan, 2012). Additionally, the size of the corporation is claimed to be negatively correlated with the influence of tax morale on tax compliance (Coleman and Evans, 2003). In addition, small and medium enterprises that are commonly directly managed by owners, partners, or families appear to be corporations where tax morale is more likely to have significant effect upon the taxpaying behaviour (Ahmed and Braithwaite, 2005; Torgler, 2007; Alm and McClellan, 2012; Bilgin, 2014). Furthermore, The Organisation for Economic Co-operation and Development (OECD) (2005) reports that the majority of small and medium enterprises are owner-managed companies. However, unlike that on individual taxpayers, the literature is considerably scarcer on small companies, especially on their tax compliance behaviours (Adams and Webley, 2001; Coleman and Evans, 2003; Abrie and Doussy, 2006).

Overall, the literature presented hitherto in this section provides a brief overview of the prior literature that indicates the pointed gaps in tax morale research. As explained above,

[2] The Theory of Planned Behaviour is a behavioural theory that tries to explain complex reasons underlying human behaviour. According to the Theory of Planned Behaviour; higher the intention of behaviour, increases the likelihood of that person performs the behaviour. The model measures behavioural intention and interprets an individual's beliefs as components of the behavioural intention. According to the Model attitude towards behaviour is a function of behavioural beliefs and outcome evaluation; subjective norms are a function of an individual's important referent beliefs or normative beliefs; and perceived behavioural control is a function of an individual's control beliefs and perceived facilitation (Ajzen, 1991, 2005, 2011a). Chapter 3 provides a comprehensive discussion about the theory.

[3] In this research's context, individual taxpayers refer to self-employed taxpayers and wage and salary earners together. Please see Devos (2013) for a review on individual taxpayers.

the literature might benefit from research that provides information on three points. Firstly the literature falls short of explaining the intrinsic motivation of paying taxes, tax morale, and its context of being the black box of tax compliance (Kirchler, 2007; Pope and McKerchar, 2011). Secondly, the factors that influence the tax morale of taxpayers are still in need of more research, as the literature on the motivations underlying tax morale is very limited (Torgler and Murphy, 2005; Kornhauser, 2006; Feld et al., 2008). Lastly, tax morale analysis that includes corporate taxpayers is very scarce and the analysis that the literature provided thus far is limited (Braithwaite and Ahmed, 2005). Considering these three gaps in tax research, this doctoral research aims to shed light on the aforementioned gaps by focusing on tax morale at the corporate level. The next section will explain the scope of the study.

1.3 Scope of the Research

This study examines tax morale as a driver for tax compliance behaviour and the factors that influence it. In this sense, the scope of the research has two different dimensions, which define the scope conceptually and geographically. The conceptual scope of the research is decided as OMSCs and the geographical scope is selected as Turkey. Both decisions on the scope of the doctoral research are explained in detail in this section.

A. Conceptual Scope

The research focuses particularly on tax morale of OMSCs. To explain the context, defining what a small company is essential. Generally, tax literature does not distinguish between the different business sizes such as micro businesses, small businesses, and medium sized businesses, although few have explained the difference such as Freedman (2003, 2009) and Warren (2003). The OECD (2004, p.10) defines small businesses as:

> *... any for-profit commercial entity other than those that exceed a given (high) asset threshold. Small businesses include sole proprietor, partnership and corporate forms of organisation. They also include individual return filers who have income from self-employment, even if self-employment income is not their primary source of income.*

The OECD's (2004) definition of small businesses almost entirely focuses on a single individual who is nearly always the owner manager of a company (Hankinson et al., 1997). This individual is accountable for all managerial and operative decisions including taxation and profit generation. Hence his or her behaviour is crucial for the company's success which in turn tends to relate immediately and strongly to the owner manager's personal income (Kamleitner et al., 2012). Consequently, small business owners' behaviour is largely

determined by their emotional as well as their rational perception of taxation, which is unlikely to be their core area of expertise (Kamleitner et al., 2012).

Although few in the literature accept the OECD's definition, it is criticised for the vague definition of a small business. Nevertheless, Slemrod (2004) claims that there is no universally acknowledged definition of a small company in the literature. Given the heterogeneity of small businesses and the different definitions provided in the literature (Hertz, 1982), the definition of the small company for this research is developed from the definition of small and medium enterprises (SME). In tax literature, SMEs are defined according to a number of factors including employee numbers (Slemrod, 2004; OECD, 2005). Hence, in this research, small companies are accepted as the companies which fall below the threshold of the large company in the latest definition of the SMEs in the European Commission (2013) report, which defines firms that employ up to 250 employees as SMEs. This threshold of the employee count is also utilised within tax research by a number of other scholars (Warren, 2003; Freedman, 2003; Jabbar and Pope, 2009). Additionally, the rationale behind selecting the employee number of a company as a threshold also refers to the single-handed managerial limits of the owner managers before hiring professional managers for the company (Man and Lau, 2000). Unlike the SME definitions in the literature, the criteria of annual turnover is not considered for this research as a determining factor because of the variety of the sectors and because the different turnover ranges between these sectors that small companies operate in differ extensively, especially in the selected geographic scope of this research.

Owner managed companies are companies that a small group of individuals or a single dominant chief executive has control over at both shareholder and board level (Spence and Rutherfoord, 2001; Rayney, 2012). Owner managed companies are considerably flexible on the scrutiny of shareholder accountability, therefore their operational processes are quicker (Sian and Roberts, 2009). Additionally, owner managers have full understanding of company values (Mador, 2000). However, lack of professional organisational structure and financial strength are their weaknesses (Mador, 2000). Additionally, owner managers are highly influenced by family values and personal values of the owner manager determine a company's values (Mador, 2000). In short, owner managed small companies are more likely to be influenced by the concerns of the owner manager rather than profit-maximising motives. Nevertheless, owner managed companies are businesses and their key aim is to make profit. Therefore, a conflict might occur between owner manager's individual values and their company's goals.

Owner managed small companies exhibit an interesting ground for tax compliance research. Hence, the rationale of selecting the OMSC as a scope for this research is based on a number of different reasons within the tax research context. Firstly, as small businesses contribute significantly to the economy and employment, actions and discourse of the state is important in influencing the public perceptions of the taxes in the society through OMSCs (Murphy, 2003). Additionally, OMSCs are important for tax collection because of the withholding system on income tax and social security contributions and the consumption taxes they pay (Lindner and Bagherzadeh, 2005; Joulfaian and Rider, 2006). Moreover, unlike individual taxpayers, OMSCs have custody over these taxes and are required to account for and surrender them to the tax authorities on due dates commonly monthly, or quarterly in a year (Pope, 2008; Pope and Abdul-Jabbar, 2008; Coolidge and Ilic, 2009). The interaction between the tax authorities and the OMSCs are greater than wage and salary-earner individual taxpayers owing to these tax collection efforts and the liability of routine tax declarations (Rametse and Yong, 2009). Furthermore, opportunities to participate in the shadow economy involving non-compliant behaviour are greater in small companies because of their frequent interactions with tax inquiries (Yong, 2012). As a result of such behaviours, Ahmed and Braithwaite (2005) found that OMSCs are facing relatively greater sanctions from tax authorities than other taxpayers. In addition, owing to the high volume of operations in the cash economy, small companies are considered as a hard-to-tax group of taxpayers (McGee et al., 2007).

In light of all the considerations above, it can be argued that more information about tax morale and tax compliance of OMSCs can be very beneficial for tax authorities and policy makers to understand the nature of their taxpaying behaviour. Additionally, framing tax morale at the corporation level and exploring the factors behind it will help to address the gap in the current literature. Consequently, OMSCs are selected as the scope of this doctoral research.

B. Geographical Scope

The geographical scope of the research is determined as Turkey because it is a promising and rarely explored area in the tax literature. Turkey differs from Western countries as a result of its different historical roots, culture, social structure and, recently, its growing economic environment. In the last decades, the importance of Turkey has been observed in the international literature. Especially, the EU integration process and being the sixteenth biggest economy in the world because of achieving the biggest growth rates in Europe in recent years drew attention from disciplines including economics, accounting and business research

(Aydin, 2005). Despite the attention gained, there is not much research focusing on Turkey in the tax literature (Benk et al., 2012; Tekeli, 2013).

In order to understand the choice of the geographical scope a brief background of Turkey may be useful for the reader. In terms of cultural environment, Turkey represents a very different perspective. Historic roots place Turkey between East and West, and not only connects Turkish society to the Western world geographically but also culturally (Hanson and Pavitt, 1987). Turkey has interacted with Europe since the beginning of the Ottoman era although the major interactions can be seen after the emergence of the capitalist economy in the nineteenth century (Inalcik and Quataert, 1997). Change in economic culture was more evident after the First World War and interaction with the Western economies, especially European states, forced development on economic institutions and the state itself, which later became more visible within society mainly after the proclamation of a new Turkish state: Republic of Turkey (Lewis, 1961). Furthermore, the influence of Western economies reached its peak with the integration processes between the economies of Turkey and the European Union that started after the 1980s with accelerated integration policies (Harrison et al., 1997). Despite these development and integration policies, Turkey still represents a different social and cultural environment from Europe because of its religious and historical background. Especially, the family structure of Turkish society that is influenced by patriarchal traditions and Islamic values has a significant impact on defining the relationship between the state and its citizens (Toprak, 1981). Hence, the perception of the state might be different from other Western countries as in Muslim countries the state can be acknowledged as a sacred organization and obeying the rules of the state and society understood as a noble behaviour (Dixon, 2006). However, Turkey also has strong roots with democracy and constitutional secularism has been approved since the beginning of modern Turkey (Dixon, 2006). Plainly put, Turkey can be acknowledged as a good example that represents both Western and Eastern environment in a single country. From this perspective, Turkey-focused research promise a different angle that might overlooked in the literature, and promises to reveal new dimensions to tax research that might be utilised in Muslim countries alongside Europe and the Western world. Moreover, a comprehensive understanding of the cultural differences in tax compliance research may also provide a guideline for achieving improved tax compliance attitudes for taxpayers who share the same values within European countries.

Apart from the social and cultural reasons of choosing Turkey as the geographical scope of this research, the scarcity of the tax compliance and tax morale research that focuses on Turkey is also one of the motivations behind this choice. In Turkey, small companies constitute a very big proportion of the overall economy by contributing to employment at 75.89% and to overall production at 62% (TUIK, 2014). Moreover, small companies represent

the biggest group amongst all other enterprises in Turkey with just over 2.59 million companies, which correspond to 99.8% of all companies (TUIK, 2014). Despite the proportion of small companies and their contribution to gross production in Turkey, their contribution to total revenue falls below the OECD average 69% with 51% (Çatal, 2007). Moreover, their contributions to the total revenue from different taxes do not correspond with their share in the tax base in Turkey (Sarısoy, 2008).

The last reason that small companies in Turkey are targeted in this research is that the great majority of them is being managed by their owners (Sarısoy, 2008; Atay, 2012). According to the report by the Turkish National Statistics Bureau (TUIK, 2014), 91.28% of chief executives of all small companies are individuals who hold control over the majority of the shares in their company. In other words, they are owner managed small companies. Moreover, the same report highlights that 71.2% of those companies are family companies.

Considering the rationale explained in this section and the owner manager dominated majority of Turkish small companies, the researcher has determined the geographical scope of this research as Turkey.

1.4 Research Questions

In order to contribute to the research gaps as outlined previously, a set of research questions is developed to direct the research.

Firstly, this research aims, as explained in the previous sections, to explore the effect of tax morale which is described as the key to the puzzle of understanding taxpayer compliance behaviour (Kornhauser, 2006). Tax compliance research aims to reveal the reasons underlying a taxpayer's willingness to pay taxes (Andreoni et al., 1998). Moreover, tax morale is defined as 'intrinsic motivation to pay taxes' (Alm and Torgler, 2006: p.241). Kirchler (2007) and Pope and Mohdali (2010) also used the same definition. Ahmed and Braithwaite (2005) proposed a similar definition by suggesting tax morale is 'an internalised obligation to pay tax'. Cummings et al. (2009) suggested a broader definition and explained tax morale as 'intrinsic motivation to pay taxes arising from the moral obligation to pay taxes or the belief in contributing to society by paying taxes'. Overall, tax research literature agrees on the definition of the tax morale which is 'an intrinsic motivation to pay taxes' (Frey, 1992,1997; Torgler, 2007; Kirchler, 2007; Pope and Mohdali, 2010; Aguirre and Rocha, 2010; McKerchar et al., 2013). Hence, the relationship between OMSCs' tax morale and tax compliance forms the first research question of this research as follows:

RQ1: What is the influence of OMSCs' tax morale on their tax compliance?

Following the route that the first research question takes, the second research question focuses on tax morale which is defined as intrinsic motivation to pay taxes (Hanson and Pavitt, 1987). More specifically the research question concentrates on factors that influence the tax morale of OMSCs. Consequently, the second research question of the research is presented as follows:

RQ2: What factors influence OMSCs' tax morale?

Suggesting tax morale as an intrinsic motivation that is formed by the influence of factors that affect OMSCs, this research also groups those factors in accordance with the social roles of OMSCs. An OMSC is a person who holds two positions together when it comes to taxpaying behaviour: an individual in society and a manager of a company. Both of these social roles represent different positions that require disparate motivations. Accordingly, different behavioural patterns can be generated even under the same social conditions. On the one hand, an OMSC is a human being that shapes his or her behaviour according the his or her social beliefs, perceptions, religious beliefs, knowledge, culture and genetics (Triandis, 1994). One can simply refer to this set of values as 'personal norms'. On the other hand, an OMSC holds a different position with different motivations that are required by his/her position as a chief manager of a company who desires to improve the well-being of his/her company. Hence, the OMSC is influenced by a different set of values that are interest to the company rather than the individual. This set of values or concerns can be referred as 'corporate norms'. Under these conditions, an OMSC can hypothetically be described as a person who has double identities that is similar to the famous fiction character of Stevenson (1886) Dr Jekyll and Mr. Hyde. Hence, OMSCs have to behave under pressure of the motivations of being a good manager and a good individual at the same time. Although, these two groups of motivations do not necessarily result in conflict, there is likelihood that they might direct the OMSC to contradictory behaviours when it comes to tax paying behaviour. For instance, an OMSC can prefer utilising a loophole in legislation for decreasing the amount of the tax that he/she is obliged to pay in order to have more money for better life standards or even sometimes to donate to a charity. In other words, tax avoidance or evasion might benefit the company by increasing the profit and the OMSCs' quality of life. However, a person can judge such tax evasion or avoidance behaviour and find it not acceptable from the standpoint of his or her personal beliefs. Moreover, he or she can find involvement in a tax avoidance scheme unethical, immoral, unpatriotic and so on. In this case, the OMSC faces a dilemma between two roles that he or she shoulders. Consequently, the tax morale of the OMSC might be influenced by personal and corporate norms on a different scale and at the end, the decision about whether or not to comply with taxes is made by evaluating the consecutive strength of

those norms. In order to identify the effect of these two sets of norms on the OMSCs' tax morale, two research questions are developed:

RQ3: What is the influence of OMSCs' personal norms on their tax morale?

RQ4: What is the influence of OMSCs' corporate norms on their tax morale?

In addition to the research questions above, the OMSC's tax morale can be influenced by perceived control measures (Bobek and Hatfield, 2003; Bobek et al., 2007a; Smart, 2012; Jo'Anne et al., 2012; Langham et al., 2012). Further, the measures' perceived power could influence tax morale and even tax compliance behaviour directly. For instance, if the perceived size of the economic burden of taxes is low, OMSCs might be easily encouraged to comply or if the amount of tax he or she obligated to pay is high, he/she might want to consider involving tax avoidance or even evasion schemes. In light of the explanation, an additional research question is formed as follows:

RQ5: What is the influence of OMSCs' perceived behavioural control measures on their tax morale?

Besides the aforementioned main research questions, this research is also interested in discovering other factors that influence tax morale. Religiosity, as one, has been discussed in the literature by few scholars (Kirchler, 2007; Stack and Kposowa, 2006; Torgler, 2006; Pope and Mohdali, 2010). Religiosity is defined as the extent to which an individual is committed to the religion he or she professes and its teachings, such that individual attitudes and behaviours reflect this commitment (Johnson et al., 2001). Furthermore, Glock (1962) explained religiosity in five dimensions. Firstly, the ideological dimension, by which the followers of religions are expected to adhere to certain sets of beliefs. Secondly, the ritualistic dimension: specific religious practices adhered to by the followers such as prayer, fasting and meditation. Thirdly, the experiential dimension which stresses religious experience as an indicator of the level of religiosity. Fourthly, the intellectual dimension, which focuses on religious knowledge used to strengthen one's religious beliefs. Finally, the consequential dimension identifies the effects of adherence to the first four dimensions that guide individuals to behave based on religious belief, practice, experience and knowledge. Lenski, (1963, p.334) suggested that: 'religions are carriers of complex subcultures relevant to almost all phases of human existence and hence, they are products of the social heritage of the group'. Thus, the historical values of different religious affiliations may affect individual behaviour differently, that could plausibly be extended to taxpaying behaviour.

Studies that have examined the religiosity effect on tax morale commonly rely on secondary data sources (Pope and Mohdali, 2010). They mostly agree that the level of religiosity is negatively correlated with the level of tax evasion (Torgler, 2007). Additionally, different societies and their religious practices should be analysed as different religiosities when considering tax morale. In other words, religious behaviours are different among Muslims, Christians and many others. Furthermore, tax related religiosity studies are mostly conducted in Western countries which have Christian dominated cultures (Kirchler, 2007). Therefore, literature is limited on countries where the dominant population is Muslim. Considering this research is focusing on OMSCs' tax morale mainly, an additional research question is formed in order to expand the research's border to the religiosity effect on tax morale:

RQ6: What is the influence of the religiosity of OMSCs on their tax morale?

Overall, the six research questions that explained above are presented in Table 1 to provide a convenient overview:

Table 1: Research Questions of the Thesis

Number	Research Questions
RQ1	What is the influence of OMSCs' tax morale on their tax compliance?
RQ2	What factors influence OMSCs' tax morale?
RQ3	What is the influence of OMSCs' personal norms on their tax morale?
RQ4	What is the influence of OMSCs' corporate norms on their tax morale?
RQ5	What is the influence of OMSCs' perceived behavioural control measures on their tax morale?
RQ6	What is the influence of the religiosity of OMSCs on their tax morale?

1.5 Research Objectives

This research aims to explore the nature of tax morale and its effects on OMSCs' tax compliance. This will address six particular objectives:

- To provide an empirical study on the tax morale and tax compliance relationship at the OMSC level as a contribution to tax literature.
- To identify the key factors that influence tax morale of OMSCs.
- To explore the extent of personal norms' and corporate norms' influence on OMSCs' tax morale.

- To generate, conceptualise and refine a model for the implications of tax morale on OMSC compliance behaviour.
- To validate and test the model that enhances the tax morale literature by providing empirical evidence.
- To suggest potential guidelines for improving knowledge by discussing the empirical findings in tax morale research and to shed light on future policy implications in the area.

1.6 Contributions of the Research

The PhD research contributes to the literature in a number of ways. Firstly, it contributes to tax morale research. Several researchers have indicated that the tax morale literature is limited (Kirchler, 2007; Pope and McKerchar, 2011). Additionally, existing research mainly focuses on individual taxpayers' tax morale. Therefore, tax morale research at the company level is very limited (Alm and McClellan, 2012). Additionally, there is no research identified in the literature that concentrates on OMSCs. Consequently, the outcome of this thesis will directly contribute to the tax morale literature by providing company level perspectives on factors influencing tax morale and empirical evidence from OMSCs.

Secondly, the research aims to contribute to tax morale research by examining it in an unexplored culture: Turkey. According to Torgler (2003a), culture has a significant effect on individuals' tax morale. Additionally, the majority of current tax morale research has been conducted on Western societies which have mainly Christian backgrounds (Pope and Mohdali, 2010). Therefore, there is a gap in the literature for Muslim societies. Hence, in this respect Turkey represents a different cultural context where the majority of the population is Muslim. Nevertheless, the historic background of Turkey places it culturally between East and West. Turkish society has interacted with Europe since the first years of the Ottomans (although the major interactions can be seen after the 1923 revolution and the EU integration process). Therefore, on the one hand, Turkish society has characteristics of Muslim societies and on the other hand, it has considerable similarities with Western societies. Consequently, analysis of tax morale might not only be useful to understand tax morale in Muslim countries but also can provide a different perspective on Western societies. In addition, there are very few studies conducted so far in the literature about tax morale in Turkey (Bilgin, 2014; Goksu and Sahpaz, 2015). Additionally, Turkey offers a suitable context for research as the vast majority of operating companies are owner managed companies and they are generally family businesses (ITO, 2005). Owner managed companies are more likely to be affected by their managers' or families' values. Thus, cultural influences might be more visible in OMSCs (ITO, 2005).

Overall, conducting tax morale research in Turkey has benefits to the literature in more than one perspective.

Thirdly, differentiating the personal norms from the corporate norms of OMSCs is found to be an unexplored area in tax research. Therefore, understanding their influences independently from each other might provide a better understanding of the tax morale of OMSCs. More importantly, the research contributes to the literature by comparing effects of both norm sets on tax morale and tax compliance, which is ignored by the literature. Hence, the findings shed light to help identify which has the more effect personal norms or corporate norms. Therefore, the contribution made by this distinction might be utilised for better tax policies that target small companies.

Fourthly, this research aims to investigate the influence of religiosity on tax morale which is stressed as a pressing research agenda by various scholars in the field (Stack and Kposowa, 2006; Pope and Mohdali, 2010). As mentioned earlier, religiosity research mainly utilises secondary data, especially the World Values Survey that started in 1981 and now covers almost 90% of the world's population with five waves of surveying using standardised questions completed up until 2008 (World Values Survey, 2009). Whilst being an excellent source of data, this survey can only provide limited depth in addressing some questions of this research. Hence, first hand collection of data and deeper analysis are needed. Additionally, religiosity's effect on tax morale has not been investigated in Muslim countries (Pope and Mohdali, 2010). Consequently, the religiosity focus of this work will address a gap by focusing on the influence of religiosity on tax morale in a Muslim country like Turkey and providing in-depth knowledge through interviews, which is not available from any secondary data source. Moreover, this may be the first empirical research that solely refers to Muslims in tax morale research.

Lastly, the thesis contributes to the tax literature by creating a model inspired by Ajzen's (1991) Theory of Planned Behaviour. The theory has recently started to be utilised in tax literature (Bobek and Hatfield, 2001; Trivedi et al., 2004; Bobek et al., 2007a,b; Jones, 2009) and tax compliance studies are expanding to physiological aspects of tax paying behaviour (Frey and Feld, 2002). Nevertheless, examples of tax research that use the Theory of Planned Behaviour is limited. Therefore, this research will contribute to the literature by adapting the main assumptions of the Theory of Planned Behaviour especially on corporation level.

1.7 Research Design and Methodology

The research design that is applied to the PhD is sequential exploratory mixed methods, which accommodate qualitative and quantitative research methods together (Creswell, 2009). The mixed methods design has gained interest among tax researchers in the last couple of decades and it is used for theory development by many researchers in the literature (Oats, 2012).

In phase one, factors (constructs of the model) that influence tax morale were identified from the literature and they are explained in Chapter 3. Additionally, they are used for formation of a model that is inspired from Ajzen's (1991) Theory of Planned Behaviour. The intention here was to identify key perspectives and variables that may be important to this domain. The formation of the initial tax morale model of OMSC is explained in Chapter Three.

Following the model development, the second phase of the study, which is the exploratory qualitative phase of the research, was performed. Some scholars suggest that interviews are helpful to reach better research bases for quantitative studies (VanderStoep and Johnston, 2009). With this in mind, interviews were conducted to provide insights into OMSCs' understanding of tax morale. Especially, the second phase was performed to modify the initially developed model by examining the relevance of the constructs/factors in this research's context and to introduce new constructs in the model if it is found necessary. By doing so, the answer to RQ2 was established and the model was prepared for theory testing in the confirmatory quantitative phase of the research. For the second phase, semi-structured interviews were conducted as they are more appropriate for exploratory studies (Saunders et al. (2015). Additionally, they are the most common approach of all qualitative methods (Ambert et al., 1995; Bryman, 2011). The qualitative phase of the research consisted of twenty semi-structured interviews with OMSCs in Turkey who were selected from the Small and Medium Enterprise Development Agency's database. Two pilot interviews were initially conducted to improve the interview protocol before recording interviews. All further twenty interviews were conducted face to face and they were fully recorded and transcribed. The data analysis of the second phase was carried out using the steps that are suggested by Braun and Clarke (2006) for thematic analysis. NVivo10 was used as an analysis tool for this phase.

Following the second phase, the third phase, which was the confirmatory quantitative part of the study, was conducted. The third phase aimed to provide generalisability to the study by statistically testing the model on a larger sample of OMSCs. To do so, an online survey was developed and administrated via personal emails of OMSCs in Turkey. The

questionnaire was prepared by considering the constructs represented in the refined model in the exploratory qualitative phase. The usable responses of 447 were obtained from the survey and the data were analysed using Structural Equation Modelling via Partial Least Squares (SEM-PLS). Given that the model consists formative latent variables and a hierarchical model, covariance base structural equation modelling is suitable (Kline, 2011). For data analysis the steps which are suggested by Hair et al. (2014) is followed. For the data analysis tools, SPSS 22 and the Smart PLS 3.0 were used.

Phases of the research design are illustrated in Figure 1 to provide an overview of the research for the reader.

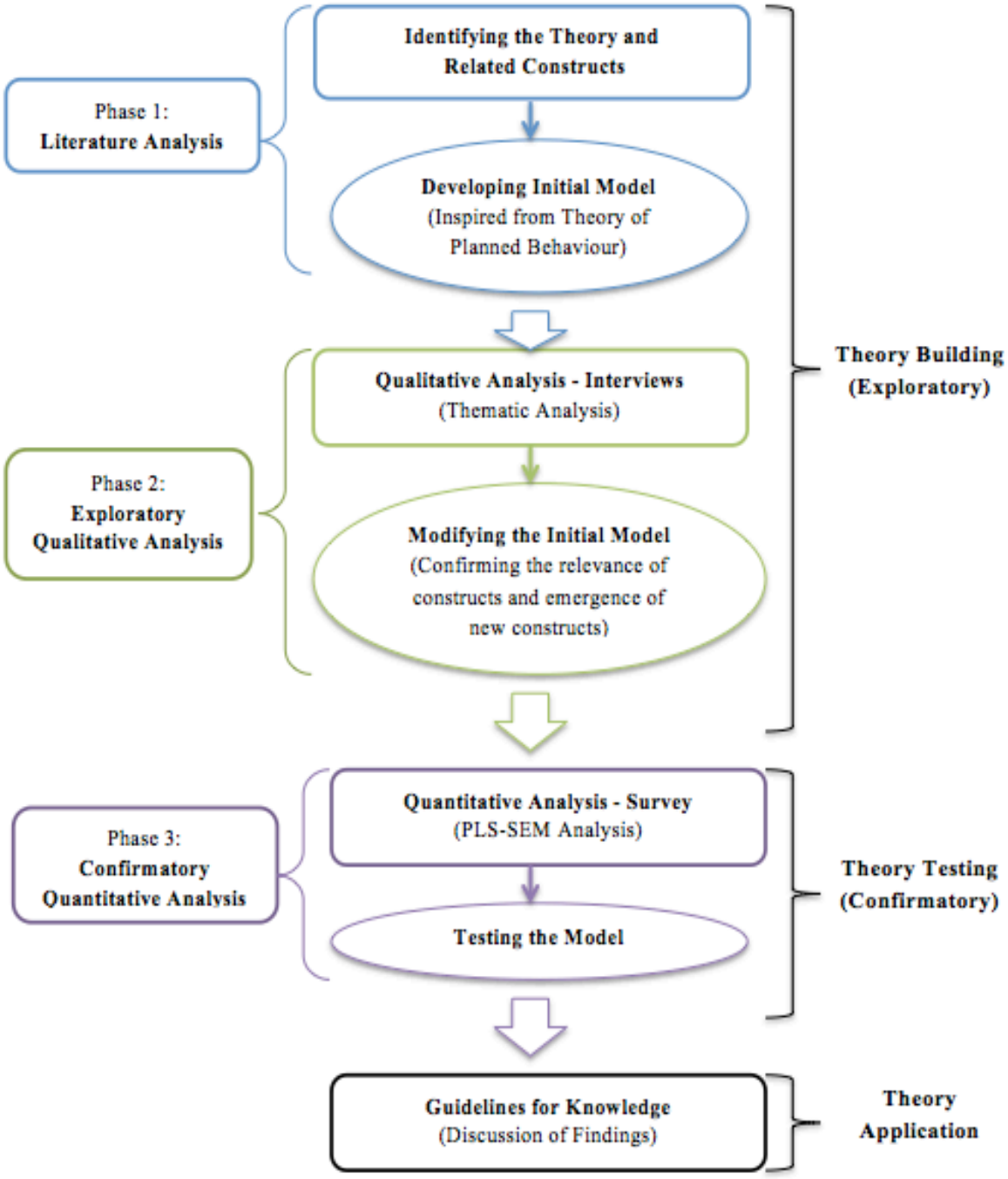


Figure 1: Outline of the Research Design

1.8 Structure of Thesis

This thesis is divided into seven chapters and they are described as follows:

- The first chapter provides an overview and introduction of the research. A brief background, motivation, research questions, objectives and contribution are explained concisely in this chapter.

- The second chapter reviews the literature on tax compliance and tax morale and highlights the importance of future research on the topic of OMSC tax morale. It provides the theoretical background to the research and identifies the research gaps in the tax morale literature.
- The third chapter elicits the key theory and the variables that are related to tax morale in the literature. Consequently, the research theory and key variables are identified. Hence, it introduces the initial tax morale model of OMSCs.
- The fourth chapter describes the methodological preferences of the research and philosophical stance of the researcher. Additionally, it justifies the research design and introduces the rationale behind the methods employed.
- The fifth chapter reports the findings of the exploratory qualitative study and discusses the relevance and importance of the constructs within this research's context. As a result, introducing new variables and merging overlapping variables into the model modify the model. In addition, research hypotheses are formed which are tested in the quantitative phase.
- The sixth chapter, which is the confirmatory quantitative phase, tests and validates the modified model. Results of the survey are presented and the analysis of SEM-PLS is described in this chapter.
- The seventh chapter converges the two empirical stages and discusses their findings with respect to prior tax literature. It also critically reviews the application of the model to develop recommendations for policy developers. In addition, it discusses the outcomes of the research and the contributions to knowledge. The limitations of the work are outlined.

Chapter 2
Review of Tax Compliance and Tax Morale Literature

2.1 Introduction

Tax research has always attracted attention from academics for many years in economic history. However, the importance of tax and the need for a better understanding of taxpaying behaviour became more critical with dramatic changes of the role of the modern state and its increased need for revenue on a growing number of public services. Amongst the subjects of tax research, tax compliance has gained significant attention in recent decades (Milliron and Toy, 1988). It has been widely discussed and it became a focus of many researches.

After the political concerns about the 'tax gap' and untaxed commodities became one of the major concerns in United States in 1980s, tax research have gained significant attention (Tanzi and Shome, 1993). In early stages of the literature, perspective on tax compliance that emerged from the United States had a strong focus on economic theory. Firstly, the perspective on the tax compliance was purely affected by the utility theory. Allingham and Sandmo (1972), who are one of the first scholars that viewed tax compliance with this frame, assumed that taxpayers are utility maximisers in their tax compliance decisions and they evade when the financial gains purely outweigh financial costs. However, the expected utility approach to tax compliance is criticised by some who believe that tax compliance behaviour cannot be explained solely by the financial gain and cost approach (Tan, 1999; Murphy, 2004b). Studies in this field have argued that the human element plays a vital role in individual taxpayer compliance decisions. However, while the tax compliance literature has emerged from a wide variety of disciplines, there has been a lack of consensus and agreement as to why people do or do not pay their taxes (Devos, 2013). Nevertheless, the tax compliance literature highlights that more research is needed to understand tax compliance in respect to the relationship of tax compliance with other social parameters such as tax morale, fairness, religiosity, patriotism, risk perceptions and so on.

The literature review chapter aims to present a concise review of previous literature of tax compliance and its trends, mainly focusing on literature after the 1970s.[4] The literature on

[4] Although several well-known studies that provide an overview of tax compliance literature have stated 1970s as an anchor period of the literature such as Roth et al. (1989) and Andreoni et al. (1998), some previous papers had contributed to tax compliance literature such as work by Schmölders (1959). Although some of these papers were mentioned in the literature review chapter, such as Schmölders

tax compliance is discussed by following the footsteps of Roth et al. (1989), by explaining three main perspectives. These are: financial self-interest models or economic deterrence oriented studies, social psychology based studies and fiscal psychology models of tax compliance. Additionally, recent approaches to the tax compliance are also addressed. Secondly, as it is mentioned in the introduction chapter, this research's scope has two dimensions that are small businesses and Turkey. Hence, the literature review on the wide tax compliance perspective is narrowed down to small businesses tax compliance studies and the Turkish literature. Thirdly, the tax morale literature is discussed by providing an overview on tax ethics and a detected confusion on the literature between tax morale and tax ethics is stressed. In addition, the literature on religiosity and tax morale relationship is discussed by summarizing the main approaches in the international literature. Additionally, related literature with an Islamic background that has not had many chances to appear internationally is explained. The chapter ends with a summary of the research gaps that is pointed by the RQs in the pervious chapter.

2.2 Tax Compliance Research

Understanding taxpaying behaviour has been a popular subject for scholars for many years. Moreover, a desire of searching for an answer to 'why do people pay taxes?' has always been central to the curiosity of scholars. In relation to tax, it is possible to trace this curiosity back to St Thomas Aquinas and Ibn Khaldun in the 14th century when they searched for the optimum taxation policies and increased effectiveness of tax collection for rulers or kings (Bonney, 1995; Islahi, 2015). However, specific literature about taxpaying behaviour started to be specialized with the development of economics as a discipline. It is widely acknowledged that economics literature formed as an independent research field with Adam Smith in the 18th century (Backhouse, 2002; Allen, 2011). Smith argued for the possibility of good tax practice and contributed to the tax literature by underlying the main features of good tax practice for the long term. He called for four maxims of taxation: equity, certainty, convenience of payment and economy in collection (Smith, 1776). The validity of these maxims is arguably still prevalent for policy makers and revenue administrations for achieving effective taxation. Moreover, one can argue that the maxims are one of the first attempts to understand tax compliance behaviour. After Smith's discourse, there are a number of historical articles examined taxpayer's behaviour and the burden of taxpayers (Crowe, 1944; Schmölders, 1970). However, few attempts have been counted in the modern literature before the 20th century (Evans, 2003).

(1959) and Crowe (1944), the literature before 1970s is very limited. Therefore, the literature review chapter adopted the approach of the commonly accepted view of the tax compliance literature.

In this section, the definition of tax compliance is provided. Following that, conceptual models of tax compliance are introduced.

2.2.1 Definitions of Tax Compliance

The definition of the term of tax compliance varies in the literature (Roth et al., 1989). Thus, it might not be wrong to claim that the literature has paid more attention to reasons of compliance than defining it. Despite this fact, some scholars have discussed the definition of tax compliance such as Jackson and Milliron (1986), Hasseldine (2001) and Kirchler (2007).

Although limited numbers of researches have discussed the issue, the neutral understanding of the compliance term appears in the literature as taxpayers' 'willingness' to pay taxes (Kirchler, 2007). However, the term 'willingness' is vague and it is more likely to create a blurred picture for the understanding of tax compliance while it brings some other problematic issues to the table such as measuring the willingness of a taxpayer. In order to overcome these complications, some scholars attempted to define tax compliance through non-compliance. Hence, defining non-compliance requires deeper understanding about failures with meeting obligations of tax law regardless of whether these behaviours are intentional (Devos, 2013). Consequently, some scholars defined tax compliance based on tax non-compliance (James and Alley, 2002). Kinsey (1984) explains non-compliance as intentional or unintentional failure to meet their tax obligations. Weigel et al. (1987, p. 216) defines it as: 'tax cheating and evasion as deliberating actions for tax non-compliance by paying less tax amount than are actually obligated'. Roth et al. (1989) classed the non-compliance behaviour into three groups: to file failing return, failing to report tax liability on return, failing to file tax liability on return and failing to remit taxes owed. They also mentioned main motives for tax non-compliance. According to Roth et al. (1989), tax non-compliance is a common attitude which includes overstated subtractions, non-filing and arithmetic errors, and most non–compliance comprises considerably low amounts. Some over reporting of income and under subtractions counts as tax non-compliance (Roth et al., 1989; Hasseldine and Li, 1999). All attempts toward to defining tax non-compliance aspects in the literature can be understood as counter definitions of tax compliance. In other words, substantially describing the opposite behaviour can be understood as definition trials of tax compliance and these attempts try to explain the meaning of 'willingness' as mentioned above. Hasseldine (2001) discussed the dimensions of tax compliance and suggested non-compliance might be a result of complicated tax compliance procedures that require expertise. Additionally, he highlighted number of other factors that might be influential on non-compliance such as: deliberate choices of evasion, being careless when doing tax duties, misinterpretations of tax law or other requirements and omissions. In addition, he explained that tax compliance costs as a concern for taxpayers.

In the literature, one of the first definitions of tax compliance is stated by Jackson and Milliron (1986). They define compliant taxpayers rather than tax compliance itself and suggest a compliant taxpayer is a person who files an accurate, timely and fully paid return without Internal Revenue Service (IRS) enforcement efforts. However, a comprehensive definition is citied by the IRS. The IRS defines compliance with the reporting obligations of taxpayers:

> *'Compliance with reporting requirements means that the taxpayer files all required tax returns at the proper time and that returns accurately report tax liability in accordance with the Internal Revenue Code, regulations and court decisions applicable at the time return is filed' (Roth et al., 1989, p.21).*

Nevertheless, this definition lacks expressing any intention about taxpayers' motivations and social conditions towards tax which may cause non-compliance or over compliance (Hasseldine, 2001). In addition, some scholars explain different forms of compliance. For instance, McBarnet (2001) divided compliance into three different forms. First, she defines committed compliance as a form of compliance, which refers to the taxpayers' willingness to pay their taxes without any complaints. Secondly, she added capitulative compliance as reluctantly giving in and paying taxes. Lastly, creative compliance is defined as engagements to take advantage of the gaps in the tax law, possibilities of lowering the income level or arranging a new expenditure policy according to tax obligations by not violating the obligatory base. For the creative compliance, she counts tax avoidance as tax compliance, which might be an arguable hypothesis. Nevertheless, McBarnet (2001) stated willingness of paying taxes as a first form of tax compliance.

Despite not having an agreement upon tax compliance definitions, many scholars have found it appropriate to define the tax compliance as taxpayers' willingness to pay taxes (Alley, 2002; Coleman and Evans, 2003; Hasseldine et al., 2007; Torgler, 2007; Kirchler, 2007; James and Devos, 2013). Following the same path, this research acknowledges tax compliance as willingness to pay taxes.

In the literature, there are two main models/approaches for explaining taxpayer compliance behaviour. These are economic deterrence and social psychology models (Hasseldine, 2001; Andreoni et al., 1998). However, later researches introduced an additional category that uses both methods to examine tax compliance namely fiscal psychology models (McKerchar and Evans, 2009). The approaches to the tax compliance are explained in the following subsections to provide an overall view of the discussion.

2.2.2 Economic Deterrence Models

Considering the influence of economics on the tax compliance literature, it is obvious that the literature adopted some basic assumptions of economic theory at the beginning (Alm, 1999). Classical economic theory which has acknowledged human beings as rational economic agents assumes that every economic agent seeks their own benefit with full rationality, and by doing so society and economy will reach an optimum level of wealth (Eagly, 1974). In other words, the only path to a wealthier society is passing through people's financial self-interest or utility maximising behaviours. The implications of the classical economic approach have found grounds on tax compliance literature with economic deterrence models.

Allingham and Sandmo (1972) argued that economic deterrence models stem from the economics of crime approach that has emerged from classical expected utility theory. Expected utility theory is based upon the rational taxpayer assumption and claims every taxpayer measures the benefits of successful tax evasion while considering the possibility of detection, prospective cost of being caught and paying for tax penalty or punishment. Hence, taxpayers' decisions will be in favour of the side whose advantages overweigh the opposite side (Mossin, 1968; Dhami and Al-Nowaihi, 2010). In other words, if the pay-off from evading is greater than punishment then taxpayer will evade (Becker, 1997; Alm et al., 2004; Hasseldine, 2001). Economic deterrence models, which are solely based on economic benefit, evaluate tax compliance in a frame of the availability of non-compliance behaviour. Therefore, the model suggests if taxpayers feel pressure from possible inspection and tax penalty, taxpayers are more likely to comply with the tax system (Allingham and Sandmo, 1972).

Economic deterrence models are criticised for having a narrow perspective on taxpayers' behaviour by selecting a number of causes for such behaviour and measuring them to predict outcomes using calculus (Alm et al., 1995). Moreover these calculations are done under some major assumptions of economic deterrence theory which acknowledges people as risk-averse, fully informed, rational decision makers (Evans, 2003; Hasseldine, 2001).

The economic deterrence models and their core assumptions have been criticised heavily in the last couple of decades. Some scholars argue that the fundamental assumptions of the economic deterrence theories might be unrealistic, such as accepting full rationality and awareness of possibilities about auditing and its consequences for taxpayers (Hasseldine and Li, 1999). Moreover, economic deterrence models accept that all taxpayers have the same level of risk preference and they also admit tax compliance behaviour can be predicted by calculating possible factor variables such as financial cost of compliance, taxpayers' wealth and income, tax rate, detection probability, fear of getting caught and punishment structure

(McKerchar and Evans, 2009). Nevertheless, some variables such as fear of getting caught, detection probability and risk perception of taxpayers are hard to integrate into the numbers for calculations (Horst et al., 2007). Moreover, assumption of rational behaviour and rational individuals were evaluated during the development of economics literature. Although it was one of the main assumptions of the classical economic discourse, it faced with serious challenges from Keynesian and monetarist economic discourses (Fazzari, 1985). Furthermore, even neo-classical economists adopt new theories such as rational expectations to overcome the shortcomings of the classical assumptions (Horst et al., 2007). The reason behind this is that the rational behaviour assumption ignores the emotional and interactive nature of human beings. Additionally, the theory was also criticized for a lack of enough evidence to support the expected utility theory (Weigel et al., 1987).

Another significant criticism about economic deterrence models rose regarding purely monetary self-interest perceptions of tax compliance behaviour (Kidder and McEwen, 1989). Although, financial self-interest reasons are effective on tax compliance behaviour, they are less likely to be the only factor. There are also moral, cultural and demographic factors that have an influence on taxpayers' compliance decisions (Jackson and Milliron, 1986).

Despite above mentioned criticisms which claim that the economic deterrence models are limited for explaining tax compliance behaviour, such theoretical bases of modelling have been widely accepted by governments and tax authorities for developing tax enforcement strategies that principally rely on fear of getting caught and tax penalties (McKerchar and Evans, 2009). In addition, the current approach of public economics and macroeconomics disciplines are still utilising these models.

2.2.3 Social Psychology Models

Unlike economic deterrence models, social psychology models approach tax compliance from a very different perspective. They try to explain and analyse the decision-making processes of human beings using different methodological approaches such as attribution theory, compositional modelling and equity theory (McKerchar and Evans, 2009).

Compositional modelling refers to the idea that individuals are responsible for their reasonable and deliberate actions according to their own preferences (Baldry, 1987). These models assume that, people consider the results of their choices or behaviours before they intend to act therefore the only reason of the behaviour. It also tries to understand the formation process of intention.

Reasoned action theory attributes the main motives of human behaviour into two reasons: an individual's nature and social influence. Generally, the theory acknowledges the individual's behaviour as either negative or positive. However, it accepts that social pressure might be the main determinant on behaviour to comply with the tax system. In other words, individuals act when they suggest their intention is positive towards behaviour (Cialdini, 1989). Additionally, the theory highlights intention of complying with the tax system might be improved by creating awareness through speaking directly to taxpayers about their social and individual responsibilities.

Attribution theory focuses on psychological reasons of behaviours and assumes that people tend to analyse tax evasion behaviour with external and internal frames (Kelley, 1973). People interpret the individual intention of others related to actors' internal reasons. However, people judge their own intentions by using external factors. For instance, taxpayers explain their evasion by excusing unfair attitudes of their governments. Controversially, they explain others' tax evasion or avoidance with their own internal attributes (Hite, 1987).

Equity theory is one of the most effective theories in the literature and it is widely utilised in the policy-making. The theory assumes that taxpayers are likely to comply with the tax system if they think the tax system is equitable. However, if they believe the opposite then they start to reserve their savings and revenue from the tax system as much as they can. The theory advises that dealing with inequity perceptions of taxpayers might improve tax compliance (Spicer and Becker, 1980; McKerchar and Evans, 2009).

Overall, social psychology models are mainly concerned with the social reasons of behaviour and they are criticised about ignoring the financial side of taxpaying behaviour. Hence, fiscal psychology models emerged to overcome the shortcomings of these models.

2.2.4 Fiscal Psychology Models

Fiscal psychology models build on perspectives of both social psychology and economic deterrence models and they analyse tax enforcement as a behavioural problem that should be handled by considering multiple dimensions of tax compliance behaviour (Spicer and Becker, 1980). Besides, the models assume that an easier way to enhance taxpayer compliance behaviour can be reached by encouraging high levels of cooperation between tax authorities and taxpayer that might increase enthusiasm in taxpayers (Lewis, 1979). Furthermore, they argue that well-established communication links between tax authorities and taxpayers can help promoting tax compliance in the short term (Hasseldine et al., 2007). In addition, fiscal psychology models are focused on some factors of compliance that the other models did not consider before, such as morality, feelings of tax tension, tax mentality, gender effects and religiosity (Hasseldine and Bebbington, 1991).

One of the earlier studies utilising the Fiscal Psychology Models is Schmölders' (1959) work about tax evasion, which introduced the concept of 'tax mentality'. Tax mentality refers to tax compliance attitudes of taxpayers. Schmölders (1959) claimed that attitudes could differ widely between taxpayers from different countries. In other words, he argues that individuals have divergent views on their taxes because of their cultural differences. Hence, these differences lead to different tax mentalities. These tax mentalities are closely related with taxpayers' sense of responsibility for the society in which they live and they are developed through personal experiences. Schmölders (1959) added that taxpayers are more likely to seek non-compliant behaviour when confronted with the obligation to pay.

Fiscal psychology models are summarised comprehensively in the paper of Jackson and Milliron (1986). This paper gained importance in the literature because it overviewed tax compliance research by identifying possible factors of behavioural tax compliance and introduced the influence of demographical aspects (McKerchar and Evans, 2009). In addition, the paper contributes to application of quantitative methods in tax compliance research (Richardson and Sawyer, 2001). Moreover, the paper have identified fourteen tax compliance variables for the first time in the literature. It discussed variables such as age, gender, education level, income level, income source, occupation, peer influence, ethics, fairness, complexity, revenue authority contact, sanctions, probability of detection and tax rates as influential factors on tax compliance. The paper is a prominent example of the fiscal psychology approach in tax compliance literature and it provided useful insights for directing the literature to a different set of variables other than economic deterrence models. Furthermore, it also introduced other main variables of tax compliance such as compliance cost, tax preparers' effect, positive incentives or indictments, religion, cultural effects, regional attitude and policy effects. Furthermore, it summarises methodological preferences of the fiscal psychology models and assembled research methods of the field into four groups. They indicate these methods are surveys, experiments, analytic models and regression analysis (Richardson and Sawyer, 2001).

Fiscal psychology model papers argue for the effect of legal sanctions in a different way than the social deterrence models (McKerchar and Evans, 2009). Although the social deterrence models assume that sanctions are effective on all taxpayers, the fiscal psychology models claim the effect of this sanction might not be the same on all taxpayers. An early article by Schwartz and Orleans (1967) suggests that the sanctions have a negative effect on low-income taxpayers; however, conscience matters might be more effective. The opposite situation occurs with high-income groups.

Fiscal psychology models also consider trust of the legal system or government as a factor that influences tax compliance levels (Murphy, 2004b). According to study by Torgler and Schneider (2007) based on three European countries, trust in national pride, government and the legal system increases tax morale and tax compliance. Moreover, the research proved that countries that have a low level of red tape and high control on corruption tend to have high tax compliance levels (Picur and Rihai-Belkaoui, 2006).

Another factor that influences tax compliance is determined as tax ethics by fiscal psychology models. Song and Yarbrough (1978) argue high levels of tax ethics as a precondition for voluntary tax compliance. Moreover, they highlighted that tax ethics should be adopted by both sides of tax relationship: tax authority and taxpayer. In addition, they claim tax ethics is positively related with education level of taxpayers. Additionally, Torgler (2007) added religiosity as a factor that affects tax morale positively. Both tax ethics and religiosity are discussed in detail in the following sections, as they are subjects of interest for this work's research questions: RQ2 and RQ6.

Witte and Woodbury (1985) examined the roles of tax penalties, tax authority policies and audit rates on tax compliance. They agreed increasing probability of audits, receiving a high number of notices from the tax office and more deterrence warnings affect the tax compliance of taxpayers positively. In other words, they explain that increasing risks of being faced with penalties encourages taxpayers to comply. Furthermore, some research suggests that creating an assumption of being penalized because of tax related issues in the public also increase compliance levels (Witte and Woodbury, 1985). Besides, Dubin (2007) claims that the media can play a very effective role by generating and disseminating information about tax and deterrence policies. However, in terms of voluntary compliance with taxes, Alm et al. (2004) claim official warnings might not encourage taxpayers to comply as much as informal communications.

Perception of fairness is another issue that is related with tax compliance for fiscal psychology models. Harris (1989) shows that taxpayers' understanding of tax system's fairness has a negative correlation with their tax evasion. In addition, judgement processes and awareness of punishment might be counted as effective factors on fairness in judicial system of a country (Etzioni, 1986).

The complexity of the tax system is often criticized for being a reason of unintentional tax non-compliance (Kidder and McEwen, 1989). The core criticism on complexity is that it makes the tax system even less compliable. It is a serious problem because, it might cause unintentional tax penalties for even compliant taxpayers simply because they cannot understand what is required by law. Moreover, the complexity might effect taxcompliance

indirectly by creating misunderstandings on related issues such as fairness perception, red tape discouragement and trust of the tax authority (Bobek and Hatfield, 2001). Additionally, it raises compliance costs of the taxpayer through being in need of expert help such as tax practitioners, tax lawyers or consultants (McKerchar, 2007).

Overall, it is more likely that tax compliance research is expanding through fiscal psychology models. Other models mentioned above are also contributing to the literature; however, fiscal psychology models offer a comprehensive overall look on the tax compliance problem by considering both the financial and social concerns of the taxpayer. Nevertheless, it should be noted that the distinction between these models are not strict. A large part of the problem appears to be the search for one overarching model of taxpayer compliance that allows predictions to be made about taxpayers as a whole. Realistically, fiscal psychology models offer more guidance for revenue authorities to improve voluntary compliance in a dynamic environment of contemporary world. Hence, different strategies and modified fiscal psychology models are more appropriate to understand different attitudes of taxpayers in different cultures and conditions.

Following the explanation of the theoretical approaches to tax compliance in the literature, next section provides an overview of tax compliance studies on small companies that are closely related to the focus of this research.

2.3 Tax Compliance Research on Small Companies

In the last decades, the number of small businesses increased rapidly in the majority of the OECD countries (OECD, 2014). Recent figures show that they constitute nearly 99% of all companies in the OECD countries (OECD, 2008). Moreover, their contribution to employment is very significant. In the manufacturing sector, small companies crates 57.5% of all jobs and more than 80% of employment is provided by them in the service sector among the OECD countries (Clark and Thomas, 2009). From the total employment point of view, small companies contribute two thirds of total employment in the OECD countries (OECD, 2008). In contrast with their importance, they usually have fragile economic circumstances and weak structures when faced with an unexpected crisis. Consequently, policy-makers are often concerned about creating a safe economic environment for small companies. Although this intention generates a question of favourability about small companies (see Freedman, 2003), the common view in the literature is that small companies should be supported because of their employment effect, asymmetric information disadvantages, fragile construct, monopoly pressure of other firms in their market and compliance costs that they face (Coleman and Evans, 2003; Freedman, 2009). Nevertheless, although the general view favours small company supportive policies, there are some concerns raised against for instance; such

policies are not effective on economic growth because of their less innovative nature (Freedman, 2003).

Regardless of the fact that small companies have an increasing importance for tax policies and economies of countries, their poor performance with fulfilling their tax obligations is identified as a problem (Wallschutzky, 1984; Ahmed and Braithwaite, 2005; Joulfaian and Rider, 2006). Despite this perception, small companies' tax compliance problems have not been discussed in the literature extensively (Jabbar and Pope, 2009; Rametse and Yong, 2009b). Moreover, tax compliance studies on small companies mainly target tax compliance costs, tax burden of SMEs, tax complexity problems and tax practitioner effects (Lignier, 2009; Coleman and Evans, 2003; Yong, 2012; Freedman, 2009; Rametse and Yong, 2009).

Nevertheless, some scholars discussed corporate tax non-compliance and compliance related issues of small companies. One of the first empirical works done by Rice (1992) who used data from the IRS tax compliance measurement program. Rice claimed that the size of firms has no effect on their compliance behaviour. He added that profit levels of firms affecting their tax compliance. Furthermore, Joulfaian (2000) found that non-compliance behaviour is more likely to be adopted by small firms that are managed by executives. Hanlon et al. (2005) supported this by claiming a greater opportunity cost of paying taxes and higher executive compensation for managers are causing non-compliance in companies. However, they also found that big firms are more compliant than small firms while medium sized firms have the loWest compliance level.

The OECD analysis on this issue is instructive. Their report published in 2008 compared members of OECD countries' conditions in terms of small company focused policy issues for tax incentives and income tax regimes (OECD, 2008). On compliance issues, the report summarized that a simplification of the tax system is an effective way to encourage small businesses to comply. Additionally, the report added that tax complexity might multiply the government or tax practitioner involvement in the tax compliance processes. Moreover, the Value Added Tax (VAT) procedure might be more effective as a result of the tax burden participation of small businesses and the frequency requirement on reporting. Because VAT is paid by the majority of small businesses regardless of their taxable income, the report proposed a VAT threshold to reduce the compliance and collection costs of both sides of the tax relationship. Additionally, it suggests additional methods to increase tax compliance such as electronic tax returns, small company specialized tax office units, tax advocate services and simplification offices. This report was followed by a 2010 report published by the OECD compliance sub-group on determinants of small companies tax compliance behaviour (OECD,

2010). The latter report summarizes the main determinants of compliance behaviour such as deterrence, fairness, opportunity of evasion, ethical factors, perception of the tax burden and real tax burden, economic factors and tax practitioners' effect. Moreover, the report presents a behaviour-related approach by claiming the behavioural aspects of tax compliance can be more important than the deterrence factors on small companies because fairness and trust factors are more influential among the OMSCs, while deterrence factors are less important. In addition, the report defends that the majority of small companies in OECD countries are not finding compliance costs as an obstacle on their compliance because they are more concerned about complexity of tax rules that prevent them to comply. The report also claims that trust in government or revenue bodies is more effective for small companies than other taxpayers. The participants of the report agreed that the fairness of the system and fairness of treatment have nearly equal importance on OMSCs' tax compliance. Lastly, the report indicates that revenue administrations should create test groups to measure the impact of their practices on different types of small companies, such as lazy non-compliers and unintentional non-compliers and therefore generate new practices according to their target groups within the small company population.

Coleman and Freeman (1998) identify cash flow as a problem for small companies, which increases their involvement in shadow economy transactions. They argue that instant need of cash for small companies' financial needs encourages them to avoid the requirements of law such as issuing an invoice. Additionally, they argue that small companies prefer employing family members and relatives to avoid the responsibility of paying social security contributions and withheld income tax.

Coleman and Evans (2003) discussed that managers of small business have an attitude of pride in their self-reliance and risk-taking, which is used as a justification for non-compliance. They suggested that the majority of small business owners acknowledge earnings as a deserved reward for their hard work and compensation for lack of leisure time. Consequently, nearly one third of them are reluctant to pay their taxes and regularly skim their percentage of their takings.

Ahmed and Braithwaite (2005) compared a sample of Australian small business owners with individual taxpayers and found no difference on their tax compliance when compared the factors such as: perceived deterrence from non-compliance, probability of getting caught from tax evasion, preference for aggressive tax planning, cooperation with revenue administration, attitudes towards equity issues, tax morale and the level of admitted tax evasion. Supporting these findings, a scenario study showed no significant differences between tax compliance levels of fiscal officers, business lawyers, and small business owners

(Kirchler et al., 2003). In addition, Ahmed and Braithwaite (2005) focused on practice behaviour of tax compliance on small companies. They explain that small companies do not have adequate knowledge on tax procedures. Hence, their compliance or non-compliance behaviour relies heavily on tax advisors or tax practitioners. Hamid (2014) also suggests that tax agents are influential on small company owners' tax compliance decisions in her study which compares New Zealand and Malaysian tax agents.

Furthermore, Coleman and Freeman (1997) claim OMSCs perceive non-compliant behaviour as game playing or gambling with the taxman. Noble (2000) builds on this issue by explaining OMSCs' views on tax non-compliance as adversarial relationships with tax authorities in which they want to win against 'the taxman'. Akinboade (2014) suggests that the feeling of competition between the tax authority and OMSCs comes from the pride that stems from the sense of achievement of starting a company, in a study examining small companies in Cameroon.

Coleman and Evans (2003) discuss the perception of OMSCs on the fairness of the tax system. They suggest that small company owners often see tax systems as unfair and want minimum interaction with tax authorities as possible. The explanation given for this is that small business owners perceive a significantly stronger imbalance between their own tax burden and state refunds: they feel a slightly higher subjective tax burden; and they feel they utilise governmental benefits lesser than other groups of taxpayers (Kamleitner et al., 2012). Consequently, small business owners have less favourable opinions on distributive and procedural fairness (Adams, 1996).

The literature discusses perceptive tax burden of OMSCs and finds that their perception differs from individual taxpayers (Pope and Abdul-Jabbar, 2008). Kamleitner et al. (2012) explain the contrast and suggest that most taxes paid by individual taxpayers are withheld from the outset or included in gross prices. In contrast, small business owners typically pay their taxes 'out of their pocket.' In other words, individual or employed taxpayers are passive recipients of information about the amount of taxes they pay, whereas OMSCs dispose of their gross income, which is mentally perceived as their own money, and actively determined taxes as a loss. Paying the tax share out of one's own pocket represents a loss frame. While paying taxes typically constitutes a loss for small business owners, it constitutes a non-gain for taxpayers whose taxes are withheld at the source. Consequently, OMSCs are likely to feel a higher tax burden than other taxpayers as they feel the financial loss to a higher degree. Furthermore, Kirchler (1998) discusses that OMSCs can perceive taxpaying as a reduction of their own financial resources and as a limitation of financial freedom. The perception of taxes as a limitation of financial freedom is particularly likely in

response to experiencing tax payments as 'out of pocket' losses. Therefore, small business owners are more likely to perceive taxes as threats to their personal freedom than other groups of taxpayers (Kirchler, 1998). Hence, perception of a higher tax burden influences their tax compliance decisions.

Haber and Reichel (2007) highlight that tax knowledge is a specific part of the general human potential of entrepreneurs, which increases the chances of business success. Hence, tax knowledge of small business owners is discussed as an influential factor for their tax compliance in the literature. McKerchar (1995) claims that OMSCs do not have enough tax knowledge to fulfil their legal obligations. Supporting this argument, Coleman and Freeman (1998) explains that they do not only lack legal knowledge but also suffer from insufficient general information that is required to minimise their tax bill. For instance, they found that three quarters of all small business owners in Australia rely on a tax advisor or tax agent to complete their yearly tax returns. Sakurai and Braithwaite (2003) claim that the reason for seeking their assistance is to be able to do their tax honestly and avoid time costly paper work. Furthermore, Hite et al. (1992) find evidence that suggests small business owners seek tax advisors' help to prepare their tax returns correctly and avoid tax penalties. In addition, the literature also suggests that small company owners choose tax advisors that suit their financial interests and ethical stance (Sakurai and Braithwaite, 2003; Hamid, 2014).

Lignier (2009) sheds light on a different side of tax compliance behaviour of OMSCs. His research on 300 Australian small company owners shows that small business taxpayers are aware that activities of tax compliance are conducive to better record keeping and provide advanced knowledge for their financial affairs. Despite that, the majority of them are reluctant to accept benefits of complying with tax system requirements for their companies.

Although the literature extends from tax incentives and effective tax incentive policies for small companies (Derregia and Chittenden, 2007) to tax simplification, policy effects, and revenue administration relations of small companies (Ahmed and Braithwaite, 2005; Torgler, 2007; Jabbar and Pope, 2009), the works that provide an understanding of the comprehensiveness of the tax compliance of small company owners is very limited. Tax compliance and the factors that influence decisions are very complex and possess a sophisticated relationship between the effective variables, especially for the OMSCs. Hence, conceptualising tax compliance decision-making for small company owners is still in need of understanding the nature of the relationship. In short, RQ1 and RQ2 still need comprehensive answers where the tax compliance research is not able to provide at this point.

Nevertheless, there are limited numbers of attempts available in the literature that tries to explore the relationship. Kamleitner et al. (2012) provide a framework for small company

owners' tax compliance behaviour in their theoretical work. The framework is presented in Figure 2. The framework of Kamleitner et al. (2012) identifies three main characteristics that determine small business owners tax compliance behaviour, which are perceived opportunity, knowledge requirements and decision frames. They explain perceived opportunity as the opportunity for non-compliance due to self-reporting and limited control over small businesses' underlying cash flows. They also define knowledge requirements as substantial knowledge in order to understand the rules and legislation for the different types of taxes that small businesses are obligated to pay. Lastly, decision frames refers to perceived acknowledgement of taxes in the small business owners' minds, whether they see it as a loss of wealth, a duty and so on. Kamleitner et al., (2012) explains decision frames with the concept of loss frames of 'prospect theory' of Kahneman and Tversky (1979). They explain loss frame with the perceived pain of a loss that is greater than the perceived pain caused by an equally sized non-gain. Furthermore, prospect theory suggests that people are more risk-seeking in the loss domain than in the gain domain. For small business owners, it might, thus, not only be painful to pay taxes, but the loss-framing might also make them risk-seeking. Tax non-compliance could be a consequence.

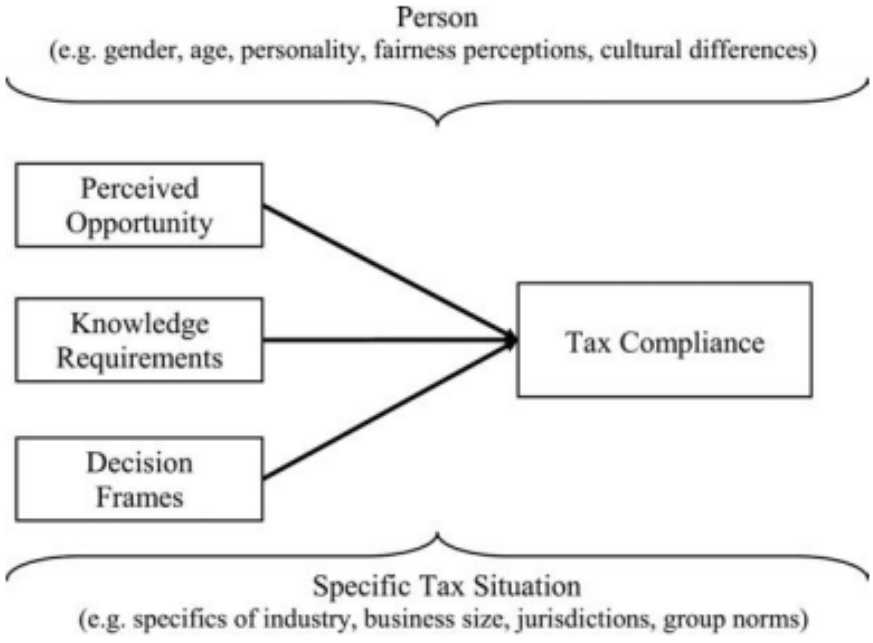


Figure 2: Framework for the small company owners' tax compliance behaviour (Kamleitner et al., 2012, p.334)

Besides these main factors, the framework acknowledges that personal norms and perceived control measures (called the specific tax situation) are externally effective on the tax compliance decision-making process. For instance, the specific extent of perceived

opportunity is co-determined by inter-individual factors such as risk-seeking, age, and gender and situational factors such as the type of industries, relevant group (social) norms and social networks. Business forms, jurisdictions and cultures will have a direct and indirect impact on small business owners' tax compliance

Admitting that the Kamleitner et al. (2012) framework is one of the first attempts to understand complex tax compliance behaviour of small business owners, the comprehensive nature of tax compliance behaviour still leaves room for extensive development as the framework lacks the differentiation of individual and corporate motivations of small business owners' tax compliance decision. Furthermore, the relationship of person norms and the specific tax situation with the three main drivers of tax compliance is not formulated. Nevertheless this framework is the only model that is detected in the literature to understand small company managers' tax compliance.

Overall in this section, an overview of the literature on small business taxation is presented and the need for the more studies on OMSCs tax compliance is demonstrated by explaining the literature gat that RQ1 and RQ2 indicates. In the next section, tax compliance literature within the geographical scope, Turkey, is discussed.

2.4 Turkish Literature on Tax Compliance

Unlike the international literature, there are very limited studies available in Turkish literature on tax compliance. In this section of the literature review chapter, research focused on Turkish taxpayers' tax compliance is summarised. The researcher took an advantage of his use of Turkish to introduce works written in this language alongside the limited amount of research that is written in English.

In Turkish literature, tax compliance issues were attracted attention not longer than a decade ago. The previous focus of Turkish literature was solely on tax evasion (Tuay and Güvenç, 2007). Recently, the research direction of literature has shifted with the influence of international literature and rapidly growing tax compliance research is expanding in Turkey.

Before the 1990s, Turkish literature of tax compliance was based on review articles (Senyuz, 1995). One of the first articles in Turkish literature has written by Guner (1988) about tax amnesties and their effects on tax compliance. She defines tax compliance simply as obeying the tax procedures without mentioning intentional behaviour. Additionally, she claims tax amnesties have a negative effect on compliant taxpayers by causing them to feel they are behaving irrationally by paying their taxes promptly and adequately. Tuncer (2001) supports the idea by arguing interventionist policies on the economy, such as tax amnesties, are causing inefficiency in tax collection. Furthermore, he adds that such policies are harming the fairness

perception of taxpayers in the long run. However, he raises some counter arguments in favour of amnesties by claiming that under specific conditions such as the recovery periods of economies from crises or other unforeseen events that cause economic turmoil, such as natural disasters, tax amnesties might encourage taxpayers to comply by helping them to pay their taxes conveniently.

Bayrakli et al. (2004) presented a survey-based research that investigates reasons behind tax evasion. They found evidence that negative perception of fairness (39%) and high tax burden (34%) are the biggest concerns of Turkish taxpayers. Additionally, they suggest that the deterrence policies of the Turkish tax authority are not effective on taxpayers' compliance decisions, because of the low penalty rates. Moreover, applied tax compromises for final tax penalty payments are also found discouraging for Turkish taxpayers.

First research titled 'Tax Compliance in Turkey' presented by Biberoglu (2006) used policy analysis related to compliance, which focuses mainly on voluntarily tax compliance whilst examining the main causes of voluntarily taxpaying behaviour. Additionally, the research also investigates the relationship between the shadow economy and taxpaying habits for different types of taxes in Turkey and found a negative influence of the shadow economy on tax compliance behaviour.

Cansiz (2006) conducted survey based research on tax acknowledgement and tax compliance factors on 816 individual taxpayers. The research uncovers that the majority (57%) agree that the consciousness of tax compliance is weak even though 81% agree that tax evaders should be condemned. Supporting Cansiz's findings, Tuay and Güvenç (2007) agree that the weak awareness of the necessity of tax compliance might be the reason of this.

Tuncer (2001) discussed influence of tax agents on tax paying behaviour, although his article is a review study of international literature, he argues that tax agents have an impact on Turkish taxpayers' compliance. Furthermore, he defines their role as a 'double edged sword' which might change according to a practitioner's attitude towards his or her client or tax authority. Further, the issue is examined by survey research of Koc (2010) on 69 tax practitioners at Manisa city. This research reveals that the majority of tax practitioners feel pressure from their clients to favour them while arranging their tax bills. Furthermore, two thirds of them declared that they do not have good relationships with tax authorities. Additionally, tax practitioners agreed that practitioners have significant influence on the tax compliance behaviour of taxpayers. The later study of McGee et al (2011) claims that the majority of Turkish tax agents are evaluating tax evasion as unethical.

Another work of Tuncer (1997) examines the effect of government and personal relations on tax compliance in Turkey. He found that the red tape and corruption perceptions towards the government are effective on tax compliance decision. However, he did not adduce any evidence to support the view except presenting the views of international studies.

Revenue Administration of Turkey supported research conducted by Tuay and Güvenç (2007) named 'Taxpayers' Attitude towards Tax' which explores reasons of tax compliance behaviour in Turkey. This is one of the first survey studies that solely focused on tax compliance and it has a considerably large sample of 6323 taxpayers from all over Turkey. The research shows that the growing position of the underground economy has a negative effect on the number of compliant taxpayers. Moreover, tax amnesties are found as a factor that affects tax compliance behaviour negatively by leading taxpayers to an expectation to postpone paying their taxes in a hope that they would not face with penalties or had to pay interest when the amnesty declared in the future. Additionally, the research revealed that tax awareness is weak amongst Turkish taxpayers and the report related this to a lack of tax education. In addition, taxpayers agreed perception of low chance to get audited is encouraging taxpayers to report false incomes to the revenue administration.

Ipek and Kaynar (2009) conducted survey research that investigated the nature of tax compliance amongst individual taxpayers in Turkey. They found evidence that quality of received public services and voluntary compliance behaviour are correlated. Moreover, patriotic sense of belonging to Turkey was also found to be influential on voluntary tax compliance amongst their participants.

Benk and Budak (2012) applied the slippery slope model of Kirchler et al. (2008) to the Turkish context by using survey data from 300 participants in the Turkish city of Zonguldak. They found evidence that the perceived power of the authorities is effective on tax compliance while trust in authority had no significant effect. Additionally, unlike the general assumption of the slippery slope model, they found voluntary cooperation correlates with the power of authorities.

The work of Cetin Gerger (2011) presents a regional survey research on 291 taxpayers in Manisa city (a small urban city in Turkey) about tax compliance behaviour. In the research, 65% of taxpayers did not seem to agree with the view that they are facing a fair tax system. However, 55% declared that they are not aware of the taxes they faced. Furthermore, nearly half of the participants did not believe that the tax office or tax officers' actions would encourage them to comply voluntarily. They believed officers are not professional enough to encourage taxpayers to comply with tax system.

A later research was conducted by Altug et al. (2010) in Istanbul on 1546 taxpayers. The research aimed to understand tax consciousness in Turkey. The report is important because it discusses the methodological concerns of the research, unlike many others in Turkish context, and aims to reveal the perception of tax from the taxpayers' perspective. They asked taxpayers their connotations of the word 'tax'. The results found the first three connotations were: money (13%), state (11,6%) and injustice or unfairness (7.4%). Furthermore, words such as penalty (4.7%) and obligation (4.1%) appeared in the first ten choices. This research shows that the perception of tax itself has relevance for non-compliance. Additionally, 80% of taxpayers accept that major companies, media, politicians and pressure groups have the power to change tax obligations in their favour.

Although Turkish literature on tax compliance is dominated by quantitative methods, especially surveys, Goksu and Saruc (2012) conducted a qualitative study with three different groups, which are taxpayers, tax inspectors and tax researchers. Although their findings on focus groups and conducted interviews fall in line with the majority of the compliance literature, they argue that the legal awareness of taxpayers is considerably low compared to other groups. In addition, they claimed that all related groups to the tax environment detect a sense of unfairness towards them from the tax system.

A recent survey was conducted by Oz Yalama and Gümüs (2013) on 400 active taxpayers in Eskisehir. They found evidence that tax penalties and audit possibility increases overall compliance levels of the taxpayers in their population Moreover, the majority (71%) of their participants agreed that tax evasion is immoral. Additionally, they found evidence that the expected utility from tax evasion does not affect Turkish taxpayers' compliance decisions. Interestingly, they found a correlation between education and tax evasion.

Apart from research that is mainly interested and conducted in Turkey, there are some works in international literature also available about tax compliance level perceptions in Turkey (Inglehart, 2004; Nur-Tegin, 2008; Torgler et al., 2008a; Riahi-Belkaoui, 2004, 2008; McGee, 2008). Almost all of these works use panel data from data sources such as various waves of World Values surveys, compare taxpayers' compliance levels and investigate the relationship with some other variables that are available in the datasets such as gender, newspaper literacy, education and so on. Considering that the data from these sources was not specifically designated to provide insight for tax compliance and commonly captures the domain with single item measures, they are not individually introduced in this chapter. Some of the works are already discussed in the previous section. However, the comparative level of Turkish taxpayers' tax compliance is provided to capture the place of Turkey amongst other countries. For instance, Riahi-Belkaoui (2008) provided tax compliance levels of 30 countries

by using the global competitiveness report. He assessed a score from 1 to 6 for each of 30 countries for their tax compliance levels, 6 being the highest score. Singapore scored the highest score with 5.05 while Turkey finds its place at 27th with 2.07. In short, comparative level of Turkish tax compliance is very low, which suggests better tax compliance policies are needed in Turkey.

To conclude, despite the late development of Turkish literature, this section provides available studies on Turkish taxpayers' compliance behaviour and discusses possible factors behind the tax compliance and tax evasion in Turkey. The literature is still very limited and the lack of a comprehensive approach to a subject as complex as tax compliance is evident. Hence, there is apparent need for more research on tax compliance in Turkey.

2.4.1 Tax Compliance Research on Small Companies in Turkish Literature

In parallel with Turkish tax compliance research, the literature on small companies' tax compliance is very scarce in Turkey. In other words, as it is suggested by Sarısoy (2008), the problematic issue of small company tax compliance has not been discussed widely yet. The literature about small companies in Turkey is commonly focused on financial problems of small companies and evaluates tax compliance or non-compliance under this umbrella term (Çatal, 2007; Arslanturk et al., 2012). Consequently, the literature that solely investigates the tax compliance of small companies or OMSCs has yet to emerge. Nevertheless, a limited number of works are identified and found relevant to the tax compliance concept in the Turkish literature are introduced in this section.

Tax incentives and financial support from the government are found to be influential on the investment environment of small companies (Baştürk, 2012). Considering that small companies often face with financial problems and lack of support from the government, Akdiş and Bayrak (2000) suggest supportive policies such as low cost loans, incentives on labour, technology support, and the provision of investment opportunities in the pre-determined areas can help to build positive perception of government for small company owners and can encourage them to support government policies. Moreover, Baştürk (2012) suggests that tax incentives are the preferable way of supporting small companies because of the high tax burden, especially VAT burden for Turkish small companies. However, Sarısoy and Beşer (2011) found contradictory evidence in their research with 8 OECD countries including Turkey. They suggest that tax incentives, specifically low corporation tax rate, are not significantly effective at easing small companies' financial difficulties. Nevertheless, tax incentives still positively influence capital density and overall population of small companies in the OECD countries. Sarısoy and Beşer (2011) argue that high volume of shadow economy transactions of small companies might be the result of the ineffectiveness of tax incentives on

small companies' finances in Turkey. Turan (2012) also discusses the effect of the shadow economy on small companies in Turkey. He highlights that involvement in the shadow economy significantly affects small companies' efficiency and owners' managerial capacity because unrecorded transactions heavily reduce the chance of effectively monitoring the company.

In addition to the limited literature, the Small And Medium Companies Support And Development Agency (also known as KOSGEB) published a number of research reports in the last decade, alongside the Ministry of Industry and Trade and State Planning Organization, about small companies' structural problems and supporting policy implications including problematic tax incentive policies (for more information about state funded reports see Cansiz, 2008)

Overall, Turkish literature on small companies' tax compliance are very limited. Hence, there is a clear gap and imminent need for research is evident.

2.5 Motivation of Tax Compliance: Tax Morale

Given that the tax literatures evolves through fiscal psychology models in search of an understanding of why people pay their taxes, there is a consensus on the growing importance of exploring the effect of non-economic factors on tax compliance. On that account, despite the explained significant impact of obligatory features on tax compliance, ignoring the cultural and moral aspects would be remiss and lead to possible misunderstandings regarding the nature of compliance behaviour. Hence, literature that has emerged in recent decades brings new perspectives that might provide guidance for policy makers to generate less costly and more compliance-friendly policies on tax related issues.

In order to understand the motivations of voluntary tax compliance behaviour, the literature discusses a number of factors such as: expected utility from tax evasion (Allingham and Sandmo, 1972); compliance costs (Hasseldine, 2001); fear of getting caught and facing tax penalties (McKerchar and Evans, 2009); auditing (Andreoni et al., 1998); equity and fairness of the tax system (Spicer and Becker, 1980); patriotism (Qari et al., 2012); and tax agents (McGee et al., 2011). However the literature also suggests motivation itself as an influential factor on tax compliance. In other words, moral reasoning and motivation for paying taxes is discussed as a main factor for voluntary tax compliance (Torgler, 2007). In this regard, the literature suggests two terms, which are tax ethics and tax morale, sometimes used interchangeably (Culiberg and Bajde, 2014). There is not a consensus in the literature on the definitions of these terms. Moreover, the confusion is slightly more evident on the tax ethics side as Ghosh and Crain (1995) claim that tax ethics is a *nebulous* concept to define. Culiberg

and Bajde (2014) explain that both terms hold the core idea of individuals' intrinsic incentives to pay taxes. Nevertheless, a slight difference appears between these two terms when they are closely evaluated. McGee (1997) defines tax ethics as paying the correct amount of taxes without cheating. Wenzel (2005) explains it as an individual's belief that there is a moral imperative to be honest in tax dealings. Tax morale is defined as intrinsic motivation to pay taxes (Torgler, 2007). To put it simply, tax ethics often refers to the ethical decision making on taxpaying while tax morale refers to motivation.

Considering both tax ethics and tax morale is useful to understand the motivational side of tax compliance behaviour and (with interchangeable usage of them in the literature) to refer to the ethical concerns of taxpayers; both terms are explained in this section. Although the focus of this PhD is on Tax Morale, the close domain/association of tax ethics with tax morale requires clarification. Due to the noted confusion in the literature, firstly literature that uses the term of tax ethics is discussed. After a brief outlook on the notion of ethics, the philosophical background that concerns ethical behaviour is presented. Following that, tax morale literature is examined in detail with the limited number of tax morale frameworks that are used to explain tax morale.

2.6 Tax Ethics

2.6.1 What is Ethics?

Argument of ethics, regarding what is ethical or not, goes back to the Aristotle (Benn, 1998). In general, ethics or moral philosophy tries to understand what is right and what is wrong. In other words, ethics explains what makes human behaviours and beliefs right. Answers given to these questions differ amongst scholars, however common answers in the literature can be summarised as law, our judgments, beliefs, social norms, and religion (Abbadi, 2004; McGee, 1993).

Understanding ethics is a philosophical problem. Consequently, a numbers of theories have developed in order to explain ethics such as ethical relativism, deontological ethics, utilitarian ethics, virtue ethics theory and divine command theory (Jones et al., 2005). Despite every theory having their own advantages and disadvantages for understanding ethics, this section explains only three of the most commonly approved ones which are: Utilitarianism, Deontological ethics and Divine command theory (Jones et al., 2005; Singer, 1994).

Utilitarianism is one of the most influential approaches to economics literature and it was introduced by Jeremy Bentham and John Stuart Mill (Cornman et al., 1992). The theory claims that our actions can only be judged according to their consequences and if they are right, they must contribute to the common happiness of society that is described as the 'greater

happiness principle' by Bentham (Goldworth, 1969, p.315). In addition to the greater happiness principle, the theory suggests that happiness of each individual is equally important. Hence, individuals are free to seek their own good, which will lead society to greater good even unintentionally (Regan, 1980). However, Marx and some others heavily criticize the theory by pointing to the indefinite nature of greater happiness and ignoring the unstable nature of human, which they claim makes impossible to achieve greater good through individual's own happiness (Posner, 1979). Moreover, the theory is claimed to fail to consider moral obligations of people on their acts as an influential factor (Posner, 1979). Nonetheless, the theory is one of the core theories that explains ethics in socials sciences and has influenced many disciplines such as economics (Cornman et al., 1992).

Immanuel Kant theorised a very different perspective on ethics which is called Deontological ethics (Alexander and Moore, 2007). According to deontological ethics, consequences are not main indicators that determine whether acts are ethical but features within the actions, which must be morally approved (Beauchamp, 2001). Additionally, Kant sees moral obligations as an unchangeable part of human behaviour. Thus, deontological ethics explains principles or maxims of moral duties and aims to increase understanding of moral values. However, it has been criticised for lack of agreement on determining those moral values. Moral values of people can be controversial in many cases such as moral dilemmas on stealing to avoid hunger (Kamm, 2007).

Divine Command theory tries to explain ethics with obedience to the orders of god. In other words, given that god exists, behaviour can only be good or moral when it is equal to orders of God (Quinn, 1978, 2000; Adams, 1997). The theory stems from Plato's Euthyphro and in this book, he argues that god only commands good things and morality or moral obligations can only be determined by god (Quinn, 1978). Despite its huge contribution on monotheist ethical development of the Western world and later to monotheist Jewish and Muslim societies` debate on ethics, it faced with many criticisms such as defining a moral act as an arbitrary behaviour and ignoring human knowledge on moral obligations (Quinn, 1978). This theory arguably is the most approved one for the ethical considerations of Muslim societies (Rice, 1999).

In addition to the theories of ethics that are mentioned above, social contract theory, put forward by Rousseau, Locke and Hobbes, legitimises government and decides social contract based governments must support people by obeying the law and the people must behave within the field of law. Hence, the theory decides that the most respectful value on society should be law (McGee, 2006).

Considering the geographical scope of this research is Turkey, which has a strong Muslim majority, a Muslim stance on ethical behaviour that accounts for Islamic rules in the analysis might be important while understanding tax ethics. In particular, Muslim literature approaches ethics through religion and its assumptions are similar to divine command theory. There are a number of Muslim scholars who agree that the Quran itself has the rules, which directs people to the right and obeying its rules is the only ethical way of behaviour for Muslims (Yusuf, 1971; Reinhart, 1983; Beekun, 1997). Although divine theory explains common perspective among Muslim Scholars, disobeying Islamic rule and rulers is also acknowledged as unethical even though the act is not against the Quran (Akgündüz, 2009). In this case, Islamic ethics is slightly differentiated from divine command theory because it requires obeying the Islamic authority, the ruler.

Overall, the discussion on ethics, which searches for what is right thing to do, is still highly controversial. Different theories might lead to different understanding of the desirable act for an individual. Similar drawbacks of ethical understanding might also be valid for tax ethics. In this regard, the following sections discuss the term of tax ethics in the tax research.

2.6.2 Tax Ethics in the Literature

Prior to the discussion about the tax ethics, a short summary about why paying taxes is considered ethical requires some explanation. Taxes are essential for provision of public services and law and order in the modern societies. Hence, all theories of ethics agreed that the contributing into the cost of the public goods as a right thing to do. For instance, utilitarian ethics approve taxes because they contribute to the greater good for the society (Cornman et al., 1992). Deontologists believe in recognising duty to care for poor and the society. Hence, they believe taxes are essential. Divine command theory also favours taxes and sees them as a virtue because they believe caring for unfortunate, which is also right thing to do (Kamm, 2007). Social contract theory also sees taxes as a requirement that all needs to bear for the social contract (McGee, 2006). In short, the theories of ethics acknowledge that taxes are right thing to do and complying with taxes is encouraged as long as the common good of the society established. Nevertheless, unlimited provision of the public goods is never justified by these theories. Hence, a fair balance is required (McGee et al., 2011).

Studies on tax ethics are commonly based on the argument that tax evasion or tax avoidance is unethical (Crowe, 1944; Song and Yarbrough, 1978; Cooper, 1980; Falk, 1986; Wenzel, 2005; McGee et al., 2011). In other words, tax ethics describes honestly taxpaying behaviour. However, there is more than one definition of tax ethics are available in the literature. Early research published by Song and Yarbrough (1978) uses the term tax ethics explained it with two dimensions: attitudinal and behavioural. To be more specific, they

describe tax ethics as taking tax obligations seriously, respecting the tax law and complying with it. Wenzel (2005) also defines tax ethics as an individual's belief that there is a moral imperative to be honest in tax dealings. McGee (2006), although he does not provide a definition, explains tax ethics as ethical justifications of tax evasion and paying taxes honestly. A later study of McGee (2012) defines tax ethics as not cheating the government and declaring the right amount of taxes. Overall, one can argue that the definitions of tax ethics vary, however the core focus of all definitions can be summarised as behaving honestly and paying the right amount of taxes. Naturally, to define what is right or correct is subject to an individual's ethical stances as discussed in the previous section.

The literature on tax ethics started to develop with an urge to understand the ethical reasoning of the tax evasion (McGee, 1993). Accordingly, the notion is first introduced to the literature with the work of Crowe (1944), whose doctoral thesis was titled 'The Moral Obligation of Paying Just Taxes'. The thesis analysed the theological and philosophical debate in the Catholic Church over the last five centuries about the virtue of paying just taxes. Unlike contemporary literature, Crowe (1944) pursues a theological discussion. Not surprisingly after Crowe`s work, studies mainly focused on tax ethics also consider the religiosity effect on taxpaying behaviour.

There have been a number of studies written following the route of Crowe (1944) and discussion about tax ethics concerning religion continued. For instance, Cohn (1998) discusses the Jewish people's duty to pay taxes to make a good example in society. Some studies discuss biblical literature about the ethics of tax evasion (McGee, 1993; Schansberg, 1998). They suggest the Bible points at the duty of citizens to provide support for their state in many verses, for instance in Matthew [22:17, 21] it says: When Jesus is asked whether people should pay taxes to Caesar, Jesus replied that we should give to Caesar the things that are Caesar's and give God the things that are God's. Although the verse is clear to suggest the right ethical stance for Christian tax ethics, some argues that (McGee, 1993) the example provided in the Bible about paying taxes is not clearly determines the border line between state and individual. In other words, there is a lack of further details that causes potential confusion, such as in what proportion should followers contribute to their state from their income (McGee, 2006, 2011). An Islamic view of tax evasion is also discussed by scholars who evaluate ethics with a religious perspective (Yusuf, 1971). Jalili (2012) explains Muslims are obligated to pay taxes in a country where Islamic rules are applied. Similarly, Cohn (1998) suggests Muslims should not involve tax evasion because they have a duty to present a good example to society and contribute to the state.

Despite the views that accept ethics as a direct command of God, for some scholars tax ethics might refer to internalised values of taxpayers' communities and their acts according to their ideology (Higgs, 1987). Some contemporary scholars (Anderson and Tollison, 1992) state that religious organisations provide moral constitutions for a society. By doing so, moral enforcement accepted by society provides an enforcement power, which behaves as a 'supernatural police'. Similar to this view, Heiner (1983) argues that religious ethics helps to simplify people`s actions and settles their behaviours and thoughts. As a result, the costs of enforcement and transaction decrease by encouraging a more predictable and harmonious society. Additionally, Torgler (2006) suggests studies on religiosity might help to develop better policies on tax related issues.

Although tax ethics literature densely discusses religion and tax ethics relationship, influence of tax ethics on taxpaying behaviour is only addressed in a limited amount of research. For instance, Song and Yarbrough (1978) argue that legal environment, opportunities to evade and tax ethics are the factors that strongly affect taxpaying behaviour in self-assessment systems. In the US based sample they found tax ethics very influential on achieving voluntary tax compliance. Eriksen and Fallan (1996) found evidence in their experimental study that better tax knowledge increases tax ethics of taxpayers. A study on the effect of tax ethics is conducted by Wenzel (2005) on 1161 Australian taxpayers found that tax ethics affected tax compliance and perceived social norms effective on tax ethics and tax compliance together. Moreover, a later study of Wenzel (2007) found evidence that taxpayer identities, which is defined as the way that taxpayers position themselves in society relative to other taxpayers and tax authority, is effective on the tax ethics of taxpayers. More specifically, national identity of taxpayers was found to be more effective on tax ethics because of the strongly anticipated shame and guilt toward tax evasion amongst those taxpayers. Maciejovsky et al. (2011) analysed the influence of emotions on tax ethics. They found that the emotional influences affect moral judgements.

A short overview of tax ethics literature shows that the literature is mainly focuses on defining honestly taxpaying behaviour. Although it discusses the religious aspects, recent literature presents tax ethics as an indicator for voluntary tax compliance. Additionally, tax ethics is commonly associated with tax evasion and the literature agrees that lack of tax ethics causes non-compliance.

A critical approach to the tax ethics literature reveals that the interchangeable use of tax ethics and tax morale is not accurate because both terms refer to close but different concepts. In other words, tax ethics refers to honestly paying the right amount of taxes, which refers to the ethical stance of taxpayers, while tax morale refers to intrinsic motivation to pay

taxes, which is closely related to the motivations of compliance behaviour. Consequently, the researcher does not use the term of tax ethics in this research to refer to motivations of tax compliance. In addition, although there are exceptions, it is noticed that the term of tax ethics is commonly preferred by research based in the United States, while tax morale is used in Europe based research. There might be cultural preference to the usage of the words in this regard.

After presenting the confusion in the literature between tax ethics and tax morale and suggesting the clear borders for domains of both terms, this chapter continues with introducing tax morale literature to the reader as tax morale is one of the core focuses in this PhD.

2.7 Tax Morale Literature

The emergence of the tax morale notion started with the first criticisms of economic deterrence models of tax compliance. Starting in the 1960s, German academics led by Günter Schmölders known as the Cologne School of Tax Psychology criticised the classical economic view of tax compliance, which explains tax compliance behaviour assuming that taxpayers only act according their financial interest with full rationality, and claims that attitudes of taxpayers are effective on tax compliance behaviour (Schmolders 1960 mentioned in Torgler, 2007). By seeing tax morale as an explanatory factor for tax compliance, Schmolders (1960, p.97-98) defined it as the 'attitude of a group or the whole population of taxpayers regarding the question of accomplishment or neglect of their tax duties; it is anchored in citizens' tax mentality and in their consciousness to be citizens, which is the base of their inner acceptance of tax duties and acknowledgment of the sovereignty of the state' (mentioned in Kirchler, 2007, p.99).

The definition of tax morale is very closely framed in the literature. Graetz and Wilde (1985) describe tax morale as commitment to the responsibilities of citizenship and respect for law. One of the first definitions of tax morale is presented by Frey (1997) in his book about personal motivations of economic behaviour. He suggests that tax morale is an intrinsic motivation to pay one's taxes. Alm and Torgler (2006), Kirchler (2007) and Pope and Mohdali (2010) also use this definition. Ahmed and Braithwaite (2005) propose a similar definition by suggesting tax morale is an internalised obligation to pay tax. Cummings et al. (2009) suggest a broader definition and explain tax morale as intrinsic motivation to pay taxes arising from the moral obligation to pay taxes or the belief in contributing to society by paying taxes. Overall, tax research literature seems to have an agreement on the definition of the tax morale as an intrinsic motivation to pay taxes (Torgler, 2007; Kirchler, 2007; Frey, 1997; Pope and Mohdali, 2010; Aguirre and Rocha, 2010; McKerchar et al., 2013; Babu and

Chariye, 2015; Yew et al., 2015) although there are slightly different versions of the definition available.

Admitting the definition of tax morale is set as intrinsic motivation to pay taxes, it leaves the level of elucidation on the key term of *intrinsic motivation*. Literature of psychology widely discusses the intrinsic and extrinsic motivations of human behaviour (Deci and Ryan, 1985; Amabile, 1993; Kreps, 1997). Ryan and Deci (2000) suggest that the motivation is a phenomenon that can lead an individual to do something. Hence, they differentiate motivations in two types as intrinsic and extrinsic motivations. They define intrinsic motivation to do something because it is inherently interesting or enjoyable, and extrinsic motivation to do something because it leads to a separable outcome (Ryan and Deci, 2000). In addition, Frey (1997) suggests intrinsic motivation refers to inner feelings about the suggested behaviour. Although Frey (1997) and Ryan and Deci (2000) explain that clear distinction between intrinsic and extrinsic motivations of a behaviour cannot be suggested in every condition, because in tax research intrinsic motivation can be suggested as personal inner feelings towards preferred compliance.

Although the discussion on intrinsic motivation exists in psychology literature, tax research does not commonly focus on the motivation itself, but rather seeks the reasons behind the motivation. Orviska and Hudson's (2003) work presents a good example for this approach. They address the tax morale concept by linking it to civic duty. They suggest that civic duty motivates taxpayers not only to maximise their personal benefit but also to be driven by a sense of responsibility to their society and nation. Consequently, they deduce that a responsible citizen, who has a high sense of civic duty, complies with the tax system even if tax evasion or avoidance is preferable for this situation. In other words, the taxpayer who has a high level of civic duty is not concerned by the external factors such as audit possibility or high tax penalties but are driven by their own conscience which finds that contributing to the greater good of the society that they live in is a better choice. Hence, they suggest that intrinsic motivation to comply is driven by a taxpayer's sense of civic duty. In addition to Orviska and Hudson's (2003) work, later studies of such as Kastlunger et al. (2013) and Kogler et al. (2013) have also found evidence about the civic duty effect on taxpayers' willingness. Both studies utilised slippery slope model of Kirchler et al. (2008) and found trust and power is influential on taxpayer's compliance. In addition, Likhovski (2007) presented a practices and techniques that state of Israel used to develop the sense of civic duty to encourage its citizens to pay their taxes.

Because of the above-mentioned reason, oriented view on tax morale is the frequent approach in tax literature, the explicit discussion about tax morale definition is rather limited (Kirchler, 2007, McKerchar et al., 2013). Accordingly, the literature on tax morale commonly addresses empirical work that explores the factors behind the concept (Feld and Frey, 2002). However, the literature is still not extensive in terms of exploring tax morale and the concept has not received attention on its role in tax compliance (Alm and McClellan, 2012). Feld and Frey (2002) discuss this sketchiness in the literature:

> *'...most studies treat 'tax morale' as a black box without discussing or even considering how it might arise or how it might be maintained. It is usually perceived as being part of the meta-preferences of taxpayers and used as the residuum in the analysis capturing unknown influences to tax evasion. The more interesting question then is which factors shape the emergence and maintenance of tax morale.'* (Feld and Frey, 2002, pp.88–89)

Although tax morale oriented research has still not gained enough attention, it is rapidly expanding as it has attracted interest in capturing the influences of unknown predictors of tax compliance (Kirchler, 2007). Hence, it is described as black box of tax compliance.

Kornhauser (2006) correctly points to the direction of tax morale through 'carrot' factors rather than 'sticks' for encouraging tax compliance. Accordingly, tax morale is found correlated with tax compliance in many studies (Strumpel, 1966; Vogel, 1974; Lewis, 1979; Frey, 1997; Torgler, 2002; Riahi-Belkaoui, 2004; Ahmed and Braithwaite, 2005; Kornhauser, 2006; Frey and Torgler, 2007; Torgler et al., 2008, 2009; Halla, 2010; Pope and McKerchar, 2011; Alm and McClellan, 2012; McKerchar et al., 2013; Babu and Chariye, 2015; Yew et al., 2015). Additionally, Alm and Torgler (2006) analysed the relationship of the size of the shadow economy and tax morale. Interestingly, they found a strong linear relationship between these two variables. Later research on tax morale and the shadow economy also supports their findings (Schneider et al., 2015; Torgler and Schneider, 2007a; Torgler et al., 2009). Suggested links between tax compliance and the shadow economy increases the importance of tax morale for governments.

Previous literature suggests that characteristics of taxpayers are effective on their tax morale. For instance, Torgler (2005a) and Daude et al. (2012) found evidence that young taxpayers showed lower tax morale than middle-aged and older taxpayers in their studies. Similarly, differences between genders towards tax morale are also examined. Despite the common belief that female taxpayers have higher morale then males, the literature is far from being unanimous on the effects of gender. Papers of Torgler (2003b) and Gaviria et al., (2007) found that female taxpayers have higher tax morale scores in their research while Torgler,

(2005a) and Daude et al., (2012) found no significance difference between genders. Marital status of taxpayers is found effective on taxpayer's level of tax morale. Torgler (2003a, 2005a) confirmed that married taxpayers have significantly higher tax morale than single ones in his research. In later research on Italian households, interestingly, Lubian and Zarri (2011) suggest that married taxpayers are happier than single taxpayers and tax morale yields more happiness. The literature suggests that level of education is also correlated with tax morale (Riahi-Belkaoui, 2004; Torgler, 2003c). Additionally, employment status is relevant to tax morale. For instance self-employed taxpayers exhibit lower tax morale than wage and salary earners while retired taxpayers are higher than other groups (Torgler, 2004; Hug and Spörri, 2011). Finally, the literature suggests that financial satisfaction of taxpayers is correlated with their tax morale (Torgler, 2004; Torgler and Schneider, 2007b).

Apart from individual characteristics, previous literature discusses different key factors that are influential on tax morale. Torgler (2007) highlights three key factors that he found influential on tax morale, namely: moral rules and sentiment, fairness and the relationship between government and taxpayer. For the first of his factors, he argues that norms and sense of guilt are effective on tax morale. On this argument, he suggests that religiosity is effective on moral sentiments and consequently it affects tax morale. The literature also discusses the effect of religiosity and commonly finds it is effective on tax morale (Stack and Kposowa, 2006; Torgler, 2006; Boone et al., 2013). Nevertheless, religiosity did not provide significant difference in some research on tax morale (Pope and Mohdali, 2010). In addition to religiosity, cultural differences are also found influential on tax morale (Coleman and Freeman, 1997; Alm and Torgler, 2006; Ashby and Webley, 2008). As for the second factor in Torgler's (2007) classification, fairness perception receives a significant amount of attention from the literature. The literature commonly agrees that high perception of fairness of tax system, which can be procedural or distributive fairness, positively affects the tax morale of taxpayers (Harris, 1989; Bobek and Hatfield, 2001; Ahmed and Braithwaite, 2005; Azmi and Perumal, 2008; Gilligan and Richardson, 2005; Hartner et al., 2010). Torgler's (2007) last key factor, taxpayer's perception of tax authority and government, is accepted as influential on tax morale. The literature agrees that a high level of trust towards government motivates taxpayers and increases their tax morale; hence, their compliance increases voluntarily (Feld and Frey, 2002; Torgler, 2003d; Aguirre and Rocha, 2010). Similarly, satisfaction with the government and received service from the tax authority also positively encourage taxpayers to comply with tax regulations (Adams, 1996; Mulenga, 2004; Vigoda-Gadot, 2007). In addition to the mentioned key factors of tax morale, the literature discusses further factors that are found to be influential on tax morale and voluntary tax compliance. The accepted view on the effect of tax knowledge on tax morale is that high

levels of tax knowledge leads people to better tax morale (Eriksen and Fallan, 1996; Hofmann et al., 2008). The perception of tax knowledge is also in line with the effects of education on tax morale. Following tax knowledge, some literature examines the effect of tax complexity on voluntary tax compliance and tax morale. The literature highlights complexity in the tax legislation and taxation processes as an obstacle for voluntary tax compliance and tax morale (Milliron, 1985; McKerchar, 2007; Saad, 2014).

2.7.1 Tax Morale Models

Heretofore discussion on the literature presented factors that are found effective on the tax morale concept; however, the literature did not offer a wide range of conceptualisation on how tax morale is shaped or what is the possible construction behind it. In other words, models or frameworks that speculate how tax morale is structured are yet to be explored in the literature. Given that tax morale research is still evolving, lack of a comprehensive understanding on the tax morale concept is understandable. Nevertheless, few researchers demonstrated frameworks on the issue. One of the first frameworks is introduced by Pope and Mohdali (2010) to the literature. They discuss main factors that influence formation of tax morale in two stages: cultural environment and individual attitudes. Their model is demonstrated in Figure 3: Main Influences On Formation Of Tax Morale (Source: Pope and Mohdali, 2010 p.570)

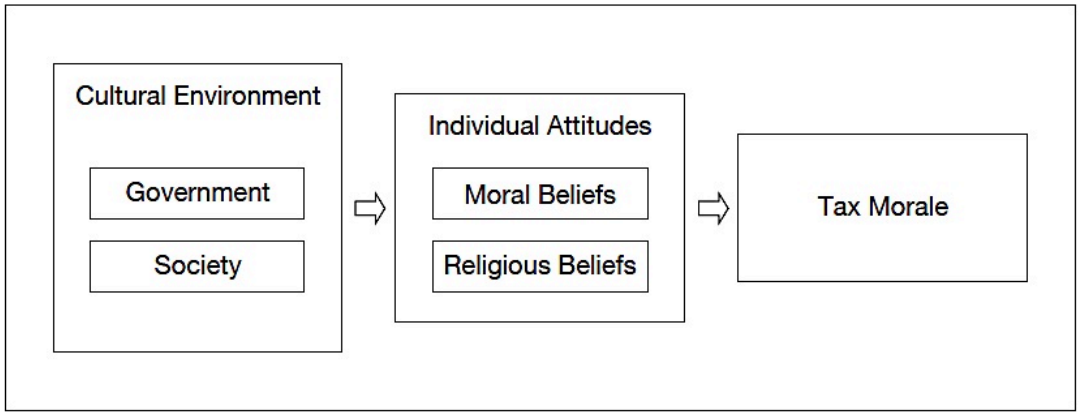


Figure 3: Main Influences On Formation Of Tax Morale (Source: Pope and Mohdali, 2010 p.570)

Pope and Mohdali (2010) suggest that cultural environment plays a critical role on taxpayers' tax morale. They define cultural environment with two elements, namely: government, which includes the tax authority[5], and nature of society, which comprises peer influence. With the influence of the cultural environment element, the taxpayer evaluates the process considering his or her internal elements, moral believes and religious beliefs, and

[5] Raihana Nor (2013, p.33) presents modified version of the framework where the cultural environment is renamed as external environment and tax authority included in the first stage of the framework as an independent element.

reaches the decision of tax morale. Pope and Mohdali's (2010) conceptual model has provided one of the first examples of the conceptualisation of tax morale that sheds a light on the literature. However, the conceptual framework did not clarify how the interaction between stages and elements appear when tax morale is formed. Additionally, disambiguation is needed for the elements within the same stages such as suggesting the differences between moral beliefs and religious beliefs. Nevertheless, it presents a comprehensive idea for future studies of tax morale research.

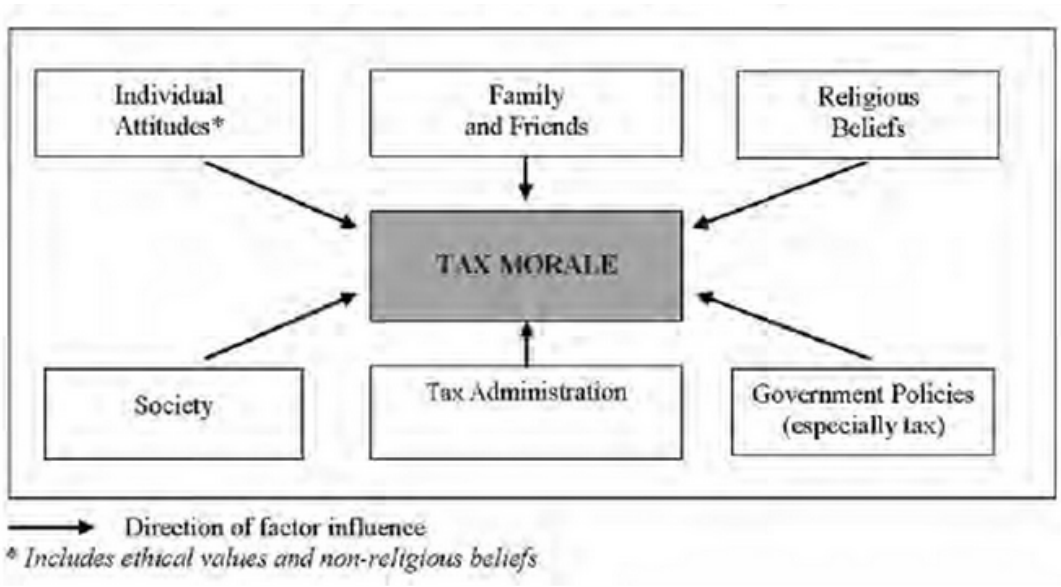


Figure 4: Tax Morale Framework (Pope and McKerchar, 2011, p.593)

Another conceptualisation of tax morale is developed by Pope and McKerchar (2011). They suggest tax morale is formed by six factors, namely: individual attitudes, family and friends, religious beliefs, society, tax administration and government's tax policies. They expand their tax morale model to explain the difference between the anticipated level of economic deterrence models of tax compliance and actual tax compliance. They suggest that the difference stems from the tax morale. Hence, they consider tax morale as an alternative to opportunities to evade within compliance decision-making process and develop a larger framework to explain the relationship (Please see Pope and McKerchar (2011) for wider model). Although this model provides a clearer view on tax morale than Pope and Mohdali's framework, it still provides little insight on the relationship of variables that shape tax morale and how tax morale is formed. Nevertheless, it still offers a wider view on tax morale and provides a perspective for the literature that follows. However, both frameworks stay at the theoretical level and did not test an empirical approach. Consequently, a need for a comprehensive view on tax morale that can be applicable for empirical testing is still a valid gap in the literature.

2.7.2 Tax Morale Literature within the Scope of this Research

Considering the conceptual and geographical scope of this study is explained in the introduction, this section of the chapter summarises available tax morale research that relates to OMSCs and Turkey.

Tax morale literature commonly focuses on individual taxpayers (Torgler, 2007; Kirchler, 2007). Nevertheless, a very limited numbers of works are available in the literature. It has not attracted the attention of the literature despite the fact that the literature argues that small business owners are more likely to be exposed to tax evasion opportunities because of the cash economy dominant economic environment that they operate (Wallschutzky, 1984; Noble, 2000). The first article that analyses tax morale of OMSCs is conducted by Ahmed and Braithwaite (2005) on over 2000 participants including largely small company owners (785 OMSCs) in Australia. They suggest choosing to compare four domains of taxpaying, which are tax morale, perceived fairness, perceived deterrence for non-compliance and work practice, using the data from a self-report survey. Their research revealed that OMSC tax morale is not significantly different from other groups which are self-employed and non-profit organisations. Moreover, they found that OMSCs commitment to the social values towards community and nation is higher than other participants. In addition, they seemed to be concerned about equity perception as the research revealed that distributive fairness is low amongst OMSCs. Lastly, in terms of OMSCs given value of being an honest taxpayer, the results showed no difference between the groups.

Later research was conducted by Alm and McClellan (2012) on firms' tax morale. Their study was based on data from a dataset that combines information from the Business Environment and Enterprise Performance Survey and the World Enterprise Survey from 57000 firms. Although the data did not contain a direct measure for tax morale, they suggest a composite measure that is built from the other measures such as personal residuals, perception of taxes as obstacles and reporting habits. They found evidence that the level of perceived corruption and tax complexity affect tax morale of firms. Moreover, they found that company managers who see taxes and the legal system as an obstacle have lower tax morale. In addition, they claimed that foreign companies and state owned companies have higher tax morale levels than privately owned companies. Their main contribution is suggesting tax morale considerations are equally important on both individuals and companies.

Although the literature examines related concepts to tax morale on a company level such as tax evasion (Marrelli and Martina, 1988; Slemrod, 2003; Crocker and Slemrod, 2005; Yusof et al., 2014), apart from the two examples above, literature that examines tax morale of companies is very rare. Consequently, this points to an important gap in the literature that the PhD intends to address as indicated by the RQ1.

Recalling that the geographical scope of the research is determined as Turkey, the literature that aims to examine tax morale in Turkey is discussed here after. Although tax morale research on Turkey is considerably limited, there are a few studies presented in prior literature. The literature on Turkish taxpayers' tax morale might be seen in two groups. The first group of studies looks at tax morale through datasets that are collected internationally such as World Values surveys and European values surveys and their research commonly covers high numbers of countries (Riahi-Belkaoui, 2004; Torgler and Schneider, 2007a; Daude et al., 2012). In studies that compare countries' tax morale, Turkey generally performed at average levels of tax morale compared to other countries (Torgler and Schneider, 2007; Tekeli, 2011). However a later study by Doerrenberg et al., (2012) suggests the tax morale of Turkey is higher than OECD countries' average. Exceptionally, Bilgin (2011) used World Values survey data of 2005-2008 and solely focused on Turkey in her article. She discovered that religiosity, politics, national pride, trust in government and importance of religiosity is all found influential on tax morale of Turkish participants. She also found unemployed participants have considerably low tax morale compared to other groups. Nevertheless, in this group of analyses an interpretation of the tax morale in Turkey is problematic because elements of tax morale are not discussed and tax morale is generally measured with a single item that asks whether tax evasion is justified when it is possible (World Values Survey, 2009).

The second group of tax morale studies on Turkey analyse tax morale with primary data sources commonly from surveys (Torgler et al., 2008; Benk and Karayilmazlar, 2010; McGee et al., 2011; Benk and Budak, 2012; Bilgin, 2014; Tekeli, 2013). For instance, Torgler et al. (2008) conducted a survey on tax morale and they found that increase in the tax morale by one unit reduces the probability of reporting the highest level of tax evasion between 0.7% and 2.5%. Thus, tax morale has a strong positive impact on tax compliance amongst Turkish taxpayers. They also discovered that women are higher in tax morale than men. However, they could not find any significant difference between the impact of education or age on tax morale. McGee et al. (2011) conducted survey research on 500 tax practitioners in Turkey. They found that tax morale of Turkish tax practitioners is high, however they noted that the perceived fairness of the tax system and inefficient public spending are effective on Turkish

taxpayers' tax morale. Oz Yalama and Gümüş (2013) conducted a survey on 400 taxpayers in Eskisehir-Turkey. They exhibit that 71% of taxpayers showed high tax morale scores (4 or higher in the 5-likert scale). A further study of McGee et al. (2012) compared German and Turkish samples in their study and they found the Turkish sample significantly higher in tax morale (opposed to tax evasion) than the German one. In line with the findings of Torgler et al. (2008) women are higher in tax morale than men in Turkey. In addition to the studies mentioned above, some reports investigate the level of tax morale in Turkish society. Zenginobuz et al. (2010) present an interesting tendency of Turkish public opinion on tax morale. According to their report, which is conducted on 2400 taxpayers, the majority of participants presented high tax morale scores (over 70% in 8 different statements), however they believe that others' tax morale (the statement of "given the chance others will evade" was agreed with 85.5% p. 56) is low in the society.

An overview of Turkish tax morale studies has shown that the literature is in the early stages and the scarcity of tax morale focused research is valid but also understandable given tax morale itself is a considerably new concept for Turkish literature. Moreover, the Turkish literature suffers from unidimensionality. Hence, it neglects discovery of the potential influential factors of tax morale in Turkish context.

2.8 Tax Compliance and Religiosity

After discussing the two main concepts of the thesis, which are tax compliance and tax morale, to provide background information about the presented research objectives and questions, this chapter is finalised with introducing an additional concept, religiosity, to the reader as it is intended to be used to explore RQ6 that was introduced in the introduction chapter.

The relationship between religiosity and taxation can be traced back to Adam Smith who counts religiosity as an internal moral enforcement mechanism (Anderson, 1988; Torgler, 2006). Despite the popular opinion of the 19th and 20th century that is supported by famous scholars such as Freud, Davis and Marks, which sees religion as an irrational body of rules (Stark et al., 1996), the rationality emphasis of Smith`s approach is followed by many others in the literature (Iannaccone, 1998; Torgler, 2006).

Although religiosity started to be considered as a factor on taxation with the encouragement of Smith, the area recently attracted attention from academic circles with the works of Welch et al. (2005), Torgler (2006), McGee (2006), Stack and Kposowa (2006) and Pope and Mohdali (2010). Studies related to religiosity generally rely on secondary data sources (Pope and Mohdali, 2010) and the literature commonly agrees that the level of

religiosity is positively effects tax morale and tax compliance (Stack and Kposowa, 2006; Torgler, 2006; Pope and Mohdali, 2010; Boone et al., 2013)

2.8.1 Religiosity and Islamic Taxation

There is substance in the claim that the tax compliance and religiosity literature has neglected Islam and Muslim countries. Although there are some studies about the Islamic perspective about tax ethics, such studies are generally focused on Muslim countries` perspectives rather than Islamic perspective (McGee, 2012). On this point, acknowledging the difference between the Islamic tax system and the tax systems of Muslim countries would be enlightening because a considerable number of Muslim countries have very similar tax systems and revenue administration structures to the Western countries, such as Turkey.

In Islam, rich Muslims, who have more than 80.18 grams of gold wealth (40 mithqal), exclusive to their living costs, have responsibility to pay taxes, called Zakat, to support the needy and their state at the proportion of 2.5% of their annual wealth. Paying Zakat is considered as a prayer and it is ordered in the Quran 31 times. Therefore evading Zakat is counted as one of greatest sins in Islam (Choudhury, 1986). Moreover, a state that accepts Islamic law has a right to force obligated people to pay their Zakat. In addition, obeying rules and orders of Islamic government is also required in the Quran under some conditions, which attempts to improve obedience to the rulers in the society. However, Muslims do not have a responsibility to follow every demand of government or to pay any kind of additional taxes if the government engages any illegitimate acts or goes beyond the borders of the Islamic rules (Yusuf, 1971). Furthermore, if Muslims realise that the government is engaged with non-Islamic acts then non-compliance or even evading taxes may be considered a good deed. (McGee, 2012).

2.8.2 Religiosity and Tax Compliance in Turkey

The Turkish tax system has evolved from Islamic taxation to Western taxation system over the last two centuries (Inalcık and Quataert, 1994). Starting with the early Ottoman era, the tax system had formed purely from the Islamic rules, however it changed occasionally according to the needs of the Ottoman Empire and because of tax riots (Varcan, 2000). After the imperial edict of Gülhane (modernisation) in 1839, revenue administration started to be modernised and the tax system was improved by taking Western structures as an example. From the declaration of the new Republic in 1923, the new revenue administration was introduced under a new Ministry of Finance. Revenue administration became independent from the Ministry in 2006 to support the EU integration process. It can be argued that the Turkish tax system now has a very similar structure with its counterparts in the West and its tax law is following a similar path.

Tax system and religiosity interaction also needs attention in Turkish tax research. Although it would be hard to claim that the tax authority is taking advantage of the religiosity of the people to increase tax compliance in Turkey, exceptions can be found in some policy applications. One of these occurred during the 2009 global crisis when the revenue administration and presidency of religious affairs of Turkey cooperated in the preparation of a Khutba (sermon), which was given in all mosques in Turkey at the Cuma (Friday) prayers. The Khutba was given in February, a week before the due day of the annual income tax return/payment, aimed to remind taxpayers to comply with the regulations and help the revenue administration to meet with their revenue collection targets. Moreover, the Khutba described complying with tax system and paying taxes on time as a religious obligation and a good deed for Muslims. Other similar examples can be found on this subject.

It can be argued that the Turkish tax system has adapted itself to the needs of the modern world, although its roots are still heavily influenced by the religious beliefs of Turkish society. Furthermore, Turkey's largely Muslim population (99% of the population) and considerably conservative structure of the society enhance the influence of religiosity. According to Altug et al.'s (2010) research that was conducted in Istanbul, 62% of taxpayers believe tax evasion is related to the evader's level of ethics, while 67% think that paying taxes is a sacred duty. The same research also revealed that 64% of taxpayers describe tax fraud as a sin, and 59% of taxpayers declared that Imams should be more effective in directing people to comply with the tax system. Although tax literature falls short on presenting analysis of the religiosity effect on tax compliance, some previous research that is conducted using World Values survey data suggests that religiosity levels of taxpayers are effective on their tax compliance (Gokbunar et al., 2007; Tekeli, 2011; Bilgin, 2014; Sezgin et al., 2011; Torgler et al., 2008). However, the literature still has not presented research that investigates the religiosity effect on tax compliance and tax morale of Turkish taxpayers based on primary data. Overall, it is clear that religiosity is effective on the majority of taxpayers' compliance decisions in Turkey, but the influence of it yet to be explored in detail.

Further international literature on religiosity that relates to tax morale and tax compliance is explained in detail in the next chapter under the relevant section.

2.9 Summary of the Literature and Identification of the Gaps

This chapter is aimed to address two objectives. Firstly, it demonstrated and discussed background literature about two key phenomena that this PhD aims to address, namely: tax compliance and tax morale. Moreover, the chapter explained the relationship between tax morale and tax compliance. Secondly, it identified research gaps in the literature that this PhD theoretically and empirically aims contributing. Following the structure of the chapter, this

conclusion section firstly reminds the reader of critical points of the literature that are found to be relevant in contributing toward answering the research questions and the construction of the model that is discussed in the next chapter. Lastly, it determines the gaps that are identified in this chapter.

Tax compliance, which is defined as the willingness to pay taxes, faced conceptual development after the 1950s. The development of tax compliance literature evolved from economic deterrence models, which acknowledge tax compliance as pragmatic and financial utility maximisation behaviour, to fiscal psychology models, which see tax (non-)compliance as a behavioural problem. Consequently, contemporary literature focuses on the fiscal psychology models and tries to understand psychological factors behind tax compliance. Moreover, the literature argues that behavioural reasons for tax compliance include motivation that encourages taxpayers to fulfil their tax duties. This motivation is conceptualised as tax morale. Tax morale is defined as an intrinsic motivation to pay taxes in the literature and is accepted as one of the main reasons for tax compliance. The literature also finds extensive proof that tax morale and tax compliance are strongly correlated.

In addition to the critical discussion of the relationship between tax compliance and tax morale, the literature review chapter clarifies confusion in the literature between two very closely framed and sometimes interchangeably used terms: tax ethics and tax morale. A critical approach to the tax ethics literature reveals that the interchangeable use of tax ethics and tax morale is not accurate because both terms refer to close but different concepts. Simply put, tax ethics defined as honest paying of the right amount of taxes, which refers to the ethical stance of taxpayers, while tax morale defined as intrinsic motivation to pay taxes, which is closely related to the motivational side of compliance behaviour.

Lastly, the literature review chapter provides an overview on religiosity literature concerning the RQ6. Religiosity literature presents a different perspective in this chapter because it focuses on particularly Islamic perspectives, as the geographical scope of this research is a Muslim society.

For all elements that are overlooked in the literature, a summary of research that is focused on this research's conceptual and geographical scopes, which are OMSCs and Turkey, are provided within the sections.

In terms of identification of the research gaps, the literature might benefit from research that provides information on a number of under-explored areas.

Firstly, the literature falls short of explaining the intrinsic motivation of paying taxes, tax morale, and its context of being the 'black box' of tax compliance (Kirchler, 2007; Pope and McKerchar, 2011). Especially, tax compliance research that focuses on the company level or OMSCs are very few (Alm and McClellan, 2012; Alm et al., 2014). Consequently, the literature is in need of a conceptualised approach that provides empirical evidence for the tax morale and tax compliance relationship at OMSCs' level.

Secondly, the factors that influences tax morale still require more research, as the literature on the motivations of tax morale is very limited (Murphy, 2005; Kornhauser, 2006; Torgler and Feld et al., 2008). Although previous literature provides two examples for conceptualising the elements/factors of tax morale (Pope and Mohdali, 2010; Pope and McKerchar, 2011), there is a clear need for creating a comprehensive understanding environment, in this case: a model or a framework, for tax morale by considering other factors that are found to be influential on tax morale in the literature. Since the literature does not provide empirical results for testing the conceptual frameworks of tax morale so far, the necessity of this research becomes evident.

Thirdly, tax morale analysis that includes corporate taxpayers is very scarce and the analysis that the literature provides so far is very limited (Braithwaite and Ahmed, 2005). Bearing in mind that small companies constitutes the majority of taxpayers in many countries, research that analyses OMSCs' tax morale would be beneficial for tax policy makers and further research.

Fourthly, research that differentiates personal and company related motives for tax compliance decision-making has never been conducted in tax compliance research. Demonstrating the differences (if there are any) might be enlightening for tax policy development and tax incentive policies for interested parties.

Fifthly, the geographical scope of this research, Turkey, has never been a focus of tax morale study (especially on OMSCs) that use primary data to provide empirical results. Considering the special position of Turkey that provides common ground with many countries from different Western to Eastern cultures, such research might benefit many countries.

Lastly, religiosity research in tax compliance and tax morale literature is very limited, although it is found to be influential on tax compliance decisions and tax morale (Torgler, 2006; Pope and Mohdali, 2010). Therefore there is a clear need for empirical research on the religiosity effect on tax compliance and tax morale in the literature.

Considering the explained gaps in the tax research, the doctoral research aims to shed light on mentioned areas by focusing on tax morale at the corporate level. The next chapter will explain and develop the OMSCs' tax morale model.

Chapter 3
Developing Tax Morale Model for Owner Managers Of Small Companies

3.1 Introduction

Tax compliance research has been based on economic deterrence theories that explain tax compliance through deterrence and punishment (Roth et al., 1989). However, their limitations on capturing behavioural aspects of tax compliance have driven researchers to utilise non-economic models. Consequently, researchers in the area have experimented with behavioural theories. Applications of behavioural theories started with fiscal psychology models in tax research (McKerchar and Evans, 2009). The models have attracted interest particularly because of their ability to address a range of latent factors that affect tax compliance such as patriotism, religiosity and so on. Moreover, availability of specific statistical methods, such as structural equation modelling, have allowed tax researchers to demonstrate empirical results of the influence of those factors on tax compliance and tax morale. In addition, using behavioural theories has allowed researchers to construct behavioural models by using specific theories in this field. Hence, behavioural models promise a comprehensive understanding of tax morale and tax compliance as they have an ability to demonstrate how a certain element is formed.

Amongst the behavioural theories, Ajzen's (1991) Theory of Planned Behaviour (TPB) has been widely used to explain human behaviour. The literature suggests that TPB is one of the most effective and preferred models in the prediction of behavioural intention (Ajzen and Beverly, 1992; Parker et al., 1995; Armitage and Conner, 2001; Perugini and Bagozzi, 2001; Ajzen, 2005). Furthermore, TPB provides a theory that illustrates the main determinants and a structure that shows the relationship between them. However, at the same time it provides an adoptable structure for extending the model for future research within the applied research area (Ajzen and Beverly, 1992; Bobek et al., 2007a; Smart, 2012). To put it simply, TPB's predictive capacity can be increased by including additional variables during its application to different research fields (Sommer, 2011; Armitage and Conner, 2001; Smart, 2012). However, despite the successful use of TPB in much behavioural research, including the discipline of psychology, there are an extremely limited number of studies, which have utilised TPB in tax research (Bobek and Hatfield, 2001; Trivedi et al., 2004; Smart, 2012; Hamid, 2014). In addition, there are no studies found in the literature that use TPB to explore tax morale to the researcher's knowledge. Therefore, it can be claimed that TPB is promising when the direction of the tax research is considered.

This research's main objective is to understand the behavioural aspects of OMSCs' tax morale and tax compliance. Especially, discovering tax compliance and tax morale relationship by exploring the factors that influences tax morale of OMSCs. In order to achieve that goal, a comprehensive understanding of how tax morale is shaped is crucial. Therefore, this chapter explains the development of a TPB inspired OMSCs' tax morale model. As it is mentioned in the introduction chapter and illustrated in Figure 1, this chapter also presents the first phase of this PhD research.

This chapter discusses the formation of the TPB inspired OMSCs' tax morale model. The chapter is divided into four sections. Firstly, the decision-making process of OMSCs on tax compliance and tax morale is explained. Secondly, TPB is explained and some studies that have adopted it in the tax literature are discussed. Thirdly, a critical analysis of the literature to identify effective factors on tax morale is provided and literature perspectives on specific identified factors are summarised. Lastly, the OMSCs' tax morale model that is inspired by TPB is constructed by using previously mentioned factors as latent variables.

3.2 Understanding OMSCs' Tax Compliance Decisions

Small business is an interesting concept/organisation and small business taxpayers should be understood differently from other taxpayers. They are different because small businesses mostly depend on a single individual who is nearly always the owner-manager of a company (Hankinson et al., 1997; OECD, 2010). This individual, who is defined as the OMSC in this research, is accountable for all managerial and operative decisions including taxation. Hence, OMSCs' behaviour is crucial for the company's success that in turn tends to relate immediately and strongly to the owner manager's personal income (Kamleitner et al., 2012). Consequently, the perception of taxes can be evaluated as a limitation of financial freedom in response to experiencing tax payments, which they tend to understand as 'out of pocket' losses. Therefore, small business owners are more likely to understand taxes as threats to their personal freedom than other groups of taxpayers (Kirchler, 1998). However, OMSCs are individuals who live in the society and they are not always necessarily driven by financial motivations. In reality, like other individuals, their behaviour is largely determined by their emotional situations as well as their rational perceptions about the target subject. When it comes to taxation, which is unlikely to be their core area of expertise, they behave similarly (Kamleitner et al., 2012).

In light of the above explanation and the literature that is explained in the previous chapter, the researcher argues that OMSCs' willingness to pay, tax compliance, is largely determined by OMSCs' intrinsic motivation to pay taxes, or OMSCs' tax morale. In other words, as the literature suggests tax morale as the 'key' to the puzzle of understanding

taxpayer compliance behaviour (Kornhauser, 2006), this research assumes that OMSCs' tax morale is the explanatory factor of their tax compliance. To put it simply, this research suggests a direct effect of intrinsic motivation on the tax compliance of OMSCs.

After explaining the tax morale and tax compliance relationship, the next step of understanding OMSCs' tax decisions requires looking into tax morale. Behavioural motivation is affected by the social roles/identities of an individual in society (Deci and Ryan, 1985; Massi, 2005). Suggesting tax morale as an intrinsic motivation that is formed by the effective factors that influences OMSCs, this research groups/divides those factors in accordance with the social roles of OMSCs that they have to perform as an individual. An OMSC is a person who holds two social positions when it comes to taxpaying behaviour: an individual that lives in a society and a manager of a company. Both of these social roles represent different positions that require disparate motivations. Accordingly, different behavioural patterns can be generated even under the same social and psychological conditions. On the one hand, OMSC is a human being that shapes his or her behaviour according to his or her social beliefs, perceptions, religious beliefs, knowledge, culture, genetics and so on (Triandis, 1994). Hence as an individual, OMSCs' goal can be broadly defined as being a 'good person'. One can simply refer to this set of values as 'personal norms'. On the other hand, the OMSC holds a different position with different set of motivations that stems from their responsibility as a chief manager of a company, who desires to improve the wellbeing of the company. Simply put, the OMSC aims to be a 'good manager' to his or her company. Hence, the OMSC is influenced by a different set of values that prioritise the company rather than an individual. This set of values or concerns can be referred to as 'corporate norms'. Under these conditions, an OMSC can hypothetically be described as a a schizophrenic person who feels the pressure of different identities that is similar to the famous fiction character of Stevenson (2014) Dr Jekyll and Mr. Hyde. Hence, OMSCs have to behave under the pressure of the motivations that dictate being a good manager and a good person at the same time. Although these two groups of motivations will not necessarily result in a conflict between them, there is a likelihood that they might direct the OMSC to contradicting behaviours when it comes to tax paying behaviour. Exemplifying the situation might be helpful for the reader to understand the contradicting motivations clearly. For instance, OMSC might face the situation where taking advantage of a loophole in the tax legislation or getting away with tax evasion undetected is possible. In this case, the decision of the OMSC is critical. As a manager of a company, decreasing the amount of the tax bill will serve a goal of creating more profit for the company. An additional financial gain might help to improve the company and therefore serve the OMSC to reach higher life standards through a better financial situation. However, a person can judge such behaviour of tax evasion or avoidance and find it unacceptable to his or her

personal beliefs. Moreover, he or she can find involvement in a tax avoidance scheme unethical, immoral, unpatriotic and so on. Therefore, the OMSC can even feel guilt or shame because of the personal judgement of such behaviour is not acceptable from the OMSC's personal point of view. In this case, the OMSC faces a dilemma between two roles that he or she shoulders. Consequently, the tax morale of the OMSC might be influenced by personal and corporate norms to a different scale and the decision at the end, made by evaluating the comparative strength of those norms, affects their intrinsic motivation about whether or not to comply with the taxes. In order to identify the roles of the two sets of norms on OMSCs' tax morale and the formation of tax compliance, the framework that illustrates the relationship of mentioned elements is presented below in Figure 5.

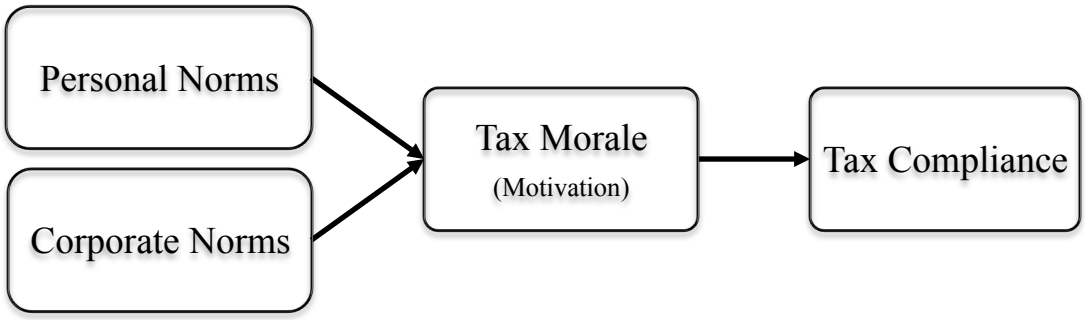


Figure 5: Tax Compliance Decision-Making Process for OMSCs

Figure 5 provides an overview of how an OMSC's decision-making process who works under the pressure of two different roles that the OMSC has to perform. In order to develop this framework into the OMSCs' tax morale model and provide conceptual background to the research, an application of a behavioural theory is found useful. The following section discusses the TPB (Ajzen, 1991) as a behavioural theory, which is utilised in this research.

3.3 The Theory of Planned Behaviour

In this section, the Theory Of Planned Behaviour is explained as a behavioural theory that this PhD draws upon. Firstly, the development of TPB and its predecessors are introduced. Secondly, TPB and its structure are discussed. Thirdly, the rationale for utilising TPB in this research's context is explained and lastly TPB applications in tax research is discussed.

3.3.1 Background of the Theory of Planned Behaviour

The Theory of Planned Behaviour, which was developed by Ajzen (1991), is a modified version of the Theory of Reasoned Action (TRA) (Fishbein and Ajzen, 1975). It is designed to predict and explain human behaviour. TPB explains an individual's intention to perform certain behaviour as a main factor. In the TPB model, intention is assumed to capture motivational factors. The assumed rule is that the stronger the intention towards behaviour, the more likely the behaviour is to be performed (Ajzen, 1991, 2005). Nevertheless, the performance of the behaviour depends on some degree of non-motivational factors' availability. Collectively, the performing of the behaviour depends on intention and ability together (Ajzen and Fishbein, 1980).

TPB is used by many disciplines to predict human behaviour (Ajzen, 2011). Literature suggests that the popularity of TPB stems from its strong predictive capacity of human behaviour (Terry and O'Leary, 1995; Armitage and Conner, 2001; Ajzen, 2011). Armitage and Conner (2001) analysed the predictive capacity of TPB in 185 studies that applied the theory in different disciplines. They found that TPB has good explanatory properties as it has explained 27% of variance in actual behaviour and explained variance increases up to 39% in behavioural intention in the analysed models.

Although TPB has evolved from TRA, its journey started with the expectancy of value models that were developed before TRA by a group of psychologists in the US (Eagly and Chaiken, 1993). The conceptual background of TPB emerges from the expectancy value theory (EVT) (Fishbein and Ajzen, 1975). Fishbein (1963) introduces EVT as an individual's attitudes as a function of the individual's expected values of behaviour's outcome. More specifically, EVT assumes that a person is more likely to be motivated to perform target behaviour when he or she assigns a great amount of value to its outcome (Wigfield and Eccles, 2000).

EVT is applied by even some contemporary studies today, however development of TRA has provided a better understanding of the relationships between behavioural intention, normative beliefs and behaviour (Fishbein and Ajzen, 1975). The TRA model aims to present an explanation of target behaviour and predict the target behaviour (Ajzen and Fishbein, 1980). The theory assumes that individuals have total control over their behaviour and their choices of whether to perform or not is determined by their behavioural intention. In other words, TRA is based on an individual's motivation and their intention to engage with target behaviour (Madden et al., 1992). Consequently, TRA suggests that the stronger the intention towards behaviour, the higher the likelihood of engaging with it. Ajzen and Fishbein, (1980, p.181) summarise the influence of intentions on human behaviour: 'intentions are assumed to

capture the motivational factors that influence a behaviour; they are indications of how hard people are willing to try, of how much of an effort they are willing to exert in order to perform the behaviour'. To put it simply, TRA describes behavioural intention as the only predictor of target behaviour.

TRA defines behavioural intention as a function of attitudes towards behaviour and subjective norm. Attitude towards behaviour refers to an individual's evaluation of target behaviour. Ajzen (2006) explains that attitude towards behaviour has two components, namely: affective attitudes and instrumental attitudes. Affective attitude refers to emotions in performing behaviour such as guilt, happiness and so on, while instrumental attitude reflects cognitive evaluation of the outcome of target behaviour (Fishbein and Ajzen, 1975; Madden et al., 1992). Subjective norm refers to an individual's perception of whether relevant others think that he or she should perform the target behaviour (Fishbein and Ajzen, 1975; Manstead, 2011). In the subjective norm, relevant others refer to people who are important to the individual (Ajzen, 2005). Consequently, TRA explainsthat if an individual believes the target behaviour's outcome would be positive, important, relevant and others would approve of the behaviour, then positive intention to perform the target behaviour directs the individual to perform the behaviour (Fishbein and Ajzen, 1975; Ajzen and Fishbein, 1980; Madden et al., 1992; Ajzen, 2005). The diagramatic representation of TRA is provided in Figure 6 below.

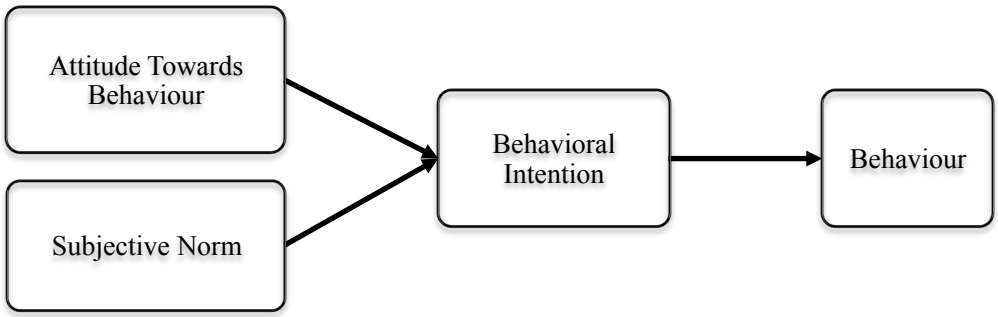


Figure 6: Theory of Reasoned Action (Ajzen and Fishbein, 1980, p.84)

Although TRA demonstrated strong predictive capacity across many disciplines and the applicability of TRA has proven successful in a wide range of research areas (Beck and Ajzen, 1991; Madden et al., 1992; Manstead, 2011), the main assumptions of TRA, which are that behaviours are solely influenced by attitudes and norms and that the person has volitional control over the performed behaviour, is challenged (Liska, 1984; Madden et al., 1992). Volitional control refers to complete freedom and control to choose whether to perform the target behaviour (Ajzen, 2006). Furthermore, the TRA model assumes that external factors

cannot directly affect the target behaviour. However, different studies have proven that external variables can influence the behaviour (Ajzen, 1985, 1988). Consequently, Ajzen (1985) realised that behaviour and behavioural intention might not be under complete volitional control and introduced the Perceived Behavioural Control construct to the TRA model to overcome this problem. Hence, TPB has emerged. The next section discusses TPB and its constructs in detail.

3.3.2 Structure of the Theory of Planned Behaviour

After receiving criticisms over TRA's assumption of complete volitional control on behavioural intention and behaviour, Ajzen (1985, 1988) introduced a new theory by developing TRA to the next level. It has similar assumptions to TRA such as behavioural intention encourages an individual to perform such behaviour. However, in addition to consideration of attitudes towards behaviour and social norms, Ajzen (1985) added perceived behavioural control to TRA to measure individuals' perception of the presence of factors that might influence their ability to perform target behaviour. Despite other constructs in the model, perceived behavioural control (PBC) has an ability to determine both intention and behaviour. Hence, the main assumption of the TRA model, which is that behavioural intention leads to facilitation of the behaviour, is revised as behavioural intention is a function of attitudes towards behaviour, subjective norm and PBC which influences on behavioural intention and then lead to the behaviour. In addition, PBC is influential directly on the target behaviour. Figure 7 illustrates the TPB model and the relationship between the constructs.

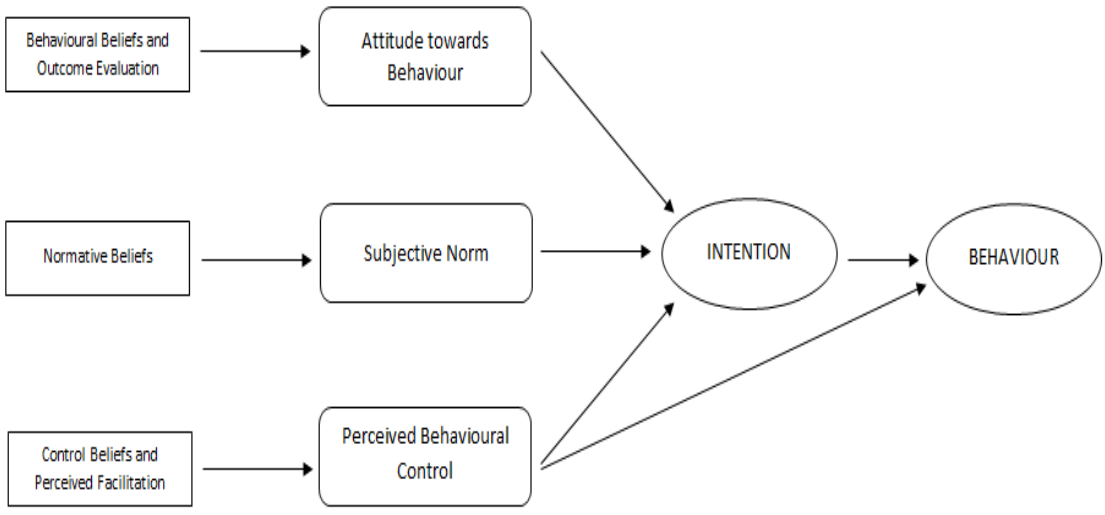


Figure 7: General Model of the Theory of Planned Behaviour (Source: Produced from Ajzen, 1991, p.126)

Amongst behavioural theories, Ajzen's (1985) TPB has become one of the most preferred models that relate attitudes and behaviour (Armitage and Conner, 2001). The reason argued for this is that each determinant of behavioural intention refers to effective salient beliefs of the individual (Beck and Ajzen, 1991). In this sense, the TPB model describes each of the constructs that shape the intention as a function of beliefs. In other words, each of the determinants of behavioural intention is itself a function of an individual's salient beliefs.

In order to understand the TPB model, a detailed understanding of the model's elements and their relationships are essential. This is because the constructs that are demonstrated in the model reflect psychological constructs and they have specific meanings within the theory. Behavioural intention depends on three constructs: attitude toward the behaviour, subjective norms and perceived behavioural control (Ajzen, 1991). Each element of the model is briefly discussed in this section.

Behaviour refers to target behaviour that is aimed at by an individual (Ajzen, 1991). The main aim of TPB is to explain the probability of a particular behaviour happening (Parker et al., 1995). In the TPB model, behaviour is explained as a function of behavioural intention and PBC together (Ajzen, 1991).

Intention represents the motivation or desire of an individual to perform the target behaviour (Ajzen, 2011). Although there is not a perfect relationship between behavioural intention and actual behaviour, intention can be used as a proximal measure of behaviour (Francis et al., 2004). This observation is one of the most important contributions of the TPB model in comparison with previous models of the attitude-behaviour relationship (Francis et al., 2004). TPB argues that intentions capture the motivational factors that influence the target behaviour (Beck and Ajzen, 1991). In other words, intention measures how hard a person is willing to try and how much effort he or she can give to perform such behaviour (Ajzen, 1991). Therefore TPB suggests that stronger the intention, higher the chance of achieving successful target behaviour. The intention in the TPB model is a function of three independent constructs: attitude towards behaviour, social norms and PBC. In addition to the mentioned three constructs, TPB identifies three key factors that can influence the magnitude of the relationship between intention and behaviour, which are the stability of the intention, degree of intention and behaviour and level of available volitional control on the indented behaviour (Ajzen and Fishbein, 1980; Ajzen, 2011). Overall, intention is a subjective probability of an individual that shows whether he or she will perform the target behaviour.

Attitude towards Behaviour refers to an individual's overall evaluation of the target behaviour (Beck and Ajzen, 1991). Specifically, TPB assumes that attitude towards behaviour represents an individual's evaluation of whether the target behaviour is favourable according

to an individual's personal beliefs (Ajzen, 2011). Attitude towards behaviour is a function of a person's behavioural beliefs and the subjective value that is expected as a result of the behaviour, which refers to outcome evaluation (Conner and Sparks, 2005). In other words, attitude towards behaviour is assumed to have two components that work together: beliefs about consequences of the behaviour and the corresponding positive or negative judgements about the behaviour (Parker et al., 1995; Francis et al., 2004). For instance, if the individual believes that paying taxes is beneficial then the evaluation of taxpaying behaviour would be positive, consequently the intention would be positive. Therefore, the behaviour is more likely to be performed. In terms of behavioural beliefs Ajzen (2011) adds that the individual holds an unpredicted number of beliefs about a particular behaviour, however only salient beliefs, which are more likely to influence the target behaviour, are considered. Overall, attitude towards behaviour in TPB describes the outcome favourability of the target behaviour under the behavioural beliefs of the individual (Ajzen, 2005).

Subjective norms explain perceived social pressure to engage or not to engage in the behaviour (Ajzen and Fishbein, 1980; Ajzen, 1991). Subjective norm is defined as an individual's perception whether the important referents would approve of and expect the individual to perform the target behaviour (Ajzen and Fishbein, 1980). In other words, subjective norms are the person's own estimate of the social pressure to perform or not perform the target behaviour (Armitage et al., 2002). Subjective norms have two components which work in interaction: beliefs about how other people, who may be in some way important to the person, would like the individual to behave (normative beliefs), such as family, friends, work environment or any other third party; and an individual's motivation to comply with referent expectations (Beck and Ajzen, 1991; Parker et al., 1995). The normative beliefs, in respect of the important referents, may result in an overall perceived social pressure (Ajzen, 2011). In this regard, important referents can be argued as a source of influence over the person, which might be an individual or even an organisation such as a company. However, it should be noted that only referents who are considered to be important on the target behaviour by the individual should be counted in normative beliefs' influence on TPB (Donald et al., 2014).

Perceived Behavioural Control is an additional construct that evolves TRA to TPB (Ajzen and Fishbein, 1980). Moreover it brings a new perspective on behavioural intention and explains limited volitional control on behaviour (Madden et al., 1992). PBC refers to available resources and opportunities to an individual that dictate the possibility of the achievement of such behaviour (Ajzen, 2005). In other words, given the perception of having necessary skills and perceptive availability of opportunities, the PBC refers to the extent to which an individual feels able to perform the behaviour (Ajzen, 2005, 2011). For instance if an

example is developed for PBC in tax context for better understanding: a taxpayer might think of evading taxes, however a high perception of audit possibility by the taxpayer might prevent him or her to do so despite the behavioural intention to evade. PBC is a function of two aspects: control beliefs, which refers to the extent that individual has control over the behaviour; and perceived facilitation, which explains how confident an individual feels about being able to perform or not perform the target behaviour (Francis et al., 2004). The power of both situational and internal factors to inhibit or facilitate the performing of the behaviour is determined by control beliefs (Ajzen, 1991; Terry and O'Leary, 1995). Additionally, PBC is the only multidimensional construct that might affect intention and behaviour together (Trafimow et al, 2002). Moreover, the literature argues that TPB increases its predictive capacity with the additional construct of PBC (Armitage and Conner, 2001).

Overall, the Theory of Planned Behaviour is a behavioural theory that tries to explain the complex reasons for human behaviour. According to the TPB model higher the intention, and PBC is controlled, more likely that the person performs the behaviour. The TPB model measures behavioural intention and interprets an individual's beliefs as components of the behavioural intention. According to the TPB Model attitude towards behaviour is a function of behavioural beliefs and outcome evaluation; subjective norms are a function of an individual's important referent beliefs or normative beliefs; and perceived behavioural control is a function of an individual's control beliefs and perceived facilitation. The TPB Model further illustrates that PBC can have a direct effect on behaviour, as well as an indirect effect on behaviour through its effect on behavioural intention (Smart, 2012).

TPB is found useful by numerous research in many different disciplines; a wide range of empirical research is conducted based on TPB's predictive capacities (Armitage and Conner, 2001). In order to understand the wide number of applied disciplines some examples of the TPB application in different disciplines are highlighted. For instance, TPB is used to predict halal food purchasing (Alam and Sayuti, 2011), breast feeding intervention in schools (Giles et al., 2014), subject choices in post university education (Taylor, 2015), gambling behaviour (Lee et al., 2013), cyber bullying (Pabian and Vandebosch, 2014) and dishonesty (Beck and Ajzen, 1991). In short, TPB provides an effective model to predict complex human behaviour. The next section discusses TPB application in tax research.

3.3.3 Theory of Planned Behaviour in Tax Research

TPB has been applied to diverse research areas, particularly social psychology and health studies (Beck and Ajzen, 1991; Terry and O'Leary, 1995). TPB is not commonly utilised in tax research but it has drawn attention in recent years (Hanno and Violette, 1996; Bobek and Hatfield, 2003; Bobek et al., 2007a; Jones, 2009; Traxler, 2010; Smart, 2012;

Hamid, 2014). Nonetheless, there are limited number of studies that have applied TPB in tax related research.

Hanno and Violette (1996) used the Theory of Reasoned Action (the predecessor to the TPB that included only attitude and subjective norms) to identify variables that are influential in a tax compliance setting. The results were compared between compliers and non-compliers. They identified general behavioural beliefs, such as getting a larger refund/having more cash/paying less tax, avoiding an IRS audit, and fulfilling moral and ethical obligations that were used in prior research to find differences between compliers and non-compliers. Bobek and Hatfield (2003) found evidence consistent with the model's predictions for taxpayer's compliance intentions. They found that the consideration of being illegal has an impact that is more positive on taxpayers' intention to comply than actual engagement with tax evasion. Trivedi et al. (2004) applied TPB in their study to test whether psychological factors such as ethics are important on tax compliance decisions. Despite the limitations of their sample, they found that psychological factors are positively effective on tax compliance. Jones's (2009) study applied TPB to US income taxpayers' compliance behaviour to test the effects of certain constructs, such as fairness, knowledge, and monetary concerns, on their compliance intentions and found fairness to be slightly more effective than other factors. More recently Malaysia based studies have utilised TPB successfully in tax compliance studies and investigated the factors of fairness, tax knowledge and government perceptions (Bidin et al., 2011; Bidin and Shamsudin, 2013; Brainyyah and Rusydi, 2013; Tallaha et al., 2014; Damayanti et al., 2015).

In very recent years two New Zealand originated PhD theses have used TPB for tax compliance research. Smart (2012) modified TBP and applied it to the model that examines New Zealand taxpayers and tax agents. She found that non-economical factors are more effective on taxpayers' compliance. Hamid (2014) also applied TPB to understand tax compliance behaviour of tax agents in her study that compares Malaysia and New Zealand.

An article published by Langham et al. (2012) developed a tax compliance model to understand tax compliance attitudes of business taxpayers in Australia. They investigated the effect of taxpayer identity, honesty, tax office perception and attitude towards reporting tax in their TPB tax compliance model and suggest that more predictor constructs are required to better predict tax compliance with TPB. To the researchers' knowledge, the work of Langham et al. (2012) is the only example that uses TPB to predict the tax compliance of business taxpayers. However, their focus is not solely on OMSCs or small business in their research, hence they are differentiated from this research.

Considering the research's context, to the researcher's knowledge, there is not any previous research exists in the literature that focuses on tax morale of OMSCs. In terms of the geographical scope of this research, a single work that uses TPB to explore Turkish taxpayers is found. Benk et al. (2011) examined individual taxpayers' compliance intention by developing a TPB model and found social norms, penalty magnitude and detection of risk (audit possibility) are effective on individual taxpayers' tax compliance intention in Turkey.

Overall, although TPB inspired research is in the infancy stage in tax literature, attention of researchers for TPB based research is growing. Bobek et al. (2007a) claim that TPB explains the psychological aspects of tax paying behaviour from a different and better angle by involving perceived behavioural control constructs. Consequently, it is expected that literature that uses TPB to explain tax compliance and tax morale might expand in the near future.

3.3.4 Rationale of Theory of Planned Behaviour Inspiration for OMSC's Tax Morale Model

The TPB model has presented a strong predictive ability and applicability in emprical research for many research disciplines (Armitage and Conner, 2001). Moreover, TPB is claimed to be one of the most effective models in exploring intention and behaviour relationship (Madden et al., 1992). Ajzen (1991) supports the idea of adding relevant constructs to TPB based models and different interpretation of TPB would increase the predictive capability of TBP based models. In addition, Sommer (2011) suggests that TPB based research models' exploratory capacity would benefit from including additional relevant constructs to the models. The literature also demonstrates that modifications of TPB models can enhance prediction capacity of them (Bobek and Hatfield, 2001, 2003; Alam and Sayuti, 2011). To put it simply, some can agree that TPB is not a static model but rather a dynamic one, which is open to developments and modifications according to the target research area. Therefore, modifying the framework that is demonstrated in Figure 5 for OMSCs' tax morale model might benefit from the logic and structure of the TPB when it is taken as an example.

In terms of tax compliance research, literature agrees that TPB provides comprehensive understanding of intention and the behaviour-intention relationship (Bobek and Hatfield, 2001; Langham et al., 2012; Smart, 2012). Although TPB is not applied on tax morale research yet, it proposes a structure that can predict tax morale as an intention of tax compliance using attitude towards behaviour, subjective norm and PBC constructs.

In this research's context, the researcher found inspiration from the TPB that is valuable for the development of the OMSCs' tax morale model. In terms of prediction of tax compliance, TPB offers a suitable structure because OMSCs' tax compliance behaviour is

based on self-assessment systems and voluntary compliance is aimed for. Although the actual behaviour of taxpaying is hard to measure, because the data is not provided for confidentiality reasons, tax compliance is measured by some former studies using past behaviour and the construct of willingness as a proxy of actual behaviour (Bobek and Hatfield, 2001; Langham et al., 2012). Therefore, tax compliance can be used as a proxy for measuring actual taxpaying behaviour.

Considering tax compliance as a proxy of the behaviour in the model, it is framed as a function of positive intention or motivation such as any other behaviour in TPB. Recalling that tax morale is described as key for tax compliance behaviour in the literature (Kornhauser, 2006), tax morale can also be interpreted as an intention for tax compliance in the model. Because tax morale in this research is defined as intrinsic motivation to pay taxes (Kirchler, 2007), it fits into the rationale of the intention construct in the TPB context.

The construct of attitude towards behaviour is formatted as personal norms in the OMSCs' tax morale model because of the same construct frames referred to in both models, which are personal behavioural beliefs. Similarly, subjective norms are interpreted as corporate norms for OMSCs. Because normative beliefs are explained as perceived approval or expectations of important referents in the TPB model (Beck and Ajzen, 1991), the concept is extended to the company by formalising it as a major important referent of OMSCs: his or her company. PBC is the only direct addition to OMSCs' tax morale model from TPB, which is found necessary to increase the explanatory power of the model.

Overall, TPB inspired modification of the OMSCs' tax morale model is found promising to explain tax morale in this research. Hence, the OMSCs' tax morale model is modified from Figure 5 to the OMSCs' tax morale model in Figure 8.

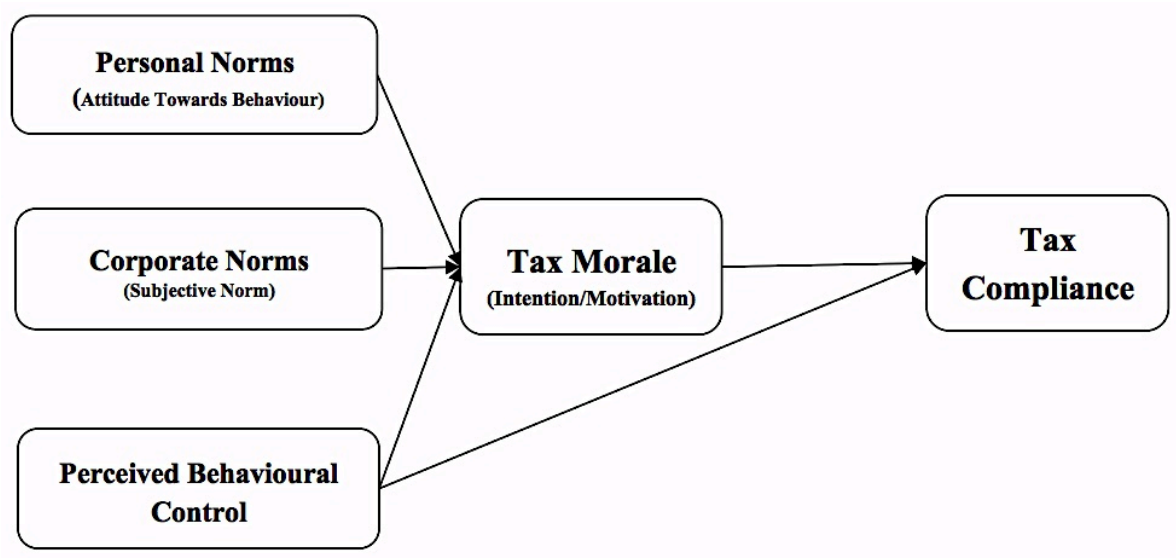


Figure 8: TPB inspired OMSCs' Tax Morale Model

The next section revisits the literature to discover the relevant constructs that influence tax morale and explains the formation of OMSCs' Tax Morale model with those elements.

3.4 Factors that Influence Tax Morale

In this section, the literature is revisited to identify the factors that are influential on tax morale. Following the constructs that are exhibited in the TPB inspired OMSCs' tax morale model (see Figure 8), factors that influence tax morale are grouped under three categories namely: personal norms, corporate norms and PBC. During the critical analysis of the literature, the researcher identified relevant constructs from the literature by following the limited tax morale models (please consult literature review section 2.7.1) and searched for the relevant of factors that effective on tax morale from the literature. Nevertheless, the main aim for evaluating the factors, which are found influential for tax morale literature, is to reach a comprehensive and systemic understanding of tax morale by presenting those factors in the OMSCs' tax morale model. To put it simply, this section intends to present the bigger picture of OMSCs' tax morale by using relevant factors. Therefore, dispersed parts of the tax morale jigsaw in the literature are organised to present the key of tax compliance.

3.4.1 Personal Norms

In this sub-section, factors that are found to be influential on OMSCs' personal view/stance on tax morale are introduced. Personal norms is assigned as a higher order construct[6] in the OMSC's tax morale model that emerges from the TPB model's construct of attitude towards behaviour. Similar to the TPB formulation, personal norms are affected by the

[6] The notion of *higher order construct* refers to an independent construct that has hierarchically positioned above of other factors. Hence, the constructs that are assigned/related to higher order construct do not represent its sub-dimensions but they represent independent constructs within different hierarchical order. In other words, they do not constitute hierarchical construct but effect it.

personal beliefs of OMSCs. Hence, Personal Norms are defined as OMSCs' personal view on tax morale and tax compliance as an individual. Effective factors that are identified in the tax literature on OMSCs' overall personal evaluation of tax morale and tax compliance are explained under this category.

3.4.1.1 Procedural Justice

Spicer and Becker (1980) explain fairness as directed toward what forms of inequity are likely to affect tax evasion behaviour. Some scholars refer to fairness as a belief of how fair the taxpayer is treated by the state during the taxpaying process (Fehr and Schmidt, 1999). Furthermore, in social psychology Wenzel (2003) differentiates three areas of fairness including procedural and distributive justice[7]. Kirchler (2007) argues that the differentiation between fairness aspects are important, because lack of differentiation might lead to vague measurement of perceptions and present conflicting results for researchers.

Keeping Kirchler's (2007) advice in mind, the first construct that is identified from the tax literature that affects tax morale is procedural justice. Tyler (1988) explains procedural justice as perceived fairness of procedures used to make allocation decisions. Similarly, Kirchler (2007) argues that it refers to the perceived fairness by a taxpayer of processes of resource distribution. Wartick (1994) provides wider frame for procedural justice; he suggests quality of information and treatment by tax authorities refer to procedural justice. A recent study of Farrar et al. (2013) describes procedural fairness as a processes that lead to tax assessments and reassessments. Moreover, Murphy (2003, 2004) argues that procedural fairness concerns the neutrality and fair responses of a tax authority and its officers. In light of the definitions above, this research uses a commonly acknowledged definition of: taxpayers' perceived fairness of tax legislation and procedures of the tax authority for the construct for procedural justice.

Tyler and Smith (1998) stress that an individual's behaviour is strongly related to their perception of justice. Hence, taxpayers' perception of procedural fairness is found to be effective on their tax morale and tax compliance (Blodgett et al., 1997; Murphy, 2003; Kirchler et al., 2006; Hartner et al., 2010; van Dijke and Verboon, 2010; Farrar et al., 2013). Kirchler et al. (2006) found evidence that procedural fairness correlates with personal willingness to comply. Supporting that, the literature suggests people who feel that they are treated fairly by tax authorities will be inclined to trust the authority, accept its decisions and

[7] Wenzel (2003) divides and explains tax justices with three types namely: distributive, procedural and retributive justice. In this research, procedural justice and distributive justice are included in OMSCs' tax morale model while retributive justice left outside. Because retributive justice, which interests appropriateness of tax penalties, found not effective on tax morale but it rather relates with tax evasion. Specifically, tax morale concept captures the domain of tax declaration process which is occurs prior to the stage where tax evasion is an issue.

follow its directions (Tyler and Smith, 1998; Murphy, 2004a; Tyler, 1989). Feld and Frey (2002) present results of their study that suggests tax compliance and trustworthiness of tax authorities are correlated. Moreover, Wenzel (2002) also investigates the impact of procedural justice and he found taxpayers are more compliant when they feel they are treated respectfully and fairly by the tax authority. Similarly, the work of Ahmed and Braithwaite (2005) demonstrates that the fair treatment of the tax authority increases tax morale of small company owners. In addition, Tekeli (2011) suggests procedural perceptions of taxpayers are influential on their tax morale.

Overall, procedural justice, which is defined as perceived fairness of taxpayers of tax legislation and procedures of the tax authority, is suggested as an influential construct on OMSCs tax morale. Consequently, it is included in the OMSCs' tax morale model under personal norms.

3.4.1.2 Distributive Justice

Tax literature that investigates fairness influences on tax compliance has mainly focused on distributive justice without always differentiating it from the procedural justice (Kirchler, 2007). Nevertheless, fairness perception is one of the most frequently mentioned factors in the tax morale and tax compliance literature (Andreoni et al., 1998; Fehr and Schmidt, 1999; Bobek and Hatfield, 2001; Gilligan and Richardson, 2005; Ahmed and Braithwaite, 2005; Torgler, 2007; Brainyyah and Rusydi, 2013).

Distributive justice refers to taxpayers' views of the fairness of resource allocation and income contribution (Lerner, 1987; Braithwaite, 2003). In other words, it refers to tax burden and the allocation of funded benefits or public goods (Wenzel, 2002). However, tax literature commonly focuses on the perceived burden of taxes when it comes to distributive justice (Braithwaite, 2003; Kirchler, 2007). Following the same path, this research adopts the definition of distributive justice as OMSCs' perceived fairness of how the tax burden is distributed amongst the taxpayers.

Taxpayers tend to compare their tax burden with other comparable groups (Braithwaite, 2003; Kirchler, 2007). Dean et al. (1980) found that the perceptive size of their tax burden is a problem amongst taxpayers because the majority of them believe their own tax burden is higher than other taxpayers who are in the similar income group. Kinsey et al. (1991) found evidence that personal tax burdens are effective on taxpayers' tax compliance decision. They found taxpayers' compliance and perception of the equity of their tax burden is correlated. Moreover, Moser et al. (1995) present evidence taxpayers' compliance will decrease when they feel they are taxed unjustly. A more recent study of Castro and Rizzo

(2014) found similar results in their experimental study. In addition, Torgler (2005) found evidence that tax morale and tax burden are related in his comparative study.

Overall, prior literature commonly agrees that if a taxpayer finds the burden of taxes unfair, he or she is more likely to evade (eg. Torgler, 2007). Supporting that argument, Sarısoy (2008) found willingness to pay is correlated with distributive justice among Turkish SMEs' executives. Therefore, the literature presents a clear view on distributive justice and its effect on tax morale and tax compliance. Hence, it is included in the OMSCs' tax morale model under personal norms.

In this research, distributive justice refers to OMSC's perception of how the tax burden is distributed amongst others.

3.4.1.3 Tax Knowledge

Tax knowledge is one of the important factors that affect tax morale and it is defined as having knowledge of the regime that the taxpayer is to be treated under (Song and Yarbrough, 1978; Andreoni et al., 1998). In other words, it refers to having the knowledge to be able to fulfil tax laws' requirements. There is evidence that taxpayers' level of tax knowledge positively affects their taxpaying behaviour (Eriksen and Fallan, 1996; McKerchar, 1995; Fallan, 1999; Hofmann et al., 2008; Brainyyah and Rusydi, 2013; Saad, 2014). The literature suggests that the majority of taxpayers do not understand the tax law correctly and they complain about having inadequate tax knowledge (Roberts et al., 1994).

Eriksen and Fallan (1996) conducted an experiment with two groups of students, of which one group opted for tax law and accounting in their second year at business school and the other group opted for marketing. They report that the tax law students have significant changes in attitude towards their own tax evasion and the fairness of the tax system. Increased tax knowledge means that people consider their own tax evasion more seriously. Hence, their attitude towards other people's tax evasion becomes stricter. Fallan, (1999) repeated a similar study with different groups of students and he found similar results. Moreover, Niemirowski et al. (2003) found evidence that inadequate information about tax law can promote non-compliance and distrust of the tax authority whereas better tax knowledge correlates with tax compliance. Additionally, evidence is found that taxpayers with more fiscal knowledge have shown more positive ethical attitudes towards taxes than others (Song and Yarbrough, 1978; Wartick, 1994). Some scholars also claim that having taxation lectures in higher education might have positive effects on tax paying (Cullis and Lewis, 1985; Eriksen and Fallan, 1996). Under a self-assessment system, tax knowledge is found very influential on tax compliance behaviour by a number of studies (Kasipillai and Abdul Jabbar, 2003; Kirchler et al., 2006).

Supporting this, McKerchar (1995) suggests that the absence of tax knowledge may lead to noncompliant behaviour among small business taxpayers, either intentionally or unintentionally.

Overall, the literature agrees that level of tax knowledge is effective on taxpaying behaviour and better knowledge of taxes promotes positive attitude towards tax compliance and tax morale. Consequently, the researcher decided to include the construct of tax knowledge in the OMSCs' tax morale model with the support of the literature. Additionally, in this research's context, the most commonly accepted tax knowledge definition is adopted from Andreoni et al. (1998) and the tax knowledge refers to the perceived level of OMSCs' knowledge of tax legislation and tax procedures that are required to comply with taxes.

3.4.1.4 Tax Complexity

Tax complexity has become a problem with the development of the tax authorities and sophistication of tax law (Richardson and Sawyer, 1997). Consequently, it has been the an interest for many studies in the literature (Beck et al., 1991; Kaplow, 1996; Richardson and Sawyer, 1997; Krause, 2000; Cuccia and Carnes, 2001; Forest and Sheffrin, 2002; Richardson, 2006; Kirchler et al., 2009; Laffer et al., 2011).

McCaffery (1990) identifies three types of complexity, namely: technical, structural and compliance complexities. He defines technical complexity as the understandability of a particular part of the tax code in isolation. Structural complexity, which is sometimes referred to as transactional complexity, relates to the way in which tax law is interpreted and applied. Even if a taxpayer can read and understand a given tax rule, he/she may be unable to apply it to his/her affairs with any confidence, or to understand the possible consequences of decisions regarding investments or other economic actions. Lastly, compliance complexity relates to the variety of record-keeping and form-completing tasks a taxpayer must perform in order to comply with regulations. Even if the taxpayer understands in theory how a certain type of tax operates, some procedural burdens might prevent him/her to comply.

Kaplow (1996) explains tax complexity as an obstacle to understanding the requirements of taxpayers under the tax law which they are obligated to fulfil. Supporting the explanation, the classic approach to taxation correlates the tax complexity with tax non-compliance and most survey studies confirm a negative relationship between tax complexity and level of understanding of tax law (Kirchler, 2007). In addition, tax complexity increases administrative costs and compliance costs of taxpaying (Hasseldine, 2001). Richardson (2006) examined 45 countries in his study and demonstrated that tax complexity encourages non-compliance. Similarly Kirchler et al. (2006) demonstrated evidence that taxpayers are more

inclined to comply with tax system when they perceive tax law as less complex. Further, Lago-Peñas and Lago-Peñas (2010) claim that tax complexity is effective on tax morale directly and indirectly as they suggests tax complexity increases the perceived tax burden. In a different study, Torgler et al. (2008) found that tax complexity has a tendency to reduce tax morale.

Tax complexity not only affects individual taxpayers but it also affects companies' taxpaying behaviour. Warren (2003) suggests that the majority of UK and Australian small companies' tax compliance is negatively influenced by the complexity of tax law. Similar results are found in the literature that small businesses' positive attitudes towards tax are influenced by tax complexity in various researches (Ingraham et al., 2005; Tran-Nam and Karlinsky, 2008; Rametse and Yong, 2009; Freudenberg et al., 2012).

Overall, the literature agrees that tax complexity influences tax compliance and tax morale of taxpayers. Therefore the researcher has decided to include tax complexity into the OMSCs' tax morale model and he adopts a very similar definition to Kaplow (1996) for tax complexity, which is found the most commonly accepted definition by the literature (Torgler, 2003b: Kirchler, 2007). Hence, the construct defined as; OMSCs' perception of legislative complexity in both tax law and tax procedures that affect their company.

3.4.1.5 Government Perception

Tax literature argues that taxpayers' perception of current government might influence their tax compliance behaviour (Mason and Calvin, 1984; Scholz and Lubell, 1998 ; Alm et al., 1999; Torgler, 2005a). Feld and Frey (2002) argue that the nature of the relationship between taxpayer and government influences tax morale of taxpayers. Moreover, some scholars have found that positive overall perception of government enhances tax morale (Kirchler et al., 2006). The literature explores the effect of government perception[8] under two groups which are: trust in the government (Feld and Frey, 2002; Muehlbacher and Kirchler, 2010; Hug and Spörri, 2011) and satisfaction with government (Mulenga, 2004; Torgler, 2003b, 2007).

Trust in government is highlighted as a significant factor for tax compliance (Scholz and Pinney, 1995). Torgler (2003c) analysed the effects of trust in government on tax morale in two different levels, which are constitutional level and current politico-economic level. In both levels, he found that trust in government has increased level of tax morale. He explains that trust in government reduces the justification for tax evasion thereby increasing tax morale.

[8] Government perception, as a name of the construct, is used in this thesis to refer the perception of the taxpayers about their current government. Hence, it refers to perception of government instead of perception by government.

Moreover, Tekeli (2013) found evidence that trust in government and tax authorities positively affects tax morale in Japan and Turkey in a comparative study. Altug et al. (2010) also found evidence of increasing trust for the recent government in Turkey affected individual taxpayers' tax morale positively.

Similarly to trust in government, the influence of government satisfaction is found to be a positive driver of tax morale in many studies (Mulenga, 2004; Torgler, 2007; Martinez-Vazquez and Torgler, 2009; Feld and Larsen, 2012). Braithwaite (2003) claims that level of democracy motivates taxpayers to pay taxes and therefore increases their tax morale. Additionally, Torgler (2005) expressed that higher tax morale is correlated with higher participation in political decision making. Therefore suggests that providing extensive rights to citizens besides their obligations helps to develop trust in government. Consequently, they can be in a better position to monitor and control politicians. He also found evidence from his survey that direct democracy has a significant effect on tax morale in Switzerland. In addition, empirical evidence in a survey-based study found that the perception of well-spent tax revenue is positively correlated with the tax morale of individual taxpayers (Aguirre and Rocha, 2010). Additionally, Torgler (2003b) proved that one unit of satisfaction with government officers increases tax morale to 3.4 units. He also added that positive evaluation of political system correlated with tax morale.

An overview of the literature suggests that positive government perception positively influences the tax morale of taxpayers. Consequently, the researcher has decided to include government perception as a construct in the OMSCs' tax morale model. In addition, government perception is defined as the way that the OMSCs see and understand the current government's performance.

3.4.1.6 Political View

The political view of an individual can shape his/her understanding of the environment, social institutions and state (Medawar, 1976). People like to express their political opinion, debate, demonstrate and show their political support or opposition (Rudolph and Evans, 2005). Although political view can be expressed in various ways, in modern societies people express their support or opposition mainly on Election Day. In some countries political view, opposition or affiliation to a political party, may affect daily life (Braithwaite, 2003). Hence, they might acknowledge demonstrating or even violating law as a way of expressing their political opinion. Even evading tax can be seen as a form of expressing political view (Fershtman and Lipatov, 2009). Schneider and Jacoby (2005) found evidence in their US based study that political views (liberal or conservative) are significant predictors of individuals' attitudes towards suggested behaviours by government. Similarly, Rudolph and

Evans (2005) demonstrate that people are more likely to be affected by their political view when they are evaluating public spending. Jacoby (1991) also suggests that political view affects individuals' evaluation of government behaviour.

Some scholars approach this from a different perspective and claim the political view of the taxpayer has an influence on tax morale (Wahlund, 1992; Torgler, 2007; Braithwaite, 2009; Leonardo, 2011). In other words, tax morale of taxpayers is claimed to be positively affected when their political opinion or ideological stance (or political affiliation with the ruling party) are in line with the current government. Wahlund (1992) presented results of his study in which he found political choice is effective on tax evasion. Moreover, Torgler (2005b) found evidence from Latin American countries that the ideology of taxpayers (such as being socialist or conservative) is correlated with tax morale when the government represents the same ideological identity. Leonardo (2011) also investigated the effect of political view on tax morale on World Values survey data. He found that political view (that he referred to with the term ideology) is not effective on taxpayers who live in the in free countries, but he found that political view is effective on partially free countries, which also includes Turkey.

In the Turkish literature, it is highlighted that taxpayers tend to reduce their involvement in tax avoidance when the political party that they support comes to power (Sarısoy, 2008). Moreover, Tekeli (2013) found evidence that political affiliation to the ruling party positively affects taxpaying behaviour.

Although the research on the tax morale influence of political view is not widely discussed in the literature, the above mentioned research suggests that the political view of taxpayers' impacts on tax morale. Consequently, the researcher has decided to include the construct into the OMSCs' tax morale model. Additionally, in light of the discussion above, political view is defined as supporting a political party/ideology or affiliation to a political party in this research.

3.4.1.7 Religiosity

Religiosity is considered as an influential factor on taxation starting with Adam Smith and it has recently attracted attention of academics with the studies of Welch et al. (2005), Torgler (2006), McGee (2006), Stack and Kposowa (2006), and Pope and Mohdali (2010).

Religiosity is defined by Johnson et al. (2001) as the extent to which an individual is committed to the religion he or she professes and its teachings, such that individual attitudes and behaviours reflect this commitment. Glock (1962) divides religiosity into five dimensions. Firstly, the ideological dimension, by which the followers of religions are expected to adhere to certain sets of beliefs. Secondly, the ritualistic dimension: the specific religious practices

adhered to by the followers such as prayer, fasting and meditation. Thirdly, the experiential dimension which stresses religious experience as the indicator of the level of religiosity. Fourthly, the intellectual dimension refers to religious knowledge that strengthens one's religious beliefs. Finally, the consequential dimension identifies the effects of adherence to the first four dimensions that guide individuals to behave based on religious belief, practice, experience and knowledge. Additionally, religious affiliation refers to the particular religious group adhered to by individuals such as Islam, Christianity, Buddhism and Hinduism. Hirchman (1983) argues that individuals are influenced by religious affiliation long before they are born.

Studies investigate tax morale and religiosity relationship are very limited (Kirchler, 2007). Torgler has led the literature on the role of religiosity and initially found evidence that tax morale depends positively on religiosity using World Values Survey data for 1990 in Canada (Torgler, 2003d). He found similar results when he expanded his study to 30 different countries (Torgler, 2006). In a joint study with Feld, he explored the determinants of tax morale in various countries and found a strong impact of religiosity on tax morale in Germany (Feld and Torgler, 2007). Findings of Stack and Kposowa (2006) confirm that people with no religious affiliation are more likely to see tax evasion acceptable. A larger sample size of 47 countries by Richardson (2008) confirms a negative relationship between individuals with high levels of religiosity and tax evasion. Although, the literature highlights a positive relationship between religiosity and tax morale or negative relationships between religiosity and tax evasion, few studies found no significant effect of religiosity on tax morale (Welch et al., 2005).

Studies concerned with religiosity generally rely on secondary data (Pope and Mohdali, 2010). Nevertheless, some survey based research conducted by Pope and Mohdali (2010) in Malaysia found that religiosity has an effect on the tax morale of individual taxpayers. According to Altug et al.'s (2010) study conducted in Istanbul, 62% of taxpayers believe that tax evasion is related to the evader's level of ethics, while 67% think that paying taxes is a sacred duty. The same research additionally revealed that 64% of taxpayers regard tax evasion as a sin, and 59% of taxpayers declared that Imams should be more effective in directing people to comply with the tax system. In short, religiosity presents an effect on the majority of taxpayers' decisions in Turkey.

Overall, the literature agrees that the level of religiosity is positively correlated with the level of tax morale (Torgler, 2007). In this research, the researcher adopts the religiosity definition of Johnson et al. (2001) as it is the most commonly referred definition of the construct in the literature. Therefore, it defined it as the extent to which an OMSC is

committed to a religion and its teachings, such that the attitudes and behaviours of the individual reflect this commitment.

3.4.1.8 Patriotism

Patriotism was analysed as an influential factor for tax compliance and tax morale by many scholars in the field (Hill, 1894; Roth et al., 1989; Andreoni et al., 1998; Lavoie, 2011; Konrad and Qari, 2012) . Patriotism is defined as love of country in social psychology studies (Kosterman and Feshbach, 1989). Nathanson (1989) addresses four aspects of patriotism which are: special affection for one's own country, a sense of personal identification with the country, special concern for the well-being of the country and willingness to sacrifice to promote the country's good. Nevertheless, in tax related research, only willingness to sacrifice for the country's good is commonly accepted as a definition and hence promoted (Andreoni et al., 1998).

The effect of patriotism was first mentioned long before compliance literature by Hill (1894) who claimed that when patriotic feelings increased during war times, voluntary taxpaying also increases. Moreover, Andreoni et al. (1998) assert that individuals that are more patriotic derive a 'warm glow of giving' from their tax payments; therefore, they are more likely to comply. Additionally, recent research seems to support this stance. Slemrod (2007) argues that there is a correlation between patriotism and tax compliance even in peacetimes. Moreover, Konrad and Qari (2012) found a significant correlation between patriotism levels of individuals and their willingness to pay taxes in US.

The specific relationship between tax morale and patriotism is not widely explored. The literature benefits from World Values survey data based research that investigates nationalism and tax morale relationship (Torgler, 2003c, 2003e; Torgler and Schneider, 2007b), however none of the results were significant despite being positive. Nevertheless, Martinez-Vazquez and Torgler (2009) found significant evidence that patriotism is influential on tax morale amongst Spanish taxpayers.

In summary, an overview of the literature suggests that patriotism positively influences the tax morale of taxpayers. Consequently, the researcher has decided to include patriotism as a construct in the OMSCs' tax morale model. In this research, the researcher adopts the modified definition of Nathanson (1989) for patriotism, which describes it as OMSCs' love for their country and willingness to sacrifice for its good.

3.4.2 Corporate Norms

Under this sub-section, factors that are found effective on OMSCs' corporate norms are introduced. Constructs under corporate norms are identified as a result of the critical

review of the literature which found influential on OMSCs' perceptions of their companies' tax compliance behaviour.

Corporate Norms is assigned as a higher order construct in the OMSCs' tax morale model. Similar to the TPB formulation, corporate norms are affected by OMSCs' normative beliefs about their company. Hence it defined as OMSCs' normative beliefs about their company and its wellbeing. Therefore, normative belief (perceived pressure of being a company manager) factors that are identified as influential are listed under this category.

3.4.2.1 Professionalism

Professionalism is suggested as a factor on taxpaying behaviour in the literature by few scholars (Boucher, 1991; Pope, 1994). Professionalism is defined as embracing staff and resources with a claim of specialised knowledge or practice in companies (Fournier, 1999). Some studies in the tax morale literature agrees that a lack of professional staff and resources negatively affects tax morale (Torgler, 2007; Alm and McClellan, 2012). McLisky (2011) found evidence that taxpayers who suffer from a shortage of available resources are more likely to face tax penalties. Supporting that, Marrelli and Martina (1988) claimed the capability of staff and tax evasion are negatively correlated in companies.

Although the literature has not yet extensively examined the effect of professionalism on tax compliance and tax morale, it is sensible to assume that an OMSC's ability to comply with the tax system depends on the operative power of the company to achieve such behaviour. Therefore, perceived level of professionalism in the company is a parameter on the tax morale and tax compliance function. Consequently, the researcher has decided to include this construct to the OMSCs' tax morale model to explore the domain of the construct in the exploratory phase of this research. Hence, professionalism is defined as the perceived ability/competence of an OMSC to have capable staff and resources to comply with the tax system in this research.

3.4.2.2 Compliance Costs

Compliance costs are often stressed as an influential factor for tax compliance in the literature (Coleman and Evans, 2003; Hasseldine, 2001). Sandford (1995) describes tax compliance costs as a hidden cost. Hasseldine (2001) defines compliance costs as the costs of conforming to the mandatory requirements of a tax regime, involving the preparation and submission of tax returns in accordance with the relevant tax laws in force in the country. Moreover, Tran-Nam et al. (2000) divide tax compliance costs into three groups: explicit costs, implicit costs and non-labour costs. Explicit costs are represented by monetary outgoings paid to external parties, such as tax agents and tax advisors; implicit costs are represented by the time spent by taxpayers, unpaid helpers and internal paid employees; and

non-labour costs (also referred to as incidental costs) correspond to business overhead costs such as equipment, computers, stationery, travel and so on. Beside those measureable costs, taxpayers may also experience psychological costs in the form of stress, anxiety, and frustration imposed upon them by complying with their obligations and dealing with tax authorities.

Tax compliance costs has been analysed as a factor that increases the tax burden of taxpayers (Alm, 1988; Hasseldine, 2001; Evans, 2003; Lignier and Evans, 2012). Coleman and Evans (2003) suggest that a heavy burden of compliance costs affects the tax compliance and tax morale of small businesses negatively. Moreover, Alm (1988) claims that compliance costs might lead to tax evasion. Moreover, the research suggests that small business owners may experience anxiety and psychological costs when they try to fulfil their tax obligations (Woellner et al., 2007). In a later study, Lopes and Martins (2013) found evidence that the psychological costs such as stress and anxiety to meet tax requirements are also effective on taxpayers. Nevertheless, to the researcher's knowledge, the literature has not measured the effect of tax compliance costs on tax morale yet.

When considering the awareness of additional costs, awareness of compliance costs is considerably lower among Turkish taxpayers than the majority of OECD countries according to an OECD report (OECD, 2005). Moreover, neither Turkish tax literature nor Turkish revenue administration identifies the compliance costs for small businesses. Consequently, awareness of compliance costs is considerably lower in Turkey than other OECD countries.

In summary, an overview of literature suggests that compliance costs influence tax compliance (Hasseldine, 2001; Evans, 2003; Hansford et al., 2003; Dynarski and Scott-Clayton, 2006; Lignier and Evans, 2012; Evans et al., 2014). In light of the literature, the researcher has decided to include compliance costs as a construct into the OMSCs' tax morale model under corporate norms. Additionally, the most commonly accepted definition of the construct is accepted in this research. Hence, the construct of compliance costs refers to an OMSC's perceived level of cost that the company has to bear to meet with the regulations of tax law in this research.

3.4.2.3 Tax Advisors' Effect

The importance of tax advisors on the tax compliance behaviour of taxpayers is discussed in the tax literature by many scholars (Hasseldine et al., 2007; Marshall et al., 1998; Roth et al., 1989; Sakurai and Braithwaite, 2003; Torgler, 2005; Frecknall Hughes and

Moizer, 2004; Frecknall-Hughes and Kirchler, 2015). Roth et al. (1989) define tax advisors[9] as professionals with whom the taxpayer discusses tax matters and receives advice about the actual risks and rewards of tax compliance. Frecknall Hughes and Moizer (2004) categorized tax advisors' services into two kinds, namely, tax compliance work and tax planning advice. They refer tax compliance work as preparation of tax computations for submission on the taxpayer's behalf to the tax authorities, dealing with subsequent queries and the resolution of any uncertainties. Tax planning work refers to tax practitioner's attempts to devise ways of reducing the taxpayer's liability to tax or maximizing after-tax returns. Hasseldine et al., (2007) explain that tax advisors provide three sorts of services: return preparation, tax advice and risk advice. Each of these sorts of advice has potential effects on the tax compliance and tax morale of taxpayers.

Some scholars have mentioned that tax advisors are influential on tax compliance decisions (Jackson and Milliron, 1986; Klepper et al., 1991; Spilker et al., 1999; Richardson and Sawyer, 2001; Tan et al., 2014). Klepper et al. (1991) found evidence that tax advisors' participation in taxpaying processes encourages compliance on unambiguous sources of income, however it encourages non-compliant behaviour when the tax law is not clear. Erard, (1993) analysed different types of tax agents and tax compliance relationship. He predicted that tax non-compliance increases when tax agents are involved in the process. The results of a later study of Erard (1997) indicated that deliberate reporting of violations of tax law is more likely to happen when taxpayers did not consult tax advisors. In a later study, Devos (2012) found that the advice of tax advisor is effective on Australian taxpayers' tax compliance decisions. In addition, he found evidence that aggressive tax advice is only effective on non-evaders.

The literature suggests that tax advisors can act as advocates to their clients as well as an intermediary with the government (Tomasic and Pentony, 1991; Tan, 1999). Moreover, tax advisors might become an enforcer or exploiter of the tax law because of the complexity of tax legislation (Klepper and Nagin, 1989; Klepper et al., 1991). The study of Hite and McGill (1992) determines why small businesses need tax advisors. The main reason suggested by them was to ensure that they meet with tax regulations correctly. Additionally, they found that tax advisors' suggestions are highly preferable for small business owners. Trust appeared to be another important issue between small business owners (Gooderham et al., 2004; Ashby and

[9] The literature uses different terms to refer to tax agents who act as an intermediary or consultant during the taxpaying and declaring processes; namely as tax practitioners (Sakurai and Braithwaite, 2003; Cruz et al., 2000; Frecknall-Hughes and Kirchler, 2015), tax agents (Ingraham et al., 2005; Hamid, 2014) or tax advisors (Roth et al., 1989). Devos (2012) argues that the terms tax practitioners, tax preparers; tax agents, tax accountants and tax lawyers are used interchangeably. The researcher prefers to use the term of tax advisors as it is found more self-explanatory and it is the first form of the term that is used to refer to the phenomenon in the literature.

Webley, 2008; Blackburn et al., 2010; Tan et al., 2014). Blackburn et al. (2010) describe tax advisors for small business owners as 'business confidants'. Gooderham et al. (2004) found evidence that trust is a key element for the small business owner and tax advisor relationship. Moreover, the literature suggests that small business owners are open even to managerial advice from tax advisors when the bridge of trust is established (Dyer and Ross, 2007; Jarvis and Rigby, 2012). In addition, Tan et al. (2014) demonstrate that communication is effective on building trust between small business owners and tax advisors.

Although there are not many studies about Turkish tax advisors in the international literature, Demirbag et al. (2013) found in a comparative study that the Turkish firms are keener to employ aggressive tax advisors than UK firms. Nevertheless, as it is suggested by Frecknall Hughes and Moizer (2004), the research that investigates the influence of tax advisors on their clients is expanding. Please see a recent review of Frecknall-Hughes and Kirchler (2015 p.292-298) for the extended review of the tax advisors literature.

An overview of tax literature suggests that tax advisors have an influence on the tax compliance decisions of OMSCs. Consequently, the researcher has decided to include the construct in the OMSCs' tax morale model. In addition, the construct of tax advisors' effect is defined as tax advisors' impact on OMSC tax compliance decisions in this research.

3.4.2.4 Company Structure

Company structure, although it is not widely examined in the tax literature, found to have an influence on small companies' tax compliance (Rice, 1992; Hanlon et al., 2005; Alm and McClellan, 2012), Company structure or organisational structure defined as levels of management and division responsibilities within a business (Child, 1972). Organisational structure literature suggests that better structure leads to better organisational behaviour (Ouchi, 1977).

Hanlon et al. (2005) found evidence that non-compliance is significantly higher (13%) in small companies than medium sized companies. They explained that lack of organisational structure might be one of the reasons behind that figure. Additionally, effect of company structure on small companies discussed in some business ethics studies (Quinn, 1997; Spence, 1999; Spence and Rutherfoord, 2001). Trevino (1986) analysed ethical decision-making in the companies and her model discussed organisational structure as a factor of ethical decision-making of company managers. Furthermore, Quinn (1997) found evidence that small company managers have closer relationship between their moral judgements and management decisions.

Ownership of small companies is also found effective on managerial decisions of small business owners. Mathews and Moser, (1995) discusses that the family background is influential on managerial decisions of companies. Especially, they suggest that contribution to the society and social satisfaction can be reasons for ownership motivation. Thus, these motivations are effective on decisions of company owners.

Although the literature is in the early stages to explore the relationship between company structure and tax compliance, above-mentioned studies suggest that company structure has an ability to influence OMSCs' managerial decision. Therefore, it is reasonable to assume that OMSCs' compliance decision function includes impact of company structure and the certain values/motivations that is brought with it such as family values. For this reason, the researcher decided to include construct of company structure to the OMSCs' tax morale model under corporate norms to explore its potential in further exploratory analysis with qualitative data in the next phase. In this research, company structure referred with a compact definition that the researcher derived from the above-mentioned literature. Hence, it defined as perceived effect of organisational structure (or lack of organisational structure) on tax morale of OMSCs' tax compliance decisions.

3.4.3 Perceived Behavioural Control

Perceived behavioural control is inserted into the OMSC tax morale model with the influence of TPB that is discussed in section 3.3.4. PBC refers to the extent to which an individual feels able to perform behaviour (Ajzen, 2005, 2011). Drawing on this definition, the factors found as control beliefs on tax morale are discussed in this sub-section. PBC is assigned as a higher order construct in the OMSC's tax morale model that emerges from the TPB. It refers to available resources and opportunities to OMSC that dictates the possibility of the achievement of tax compliance (non-compliance) behaviour. PBC is affected by control belief factors, which refers to the power of both situational and internal factors to inhibit or facilitate performing of the behaviour. Control belief factors identified as influential on OMSCs' overall evaluation of tax morale and tax compliance are listed under this category. The PBC is defined similarly to Ajzen, (2005) as the perceptive ability of OMSCs to comply with tax system in this research.

3.4.3.1 Size of Economic Obligation

Taxes are economic obligations. Consequently, tax burden that taxpayers have to shoulder have been a subject of many studies (Strumpel, 1966; Roth et al., 1989; Kinsey et al., 1991; Andreoni et al., 1998; Pope and Abdul-Jabbar, 2008; Yamamura, 2012; Bernasconi et al., 2014). Economic deterrence models explain taxpaying behaviour solely with economic utility and highlight size of economic obligation as one of the main factors that influence tax

compliance (Andreoni et al., 1998). The economic deterrence theories explained that the size of an economic obligation is negatively correlated with tax compliance (Strumpel, 1966). Additionally, Torgler (2007) claimed a negative relationship between tax morale and the size of economic obligations. Moreover, he found evidence in a different study (Torgler, 2005b) on Latin American taxpayers that showed tax burden prevents taxpayers to comply. Moreover, high tax burden creates an excuse for the taxpayers for non-compliance that also leads legitimisation of non-compliance trough the moral reasoning. Doerrenberg et al. (2012) approach the tax burden effect from a different perspective. They demonstrate results that suggest taxpayers with high levels of tax morale are faced with heavier tax burdens than lower tax morale groups. However, they also suggest the groups, who are taxed more, might still benefit from the intrinsic satisfaction that they might achieve from taxpaying.

Overall, the literature agrees extensively that the perceived size of tax burden is effective on taxpayers' tax compliance and tax morale (Strumpel, 1966; Tanzi and Shome, 1993; Andreoni et al., 1998; Kirchler, 2007; Bernasconi et al., 2014). In this research, the size of economic obligation refers to the perceived size of a tax burden that the company of OMSC has to bear.

3.4.3.2 Risk Aversion

The risk aversion of OMSCs is considered as a factor that shapes OMSCs' compliance behaviour and tax morale. In the literature, the construct had various names, such as risk aversion (Torgler, 2007), audit probability (Cronshaw and Alm, 1995) and probability of detection (Andreoni et al.,1998). Nevertheless, all of these terms referred to the same concept/construct. Hence, the researcher chose the name of Risk Aversion to refer the construct as it was thought to be the most commonly used one in the literature. In the early literature, risk aversion is underlined as an influential factor on tax compliance that is defined as the possibility of being caught for unreported income (Allingham and Sandmo, 1972).

According to Allingham and Sandmo (1972), the probability of being caught is positively correlated with tax compliance. Supporting that, Feld et al. (2008) claimed high audit possibility encourages taxpayers to comply and tax morale is found to be high under these conditions. Additionally, Torgler (2007) and Alm and McClellan (2012) mention that tax morale of company managers is positively correlated with their risk aversion.

An overview of tax literature suggests that risk aversion has an influence on the tax compliance decisions of OMSCs. Consequently, the researcher has decided to include the construct in the OMSCs' tax morale model. The definition of Allingham and Sandmo (1972) is adopted for risk aversion, as it was the first definition in the literature. Hence, the construct

defined as: OMSCs perceived possibility of being caught from tax evasion or unreported income.

3.5 Forming the OMSCs' Tax Morale Model

In the last section of this chapter, phase 1 of the research is finalised by presenting the OMSCs' tax morale model, which is formed by expanding the previous model (see Figure 8) by using the constructs that are discussed in the previous sections. The expanded OMSCs' tax morale model that includes the constructs is illustrated in Figure 9.

Ajzen's (1991) TPB model explains behavioural intention as depending on three factors: attitude toward behaviour, subjective norms and perceived behavioural control. Attitude towards behaviour is a key element for making decisions in the TPB model (Ajzen, 2005). Therefore, it has a direct effect on behavioural intention. In other words, having a positive attitude towards the stated behaviour increases the likelihood of that action being performed. Attitude, in the model, is a subject of behavioural beliefs. Behavioural beliefs are defined as the subjective probability that the behaviour will produce the given outcome (Ajzen, 1991). Additionally, Ajzen (1995) explains that a person may hold many behavioural beliefs that are effective on the attitude. In the model, constructs that affect an individual's evaluation of their intention to pay taxes are grouped under behavioural beliefs as used in some other studies in the field and named personal norms (Bobek and Hatfield, 2003; Jones, 2009). For example, Jones (2009) claims that fairness and tax knowledge are behavioural beliefs and he represents them as constructs that affect attitude towards compliance in his research. Consequently, in the model, constructs that are explained under individual factors in the previous section found very similar to the behavioural beliefs theme, which is represented accordingly, in the model. In other words, personal norms which are fairness perception, tax knowledge, tax complexity, perception toward government, political view, religiosity and patriotism are counted as constructs, behavioural beliefs, that affect attitude toward taxpaying behaviour in the model.

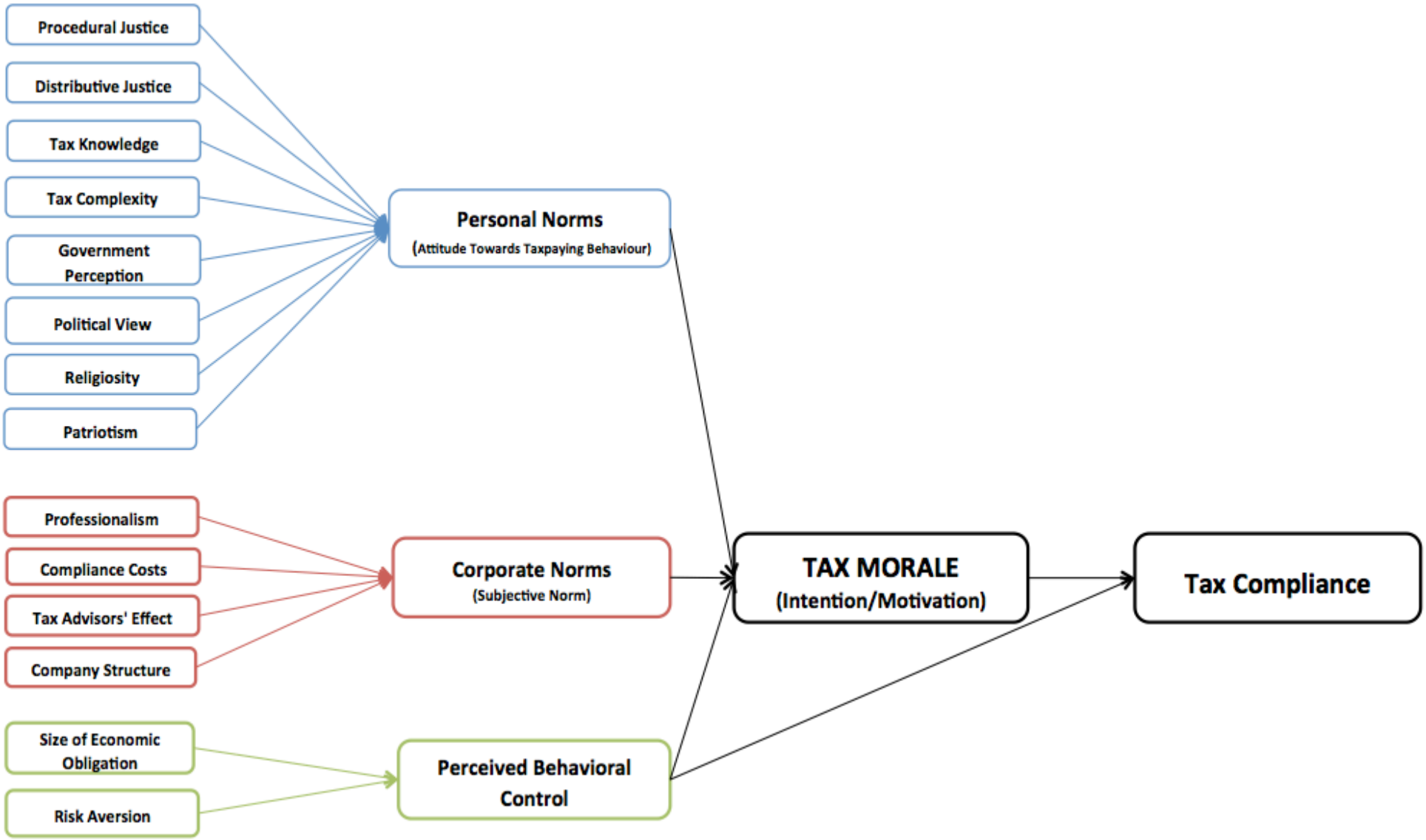


Figure 9: Expanded OMSCs' Tax Morale Model with Relevant Constructs

A subjective norm is defined as a perceived social pressure to engage or not to engage with the behaviour (Ajzen, 2005, 1991). However, a subjective norm is defined more precisely by some scholars as an individual's perception or opinion about what others believe the individual should do (Trafimow et al., 2002). It commonly refers to the influence of a third party such as family, friends, colleagues or business associates (Ajzen, 1991). The TPB model highlights that the subjective norm is affected by normative beliefs. Ajzen (2005) defines normative beliefs as the perceived behavioural expectation of family friends or a third party about the behaviour to be performed. Additionally, normative beliefs can be extended to any third party influences in the TPB model (Ajzen, 2005; Parker et al., 1995). Considering a conflict might occur between the objectives of profit seeking of a small company and the values or beliefs of its manager, as explained in the previous sections, it might not be wrong to think that some constructs under the group of corporate factors should be treated differently in the model. Although there are not any examples spotted in the tax related TPB literature, the definition of Ajzen's (1991) for a social norm as an influence of a third party allows some corporate factors to be treated under social norm which are labelled as corporate norms in the model. However, unlike tax literature, there are some other studies, which extend the social norms definition in communication and health studies (Boer and Westhoff, 2006; Cooke et al., 2007). Supporting that, Ajzen (1991) notes that TBP is open to improvements, inclusion or extension of additional predictor constructs, to improve predictability of the intention of behaviour. Therefore, some of the corporate norms' constructs, such as company structure, professionalism, compliance costs and tax advisors effect, are loaded onto corporate norms (subjective norm) in the model.

As discussed in previous sections, PBC refers to the amount of control that an individual believes that he/she has over a certain action (Ajzen, 2005). However, perceived behavioural control does not refer to actual control over outcomes (Ajzen, 2005). Bobek and Hatfield (2003) and Jones (2009) have included the perceived likelihood of detection, which is very similar to the risk aversion construct, into their model as a proxy for perceived behavioural control. Trivedi et al. (2004) follow the same path for a construct of the size of economic obligation. Therefore, to be consistent with other tax research that has applied TPB, constructs of risk aversion and size of economic obligation are loaded onto perceived behavioural control.

3.6 Concluding Remarks

This chapter has explained the development of a TPB inspired OMSCs' tax morale model. As mentioned in the introduction chapter and illustrated in Figure 1, this chapter also presents Phase 1 of this PhD research, which is the literature analysis.

The chapter firstly discussed OMSCs' decision-making process, which clarifies the distinction between the two different roles, or motives that are influential in the OMSCs' taxpaying decision. In other words, personal norms and corporate norms were explained. Secondly, Theory of Planned Behaviour was discussed in detail and some studies that have adopted it in the tax literature are highlighted. Thirdly, a critical analysis of the literature to identify effective factors on tax morale was highlighted and they were summarised. Lastly, the OMSCs' tax morale model that is inspired by TPB was constructed by using previously mentioned factors as latent variables.

The next chapter will discuss the methodological preferences and research design of the PhD in detail.

Chapter 4
Research Design and Methodology

4.1 Introduction

Tax, as a social phenomenon, is a very wide area of subject that borders many disciplines of the social sciences. Considering that the history of tax rebellions goes back to nearly three thousand years (Burg, 2004), it is understandable that tax related issues have been an interest of the many academic disciples. Although historically it found it roots between the disciplines of economy and law, tax is analysed by many disciplines. Lamb et al. 's (2005) book: *Taxation: An Inter-Disciplinary Approach to Research* has demonstrated how tax is usefully integrated in disciplines such as law, economics, accounting, political science and social policy. Furthermore, Lamb et al. (2005) argue that the different perspectives provided by these disciplines should be utilised in tax research. They claim that the comprehensiveness of tax research needs perspectives of more than one academic discipline. Therefore, they suggest that the interdisciplinary approach is preferable. Moreover, Some scholars even claim that the interdisciplinary approach is a necessity for the field (Everest-Phillips, 2008).

Tax studies have applied a variety of methodologies that are used in above-mentioned areas. However, choosing the 'right' methodology for a particular tax study might be tricky. In order to reach accurate and proper answers to the research questions stated in the introduction chapter, the researcher has to decide carefully about the methodological concerns of the study. There are two main arguments in the business research that directs the researcher to the right methodology. Jogulu and Pansiri (2011) claim that the field of the research and previous literature often advise the researcher about the preferred methodology. Moreover, they claim that the research questions that stem from the literature might demand different methodologies from those preferred by the researcher. An opposite view is also advocated by many scholars (Finn, 2005; Phillips and Pugh, 2010) that although the research questions influence the selection of the research methodology, the responsibility of making a clear justification for choosing an adopted methodology and the decision itself for choosing the research's methodology is entirely in the researcher's hands. Therefore, it can be claimed the researcher has relative flexibility in choosing the methodology. Additionally, the other factors that might affect the choice of methodology should also be considered, such as availability of the data or possibility of conducting the research (Brause, 2012). In this research's context, the methodological issues are addressed in this chapter.

This chapter explains how the research questions are answered by explaining the PhD's research design. In other words, it focuses on the methodology and the employed methods for this

study. Three main theoretical issues are acknowledged as key points in this chapter while explaining the methodology. Firstly, the research paradigm, which explains how the researcher sees the world (Crotty, 1998), is explained. Highlighting the research paradigm is particularly important because some claim that the methodology is a projection of the research paradigm (Mackenzie and Knipe, 2006). Secondly, the research approach is explained by explaining the methodological preferences of the study after discussing the disciplinary approaches of tax research. Lastly, the rationale for adopting a mixed-methods research design, which is drawn from both qualitative and quantitative research methods, is discussed.

4.2 Research Paradigms

Bryman (1988, p. 4) defines paradigm as 'a cluster of beliefs and dictates which, for scientists in particular discipline, influence what should be studied, how research should be done and how results should be interpreted'. Bazargan (2007) argues that paradigms are the approaches researchers employ consciously or unconsciously for their research. The motivation, intention and expectation of the researcher emerge from his or her choice of research paradigm (Mackenzie and Knipe, 2006). Consequently, employing and understanding the research paradigm is a vital task for a researcher. Moreover, it is important for the reader to have knowledge about the researcher's predisposition for his or her research paradigm to interpret the knowledge that is presented in the research in a way that the researcher sees it. In other words, the research paradigm provides similar glasses for the reader to see the knowledge precisely as the researcher intends to show it.

Considering the important position of the research paradigm in the research, the term needs further specification of what constitutes the research paradigm. The literature commonly agrees that two philosophical positions of the researcher constitute the research paradigm, namely ontology and epistemology (Creswell, 2003; Denzin and Lincoln, 2005; McKerchar, 2008; Oats, 2012). McKerchar (2008, p. 6) suggests that 'paradigm choice is by and large a reflection of how the researcher views the world (ontology) and believes that knowledge is created (epistemology)'. Nevertheless, the literature argues that other philosophical assumptions should be included to the research paradigm concept, such as: axiological assumptions (Oats, 2012), the possibility of generalisation (Hesse-Biber, 2010), assumptions about agency and structure (Oats, 2012), and the possibility of causal linking (Denzin and Lincoln, 2005). In order to understand the research paradigm comprehensively, explanation of these philosophical assumptions requires a closer look.

Ontological assumptions relate to questions of what we can know and what reality and truth are (Oats, 2012; Punch, 2013). In other words, it explains the philosophy of reality by discussing whether reality is external consciousness or it is the product of individual

consciousness. Different answers of the question: 'what is reality' also determine the ontological stance of a researcher. There are two different positions discussed in the literature for the researcher's ontological assumptions, which also represents two poles of the ontological range. The first view sees the world as cluster of tangible structures and assumes that the social world exists independently from an individual's perception. This range is called realism (Creswell, 2003; Oats, 2012). It is also referred as positivist ontology by some scholars as it describes reality as a single and tangible phenomenon that can be understood through scientific methods (Denzin and Lincoln, 2005). On the other hand, the opposite stance of assumption, which is called nominalism or constructivist ontology, sees reality as individually structured. It therefore implies that reality is not only created by individuals in the forms of names, labels and concepts but also the social interaction of individuals constantly changes it (Bryman and Bell, 2011).

Epistemological assumptions relate to how we can know and how knowledge can be acquired (Oats, 2012). Epistemological assumption focuses on the relationship between the knower and the known (Denzin and Lincoln, 2005). Moreover, it discusses the nature of knowledge and its justification (Crotty, 1998). Similar to the ontological assumptions, epistemological assumptions align around two extreme positions. The first position, which is called objectivism, assumes an objective knowledge is a possibility. In other words, objectivism points to the knower and known being independent. On the other hand subjectivism claims that the knower and known interact and therefore they are inseparable (Bryman, 2012). Epistemological assumptions clarify what is acceptable knowledge in a discipline. A particularly central issue in this context is the question of whether the social world can and should be studied according to the same principles, procedures and ethos of the natural sciences (Crotty, 1998).

An axiological assumption concerns how the values of the researcher influence the outcomes of social research. In other words, it seeks an answer for the question of whether the researcher is a value free or value laden individual during the social inquiry (Oats, 2012). Axiological assumptions explain to what extent researchers give a personal perspective to their research process and interpret findings based on their own values. These assumptions can entail the belief that inquiry can be value-free, which called positivistic axiology. Controversially constructivist axiology speculates that every research is biased by the values held by the researcher (Bahm, 1993; Koch, 1969).

The assumptions of the possibility of generalisation answer the question of whether the generated knowledge through social inquiry is generalisable (Williams, 2000). In social research, Krathwohl (1993, p. 735) explains generalisability: 'while typically discussed in connection with inferences about populations can also involve the ability to generalise effects to treatments, measures, study designs, and procedures other than those used in a given study' . This

assumption provides an argument between two positions. The first position, which is commonly adopted by the positivists, claims that generalisability is achievable regardless of the time and research environment. On the other hand, constructivists argue that knowledge is linked to its context therefore generalising the knowledge for different contexts might be controversial (Williams, 2000).

Assumptions about agency and structure discuss whether an individual is a product of his environment or whether that individual creates his own environment (Oats, 2012). Considering the same positions, those explained above, the positivist view on the assumption, which is called voluntarism, claims that individuals are completely autonomous and possess free will. Meanwhile determinists, who are acknowledged as constructivists, assume that individuals are determined by the situation and their environment (Reed, 1997; Oats, 2012)

The last assumption of the research paradigm is the possibility of causal linking that distinguishes causes from the effects in the social enquiry (Denzin and Lincoln, 2005). Positivists explain that causes and effects happen in an order and therefore predicting the possible outcomes of social effects is possible. However, constructivists assume that social events happen in mutual and simultaneous shaping and therefore distinguishing causes from effects is not possible (Hesse-Biber, 2010).

The above-mentioned philosophical assumptions can be understood as the ingredients of the research paradigm. Consequently, the choice of each will shape the preference of the research paradigm. Moreover, the researcher's implicit beliefs alongside his or her experiences within the disciplinary focus will influence the researcher's philosophical approach to the research (McKerchar, 2008). Therefore, the researcher by default has a view on all of the philosophical assumptions that are mentioned above. Tashakkori and Teddlie (2010) argue that the choice of philosophical assumptions corresponds with the individual's choice of research paradigm. Hence, discussing and accepting a research paradigm also indicates the researcher's philosophical stance towards the social research.

As already why the choice of research paradigm is important, it is enlightening to discuss the preferences of researchers in the literature about the research paradigms. Historically, two research paradigms are acknowledged by the literature, namely positivism and constructivism (Denzin and Lincoln, 2005; Tashakkori and Teddlie, 2010). However, both paradigms have heavily opposed philosophically since the 1970s and the discussion of the possibility of middle ground paradigms has arisen (McKerchar, 2008). Consequently, the post-positivistic and pragmatic paradigms have found a place in social research (Tashakkori and Teddlie, 2010). Considering positivism, post-positivism, pragmatism and constructivism are possible choices of

research paradigm; all four paradigms are introduced to the reader before revealing the researcher's preference.

4.2.1 Research Paradigms in Social Research

4.2.1.1 Positivism

Positivism stems from the idea that the social sciences can be studied in the same way that the natural world is understood and it justifies the natural sciences as an obvious way to study social reality (Mertens, 1998). It is assumed that science identifies and quantitatively measures facts about a single and apprehensible reality that is 'out there' to be discovered objectively (Neuman, 1997). The data and analysis are assumed objective and not affected by personal values. Data and objects of observation do not change because they are being observed (Bryman, 2012). That is why the view of the researcher explains the world through a 'one-way mirror' (Guba and Lincoln, 1998).

In this paradigm, information must be confirmed by the senses and only then can it be warranted as knowledge (Bryman, 2011). Knowledge is derived by the gathering of facts, which provide the basis for time and context free generalisations for the social world. Positivism 'reflects a deterministic philosophy in which causes probably determine effects or outcomes' (Creswell, 2003, p. 7). Positivists aim to test a theory or describe an experience 'through observation and measurement in order to predict and control forces that surround us' (O'Leary, 2004, p. 5).

Generalisations are considered possible for positivists regardless of the time and context of the research and real causes of social outcomes can be determined reliably and validly (Bryman and Bell, 2011). Positivists require that a distance between the researcher and the subject be maintained so that the research process is objective. Researchers should eliminate their biases, remain emotionally detached and uninvolved with the objects of study, and test or empirically justify their hypotheses (Jogulu and Pansiri, 2011). Positivist researchers consider internal validity, reliability, construct validity and external validity as essential criteria for quality (Neuman, 1997).

Despite the intention of reaching an objective knowledge and using the objectivity frame of the natural sciences, positivism has been criticised for being an inappropriate research paradigm when approaching social sciences. Social research aims to understand people and society through their real life experiences. Thus, the social and natural worlds can be seen as inherently and qualitatively different (Robson, 2011). Therefore, positivism is criticised for its view towards employing the same approach to understand the social world. Furthermore, in social sciences and particularly when conducting qualitative research, direct interaction with

informants is inevitable and in some cases the researcher can be used as an instrument of the research. In this case, objective measurement, which is one of the fundamental assumptions of positivism, is breached. This is why positivism corroborates and even insists on quantitative methods, which arguably do not fit all research interests in social research. Because it claims that the subjectivity of the research is violated when the researcher applies qualitative methods (Tolman, 1992), defending the positivist paradigm is a hard task in social research when social interaction between subject and researcher is inevitable.

4.2.1.2 Post-Positivism

Post-positivism categorically builds on positivism. However, it acknowledges domains in which a scientific approach to studying the social world is not as applicable as it is in studying nature. Hence, it can be argued that post-positivism is a more flexible paradigm for social science research.

Ontologically post-positivism represents the position called critical realism and believes an external reality or the 'real' world exists and it can be discovered imperfectly and probabilistically (Guba and Lincoln, 1998; Tashakkori and Teddlie, 2010). Furthermore, critical realists believe that knowledge and observation of the social world are fallible and theory-laden, while the world exists independently of our knowledge of it (Sayer, 2000). The ontology of critical realism assumes that the social world is not a laboratory where events happen with a mechanical logic, but rather comprises open systems with fuzzy boundaries in which social actors do not act mechanically but have active and reflective roles (Pawson and Tilley, 1997). Given that social systems are in constant change and any social phenomenon is unlikely to be completely revealed and fully understood, the task of critical realists is not only to measure social phenomena, but also to describe their meaning (Danermark et al., 2005). Sayer (2000, p. 17) explains critical realism:

> *'Critical realism acknowledges that social phenomena are intrinsically meaningful, and hence that meaning is not only externally descriptive of them but constitutive of them (though of course there are usually material constituents too). Meaning has to be understood, it cannot be measured or counted, and hence there is always an interpretative or hermeneutic element in social science'.*

In addition, critical realism rejects methodological individualism and universal claims to truth (Denzin and Lincoln, 2005).

The axiological position of post-positivism is defined as emancipatory axiology (Easton, 2010). Emancipatory axiology claims that researchers cannot isolate the influence of their values

on their research and interpretation of findings, but their influence may nonetheless be controlled. Realist research discovers knowledge of the real world by naming and describing broad, generative mechanisms that operate in the world rather than direct cause-and-effect paths (Bhaskar, 2009). The causes of phenomena are identifiable in a probabilistic sense, and the relationship between cause and effect changes over time. Social phenomena by their nature are fragile, so that causal impacts are not fixed but are contingent upon their environment (Healy and Perry, 2000).

Although positivist research seeks to reach a unique answer for the research question, post-positivist research aims at a broader answer which provides a 'family of answers that cover several contingent contexts and different reflective participants, albeit imperfectly' (Pawson and Tilley, 1997, p. 152). Research based on the post-positivism paradigm must be primarily theory building, rather than the testing of the applicability of a theory to a population, which is the primary concern of positivism (Healy and Perry, 2000). However, this does not imply that theory testing should not be done. On the contrary, the theory has to be built, and confirmed or rejected, before its generalisability is tested.

Unlike positivism, post-positivism is flexible over the use of research methods and allows researchers to use both qualitative and quantitative methods (Creswell, 2003). Another advantage of post-positivism is that it assumes that laws about how the social world operates can be discovered, albeit imperfectly. Finally, a post-positivist researcher is aware of all the limitations of the scientific approach in studying social phenomena but reports them and discusses them openly.

4.2.1.3 Pragmatism

Pragmatism is a fundamentally different research paradigm from positivism or post positivism. Unlike them, views on reality whose explanation will stem from a personal value system do not concern the pragmatist paradigm (Tashakkori and Teddlie, 2010). Interestingly, pragmatism allows researcher to have many coexisting value systems and unlike in other research paradigms, switching between ontological perspectives is possible. This is because pragmatism places the research problem in the centre of the research and applies all approaches to understand the problem comprehensively (Creswell, 2003). Data collection and analysis methods are selected from those, which are most likely to provide better insights to the question, with no philosophical loyalty to any particular paradigm. Pragmatism is not committed to any one system of philosophy or reality. Researchers focus on the 'what' and 'how' of the research problem (Creswell, 2003, p. 11). It is argued that this philosophy does not have any biases toward any particular research method or research design (Tashakkori and Teddlie, 2010).

Pragmatists agree that the knowledge creation process is based on the researcher's norms, values and interests. Therefore, Pragmatists are not limited in the methods they can employ, which can be particularly beneficial in exploring new and complex phenomena (Salehi and Golafshani, 2010). In addition, pragmatists think that the influence of the values of a researcher is inevitable because researchers cannot transcend their human nature and reject their human lenses. Pragmatists claim that the social world is in constant change but that causal relations can still be found through a snapshot of a moment. They define this constant change and snapshot of knowledge possibility as the fallibilism of the thesis (Johnson and Onwuegbuzie, 2004). Pragmatism does not present a clear stance for the discussion of generalisations of knowledge. Pragmatists acknowledge that the subjective reality of individuals and the objective reality of classes or populations are possible (Tashakkori and Teddlie, 2010).

Overall, pragmatism does not present a clear ontological and epistemological stance. Therefore, it enables researchers to follow different philosophical approaches in a study, which might cause problems in the quality of research and analysis. Moreover, pragmatism leaves everything to the interpretation and convenience of the researcher. Therefore, in a mixed methods study researchers can switch their paradigmatic position according to their own convenience. However, some suggest that it is important the researcher remains consistent with one paradigm, at least over the course of a particular study to enable consistency in delivering, assessing and clarifying findings (Crotty, 1998; Oats, 2012). Furthermore, pragmatism might trigger theoretical debate, as it is questionable whether one can engage in a meaningful discussion with a researcher who is unsure about their paradigmatic position or who switches between two paradigmatic positions such as constructivism and positivism.

4.2.1.4 Constructivism

If positivism sits on one edge of the spectrum of research paradigms, constructivism represents the counter edge. Therefore, it is the paradigmatic opposite of positivism. Constructivists defend the relativist ontology, which asserts that multiple realities are possible. Epistemologically they defend subjectivist epistemology that believes objectivity cannot be achieved and knowledge is socially constructed (Denzin and Lincoln, 2005; O'Leary, 2004). Researching constructed reality depends on interactions between researchers and researched, that is, the researcher has to be a 'passionate participant' in the fieldwork (Guba and Lincoln, 1998, p.112).

Constructivism claims that reality consists of the multiple realities that people have in their minds and that it is affected by their personal values, ideologies. Therefore, constructivist approaches to research intend to understand 'the world of human experience' (Cohen et al., 2003:p.36), suggesting that 'reality is socially constructed' (Mertens, 1998: p.12). The

constructivist researcher tends to rely upon the 'participants' views of the situation being studied' (Creswell, 2003: p.8) and recognises the impact of their own background and experiences on the research.

Unlike positivists, constructivists do not generally begin with a theory rather, they 'generate or inductively develop a theory or pattern of meanings' (Creswell, 2003: p.9) throughout the research process. Commonly the constructivist researcher uses qualitative research methods, which enable them to obtain understandings, descriptions and explanations of the social world. Unlike the positivist, they do not intent to generalise knowledge; therefore, they do not pursue quantitative methodology (Guba and Lincoln, 1998).

4.2.2 Deciding the Research Paradigm

After introducing the main research paradigms in social research, the researcher can declare his decision of research paradigm by showing a full awareness of the existing paradigms. However, Bryman and Bell (2011) suggest that there is a degree of influence of an author's biography in social research that affects the choice and use of a research paradigm in the social research. They explain the interaction of biography on research by stating 'not only does biography influence the choice of research subject but, the chosen research subject can also affect how readers construct the researcher's biography' (Bryman, 2011: p.31). Therefore, it is decided to provide a short background of the researcher to the reader in the hope for a better understanding of the choice of research paradigm of this research.

4.2.2.1 Background of Researcher

The educational background of the researcher has always been related to the subject of tax. His bachelor degree was in Public Finance, which is a tax and public finance oriented program that falls between economics and law disciplines in Turkey. The interest in tax research has continued in the postgraduate studies in which he gained an MA in Fiscal Law from the Marmara University in Turkey. He graduated defending the thesis titled 'Taxpayer Rights in Turkey'. Then he continued his studies in the UK by starting a diploma course at SOAS about development economics and graduated before starting the PhD programme at Nottingham University Business School.

His professional life has fallen in line with the interest of tax research. He served as a manager (financial director and accountant) in a small company in Turkey for three and half years. He was responsible for all tax declarations and financial affairs. Hence, he observed the paying processes of a small company first hand. After that, the researcher found an opportunity to observe the 'other side of the table' in the tax relationship when he became a tax expert in the Turkish revenue administration in various departments. He served as a tax expert for two years

before starting his PhD. He was responsible for tax collection enforcement and the reporting of tax enforcement such as audits.

This personal journey particularly shows that the researcher has had a unique opportunity to observe tax paying behaviour from both the perspectives of state and taxpayers. Hence, he has gained the eyes of an insider interpreter because of prior experience, which might bring some advantages such as practitioner experience and observations that can enrich the analysis. However, on the other hand, the experience might cause an unintentional bias on the research, which should be prevented up to a possible level.

4.2.2.2 Researcher's Choice of Research Paradigm

Although tax research has influenced by many disciplines, it was commonly dominated by researchers who accept the positivist paradigm until recent decades (McKerchar, 2008). This was because the most tangible traditional function of taxation is accepted as generating revenue and therefore quantitative methodology alongside the positivist paradigm is welcomed by many in the field (Sandford, 1995). Nevertheless, recent tax research enhances beyond the lenses of economics or accounting disciplines. Hence, researchers in the field choose different paradigms including constructivism in order to answer their wide range of questions. Lamb et al. (2005: p.4) explain the current attitude of tax researchers; 'in this field, researchers based in different disciplines may adopt different approaches to tax research…Each academic discipline – law, economics, accounting, political science, and social policy – has its own particular set of concerns about taxation, as well as an understanding of what taxation is and how it should be researched'.

Accepting any research paradigm depends on the judgement of the researcher and whether he sees the chosen paradigm as appropriate for answering the research questions. More importantly, the decision is a declaration that the researcher accepts the basic assumptions of the particular paradigm and approves its philosophical position. Considering all the explained research paradigms in the previous section, the researcher's choice is made with the full awareness of the competing paradigms within the research field. Consequently, the researcher accepts the *post-positivist* paradigm, which is known as critical realism in some studies. It is believed that the post-positivist paradigm is more appropriate than other research paradigms because it aims to reach precision, structure and rigour by modelling the natural science research approach, but also remains flexible and adjusts for the propensities of the social world. Additionally, it does not exclude any particular research methods and can operate using both qualitative and quantitative methods (Clark, 1998; McKerchar, 2008). In other words, unlike pragmatism, post-positivism has a clear paradigmatic position that provides consistency to the

study in terms of underlying assumptions, while at the same time it provides the researcher with methodological flexibility.

In the next section, research methodologies in the social sciences are explained, namely quantitative, qualitative and mixed methods methodologies. Their strengths and weaknesses are discussed and an appropriate research methodology for this study is explained.

4.3 Research Methodologies

Terms of methods and methodology are often used interchangeably in the literature although they do not refer to the same notion. Blaikie (2007) explains that the literature interchange the terms when using the other term is inappropriate. Therefore defining methodology is essential. Tashakkori and Teddlie (2010: p.21) define the methodology as 'a broad approach to scientific inquiry specifying how research questions should be asked and answered which includes worldview/paradigm considerations, general preferences for design, sampling logic, data collection and analytical strategies, guidelines for making inferences, and the criteria for assessing and improving quality'. Briefly, the research methodology is the way to systematically answer a research question. On the other hand, methods refer to techniques that a researcher uses for collecting or analysing the data (Oats, 2012).

Research methodology provides theoretical perspective that links a research question to a particular method(s) (Salehi and Golafshani, 2010). Moreover, methodologies include the research paradigm, research methods and the deliberate linkage between these two. Therefore, methodologies are generally assigned to particular research paradigms, although the idea is challenged by some scholars (Creswell and Plano Clark, 2011). They claim that as long as the objectives, scope and nature of enquiry is clear, an unorthodox match between the research paradigm and the methodology is acceptable (Dzurec and Abraham, 1993; Scandura and Williams, 2000; Johnson and Onwuegbuzie, 2004). Nevertheless, a continuation between research paradigm and methodology is expected in research because of the philosophical assumptions of a study thought to be inbuilt to the research (Denzin and Lincoln, 2005).

Historically two main research methodologies are accepted in social research, which are quantitative and qualitative methodologies (Creswell, 2003). The terms qualitative and quantitative refer to the type of data collected and the methods used to analyse the data (Creswell, 2003). O'Leary (2004: p.99) argues for another way of thinking about these terms, by defining qualitative and quantitative as ''adjectives for types of data and their corresponding modes of analysis, i.e. qualitative data – data represented through words, pictures, or icons analysed using thematic exploration; and quantitative data – data that is represented through numbers and analysed using statistics''.

Although historically either qualitative or quantitative research methodologies are employed for research, after enhanced acknowledgement of the pragmatism and the post-positivism, a potential for advancing on both methodologies' strengths by finding a middle way for the research methodology is discussed (McKerchar, 2008). Consequently, researchers chose mixed methodology to find better answers for their research questions (Salehi and Golafshani, 2010). Hence, it can be argued that social research has three dominant research paradigms which are quantitative, qualitative and mixed methodologies.

Tashakkori and Teddlie (2010) argue that research methodologies in social sciences differ from each other in terms of their preferred methods, data collection, form of data, data analysis, sampling and validity. Borrowing from Tashakkori and Teddlie (2010), the table below explains the positions of the main methodologies in the mentioned aspects.

Table 2: Features of Research Methodologies

Features	Qualitative	Mixed Methods	Quantitative
Preferred Methods	Qualitative methods	Quantitative and qualitative methods	Quantitative methods
Preferred data collection tools	Interviews Observations Document reviews Visual data analysis	Can include data collection methods used by both quantitative and qualitative methodologies	Experiments Quasi-experiments Tests Surveys
Partnering Paradigms	Constructivism; Interpretivism	Pragmatism, but can partner with paradigms typical for quantitative and qualitative methodologies	Post-positivism, Positivism
Form of data	Typically narrative	Narrative and numeric	Typically numeric
Purpose of research	Most often exploratory	Confirmatory and exploratory	Most often confirmatory
Sampling	Mostly purposive	Probability, purposive and mixed	Mostly probability
Data analysis	Thematic strategies: categorical and contextualising	Integration of thematic and statistical: data conversion	Statistical analyses: descriptive and inferential

Validity	Trustworthiness; Credibility; Transferability	Quality and transferability of inferences	Internal and external validity

Source: adapted from Tashakkori and Teddlie, (2010)

Following the introduction of research methodologies, each research methodology is explained with strengths and weaknesses in this section. Lastly, the research methodology that is decided to follow to answer the research questions is discussed.

4.3.1 Quantitative Methodology

Quantitative methodology is a research strategy which explores cause and effect relationships and emphasizes quantification in the collection of data and analysis. Hence, it is generally partnered with the philosophies of positivism and post-positivism (Bryman and Bell, 2011). Quantitative researchers aim to draw general conclusions about certain social inquiry using deductive logic from numerically collected data and its analysis (Creswell, 2003; Neuman, 1997; Punch, 2013). Quantitative researchers commonly use surveys and experiments to collect their data (Mackenzie and Knipe, 2006). Moreover, quantitative research that is based on mathematical and statistical knowledge tests hypotheses of the research, which uncovers important relationships among variables and tests general propositions (Guba and Lincoln, 1998). It prefers a deductive approach to the relationship between theory and research (Bryman, 2011).

Quantitative methodologies are useful to test established theory statements and/or conceptual frameworks against empirical data. In other words, quantitative methodology is used to test hypotheses. Generally, quantitative approaches demand large and representative samples, which contribute to the reliability of findings. Results can be generalised if they have been replicated on different populations (Punch, 2013). Some quantitative methodologies enable cause-and-effects testing (McKerchar, 2010). Therefore, this type of methodology is suitable when it comes to exploration or confirmation of the underlying structure of social phenomena (Bryman, 2011). Quantitative methodologies operate on mathematical and statistical principles, and the research design itself tends to operate in the domain of the known and predefined structure. Results and researcher are generally independent therefore; generalisable results are expected when different researchers obtain the same findings applying the same approach in the analysis and data collection (Neuman, 1997). This is not expected to be the case with qualitative research, where each researcher will get different findings, because of the impact of personal values on the data analysis and interpretation (Bryman and Bell, 2011). Findings of quantitative methods are generally straightforward and numerical. However, they do not provide

comprehensive descriptions that are typical of qualitative research (Ambert et al., 1995; Elliott et al., 1999).

On the other hand, quantitative methodology possesses some disadvantages for researchers. In quantitative methodology, the researcher may be the victim of confirmation bias which means that the researcher's focus stays on testing the theory or proposed hypothesis hence he or she fails to identify social phenomena which might require a wider angle and in depth understanding (Johnson and Onwuegbuzie, 2004). Nevertheless, the problem of confirmation bias can be handled when rich qualitative data is used to enhance the research design prior to quantitative testing (Greene and Caracelli, 1997; Johnson and Onwuegbuzie, 2004). Additionally, some suggest that quantitative methods are less likely to capture personal views and experiences of individuals and provide cursory findings (Denzin and Lincoln, 2005). This drawback is likely to be very important when exploring tax morale and tax compliance through the perceptions of individuals, where qualitative methods offer clear advantages. However, quantitative methods, especially the more recent structural equation modelling (SEM) family of quantitative techniques, give researchers tools that allow for explanation of the mechanisms of the complex social world. SEM enables researchers to put together complex networks of cause-and-effect relationships and thus test the mechanisms underlying a particular phenomenon (Kline, 2011). The models presented and explained this way provide a relatively rich foundation for discussion and reporting. Additionally these models can provide a clear understanding of the cause and effect relationship or the social phenomena. Therefore, the argument that quantitative methods are not capable of studying complex phenomena is not valid for this research's case.

4.3.2 Qualitative Methodology

Qualitative methodology represents the opposite side of the spectrum compared to quantitative methodologies in social sciences, which is commonly preferred by constructivists. Qualitative researchers analyse and draw conclusions from narratives and text, communication and observation of informants, in order to explain perceptions and understandings of social world (Elliott et al., 1999; Jogulu and Pansiri, 2011). Qualitative research is preferred when the research questions require exploration of and describing of complex phenomena and personal experiences (McKerchar, 2010). Qualitative research is highly descriptive and explores the comprehensive structure of social phenomena (Bryman, 2011). Additionally, this approach is sensitive and can capture the image of the world as seen through the eyes of informants. Hence, qualitative data consists of rich and descriptive texts. For that reason, the analysis is not necessarily structured and it consumes more effort compared with quantitative analysis. This is why the reports produced by qualitative researchers are generally comprehensive and in depth texts.

Qualitative methodology usually requires personal relationship with the informants as it uses ethnography/observations, interviews, field notes, focus groups and case studies as a data collection tool, which demands personal fieldwork (Bryman, 2011). However, this can sometimes be a source of bias, as the researcher may exert some influence on informants (Gephart, 2004). Good qualitative research designs are able to discover important variables of social phenomena that could not have been predicted by the researcher (Denzin and Lincoln, 2005). Qualitative researchers generally build their studies on small samples. Small samples cannot be considered as representative of the population, and while qualitative findings offer rich insights, they may suffer from bias caused by the researcher, who at the end gives subjective meanings and conclusions (Miles and Huberman, 1994). However, qualitative researchers often do not conduct their research to generalise their findings but rather to provide problem understanding and description (Creswell, 2003). Qualitative analysis is not well structured compared to quantitative analysis. This is one of the reasons why qualitative research struggles to determine the validity and reliability in certain qualitative research reports (Elliott et al., 1999). Qualitative research lacks attention to the quantitative aspects of a phenomenon and thus is not suitable for studying causes and effects, or quantifying any phenomena under focus (Bazargan, 2007).

On the other hand, qualitative methodology has powerful aspects. For instance, qualitative methodology is generally very powerful when it comes to exploring new and complex social relationships, or when people's experiences, views and in-depth explanations are sought (Johnson and Onwuegbuzie, 2004). Qualitative researchers have an advantage over quantitative researchers (who have to follow strict sets of rules) in that they generally can adjust the research process to the contingencies of a situation or a particular set of participants.

Overall, both qualitative and quantitative methodologies have their own weaknesses and strengths. In order to reach a comprehensive understanding of both methodologies, their weaknesses and strengths are illustrated in Table 3.

Table 3: Strengths and weaknesses of qualitative and quantitative methodologies

	Quantitative Methodology	Qualitative Methodology
Strengths	• Testing and validating already constructed theories about how (and to a lesser degree, why) phenomena occur. • Testing hypotheses that are constructed before the data are collected. Can generalise research findings when the data are based on random samples of sufficient size. • Can generalise a research finding when it has been replicated on many different populations and subpopulations. • Useful for obtaining data that allow quantitative predictions to be made. • The researcher may construct a situation that eliminates the confounding influence of many variables, allowing one to more credibly assess cause-and-effect relationships. • Data collection using some quantitative methods is relatively quick (e.g. telephone interviews). • Provides precise, quantitative, numerical data. • Data analysis is relatively less time consuming (using statistical software). • The research results are relatively independent of the researcher (e.g. effect size, statistical significance). • It may have higher credibility with many people in power (e.g. administrators, politicians, people who fund programs). • It is useful for studying large numbers of people.	• The data are based on the participants' own categories of meaning. • It is useful for studying a limited number of cases in depth. • It is useful for describing complex phenomena. • Provides individual case information. • Provides understanding and description of people's personal experiences of phenomena (i.e. insider's viewpoint). • Can describe, in rich detail, phenomena as they are situated and embedded in local contexts. • The researcher identifies contextual and setting factors as they relate to the phenomenon of interest. • The researcher can study dynamic processes (i.e. documenting sequential patterns and change). • Can determine how participants interpret ''constructs'' (e.g. religiosity, patriotism). • Data are usually collected in naturalistic settings in qualitative research. • Qualitative approaches are responsive to local situations, conditions, and stakeholders' needs. • Qualitative researchers are responsive to changes that occur during the conduct of a study (especially during extended fieldwork) and may shift the focus of their studies as a result. • Qualitative data in the words and categories of participants lend themselves to exploring how and why phenomena occur. • One can use an important case to demonstrate vividly a phenomenon to the readers of a report. • Can determine idiographic causation (i.e. determination of causes of a particular event).
Weaknesses	• The researcher's categories that are used may not reflect local constituencies' understandings. • The researcher's theories that are used may not reflect local constituencies' understandings. • The researcher may miss phenomena occurring because of the focus on theory or hypothesis testing rather than on theory or hypothesis generation (called the confirmation bias). • Knowledge produced may be too abstract and general for direct application to specific local situations, contexts, and individuals.	• Knowledge produced may not generalise to other people or other settings (i.e. findings may be unique to the relatively few people included in the research study). • It is difficult to make quantitative predictions. • It is more difficult to test hypotheses and theories. • It may have lower credibility with some administrators and commissioners of programs. • It generally takes more time to collect the data when compared to quantitative research. • Data analysis is often time consuming. • The results are more easily influenced by the researcher's personal biases and idiosyncrasies.

Source: adapted from Johnson and Onwuegbuzie (2004, p.18-20)

4.3.3 Mixed Methods

The discussion on methodologies has focused so far on quantitative and qualitative methodologies, which are stand-alone approaches. However, this is not necessarily the case for some researchers. Especially when research paradigms such as post-positivism and pragmatism occur, researchers push the limits of the pre-established methodologies and desire to employ various strategies to find an answer for their research questions (McKerchar, 2008). This quest is answered with a separate type of methodology that is referred to as the 'third methodology' by some scholars (Johnson and Onwuegbuzie, 2004; Tashakkori and Teddlie, 2010). The third methodology, which is simply named mixed methods, includes at least one quantitative and one qualitative method of data collection in a single study (Greene and Caracelli, 1997). The main assumption of the mixed methods approach is that the use of a combination of methods provides a better comprehension while searching for an answer to the research question (Creswell and Plano Clark, 2011). In other words, mixed methods aim to merge the benefits of both methodologies. However some scholars criticise mixed methods with the incompatibility thesis, which discusses mixing two methodologies in one study leading to conflicting ontological, epistemological, axiological and methodological assumptions of qualitative and quantitative research (Howe, 1988: 1992). However, mixed methods researchers have successfully argued against this thesis, and have shown that mixed methods researchers do not combine different paradigms but only different data collection and research methods (Hesse-Biber, 2010; Tashakkori and Teddlie, 2010).

Mixed methods provide a wider range of benefits to the researchers because the logic of inquiry includes the use of induction (or discovery of patterns), deduction (testing of theories and hypotheses), and abduction (uncovering and relying on the best of a set of explanations for understanding one's results) (Johnson and Onwuegbuzie, 2004). This is why mixed methods are becoming an increasingly popular research approach in different social sciences including tax research (McKerchar, 2010). In addition, mixed methods enable researchers to develop theories or enhance existing theories in their research field (Johnson et al., 2007).

Although mixed methods offer a range of benefits to the researcher the approach also has some drawbacks. For instance, applying both quantitative and qualitative methodologies can be extremely time consuming (Anaf and Sheppard, 2007). Furthermore conducting two different types of research also increases the financial cost of the study (Jogulu and Pansiri, 2011). More importantly, both qualitative and quantitative researches require specific skills that might require additional courses and a learning processes (Hesse-Biber, 2010). In addition to the basic skills required for qualitative and quantitative methods, the mixed methodology requires skills specific to mixed methods research. These include an

understanding of specific paradigmatic differences, management of large datasets, the integration and mixing of aspects of the study and reporting mixed methods projects (Creswell and Plano Clark, 2011). Table 4 below summarises the strengths and weaknesses of mixed methods to enable a better understanding for the reader.

Table 4: Strengths and weaknesses of Mixed Methods

	Mixed Methodology
Strengths	• Good for studying complex phenomena. • Can provide quantitative and qualitative research strengths (words, pictures, and narrative can be used to add meaning to numbers and numbers can be used to add precision to words, pictures, and narrative.) • Research has a broader perspective than mono-method research. • A researcher can generate and test a grounded theory. • Can provide stronger evidence for a conclusion through convergence and corroboration of findings. • A researcher can use the strengths of an additional method to overcome the weaknesses in another method by using both in a research study. • Can answer a broader and more complete range of research questions because the researcher is not confined to a single method or approach. • A better understanding of the researcher problem than with single method research and comprehensive technique. • Greater depth and breadth in overall results. • The simultaneous use of induction and deduction, which enables a full theory generation cycle in a single study. • Provides a better basis for inference, due to the triangulation of methods. • Enhances significant findings.
Weaknesses	• Time-consuming research. • The combination of data collection methods may significantly increase the associated financial costs. • Can be difficult for a single researcher to carry out both qualitative and quantitative research, especially if two or more approaches are used concurrently. • A researcher has to learn about multiple methods and approaches and understand how to mix them appropriately. • Methodological purists contend that one should always work within either a qualitative or a quantitative paradigm. • Some of the details of mixed research remain to be worked out fully by research methodologists (e.g. problems of paradigm mixing, how to qualitatively analyse quantitative data, how to interpret conflicting results).

Source: adapted and modified from Johnson and Onwuegbuzie (2004, p.21)

The majority of mixed methods research designs can be developed from the two major types of mixed methods research: mixed-model (mixing qualitative and quantitative approaches within or across the stages of the research process) and mixed method (the inclusion of a quantitative phase and a qualitative phase in an overall research study)

(Johnson et al., 2007). To construct a mixed-method design, the researcher must make two primary decisions. Firstly, the researcher should decide whether he or she wants to operate largely within one dominant paradigm and then whether he or she wants to conduct the phases concurrently or sequentially should be argued (Johnson and Onwuegbuzie, 2004). In contrast to mixed-model designs, mixed-method designs are similar to conducting a quantitative mini-study and a qualitative mini-study in one overall research study. Nonetheless, to be considered a mixed-method design, the findings must be mixed or integrated at some point. For instance, a qualitative phase might be conducted sequentially to inform a quantitative phase (Johnson and Onwuegbuzie, 2004). Nevertheless, more user-specific designs also can be conducted by using mixed methods.

In this research's context, the researcher has evaluated the research methodologies fully and applying sequential mixed methods is found beneficial to answer the research questions. This decision is evaluated in detail in the relevant section of this chapter.

The following section discusses research methodologies in tax research as this might provide an insight for the reader about the methodological approaches of the tax research literature.

4.4 Methodological Preferences in Tax Research

The methodological preferences of tax research are mainly dominated by researchers' disciplinary positions. As mentioned before, tax research is divided between disciplines such as legal research, economic research, accounting research, political science research and social policy research (Lamb et al., 2005). Consequently, tax researchers build their research questions within their disciplinary base (Oats, 2012). Nevertheless, tax researchers generally do not prefer to enter into research paradigm or philosophical debates. Oats (2012) argues that tax researchers treat tax as their object of research and approach the philosophical debate with pragmatic concerns such as; publishing opportunities of the work or departmental concerns of the researcher. Therefore, it can be argued that tax researchers should engage more with philosophical debates.

Although there are no present lively debates about the philosophical assumptions of tax research amongst researchers, their methodological preferences can be understood from the literature. Firstly, it is notable that early tax research adopted quantitative methodology with the influence of the economics. Especially the tax compliance research quantitative methodology was found useful to answer well set research questions with the acceptance of economic deterrence models (Allingham and Sandmo, 1972). Additionally, McKerchar (2008) highlights that quantification of the data is used because well-established analysis

techniques are convenient for tax researchers. Moreover, it is believed that tax research is a practice that analyses tangible and measurable variables such as revenue or tax declaration where the use of quantitative methods is useful (McKerchar, 2010). Consequently, quantitative methodology has dominated tax research with a number of studies (Kirchler and Wahl, 2010; Boll, 2014). In addition, quantitative studies in tax research primarily use surveys and experimental designs (McKerchar, 2012).

Although quantitative methodology provides better opportunities for generalisability of findings, it has been criticised by some researchers about neglecting the necessity of providing in-depth analysis in the literature (McKerchar, 2012; Oats, 2012). Hence, tax researchers' interest has increased towards qualitative methodologies in recent decades. Qualitative tax research prefers in-depth interviews and focus groups and their purpose is to collect what is often described as 'thick' data (McKerchar, 2008). That is, it is the rich information that the researcher is looking for that does not fit into Likert scales, the data that will help the researcher explore the complexity of the research problem and build an understanding or an interpretation (McKerchar, 2012). In this sense, qualitative research on tax utilises interviews (Wärneryd and Walerud, 1982; McGee, 2000; Alm and Torgler, 2006; Bobek et al., 2007b; Woellner et al., 2007) and case studies as data collection tools in many studies (Dimanche, 2003; Clun, 2004; Christians, 2005). Nevertheless, qualitative methodology is still not a dominant approach in tax research.

Mixed methods, as a third methodology in the tax research, has recently gained popularity in parallel of a growing interest in behavioural tax research (McKerchar, 2008). An increasing amount of recent doctoral thesis in tax literature (Hamid, 2014; Lignier, 2008; Raihana Nor, 2013) adopted this type of methodology as a result of mainly two reasons. Firstly, researchers prefer this methodology to compensate for the disadvantages of mono-methodological approaches (McKerchar, 2010). Secondly, it is chosen to provide a deeper understanding on the nature of causal relationships in tax research (Hasseldine, 2005). For instance, a sequential mixed methodology is often used to develop models/frameworks on the tax compliance relationship (Pope and Mohdali, 2010; Devos, 2012) as a result of its unique exploratory and confirmatory nature. However, mixed methods research usually requires lengthy reports which might not be welcomed in the limited format of journals (Tashakkori and Teddlie, 2010). Overall, the mixed methods methodology is gaining attraction amongst tax researchers because of it is promising nature.

As explained above quantitative, qualitative and mixed methodologies are all employed in tax research for a better understanding of the social inquiry. Nevertheless, it is noticeable that the domination of quantitative methods still exists. However, viable

alternatives to quantitative methodology are also spreading rapidly. In particular, the doctoral studies, which were focused on the behavioural side of tax research, tend to employ mixed methodology.

4.5 Choice of Methodology and Research Design

The discussion and explanation so far has aimed to inform about the paradigmatic position of the researcher, which is described as post-positivism. Additionally, the strengths and weaknesses of different methodologies are presented. Consequently, the researcher has made a well-informed decision. It is decided that the most appropriate methodology for answering the research questions addressed in this study is mixed methods research, with a sequential (exploratory-confirmatory) research design.

4.5.1 Choice of Methodology

The motivation behind choosing the sequential mixed methods design of this study is explained in the following sections.

4.5.1.1 The Motivation for Employing Mixed Methods

As explained in the relevant section (4.3.3. and 4.4.) above, mixed methods is a convenient methodology which enables the research to capture complex relationships in the social world that need exploration from different perspectives (Creswell, 2009). Mixed methods offer numerous benefits for the research. Most importantly, well-designed mixed methods research has the strengths of both qualitative and quantitative methods, which leads to comprehensive findings (Bazargan, 2007; Jogulu and Pansiri, 2011). If, designed carefully, a mixed methods study can provide a better multi-perspective understanding of phenomena than a design which uses single research method (Johnson et al., 2007).

When the compatibility of the research paradigm with the methodology is considered, mixed methods is suitable for the researcher's choice of paradigm, post-positivism, since mixed methods is not about mixing different paradigms but rather mixing different methods (Anaf and Sheppard, 2007). The mixed methods research tradition offers a solid platform for theory testing, theory generation and theory refinement, which is aimed for in this study (Creswell, 2003). Additionally, mixed methods enable increased integrity and applicability of findings of new and complex research (Johnson et al., 2007). They also offer additional benefits such as triangulation and complementarity of findings acquired through the application of both methodologies together (Andrew and Halcomb, 2009).

In terms of tax research, employing mixed methods has attracted attention in recent years. This is because mixed methods can benefit tax studies in order to address different

objectives of the study, inform one approach from the other at the design or data interpretation stage, and compare findings from multiple approaches (McKerchar, 2010).

In this research's context, mixed methods offer a number of benefits. Considering tax compliance and tax morale are sensitive topics, as they involve ethical consideration, personal values, and corporate considerations, incorporating qualitative and quantitative methods in this study enables to see the research problem from different angles, which could possibly lead to a comprehensive understanding of the tax morale and tax compliance of OMSCs. Moreover, the exploratory qualitative part of this study might provide an opportunity to introduce new factors or constructs that have not been considered by the tax literature before. Moreover, the qualitative part of the study provides the relevance and validity of the constructs within the research's scope, which is Turkish OMSCs. Therefore, the use of a mixed methodology can enrich the literature with a better understanding of tax morale and tax compliance. On the other hand, the confirmatory quantitative phase of this study provides an opportunity to generalise the proposed model and the findings of the quantitative phase to shed a light on further research paths and contribute to developing better policies by informing policy makers.

4.5.1.2 Mixed Methods Research Design of the Study

Prior to discussing the research design of this study, its definition is provided to enable a better understanding for the reader. Denzin and Lincoln (2005) define a research design as a chart of guidelines that interconnects the theoretical paradigm, firstly, to strategies of inquiry and secondly to methods for collecting empirical data. The research design consists of some critical points, such as a clear focus on the research questions, the purposes of the study, the type of information needed to answer the research questions properly and the strategies that are most effective in obtaining the required information (LeCompte et al., 1993). A research design is beneficial for researchers because it determines the nature of the relationship they will develop with to their researches, persons, groups, institutions, and bodies of relevant interpretive material, including documents and archives (Creswell, 2009). Furthermore, the research design connects the researcher to specific methods of collecting and analysing empirical materials. Simply put, the research design is the way of conducting the research.

As already stated mixed methods research is preferred, therefore research designs in this methodology need to be explored. In conducting a mixed methods approach, the literature suggests different mixed method designs according to the roles and positions of quantitative and qualitative phases in the research (Creswell and Plano Clark, 2011; Tashakkori and Teddlie, 2010). The order of quantitative and qualitative design are often

describes as sequential and concurrent designs (Johnson and Onwuegbuzie, 2004; Tashakkori and Teddlie, 2010). For instance, Johnson and Onwuegbuzie (2004) divide mixed methods research design according to the their incorporation time sequence (Concurrent or Sequential), time order decision and their overall dominance in the research design (dominant or equal status). On the other hand, Creswell and Plano Clark and (2011) and Creswell (2009) suggest six common mixed method research designs, namely: convergent parallel, sequential explanatory, sequential exploratory, embedded, transformative, and multiphase designs. Although the classifications are quite similar, there is no common agreement on the classification of mixed methods research designs in the literature. Nevertheless, many agree in the literature that the definition of the mixed method's research design is related to the time sequence of the two different phases (Johnson and Onwuegbuzie, 2004; Creswell, 2009).

As mentioned before, an exploratory sequential mixed methods research design is applied in this PhD research. According to Johnson et al. (2007), sequential exploratory design performs two different phases where the qualitative phase and the quantitative phase operate respectively. In the first phase of an exploratory sequential design, qualitative data collection and analysis are performed to understand the phenomena thoroughly and comprehensively. In addition, the first phase aims to assist the following phase by clarifying and complementing the quantitative phase design with insights provided by the qualitative data analysis (Creswell and Plano Clark, 2011). The following quantitative phase in an exploratory sequential mixed methods research design aims to examine the findings of the qualitative analysis through the proposed model, or in many cases the hypothesises (Johnson and Onwuegbuzie, 2004). In a typical sequential exploratory design, the qualitative findings create the basis for quantitative findings (Tashakkori and Teddlie, 2010). The quantitative findings and qualitative results may also be interpreted as overall mixed methods results (Creswell, 2009).

In this research's context, an exploratory sequential mixed methods research design is performed to develop and test the model OMSCs' tax morale and tax compliance. The first phase, which is the qualitative phase of the study, explores the relevance of the model that is created with the guidance of the literature: initial model. The quantitative phase is based on qualitative findings that aim obtaining rich descriptions of the OMSCs' tax morale and tax compliance. Based on the findings from the qualitative phase, the initial model is altered and a modified version of the model is proposed. The exploratory qualitative phase is followed by the confirmatory quantitative phase. The model is described through variables and the relationships between these variables. Moreover, the model is also the subject of further examination in the confirmatory quantitative phase.

4.5.2 Employed Methods

After deciding on the sequential exploratory mixed methods research design for the study, choosing which qualitative and quantitative methods will be employed is the next quest. Considering the purpose of this study is to understand the tax morale of OMSCs and the factors that influence it through examining the model, qualitative and quantitative methods for the study aimed to serve a purpose. In this case, qualitative methods employed to provide an in-depth understanding of the model variables and the relevance of the model, to enable possible modifications on the model for the second phase of this study. The second phase, which uses quantitative methods, aims to test the model by using appropriate methods to confirm the model and to reach the generalisability.

In general, the methods used in both methodologies vary. For qualitative methods, interviews, focus groups, field notes, observations and case studies are used as data collection tools (Denzin and Lincoln, 2005; LeCompte et al., 1993). On the other hand, quantitative methods use surveys and experiments as data collection tools (McKerchar, 2012). In this research, *semi-structured interviews* and a *survey* are employed to collect data for the exploratory qualitative phase and confirmatory quantitative phase of the research respectively. Both of these methods are explained in the following section in detail.

4.5.2.1 Semi Structured Interviews

The exploratory phase of the study is based on semi-structured interviews that were conducted face to face with OMSCs in Turkey. The general features of semi-structured interviews, pointing to their strengths and weaknesses, are discussed in this section.

In qualitative research, interviews are one of the most popular and frequently used methods of data collection (Brinkmann, 2013). They are popular because the data gathered from interviews is rich and provides answers for how and why questions for researchers enabling them to understand complex social phenomena (Denzin and Lincoln, 2005). Moreover, qualitative interviews are tools that have a unique potential for obtaining access to and describing every-day world (Kvale and Brinkmann, 2009). In addition, in tax research qualitative interviews are a popular method as they promise to give a different dimension when applied to tax research (Oats, 2012). Moreover, they have been used in much recent mixed methods research in the tax literature as they provide in-depth knowledge from real world experiences (Ahmed and Braithwaite, 2005; Raihana Nor, 2013; Hamid, 2014).

The literature offers several ways to conduct interviews, such as face-to-face, group interviews, via telephone and computer-assisted interviews. Apart from the way the interviews are conducted, their structure also varies. They can be structured, semi-structured or unstructured (King, 2010; Brinkmann, 2013). In structured interviews, a researcher strictly

follows an interview schedule, while in the unstructured interview the interaction between the researcher and the interviewee is generally left to develop naturally as a discussion (Schostak, 2006). Compared to structured interviews, a semi-structured interview is more open and more focused on the research. This approach allows the researcher to get the best of both structured and unstructured approaches (Kvale and Brinkmann, 2009). While structured interviews have a limited set of questions, semi-structured interviews are flexible, allowing questions outside the schedule to be asked, which enables the researcher to examine important issues that might emerge during the interview (King, 2010). Hence, it was decided that semi-structured interviews are able to capture suitable data to explain complex structure of the OMSCs' tax morale.

During the semi-structured interviews, the sensitivity of a research topic such as tax morale force researcher to make adjustments to create a convenient link between the interviewer and the interviewees. As Converse and Schuman (1974: p. 54) state: 'there is no single interview style that fits every occasion or all respondents'. This means that the researcher must be aware of the differences between interviewees and must be able to make proper adjustments for any unanticipated developments during the course of the interview. In other words, the researcher can provide additional explanations, explain certain tax contexts thoroughly and ensure that the participant's responses have been well understood in semi-structured interviews. Hence, the researcher gains flexibility in working through the particular concepts and utilising the interview process.

Semi-structured interviews have some limitations as a research method. Interviews are criticised on their objectivity and being a subjective form of data collection, given that data stem from the interaction between two or more people (Denzin and Lincoln, 2005). These interactions between two people can result in biased and inaccurate responses (Brinkmann, 2013). Additionally, an interview is a demanding research method. A successful interview requires a mix of observational skills, empathic sensitivity, and intellectual judgement, which are difficult to learn and teach (Gorden, 1992). Furthermore, despite the carefully crafted questions or structured coding and analysis, the spoken words captured through interviews inevitably entail a degree of ambiguity (Denzin and Lincoln, 2005). Finally, the interview research method generally results in long transcripts, which take a lot of time and effort to analyse (King, 2010). In order to overcome these difficulties, the researcher took a number of additional courses in interviewing and qualitative data analysis provided by the University of Nottingham.

Overall, the semi-structured interview method is employed because its nature enables the exploration of new interesting factors, which might contribute to the research and help to

develop the initial model, as well as confirming the relevance of the existing factors to the research's context. Moreover, it is chosen for this research for the in-depth data that it provides and the flexibility of the method's application, which is needed for the sensitive research topics of tax morale and compliance.

The second method that is employed in the quantitative confirmatory base of this study is discussed in the next section.

4.5.2.2 Surveys

For the confirmatory quantitative phase of this study, a survey was conducted with OMSCs. Surveys are very common and are the oldest data collection method in social sciences (Neuman, 1997). The general purpose of the survey is to collect first hand quantified data to be used to test the hypotheses developed from the research questions (Bryman, 2011). Surveys are typically used to gather data for quantitative analysis to reach generalisations about populations that are beyond the limits of direct observation (McKerchar, 2010). They are commonly employed to explore population demographics, to seek first hand data for the explanations of cause and effect relationships between social concepts and to form a basis for explanatory study (Oats, 2012).

As a method of inquiry, surveys have been widely used in tax studies (Song and Yarbrough, 1978; Jackson and Milliron, 1986; Hansford et al., 2003; Cummings et al., 2009, 2006; Pickhardt and Prinz, 2014). Historically in tax research, researchers who have followed a positivist approach have adopted surveys in their research as a data collection tool as it provides first hand quantified data from their target population. Additionally, McKerchar (2012) argues that qualitative tax researchers also utilise the survey as a complementary method within their studies. Additionally, McKerchar (2012, p.40) states that the survey is employed in the tax research 'as a subsequent to a method aligned to qualitative research to determine the extent to which the findings of the qualitative research could be generalised to the broader population and thereby gauge the extent of the problem or issue'. To put it simply, surveys in tax research are used to validate the findings derived from another method or former literature.

As all research methods in the social sciences, the survey has a number of strengths and weaknesses; one of the main strengths of this method is to enable a researcher to study the characteristics of a large population through the examination of a sample of units (Manfreda and Vehovar, 2009). Additionally, surveys use standardised questions that allow consistency in the definition of concepts (Oppenheim, 1992). Surveys are also more adaptable than experiments because the researcher does not need to be committed to a particular operational definition of a concept before the study (McNamara, 1997).

Additionally, they can be conducted in relatively cost efficient designs such as online (via website), telephone, email, mail and face-to-face conversations (McKercher, 2010). Finally, if well organised, it is easy for participants to participate and the collection of data has a rapid turnaround (Bryman and Bell, 2011).

On the other hand, surveys have a number of limitations and in some cases disadvantages in the social sciences. For instance, surveys can be superficial in their coverage of a complex topic, mainly because questions in the survey instrument are often closed questions that may not be appropriate to all respondents (Bryman, 1988). Surveys are also inflexible in the sense that the initial design cannot be changed once it has been implemented (Francis et al., 2004). Although well-designed surveys might be strong in reliability, their validity is often questionable because of the artificiality of the survey methodology (Babbie, 2015). Moreover, in social research, some topics may not be amenable to measurement through questionnaires and the way respondents answer the questions may not reflect their real attitude or perception (Bryman and Bell, 2011). Supporting this argument, in tax research it is argued that responses may be unreliable because of the tendency of respondents to exaggerate their compliance behaviour and/or minimise their compliance benefits or involvement in tax avoidance schemes (Lignier, 2008). Nevertheless, the researcher believes that a well-designed survey instrument and the use of the feedback from the exploratory qualitative phase could mitigate some of the disadvantages of using the survey method for this study.

Overall, the survey methodology is adopted for the confirmatory quantitative phase of this research to test and confirm the relationships within the modified OMSCs' tax morale model. Apart from the measures of the constructs, the survey instrument would also collect some descriptive data. The survey is chosen as a method mainly because it provides essential first hand quantified data from OMSCs to test the model. It is also one of the most applied methods in tax research (McKerchar, 2012). The researcher believes that the drawbacks of the survey method are compensated by the use of established measures for the latent constructs, informing the research with the exploratory qualitative phase and voluntary/anonymous participation of the OMSCs.

The illustrated sequential exploratory mixed method design of this PhD research, which summarises the methodology preferences of this study, is provided in Figure 10 below.

The methodological preferences and choice of research paradigm of the research were provided so far in this chapter. Although traditionally methodology chapters tend to highlight the methods comprehensively by discussing the sampling strategy, data collection procedure, pilot testing and data analysis procedures, this study prefers an unorthodox

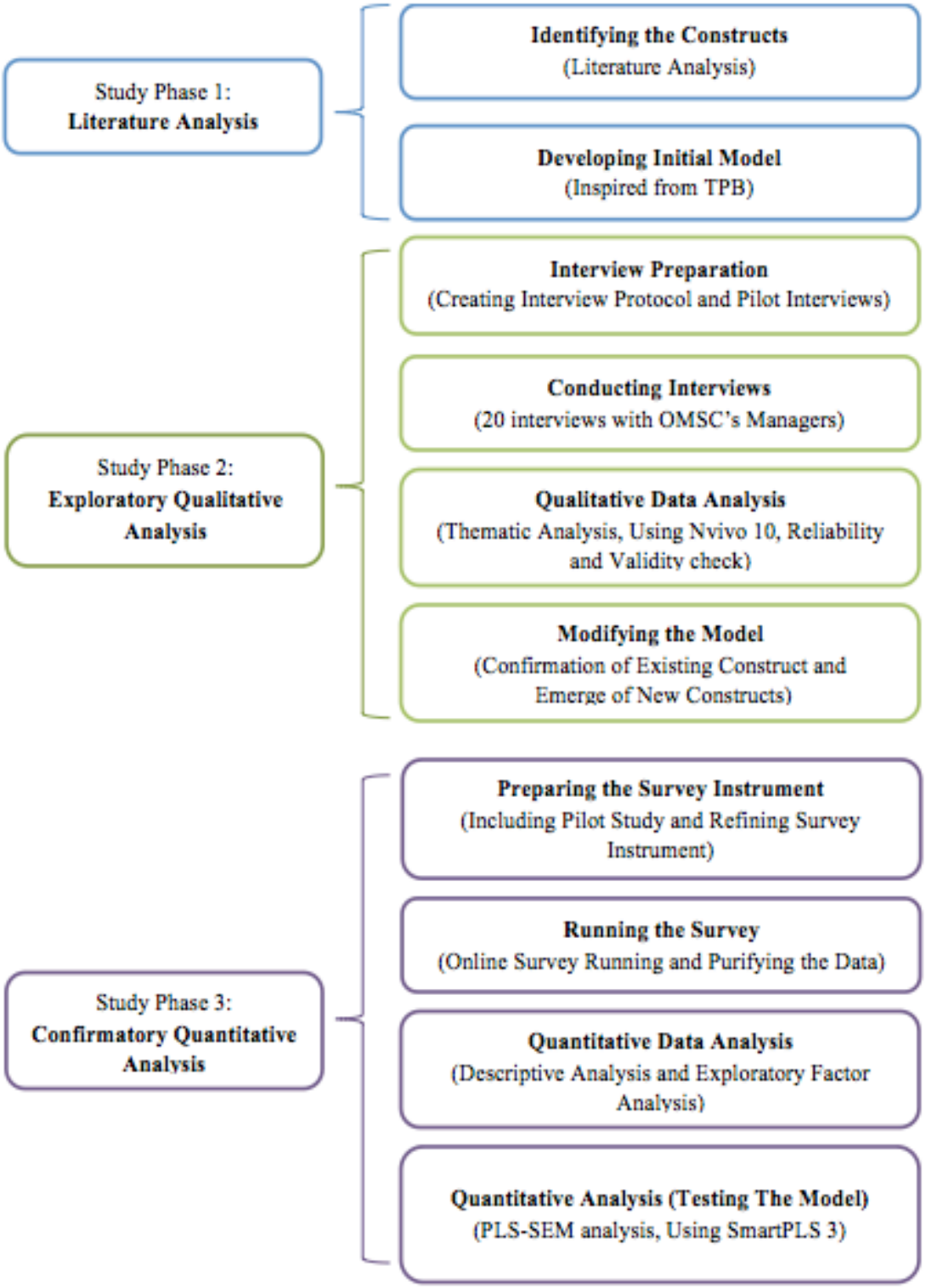
approach and provides important parts of the methodology alongside the results of the empirical studies in the following chapters that discuss qualitative and the quantitative analysis. The logic behind this is to provide a better flow for the thesis and avoid confusion about the following chapters by providing the reader with up front information that might be inconvenient. Hence, the methods and their application to this research are discussed prior to qualitative and quantitative analysis in the empirical chapters.

4.6 Ethical Clearance

Considering that this study involves human participation and sensitive issues on the tax morale of OMSCs in Turkey, the researcher gained ethical clearance from the Ethics Committee as a requirement of the University of Nottingham Code of Research Conduct and Research Ethics. The ethical clearance received from the committee was stated in the invitation to participate in the study. In addition, the researcher also obtained approval from the ethics committee of the Turkish Higher Education Council in Ankara.

Participation in both the quantitative and qualitative phases of this study is solely on a voluntary basis, which is stated in the invitation to participate letter in both studies. The data that is obtained from the participants in both studies is treated under protection of the 1998 Data Protection Act and the 2007 Turkish Data Protection Act. Additionally the identities of correspondents is not be revealed or mentioned in the thesis. This is also a requirement of the University of Nottingham Code of Research Conduct and Research Ethics, which the research must satisfy.

Figure 10: Exploratory Mixed Methods Design of the Doctoral Research



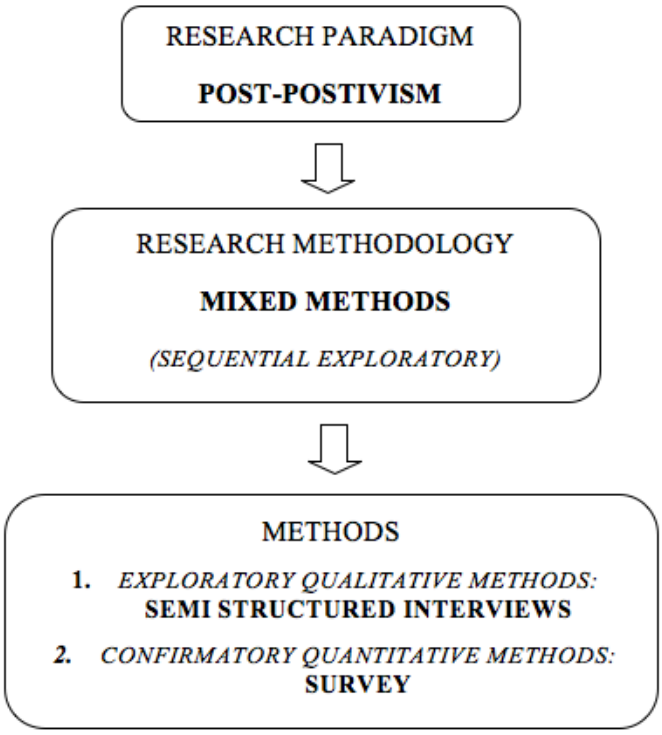
4.7 Summary of the Methodology Chapter

In this chapter, the paradigmatic philosophical position of the researcher and the available methodologies in the social sciences is discussed. The discussion that is presented in the chapter explains that the methodological preference of the research is an outcome of well-informed logical decisions of the research. The researcher had to make two main methodological decisions. Firstly, post-positivism is declared as the researcher's philosophical stance amongst other research paradigms. Secondly, a sequential exploratory mixed method is found to be the most appropriate methodology for this research with the use of exploratory qualitative and confirmatory quantitative phases.

The researcher has adopted the post-positivist paradigm, which is known as critical realism, as his research paradigm. It is believed that the post-positivist paradigm is more appropriate than other research paradigms because it aims to reach precision, structure and rigour by modelling the natural science research approach, but also remains flexible and can adjust for the propensities of the social world. Therefore, it is appropriate for a research that aims to develop and test the model of OMSCs' tax morale. Additionally, it does not exclude any particular research methods and can operate using both qualitative and quantitative methods (Clark, 1998; McKerchar, 2008).

For this research an exploratory sequential mixed methods research design is performed to develop and test the model of OMSCs' tax morale. The exploratory qualitative phase of the study is based on semi-structured interviews with OMSCs. The following quantitative step is the confirmatory quantitative phase. The quantitative basis of the study utilises survey method and collects quantitative data from OMSCs to test the model that is described and developed through the doctoral research. Following the advice of Crotty (1998), the methodological preferences of the researcher are illustrated in the figure below for convenience and better understanding.

Figure 11: Methodological Preferences of the Researcher



The next chapter explains the details of the exploratory qualitative phase of the research by providing the analysis of semi-structured interviews and modification of the OMSCs' tax morale model.

Chapter 5
Exploratory Qualitative Phase: Analysis of Interviews

5.1 Introduction

Following the insights of the literature discussed in the literature review chapter (Chapter 2) and model development chapter (Chapter 3), this chapter focuses on the first step of the empirical analysis of this research, the exploratory qualitative phase which is also described as Phase 2 in the PhD's context (please consult Figure 10 for the phases of the research). The OMSCs' tax morale model developed (Figure 9) as the starting point of the qualitative analysis and explains both the content and the nature of OMSCs' tax compliance, considering tax morale as an intention of the behaviour.

Exploratory qualitative research is employed in this study for mainly two reasons. Firstly and most importantly, the literature offers limited insight into the factors and the process of OMSCs' tax compliance and tax morale, therefore the relevance of the factors need to be identified and verified, especially in the scope of this research. In other words, the insights of real OMSCs are essential in the development of the model to establish the relevance of the content and the form of the relationship that is mapped. Hence, the exploratory qualitative phase is essential to validate the model, which is developed theoretically from the literature. Considering that exploratory qualitative research which allows the identification of new and previously unknown variables (Denzin and Lincoln, 2005, the second aim of the exploratory qualitative research of this study is to discover constructs that are effective on OMSCs' tax compliance and tax morale which have been left unidentified by the literature. In short, the second purpose of this phase is to modify the OMSCs' tax morale model by identifying new effective constructs and to find overlapping construct domains if there are any.

In light of the explanations above, this chapter demonstrates the analysis of the twenty interviews conducted with OMSCs in Turkey. The chapter includes four main sections. Firstly, it will discuss the methodological considerations of the qualitative phase. The analysis of the interviews is presented in the second section. Thirdly, modifications of the model based on the analysis results are explained. Lastly, research hypotheses based on the research questions and the modified model is provided.

5.2 Methodology Considerations of Qualitative Phase

The exploratory research phase uses semi-structured interviews conducted face to face. Qualitative enquiry helps to understand the patterns of experience in people's lives

(Dilley, 2000). In qualitative research, interviewing is one of the most popular and frequently used methods of data generation (Bryman and Bell, 2011). Some scholars suggest that interviews are helpful to develop conceptual research, which would be the basis for later quantitative studies (VanderStoep and Johnston, 2009). For this research, interviews were conducted to provide insights of OMSCs' understanding of tax compliance and tax morale which is beneficial for developing the model to be used for the confirmatory quantitative analysis, described as the phase three of this study. Semi-structured interviews are appropriate for exploratory studies (Saunders et al. 2015) and are the most common approach of all qualitative methods (Bryman, 2011).[10] Furthermore, Oats (2012) highlights that interviews are gaining attention amongst tax scholars because of their ability to provide privileged access to people's living worlds which she suggests quantitative methods are not always able to undercover.

This section provides information about sample selection. This is followed by a description of the data collection procedures of the qualitative phase. Lastly, it explains reliability and the validity considerations of the analysis.

5.2.1 Sample Selection and Interview Participants

In discussing the appropriate sample size in qualitative inquiry, Patton (2015) explains that there is no commonly acknowledged rule in the literature for determining the sample size. He suggests sample size depends on what you want to know, the purpose of the inquiry, what is at stake, what will be useful, what will have credibility, and what can be done with available time and resources. This is because the purpose of the qualitative approach is to obtain contextual understanding of a particular situation which requires rich data and depth understanding, thus the issue of representativeness is less important compared to quantitative study, although it brings limitations to generalizability of the results (Bryman and Bell, 2011). Based on this argument, it can be claimed that there is no specific guideline to determine sample size in qualitative studies, however researchers in qualitative studies normally use the saturation[11] effect as a rule (Creswell, 2009; King, 2010). Therefore, the literature discusses sample size requirements in terms of sufficiency. For instance, Bertaux (1981) argued that fifteen is the minimum required number of participants for interviews. Morse (1994a), on the other hand, argued that six interview participants are enough for qualitative studies that are not using ethnography or grounded theory. Kuzel (1992) argued that twelve to twenty data

[10] Please consult section 4.5.2.1 for rationale of employing semi-structured interviews in this research.

[11] Saturation rule is derived from the Glaser and Strauss (1967) influence on grounded theory. Saturation rule is described as the process in which the researcher continues interviewing new participants until there is no new theoretical insight derived from the additional data (Baker and Edwards, 2012).

sources would be enough to provide high variation in the sample. Creswell (1998) accepts a similar range and suggests between five and twenty-five data sources would be enough, unless the study is not grounded theory. A different range suggested by Guest et al., (2006) for interview participants is twelve as a minimum sample size, and if the sample were highly homogenous, six interview sources would be sufficient to enable a meaningful theme to appear. Bryman and Bell (2011) concluded that sample size depends on the researcher's aim and the saturation of the researcher. Overall, the literature varies in terms of minimum number of required participants in qualitative inquiry of interviews (For detailed discussion on the sample size of interviews please see Baker and Edwards, 2012). Considering the aforementioned literature, the researcher respected the projections of the minimum sample size and the saturation rule in this PhD research.

Considering that generalisability was not the goal of the exploratory qualitative phase, but obtaining a thorough understanding and explanation of OMSCs' tax compliance and tax morale phenomena, it was decided that choosing one of the purposeful sampling techniques was justified. Coyne (1997) and Patton (2015) suggest that all sampling techniques of qualitative studies could be broadly regarded as purposeful sampling. This is because a researcher purposely selects information-rich cases that could fit into the study (Coyne, 1997). Purposive sampling is a form of convenience sampling that finds its application in exploratory studies (Adler and Clark, 2007). Based on their personal judgement of a participant's appropriateness for the study, the researcher selects participants who are expected to facilitate an investigation (Palinkas et al., 2013). Even though purposive sampling relies on a researcher's choice of interviewees, generating a representative sample is still feasible (Denscombe, 2010). Therefore, it was deemed appropriate to use a purposive sampling technique for this research in order to ensure access to the relevant participants.

The sample is selected from Small and Medium Enterprises Development Agency's (KOSGEB) enrolee database. The database includes contact details of more than two hundred thousand OMSCs. The researcher selected fifty OMSCs aiming to achieve wide coverage of the target population of this research. Therefore, OMSCs are selected from three different cities in Turkey: Bursa, Istanbul and Ankara. In addition, representativeness of the sample is considered by selecting participants with different educational backgrounds, business experience and sectors.

Selected OMSCs who participated in semi-structured interviews were contacted by telephone by the researcher based on the details provided by the agency. The details provided for fifty OMSCs were their name, telephone number, sector and number of employees. The participants were contacted in advance to explain about the nature and process of the

interview and to obtain their agreement to take part in the qualitative study. Thirty-two OMSCs were contacted by phone and twenty-nine agreed to be interviewed.

At this point, it has to be noted that all participants who agreed to be interviewed were male OMSCs. Although the details of OMSCs do not include gender of the participants, the researcher noted that only three female OMSCs were in the list. Given that TUIK (2014) reports only 12% of OMSCs are females in Turkey, having such low ratio of females among OMSCs were expected. However, all three OMSCs in the list refused to be interviewed. Consequently, a complete male sample has occurred.

Two pilot interviews were initially conducted to improve the interview protocol before recorded interviews were conducted. Twenty interviews were conducted between 10 July 2012 and 31 August 2012 in Turkey. After twenty interviews were conducted, the researcher had reached the judgement that the collected data were satisfactory and the saturation rule applied.

The exploratory qualitative phase of this research presents results from the analyses of twenty semi-structured interviews conducted with OMSCs. The participants represent eleven different sectors and all of them have more than ten employees. Total interview length is twenty-two hours. All interviews were fully recorded and transcribed and interviews were conducted face to face. Average length of interviews was approximately one hour.

Please find the demographic details of the participants and the length of the interviews in Table 5. To secure the anonymity of the interviewees agreed before conducting interviews, they have been assigned study identification numbers (1-20) and are used to refer the interviewees in the qualitative analysis.

Table 5: Interview Participants

Interview Number	Age	Sector	Experience In Sector (Years)	Education Status	Interview Length
1	48	Automotive	11	University	00:56:17
2	44	Machinery	23	High School	01:15:29
3	46	Metal	16	University	00:36:11
4	35	Construction	11	University	01:09:20
5	39	Metal	13	High School	01:10:55
6	41	Services	17	University	00:47:20
7	30	Retailer	3	University	00:48:22
8	38	Construction	9	Master	01:00:50
9	40	Metal	4	University	00:48:30
10	55	Furniture	20	High School	01:12:16
11	27	Textile	6	High School	01:17:39
12	36	Metal	16	University	01:31:33
13	48	Catering	34	Master	01:11:58
14	29	Law	8	Master	01:13:01
15	31	Services	2	University	01:01:00
16	55	Textile	23	Master	01:02:11
17	61	Textile	30	University	01:14:24
18	42	Services	6	High School	00:59:18
19	54	Publishing	17	High School	01:10:00
20	57	Construction	21	High School	01:25:38
	Average Interview Length: **1:05:37**			Total Length:	**21:52:12**

5.2.2 Interview Guide

Semi-structured interviews bring flexibility to the researcher to respond to the issues that emerge during the interview process in order to understand perspective of the participant (Creswell, 2003). This also means that using fixed questions in a predetermined strict order which is commonly referred as traditional interview schedule in not appropriate for semi-structured interviews (King and Horrocks, 2010). Instead, an interview guide is used in semi-structured interviewing (Kvale, 2007; Kvale and Brinkmann, 2009; King and Horrocks, 2010). The interview guide outlines the main topics that the researcher investigates and at the same time allows a degree of consistency with the nature of a semi-structured interview (Morse, 1994b). The use of an interview guide also helped the researcher to carefully manage limited time and resources (Patton, 2015). Hence, the interview guide became a map for the researcher in conducting the interview to ensure it was more systematic and focused within a subject area (Patton, 1990; Qu and Dumay, 2011; Merriam, 2014). In addition, the interview

guide also brings a degree of consistency (evenness and likeness) which interview-based qualitative study might be criticised for lacking (Patton, 1990). Further, the interview guide is helpful in reducing the reliability problems of the qualitative research (Saunders et al., 2015).

In light of the advantages of the interview guide mentioned above, the researcher decided to prepare an interview guide[12] that consists of a list of questions based on the constructs presented in the OMSCs' tax morale model (see Figure 9). For teach construct included in the model, the researcher generated on average three questions to cover the construct domain. The interview guide started with a brief explanation about the research and asked for the interviewee's consent to record the interview. Following that, it includes questions of demographics, personal norms, corporate norms and PBC. For the preparation of the interview questions, the researcher followed the advice of Patton (1990) and avoided leading questions and endorsement of participants' opinions. Moreover, in some questions the explanations for the specific terms are provided.

Despite the constructs being determined a priori in the interview protocol in line with the OMSCs model, the nature of a semi-structured interview is flexible (Bryman and Bell, 2011), which allows some degree of freedom for other constructs to emerge during the interview. Hence, the emergences of new constructs or identifying overlapping constructs are aimed in the qualitative phase of the research. Consequently, the interview guide included/suggested some broader follow up questions.

The literature argued that the interview guide could be improved during the interviews or via pilot interviews (Robson, 2002; King and Horrocks, 2010). Moreover, Robson (2002) advises pilot interviewing to increase the efficiency of the qualitative interviewing. Furthermore, it enables improvement/modification of the interview questions for better understanding. After preparing the interview guide, the researcher conducted two pilot interviews to improve the interview guide and to assess the interview process. Although the data from the pilot interviews are not used in the final data analysis, pilot interviews helped the researcher to improve the interview guide on three points. Firstly, pilot interviews revealed a necessity of rephrasing some interview questions, particularly when they included technical terms such as legal loopholes or tax compliance. The researcher paraphrased the terms when found necessary. Secondly, pilot interviews showed that participants might be hesitant at the beginning of the interview to talk about the tax. In order to over come that, the researcher decided to start interview with demographic questions and a general question about the notion

[12] Please consult Appendix 1 for the interview guide.

of tax that eased reserve and timidity of the participants to talk about personally sensitive issues during the interview. Lastly, pilot interviews helped the researcher to improve management of the interview process and gave an overall opinion about the interview process such as length of the interviews. The interview guide was modified after the pilot interviews and prepared for the qualitative data collection process.

5.2.3 Data Collection

Qualitative research attempts to understand the pattern of experience in lives (Dilley, 2000). This is because the perspective of others could be meaningful and able to be made explicit (Patton, 2015). Thus, researchers conduct interviews to understand what is in and on someone else's mind (Patton, 2015). Furthermore, in this study, the use of interviews for data collection is considered appropriate since it reflects the emic approach (inside perspective) in understanding effects of constructs in the created model on tax morale and tax compliance behaviour of OMSCs in Turkey. In this regard, the researcher decided carefully on the data collection process of semi-structured face-to-face interviews.

The semi-structured interview is one of the most common approaches amongst qualitative methods (Alvesson and Deetz, 2000). It provides flexibility to the interviewer (Bryman and Bell, 2011). Although the researcher intends to conduct the interview through asking a list of questions to derive data for the focus constructs of the research, these, to some degree, may vary from one interview to the other (Saunders et al., 2015). In other words, semi-structured interviews enable the adaptation of the interview process according to the conditions of the interviewee to increase efficiency of the data collection. Considering tax morale and tax compliance have sensitive and personal connotations, semi-structured interviews helped the researcher to involve the interviewees into the subject of research by providing information about the research when necessary. In addition, the semi-structured interview was also used to discover any other factors that may influence OMSCs (Rabionet, 2011). Consequently, the semi-structured interview is chosen as an appropriate method of this research's exploratory phase.

Face to face interviewing has many advantages such as: witnessing non-verbal reactions of interview participants, which may be important in interpreting the information (Bryman and Bell, 2011), asking complex questions (Saunders et al., 2015) and creating a trust zone by easing the distance between interviewer and interviewee, which is hard to achieve through telephone or internet based interviews (King and Horrocks, 2010). Although using face to face interviewing has some drawbacks such as, travelling costs and creating a bias about the researcher, the use of face to face interviews in this study found suitable for this research.

The possible candidates for the interviewees were contacted in advance by phone to seek their consent to participate in the interview process and they were provided information about the aim and nature of the research. Moreover, they were asked whether they would like to see the interview questions in advance and interview questions were sent to participants prior to interview when requested. Additionally, after the telephone call, a follow up email was sent to the participants, which included details of the researcher and agreed date and time for the interview.

The setting of interviews is found influential on how the interview proceeds (King and Horrocks, 2010). Considering this, the interviewees were asked to decide on a preferred place. All of the interviewees wished to be interviewed on their own premises. Hence, the interviews are conducted in the chosen convenient places for the participants such as their offices and company premises. Prior to commencing the interview, participants were given information about the researcher, the objective of the study, interviewing process and how the data would be used. After that, consent of the participant was asked to record the interview. All interviewees agreed to their interviews being recorded. Interviews were recorded using an audiotape recorder. Despite being time consuming to transcribe, by recording the interview, it allowed the researcher to concentrate on understanding and listening during the interview (Saunders et al., 2015). Furthermore, it also provided an opportunity to transcribe the records that might lead to more thorough examination of the information and more accurate findings (Bryman and Bell, 2011). In addition, King and Horrocks (2010) suggested that the recording interviews are important because failure to listen due to taking notes might discourage interviewees from talking openly. In addition, the literature suggests that interviews should be held in the language that the interviewees feel more confortable to express their views (Dilley, 2000; Rabionet, 2011). In this case, the interviews were conducted in Turkish as it is the language in common and English is not commonly used in commerce, especially among OMSCs.

Warren (2002) suggests that building rapport between interviewee and interviewer is key for successful qualitative interviews. King and Horrocks (2010) suggest that rapport is essentially about trust, which enables an interviewee to speak openly to the interviewer. In order to build rapport during the interview, the researcher followed the advice of King and Horrocks (2010), starting interviews by introducing the PhD project and explaining the researcher's background. The researcher followed the interview with asking questions following the guidance in the interview guide. The researcher did not interrupt the interviewee and avoided judgemental responses and leading questions. However, explanations of the academic and technical terms and paraphrasing of some questions was provided when the researcher sensed that the question was not understood or misunderstood. The questions were

asked following the order of the interview guide however, the order changed when it was necessary to achieve better flow of the interview. For each construct, determined questions are asked but when the researcher sensed that the interviewee fully expressed perceptions over the construct domain, remaining questions that are targeting the same construct were passed over. The interviews are conducted in one sitting except interview twelve which was concluded in two sessions. The researcher concluded the interview when the interviewee addressed all of the construct domains. All interviewees given a chance to express additional thoughts at the end of the interview and asked whether they would like to have the copy of recording and validate the transcription of the interview. Contact details for the researcher and a brief summary of the research were given to the interviewee for further enquiry.

5.2.4 Data Analysis Procedure

Data analysis in the qualitative inquiry is a critical stage. Saunders et al. (2015) suggests that data analysis in the qualitative inquiry can follow two approaches namely: deductive and inductive approaches. In the deductive approach, the researcher starts with the predetermined theory and develops the interview questions. Thus, themes from the interviews emerge from the interview questions (Patton, 2015; Saunders et al., 2015). In other words, a deductive approach uses research questions and the theory of the research as a guide to organise the data and then look for similarities and differences within the organised themes (Patton, 2015). In the inductive approach, there is no theory developed prior to the qualitative analysis. The researcher approaches the data without determining prior themes and solely focuses on what emerges from the data. Hence, the researcher collects the data and analyses it as the theory emerges from the process (Saunders et al., 2015). The inductive approach is common when the qualitative research is the major design for the study (Brinkmann, 2013; Saunders et al., 2015). Although these two different approaches represent the opposite ends of the spectrum of qualitative data analysis, the literature suggests that combining both approaches is possible (Patton, 2015; Saunders et al., 2015). Considering the exploratory qualitative phase of this PhD research follows the guidance of the developed OMSCs' tax morale model, the researcher's approach to the qualitative enquiry is substantially deductive. Nevertheless, in order to identify emerging constructs from the exploratory qualitative phase of the research, the researcher prefers to apply a combined approach to the qualitative analysis by considering repeated themes during the analysis that might lead to exploring new constructs for the OMSCs' tax morale model. Simply put, the research obtained two approaches together in the qualitative phase. When it was necessary to verify the constructs of the model, deductive approach was used. However, when the data were analysed to identify the new constructs and overlapping between constructs, inductive approach was utilised.

The literature explains qualitative analytic methods in two different groups (Smith, 2000; Patton, 2005; Braun and Clarke, 2006). The first group of analytic methods emerges from theoretical or epistemological position of a researcher (Georgakopoulou, 2006). This group of analytic techniques are commonly focused on interpreting the meaning-making process and often examines structure of the narrative (Shukla et al., 2014). Moreover, the group of analytic methods includes grounded theory and discourse analysis, which can be named as narrative analysis (Smith, 2000; Braun and Clarke, 2006). Narrative analysis is often used when the qualitative design is the dominant research design of the research (Creswell, 1998). The second group of analytic techniques are independent from the theory and can be applied to the range of different theoretical and epistemological approaches (Braun and Clarke, 2006). Hence, this group of analytic methods can offer flexibility to the researcher by enabling different application options that can be utilised in the mixed methods approach (Creswell, 2009). This group of analytic methods can be named thematic[13] analysis (Braun and Clarke, 2006). Considering the latter group of analytic methods provides flexibility on the theory and is often preferred in mixed methods to accompany or facilitate quantitative methods, the researcher decided to employ thematic analysis in the exploratory qualitative phase of this research.

Thematic analysis is the foundation method for qualitative analysis that involves finding repeated patterns of meaning from the data (Braun and Clarke, 2006). It is a method to identify, analyse and report patterns in the data (Shukla et al., 2014). Thematic analysis is considered useful because of its flexibility, ease of application, ability to capture similarities and differences across the data set and to generate unanticipated insights (Braun and Clarke, 2006). Despite the argument that thematic analysis is perceived as 'anything goes', the literature suggests stepping stones for the thematic analysis to systemise the analysis processes (Patton, 2005; Braun and Clarke, 2006; King and Horrocks, 2010). The literature suggests a number of systematic approaches to thematic analysis (Langdridge, 2004; Braun and Clarke, 2006; Langdridge and Hagger-Johnson, 2009; King and Horrocks, 2010). Although the main stages of the thematic analysis are roughly comparable in the literature (King and Horrocks, 2010), one of the commonly referred to analysis stages guidelines for thematic analysis is presented by Braun and Clarke (2006) (please see Table 6).

[13] Thematic analysis can also be referred as content analysis in the literature please see Smith, (2000) for an example.

Table 6: Data Analysis Stages for Thematic Analysis

	Phases	Process
1	Familiarizing with the data	Transcribing the data (if necessary), reading and rereading the data, Noting down the intial ideas.
2	Generating initial codes	Coding systematically interesting features of the data, collocating data relevant to each code.
3	Searching for themes	Collocating codes into potential themes and gathering data to each potential theme.
4	Reviewing themes	Checking if the themes represent the data at level 1 and level 2
5	Defining and naming themes	Refine the specific themes, the overall account of the data, generating clear definitions and names for each theme
6	Producing the report	Relating back the analysis with the research questions and the literature, producing report

Source: Adapted from Braun and Clarke (2006, p.87)

The literature suggests similar stages for the thematic analysis although the steps are not purely progressed in a sequential manner (King and Horrocks, 2010). For instance, Langdridge (2004) suggests similar phases to the Braun and Clarke (2006) while King and Horrocks (2010) describes those phases in three stages for qualitative researchers as shown in Figure 12 below.

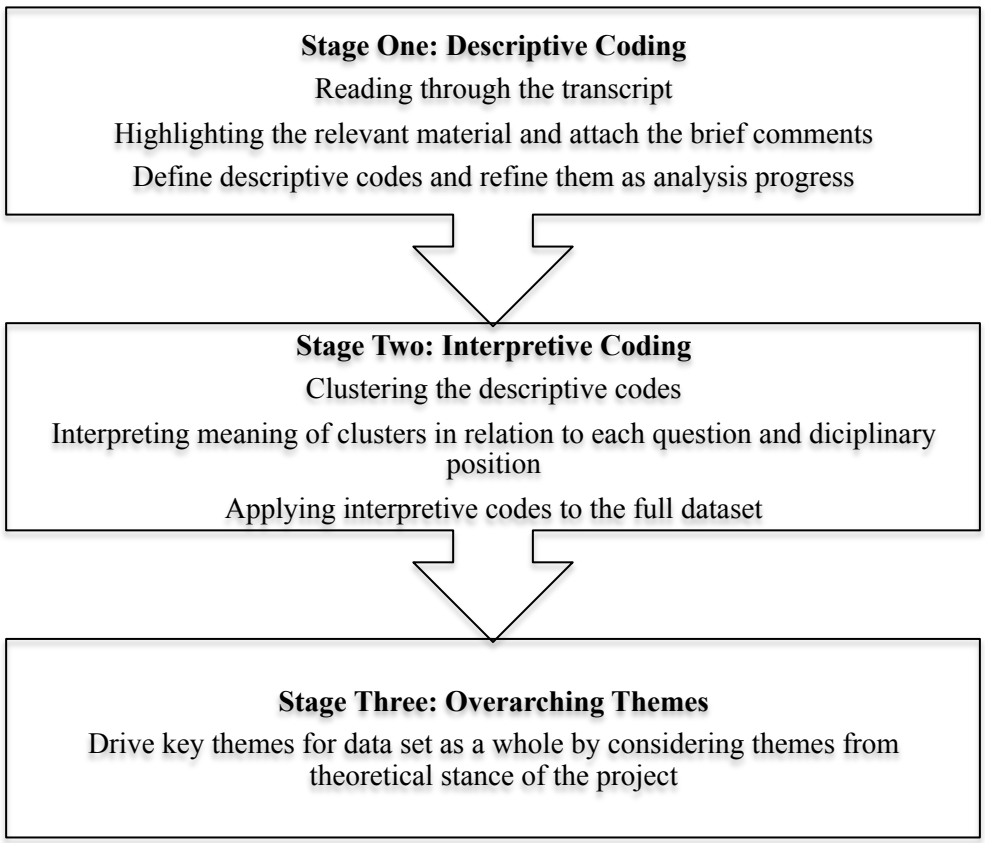


Figure 12: Stages in progress of thematic analysis by (adapted from King and Horrocks, 2010, p.153)

In light of various explanations of thematic analysis processes, the researcher decided to follow a hybrid method for qualitative analysis. In this study, although the data analysis was performed using the guidance of the suggested steps by Braun and Clarke (2006) for Thematic Analysis, the three stage approach of the King and Horrocks (2010) is followed as it is thought to be a simpler way to approach the analysis. Each step of the thematic analysis is explained in detail below.

The first stage of the data analysis, descriptive coding, consists of transcribing the data, familiarising with the data and defining descriptive codes that stem from the questions. Firstly, interviews were transcribed and read fully. The process of transcribing the recordings is the first step in data analysis and important because it reflects how the researcher interprets the data (Bailey, 2008; Bryman and Bell, 2011). The researcher transcribed the data in person by considering two advantages that it brings. Firstly, as Bird (2005) suggested, transcribing is the key phase of data analysis in qualitative inquiry. Therefore transcribing those in person brings the researcher closer to the data. Secondly, the researcher suggested transcribing the data in person might overcome the language barriers that might occur as a result of the technical knowledge required to understand tax related issues and usage of Turkish language during the interviews. In order to ensure accuracy of the transcribed data, the researcher

followed the advice of Braun and Clarke (2006) and listened to all recordings by following it from the transcribed text to see whether any missing or misunderstood transcription is performed, and corrected the transcripts (validity concerns about the transcription are addressed in the next subsection). On average, it took approximately six to eight hours for the researcher to transcribe the recording of each interview. This is because, as suggested by Bailey (2008), transcription involves close observation of the data by repeated careful listening to the audiotape. The interviews are transcribed in Turkish, as it is the original interview language. Additionally, thematic analysis of the interviews is conducted in the same language. They are not translated in English for two reasons. Firstly, the literature agrees that translating transcribed data might be problematic because of unintentional loss in the meaning of the data that might influence the content of the analysis (Welch and Piekkari, 2006; Nikander, 2008). Moreover, Welch and Piekkari (2006) suggest that authentic responses of the participants are likely to be lost or changed during the translation. Secondly, the validity and accuracy of the translated transcripts are problematic as it brings additional concerns about the reliability of the translated data (Patton, 2015; Welch and Piekkari, 2006). Considering the drawbacks of translated data, the researcher decided to conduct thematic analysis in the same language and only the results of the analysis have been translated. At the same time when quotes are used, all paragraph or context has been translated into English in order to avoid misconceptualising.

As the first two steps of the first stage of the analysis is achieved by transcribing and familiarising with the data, the last step of defining descriptive codes is performed by the researcher by reading the final versions of transcripts and selecting the descriptive codes within the transcribed data. Descriptive codes (initial codes, in Braun and Clarke, 2006) are features of the data that appear interesting to the researcher and refer to the most basic segment, or element, of the raw data or information that can be assessed in a meaningful way regarding the phenomenon (Boyatzis, 1998). Thus, the researcher identified the codes that he found useful to understand the OMSCs tax morale and tax compliance.

The second step of the data analysis, which is the interpretive coding, consisted of clustering descriptive codes under themes and analysing the themes to check for inner theme consistency (Braun and Clarke, 2006; King and Horrocks, 2010). Starting from the second stage of the analysis, the researcher preferred to use software NVivo 10[14] to perform the data analysis. Using software in qualitative analysis is advised in the literature and helped the researcher to organise the analysis process (Bryman and Bell, 2011; Flick, 2013; Bazeley and

[14] NVivo 10 (http://www.qsrinternational.com) is a software package that enable researchers to analyse qualitative data and it is commonly utilized by qualitative researchers in the literature (Bryman and Bell, 2011; Bazeley and Jackson, 2013; Richards, 1999, 2014)

Jackson, 2013; Richards, 2014). In this stage, the researcher transferred the data and the descriptive codes to NVivo 10 and grouped descriptive codes that share common meaning, which forms interpretive codes or themes. Interpretive codes are the cluster of descriptive codes that the researcher found are related and explain the same domain. The researcher did not apply specific theoretical concepts to the data, (although some identified interpretive codes occurred were the same as the constructs that are named in the model) to enable emergence of new constructs from the insight that the data provided. After determining the interpretive codes, as advised by Braun and Clarke (2006), the researcher read the selected codes within the themes to ensure that all coded data within the theme is related and shares a common domain.

During the first and second stages of the data analysis, the software NVivo 10 was substantially aided the data analysis process. Nvivo 10 contributed to the analysis in three perspectives. First, the software helped organising the data analysis process at its different sequential stages. Hence, data codes, node origins, interviewee profile and shared nodes of the particular data part could be seen throughout all stages during the data analysis. Secondly, Nvivo brought efficiency to the analysis process by minimising the error of the manual analysis techniques. Lastly and the most importantly, the software helped researcher to identify emerging themes and overlapping constructs domains. The researcher checked data sources of the themes and the software showed shared parts of the coded data for the themes that was thought overlapping. Additionally, the software also showed the themes that were not classified under any nodes and provided evidence for the necessity for new constructs from the analysis.

The last stage of analysis is defining the overarching themes (King and Horrocks, 2010). In this stage, the analysis consisted of two steps. Firstly, it started with defining the overarching themes, which formed the constructs of the OMSCs' tax morale model. The second step was to identify overlapping themes and emergent themes from the analysis, which explains modifications of the model. Considering the researcher utilised a substantially deductive approach to the analysis, and the qualitative phase of this research was conducted to understand and increase the relevance of OMSCs' tax morale model that is developed theoretically, the overarching themes build upon the interpretive codes with the guidance of the theoretical model. In other words, the constructs of OMSCs' tax morale model is accepted as a theoretical frame and predetermined interpretive codes that were found to be explanatory to that domain are clustered under the overarching theme. For instance, one of the overarching themes in the analysis was religiosity and it is the construct under the personal norms of the OMSCs' tax morale model. Therefore, in order to analyse religiosity, the researcher read the

interpretive coding and found the relevant interpretive codes that referred to the same domain where religiosity is covered. Consequently, various related interpretive codes became relevant (e.g. imam's intervention, tax code with Islamic law, effect of tax advice from religious bodies, considering zakat (Islamic charity) as tax and Islamic encouragement for tax evasion) appeared as common points in the interviews. Such similar interpretive codes were merged under religiosity as an overarching theme. The same process was followed for other themes and interpretive codes are clustered under an appropriate theme. In some cases, an interpretive code appeared as a standalone theme, therefore, it is acknowledged as an overarching theme itself. For instance, tax complexity is analysed under one interpretive code and that code was acknowledged as a tax complexity theme at the final stage of the analysis because no other interpretive code was found to be relevant to this concept during analysis. The second step of the last stage of the analysis was to identify overlapping themes and then exploring the newly emergent constructs from the data. In order to identify whether any overarching themes/constructs are overlapping, the researcher repeatedly read the coded data and focused on the constructs that shared similar data in the coding and at the same time had close construct domains. During this inspection, the researcher identified that two overarching themes had overlapped domains and had very similar perceived understanding in the interviews; therefore, they are embedded into a wider appropriate construct. These two constructs, which are political view and company structure, are explained in detail later in this chapter. Lastly, the researcher rechecked the analysis to understand whether there were any interpretive codes that did not fit in a cluster under any themes and therefore were not included in the model. The scope of this PhD intends that the exploratory qualitative phase of this research is to identify new factors that are effective on OMSCs tax morale and tax compliance and were not included in the model. Therefore, considering the TPB inspired structure of the OMSCs' tax morale model, the analysis was checked for the themes that did not fit in a cluster. The researcher identified two newly emergent constructs that were beneficial to include to the analysis and the OMSCs model. These two constructs, religious evaluation of tax evasion and other businesses' attitudes, are discussed later in this chapter.

After finishing the three steps of the thematic analysis, the researcher continued to recheck the analysis and refine the specificities of each theme. When repetitive and clear patterns became evident for the themes, the objective was achieved (Braun and Clarke, 2006; King and Horrocks, 2010). The screenshot for the theme structure of the analysis from the NVivo10 is provided in Appendix 2.

5.2.5 Quality Assessment of the Interview Analysis

Given the philosophical differences between approaches to qualitative research, the literature does not show a general agreement on quality assessment of qualitative analysis, especially in terms of reliability and the validity concerns of the analysis. (Creswell and Miller, 2000; King and Horrocks, 2010; Bryman and Bell, 2011). Although there are disagreements in the literature about the quality assessment criteria, the literature also suggests a number of procedures to check for the quality of the research.

The first step for quality assessment of interview analysis is to ensure interview data is collected within the context of the research by following the predetermined guidelines (Creswell and Miller, 2000). Considering semi-structured interviews are not standardised processes, the interview data may be subject to the issue of reliability. In order to overcome this concern, the researcher developed an interview guide and modified it through the pilot interviews. Therefore, the interviews were carried out following the interview guide and collected data from each interview covered the interests and domain of the research. Apart from using an interview guide to reduce the issue of data reliability, the researcher repeatedly checked the transcripts to ensure that there was no obvious mistake and compared the transcript against the recording. To ensure the accuracy of the transcripts, the researcher asked a colleague from Marmara University (Istanbul-Turkey) to listen and check the transcripts. After five transcripts were checked and no obvious mistakes spotted, the researcher assumed that the transcribed data were accurate.

Validity in qualitative research is defined according to how accurately the data represent the realities of the interview participants toward understanding social phenomena (Creswell and Miller, 2000; Patton, 2005). One common method to determine validity in a qualitative study is to use the 'member checking procedure' (Creswell and Miller, 2000; Creswell, 2009; King and Horrocks, 2010). The member checking procedure is considered as establishing the validity of the qualitative studies by using the lens of the participant (Creswell and Miller, 2000). Member checking involves requesting the interview participants to confirm the credibility of the information by asking the participants to check the data, whether the themes are correct and the overall information is accurate (Creswell and Miller, 2000). Although the literature does not suggest a rule of thumb for the number of participants for member checking procedures, Creswell (2009) argues that a minimum of two members is preferred. In order to determine participants for the member checking procedure, the researcher emailed the interview participants with the information about the research aims and how the analysis is carried out and asked them about their participation. Three participants agreed to participate. Following the suggestion of Creswell (2009), the researcher requested from those participants to check the transcripts, identified themes and their feedback. The

feedback confirmed validity and the feedback were used to increase the validity of the interview analysis.

Lastly, expert feedback was used to determine the coding validity of the interview analysis. Expert feedback is highlighted in the literature as a quality checking procedure (King and Horrocks, 2010). Therefore, the researcher preferred a tax academic (from Marmara University's Public Finance Department) to critically review the thematic analysis. The researcher preferred code-confirming strategy on the expert evaluation. Code-confirming expert evaluation is the process whereby transcripts and the interpretive coding are provided to the expert who is asked to critically scrutinise the coded data and check the analysis (King and Horrocks, 2010). The received feedback from the expert helped the researcher to develop thematic consistency and to identify the newly emerged and overlapping constructs. In the expert evaluation, the overall feedback was also positive. In addition, the same expert was asked to check for the accuracy of the translation of the quotes that are used in this chapter and suggested changes were made.

5.3 Findings of the Interviews

Producing a report of the thematic analysis of the interviews requires a systematic approach. Braun and Clarke (2006) suggest that producing a report is the final touch for the thematic analysis. Therefore, a common method is obtained for writing up results of the analysis as suggested by King and Horrocks (2010). For this purpose, findings from the thematic analysis were organised by describing and discussing each overarching theme and referred to examples from the data using direct quotes to help characterise the theme for readers. Considering the researcher has a substantially deductive approach to the thematic analysis, the overarching themes, which also referred to the constructs of the OMSCs' tax morale model , are discussed individually in this section. The quotes were chosen to provide easy understanding of the insights of the interviews and to highlight the nature of the theme. More than one quote (maximum three) is used when deemed necessary to provide better understanding.

The interview findings are summarised under this section with following the order of the constructs in the OMSCs' tax morale model. Therefore, three groups of variables/constructs, namely: Personal Norms, Corporate Norms and Perceived Behavioural Control, are illustrated and discussed using interview quotes when necessary.

5.3.1 Personal Norms

Personal Norms is assigned as a superior hierarchical component of the effective constructs in the OMSC's tax morale model that emerges from the TPB models' attitudes towards behaviour construct. Personal Norms are defined as OMSCs' personal view/stance on

tax morale and tax compliance as an individual. Under this sub-section, interview analysis for factors/constructs that are identified as influential on OMSCs overall personal evaluation of tax morale and tax compliance are provided.

5.3.1.1 Procedural Justice

Procedural Justice stands for perceived fairness of OMSC on legislation and the processes of the tax authority (Kirchler, 2007). In the literature, procedural justice, which is defined as perceived fairness of taxpayer of tax legislation and procedures of tax authority (Wenzel, 2003; Kirchler, 2007), is explained as an influential construct on OMSCs' tax morale (please see Chapter 3, section 3.4.1.1). Consequently, it is included in the OMSCs' tax morale model under personal norms. In order to understand the perception of procedural justice, the interview participants are asked about their perceptions of fairness of the tax law, tax authority and overall fairness about the tax system.

The interview analysis revealed that the common perception of the interview participants on procedural justice is negative because all participants, except one who stayed neutral, expressed their concerns about procedural fairness. In other words, all participants declared their strong belief on unfairness for current tax system procedures. The following quote is a good illustration of how interview participants see procedural fairness:

> *Fairness of taxes in this country seems like a game to me. (Gives an example)*[15] *Imagine that two teams are playing football on a very muddy pitch. For me, they are competing companies in the market. There is a man who happens to be the referee and the organiser of the game at the same time. When the game starts, referee is showing red cards to players by penalising them for the mud on their football kits. (But) He is the owner of the pitch and he should turf the pitch before the game starts. Interviewee 11*

The analysis provided insights for the reasons of why procedural justice concerns of the participants are mainly negative. One of the greatest concerns of the participants was high tax rates, especially the VAT rate,[16]which was commonly found to be high and unfair. Twelve interviewees complained that consumption taxes like VAT harm their sense of fairness

[15] The brackets were used within the quotes for providing additional information that helps to grasp the meaning of the quote, which otherwise can be problematic for the reader because of the cultural or technical unfamiliarity with the concepts. In some cases, they used for clarifying the meaning to replace the omitted words during the interviews.

[16] VAT rate is 18% for all taxable transactions and it is applied by issuing an invoice when delivering goods or services. In addition, reduced tax rates of 1% and 8% are applicable for some transactions that are determined by tax law. Please see Başpınar, (2009) for further explanation on VAT in Turkish tax system.

because they are not levied according to the tax paying ability of taxpayers. The following quote presents a vivid example for this perception.

> *I feel the state's hand in my pocket because I think taxes are not just. They are not collected from the rich and powerful but they are just taken from the ones who are convenient to be taxed. Look at VAT and Motor Vehicle Tax (MVT), they are collected with impunity (meant unjustly) from anyone regardless to how much money you have made. Interviewee 14*

In addition to aforementioned problematic perception of high tax rates for procedural justice, eight participants mentioned that the design of the tax law and their collection methods are not fair. Specifically, four participants stressed that the tax law should consider specific maturity periods (accepted period for payment of invoices) for the sectors when setting the declaration and payment periods of the taxes. Participants stressed that the lack of sectorial considerations were forcing them to pay taxes before collection of their revenues, which was found to be unfair. Moreover, six participants complained about the unfair design of tax law. Although participants highlighted different aspects of various taxes in this regard, the following quote presents a vivid example of problematic tax design which influences perception of the procedural fairness negatively.

> *I am sceptical about the fairness of taxes. For example last year, we had to pay a fine because of a bizarre procedure. When we are preparing lunch (this OMSC owns a catering company that serves meals for factory workers), we often serve additional yogurt with the lunch menu. However, the yogurt's VAT is 8% while lunch's VAT is 18%. Therefore, we had invoiced them separately. Nevertheless, we received a tax penalty for causing tax loss. Tax authority said: pay the difference of the VAT. They said yogurt is an ingredient and did not accept that it was not. In short, the state says that you have to sell your yogurt with 18% VAT while the same yogurt can be sold with 8% if you are not a catering firm. Interviewee 13*

Another concern of the participants was tax amnesties, which are declared with considerable frequency in Turkey. Fourteen participants acknowledged that the tax amnesties are harmful for their fairness perceptions. Concerns of two participants were expressed about tax amnesties were that they felt *cheated* by state because they paid their taxes on time, instead of postponing it to wait for tax amnesty. Interestingly, although, eight participants utilised tax amnesties before, the majority (seven participants) found tax amnesties unjust for other taxpayers. Therefore, it can be assumed that the participants' perception of procedural justice was influenced negatively by tax amnesty declaration.

In addition, participants who see the tax system as unfair stressed that their willingness to pay the taxes is also affected negatively. Moreover, four participants admitted the perception of unfairness is creating a logical reason for tax evasion and tax avoidance.

Overall, procedural justice presented strong grounds for the participants when assessing their tax compliance and tax morale decisions. Therefore, the construct is kept in the model for the confirmatory phase of the research.

5.3.1.2 Distributive Justice

Distributive justice refers to taxpayers' views regarding the fairness of resource allocation and income contribution (Braithwaite, 2003; Lerner, 1987). In other words, distributive justice refers to tax burden and the allocation of funded benefits or public goods (Wenzel, 2002). However, tax research commonly focuses on the perceived burden of taxes when it comes to distributive justice (Braithwaite, 2003; Kirchler, 2007). Following the same path, this PhD research adopts the definition of distributive justice as OMSCs' perceived fairness of how the tax burden is distributed amongst other taxpayers.

Similar to the procedural justice perceptions of the participants, the interview analysis revealed that their perception of distributive justice is negative. In other words, they suggest that their share of the tax burden is unjust and high. Nevertheless, the number of participants (sixteen interviewees) who declared a negative perception on distributive justice is slightly lower than negative perceptions of the procedural justice in the sample. Remaining participants expressed that their perceptions were neither negative nor positive but 'normal' on distributive justice. Moreover, results of the analysis suggest that distributive justice is influential on participant OMSCs' tax compliance decisions. The following quotes are helpful for understanding participants' perspective on the influence of distributive justice on their tax compliance behaviours.

> *The state forces us too much. If the state asks us to pay fair taxes, I believe it collects three or four times more revenue, then I volunteer to pay my taxes. But now, they demoralise me. I pay VAT, Corporation tax, Advance tax, Withholding Return Tax…. it never ends. Interviewee 14*

> *If you ask 30-40% of people's income to be paid as tax when they cannot even afford to pay their utility bills, you cannot collect any money. People look for other escapes (from taxes). People escape from taxes for a reason. My thirty years of experience in this sector (textile) taught me this. Interviewee 17*

I pay one Lira (Turkish currency) as a tax out of every three Liras that I earn. It means; I work two days a week for the state. How come it can be fair? Interviewee 2

The analysis highlights that perceptive injustice between different sectors and occupations are often acknowledged as a reason of negative distributive justice amongst participants. For instance, eight OMSCs in the sample mentioned that taxpayers from the different self-employed occupations[17] such as doctors, solicitors and goldsmiths frequently evade taxes although they earn high income. Therefore, they feel that they had to bear high tax burden because the tax is not distributed justly. Some participants who believe that self-employed occupation groups are not paying a fair share of taxes also suggests that these groups substantially operate in the shadow economy and avoid drawing up an invoice for their clients or customers. Similarly, some participants indicate concerns about shadow economy operations in different sectors. Notably, six participants working in automotive, metal and machinery sectors suggested that companies from the textile sector have low tax burden because their shadow economy transactions are high. The reason for the perception about the textile sector might be the result of the sector's customer structure, which consists of small companies that operate in the shadow economy. In addition, considering the two perceptual patterns about different sectors, it can be claimed that shadow economy involvement by others has a negative influence on participants' perceived distributive justice.

Although the interviewees commonly expressed unfavourable views on distributive justice, a majority (thirteen interviewees) stressed that their company paid the fair share of taxes in the previous year. This acknowledgement was interesting because it might contradict expressed perception of unfair distribution of taxes. However, five participants, who had negative views on distributive justice, explained that they had engaged with precautions such as tax avoidance schemes to arrange their tax burden. For instance, Interviewee 4 explained that he postponed his sale for twenty days and issued an invoice in following tax year because he wanted to reduce his tax bill. More interestingly, two participants (interviewees 12 and 14) hinted that they were involved in tax evasion arrangements because they found their tax burden unfair.

Similar to the procedural justice construct, distributive justice perceptions of the participants were found to be influential in the sample's tax morale and tax compliance

[17] Problematic tax relations of self-employed occupations are occasionally discussed in Turkish media and are criticised because of their involvement with the shadow economy according to the Revenue administrations reports over the last decade in Turkey (Bayrakli et al., 2004). This might also be the reason for the negative perception of these taxpayers.

decision. Consequently, the construct was found to be relevant in this research's conceptualisation and it kept in the model for the confirmatory phase of the research.

5.3.1.3 Tax Knowledge

The literature suggests that taxpayers' level of tax knowledge positively affects their taxpaying behaviour (Eriksen and Fallan, 1996; McKerchar, 1995; Fallan, 1999; Hofmann et al., 2008; Brainyyah and Rusydi, 2013; Saad, 2014). Consequently, tax knowledge, which is defined as having knowledge of the tax regime that the taxpayer is to be treated under (Andreoni et al., 1998; Song and Yarbrough, 1978), is found to be one of the important factors that affect tax compliance and tax morale. In this study, the accepted definition of the construct refers to level of OMSCs' perceived knowledge of tax legislation and procedures that are required to comply with their tax obligations. In order to discover the perception of OMSCs tax knowledge, participants were asked about whether they are aware of their tax obligations and whether they feel knowledgeable about taxes.

In order to understand the OMSCs' responsibilities, a brief summery on main taxes that corporations are obligated to pay in the Turkish tax system and their payment processes are shown in Table 7.

Table 7: Tax Obligations of Corporations in Turkey

Taxes	Taxation Period	Declaration Time[18]	Payment Period
Corporation Tax	A year	Next Year's April 25th	Next Year's April 30th
Advance Tax	A quarter year (3 months)	Following second months' 14th	Following second months' 17th
Value Added Tax	Every month	Following months' 24th	Following months' 26th
Withholding Tax Return	Every month	Following months' 24th	Following months' 26th

In addition to the taxes presented in Table 7, small companies have to pay employer social security contributions which are declared following months' 23rd and are to be paid every following month's 26th, similar to VAT. Considering small companies are obliged to pay two taxes on a monthly basis and others over the year, it is understandable that a certain level of tax knowledge is necessary to for OMSCs to meet tax requirements for their companies.

[18] The date that tax returns are due to fill and submit to TRAD.

Providing opportunities to increase knowledge about the tax regime is found to be important by some countries' tax administrations, such as Korea and South Africa, which developed taxpayer education programmes in order to increase tax knowledge and tax compliance (OECD, 2013). Unlike these countries, the Turkish Revenue Administration (TRAD) does not provide any induction or educational programme for their taxpayers. However, TRAD does offer other information services to improve tax knowledge, such as online helpline, free booklets, detailed website and social media announcements. Despite these services, some participants mentioned the lack of adequate support from TRAD for OMSCs on tax obligations.

> *The government is not informing us enough about tax. We do not know about our responsibilities. Similar to our GPs, we should have a counsellor or advisor in the tax office. Do we have one? No. I believe that should exist. Interviewee 1*

In the interviews, the participants are asked to assess their knowledge of taxes. Thirteen participants expressed that they are aware of the taxes that they are obliged to pay and they also stressed that they felt knowledgeable about the tax system.

> *I know the tax system and my obligations. I have to know. I do not have any other choice. Otherwise, I cannot run my business and provide bread for my employees. Interviewee 1*

> *Yes, I am aware of every tax that I paid. Actually, I know taxes that I pay for my company but not others (meant indirect taxes). Interviewee 12*

> *I am trying to be updated and informed (about the tax system). We are getting professional support from our tax advisor. To be honest, it (tax law) is changing very frequently, so it is hard to track the changes. Nevertheless, I know what I am supposed to pay, because taxes come out of my pocket. Interviewee 13*

The remaining participants, who are the minority of the sample, expressed lack of confidence about their knowledge of tax duties and the tax system.

> *I heard that there are around 40 taxes. I know withholding tax, VAT and corporation tax. I can add two three more to this list but I cannot say I know it comprehensively. Interviewee 20*

I think it is hard to know them (taxes) deeply. However, I know my received invoice and my issued invoices; the difference should be paid as corporation tax. Additionally, I am paying many taxes (indirect) as a citizen ... Interviewee 14

The analysis revealed that the participants' of tax knowledge seemed to differentiate for various taxes. In other words, the participants have different levels of tax knowledge on different parts of the tax system. For instance, Corporation tax and VAT appeared to be known confidently by the majority. Two thirds of participants mentioned specific details about taxes, which required tax knowledge during the interviews. Examples include their tax bases and tax subject of these taxes, declaration times and applicable exemptions on these taxes, and so on. However, participants did not appear to confidently comprehend withholding tax and advance tax.

No, I still do not understand what is withholding tax return ... I am asking my tax advisor every time that it came in front of me and he describes it as: "do not ask, just give tax". Interviewee 14

We have an advance tax. I have never understood this. Interviewee 2

The different levels of perceived tax knowledge for the different taxes might be the result of the lack of tax education and perceived complexity of the aforementioned taxes' procedures. Nevertheless, the participants who highlighted their lack of knowledge about specific taxes seemed reluctant to develop positive compliance attitudes towards those taxes. For example, interviewees 2, 4, 10 and 19 described withholding tax return[19] as tax that they have to pay although they did not earn any income. Therefore, they suggested that it is justifiable to evade or avoid withholding tax when the opportunity occurs. The following quote presents an interesting view of this perception. The interviewee is confused about the context of the withholding tax as that hinted lack of adequate tax knowledge.

Withholding tax is a very strange tax to me. I understand when I pay tax for my employees but why I have to pay instead of my landlord. He is richer than me. I said to him I could only pay it from the lowest imputed rental value, not from the actual amount. Interviewee 10

[19] Withholding tax return is the tax that companies are obligated to pay on behalf of their employees or landlords by deducting Income Tax from their gross salaries or earned rental income (Başpınar, 2009). Withholding tax return is deductible from the rent that companies pay when the landlord is not another company according to Turkish tax law.

On the other hand, participants who suggested they have comprehensive knowledge about taxes presented a positive attitude towards taxes in the sample. Four participants especially, who believe themselves to be knowledgeable about tax, stressed that they differentiate withholding tax and deducted VAT from corporation tax or any other tax that their company has to shoulder because these taxes are deductible. Therefore, they think that the VAT and withholding tax are not aggravates to their tax burden. Consequently, compliance attitude for those taxes are positive. This part of the analysis found important because it highlights a strong relationship between tax compliance/tax morale and tax knowledge. The following quotes provide insight into this motivation for the reader.

> *Withholding tax from employee, right? You should think of that as the money that employee pays. Interviewee 16*

> *VAT, no I do not think of VAT as a tax of company. I am collecting that amount of VAT on top of my sales. Interviewee 9*

Moreover, in the case of three participants whose company sales depend substantially on exports and receive a tax rebate from the government, which means they are paying their taxes by offsetting their VAT return to other liabilities, it was observed that these participants are slightly less aware of their tax liabilities than other participans. Correspondingly, the analysis did not reveal any relationship between their tax compliance attitudes and tax knowledge.

Additionally, Interviewees 3, 5 and 13 raised a different point about their tax knowledge. They suggest that their tax knowledge is concentrated mainly on tax liabilities, however they admitted they are unaware of tax incentives that the tax system provides. Hence, this seemed to create a moral obstacle to a positive attitude towards taxes because these OMSCs suggest that they should be encouraged with incentives instead of threatened by deterrence policies. The following quote vividly illustrates the aforementioned perception.

> *Even though it (tax law) is changing very often and we are struggling to track it, we are eventually informed about it one way or the other. If we have not been informed, the government is warning us in a good way or bad way about what we need to pay. However, we could not be aware of incentives or opportunities that the government provides for us. We should be warned about them in the same way. Interviewee 13*

Overall, the findings about the tax knowledge construct shows that the majority of participants described themselves as knowledgeable on tax. Moreover, the analysis highlights

that the participants whose perceived tax knowledge is high, presented positive attitudes towards tax compliance. Similarly, low perceived knowledge of tax might prevent them from complying the with the tax system and in some cases provides justification for tax evasion. In other words, the analysis indicates that perceived tax knowledge of OMSCs is influential on taxpayers tax compliance and tax morale. Consequently, the construct is found to be relevant in this research's conceptualisation and kept in the model for the confirmatory phase of the research.

5.3.1.4 Tax Complexity

Tax legislation is generally criticised by taxpayers because of its lengthiness and complicated nature. Supporting this argument, the literature agrees that tax complexity influences tax compliance decisions of taxpayers (Kaplow, 1996; Eustice, 1989; Bobek and Hatfield, 2001; Forest and Sheffrin, 2002; Ingraham et al., 2005; Brainyyah and Rusydi, 2013). Consequently, as explained in detail within section 3.4.1.4, tax complexity, defined as the perception of legislative complexity in both tax law and tax procedures that affects OMSCs, is included in the OMSCs' tax morale model. Therefore, participants were asked about their views of the tax system's complexity and how it affects their compliance decisions.

Although the majority of participants found the tax system complex and hard to understand, interestingly, nine interviewees declared that they did not find the tax system confusing. However, although five participants amongst this group expressed that they do not find complexity in their companies' tax relations, they still found the remaining tax system (tax regulations they need to comply with as an individual) confusing because of different indirect taxes that they face in their daily lives.

> *The taxes that I pay for my company are not confusing for me. However, our indirect taxes are far too complicated. I cannot claim that I know every tax that I am obligated to pay individually. Interviewee 12*

> *We are aware of our taxes (meant corporately responsible taxes); we do not know other taxes. Interviewee 5*

The analysis showed that the participants, who find the tax system complex, explain that their perception has substantially two different reasons. Firstly, eight participants complained that the tax system is complicated as a result of extensive variety of taxes and exemptions for corporations. Especially participants 3, 8, 14 and 19, stressed they found particular taxes confusing such as withholding tax return and advance tax because of their long and detailed procedures.

I am an attorney but even I found tax legislation confusing, Look, I took my employees to a picnic to celebrate our fifth year as a company three years ago. I served lunch to them and I gave them a pack of Turkish delight, which I thought it was dessert. I deducted the cost of all food from my expenses but it appeared that somewhere in the legislation "packed" dessert is defined as a present, which is a non-deductible expense. Interviewee 14

It is like a father with fifteen children and cannot remember their names. They must lay two or three taxes, so we can understand and pay it consciously. Interviewee 19

The second reason of complexity was explained by five participants who stressed that complexity is caused by the frequent changes in tax legislation. There are some reasons highlighted to explain frequency of change in the interviews. Firstly, it is claimed that changes are the excuses for the government to cover its fiscal needs; therefore, they were perceived as misused policy.

In the economic crisis they (government) laid a tax, in earthquake they did the same. Whenever they needed money, first thing borne in their mind is to lay another tax. I honestly understand some taxes after I paid them. Interviewee 19

Secondly, few participants asserted that frequent changes are aiming for a more efficient tax system however, bureaucrats who are designing and deciding the changes are not familiar with the business environment and the markets therefore, the intention cannot be fulfilled. To put it simply, according to some participants, inexperienced and unfamiliar legislators to business environment create more problems while they intend to solve.

Our bureaucrats are working to make it (tax system) better, but they are not the business people. Moreover, they do not ask to people who know businesses and how they operate. That is why they do not know what is precisely needed. It is Turkey, first do the thing then patch it. Interviewee 9

Considering the above explanations about tax complexity, it is acknowledged that the dominant view amongst participants about tax complexity is that it negatively influences the OMSCs' tax compliance intentions. However, four participants declared that they did not find tax legislation complex because they never encountered it, as they preferred to seek advice from their tax advisors to avoid such problems. In addition, despite some dominant negative views of tax complexity, a couple of interviewees indicate that they are optimistic about

solving the complexity problem as a result of recent improvements such as electronic developments and internet based tax offices.

Overall, the findings of interviews on the tax complexity construct support the literature and reveal that it is an effective construct for the tax compliance and tax morale understanding. Consequently, the construct is found to be relevant in this research's conceptualisation and kept in the model for the confirmatory phase of the research.

5.3.1.5 Government Perception

In the tax literature, taxpayer perception of current government is highlighted as an influential factor on tax compliance and tax morale (Mason and Calvin, 1984; Scholz and Pinney, 1995; Scholz and Lubell, 1998; Alm et al., 1999; Torgler, 2005). Positive perception of the government is found effective on individual taxpayers' tax compliance in the Turkish literature (Altug et al., 2010). In light of the literature, it can be assumed that positive government perception positively affects taxpayers' tax morale and tax compliance. Considering the literature suggestions, government perception construct which is defined as the way that the OMSCs see and understand the current government's performance, is included in the OMSCs' tax morale model. Therefore, participants were asked whether their views on current government influence their tax paying behaviour.

The interviews revealed that different aspects of the government and taxpayer relationship determine participants' perceptions of current government. In this regard, trust, support and satisfaction with government are identified as three components of the government perception amongst interviewees. Although separating these three components of government perception is difficult because of the close and related domains, the analysis continues by looking at specific stances of these components individually.

Trust in the government was stressed very often when the interviewees asked about their perceptions about the government. During the interviews, government was commonly referred to the Justice and Development Party (AKP) that is the ruling party holding office since 2001 for three consecutive elections. Fourteen participants declared that they have confidence in the current government. Moreover, nine participants amongst them expressed that their sense of trust in the current government influences their compliance decisions. Additionally, trust seemed to be encouraging them to avoid getting involved with tax avoidance schemes. The following quotes reveal the trust and compliance relationship.

> *I can personally admit that I trust more the current AKP government than former ones. I have some friends like me in the sector. For instance, we used to declare withholding tax for our employees and their social security contributions at rates*

lower than their actual salaries. You can say it was around 40% non-declared but now we are declaring it on actual salaries. Interviewee 13

I started to trust the government because they started to change my country. Roads, health service are improved. I feel that the government showed some contribution to me, to my country. Therefore, I am supporting (tax related issues) them more. Interviewee 19

Although trust in the government had demonstrated positive influence on the participants' tax compliance intentions, interestingly, interviewees 1, 8, and 12, who held opposite views on trust for the current government, did not indicate any influence of their mistrust on their compliance decisions. However, they suggested the event that caused mistrust such as corruption and bank scandals in 1990s are discouraging and affected their compliance intentions negatively.

I believe some former governments wasted the taxes we paid. Additionally, banking scandals, especially those about Cavit Caglar (Former minister who was found guilty about corruption in 2001) make me felt misused as a taxpayer. Interviewee 8

Support for the current government appears to be a component of the participants' government perceptions in the analysis. Even though participants were not asked about their support of the government, six participants mentioned that they supported the government and four of them declared that they voted for the current governing party in the last elections. Remaining participants did not express their specific stances apart for interviewees 2 and 8 who expressed that they did not support the current government. Although support and trust components of the government perception are closely related, only three participants, who declared their support, mentioned that their tax compliance and tax morale are influenced by their support. For instance, interviewee 13 expressed because of his support, he pays his taxes with "resentment" that the government "spend money without wasting it". The following quote explains the influence of government support on tax compliance and tax morale.

I feel the state is changing with AKP. I declared my tax more closely to the actual in last three years than before. Many of my friends did the same. I think this is a good sign for open support for this government. Interviewee 15

Satisfaction with the government is indicated as an important component of government perception in the interviews. Unlike the support component of the government perception, satisfaction with government practices seemed to be commonly influential on

participants' tax compliance and tax morale. Hence, the majority of the participants mentioned about their satisfaction (or dissatisfaction) when asked about government perception. Fourteen interviewees indicated they are satisfied with the developments in public services during this government.

> *I changed my mind in the last ten years. Because I saw that the taxes returned to us. That is why I am now convinced to pay more. I am willing it as long as the money returns us as services and goods. Interviewee 20*

> *I am a customer of the state. Same as my customers, if they serve me well, I pay well. Interviewee 16*

> *I used private health insurance for my family because public hospital was very bad. This government developed them and last year I went to consult a doctor just to see the improvement. I was shocked. Everything finished in 45 minutes. When I see a public service of this quality, why would I escape from taxes? Interviewee 19*

Similar to the government satisfaction, dissatisfaction from the government seemed to discourage taxpayers to comply. However, the analysis showed only two participants, who are dissatisfied from the government, admitted that the perception is influential on their compliance intentions.

Overall the findings of Government Perception construct from the three components namely, trust, support and satisfaction, are found to be influential on participants' tax morale and tax compliance. Therefore, the construct differentiates from the other constructs that have a single dimension. Consequently, it has to be evaluated as the formative construct at the next phase of the research. In summary, the construct is found relevant in this research's conceptualisation and kept in the model for the confirmatory phase of the research.

5.3.1.6 Political View

The literature argues that the political view of taxpayers has an influence on their tax compliance and tax morale (Wahlund, 1992; Torgler, 2007; Braithwaite, 2009; Leonardo, 2011). The Turkish literature highlights that taxpayers tend to reduce their involvement in tax avoidance schemes when the political party that they support comes to power (Demir, 2009). Hence, in light of the previously discussed literature in the section 3.4.1.6, the literature based OMSCs' tax morale model includes the political view of OMSC as a construct. In order to uncover the views of the participants, they were asked whether they might be more enthusiastic to comply when their supported political party came into the power. In contrast to the literature, the majority of participants (eighteen participants) declared their compliance dec

are not related to their political stance. Fourteen interviewees disagreed that they would be less compliant when the opposing party came into the office. They admitted tax law should be obeyed regardless of politics.

> *I do not think change in the politics will change anything in my mind. Today is this party in charge tomorrow will be the others. Interviewee 2*

> *I can talk for myself that political choice is not important. Regardless to whichever political party is in charge of the country, we pay our taxes. Things after it are the state's business, not ours. Interviewee 17*

> *I do not put system of state and politics in the same basket. Some processes are not changing according the politics. Interviewee 9*

> *We need to be apolitical while we are running our businesses. Interviewee 4*

Interestingly, it is notable that two participants who declare their support for the current opposition assumed that the taxpayers who are supporting the government are more likely to comply.

> *The religious party (AKP) is leading the country hence, I assume, their supporters are paying more now. Interviewee 12*

Unlike the majority, two participants highlighted their willingness to pay taxes increases when their ideology is represented in the government. Although the reason for their increased willingness can be argued as trust in the government. Therefore, it might not be identified as the possible effect of the political view. Nevertheless, the relevant quotes are provided below.

> *I am voting for a party because I want to see them ruling the country. I want to see them being strong and developing my country. That is why I need to shoulder the responsibility and give them my support. Interviewee 19*

> *Of course, you will pay with contentment if your party is in the office. I think it is a human psychology; I fell relieved when I see my party is in charge. Interviewee 6*

Additionally, two participants indicated they might be concerned that the tax revenue would be wasted if the non-supported party were ruling the country. Consequently, they admitted their willingness might be affected negatively. This view also supports the

above mentioned trust argument which is also discussed as a component of the government perception in the section 5.3.1.5.

Overall, the analysis revealed that political view is not strongly effective for the participants in their compliance behaviours. Nevertheless, seeing the supported political party in office might be slightly encouraging to the participant as a result of trust in the party. However, rule by a non-supported political party seems to be not effective. Therefore, political beliefs as a construct can be related to the broader construct such as government perception that might include political beliefs as a dimension of the construct.

5.3.1.7 Religiosity

Religiosity and its influence on tax compliance and tax morale are discussed in tax literature by many scholars such as Torgler (2003), McGee (2006), Welch et al. (2005), Stack and Kposowa (2006) and Pope and Mohdali (2010). As discussed in the literature review chapter (section 2.8), the literature suggests that level of religiosity is positively correlated with level of tax morale (Torgler, 2007). Consequently, the OMSCs' tax morale model included religiosity of OMSCs as a construct. The religiosity definition is adopted from Johnson et al. (2001) that describes religiosity as the extent to which an OMSC is committed to a religion and its teachings, such that attitudes and behaviours of an individual reflect this commitment.

During the interviews, the researcher identified the participants' religious stance according to their declarations during the interviews. Twelve interviewees declared that they define themselves as religious and seven interviewees preferred not to primarily define themselves as religious. This latter group are named as secular in this research. The remaining participant was undecided on his stance. The proportion of religious and secular participants showed that the sample proportions of the research is similar with previous studies on Turkish taxpayers such as by Altug et al. (2010) who found 67% of Turkish taxpayers suggested that paying taxes is a sacred duty.

In order to uncover participant perceptions, the discussion started with understanding their evaluation of tax evasion according to their religious beliefs. Considering the fact that twelve participants defined themselves as religious, it is expected that a majority of interviewees acknowledge tax evasion as a misdeed according to their religion Islam. Accordingly, fourteen participants, including some seculars, defined tax evasion as an illicit activity for Islam. Moreover, eight of them took a step further and suggested that they considered tax evasion as a sin.

I am not the authority to decide but I understand tax evasion as sin. Interviewee 2

I think all kind of tax evasions is sin. Nevertheless, I cannot define it as completely Haram (illicit to Islamic law), yet it is still a misdeed. Interviewee 9

I clearly define tax evasion as a sin. Interviewee 15

You have the money and you are not giving (meant avoidance and evasion) it to the state. Of course, it is a sin. It is a sin because we are using common goods. If people are earning, they should pay. In this sense, we can say it is a sin. Interviewee 12

Supporting the abovementioned religious perception of tax evasion, the majority of participants stressed that their religion advises them to be honest; therefore, according to the Islamic perspective a good Muslim should pay their taxes correctly and honestly without hesitation. However, the analysis revealed that common perspective on religion and tax compliance behaviour was challenged according to specific perceptions of the different taxes. In particular, a common concern is noticed amongst the participants for the taxes that are assumed to be collected or used for religiously inappropriate purposes. The analysis showed that objection to comply with taxes on non-religious tax subjects became more distinct especially amongst religious participants, e.g. when the example of the national lottery contribution was raised. In Islam, gambling is defined as sin; naturally, this perception encouraged an antipathy for the national lottery itself. Although there is not an imposed contribution in the current Turkish tax system and taxes are allocated through the general budget, which suggests they are not reserved or dedicated to a specific public expenses, participants seemed to be confusing it with other compulsory contributions, such as the broadcast contribution (compulsory payment such as TV licence fee in UK), due to common misinterpretations that appear on the media. Nevertheless, the responses provide a different perspective of religiosity and tax compliance relationship. Three participants indicated they would evade or refuse to pay taxes that are against Islamic orders even if they are obligated to pay by law.

I do not pay taxes that serve or to be collected for non-Islamic purposes. Even gambling, I will not consider giving a kurus (penny). If they force me, I will definitely look for evading opportunities. Interviewee 15

If my money finances bombing of the Muslims or finance head-scarf ban, of course I evade. Interviewee 4

Apart from the dominant perception of the sample, four participants highlighted that tax should not be associated with religious concerns. In other words, they suggested that

evaluating tax matters with Islamic concepts is not appropriate because they think running a business should be separate from religious concerns. They found it an unprofessional approach to their businesses. The following quotes present these views.

> *I think ... money is nothing to do with religion. If you are working within the small scale then you think with the guidance of religion. In a bigger scale, religion stays apart because we are all capitalists. Interviewee 10*

> *I do not see any connection between paying taxes and religion. I think it should relate with civic duty. It should not be seen as good deed or bad deed in especially when you are managing a company. Interviewee 8*

In addition, some secular participants (interviewees 2 and 7) highlighted that evaluating tax matters with religious concepts are against their understanding of laicism therefore it is disagreeable for a law-abiding citizen. Laicism is a constitutional political criterion and it is commonly understood as the main difference between the secular and the religious social classes within Turkey when the role of religion in the state is considered. It is roughly defined as separating religious motives from state activities. Therefore, they found affiliating tax issues with religion inappropriate. Unexpectedly, two religious participants also claimed that tax concerns should not be considered with religious perspective because of the unfair tax system. This opinion is more common among participants that define themselves as religious than others. However, both objections are not the dominant views in the sample

> *Tax evasion might be illicit if we are talking about fair tax system. Without fairness, there is no need to talk about good deed or bad deed or rights of taxpayers in Islam. Interviewee 17*

Participants also evaluated the effect of religiosity on other taxpayers' compliance behaviour. The majority, including some secular participants, admitted that religious people should comply rather easily with the tax legislation. Some participants explain it with Islam's command to obey the head of state under Islamic rules. Therefore, obeying tax legislation can be a religious obligation.

> *Religious people, normally, would wish to comply with the tax system and even pay more taxes if possible. As a religious individual, I am thinking in that way too. Interviewee 15*

> *Religious people, at least, would have a tendency to comply with tax system. Interviewee 12*

If you are religious, you should automatically not get involved with tax evasion or avoidance. Interviewee 4

However, eight interviewees indicated that in reality they see religious people are not different from others. In other words, religious peoples' tendency to evade is not different from the rest. Furthermore, participant 12 claimed that religious OMSCs are more likely to evade. He explained this based on religious taxpayers' disapproval in previous years of the state due to its unsupportive policies for religious people, such as maintaining the scarf ban.

They (religious people) used to have arguments for not to pay taxes. I remember that someone said; "tax should not be paid to this infidel state". Interviewee 12

Interestingly, two religious interviewees also suggest that obeying religion might encourage non-compliance. However, their motives are different from the secular interviewee 12. Some highlighted unfairness of the tax system as a moral obstacle for them to comply with the tax system. Moreover, interviewees 4, 15 and 20 claimed moral values and tax burden should be in balance otherwise the tax burden is more likely to prevent religious taxpayers from complying.

Our Islamic values and money should be in balance when we are deciding to pay our taxes. I am willing to pay but what happens if the cost is excessive for me. Balance is important but bearable cost with no values means nothing to me. Interviewee 15

In addition, three religious participants claimed obeying religious rules might make evading taxes necessary when a conflict occurred between them. Therefore, tax evasion might be considered even as a good deed.

If taxes that I pay return to the people of this country then I must pay taxes. However, if they are wasted, then, for me, paying is committing a sin. Interviewee 20

The interview analysis revealed that religious participants would be keener to comply if the current tax legislation considers Islamic rules. Eight religious participants suggested that religion friendly tax legislation would encourage their compliance. In addition, two religious participants indicated that even though compliance levels would not increase, their evasion and avoidance possibility would most likely decrease.

I believe if the tax law is designed in cooperation with Islam's orders, more tax revenue can be collected. I can pay my tax more freely in this way. Interviewee 15

I would certainly be more compliant. Interviewee 19

Tax collection is somehow a psychology dominant issue. Therefore, if the citizens see their taxes are being spent in a good way they will comply more. At least their tendency for evasion will decrease. Interviewee 12

Additionally, six religious participants highlighted that their compliance intentions would increase when the current tax system considers embedding compulsory payment of zakat (Islamic tax) into the current tax system. Zakat is one of the five fundamental obligations of Islam, which is a compulsory charity payment that has been collected from the wealthy. In Islamic law, Shari'ah, the word Zakat refers to a determined share of wealth prescribed by Allah to be distributed among deserving categories. It is also used to describe an action of payment of this share (Qaraḍāwī, 1999a). Wealthy individual is defined as one who is in possession of a minimum amount of wealth called Nisab[20] for an entire lunar year and these individuals are obligated to give 1/40 (2.5%) from their personal and business wealth (Qaraḍāwī, 1999b). Historically, Zakat was collected by the government and distributed to the needy in Muslim countries. Ottomans followed the same principle as some of their contemporary counterparts who are ruled by Shari'ah (Inalcik and Quataert, 1997). However, currently Turkey is not following Shari'ah law and the government is not involved in Zakat collection. Although, Zakat is not the part of Turkish tax system, some religious taxpayers consider these as similar because Zakat and taxes are compulsory payments. Furthermore, the tax system has been criticised in some religious circles for not considering the Zakat payments. Hence, some of the participants expressed Zakat as "double taxation" during the interviews.

I wonder whether I can count my tax payments in my Zakat. I am paying Zakat and besides I am paying my taxes. It feels like I am being double taxed. Interviewee 19

I think integration of my Zakat to the taxes is a brilliant solution for tax avoidance. For me, I see that coming two holy and sacred thing together; Zakat

[20] Nisab is roughly accepted as the growable wealth apart from daily needs. Islam does not impose zakat on all amounts of growing wealth. There is a minimum wealth required for zakatability, which is called among jurists "nisab". Sayings of the Prophet exempt anything that is less than five camels, forty sheep, two hundred dirhams of silver, or five wasq of grain, fruits, or agricultural crops. For more information please see "*Fiqh az-zakat:* a comparative study", Qaraḍāwī, (1999b)

and taxes. Tax evader Muslims and even Zakat evaders might start paying both. Interviewee 20

Although religious participants mainly supported the idea of coordinating religious concerns with tax legislation, three seculars agreed although with a slightly different point of view. They indicated that better tax legislation should consider the main concerns of the society; therefore tax legislation should cooperate with Islam.

Overall, the interview analysis provided evidence that the religiosity of the participants is influential on their tax compliance and tax morale. Consequently, the construct of religiosity is kept in the model for further analysis. However the different perspective for the religiosity also appeared from the analysis. Despite the common agreement on the literature that religiosity is positively correlated with compliance, in this research it is sensed that if there is conflict between state's acts and Islamic beliefs, religiosity might prevent taxpayers from complying. Surprisingly, religious participants had justified non-compliance with religious arguments.

5.3.1.8 Patriotism

Patriotism is discussed in the literature as an influential factor on tax compliance and tax morale of taxpayers (Hill, 1894; Andreoni et al., 1998; Roth et al., 1989; Konrad and Qari, 2012). Patriotism is defined as love of country in social psychology studies (Kosterman and Feshbach, 1989). Nathanson (1989) includes four aspects to the definition of patriotism which are: special affection for one's own country, a sense of personal identification with the country, special concern for the well-being of the country and willingness to sacrifice to promote the country's good. Nevertheless, in tax related research, willingness to sacrifice for country's good is commonly promoted (Andreoni et al., 1998)

The effect of patriotism was first examined long before compliance literature by Hill (1894), who claimed that an increase in patriotic feelings during war times accompanies increase in voluntarily paying tax. Moreover, Andreoni et al. (1998) asserted more patriotic individuals derive a "warm glow of giving" from their tax payments therefore they are more likely to comply. Additionally, recent research seems to support this stance. Konrad and Qari, (2012) found a robust correlation between patriotism levels of individuals and their willingness to pay taxes in the US. Considering the agreement in the literature, the literature driven OMSCs' tax morale model includes patriotism as a factor under personal norms. Hence, participants were asked whether they feel their level of patriotic feelings is influential on their tax compliance. A few participants seemed to be prejudiced against the term patriotism because of its nationalistic connotations commonly used by the Nationalist Movement Party in Turkey. The Nationalist Movement Party is a conservative right wing

party, which had the support of 13% of the nation during in the 2015 elections in Turkey. The traditional political discourse of the party is a controversial one (Bora, 2003) and it might have been found disturbing (racist in extreme cases) in some circles of society which have different ethnic backgrounds such as Kurds, Arabs, and even some Turks (Canefe and Bora, 2003; Saracoglu, 2009). Hence, the bias of patriotism might be the reason for the negative perception of this political discourse among OMSCs. That is why the researcher had to explain patriotism as love of the country to the participants when the term was misunderstood.

In contrast to the literature, seventeen participants stressed that their patriotism is not relevant with their tax compliance and tax morale. The following quotes are explanatory for participant perspectives.

> *If I cannot earn my bread in this country, my patriotic feelings are not worth a penny to me. I might emigrate to somewhere else. Interviewee 11*

> *I do not think that my patriotism has something to do with tax, at least I never felt in that way before. In other words, the money that I give is not because of my patriotism. I am paying it to keep the system running. Interviewee 13*

> *Paying or not paying taxes is not relevant with patriotism. Paying right amount of taxes is not the only way to contribute to your nation or society; there are other ways. Interviewee 15*

Three participants stressed that patriotic people would have a tendency to be more compliant with tax legislation because they suggested patriotic people would see tax evasion as a "betrayal" of the country's wellbeing. However, only Interviewee 1 agreed that he sees tax evasion as a betrayal of the country. Others suggested that their views on this matter are not strict.

> *People should see taxpaying as a service to the country. Similar to the military service, you cannot escape from paying taxes. If you love your country you should serve so you do not betray your homeland. Interviewee 1*

> *.... I think they (patriotism and tax compliance) should be closely related. But patriotism is not enough by itself to pay your tax bill; you should have enough economic power too. Interviewee 6*

Overall, the construct of patriotism was not found influential on tax compliance decisions by many participants. Nevertheless, the participants stressed both supporting and contrary views on patriotism's influence on tax compliance and tax morale. Consequently,

although the dominant view of the sample suggested that patriotism was not influential, views of the participants vary on this construct. Considering this fact, the construct is kept in the model for mainly three reasons. Firstly, the construct has strong presence in the literature therefore testing it in this research's context bears a chance to contribute to the literature. Secondly, varying evaluations of the participants prevent the researcher from excluding the construct for fear of missing out a possible interesting contribution when the construct is tested in the quantitative phase. Lastly, the participants, as mentioned above, might misunderstand the term of patriotism.

5.3.2 Corporate Norms

Corporate norms are the second group of constructs that are demonstrated in the OMSCs' tax morale model and explained in the section 3.4.2. Corporate Norms is assigned as a higher order construct in the OMSC's tax morale model that emerges from the TPB models' social norms construct. Similar to the TPB formulation, corporate norms are affected by OMSCs' normative beliefs about their company and its wellbeing. Therefore, normative belief (perceived pressure of being a company manager) factors that are identified as influential on OMSCs overall personal evaluation of tax morale and tax compliance are analysed under corporate norms as a higher order construct.

During the interviews, the participants were asked about the constructs that are assigned under corporate norms in the tax morale model namely: professionalism, compliance costs, tax advisors' effect and company structure. Under this sub-section, the results of the interview findings are provided in the same order.

5.3.2.1 Professionalism

Professionalism is defined as embracing staff and resources with a claim of specialized knowledge or practice in companies (Fournier, 1999). Tax literature commonly agrees that lack of professional staff and resources negatively affects tax compliance (Alm and McClellan, 2012; Torgler, 2007). McLisky (2011) found evidence that the taxpayers who suffer from shortage of available resources are more likely to face tax penalties. Supporting that, Marrelli and Martina (1988), claimed that capability of staff in companies are negatively correlated with tax evasion. Consequently, professionalism, which is defined as the perceived ability/competence of an OMSC to have capable staff and resources to comply with the tax system in this research, is considered as an influential construct under corporate norms in the OMSCs' tax morale model.

Following the literature, the participants were asked about their understanding of professionalism and whether they can define their company as a professional one. In the sample, projections of professionalism vary amongst the participants. The majority of

participants underlined similar aspects of professionalism such as recording every transaction (fourteen participants mentioned), convenient traceability of assets (eleven participants mentioned), managing without influenced by emotions (eight participants mentioned), obtaining and implementing professional accounting standards (seven participants mentioned), employing highly skilled workers (thirteen participants mentioned), team work and having an ERP system that helps the organizational capacity of the company (twelve participants mentioned). The following quotes are explanatory of how participants acknowledge professionalism.

> *I do understand professional company as a company that has certain rules and records. It also has determined borders of staff responsibilities. Interviewee 12*

> *I understand professionalism as to establish a good system, well-structured system that runs perfectly. Interviewee 14*

> *In professional companies, you can track every stock and every sale is recorded. Emotions generally come second. I do not think my company is like that. We are trying to get there. But, as I said, we are a family business and it is harder to get there in family businesses. Interviewee 13*

Considering the wide definition/perception that appears from the interviews, it is not surprising to see eighteen participants were not defining their companies as a professional one. Hence, majority of the participants were critical of their companies' professionalism.

> *I cannot define this company as a professional one. Hence, 80-90% of all companies in Turkey are not professional for me. They are all person (manager) dependent companies or family businesses. I think this is related with our traditional family structure. Father gives the company to his son and it goes on. For my company, I can say we are 60% professional (Laughing). After all, I am the key decision-maker and my employees cannot sell anything without consenting my advice. Interviewee 20*

> *I cannot say we are a professional company, because we are a family business. Interviewee 9*

Nevertheless, although some participants (eleven participants) admitted their companies' lack of professional attitude, they declared their major goal was improving their company to meet with professional standards. Moreover, they see this goal as a way of developing the company and making it sustainable for future generations. Additionally, seven participants narrowly defined being a professional company as avoiding operating in

the shadow economy and having a reliable bookkeeping system. Furthermore, some of them stressed their intentions of being a professional company starts with recent inspection, probability of increased inspection of their sectors and institutional changes in Turkish Revenue Administration. Although they commonly frame the term professionalism as only keeping true records and declaring it when it come to tax compliance related concerns, this might be evidence of influence of the state on OMSCs' behaviour to encourage them to comply and improve their managerial ability.

> *I understood the need for professionalism after my tax advisor told me about its importance and I saw the change in seriousness of the state. After then, I started to change my mind. In the past, nobody told me anything about it, maybe they do not know the importance either. I have reshaped my company since then. Everything is under my control now, invoices, stocks etc. To be honest, I felt relaxed. I might be paying more taxes but I am at ease now. Interviewee 19*

Another participant stressed that being a professional company is one way to be in charge of the company and some others agreed that becoming professional by avoiding the shadow economy might increase their tax bill but they are pleased to be fully in charge of their company. Considering this fact, being a professional company can also be understood as a tax compliance process. Therefore, professionalism costs might be considered as compliance costs for small companies. Interviewee 19 explained this attitude interestingly during the interview.

> *Your business is pulling you to be a professional one. You should be professional and pay your taxes otherwise you will be swindled by your employee, or someone will steal from you, so you cannot be 100% in charge of your company. Result: you will be bankrupted. It is like enjoying the uncontrolled power. If I knew that professionalization is a good thing, I would have been trying to be a professional ten years ago. I did not have that conscience and understanding before. Nobody advised it to us. They told me; "Are you crazy, you cannot afford to pay that tax bill if you declare everything". I had thought recording everything would bankrupt me. That is why I avoided it. But now, if I pay 5% extra to the state, I know I prevent to waste on hidden expenses up to 10% of my turn over. Good, is not it? Interviewee 19*

Controversially, two participants explained professionalism beyond keeping records robustly and acknowledged it as employing professional executive manager who targets increasing profit levels. Moreover, they claimed that professionalism might damage their amateur spirit that gives them entrepreneurial flexibility. That is why they found

professionalism rather harmful to their companies. Although, they accept developing their system will provide them a better ability to control the company, they acknowledge that this will also increase their tax bill. Additionally, they emphasized the importance of being professional in their production processes.

Overall, the participants have highlighted different perspectives of professionalism such as traceability, ability and capability of their staff and utilizing the resources of the company, they agreed that the combined understanding of the construct professionalism is effective on their tax morale and tax compliance. Moreover, the majority seemed to agree on improvements to meet the needs of professionalism might increase their willingness to comply with the tax system. In short, the analysis showed that OMSCs see professionalism as a way to improve tax compliance and they relate it with tax morale. Additionally, the construct differentiates from the other constructs that have a single dimension. Consequently, it has to be evaluated as the formative construct at the next phase of the research.

Considering the findings of the analysis, the researcher agreed that the construct of professionalism is influential on OMSCs tax compliance and tax morale therefore it is relevant in this research's conceptualisation and kept in the model for further confirmatory phase of the research.

5.3.2.2 Compliance Costs

Compliance costs are highlighted as an influential factor for tax compliance and tax morale by some scholars in the literature (Hasseldine, 2001; Coleman and Evans, 2003). Hasseldine (2001) defined compliance costs as the costs of conforming to the mandatory requirements of a tax regime involving the preparation and submission of tax returns in accordance with the relevant tax laws in force in the country. Coleman and Evans, (2003) suggest that the heavy burden of compliance costs affect tax compliance and tax morale of small businesses negatively. Moreover, Alm (1988) claims that compliance costs might lead to tax evasion. In addition, according to an OECD (2005), report awareness of compliance costs is considerably lower in Turkey than the majority OECD countries. In light of the literature (see section 3.4.2.2), the construct of compliance costs, which refers to the OMSC's perceived level of cost that his or her company has to bear in order to meet the regulations of tax law, is included in OMSCs' tax morale model. Therefore, participants were asked about their companies' compliance costs and their influence on participants' tax compliance decisions.

The interview analysis revealed that, similar to the OECD (2005) report findings, participants' awareness of compliance costs was low. In particular, twelve participants

suggested that they did not acknowledge/identify the compliance costs that they have to shoulder. They rather defined them as operational costs of their company. Furthermore, some participants admitted they have not considered these costs were related with tax compliance. In this case, the researcher had to explain compliance costs as the level of cost that an OMSC thinks that his/her company has to bear to meet with the regulations of the tax law. The following quotes were enlightening about the unidentified perception of compliance costs by the participants.

I have never thought these costs in that way before. Interviewee 10

We were not thinking tax advisor cost; bookkeeping costs and so on, in that way, but we realized compliance cost recently as the requirements of the state have increased. Interviewee 19

The participants who were not aware of the compliance costs suggested that approximate volume of these costs is lower than 0.1% of their turnover after the researcher explained compliance costs briefly[21]. Thus, the awareness level of compliance costs might be correlated with the level of compliance costs. In other words, unawareness of tax compliance costs might be the result of inconspicuously low compliance costs for OMSCs. Nevertheless, these participants did not show that their perception of compliance costs are influential in their tax morale and tax compliance.

During the interview analysis, seven participants insisted that compliance costs should not be understood as an additional burden because of their managerial benefits. They suggested that the cost that they have to bear in order to meet tax regulations, such as book keeping or consulting a tax advisor, are beneficial for them for not only tax purposes but for managing their companies. The following quotes vividly explain the perspective of the participants.

Tax also helps us about knowing our business. For instance, am I keeping my books just for paying taxes? No, I want to see my position. Even if state tells me that he is no longer taxing my company, I would still bear these costs in order to get the benefits. Interviewee 15

I do not see them as harmful costs. My personnel, who are obligated to keep my books and arrange my tax duties, are also benefiting me on many other occasions. They are increasing my company's efficiency and quality. Thus, I see

[21] The researcher used the same definition for compliance costs, which is perceived level of cost that his or her company has to bear to meet regulations of tax law, to explain the term to the participants during the interviews and provided examples of tax compliance costs such as tax advisor's cost (fee) when needed.

the money that I pay to them as useful costs and it is not bothering me. Interviewee 9

The analysis also showed different approaches to compliance costs that are not strongly stressed in the literature. Participants 1, 5 and 9 mentioned that financing taxes are heavily affecting their compliance cost burden rather than other compliance costs. Financing taxes mainly referred to paying VAT which is due the following month's 26th from the invoice date of their sales. However, average due state of invoices vary between two and four months in many sectors. Consequently, small companies that lack enough capital are generally suffering to pay their taxes on time because their taxes due time is before their collection dates. Therefore, it is possible to add this type of financial cost to the compliance costs that affect OMSCs' compliance intentions.

Additionally, procedural difficulties to solve tax problems with the Turkish Revenue Administration (TRAD) was also mentioned as a generator of unforeseen compliance costs by participants 4 and 9, such as reaching authorized tax office on duty or solving any problems without dealing with further paper work. The following quote is particularly interesting on picturing unforeseen compliance costs.

They (TRAD) flagged my 100 Turkish Liras (TL) tax debt into enforcement. For some reason, I had forgotten it. I had not remembered, nobody reminded me. I went there to pay the amount. I realized they put an enforcement annotation on three of my cars that is worth 90.000 TL. They sent me to two different enforcement offices to release the commitment first. I paid 90 TL to each. Then I came back and paid my over due tax. It cost me half a day, which means more than ten times the amount I owe. I understand they can run enforcement but why not on one car, but three. Although, one single reminder would suffice to make me pay happily, they chose to make me spend half of my day. Interviewee 4

In addition, it is observed that companies, which have high number of operations and sales, are feeling compliance costs more in the sample. Moreover, participants who have accountant or manager backgrounds are more aware of the compliance costs than others.

During the final part of the compliance costs questions, the participants were asked to assess the approximate percentage of their compliance costs within their turnover. A majority (thirteen) of participants commented that their compliance costs were lower than 1% but not lower than 0.1% of their annual turnover. While three others claimed that, they were more than 1% but less than 5%. Only four of them suggest their compliance costs were lower than 0.1% of their turnover. These findings should be approached with caution, as the majority of

participants were not able to understand compliance costs concept thoroughly. Yet, lack of awareness might also be an indicator of the low level of the compliance costs for small companies in Turkey.

Overall, participants highlighted different perspectives about compliance costs. The analysis suggests low awareness of the compliance costs might be an indicator of the less influential position of the compliance costs construct on the OMSCs' tax morale. However, as discussed, some participants acknowledged the managerial benefits of compliance costs for the company therefore they suggested that compliance costs have an indirect positive influence on their tax compliance. In addition, a few participants also highlighted issues of procedural difficulties and financing VAT payments as an obstacle for their tax compliance and tax morale. In short, although the majority of the sample does not find the construct highly influential, some participants suggested different impacts of the construct to their tax compliance intentions. Therefore, the construct was kept in the model for further quantitative testing due to its extensive presence in the tax literature.

5.3.2.3 Tax Advisors' Effect

Roth et al. (1989) defined tax advisors as professionals with whom taxpayers discuss tax matters and from whom they receive advice about actual risks and rewards of the tax compliance. Tax advisors provide three sorts of services: return preparation, tax advice and risk advice. Each of these advice types has potential effects on tax compliance and tax morale of taxpayers (Hasseldine et al., 2007). The importance of tax advisors on the tax compliance decisions of taxpayers is discussed in the tax literature (Roth et al., 1989; Marshall et al., 1998; Sakurai and Braithwaite, 2003; Torgler, 2005 Hasseldine et al., 2007). Hite and McGill (1992) suggest that small businesses need tax advisors because they want assurance that they are correctly meeting the tax regulations. Additionally, they found that small business owners commonly follow the suggestions of tax advisors. In light of the literature (please see section 3.4.2.3), the OMSCs' tax morale model included tax advisors effect as a construct. Hence, in this study, the construct is defined as tax advisors' impact on OMSC's tax compliance decisions.

Considering that the geographical scope of this study is Turkey, a brief explanation about the role of tax advisors in Turkish tax system is provided. According to the Turkish tax lax law, books of every company must be kept by or in supervision of a tax advisor who has to be a Certified Public Accountant (CPA) qualification. Furthermore, corporate taxpayers that exceed certain limits of the annual return (12.766.000 TL for 2015) or total assets (6.385.000

TL for 2015) must seek assistance from a Sworn in CPA[22] (SCPA) to get their books audited and confirmed according to Turkish Tax Procedural Law. In cases where a declaration of export tax rebate is needed, SCPA's confirmation and signature is compulsory regardless of the limits. Therefore, the Turkish tax system mandates involvement of a CPA or SCPA in the tax declaration process and Turkish tax law suggests that CPAs carry professional liability for true bookkeeping and declaration of the tax bill for the companies (Çuruk and Tum, 2011). Consequently, Çitil (2013) suggests that CPAs (and SCPAs) constitute an important part of the tax declaring processes of the companies in Turkey. Additionally, considering CPAs are commonly in charge of the small business tax declaration and accounting processes (Koc, 2010), they play an influential role on small companies' tax compliance. In other words, they perform an intermediary role between state and the company as they have responsibilities for both sides. Therefore, it can be assumed that understanding tax advisors' effect on tax compliance decisions is vital for understanding OMSCs' tax morale and tax compliance in Turkey.

As discussed in the section 3.4.2.3, the trust bond between taxpayer and tax advisor is highlighted in the literature as an important aspect of the relationship (Gooderham et al., 2004). Hence, the participants were firstly asked about their trust in their tax advisors during the interviews. A majority of participants declared that they have reassuring relationships with their tax advisors. Consequently, thirteen participants expressed their confidence and trust in their tax advisors. Moreover, some interviewees (1, 6, 13 and 17) described their tax advisor as their *confidants* in their corporate lives. Interestingly, interviewee 9 expressed the importance of the trust for the relationship remarkably by saying that he had decided to work with his tax advisor even before he started his company. During the interviews, it was noted that participants with many years of experience commonly expressed their trust in their CPAs compared to other participants. These twelve participants acknowledged working with the same tax advisors from the starting date of their company (or more than ten years) as a result of their trustworthy relationships. Demographics and the sample's tax advisor relationships are provided in the Table 8.

[22] SCPAs are the specialist tax advisors that are authorized by the Turkish tax law for independent audit and tax certification/confirmation services.

Table 8: Tax Advisors (CPAs) of the Participants

Interviewee Number	Sector	Years of Experience In Sector	Trust in Accountant	Years with current CPA	Sworn in CPA
1	Automotive	11	Yes	From Start	No
2	Machinery	23	Yes	10	No
3	Metal	16	Yes	From Start	No
4	Construction	11	No	9	No
5	Metal	13	Neutral	6	No
6	Publishing	17	Yes	From Start	No
7	Retailer	3	No	2	No
8	Construction	9	Neutral	8	No
9	Metal	4	Yes	From Start	No
10	Furniture	20	Yes	19	Yes
11	Textile	6	Yes	From Start	Yes
12	Metal	16	Yes	From Start	No
13	Catering	34	Yes	10	Yes
14	Law	8	No	6	No
15	Services	2	Yes	From Start	No
16	Textile	23	Yes	17	Yes
17	Textile	30	Yes	12	Yes
18	Services	6	Neutral	2	No
19	Publishing	17	Neutral	5	No
20	Construction	21	Yes	8	Yes

The interview analysis revealed that the participants explain reasons for confidence and trust mainly as a result of having developed a personal relationship apart from their professional relationship. Although in some cases (interviewees 3 and 11) it is suggested that the tax advisors were employed because they had a pre-existing relationship by affinity to the OMSCs, the rest of the OMSCs' confidence was understood as having developed through the professional relationship. Interestingly, the OMSC and tax advisor relationship might extend to a very personal level that can evolve to develop family bonds which indicates a significant level of trust in Turkish culture. The following quote explains this situation.

> *Of course, I trust him. We gave our sister to him. (He meant his sister was married to him) Interviewee 6*

In addition to the personal relationships, seven participants also added that they chose their tax advisors through referral from trusted colleagues or friends. Thus, the primary criteria while employing the tax advisor appeared to be trust rather than other qualifications of the advisor. Participant 14 underlined the necessity of trust as condition because of the risk

that comes with the unique access of tax advisors to company records and awareness of its activities within the shadow economy. Participant 15 explained the necessity of trust vividly in the following quote.

> *Nobody changes an accountant (meant CPA) because of his poor service. Change can only be exceptional as a result of a major mistake or very big harm that is caused to the company. I did not seek a high quality accountant when I started my company. I asked to my trusted friends' reference about their accountants. It (decision to employ an accountant) must be made through an advice or reference otherwise, it will not work. Because he will know everything about you; your system, off record activities, everything! Interviewee 15*

It is clear that the trust factor creates interdependency between OMSCs and tax advisors in the sample, which also encourages long lasting relationships. Considering CPAs are not mutually responsible for the company's tax penalties, possible risk of sharing knowledge about a company's activities with third parties might be a reason for long lasting relationships. In addition, it appears that the tax advisors who were civil servants (experts or inspectors) in Turkish Revenue Administration established trust and confidence with OMSCs more than other tax advisors. Two interviewees highlighted that former CPAs with civil servant experience are preferable because they know the 'inner circle' of tax office better than others.

However, three interviewees admitted they could not develop a trustworthy relationship with their CPAs. Although they are not the majority in the sample, motives of mistrust were associated with negative experiences of former CPAs and their disorganised services. Therefore, these participants indicated that they are hesitant to follow the advice of their CPAs although they encourage them to comply with the tax system. On the other hand, the participants, who trust their CPAs highlighted that they are inclined to follow their CPA's advice even if it involves paying more taxes.

> *My accountant (CPA) is an old fox. He smells the air better than me especially when it comes to the tax. Interviewee 12*

> *He (his CPA) asked me to apply for the 2011 tax amnesty*[23]*. Initially I thought there was no need to apply for it and pay more taxes. However, I decided that he had a better understanding of the tax office. Therefore, I applied and paid*

[23] Briefly, the 2011 tax amnesty (Tax Code 6111) provided an opportunity for companies to increase and pay their declared tax in last five years and in return, the government granted an exemption for those periods of time from tax inspection.

additional eleven thousand liras just to avoid risk of facing tax penalty. Interviewee 16

Participants were asked about their tax advisors' intermediary position in tax compliance behaviour in order to understand their positions between small companies and the state. Interview analysis revealed three kinds of stances that tax advisors are more likely to take. These three positions for CPAs can be summarised as: favouring state, favouring taxpayer, or neutral. Among these groups, the CPAs' neutral intermediary position appeared to be more common than favouring either side of the tax compliance relationship, as eleven participants agreed that their CPAs do not provide aggressive tax planning or advices for over compliance. Interestingly, five participants complained that their tax advisors usually favours the state and even considers over compliance in order to avoid possible inspections or inconvenient interactions with the tax office. These participants suggested the reasons of the over compliance as fear of making mistakes. In other words, they are uncertain about whether they met required criteria in bookkeeping, or/and tax procedures. Either way, it is suggested that tax advisors aim for minimal interaction with the tax office.

My accountant (CPA) is statist (meant favours state first). He thinks paying a few more liras is better than to be called in. For a long time, he did not even record my own car (used for business) in company accounts while others are writing (claiming) their son's car expenses in their books. Interviewee 3

On the other hand, four participants admitted that their tax advisors advise them to utilise legal loopholes and get involved in tax avoidance schemes at their suggestion. However, the quality of received tax service towards utilising legal loopholes was found insufficient by most of these participants, therefore three of them explained that they seek further advice from their colleagues in the sector before taking any steps. In short, the influence of CPAs on participants was found effective although their advice toward tax compliance or tax avoidance varies.

In addition, it is deduced from the interview analysis that communication between participants and their tax advisors is close and frequent, as sixteen interviewees suggested they consult their CPAs at least once a fortnight. However, nine participants admitted that they faced a tax penalty because of their tax advisor's mistakes or misunderstandings at least once in the last five years. Furthermore, interviewees 6, 12 and 20 mentioned that they were misdirected by their advisors on many occasions because their business has different conditions that require specific knowledge and close follow up with the legislation of which their CPAs were not always aware. Nevertheless, they found tax advisors useful to deal with tax office and revenue administration requirements when needed.

In order to understand tax advisors' capacity to influence OMSCs' tax compliance and tax morale from a different perspective, participants were asked about their tax advisors' ability to arrange their tax bills in order to discover the influence of CPAs in involving possible tax avoidance schemes. Interestingly, fourteen participants admitted they are capable to arrange payable tax amount with their CPAs by postponing the payable amount to next tax payment term by using legal accounting arrangements or decreasing payable tax by utilising loopholes in the legislation that their CPAs can offer. These participants also agreed that they have a conversation before each tax period on payable tax amount especially for the corporation tax and advance tax with their CPAs. On the other hand, remaining participants believed that their CPAs could only increase the amount of tax bill rather than decreasing it.

> *I think he might reduce my tax bill up to 10%. Not more than that. Otherwise, it can be illegal. Interviewee 12*

> *I am discussing predicted amounts of corporation and advance taxes at the end of each period with my accountant. If my finances are not available for that period, I ask him (his CPA) to reduce the amount or postpone them to the next term. He usually does his best to open me a "breathing hole" (he laughs). Interviewee 13*

> *I do not think that he can reduce my taxes. He can increase it if he made some mistakes in accounting processes. Interviewee 8*

Participants were also asked how they would they benefit from better tax advice. Responses differ between participants who are consulted by CPAs and SCPAs. Interviewees who are working with the SCPAs declared that they are confident with their tax advisors. This might be the result of increased liability and responsibility of Sworn in CPAs by Turkish tax legislation. Additionally, the reputation of SCPAs is recognized as advanced professional tax advice therefore these tax advisors are more likely to comply with the legislation and satisfy their clients according to participants. Consequently, these participants do not think they are in need of better tax advice. Nevertheless, interviewees 10 and 11 indicated that better tax advice would be more costly than their current SCPA and unnecessary at this stage of their company. On the other hand, participants who are working with CPAs are concerned that the cost of better tax advice outweighs its benefits therefore; they did not find it logical now. Surprisingly, their expectation of better tax advice does not refer to tax avoidance opportunities, rather they expect organised and tidy records that would provide them a better picture of their companies. In addition, four participants declared that they could afford a better tax advisor. However, trusting a new partner appears to be an obstacle for them because of their complex tax arrangements. Nevertheless, nine participants who work with CPAs

stressed that they would be informed more about incentives and legal opportunities if they had a better tax advisor. During the interviews a majority agreed that common quality of tax advisor services are advancing as a result of recent improvements in the tax system such as online tax office applications and growing attention of Turkish revenue administration on the CPA's role in companies' taxpaying processes. Additionally, participants mentioned the increasing number of technical training opportunities organised by chambers of CPAs as a contribution to better quality tax advisor service.

In addition to CPAs, six participants said they seek advice from their trusted colleagues who are generally older and more experienced when they face a tax related problem. This advice can be counted as tax advice although it is more concerned with processes and relationships rather than tax legislation or technicalities.

In summary, the participants have highlighted different perspectives of tax advisor's effect such as trust, capability of tax advisor and tax knowledge. They agreed that the combined understanding of the construct is effective on their tax morale and tax compliance.

Overall, the analysis suggests that the influence of a tax advisor on OMSCs tax compliance decisions has different dimensions such as trust and the capability of CPAs to change a tax bill. The analysis provided evidence that the Tax Advisors Effect construct is influential on OMSCs tax compliance and tax morale. Consequently, the construct is kept in the model for further quantitative analysis.

5.3.2.4 Company Structure

The literature suggests that the structure of small companies has an effect on their tax compliance behaviour (Rice, 1992; Hanlon et al., 2005). Although the studies are limited about tax compliance and tax morale of companies (Alm and McClellan, 2012), a few studies mentioned the effect of company structure on tax compliance (e.g. Hanlon et al., 2005). Company or organizational structure is defined as levels of management and division responsibilities within a business (Child, 1972). As discussed in section 3.4.2.4, this research defines the company structure construct as the perceived effect of organisational structure (or lack of organisational structure) on tax morale of OMSCs' tax compliance decisions. Therefore, it is suggested by the researcher that understanding company structure of owner-managed companies may uncover dynamics of decision-making processes of OMSCs. Hence, OMSCs' tax morale model includes the construct. Therefore, participants were asked about their companies and their backgrounds in order to understand the main structural factors of the company that may be effective on tax compliance and tax morale.

In the analysis, fifteen participants described their company as a 'Family Business'. Considering the majority of the sample stressed the notion of family business, it is necessary to understand the term correctly and to assess whether participants' intention when defining their enterprise is similar with the description of family business in the literature. Poza (2007) defines family business as a unique synthesis of: ownership control (at least 15%) by two or more members of a family or a partnership of families, strategic influence by family members on the management of the firm, concern for family relationship, and dream or possibility of continuity across generations. He states that family businesses need to hold onto the owner's dream of having a successful business in the family and ensuring its continuity across generations. Some participants' comments support Poza's (2007) definition suggesting they are running their business to satisfy and sustain their family success and to make their family proud. Consequently, any decision that is taken by the OMSCs, including tax related decisions, should be interpreted with their family values. Interviewee 10 expressed his respect for the family business in the following quote.

> *For us, for second generations, it is very important to protect and improve our company's name as it inherited from our father and uncles. Preserving and improving capital, credibility and the unblemished name of the company are vital for us. Our father taught us in this way. I would rather die than to hear people say "these sons could not sustain their father's job." Interviewee 10*

Although, participants did not directly relate tax compliance to their family business values, some suggest that OMSCs' tax compliance decisions of these OMSCs that is fuelled by their family values. The concept of family business appears to create a dignified condition for participants. This condition might be expected to encourage them to avoid wrongdoing, including making decisions about tax arrangements that could harm the reputation of their family name.

Apart from family business values, interview analysis revealed that motivational visions of OMSCs are influential on their managerial decisions. Eight participants stressed the importance of entrepreneurial spirit as their most valuable asset. In addition, some participants complained that entrepreneurial spirit is decreasing in the current business environment and the prospect of shouldering a considerably high tax burden is likely to make this decline more pronounced. Furthermore, participants 17 and 20 suggest a fear factor related to starting a business or increasing investment within their companies can be explained as psychological pressure from tax regulations and high tax bills were blamed.

When asked about their companies' structure, thirteen participants emphasised their passion for their business in their conceptualisation of corporate structure. They described

being a company owner as a source of pride and suggested the source of this pride stems from being useful to society for the following reasons: creating jobs, contributing to the country, acquiring merit in God's eyes and developing the business community.

> *Owning a company is a honourable act because I am creating jobs and by doing so, I am acquiring merit in Allah's eyes. Interviewee 20*

> *I am not doing this (managing his company) job just for the money. I have money for all my family for the rest of my life. More important thing is to commit a good deed, helping someone to earn his bread and being useful to our family, neighbourhood, and all Muslims. Interviewee 17*

> *Neither earning much money, nor having yachts or houses motivates me. I am with my forty employees personally pedalling this business. I believe we serve the people of this city very well. Interviewee 19*

Similar to the above-mentioned family values, the pride of owning a business might also influence their compliance and tax morale. Four participants indicated that they were proud to pay their taxes and contribute to society in this way.

The motives mentioned above demonstrate shared characteristics amongst participants regardless of their personal or business backgrounds and religious stances. For example, six participants mentioned that their families emigrated from Anatolia. The phenomenon of being 'Anatolians' is one striking example. Anatolia refers to a Turkish peninsula, which is surrounded by the Black and Mediterranean Seas. For centuries, it has been considered a homeland for Turkish society. In the last 30 years the population of Turkey has undergone significant change, moving from 20:80 urban to rural residence to 80:20 since 1980), and the effect of this migration can be felt in many parts of society. 'Being Anatolian' and/or being emigrated from the Anatolian rural area refer to coming from a different cultural heritage than urbanized residents of big cities such as Istanbul. It marks a cultural difference for many entrepreneurs. Moreover, it is important to maintain the values related to being Anatolian because it suggests OMSCs value their own honesty and a sense of humility within business. However, being Anatolian is also referred to as being inexperienced in the business environment and being unaware of the way of doing business because of a lack of education. The quotes below describe some of participants' perceptions of this issue.

> *I am a craftsman that emigrated from Anatolia. I do not know what are my advantages and disadvantages (in tax area). Interviewee 18*

They (His father and uncles) emigrated from Konya to this city at 1958. So to say, they come to this position by "digging with their nails" from apprenticeship. Interviewee 13

You know, my family is not coming from trade. We entered this sector but we suffered a lot. We have learned how to trade with great pain and the taxman was not very helpful. Interviewee 7

Overall, the interview analysis for company structure uncovered the perceived importance of a family business notion, entrepreneurial motivations and satisfaction, and social values that are described as Anatolian, as influential on their behaviours. This analysis opens the door for the tax research to consider different perspectives on tax morale than focusing on the company structure and the corporation culture. As the construct found influential in the literature and therefore included to the OMSCs' tax morale model , a broader understanding of the construct that includes features such as family values, motivational factors, lack of education and entrepreneurial specialities of the OMSCs are provided as subject areas that overlap with some other constructs of the model. Particularly, the construct is suggested to overlap with professionalism. In order to confirm the overlapping, the coded data for the construct is checked for mutual data and nodes in the qualitative analysis. The analysis revealed this construct shares a high proportion of its data code with other constructs, especially professionalism. Although a qualitative phase provides rich underlying data, the influence of the construct is not clearly identified through the qualitative analysis. Therefore, the construct is not included in the further quantitative analysis but rather is embedded into the construct of professionalism in the model. Please see the section 5.4.1.1 for further explanation.

5.3.3 Perceived Behavioural Control

Perceived behavioural control is built into the OMSC tax morale model with the influence of TPB modification as discussed in sections 3.4.3 and 3.3.4. PBC refers to the extent to which an individual feels able to perform the behaviour (Ajzen, 2005, 2011b). To put it simply, the PBC is defined as the perceptive ability of OMSCs to comply with tax system in this research. Derived from the definition, this sub-section discusses the factors that were found to be control beliefs on tax morale. PBC is assigned as a higher order construct in the OMSC's tax morale model that emerges from the TPB. Similar to the TPB formulation, PBC is affected by control belief factors, which refers to power of both situational and internal factors to inhibit or facilitate the performing of the behaviour. These are identified as influential on OMSCs overall evaluation of tax morale and tax compliance and are listed under this category.

During the interviews, the participants were asked about constructs that are assigned under PBC in the tax morale model namely: Size of Economic Obligation and Risk Aversion. Under this sub-section, the results of the interview findings are provided.

5.3.3.1 Size of Economic Obligation

Taxes are economic obligations. Consequently, tax burdens have been a subject for many studies (Roth et al., 1989; Andreoni et al., 1998). Torgler (2007) claimed a negative correlation exists between voluntary tax compliance and size of economic obligation. He found evidence in a different study (Torgler, 2005) that suggests tax burden prevented Latin American taxpayers from complying with the tax system. The same study revealed that taxpayers create a moral reasoning for tax evasion by excusing their behaviour because of the unbearable size of economic obligation that they think they need to shoulder. Similarly, this construct is defined as perceived size of a tax burden that the company of OMSC has to bear in the OMSCs' tax morale model.

In order to understand the possible effect of the construct the participants were asked about their perception of the tax burden that their company has to face. The majority (fifteen participants) suggested that the tax burden is high for their companies. Six participants admit that the scale of their tax burden forced them to seek tax avoidance or evasion in last year.

> *Our bigger shareholder is the state. He takes his share regardless of what we earn. He does not care whether you actually earn any money or you actually sell anything. The only thing he cares is his slice (share) in my cake. Interviewee 17*

> *I paid more (taxes) than I earned last year. You might think how I compensate the difference. I accepted the fact that I have to work for my company within the working hours, I have to work at evenings, and Saturdays for state only. That is how I managed it. Interviewee 19*

> *I think my tax burden is more than 50% of my turnover. Look, I sold an estate for a million liras last week. I paid 180 (meant thousand TL) for the VAT. On top of that, I will pay 200 for the corporation tax. It makes 380. I paid for real estate transaction tax, paid some money to the council and title deed fees, which makes another 20 in total. Therefore, 400 went to state. It makes 40%. I would rather be in the state's shoes than being a businessman in this situation. The state should not earn 40% but it should earn 10%. Then, I can say that tax is good and fair. Otherwise, people organise their sales differently. They might say I am not earning 400 so I offer my goods to the buyer for 800 without invoice (without*

declaring it). Alternatively, as they do nowadays, they invoice it for 500 and keep 200 instead of giving it to the state. Interviewee 20

Thirteen participants complained that they constantly struggle to comply with the monthly payments of VAT. The collection of VAT in Turkey is organised monthly for the previous month's sales. However, the majority of sectors are operating on an average of two to six months' maturity terms for their sales. Hence, some participants described postponing sales and in some cases just issuing the invoice of the transaction in the following month to avoid immediate VAT cost. Additionally, the normal rate of VAT (18%) is criticised for being very high amongst participants.

VAT payments are nightmare for me. I am sometimes postponing my sales to the next month when I think I might struggle for the next payment. Interviewee 7

I feel the burden of VAT very much. 18% is one fifth of my sales. I believe it is cruel. Interviewee 11

I think of 18% VAT as an economic sabotage of this country's welfare. Our profit rate is 6%. It should be 5% to 10%. Interviewee 15

Six participants stressed they have to pay disproportionate amounts of tax as a company, increasing their tax burden. Four participants mentioned that the current tax burden is harming their business and pushing them to search for financing opportunities to pay their tax bill. Therefore, even if they want to pay their taxes they struggle to manage their finances under pressure of the current tax burden. Some participants indicate that personal taxes that they pay is high and makes them feel double taxed. Interviewees 4, 13, and 15 stressed that the income tax they pay annually for receipt of bonuses or premiums and corporation tax are levied on the same source of income.

Overall, the participants highlight different perspectives of the size of economic obligation construct. They suggest that the tax burden, especially VAT, is high and high tax burden negatively effects their willingness to pay taxes. Additionally, the number of taxes and their unjust due dates before the maturity of their payments discouraged them to comply with tax system. Consequently, a majority of participants suggest that the perceived size of the economic obligation is influential on their tax compliance and tax morale. Considering these findings, the researcher agreed that the construct has impact on OMSCs tax compliance and tax morale. Consequently, it found relevant for the research's conceptualisation and kept in the model for further confirmatory phase.

5.3.3.2 Risk Aversion

Risk aversion of OMSCs is considered a factor that shapes corporate behaviour towards tax compliance and tax morale in the model. In the early tax avoidance literature, risk aversion is stressed as an influential factor of tax compliance and it is defined as the possibility of being caught from unreported income (Allingham and Sandmo, 1972). The literature found risk aversion of taxpayers influential on their tax compliance and tax morale (Klepper and Nagin, 1989; Martins et al., 2014). In this research, risk aversion is defined as OMSCs' perceived possibility of being caught for tax evasion or unreported income. Consequently, participants were asked about their risk aversion in order to understand their perceived risk of tax inspection.

Previous inspection frequencies of participants were assessed primarily to understand their experiences and expectations about tax inspection and their perception of risk on being caught by TRAD. Fourteen interviewees said they have not been inspected in last three years. Eight declared they have not experienced tax inspection. Four participants were inspected in the last three years and the remaining participants were inspected but not in last three years. Considering the audit rate is 2.42% amongst all active taxpayers for 2013 according to TRAD's annual report (Gelir Idaresi Baskanligi, 2014), the sample mean was above average.

Participants were asked about their perceptions of the possibility of facing an audit in the next three years. Despite their experiences and low average inspection rate in Turkey, eighteen participants said they believe that it might happen any time. Moreover, they assessed next years' probability as higher than previous years because of improvements in the TRA's policy on tax inspection. The responsible authority for tax inspection changed in Turkey, and this change occupied the public agenda at the time of interviews. Tax inspections in Turkey until 10th July 2011 used to be performed by four different bureaux: Finance Inspectors, Tax Inspectors, Revenue Controllers and Tax Auditors, who worked under the Ministry of Finance. In 2011, new legislation established a tax inspection board and four groups were gradually combined under one management that brought a single-handed policy application to tax inspection. This improvement might be one of the reasons for perception that audit expectation is high among participants.

> *I read in yesterday's newspaper that they (TRAD) will hire two thousand inspectors for the next two years. Inspectors are everywhere and they check what you are up to from their desk now. Interviewee 11*

> *Inspection mechanisms were improved spectacularly. They used to come and check our accounts in person. Now they are using any device and opportunity that they can find from their desks. Interviewee 18*

Despite high expectation of inspection, participants 1, 3, 12 and 16 were confident that their companies would not be inspected if they increase their declared amount of tax gradually. They feel that if they declare more taxes compared to previous years, a small amount of excess paid tax can prevent them from the attention of TRAD when selecting candidates for inspection.

> *I do not think we will be inspected. We are paying a reasonable amount of extra money every year. Interviewee 16*

> *When I look at tax inspection issue, I understood it as apple farming. If the government and I were happy with the amount of the apples that I give to them, this would bring 'détente'. We have always been careful to satisfy our government and we believe tax should be paid. In order to keep the peace, we have our measures and we are careful about not falling below that limit even though we went in to the red. Hence, we can set our own standards. Interviewee 1*

Five participants mentioned that they agreed to increase their declared tax to reduce their inspection probability because their tax advisors advised them to do so even when they made a loss during the declaration period.

> *Even if our profit decreased, we tend to keep our tax at least at the same level as last year and may be little higher if possible. There is a belief among bosses (OMSCs) that if you start with one (referred to amount of paid tax) and increase it to three for the second year, for the third year you should keep it at least three again and do not go down to two. That might attract attention. Interviewee 4*

> *My accountant advised me to stand below. I tend to increase tax a little just to stay in the grey zone. Interviewee 13*

Interviewees 2, 5 and 7 suggest motivation behind the unnecessary tax bill increase is not only avoiding cost of inspection, but also preventing distractions from the inspection process such as demoralization, red tape and, in some rare cases, even corruption.

Interestingly, on the other hand, two participants admitted that they did not declare their unexpected profit in past years to avoid unwanted attention from the TRAD. Considering these facts, it is reasonable to suggest that participants are trying to avoid being an outlier within their sectors or neighbourhood and follow slightly accelerating trend on their yearly declarations regardless to changes in their income to avoid being spotted by TRAD.

Consequently, risk aversion might lead not only over compliance but also, in some cases, encourage tax avoidance and even tax evasion.

> *At the time that I started my business, I earned a lot from a project. However, it was a one-off thing. I asked my accountant whether to declare it or not. He said, "Leave it, next year if you cannot declare same amount, they will come after you. Be logical, stay in the middle lane". Interviewee 14*

Tax inspection psychology appeared to be another major concern of the participants. The majority of participants (seventeen interviewees) were convinced that inspection is certainly concludes with tax penalty. The apprehension of participants influenced their views about tax inspectors. Two dominant perceptions about tax inspectors were detected during analysis. The first view suggests that tax inspectors can impose tax penalties even if they cannot find any faults in the company books. In other words, they believe that tax law is flexible if deemed necessary by inspectors. The TRAD's annual report states that 98% of taxpayers who were targeted by suspicion of tax evasion also received a penalty (Gelir Idaresi Baskanligi, 2014), which shows that participants' perception has valid grounds.

> *Once a tax inspector visited you, he or she will definitely impose a tax penalty. Even if you do not have anything wrong in your books, he can issue a penalty notification if he wanted. Interviewee 13*

The second view suggests that it is not possible to produce a perfect record in the eyes of inspectors because of the complex legislation; therefore, a tax inspector is more likely to act according to his or her ethical stance when it comes to issuing a tax penalty. Moreover, four participants suggest their education and experience do not help them to understand tax liabilities comprehensively, therefore they cannot check the work of their tax advisors and accountants for mistakes which may result a fine. Consequently, they admitted that they found themselves passive and powerless.

The first view is more dominant among participants who have experienced tax inspection. They found tax inspection as an annoying process particularly because of inspectors' attitudes. Some participants believe tax inspectors are prejudiced and see taxpayers as tax evaders in advance.

> *The mentality of tax inspector is different. They see you as thieves at the moment they knock on your door. Interviewee 18*

> *Tax man, tax inspector etc., they are all searching for excuse to impose tax penalty. (...) This deters me from complying, even paying taxes. Interviewee 12*

Five participants find tax inspectors' behaviours more irritating than tax inspection itself. Interestingly, interviewee 20 admitted that he was very irritated with an inspector during tax inspection in 1995 that he thought about terminating his business permanently. He took action however, other inspectors realised the situation and convinced him not to continue. This is a remarkable effect of risk aversion and inspection from tax compliance and tax morale perspective that requires further research that look into the effects of harsh tax inspection policies.

Participants feel that tax inspectors do not understand the nature of their businesses and sectors. Interviewees 12 and 20 suggest that in recent decades tax inspection was used as a threat for companies thereby exerting political pressure on various political classes. Since then, the reputation of a fair tax inspection and inspector has been damaged. In addition, participants stressed that tax penalties are intimidating and some suggest they faced tax penalties that they could hardly shoulder.

Four participants said decisions about the amount of tax penalty were predominantly influenced by the tax inspector, although tax inspection process and penalties are enacted by Turkish tax law (see: Nas, 2012). In other words, they suggested that set rules of tax inspection could be misused.

> *I heard from one of my friend's phone while he was on the phone with an inspector. He said "I can write whatever amount on this (tax penalty) paper that I wish without coming to your company. I have the authority." We used to fear the police, but now tax inspectors have replaced them. Interviewee 2*

Despite negative perceptions of the tax inspection process, the majority of interviewees agreed that tax inspection processes are improving and the prejudice of the tax authority is easing. However, they admitted the process is slow. Four participants suggest that tax inspection could even be an opportunity to find mistakes in their records and make them see a clearer picture of their companies. Hence, they welcomed constructive and corrective inspection that could make them more efficient if organised with positive attitude that is similar to other inspections, such as quality certificate audits.

Overall, the analysis provided different perspectives of risk aversion of OMSCs on audit possibility and inspection processes. It can be understood that OMSCs perceive inspection probability as a manageable risk and probability of being caught seems to be low for them. Although, risk aversion is not necessarily encouraging them to comply, it is influential on their tax compliance and tax morale. Considering the findings of the analysis, the researcher argues that the construct is influential on OMSCs tax compliance and tax

morale therefore it is found to be relevant in this research's conceptualisation and kept in the model for the further confirmatory phase.

5.4 Modification of the Model

The qualitative phase of this research is conducted to explore the nature and relevance of the constructs of the OMSCs' tax morale model. By doing that, the model is aimed to be modified and strengthened with possible improvements. Specifically, qualitative phase of the research allows exploring new effective constructs that were overlooked in the literature and identifying possible overlapping contracts within the model which strengthens model for further quantitative analysis.

The qualitative analysis that is provided so far demonstrates that the majority of the literature oriented constructs of the model also found influential for OMSCs in Turkey. Moreover, the analysis also suggests some modifications for the model. In this section of the chapter, the qualitative analysis based modifications is evaluated by explaining merging of overlapping conceptualisations of the constructs namely company structure and political view. Additionally, two emerging constructs are introduced and added to the model namely religious evaluation of tax evasion and other businesses' attitudes. Finally, the modified model that will be tested with quantitative phase is introduced.

5.4.1 Overlapping Constructs

5.4.1.1 Overlapping of Company Structure

Company structure, as a construct, is analysed in the section 5.3.2.4. Although, strong majority mentioned about reflections of their personal values such as being Anatolian and having an entrepreneurial spirit when they explained their company's structure, the majority also admitted their companies' organisational structure as an obstacle for their tax compliance intentions. In other words, they accept that the company structure imposes certain habits and behavioural patterns that might not necessarily encourage their tax compliance and improve their tax morale. In addition, the analysis revealed some reasons of this such as: shortage of skilled staff and lack of expertise, not benefiting from technological improvements and deficiency of traceability and control of the company accounts.

Similarly, professionalism is defined as an ability of OMSC to have capable staff and resources to meet with tax regulations in this research. A strong majority (17/20) of participants defined their companies as non-professional companies. The analysis revealed perceived aspects of professionalism as, having every transaction under record, easily traceable assets, obtaining and implementing professional accounting standards, employing

high skill workers and having ERP software for their company. These aspects have fallen under code of lack of capable staff and resources that is mentioned in the definition.

Although the construct of company structure explained as lack of organisational structure in the model, it appeared that the participants' understanding matches with the aspects of the professionalism. For instance, the participants often associate with having a good company structure that has pre-determined job definitions of the staff in terms of responsibilities and power within the company. Nevertheless, this definition falls into the description of professionalism in this research's context. In other words, having a good structured company is also a sign of the professionalism. Hence, good company structure can be interpreted as a product or result of it. Therefore, both construct domains share the same theoretical grounds.

The overlapping of the concepts is also noticed from NVivo analysis that shows more than half of the nodes of both constructs are coded from same data parts of the sources. Considering all the reasons above, it was decided that the construct of company structure should be embedded under professionalism.

5.4.1.2 Overlapping of Political View

Construct of Political view is defined as support or affiliation to a political party in the research. Interviews revealed that the strong majority (18/20) of the participants declared that their affiliation or support are not influential on their tax compliance. Remaining participants who think their political affiliation is effective on their tax morale are both declared that they support current political party in the office. Additionally, they added that their trust in the government for spending the public money for good is the biggest driver for them to think their political view is effective on their tax compliance. In other words, the analysis revealed that support of the political party could only be effective as a generator of the trust or mistrust to the current government.

More importantly, the political view can shape individual's understanding of the environment, social institutions and state (Medawar, 1976). However, the analysis showed that the participants were reluctant to unclose their political view as some thought that the political view is not influential on their tax compliance decisions. Additionally, five interviewees, although they did not declare it openly, did not want to share their political position as they found it as a private matter. Nevertheless, their positions become more evident when the discussion becomes apparent in the daily political matters such as government performances. Therefore, it was understood that the participants' political view reflects their political position in daily politics. Giving that political view is expressed with

voting, it is assumed that the political view reflects on the OMSCs' position to support or to oppose the government.

Considering two conceptual obstacles on detecting the influence of the political view on tax compliance and mentioned overlapping with the theoretical domain of the government perception construct, it is concluded that analysing political view as an independent construct in this research's context might be misleading.

In light of the explanation above, political view is identified as a form of political trust and support to current government in this research. Therefore, political view construct is embedded into perception towards government that covers domain of trust and support for current government as a sub-dimension.

5.4.2 Emerging Constructs

Nature of the exploratory research allows introducing new constructs to the research (Bryman, 2012). Considering the rich and detailed qualitative data that was gathered from the interviews, the analysis helped to identify two new constructs that participants found effective on their tax compliance decisions. These two constructs are introduced and analysed under this section.

5.4.2.1 Emerging of a New Construct: Religious Evaluation of Tax Evasion

During the pilot interviews, it was noticed that two notions, which were 'sin' and 'seizing a rightful due of someone', are related with the religiosity and heavily considered as a factor when the participants evaluating the act of tax evasion. Although the tax evasion had never been a subject of a direct question during the pilot interviews, interviewees discussed these notions as antonymous concept of tax compliance or tax morale. Both of the notion's contexts were very close to the construct of religiosity in meaning and at the first stages of the analysis of the pilots, it was considered as a dimension of the religiosity construct. However it was later understood, differentiating these concepts from the religiosity was promising because they referred to different context which explains cultural evaluations of participants on tax evasion regardless to their religiosity levels. Therefore, both concepts were included into the interview protocol for remaining interviews.

The qualitative analysis revealed that the concepts refer to different cultural understandings of tax evasion rather than purely describing concerns related with religiosity. The concept of 'sin', which is translated from the word 'gunah', is commonly used for word for misdeeds or unapproved behaviour within the Turkish society. Although it originated from the Islamic terminology, it is widely used by the non-Muslims even in the neighbouring regions such as Balkans. Consequently, regardless to the religious commitment level of an

individual, the interpretations of the concept addresses cultural evaluations of the behaviour by the majority of the respondents. It was evident in the analysis because it used 76 times during interviews and referred the same context. The discovered concept of sin addressed moral evaluation of non-compliance with tax, especially in the common understanding/conscience of the society. In other words, the context of sin referred to common moral values or ethics of the society rather solely its religious values.

Similar to the concept of 'sin', the concept of 'seizing a rightful due of someone' is evaluated in the same way. Moreover, it is considered as more condemned misdeed compared to sin. Two concepts together formed a construct for this research that refers the common cultural evaluation of not complying with tax system. Moreover, from a different perspective, the construct also addressees moral risk preferences of OMSCs.

Following the modification of the interview protocol, the participants were asked about their evaluation of involving tax evasion according to their cultural and moral beliefs. Interestingly, eighteen participants suggested that they considered tax evasion as a sin.

> *I am not the authority to decide but I understand tax evasion as Haram (sin in Islam). Interviewee 2*

> *I can clearly define tax evasion as a sin. Interviewee 15*

> *You have the money and you are not paying your taxes. Of course, it is a sin. It is a sin because we are using common goods. If people are earning, they should pay. In this sense, we can say it is a sin. Interviewee 12*

To evaluate the second concept, seizing someone's rightful due, participants were asked whether they see tax evasion as seizing rightful due of other citizens to reveal whether their moral position was effective their on tax evasion perceptions. This question is a similar one with seeing tax evasion as a sin. However, terminologically, it addresses different conditions because in Islam, Allah can forgive sins but seizing a rightful due of an individual can only be forgiven by the individual who had his right seized. Therefore, it is considered as the worst deed that one can take to after life. In other words, the fear of seizing someone's rightful due is more frightening than committing a sin in Islam. Additionally it is a common belief in the society that the seizing someone's rightful due is a sign of immorality. To understand the difference, participants were asked their opinion on whether evading taxes can be understood as seizing rightful due of others. Seventeen participants, including all secular participants, agreed that tax evasion is seizing a rightful due of others.

> *I think evading is definitely seizing other citizens' rightful due. Interviewee 3*

State's money is poor orphans' money. We should see it like that. If I believe state is rightful about taxes then I say it (tax evasion) is seizing other citizens' rightful due and there is no escape from that. Interviewee 8

If you say, I am earning money but evading. That is not right and you are certainly seizing my rightful due. Interviewee 12

I am paying taxes because I am considering tax issues through my religion. That is why I am paying more attention. If you seize someone's rightful due, you can find the man and ask his blessing about it. However, how am I going to find 70 million (Turkey's population) and ask them for forgiveness? Interviewee 18

On the contrary, only two participants highlighted that tax issues are not related with committing sin or seizing a rightful due. Hence, they interpreted tax evasion as a business arrangement. Unexpectedly, both of the participants defined their selves as religious. However, they questioned state's religious position and define current state as a secular one. Therefore, they concluded that tax affairs should not be evaluated with Islamic terminology such as these two concepts. Their views presented in the quotes below.

Issue of rightful due is a very sensitive one. If you jump on a bus without buying a ticket or gate-crash the tube, this is seizing one's rightful due. For taxes, I cannot see any relevance. In which part of the tax law is mentioning rightful due or is there any Islamic concerns of this state? Interviewee 11

All misdeeds for Islam are legal now in this country; prostitution, gambling etc. If you look trough Islamic frame, it is obvious that there is not rightful due problem. State is responsible here from all. Interviewee 20

Additionally these participants discussed that rightful due can only be a subject between the equal parts. Hence, the responsibility of rightful due is not valid because of mismanagement of tax system.

Overall, defining tax evasion as 'sin' or/and 'seizing someone's rightful due' showed that participants evaluated non-compliance as an unacceptable behaviour for the society. Therefore, they feel pressure from the society when considering or judging such behaviour. Hence, they suggested non-compliance is unacceptable because of the cultural and religious values of the society. Consequently, a new construct found grounds in this research that refers to effect of society values on OMSCs' tax morale. Additionally, the analysis showed that assessment of tax evasion and evaders from OMSCs' religious and cultural point of view has an influence on the participants' tax morale regardless to their commitment to the

religion. In this sense, the new construct clearly differs from the construct of religiosity, which only considers OMSCs' level of commitment to a religion.

In light of the analysis above, it is understood that the both concepts of the construct of religious evaluation of tax evasion is influential on participants' tax morale and tax compliance decisions. Therefore, the construct, which is defined as OMSC's assessment of tax evasion and evaders from their religious and cultural point of view for this study, found effective on OMSCs' tax morale. Hence, it is included into the model and tested via quantitative phase of the research.

5.4.2.2 Emerging of a New Construct: Other Businesses' Attitudes

Interview analysis revealed that participants' concerns about other OMSCs' attitude while their paying their taxes. Eleven participants mentioned that other businesses' tax compliance strategies are influential on their tax morale and tax compliance. Although the tax literature briefly discussed peer influence on tax compliance and tax morale (Jackson and Milliron, 2002; Wenzel, 2004; Ashby and Webley, 2008; Morse et al., 2008), sole concern about other businesses' attitudes found in elementary stages for the tax literature. Peers defined as 'taxpayers' associates' (Jackson and Milliron, 2002, p.68) in the literature which includes any influential body/person for the taxpayer such as friends, colleagues. Therefore, it refers to different and possibly extensive group of individuals. Nevertheless, the tax literature also discussed similar term in recent years, which is defined as 'norms within the occupational groups' (Ashby and Webley, 2008; Ashby et al., 2009; Onu and Oats, 2015). Ashby and Webley (2008) stressed that the occupational taxpaying culture influences taxpayers tax compliance intentions. Although peer influence and norms of occupational groups are terms that were discussed in the literature, the emerged theme differentiates from these concepts. The interviewees explained that they perceive pressure from their competitors as well as other small businesses which do not participate in the same sector but operates in the same city that are serviced by same tax office. To put it simply, participants suggest that they are influenced by other businesses' behaviours while they are paying their taxes. Supporting the argument, eleven participants mentioned that other businesses' tax compliance strategies are influential on their tax morale and tax compliance.

> *I have to look how others pay (tax) around me or I will be in trouble. Interviewee 5*

> *I like to sniff the air at the end of each year (tax period). I ask my neighbours, listen to the rumours about how others decide (paying taxes). Then I decide how much to pay. Interviewee 7*

I have many rivals as a law firm in this city. I must consider the sector or I cannot earn the bread. Interviewee 14

The participants reflected reasons for why they are interested in other businesses' attitudes while they are paying taxes. Interestingly, six participants expressed that declaring right amount of taxes to in the market where the evasion or avoidance as a common practice might reduce their competitiveness therefore compliance might harm their company. In other words, they are concerned that common tax avoidance culture causes a disadvantage for their company even when they fully comply with tax system. Participant 4 expressed his concerns with an anecdote below.

I am very cautious about taxes because of a bad memory. In 1999, we attempted to bid on a government contract. It was a very profitable business and we needed at that time. However, during those days our tax level was high because we declared the full amount and we were struggling to pay our tax bill. The procurement agency rejected our bid and removed us from the candidate list of the contract because of our outstanding tax bill. They gave it to another company that we knew they were evading, at least not declaring all of their income. It was a good lesson for me. Therefore, I always look what other sheep do when it comes to the tax. Interviewee 4

Controversially, three participants mentioned that they were encouraged to comply with the tax system by modelling successful companies strategies in their sector. Hence, they suggest the construct can be promotive for tax compliance. Following quote pictures a fine example of this influence.

When I saw the company X (leading company in the sector) was declared as tax champion in the newspaper. I envy them. They are successful and yet paying their taxes. I believe being greedy is harmful for my company and me. You should do everything in a right way. That is my motto for doing business. Interviewee 12

Overall, the construct of 'Other Businesses' Attitudes' which addresses influence of other companies' strategies or behaviours on OMCS's tax compliance decisions, is found influential on OMSCs tax compliance and tax morale. Although the tax literature have not widely discussed the construct, it is found valuable to include the construct to the OMSCs' tax morale model under corporate norms to test the influence of it in later quantitative phase of the research.

5.4.3 The Modified OMSCs' Tax Morale Model

The purpose of conducting the exploratory qualitative analysis was to modify the literature driven model (please see Figure 9) by establishing the relevance of the existing constructs within the research's scope and identifying emerging/overlapping constructs if there are any. After identifying the emerging and overlapping constructs in this chapter, the visual presentation of the modifications (Figure 13) and the final version of the modified OMSCs' Tax morale model (Figure 14) are presented in the following figures.

The final version of the model will be the base for the development of hypothesises and therefore will guide the quantitative confirmatory phase of the research. The next section will represent the hypotheses of the research.

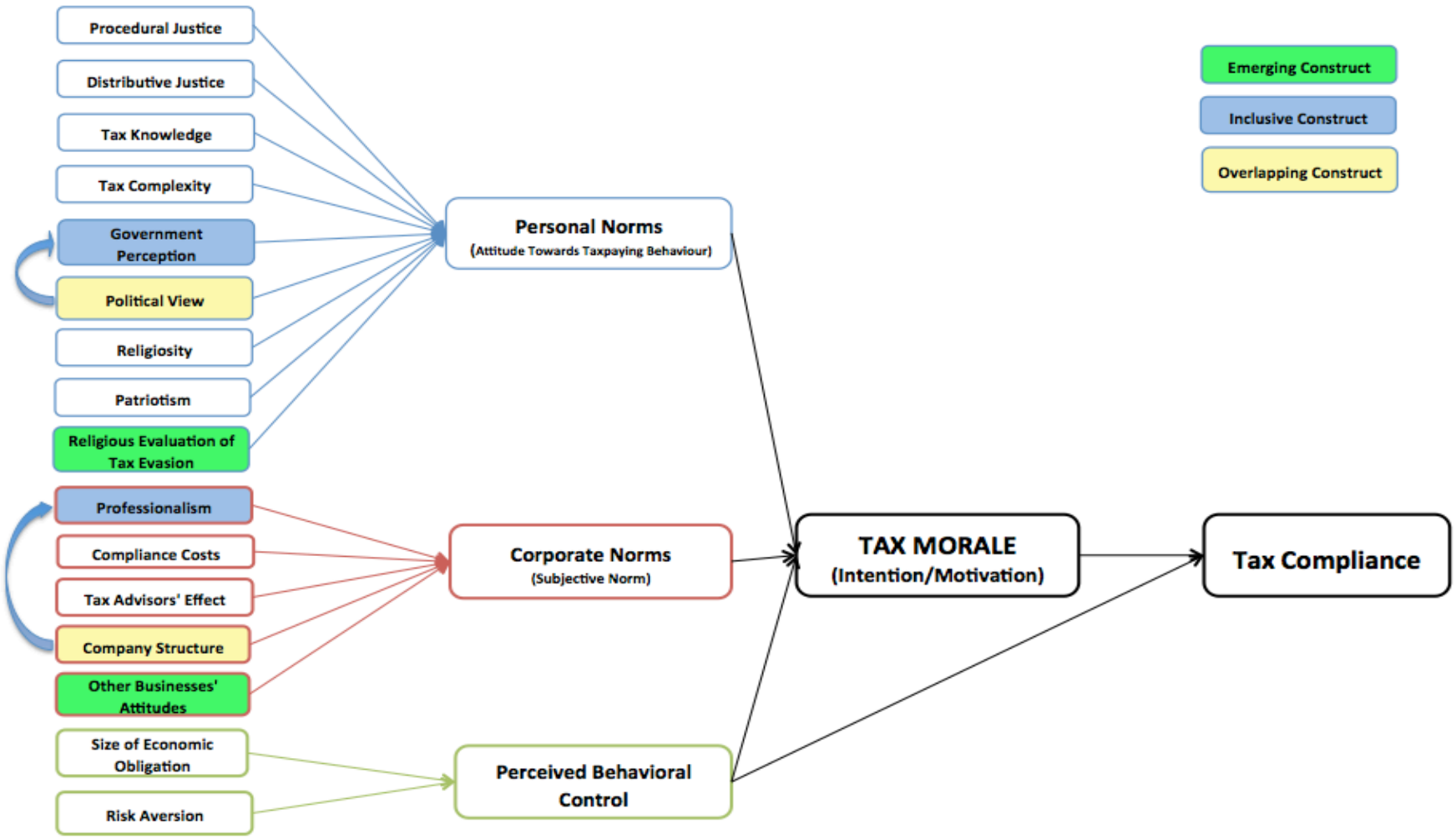


Figure 13: Modifications of OMSCs' Tax Morale Model after Qualitative Phase

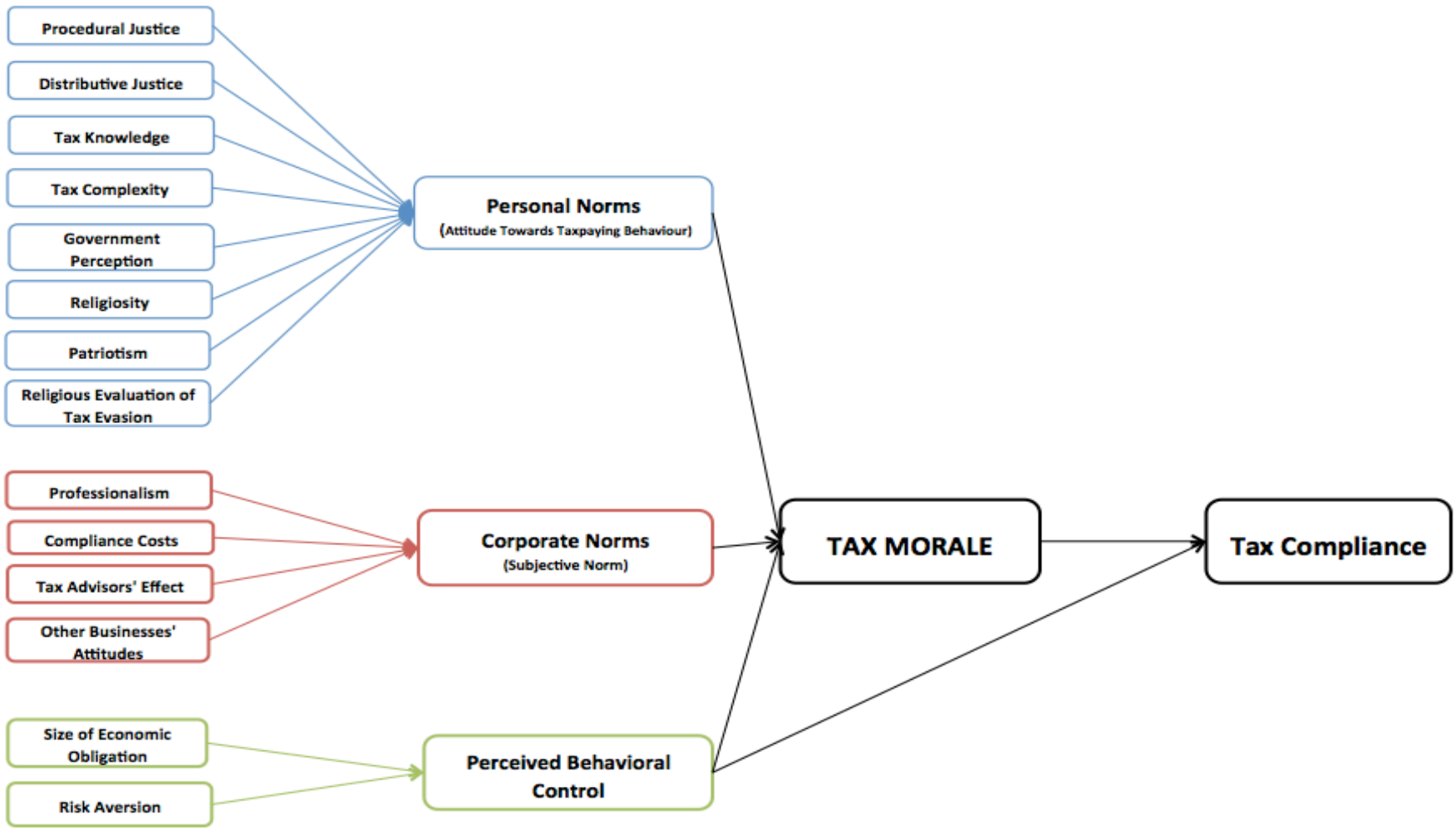


Figure 14: The Modified OMSCs' Tax Morale Model

5.5 Research Hypotheses

The key objective of this study is to understand how OMSCs' tax compliance and tax morale are influenced from the selected constructs. For this purpose, the preceding chapters and findings of the exploratory qualitative phase guided this research to reach the modified model that explains the OMSCs' decision-making process. In order to answer research questions (Table 1) thorough empirical testing of the modified model (Figure 14), hypotheses were developed based on the literature and interview findings. Further, TPB inspired constructs of the model, which are personal norms, corporate norms and perceived behavioural control, alongside the constructs that are assigned to them these represented pathways of the model are presented as the hypotheses. Hence, this section presents hypotheses of the research that will answer the research questions

Following the same order of the research questions (RQ) and considering the outcome of the discussions about the literature and the qualitative phase, the hypotheses are outlined starting with the RQ1: What is the influence of OMSCs' tax morale on their tax compliance?. Consequently, RQ1 is guided to form following hypothesis of this research.

H_{TC}: Positive tax morale of OMSCs positively influences their tax compliance.

RQ2 focuses on the factors that influence tax morale which were debated during the model development and the qualitative chapters of the research. Accordingly, RQ2 directed the research to explore the RQs of 3,4 and 5 that referred to the higher order constructs and their assigned lower order constructs of the model. Hence, each RQ formed a hypothesis for each construct that is presented in the model. Therefore, the following hypotheses were formed after RQ3: What is the influence of OMSCs' personal norms on their tax morale?

H_{PN}: Personal Norms of OMSC positively influences OMSC's level of tax morale.

$H_{PN.1}$: Procedural fairness perception of OMSC positively affects OMSC's Personal Norms.

$H_{PN.2}$: Distributive fairness perception of OMSC positively influences OMSC's Personal Norms.

$H_{PN.3}$: The level of perceptive tax knowledge of OMSC positively affects OMSC's Personal Norms.

$H_{PN.4}$: Perceptive tax complexity of OMSC negatively affects OMSC's Personal Norms.

$H_{PN.5}$: Positive government perception of OMSC positively affects OMSC's Personal Norms.

$H_{PN.6}$: Religiosity level of OMSC is positively influenced by OMSC's Personal Norms.

$H_{PN.7}$: Patriotism level of OMSC positively influences OMSC's Personal Norms.

$H_{PN.8}$: Religious evaluation of tax evasion of OMSC affects OMSC's Personal Norms.

Following on from the personal norms, RQ4 investigates influences of OMSCs' corporate norms on their tax morale. In light of the discussion in chapters 2,3 and 5 the hypothesis of the RQ4 is formed as follows.

H_{CN}: Corporate Norms of OMSC negatively influences OMSC's level of tax morale.

$H_{CN.1}$: OMSC's perceptive level of company professionalism positively influences corporate norms of OMSC.

$H_{CN.2}$: Perceptive level of OMSC's compliance cost affects the corporate norms of OMSC.

$H_{CN.3}$: Tax Advisor of the company affect corporate norms of OMSC.

$H_{CN.4}$: Perception of other businesses' attitudes of OMSC affects corporate norms of OMSC.

The last construct of the model intends to answer RQ5: What is the influence of OMSCs' perceived behavioural control measures on their tax morale, which has formed following hypotheses of the research.

H_{PBCa}: Perceived behavioural control of OMSC positively influences Tax Morale of OMSC.

H_{PBCb}: Perceived behavioural control of OMSC positively affects Tax compliance of OMSC.

H_{PBC1}: Perceptive size of economic obligation of the company influences OMSC's perceived behavioural control.

H_{PBC2}: Risk aversion of OMSC negatively affects with perceived behavioural control of OMSC.

The model driven hypotheses that are explained thus far are reflected in Figure 15.

In addition to hypotheses that are derived from the model, the last RQ, which is RQ6: How effective is the religiosity of OMSCs on their tax morale, suggests an additional perspective to the research. The construct of religiosity is defined as to extent to which an OMSC is committed to a religion and its teachings, such that attitudes and behaviours of individual reflect this commitment in the research (Johnson et al., 2001). The findings of previous studies stated that the level of religiosity is positively correlated with the level of tax morale and tax compliance (Welch et al., 2005; McGee, 2006; Stack and Kposowa, 2006; Torgler, 2006). Supporting that, the interview analysis demonstrated that religiosity level of OMSC positively influences their tax morale and tax compliance (see section 5.3.1.7). In light of these suggestions, following hypotheses are formed in addition to the model driven hypotheses;

H_{R1}: Religiosity level of OMSC positively affects OMSC's tax morale.

H_{R2}: Religiosity level of OMSC positively affects OMSC's tax compliance.

The next section of the chapter will provide a brief summary of the qualitative exploratory phase of this research and concludes the chapter.

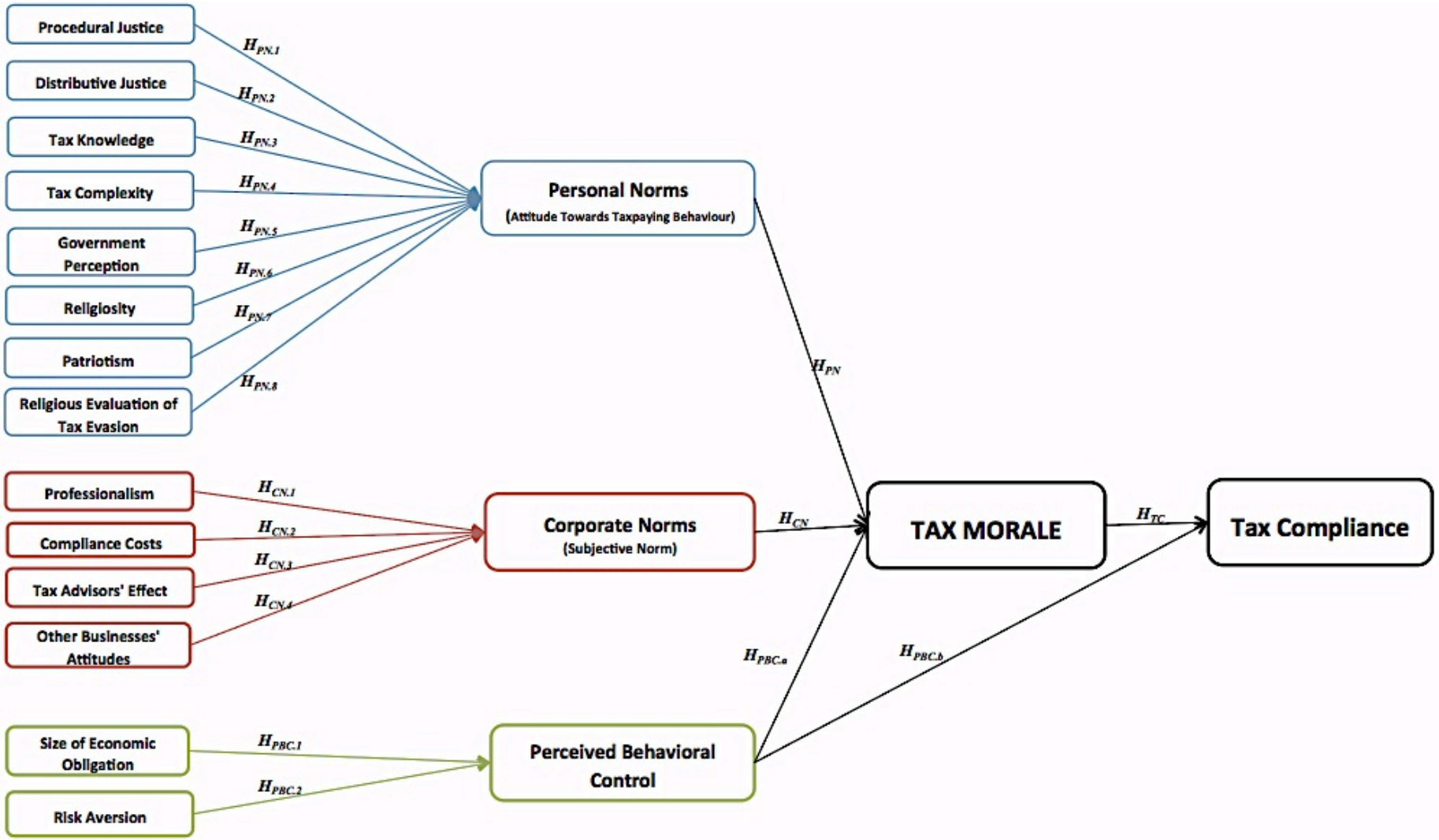


Figure 15: Research Hypotheses

5.6 Summary of Exploratory Qualitative Phase

The exploratory qualitative phase of the research is aimed to advance the OMSCs' tax morale model that is developed from the literature. Considering the tax literature offers limited insight for the factors and the process of OMSCs' tax compliance and tax morale, the qualitative phase is aimed to strengthen the model. Specifically, relevance of the constructs of the model needed to be established and possible new constructs required identifying, especially in the scope of this research. In order to achieve that, the exploratory phase of the research employed interviews because qualitative data provides rich and elaborative data that is convenient for exploring new areas. Moreover, following the guidance of the model of tax morale, the study provides evidence for the relevance of the constructs in the model, which affect tax morale of OMSCs.

The exploratory qualitative phase of this research presents results from the analyses of twenty semi-structured interviews conducted with OMSCs in Turkey. The sample was selected by using purposeful sampling technique. The participants selected from the KOSGEB database and all of which have more than ten employees. Pilot interviews were conducted with two participants and the data were used to develop an interview guide for the main data collection phase of the interviews. All interviews conducted face-to-face and fully recorded. The total interview length was twenty-two hours. The analysis of the qualitative data was performed with NVivo 10 software. Thematic Analysis was utilised and the three-stage approach of the King and Horrocks (2010) was followed.

The analysis of the interviews primarily aimed to establish the relevance of the constructs of the model. Hence, the analysis of individual constructs followed the same order of the model. Firstly, personal norms and its lower order constructs were analysed. In this sense, the constructs of procedural justice, distributive justice, tax knowledge, tax complexity, government perception and religiosity, demonstrated strong relevance as the majority of the participants found them influential on their tax morale and tax compliance. Consequently, these constructs were kept in the model for quantitative testing. However the analysis did not present a dominant view for patriotism and participants' views on the influence of the construct varied. Nevertheless, the strong presence of patriotism in the literature caused it to remain in the model. On the other hand, the analysis revealed that political view was not influential for the participants in their compliance behaviours and it was realised that the constructs perceived as a dimension of government perception construct. Therefore, the construct of political beliefs was merged with government

perception as it was suggested that political beliefs should be included as a dimension of latter construct.

Secondly, the corporate norms and its lower order constructs professionalism, compliance costs, tax advisor's effect and company structure were analysed. The analysis established relevance of the professionalism, compliance costs and tax advisor's effect within the research's context as the majority of the interviewees found them influential on their tax morale and tax compliance. Consequently, these constructs were kept in the model for quantitative testing. However, participants' perceptions on company structure did not show a clear effect on tax morale and tax compliance. Nevertheless, it was noticed that the construct overlaps with professionalism as NVivo analysis showed that more than half of the nodes of both constructs are coded from the same data sources.

Thirdly, the perceived behavioural control and its lower order constructs size of economic obligation and risk aversion were analysed. Both of the constructs were found strongly influential by the majority of the participants. Hence, no alterations were found essential for these constructs and they were kept in the model.

The modification of the model was achieved through two sets of alterations. Firstly, the overlapping constructs were identified to reach clearer construct domains. In this regard, political view and company structure were found to overlap with government perception and professionalism respectively. Secondly, emerging constructs were identified from the qualitative data. In the personal norms, religious evaluation of tax evasion is identified as a new construct that was found influential on OMSCs' tax morale. In addition, this new construct is never explored in the literature. In the corporate norms, other businesses' attitudes were found to be influential to participants' tax compliance decisions. Although similar constructs such as peer influence were discussed in the tax literature, the construct is also new to tax literature. Both constructs were added to the model for the further confirmatory quantitative phase.

In the last section of the chapter, the research hypotheses were developed to answer RQs with the guidance of the modified OMSCs' tax morale model.

Overall, the findings of the exploratory qualitative phase provided a rich and detailed data for the tax morale and tax compliance attitudes of OMSCs that will accommodate a wider perspective for future research. However, there are limitations for qualitative findings because it does not allow for generalisations and statistical inferences to be made. Nevertheless, it provides a new direction for further studies that might reveal a better picture for tax morale and tax compliance research. Moreover, the results of the

exploratory qualitative phase would provide a ‘baseline’ for the last empirical phase of this study, which is the confirmatory quantitative phase, demonstrated in the following chapter.

Chapter 6
Confirmatory Quantitative Phase: Analysis of the Survey

6.1 Introduction

Qualitative research is commonly preferred for gaining in-depth understanding of social phenomena and exploring new theories in social sciences (Bryman, 2012). Especially in tax research, qualitative research has recently attracted attention amongst academics (Oats, 2012). Particularly in this research's case, the qualitative analysis was utilised to explore the nature of the OMSCs' tax morale and compliance. Hence, the developed OMSCs' tax morale model from the literature was elaborated through the exploratory qualitative phase of the study.

Despite the rich and detailed findings of the qualitative research, it is often criticised for relaying heavily on researcher's subjective stance (Healy and Perry, 2000). Moreover, generalisation of the qualitative research findings might not be adequate and not give certainty due to low sample sizes (Punch, 2013). In order to overcome the downsides of qualitative research, it is decided to challenge the model with confirmatory quantitative phase. The core reason behind this decision was to examine qualitative findings thoroughly with a larger number of OMSCs and to generate a suitable test environment for the hypotheses of this research.

Considering the model elements are the perceptions of the factors that shape the OMSCs' tax morale and tax compliance, it involves constructs that are unobservable. Consequently, testing the model with the quantitative methods requires overcoming a number of obstacles. Firstly, choosing (and for some constructs developing) measurement tools, which are multi-item (question) scales and indexes for latent variables[24], are needed. Given that the survey is applied in a different cultural and linguistic environment than previous surveys in the field, there was an uncertainty about their performances of the measurement tools. The next challenge was designing the questionnaire that involved translation of the survey items and finalising the pilot study to ensure the validity of scales and indexes in the

[24] Latent variables are the constructs that cannot be measured directly. Observable and unobservable constructs differ in terms of measurement. For instance measuring (measurement is the process of assigning numbers to a variable based on set of rules (Hair, 2011)) height or temperature could be achieved by a number of different methods such as using a ruler or a thermometer however measuring trust or satisfaction might need different proxies. Therefore Hair et al. (2014) suggest that these constructs can be measured by using indicators or manifestations of what a group of experts agrees to fall under the specified domain of a latent variable. By combining several items to form a scale/index, a previously unobservable construct can be indirectly measured via observable and measurable proxies. (Diamantopoulos et al., 2008; J. Hair et al., 2014)

research's scope. Third obstacle was the data sampling and receiving the data with the representative sample of a satisfactory size. Finally, performing the relevant analysis and testing hypotheses was the last challenge.

Considering the explained challenges of the study, this chapter aims to describe the phases of the confirmatory quantitative phase and demonstrate how the research mastered the analysis to overcome those challenges.

In light of the explanations above, this chapter will consist of the following sections;

- Structural model of OMSCs' Tax Morale
- Design of the questionnaire and pilot survey
- Data Sampling
- Analysis of the measurement models and the structural model
  - Exploratory factor analysis
  - Testing the model with Partial Least Square-Structural Equation Modelling (PLS-SEM) (Evaluation of the measurement models and Evaluation of the structural model)
- Testing the hypotheses of the RQ6

The chapter ends with the concluding remarks that briefly discuss the findings.

6.2 Structural Model of OMSCs' Tax Morale

6.2.1 Understanding Structural Models

Structural Equation Modelling (SEM) is a growing generation of statistical methods for modelling the relations between variables (Hoyle, 2012). Structural model can be defined as a set of hypotheses that explains how a group of latent constructs are related to each other (Kline, 2011). In order to demonstrate the structural models, path models are used. Path models are diagrams used to visually display the hypotheses and construct relationships that are examined when SEM is applied (Hair et al., 2011, 2014). A path model consists of two elements that are called structural models and measurement models (Hoyle, 2012; Hair et al., 2014). Firstly, there is a structural model (inner model) that represents the constructs. The structural model displays the relationships (paths) between the constructs. Secondly, there are the measurement models (outer model) of the constructs that display the relationships between the constructs and the indicator variables (rectangles). An example of the simple path model is portrayed in Figure 16 below.

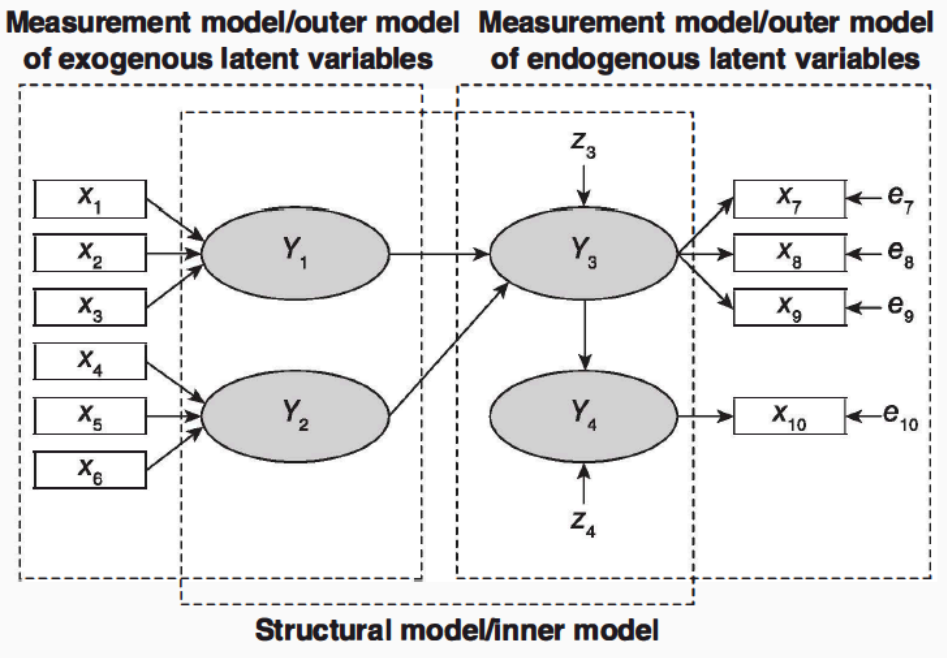


Figure 16: A Simple Path Model (Source: Hair et al., 2014, p.11)

In the example path model, constructs are represented in ovals and labelled as Y_1 to Y_4. Constructs are referred to latent variables that are not available for direct measuring (Hair, 2010). In order to measure the constructs, manifest variables or items, which are directly measured proxy variables that contain raw data, are used and represented by the rectangles that are labelled as X_1 to X_{10}. Structural model (inner model) displays the relationship

between the constructs. Measurement models (outer models) of the constructs represent the relationship between constructs and manifest variables (Hair, 2010). In the path model, two types of latent constructs are presented: exogenous and endogenous latent constructs (variables). Exogenous latent constructs are independent multi-item constructs that are not explained by any other latent construct in the model. On the other hand, endogenous latent constructs are the constructs that are theoretically explained by other latent constructs in the model. Both exogenous (Y_1 and Y_2) and endogenous (Y_3 and Y_4) latent variables are specified in the example structural model in the figure. Lastly, the error terms are exhibited, which are labelled differently for the exogenous latent constructs (z_3 and z_4) and manifest variables (e_7 to e_{10}), to present the unexplained variance in the model.

Path models are developed based on theory (Hair et al., 2015). Hair et al., (2014, p.12) defined theory as a set of systematically related hypotheses that were developed by following a scientific method that can be used to explain and predict outcomes. Therefore, hypotheses are individual conjectures whereas the theories consist of a number of hypotheses that can be tested empirically. In order to test the path models with empirical data, utilising measurement theory and structural theory are needed (Hair, 2010; Kline, 2011; Hair et al., 2014). Measurement theory determines how each latent construct is measured while structural theory specifies how the constructs are related to each other (Hair et al., 2014). Measurement theory, determines the measurement models that serve as proxies in measuring latent variables (Kline, 2011). The literature discusses two different types of measurement models namely: reflective measurement models and formative measurement models (Hair et al., 2011; Kline, 2011; Hoyle, 2012). Reflective measurement models are based on the classical test theory that explains measures or items represent the effect of the construct (Hair et al., 2014). In other words, reflective indicators can be viewed as a representative sample of all possible items available within the conceptual domain of the construct. Therefore, high correlation is expected between items and they should be interchangeable (Hair, 2010). Hence, as long as the construct meets with the reliability criteria, an item can be excluded without compromising the representativeness of the construct (Pallant, 2011; Hair et al., 2014). In the path models, reflective measurement models are demonstrated in Figure 16 as Y_3 and Y_4 that shows the directional arrows pointing from the construct to the indicator. Additionally, reflective measures are usually named as scales (Kline, 2011; Hair et al., 2014).

Contrary of the reflective measurement models, the formative measurement models are based on the assumption of a cause and effect relationship between indicators and the construct. Unlike reflective measurement models, each indicator of formative measurement model aim to capture different aspect of the construct domain (Diamantopoulos and Winklhofer, 2001). Therefore, the items of the reflective measurement model are not

interchangeable and they are not expected to correlate (Diamantopoulos et al., 2008). Hence, losing an item from the measurement model might cause ignoring an important part of the construct domain. Therefore, reflective measurement models' validity is evaluated differently than reflective measurement models (Diamantopoulos and Siguaw, 2006). Additionally, in the path models, formative measurement models are demonstrated in Figure 16 as Y_1 and Y_2 that shows the directional arrows pointing to the construct from the indicator and formative measures which are commonly named as indexes (Hair et al., 2014).

Following the measurement theory, a second theory named the structural theory is needed to test the structural models (Path models) (Kline, 2011; Hair et al., 2014). Structural theory explains how the constructs are related to each other (Hair et al., 2014). Although the theory and the construct sequence is based on the researcher's knowledge and preferences, the path models are commonly built from left to right. The structure of the path models usually start with independent variables and sequentially proceeds to the dependent variables (Kline, 2011). Hence, a structural model demonstrates the relationship between the exogenous and endogenous variables.

6.2.2 The Structural Model of OMSCs' Tax Morale

In light of the explanations about the structural models from the previous section, the next step is to introduce the structural model of the research. Drawing from the research's context, the OMSCs' tax morale model, which is developed through literature analysis and modified by the exploratory qualitative phase, is accepted as the structural model for the confirmatory quantitative phase of the research. For the convenience, the structural model of OMSCs' tax morale is demonstrated in the path model that is shown in the Figure 17 (please consult chapter 3 for the model development and chapter 5 for its modifications).

As mentioned before, a structural model stands for a group of hypotheses and demonstrates their relationship (Kline, 2011). The oval elements that are shown in the structural model represent the latent variables and the arrows represent their relationships. These relationships are formulated as hypotheses that will be subject of confirmation or rejection (Kline, 2011). However, the latent constructs are the hypothetical concepts that refer to perceptive views and abstractions, which can only be measured through paper and pencil type methods and by using multiple items as measurement tools (Bearden and Netemeyer, 1999; Bearden et al., 2011; Diamantopoulos et al., 2012). In addition, although the measurement tools are explained in the following sections of the chapter, they are not demonstrated in the path model of OMSCs tax morale at this stage to avoid confusion.

Additionally, given that the researcher cannot be present to observe the OMSCs' taxpaying process and follow it in person, OMSCs' views on the latent constructs were

captured via survey. Hence, all concepts of the model that are explored and measured in the model are perceptual and self-reported. Therefore, they are subjective in nature.

The next section presents the definitions of the latent constructs of the model that are measured in the survey to enable comprehensive understanding for the reader before introducing the survey development phase of the study.

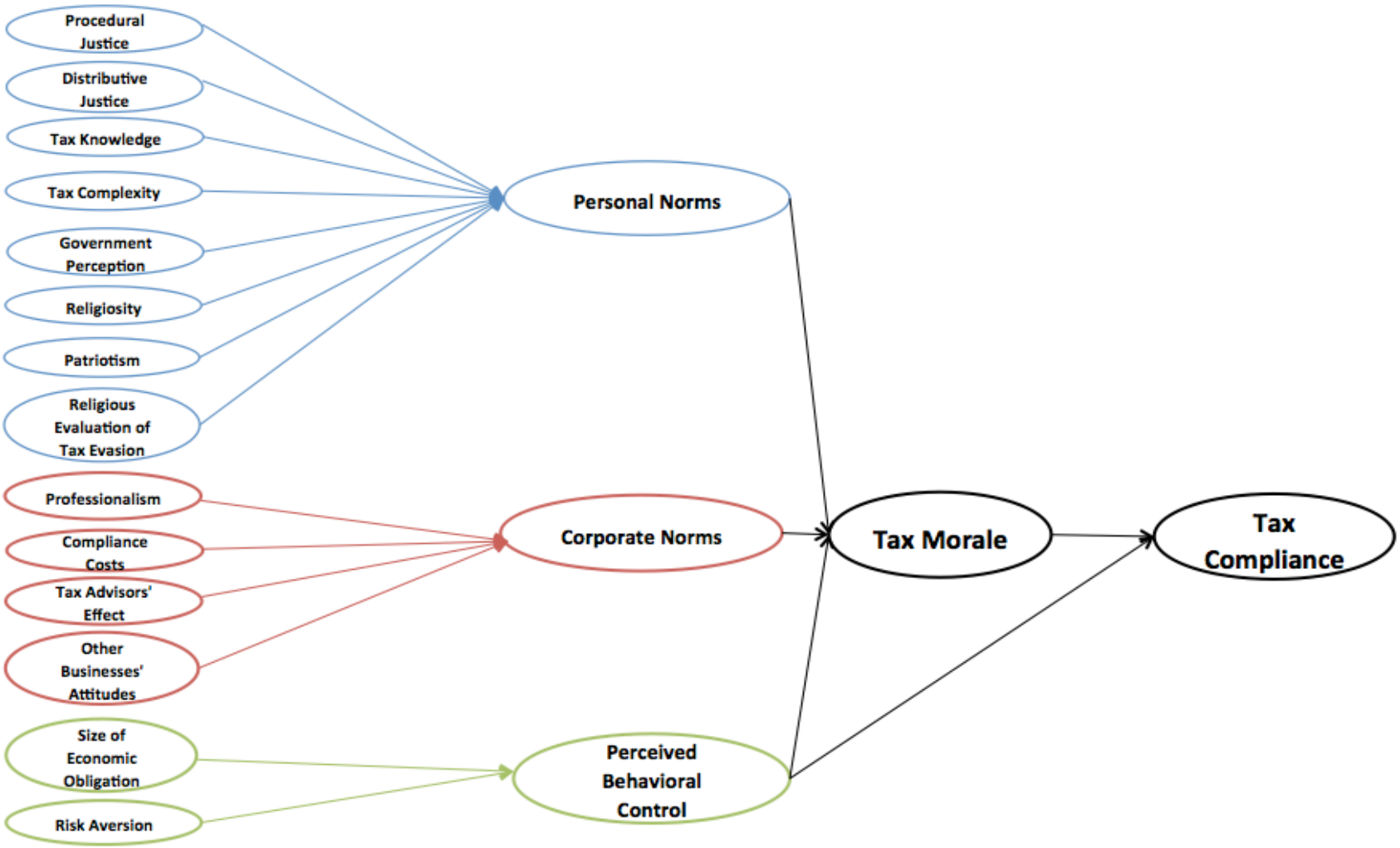


Figure 17: Structural Model of OMSCs' Tax Morale

6.2.2.1 Definitions of the Latent Constructs

In this section, the latent constructs of the model are defined. Given that the structural model emerged from the tax literature, the majority of the constructs obtained their definitions from the literature. Nevertheless, two of the constructs emerged as a result of exploratory qualitative phase of the study, namely: Religious Evaluation of Tax Evasion and Other Businesses' Attitudes, which were defined through the exploratory quantitative phase of the research (please see 5.4.2 for emerging constructs). Although the definitions of the constructs were provided in the chapter 3, it is useful to revisit the definitions in a compact table before introducing the measures of the constructs.

Before introducing the definitions of the constructs, a brief explanation about the nature of them is found useful. As explained in the section 6.2.1, two types of latent measurement models are discussed in the literature namely: reflective and formative measurement models. The difference arises from the causality of the measures. In the reflective measurement models, causality is from the construct to its measures whereas in the formative measurement models causality is from the measures to the construct (Diamantopoulos and Winklhofer, 2001). Therefore, constructs that have very distinct sub-dimensions within their domains are measured with formative measurement models. In this sense, this research has three constructs that are formative in nature, namely: Government Perception, Professionalism and Tax Advisors' Effect. These constructs considered as formative in nature because of their distinct sub-dimensions that became apparent during the exploratory qualitative phase. For instance, Government Perception construct has three dimensions namely: trust, support and satisfaction, which can be measured by different indicators and they cannot be interchangeable. Similarly, Professionalism has three different dimensions namely; traceability, ability and capability of their staff and utilizing the resources of the company. Last construct that is formative in nature is Tax Advisors' Effect, which has three different dimensions namely: trust, capability of tax advisor and tax knowledge. The constructs with a formative nature are indicated with (F) in the table.

Table 9 provides the definitions and labels for the latent constructs that are used throughout the quantitative analysis.

Table 9: Definitions of Latent Constructs

Construct	Definition	Label
Personal Norms	Personal norms is a higher order construct that refers to OMSC's personal view/stance on tax morale and tax compliance as an individual	***PersonalN***
Procedural Justice	Procedural Justice stands for perceived fairness of OMSC on tax legislation and the processes of the tax authority.	***ProcedJust***
Distributive Justice	Distributive Justice refers to OMSCs' perceived fairness of how the tax burden is distributed amongst other taxpayers.	***DistJust***
Tax Knowledge	Perceived level of OMSC's knowledge of tax legislation and procedures that the company is obligated to comply with.	***TKnow***
Tax Complexity	OMSCs perception of legislative complexity in both tax law and tax procedures that affect their company.	***Complex***
Government Perception (F)	OMSCs perception of the current government's performance.	***GovPer***
Religiosity	OMSCs' commitment to a religion and its teachings.	***Religiosity***
Religious Evaluation of Tax Evasion	OMSC's assessment of tax evasion and evaders from their religious and cultural point of view.	***ReligEv***
Patriotism	OMSCs' love of their country and willingness to sacrifice for its good.	***Patriot***
Corporate Norms	Corporate Norms is a construct that is defined as OMSCs' normative beliefs about their company and its wellbeing.	***CorporateN***
Professionalism (F)	Professionalism refers the perceived ability/competence of an OMSC to have capable staff and resources to comply with the tax system	***Prof***
Compliance Costs	OMSC's perceived level of cost that the company has to bear to meet with the regulations of tax law.	***CompCosts***
Tax Advisors' Effect (F)	The impact of the company's tax advisor on OMSC's tax compliance decisions.	***TaxAdv***

Construct	Definition	Label
Other Businesses' Attitudes	Influence of other companies' strategies or behaviours on OMCS's tax compliance decisions.	***OtherBus***
Perceived Behavioural Control	Perceived Behavioural Control is a construct that is in line with the TPB theory and it refers to an extent to which the OMSC feels that he/she is able to perform the behaviour. To put it simply, the PBC is defined as the perceptive ability of OMSCs to comply with tax system in this research.	***PBC***
Size of Economic Obligation	The construct is defined as perceived size of a tax burden that the company of OMSC has to bear.	***EObligation***
Risk Aversion	OMSCs' perceived possibility of being caught from tax evasion or unreported income.	***RiskA***
Tax Morale	This higher order construct refers to intrinsic motivation of OMSCs to pay the taxes. In other words, it addresses how dedicated the OMSC is to pay the taxes.	***TaxMorale***
Tax Compliance	Tax Compliance is defined as voluntary tax compliance that addresses OMSCs willingness to pay the taxes.	***Compliance***

The next section will discuss the questionnaire design and introduces the measures of the survey.

6.3 Design of the Questionnaire and Pilot Survey

The questionnaire design is a critical step for the research. It is also considered as a vital stage of the measurement theory that involves the selection of appropriate format, layout of the questionnaire and determining the measures of the constructs (scales and indexes), item wordings and ordering of the items in the questionnaire (Salant and Dillman, 1994). Considering the challenges of the design, the researcher explained how these challenges were handled under the following sub-sections. In addition to the considerations of the design, the section also discusses the pilot study in this section.

6.3.1 Measures of the Survey

The survey instrument, questionnaire, is constructed for measuring the latent constructs in this research. Therefore, one of the first challenges encountered was in deciding the measures of the constructs. Considering the structural model aims to understand the

'broader picture' of OMSC tax compliance through their tax morale, the survey is assigned to measure all latent variables that are demonstrated in the model. Hence, it includes the sixteen scales and three indexes for all nineteen constructs that were demonstrated in the model.

Considering the possible difficulties of building a survey for a large number of constructs, measures for the majority of the constructs (fourteen constructs) were adopted from the literature. While choosing the measures from the literature, the researcher looked for three particular criteria. Firstly, the measures of the constructs were preferred which were used and verified in the previous tax studies although the similar measures can be found in other areas. For instance, procedural justice measures can be found in various studies such as management and psychology studies (Folger and Konovsky, 1989; Skarlicki and Folger, 1997; Blodgett et al., 1997), nevertheless Hartner et al.,'s (2010) scale for the construct was used because it targets the measurement of the construct from the taxpayers' perspective. The same preferences were valid for the remaining constructs. Secondly, bearing in mind that the tax research is a developing area and ,unlike the disciplines of marketing or psychology, it is yet to receive studies/books that are solely based on introducing scales and indexes, the researcher looked for for the measures that cover full domains of the constructs in the model. In other words, definitions of the constructs were taken as a starting point to research the suitable measures for the constructs. This was because as even though their names could be the same, the measures may target the different domains. Lastly, the measures were preferred that were used for similar populations and provided satisfactory construct validity scores for the previous studies. For instance, the religiosity scale for the study was selected by considering the targeted Muslim population of the research. Hence the researcher preferred the scale that was specifically developed for measuring the Muslim religiosity (Shukor and Jamal, 2013).

Although the majority of the measures were adopted from the literature, two scales for the constructs that were emerged from the exploratory phase of the research. In other words scales of *OtherBus* and *ReligiousEv*, were developed. Additionally, considering the requirement of SEM-PLS modelling (Hair et.al, 2014) and TPB formulation of Ajzen (1991), three measures for the constructs of *PersonalN, CorporateN* and *PBC* were also developed by following the advice of Ajzen et al., (2011) and Francis et al. (2004) to reflect the domains of the constructs that are closely related with TPB. Moreover, these scales were originated from the scales of Ajzen (2006, 1991) and the items of these constructs were also created with the inspration from the studies that were used in TPB in tax research such as Smart, (2012) and Jo'Anne et al. (2012).

In order to develop the scales, the development instructions suggested by DeVellis (2011) were followed. For this critical task, the researcher firstly created the items for each construct that had a capability to represent the proxy underlying the targeted latent phenomena. Six items for the *OtherBus* and five items for the *Religious Ev* were created with the help of the exploratory qualitative phase and the advice of the supervisory board of the research for each construct. For the remaining constructs of PersonalN, CorporateN and PBC, the researcher created five items that are consistent with Ajzen, (1991) and followed the suggestions of the Francis et al. (2004) to represent the TPB inspired constructs. Moreover, the indicators for these constructs were inspired from the studies in the tax research that applied TPB such as Smart (2012) and Bobek et al. (2007a).

The created items were short attitudinal statements that were suggested as representative statements for the target constructs. Following the creation of the items, establishing the content validity and the face validity of the items were needed (Hardesty and Bearden, 2004; Kline, 2011). Content validity refers to whether the items were representative of the target domain whereas the face validity is concerned with whether the items represent the proper sample of the construct domain (Hardesty and Bearden, 2004). In order to achieve content validity and the face validity of the scales, expert assessment was needed (Zaichkowsky, 1984; Hardesty and Bearden, 2004). The researcher prepared face and content validity assessment form that contains construct definition, generated items, expert views of each item and expert comments to receive the expert views on the generated items. The form asked experts about how representative they found the items in the forms of the 7 Likert scale (1 meaning clearly representative and 7 meaning not representative at all) and provided space for additional comments. The form was sent to the panel of tax experts (six academics and four expert practitioners) via email. Received results were evaluated and the scales for the constructs were refined by eliminating the statements that were scored 3 or above from any expert. Hence, three items for the *OtherBus*, two items for the *ReligiousEv* and the three highest scoring items for each remaining constructs were accepted to remain in the survey. In addition to the developed scales, it was found useful to strengthen the *Religiosity, GovPer* and *Prof* construct measures by including an additional item(s) to their scales/indexes to extend their construct domains. For instance with the GovPer formative construct, support for the government was found important as a dimension of the construct in the qualitative phase. Hence, the item: 'I support the current government' was included in the GovPer index of Scholz and Pinney, (1995). Moreover, four items were included in the *Prof* index, which considered the different dimensions that appeared in the exploratory phase and one item that was included in each of the remaining two constructs. These additional items were also included in the above-mentioned item development process.

Lastly, the scales/indexes from the literature were modified to increase their practicability for the research's scope and to adopt them to the target population of the survey. Modification of the survey items is acceptable and is common practice in the survey research (Fowler, 1993; Sapsford, 2006; Lavrakas, 2008) and modifying item wordings found useful for achieving clear factor-analytic results during the analysis (Schriesheim and Eisenbach, 1995). Nevertheless, the modifications were limited with three groups of minor changes to ensure that alterations would not compromise reliability and the validity of the established scales/indexes. The first type of the modifications was made to convert the items into the attitudinal statements that would be suitable for the agree/disagree 7 Likert scale type answering. All items were aimed to follow the same format for the convenience of the respondents throughout the survey. Hence, the measures that are not originally designed in the statement format were converted. For instance, Wenzel (2002) scale for *DistJust* construct was modified with the same consideration[25]. Only exception for the converting items to 7 Likert scale were the *RiskAversion* items which were measured by 1 to 100 scales as it was thought that assessing the risk is easier for the participants in percentages. Additionally, risk assessment items were advised to have extensive scales as they provide more accurate estimates for the construct (Dohmen et al., 2011). The second type of modifications was made to adopt the scales /indexes to the research's geographical scope and its target group: OMSCs. For that purpose, items that were designed for different countries were modified for Turkish context. For instance, Kosterman and Feshbach's (1989) patriotism scale was modified by converting the first item of the measure from 'I am proud to be an American citizen' to 'I am proud to be a Turkish citizen' in the survey. The same rule applied for the five items whenever found necessary. Lastly, considering the long statements might be inconvenient for the respondents, eight items were shortened without changing the meaning of them. For instance, from Kirchler and Wahl (2010) scale of *Compliance,* an item was shortened from, ' When I pay my taxes as required by regulations, I do so because I pay my taxes voluntarily' to 'I pay my taxes voluntarily'.

Overall, 71 items were used in the survey to measure the latent variables of the model. Twenty of the items were developed newly for this survey and 33 of them were modified as mentioned above. All items of the survey, their coding, answer ranges and sources are presented in the Table 10. Additionally, the reader should bear in mind that the construct measures, which are presented in the table, are the measures that appeared in the final version of the survey and they were tested with the pilot study (see section 6.3.3).

[25] For instance question one in the Wenzel (2002) scale was modified from the original form of : "Think about the people who are in the same boat as you when it comes to paying tax. In your opinion, do they pay . . . ?" (1 _ much more than their fair share, 2 _ a bit more, 3 _ about their fair share, 4 _ a bit less, 5 _ much more than their fair share)" into the statement form of: "When I think about the companies that are in the same boat as ours when it comes to paying tax, in my opinion, they pay fair share of their taxes."

Table 10: List of The Items of the Measurement Models

	Items	Scale (Answer Range)	Coding	Source and Modification
	Personal Norms			
1	My personal beliefs/values influence me while I am paying my company's taxes.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	PersonalN1	Qualitative Research -Theory
2	I always take my personal beliefs into account when I pay my company's taxes	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	PersonalN2	Qualitative Research -Theory
3	My beliefs and values come first when I am dealing with tax matters of my company.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	PersonalN3	Qualitative Research -Theory
	Distributive Justice			
3	When I think about the companies that are in the same boat as ours when it comes to paying tax, in my opinion, they pay fair share of their taxes.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	DistJust1	Literature (Wenzel 2002) Modified
4	I think that companies are being taxed fairly in our country.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	DistJust2	Literature (Wenzel 2002) Modified
5	I think that taxpayers in general are being taxed fairly in our country.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	DistJust3	Literature (Wenzel 2002) Modified
6	For the average taxpayer, I think that the tax system is fair.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	DistJust4	Literature (Wenzel 2002) Modified
7	On the whole, the burden of taxes is fairly distributed.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	DistJust5	Literature (Wenzel 2002) Modified
	Procedural Justice			
8	The tax office's decisions are fair.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	ProcedJust1	Literature (Hartner et al. 2011)
9	The rules and approaches applied by the tax office treat all taxpayers equally.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	ProcedJust2	Literature (Hartner et al. 2011)
10	The tax office's decisions are mainly in favour of taxpayers.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	ProcedJust3	Literature (Hartner et al. 2011)
	Tax Knowledge			
11	In general, I feel very knowledgeable about taxes.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	TKnow1	Literature (Sakurai and Braithwaite 2003) Modified

	Items	Scale (Answer Range)	Coding	Source and Modification
12	When I prepared my company's tax return last year, I understood what tax office expected from our company.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	TKnow2	Literature (Sakurai and Braithwaite 2003) Modified
13	I feel competent to do my own company's tax return.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	TKnow3	Literature (Sakurai and Braithwaite 2003) Modified
	Tax Complexity			
14	I think the tax system is hard to understand.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Complex1	Literature (Forest and Sheffrin 2002) Modified
15	I find tax system complicated.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Complex2	Literature (Forest and Sheffrin 2002) Modified
	Government Perception			
16	I am happy with the current government.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	HOC_GovePer	Qualitative Research
17	I trust our government.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	GovPer_Trust1	Literature (Scholz and Pinney 1995)
18	Dishonesty in the government is pretty rare. The government is honest in general.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	GovPer_Trust2	Literature (Scholz and Pinney 1995)
19	I support the current government.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	GovPer_Support	Qualitative Research
20	I never complain about the government.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	GovPer_Satisf1	Literature (Welch and Moon, 2005)
	Religiosity			
21	I believe in Allah.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Religiosity1	Literature (Shukor and Jamal 2013)
22	I carefully avoid shameful acts.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Religiosity2	Literature (Shukor and Jamal 2013)
23	I always perform my duty as a Muslim (e.g. pray five times a day, fasting during the month of Ramadan, pilgrimage to Mecca) to Allah.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Religiosity3	Literature (Shukor and Jamal 2013)
24	It is important for me to follow Allah's Commandments conscientiously.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Religiosity4	Literature (Shukor and Jamal 2013)

	Items	Scale (Answer Range)	Coding	Source and Modification
25	Religious beliefs influence all my dealings with everyone.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Religiosity5	Literature (Shukor and Jamal 2013)
	Religious Evaluation of Tax Evasion			
26	I see tax evasion as a sin	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	ReligEv1	Qualitative Research
27	Evading tax is seizing someone's rightful due to me	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	ReligEv2	Qualitative Research
	Patriotism			
28	I am proud to be a citizen of Turkey.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Patriot1	Literature (Kosterman and Feshbach 1989) Modified
29	No matter what, my commitment to Turkey always remains strong.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Patriot2	Literature (Kosterman and Feshbach 1989) Modified
30	The fact that I am a citizen of Turkey and it is an important part of my identity.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Patriot3	Literature (Kosterman and Feshbach 1989) Modified
	Corporate Norms			
31	I think of my company's needs first when I pay taxes.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	CorporateN1	Qualitative Research -Theory
32	My company is my priority when I deal with tax matters.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	CorporateN2	Qualitative Research -Theory
33	I always seek the best option for my company when I am filling my tax return.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	CorporateN3	Qualitative Research -Theory
	Professionalism			
34	Our staff and resources are capable enough to fulfil our company's tax liabilities in required standards.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	HOC_Prof	Qualitative Research
35	Our staff is capable to fulfil all of our tax responsibilities	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Prof _CapStaff1	Literature (Abrie and Doussy 2006) Modified
36	Our staffs always keep our books in required standard by the Tax office.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Prof_ CapStaff2	Literature (Abrie and Doussy 2006) Modified
37	Our staff records all transactions in our books.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Prof_ Traceability1	Qualitative Research

	Items	Scale (Answer Range)	Coding	Source and Modification
38	We record all of our purchases and sales.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Prof_ Traceability 2	Qualitative Research
39	Using accounting software helps us to monitor the company	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Prof_ AccoSoft	Qualitative Research
	Compliance Costs			
40	Our company bears high cost for preparation of our tax return.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	CompCost1	Literature (Hansford, et. al 2003) Modified
41	Cost of our tax advisor was very high to our company last year.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	CompCost2	Literature (Hansford, et. al 2003) Modified
42	I spent a lot of time for preparing our tax return last year.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	CompCost3	Literature (Hansford, et. al 2003) Modified
43	Our company paid very high overhead cost (expenses for equipment, computers, stationery, travel etc) to pay our taxes last year.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	CompCost4	Literature (Hansford, et. al 2003) Modified
	Tax Advisors Effect			
44	Our company always follows our tax advisor's recommendations.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	HOC_TaxAdv	Qualitative Research
45	I follow my tax advisor's advices even if I find them risky.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	TaxAdv1	Literature (Devos 2012) Modified
46	My tax advisor encourages me to comply with tax system.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	TaxAdv2	Literature (Devos 2012) Modified
47	I fully trust my tax advisor.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	TaxAdv3	Literature (Devos 2012) Modified
48	I found that my tax advisor is fully capable and knowledgeable in tax matters.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	TaxAdv4	Literature (Devos 2012) Modified
	Other Businesses' Attitudes			
49	It is NOT logical to pay more tax than competing companies pay.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	OtherBus1	Qualitative Research
50	I check other businesses' taxpaying behaviours in my sector when I pay my taxes.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	OtherBus2	Qualitative Research

	Items	Scale (Answer Range)	Coding	Source and Modification
51	It is acceptable to evade taxes when the others in the sector behave in that way.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	OtherBus3	Qualitative Research
	Perceived Behavioural Control			
52	Even if someone wanted to evade taxes, there are objective restrictions that prevent them to do so.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	PBC1	Qualitative Research -Theory
53	There may be certain conditions of my company that might prevent me from being fully compliant with tax law.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	PBC2	Qualitative Research -Theory
54	I have affected by the conditions that restricted my compliance intentions towards tax.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	PBC3	Qualitative Research -Theory
	Size of Economic Obligation			
55	Our company's tax burden is unbearable.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	EObligation1	Literature (Kinsey,et al; 1991) Modified
56	High proportion of our whole turnover goes to our tax payments.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	EObligation3	Literature (Kinsey,et al; 1991) Modified
57	The overall amount of previous year's tax that our company had to pay was very high.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	EObligation3	Literature (Kinsey,et al; 1991) Modified
	Risk Aversion			
58	How likely do you think that the Tax office can detect an unreported income?	1 to 100 Scale	RiskA1	Literature (Ahmed and Braithwaite 2005) Modified
59	How likely do you think that you will get audited next year?	1 to 100 Scale	RiskA2	Literature (Ahmed and Braithwaite 2005) Modified
60	How likely do you think a tax evader can get caught in our country?	1 to 100 Scale	RiskA3	Literature (Ahmed and Braithwaite 2005) Modified
	Tax Morale			
61	Paying tax is the right thing to do.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	TaxMorale1	Literature (Braithwaite et.al 2007)
62	Paying tax is a responsibility that should be willingly accepted by all citizens.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	TaxMorale2	Literature (Braithwaite et.al 2007)

Items	Scale (Answer Range)	Coding	Source and Modification
63 I feel a moral obligation to pay my tax.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	TaxMorale3	Literature (Braithwaite et.al 2007)
64 I think of tax paying as helping the government do worthwhile things.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	TaxMorale4	Literature (Braithwaite et.al 2007)
65 Overall, I pay my tax with good will.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	TaxMorale5	Literature (Braithwaite et.al 2007)
66 I resent paying tax. (Reverse Coded)	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	TaxMorale6	Literature (Braithwaite et.al 2007)
Tax Compliance			
67 I pay my taxes voluntarily.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Compliance1	Literature (Kirchler and Wahl 2010) Modified
68 Even if tax audits did not exist I pay my taxes	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Compliance2	Literature (Kirchler and Wahl 2010) Modified
69 I pay my taxes because for me it's the natural thing to do.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Compliance3	Literature (Kirchler and Wahl 2010) Modified
70 I pay my taxes to support the state and other citizens.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Compliance4	Literature (Kirchler and Wahl 2010) Modified
71 I pay my taxes even though I know that others do not do that.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)	Compliance5	Literature (Kirchler and Wahl 2010) Modified

6.3.2 Building the Questionnaire

After determining the scales/indexes of the latent constructs, the next step was to build the questionnaire. For this purpose, the first step is to decide on the demographic items of the questionnaire. The demographic variables could enlighten the understanding of the sample structure and they are considered an essential part of the survey in the literature (Oppenheim, 1992; Sapsford, 2006). Therefore, the researcher has included a range of demographic items, 18 questions, to the questionnaire, covering the demographics of both OMSCs and their companies. The demographic items were placed after the construct measures to reduce dropouts possibility of the participants. Secondly, the survey used a screening question[26] to ensure that the target population, OMSCs, answered the questionnaire. Thirdly, introductory information was added to the questionnaire, which explains the aim of the survey and provides information about the researcher. Lastly, an optional open-ended question was added at the end of the questionnaire to gather further thoughts and feelings of the participants that might be instructive for the further studies. The final version of the questionnaire and the answer range of the items are demonstrated in the Appendix 3.

The questionnaire was worded to encourage respondents to provide accurate and complete information particularly for tax and religiosity statements that are regarded as sensitive issues. In order to encourage complete responses, a cover letter was attached to attract respondents' attention and inform them about the purpose of study which was clearly explained (Vaus, 2013). Regarding confidentially concerns, which some participants might have, participants were assured and informed with the cover letter that provided an explanation of the data protection act. Please see Appendix 5 and 6 for the cover letters in English and In Turkish.

Although, the questionnaire was originally prepared in English, it is an uncommon language amongst the target population; Turkish OMSCs. Therefore, the questionnaire was translated into the vernacular language of the target population: Turkish. To ensure that the validity of the items was not compromised during the translation process, the translation method that is advised by Sperber (2004) was employed. Firstly, the researcher translated the questionnaire into Turkish. A language expert from the Marmara University, Istanbul, took the next step and checked the accuracy and validation of the translated version. Secondly, a reverse translation to the source language, English, was performed by two academics from the University of Nottingham and Marmara University. Thirdly, the source language version and the reverse translated version of the surveys were compared. Seven items showed accuracy problems; therefore, corrections were made according to the translator's suggestions. Finally,

[26] Screening question is a frequently applied technique in the survey research to control the respondents of the online surveys to meet with the certain criteria (Schmidt, 1997).

the last language validity check for the questionnaire was performed by two Turkish tax academics (from Marmara and Uludag universities in Turkey) to ensure that the complex tax terms, such as tax morale and tax evasion, were translated appropriately into Turkish and reduce the risk of misunderstandings. The full-translated version of the questionnaire and answer range of the items is demonstrated in the Appendix 4.

The following step after the translation process was the application of the survey. Online surveying is the most popular method in the survey research that provides a number of advantages for the researchers (Sue and Ritter, 2011; Bryman, 2011). Online application of the survey was agreed for this research because of anonymity and convenience reasons. Firstly, considering intimacy of tax related issues for the businesses, anonymity of the participants was found crucial for comfortable participation and for receiving unbiased data. An online software tool was utilised to ensure the participants about their anonymity (See 6.4.5 for details). Secondly, convenience of the online application was found useful to achieve higher number of respondents compared to the other surveying methods (Nulty, 2008).

An online questionnaire tool: 'Qualtrics'[27] software was employed to design the survey. Qualtrics is one of the leading online survey tools that allow researchers to organise and administrate online surveys. Using online software for the survey research is common practice in surveying (Sue and Ritter, 2011; Bryman, 2012; Engel et al., 2014) and it helps researchers to manage the responses during the data collection period. Online survey tool aided the researcher in organising the flow of the questionnaire and monitoring the data collection process.

Item randomisation was used within the construct measures to alleviate the response ordering bias while designing the questionnaire (Bradburn and Sudman, 2004; Lavrakas, 2008). Qualtrics also allowed randomising the order of the construct measures, which was applied because of the same considerations. Nevertheless, arrangements were made regarding the order of some sensitive construct measures. The sequence of the scales/indexes started with less complex questions and then proceeded to attitude-sought questions. This is because placing direct questions about the respondent (particularly his/her attitude towards tax issues as well as his/her religiosity level) at the beginning of the questionnaire may discourage respondent from continuing and completing the survey (Salant and Dillman, 1994). Hence, randomisation of the construct measures considered the sensitive construct measures and displayed them to the participants after the first two pages of the questionnaire. Pilot analysis results also suggested the randomisation should be arranged with the care of construct measures, all of which is explained in the next sub-section.

[27] http://www.qualtrics.com/

A basic plain design which consisted of the non-colourful display was adopted for the online survey to make it visually pleasing and easy to comprehend for the respondents because internet users tend to read quickly and prefer to scan rather than read the whole text thoroughly (Manfreda and Vehovar, 2009). In addition, a completion progress bar was included into the design to inform the participants about the completion time of the survey.

A complete online appearance of the questionnaire is provided in Appendix 9.

6.3.3 Pilot Survey

Following the full formation of the questionnaire, the application of the survey was the next step. Bearing in mind that the construct measures were not previously tested in the research's scope and some items were newly developed, it was preferred to pre-test the survey instrument to ensure both individual construct measures and whole questionnaire functions without any problems before administrating the survey.

A pilot study is commonly used to test preliminary version of a questionnaire that might provide an indication of whether a proposed instrument is appropriate (Simmons, 2008). Furthermore, it also serves as a small-scale version of the surveying process that might give in advance warning about potential problems during the actual fieldwork (Zikmund, 2003). Therefore, feedback from a pilot study is essential to ensure that the items elicit the responses required, translation of the items are adequate, the wording is not ambiguous and free of errors, the flow of the questionnaire is appropriate, and the instructions and guidelines of the questionnaire are clear (Lavrakas, 2008; Bryman, 2011). Hence, a pilot study was conducted to increase the reliability of the measures as well as to avoid any major problems during the implementation of the main survey.

In order to achieve the desired outcomes, the pilot was conducted in two stages. In the first stage, the draft of the questionnaire was prepared and sent to academics to receive their suggestions about improving the questionnaire before sending it to the pilot participants. It is very common practice to seek the opinions of colleagues in the pilot stage and having various academics involvement increases a variety of perspectives (Simmons, 2008; Bryman, 2011). This is because people with the same research interests might assist in increasing the clarity of the meaning of certain taxation terminologies within the context of taxation whilst people from different areas may try to understand the actual content of the questionnaire from a layperson's perspective. Thus, misinterpretation of a question or a statement can be avoided (Raihana Nor, 2013). In order to receive their critical input, the questionnaire was sent to seven academics (five of them were the PhD students from Tax, Marketing, Psychology,

Management and Economics and two lecturers in Tax research[28]) via email after receiving their consent to participate in the study.

The critical feedback received from the participants was concerned with three main issues. Firstly, the length of the questionnaire found distracting by the majority of the participants. Considering the volume of the model with nineteen latent variables that are being measured within the same the questionnaire, it is expected that the questionnaire would be lengthy. Nevertheless, it was suggested that the original scales of some of the reflective constructs that have more than five items should be shortened. For example, the patriotism scale of Kosterman and Feshbach (1989) that includes twelve reflective items was advised to be shortened in the early version of the questionnaire. Longer scales can be time consuming for the respondents and in some cases might be repetitive while causing participants to drop out from the survey (Davies, 2007). Resultantly, it was decided to shorten some of the longer scales by removing the poor performed items according to their factor loading performances and scale reliability index (Cronbach's Alpha) scores after the second stage of the pilot study. Secondly, simplifying the language and terminology was advised to avoid misconceptions and possible ambiguity for the context of some items. For instance, instead of using the Turkish Revenue Administration in the questions using term of 'tax office' were advised. Seven changes had been made in the wordings of the questions according to the feedback. Finally, the layout of the questionnaire was advised to begin with scales and then end with demographics questions.

The final stage of the pilot study was conducted to test the performances of the measures in the research's scope: Turkish OMSCs. In this stage, the pilot survey was applied by using the online questionnaire tool, Qualtrics, on the conveniently selected sample. The aim was to pre-test the performances of the measures, such as their factor loadings and to check validity indicators of the scales. For this purpose, conducting the Factor Analysis (FA) for each scale to check their unidimentiality (whether or not items load on the same factor) and the possibility of running an Aggregated Factor Analysis (AFA) were considered although the latter was not the primary aim for this stage. Therefore, the second stage of the pilot survey aimed to receive 100 responses, which is a suggested minimum required response to run FA by Hair (2010, p.102). In order to receive the required responses, the survey was distributed to the local chamber of commerce's email list in Bursa, Turkey, which includes 1196 OMSCs' emails. A week after the first emails, a reminder email was sent to the

[28] The participants are from different universities. Three PhD students were from the Nottingham University Business School, one of them from the Marmara University in Istanbul and the last one were from the Limerick University in Ireland. Two lecturers that are participated in this study were from the Nottingham University and the Marmara University.

respondents to encourage participation in the study. 137 responses were received in 20 days whereby 112 of the responses were appropriate to execute the pilot analysis.

After the data were gathered from the second stage of the pilot, the analysis for the each scale, which consists FA and test for the construct reliability, was conducted. The items that reduces the construct reliability, Cronbach's Alpha, below 0.7 were removed from the scales. Additionally, remaining items of each scale were tested for the unidimentiality and the items were checked for their factor loadings. Overall, the pilot analysis revealed that the measures are suitable and performed without problem within the research's scope. Further more, they provided satisfactory reliability figures, which suggest that the final survey could proceed. Table 11 demonstrates the removed items per each construct measures after the pilot analysis.

Table 11: Removed Items After the Pilot Analysis

Construct	Original Items in the Scale/index	Removed items after Pilot	Remaining Items
PersonalN	5	2	3
ProcedJust	4	1	3
DistJust	7	2	5
TKnow	4	1	3
Complex	3	1	2
GovPer	6	1	5
Religiosity	5	0	5
ReligEv	2	0	2
Patriot	12	9	3
CorporateN	4	1	1
Prof	8	2	6
CompCosts	4	0	4
TaxAdv	6	1	5
OtherBus	5	2	3
PBC	4	1	3
EObligation	4	1	3
RiskA	3	0	3
TaxMorale	7	1	6
Compliance	6	1	5
Demographics	20	2	18
Total	***119***	***29***	***90***

Additionally, the order of online display of the measures in the survey was changed because of the high number of participant dropouts after they faced with the tax compliance measure in the second page of the survey. Therefore, the construct measures that were suggested as comparatively less sensitive such as procedural fairness or tax knowledge was

placed before tax compliance questions in the main survey. Finally, the pilot survey provided an idea for the response rate of such survey, which was a point of concer, as there are not any examples of this scale being performed in Turkey to our knowledge.

The next section will explain the data sampling and collection procedure of the survey.

6.4 Data Sampling

After finalising the questionnaire and administrating the pilot study, the next challenge for the research was acquiring the empirical data, which is defined as data sampling (Selm and Jankowski, 2006; Bryman, 2011; Malhotra, 2012). Data sampling consist determining the group of units (sample) from the target population of concern to gather the specific information and executing data sampling (Fowler, 1993). Carefully designing the sampling process is important in the survey research to avoid sampling error (the difference between a sample and the population from which it is selected), or non-sampling errors (deficiencies in sampling approach) that might occur during the process (Bryman, 2011). Hence, sampling is one of the important considerations of this study and a systematic approach was obtained for the sampling process. For this purpose, the sampling process that is suggested by Malhotra and Birks (2007, p.406) was employed. Malhotra and Birks (2007) suggested six phases for successful sampling design that involves: defining the target population, determining the sampling frame, selecting the sampling technique, determining the sample size, executing the sampling process and validating the sample quality. Each of the data sampling phases is discussed in detail under this sub-section. In addition to the sampling procedure, the demographic profile of the sample is presented.

6.4.1 Target Population

Sampling design begins with specifying the target population. Bearing in mind that the research's conceptual scope is determined as OMSCs and the research's geographical scope is selected as Turkey, the following criteria were created to ensure that participants met with the desired demographic and behavioural profile. Therefore, the following characteristics for the participants were drafted as the following:

- Being an active owner and manager of a small company who has a control over at both shareholder and board level.
- The OMSC who owns a company that is registered to the tax office and the company issued a tax return. It was assumed that being an active taxpayer is an important indicator that an OMSC actively involves in the decision-making processes related with tax.

- Older than 18
- Citizens or inhabitants of Turkey
- Speaker of the Turkish language

The listed were criteria implemented through the screening question and sample-framing phase of the sampling.

6.4.2 Sampling Frame

A sampling frame is a representation of the elements of the target population which consists a set of directions for identifying the target population (Malhotra and Birks, 2007). In other words, it refers to source of the respondents such as a telephone book, a customer mailing list or a map. In an ideal situation the sampling frame should include all of the target population, however it is very unlikely to occur in real life research situations. Consequently, deciding the sampling frame, a directory in which the survey participants will be selected, is a practical and theoretical consideration (Deming, 1990). In order to minimise the risk of sampling frame error (a variation between the population defined and the population as implied by the sampling frame), it was decided to approach the Small and Medium Enterprises Support Agency[29] (KOSGEB) that has the largest available database for small companies in Turkey (OECD et al., 2012). Although there are other authorities available in the Turkish context such as chambers of commerce, maritime, trade, commodity and exchange (known as TOBB) or confederation of the trades man and artisans of Turkey (known as TESK), KOSGEB had the only big database that contained details of the OMSCs that the research targeted. Hence, the researcher approached to the Small and Medium Enterprises Support Agency (KOSGEB) to gain access to their database.

In order to create the sampling frame, the list of possible participant OMSCs, some critical decisions had to be made for meeting the regulation of the KOSGEB without compromising the survey sampling validity as KOSGEB regulations permitted to provide the contact details of the OMSCs for two of their branches. Hence, the researcher chose branches from Istanbul and Ankara for two reasons; firstly, these two branches are responsible for 52% of the small companies, which the agency had, therefore the majority of the OMSCs can only be targeted within the two-branch threshold. Secondly, these two cities provide the highest Financial Development index figures in comparison to other cities with 28,17 and 7,01 for

[29] KOSGEB has been operating in Turkey as a government funded institution to support the SMEs since 1990. KOSGEB provides financial and operational support programs for the small companies. Starting with the amendments to the KOSGEB legislation in 2009, the Turkish government extended its scope and responsibility for coordinating the implementation of Turkey's national SME strategy and action plan. Although, Ministry of Industry and Trade is the primary authority for KOSGEB, it operates as a government agency with an autonomous hierarchical order and serves with 75 branches around the Turkey. www.kosgeb.gov.tr

Istanbul and Ankara respectively (Ministry of Development, 2013). In addition, these two cities host the highest number of companies within Turkey per city (TUIK, 2013).

After selecting the branches, the KOSGEB offered to provide the personal contact details (email addresses) of the OMSCs that are in their Istanbul and Ankara branch databases. Both branches have the email databases that consists approximately 255.000 and 58.000 OMSCs respectively. However, as a result of KOSGEB regulations, the agency only agreed to share up to 7000 OMSCs emails with the researcher after receiving a legal consent. The selection of the 7000 emails from the sampling frame is explained in the following sections.

Although the selected sampling frame is representative and reduces the risk of the sample framing error for the research, it is acknowledged that a negligible framing error exists for the research that provides a degree of limitation that was accepted under the legal and cost restrictions that the research has faced.

6.4.3 Sampling Technique

Selecting the sampling technique is a critical phase for the sampling process to gain a representative sample (Bryman, 2011). Although the literature discusses a wide range of techniques, the most important decision in choosing the sampling technique is whether to use probability or non-probability sampling methods (Malhotra and Birks, 2007). Probability sampling relies on random (by chance) sampling of the respondents while non-probability sampling depends on the personal judgement of the researcher (Babbie, 2015). Non–probability sampling may produce good estimates of the population characteristics because the researcher consciously decides which elements to include in the sample. However, they do not allow for objective evaluation of the sample results (Malhotra and Birks, 2007). Hence, the non-probability sampling is criticised because it limits the generalisation capacity of the results (Bryman, 2011; Malhotra and Birks, 2007). On the other hand probability sampling techniques, rely on the units that are selected by chance and every potential unit within the sampling frame has an equal opportunity to occur in the selected sample. Therefore, generalisability of the sample results is possible and risk of occurrence of the sampling error is minimised (Malhotra and Birks, 2007). However, the probability sampling technique requires a sampling frame that might not be possible for some studies.

Probability sampling is obtained for this research sampling process because of three reasons. Firstly, tax research literature widely agrees that the probability sampling techniques increase the reliability of statistical generalisations for the population and they are common in the tax research amongst the quantitative tax researchers (McKerchar, 2010, 2012). Secondly, minimising the sampling error was aimed for the research. Therefore, probability sampling

techniques were the only viable option. Thirdly, acquiring the suitable sampling frame from the KOSGEB directed research into the probability sampling techniques.

Probability sampling techniques varies in the literature in terms of sampling efficiency. Sampling efficiency is a concept that reflects the trade-off between the precision and the cost (Malhotra and Birks, 2007). In other words, precision and the cost of sampling are negatively correlated. Under the allocated budget restrictions to the research, the researcher can choose from the random sampling techniques such as simple random sampling, systematic sampling, stratified sampling and cluster sampling. In this research, the researcher employed the cluster sampling technique for the sampling process.

Cluster sampling represents the target population under the mutually exclusive and collectively exhaustive subpopulations. These sub-populations are assumed to represent the diversity of the target population (Malhotra and Birks, 2007; Bryman, 2011). Furthermore, the sample of elements for each cluster can be selected probabilistically (Barnett and Barnett, 1991). A common form of the cluster sampling is area sampling where the clusters consist of geographical areas. In this research case, cluster sampling is employed under the limitations of the sampling frame.

After employing the cluster sampling, the sample was selected from the two cluster subpopulations by using the random systematic sampling. For this purpose, the researcher determined how the clusters should participate in the sample by exampling the financial development ratios (see 6.4.2) of both cities and proportions to the targeted sample frame applied accordingly. Hence, it was decided that the 5000 and 2000 OMSCs should be selected from the Istanbul and Ankara databases respectively. Secondly, the random selection of the emails from the database were performed according to the sampling interval (dividing the sampling frame size to the sample size (Malhotra and Birks, 2007), which were 51 (rounded to 50 for convenience) OMSCs for Istanbul and 29 (rounded up to 30) OMSCs for Ankara. The sample was selected following a random number within both intervals (50 and 30) and then selection was performed from the database list with the registrar number and the next selection was performed by adding the interval number to them. For instance in Istanbul, the data base selection started with the 50th OMSC in the database and continued with 100^{th}, 150^{th}, 200^{th} and so on. Similarly, the selection in Ankara database started with 30th OMSC in and continued with 60^{th}, 90^{th}, 120^{th} and so on. The database software performed the selection process of the sample. The randomisation of the selected sample was assured by following explained procedure,

The next section will explain the required sample size of the research.

6.4.4 Sample Size

Sample size is defined as number of elements that is to be included in the study (Malhotra and Birks, 2007). Determining the sample size of the study involves number of critical considerations of the confirmatory phase. In this research's case, the phases of the quantitative analysis dictated the minimum sample size for the study. Bearing in mind that the study requires EFA and testing of the structural model by using the PLS-SEM, the sample size had to meet with these requirements to ensure the validity of the analysis.

The required number responses for the EFA vary in the literature. For instance, where Tabachnick and Fidell, (2013) explain 300 responses is the threshold for receiving unbiased factor solution, Hair (2010) finds 100 responses adequate. Comrey and Lee (2013) consider 300 responses as good for the EFA. On the contrary, others explain that five responses for the item are sufficient (Hair, 2010; Field, 2013). Given that the survey has 60 items that will be included to the EFA, 300 responses required for the ratio of five responses per item. Nevertheless, high number of responses desired for clear solution of the EFA (Field, 2013; Tabachnick and Fidell, 2013).

PLS-SEM requires slightly less responses to operate. The suggested process by Hair et al., (2014, p.21) is followed for the PLS-SEM analysis in this research and they suggest a minimum of 238 responses are required to test the structural model via PLS-SEM analysis.

Overall, the sample size requirement of the study was set to 300 responses by considering the above-mentioned thresholds for both phases of the quantitative study. Nonetheless, higher number of responses was desired in order to obtain unbiased analysis results and clearer factor loadings.

6.4.5 Executing the Sampling Process: Data Collection

Executing the sampling process involves detailed specification of the implementation of the decisions about the sampling phases (Malhotra and Birks, 2007). In this regard, the execution process of the sampling is explained in this sub-section.

The data collection phase of the survey was organised online. Although online surveying offers number of advantages such as global reach, flexibility, convenience, ease of data entry, controlled sampling (Evans and Mathur, 2005); two potential benefits of online surveying were found crucial for the research. Firstly, considering tax morale and tax compliance are sensitive issues, assuring the participants about anonymity of the data is critical for the research. According to the literature, using an online administration of the survey is preferred because it is found assuring about protecting anonymity compared to other surveying methods (Granello and Wheaton, 2004; Selm and Jankowski, 2006; Lefever et al.,

2007; Knapp and Kirk, 2003; Bryman, 2012). Secondly, online surveying provided access to the unique population of OMSCs for this research's context, which otherwise could be problematic to reach. In addition to the mentioned advantages, online surveying is a popular surveying method amongst the tax researchers that is gaining more attention (McKerchar, 2009; Oats, 2012). Nevertheless, it has some disadvantages such as accessibility and Internet usage problems (Wright, 2005).

The data collection process started with sending out invitation emails to the selected sample. At this stage, there was a point of concern about whether to send the emails through the agency email or from a private email address. Given that the KOSGEB is a government-supported agency, there was a foreseeable problem about bias and participation if the survey was essentially sent from the government email address. The participants were more likely to be uncomfortable responding to a survey that was sent from the government about their tax perceptions. Furthermore, it could have raised suspicion about an undercover tax inspection and tempt them to provide false data or drop out. Therefore, the solution was found to send the distribution email from a specially created non-agency domain email address[30].

An invitation email consisted the cover letter (Please see the appendix 5 and 6 for the Cover Letter), which explained the voluntary nature of the study and clarified how the anonymity of the gathered data were treated. Additionally, the Qualtrics was set to inform the respondents that their IP addresses were not recorded for the data proposes thus ensuring participants that their anonymity would not compromised.

The invitation emails were sent on 30.05.2014 and to encourage participation the reminder emails (please see Appendix 7 and 8) were sent on 16.06.2014 to the sample. Participation for the survey was closed on 24.06.2014.

The average survey completion time was 18 minutes 19 seconds. Given that the survey had 91 items and some demographic questions that required typing, long survey completion time was expected.

After finalising the data collection, 542 responses were received out of 6219 successfully sent emails while 781 emails bounced. Out of the total number of received responses, 447 of them detected as usable responses (The next section explains how the data is validated.). Therefore, the response rate of the study was calculated as 7.2%. Given that the survey ran online, involved sensitive issues and the fact that the target population OMSCs are busy in nature, the response rate of the study is found in the acceptable level for the tax research when compared to the similar studies' response rates which varied between 5% to

[30] anket@yucedogru.com

12% (Please see similar PhD thesis such as: Lignier, 2008; Jabbar and Pope, 2009; Raihana Nor, 2013).

The next subsection explains the non-response bias considerations of the sampling process.

6.4.6 Validating the Sample: Non-Response Bias

Non-response bias is a concern in many tax studies because of the sensitiveness of the subject (Lignier, 2008). Consequently, testing the survey data for non-response bias is a common practice in the literature (Tan, 1999; Tran-Nam et al., 2000; Blumenthal et al., 2001; Larkins et al., 2011). A non-response bias may be present where "there are systematic differences in main characteristics of the respondents and testing for the non-response bias will establish whether or not the results of the study would have substantially changed if the non-respondents had responded" (Creswell, 2003, p.160).

The literature argues that people who are more interested in the subject are more likely to respond to a survey (Malhotra and Birks, 2007; Lindner et al., 2001). Therefore, there has been a debate amongst tax compliance studies about the possible effects of the non-response bias. For instance, Winter and May (2001) suggested that violators of the regulations have less incentive to respond to the survey therefore the respondents are more likely to be compliant taxpayers. Non-respondents can also be the taxpayers who are very busy therefore they had not got time to spare for the survey (Allers, 1994). Additionally, Sandford (1995) explains that the response rate is particularly low amongst small businesses where the compliance burden is high.

Two methods were considered for detecting the non-response bias in the tax literature. The first method, which is called a postcard method, is commonly used for the mail surveys (Sheikh and Mattingly, 1981; Allers, 1994; Hasseldine, 2002; Edwards et al., 2007). The method is applied with a delivery of a postcard that asks a single straightforward question from the survey to all respondents and invites those who did not wish to complete the full questionnaire to answer the question and return the postcard (Allers, 1994). The responses of the question are compared with the same question in the survey instrument. The second method referred as 'wave analysis', which is used by many researchers in tax literature (Tan, 1999; Tran-Nam et al., 2000; Evans, 2003; Jabbar and Pope, 2009; Lignier et al., 2014). This method is based on the assumption that the respondents, who participated in the final week of the data collection, are more likely to be a non-respondent and therefore, they are the closest participants to the profile of non-respondents (Creswell, 2003). The method requires comparing the answers of the (up to) four key questions and compares the answers of the first and the last wave (Lindner et al., 2001). A 'wave' refers to responses received after a follow-

up reminder email. The minimum number of late respondents is suggested to be 30 to ensure a sound explanation can be provided with sufficient data, statistically and practically (Lindner et al., 2001). If there was no significant difference between these two groups, it is assumed that non-response bias is not present for the sample.

The postcard method was not found practical for this research for two reasons. Firstly, the nature of the research is not suitable to capture with a single question because of its multi-dimensional nature of the model. Secondly, it was doubted whether sending a single question email might reduce the response rate because the respondents could get confused and answer only one question instead of completing the questionnaire. In view of these considerations, the second method, wave analysis, was employed for this study. Thus, checking the three dependent variables of the two groups, the first and last thirty respondents, tested for non-response bias. There were no significant differences found between two groups and it was assumed that the non-response bias was not present for the sample.

Nevertheless, the researcher accepts the limitation of the employed wave method for this study. The assumptions of the wave analysis that late respondents are almost non-respondents might not be valid for some participants. In other words, there might be number of other reasons why respondents replied later other than that they were avoiding the survey. Other reasons might include workload, illness, vacation and electronic problems to reach the survey tool's website.

Overall, non-response bias was checked with the wave analysis on three dependent variables of the survey and the sample did not present a bias for this study.

6.4.7 Demographic Profile of the Sample

Demographic profile of the sample provides unique insight for understanding the social environment and conditions of the participants. Hence, it is a common practice to gather demographic data for the survey research (Gupta, 2009: Bryman, 2012). In the questionnaire, 18 questions were asked in order to map the demographic features of the sample. The demographic questions were selected with the guidance of the similar studies in the literature (Abdul-Jabbar and Pope, 2008; Lignier, 2008; Raihana Nor, 2013; Hamid, 2014). The questions focused on personal characteristics of OMSCs and corporate features of their companies. The Demographic questions are illustrated in Appendix 3.

The demographics analysis revealed the main characteristics of the participants. The age distribution of the sample is shown in Figure 18. The tests of normality were performed for the personal demographics of the participants (age, education and marital status) and there were no significant differences found from a normal distribution.

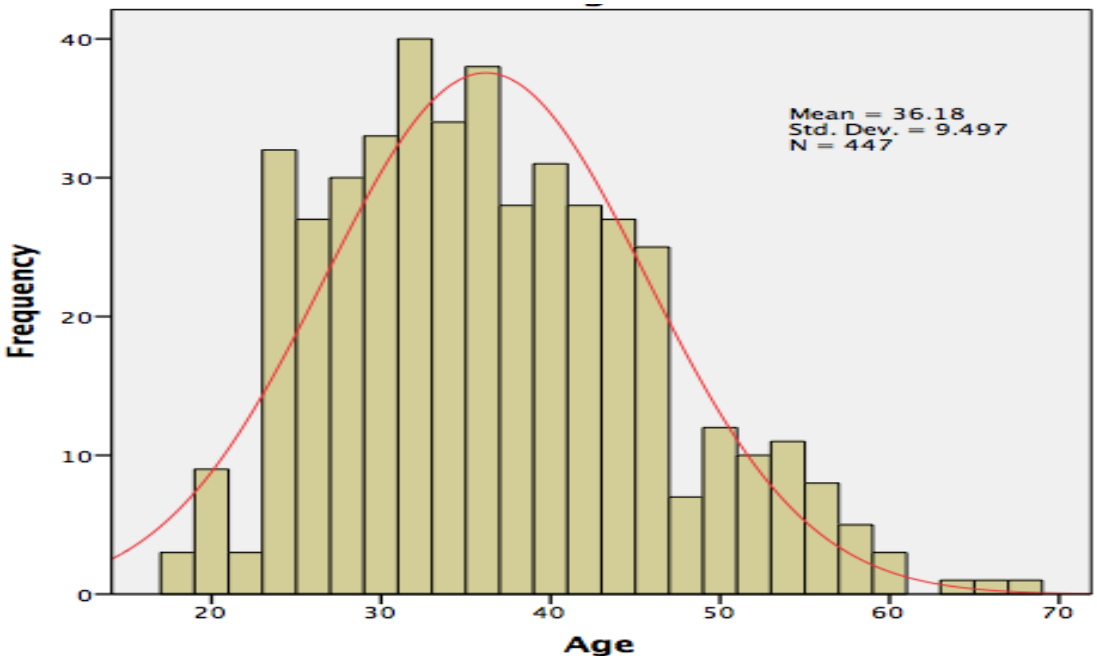


Figure 18: Age Distribution (Histogram)

The results of gender and marital status questions showed that the sample is predominantly male (88,6%) and married (83.9%) which was expected considering the similar distribution was exhibited in a larger survey data that was administrated by Istanbul Chamber of Commerce on Turkish OMSCs (ITO, 2005). Interestingly, although 72.9% of the sample was university graduates (BA, MA or PhD), only 36.7% of participants had a tax course during their education. Additionally, all respondents indicated that they were Muslim, which was expected in a country that has 99.9% Muslim population (TUIK, 2014). Personal characteristics of the participants are exhibited in Table 12.

Table 12: Personal Demographics of the Participants

Religion			**Marital Status**		
	Frequency	%		Frequency	%
Islam	447	100	Single	61	13.6
Total	447	100	Married	375	83.9
Education			Widowed	5	1.1
	Frequency	%	Divorced	6	1.3
Elementary School	8	1.8	Total	447	100
Secondary School	24	5.4			
High School	89	19.9	**Gender**		
Undergraduate	240	53.7		Frequency	%
Masters	76	17	Female	51	11.4
PhD	10	2.2	Male	396	88.6
Total	447	100	Total	447	100
Received Tax Education					
	Frequency	%		Frequency	%
Yes	164	36.7	No	283	63.3

Corporate features of participant OMSC's are important to understand their professional environment. Similar to the personal features, tests of normality were performed for the corporate demographic variables and there were no significant differences found from a normal distribution. The histogram that illustrates the participants' company ages is presented in Figure 19.

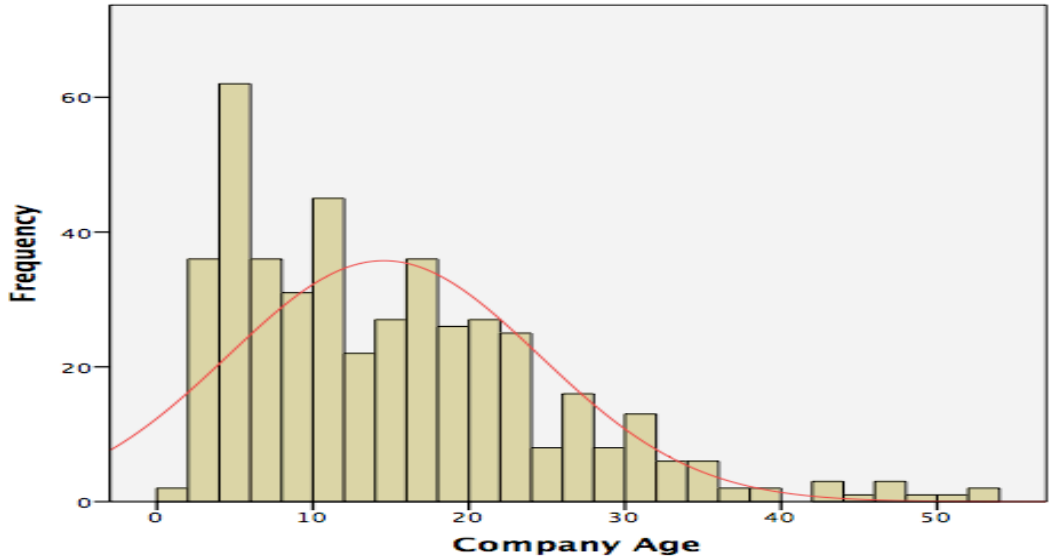


Figure 19: Company Age Distribution (Histogram)

The findings of the rest of the corporate demographic variables are summarised in Table 13: Corporate Demographics of the Sample - 1 Table 14: Corporate Demographics of the Sample - 2.

Table 13: Corporate Demographics of the Sample - 1[31]

Company Structure		
	Frequency	%
Family Company	146	32.7
Single Ownership	122	27.3
Two Owners	119	26.6
More Than Two Owners	60	13.4
Total	447	100

Legal Company Structure		
	Frequency	%
Joint Stock Company	63	14.1
Limited Liability Company	279	62.4
Private Limited Company	64	14.3
Ordinary Ownership	8	1.8
Private company limited by Guarantee	3	0.7
Other	30	6.7
Total	447	100

Sector		
	Frequency	%
Manufacturing	186	41.6
Service	130	29.1
Trade	100	22.4
Mining	1	0.2
Construction	27	6
Energy	2	0.4
Other	1	0.2
Total	447	100

Table 14: Corporate Demographics of the Sample - 2

Variables	N		Mean	Std. Deviation	Min Value	Max Value
	Valid	Missing				
Company Age	447	0	14.55	9.98	1.00	52.00
OMSC's Overall Experience	447	0	12.20	8.74	1.00	42.00
OMSC's Experience in Sector	447	0	14.98	9.28	1.00	42.00
Employees in Accounting Division	396	51	1.76	1.28	0.00	7.00
Years with Current Tax Advisor	447	0	9.66	6.59	1.00	37.00
Last Year's Turnover	383	64	5,131,258.46	20,151,343.06	1,100.00	250,000,000.00
Last Year's Profit Percentage	380	67	15.13	12.27	-1.30	65.00
Last Year's Paid Tax	376	71	269,673.32	998,385.57	0.00	14,250,000.00
Number of Employees	411	36	18.65	31.33	0.00	242.00
Number of Employees in Accounting Division	396	51	1.76	1.28	0	7.00

The next section explains the analysis procedure of the OMSC's tax morale model.

[31] The legal company structure refers to the types of companies according to their article of incorporation under Turkish code of commerce. Therefore, the legal company structure simply defines joint responsibly status of a shareholder within a company. Please see section 6.4.1 for the criteria of target population.

6.5 Analysis of the Measurement Models and the Structural Model

The analysis of the structural model is explained in this section. In order to test the OMSCs' tax morale model, stages that are suggested by Hair et al. (2014) and Kline (2011) for the structural equation modelling were followed. In this sense, firstly, exploratory factor analysis was performed to ensure that the gathered data provides a sensible factorial solution that is consistent with the model (Kline, 2011). Secondly, PLS-SEM path modelling was performed in two stages: evaluations of the measurement models and evaluation of the structural model (Hair et al., 2014).

6.5.1 Exploratory Factor Analysis

Factor analysis represents a range of statistical techniques that aim to discover and confirm the underlying structure of observed variables (Stevens, 2009; Hair, 2010). Therefore factor analysis provides diagnostic tools to evaluate whether the collected data are in line with the theoretically expected structure of the target constructs and thereby to determine if the measures used have indeed measured what they were designed to measure (Hair, 2010). There are two methods of factor analysis available: exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) (Hair, 2010). Whereas both methods are used to examine the underlying factor structure of the data, they play different roles in terms of the purpose of given research: former is used for theory building, the later for theory testing (Fabrigar et al., 1999).

EFA is a statistical technique applied to a set of variables with an aim of discovering which variables in the set form coherent subsets that are correlated with one another but largely independent from the other subsets of variables (Kline, 2011). The way EFA groups the variables into closely related subsets is actually indicating underlying factors. Factors, latent constructs in this study's case, are believed to have caused the correlations among variables (Maurischat, 2006). The EFA and the CFA serves different purposes. The aim of EFA is to identify underlying structure of dataset, to examine if scales were correctly defined and explore whether any alterations could be made to improve the scales (Kline, 2014). On the other hand, the purpose of the CFA is to test whether a hypothesised factor structure provides a good fit to the data (Kahn, 2006). In other words, CFA is a hypothesis testing procedure that is mainly used for scale development for verification and confirmation purposes (Worthington and Whittaker, 2006; Kline, 2011).

Given the differences between the EFA and CFA, this study has utilised EFA and did not found necessary to perform the CFA in this research's context because of the following reasons. Firstly, the study has employed pre-used construct measures (14 out of 19) that were proven valid in the literature. Hence, these measures did not require additional verification or

confirmation for this study. The scales of newly emerged constructs, which were developed ReligiousEv (2 items) and OtherBus (3 items) scales, provided satisfactory construct reliability scores and they were proven unidimentional[32] in factor analysis of the pilot sample (please see 6.3.3.). Additionally, measures for the TPB inspired constructs of *PersonalN, CorporateN* and *PBC* were also developed as 3 item scales by following the same procedure of scale development. Although these scales were originated from the TPB scales of Ajzen (1991, 2006), the items were also created with the inspiration from the studies that applied TPB in tax research such as Smart, (2012) and Jo'Anne et al. (2012). Hence, these three scales were adaptations of the TPB scales of Ajzen (2006, 1991) and modified versions of scales that were used in the TPB applied tax research. In addition, these scales were provided satisfactory construct reliability scores and they were proven unidimentional in the pilot study.

In light of the explanations above, the construct measures assumed to be confirmed and verified. Secondly, considering the path model of this study has a hierarchical structure, the hypothesis testing will be performed by using PLS-SEM, which is found more appropriate for the hierarchical models than CFA (Hair et al. 2014). Consequently, CFA is not found essential for this study and therefore it was not performed.

6.5.1.1 The Analysis Procedure

The aim of the EFA was to reach the simplest and meaningful factor solution with the proposed constructs. For this purpose, each scale was factor analysed both individually (individual FA) and jointly with other scales (aggregated FA) as it is advised by Hair (2010). The individual FA was conducted to make sure that the hypothesised factors are unidimentional before they were placed into the aggregated FA. This was done to ensure that same numbers of factors that are in the structural model would reach in the EFA. In addition, the individual FA was performed as a first level filter to remove the items that did not have required statistical features for a good factorial solution. The aggregated FA demonstrated that scales have good psychometric properties. In order to obtain a valid factorial solution, a range of procedural issues was considered and analytic rules required for the good practice of EFA were followed.

6.5.1.1.1 Procedural Considerations of the Factor Analysis

Explaining how the procedural considerations were managed is an important step because handling such considerations is essential for successful analysis. The first consideration of the analysis was choosing the software package. The researcher preferred

[32] Unidimensionality refers to a common factor model in which a set of indicators share only a single underlying factor (Gerbing and Anderson, 1988)

using IBM SPSS 21[33]. The SPSS is acclaimed and widely accepted software package for statistical analysis in the social sciences. Thus, it was found convenient to perform the analysis with SPSS 21.

The second consideration was to decide extraction method of the factor analysis (FA). Extraction method of FA had different applications in the social sciences (Field, 2013). Moreover, the discussion is generally ignored in the tax literature. Nevertheless, it was found important to clarify the confusion about the FA extraction method because in the EFA-based publications, the principal component analysis (PCA) is mistakenly presented to be a FA technique when it differs from it (Fabrigar et al., 1999; Park et al., 2002; Preacher and MacCallum, 2003; Henson and Roberts, 2006). The main analogy between PCA and FA is similar results that they provide (Field, 2013). However, PCA and FA are fundamentally different extraction methods and should not be considered as equivalents given their distinct purposes (Tabachnick and Fidell, 2013). The aim of PCA is to reduce the number of items while keeping as much of the original variance as possible whilst the purpose of FA is to understand the constructs that account for the shared variance among items (Worthington and Whittaker, 2006). To put it simply, PCA aims to undercover the latent variables regardless to their inter-relations while FA take interrelations and shared variance into account (Hair, 2010). Additionally, Hair (2010) explains that FA is more suitable when the latent dimensions are theoretically based. Considering the structural model of the research has a number of correlated variables, while some of them are expected to share large proportion of the variance such as *Compliance* and *TaxMorale* items or *Religiosity* and *ReligEv* items, FA methods of extraction were found more appropriate to use in this research. Hence, the advice of Field (2013) was followed and Principal Axis Factoring was chosen for EFA extraction method. In addition, given that this extraction technique focuses only on shared variance whilst ignoring variance unique to indicators and sources of error, by using this method, only the relevant or common (shared) variance is explained (Tabachnick and Fidell, 2013). Therefore, clear factorial solution results that are in line with the model were expected.

Last point of concern was to select an adequate rotation method for the FA. There are two groups of rotation techniques are available in the SPSS which are: orthogonal (varimax, quartimax and equamax) and oblique rotations (direct oblimin and promax). Orthogonal rotations should be used when factors are expected to be independent, while oblique rotations should be used when there are grounds to expect that factors might be correlated (Field, 2013; Lawley and Maxwell, 1962). If orthogonal rotation is used, when factors are correlated, the loadings will be overestimated (Loehlin, 1998). Field (2013) argues that in practice

[33] For more information please see http://www-01.ibm.com/software/analytics/spss/products/statistics/

orthogonal rotations are completely inappropriate for any data involving humans. As such, Field (2013) recommends oblique rotations for the social science research. Given that the model includes the variables that are naturally correlated such as *ProcedJust* and *DistJust*, choosing orthogonal rotation methods can be inappropriate. In light of the explanations above and following the advice of Field (2013), Direct Oblimin rotation was chosen. Consequently, the factorial solution produced using oblique rotation will be interpreted based on the readings from the pattern matrix that SPSS produces under these selections of methods for FA.

Next sub-section will explain the evaluation criteria of the FA.

6.5.1.1.2 Evaluation Criteria of Exploratory Factor Analysis

The results of the factorial solution must be evaluated with the number of criteria to ensure quality of the findings of FA is in acceptable standards therefore the reliability of the FA findings is assured. The literature proposes different groups of criteria that are used for the evaluation of statistical quality of the FA findings (Hair, 2010; Field, 2013; Tabachnick and Fidell, 2013; Beavers et al., 2013). In this research, the suggestions of the literature for the goodness of the factorial solution are summarised briefly in three groups: factorability of the matrices, item retention criteria and factor retention criteria.

Factorability of the Matrices: factorability of the matrices criteria evaluates the correlational values of variable matrix that is subject to FA (Beavers et al., 2013). In other words, the criteria assess whether the dataset is suitable for performing FA. In order to reach the factorial solution, adequate sample size and significant correlations between variables are needed (Field, 2013). There are two factorability tests available to check for these criteria; Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) test and Bartlett's Test of Sphericity.

KMO tests the adequacy of the sample for performing the FA (Kaiser, 1970). Thus, it indicates the extent to which a correlation matrix actually contains factor or simply a chance of correlations between small subsets of variables (Worthington and Whittaker, 2006). The KMO value ranges between 0 and 1. KMO value closer to 1 indicates that patterns of correlations are relatively compact and factor analysis should yield distinct and reliable factors (Field, 2013). Kaiser (1970) considers KMO value below .50 unacceptable, .60 to .70 as mediocre, .70 to 80 as middling and above .80 as meritorious. Following the advices of Tabachnick and Fidell (2013) and Field (2013), for this study factor solution with KMO above .60 is considered acceptable.

Bartlett's Test of Sphericity estimates the probability that correlations among variables in the observed dataset are equal to zero (Bartlett, 1950). In other words, it tests

whether correlations between the variables are significantly different from zero (Field, 2013). The test should come significant ($p<.001$) so that the hypothesis of all correlations being equal to zero is rejected. Usually, a large sample size presents significant results for this test (Tabachnick and Fidell, 2013). If the test result is not significant, the FA cannot be calculated (Field, 2013).

Item Retention Criteria: Reliability and adequacy of the items that are used in FA are checked with item redemption criteria. The literature offers different range of test and control checks for the items to identify whether they are suitable for the FA. Utilised item retention tests are explained below.

Inter-Item Correlations refers to the correlations between the all paired items. Considering a degree of correlation between the items is required to perform FA, minimum inter-item correlation should be greater than .30 as advised by Field (2013). Items with inter-item correlations below .30 were removed from the analysis. Additionally, inter-item correlation should be lower than .9 to avoid multicollinearity in the data (Tabachnick and Fidell, 2013; Field, 2013). Inter-item correlations were also checked for the high correlation and items with inter-item correlations higher than .90 were removed from the analysis.

Corrected Item to Total Correlations is an indicator of the correlation with the sum of the remaining indicators after removing the considered indicator (Pallant, 2004). Corrected item to-total correlations should be higher than .50 to retain an item in the factor solution as advised by Zaichkowsky (1984).

Factor loadings represent correlation between the item and its factor (Hair, 2010). Hence, high factor loadings mean that high proportion of variance shared between a factor and an item. As a rule of thumb, minimum factor loading of .3 is accepted by Hair (2010). Factor loadings in excess of .40 accepted as fair while over .55 is good (Comrey and Lee, 2013; Tabachnik and Fidell, 2013). Nevertheless, decision of excluding the item from the analysis because of poor factor loading is accepted as the choice of the researcher who knows the nature of the research (Tabachnick and Fidell, 2013). Although .3 is accepted as the minimum factor loading of an item in the literature, advice of Comrey and Lee (2013) was followed in this study and .40 for an item was set as a threshold.

Cross loadings is another point of concern in FA to reach simple structure solution in which a variable loads only one factor (Hair, 2010). In other words, good factor solution should have pure variables i.e. variables that have high correlations with only one factor (Tabachnik and Fidell, 2013). The recommendations by Hair et al. (2000) were followed and items that load greater than .40 on two or more items were removed until a simple factor

structure was obtained. Another criterion for item deletion was that the difference between two factor loadings on the same item was less than .15 (Worthington and Whittaker, 2006). Additionally, Field (2013) advices .2 difference between loadings of two factors of same item is acceptable because he claims that the greater factor loading of the item is significant for the analysis.

Communalities stand for the proportion of variance that an item shares with other items (Yong and Pearce, 2013). After the rotated solution of FA, items were viewed to examine whether they meet with an acceptable level of explanation. Hence, with the guidance of the literature, communalities of less than .40 were removed from the analysis (Hair, 2010; Tabachnick and Fidell, 2013).

Cronbach's α is a diagnostic tool for the scale reliability that assesses the consistency of a scale (Hair, 2010; Field, 2013; Tabachnick and Fidell, 2013). The Cronbach's α can range between 0 and 1, but values above .70 indicate a consistent scale however 0.6 is acceptable when the research exploratory in nature (Hair, 2010). Low internal consistency shows that the items are heterogeneous that the total score is not the best possible unit of analysis for the measure (Kline, 2011). In this research problematic items were removed until acceptable Cronbach's α (higher than .70) is achieved.

Factor retention criteria: A last criterion for the FA is to consider the number of factors that is extracted after the factor solution. Statistical rule that is applied to this study is called Kaiser Criterion, which helps identification of factors (Kaiser, 1958). Kaiser Criterion is based on an assumption that eigenvalues represent the amount of variation explained by a factor and eigenvalues of 1 represents a substantial amount of variation (Field, 2013). Kaiser's criterion should be at least 1.0 to keep the factor in the analysis (Hair, 2010; Tabachnick and Fidell, 2013; Yong and Pearce, 2013). Nevertheless, Field (2013) argues that values below 1.0 are also acceptable if the nature of the research is fundamental for the research. Moreover, decision about number of factors should also be based on pragmatic rationale of the research. (Tabachnick and Fidell, 2013)

The thresholds of the FA evaluation criteria are summarised in Table 15.

Table 15: Evaluation Criteria for EFA

Test	Threshold Values
Bartlett's Test Of Sphericity	p<.001
KMO	>.60
Inter-Item Correlations	≥. 30 and < .90
Corrected Item to Total Correlations	>.50
Factor Loadings On Items	>.40
Cross Loadings	<.40 on two or more items and difference between cross loadings <.15
Communalities	≥.40
Cronbach's α	>.70
Kaiser Criterion	Eigenvalue 1

6.5.1.2 Findings of the Exploratory Factor Analysis

The EFA was performed in two phases. First phase was conducted to refine the scales. Specifically, it tests whether items of the scales present sufficient measurement features and assessed whether the scales are unidimentional. This phase named individual FA. Following the individual tests of the scales, the second phase of EFA was performed jointly with all items of scales. This phase aimed to see whether the factorial solution of the scales is in line with the model.

The indexes for the formative constructs were not included for the EFA analysis because formative measures are not unidimentional in nature therefore, performing FA analysis with them is inappropriate (Diamantopoulos and Winklhofer, 2001; Coltman et al., 2008). The formative measures would be assessed during PLS-SEM analysis process in next section.

The criteria that are explained in the previous sub-section were used to assess both individual FA and Aggregated FA.

6.5.1.2.1 Results of Individual Factor Analysis

In this stage, 16 scales were analysed following the evaluation criteria. Firstly, the factorability of the matrices was checked by applying Bartlett's Test of Sphericity and KMO test to the scales. Bartlett's test was significant (p=.000) in all scales indicating existence of factor solution. KMO results were checked for the sample adequacy and eleven scales presented satisfactory results which were above the threshold of .60. Nevertheless, two two-

item scales, *Complex* and *ReligEv*, scored .50. Although this score was in the acceptable level according to Kaiser (1970), it is below the threshold of this study. However, these scores were accepted because, KMO tests examines the correlation matrix and the pattern of the correlations however for two-item scales, number of correlations are limited with two, hence the KMO test cannot be accurate to perform. Additionally, Kim and Mueller (1978) and Raubenheimer (2004) argue that FA is not applicable for two item scales when analysis measures only one factor. Therefore, considering practical need for using these scales and their remaining satisfactory individual FA scores, KMO of .50 were accepted for the measures. Hence, they kept in the analysis for the next level.

Item retention criteria for the scales were checked for whether the scales presented satisfactory results. Inter-item correlations were assessed of all items within their scales. Only item of *TaxMorale6* presented low inter-item correlations with item of *TaxMorale5*. Corrected-item to total correlations of all items were in the acceptable thresholds. Following this, factor loadings of each item were examined and scales were checked to ensure that the items load on only one factor. All items were presented satisfactory factor loadings (> .40) and except one item (*Religiosity5*) factor loading scores of the items were above .60 while majority were above .70 which showed satisfactory factor loadings. Moreover, all scales presented only one underlying factor in their FA results. Hence, there were not any cross-loadings spotted in this stage. Communalities scores of the items were investigated for the shared variance. All items were above .40 with the vast majority above .50. Only one item, *TaxMorale6*, presented unsatisfactory result (.373). Hence, *TaxMorale6* was excluded from the analysis. Lastly, for the Item retention criteria, reliability of the scales was assessed. Scales demonstrated high reliability given that Cronbach's α of the final individual factor solutions were ranging between .703 and .956 which is above the required minimum of .70. It was concluded that the scales' reliability were established. Based on these results: one item (*TaxMorale6*) was excluded from the analysis due to low inter-item correlations and unsatisfactory communalities score.

Factor retention criteria for identification of the factors were tested with the Kaiser criterion (Kaiser, 1958). Given that all scales were loaded on one factor, they all presented at least one or above in Eigen value.

In conclusion, individual FA results of the 16 scales with 56 items assessed. One item (*TaxMorale6*) was excluded from the further analysis. All scales were presented satisfactory results for the evaluation criteria. Reliability and unidimentiality of the scales were established based on these results; scales were accepted to test in the next level. Table 16 provides the detailed results of the individual FA stage of the analysis.

Remaining 55 items will be analysed collectively in the aggregated FA in the next section.

Table 16: Individual Factor Analysis Results

Construct	Items	Barlett's Sphericity Test	KMO	Inter-item Correlations	Corrected item-to-total Correlation	Communalities	Variance Explained	Factor Loadings	Cronbach's Alpha	Comments
	PersonalN1	X^2 = 734.712			0.822	0.678		0.930		
PersonalN	PersonalN2	df = .3	0.720		0.722	0.535	80.567	0.825	0.879	
	PersonalN3	Sig. = .000			0.759	0.604		0.773		
	ProcedJust1	X^2 = 500.505			0.722	0.784		0.885		
ProcedJust	ProcedJust2	df = .3	0.713		0.654	0.710	74.329	0.843	0.825	
	ProcedJust3	Sig. = .000			0.675	0.736		0.858		
	DistJust1				0.796	0.775		0.880		
	DistJust2	X^2 = 1774.541			0.793	0.772		0.879		
DistJust	DistJust3	df = .10	0.896		0.774	0.748	78.559	0.865	0.931	
	DistJust4	Sig. = .000			0.759	0.677		0.831		
	DistJust5				0.707	0.691		0.823		
	TKnow1	X^2 = 311.461			0.602	0.693		0.833		
Tknow	Tknow2	df = .3	0.689		0.548	0.635	66.789	0.797	0.742	
	Tknow3	Sig. = .000			0.58	0.673		0.820		
	Complex1	X^2 = 155.593			0.543	0.772		0.878		For two item scales, factor analysis is not applicable. Therefore, the scores that are reported from FA results should not be evaluated.(Kim and Mueller, 1978)
Complex		df = .1	0.500				77.173		0.703	
	Complex2	Sig. = .000			0.543	0.772		0.878		
	Religiosity1	X^2 = 1822.235			0.769	0.762		0.940		
Religiosity	Religiosity2	df = .10	0.852		0.838	0.713	74.577	0.906	0.896	
	Religiosity3	Sig. = .000			0.868	0.795		0.893		

Construct	Items	Barlett's Sphericity Test	KMO	Inter-item Correlations	Corrected item-to-total Correlation	Communalities	Variance Explained	Factor Loadings	Cronbach's Alpha	Comments
	Religiosity4				0.520	0.822		0.835		
	Religiosity5				0.840	0.426		0.534		
ReligEv	ReligEv1	X^2 = 411.193 df = .10 Sig. = .000	0.500		0.777	0.888	88.842	0.943	0.872	For two item scales, factor analysis is not applicable. Therefore, the scores that are reported from FA results should not be evaluated. (Kim and Mueller, 1978)
	ReligEv2				0.777	0.888		0.943		
Patriot	Patriot1	X^2 = 738.841 df = .3 Sig. = .000	0.688		0.807	0.855	78.813	0.925	0.864	
	Patriot2				0.635	0.669		0.818		
	Patriot3				0.793	0.840		0.917		
CorporateN	CorporateN1	X^2 = 1514.39 df = .3 Sig. = .000	0.768		0.932	0.872	88.788	0.970	0.959	
	CorporateN2				0.899	0.812		0.936		
	CorporateN3				0.907	0.836		0.921		
CompCosts	CompCost1	X^2 = 432.377 df = .6 Sig. = .000	0.774		0.624	0.659	58.917	0.812	0.766	
	CompCost2				0.542	0.558		0.747		
	CompCost3				0.515	0.525		0.725		
	CompCost4				0.586	0.614		0.784		
OtherBus	OtherBus1	X^2 = 379.534 df = .3 Sig. = .000	0.695		0.626	0.705	69.664	0.839	0.782	
	OtherBus2				0.656	0.736		0.858		
	OtherBus3				0.579	0.649		0.806		
PBC	PBC1	X^2 =848.955 df = .3 Sig. = .000	0.734		0.820	0.685	75.506	0.922	0.890	
	PBC2				0.747	0.562		0.882		
	PBC3				0.843	0.714		0.789		

Construct	Items	Barlett's Sphericity Test	KMO	Inter-item Correlations	Corrected item-to-total Correlation	Communalities	Variance Explained	Factor Loadings	Cronbach's Alpha	Comments
EObligation	EObligation1	X^2 =540.678	0.726		0.694	0.747	75.890	0.864	0.841	
	EObligation2	df = .3			0.695	0.749		0.865		
	EObligation3	Sig. = .000			0.726	0.780		0.883		
RiskA	RiskA1	X^2 =364.801	0.632		0.66	0.767	66.567	0.876	0.746	
	RiskA2	df = .3			0.440	0.489		0.699		
	RiskA3	Sig. = .000			0.638	0.740		0.86		
TaxMorale	TaxMorale1	X^2 = 1116.038 df = .15 Sig. = .000	0.864		0.706	0.676	58.476	0.822	0.840	TaxMorale6 Item is deleted due to low Communalities and low inter item correlation figures. Following this, Explained variance increased to 64.206% and Cronbach's α has increased to 0.850.
	TaxMorale2				0.689	0.657		0.810		
	TaxMorale3				0.747	0.731		0.855		
	TaxMorale4				0.621	0.552		0.743		
	TaxMorale5			TaxMorale6	0.571	0.520		0.721		
	TaxMorale6			TaxMorale5	0.545	0.373		0.611		
Compliance	Compliance1	X^2 =1127.827 df = .10 Sig. = .000	0.835		0.505	0.448	64.297	0.669	0.815	
	Compliance2				0.761	0.793		0.891		
	Compliance3				0.713	0.721		0.849		
	Compliance4				0.765	0.795		0.892		
	Compliance5				0.518	0.488		0.669		

6.5.1.2.2 Results of the Aggregated Factor Analysis

In this stage, 55 items of 16 scales were assessed jointly in the FA process to examine whether they can produce a factorial solution that is in line with the model. The FA analysis was iterated until the factor solution with 16 factors was obtained.

During the iterations, four items had to be removed from the analysis. Items of *RiskA2* and *CompCost3* were removed because of their poor communalities figures that are below the desired threshold of ≥.40, which were .318 and .369 respectively. Following that, *TaxMorale5* was excluded from the analysis as result of cross loading on to two factors that were *Compliance* with .334 and *TaxMorale* with .445. Considering the difference between two loadings was below.15 and one of them below .4, the item could not meet the criterion and therefore removed. Lastly, *Compliance5* was removed because of low factor loading (.383) which was below the required threshold of .40 for this research.

After eliminating the problematic items, FA solution with 15 factors was obtained while FA solution with 16 factors was expected. It was noticed that *Religiosity* and *ReligEv* construct items loaded on to one factor. These two constructs are explaining very close domains and items of them are closely related to the effect of the religion on OMSCs' tax morale. However, theoretical considerations and the exploratory phase of the research presented the difference of these two constructs clearly (please see 5.4.2.1). The researcher had to chose whether to merge or keep the constructs. In order to decide whether merging or keeping two different constructs, factor retention criteria of FA was assessed. SPSS applies Kaiser criterion during FA process and suggests number of factors according to Eigen values (1.0 <) (Pallant, 2011). However, Field, (2013) and Stevens (2009) argued that Kaiser criterion could be strict to determine the number of factors. Factors of extraction also depend on the considerations of the research (Field, 2013; Tabachnick and Fidell, 2013). Additionally, investigating the scree plot is another method for detecting number of factor extractions (Stevens, 2009; Hair, 2010; Field, 2013). Scree plot of the FA was examined for the point of inflexion[34] to determine whether 16 factors for the study is justifiable. It is detected that point of inflexion justifies 16 factors for the FA (Please see Appendix 10) Lastly, items of *Religiosity* and *ReligEv* assessed in separate FA considering the unidimentiality of the constructs. In the separate FA, *Religiosity* and *ReligEv* items provided two-factor factorial solution that proved unidimensionality of the constructs (Please see Appendix 11). Given that the 16th factor's Eigen value (0.825) was slightly lower than threshold 1 and scree plot justifies extracting 16 factors, the FA was forced for the 16-factor

[34] Point of inflexion is the point where the slope of scree plot changes from horizontal line to vertical line dramatically (Cattell, 1966)

solution. In the forced solution, *Religiosity* and *ReligEv* constructs were split. Final factorial solution of the aggregated FA presented a clear solution with 16 factors.

The aggregated FA presents satisfactory results. Final 51 items were demonstrated 16-factor solutions in the aggregated FA. The KMO of .823 was obtained. The $\chi 2$ value for the Bartlett's test of Sphericity was significant ($\chi 2$=15167.035, df=1271, p=.000) indicating that FA was appropriate for the sample data. The final factor solution resulted in a simple structure with 16 factors with 78.632% of the total variance explained. All communalities were above .40 with the majority above .50, which indicates that most of the indicators share more than half of their variance with other indicators in the FA. All of the items have had loadings under their indented factors and factor loadings ranged between 0.462 and 0.956. All of them were above .4 threshold and vast majority of the items scored above .6 which is considered to be an good loading score within the 16 latent construct factor solution.

In the final solution, all 51 items remained making a simple 16-factor solution (please see Table 17 for the final aggregated FA solution). The results obtained in this process will be further used for hypothesis testing via the PLS-SEM analysis of the model that is explained in the next section.

Table 17: Aggregated Factor Analysis Results (Pattern Matrix)

Items	Factors																Communalities
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
ReligEv1	0.737																0.828
ReligEv2	0.712																0.715
DistJust1		-0.890															0.770
DistJust2		-0.861															0.748
DistJust3		-0.851															0.740
DistJust4		-0.823															0.703
DistJust5		-0.781															0.722
Religiosity4			0.936														0.802
Religiosity3			0.846														0.855
Religiosity1			0.755														0.835
Religiosity2			0.755														0.774
Religiosity5			0.529														0.441
EObligation3				0.841													0.631
EObligation2				0.772													0.571
EObligation1				0.691													0.646
PBC3					-0.922												0.749
PBC1					-0.866												0.747
PBC2					-0.784												0.623
CorporateN1						-0.956											0.887
CorporateN3						-0.935											0.825
CorporateN2						-0.924											0.850
Patriot1							0.932										0.765
Patriot3							0.880										0.750
Patriot2							0.625										0.513
TKnow1								-0.750									0.486
TKnow3								-0.702									0.460
TKnow2								-0.631									0.454
OtherBus2									0.800								0.578
OtherBus3									0.690								0.456
OtherBus1									0.687								0.547
TaxMorale1										0.816							0.627
TaxMorale2										0.767							0.633
TaxMorale3										0.589							0.667
TaxMorale4										0.462							0.578
ProcedJust1											0.807						0.636
ProcedJust3											0.775						0.563
ProcedJust2											0.668						0.544
PersonalN1												-0.898					0.746
PersonalN3												-0.846					0.636
PersonalN2												-0.759					0.594
RiskA1													0.814				0.551
RiskA3													0.802				0.550
Complex1														0.832			0.448
Complex2														0.642			0.408
CompCost1															0.697		0.472
CompCost4															0.689		0.461
CompCost2															0.623		0.410
Compliance2																0.832	0.773
Compliance4																0.783	0.752
Compliance3																0.672	0.732
Compliance1																0.490	0.442
Eigenvalues	**9.112**	**4.560**	**3.984**	**3.136**	**2.634**	**2.267**	**2.075**	**1.966**	**1.725**	**1.585**	**1.487**	**1.335**	**1.239**	**1.144**	**1.055**	**0.825**	
Variance (%)	**17.866**	**8.941**	**7.812**	**6.148**	**5.164**	**4.446**	**4.069**	**3.855**	**3.382**	**3.107**	**2.916**	**2.618**	**2.429**	**2.243**	**2.069**	**1.618**	
Cronbach's α	**0.874**	**0.932**	**0.910**	**0.841**	**0.898**	**0.959**	**0.864**	**0.750**	**0.782**	**0.847**	**0.827**	**0.879**	**0.805**	**0.704**	**0.738**	**0.862**	

Extraction Method: Principal Axis Factor. Rotation Method: Oblimin with Kaiser Normalization. Rotation converged in 12 iterations.

6.5.2 PLS-SEM Analysis of the OMSCs' Tax Morale Model

After applying the EFA for refinement and assessment of the scales, which was a precondition for the model assessment, this section focuses on testing the model. Considering that path model is a representation of the theory, assessing the model provides an opportunity test the theory behind it. For this purpose, Structural Equation Modelling (SEM) has become very popular amongst the social science scholars (Kline, 2011).

This research follows the steps that is suggested by Hair et.al (2014) on performing PLS-SEM analysis, which is a recent an updated method, in this section. Following the advice of Hair et al., (2014) this part of the analysis was performed by using SmartPLS 3[35] software package (Ringle et al., 2015), which is designed to test path models. SmartPLS is the second-generation SEM software, which is commonly used in the management and marketing studies (Ringle et al., 2012). It can test complex path models and provides accurate and valid results (Hair et al., 2014). Hence, it enables theory development and supports exploratory research (Ringle et al., 2012). The strongest advantage of SmartPLS is its capacity to provide significant results with a relatively low sample sizes compared to other second generation SEM software packages (Hair et al., 2014). This is particularly important for the research areas where acquiring large sample sizes are problematic because of the sensitivity of the subject such as tax research (Hair et al., 2014). Moreover, SmartPLS enables to test hierarchical models that include both reflective and formative measurement models (Ringle et al., 2012), which is an important feature for the studies that aim theory development. Although, SmartPLS is not a common tool for tax researchers, some recent studies used similar software packages in their exploratory research such as Smart (2012). Hence, the predictive capacity and the statistical power of SmartPLS promise to enhance tax research by analysing the complex relationships between the different variables. Considering that the OMSCs' tax morale model has a very complex structure with 19 different latent constructs, SmartPLS offers a reliable environment for testing the path model.

In this section, firstly, PLS-SEM and the reason for employing this technique for the research are explained. Secondly, evaluation of the measurement models, for both reflective and formative measures, is performed. Lastly, the structural model and its exploratory capacity are tested.

6.5.2.1 Understanding PLS-SEM Analysis

First-generation of statistical methods are often used by social scientists (Hair et al., 2014). These techniques include regression-based approaches such as multiple regression, logistic regression, and analysis of variance but also techniques such as exploratory factor

[35] https://www.smartpls.com/

analysis and cluster analysis (Bryman, 2012). These methods can be used to either confirm established theories or identify patterns and relationships (Hair, 2010). Specifically, they are confirmatory when testing the hypotheses of existing theories and exploratory when they search for patterns in the data in case there is no or only little prior knowledge on how the variables are related (Bowen and Guo, 2012).

First-generation techniques have been widely applied in social sciences. However, many researchers have increasingly been turning to second-generation techniques to overcome the weaknesses of first-generation methods in recent decades (Ringle et al., 2012). These methods that enable researchers to analyse latent variables with indicator variables are defined as SEM (Hair et al., 2014). Specifically, SEM can be defined as a collection of statistical techniques that allows a set of relationships between one or more independent variables and one or more dependent variables either to be examined (Reinartz et al., 2009). Both variables can be either factors or measured variables. Additionally, they also facilitate accounting for measurement error in observed variables (Chin, 1998.). SEM is also referred as causal modelling, causal analysis, simultaneous equation modelling, analysis of covariance structures, path analysis, or confirmatory factor analysis (CFA). The latter two are actually special types of SEM (Ullman and Bentler, 2003).

SEM has an ability to test complete theories and concepts even when the relationships and concepts in the theory are not directly observable (Williams et al., 2009). Considering the research focuses on the path model as a form of graphical representation of a theory, SEM allows testing the theory behind a model (Lowry and Gaskin, 2014). Moreover, SEM, as a second-generation multivariate analytical technique, combines factor analysis and multiple linear regressions to enable statistical exploration of the relationships between theory-based latent variables and their indicator variables by measuring directly observable indicator variables (Hair et al., 2014).

There are two approaches to estimate the relationships in SEM which are: covariance based SEM (CB-SEM) and PLS-SEM (Ringle et al., 2012; Hair et al., 2014). Each of the approaches are appropriate for different research contexts although both of them analyse cause–effect relations between latent constructs (Shook et al., 2004; Hair et al., 2014). They differ in terms of their underlying assumptions and parameter estimation procedures. Particularly, the CB-SEM aims to produce a covariance matrix, to minimize the difference between the observed and estimated covariance matrix, without focusing on explained variance (Hair et al., 2011). In other words, the CB-SEM's main objective is not to explain latent variables but to test how well a particular empirical data fits the model (Hair et al.,

2014). Hence, the primary purpose of the CB-SEM is the confirmation of a theory (Hair et al., 2014).

On the other hand, PLS-SEM is generally an exploratory technique, although it can also be utilised as a confirmatory technique to assess set of hypotheses if they emerge from theory (Hair et al., 2014). Contrast to the CB-SEM, the PLS-SEM based on ordinary least squares (OLS) estimation method, has the goal to explain the latent constructs' variance by minimizing the error terms and maximizing the R^2 values of the target latent constructs (Hair et al., 2012). This is achieved by estimating partial model relationships in an iterative sequence of OLS regressions (Hair et al, 2012) thus relaxing the CB-SEM required multivariate normality (Hwang et al., 2010).

PLS-SEM provides a series of advantages to the researchers. Firstly, PLS-SEM works efficiently with small sample sizes and complex models while it provides good parameter estimates (Hair et al., 2014). Secondly, PLS-SEM provides robustness in parameter estimation and high levels of statistical power even working with the highly skewed data (Ringle et al., 2009; Reinartz et al., 2009). Thirdly, PLS-SEM can easily handle formative and reflective measurement models within the same path model by calculating their latent constructs scores with no identification problems (Chin, 1998; Hair et al., 2014). The PLS-SEM estimates latent scores as exact linear combinations of the manifest variables associated with particular latent variable. The estimated latent scores are treated as perfect substitutes for the manifest variables of a latent construct and this PLS-SEM feature offers a range of possibilities (Hair et al, 2012). In other words, the latent scores can be used in subsequent statistical analyses as new variables. Furthermore, latent scores can be used for constructing higher order constructs (Hair et al., 2014). Considering the strengths of the PLS-SEM, it provides more opportunities to a researcher on utilising the data and it can address wider spectrum of problems than CB-SEM (Hair et al., 2012).

Although PLS-SEM provides a range of advantages for the researcher, it also has some disadvantages. Firstly, it fails to provide an adequate global measure of goodness of model fit which is limiting for assessment of alternative path models to identify a better theory representation (Hair et al., 2012). This problem is partially compensated with the possibility of comparing the explained variance (R^2) scores of the latent constructs (Hair et al., 2014). Similarly, advantage of being a distribution-free method makes the classic statistical inferential framework (stemming from the central limit theorem) unreliable for the PLS-SEM, therefore resampling procedures, such as bootstrapping, is used to evaluate the PLS model adequacy (Chin, 2010; Hair et al., 2014). Furthermore, when it comes to very complex models, the PLS-SEM estimated parameters might exhibit consistency problems that

are referred as PLS-SEM method bias (Hair et al., 2012). Only with significantly large number of observations and items per latent variable, the estimated parameters of the latent variables approach to the true values (Hair et al., 2012). However, the simulation studies show that the differences between CB-SEM and PLS-SEM estimates are very low therefore; they are negligible (Reinartz et al., 2009). However, while working with large samples, both PLS-SEM and CB-SEM yield practically the same results[36] (Reinartz et al., 2009).

After considering the given advantages and the disadvantages of the PLS-SEM above, it was identified as an appropriate model evaluation technique for the study because of three reasons. Firstly, the PLS-SEM is a robust tool that can handle with the complex structural models. Additionally, it has fewer identification problems compared to CB-SEM (Hair et al., 2011). Considering that the OMSCs' tax morale model has a very complex structure with 19 different latent constructs, employing PLS-SEM is more appropriate than CB-SEM. Secondly, the structural model contains three formative constructs (*GovPer, Prof* and *TaxAdv*) therefore, PLS-SEM proposes better statistical abilities to evaluate both formative and the reflective constructs within the same structural model with fewer limitations. Lastly, the OMSCs' tax morale model is a hierarchical model that has hierarchical components (*PersonalN, CorporateN* and *PBC*), for which PLS-SEM is argued as a better technic for the evaluation such models (Hair et al., 2014).

In order to perform the PLS-SEM path model analysis, Hair et al. (2014) suggest two main steps; evaluation of measurement models and evaluation of structural model. First step of the PLS-SEM is to evaluate the quality of the measurement models. Measurement models refers to the measures of the latent constructs in PLS-SEM. Considering the structural models consists of scales and indexes, their assessment and refinement is a necessary and required precondition for the model assessment (Hair et al., 2011, 2014). After the measurements models are assessed, the second step is to assess the structural model. Assessment of the structural model refers to how well the data supports the proposed structural model. In other words, it assesses the explained variance of constructs and it evaluates the strengths and significance of the path coefficients.

The next sub-section explains how the measurement models were evaluated.

6.5.2.2 Evaluation of the Measurement Models

Establishing the acceptable level of the measurement validity before the analysis of the structural model is essential for the PLS-SEM analysis (Hair et al., 2012). Considering the nature of the formative and reflective measurement models are different, Hair et al. (2014)

[36] For more extensive considerations of the differences of CB-SEM and SEM-PLS please consult Hair et al., (2014 p.14-26) which explains the PLS-SEM algorithm, and bootstrapping procedures in detail.

suggest different set of criteria for both measurement models. Consequently, they are evaluated separately in this section. Similar to the EFA analysis, evaluation criteria are explained for each measurement models in this section and it followed by the evaluation of the both measurement models in the following sub-sections.

6.5.2.2.1 Evaluation of the Reflective Measurement Models

Hair et al. (2014) suggest three sets of criteria to test quality of the reflective measurement models. These are Internal Consistency Reliability (Composite Reliability and Cronbach's α), Convergent Validity (Indicator Reliability and Average Variance Extracted (AVE)) and Discriminant validity (Cross Loadings and Fornell-Larker criterion). Each criterion is explained in this section.

Internal Consistency Reliability of the reflective measures are advised to be assessed with two indicators (Hair et al., 2014):

a. *Cronbach's α* is scale reliability indicator that measures the proportion of total variance in a scale attributable to a common source - presumably the real value of the variable that the items attempt to capture (De Vellis, 2012). Cronbach's α tests scores range between 0 and 1. The items are considered to form a consistent scale if the α higher than .70. Low internal consistency shows that the items are considerably heterogeneous that the total score is not the best possible unit of analysis for the measure (Kline, 2011). In this research Cronbach's α is required to be higher than .70 for each construct.

b. *Composite Reliability (CR)* or Raykov's reliability tests whether single common factor underlies a set of variables (Raykov, 1998). Raykov (1998) claimed that Cronbach's α may provide biased estimates of scale reliability. Scale has a good composite reliability if CR score is higher than >.70 (Raykov, 1998, Field, 2013). Values of .60 to.70 is acceptable for the exploratory research and values above .95 is found problematic because they indicate that indicator variables measures same phenomena and therefore unlikely to be a valid measure for the construct (Hair et al., 2014). CR value between.7 and .95 is required for each construct in this research.

Convergent Validity shows to extent to which item correlates with other items of the construct (Kline, 2011; Hair et al., 2014). Convergent validity is assessed with indicator reliability and AVE score of the constructs.

a. Indicator Reliability examines whether outer loadings are large enough to support the claim that underlying factor explains an appreciable amount of the variability. This test reveals whether appropriate items were assigned to the factors and how well a factor predicts on its observable (Kline, 2011). The indicator's outer loadings should be

statistically significant and above .70 (Hair et al., 2014). However, "indicators with outer loadings between .40 and .70 should be considered for removal from the scale only when deleting the indicator leads to an increase in the CR or AVE above the suggested threshold values" (Hair et al., 2014: p.103). Indicators with loadings below .40 should always be removed from the scale (Hair et.al, 2011). Cross loadings of indicators were assessed according this criterion for the research.

b. *Average Variance Extracted* (AVE) is a common measure to establish convergent validity on the construct level. This criterion is defined as the grand mean value of the squared loadings of the indicators associated with the construct (i.e., the sum of the squared loadings divided by the number of indicators) (Hair et al., 2014). Therefore, the AVE is equivalent to the communality of a construct. AVE value of .50 or higher indicates that, on average, the construct explains more than half of the variance of its indicators. Conversely, an AVE of less than .50 indicates that, on average, more error remains in the items than the variance explained by the construct. Therefore, AVE score is expected to be more than .50 (Hair et al., 2011, 2014; Kline, 2011).

Discriminant Validity refers to extent to which a construct differs from other constructs and assesses how well it captures the intended phenomena that is not represented by other constructs. To put it simply, it tests the uniqueness of a construct domain (Kline, 2011; Hair et al., 2012). To test for discriminant validity of reflective constructs, examination of cross loadings of items and checking for Fornell-Larcker Criterion are required (Hair et al., 2014). Additionally, a new criterion was introduced to assess the discriminant validity called heterotrait-monotrait ratio of correlations by Henseler et al. (2014) however; it is not included in to the list of the criteria, as it was not widely applied to PLS-SEM studies yet.

a. *Examination of Cross Loadings* of items is a method for detecting the discriminant validity problem. It is expected that the outer loading of an item should be higher for its associated construct than all other constructs (Hair et al., 2011).

b. Fornell-Larcker Criterion is evident when the square root of AVE is greater than the correlations between the observed and other latent variables in the model (Fornell and Larcker, 1981). A scale has discriminant validity when the measurement bears no relation to other measurements from which the scale should differ (Anderson and Gerbing, 1988). To achieve discriminant validity, the inter-correlations between different scales should not be high, they preferably should be below .90 (Kline, 2011).

Criteria for evaluation of the reflective measurement models are summarised in Table 18 below.

Table 18: Evaluation Criteria For Reflective Measurement Models

Criterion/Test	Threshold Values
Cronbach's α	>.70
Composite Reliability (CR)	>.70
Indicator Reliability	≥.70 if between .70 and .40 Check for EVA and CR
Average Variance Extracted (AVE)	>.50
Cross Loadings	An item should have the highest loading for assigned construct.
Fornell-Larcker Criterion	Square root of AVE should be greater than the correlations between the observed and other latent variables.

6.5.2.2.1.1 Evaluation Results of the Reflective Measurement Models

Sixteen reflective measurement models with 51 items were evaluated by using the output of PLS-SEM path model solution (700 iterated solution) that is provided by SmartPLS 3.

Firstly, the quality measures for the convergent validity were checked. Indicator reliability was examined by assessing the outer loadings of the items. Two items were detected that had outer loadings below .70. These items were *Religiosity5* (0.649) and *Compliance1* (0.698). Because these items were in range of 0.4 and 0.7, CR, their construct's AVE scores were examined to decide whether to retain the items. When the *Religiosity5* removed from the analysis, the AVE and CR scores of the constructs were increased from 0.746 and 0.935 to 0.849 to 0.957 respectively. Therefore, the decision was made to remove the item from the analysis. On the other hand, when the *Compliance1* removed from the analysis, the AVE and CR scores of the constructs were decreased from 0.712 and 0.907 to 0.698 to 0.893 respectively. Hence, due to decreasing AVE and CR scores and following the advise of Hair et al., (2014) to retain items that is considered to have close enough outer loadings, the item was kept in the analysis.

Following the decision about two problematic items, the indicator reliability showed reflective measures had outer loadings above 0.7 (except *Compliance1* with 0.698) at the .01 significance level. This explains that the reflective measures share more than 50% of the variance with their constructs therefore the shared variance larger than the measurement error. Furthermore, the scales scored well above than 0.5 for the AVE while 13 scales scored above

0.7. In light of the results of indicator reliability and AVE, it was suggested that the convergent validity was established for the reflective constructs.

Internal consistency reliability of the scales was assessed with Cronbach's α[37] and CR scores. All Cronbach's α and CR scores were above the threshold value of 0.7 while majority of them were above 0.8 which indicates a good internal consistency reliability of the scales.

Lastly, discriminant validity was assessed by examining the cross loadings of the items and Fornell-Larcker Criterion. All items had demonstrated the highest loading for their assigned construct (Please see Table 20). Moreover, Fornell-Larcker test results (please see Table 21) showed that all scales are distinctive and measures one factor. In other words, square root of AVE of the construct is higher than the correlations with other constructs. After the assessment of two criteria, discriminant validity of the reflective constructs was assured.

Overall results of the quality criteria for the reflective measures provided evidence that the reflective constructs demonstrated good statistical quality properties of internal consistency reliability, convergent validity and discriminant validly (please see Table 19). Consequently, validity and reliability of the reflective measurement models were established for the research.

[37] Although, Cronbach's α was checked during the EFA phase (6.5.1.2) of the analysis, it was checked again in this stage because of the eliminated item.

Table 19: Evaluation Results of Reflective Measurement Models

Constructs	Items	Internal Consistency Reliability		Convergent Validity		Discriminant Validity
		Cronbach's α	*CR*	*Outer Loadings*	*AVE*	
CompCosts	CompCost1	0.738	0.851	0.828	0.656	Confirmed
	CompCost2			0.771		
	CompCost4			0.829		
Complex	Complex1	0.704	0.870	0.905	0.770	Confirmed
	Complex2			0.848		
Compliance	Compliance1	0.862	0.907	0.698	0.712	Confirmed
	Compliance2			0.891		
	Compliance3			0.868		
	Compliance4			0.902		
CorporateN	CorporateN1	0.959	0.974	0.974	0.925	Confirmed
	CorporateN2			0.951		
	CorporateN3			0.960		
DistJust	DistJust1	0.932	0.946	0.890	0.778	Confirmed
	DistJust2			0.901		
	DistJust3			0.881		
	DistJust4			0.824		
	DistJust5			0.911		
EObligation	EObligation1	0.841	0.891	0.949	0.732	Confirmed
	EObligation2			0.794		
	EObligation3			0.814		
OtherBus	OtherBus1	0.782	0.863	0.743	0.679	Confirmed
	OtherBus2			0.831		
	OtherBus3			0.892		
PBC	PBC1	0.898	0.936	0.935	0.830	Confirmed
	PBC2			0.874		
	PBC3			0.923		
Patriot	Patriot1	0.864	0.909	0.953	0.773	Confirmed
	Patriot2			0.718		
	Patriot3			0.945		
PersonalN	PersonalN1	0.879	0.925	0.937	0.805	Confirmed
	PersonalN2			0.870		
	PersonalN3			0.883		
ProcedJust	ProcedJust1	0.827	0.892	0.840	0.733	Confirmed
	ProcedJust2			0.812		
	ProcedJust3			0.914		
ReligEv	ReligEv1	0.874	0.940	0.957	0.887	Confirmed
	ReligEv2			0.926		
Religiosity	Religiosity1	0.941	0.957	0.930	0.849	Confirmed
	Religiosity2			0.893		
	Religiosity3			0.916		
	Religiosity4			0.945		
RiskA	RiskA1	0.805	0.911	0.908	0.837	Confirmed
	RiskA3			0.922		
TKnow	TKnow1	0.750	0.852	0.753	0.658	Confirmed
	TKnow2			0.813		
	TKnow3			0.863		
TaxMorale	TaxMorale1	0.847	0.896	0.808	0.683	Confirmed
	TaxMorale2			0.825		
	TaxMorale3			0.871		
	TaxMorale4			0.800		

Table 20: Cross Loadings of the Reflective Measurement Items

Construcst/ Items	CompCosts	Complex	Compliance	CorporateN	DistJust	EObligation	OtherBus	PBC	Patriot	PersonalN	ProcedJust	ReligEv	Religiosity	RiskA	TKnow	TaxMorale
CompCost1	0.828	0.205	0.038	0.143	-0.057	0.402	0.025	-0.035	-0.003	0.012	-0.021	-0.033	0.059	-0.072	0.014	-0.014
CompCost2	0.771	0.162	-0.001	0.121	-0.029	0.306	0.072	0.040	0.024	-0.014	-0.015	0.010	0.053	-0.140	-0.151	-0.020
CompCost4	0.829	0.180	0.115	0.144	-0.042	0.271	0.061	0.036	0.044	0.061	-0.058	0.049	0.088	-0.097	0.023	-0.075
Complex1	0.192	0.905	-0.019	0.032	-0.121	0.074	0.062	-0.089	0.006	-0.039	-0.057	-0.039	0.005	0.015	-0.132	-0.031
Complex2	0.207	0.848	0.012	0.051	-0.115	0.102	0.052	0.025	-0.026	-0.031	-0.057	-0.060	-0.048	-0.030	-0.150	-0.009
Compliance1	0.007	-0.055	0.698	-0.093	0.188	-0.132	-0.127	0.059	0.223	0.235	0.229	0.318	0.186	0.042	0.119	0.408
Compliance2	0.071	0.081	0.891	-0.213	0.104	-0.094	-0.336	0.174	0.164	0.244	0.170	0.356	0.162	-0.031	0.286	0.471
Compliance3	0.084	-0.093	0.868	-0.226	0.194	-0.122	-0.233	0.168	0.354	0.345	0.165	0.452	0.262	-0.005	0.253	0.505
Compliance4	0.052	0.039	0.902	-0.190	0.145	-0.132	-0.324	0.147	0.178	0.286	0.239	0.409	0.194	-0.067	0.227	0.539
CorporateN1	0.183	0.044	-0.230	0.974	0.012	0.208	0.137	0.018	0.000	-0.098	-0.061	-0.140	-0.038	-0.082	-0.099	-0.138
CorporateN2	0.150	0.049	-0.197	0.951	0.021	0.153	0.107	0.019	0.022	-0.104	-0.043	-0.129	-0.024	-0.053	-0.040	-0.120
CorporateN3	0.151	0.042	-0.201	0.960	0.036	0.161	0.128	0.030	-0.002	-0.086	-0.025	-0.130	-0.023	-0.071	-0.059	-0.131
DistJust1	-0.052	-0.134	0.136	0.051	0.890	-0.173	0.020	0.203	0.113	0.114	0.397	0.165	0.078	-0.215	0.146	0.156
DistJust2	-0.043	-0.131	0.177	-0.030	0.901	-0.209	0.012	0.203	0.135	0.170	0.419	0.142	0.118	-0.233	0.176	0.138
DistJust3	-0.042	-0.065	0.147	0.062	0.881	-0.196	-0.026	0.208	0.119	0.150	0.415	0.182	0.093	-0.243	0.190	0.161
DistJust4	-0.073	-0.132	0.132	-0.018	0.824	-0.268	-0.072	0.167	0.086	0.078	0.372	0.137	0.080	-0.275	0.156	0.172
DistJust5	-0.044	-0.134	0.191	0.028	0.911	-0.203	0.005	0.199	0.156	0.245	0.441	0.232	0.203	-0.202	0.165	0.185
EObligation1	0.365	0.073	-0.178	0.212	-0.226	0.949	0.201	-0.155	-0.139	-0.077	-0.264	-0.063	0.017	0.067	-0.011	-0.159
EObligation2	0.347	0.100	-0.075	0.143	-0.124	0.794	0.013	-0.060	-0.081	-0.087	-0.161	-0.093	-0.012	0.033	-0.014	-0.104
EObligation3	0.349	0.114	-0.032	0.043	-0.228	0.814	0.027	-0.055	-0.110	-0.085	-0.160	-0.096	-0.033	0.051	-0.020	-0.149
OtherBus1	0.033	0.031	-0.344	0.056	-0.014	0.083	0.743	-0.176	-0.102	-0.079	-0.140	-0.198	-0.095	0.125	-0.154	-0.324
OtherBus2	0.043	0.060	-0.346	0.096	-0.100	0.202	0.831	-0.054	-0.053	-0.096	-0.161	-0.238	-0.035	0.047	-0.156	-0.307
OtherBus3	0.070	0.062	-0.169	0.141	0.064	0.074	0.892	-0.027	-0.010	0.001	-0.045	-0.052	0.039	0.016	-0.146	-0.182
PBC1	0.044	-0.027	0.173	0.016	0.233	-0.137	-0.063	0.935	0.165	0.049	0.228	0.095	0.081	-0.277	0.079	0.153
PBC2	0.009	-0.043	0.150	0.019	0.205	-0.124	-0.079	0.874	0.154	0.036	0.161	0.056	0.047	-0.180	0.095	0.123
PBC3	-0.022	-0.054	0.124	0.031	0.162	-0.081	-0.068	0.923	0.157	0.014	0.132	0.058	0.089	-0.212	0.080	0.101
Patriot1	0.036	0.016	0.267	-0.017	0.147	-0.119	-0.046	0.185	0.953	0.099	0.143	0.284	0.349	-0.096	0.039	0.155
Patriot2	-0.072	-0.103	0.222	0.086	0.142	-0.154	-0.098	0.243	0.718	0.030	0.174	0.218	0.278	-0.131	0.044	0.153
Patriot3	0.042	-0.004	0.241	0.004	0.119	-0.121	-0.028	0.108	0.945	0.093	0.089	0.291	0.375	-0.067	-0.017	0.192
PersonalN1	0.007	-0.038	0.363	-0.114	0.178	-0.087	-0.079	0.043	0.096	0.937	0.172	0.429	0.416	-0.088	0.102	0.337
PersonalN2	0.050	-0.020	0.269	-0.055	0.176	-0.073	-0.032	0.050	0.072	0.870	0.117	0.336	0.321	-0.124	0.043	0.265
PersonalN3	0.018	-0.050	0.241	-0.094	0.167	-0.085	-0.029	0.006	0.086	0.883	0.142	0.328	0.326	-0.078	0.071	0.233
ProcedJust1	-0.121	-0.131	0.230	-0.069	0.412	-0.281	-0.118	0.135	0.081	0.091	0.840	0.221	0.142	-0.167	0.261	0.229
ProcedJust2	-0.018	-0.072	0.205	-0.076	0.405	-0.249	-0.137	0.229	0.154	0.111	0.812	0.155	0.145	-0.144	0.163	0.253
ProcedJust3	-0.002	-0.009	0.192	-0.002	0.404	-0.162	-0.077	0.153	0.114	0.183	0.914	0.217	0.125	-0.221	0.136	0.190
ReligEv1	0.007	-0.036	0.429	-0.103	0.211	-0.069	-0.107	0.087	0.330	0.432	0.215	0.957	0.704	-0.130	0.154	0.496
ReligEv2	0.015	-0.073	0.437	-0.167	0.169	-0.097	-0.224	0.058	0.227	0.331	0.221	0.926	0.497	-0.060	0.201	0.399
Religiosity1	0.108	-0.012	0.258	-0.015	0.154	0.004	-0.022	0.111	0.389	0.388	0.157	0.685	0.930	-0.126	0.082	0.257
Religiosity2	0.025	-0.048	0.158	-0.022	0.089	0.023	0.005	0.053	0.397	0.329	0.094	0.524	0.893	-0.072	0.059	0.192
Religiosity3	0.078	0.010	0.234	-0.058	0.151	-0.016	-0.027	0.045	0.335	0.353	0.176	0.589	0.916	-0.182	0.086	0.224
Religiosity4	0.088	-0.031	0.223	-0.017	0.140	-0.007	-0.003	0.081	0.294	0.396	0.143	0.590	0.945	-0.159	0.080	0.233
RiskA1	-0.150	-0.001	0.022	-0.105	-0.238	0.043	0.031	-0.219	-0.113	-0.050	-0.187	-0.046	-0.111	0.908	0.021	-0.015
RiskA3	-0.080	-0.009	-0.060	-0.030	-0.228	0.072	0.070	-0.238	-0.066	-0.142	-0.204	-0.143	-0.158	0.922	-0.060	-0.065
TKnow1	-0.034	-0.101	0.223	-0.098	0.138	-0.045	-0.226	0.101	-0.035	0.040	0.148	0.143	0.036	-0.029	0.753	0.134
TKnow2	-0.075	-0.193	0.220	-0.041	0.207	-0.025	-0.135	0.072	0.004	0.069	0.219	0.151	0.077	-0.076	0.813	0.182
TKnow3	0.004	-0.092	0.217	-0.052	0.120	0.014	-0.118	0.067	0.048	0.081	0.126	0.157	0.078	0.035	0.863	0.110
TaxMorale1	-0.063	-0.043	0.351	-0.106	0.087	-0.127	-0.266	0.131	0.121	0.158	0.187	0.317	0.149	0.029	0.084	0.808
TaxMorale2	-0.018	0.006	0.415	-0.064	0.133	-0.092	-0.183	0.084	0.192	0.236	0.177	0.358	0.164	-0.008	0.130	0.825
TaxMorale3	0.012	0.027	0.572	-0.117	0.154	-0.137	-0.295	0.166	0.139	0.313	0.194	0.480	0.221	-0.065	0.157	0.871
TaxMorale4	-0.094	-0.080	0.500	-0.149	0.212	-0.175	-0.228	0.077	0.162	0.295	0.262	0.395	0.259	-0.076	0.177	0.800

Table 21: Fornell-Larcker Criterion Results of the Reflective Constructs

Constructs	CompCosts	Complex	Compliance	CorporateN	DistJust	EObligation	OtherBus	PBC	Patriot	PersonalN	ProcedJust	ReligEv	Religiosity	RiskA	TKnow	TaxMorale
CompCosts	***0.810***															
Complex	0.226	***0.877***														
Compliance	0.066	-0.006	***0.844***													
CorporateN	0.169	0.046	-0.218	***0.962***												
DistJust	-0.053	-0.134	0.185	0.023	***0.882***											
EObligation	0.403	0.098	-0.141	0.183	-0.230	***0.856***										
OtherBus	0.064	0.065	-0.309	0.130	-0.006	0.140	***0.824***									
PBC	0.015	-0.044	0.166	0.023	0.223	-0.128	-0.076	***0.911***								
Patriot	0.026	-0.010	0.272	0.006	0.146	-0.136	-0.049	0.175	***0.879***							
PersonalN	0.027	-0.040	0.331	-0.100	0.193	-0.091	-0.055	0.038	0.095	***0.897***						
ProcedJust	-0.040	-0.065	0.236	-0.045	0.468	-0.248	-0.120	0.197	0.136	0.162	***0.856***					
ReligEv	0.011	-0.055	0.458	-0.138	0.204	-0.086	-0.167	0.079	0.303	0.411	0.231	***0.942***				
Religiosity	0.083	-0.021	0.239	-0.030	0.146	0.000	-0.013	0.080	0.382	0.399	0.156	0.651	***0.921***			
RiskA	-0.124	-0.005	-0.022	-0.072	-0.254	0.063	0.056	-0.250	-0.097	-0.107	-0.214	-0.106	-0.148	***0.915***		
TKnow	-0.040	-0.159	0.267	-0.070	0.189	-0.015	-0.179	0.092	0.017	0.083	0.200	0.185	0.084	-0.023	***0.811***	
TaxMorale	-0.046	-0.025	0.573	-0.135	0.184	-0.163	-0.297	0.141	0.186	0.315	0.251	0.481	0.247	-0.045	0.172	***0.826***

6.5.2.2.2 Evaluation of the Formative Measurement Models

Unlike reflective measurement models, formative measurement models cannot be assessed with the internal consistency based approach because formative indicators do not necessarily covary (Diamantopoulos and Winklhofer, 2001). Hence, assessing the correlation patterns to purify the reflective measures might compromise the content validity of formative construct (Coltman et al., 2008; Hair et al., 2014). In order to overcome difficulties of assessing the quality of the formative measures, Hair et al. (2014) suggest three stage assessment procedure namely, assessing convergent validity (Redundancy Analysis), assessing collinearity among indicators, (Tolerance and Variance Inflation factor scores) and assessing significance and relevance of formative indicators. Each of these steps is briefly explained in this section.

Convergent validity, or also known as redundancy analysis, refers to an extent to which a measure correlates positively with other measures of the same construct (Chin, 2010). This implies that for each index of the model an alternative scale or an alternative global item that summarises the formative construct's domain should be used to be able to perform redundancy analysis (Chin, 2010; Hair et al., 2014). The strength of the path coefficient linking the redundant constructs should be strong and preferably above .80 (Hair et al., 2014). However, in the case of the construct that contains very heterogeneous components, it is hard to expect reflective measures for the redundancy analysis that would perform at that level (Wetzels et al., 2009). Considering the formative measures of the model (*GovPer, Prof* and *TaxAdv*) are very heterogeneous and only one global item used for each formative construct due to limitations of the survey application, the path model between the construct and its redundant construct is expected to be at least .64 to contribute the analysis in a sufficient level (Hair et al., 2014). Therefore, .64 is suggested as a threshold value for the path analysis between formative construct and its redundant construct for this analysis.

Collinearity assessment of the formative indicators is required for the analysis because high correlations between items, collinearity, increases standard errors and might cause insignificant outer weights which is problematic from methodological standpoint (Hair et al., 2014). In order to assess collinearity among the indicators two tests were suggested namely: Tolerance (TOL) and Variance Inflation Factor (VIF) (Hair et al., 2011, 2014). The TOL represents the amount of variance of one formative indicator that is not explained by other indicators in the same index (Hair et al., 2014). TOL value should be above .20 (Hair et al., 2011). The VIF is defined as reciprocal value of the tolerance score (VIF=1/TOL) (Hair et al., 2014). In the context of PLS-SEM, the VIF value of an indicator should be below 5 (Hair

et al., 2011). If formative indicator's scores are not satisfactory for the VOL and VIF criteria, which indicate high level of collinearity, the indicator should be removed (Hair et al., 2011). Same thresholds also accepted for this research's concept.

Assessing the significance and relevance of formative indicators is suggested as the third step for the evaluation process of formative measurement models (Hair et al., 2014). Formative indicators were assessed according to their outer weights, indictors' contribution to explaining the construct domain, and their significances (Hair et al., 2011). When the formative indicator' weight is significant (t value greater than 1.65 or 1.96 for 10 % and 5% significance levels respectively), retaining the indicator is empirically supported (Hair et al., 2011, 2014). Additionally, it shows that the indicator has an absolute importance in explaining the formative construct. However, when the outer weight of an indicator is not significant, but its outer loading is above .5, the indicator should be interpreted relatively important and generally retained. When the formative indicator lacks to show significant outer weight and outer loading above .5 then an indicator can be deleted after examining the indicator's theoretical importance and potential overlap with other indicators of the same construct (Hair et al., 2014).

Although numbers of different criteria were suggested in the literature, it is still a concern that the extensive range of the construct dimensions might cause a failure of the formative measurement models on capturing the full domain of the construct. The literature discussed these type of measurement errors for the formative measurement models as disturbance representing the non-modelled dimensions and suggested creating a higher order construct that might capture the domain to a greater extend (MacKenzie et al., 2005; Diamantopoulos, 2006; Howell et al., 2007).

Overall, the explained criteria for evaluation of the formative measurement models are summarised in the table below

Table 22: Evaluation Criteria for Formative Measurement Models

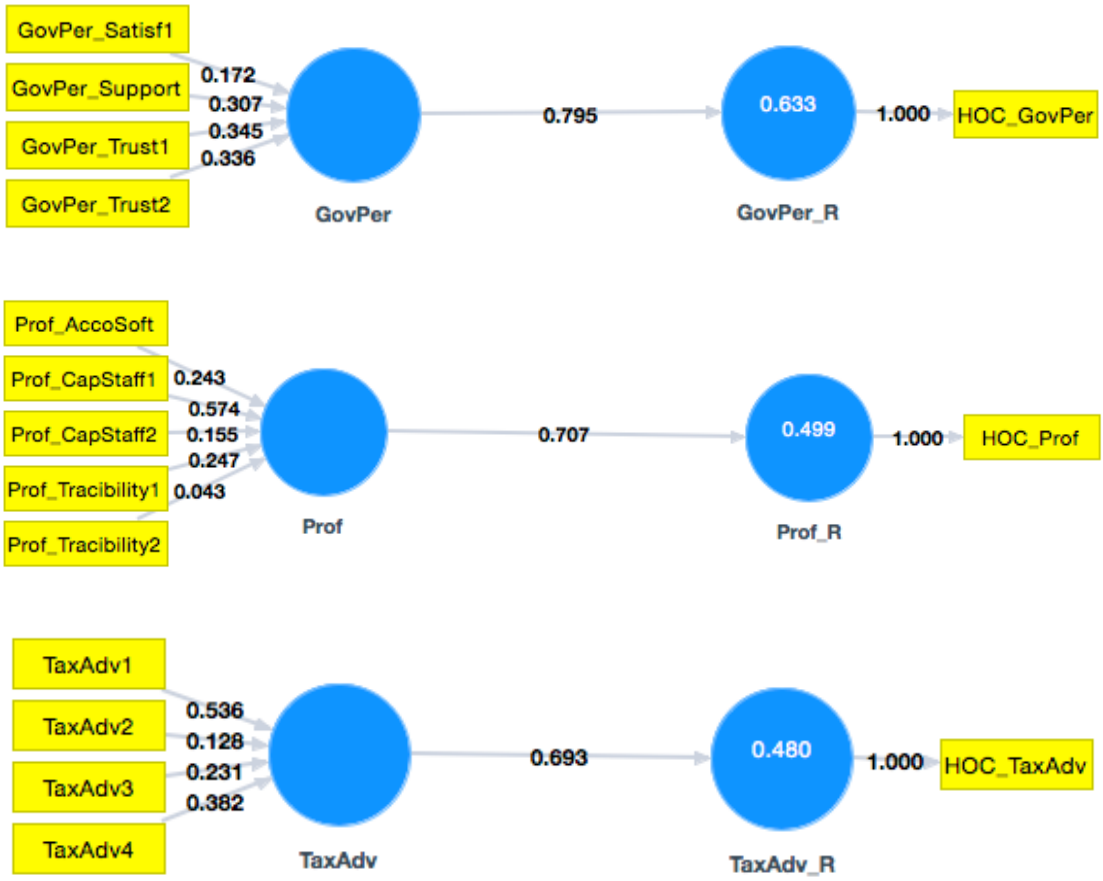
Criterion/Test	Threshold Values
Convergent Validity	>. 64
Collinearity Assessment TOL value	5 >
Collinearity Assessment VIF value	> .20
Absolute Importance	Formative indicator' weight is significant (t value grater than 1.65, 1.96 for 10 % and 5% significance levels respectively)
Relative Importance	Outer loading above 0.5

6.5.2.2.2.1 Evaluation Results of the Formative Measurement Models

Formative measurement models of *GovPer, Prof* and *TaxAdv* with 13 items were evaluated by using the output of PLS-SEM path model solution (700 iterated solution) and Bootstrapping results (5000 samples) that is provided by SmartPLS 3.

Firstly, the formative constructs were checked for the convergent validity by using reflective items for each formative construct that were generated during the survey development phase (please consult 6.3). Results of the redundancy analysis were satisfactory which indicated that the path coefficients of each construct were above .64 between each formative construct and its redundant counterpart. Additionally, given the heterogeneity of the construct measures as an obstacle to cover the construct domain with a single indicator, the constructs also explained the considerable amount of the construct variances. Please see Figure 20 for the analysis results.

Figure 20: Redundancy Analysis for the Formative Constructs



The second step was collinearity assessment of the formative constructs. All index items had satisfactory values for TOL (x<5) and VIF (x>.20) scores (please see Table 23). Hence, the collinearity amongst the indicators was assured.

Table 23: Collinearity of the Formative Items

Index	Items	TOL	VIF
GovPer	GovPer_Satisf1	0.592	1.689
	GovPer_Support	0.386	2.589
	GovPer_Trust1	0.408	2.451
	GovPer_Trust2	0.438	2.282
Prof	Prof_AccoSoft	0.726	1.378
	Prof_CapStaff1	0.640	1.562
	Prof_CapStaff2	0.507	1.973
	Prof_Tracibility1	0.421	2.374
	Prof_Tracibility2	0.414	2.417
TaxAdv	TaxAdv1	0.840	1.190
	TaxAdv2	0.584	1.712
	TaxAdv3	0.472	2.117
	TaxAdv4	0.434	2.302

Lastly, the significance and relative importance of the index items were assessed. Items of *GovPer* were checked. Although only one item (*GovPer_Support*) showed significant outer weight, outer loadings of the remaining items were above .5 and therefore all items retained because of their relative importance. For the construct of *Prof*, item of *Prof_CapStaff1* retained because of its significant outer weight. Remaining items of the construct did not meet with the quality criteria. Nevertheless, given that the formative construct has three dimensions one best performing item for each construct were retained because of their theoretical importance as it is suggested by Hair et al. (2014). Lastly, *TaxAdv1* was deleted from the analysis due to insignificant outer weight and low outer loading values. Remaining items of the *TaxAdv* construct presented satisfactory results and retained. The results the third step are exhibited in Table 24.

Table 24: Assessment results of the significance and relevance of the formative indicators

Construct	Items	Outer Weights	T Value	Significance Level	P Values	Outer Loadings	Decision
GovPer	GovPer_Satisf1	0.192	1.208	NS	0.227	0.718	Keep because of Relative Importance
	GovPer_Support	0.733	3.692	0.05	0.000	0.974	Keep because of Absolute Importance
	GovPer_Trust1	0.058	0.261	NS	0.494	0.784	Keep because of Relative Importance
	GovPer_Trust2	0.131	0.657	NS	0.511	0.785	Keep because of Relative Importance
Prof	Prof_AccoSoft	-0.280	0.785	NS	0.433	0.182	Keep because of Theoretical Importance
	Prof_CapStaff1	0.899	1.987	0.05	0.047	0.687	Keep because of Absolute Importance
	Prof_CapStaff2	-0.921	1.558	NS	0.119	-0.028	Remove
	Prof_Tracibility1	0.146	0.319	NS	0.750	0.416	Remove
	Prof_Tracibility2	0.713	1.433	NS	0.152	0.486	Keep because of Theoretical Importance

Construct	Items	Outer Weights	T Value	Significance Level	P Values	Outer Loadings	Decision
TaxAdv	TaxAdv1	-0.186	0.741	NS	0.459	0.048	Remove
	TaxAdv2	0.725	2.409	0.05	0.016	0.727	Keep because of Absolute Importance
	TaxAdv3	-0.840	2.258	0.05	0.024	0.110	Keep because of Absolute Importance
	TaxAdv4	0.870	2.569	0.05	0.010	0.660	Keep because of Absolute Importance

NS: Not significant 0.05 : Significant in 5% significance interval

Overall, three items were removed from the analysis after the significance and relative importance assessment. Remaining items and their formative constructs presented satisfactory results according to the evaluation criteria.

6.5.2.3 Evaluation of the Structural Model

The structural model was tested to assess how well the empirical data supports the theory and to test stability of the estimates (Kline, 2011; Hair et al., 2014). In order to decide whether the theory of the model is empirically supported, examining the model's predictive capacity and relationships between the constructs are essential.

It is important to remind that when evaluating the structural model, PLS-SEM fits the model to the data to obtain the best parameter estimates by maximising the explained variance of the latent constructs. Goodness of fit measures, which are associated with CB-SEM, is based on differences of covariance matrices. Hence, commonly used goodness of fit measures are not applicable into the PLS-SEM context (Rigdon, 2012; Sarstedt et al., 2014; Hair et al., 2014). Instead of applying goodness of fit measures, PLS-SEM assesses a structural model based on heuristic criteria that examines the model's predictive capacities (Rigdon, 2012; Hair et al., 2014). For this purpose, Hair et al. (2014, p.169) suggested a systematic approach that includes five steps for the evaluation of the structural model. These steps are named as: assessing structural model for collinearity issues, assessing the significance and relevance of the structural model relationships, assessment of R^2 values, assessment of the f^2 effect size and assessment of the predictive relevance (Q^2).

Similar to the measurement model assessment, the structural model is assessed following the guideline that is suggested by Hair et al., (2014). The suggested five steps for the evaluation are explained in this section. Moreover, structural model assessing criterion for each step is explained jointly with the assessment results of the structural model in each subsection.

The structural model, which consists 16 reflective and 3 formative constructs, was evaluated by using the output of PLS-SEM path model solution (700 iterated solution and 5000 bootstrap samples) that is provided by SmartPLS 3.

6.5.2.3.1 Assessing Structural Model for Collinearity Issues

The PLS-SEM analysis requires evaluating every set of predictor constructs separately for each sub-part of the structural model. In other words, all sets of exogenous constructs, predictors to each of the endogenous latent constructs, are assessed for collinearity issues. Collinearity assessment is required for PLS-SEM analysis at this stage because; prediction and explanation of an endogenous construct is calculated through multiple regressions that uses latent scores of exogenous constructs. Consequently, potential collinearity between predictors, which are expected to be independent, might create a bias for path coefficients (Hair et al., 2014). For the collinearity assessment, same measures as in the evaluation of the formative measurement models: TOL and VIF values were used. The sets of predictors were evaluated for TOL and VIF according to the thresholds mentioned before (TOL>.20 and VIF<5).

Table 25 below presents all endogenous constructs' VIF and TOL scores. Considering the above-mentioned thresholds, all endogenous constructs were presented satisfactory scores. Given that all TOL values are higher than .20 and all VIF values are lower than 5, there were no collinearity issues detected for the structural model.

Table 25: Collinearity Assessment of the Path Model

Construct	Indicators	TOL	VIF
PersonalN	Complex	0.956	1.046
	DistJust	0.716	1.396
	GovPer	0.584	1.713
	Patriot	0.831	1.204
	ProcedJust	0.666	1.501
	ReligEv	0.525	1.904
	Religiosity	0.530	1.885
	TKnow	0.905	1.105
CorporateN	CompCosts	0.992	1.008
	OtherBus	0.903	1.108
	Prof	0.822	1.216
	TaxAdv	0.874	1.144
PBC	EObligation	0.996	1.004
	RiskA	0.996	1.004
TaxMorale	PersonalN	0.988	1.012
	CorporateN	0.989	1.011
	PBC	0.998	1.002
Compliance	PBC	0.980	1.020
	TaxMorale	0.980	1.020

6.5.2.3.2 Assessing Significance and Relevance of the Structural Model Relationships

The PLS-SEM algorithm provides estimates that represent hypothesized relationships that are defined as path coefficients (Hair et al., 2011, 2014; Kline, 2011). The path coefficients are fully standardised regression coefficients that ranges between -1 and +1. Moreover, these coefficients explain the nature and strength of hypothesized relationships between two latent constructs. For instance, if a path coefficient closer to +1, it indicates strong positive relationship between the constructs or vice versa. Given that paths pointing to one latent variable are described by full-standardised regression coefficients, the paths can be directly compared, relatively interpreted to one other and predictors could be ranked according to their relevance (Hair et al., 2014). In other words, higher the path coefficient the more relevant its predictor to a latent variable and more variance of the endogenous variable it explains.

Determining the significance of a path coefficient depends on its standard error that is obtained through the bootstrapping procedure in PLS–SEM. Significance of the path coefficient is important because it assesses whether a formative indicator significantly contributes/explains its corresponding construct. Empirical t value, which is calculated through bootstrapping procedure, indicates significance of the coefficient. If the t value is higher than a critical value[38], then the path coefficient is accepted significant. Choice of the critical value or the significance level depends on field and the nature of the research. It is usually 5% significance level is accepted in PLS-SEM studies (Hair et al., 2011). However, when the research is exploratory in nature researchers often suggests 10% significance level is adequate (Hair et al., 2014). Considering the research is exploratory in nature, 10% significance level is accepted for this research. Additionally, when reporting the path coefficients, Hair et al. (2014) advised the report t values and degrees of freedom (p values) to further assess their significance. Therefore, both t values and p values were reported with the path coefficients in this research.

Relevance of the significant relationships is often neglected in the PLS based analysis (Hair et al., 2014). However, path coefficients can be significant but might also be negligibly small to bear any important deductions or to warrant managerial attention. The relevance of

[38] Critical value refers to level in which the coefficient is significant at a certain error probability (i.e., significance level). The literature agrees that the commonly used critical values for two tailed tests are 1.65 (significance level= 10%), 1.96 (significance level = 5%), and 2.57 (significance level = 1%). (Hair, 2010; Field, 2013; Tabachnick and Fidell, 2013; Hair et al., 2014)

the significant path coefficients of the model is assessed in the discussion chapter for each structural model relationship.

In light of the explanations above, bootstrapping analysis was performed to assess the significance of the path coefficients. Table 26 exhibits the results that include: the path weights, t statistics, and p values for the paths of the model. Please consult Appendix 12 and 13 for SmartPLS analysis output of the path coefficients and bootstrapping (t statistics) results.

Table 26: Significance and Relevance of the Structural Model Relationships

Paths of the Structural Model		Path Coefficients	T Values	P Values	Significance Levels
PersonalN -> TaxMorale	**H_{PN}**	**0.300**	**5.433**	**0.000**	**1%**
ProcedJust -> PersonalN	H_{PN1}	-0.024	0.546	0.585	NS
DistJust -> PersonalN	H_{PN2}	0.073	1.925	0.054	10%
TKnow -> PersonalN	H_{PN3}	-0.020	0.403	0.687	NS
Complex -> PersonalN	H_{PN4}	0.004	0.081	0.936	NS
GovPer -> PersonalN	H_{PN5}	0.170	3.293	0.001	1%
Religiosity -> PersonalN	H_{PN6}	0.235	3.234	0.001	1%
ReligEv -> PersonalN	H_{PN7}	0.214	3.163	0.002	1%
Patriot -> PersonalN	H_{PN8}	-0.112	2.090	0.037	5%
CorporateN -> TaxMorale	**H_{CN}**	**-0.108**	**2.167**	**0.030**	**5%**
Prof -> CorporateN	H_{CN1}	-0.045	0.850	0.395	NS
CompCosts -> CorporateN	H_{CN2}	0.162	3.527	0.000	1%
TaxAdv -> CorporateN	H_{CN3}	-0.155	2.361	0.018	5%
OtherBus -> CorporateN	H_{CN4}	0.079	1.737	0.082	10%
PBC -> TaxMorale	**H_{PBCa}**	**0.132**	**2.760**	**0.006**	**1%**
EObligation -> PBC	H_{PBC1}	-0.113	2.070	0.038	5%
RiskA -> PBC	H_{PBC2}	-0.243	5.362	0.000	1%
PBC -> Compliance	**H_{PBCb}**	**0.087**	**2.097**	**0.036**	**5%**
TaxMorale -> Compliance	**H_{TC}**	**0.561**	**9.586**	**0.000**	**1%**

NS: Not significant

Overall, nineteen paths were examined in the structural model. Fifteen path coefficients were proved significant while majority were significant at 5% significance level (13 paths including 8 paths that were significant in 1%). Two path coefficients proven significant at 10% significance level, which were *DistJust* and *OtherBus*. Four path coefficients, which were *ProceedJust, TKnow, Complex* to *PersonalN* and *Prof* to *CorporateN*, were found not significant. Although, *TKnow* and *Complex* path coefficients

were expected not to be significant as a result of the exploratory phase analysis, *ProcedJust* and *Prof* results were unexpected. The possible reasons of insignificant relationships are discussed in the next chapter for each structural model relationship.

In addition to the path coefficients, the analysis also provided total effects, which refers to sum of direct effects (path weight) and indirect effects of the construct. However, total effects of the constructs are the same with their path coefficients, except the *PBC to Compliance* path coefficient that has a total effect of .161. Because the model has hierarchical structure and the constructs had commonly single relationship to their related endogenous constructs, this result was expected. Hence, an extra evaluation is not found necessary for the total effects. Appendix 14 provides total effects of the model constructs.

6.5.2.3.3 Assessment of Coefficient Determination: R^2 Values

Coefficient of determination, R^2 value, is the most commonly used measure to evaluate structural models (Kline, 2011; Bowen and Guo, 2012). The R^2 value evaluates the structural model's predictive accuracy (Hair et al., 2014). Moreover, the R^2 values for each endogenous construct represents exogenous constructs combined effect (Hair et al., 2011). The value can range from 0 to 1 and closer value to 1 indicates high levels of predictive accuracy. However, there are not rules of thumb for the acceptable level of R^2 values as it depends on the research area and complexity of the model (Hair et al., 2014). In some areas, such as customer behaviour, R^2 values of 0.20 are considered high (Henseler et al., 2012; Hair et al., 2014). In the tax research, although the acceptable level of the R^2 values were not discussed in the literature, it is deducted from the studies that few researchers evaluated values below .1 as low, between .1 and .2 moderate while above .2 is acknowledged as strong scores (Bobek et al., 2007a; Smart, 2012; Hamid, 2014). Nevertheless, the threshold values of the explained variance varied not only from discipline to disciple but within the disciplines. Consequently, it is hard to determine a widely accepted criterion for the R^2 as the complexity of the model highly influences the values. Nevertheless, the deducted values are set as an evaluation criterion for this research. In addition, the literature also suggests that a degree of bias that is derived from the complexity of the structural model can be adjusted for the values. Hence, adjusted R^2 (R^2_{adj}) is advised to report when evaluating the structural models (Henseler and Sarstedt, 2012; Hair et al., 2014). Table 27 presents the R^2 and R^2_{adj} values for the structural model.

Table 27: Scores of R^2

Endogenous Constructs	R^2	R^2_{Adj}
PersonalN	0.236	0.222
CorporateN	0.072	0.064
PBC	0.075	0.071
TaxMorale	0.128	0.122
Compliance	0.336	0.333

In total, five endogenous constructs exist in the structural model. The examined R^2 values have demonstrated good predictive and explanatory capabilities for the constructs of *Compliance* and *PersonalN* which both has over .2 R^2 scores while *TaxMorale* showed a moderate predictive capacity. However, the scores for *PBC* and *CorporateN* are accepted as low values. Given that the structural model has a very complex nature with 19 latent constructs, the structural models' explanatory nature and significant relationships between the endogenous constructs, R^2 values of these constructs were accepted for this study.

Overall, the model's endogenous constructs provided satisfactory coefficient of determination and the model provided good explanatory and predictive capacity for this research.

6.5.2.3.4 Assessing The Effect Sizes: f^2 Values

The effect size, f^2 value, is used to analyse the relevance of the constructs in explaining their endogenous construct. Specifically, the f^2 value shows how much an exogenous construct contributes on explaining endogenous construct variance (Cohen, 1988; Hair et al., 2014). It is calculated by analysing the difference between the R^2 values with and without specified exogenous construct in the model, to evaluate the extent to which the omitted construct impacts on the endogenous constructs (Chin, 2010). Cohen (1988) argued that a higher value indicates greater influence of the exogenous construct on the endogenous construct. Additionally he suggests, an effect size of .02, .15 and .35 indicates a small, medium or large influence on endogenous construct, respectively (Cohen, 1988). However, given that the f^2 values are calculated by using the R^2 values, which depends on the model complexity and research area, Wilson (2010) and Limayem et al. (2001) argued that a low f^2 values does not necessarily imply an unimportant effect between the constructs. Similarly, in the tax literature that applied PLS, f^2 appeared to be small when structural model is complex and has a hierarchical structure (Lean et al., 2009; Smart, 2012; Jo'Anne et al., 2012; Tallaha et al., 2014). In the present study, effect size f^2 up to .02, .15, .35 and above .35 evaluated respectively as small, medium, large and strong effect sizes.

Table 28: Effect Size f^2 of the Structural Model Relationships

Endogenous Construct	Exogenous Construct	f^2	Evaluation
PersonalN	Complex	0.000	NS
	DistJust	0.005	Small
	GovPer	0.022	Medium
	Patriot	0.014	Small
	ProcedJust	0.000	NS
	ReligEv	0.031	Medium
	Religiosity	0.038	Medium
	TKnow	0.000	NS
CorporateN	CompCosts	0.028	Medium
	OtherBus	0.006	Small
	Prof	0.002	NS
	TaxAdv	0.023	Medium
PBC	EObligation	0.014	Small
	RiskA	0.064	Medium
TaxMorale	PersonalN	0.102	Medium
	CorporateN	0.013	Small
	PBC	0.020	Medium
Compliance	PBC	0.011	Small
	TaxMorale	0.465	Strong

NS: Not Significant

Predictive impacts of the exogenous constructs are provided in Table 28. The impact between the endogenous constructs (*PersonalN, CorporateN, PBC, TaxMorale and Compliance*) of the model proved mainly medium and strong impacts. Considering the model build upon these constructs, the results found satisfactory for the structure of the model. Moreover, impacts of the exogenous constructs to *PersonalN, CorporateN* and *PBC* constructs have mainly small impacts on their endogenous constructs. Nevertheless, their impacts are significant (except 4 constructs) and provide a useful insight for understanding the model. Calculated effect sizes were mainly expected for these constructs as the exploratory phase findings provided foresight for their potential impacts. Nevertheless, the discussed concerns about f^2 calculation process were also influential for these impact sizes to be small in category. Additionally, the impact sizes of the construct will be analysed according to their relative importance, which will provide comparative information about model constructs. Each construct influence on their exogenous construct is discussed in detail in the next chapter.

6.5.2.3.5 Assessing the Predictive Relevance: Q^2 and q^2 Values

In PLS-SEM studies, the model's predictive relevance is assessed by Stone-Geisser's Q^2 value (Stone, 1974; Geisser, 1974). The Q^2 values show whether the PLS-SEM analysis of the model accurately predicts data points of the items in reflective measurement model of endogenous constructs (Chin, 1998; Hair et al., 2014). The Q^2 value is calculated with blindfolding[39] technique. When the Q^2 value is higher than 0 for a certain endogenous construct, it suggests that the path models' predictive relevance is established for that particular construct. (Hair et al., 2014).

In light of the explanations above, the predictive relevance of the reflective endogenous constructs of the model were assessed through the blindfolding output of the model (please see Appendix 15). The model showed satisfactory predictive relevance for all reflective endogenous constructs given that all the Q^2 values of them was higher than 0. Please consult Table 29 for the details.

Table 29: Predictive Relevance of Endogenous Constructs: Q^2 values

Endogenous Construct	Q^2	Evaluation
PersonalN	0.173	Predictive relevance of the construct is established for the model.
CorporateN	0.059	Predictive relevance of the construct is established for the model.
PBC	0.058	Predictive relevance of the construct is established for the model.
TaxMorale	0.077	Predictive relevance of the construct is established for the model.
Compliance	0.229	Predictive relevance of the construct is established for the model.

Similar to the f^2 effect size approach for assessing the R^2 values, the relative impact of predictive relevance can be compared by q^2 effect size measure (Hair et al., 2011, 2014). q^2 value shows the contribution of the particular path to its endogenous constructs' predictive relevance: Q^2 value. As relative measure, q^2 effect sizes can be interpreted with the same thresholds as f^2 effect size (Chin, 1998; Hair et al., 2014). Hence, the model's q^2 effect sizes and their evaluations are provided in t Table 30.

[39] Hair et al., (2014, p.178) defines Blindfolding as "a sample re-use technique that starts with the first data point and omits every n^{th} data point in the endogenous construct's indicators. Then, the procedure estimates the PLS path model parameters by using the remaining data points. The omitted data points are considered missing values and treated accordingly when running the PLS-SEM algorithm (e.g., by using mean value replacement). The resulting estimates are then used to predict the omitted data points. The difference between the true (i.e., omitted) data points and the predicted ones is then used as input for the Q^2 measure."

Table 30: Predictive Relevance of the Model: q^2 Effect Sizes

Exogenous Construct	Endogenous Construct	q^2	Evaluation
Complex	PersonalN	-0.002	NS
DistJust		0.010	Small
GovPer		0.027	Medium
Patriot		0.010	Small
ProcedJust		0.000	NS
ReligEv		0.020	Medium
Religiosity		0.036	Medium
TKnow		0.000	NS
CompCosts	CorporateN	0.025	Medium
OtherBus		0.012	Small
Prof		0.000	NS
TaxAdv		0.026	Medium
EObligation	PBC	0.011	Small
RiskA		0.047	Medium
PersonalN	TaxMorale	0.113	Medium
CorporateN		0.024	Small
PBC		0.021	Medium
PBC	Compliance	0.012	Small
TaxMorale		0.225	Large

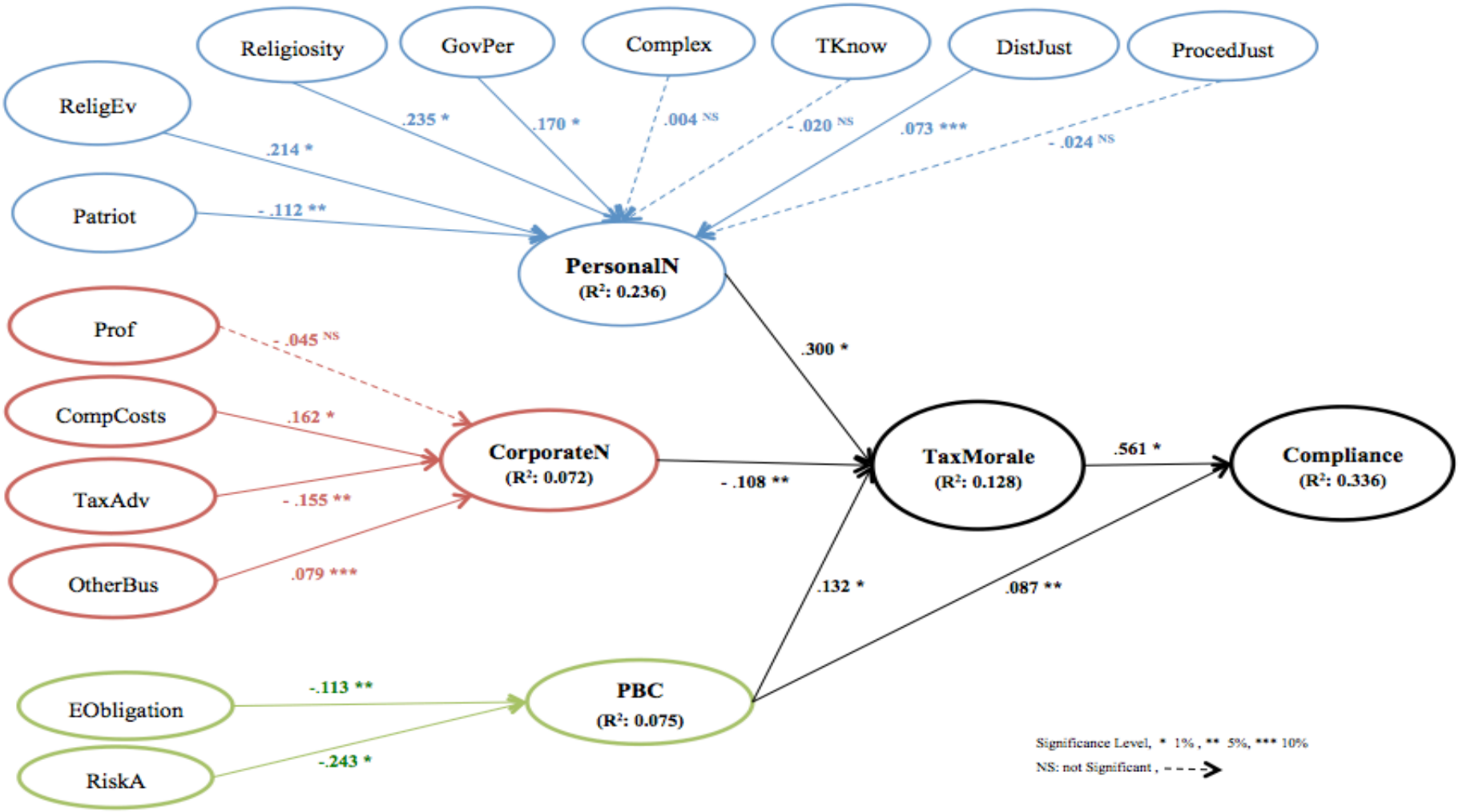
NS: Not Significant

Effects of the exogenous constructs on their endogenous constructs demonstrated very similar results with the f^2 effect sizes. Moreover, both measures provided the same outcome for their evaluations when the pre-set thresholds for f^2 effect sizes were used. Hence, the effect sizes of f^2 and q^2 were consistent. Although, the values of q^2 effect sizes demonstrated mainly medium and small effect sizes for endogenous constructs' predictive relevance, this can be explained with the similar discussion that is mentioned on previous f^f evaluation. The q^2 effect sizes of the predictive relevance of each construct are discussed in the next chapter for each construct. Overall, the q^2 values provided a valuable and expected insight for understanding the model.

To sum up the structural model evaluation phase, it is proved that the structural model has good psychometric properties. The model has not demonstrated any collinearity problems. The structural model relationships provided satisfactory results that are mostly in line with the theory and the exploratory qualitative phase. Specifically, 15 significant relationships were proved and 4 relationships were insignificant. The predictive accuracy of the model, R^2 value, provided satisfactory results. Given the complexity of the model, the explained variance for the endogenous constructs found sufficient and the model provided good explanatory and

predictive capacity for this research. Lastly, effect sizes and the predictive relevance of the constructs provided satisfactory results, which suggested the model's explanatory capacity is good. Figure 21 demonstrates the overview of the model with path estimates and R^2 values.

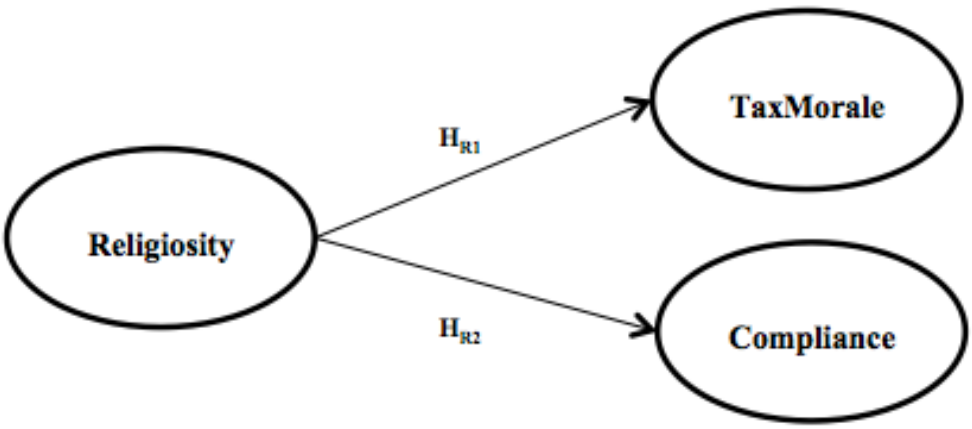
Figure 21:OMSCs' Tax Morale Model with path estimates and R^2 values



6.6 Testing the Hypotheses of RQ6

Thus far, in the confirmatory phase of the research, the structural model that answers the first five research questions (RQ1 to RQ5) were analysed. However, the research also includes the RQ6 (How effective is the religiosity of OMSCs on their tax morale?), which aims to uncover the nature of the direct relationship between the religiosity of the OMSCs and their tax morale and tax compliance. These relationships are not tested through the structural model. Specifically, the mentioned relationships are hypothesised as H_{R1} and H_{R2} [40]. Although the constructs (*Religiosity, TaxMorale and Compliance*) that are related to these hypotheses were presented in the structural model, the nature of the OMSC's tax morale model only explored the influence of the *Religiosity* through the *PersonalN*, that measures indirect effects. However, H_{R1} and H_{R2} hypotheses are interested in the nature of the direct relationship between *Religiosity* and *TaxMorale* and Religiosity and *Compliance*. Considering that a structural model can be defined as a set of hypotheses that explains how a group of latent constructs are related to each other (Kline, 2011). It was agreed to demonstrate these two hypotheses by constructing a small structural model, which would help to test these hypotheses. In order to demonstrate the structural models, path models were used. Path models are diagrams used to visually display the hypotheses and construct relationships, which are then examined with SEM (Hair et al., 2011, 2014). Hence, a path diagram that demonstrates RQ6 hypotheses was created. It was preferred to demonstrate the hypotheses in a single structural model to enable the comparison of the path coefficients that represent each hypothesis. Figure 22 exhibits the structural model of RQ6 hypotheses, named as the religiosity model in this research.

Figure 22: RQ6 Structural Model: Religiosity Model



[40] H_{R1}: Religiosity level of OMSC positively affects OMSC's tax morale., H_{R2}: Religiosity level of OMSC positively affects OMSC's tax compliance.

Similar to the OMSCs' Tax Morale model, the Religiosity model was tested using the same steps previously explained in this chapter. Therefore, theoretical considerations of the testing a structural model and the evaluation criteria of measurement and structural models are not repeated in this section.

Although the measurement models of the constructs were evaluated in the previous section, they were reassessed given that this model has a different structure therefore different convergent and discriminant validity figures were expected.

Three reflective measurement models with 12 items were evaluated by using the output of the PLS-SEM path model solution (700 iterated solution) that was provided by SmartPLS 3. Assessment results of the measurement models are exhibited in Table 31, 32 and 33 below.

Table 31: Evaluation Results of Measurement Models (Religiosity Model Constructs)

Constructs	Items	Internal Consistency Reliability		Convergent Validity		Discriminant Validity
		Cronbach's α	*CR*	*Outer Loadings*	*AVE*	
Compliance	Compliance1	0.862	0.907	0.718	0.709	Confirmed
	Compliance2			0.867		
	Compliance3			0.891		
	Compliance4			0.880		
Religiosity	Religiosity1	0.941	0.957	0.935	0.848	Confirmed
	Religiosity2			0.885		
	Religiosity3			0.921		
	Religiosity4			0.942		
TaxMorale	TaxMorale1	0.847	0.896	0.801	0.680	Confirmed
	TaxMorale2			0.813		
	TaxMorale3			0.855		
	TaxMorale4			0.829		

Table 32: Fornell-Larcker Criterion Results of the Reflective Constructs (Religiosity Model)

Constructs	Compliance	Religiosity	TaxMorale
Compliance	***0.842***		
Religiosity	0.249	***0.921***	
TaxMorale	0.575	0.253	***0.825***

Table 33: Cross Loadings of the Reflective Measurement Items (Religiosity Model)

Constructs/ Items	Compliance	Religiosity	TaxMorale
Compliance1	0.718	0.186	0.414
Compliance2	0.867	0.165	0.465
Compliance3	0.891	0.266	0.511
Compliance4	0.880	0.196	0.535
Religiosity1	0.267	0.935	0.257
Religiosity2	0.165	0.885	0.195
Religiosity3	0.241	0.921	0.230
Religiosity4	0.228	0.942	0.239
TaxMorale1	0.349	0.151	0.801
TaxMorale2	0.413	0.163	0.813
TaxMorale3	0.566	0.224	0.855
TaxMorale4	0.513	0.259	0.829

Results of the model's reflective measures demonstrated good statistical properties for internal consistency reliability, convergent validity and discriminant validly. Consequently, validity and reliability of the reflective measurement models were established for the Religiosity model measures.

Similar to the evaluation of the OMSCs' tax morale model, evaluation of the religiosity model was performed by following the heuristic criteria that is suggested by Hair et al. (2014). Hence, a five-step evaluation was applied to the model. The results of the religiosity model evaluation proved that the structural model has good psychometric properties. Hence, the model did not demonstrate any collinearity problems. Moreover, two structural model relationships provided significant path coefficients that support the hypotheses, all of which indicate that the findings are in line with the theory and the exploratory qualitative phase. Table 34 provides the details of the model relationships.

Table 34: Significance and Relevance of the Religiosity Model Relationships

Paths of the Structural Model		Path Coefficients	T Values	P Values	Significance Levels
Religiosity -> TaxMorale	H_{R1}	0.253	4.673	0.000	1%
Religiosity -> Compliance	H_{R2}	0.249	4.491	0.000	1%

Although the predictive and relative properties of the religiosity model is not the primary purpose of testing this model, the results of structural model evaluations are also

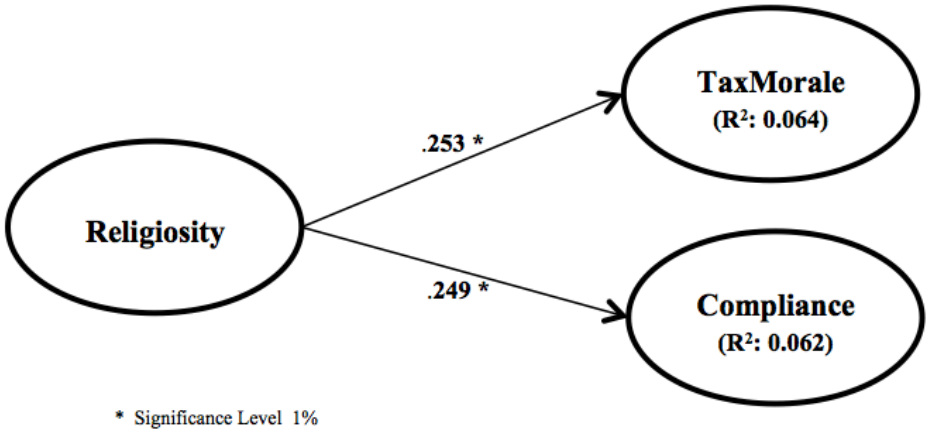
provided in Table 35 in order to be consistent with the suggested analysis pattern. The predictive accuracy of the model, R^2 value, provided acceptable results. Given the simplicity of the model and broad nature of the endogenous constructs, the explained variance for the endogenous constructs, *TaxMorale* and *Compliance*, were sufficient and the model provided acceptable explanatory and predictive capacity for this research. Lastly, effect sizes, f^2, were interpreted as small and the predictive relevance of the constructs: q^2 was not applicable in this model, as they required minimum of two exogenous constructs. Overall, the model's explanatory capacity was found acceptable.

Table 35: Quality Evaluation of the Religiosity Model

Endogenous Construct/ Criteria	TaxMorale	Compliance
TOL	1.000	1.000
VIF	1.000	1.000
R^2	0.064	0.062
R^2Adjusted	0.062	0.060
f^2	0.068	0.066
f^2 Evaluation	Small	Small
Q2	0.037	0.038
Q^2 Evaluation	Predictive relevance of the construct is established.	Predictive relevance of the construct is established.
q^2	n/a	n/a

For the convenience, the key findings have been illustrated in Figure 23, which demonstrates the overview of the model with path estimates and R^2 values.

Figure 23: Religiosity Model with path estimates and R^2 values



6.7 Evaluation of the Research Hypotheses

The aim of the confirmatory phase was to test research hypotheses that derived from the exploratory chapter which were formed into the structural model of OMSCs tax morale and Religiosity model. In other words, the structural model relationships represent hypotheses that are subject to testing trough the PLS-SEM analysis. Out of 21 hypotheses, 15 were confirmed while 5 were rejected. The list of hypotheses and their outcomes are provided in Table 36 below.

Table 36: Summary of Hypotheses and Decisions

	Hypotheses	Decision
H_{TC}	**Positive tax morale of OMSCs positively influences their tax compliance** *(TaxMorale -> Compliance)*	Confirmed*
H_{PN}	**Personal Norms of OMSC positively influences OMSC's level of Tax morale.** *(PersonalN -> TaxMorale)*	Confirmed*
H_{PN1}	Procedural fairness perception of OMSC positively affects OMSC's Personal Norms. *(ProcedJust -> PersonalN)*	Rejected
H_{PN2}	Distributive fairness perception of OMSC positively influences OMSC's Personal Norms. *(DistJust -> PersonalN)*	Confirmed***
H_{PN3}	The level of perceptive tax knowledge of OMSC positively affects OMSC's Personal Norms. *(TKnow -> PersonalN)*	Rejected
H_{PN4}	Perceptive tax complexity of OMSC negatively affects OMSC's Personal Norms. *(Complex -> PersonalN)*	Rejected
H_{PN5}	Positive government perception of OMSC positively affects OMSC's Personal Norms. *(GovPer -> PersonalN)*	Confirmed*
H_{PN6}	Religiosity level of OMSC is positively influenced by OMSC's Personal Norms. *(Religiosity -> PersonalN)*	Confirmed*
H_{PN7}	Patriotism level of OMSC positively influences OMSC's Personal Norms. *(Patriotism -> PersonalN)*	Rejected**
H_{PN8}	Religious evaluation of tax evasion of OMSC affects OMSC's Personal Norms. *(ReligEv-> PersonalN)*	Confirmed*
H_{CN}	**Corporate Norms of OMSC negatively influences OMSC's level of Tax morale.** *(CorporateN -> TaxMorale)*	Confirmed**
H_{CN1}	OMSC's perceptive level of company professionalism positively influences corporate norms of OMSC. *(Prof -> CorporateN)*	Rejected
H_{CN2}	Perceptive level of OMSC's compliance cost affects corporate norms of OMSC. *(CompCost -> CorporateN)*	Confirmed*
H_{CN3}	Tax Advisors affects corporate norms of OMSC. *(TaxAdv -> CorporateN)*	Confirmed**
H_{CN4}	Perception of other businesses' attitudes of OMSC affects corporate norm of OMSC. *(OtherBus -> CorporateN)*	Confirmed*
H_{PBCa}	**Perceived behavioural control of OMSC positively influences Tax Morale of OMSC.** *(PBC -> TaxMorale)*	Confirmed*
H_{PBCb}	**Perceived behavioural control of OMSC positively affects Tax compliance of OMSC.** *(PBC -> Compliance)*	Confirmed**
H_{PBC1}	Perceptive size of economic obligation of the company influences OMSC's perceived behavioural control. *(EObligation -> PBC)*	Confirmed**
H_{PBC2}	Risk aversion of OMSC negatively affects with perceived behavioural control of OMSC. *(RiskA -> PBC)*	Confirmed*

	Hypotheses	Decision
H_{R1}	**Religiosity level of OMSC positively affects OMSC's tax morale.** *(Religiosity model)*	Confirmed*
H_{R2}	**Religiosity level of OMSC positively affects OMSC's tax compliance.** *(Religiosity model)*	Confirmed*

Note: Significance level: * 1%, ** 5%, *** 10%

6.8 Summary of the Confirmatory Quantitative Phase Findings

In this chapter, a systematic approach to structural model analysis was followed. Methodological considerations regarding to the survey research were explained in detail. Further, the execution process of the pilot study and the construction of the questionnaire were discussed. Following that, the data sampling process and the PLS-SEM analysis procedure were explained in detail.

As a result of the confirmatory analysis, the developed, modified and hypothesised OMSCs' tax morale model was confirmed to a great extent. The model was found to be exploratory for the substantial variance of the model for tax compliance and tax morale.

The majority (15/19) of the model relationships were confirmed significant. Specifically, the core of the model that consists the relationship between *TaxMorale* and *Compliance* was proven valid. More importantly, the nest of the relationships that are structured with the inspiration of the TPB theory, which constitutes the backbone of the OMSCs' tax morale model, were confirmed theoretically and empirically sound. In other words, it is proven that the *TaxMorale* is significantly influential on *Compliance*. Moreover, *TaxMorale,* as a motivation, is substantially affected by the OMSCs' *PersonalN* while *CorporateN* of the OMSCs have an adverse affect on their *TaxMorale*. PBC relationships with the *TaxMorale* and *Compliance* were also proven significant while it has more influence on *TaxMorale* than *Compliance*. Amongst 19 model relationships, four (*Complex to PersonalN, TKnow to PersonalN, ProcedJust to PersonalN and Prof to CorporateN*) of them were found insignificant.

In the analysis of the sub-set constructs of *PersonalN,* some interesting results were found. *Religiosity* was found to be the most influential construct on the *PersonalN*. A new construct, *ReligEv*, was also provided a strong affect where *GovPer* and *DistJust* joined to the influential constructs. Surprisingly, *Patriot* provided an adverse impact on *PersonalN* that was not expected. This might be because of the controversial conceptualisation of the patriotism in the research's scope. Moreover, *ProcedJust, Complex and TKnow* demonstrated insignificant relationships with *PersonalN*. *Complex* and *TKnow* constructs did not present strong relationships in the exploratory phase of the research therefore insignificant

relationships between the constructs were presumed. However, *ProcedJust's* insignificant relationship with the *PersonalN* was not foreseeable. This might be the result of the lack of differential properties between the *DistJust* and *ProcedJust*. The reasons are discussed in the discussion chapter in detail.

The sub-set construct relationships of the *CoporateN* proved significant as predicted except for the *Prof* and *CorporateN* relationship. The most likely reason might be a non-linear relationship between the *Prof* and *CorporateN*. The most influential construct was the *CopmCosts* for the *CorporateN*. *OtherBus* also had a significant impact although its impact was smaller than *CompCosts*. Interestingly, *TaxAdv* proved to have a negative impact on the *CorporateN*.

Lastly, the sub-set construct relationships of the *PBC* were presented to have significant impact as expected theoretically. Interestingly, the impact of *RiskA* was proven grater than that of *EObligation*.

Overall, findings of the confirmatory phase provided rich and comparable results which were discussed thoroughly in the next chapter.

Chapter 7
Discussion of Findings, Limitations And Policy Implications

7.1 Introduction

This research was undertaken to understand the complex nature of the OMSCs' tax morale and tax compliance, in addition to the factors that influences them. In order to achieve this, the research aimed to provide an empirical study on the tax morale and tax compliance relationship at the OMSC level and explored the extent of influence of both OMSCs' Personal Norms and Corporate Norms on OMSCs' tax morale by conceptualising and refining a model that explores implications of OMSCs' tax morale on their compliance behaviour.

This final chapter presents a brief overview of the research by revisiting the research objectives. It converges the two empirical stages and discusses their findings in relation to extant tax literature. It also critically reviews the application of the model to develop recommendations for policy developers. In addition, it discusses the outcomes of the research and the contributions to knowledge. It concludes with limitations and policy implication recommendations.

7.2 Overview of the Research

The key objective of this study is to understand how OMSCs' tax compliance and tax morale are shaped through their social roles: as an individual and as a manager. In other words, this research aimed to illustrate the bigger picture of the 'key' of tax compliance: tax morale. For this purpose, the research searched for the influential factors on tax morale of OMSCs from the literature and followed the three-phase approach to develop and to test the OMSCs' tax morale model.

First, OMSCs' tax morale model was created with inspiration of the TPB (chapter 3). In this phase, the factors that are grouped under Personal Norms, Corporate Norms and PBC are identified from the literature and their influences on OMSCs' tax morale and tax compliance are discussed. For the Personal Norms, eight factors were identified from the literature namely: procedural justice, distributive justice, tax knowledge, tax complexity, government perception, political view, religiosity and patriotism. Following this, Corporate Norms were discussed and four influential factors were identified namely: professionalism, compliance costs, tax advisors' effect and company structure. Finally, the factors influencing PBC of OMSCs were found as size of economic obligation and risk aversion. The first phase of the PhD research was finalised by forming the model as presented in Figure 9.

The methodological decisions of the researcher were explained before the empirical phases of the research. Firstly, post-positivism was declared as the researcher's philosophical stance amongst other research paradigms. Secondly, a sequential exploratory mixed method was found the most appropriate methodology for this research with the use of exploratory qualitative and confirmatory quantitative phases. Chapter 4 explained the discussion of the methodological considerations although specific considerations of the utilised methods were provided in the empirical chapters prior to their findings.

The second phase is the qualitative exploratory phase of the research. The exploratory qualitative phase of the research aimed to advance the OMSCs' tax morale model. In this phase, the model's relevance to the research's context was confirmed and necessary modifications of the model were made based on the results of the thematic analysis of twenty face to face interviews with OMSCs. The modification of the model was achieved through two sets of alterations. Firstly, the overlapping constructs were identified to reach clearer construct domains. In this regard, political view and company structure were found to overlap with government perception and professionalism respectively. Secondly, emerging constructs were identified from the analysis of qualitative data. Other businesses' attitudes and religious evaluation of tax evasion were identified as new constructs and they were found influential on OMSCs' tax morale. The modifications of the model are illustrated in Figure 13 and the chapter 5 presented the rich and detailed findings of the exploratory phase of the research. Finally, the research hypotheses were formed for the confirmatory phase of the research.

The last phase was the confirmatory quantitative phase of the research in which an online survey was conducted and 447 responses were gathered. The model was tested by performing SEM-PLS with SmartPLS software package. As a result of the confirmatory analysis, the developed, modified and hypothesised OMSCs' Tax Morale model was confirmed to a great extent. The model explained the substantial amount of variance of tax compliance and tax morale constructs. The results of this study showed a strong positive relationship between tax morale and tax compliance of OMSCs. Interestingly, the most influential factor in predicting and explaining tax morale was found Personal Norms, which refers to OMSC's personal beliefs and values. The Personal Norms showed a strong positive impact on tax morale. In contrast, Corporate Norms, which refer to normative beliefs of an OMSC about his/her company, were found three times less influential than Personal Norms in explaining tax morale was and it showed a negative affect. Similarly, PBC also presented an impact that is three times less influential than Personal Norms in explaining tax morale. Moreover, unlike the effect of Corporate Norms, the influence of it on tax morale and tax compliance was positive. Overall, these findings may suggest that OMSCs' personal values

are the main determinant of their tax compliance behaviour rather than their corporate concerns.

This area of study was chosen to fill the research gap in the literature which falls short of explaining the intrinsic motivation of paying taxes: tax morale, and its context of being the 'black box' of tax compliance (Kirchler, 2007; Pope and McKerchar, 2011). Especially, tax compliance research that focuses on corporations or OMSCs is very limited (Alm and McClellan, 2012; Alm et al., 2014). Given that tax non-compliance is growing and important problem of tax policy, this research clearly serves for better understanding of the taxpayers' attitudes and sheds valuable light on the 'black box' of tax compliance.

Overall, this research is particularly important for providing a detailed picture of the factors that are key to successful tax compliance, which might help OMSCs and tax policy design to establish better tax compliance strategies. This is the first empirical study, to the researcher's knowledge, that differentiates between personal and company related motives of decision-makers in tax compliance research. The demonstrated differences provide valuable insights for tax policy development and tax incentive policies. Additionally, it is one of the first studies to understand OMSCs' tax morale, particularly the first one in the context of Turkey, which has a predominant Muslim population.

7.3 Summary of Findings

This section provides a summary of the findings of the research and discusses them with respect to the tax literature. For this purpose, the discussions of the findings are presented for each construct by following the three-phase approach of the research that was implemented sequentially. Firstly, a brief overview of the tax literature, which indicates the general position of the literature, is revisited for each construct included in the model. This is followed by presenting the findings of the exploratory phase and links it to the findings of the confirmatory phase. By doing that, findings of both empirical phases were jointly integrated in to the discussion of the findings.

7.3.1 Tax Morale

Although, there is confusion in the literature about addressing the motivation of tax compliance, this research attempted to unclutter it by discussing the terms of tax ethics and tax morale together and it tried to indicate limits of their domains (see 2.5 and 2.6. for discussion). Tax ethics is described as honestly paying the right amount of taxes (Crowe, 1944; McGee, 2006) and refers to the ethical stance of taxpayers. Tax morale, on the other hand, refers to intrinsic motivation to pay taxes (Frey, 1997; Alm and Torgler, 2006; Kirchler, 2007), which is closely related to the motivations of tax compliance behaviour. Therefore, tax morale can be assumed as the best answer that the literature provided thus far for the question

of why people pay taxes. Tax morale is found correlated with tax compliance in a wide range of studies (Strumpel, 1966; Vogel, 1974; Lewis, 1979; Frey, 1997; Torgler, 2002; Riahi-Belkaoui, 2004; Ahmed and Braithwaite, 2005; Kornhauser, 2006; Frey and Torgler, 2007; Torgler et al., 2008, 2009; Halla, 2010; Pope and McKerchar, 2011; Alm and McClellan, 2012; McKerchar et al., 2013; Babu and Chariye, 2015; Yew et al., 2015). Hence, the RQ1[41] was formed for investigating this relationship for the research and it represented the core relationship of the OMSCs' tax morale model.

In the empirical phases of the research, it was confirmed that tax morale is one of the core determinants of tax compliance for OMSCs. The exploratory qualitative phase did not target to explore the relationship between tax morale and tax compliance but it aimed establishing the relevance of the factors that influence tax morale. Nevertheless, the strong relationship was evident between the constructs even when analysing the different construct domains. However, the confirmatory quantitative phase presented a path coefficient of 0.561 (R^2: 0.336) between the constructs that showed a strong relationship. Therefore, H_{TC}[42] that stems from RQ1 was confirmed. Interestingly, the relationship between tax morale and tax compliance is the strongest one in the OMSCs' tax morale model, indicating that tax morale explains more variation in tax compliance than any other factor. Moreover, in the literature, although a number of researches provided evidence for this relationship, proving the high magnitude fro the strength of the relationship is not common. In addition, considering that the OMSCs also associate with the corporate behaviour of small companies, this finding represents one of the few evidences for a positive corporate tax morale and tax compliance relationship in the literature. The finding also supports the shift of the tax compliance literature from economic deterrence models to fiscal psychology models.

7.3.2 Personal Norms

The Personal Norms is assigned as a higher order construct in the OMSCs' tax morale model that emerges from the TPB model's construct of attitude towards behaviour. Similar to the TPB formulation, Personal Norms is affected by the personal beliefs and values of OMSCs. Hence, it is defined as OMSCs' personal view on tax morale and tax compliance. Despite the fact that the construct represents the valuable proportion of the OMSCs' tax morale model, it is one of the unique constructs of this research, as a similar concept has not been found in extant literature, particularly for OMSCs. Therefore, the literature's perspective for this construct is not clear. Nevertheless, tax research that used TPB found a positive

[41] RQ1: What is the influence of OMSCs' tax morale on their tax compliance?

[42] H_{TC}: Positive tax morale of OMSCs positively influences their tax compliance.

relationship between the attitude towards behaviour and the intention (Trivedi et al., 2004; Bobek and Hatfield, 2003; Langham et al., 2012). However, one can assume that an OMSC, who is responsible for the wellbeing and successes of a company, might act according to assumptions of the economic deterrence theories and he/she might seek utility maximisation for his/her firm. Consequently, he/she can solely think of the profit of the firm even when tax non-compliance is a possibility. In other words, their role as an owner-manager might be dominant to their other social roles or goals as an individual (please see section 3.2 for the extensive discussion).

In the empirical phases of the research, it was confirmed that Personal Norms is one of the core determinants of tax morale for OMSCs. The exploratory qualitative phase presented the relevance of the factors that influence Personal Norms. In the confirmatory quantitative phase, the path coefficient (0.300) between Personal Norms and tax morale showed a strong positive relationship. Therefore, H_{PN}[43] that stems from RQ3[44] was confirmed. Interestingly, the relationship between Personal Norms and tax morale is the strongest one when compared to the relationships of Corporate Norms and PBC with tax morale. This also indicates that the exploratory capacity of Personal Norms on tax morale is nearly three times higher than the other two constructs. Plainly put, the research found evidence that the OMSCs' personal beliefs and values are the main determinants of their tax morale, therefore their tax compliance, rather than their corporate concerns. Moreover, the path coefficient's positive sign indicate that the relationship between tax morale and Personal Norms is strong positive one. This finding also addresses that tax literature and policy makers should focus on the factors that influence individuals even when they want to increase the corporate tax compliance, which is a new direction for tax research.

The model includes eight of the lower order constructs under the Personal Norms. The findings of them are discussed in the following sub-sections.

Procedural Justice

Procedural justice, which is defined as the perceived fairness of taxpayers of tax legislation and procedures of the tax authority, is suggested as an influential construct on OMSCs' tax morale. In the literature, Kirchler et al. (2006) found evidence that procedural justice correlates with personal willingness to comply. Similarly, taxpayers' perception of procedural justice is found to be effective on their tax morale and tax compliance by a number

[43] H_{PN}: Personal Norms of OMSC positively influences OMSC's level of tax morale

[44] RQ3*:* What is the influence of OMSCs' personal norms on their tax morale?

of other studies (Blodgett et al., 1997; Murphy, 2003; Kirchler et al., 2006; Hartner et al., 2010; van Dijke and Verboon, 2010; Farrar et al., 2013).

The exploratory qualitative phase of the research presented a strong relevance of the construct to the Personal Norms and the procedural justice was found influential on the majority of the participants' tax morale. Moreover, four participants addressed the lack of procedural justice as a problem that enables justification for tax evasion and tax avoidance. Therefore, it was decided in the qualitative phase that procedural justice presented strong grounds for the participants when assessing their tax compliance and tax morale. However, in the quantitative analysis, the construct did not present a significant path coefficient (-0.24) and therefore did not show a meaningful effect on the Personal Norms.

The insignificant effect of procedural justice is an interesting finding that might need further investigation in future studies. Procedural fairness was one of the longest nodes in the interview analysis that manifested the importance of the construct specifically when the absence of procedural justice was a dominant perception of the participants. Nevertheless, despite using the pre-established measure of Hartner et al. (2011) and gaining satisfactory construct validity and reliability scores in the quantitative analysis, it did not show a significant effect on the Personal Norms. Consequently, the researcher revisited the qualitative data to investigate possible reasons. Two possible reasons were suggested. Firstly, considering that the OMSCs are obligated to work with a tax advisor (CPA) who deals with procedures of tax authority and requirements of tax legislation on behalf of the OMSCs, the procedural fairness might not be a real concern for them as they have an intermediary when dealing with legislative procedures. Secondly, despite high number of complaints about the procedural justice, the recent developments of the procedures of TRAD, online services of the tax offices and improvements on the tax legislation might have eased the real problem that stems from the procedures despite the negative perception of it which was expressed by participants in the interview analysis. Nonetheless, the construct is in need of further research for OMSCs.

Distributive Justice

Distributive justice is defined as taxpayers' views of the fairness about resource allocation and income contribution (Braithwaite, 2003; Lerner, 1987). Distributive justice was found influential on tax compliance in a wide range of studies in the literature (Andreoni et al., 1998; Fehr and Schmidt, 1999; Bobek and Hatfield, 2001; Gilligan and Richardson, 2005; Torgler, 2007; Ahmed and Braithwaite, 2005; Brainyyah and Rusydi, 2013). In this research, distributive justice refers to OMSCs' perceived fairness of how the tax burden is distributed amongst other taxpayers.

In the exploratory qualitative phase of the research, the construct was found relevant to the Personal Norms. The distributive justice was also found influential on the majority of the participants' tax morale. Although there was a common negative perception of the participants about the distribution of tax burden, surprisingly the majority accepted that their tax burden in the previous year was fair. In the confirmatory quantitative phase, the path coefficient (0.73) between distributive justice and Personal Norms showed a positive relationship. Similar to the suggestions of the literature, the construct was proven effective on Personal Norms of OMSCs and influential on their tax morale. However, the construct's effect was the weakest and the effect's significance level was the lowest amongst the other influential lower order constructs on the Personal Norms. Although the cumulative length of both of the justice constructs were the longest node in the interview analysis, they might not have been as determinative as the literature and qualitative analysis suggest when OMSCs' taxpaying motivation is concerned. This result might also be a symptom of tax avoidance or tax evasion involvement amongst OMSCs. Because, during the interviews, few OMSCs rationalised their involvement in such behaviour by using the unfair tax burden they faced as an excuse. Therefore, it might be speculated that the low effect size of distributive justice can be the result of some OMSCs' attempts to take unjust tax burden into their 'own hands'.

Tax Knowledge

The literature agrees that the level of tax knowledge is effective on taxpaying behaviour and better knowledge of taxes promotes a positive attitude towards tax compliance and tax morale (Eriksen and Fallan, 1996; McKerchar, 1995; Fallan, 1999; Hofmann et al., 2008; Brainyyah and Rusydi, 2013; Saad, 2014). The definition of Tax knowledge is adopted from Andreoni et al. (1998) and it refers to the perceived level of OMSCs' knowledge of tax legislation and tax procedures that the company is obligated to comply with.

In the exploratory qualitative phase of the research, the construct was found relevant to Personal Norms and the tax knowledge was found influential on the participants' tax morale. Similarly to the literature, the analysis highlighted that the participants whose perceived tax knowledge is high, presented positive attitudes towards tax compliance. Nevertheless, in the model, the construct did not present a significant path coefficient (-0.20) and therefore did not show a meaningful effect on the Personal Norms.

The insignificant relationship of tax knowledge was an unexpected finding that requires further attention. The qualitative data and the application of the survey were revisited to address possible reasons for this outcome. Two reasons were determined which could be attributed to the insignificant relationship. Firstly, as it was highlighted in the discussion of the distributive justice, OMSCs use tax advisors as an intermediary for their tax affairs, which

require expertise and extensive tax knowledge to handle procedures of tax authority and it is a requirement of tax legislation. In other words, regardless of their tax knowledge, OMSCs are provided with necessary tax knowledge for any of their particular tax affairs. Therefore, tax knowledge might not be influential on their tax morale, because they receive immediate tax advices. Secondly, the literature did not differentiate between actual tax knowledge, which can only be assessed by an expert evaluation or a test, and perceptive tax knowledge. Although the literature found evidence between tax knowledge and tax compliance behaviour, the studies commonly measure the level of actual tax knowledge through tests and use an acquired score as an indicator of tax knowledge (see Eriksen and Fallan, 1996 for an example). Considering this study focused on the perception of tax knowledge, the insignificant influence of the construct could be the result of over confidence of the OMSCs' knowledge about specific parts of the tax system that they face in their daily managerial routines such as with Corporation Tax and VAT. Therefore, their perception on their level of tax knowledge might have been misjudged.

Tax Complexity

The literature agrees that tax complexity influences tax compliance and tax morale of taxpayers. Specifically, evidence found that small businesses' positive attitudes towards tax are influenced by tax complexity (Ingraham et al., 2005; Tran-Nam and Karlinsky, 2008; Rametse and Yong, 2009; Freudenberg et al., 2012). In this research's context, the construct is defined as the perception of legislative complexity in both tax law and tax procedures that affects OMSCs.

In the exploratory qualitative phase of the research, the construct was found relevant to the Personal Norms. Interview analysis found that tax complexity negatively influences the OMSCs' tax compliance intentions, which was in line with the dominant view of the literature. Controversially, in the quantitative analysis the construct did not present a significant path coefficient (0.004) and therefore did not show a meaningful effect on the Personal Norms. The reason for the insignificant relationship was investigated by visiting the qualitative data. Two reasons were suggested, which addressed possible causes of the outcome. Firstly, similarly to the procedural justice and the tax knowledge constructs, using a tax advisor as an intermediary might help prevent the perception of tax complexity to be influential on OMSCs' tax morale and tax compliance. Although the literature claims are different concerning the complexity influence, this finding might be unique for this research's scope where there is an obligation to work with a CPA for companies. As some interviewees suggested in the exploratory phase, OMSCs did not find tax legislation complex because they never encountered it as a problem. They preferred to seek advice from their tax advisors to

avoid the complexity of tax legislation. Additionally, there are no studies available in the literature, to the researcher's knowledge, that differentiates the influence of the tax complexity between the taxpayers who worked with tax advisors and others. Therefore, this might indicate a gap for tax complexity studies that needs investigation in the future. The second reason for the insignificant relationship is suggested to be the possibility that tax complexity's moderation effect is higher than that of the actual effect on the construct. In the literature, some studies argued that the tax complexity created an effect through other factors such as economic burden (Laffer et al., 2011), compliance costs (Dynarski and Scott-Clayton, 2006) and tax knowledge (Brainyyah and Rusydi, 2013). Therefore, a closer investigation might suggest that the moderation effect of tax complexity can illustrate a meaningful effect on the factors such as compliance costs or tax knowledge for the OMSCs.

Government Perception

The tax literature examined the effect of trust in government (Feld and Frey, 2002; Muehlbacher and Kirchler, 2010; Hug and Spörri, 2011) and satisfaction with the government (Torgler, 2003b, 2007; Mulenga, 2004) on tax compliance intentions of the taxpayers. Additionally, the literature found evidence that a taxpayers' positive perception of the government positively influences their tax morale (Mason and Calvin, 1984; Alm et al., 1999; Scholz and Lubell, 1998; Torgler, 2005a). The construct of government perception is defined as the way in which the OMSCs see and understand the current government's performance in this research.

In the exploratory qualitative phase of the research, the construct was found strongly relevant to the Personal Norms and the government perception was found influential on the majority of the participants' tax morale and tax compliance. In particular, findings presented three components of the construct namely: trust, support and satisfaction with the government are influential on participants' tax morale. Consequently, conceptualisation of the construct with three sub-dimensions was kept in the model for the confirmatory phase. The construct was measured with a formative measurement model that covers all sub-dimensions to capture the construct domain. In the confirmatory quantitative phase of the study, the positive link between government perception and Personal Norms was confirmed. Similarly to the suggestions of the literature, the construct effective on Personal Norms of OMSCs and influential on their tax morale. Interestingly, government perception was the third strongest predictor of the OMSCs' Personal Norms in the model, which indicates that the relationship between the government and taxpayer is crucial for achieving tax compliance. Especially when it is compared to other factors such as distributive justice and patriotism, which are

commonly associated with tax morale, it is interesting to see that government perception is more influential on tax morale of OMSCs.

Religiosity

In this research's concept, religiosity is analysed differently than any other constructs because it was the sole focus of the RQ6[45]. Therefore, an additional model was created, the religiosity model (see section 6.6), to test the hypotheses related to the religiosity construct.

The literature commonly agrees that the taxpayers' level of religiosity is positively correlated with their level of tax morale and tax compliance (Torgler, 2006; McGee, 2006; Feld and Torgler, 2007; Kirchler, 2007; Richardson, 2008). In this research, the researcher adopted the religiosity definition of Johnson et al. (2001) and defined it as the extent to which an OMSC is committed to a religion and its teachings.

In the exploratory qualitative phase of the research, the construct was found relevant to the Personal Norms construct and the religiosity was found influential on the majority of the participants' tax morale. Nevertheless, the analysis also revealed highly controversial views of the sample about the effect of religiosity on OMSCs' tax compliance intentions. Despite the common agreement in the literature that religiosity is positively correlated with tax compliance, the qualitative findings demonstrated that if the conflict occurs between tax legislation and Islamic beliefs, religiosity might prevent taxpayers from complying. Surprisingly, religious participants had justified non-compliance with religious arguments. Despite the controversial views, the confirmatory quantitative phase of the study presented a strong positive relationship between religiosity and Personal Norms with a path coefficient of 0.235 between the constructs. Remarkably, the construct demonstrated the strongest effect on Personal Norms amongst the other influential factors of Personal Norms.

The religiosity effect was additionally tested with the religiosity model to examine the construct's influence comparatively on both tax compliance and tax morale and to provide satisfactory answers for RQ6. In other words, the direct effect of religiosity on tax morale (H_{R1})[46] and tax compliance (H_{R2})[47] were tested in a separate model. The results of the religiosity model were consistent with the findings of OMSCs' tax morale model and proved a strong positive relationship between religiosity and tax morale with a path coefficient of 0.253 (R^2:0.064). A similar effect was also found between religiosity and tax compliance with a path coefficient of 0.249 (R^2:0.062). Therefore, H_{R1} and H_{R2} , which stem from RQ6, were

[45] RQ6: What is the influence of the religiosity of OMSCs on their tax morale?
[46] H_{R1}: Religiosity level of OMSC positively affects OMSC's tax morale.
[47] H_{R2}: Religiosity level of OMSC positively affects OMSC's tax compliance.

confirmed. In addition, a small difference between the religiosity effects on tax morale and tax compliance was also noticed in the model, where religiosity is more influential on tax morale of OMSCs.

Findings from the religiosity influence proved that the religiosity of OMSCs is a very important component of their tax compliance function. Although there are few studies that found no relevance between religiosity and tax morale in the literature (Welch et al., 2005), it is interesting to see that religiosity represents one of the strongest drivers of OMSCs' tax compliance. However, this finding might be associated with the nature of the particular religion in this study. Considering that Islam commands its followers to obey their rulers, paying taxes is therefore encouraged. In this case, one can argue that tax morale and tax compliance of Muslim taxpayers are heavily affected by their religion. Nevertheless, the nature of the relationship might not be linear between religiosity and tax morale or tax compliance. Controversial views of interviewees in the qualitative analysis provided an important ground for the positive quadratic relationship as the religious participants had justified non-compliance with religious arguments. In other words, the function of the relationship might become negative when the religiosity increases after a certain point. Therefore, highly religious taxpayers might be more critical towards acts of the states that come into collision with the religions' commands and therefore may encourage them not to comply. However, this is still an area that needs attention in further research.

Religious Evaluation of Tax Evasion

Religious evaluation of tax evasion is a very interesting construct, which has not been previously explored in the tax literature. Although the construct shares close conceptual domains with construct of religiosity, it particularly focuses on the moral cost of tax evasion, regardless of the religiosity level of OMSCs. Two concepts 'sin' and 'seizing someone's rightful due', which are signs of immorality in Turkish culture, jointly reflected the constructs' domain. The construct is defined in this study as the OMSC's assessment of tax evasion and evaders from their religious and cultural point of view. Please consult section 5.4.2.1 for an extended discussion about this construct.

In the exploratory qualitative phase of the research, the construct was found strongly relevant to the Personal Norms and it was found to be influential on the majority of the participants' tax morale. The confirmatory quantitative phase of the study presented a path coefficient of 0.214 between the construct and Personal Norms that showed a strong positive relationship. Surprisingly, this new construct was proven the second most effective factor on Personal Norms of OMSCs. This finding is particularly important because it shows the

significant influence of moral cost on the non-compliance of taxpayers. In light of this, one can claim that policies which underline the association of tax evasion with the concepts of sin and seizing someone's rightful due might encourage taxpayers to comply with the tax system and it might induce them more rigidly to avoid tax evasion. Nevertheless, this construct requires additional exploratory research to assess whether it has a meaningful effect on tax morale in different cultural and religious environments.

Patriotism

The literature presented evidence that patriotic feelings and tax compliance are correlated (Hill, 1894; Roth et al., 1989; Andreoni et al., 1998; Lavoie, 2011; Konrad and Qari, 2012). Andreoni et al. (1998) explain the influence of patriotism on taxpayers with the phrase 'warm glow of giving'. If taxpayers get a 'warm glow of giving' when making their tax payments, they will therefore be more likely to comply. In this study, patriotism is defined as OMSCs' love of their country and willingness to make sacrifices for its good.

Despite the literature, the exploratory qualitative phase found patriotism not relevant to the Personal Norms of the majority of the participants. In the quantitative analysis, the construct presented a significant path coefficient (-0.112) and showed a meaningful effect on the Personal Norms. However, patriotism controversially presented a negative effect on Personal Norms, which was not expected. The reason for the negative effect of patriotism on Personal Norms is investigated by revisiting the qualitative data and the application of the quantitative phase. The researcher detected a possible explanation for this outcome whilst examining the exploratory phase of the study. During the qualitative data collection period, questions that aimed to explore the influence of patriotism (please see questions 23 and 24 in the interview guide in Appendix 1) were misunderstood by some participants and therefore a prejudice against the construct was detected: this was as a result of constructs' nationalistic connotations, which are frequently used by the Nationalist Movement Party in Turkey. Although in this study, the construct patriotism was measured with the pre-established measure of Kosterman and Feshbach (1989), prejudice against the term patriotism might have been unique to the Turkish context. The Nationalist Movement Party is a conservative right wing party, which had the support of 13% of the nation during in the 2015 elections in Turkey. The traditional political discourse of the party is a controversial one (Bora, 2003) and it might have been found disturbing (racist in extreme cases) in some circles of society which have different ethnic backgrounds such as Kurds, Arabs, and even some Turks (Canefe and Bora, 2003; Saracoglu, 2009). Hence, the bias of patriotism might be the reason for the negative perception of this political discourse among OMSCs and consequently the negative effect on Personal Norms occurred.

Overall, the Personal Norms and its lower order constructs presented important and interesting findings that might provide valuable insights for future research. It was proofed that the constructs, which are associated with tax legislation and tax office procedures (procedural justice, tax knowledge and tax complexity) were not influential on Personal Norms of the OMSCs. The researcher argued the reason for these constructs not being influential. It was suggested that the tax advice, which OMSCs receive, might eliminate the impact of these constructs because OMSCs have an option to avoid involving the problems related to tax legislation and tax office procedures when they hired a tax advisor. The remaining constructs showed an impact on Personal Norms whereas patriotism presenting a negative influence.

7.3.3 Corporate Norms

Corporate Norms was assigned as a higher order construct in the OMSCs' tax morale model that emerges from the TPB models' social norms. Similar to the TPB formulation, corporate norms are affected by OMSCs' normative beliefs about their company. Hence, it was defined as OMSCs' normative beliefs about their company and its wellbeing. Therefore, normative belief (perceived pressure of being a company manager) factors that are identified as influential on OMSCs' overall personal evaluation of tax morale and tax compliance were analysed related to this construct. Despite the importance of the construct, the analysis of it is unique for this research because a similar construct has not been identified in the literature, particularly for OMSCs. Therefore, it can be claimed that the disposition of the literature for the construct is not clear. Moreover, the limited number of tax studies that used TPB found social norms are influential on taxpayers' intention to comply (Bobek and Hatfield, 2003; Trivedi et al., 2004; Traxler, 2010; Langham et al., 2012; Smart, 2012). Considering that Corporate Norms is a new construct for the literature to researcher's knowledge, a possible effect of it on the tax morale of OMSCs was discussed during the model development section (please see 3.2 and 3.4.2 for relevant sections). According to the discussion, one can assume that an OMSC's role as a chief manager of a company might dictate prioritising profit maximisation and he/she can think tax non-compliance as an opportunity to achieve it. Hence, OMSCs' role as an owner-manager might be dominant to their personal beliefs and values when deciding about the company's tax compliance.

In the empirical phases of the research, Corporate Norms represented one of the core determinants of tax morale for OMSCs. The exploratory qualitative phase found the factors that influence the Corporate Norms is relevant to tax morale. The influence of Corporate Norms on tax morale was evident when analysing the lower order construct domains, which were assigned to Corporate Norms. In the confirmatory quantitative phase, the path coefficient (-0.108) between the construct and tax morale showed a strong negative

relationship. Therefore, H_{CN} [48] that stemmed from RQ4 [49] was confirmed. Proving the influence of Corporate Norms on OMSCs' tax morale was important because of two reasons for this research. Firstly, the negative influence of the construct provided robust evidence that the OMSCs' normative beliefs about their company's wellbeing are an obstacle for their tax morale and tax compliance. Secondly, and more interestingly, the magnitude of the influence is nearly three times lower than the effect of Personal Norms, which indicates that Corporate Norms are not the dominant/stronger predictor of OMSCs' tax morale compared to their Personal Norms. In other words, the research found evidence that although corporate concerns of the OMSCs' created an obstacle for the tax morale and tax compliance intentions, personal beliefs and values are the main determinants of their tax morale. This finding also addresses the fact that tax policy makers should focus on the factors that influence individuals and their tax morale even when they want to increase the corporate tax compliance, which is a new direction for tax research.

The model includes four lower order constructs under Corporate Norms. The findings of them are discussed in the following sub-sections.

Professionalism

The professionalism construct, although it was not discussed widely in the tax literature, was found influential on tax compliance intentions (Marrelli and Martina, 1988; McLisky, 2011; Alm and McClellan, 2012). The literature suggests that lack of professional staff and resources negatively affect tax compliance (Torgler, 2007; Alm and McClellan, 2012). Additionally, McLisky (2011) found evidence that taxpayers who suffer from a shortage of available resources are more likely to face tax penalties. Consequently, professionalism, which is defined as the perceived ability/competence of an OMSC to have capable staff and resources to comply with the tax system, is considered as an influential construct on Corporate Norms in the OMSCs' tax morale model.

The exploratory qualitative phase of the research found the construct relevant to the Corporate Norms of OMSCs. Interview analysis presented that participants see professionalism as a way of improving their tax compliance and they relate to it with their tax morale. Although the influence of professionalism on Corporate Norms was found, the analysis also revealed the wide domain of the construct that could be problematic when conceptualising the construct for the quantitative phase. In particular, interviewees highlighted different dimensions of the professionalism such as traceability, managerial

[48] H_{CN}: Corporate Norms of OMSC negatively influences OMSC's level of tax morale
[49] RQ4*:* What is the influence of OMSCs' Corporate Norms on their tax morale?

capacity, capability of staff, organised company structure and using appropriate accounting software, which referred to different aspects of the construct domain. Therefore, the construct was assessed with a formative measure that comprises of the three most commonly mentioned aspects of the construct namely, traceability, capability of staff and utilising appropriate accounting software.

In the quantitative analysis, the construct did not present a significant path coefficient (-0.045) and therefore did not show a meaningful effect on the Corporate Norms. The reason for the insignificant relation of professionalism was investigated by visiting the qualitative data and the application of the survey to address possible reasons for the outcome. The insignificant relationship was explained by the possible measurement problem of the construct in the quantitative phase. The construct was measured with the modified formative measure that consisted of three aspects of the construct (see table 10). However, the extensive range of the construct dimensions might cause a failure of the measurement model on capturing the full domain of the construct. The literature discussed these type of measurement errors for the formative measurement models as disturbance representing the non-modelled dimensions and suggested creating a higher order construct that might capture the domain to a greater extend (MacKenzie et al., 2005; Diamantopoulos, 2006; Howell et al., 2007). In short, it was speculated that the result was due to the wide domain of the construct, which could not be captured with a single formative measurement model that covers all three dimensions. Enhancing the dimensions was not preferred during the design (selection and modification) of the measurement model because of the limitations of the survey, which was already considered lengthy. Hence, the number of items in the construct measurement model had to be limited, which might explain the insignificant relationship that was found in this study. Nevertheless, the construct promises an important ground for tax research and investigation of the construct that includes all of its dimensions is a direction for future research.

Compliance Costs

Tax compliance costs have been analysed as a factor that increases the tax burden of taxpayers (Alm, 1988; Hasseldine, 2001; Evans, 2003; Lignier and Evans, 2012). Coleman and Evans (2003) suggest that a heavy burden of compliance costs affects the tax compliance and tax morale of small businesses negatively. In this study, the construct is defined as OMSC's perceived level of cost that his or her company has to bear in order to meet the regulations of the tax law.

The exploratory qualitative phase of the research found the construct relevant to the Corporate Norms. The participants stressed different effects of the construct on their tax morale and tax compliance intentions. For instance, unlike the findings of the literature, the

qualitative analysis suggested that the financial expenses linked to compliance costs such as the cost of bookkeeping were ignored and even found beneficial for the company because the participants did not perceive the cost as an increase of OMSCs' compliance burdens. However, the analysis also showed the concerns of participants about compliance costs and their influence on participants' tax morale.

The confirmatory quantitative phase of the study presented a path coefficient of 0.162 between the construct and Corporate Norms that showed a strong positive relationship. Surprisingly, the construct was proven the most effective factor on Corporate Norms of OMSCs and proved one of the strongest obstacles for the OMSCs tax morale. This finding is particularly important because it was in line with the suggestions of the literature even though the qualitative findings advocated otherwise. In other words, this research proved that the compliance costs are influential on tax morale and tax compliance of OMSCs despite their low awareness of the compliance costs. In this sense, the highest influence of the construct on Corporate Norms is understandable because small companies are faced with a multitude of costs including: tax advisor fees, the cost of financing VAT between their invoice and maturity dates, unforeseen compliance costs, and cost of invested time for their tax affairs; all of which increases their compliance burden. Nevertheless, a lack of awareness of the compliance costs amongst OMSCs blocks conceptualisation of the construct as an effective factor although in reality it increases the tax burden and therefore bares impact on their Corporate Norms. Overall, the research provided a valuable insight by proving the influence of compliance costs on OMSCs' tax morale for the first time in the Turkish context.

Tax Advisors' Effect

Effect of the tax advisors on tax compliance decisions is widely discussed in the literature (Jackson and Milliron, 1986; Klepper et al., 1991; Spilker et al., 1999; Richardson and Sawyer, 2001; Tan et al., 2014). The tax literature suggests that tax advisors can act as advocates for their clients as well as an intermediary with the government (Tomasic and Pentony, 1991; Tan et al., 2014). Moreover, as a result of the complexity of tax legislation, tax advisors might become an enforcer or exploiter of the tax law (Klepper and Nagin, 1989; Klepper et al., 1991). In light of the literature, the tax advisors' effect was included in the model and the construct is defined as the tax advisors' impact on OMSC's tax compliance decisions.

The exploratory qualitative phase of the research found the tax advisors' effect strongly relevant to the Corporate Norms and the participants stressed the impact of different aspects of the construct, such as trust and capability of their CPA, while they explained their tax morale and tax compliance intentions. In addition to the detailed insight of the tax advisor

and OMSC relationship, the findings also showed evidence for tax advisors' significant influence on OMSCs' tax morale and compliance in the quantitative analysis.

In the confirmatory quantitative phase of the study, the path coefficient (-0.155) proved a negative relationship between the construct and Corporate Norms. The construct has the second strongest influence on Corporate Norms of OMSCs. Considering Corporate Norms presented a negative effect on tax morale, this finding suggests that tax advisors positively influence tax morale and tax compliance intentions of OMSCs in Turkey. In addition, the influence suggests that tax advisors act as an enforcer of the tax law instead of as an exploiter as Klepper et al., (1991) suggests. The finding is particularly important for highlighting the critical role of tax advisors because it shows that they have a significant impact on encouraging OMSCs to comply with the tax system. Therefore, one can assume that the majority of tax advisors are not providing aggressive tax advice, which might lead their clients to avoidance or evasion, in Turkey. Consequently, tax advisors' intermediary role presents an important opportunity for policy makers to improve tax compliance by working with the tax advisors in the application of the tax law and tax policies.

Other Businesses' Attitudes

Other businesses' attitudes is a new construct for tax literature, which emerged from the exploratory phase of the research. Although similar constructs that share close conceptual domains with other businesses' attitudes namely: peer influence (Jackson and Milliron, 2002; Wenzel, 2004; Ashby and Webley, 2008; Morse et al., 2008) and norms of occupational groups (Ashby and Webley, 2008; Ashby et al., 2009; Onu and Oats, 2015), were discussed in the literature, the emerged theme from the analysis differentiates itself from these concepts. Unlike mentioned conceptualisations, the construct refers to the perceived pressure from their competitors as well as other small businesses outside their sector, but operating in the same city or neighbourhood, serviced by the same tax office. It is defined as influence of other companies' strategies or behaviours on OMCS's tax compliance decisions. Please consult section 5.4.2.2 for an extended discussion about the construct.

In the exploratory qualitative phase of the research, the construct presented found relevant to the Corporate Norms and it was found to be influential on the majority of the participants' tax morale. However, interviewees highlighted that the influence of other businesses' attitudes on their Corporate Norms varied. Some of them were concerned that a common tax avoidance culture causes a disadvantage for their company if they fully comply with the tax system. Others mentioned that they were encouraged to comply by modelling successful companies' strategies in their sector. Nevertheless, the participants were concerned

about causing damage to their company's competitiveness when they were compliant with the tax system, whereas other businesses took advantage of tax avoidance or tax evasion.

In the confirmatory quantitative phase of the study, the path coefficient (0.079) between the construct and Corporate Norms showed a positive relationship. The new construct was proven effective on the Corporate Norms of OMSCs. Other businesses' attitudes were shown to play a discouraging role for OMSCs' tax morale. This finding is particularly important because proofed that when OMSCs believe other businesses were involved in tax avoidance or tax evasion, their fear of being in a disadvantageous position against other businesses decreased their motivation to comply with the tax system. The finding of the research also provides a unique contribution to the tax literature to the researcher's best knowledge.

7.3.4 Perceived Behavioural Control

PBC was assigned as a higher order construct that emerges from the TPB in the OMSCs' tax morale model. Similarly to the TPB formulation, PBC is affected by control belief factors, which refers to the power of both situational and internal factors to inhibit or facilitate the performing of the behaviour. Hence, PBC refers to the extent to which an individual feels able to perform behaviour (Ajzen, 2005, 2011). The tax literature that used the TPB found different results in respect to the relationships between PBC and intention and PBC and behaviour. For instance, Trivedi et al. (2004) did not find a significant effect of PBC on tax compliance while Bobek and Hatfield, (2003) and Smart (2012) proved a significant influence of the construct on both intention and tax compliance.

In the empirical phases of the research, the PBC showed an effect on both tax morale and tax compliance of OMSCs. In other words, control beliefs, which are situational and internal factors to inhibit or facilitate the performing of the behaviour, were influential on both OMSCs' tax morale and tax compliance.

The exploratory qualitative phase found PBC relevant to the tax morale and tax compliance in the OMSCs' tax morale model. The impact of PBC measures was evidently observed when analysing the lower order construct domains that were assigned to PBC. In the confirmatory quantitative phase, PBC presented significant impacts on both tax morale and tax compliance. Specifically, the relationship between PBC and tax morale showed a strong positive relationship with a path coefficient of 0.132. On the other hand, the relationship

between PBC and tax compliance was also found significant with a path coefficient of 0.087. Therefore, H_{PBCa}[50] and H_{PBCb}[51] that stem from RQ5[52] were confirmed.

The effect of PBC on OMSCs' tax morale provided evidence that suggests positive influences of perception of the control belief factors on OMSCs' tax morale. Nevertheless, this impact was not as strong as the influence of their Personal Norms on explaining OMSCs' tax morale. Interestingly, it was shown that the magnitude of the positive influence of the PBC is greater than Corporate Norms' negative impact on tax morale. PBC, alongside with tax morale, are the two specific constructs that have a direct effect on tax compliance. The effect of PBC on OMSCs' tax compliance proved to be positive, which indicates that high perception of control beliefs encourages OMSCs to comply. Nevertheless, PBC's influence on tax compliance was limited, nearly six times lower, when compared to tax morale. Additionally, the magnitude of PBC's effect on tax compliance was lower than its effect on tax morale. Nevertheless, its effect on tax compliance increases significantly (0.161) when the total effect of the construct was considered (see Appendix 14). Overall, findings of PBC suggest that, given the available resources and opportunities, when the OMSCs' perceptive ability to comply with tax system increases, their intrinsic motivation to pay and their compliance intentions are affected positively.

The model includes two lower order constructs under the PBC. The findings of them are discussed in the following sub-sections.

Size of Economic Obligation

Various studies in tax research presented evidence that perceived size of tax burden is effective on taxpayers' tax compliance (Strumpel, 1966; Tanzi and Shome, 1993; Andreoni et al., 1998; Torgler, 2005b; Kirchler, 2007; Bernasconi et al., 2014). Additionally, the literature agreed that there is a negative correlation between size of economic obligation and tax morale of taxpayers (Torgler, 2005b, 2007). Following the literature, this research evaluated the size of the economic obligation in the model and defined it as perceived size of a tax burden that the company of OMSC has to bear.

The exploratory qualitative phase found the construct relevant to the PBC and, as suggested in the literature, the size of economic obligation was found influential on the majority of the participants' tax morale and their tax compliance intentions. Moreover, the analysis revealed that high tax burden of OMSCs might push them to seek for avoidance

[50] H_{PBCa}: Perceived behavioural control of OMSC positively influences Tax Morale of OMSC

[51] H_{PBCb}: Perceived behavioural control of OMSC positively affects Tax compliance of OMSC.

[52] RQ5: What is the influence of OMSCs' perceived behavioural control measures on their tax morale?

possibilities such as postponing their sales to the next tax declaration period or encourage them to involve tax evasion.

In the quantitative analysis, the construct presented a significance path coefficient (-0.113) and showed a meaningful effect on the PBC. The negative influence of the construct indicated that the perceived size of the economic obligation decreased OMSCs' control beliefs therefore it created an adverse effect on their tax morale and tax compliance. To put it simply, the finding showed that high perceptive size of OMSCs' tax burden decreases their tax morale and tax compliance. This is in line with findings that reported in the literature.

Risk Aversion

Risk aversion of OMSCs is considered a factor that shapes OMSCs' tax compliance and tax morale in the model. In the early tax avoidance literature, risk aversion is stressed as an influential factor of tax compliance and it is defined as the possibility of being caught from unreported income (Allingham and Sandmo, 1972). The literature found risk aversion of taxpayers influential on their tax compliance behaviour and tax morale (Klepper and Nagin, 1989; Martins et al., 2014). Feld et al. (2008) found evidence that high audit possibility encourages taxpayers to comply. In this research, risk aversion is defined as OMSCs' perceived possibility of being caught for tax evasion or unreported income

The exploratory qualitative phase presented evidence for the relevance of the construct to the PBC. However, the findings showed that OMSCs see the construct, as a manageable risk and their risk aversion were low in the sample. Although, risk aversion is not necessarily encouraging them to comply as the literature suggests, it was found influential on the majority of the participants' tax morale and their tax compliance intentions.

In the quantitative analysis, the construct presented a significant path coefficient (-0.243) and showed a meaningful effect on the PBC. The negative influence of the construct indicates that the perceived risk aversion decreases OMSCs' control beliefs and therefore it creates an adverse effect on their tax morale and tax compliance. This impact of the construct was not expected because the literature suggested a positive relationship between the construct and tax morale and tax compliance. The reason of the adverse relationship was investigated by revisiting the quantitative analysis findings. The researcher explained this negative influence of the construct with two reasons. Firstly, the quantitative findings suggested that the influence of risk aversion is not necessarily encouraging OMSCs to comply because of the low tax inspection possibility in Turkey. Consequently, OMSCs see inspection possibility, as a manageable risk and the construct does not encourage them to comply. Secondly, negative perception of the tax inspectors and inspection process, which indicates

TRAD's low quality inspection service, might discourage OMSCs' intentions and ease their intrinsic motivation to pay taxes.

Nevertheless, the outcome represents one of the interesting findings of the research, which needs further attention to explore the reasons. In particular, testing for the same construct's impact under the high risk of detection might be enlightening.

7.4 Research Contributions

A large number of researchers agree that tax compliance behaviour is complicated and involves complex decision making processes (Kirchler, 2007; McKerchar, 2010; Devos, 2013). Although, a considerable part of the tax literature has focused on taxpayer behaviour, particularly on tax compliance; many of these studies tend to be narrowly framed and inconclusive. Consequently, there is a need in the literature to continue such research until a comprehensive model of tax compliance is developed with the contributions from new tax compliance studies. In this sense, this research contributes to the literature by modelling such behaviour. More specifically, the research considers tax morale, an intrinsic motivation to pay taxes, as a key to better understand tax compliance. Hence, this research contributes to the literature by showing the 'bigger picture' of tax compliance through the lens of tax morale.

In addition to modelling tax compliance and tax morale, the research contributes to the literature in several respects. Firstly, it contributes to the body of tax morale research, which at this point is not very extensive (Kirchler, 2007; Pope and McKerchar, 2011). Moreover, the research that investigated tax morale at corporate level is scarce (Alm and McClellan, 2012). Additionally, there is no research identified in the literature that concentrates on OMSCs. Consequently, the outcome of this thesis directly contributes to tax morale literature by providing corporate level perspectives on factors of tax morale with empirical evidence. Furthermore, this study also contributes to the body of research by providing evidence about the strong relationship between tax morale and tax compliance at corporate level.

Secondly, the research contributes to tax morale and tax compliance research by examining it in an unexplored cultural environment: Turkey. According to Torgler (2003), culture has a significant effect on an individual's tax morale. Additionally, the majority of current tax morale research has been conducted in the context of Western societies, which are predominately Christian (Pope and Mohdali, 2010). Therefore, there is a gap in the literature for Muslim societies. In this respect, Turkey represents a different cultural context as it has a predominately Muslim population. Although Turkish society has characteristics of Muslim societies and it also has considerable similarities with Western societies. Consequently,

analysis of tax morale is not only useful to understand Muslim countries but also provides a different perspective on Western societies. In addition, there have been very few studies conducted so far in the literature about tax morale in Turkey (Bilgin, 2014; Goksu and Sahpaz, 2015). Additionally, Turkey offers a suitable context of research as a vast majority of operating companies are owner managed companies and they are generally family businesses (ITO, 2005). Owner managed companies are more likely to be affected by their managers' values. Overall, conducting tax morale research in Turkey has benefits to the literature in more than one perspective.

Thirdly, differentiating the Personal Norms from the Corporate Norms of OMSCs is not examined in previous tax research. Therefore, understanding their influences of different roles of OMSCs independently from each other provides a better understanding of their tax morale. More importantly, the research contributes to the literature by comparing effects of both norm sets on tax morale and tax compliance, which has so far been ignored by the literature. Interestingly, this research proves that OMSCs' tax morale and tax compliance are more affected from their Personal Norms than their Corporate Norms while Personal Norms has a positive and Corporate Norms has a negative impact on OMSCs tax morale. This finding represents one of the unique contributions of the research. Therefore, the contribution of distinction between these constructs might be utilised for better tax policies for small companies.

Fourthly, this research investigated the influence of religiosity on tax morale and tax compliance which is stressed as a pressing research agenda by various scholars in the field (Stack and Kposowa, 2006; Pope and Mohdali, 2010). Additionally, religiosity's effect on tax morale and tax compliance has not been investigated heavily in Muslim countries (Pope and Mohdali, 2010). Consequently, this study addressed a gap by focusing on the influence of religiosity in a Muslim country like Turkey and provided in-depth knowledge through quantitative and qualitative analysis with the first hand data which are not available in any secondary data source. Moreover, it provides the first empirical proof that solely refers to Muslims in tax morale research and showed evidence that the Religiosity is one of the strongest factors that influences OMSCs' tax morale and tax compliance in this study.

Fifthly, the thesis brings insights into the tax literature by creating a model inspired by Ajzen's (1991) TPB. TPB has recently started to be utilised in the tax literature (Bobek and Hatfield, 2001; Trivedi et al., 2004; Bobek et al., 2007a; Jones, 2009). In addition, to the researcher's best knowledge, only Langham et al. (2012) tried to develop a tax compliance model to understand tax compliance attitudes of business taxpayers by using TPB. Nevertheless, examples of tax research that use the theory is limited. This research contributes

to the literature by developing a model that helps to explain tax compliance at corporate level by using the TPB structure. In addition, the research also benefits to the TPB based research by modifying and testing the model that can be used to predict and explain corporate behaviour. Although more research is needed on the modified version of the TPB model for corporations, the development of the model based on the modified TPB elements Personal Norms and Corporate Norms to explain corporate behaviour presented an interesting area to enhance Ajzen's (1991) TPB, within the tax literature. Hence, the research provided the first empirical result on enhancing the TPB in this context.

Lastly, the application of SEM-PLS in this research demonstrated how the method could be used successfully on handling complex behavioural hierarchical models with different constructs. This study was able to explain the relationships between the constructs and provide information at indicator and construct level that allowed understanding which indicators and constructs contributed more towards explaining their assigned construct. Therefore, a detailed comparative analysis can be made, which was not possible in other forms of analysis. Considering that the tax compliance literature has suffered from the low response rates, non-normal data distribution and insignificant effects due to low sample sizes (McKerchar, 2010); achieving significant results of the model with a robust validation process (bootstrapping with 5000 resamples) will enhance the confidence of findings in a complex model. Therefore, application of the method which increase the confidence in findings and explains the complex structure of tax morale and compliance robustly, as suggested by McKerchar (2010), itself a contribution to the literature. Additionally, using SmartPLS, which is a new software package for the tax research, is also a contribution to the literature. Because, SmartPLS enables to test hierarchical models that include reflective and formative measurement models that tax studies might use to develop the theory to understand the complex contexts such as tax compliance.

7.5 Limitations

Social scientists have long agreed that creating a perfect study that delivers the final answer for a research question is an impossible task (Scandura and Williams, 2000). Even though this research used mixed methods and triangulation to tackle the limitations of each method, this doctoral research has a number of limitations. Although some of the limitations were addressed in the related chapters of the thesis, the discussion below provides an overview of the limitations of this study.

Firstly, the interview method required close interaction with participants and a common criticism about this methods relates to a researcher’s subjectivity (Punch, 2013). To

reduce this concern, a detailed analytical procedure for qualitative data analysis was adopted (see section 5.2).

Secondly, the interviewees were limited with those who were willing to participate in the study, therefore those who were unwilling to discuss tax matters represents another limitations of the study. This limitation however is common in tax research (Trivedi et al., 2004; Kirchler, 2007; McKerchar, 2010). As the majority of the interviewees provided both their positive and negative perceptions about tax during the interviews, it is accepted that this limitation had only a limited effect on the findings.

Thirdly, the quantitative phase of the study highlighted one of the major criticisms of the survey research: non-response bias was faced. Non-response bias is a concern in many tax studies because of the sensitiveness of the subject (Tan, 1999; Tran-Nam et al., 2000; Blumenthal et al., 2001; Lignier, 2008; Larkins et al., 2011). The limitations of the non-response bias were checked with the wave analysis (Lindner et al., 2001) on three dependent variables of the survey and the sample did not present a bias for this study. Section 6.4.6 discusses the limitation of non-response bias in detail.

Fourthly, limitations of the surveys that are based on self-reporting were also a concern for this study. Receiving biased responses as a result of self-presentation concerns, poor memory, honesty problems, urges to provide socially desirable responses and hiding the actual behaviour, are widely accepted limitations of self-report surveys (Bradburn and Sudman, 2004; Bryman, 2011). Nevertheless, attempts were made to minimise the effect of this bias and these measures made to minimise the bias are mentioned in the sections 6.3 and 6.4. In brief, the measures included careful questionnaire design, providing complete anonymity and confidentiality to the participants. Additionally, non-response analysis was also performed to ease this bias.

In summary, all practical attempts to minimise the limitations that were faced during this research were carried out in a hope to improve the generalisability of the findings. Furthermore, the acknowledged limitations were mostly unavoidable in nature and valid for the most of similar studies. Hence, the researcher accepted the effect of the limitations. Nevertheless, the limitations do not diminish the relevance and significance of the findings of the study because of the relevant measures that were taken.

7.6 Policy Implications

Tax authorities aim to increase tax revenue without burdening the taxpayers. Therefore achieving this task with a minimum cost is crucial. However, strategy of the classical economic models about increasing the revenue depends on enforcement measures.

The models assume that the taxpayers are inclined to behave dishonestly and suggest promoting the use of monitoring and penalties as predominant regulatory measure (Kirchler, 2007). Although the enforcement measures can be easily applicable, they are costly and can promote negative attitudes towards the state that might even create a reason for tax evasion. Frey (1992) found evidence that such enforcement measures can crowd out tax morale and result with non-compliance when applied strictly. Additionally, the assumption of the classical economic models was challenged and Elffers (2000) found that taxpayers are inherently honest and willing to pay their share. Hence, the tax authorities shifted their attitude from using the 'stick' method on their policy design, to using carrots to encourage taxpayers to comply with the tax system with the influence of the growing body of research. In this sense, this research found that tax morale is the stronger motivator in comparison to the enforcement measures that were evaluated under the PBC measures of this research. Therefore, tax authorities can benefit from considering the influence of tax morale on tax compliance while they are designing their compliance strategies.

This research shows that tax authorities should consider personal beliefs and values of the owner managers when designing the compliance policies for small companies. Therefore promoting the compliance by targeting the personal values of taxpayer can increase the compliance rates of the small companies. In particular, developing the strategies that can promote tax system by showing the improving condition of fairness of burden distribution amongst the taxpayers can encourage taxpayers' tax morale. Moreover, promoting the compliance behaviour as a favourable behaviour in terms of religion and discrediting the tax evasion as a religiously unacceptable act might also help to increase compliance of OMSCs, as religiosity is one of the strongest predictors of their tax morale.

Findings about the religious evaluation of tax evasion construct showed that the moral cost of tax evasion is a very effective factor on OMSCs tax morale and compliance intentions. Therefore, tax authorities can work towards increasing awareness about the consequences of tax non-compliance. Campaigning about the seriousness of tax evasion as a crime can be addressed clearly and public can be reminded about the consequences. In other words, the public should be educated about tax evasion and should be made aware that it is not a victimless crime (Gupta, 2009). Tax authorities should educate the public that society, as a whole, is the victim of the crime of tax evasion and is affected by it through deficiencies of public services as a result of cost pressures.

The findings of this research suggests that tax authorities should work closely with tax advisors because their effect on encouraging tax compliance and its possible impact on mediating the effects of tax complexity, tax knowledge and distributive justice for OMSCs

makes them the promising partner in terms of policy application. Informing the tax advisors about the compliance policies of the tax authority and convincing them about the importance of their role for the application of compliance policies are essential for achieving tax compliance. Therefore, special units within tax authority or tax offices should be established to improve the quality of the relationship between the tax advisors and tax authority.

The perception of the government has a strong importance on achieving tax compliance. Therefore the government should be aware that positive public images of government encourage taxpayers to comply and attempts should be taken to increase trust and satisfaction of the government. The perceptive satisfaction of government can be increased through informing the taxpayers about public services that specifically interests them. The government can also follow a quality management programme for the public services and inform taxpayers about recent improvements on a regular basis to promote its positive perception.

The research found that compliance costs have a negative influence on the tax morale of OMSCs. The tax authority should take precautions to ease the burden of compliance costs. Tax authority can increase the effectiveness of the tax offices by utilising the technological developments that specifically targets small companies that can save time and money for their tax affairs. Moreover, one of the significant costs of the OMSCs is the cost of tax advisors. The government might find it useful to subsidise the cost of tax advisors and therefore take advantage of the tax advisors intermediary position by encouraging them to take a middle position between the state and OMSCs, which would ease their financial dependency on their clients when they provide tax advice to OMSCs. Additionally, tax authority could provide flexibility for due dates of taxes. Specifically, VAT payments are in need of such adjustments, according to the maturity dates of the specific sectors, to avoid extra financial costs to meet with tax regulations for OMSCs.

The finding of the other businesses' attitudes construct showed that the OMSCs are affected negatively from the perception of the non-compliance of others. Therefore, the government should take any attempt to change the perception by declaring the proportion of the tax evaders amongst other taxpayers for each sector and city. Additionally, an educational attempt should be taken to show that non-compliance is not a normal and common behaviour amongst taxpayers but perceptual selectivity occurs for the evaders because they are publicised in media.

The analysis of risk awareness provided an interesting perception of OMSCs about the audit possibility that requires attention from the tax authority. It is understood that OMSCs see audit risk as manageable therefore it does not convince them to comply.

Furthermore, a negative perception of tax inspectors and the inspection process, which indicates a low quality of the inspection service, even discourages OMSCs to comply. In short, tax enforcement policy in Turkey is not effective. Therefore, the tax authority cannot utilise the enforcing power of tax audit on OMSCs. In order to overcome this, the inspection body should increase the quality of the service and share the improvements with the public. Moreover, randomness of the inspection selection must be assured and the selection process of the companies that will be subject to audit should be publicly explained.

Overall, tax policy makers and tax authorities should consider that the behavioural aspects of taxpaying behaviour are vital to achieve tax compliance. Tax morale, and the factors that influence it, should be critically considered when developing the policies. In particular, OMSCs cannot be thought of as just managers of a company but taxpayers that are heavily influenced by their personal values and beliefs when they evaluate their company's taxes.

7.7 Concluding Remarks

Understanding tax compliance is still one of the greatest challenges of tax authorities, policy makers and tax academics. The challenge scales up when explaining the intrinsic motivation of paying taxes, tax morale, and its context of being the 'black box' of tax compliance (Kirchler, 2007; Pope and McKerchar, 2011). Nevertheless, as stated by McKerchar (2003), the challenge can only be overcome by addressing the different aspects of the problem and applying different methodologies, which overall can help us to understand the nature and complexity of tax morale and tax compliance. Thereupon, this research has made the effort by successfully applying different methodologies and addressing the different aspects of the problem in the broadest frame possible. Consequently, the researcher is hopeful that this work offers a worthwhile contribution to the body of tax research and sheds valuable light that will ultimately help us to see inside of the 'black box'.

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Appendixes

Appendix 1: Interview Guide

Thank you for agreeing to be interviewed – I am carrying out a number of interviews to understand tax morale effect on tax paying behaviour. I have a number of questions to ask you that will normally take 45 to 60 minutes. Please feel free to just talk. If you are comfortable, I would like to record the interview, so that I can concentrate on listening to you and asking questions rather than taking notes. Your talk records (Voice or Type) will be kept anonymous and will be treated under protection of 1998 data protection act UK and 2007 Turkish data protection act. This is also a requirement of University of Nottingham Code of Research Conduct and Research Ethics– some quotes may be used, but these will not be attributable to you. My contact details will be provided after interview. Please feel free to ask if you need any clarification for the interview process?

Are you happy for me to do the interview?

Demographics:

1. Could you please tell us about you? (Education, Sex, Age)
2. Can you please describe your business? How long have you been in this business?
3. What do you feel about taxes?

Personal Norms

1. Do you believe that our tax system is fair? Why?
2. Do you believe that the tax authority is treating you fairly?
3. Do you think the tax law in this country is fair?
4. How do you define paying right amount of tax?
5. Do you think you pay the fair share of your company? Do you think tax that you paid last year was fair for your company?
6. Do you think the person will be ashamed if his/her family found that he/she has been dishonest on his tax duties?
7. Do you think using the legal loopholes is ethical?
8. How can you define tax? What does it mean to you?
9. Do you aware of your tax obligations?
10. Do you feel knowledgably about tax?
11. Which tax do you feel more (VAT, Corporation tax etc.)?
12. Do you think your tax duties are hard to understand or confusing?
13. Do you understand tax law when do you read it?
14. How do you see state on tax relationship? (Aggressive, reasonable, merciful) Does your view affecting you when you are declaring your tax?
15. Do you think the government is encouraging you to pay taxes?
16. Does your perception about government affect your taxpaying habits or compliance?
17. Do you think people may consider not applying aggressive tax arrangements if their political party is in charge? How do you react?

18. Would you feel more comfortable on paying taxes if the political party that you support is in the office?
19. Do you think people's political affiliation affecting their tax paying?
20. Do you think religious people comply voluntarily with tax system?
21. Do you consider that paying your taxes as an order of your religion?
22. Do you consider evading tax as a sin? (or rightful due)
23. Do you choose to define yourself as patriotic?
24. Do you feel more patriotic when you pay your taxes?

25. What does tax morale means to you?
26. Do you recent paying taxes?

Corporate Norms

27. Could you please tell me what is like to be a small business operator in Turkey?
28. Can you define your company as a professional one? Why?
29. Do you believe that you have enough resources (staff, facilities etc) to declare and pay your taxes properly?
30. Do you feel the cost of complying with tax system?
31. What proportion of your turnover do your company spend for meeting tax obligations?
32. How effective is tax advisor's suggestions on you taxpaying decisions?
33. Do you trust your tax advisor? How long have you been working with your current tax advisor?
34. Have you ever experienced problems on tax issues with your tax advisor as result of miscommunication?
35. Do you believe that your accountant may increase or decrease you tax bill if he or she desires?
36. Do you feel that organisational structure of your company affective on your tax compliance?(
37. Do you believe that company values (family values for the family owned business) are affective on you tax compliance decision?

Perceived Behavioural Control

38. What do you feel about your company's tax burden?
39. What do you think about the amount of the tax that you paid last year?
40. Do you think that you have an ability to arrange your tax bill?
41. How do you think that inspection probability is effecting your tax compliance decision? Have you ever inspected or received tax penalty?
42. Do you think that you will receive a fine if you have an inspection?
43. Do you suggest that you will be inspected in next three years?
44. Do you think sizes of tax penalties are dissuasive?

45. If you are unsure about any tax issue, whom do you speak first? Why?
46. Can you tell me whether have you ever heard of shadow economic transactions in your sector? Have you ever sell or buy anything without recording it in your tax return?

Appendix 2: Thematic Analysis NVivo Output

(NVivo 10 Node Structure)

Name	Sources	Refere...	Created On	Created By
A-Personal Norms	0	0	20 Sep 2012 11:33	RY
FAIRNESSS PERCEPTION	20	122	20 Sep 2012 12:12	RY
DISTRIBUTIVE JUSTICE	12	12	27 Nov 2012 19:16	RY
PROCEDURAL JUSTICE	18	25	27 Nov 2012 19:14	RY
GOVERNMENT PERCEPTION	19	67	20 Sep 2012 11:33	RY
Perception of Government	20	66	20 Sep 2012 12:13	RY
Red tape and corruption	12	28	29 Nov 2012 19:50	RY
Tax Authority perceptions	20	51	27 Nov 2012 17:36	RY
PATRIOTISM	19	32	20 Sep 2012 12:13	RY
POLITICAL VIEW	18	33	20 Sep 2012 12:12	RY
RELIGIOSITY	20	72	20 Sep 2012 12:23	RY
Imams interviene	18	24	5 Nov 2012 16:56	RY
Islamic enc. for evasion	7	9	Today, 14:37	RY
Islamic taxation	13	17	29 Nov 2012 16:16	RY
Tax advice of imams-authority	2	2	20 Sep 2012 11:33	RY
zakat vs taxes	19	28	27 Nov 2012 18:45	RY
TAX COMPLEXITY	16	24	20 Sep 2012 12:19	RY
TAX KNOWLEDGE	4	4	20 Sep 2012 11:49	RY
Awareness Of Taxes	18	35	5 Nov 2012 16:18	RY
Definition of Tax	1	1	27 Nov 2012 17:29	RY
Undrestanding Tax	20	41	5 Nov 2012 15:40	RY

Name	Sources	Refere...	Created On	Created By
B-CORPORATE NORMS	3	3	20 Sep 2012 12:15	RY
COMPANY STRUCTURE	7	13	20 Sep 2012 12:17	RY
History of SME	18	37	5 Nov 2012 16:14	RY
COMPLAINCE COSTS	14	21	20 Sep 2012 12:19	RY
PROFESSIONALISM	16	18	20 Sep 2012 12:15	RY
Lack of Capable Staff and Resources	9	10	29 Nov 2012 17:24	RY
TAX ADVISOR'S EFFECT	20	49	20 Sep 2012 12:16	RY
better tax advice	20	25	27 Nov 2012 19:01	RY
other tax advice	6	8	29 Nov 2012 18:27	RY
C-PERCIEVED BEHAVIORAL CONTROL	2	4	20 Sep 2012 12:22	RY
RISK AVERSION	20	44	20 Sep 2012 12:15	RY
Avoiding tax inspection	5	8	29 Nov 2012 20:01	RY
Deterrence Perception	6	8	20 Sep 2012 12:22	RY
Inspection Pschology	16	31	27 Nov 2012 18:59	RY
SIZE OF ECONOMIC OBLIGATION	17	47	20 Sep 2012 12:22	RY
Cost of Evasion	14	15	20 Sep 2012 12:22	RY
Tax Burden and Financing	17	23	29 Nov 2012 16:44	RY
D-NEW COSTRUCTS	1	1	20 Sep 2012 11:33	RY
OTHER BUSINESES ATT	18	28	27 Nov 2012 18:15	RY
RELIGIOUS EVALUATION OF TAX EVASI...	14	28	27 Nov 2012 18:44	RY
Demograpics	7	9	27 Nov 2012 17:27	RY
Other Coding Extra	1	1	20 Sep 2012 12:23	RY

Appendix 3: Full Survey in English

	Items	Answer Range
	Screening Question	
	Are you an owner-manager of a company?	Yes- No (If no---> End of the survey)
	Introduction Message	

Dear Owner-Manager,
Welcome and thank you for agreeing to participate in this survey. The survey is being conducted as a part of my doctoral research and it is not connected or affiliated with any governmental agency such as Revenue Administration of Turkey (GIB). The purpose of this study to undercover certain tax opinions and gain insights into the way of certain tax decisions are made especially from tax ethics and tax morale perspective.
The questionnaire is expected to take about 15 minutes to complete. Please be assured that all information obtained will be treated with strict confidence and used solely for academic purposes. There are no risks associated with participating in this study. The survey collects no identifying information of any respondent. All of the response in the survey will be recorded anonymously and not be shared with any third party.
Please remember that there are no right or wrong answers to the questions and please state your own true response or opinion.
Thank you very much for your kind cooperation and assistance.
Yours Faithfully,
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Official profile

	Personal Norms	
1	My personal beliefs/values influence me while I am paying my company's taxes.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
2	I always take my personal beliefs into account when I pay my company's taxes	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
3	My beliefs and values come first when I am dealing with tax matters of my company.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
	Distributive Justice	
4	When I think about the companies that are in the same boat as ours when it comes to paying tax, in my opinion, they pay fair share of their taxes.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
5	I think that companies are being taxed fairly in our country.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)

6	I think that taxpayers in general are being taxed fairly in our country.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
7	For the average taxpayer, I think that the tax system is fair.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
8	On the whole, the burden of taxes is fairly distributed.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
	Procedural Justice	
9	The tax office's decisions are fair.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
10	The rules and approaches applied by the tax office treat all taxpayers equally.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
11	The tax office's decisions are mainly in favour of taxpayers.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
	Tax Knowledge	
12	In general, I feel very knowledgeable about taxes.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
13	When I prepared my company's tax return last year, I understood what tax office expected from our company.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
14	I feel competent to do my own company's tax return.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
	Tax complexity	
15	I think the tax system is hard to understand.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
16	I find tax system complicated.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
	Government Perception	
17	I trust our government.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
18	Dishonesty in the government is pretty rare. The government is honest in general.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
19	I support the current government.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
20	I never complain about the government.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
	Religiosity	
21	I believe in Allah.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
22	I carefully avoid shameful acts.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
23	I always perform my duty as a Muslim (e.g. pray five times a day, fasting during the month of Ramadan, pilgrimage to Mecca) to Allah.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
24	It is important for me to follow Allah's Commandments conscientiously.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
25	Religious beliefs influence all my dealings with everyone.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
	Religious Evaluation	
26	I see tax evasion as a sin	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
27	Evading tax means to seize someone's rightful due to me	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
	Patriotism	
28	I am proud to be a citizen of Turkey.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
29	No matter what, my commitment to Turkey always remains strong.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)

30	The fact that I am a citizen of Turkey and it is an important part of my identity.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
	Corporate Norms	
31	I think of my company's needs first when I pay taxes.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
32	My company is my priority when I deal with tax matters.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
33	I always seek the best option for my company when I am filling my tax return.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
	Professionalism	
34	Our staff and resources are capable enough to fulfil our company's tax liabilities in required standards.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
35	Our staff is capable to fulfil all of our tax responsibilities	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
36	Our staffs always keep our books in required standard by the Tax office.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
37	Our staff records all transactions in our books.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
38	We record all of our purchases and sales.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
39	Using accounting software helps us to monitor the company	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
	Compliance Costs	
40	Our company bears high cost for preparation of our tax return.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
41	Cost of our tax advisor was very high to our company last year.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
42	I spent a lot of time for preparing our tax return last year.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
43	Our company paid very high overhead cost (expenses for equipment, computers, stationery, travel etc) to pay our taxes last year.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
	Tax Advisors Effect	
44	Our company always follows our tax advisor's recommendations.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
45	I follow the advises of my tax advisor even if I find them risky.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
46	My tax advisor encourages me to comply with tax system.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
47	I fully trust my tax advisor.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
48	I found that my tax advisor is fully capable and knowledgeable in tax matters.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
	Other Businesses' Attitudes	
49	It is NOT logical to pay more tax than competing companies pay.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
50	I check other businesses' taxpaying behaviours in my sector when I pay my taxes.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
51	It is acceptable to evade taxes when the others in the sector behave in that way.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
	Perceived Behavioural Control	
52	Even if someone wanted to evade taxes, there are objective restrictions that prevent them to do so.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
53	There may be certain conditions of my company that might prevent me from being fully compliant with tax law.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
54	I have affected by the conditions that restricted my compliance intentions towards tax.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)

	Size of Economic Obligation	
55	Our company's tax burden is unbearable.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
56	High proportion of our whole turnover goes to our tax payments.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
57	The overall amount of previous year's tax that our company had to pay was very high.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
	Risk Aversion	
58	How likely do you think that the Tax office can detect an unreported income?	1 to 100 Scale
59	How likely do you think that you will get audited next year?	1 to 100 Scale
60	How likely do you think a tax evader can get caught in our country?	1 to 100 Scale
	Tax Morale	
61	Paying tax is the right thing to do.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
62	Paying tax is a responsibility that should be willingly accepted by all citizens.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
63	I feel a moral obligation to pay my tax.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
64	I think of tax paying as helping the government do worthwhile things.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
65	Overall, I pay my tax with good will.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
66	I resent paying tax. (Reverse Coded)	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
	Tax Compliance	
67	I pay my taxes voluntarily.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
68	Even if tax audits did not exist I pay my taxes	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
69	I pay my taxes because for me it’s the natural thing to do.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
70	I pay my taxes to support the state and other citizens.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
71	I pay my taxes because it is natural thing to do.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
72	I pay my taxes even though I know that others do not do that.	1-7 Likert Scale (Strongly Agree-Strongly Disagree)
	Demographic Variables	
73	Which year did your born?	Fill in form
74	What is your gender?	Male Female
75	What is your education level?	No education - Elementary school - High School - Bachelor - Masters - PhD
76	What is your marital status?	Single - Married - Divorced-Widowed
77	How would you describe your company's partnership structure?	Family Company - Single ownership -two owners - More than two owners
78	What is your religion?	Islam - Christianity - Judaism - Atheist-Other

79	What is your company's structure, legal structure?	Sole proprietorship, Private limited company, limited by shares (LTD.) Public Ltd Company (PLC), Ordinary Ownership, Limited liability Company, Private company limited by guarantee, Community Interest Company (CIC, limited by guarantee or shares), Friendly Society, A Co-operative, Industrial and Provident Society, Private Unlimited Company, Foreign Company, A trust , An unincorporated association
80	When did you company was established? (In years)	Fill in form
81	Which sector do you operate in?	Manufacturing, Service, Trade, Mining, Construction, Energy, Other
82	How long have you been an owner-manger of the company?	Fill in form
83	How long have you been in the same sector as an owner-manger?	Fill in form
84	Have you had a course on Tax issues?	Yes - No
85	How long have you been working with your current tax advisor in years?	Fill in form
86	What is your company's estimated turnover for last year?	Fill in form
87	Estimate your company's profitability ratio for the last year?	Groups of (Loss -- 0% to %5 -- 6% to %10 --11% to %20 -- %21+)
88	How much tax has you paid as a company last year?	Fill in form
89	How many employees does your company employ?	Fill in form
90	How many employees do you have that deals with accounting issues?	Fill in form
	Comment Question	
91	Please indicate if you have any further toughts about tax?	Fill in form

End Message

This is the end of the survey. Thank you for the valuable insights.

Appendix 4: Full Survey in Turkish

	Items	Answer Range
	Screening Question	
	Bir şirketin sahibi yada yöneticisi misiniz?	Evet- Hayir
	Introduction Message	
	Sayın Şirket Sahibi-Yöneticisi, Öncelikle anket çalışmamıza katıldığınız için teşekkür ederiz. Bu çalışma, "Vergi Ahlakı ve Vergi Gönüllülüğü" konulu doktora araştırmasının bir parçası olup, hiçbir devlet kurumuyla bir bağlantısı veya ilişkisi bulunmamaktadır. Çalışmanın amacı, sirket yöneticilerinin, ortaklarının ve sahiplerinin vergiye yönelik görüşlerini kavrayarak, onların vergi ödeme davranışlarına etki eden faktörleri vergi gönüllüğü kavramı açısından analiz etmektir. Anket, ortalama olarak 10 dakika vaktinizi alacaktır. Anket yoluyla toplanan görüşler ve bilgiler tam bir gizlilik ile korunacak ve Kişisel Bilgilerin Koruması Kanunu çerçevesinde saklı tutulacaktır. Ankette sizin veya şirketinizin kimlik bilgilerine yönelik herhangi bir soru herhangi bir soru bulunmamaktadır. Ayrıca, verilecek tüm cevaplar anonim olarak (isimsiz) kaydedilecek ve hiç bir suretle üçüncü kişi ya da kurumlarla paylaşılmayacaktır. Lütfen cevaplayacağınız soruların herhangi bir doğru yada yanlış cevabı bulunmadığını unutmayanız ve konu hakkındaki gerçek görüşünüzü paylaşmaktan çekinmeyiniz. Bizim için görüşleriniz önem arz etmektedir. Şimdiden göstereceğiniz iyi niyet ve katkı için gönülden teşekkür ederiz. Saygılarımızla Recep Yücedoğru Araştırma Görevlisi Nottingham Üniversitesi Business School Wollaton Road NG8 1BB İngiltere lixry3@nottingham.ac.uk Official profile	
	Personal Norms	
1	Şirketimin vergilerini öderken kişisel değerlerim ve inançlarım da beni etkiler.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
2	Vergi Oderken her zaman kisiel degerlerimi on planda tutarim.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)

3	Sahsi deger yargilarim, vergilerimi oderken her zaman on plandadir.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
	Distributive Justice	
4	Bizimle ayni durumda olan şirketleri düşündüğümde; bence onlar üzerlerine düşen adil vergiyi ödüyorlar.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
5	Ülkemizde şirketler adaletli bir şekilde vergilendiriliyor.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
6	Mükellefler genel olarak adaletli bir şekilde vergilendiriliyor.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
7	Ortalama bir vergi mükellefi için vergi sisteminin adaletli olduğunu düşünüyorum.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
8	Genel olarak bakıldığında vergi yükü ülkemizde adaletli bir şekilde dağıtılmıştır.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
	Procedural Justice	
9	Vergi dairesinin kararları adaletlidir.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
10	Vergi dairesi her vergi mükellefine ayni yaklaşır ve kuralları eşit şekilde uygular.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
11	Vergi dairesi genellikle mükellefin lehine karar verir.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
	Tax Knowledge	
12	Genel olarak vergi konusunda bilgili olduğumu düşünürüm.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
13	Geçtiğimiz yıl şirketimizin vergi beyannamesini hazırlarken vergi idaresinin bizden ne istediğini anladım.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
14	Gecen sene talep ettiğim vergi iadeleri ve vergi kesintileri konusunda kendimi yeterli bilgi sahibi hissediyorum.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
	Tax complexity	
15	Vergi sistemini anlamakta güçlük çekiyorum.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
16	Vergi sistemini karmaşık buluyorum.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
	Government Perception	
17	Hükümete güvenirim.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
18	Hükümet genelde dürüsttür.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)

19	Mevcut hukumeti desteklerim.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
20	Hukumetten hic sikayet etmem.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
	Religiosity	
21	Allah'a inanırım	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
22	Utanç verici hareketlerden (Günahlardan) itina ile çekinirim.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
23	Bir Müslüman olarak Allah'a karşı görevlerimi her zaman yerine getiririm (Hac, Beş vakit namaz ve ramazan orucu gibi).	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
24	Allah'ın emirlerini dikkatlice takip etmek benim için önemlidir.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
25	Dini inancım herkese karşı olan davranışlarımı etkiler.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
	Religious Evaluation	
26	Vergi kaçırmanın günah olduğuna inanırım.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
27	Vergi kaçırmak kul hakkidir.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
	Patriotism	
28	Türkiye Cumhuriyeti vatandaşı olmaktan gurur duyuyorum.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
29	Ne olursa olsun ülkeme olan bağlılığım her zaman güçlü kalır.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
30	Türkiye Cumhuriyeti vatandaşı olmak benim kimliğimin önemli bir parçasıdır.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
	Corporate Norms	
31	Vergilerimizi ödemeyi düşünürken, şirketimizin ihtiyaçları önce gelir.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
32	Vergilerimi oderken sirketim benim icin onceliklidir.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
33	Beynnamemi doldururken daima sirketim icin en iyi secenegi ararim.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
	Professionalism	
34	Kendi çalışanlarımız ve kaynaklarımız şirketimizin vergi yükümlülüklerini istenilen seviyede yerine getirmeye muktedirdir.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)

35	Şirket personelimiz bütün vergi yükümlülüklerimizi yerine getirecek yeterliliğe sahiptir.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
36	Personelimiz muhasebe işlemlerimizi her zaman vergi dairesi tarafından istenilen standartta yapar.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
37	Personelimiz yapılan bütün mali işlemlerimizi mutlaka resmi defterlerimize kaydeder.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
38	Her alışımızı ve satışımızı kaydederiz.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
39	Muhasebe programımız şirketimizi daha iyi kontrol etmemize yardımcı olur.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
	Compliance Costs	
40	Şirketimiz vergimizin ödenecek hale gelmesi için yüksek bir maliyete katlanıyor. (Beyanname hazırlanması, kayıtların tutulması ve denetlenmesi vb.)	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
41	Geçen sene muhasebecimizin bize maliyeti çok yüksekti.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
42	Geçen sene vergi işleri ile ilgili çok zaman harcadım.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
43	Geçen sene vergi işlerimiz ile ilgili sabit maliyetlerimiz çok yüksekti. (Kırtasiye, ulaşım, bilgisayar yazılımı v.b. giderler)	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
	Tax Advisors Effect	
44	Şirketimiz her zaman muhasebecimizin tavsiyelerine uyar.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
45	Muhasebecimizin tavsiyeleri riskli bile olsa onlara uyarız.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
46	Muhasebecim beni vergi kanunlarına uymaya teşvik eder.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
47	Muhasebecimize tamamen güvenirim.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
48	Muhasebecimizin vergi konusunda tam bilgi sahibi ve liyakatli olduğunu düşünüyorum.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
	Other Businesses' Attitudes	
49	Rakiplerimizin ödediği miktardan fazla vergi vermek mantıklı değildir.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
50	Şirketi yönetirken her zaman rakip şirketlerin davranışlarını hesaba katarım.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
51	Rakiplerimin vergi kaçırdığı bir ortamda, aynı şekilde davranmak kabul edilebilir bir davranıştır.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
	Perceived Behavioural Control	

52	Bir kişi vergi kaçırmak istese bile, onu engelleyecek bir takım mekanizmalar mevcuttur.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
53	Sirketimin bazi ozel durumlari beni vergi odemeye gonullu olmaktan alikoyabilir.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
54	Vergi odemeye gonullu olmamai engelleyecek durumlar ile karsilastim.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
	Size of Economic Obligation	
55	Şirketimizin vergi yükü katlanılmaz boyuttadır.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
56	Ciromuzun yüksek bir bölümü vergi ödemelerine gidiyor.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
57	Geçen yıl ödediğimiz toplam vergi miktarı çok yüksekti.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
	Risk Aversion	
58	Sizce vergi dairesinin faturasız bir satışı tespit etme olasılığı nedir?	1 den 100 e kadar sekme isaretleyici
59	Sizce gelecek yıl denetlenme olasılığınız nedir?	1 den 100 e kadar sekme isaretleyici
60	Sizce ülkemizde vergi kaçıran birinin yakalanması olasılığı nedir?	1 den 100 e kadar sekme isaretleyici
	Tax Morale	
61	Vergi ödemek doğru bir davranıştır.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
62	Vergi ödemek her vatandaş tarafından gönüllü olarak kabul edilmesi gereken bir sorumluluktur.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
63	Vergi ödeme hususunda ahlaki bir sorumluluk hissediyorum.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
64	Bence vergi ödemek, devletin yararlı hizmetlerde bulunmasına yardımcı olmaktır.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
65	Her şeye rağmen vergilerimi iyi niyetle öderim.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
66	Vergi ödemek zoruma gider. (R)	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
	Tax Compliance	
67	Vergilerimi gonullu bir sekilde oderim	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
68	Vergilerimi sorumluluk bilinci içerisinde öderim.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
69	Vergilerimi ülkemi desteklemek için öderim.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)

70	Vergilerimi ödemek benim için bir vatandaşlık görevidir.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
71	Devlete vergi ödememek ayıplanacak bir davranışır.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)
72	Eğer herkes vergilerini doğru bir şekilde ödeseydi, daha kaliteli kamu hizmeti alırdık.	1 - 7 (Tamamen Katiliyorum - Tamamen Katilmiyorum)

Demographic Variables

73	Kaç yaşındasınız? (Hangi yilda dogdunuz)	Metin Girisli Form
74	Cinsiyetiniz nedir?	Erkek - Bayan
75	Eğitim durumunuzu belirtiniz?	Ilkokul dan Doktoraya kadar
76	Medeni halinizi belirtiniz?	Bekar Evli Bosanmis
77	Şirketinizin ortak yapısını nedir?	Aile Sirket - Tek Ortakli - Iki Ortakli - Cok Ortakli
78	Hangi dinin mensubusunuz?	Islam- Hristiyanlik- Musevilik - Inanmiyorum - Hicbiri
79	Şirketinizin yasal yapısını nedir?	Anonim Şirket, Limited Şirket, Sermaye Payları Bölünmüş Komandit Şirket, Hakiki Şahıs Şirketi, Adi Şirket, Kollektif Şirket, Adi Komandit Şirket, Diğer
80	Şirketiniz hangi yılda kuruldu?	Metin Girisli Form
81	Sektorunuz nedir?	Imalat, Hizmet, Ticaret, Madencilik, Insaat, Enerji, Diger
82	Kaç yıldır bu şirketin sahibi-yöneticisi olarak görev yapıyorsunuz?	Metin Girisli Form
83	Ne kadar suredir bulunduğunuz sektörde yöneticilik yada şirket ortağı olarak görev yapıyorsunuz?	Metin Girisli Form
84	Daha önce (eğitiminiz sırasında yada sonrasında) vergi hakkında herhangi bir kurs-eğitim aldınız mi?	Evet- Hayir
85	Kaç senedir mevcut muhasebeciniz ile çalışıyorsunuz?	Metin Girisli Form
86	Şirketinizin geçen seneki tahmini cirosu ne kadardır?	Metin Girisli Form
87	Şirketinizin geçen seneki tahmini karlılık oranı nedir?	Metin Girisli Form
88	Geçtiğimiz sene şirketiniz ne kadar vergi ödedi?	Metin Girisli Form
89	Şirketinizde toplam kaç çalışanınız var?	Metin Girisli Form
90	Muhasebe isleriniz gören kaç çalışanınız var?	Metin Girisli Form

Comment Question

91	Lutfern vergi konusunda eklemek istediginiz gorus ve onerileriniz belirtiniz?	Metin Girisli Form

End Message

Anket bitti, katiliminiz icin tesekkur ederiz.

Appendix 5: Survey Cover Letter (English)

Subject: You are invited to participate in a survey of Understanding Tax Morale[53]

SURVEY LINK

Dear Participant,

Welcome and thank you for agreeing to participate in this survey. The survey is being conducted as a part of my doctoral research and it is not connected or affiliated with any governmental agency such as Revenue Administration of Turkey (GIB). The purpose of this study to undercover certain tax opinions and gain insights into the way of certain tax decisions are made especially from tax ethics and tax morale perspective.

I request your kind assistance to complete the questioner. Your valuable information will be a great contribution to the body of knowledge and will be a remarkably valuable input to the government and tax authority in improving and developing our tax system and tax policy by considering all relevant factors that are not explored effectively especially from the perspectives of the taxpayers.

The questioner is expected to take about 15-20 minutes to complete. Please be assured that all information obtained will be treated with strict confidence and used solely for academic purposes. There are no risks associated with participating in this study. The survey collects no identifying information of any respondent. All of the response in the survey will be recorded anonymously and not be shared with any third party.

Please remember that there are no right or wrong answers to the questions and please state your own true response or opinion.

Please find the link of the survey at the top and end of this letter. By clicking it you will be directed to the online questioner. If you would like to discuss about the questioner or any other issue related with the research please do not hesitate to contact me.

SURVEY LINK

Thank you very much for your kind cooperation and assistance.

Yours Faithfully,

Recep Yucedogru

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[53] The full title of the study is; Understanding The Factors That Influence Tax Morale On Owner-Managers of Small Companies.

Appendix 6: Survey Cover Letter (Turkish)

Konu: 'Vergi Ahlakı ve Vergi Gönüllülüğü' başlıklı anket calişmasına katılımınız istenmektedir.[54]

Anket Linki

Sayın Şirket Yöneticisi,

Öncelikle anket çalışmamıza katıldığınız için teşekkür ederiz. Bu çalışma, "KOBİ'lerde Vergi Ahlakı ve Vergi Gönüllülüğü" konulu doktora çalışmasının bir parçası olup, hiçbir devlet kurumuyla bir bağlantısı veya ilişkisi bulunmamaktadır. Çalışmanın amacı, KOBİ yöneticilerinin veya sahiplerinin vergiye yönelik görüşlerini kavrayarak, onların vergi ödeme davranışlarına etki eden faktörleri *vergi gönüllüğü* kavramı açısından analiz etmektir.

Sizden bu çalışma için çok önemli olan anketi tamamlamanızı rica ediyoruz. Böylece akademik hayata aktaracağınız kıymetli bilgi ve tecrübeniz ile sadece bu konudaki oldukça sınırlı olan bilgi birikimine katkıda bulunmayacak, aynı zamanda vergi sistemimizin ve mali politikaların geliştirilmesinde de görüşlerinizle katkı sağlamış olacaksınız. Kısacası, bu anket sizlerin vergi sisteminin iyileştirilmesine yapacağınız önemli bir katkı niteliği taşımaktadır.

Anket, sadece KOBİ yöneticileri ya da sahiplerince doldurulması gerekmektedir. Eğer bu elektronik posta şirketinizde ilgili kişilere ulaşmamışsa lütfen anketi onlara iletiniz.

Anket, ortalama olarak 15 ila 20 dakika vaktinizi alacaktır. Anket yoluyla toplanan görüşler ve bilgiler tam bir gizlilik ile korunacak ve Kişisel Bilgilerin Koruması Kanunu çerçevesinde saklı tutulacaktır. Ankette sizin veya şirketinizin kimlik bilgilerine yönelik herhangi bir soru herhangi bir soru bulunmamaktadır. Ayrıca, verilecek tüm cevaplar anonim olarak (isimsiz) kaydedilecek ve hiç bir suretle üçüncü kişi ya da kurumlarla paylaşılmayacaktır. Lütfen cevaplayacağınız soruların herhangi bir doğru yada yanlış cevabı bulunmadığını unutmayanız ve konu hakkındaki gerçek görüşünüzü paylaşmaktan çekinmeyiniz. Bizim için görüşleriniz önem arz etmektedir.

Anket ile ilgili linke buradan Anket Linki (Ayrıca bu yazının başında ve sonunda) ulaşabilirsiniz. Bu linke tıkladığınızda anketi dolduracağınız siteye yönlendirileceksiniz. Anketin kendisiyle veya yapılan araştırmayla ilgili herhangi bir sorunuz ya da tereddüttünüz olursa lütfen aşağıda belirtilen adres, mail ve telefonlardan bizlere ulaşmaktan çekinmeyiniz.

Şimdiden göstereceğiniz iyi niyet ve katkı için gönülden teşekkür ederiz.

Anket Linki yada direk adres: https://qtrial.qualtrics.com/SE/?SID=SV_3ZRN2hiwZpKAL6B yoluyla ankete ulaşabilirsiniz

Saygılarımızla,

Recep Yucedogru

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[54] Calismanin asli kucuk isletme sahiplerinin vergi ahlaki davranislarini anlamak olarak gecmektedir.

Appendix 7: Reminder Email (English)

Subject: Reminder for Participation

SURVEY LINK

Last Chance for Participation, Attention Required !!!

Dear Participant,

This is the last reminder for participating in this survey. If you have already participated in the survey please ignore this email and accept my apologies for any inconvenience. The survey is being conducted as a part of my doctoral research and it is not connected or affiliated with any governmental agency such as Revenue Administration of Turkey (GIB). The purpose of this study to undercover certain tax opinions and gain insights into the way of certain tax decisions are made especially from tax ethics and tax morale perspective.

The questioner is expected to take about 15 to 20 minutes to complete. Please be assured that all information obtained will be treated with strict confidence and used solely for academic purposes.

Please find the link of the survey at the top and end of this letter. By clicking it you will be directed to the online questioner. If you would like to discuss about the questioner or any other issue related with the research please do not hesitate to contact me.

SURVEY LINK

Thank you very much for your participation.

Yours Faithfully,

Recep Yucedogru

Doctoral Research Student in Taxation
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Jubilee Campus
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Appendix 8: Reminder Email (Turkish)

Konu: **Ankete Katilim Son Çağrı, Katilim Gerekmektedir !!!**

Anket Linki

Sayın Şirket Yöneticisi,

Ankete katiliminiz için son çağrıdır. Eğer şimdiye kadar ankete katildiyseniz katiliminiz içinin teşekkür eder bu maili göz ardı etmenizi rica ederiz. Bu çalışma, "KOBİ'lerde Vergi Ahlakı ve Vergi Gönüllülüğü" konulu doktora çalışmasının bir parçası olup, hiçbir devlet kurumuyla bir bağlantısı veya ilişkisi bulunmamaktadır. Çalışmanın amacı, KOBİ yöneticilerinin veya sahiplerinin vergiye yönelik görüşlerini kavrayarak, onların vergi ödeme davranışlarına etki eden faktörleri *vergi gönüllüğü* kavramı açısından analiz etmektir.

Anket, ortalama olarak 15 ila 20 dakika vaktinizi alacaktır. Anket yoluyla toplanan görüşler ve bilgiler tam bir gizlilik ile korunacak ve Kişisel Bilgilerin Koruması Kanunu çerçevesinde saklı tutulacaktır.

Anket ile ilgili linke buradan Anket Linki (Ayrıca bu yazının başında ve sonunda) ulaşabilirsiniz. Bu linke tıkladığınızda anketi dolduracağınız siteye yönlendirileceksiniz. Anketin kendisiyle veya yapılan araştırmayla ilgili herhangi bir sorunuz ya da tereddüttünüz olursa lütfen aşağıda belirtilen adres, mail ve telefonlardan bizlere ulaşmaktan çekinmeyiniz.

Şimdiden göstereceğiniz iyi niyet ve katkı için gönülden teşekkür ederiz.

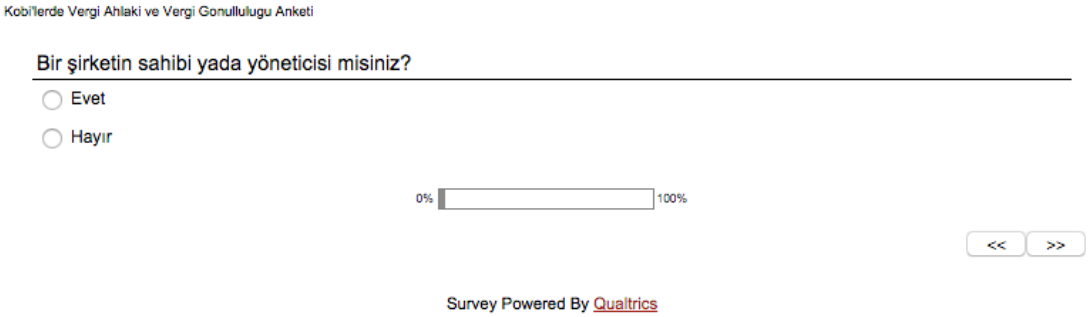
Anket Linki yada direk adres: https://qtrial.qualtrics.com/SE/?SID=SV_3ZRN2hiwZpKAL6B yoluyla ankete ulaşabilirsiniz

Saygılarımızla,

Recep Yucedogru

Araştırma Görevlisi
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Appendix 9: Online Questionnaire Display



Kobi'lerde Vergi Ahlaki ve Vergi Gonullulugu Anketi

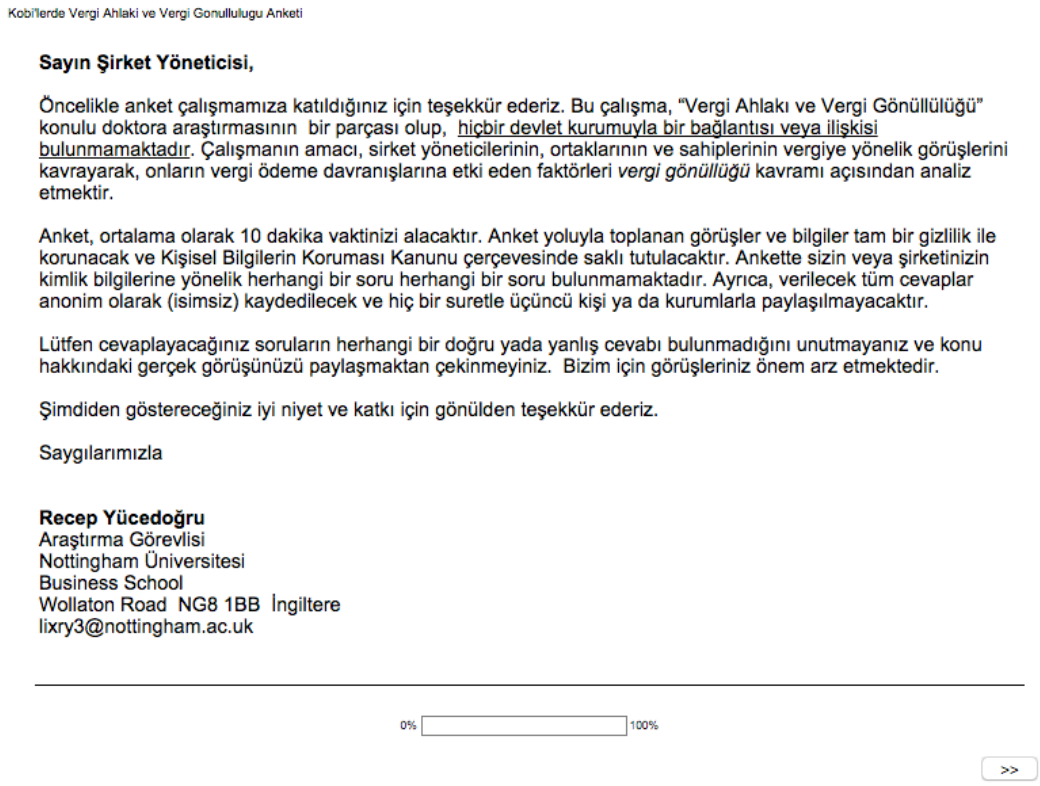
Bir şirketin sahibi yada yöneticisi misiniz?

- Evet
- Hayır

0% 100%

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Survey Powered By Qualtrics



Kobi'lerde Vergi Ahlaki ve Vergi Gonullulugu Anketi

Sayın Şirket Yöneticisi,

Öncelikle anket çalışmamıza katıldığınız için teşekkür ederiz. Bu çalışma, "Vergi Ahlakı ve Vergi Gönüllülüğü" konulu doktora araştırmasının bir parçası olup, hiçbir devlet kurumuyla bir bağlantısı veya ilişkisi bulunmamaktadır. Çalışmanın amacı, sirket yöneticilerinin, ortaklarının ve sahiplerinin vergiye yönelik görüşlerini kavrayarak, onların vergi ödeme davranışlarına etki eden faktörleri *vergi gönüllüğü* kavramı açısından analiz etmektir.

Anket, ortalama olarak 10 dakika vaktinizi alacaktır. Anket yoluyla toplanan görüşler ve bilgiler tam bir gizlilik ile korunacak ve Kişisel Bilgilerin Koruması Kanunu çerçevesinde saklı tutulacaktır. Ankette sizin veya şirketinizin kimlik bilgilerine yönelik herhangi bir soru herhangi bir soru bulunmamaktadır. Ayrıca, verilecek tüm cevaplar anonim olarak (isimsiz) kaydedilecek ve hiç bir suretle üçüncü kişi ya da kurumlarla paylaşılmayacaktır.

Lütfen cevaplayacağınız soruların herhangi bir doğru yada yanlış cevabı bulunmadığını unutmayanız ve konu hakkındaki gerçek görüşünüzü paylaşmaktan çekinmeyiniz. Bizim için görüşleriniz önem arz etmektedir.

Şimdiden göstereceğiniz iyi niyet ve katkı için gönülden teşekkür ederiz.

Saygılarımızla

Recep Yücedoğru
Araştırma Görevlisi
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Kobi'lerde Vergi Ahlaki ve Vergi Gonullulugu Anketi

Aşağıdaki önermelere ne ölçüde katılırsınız?

	Kesinlikle katılıyorum	Katılıyorum	Kısmen Katılıyorum	Kararsızım	Kısmen katılmıyorum	Katılmıyorum	Kesinlikle katılmıyorum
Şirketimin vergilerini öderken kişisel değerlerim ve inançlarım da beni etkiler.	○	○	○	○	○	○	○

Aşağıdaki önermelere ne ölçüde katılırsınız?

	Kesinlikle katılıyorum	Katılıyorum	Kısmen Katılıyorum	Kararsızım	Kısmen katılmıyorum	Katılmıyorum	Kesinlikle katılmıyorum
Genel olarak bakıldığında vergi yükü ülkemizde adaletli bir şekilde dağıtılmıştır.	○	○	○	○	○	○	○
Mükellefler genel olarak adaletli bir şekilde vergilendiriliyor.	○	○	○	○	○	○	○
Vergi sistemimizin adaletli olduğunu düşünüyorum.	○	○	○	○	○	○	○
Bence şirketimiz üzerine düsen adil vergi payını ödüyor.	○	○	○	○	○	○	○
Ortalama bir vergi mükellefi için vergi sisteminin adaletli olduğunu düşünüyorum.	○	○	○	○	○	○	○
Ülkemizde şirketler adaletli bir şekilde vergilendiriliyor.	○	○	○	○	○	○	○

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Kobi'lerde Vergi Ahlaki ve Vergi Gonullulugu Anketi

Aşağıdaki önermelere ne ölçüde katılırsınız?

	Kesinlikle katılıyorum	Katılıyorum	Kısmen Katılıyorum	Kararsızım	Kısmen katılmıyorum	Katılmıyorum	Kesinlikle katılmıyorum
Vergi dairesinin kararlarının adaletli olduğunu düşünüyorum.	○	○	○	○	○	○	○
Vergi dairesi her vergi mükellefine ayni yaklaşır ve kuralları eşit şekilde uygular.	○	○	○	○	○	○	○
Vergi dairesi genellikle mükellefin lehine karar verir.	○	○	○	○	○	○	○

Aşağıdaki önermelere ne ölçüde katılırsınız?

	Kesinlikle katılıyorum	Katılıyorum	Kısmen Katılıyorum	Kararsızım	Kısmen katılmıyorum	Katılmıyorum	Kesinlikle katılmıyorum
Genel olarak vergi konusunda bilgili olduğumu düşünürüm.	○	○	○	○	○	○	○
Vergi sistemini anlamakta güçlük çekiyorum.	○	○	○	○	○	○	○
Kendimi şirketimin vergi işlerini görecek (beyanname hazırlama vb.) yeterlikte bilgi sahibi olarak görüyorum.	○	○	○	○	○	○	○
Vergi sistemini karmaşık buluyorum.	○	○	○	○	○	○	○
Geçtiğimiz yıl şirketimizin vergi beyannamesini hazırlarken vergi idaresinin bizden ne istediğini anladım.	○	○	○	○	○	○	○
Bir vatandaş olarak yerine getirmem gereken bütün vergisel yükümlülüklerimden haberdarım.	○	○	○	○	○	○	○
Bir yönetici olarak şirketimin yerine getirmesi gereken bütün vergisel yükümlülüklerden haberdarım.	○	○	○	○	○	○	○

0% 100%

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KobiTerde Vergi Ahlaki ve Vergi Gonullulugu Anketi

Aşağıdaki önermelere ne ölçüde katılırsınız?

	Kesinlikle katılıyorum	Katılıyorum	Kısmen Katılıyorum	Kararsızım	Kısmen katılmıyorum	Katılmıyorum	Kesinlikle katılmıyorum
Genel olarak kamu yönetiminde iyi kararlar alınır.	○	○	○	○	○	○	○
Kamu için doğru olan yapılır.	○	○	○	○	○	○	○
Kamu hizmetlerine güvenirim.	○	○	○	○	○	○	○
Sunulan Kamu hizmetlerinden şikâyet etmem.	○	○	○	○	○	○	○
Genel olarak kamuya sunulan hizmetlerinden memnunum.	○	○	○	○	○	○	○

Aşağıdaki önermelere ne ölçüde katılırsınız?

	Kesinlikle katılıyorum	Katılıyorum	Kısmen Katılıyorum	Kararsızım	Kısmen katılmıyorum	Katılmıyorum	Kesinlikle katılmıyorum
Utanç verici hareketlerden itina ile çekinirim.	○	○	○	○	○	○	○
Dini görevlerimi yerine getiririm.	○	○	○	○	○	○	○
Yaratıcının emirlerini yerine getirmek benim için önemlidir.	○	○	○	○	○	○	○
Bir yaratıcının varlığına inanırım.	○	○	○	○	○	○	○
İnancım davranışlarımı etkilemez.	○	○	○	○	○	○	○

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KobiTerde Vergi Ahlaki ve Vergi Gonullulugu Anketi

Aşağıdaki önermelere ne ölçüde katılırsınız?

	Kesinlikle katılıyorum	Katılıyorum	Kısmen Katılıyorum	Kararsızım	Kısmen katılmıyorum	Katılmıyorum	Kesinlikle katılmıyorum
Vergi kaçırmanın günah olduğuna inanırım.	○	○	○	○	○	○	○
Vergi kaçırmak kul hakkı yemektir.	○	○	○	○	○	○	○
Dini hassasiyetleri olan bir insanım.	○	○	○	○	○	○	○

Aşağıdaki önermelere ne ölçüde katılırsınız?

	Kesinlikle katılıyorum	Katılıyorum	Kısmen Katılıyorum	Kararsızım	Kısmen katılmıyorum	Katılmıyorum	Kesinlikle katılmıyorum
Vergi ödeme hususunda ahlaki bir sorumluluk hissediyorum.	○	○	○	○	○	○	○
Vergi ödemek zoruma gider.	○	○	○	○	○	○	○
Her şeye rağmen vergilerimi iyi niyetle öderim.	○	○	○	○	○	○	○
Bence vergi ödemek, devletin yararlı hizmetlerde bulunmasına yardımcı olmaktır.	○	○	○	○	○	○	○
Vergi ödemek doğru bir davranıştır.	○	○	○	○	○	○	○
Vergi ödemek her vatandaş tarafından gönüllü olarak kabul edilmesi gereken bir sorumluluktur.	○	○	○	○	○	○	○

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Kobi'lerde Vergi Ahlaki ve Vergi Gonullulugu Anketi

Aşağıdaki önermelere ne ölçüde katılırsınız?

	Kesinlikle katılıyorum	Katılıyorum	Kısmen Katılıyorum	Kararsızım	Kısmen katılmıyorum	Katılmıyorum	Kesinlikle katılmıyorum
Ne olursa olsun ülkeme olan bağlılığım her zaman güçlü kalır.	○	○	○	○	○	○	○
Kendimi bir vatansever olarak görürüm.	○	○	○	○	○	○	○
Türkiye Cumhuriyeti vatandaşı olmaktan gurur duyuyorum.	○	○	○	○	○	○	○
Türkiye Cumhuriyeti vatandaşı olmak benim kimliğimin önemli bir parçasıdır.	○	○	○	○	○	○	○

Aşağıdaki önermelere ne ölçüde katılırsınız?

	Kesinlikle katılıyorum	Katılıyorum	Kısmen Katılıyorum	Kararsızım	Kısmen katılmıyorum	Katılmıyorum	Kesinlikle katılmıyorum
Muhasebe programımız şirketimizi daha iyi kontrol etmemize yardımcı oluyor.	○	○	○	○	○	○	○
Her alışımızı ve satışımızı kaydederiz.	○	○	○	○	○	○	○
Vergilerimizi ödemeyi düşünürken, şirketimizin ihtiyaçları en önce gelir.	○	○	○	○	○	○	○
Kendi çalışanlarımız ve kaynaklarımız şirketimizin vergi yükümlülüklerini istenilen seviyede yerine getirmeye muktedirdir.	○	○	○	○	○	○	○
Personelimiz yapılan bütün mali işlemlerimizi mutlaka resmi defterlerimize kaydeder.	○	○	○	○	○	○	○
Personelimiz muhasebe işlemlerimizi her zaman vergi dairesi tarafından istenilen standartta yapar.	○	○	○	○	○	○	○
Şirket personelimiz bütün vergi yükümlülüklerimizi yerine getirecek yeterliliğe sahiptir.	○	○	○	○	○	○	○

0% 100%

Kobi'lerde Vergi Ahlaki ve Vergi Gonullulugu Anketi

Aşağıdaki önermelere ne ölçüde katılırsınız?

	Kesinlikle katılıyorum	Katılıyorum	Kısmen Katılıyorum	Kararsızım	Kısmen katılmıyorum	Katılmıyorum	Kesinlikle katılmıyorum
Geçen sene vergi işlerimiz ile ilgili sabit maliyetlerimiz çok yüksekti. (Kırtasiye, ulaşım, bilgisayar yazılımı v.b. giderler)	○	○	○	○	○	○	○
Vergi olmasa bile muhasebecime hesaplarımızı düzenlemesi için para öderdim.	○	○	○	○	○	○	○
Geçen sene muhasebecimizin bize maliyeti çok yüksekti.	○	○	○	○	○	○	○
Geçen sene vergi işlerine çok zaman harcadım.	○	○	○	○	○	○	○
Genel olarak vergi kanunlarına uymanın şirketimiz için başka faydaları da olduğunu söyleyebilirim.	○	○	○	○	○	○	○
Şirketimiz vergimizin ödenecek hale gelmesi için yüksek bir maliyete katlanıyor. (Beyanname hazırlanması, kayıtların tutulması ve denetlenmesi vb.)	○	○	○	○	○	○	○

0% 100%

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Aşağıdaki önermelere ne ölçüde katılırsınız?

	Kesinlikle katılıyorum	Katılıyorum	Kısmen Katılıyorum	Kararsızım	Kısmen katılmıyorum	Katılmıyorum	Kesinlikle katılmıyorum
Vergilerimi sorumluluk bilinci içerisinde öderim.	○	○	○	○	○	○	○
Vergilerimi ülkemi desteklemek için öderim.	○	○	○	○	○	○	○
Vergilerimi ödemek benim için bir vatandaşlık görevidir.	○	○	○	○	○	○	○
Devlete vergi ödememek ayıplanacak bir davranışır.	○	○	○	○	○	○	○
Eğer herkes vergilerini doğru bir şekilde ödeseydi, daha kaliteli kamu hizmeti alırdık.	○	○	○	○	○	○	○

Aşağıdaki önermelere ne ölçüde katılırsınız?

	Kesinlikle katılıyorum	Katılıyorum	Kısmen Katılıyorum	Kararsızım	Kısmen katılmıyorum	Katılmıyorum	Kesinlikle katılmıyorum
Muhasebecimize tamamen güvenirim.	○	○	○	○	○	○	○
Muhasebecimizin tavsiyeleri riskli bile olsa onlara uyarız.	○	○	○	○	○	○	○
Muhasebecimizin vergi konusunda tam bilgi sahibi ve liyakatli olduğunu düşünüyorum.	○	○	○	○	○	○	○
Şirketimiz her zaman muhasebecimizin tavsiyelerine uyar.	○	○	○	○	○	○	○
Muhasebecim beni vergi kanunlarına uymaya teşvik eder.	○	○	○	○	○	○	○
Rakiplerimin vergi kaçırdığı bir ortamda, aynı şekilde davranmak kabul edilebilir bir davranıştır.	○	○	○	○	○	○	○
Rakiplerimizin ödediği miktardan fazla vergi vermek mantıklı değildir.	○	○	○	○	○	○	○
Vergi öderken sektörümüzdeki diğer firmaların ortak davranışlarını örnek alırım.	○	○	○	○	○	○	○

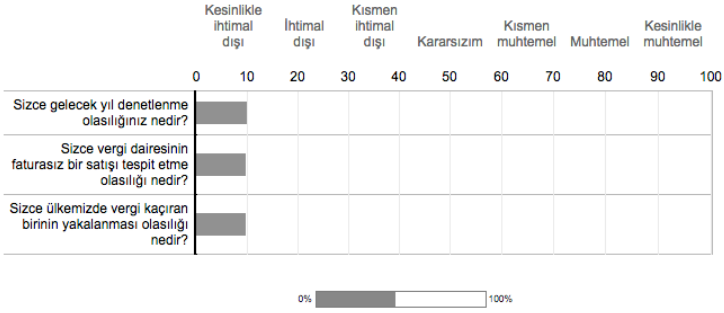
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Kobİlerde Vergi Ahlaki ve Vergi Gonullulugu Anketi

Aşağıdaki önermelere ne ölçüde katılırsınız?

	Kesinlikle katılıyorum	Katılıyorum	Kısmen Katılıyorum	Kararsızım	Kısmen katılmıyorum	Katılmıyorum	Kesinlikle katılmıyorum
Şirketimizin vergi yükü katlanılmaz boyuttadır.	○	○	○	○	○	○	○
Geçen yıl ödediğimiz toplam vergi miktarı çok yüksekti.	○	○	○	○	○	○	○
Bir kişi vergi kaçırmak istese bile, onu engelleyecek bir takım mekanizmalar mevcuttur.	○	○	○	○	○	○	○
Ciromuzun yüksek bir bölümü vergi ödemelerine gidiyor.	○	○	○	○	○	○	○

Lütfen öngördüğünüz yüzdeyi aşağıdaki ölçeğe tıklayarak belirleyiniz.



Kobİlerde Vergi Ahlaki ve Vergi Gonullulugu Anketi

Hangi yılda doğdunuz? (lütfen seciniz)

Cinsiyetiniz?

Kadın ○ Erkek ○

Eğitim durumunuz?

İlkokul ○ Ortaokul ○ Lise ○ Üniversite-Lisans ○ Yüksek lisans ○ Doktora ○ Örgun eğitime katılmadım ○

Medeni haliniz?

Bekar ○ Evli ○ Dul ○ Boşanmış ○

Şirketinizin ortak yapısını yapınızı seçiniz.

Aile şirketi ☐ Tek ortaklı ☐ Çift ortaklı ☐ Çok ortaklı ☐

Şirketiniz hangi yılda kuruldu?(lütfen seciniz)

Yasal şirket yapınızı seçiniz.

Sektörünüz?

İmalat	Hizmet	Ticaret	Madencilik	İnşaat	Enerji	Diğer
○	○	○	○	○	○	○

Kaç yıldır bu şirketin sahibi-yöneticisi olarak görev yapıyorsunuz?

Ne kadar suredir bulunduğunuz sektörde yöneticilik yada şirket ortağı olarak görev yapıyorsunuz?

Daha önce (eğitiminiz sırasında yada sonrasında) vergi hakkında herhangi bir kurs-eğitim aldınız mi?

Evet	Hayır
○	○

Kaç senedir mevcut muhasebeciniz ile çalışıyorsunuz?

Lütfen aşağıdaki soruların cevaplarını karşılarındaki kutucuklara yazınız.

	Rakamsal Cevaplar
Şirketinizin geçen seneki tahmini cirosu ne kadardır? (Lütfen TL olarak yazınız)	
Şirketinizin geçen yılki tahmini karlılık oranı nedir? (Lütfen yüzde olarak yazınız)	
Geçen yıl şirketiniz ne kadar toplam vergi ödedi?	
Şirketinizde toplam kaç çalışanınız var?	
Muhasebe işlerinizi gören toplam kaç çalışanınız var?	

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[<<][>>]

Kobi'lerde Vergi Ahlaki ve Vergi Gonullulugu Anketi

Lütfen vergi konusunda belirtmek istediğiniz bir görüsünüz var ise eklemekten çekinmeyin. Bizim için görüşleriniz önem arz etmektedir.

0% 100%

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Kobi'lerde Vergi Ahlaki ve Vergi Gonullulugu Anketi

Anket Bitti. Katılımınızdan dolayı çok teşekkür ederiz.

0% 100%

Appendix 10: SPSS Syntax of Aggregated Factor Analysis and Scree Plot

```
FACTOR

  /VARIABLES PersonalN1 PersonalN2 PersonalN3 DistJust1 DistJust2 DistJust3 DistJust4 DistJust5
ProcedJust1 ProcedJust2 ProcedJust3 TKnow1 TKnow2 TKnow3 Complex1 Complex2 Religiosity1
Religiosity2 Religiosity3 Religiosity4 Religiosity5 ReligEv1 ReligEv2 Patriot1 Patriot2 Patriot3
CorporateN1 CorporateN2 CorporateN3 CompCost1 CompCost2 CompCost4 OtherBus1 OtherBus2
OtherBus3 PBC1 PBC2 PBC3 EObligation1 EObligation2 EObligation3 RiskA1 RiskA3 TaxMorale1
TaxMorale2 TaxMorale3 TaxMorale4 Compliance1

Compliance2 Compliance3 Compliance4 TaxMorale6

  /MISSING LISTWISE

  /ANALYSIS PersonalN1 PersonalN2 PersonalN3 DistJust1 DistJust2 DistJust3 DistJust4 DistJust5
ProcedJust1 ProcedJust2 ProcedJust3 TKnow1 TKnow2 TKnow3 Complex1 Complex2 Religiosity1
Religiosity2 Religiosity3 Religiosity4 Religiosity5 ReligEv1 ReligEv2 Patriot1 Patriot2 Patriot3
CorporateN1 CorporateN2 CorporateN3 CompCost1 CompCost2 CompCost4 OtherBus1 OtherBus2
OtherBus3 PBC1 PBC2 PBC3 EObligation1 EObligation2 EObligation3 RiskA1 RiskA3 TaxMorale1
TaxMorale2 TaxMorale3 TaxMorale4 Compliance1 Compliance2

Compliance3 Compliance4 TaxMorale6

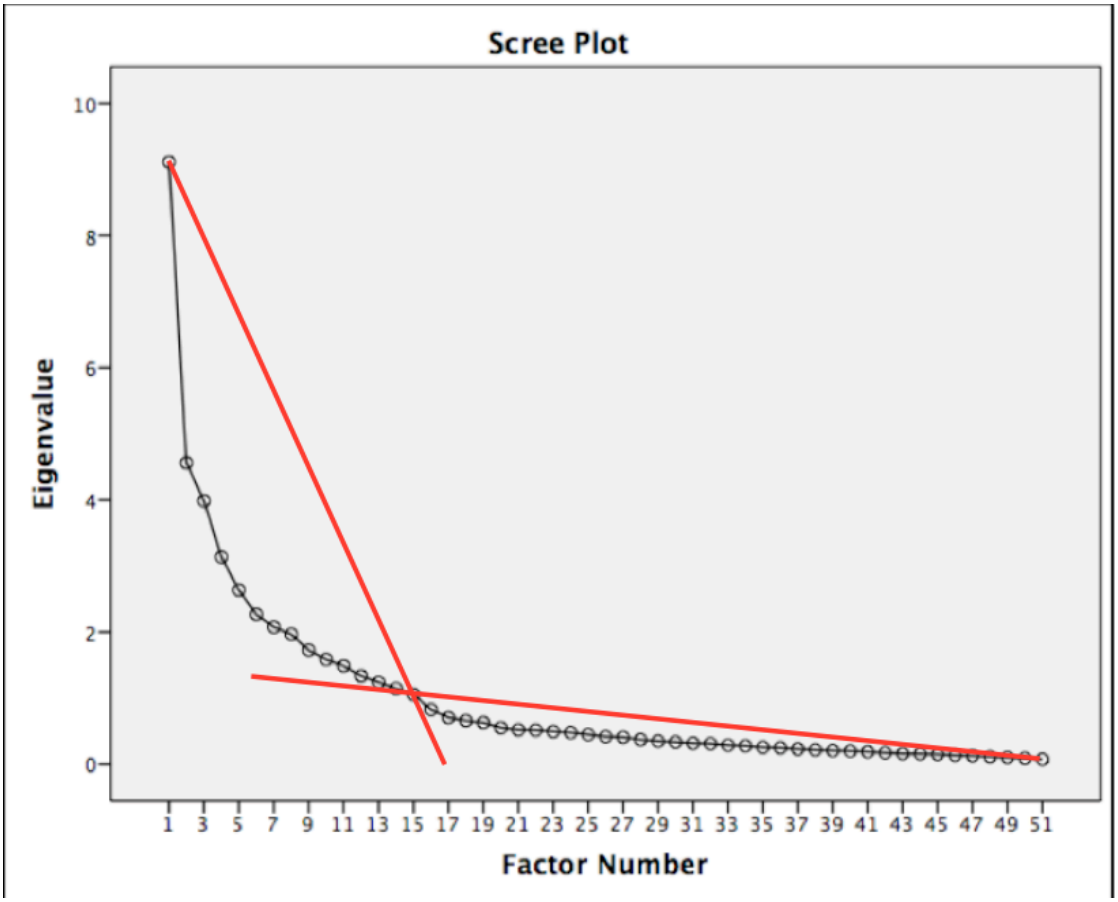
  /PRINT INITIAL SIG KMO EXTRACTION ROTATION

  /FORMAT SORT BLANK(.30)

  /PLOT EIGEN

  /CRITERIA FACTORS(16) ITERATE(25)

  /EXTRACTION PAF   /CRITERIA ITERATE(25) DELTA(0)  /ROTATION OBLIMIN
/METHOD=CORRELATION.
```


Scree Plot
Eigenvalue
10
8
6
4
2
0
1 3 5 7 9 11 13 15 17 19 21 23 25 27 29 31 33 35 37 39 41 43 45 47 49 51
Factor Number

Appendix 11: SPSS Output of the Factor Analysis of Religiosity and ReligEv Items

KMO and Bartlett's Test

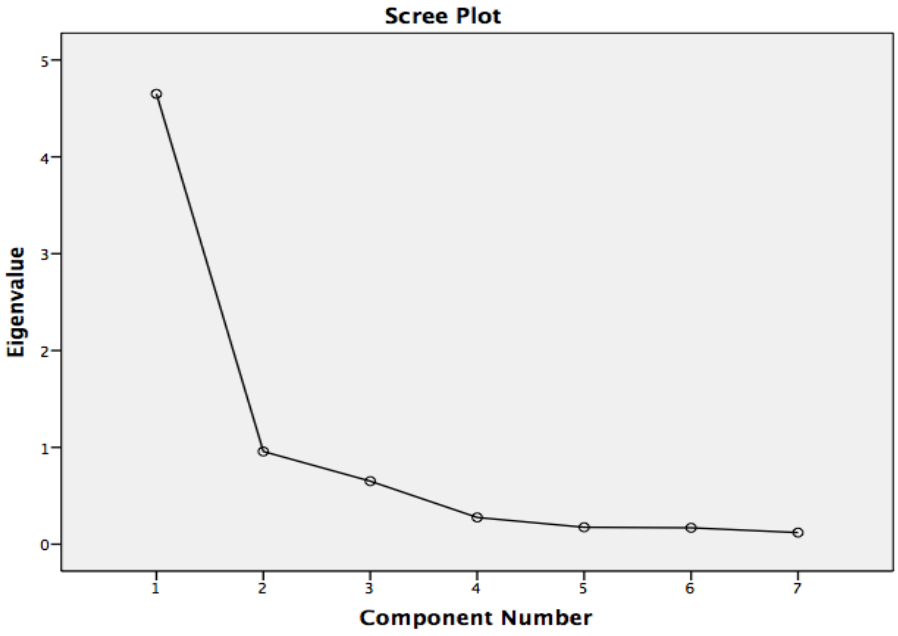
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.856
Bartlett's Test of Sphericity	Approx. Chi-Square	2594.745
	df	21
	Sig.	.000

Pattern Matrix[a]

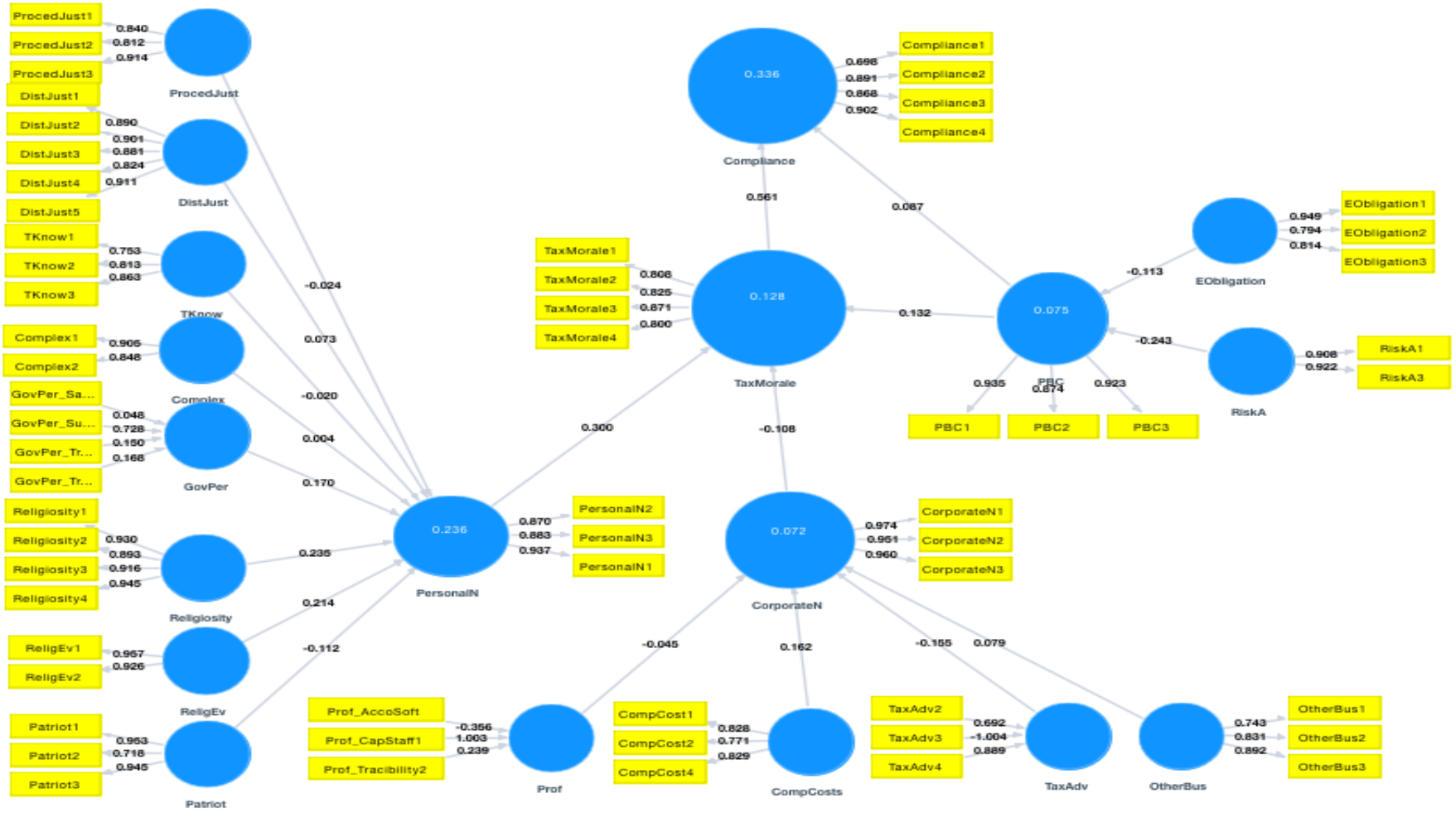
	Component	
	1	2
Religiosity4	.860	
Religiosity3	.818	
Religiosity5	.813	
Religiosity2	.810	
Religiosity1	.744	
ReligEv2		.960
ReligEv1		.764

Extraction Method: Principal Component Analysis.
Rotation Method: Oblimin with Kaiser Normalization.

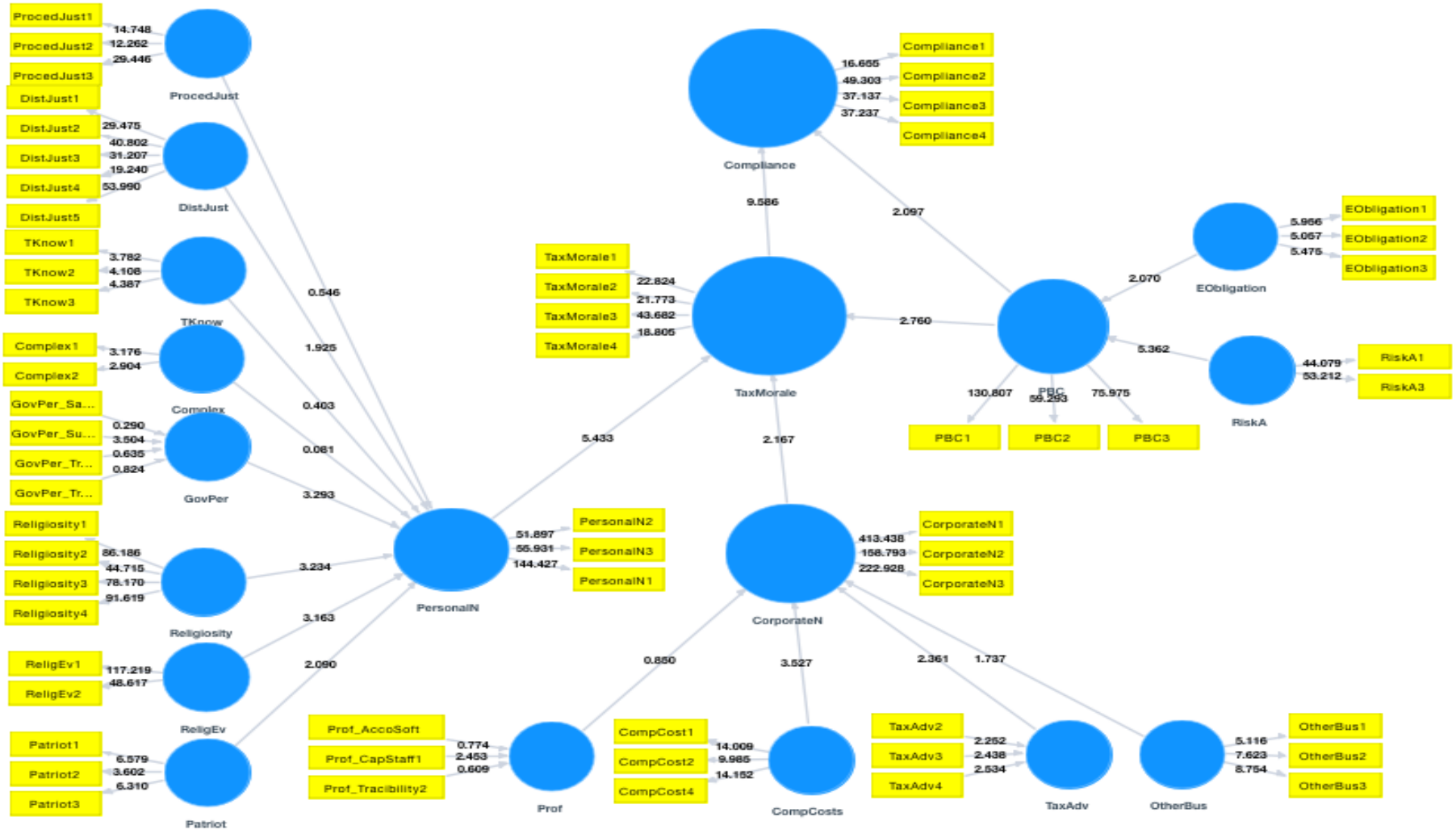
a. Rotation converged in 6 iterations.



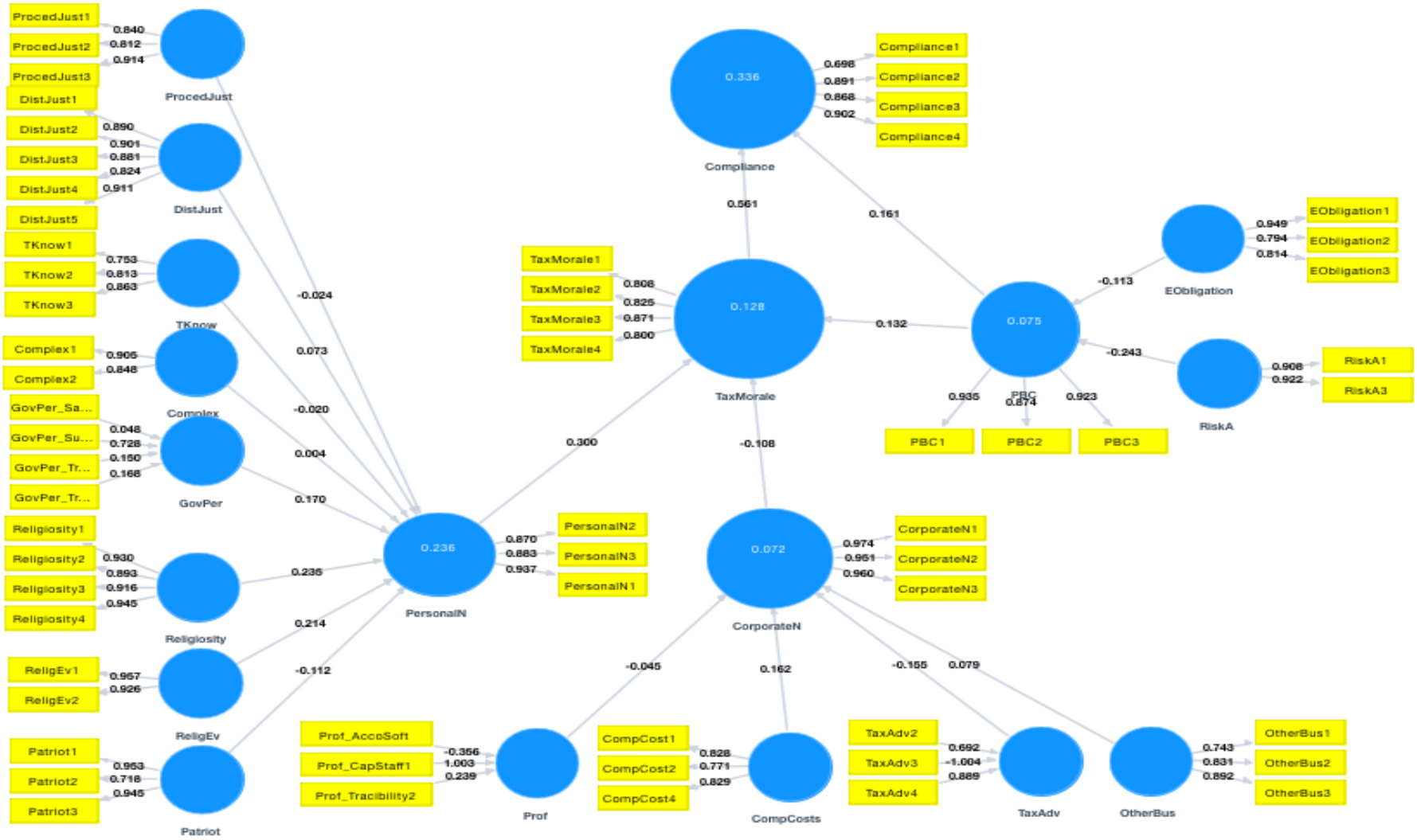
Appendix 12: SmartPLS Output of the Model: Path Coefficients



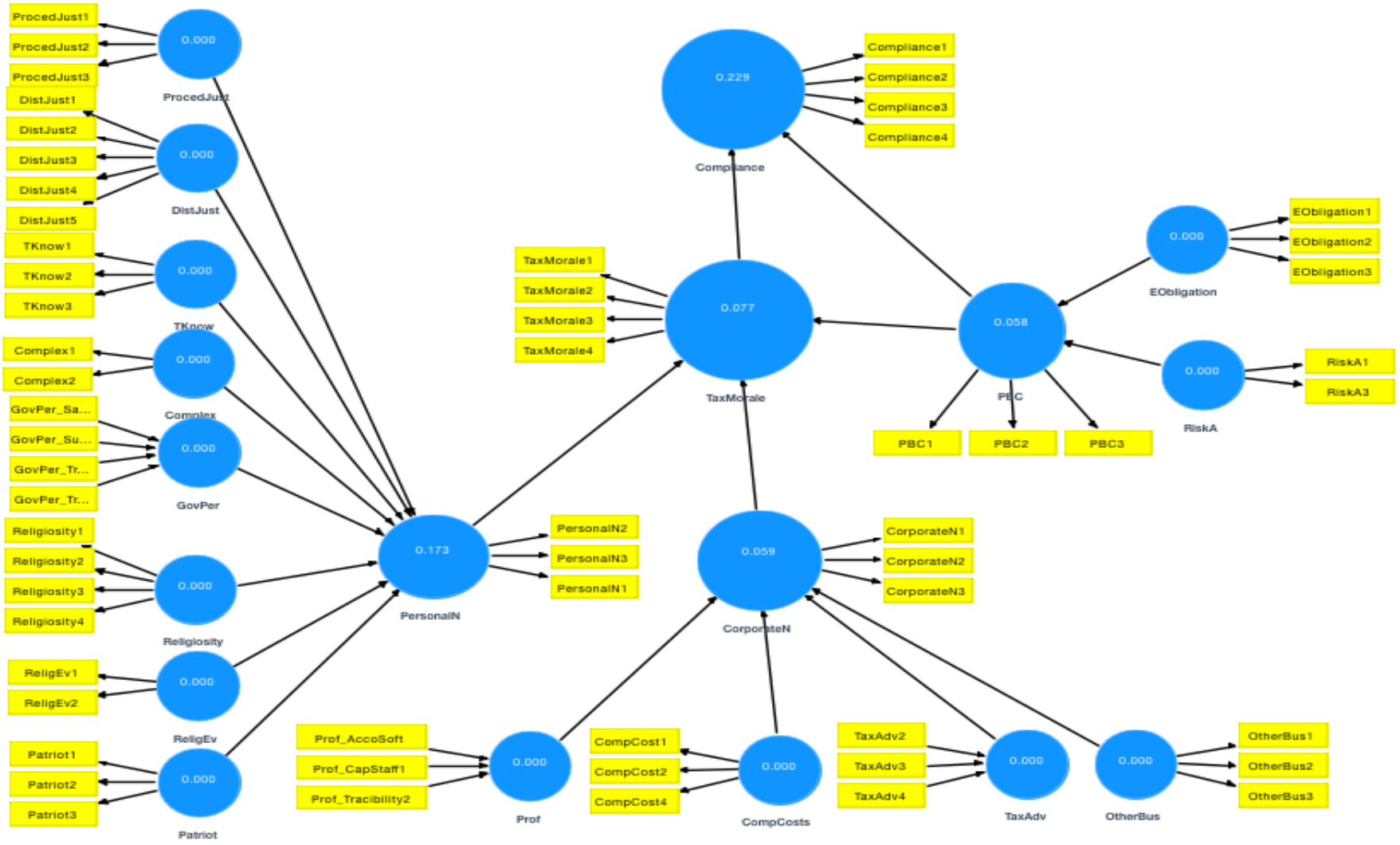
Appendix 13: SmartPLS Output of the Model: T Statistics



Appendix 14: SmartPLS Output of the Model: Total Effects

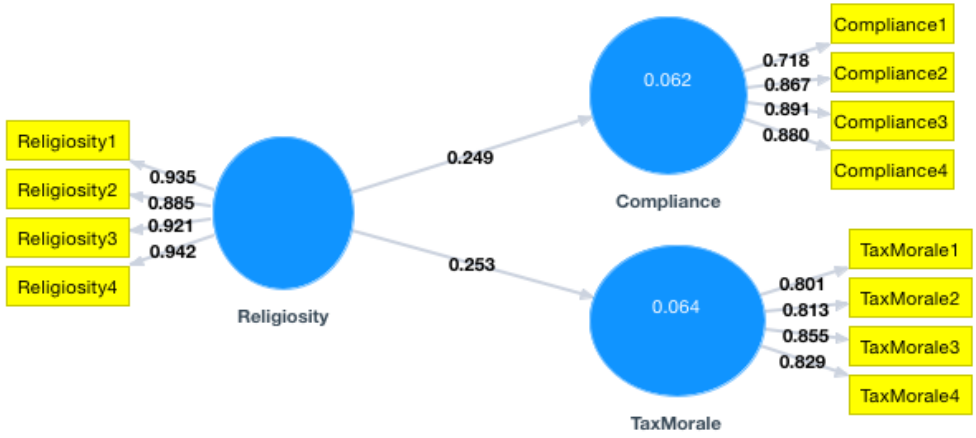


Appendix 15: SmartPLS Output of the Model: Predictive Relevance Q^2

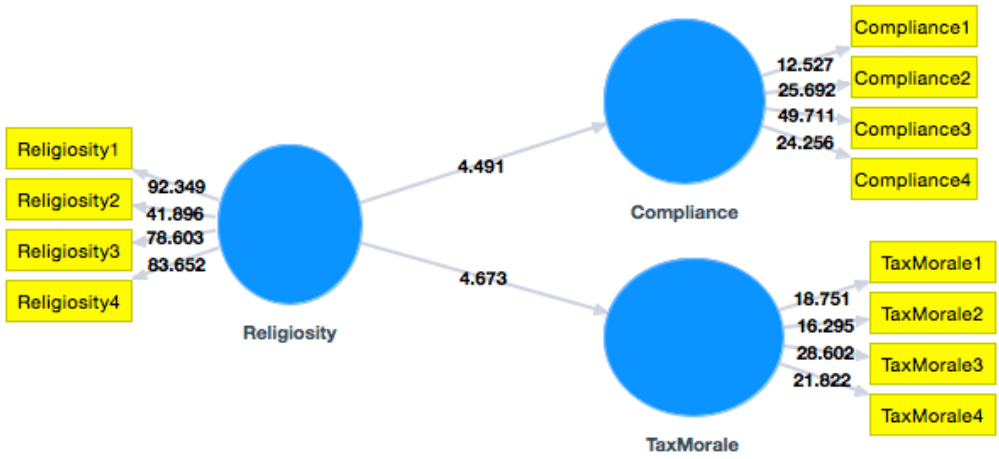


Appendix 16: SmartPLS Output of the RQ6 model (Religiosity Model):

A. Path Coefficients and R^2 values



B. Bootstrapping Procedure: Significance of Path Coefficients (T statistics)



C. Blindfolding Procedure: Predictive Relevance Q^2

