

# PERCEPTIONS OF TAX EVASION AMONG EDUCATORS: REVIEW FROM SOCIAL ECONOMIC STATUS AND LOVE OF MONEY

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**Abstract:** This study was conducted to determine the effect of socioeconomic status on 'love of money' and to determine the effect of socioeconomic status and love of money on perceptions of 'tax evasion'. The sample used is as many as 62 environmental educators STIE PGRI Dewantara Jombang with saturated sampling technique. Data were collected by questionnaire and observation methods. Data analysis with Smart PLS. The results show that there was a significant negative effect of socio-economic status on love of money, there was a significant negative effect of socioeconomic status on perceptions of tax evasion, there was an insignificant positive effect of love of money on perceptions of tax evasion, love of money became a partial mediating variable for the influence of socioeconomic status toward tax evasion perceptions.

**Keywords:** Socioeconomic Status, Love Of Money, Tax Evasion Perception

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## 1. Introduction

Tax evasion is one type of tax fraud that is commonly found in all areas of tax administration. In general, tax evasion is an attempt by taxpayers to avoid paying taxes by breaking the law (Mardiasmo, 2009).

The tax achievement target creates a gap for unscrupulous tax officers, taxpayers, and tax consultants to collaborate in tax-related crimes and fraud such as embezzlement, evasion, irregularities, extortion, and document falsification in order to obtain maximum illegal profits and enrich oneself. As a result of which the country's reception is distorted (Zirman, 2015).

According to Suminarsasi (2011), one of the indicators of failing to meet tax revenue targets is the practice of taxpayers engaging in tax evasion. Statements of various types have appeared, some of which are still tax mandatory that do not report all of their income, as well as cases of tax evasion cooperation between tax officers and taxpayers.

Taxpayers use a variety of methods to avoid their obligations, including methods permitted by law as well as methods that violate applicable laws and regulations. Tax avoidance by violating and opposing the applicable laws and regulations is called Tax Evasion.

This action can be detrimental to the state, and the perpetrator will be subject to administrative or criminal sanctions in accordance with the stipulated laws and regulations. Meanwhile, efforts to reduce the tax burden are permitted as long as they adhere to the applicable regulations (lawful) and are handled and managed properly, that is referred to as Tax Avoidance (Masri, 2012:1).

One of the reasons someone commits tax evasion is a desire for money. The reason for this is that when someone prioritizes money in their lives on a daily basis, they believe that tax evasion is an acceptable action (Rosianti and Yenny Mangoting, 2014).

Socioeconomic status is a measure of a person's ability to be seen in community groups based on work, position, and income. Socioeconomic status provides an overview of a person's position in social and economic aspects such as income, power and other things. A person with a high socioeconomic status is more consumptive, unethical, and selfish (Prasastianta, 2011). People with a high socioeconomic status are less likely to act ethically (Sipayung, 2015). A high level of socioeconomic status generally makes a person feel powerful and unconcerned about the interests of others.

### Research Question

1. Is there an effect of socioeconomic status on a person's love of money?
2. Is there an effect of socioeconomic status on perceptions of tax evasion?
3. Is there an effect of love of money on the perception of tax evasion?
4. Can love of money mediate the influence of socioeconomic status on perceptions of tax evasion?

## 2. Literature Review

### a. Theory Reason Action (TRA)

According to Ajzen (1991), who conducted a meta-analysis, Theory Reason Action (TRA) only applies to behavior that the individual has complete control over because there are factors that can inhibit or facilitate the realization of intentions into behavior.

### b. Theory of Planned Behavior

The Theory of Planned Behavior (TPB) explains the intent to disclose fraud (whistleblowing), which in this case is the action taken based on extremely complex psychological processes (Gundlach, Douglas, and Martinko 2003). According to TPB, three factors influence an individual's intention to behave: attitude toward the behavior, subjective norms, and behavioral control perception.

### c. Tax Evasion Perception

Formal perception is the process by which a person chooses, tries, and interprets stimuli to form a coherent and meaningful picture (Arfan Ikhsan Lubis, 2011).

### d. Love of Money

According to Elias (2010), the concept of money love is closely related to the concept of greed. They discovered that employees in Hong Kong who had a strong desire for money were less satisfied at work than their peers. Then, according to Julianto (2013), love of money is defined as a person's behavior toward money, a person's understanding of money, and a person's desires and aspirations for money.

### e. Socio-Economic Status

If the description is reviewed, socio-economic status is defined as a description of the state of a community or a person from a social and economic perspective, such as income levels and others. Socioeconomic status is a classification of society or a person based on income, occupation, and membership in social organizations (Pradanti and Prastiwi, 2014).

### Influence Between Variables

#### a. Is There An Effect Of Socio-Economic Status On A Person's Love Of Money?

Nauvalia et al., (2018) explained that the higher one's socioeconomic status, the greater the likelihood of tax evasion. To understand a person, we must first understand the social

situation in which they find themselves. The most important role is that of social class, which is informed about education, income, and work performance. Fajriana (2019) adds that taxpayers' socioeconomic status has no effect on their ethical behavior. These things can happen as a result of a person's will and other motivating factors that lead to unethical behavior, such as tax evasion.

b. Is There An Effect Of Socio-Economic Status On Perceptions Of Tax Evasion?

According to Pemayun and Budiasih (2018) and Fajriana's research (2019), people with high socioeconomic status frequently believe that others are not equal to them, which causes some of their existence to be recognized by others. The recognition of others that a person lives comfortably and honorably influences their ethical influence, but this can lead to dissatisfaction in their lives. Excessive desire for recognition from others causes the individual to be greedier, act unethically, and engage in a variety of unethical behaviors in order to meet his expectations, including tax evasion. The higher the individual's socioeconomic status, the higher the taxpayer's ethical perception of tax evasion, and vice versa.

c. Is There An Effect Of Love Of Money On The Perception Of Tax Evasion?

According to Rosianti and Mangoting (2014), if someone's motivation for carrying out a daily life is a desire for money, they will believe that tax evasion is a reasonable and acceptable action. Basri (2015) suggests that the higher a person's love of money, the higher the embezzlement, implying that someone with high money ethics is more likely to be able to evade tax because they believe that tax evasion is ethical. According to the findings of Nurachmi's (2020) research, love of money has an impact on tax evasion behavior. This is because tax payers who have a strong desire for money will do anything to meet their needs, even if it is unethical. Furthermore, Ganinda et al., (2020) found that the higher the money ethic, the greater the intention to commit tax evasion.

### 3. Method

The quantitative descriptive approach was used in this study. The data used are primary data. Data collection methods include observation and questionnaires. The saturated sampling technique was used on 62 STIE PGRI Dewantara lecturers. Smart PLS was used to analyze data.

#### Research Findings

##### 1. Outer Model Test

##### a. Convergent Validity Test

**Table 1. Convergent Validity Test**

X1	Validity	Y1	Validity	Y1	Validity	Y2	Validity
JK	0.732	Y1.1	0.789	Y1.12	0.772	Y2.1	0.813
PDD	0.806	Y1.2	0.705	Y1.13	0.706	Y2.2	0.893
Salary	0.973	Y1.3	0.741	Y1.14	0.738	Y2.3	0.813
AGE	0.864	Y1.4	0.798	Y1.15	0.797	Y2.4	0.766
		Y1.5	0.735	Y1.16	0.784	Y2.5	0.777
		Y1.6	0.757	Y1.17	0.789	Y2.6	0.833
		Y1.7	0.789	Y1.18	0.743	Y2.7	0.821
		Y1.8	0.749	Y1.19	0.737	Y2.8	0.824
		Y1.9	0.708	Y1.20	0.729		
		Y1.10	0.789	Y1.21	0.703		
		Y1.11	0.801	Y1.22	0.708		

Source: Smart Pls (data processed 2022)

According to table 1's convergent validity results, all indicators have a loading factor value of 0.70, indicating that all variables meet convergent validity (valid) and further data processing can be performed.

b. Discriminant Validity

Based on the analysis, the cross-loading value for each indicator of the dependent variable is greater than the cross loading value if the dependent variables are correlated. It can be concluded that all latent variables in this study are declared to meet good discriminant validity.

**Table 2. Average Variance Extracted (AVE)**

Variable	Composite Reliability
X1	0.601
Y1	0.616
Y2	0.624

Source: Smart Pls (data processed 2022)

Based on the table, the AVE value greater than 0.50 indicates that all variables in this study have a model that meets the criteria for good discriminant validity.

c. Composite Reliability

**Table 3. Composite Reliability**

Variable	Composite Reliability
X1	0.648
Y1	0.869
Y2	0.913

Source: Smart Pls (data processed 2022)

Based on the table, it has a composite reliability value greater than 0.60, indicating that the data is reliable.

2. Inner Model

a. R-Square

**Table 4. R-Square**

Variable	Composite Reliability
Y1	0.471
Y2	0.453

Based on the results of the analysis showed that the R2 value of 0.471 indicates that love of money is influenced by socioeconomic status by 47.1 percent, with the remaining 52.1 percent influenced by factors outside the scope of this study. The R2 value of 0.453 indicates that variables such as socioeconomic status and love of money influence 45.3 percent of the ethical perception of tax evasion, while the remaining 54.7 percent is influenced by factors outside of this study.

b. Estimate for Path Coefficients

**Table 5. Estimate for Path Coefficients**

Variable	Y1	Y2
X1	-0.013	-0.27
Y1	0.626	

Source: Smart Pls (data processed 2022)

Based on the table, the significance value of -0.013 is less than 0.05 (0.013 0.05), with the regression coefficient pointing in a negative direction, implying that there is a significant negative effect socioeconomic status to love of money

The significance value of  $-0.027$  is less than  $0.05$  ( $0.027 < 0.05$ ), and the regression coefficient shows a negative direction, implying that socioeconomic status has a significant negative effect on perception of tax evasion.

The significance value of  $0.627$  is greater than  $0.05$  ( $0.627 > 0.05$ ), and the regression coefficient is positive, implying that there is an insignificant positive effect on love of money to the perception of tax evasion

#### c. Mediation Effect

Based on the results of the study, the path value for the direct relationship of the influence of socioeconomic status on tax evasion has a significant value of  $0.46$  p value  $0.01$ . Furthermore, when the indirect effect was tested with *love of money* as a mediating variable, the path value of socioeconomic status towards perception of tax evasion was reduced to  $0.27$  and remained significant with  $p < 0.01$ . With the results of testing the mediating effect, the mediation form of *love of money* on the effect of socioeconomic status on perception of tax evasion is partial mediation (*partial mediation*).

## 4. Result and Discussion

### The Effect Of Socioeconomic Status On A Person's Love Of Money

Based on the study's findings, there is a significant negative relationship between socioeconomic status and love of money, as evidenced by statistical results pointing in a negative direction and a significance value of  $-0.013$ , which is less than  $0.05$  ( $0.013 < 0.05$ ). This demonstrates that the socioeconomic status of lecturers from the level of education can be said to be high, in terms of age it can be said to be mature, but in terms of income it can be said to be not so large that the tendency of lecturers to have a love for money so that lecturers will look for additional income such as entrepreneurship, becoming a consultant, and so on.

The higher a person's socioeconomic status, the more consumptive they are (Sipayung, 2015) and Prasastianta (2011). Consumptive behavior frequently leads to unethical behavior. A person who engages in consumptive behavior will go to any length to meet their needs, including unethical behavior. Existing rules and norms will be broken in order to amass wealth and power over others.

### The Effect Of Socio-Economic Status On Perceptions Of Tax Evasion

Based on the results of the analysis show that socioeconomic status has a significant negative effect on perception of tax evasion, as evidenced by statistical results in a negative direction and a significance value of  $-0.027$ , which is less than  $0.05$ . This shows that the socio-economic status of lecturers can be said to be high, in terms of age, to be mature, but in terms of income, it is said to be not so large that lecturers perceive tax evasion as a natural thing to do to reduce the tax burden. In this case, the salary of private lecturers is based on a work agreement or collective bargaining agreement, so the salary is not very high.

### The Effect Of Love Of Money On The Perception Of Tax Evasion

Based on the results of the analysis show that there is no significant positive effect love of money to perception of tax evasion with statistical results in a positive direction and significance value of  $0.627$  is greater than  $0.05$ . This shows that the greater the lecturers' love of money, the more they perceive tax evasion as a natural thing to do to reduce the tax burden, but the effect is not as great in this case. This occurs because private lecturers are paid based on a work agreement or collective bargaining agreement, and because the salary is not very high, the lecturers perceive tax evasion as a natural way to reduce the tax burden.

These results are supported by research conducted by Sofha and Utomo (2018) and Choiriyah and Damayanti's (2020) research which shows that love of money has no effect on the ethics

of tax evasion. Even though they must spend money to pay taxes to the state, the majority of tax payers feel no loss when they have an obligation to do so. Someone who has a high or low love of money will continue to pay taxes in accordance with the actual tax calculation.

### **Love Of Money Mediate The Influence Of Socioeconomic Status On Perceptions Of Tax Evasion**

Based on the results of the analysis show that the mediation form of *love of money* on the effect of socioeconomic status on perception of tax evasion is *partial mediation*, indicating that *love of money* is not the only variable that can mediate the relationship between socioeconomic status and perception of tax evasion, implying that there are other variables that are stronger as intermediaries for the relationship between socioeconomic status and perception of tax evasion. This demonstrates that socioeconomic status combined with a desire for *money cannot improve perceptions of tax evasion*.

## **5. Conclusion**

The following are the conclusions that can be drawn from this study:

1. There is a significant negative effect on socioeconomic status to love of money
2. There is a significant negative effect on socioeconomic status to perception of tax evasion
3. There is an insignificant positive effect on love of money to perception of tax evasion
4. *Love of money* becomes variable *partial mediation* on the effect of socioeconomic status to perceptions of tax evasion

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