



EXPLORING THE ROLE OF ETHICAL RELATIVISM, MENTAL ACCOUNTING, AND TAX DIGITALIZATION IN MSME TAX COMPLIANCE

MENELITI PERAN RELATIVISME ETIKA, AKUNTANSI MENTAL, DAN DIGITALISASI PAJAK DALAM KEPATUHAN PAJAK USAHA KECIL DAN MENENGAH (UKM)

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ABSTRACT

This study aims to provide empirical evidence on the influence of ethical relativism, mental accounting, and tax digitalization on tax compliance among MSME taxpayers at KPP Pratama Banyuwangi. Using a quantitative approach, this research involves 120 individual MSME taxpayers selected through accidental sampling. Data were analyzed using multiple linear regression assisted by SPSS version 26. The results show that ethical relativism does not significantly affect tax compliance, as taxpayer decisions tend to be guided more by regulatory and rational considerations than by moral perspectives. In contrast, both mental accounting and tax digitalization have a positive and significant influence, indicating that effective financial categorization and accessible digital tax services enhance taxpayer compliance. These findings suggest that psychological and technological factors play a vital role in fostering tax compliance beyond ethical reasoning. The implication of this research highlights the importance for tax authorities to improve digital infrastructure and taxpayer financial literacy as strategic steps to increase compliance rates.

Kata Kunci: Digitalisasi Pajak, Kepatuhan Pajak, Mental Accounting, Relativisme Etis, UMKM


A B S T R A K

Penelitian ini bertujuan untuk memberikan bukti empiris mengenai pengaruh relativisme etis, mental accounting, dan digitalisasi pajak terhadap kepatuhan pajak di kalangan Wajib Pajak UMKM pada KPP Pratama Banyuwangi. Dengan menggunakan pendekatan kuantitatif, penelitian ini melibatkan 120 Wajib Pajak UMKM perseorangan yang dipilih melalui teknik accidental sampling. Data dianalisis menggunakan regresi linier berganda dengan bantuan SPSS versi 26. Hasil penelitian menunjukkan bahwa relativisme etis tidak berpengaruh signifikan terhadap kepatuhan pajak, karena keputusan Wajib Pajak cenderung lebih dipandu oleh pertimbangan regulasi dan rasional daripada perspektif moral. Sebaliknya, baik mental accounting maupun digitalisasi pajak memiliki pengaruh positif dan signifikan, yang mengindikasikan bahwa kategorisasi keuangan yang efektif dan layanan pajak digital yang mudah diakses meningkatkan kepatuhan Wajib Pajak. Temuan ini menunjukkan bahwa faktor psikologis dan teknologi memainkan peran penting dalam mendorong kepatuhan pajak di luar pertimbangan etis. Implikasi dari penelitian ini menekankan pentingnya bagi otoritas pajak untuk meningkatkan infrastruktur digital dan literasi keuangan Wajib Pajak sebagai langkah strategis dalam meningkatkan tingkat kepatuhan.

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1. Introduction

Indonesia is currently in a strategic phase of national development, marked by massive infrastructure projects and ongoing structural reforms aimed at achieving sustainable economic growth. According to Bappenas, the Indonesian economy is projected to grow at an average rate of 5.7% per year during 2016–2045, contingent upon consistent reform (Bappenas, 2019). Tax revenue plays a central role in financing this national agenda, as it represents the largest source of state income (Badan Pusat Statistik, 2023).

Micro, Small, and Medium Enterprises (MSMEs) are essential contributors to the national economy. As reported, MSMEs constitute 99% of total business units and contribute 61% to Indonesia's GDP (Limanseto, 2023). In Banyuwangi, one of the most dynamic regencies in East Java, MSME growth has been accelerated by tourism, with over 1,000 MSMEs registered in the local e-catalogue and transaction values reaching IDR 581 billion in 2023 (BeritaBwi, 2024). Despite this growth, tax compliance among MSMEs remains low. In 2024, only 2,330 out of 7,643 active MSME taxpayers at KPP Pratama Banyuwangi submitted taxes, marking a drastic drop in compliance from 97% in 2023 to just 30% (KPP Pratama Banyuwangi, 2025).

While low compliance is often attributed to limited tax knowledge, recent studies suggest deeper socio-psychological and systemic factors. Cultural norms and social environments often

normalize non-compliance, reflecting ethical relativism, where moral obligations, including tax duties, are seen as negotiable depending on personal or communal values (Hasanah & Ardini, 2021; Comunale et al., 2006). Empirical findings show that individuals with high ethical relativism are more likely to justify tax evasion (Amna et al., 2024; Romario & Rahmanto, 2023).

Another key internal factor is mental accounting, a concept introduced by Thaler (1990) and extended by Pompian (2012), referring to the cognitive framing that allows individuals to segment financial resources into separate mental “accounts.” Olsen et al., (2019) found that entrepreneurs with high mental accounting tendencies allocate funds specifically for tax obligations, resulting in higher compliance.

Externally, tax digitalization also plays a vital role. Technological systems aim to simplify tax procedures, improve accessibility, and reduce administrative burden. Several studies (Sinuhaji et al., 2024; Jatmika & Puspita, 2024; Sugiyono et al., 2024) confirm that digital systems can significantly improve MSME tax compliance.

However, inconsistencies remain across previous studies. Some researchers (e.g., Rindianti et al., 2023; Atifa et al., 2023) report non-significant or contrary findings. Moreover, to date, no comprehensive study has examined the combined effects of ethical relativism, mental accounting, and tax digitalization on MSME taxpayer compliance in Banyuwangi, despite its economic importance and unique sociocultural dynamics.

Thus, this study aims to examine the effects of ethical relativism, mental accounting, and tax digitalization on the tax compliance of MSME taxpayers at KPP Pratama Banyuwangi. By integrating internal and external dimensions, this research offers a comprehensive approach rooted in Attribution Theory (Schmitt, 2015; Hasanah et al., 2024), helping to fill the gap in both theoretical and empirical tax compliance literature.

This study contributes to academic development by strengthening the theoretical discourse on attribution in taxation and offers practical insights for the Directorate General of Taxes (DJP) to refine compliance strategies. It also supports MSMEs in understanding behavioral and technical aspects that influence their compliance decisions.

2. Literature Review

2.1. Attribution Theory

Attribution Theory is one of the primary approaches used to understand how individuals interpret and identify the causes behind behaviors or events in their environment. This concept was initially introduced by Fritz Heider in 1958 and further developed by various scholars. According to Kaplan et al., (1988), individuals act as naïve scientists attempting to comprehend the causes of surrounding events. Schmitt (2015) emphasizes that this theory describes behavior as being attributed to either internal factors (originating from the individual) or external

factors (linked to situational or environmental contexts). Graham (2020) expands this view by highlighting that Attribution Theory focuses on perceived causes of success and failure, whereby individuals seek answers to the "why" behind events.

Hasanah et al., (2024) note that individuals tend to observe and judge behaviors, particularly those perceived as intentional and norm-violating, based on internal traits (such as personality) or external conditions (like social settings). Additionally, Hasanah et al., (2024) elaborate on Kelley's Covariation Model, which emphasizes three key indicators: consensus, consistency, and distinctiveness. Consensus refers to the extent to which others behave similarly in comparable situations, where high consensus indicates external attribution. Consistency evaluates whether a person behaves the same way over time in similar contexts, with high consistency suggesting internal causes. Distinctiveness assesses whether behavior is specific to certain situations; high distinctiveness indicates external attribution.

In this research, Attribution Theory is used to analyze tax compliance behaviors among MSME taxpayers in Banyuwangi by classifying behavioral influences into internal factors namely Ethical Relativism and Mental Accounting, and external factors such as Tax Digitalization. This multidimensional framework enables a comprehensive understanding of taxpayer decision-making and non-compliance phenomena.

2.2. *Taxpayer Compliance*

Tax compliance is a critical component for optimizing state revenue collection. According to Hayati et al., (2024), tax compliance refers to taxpayer behavior in fulfilling all tax obligations and exercising their rights in accordance with the applicable laws. Voluntary tax compliance involves proactive engagement based on ethical values and societal contributions, free from legal compulsion (Azmi & Daud, 2024). Low levels of tax compliance among MSMEs in Banyuwangi highlight the need to understand the underlying factors, both internal and external. Internally, Ethical Relativism and Mental Accounting influence taxpayer decisions. Ethical Relativism can cause taxpayers to perceive obligations as negotiable, based on personal values. Externally, Tax Digitalization plays a role in reducing administrative barriers.

Several indicators have been used in previous studies to measure taxpayer compliance. Stevlyan & Agustiningsih, (2024) identify three main indicators: (1) completeness of data during audits, (2) punctuality in submitting tax returns (SPT), and (3) payment of taxes according to set rates. Ariesta et al. (2024), however, offer a more comprehensive set of five indicators: (1) accurate calculation of tax liabilities, (2) timely payment of outstanding taxes, (3) timely completion and submission of annual tax returns, (4) no history of tax delinquency, and (5) absence of criminal tax penalties. This study adopts the indicators developed by Ariesta et al., (2024), which are deemed more relevant and robust in capturing MSME tax behavior.

2.3. *Ethical Relativism*

Ethical Relativism focuses on individual interests and rejects universal moral standards. According to Hasanah & Ardini (2021), moral judgment under this perspective depends on personal needs, cultural customs, and religious beliefs. Tanjung & Indrawan (2022) argue that ethical norms vary across cultures, with high relativists perceiving morality as context-dependent. Vinson et al., (2020) highlight how regional practices in the MENA region, such as *wasta* (nepotism) and *bakshish* (bribery), may be seen as morally acceptable locally, despite being unethical by Western standards. Österman (2021) explains that relativism, from a philosophical standpoint, recognizes diverse ways of life shaped by local traditions, challenging the notion of universal ethical rules. Romario & Rahmanto (2023) further emphasize that relativism rejects global moral standards, underscoring the influence of socio-cultural environments on ethical decision-making. This theory is relevant in the Banyuwangi MSME context, where tax obligations may be viewed as flexible and culturally negotiable. Such perceptions diminish formal compliance and are influenced by prevailing local values and customs.

To measure Ethical Relativism, Forsyth (1980) proposed four key indicators: (1) ethical standards vary across societies, (2) moral concepts differ among individuals, (3) ethical decisions in interpersonal contexts are complex, and (4) lying may be judged as moral or immoral depending on circumstances. These indicators are adopted in this study due to their theoretical depth and contextual flexibility.

2.4. *Mental Accounting*

Mental Accounting is a concept central to understanding how individuals and organizations manage financial behavior. Thaler (1990) defines Mental Accounting as a set of cognitive operations used to track financial activity and address self-control issues in spending. Olsen et al., (2019) explain that it helps organize financial activities and supports money management. Pompian (2012) and Fitriandi & Ahmar (2022) emphasize the cognitive categorization and evaluation of financial transactions.

In the context of Banyuwangi MSMEs, poor financial discipline and awareness often hinder tax compliance. Mental Accounting becomes essential for helping business owners segment and manage their finances, particularly in isolating tax obligations from general expenses. This cognitive separation aids compliance and budgeting discipline. (Hikmah et al., 2021) propose four indicators focused on tax obligations: (1) awareness of tax liability during sales, (2) routine calculation of taxes post-sale, (3) income allocation for tax payments, and (4)

difficulty using funds for unplanned purposes. This study expands these indicators by incorporating an additional factor, financial segregation, as highlighted by Olsen et al. (2019), who found that high Mental Accounting skills correlate with strict separation between personal and business finances.

Thus, the five indicators used in this study are: (1) segregation of personal and business finances, (2) tax obligation awareness during sales, (3) calculation of tax liabilities post-sale, (4) income allocation for tax, and (5) restricted spending on unplanned items.

2.5. *Tax Digitalization*

Tax Digitalization is a strategic initiative to enhance tax services and compliance. According to Fitrianti et al., (2024), digitalizing tax services aims to simplify taxpayer obligations and increase engagement. Sinuhaji et al., (2024) emphasize that digital transformation supports better governance and service quality. Globally, digitalization has led to new tax mechanisms such as the Digital Services Tax (DST), which targets revenue from digital platforms. For example, DST revenue in the UK increased from £275 million in 2020–21 to £440 million in 2023–2024 (Bunn et al., 2020). These trends affirm the relevance of Tax Digitalization in improving MSME tax compliance in Indonesia, particularly in Banyuwangi.

Tambun & Ananda (2022) suggest three indicators: (1) digital tax applications, (2) ease of information access, and (3) service innovation. However, this study adopts the framework by Ningsih et al., (2024), which offers a more comprehensive set of indicators: (1) information and system quality, (2) service quality and accessibility, and (3) perceived ease of use. These indicators cover both technical efficiency and user satisfaction, providing a holistic view of digital tax service performance.

2.6. *Hypothesis Development*

2.6.1. *The Influence of Ethical Relativism on Taxpayer Compliance*

Ethical relativism, as conceptualized by Forsyth (1980), is a moral ideology in which individuals evaluate actions based on situational and contextual factors rather than universal ethical principles. In the context of tax compliance, ethical relativism can lead to varying moral judgments regarding tax obligations. Individuals who hold a relativistic ethical view may regard tax rules as negotiable depending on personal or cultural values, rather than as fixed legal obligations. To date, no studies have directly examined the effect of ethical relativism on tax compliance. Therefore, this research refers to previous studies that investigated the influence of ethical relativism on tax avoidance and tax evasion. Although the direction of influence differs, these constructs remain substantively relevant, as tax avoidance and tax evasion are forms of non-compliance. For instance, Amna et al. (2024) and Romario and Rahmanto (2023) found

that ethical relativism positively influences taxpayers' ethical perceptions of tax avoidance, suggesting that individuals with high relativistic tendencies might justify non-compliance based on personal or cultural reasoning. In contrast, Rindianti, Umiyati, and Sugiharto (2023) reported no significant relationship between ethical relativism and perceptions of tax evasion, suggesting that individual interpretations of tax morality vary across contexts. This inconsistency highlights a research gap on whether ethical relativism directly impacts actual tax compliance behavior.

From the perspective of attribution theory by Fritz Heider in 1958, individual behavior is influenced by internal and external factors. In this context, ethical relativism represents an internal attribution, as it stems from personal beliefs and moral reasoning. Taxpayers with high relativistic tendencies are likely to attribute their tax compliance decisions to internal moral frameworks rather than external norms or regulations. As such, their non-compliance may be internally justified based on subjective interpretations of fairness, responsibility, or cultural values (Kaplan, Reckers, and Roark, 1988). This internal attribution process helps explain the psychological mechanism behind moral flexibility in tax-related decisions. Hence, based on theoretical reasoning and indirect empirical findings, the following hypothesis is proposed:

H₁: Ethical relativism has a negative influence on taxpayer compliance.

2.6.2. The Influence of Mental Accounting on Taxpayer Compliance

Mental accounting, introduced by Thaler (1990), refers to the cognitive process by which individuals categorize and evaluate financial activities by mentally allocating them into separate "accounts." In taxation, this can affect how taxpayers perceive and manage their tax obligations. According to Olsen et al. (2019), self-employed individuals with higher mental accounting tendencies tend to separate tax funds from business revenue and are more likely to engage in proactive tax planning. Similarly, Dhimi & Hajimoladarvish (2020) demonstrated that mental accounting significantly influences tax behavior, particularly when taxpayers perceive taxes as losses that require mitigation strategies. Supporting evidence was also found by Nugroho and Muamarah (2021), Mutanga et al. (2021), and Sadrin, Malikah, and Afifudin (2021), who emphasized the positive relationship between mental accounting and tax compliance. However, Hikmah et al. (2021) found no significant moderating effect of mental accounting on the relationship between tax compliance intentions and behavior, suggesting contextual differences in its impact.

Based on attribution theory by Fritz Heider in 1958, mental processes such as cognitive framing and internal evaluation represent internal attributions that drive individual behavior. Mental accounting is a form of internal attribution where individuals subjectively organize financial decisions based on personal categorizations. In the context of taxation, taxpayers with strong mental accounting tendencies may feel more personally responsible for fulfilling their

obligations, as they mentally segregate tax payments from other financial activities (Kaplan, Reckers, and Roark, 1988). This internal attribution facilitates structured thinking and disciplined financial behavior, which can enhance tax compliance. Therefore, the hypothesis is formulated as follows:

H₂: Mental accounting has a positive influence on taxpayer compliance.

2.6.3. The Influence of Tax Digitalization on Taxpayer Compliance

Tax digitalization refers to the integration of digital technologies in the tax administration system, aimed at increasing efficiency, accessibility, and transparency. According to attribution theory (Kaplan, Reckers, and Roark 1988), external factors such as system usability can influence individual behavior. Numerous studies, including those by Pratiwi and Sofya (2023), Ristiyana, Atichasari, and Indriani (2024), and Ningsih et al. (2024), suggest that digitalized tax systems improve taxpayer compliance by reducing procedural complexity, minimizing errors, and increasing perceived fairness. The availability of real-time data, automated services, and online reporting tools promotes a positive user experience that may translate into higher compliance rates. Based on this premise, the following hypothesis is developed:

H₃: Tax digitalization has a positive influence on taxpayer compliance.

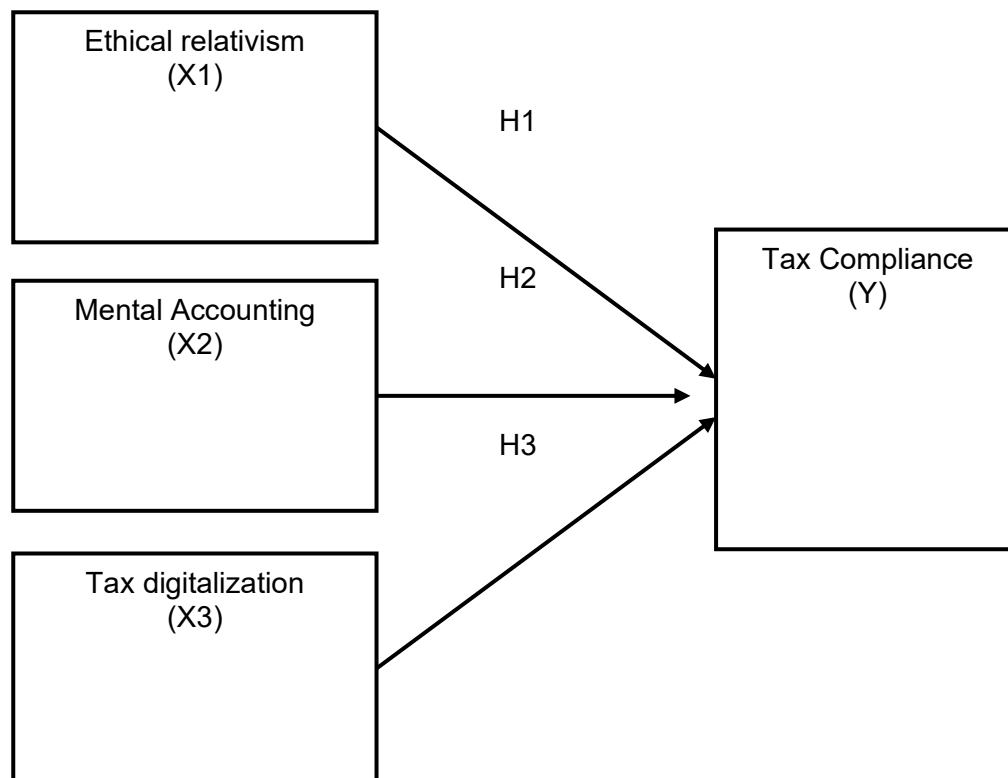


Figure 1
Research Conceptual Model

3. Research Method

This study employs a quantitative inferential approach aimed at empirically testing the influence of ethical relativism, mental accounting, and tax digitalization on tax compliance among MSME taxpayers in Banyuwangi. The study is structured to ensure systematic data collection, analysis, and interpretation aligned with the research objectives.

The research uses a descriptive-correlational design to examine the relationship between independent variables (ethical relativism, mental accounting, and tax digitalization) and the dependent variable, which is tax compliance. This approach enables the study to determine not only the direction but also the significance of influence among the studied variables (P. D. Sugiyono, 2019).

The population of this research comprises individual MSME taxpayers registered at KPP Pratama Banyuwangi in 2024, totaling 7,643 taxpayers. The sample was determined using the Slovin formula with a margin of error of 10%, resulting in a sample size of 120 respondents. The sampling technique employed was accidental sampling, where respondents were selected based on their availability and willingness to participate at the time of questionnaire distribution (Roflin & Liberty, 2021).

Primary data were collected using a structured questionnaire, consisting of items measured with a 5-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The questionnaire was distributed both physically and electronically to MSME taxpayers in Banyuwangi. The list of questionnaire items used in this study is presented in Table 1. The constructs and indicators were adapted from validated instruments used in previous studies. Ethical relativism indicators were based on Forsyth (1980). Mental accounting indicators were developed from the instrument by Hikmah et al. (2021), with an additional indicator specifically designed to capture the financial segregation aspect, which refers to the findings of Olsen et al. (2019) regarding the practice of separating business income for future tax obligations. This refinement was made to provide a more comprehensive measurement of mental accounting behaviors among taxpayers. Meanwhile, tax digitalization indicators were adopted from Ningsih et al. (2024).

Prior to the main survey, a pilot test was conducted involving 30 respondents. The results of the pilot test indicated that all items in the questionnaire were declared valid and reliable, thereby ensuring the quality of the measurement instrument used in the study.

The conceptual model posits that ethical relativism, mental accounting, and tax digitalization simultaneously and partially influence tax compliance. The model is grounded in Attribution Theory (Schmitt 2015), which distinguishes between internal and external attributions in behavioral decision-making. Ethical relativism and mental accounting are categorized as internal factors, while digitalization represents an external factor affecting compliance behavior.

The collected data were analyzed using multiple linear regression analysis with the assistance of SPSS version 26. Prior to the regression analysis, several diagnostic tests were conducted, including Descriptive statistics, Validity and reliability tests, Classical assumption tests: normality, multicollinearity, and heteroscedasticity, Hypothesis testing: F-test (simultaneous) and t-test (partial), Coefficient of determination (R^2) to measure model accuracy.

4. Results and Discussion

This study employed multiple linear regression analysis using SPSS version 26 to examine the influence of ethical relativism, mental accounting, and tax digitalization on the tax compliance of MSME taxpayers at KPP Pratama Banyuwangi. The data were obtained from 120 respondents selected through accidental sampling. Prior to regression, preliminary tests were conducted to ensure data validity, reliability, and model assumptions.

Descriptive statistics showed a high central tendency across all variables, indicating generally positive respondent perceptions. All measurement items passed the construct validity test ($r > 0.2483$), and Cronbach's Alpha values exceeded 0.7, confirming both validity and reliability. Normality was confirmed with a K-S significance of 0.180 (> 0.05). The multicollinearity test showed Variance Inflation Factor (VIF) values between 1.029 and 1.095 and tolerance values well above 0.9, and heteroscedasticity was not detected ($\text{sig.} > 0.05$). With these criteria met, the data were deemed suitable for regression analysis.

The results of the preliminary data analysis are presented in Table 1 to Table 6, including descriptive statistics (Table 1), construct validity (Table 2), reliability (Table 3), normality test (Table 4), multicollinearity test (Table 5), and heteroscedasticity test (Table 6).

Table 1
Descriptive Statistics of Research Variables

Variabel	N	Minimum	Maksimum	Mean	Std.Deviation
Ethical Relativism	120	5	17	10.58	2.210
Mental Accounting	120	6	24	20.15	3.502
Tax Digitalization	120	3	15	12.81	3.101
Tax Compliance	120	6	25	22.01	4.535
Valid N (<i>listwise</i>)					

Table 2
Construct Validity Test Results

Variabel	Sub Indikator	Nilai r Hitung	Nilai r Tabel	Keterangan
Ethical Relativism (X1)	X1.1	0,663	0,1793	Valid
	X1.2	0,743	0,1793	Valid

Variabel	Sub Indikator	Nilai r Hitung	Nilai r Tabel	Keterangan
Mental Accounting (X2)	X1.3	0,651	0,1793	Valid
	X1.4	0,666	0,1793	Valid
	X2.1	0,686	0,1793	Valid
	X2.2	0,672	0,1793	Valid
	X2.3	0,687	0,1793	Valid
	X2.4	0,775	0,1793	Valid
Tax Digitalization (X3)	X2.5	0,718	0,1793	Valid
	X3.1	0,977	0,1793	Valid
	X3.2	0,976	0,1793	Valid
Tax Compliance (Y)	X3.3	0,974	0,1793	Valid
	Y.1	0,720	0,1793	Valid
	Y.2	0,823	0,1793	Valid
	Y.3	0,824	0,1793	Valid
	Y.4	0,887	0,1793	Valid
	Y.5	0,866	0,1793	Valid

Table 3
Reliability Test Results

No	Variabel	Cronbach's Alpha	Keterangan
1	Ethical Relativism (X1)	0,614	Reliabel
2	Mental Accounting (X2)	0,751	Reliabel
3	Tax Digitalization (X3)	0,975	Reliabel
4	Tax Compliance (Y)	0,898	Reliabel

Table 4
Normality Test Result (Kolmogorov-Smirnov)
One-Sample Kolmogorov-Smirnov Test

	Unstandardized Residual	
N	120	
Normal Parameters ^{a,b}	Mean	0,0000000
	Std. Deviation	2,40262930
Most Extreme Differences	Absolute	0,073
	Positive	0,057
	Negative	-0,073
Test Statistic	0,073	
Asymp. Sig. (2-tailed)	.180 ^c	

Table 5
Multicollinearity Test Result (VIF and Tolerance)

Variabel Independen	Collinearity Statistics		Keterangan
	Nilai Tolerance	Nilai VIF	
Ethical Relativism (X1)	0,972	1,029	Bebas Multikolinearitas
Mental Accounting (X2)	0,913	1,095	Bebas Multikolinearitas
Tax Digitalization (X3)	0,923	1,084	Bebas Multikolinearitas

Table 6
Heteroscedasticity Test Result (Glejser Test)
Coefficients^a

Model	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
1 (Constant)	3,387	1,830		1,851	0,067
Ethical Relativism	-0,104	0,527	-0,018	-0,197	0,844
Mental Accounting	-0,060	0,533	-0,011	-0,112	0,911
Tax Digitalization	-0,514	0,331	-0,152	-1,554	0,123

4.1. The Effect of Ethical Relativism on Tax Compliance

The regression analysis results indicate that ethical relativism does not have a significant effect on tax compliance (sig. > 0.05). This finding suggests that although ethical relativism, as a philosophical standpoint, emphasizes the contextual nature of moral judgment, it does not substantially determine taxpayers' behavior in fulfilling their tax obligations. In other words, the perception that moral rules are not universal does not significantly alter the willingness of MSME taxpayers to comply with tax regulations.

These results suggest that MSME taxpayers' decisions are shaped more by practical and regulatory considerations than by abstract moral reasoning. As suggested by Wenzel (2005), tax compliance is more strongly influenced by perceived legitimacy, trust in authorities, and personal norms shaped by enforcement environments rather than by philosophical ethical orientations. In line with Attribution Theory, while ethical relativism is considered an internal attribution, the dominant influence of external institutional factors such as tax regulations, education, and enforcement, may reduce the impact of personal ethical beliefs on taxpayer behavior. This reinforces the idea that behavior is shaped more by external, rational causes when they override internal moral evaluations (Kaplan, Reckers, and Roark, 1988).

Interestingly, although the partial regression test shows that ethical relativism does not significantly influence tax compliance, the simultaneous regression analysis indicates that ethical relativism, mental accounting, and tax digitalization collectively have a significant effect on tax compliance ($F=99.070$; $\text{sig.}=0.000$). This phenomenon implies that taxpayers' decisions are not solely determined by individual moral reasoning but are also shaped by psychological aspects of financial management and the perceived convenience of digitalized tax systems.

Although direct studies on the effect of ethical relativism on tax compliance remain scarce, this finding contributes to the academic discourse by extending the ethical perspective in tax compliance behavior. For instance, Rindianti et al. (2023) found that ethical relativism does not significantly affect individual perceptions of tax avoidance. While tax avoidance and tax compliance are conceptually opposite, both reflect behavioral responses to taxation, indicating that relativistic ethical views do not necessarily promote non-compliance. This suggests that variations in ethical relativism, whether high or low, may not decisively shape taxpayers' behavioral intentions.

Moreover, this result aligns with cross-cultural research highlighting how ethical decision-making is shaped by cultural norms. For instance, Vinson et al. (2020) demonstrated that what is considered unethical in one society may be acceptable in another, emphasizing the relativistic nature of ethics. In Banyuwangi, the prevalence of collectivist cultural values and access to digital tax services may help reduce the impact of individual relativism on compliance behavior. This interpretation aligns with Österman's (2021) argument that relativism reflects how societies construct value systems based on local customs.

Philosophically, these findings are consistent with Jeffrey C. Alexander's (1995) view in *Fin de Siècle Social Theory*, where he argues that acknowledging relativism does not imply that individuals make purely subjective or idiosyncratic judgments. Instead, people may remain bound by broader institutional and societal standards (Alexander, 1995). Alexander (1995: 91) states: *"To acknowledge relativism is not necessarily to imply that actors impose on knowledge personal and idiosyncratic imprints."* He further notes: *"Actors can be bound - by their societies and themselves - to standards that are rooted within, and after a manner are reflections of, broader and more inclusive social institutions and groups,"* and *"Evaluative criteria, while contextually relative, can be both more universalistic and less so."* These arguments strengthen the notion that even individuals with relativistic ethical orientations may conform to societal norms and institutionalized tax systems.

In conclusion, while ethical relativism as an internal attribution does not show a significant standalone effect on tax compliance in this study, it remains a relevant variable when considered alongside other psychological and systemic factors. The low tax compliance rate among MSMEs in Banyuwangi suggests that internal ethical values may not be sufficient to

drive compliant behavior. Rather, external interventions such as continuous tax education, transparent policies, and effective oversight are likely to have a more profound influence on shaping taxpayers' moral judgments and behaviors.

4.2. *The Effect of Mental Accounting on Tax Compliance*

The analysis shows that mental accounting has a significant positive effect on tax compliance (sig. < 0.05). This finding indicates that MSME taxpayers who categorize and manage their finances systematically are more likely to comply with their tax obligations. Mental accounting, as described by Thaler (1990), refers to the cognitive process whereby individuals assign specific purposes to different financial resources. Taxpayers with strong mental accounting tendencies often separate tax funds from their operational cash flow, facilitating compliance and reducing impulsive spending behavior.

These findings are in line with studies by Mutanga et al., (2021) and Dhimi & Hajimoladarvish, (2020), which confirmed the positive role of mental accounting in enhancing voluntary tax compliance and reducing tendencies toward tax evasion. The ability of taxpayers to mentally budget and plan for tax payments reflects a disciplined financial orientation, which supports Attribution Theory by framing this variable as an internal determinant of behavior.

4.3. *The Effect of Tax Digitalization on Tax Compliance*

The results also reveal that tax digitalization significantly and positively affects tax compliance (sig. < 0.05). The availability of digital tax systems such as online registration, e-filing, and digital tax payment, facilitates easier access, transparency, and reliability for taxpayers, thereby fostering greater compliance. This technological advancement eliminates physical and psychological barriers often associated with traditional tax administration.

This finding resonates with studies by Darajat & Sofianty (2023), and Jatmika & Puspita, (2024), which emphasized that digitalization increases efficiency and taxpayer trust in the system. From the perspective of Attribution Theory, digitalization represents an external situational factor that significantly shapes behavior by reducing complexity and enhancing control over tax-related activities.

4.4. *Simultaneous Effect of the Independent Variables*

The F-test results demonstrate that ethical relativism, mental accounting, and tax digitalization collectively have a significant impact on tax compliance (F = 99.070, sig. = 0.000). This indicates that while ethical relativism alone may not have a significant individual effect, it still contributes within the broader interplay of psychological and systemic factors. The result

confirms the multidimensional nature of tax compliance behavior. Mental accounting and tax digitalization act as strong predictors, while ethical relativism functions as a supplementary internal factor. The combination of internal and external factors, as posited by Attribution Theory, underscores that taxpayer behavior is not determined in isolation but emerges from a complex interaction of personal values, financial cognition, and system design.

The coefficient of determination (R^2) and its adjusted value are used to assess the explanatory power of the regression model. In this study, the Adjusted R^2 value is 0.712, indicating that approximately 71.2% of the variation in MSME taxpayers' compliance behavior can be explained jointly by the three independent variables: ethical relativism, mental accounting, and tax digitalization. This suggests that the proposed model has strong predictive capability, as it successfully captures most of the behavioral variance among taxpayers. The remaining 28.8% of variance may be attributed to other factors not included in this study, such as tax morale, penalty perception, financial literacy, or economic pressures.

The statistical findings related to the partial effects, simultaneous effects, and explanatory power of the model are respectively presented in Table 7 (t-Test Results of Independent Variables on Tax Compliance), Table 8 (F-Test Results of Independent Variables on Tax Compliance), and Table 9 (Coefficient of Determination/Adjusted R^2 of the Regression Model).

Table 7
t-Test Results of Independent Variables on Tax Compliance
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
	(Constant)	3,970	1,745		
1 Ethical Relativism	-0,064	0,102	-0,031	-0,622	0,535
Mental Accounting	0,188	0,067	0,145	2,815	0,006
Tax Digitalization	1,166	0,075	0,797	15,568	0,000

Table 8
F-Test Results of Independent Variables on Tax Compliance
ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1760,049	3	586,683	99,070	.000 ^b
	Residual	686,943	116	5,922		
	Total	2446,992	119			

Table 9
t-Test Results of Independent Variables on Tax Compliance)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.848 ^a	0,719	0,712	2,433

5. Conclusions

This study empirically examined the influence of ethical relativism, mental accounting, and tax digitalization on the tax compliance of MSME taxpayers registered at KPP Pratama Banyuwangi. The regression analysis findings indicate that ethical relativism does not have a significant impact on tax compliance, suggesting that taxpayers' decisions are more influenced by rational considerations and regulatory norms rather than by flexible moral values. In contrast, mental accounting and tax digitalization were found to significantly and positively influence tax compliance. These results imply that taxpayers with higher mental accounting capabilities are more likely to manage and allocate tax funds effectively, while the availability of a digital tax system contributes to reducing barriers compliance and increasing administrative convenience.

Despite its contributions, this research has several limitations. The data collection process was constrained by the bureaucratic procedures of the tax authority, causing delays and limiting the sampling scope. Additionally, the exclusive use of a quantitative approach restricted the depth of understanding regarding taxpayers' personal motivations and ethical considerations. A mixed-method approach incorporating qualitative insights is recommended for future studies to explore these dimensions more thoroughly.

The implications of this research are multifaceted. Practically, the findings offer valuable insights for policymakers and tax administrators in designing strategies to improve compliance among MSMEs by focusing on behavioral and technological interventions. Theoretically, this study enriches attribution theory by integrating ethical, psychological, and technological factors as explanatory variables for compliance behavior. For future research, scholars are encouraged to expand the geographical scope, include broader taxpayer segments, and examine moderating variables such as financial literacy or tax morale that may influence the relationship between individual cognition and compliance behavior.

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