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Understanding Tax Engagement Challenges among Unstructured MSMEs: A Contextual Behavioral Perspective from Bali's Tourism Economy

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ABSTRACT
This study examines how unstructured MSMEs in Bali's tourism areas perceive digital tax administration and how behavioral, cultural, and institutional factors influence their tax engagement. Using an interpretive qualitative approach, we conducted semi-structured interviews with 12 participants, including MSME operators, tax officials, academic experts, and a cultural informant. Data were analyzed using reflexive thematic analysis. The findings reveal five key themes: limited understanding of digital taxation despite the adoption of digital payments; differences in digital and tax engagement among participants; the importance of community values and traditional institutions; limited tax socialization; and low awareness of tax-related risks. The study identifies compliance distance as a condition where potential taxpayers have limited connection with formal tax systems, rather than as deliberate non-compliance. It proposes the Value-Based Tax Governance Compliance Model as a contextual extension of existing tax compliance perspectives by incorporating community values and informal governance institutions. The Contextual Behavioral Compliance Framework (CBCF) is presented as a policy-oriented framework requiring further empirical testing for inclusive digital tax strategies.

ABSTRAK
Penelitian ini bertujuan untuk memahami bagaimana UMKM tidak terstruktur di kawasan pariwisata Bali memandang administrasi pajak digital serta bagaimana faktor perilaku, budaya, dan kelembagaan memengaruhi keterlibatan mereka dalam sistem perpajakan. Penelitian ini menggunakan pendekatan kualitatif interpretif melalui wawancara semi-terstruktur terhadap 12 partisipan yang terdiri atas pelaku UMKM, petugas pajak, akademisi perpajakan, dan informan budaya. Data dianalisis menggunakan analisis tematik reflektif. Hasil penelitian menunjukkan lima tema utama: keterbatasan pemahaman mengenai pajak digital meskipun penggunaan pembayaran digital telah berkembang; perbedaan tingkat keterlibatan digital dan perpajakan antarpartisipan; pentingnya nilai komunitas dan lembaga tradisional; keterbatasan sosialisasi perpajakan; serta rendahnya kesadaran terhadap risiko perpajakan. Penelitian ini mengidentifikasi konsep compliance distance sebagai kondisi ketika calon wajib pajak memiliki keterhubungan yang terbatas dengan sistem perpajakan formal, bukan sebagai bentuk ketidakpatuhan yang disengaja. Penelitian ini mengusulkan Value-Based Tax Governance Compliance Model sebagai pengembangan kontekstual dari perspektif kepatuhan pajak dengan memasukkan peran nilai komunitas dan tata kelola informal. Contextual Behavioral Compliance Framework (CBCF) disajikan sebagai

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kerangka kebijakan yang masih memerlukan pengujian empiris lebih lanjut untuk mendukung strategi inklusi pajak digital.

A. INTRODUCTION

Expanding tax bases remains a major challenge for developing economies. Although digital modernization has improved tax administration capacity, many small economic actors remain outside formal tax systems (OECD, 2024; ILO, 2024; UNCTAD, 2024). In Indonesia, where a substantial share of economic activity occurs through micro and small enterprises, the challenge is not only increasing revenue collection but also creating institutional pathways that enable previously disconnected economic actors to understand, access, and engage with taxation systems (Gaspar et al., 2016; PCT, 2024).

Micro, small, and medium enterprises (MSMEs) represent a significant source of employment and livelihood opportunities in developing economies. However, many microenterprises operate with limited integration into formal administrative systems, including business registration, financial documentation, and interaction with public institutions (IMF, 2024; IFC, 2025). This condition creates challenges for tax inclusion because expanding participation requires more than enforcement; it requires understanding how small enterprises perceive, access, and relate to formal taxation systems (Narula, 2020; Okunogbe & Santoro, 2023).

In this study, the term "unstructured MSMEs" refers to micro and small enterprises that operate with limited integration into formal administrative systems. These enterprises may lack business registration, taxpayer identification, regular reporting practices, or sustained interaction with tax institutions. The term is used as an analytical concept rather than a legal classification and does not indicate illegal activity or intentional tax avoidance. Instead, it highlights the institutional distance between small economic actors and formal regulatory systems.

Digital taxation in this study refers specifically to the digitalization of tax administration processes, including electronic taxpayer registration, electronic filing, digital payment channels, and online communication between taxpayers and tax authorities. It does not refer to the taxation of digital businesses or digital economy transactions. This distinction is important because the study focuses on whether digital administrative systems are accessible and meaningful for MSMEs that have limited previous engagement with formal taxation.

Explaining this policy-practice disconnect requires examining not only the design of tax systems but also how individuals interpret and engage with them. Tax compliance research has evolved from economic deterrence models toward behavioral perspectives that recognize the roles of fairness, social norms, legitimacy, and institutional trust (Slemrod, 2019; Alm, 2019; Kirchler et al., 2008). Many existing perspectives primarily examine compliance among actors who already recognize themselves as participants in formal tax systems. Less attention has been given to situations where potential taxpayers have limited awareness of tax obligations, limited interaction with authorities, and weak institutional connection.

Yet these insights remain largely absent from policy design. Tax reforms continue to target registered businesses while overlooking unstructured MSMEs—and within this overlooked population, women entrepreneurs face compounded exclusion. Women constitute a disproportionate share of unstructured sector workers globally, particularly in tourism-related retail and food preparation, yet tax policy researchers have underexamined their specific constraints (ILO, 2023). This gap carries consequences: frameworks that ignore how gender intersects with informality, digital access, and household decision-making cannot produce inclusive tax systems. Current digital tax frameworks tend to adopt technology-centric approaches that prioritize platform development over user accessibility (Mascagni et al., 2023). Policymakers appear to assume that building electronic systems will automatically generate compliance—a supply-side logic that overlooks demand-side realities, including awareness deficits, literacy constraints, and trust deficiencies (Okunogbe & Santoro, 2023). Women face systematic disadvantages in digital literacy and access to technology (ITU, 2023). Rather than assuming gender as the sole explanation, this study examines how gender intersects with business characteristics, technology exposure, and institutional engagement among tourism-based MSMEs (Coelho et al., 2022).

We examine these dynamics among unstructured MSMEs in Bali, Indonesia, particularly in tourism areas including Kuta, Ubud, Sanur, Sukawati, and Gianyar. Bali provides a relevant setting because tourism activities involve diverse microenterprises operating alongside strong customary institutions. Preliminary observations indicated that many operators had limited interaction with tax authorities and often perceived formal taxation as distant from their daily business activities. This condition motivates our exploration of compliance distance, defined in this study as the limited connection between potential taxpayers and formal tax systems.

This study makes three contributions. First, it proposes the Value-Based Tax Governance Compliance Model as a contextual extension of existing tax compliance perspectives by incorporating community values and informal governance institutions into the analysis of tax engagement. Second, it provides exploratory evidence on how unstructured MSMEs in a tourism economy perceive digital tax administration and institutional interaction. Third, practically, it proposes the Contextual Behavioral Compliance Framework (CBCF) as a policy-oriented framework for designing more inclusive tax engagement strategies. The CBCF is informed by multiple stakeholder perspectives and conceptually aligns with the Quadruple Helix perspective; it requires further empirical testing before claims of effectiveness can be established (Kirchler et al., 2008; Alm, 2019; Carayannis & Campbell, 2009; Roman et al., 2020).

To address these issues, this study poses five interconnected research questions: (RQ1) How do unstructured MSMEs in Bali's tourism areas perceive and respond to digital tax policy initiatives? (RQ2) How do cultural values (banjar, awig-awig) and gender dynamics shape tax compliance attitudes among unstructured tourism operators? (RQ3) What barriers and opportunities shape digital tax adaptation among unstructured MSMEs in the context of technology use? (RQ4) How do different stakeholders perceive the potential role of collaborative approaches in supporting digital tax inclusion among unstructured MSMEs? (RQ5) What policy mechanisms are perceived as potentially relevant for improving engagement between unstructured MSMEs and formal tax systems? The remainder of this paper proceeds as follows: Section 2 reviews theoretical foundations and prior literature; Section 3 details the qualitative research design; Section 4 presents findings; Section 5 discusses implications and proposes the Value-Based Tax Governance Compliance Model with its CBCF operationalization; and Section 6 concludes with policy recommendations and directions for future research.

B. LITERATURE REVIEW

Tax Compliance: From Deterrence to Behavioral Approaches

Tax compliance research has undergone substantial theoretical evolution over the past four decades. Early scholarship drew heavily on economic deterrence models, as exemplified by Allingham and Sandmo's (1972) seminal work, conceptualizing taxpayers as rational actors weighing the expected utility of evasion against the probability of detection and the severity of penalties. This framework treats enforcement and sanctions as primary compliance mechanisms. The perspective has dominated policy thinking for decades and continues to shape revenue-focused tax administration in many developing countries.

However, empirical anomalies accumulated. Slemrod (2019) notes that observed compliance rates consistently exceed predictions of deterrence models, suggesting that factors beyond rational calculation influence taxpayer behavior. This recognition catalyzed what we might term the 'behavioral turn' in tax compliance research—a shift toward understanding psychological, social, and institutional dimensions of compliance decisions. Alm (2019) provides a comprehensive synthesis of this literature, demonstrating that compliance emerges not from deterrence alone but from complex interactions among perceived fairness, reciprocity expectations, social norms, and institutional trust.

The slippery slope framework developed by Kirchler, Hoelzl, and Wahl (2008) represents a pivotal contribution to this behavioral understanding. The framework distinguishes between *enforced compliance*—emerging from power and coercion—and *voluntary compliance*—emerging from trust and legitimacy. Crucially, the framework demonstrates that excessive reliance on enforcement can undermine the confidence necessary for sustainable voluntary compliance, creating a 'slippery slope' toward adversarial relationships between tax authorities and citizens. This insight carries profound implications for developing countries facing limited enforcement capacity and pronounced trust deficits.

The Theory of Planned Behavior (TPB), introduced by Ajzen (1991), provides additional explanatory power for understanding compliance intentions. TPB posits that behavioral intentions—and subsequently behaviors—emerge from attitudes toward the behavior, subjective norms (perceived social pressure), and perceived behavioral control (perceived ease or difficulty of performing the behavior). Applied to taxation, this framework suggests that taxpayers' compliance decisions reflect not merely individual cost-benefit calculations but also internalized attitudes about taxation, perceptions of what significant others expect, and beliefs about one's capacity to comply. Inasius (2019), examining Indonesian SMEs, confirms that perceived fairness significantly influences compliance behavior, supporting TPB's emphasis on attitudes and norms.

The Technology Acceptance Model (TAM), developed by Davis (1989), extends behavioral analysis to technology-mediated compliance. TAM proposes that technology adoption depends on *perceived usefulness* (the degree to which users believe the technology enhances performance) and *perceived ease of use* (the degree to which users believe the technology requires minimal effort). In digital taxation contexts, TAM illuminates why technologically sophisticated platforms may fail to generate compliance if users perceive them as unhelpful or difficult—a phenomenon increasingly relevant as governments digitalize tax administration. Belahouaoui and Attak (2024) emphasize that digital taxation succeeds not merely through technological sophistication but through user accessibility and institutional support.

These theoretical developments demonstrate that tax compliance cannot be understood solely through enforcement capacity or individual decision-making. However, most existing perspectives examine compliance among taxpayers who already recognize taxation as part of their institutional environment. Less attention has been given to populations whose relationship with tax institutions remains weak or undeveloped. Understanding such contexts requires examining not only taxpayer attitudes but also the social, cultural, and institutional environments in which compliance relationships are formed.

Fiscal Sociology, Institutional Pluralism, and Community-Based Compliance

While behavioral tax compliance literature has substantially advanced understanding of psychological and social factors, less attention has been given to how compliance relationships are embedded within broader institutional and cultural contexts. Research in fiscal sociology emphasizes that taxation is not merely an administrative process but also a reflection of state–society relationships, legitimacy, and reciprocal expectations between citizens and governments. In contexts where formal state institutions coexist with customary or community-based institutions, compliance behavior may be influenced by multiple sources of authority and social norms.

Institutional pluralism provides a useful perspective for understanding societies where formal state regulations operate alongside informal institutions. Informal institutions—including community norms, customary rules, and collective expectations—may influence economic behavior by shaping perceptions of legitimacy and acceptable conduct. However, the influence of informal institutions should not be assumed to automatically generate tax compliance because acceptance of community obligations may differ from acceptance of state fiscal obligations, examining the interaction between formal taxation and existing governance structures requires empirical investigation rather than theoretical assumption

Value systems refer to the shared beliefs, norms, and moral frameworks that guide behavior within communities. In societies where traditional governance remains strong, these value systems function not merely as cultural artifacts but as active regulators of economic and social conduct. Compliance with community expectations—enforced through social sanctions, reputational consequences, and spiritual beliefs—often exceeds compliance with formal legal requirements. Narula (2020) observes that in economies with large informal sectors, social structures and local institutions shape economic behavior more powerfully than regulatory frameworks, precisely because formal institutions lack reach and legitimacy in these spaces.

Bali provides a relevant context for examining governance pluralism because customary institutions such as banjar and awig-awig continue to play important roles in community life. The banjar functions as a local social institution that coordinates communal activities, while awig-awig represents customary rules developed within communities, these institutions provide mechanisms of social coordination and collective responsibility, their relationship with formal taxation remains an empirical question.

These institutions may represent forms of embedded governance, where social coordination is supported by shared meanings, relationships, and collective expectations rather than formal state enforcement alone. From a tax policy perspective, such institutions may provide potential channels for engagement, but their role requires careful consideration because community legitimacy does not automatically translate into acceptance of taxation responsibilities.

Gender dynamics may influence how MSMEs interact with digital tax systems because technology access, business networks, administrative experience, and decision-making roles can vary across economic activities. Previous studies show that women entrepreneurs may encounter specific barriers related to information access and digital engagement (Coelho et al., 2022; ILO, 2023; ITU, 2023). Gender differences should be interpreted together with other factors, including business type, mobility patterns, age, and institutional exposure. Therefore, this study examines gender as an intersecting factor rather than assuming gender as a single determinant of tax engagement).

These observations suggest that existing compliance perspectives may benefit from greater attention to contexts where formal and informal institutions coexist. Rather than replacing established compliance theories, incorporating community values and institutional arrangements may provide additional explanatory dimensions for understanding tax engagement in diverse governance settings.

Digital Taxation and Unstructured MSMEs

Digital transformation has emerged as a heralded solution to persistent challenges in tax administration, particularly in developing countries where informal economies limit revenue mobilization. Electronic filing systems, mobile payment integration, and data analytics promise to extend tax reach, reduce compliance costs, and minimize corruption. The Platform for Collaboration on Tax (PCT, 2024) and international development institutions increasingly advocate digital modernization as essential for achieving the tax-to-GDP ratios necessary for sustainable development.

However, the dominant approach to digital taxation exhibits what Okunogbe & Santoro (2023) identify as a revenue-based policy logic—prioritizing collection targets and enforcement against identifiable taxpayers while systematically overlooking populations outside formal systems. Mascagni et al. (2023) critique this technology-centric approach for assuming that platform development automatically generates compliance. This supply-side logic ignores demand-side realities, including awareness deficits, literacy constraints, and trust deficiencies. Okunogbe & Santoro (2023), in their examination of digital taxation in Sub-Saharan Africa, find that digitalization without attention to user accessibility creates exclusion rather than inclusion.

Micro, small, and medium enterprises (MSMEs) occupy a particularly challenging position in digital taxation reforms. The IMF (2024) and IFC (2025) document that MSMEs constitute over 90% of businesses in developing countries and provide 60-70% of employment, yet substantial proportions operate outside formal registration systems. These *unstructured MSMEs*—featuring fluid boundaries, irregular income, cash-based transactions, and absence from official databases—differ fundamentally from the stable, registered, and documented businesses that tax systems target.

The term “unstructured” is used analytically to emphasize limited institutional integration rather than deliberate non-compliance. Unlike the term “informal,” which may imply deviation from formal norms, “unstructured” highlights the absence of stable administrative connections between small enterprises and formal systems. This distinction allows the study to examine institutional accessibility rather than only the formalization status of enterprises.

Tourism-based economies present particular challenges for digital tax inclusion. International tourism generates substantial economic activity, but much of this activity occurs through unstructured MSMEs—street vendors, homestay operators, craft sellers, transportation providers—whose transactions prove difficult for authorities to document and whose incomes fluctuate dramatically with tourist flows. Deja, Rak, and Bell (2021) emphasize that digital transformation readiness encompasses not merely technological infrastructure but also information literacy and institutional support—precisely the capacities that unstructured operators often lack.

These observations suggest a fundamental tension in digital taxation strategy. Revenue-based approaches optimize for collection from identifiable taxpayers, creating sophisticated systems that serve compliant businesses while leaving unstructured populations untouched. Compliance-based approaches would instead prioritize bringing populations into the system—accepting initially minimal revenue in exchange for expanded participation and eventual formalization. We argue that sustainable tax base expansion requires the latter orientation, implemented through frameworks sensitive to the specific characteristics of unstructured economic actors.

Multi-Stakeholder Governance for Inclusive Tax Policy

Designing inclusive digital tax policies involves multiple actors because tax inclusion requires not only administrative capacity but also technological accessibility, community understanding, and stakeholder legitimacy. Government agencies provide regulatory authority, academic institutions contribute analytical knowledge, technology providers may support digital infrastructure, and community institutions provide contextual understanding of local practices.

The Quadruple Helix perspective provides a useful conceptual lens for understanding how government, academia, industry, and civil society may contribute to inclusive innovation processes (Carayannis & Campbell, 2009). In this study, however, the framework is not treated as an implemented collaboration model. Rather, it informs the identification of potential stakeholder roles relevant to future digital tax inclusion initiatives.

Applied to tax policy, the Quadruple Helix framework suggests that inclusive taxation cannot emerge solely from top-down government directives. Universities contribute to research on behavioral determinants and on the effectiveness of policies. Industry actors—including fintech companies and digital platform providers—offer technological solutions and market knowledge. Civil society organizations, including traditional governance institutions like the *banjar*, provide legitimacy channels and community understanding. The government synthesizes these inputs into coherent policy while providing regulatory frameworks and implementing authority.

The literature on collaborative governance supports this multi-stakeholder approach. Cowling et al. (2020) find that innovation during exogenous shocks requires collaborative strategies that leverage diverse capabilities. Song et al. (2025) demonstrate that financial inclusion and technology adoption yield better development outcomes when supported by institutional ecosystems. Autio et al. (2024) emphasize that digital entrepreneurship ecosystems require alignment among multiple actors to generate inclusive growth.

Limited empirical attention has been given to how multi-stakeholder governance approaches may inform tax inclusion strategies in developing-country contexts, particularly where community institutions play important social roles.

Building on these perspectives, this study proposes the Contextual Behavioral Compliance Framework (CBCF) as a policy-oriented framework for organizing potential mechanisms of inclusive tax engagement. The CBCF integrates insights from behavioral compliance research, institutional perspectives, and stakeholder collaboration. Because the framework has not yet been implemented or evaluated, it should be understood as a conceptual proposition requiring future empirical validation.

This literature review identifies three interconnected gaps. First, existing tax compliance perspectives provide limited explanation of situations where potential taxpayers have weak institutional connections with formal tax systems. Second, digital tax modernization requires greater attention to accessibility, legitimacy, and contextual factors affecting unstructured MSMEs. Third, the role of community institutions and multi-stakeholder governance in supporting tax inclusion remains insufficiently explored. Addressing these gaps, this study examines how unstructured MSMEs in Bali's tourism economy perceive digital tax administration and how cultural and institutional contexts shape their engagement with taxation.

C. RESEARCH METHOD

Research design and philosophical stance

We adopt an interpretivist qualitative exploratory design to investigate how unstructured MSMEs in Bali's tourism sector perceive and respond to digital taxation policies. The interpretivist approach recognizes that tax compliance decisions constitute socially constructed phenomena shaped by cultural values, institutional contexts, and individual meaning-making processes (Creswell and Creswell, 2023). Unlike positivist approaches that assume universal behavioral patterns, interpretivism enables a deep exploration of how traditional governance systems (*banjar*, *awig-awig*) and gender dynamics shape attitudes toward compliance within culturally embedded economic practices.

The qualitative approach proves appropriate for several reasons. First, digital tax compliance among unstructured MSMEs has received limited exploration, necessitating exploratory inquiry rather than hypothesis testing (Merriam and Tisdell, 2016). Second, the research questions require understanding subjective experiences and local meanings that quantitative methods cannot capture. Third, the study examines how community institutions mediate compliance behaviors—phenomena requiring thick description and contextual sensitivity. This multi-stakeholder design brought together government, academic, and community/customary perspectives to enrich the interpretation of tax engagement in Bali's tourism context (Carayannis and Campbell, 2021).

Researcher Positionality and Reflexivity

Reflexivity remains integral to rigorous qualitative research (Braun and Clarke, 2022). The lead researcher approached this study as an outsider to the Balinese cultural context rather than as a cultural insider. Consistent with reflexive qualitative inquiry, the researcher acknowledges that no qualitative study is conducted from a value-neutral position. The researcher's academic background in behavioral management accounting informed the analytical lens, while cultural distance, language use, access through local intermediaries, and prior assumptions about technology and taxation were critically reflected upon throughout data collection and analysis.

The researcher's academic background in behavioral management accounting shaped the analytical lens, viewing tax compliance as a behavioral phenomenon within deeply-rooted cultural contexts that shape human behavior from early socialization. The researcher also holds the perspective that technology should serve as a tool for human progress while preserving cultural values. This stance informed the examination of digital tax systems within traditional Balinese society. We continuously reflected upon these positionalities throughout data collection and analysis to ensure that we grounded interpretations in participants' perspectives rather than in the researcher's assumptions.

Study Context and Site Selection

We conducted the research in Bali, Indonesia, specifically in five tourism areas: Kuta, Ubud, Sanur, Sukawati, and Gianyar. Bali presents an ideal context for investigating digital tax compliance among unstructured MSMEs for several reasons. First, tourism is the backbone of Bali's economy, with over 60% of the workforce engaged in the informal economy (BPS Bali, 2024). Second, unstructured MSMEs—including street vendors, craft sellers, homestay operators, gig economy workers, and informal food providers—dominate the tourism economy yet remain largely absent from digital tax systems. Third, Bali's strong traditional governance through *banjar* (customary village councils) and *awig-awig* (customary regulations) provides a compelling case for examining how community institutions shape compliance behaviors.

The five selected locations represent distinct tourism typologies: Kuta exemplifies mass tourism with high tourist density; Ubud represents cultural tourism focusing on arts and spirituality; Sanur offers beach tourism targeting older, more affluent visitors; Sukawati has gained renown for its art market and handicraft trade; and Gianyar represents the intersection of tourism and traditional manufacturing. This purposive site selection ensures variation in tourism characteristics, MSME types, and potential exposure to digital tax initiatives.

Ethical Considerations

We received ethical approval for this research from the institutional review board at Universitas Mercu Buana before data collection. All participants provided informed consent, including consent for audio recording. We informed participants of their right to withdraw at any time without consequence. Given the sensitivity of tax-related topics, we strictly maintained participant confidentiality by using alphanumeric codes rather than names and removed all identifying information from transcripts. All recordings and transcripts were stored on password-protected devices accessible only to the research team.

We gave special ethical consideration to the power dynamics inherent in researching the tax compliance of informal economic actors. The researchers maintained a non-judgmental stance, emphasizing that the study aims to understand experiences rather than evaluate compliance behaviors. We assured participants that we would not share their responses with tax authorities and that participation would have no consequences for their tax status.

Sampling Strategy and Participant Recruitment

We employed a criterion-based purposive sampling strategy combined with snowball techniques to identify and recruit participants. Criterion sampling ensures that all participants share common characteristics relevant to the research questions, while snowball sampling enables access to hidden populations that formal channels cannot easily reach (Campbell et al., 2020). Inclusion criteria for MSME participants included: (1) operating an unstructured enterprise in tourism-related activities, including gig economy work; (2) conducting business in one of the five selected locations; (3) lacking formal business registration or operating without complete regulatory compliance; and (4) willingness to discuss tax-related experiences.

Following the Quadruple Helix framework, we recruited additional participants from: government (Directorate General of Taxation/DJP officials), academia (tax consultants and researchers), and civil society (residents with deep knowledge of Balinese customs and banjar practices). We identified academic and government participants through professional networks and verified their credentials before recruitment. This multi-stakeholder approach ensures a comprehensive understanding from policy-making, implementation, and community perspectives (Roman et al., 2020).

Participant Characteristics

A total of twelve (12) participants contributed to this study, comprising seven MSME operators (including one gig economy worker), two DJP officials, two academics/tax consultants, and one local cultural expert. Table 1 presents the participant profiles. The gender distribution reflects the gendered nature of informal tourism commerce in Bali, with women predominating in the textile and handicraft trade. At the same time, men dominate food vending, art sales, and platform-based gig work. Business tenure ranged from five to over forty years, providing intergenerational perspectives on economic practices. Critically, the majority of MSME participants lacked Taxpayer Identification Numbers (TIN), representing the unstructured population central to this research.

Table 1. Participant Profiles

Participant	Category	Business/Profession	Gender	Tenure	Tax Status
P1	MSME	Shell handicrafts vendor	Male	>10 years	No TIN; pays local market retribution only
P2	MSME (Gig)	Ride-hailing driver (Grab)	Male	>25 years*	Has TIN; annual tax filing required by platform
P3	MSME	Clothing & textiles vendor	Female	Hereditary	No TIN; no tax filing; limited awareness of digital taxation
P4	MSME	Traditional Balinese clothing	Female	>15 years	No TIN; pays local market retribution only
P5	MSME	Balinese textiles vendor	Female	>10 years	No TIN; no income tax filing reported
P6	MSME	Satay vendor (Kuta beach)	Male	±15 years	No TIN; pays community and market fees
P7	MSME	Art painting vendor	Male	>5 years	Has TIN; reports annual tax return through e-filing
P8	Cultural expert	Native Balinese resident	Male	>40 years	Expert on *banjar* customs
P9–P10	Academia	Tax consultants & academics	M/F	—	Tax digitalization experts
P11–P12	Government	DJP officials (central & Bali)	Male	3+ years	Tax policy experts

Note: TIN = Taxpayer Identification Number. *P2 tenure refers to residency in Bali.

Data collection methods

We employed multiple data collection methods: semi-structured in-depth interviews, a hybrid Focus Group Discussion (FGD), and written responses. We conducted semi-structured interviews with MSME operators, local cultural experts, and academic participants between January and April 2025. We developed the interview protocol before fieldwork, addressing five thematic areas aligned with the research questions: (1) perceptions of digital tax policies; (2) cultural values and gender dynamics in tax compliance; (3) barriers and opportunities for digital adaptation; (4) Quadruple Helix collaboration; and (5) policy preferences. The corresponding author can provide the complete interview protocol upon reasonable request.

We conducted interviews in Indonesian—the national language understood by virtually all Balinese, particularly those engaged in tourism commerce—at locations convenient to participants, typically at their business premises or nearby public spaces. Each interview lasted approximately 45–90 minutes, and we audio-recorded all interviews with participant consent. We initially conducted a pilot interview with a gig economy worker (P2) to test the interview protocol; the richness of information obtained—combining perspectives as a ride-hailing driver, long-term Bali resident, and frequent tourist interactor—warranted inclusion as a formal participant, exemplifying the *emergent design* characteristic of qualitative research (Merriam and Tisdell, 2016).

We conducted a hybrid FGD with four participants: two academic tax consultants attending in person and two DJP officials participating via Zoom videoconference. This hybrid format accommodated the geographic and institutional constraints of government participants while enabling real-time dialogue among all stakeholders. The FGD lasted approximately two hours. To ensure comprehensive documentation, DJP participants subsequently provided written responses elaborating on points discussed during the FGD, addressing any information gaps from the synchronous discussion.

We conducted fieldwork intermittently over the four months due to environmental challenges, including flooding that temporarily prevented access to research sites. We completed 7 to 10 field visits, including an extended 4-day visit to complete the remaining interviews. Participant recruitment proved challenging as many potential MSME informants remained busy serving tourists during the peak holiday season. We maintained field notes throughout data collection to document contextual observations, researcher reflections, and emerging analytical insights.

Sample size justification and data saturation

We determined the final sample size following empirical evidence of data saturation rather than predetermined numerical targets. Initial fieldwork at Sukawati Art Market involved preliminary conversations with numerous informal traders to assess the phenomenon under investigation. These interactions revealed a strikingly consistent pattern: unstructured MSME operators across all business types demonstrated minimal to no understanding of formal taxation, let alone digital tax systems. Participants unanimously reported never receiving any form of tax socialization or outreach from tax authorities targeting their market segment.

The final sample size was guided by information power rather than by a predetermined numerical target. Because the study focused on a narrow phenomenon among information-rich participants, the interviews generated sufficiently consistent and detailed accounts to address the research questions. Rather than claiming complete thematic saturation, the study treats the findings as exploratory and analytically informative, while acknowledging that additional interviews could have revealed further contextual variation (Malterud et al., 2016; Hennink & Kaiser,2022).

Data analysis procedures

Data were analyzed using Braun and Clarke's reflexive thematic analysis. NVivo 14 was used solely as a data management and organization tool to support transcript handling, coding, retrieval, and visual inspection of relationships among data segments. Initial coding and theme development were conducted iteratively by the lead researcher, who retained primary interpretive responsibility throughout the analysis. Other team members assisted with transcript preparation and data organization, but no intercoder agreement procedure was applied, as this would not align with the epistemological assumptions of reflexive thematic analysis (Braun and Clarke, 2022).

Initial coding followed both deductive (following theoretical constructs from the behavioral compliance literature, the Technology Acceptance Model, and the Theory of Planned Behavior) and inductive (allowing themes to emerge from the data) approaches. Through the coding process, we identified five primary themes: (1) digital tax awareness and perceptions; (2) gender roles in tax management; (3) cultural values and traditional governance; (4) tax socialization effectiveness; and (5) risk perception. We used NVivo's project-mapping and coding-similarity functions to visualize relationships among themes and identify patterns across participant categories.

Quality assurance and trustworthiness

We ensured research quality by adhering to established trustworthiness criteria (Lincoln and Guba, 1985). We enhanced credibility through: prolonged engagement in the field (seven to ten visits over four months); triangulation of data sources (interviews, FGD, written responses) and participant categories (MSME, government, academia, cultural experts); and member checking with academic, government, and local expert participants to verify accuracy of interpretation. We support transferability by providing thick descriptions of the research context, participant characteristics, and analytical processes, enabling readers to assess applicability to other settings.

We maintained dependability by systematically documenting research procedures, coding decisions, and analytical reasoning in an audit trail. The collaborative analysis arrangement—with distinct roles for data processing, compilation, and interpretation—further enhances procedural transparency. We achieved confirmability through reflexive journaling, in which the lead researcher documented and critically examined assumptions, biases, and interpretive decisions throughout the research process, particularly by attending to her outsider positioning relative to Balinese culture.

Research quality was supported through prolonged engagement in the field, careful documentation of procedures, and reflexive journaling throughout the research process. Credibility was strengthened through comparison across interviews, the hybrid FGD, and written responses, while transferability was supported by thick description of the research context and participant characteristics. Rather than treating triangulation as a test of objectivity, it was used as a way to broaden contextual insight and enrich interpretation.

D. RESULT

The reflexive thematic analysis of interview transcripts, FGD discussions, and written responses yielded five primary themes that illuminate how unstructured MSMEs in Bali's tourism sector perceive and respond to digital taxation policies. These themes—digital tax awareness, gender dynamics, cultural governance, tax socialization effectiveness, and risk perception—emerged through iterative coding and cross-case comparison, and revealed consistent patterns across participant categories and geographic locations. The following sections present findings organized by theme, with illustrative quotations translated from Indonesian to preserve participant voice while ensuring accessibility.

Digital tax awareness and perceptions

A recurring pattern across the MSME participants was limited substantive understanding of digital taxation, even though many had encountered the term through informal channels such as conversations, social media, or everyday observations. Several participants could identify digital payments as part of their commercial routines, yet they did not connect this practice to tax administration. Most participants associated taxation primarily with property tax, vehicle tax, or local retribution, while income-tax-related obligations remained outside their everyday frame of reference. This pattern suggests a weak link between digital commercial activity and tax-system engagement rather than full awareness of how digital taxation operates. As one textile vendor in Kuta explained:

> *"Taxes now use computers, digital systems—I know that. But I've never used them. The socialization hasn't reached here." (P3, female, textile vendor)*

This pattern of surface-level awareness without operational understanding appeared across all five research sites. Participants universally associated 'taxation' with three familiar obligations: property tax (Pajak Bumi dan Bangunan), vehicle tax, and market retribution fees. Income taxation—whether conventional or digital—remained conceptually foreign. A satay vendor operating near Kuta Beach for fifteen years articulated this perception gap:

> *"No tax officer has ever come here to explain our obligations, especially about digital systems. I only know about motorcycle tax." (P6, male, food vendor)*

The triangulated analysis revealed a critical perception among MSME operators: they viewed policymakers as designing digital taxation for 'large businesses,' not informal traders. Participants maintained this belief despite their daily use of digital payment platforms (QRIS, GoPay, OVO) for commercial transactions. The disconnection between digital commerce adoption and digital tax awareness suggests that technology integration alone fails to translate into engagement with the tax system. As academic participants confirmed in the FGD, DJP socialization efforts have historically prioritized large taxpayers, leaving unstructured MSMEs 'marginalized' from the policy discourse.

Gender Dynamics in Tax Management

The findings suggest differences in tax-related knowledge and practices between male and female participants, but these differences appear to intersect with business type, mobility, digital exposure, and prior institutional contact rather than gender alone. Male participants more often reported familiarity with e-filing and annual reporting, whereas female participants—particularly those in textile and handicraft businesses—more frequently described limited exposure to formal tax procedures. These patterns should be interpreted as contextual and exploratory, not as evidence that gender independently determines tax engagement. One male participant who operates an art sales business described routine digital compliance:

> *"I report every year through e-filing, it's become routine now. Before, we had to queue at the tax office; now it's just by phone. Much easier." (P7, male, art vendor)*

In contrast, female participants, particularly older women engaged in traditional textile and handicraft trade, reported limited exposure to formal tax systems. Most female MSME operators lacked Taxpayer Identification Numbers and had never filed tax returns. Their understanding of fiscal obligations confined itself to market retribution, which they perceived as the entirety of their tax responsibility. As one elderly female trader explained:

> *"I've never filed taxes... I only pay the monthly market retribution. No one has ever explained digital taxes to us here." (P3, female, textile vendor)*

This gender gap stems from differential exposure to technology rather than capability differences. Male participants' greater mobility through transportation-related work, broader commercial networks, and higher smartphone literacy, facilitated earlier and deeper engagement with digital systems. Female traders, while equally entrepreneurial, continued working in fixed market locations with limited exposure to formal institutional processes. The DJP official participant acknowledged this disparity, noting that digital taxation policies have not incorporated gender-sensitive approaches to socialization or interface design.

Cultural Values and Traditional Governance

Participants consistently described banjar, awig-awig, and related customary practices as highly salient in everyday social life and compliance with community norms. Several participants indicated that these institutions shape behavior through reciprocity, moral obligation, and social sanction. At the same time, the data do not show that customary institutions currently function as formal intermediaries in taxation. Their relevance to tax inclusion therefore remains an interpretive possibility rather than an empirically demonstrated implementation channel. Compliance within these systems operates through moral and spiritual mechanisms rather than formal sanctions:

> "If we do wrong, we punish ourselves through our own actions... Balinese people have embedded this *karma* in their culture. Those who don't follow [customary rules] face sanctions." (P3, female, textile vendor)

The cultural expert participant (P8) elaborated on the philosophical foundations of this compliance architecture. The concept of *Tri Hita Karana*, harmony among humans, nature, and the divine, creates a holistic framework where individual actions carry collective consequences. Community practices such as *ayahan* (collective labor contributions) and *mesahri* (mutual assistance) reinforce social bonds and compliance through reciprocity rather than coercion.

Participants unanimously reported that *banjar* institutions do not engage with formal taxation matters. As one participant noted: "*Banjar* serves community meetings and ceremonies not for taxes." This institutional separation creates a significant gap: the governance system with the greatest legitimacy and compliance power operates entirely outside the tax policy domain. The implication suggests that digital tax initiatives, if channeled exclusively through formal government structures, may fail to leverage the most effective compliance mechanisms available in Balinese society.

Tax Socialization Effectiveness

Across the MSME interviews, participants reported very limited exposure to tax socialization targeted at their business segment. In most accounts, tax-related outreach was described as absent, infrequent, or focused on other categories of taxpayers. Stakeholder participants, particularly academics and DJP officials, also noted that existing outreach practices tend to concentrate on more visible or larger taxpayer groups. Taken together, these accounts indicate that the participants perceived a substantial gap between formal tax communication and the informational needs of unstructured MSMEs. These findings held consistently across all five research locations:

> *"There have been socializations here, but about trading regulations, not taxes. Never about taxes." (P3, female, textile vendor)*
>
> *"No tax officer has ever come to inform us about tax obligations... not once." (P6, male, food vendor)*

The academic participants confirmed this gap from a policy perspective. One FGD participant observed that DJP socialization efforts have systematically prioritized large taxpayers due to revenue considerations, leaving small and unstructured enterprises 'marginalized':

> *"The ones being socialized are big taxpayers... even medium taxpayers aren't getting attention, let alone small informal ones." (P9, academic/tax consultant)*

This socialization vacuum generates profound implications. Without foundational education on tax obligations, digital interfaces, and compliance procedures, unstructured MSMEs cannot voluntarily integrate into digital tax systems. The FGD participants emphasized that adequate socialization requires sustained engagement rather than one-time events, community-based delivery mechanisms, simplified non-technical language, and visible demonstrations of tax benefits. Currently, DJP's approach to the informal tourism sector does not incorporate any of these elements.

Risk Perception: An Absent Construct

Risk did not emerge as a central consideration in most participants' everyday accounts of taxation. Instead, tax-related risk appeared to have low salience and was discussed mainly in reactive terms, such as when participants mentioned receiving a letter or becoming aware of a possible administrative consequence. This suggests that risk is not entirely absent from participants' thinking, but rather that it is not yet integrated into routine decision-making about tax engagement. As one academic participant explained:

> *"Small MSMEs are afraid and don't know [about tax risks]... they only ask questions when they suddenly receive a tax letter." (P10, academic/tax consultant)*

The DJP participant corroborated this interpretation, noting that unstructured MSMEs lack the informational foundation necessary to perceive tax-related risks. For these operators, risk materializes only when external events—tax notices, audits, or enforcement actions—intrude on their daily routines. Until these events occur, non-compliance does not register as risk-bearing behavior but simply as the normal state of affairs. This finding carries significant policy implications: compliance strategies premised on risk communication or deterrence-based messaging are unlikely to resonate with populations for whom risk is not a salient construct.

In summary, the findings reveal that unstructured MSMEs in Bali's tourism sector experience structural exclusion from digital tax systems. Multiple mechanisms create this exclusion: minimal awareness despite widespread adoption of digital commerce; gendered disparities in technology engagement; robust traditional governance systems that operate parallel to, but lack connection to formal taxation; near-complete absence of targeted socialization; and the non-salience of risk as a behavioral motivator. These findings suggest that successful digital tax inclusion will require a fundamental reconceptualization of engagement strategies, moving from technology-centric, enforcement-oriented approaches toward interventions that embed culture, mediate through community, and intensify education.

E. Discussion

Theoretical interpretation of findings

The findings from Bali's unstructured MSMEs illuminate fundamental tensions between existing tax compliance theories and the empirical realities of informal tourism economies. The following discussion interprets the results through the theoretical lenses established in the literature review, addresses each research question, and develops the Value-Based Tax Governance Compliance Model as a theoretical contribution that extends current understanding of compliance behavior in contexts of governance pluralism.

Compliance distance: Reconceptualizing non-compliance

Conventional compliance frameworks cannot adequately explain the pervasive pattern of tax system disconnection that we observed across all MSME participants. Neither Allingham and Sandmo's (1972) deterrence model—which assumes taxpayers consciously weigh evasion benefits against detection risks—nor behavioral models emphasizing attitude formation and social norms (Alm, 2019) fully capture what these findings reveal: a population for whom formal taxation simply does not register as a relevant domain of action.

We propose the concept of *compliance distance* to describe this phenomenon. Compliance distance refers to the structural gap between policy systems and target populations—a gap that institutional design creates rather than taxpayer resistance (Narula, 2020). The findings suggest that existing compliance frameworks do not fully capture the condition observed among the unstructured MSMEs in this study, namely a limited connection between potential taxpayers and the formal tax system. To describe this condition, the paper proposes the concept of compliance distance as an analytical term for a structural gap between policy design and lived institutional experience. In this sense, compliance distance should be understood as a provisional concept derived from the present case, not as a finalized theoretical category.

This reconceptualization carries significant implications for the Technology Acceptance Model (Davis, 1989). TAM's constructs of perceived usefulness and perceived ease of use presuppose awareness of and engagement with the technology in question. For populations experiencing compliance distance, these constructs prove not merely low but absent—there exists no perception to measure because the technology has not entered the perceptual field. Belahouaoui and Attak (2024) emphasize that the success of digital taxation depends on user accessibility and institutional support. Yet, our findings suggest a prior condition: *perceived relevance*—the degree to which potential users recognize a technology as relevant to their circumstances. Without perceived relevance, potential users cannot develop perceptions of usefulness and ease of use.

The socialization vacuum and the slippery slope

The near-total absence of tax socialization reaching unstructured MSMEs illuminates a critical limitation of current policy approaches. Kirchler, Hoelzl, and Wahl's (2008) slippery slope framework distinguishes between enforced compliance (emerging from power) and voluntary compliance (emerging from trust). The framework demonstrates that sustainable compliance requires both dimensions, with trust serving as the foundation for legitimate authority.

The limited reach of tax socialization among unstructured MSMEs points to a condition that is not fully addressed by conventional compliance models. In the present data, participants described neither sustained enforcement nor meaningful engagement with tax authorities. To capture this condition, the paper introduces the notion of a flat slope as a tentative analytical description of a setting in which both coercive and trust-based compliance mechanisms remain weak or absent. This formulation is intended as a conceptual contribution that requires further empirical testing.

This interpretation aligns with Okunogbe and Santoro's (2023) critique of revenue-based policy logic and Mascagni et al.'s (2023) finding that technology-centric approaches ignore demand-side realities. By concentrating resources on large taxpayers who generate immediate revenue, tax authorities neglect the relationship-building necessary to bring unstructured populations into the system. Okunogbe & Santoro (2023) similarly document how digitalization without attention to user accessibility creates exclusion rather than inclusion in Sub-Saharan Africa. The short-term revenue logic thus perpetuates long-term base narrowness, a policy trap that our findings empirically document.

Embedded governance and the limitations of formal institutions

Perhaps the most theoretically significant finding concerns the dominant role of traditional governance institutions, *banjar*, *awig-awig*, and the *Tri Hita Karana* philosophical framework in shaping compliance behaviors. Participants consistently described these institutions as more binding than state regulations, operating through moral, spiritual, and social mechanisms that formal law cannot replicate.

This finding extends Narula's (2020) observation that social structures shape informal sector behavior more powerfully than regulatory frameworks. Our data demonstrate not merely the presence of this influence but its mechanisms: karma-based moral accountability, community-enforced social sanctions, and collective identity that renders individual non-compliance visible and consequential. These mechanisms create what we term embedded compliance, compliance that emerges from cultural integration rather than rational calculation or formal enforcement. This pattern resonates with Inasius's (2019) finding that perceived fairness significantly influences Indonesian SME compliance, suggesting that community value systems culturally construct perceptions of fairness.

The critical insight reveals that banjar institutions—despite their powerful capacity to generate compliance—currently operate entirely outside the tax policy domain. These dynamics reveal both a failure and an opportunity. The failure lies in policy designs that ignore available compliance infrastructure. The opportunity lies in the potential to channel digital tax inclusion through institutions that already command legitimacy and exercise regulatory authority in economic matters. As Cowling et al. (2020) demonstrate, innovation during exogenous shocks requires collaborative strategies that leverage diverse capabilities—a principle equally applicable to tax policy innovation.

Gender Dynamics and the Theory of Planned Behavior

The pronounced gender differentiation in tax knowledge and digital engagement confirms and extends prior research on gendered dimensions of tax compliance (Coelho et al., 2022; ILO, 2023). The ITU (2023) documents systematic disadvantages facing women in digital literacy and technology access; our findings demonstrate how these disadvantages translate into tax system exclusion. Interpreted through the Theory of Planned Behavior (Ajzen, 1991), our findings suggest that each of TPB's three determinants operates differently across gender lines in this context.

Attitudes toward digital taxation vary by gender due to differential exposure: male participants who had used e-filing reported positive attitudes toward digital convenience, while female participants—lacking this exposure—held no formed attitudes. Subjective norms appear to reinforce gender divisions: within household and community contexts, participants perceive tax administration as a male-domain activity, with women's compliance (when it exists) typically mediated through male family members. Perceived behavioral control diverges sharply: male participants expressed confidence in navigating digital systems, while female participants reported uncertainty and dependence on assistance.

These patterns suggest that gender-blind digital tax policies systematically exclude women entrepreneurs—not through explicit discrimination but through design assumptions that presuppose male patterns of technology engagement. Effective inclusion requires gender-differentiated approaches to socialization, interface design, and support provision, as Deja, Rak, and Bell (2021) emphasize in their analysis of digital transformation readiness.

The absence of risk: Implications for compliance theory

The complete absence of risk-related discourse among MSME participants represents a methodologically and theoretically significant finding. Deterrence-based compliance models (Allingham and Sandmo, 1972; Slemrod, 2019) assume that taxpayers perceive and respond to compliance risks—audit probability, penalty severity, and enforcement capacity. Our findings demonstrate that for unstructured MSMEs, these risk constructs simply do not exist as cognitive categories.

This finding carries profound policy implications. Compliance strategies premised on risk communication—informing taxpayers about audit probabilities or penalty consequences—presuppose populations for whom risk constitutes a salient construct. For populations experiencing compliance distance, these communications address non-existent concerns. The finding thus explains why enforcement-oriented messaging frequently fails to reach informal-sector populations (Coelho et al., 2022): it speaks to risks that these populations do not perceive because they do not see themselves as within the tax system's reach.

More fundamentally, the absence of risk perception suggests that unstructured MSMEs operate according to economic rationalities that differ from the formal-sector assumptions embedded in compliance theory. Their decision horizons remain immediate and concrete—today's sales, this week's expenses, the next ceremonial obligation. Abstract future risks do not enter this calculus because the time horizons and uncertainty structures differ from those that compliance models developed in formal economy contexts assume (IMF, 2024; IFC, 2025).

Toward a Value-Based Tax Governance Compliance Model

Synthesizing these interpretations, we propose the Value-Based Tax Governance Compliance Model as a theoretical framework for understanding and promoting compliance among populations currently outside formal tax systems. The model extends existing frameworks—including the slippery slope (Kirchler et al., 2008), TPB (Ajzen, 1991), and TAM (Davis, 1989)—by positioning value systems and governance institutions as foundational determinants of compliance behavior.

The model proposes that compliance behavior among unstructured populations emerges from three interconnected layers. The *foundation layer* comprises community value systems—the shared beliefs, moral frameworks, and spiritual understandings that define legitimate behavior within communities. In Bali, this includes *Tri Hita Karana*, *karma* beliefs, and collective identity. The *governance layer* comprises the institutions that operationalize and enforce value systems—*banjar*, *awig-awig*, *pecalang*, and community accountability mechanisms. The *policy layer* comprises formal state regulations, including tax law and digital systems.

The model's key proposition holds that policy layer effectiveness depends on alignment with governance and foundation layers. Policies that contradict or ignore community values will generate resistance or irrelevance. Policies that work through governance institutions—leveraging their legitimacy and enforcement capacity—can achieve compliance that top-down approaches cannot. This proposition aligns with the Platform for Collaboration on Tax's (PCT, 2024) recognition that achieving sustainable tax-to-GDP ratios requires inclusive approaches rather than intensified extraction from narrow bases. Figure 1 illustrates this three-layer model, demonstrating how legitimacy flows upward from community value systems through governance institutions. In contrast, policy effectiveness flows downward—achieving optimal compliance only when all layers align and mutually reinforce one another.

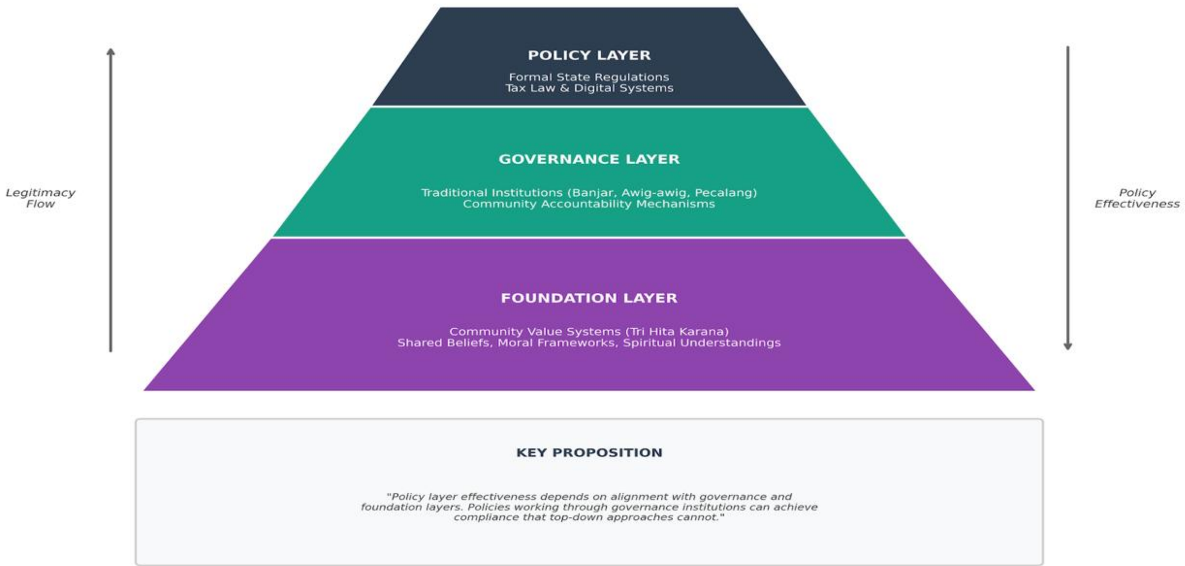

Figure 1. The Value-Based Tax Governance Compliance Model

The Contextual Behavioral Compliance Framework (CBCF)

Building on these findings, the study proposes the Contextual Behavioral Compliance Framework (CBCF) as a policy-oriented conceptual framework for thinking about inclusive tax engagement. The CBCF integrates behavioral, institutional, and community-level considerations to outline possible pathways for improving tax outreach to unstructured MSMEs. Because the framework has not yet been implemented or evaluated, it should be interpreted as a proposal for future testing rather than as evidence of policy effectiveness (Carayannis and Campbell, 2009; Roman et al., 2020), integrating government (DJP), academia (tax researchers), industry (digital platform providers), and civil society (banjar institutions and community representatives). The framework provides actionable guidance for designing inclusive tax policies.

The CBCF comprises five integrated components. *First*, cultural mapping identifies relevant value systems, governance institutions, and community structures in target areas. *Second*, institutional partnership establishes formal collaboration between tax authorities and traditional governance institutions, positioning community leaders as legitimate mediators of tax policy. *Third*, gender-responsive design ensures that socialization approaches, digital interfaces, and support mechanisms address the specific constraints facing women entrepreneurs (ITU, 2023). *Fourth*, community-based socialization delivers tax education through trusted community channels rather than formal government communications. *Fifth*, graduated inclusion provides pathways for unstructured MSMEs to enter the tax system incrementally, with simplified initial requirements and progressive formalization as capacity develops.

The CBCF marks a fundamental shift from revenue-based to compliance-based policy logic (Okunogbe & Santoro, 2023). Rather than optimizing collection from existing taxpayers, it prioritizes bringing new populations into relationship with the tax system—accepting that new populations may initially contribute minimal revenue while building the foundation for long-term base expansion. This reorientation supports Song et al.'s (2025) finding that financial inclusion and technology adoption produce better development outcomes when supported by institutional ecosystems, and Autio et al.'s (2024) emphasis that digital entrepreneurship ecosystems require alignment among multiple actors to generate inclusive growth. Figure 2 presents the CBCF's operational structure, illustrating how five integrated components—which we developed through Quadruple Helix collaboration among government, academia, industry, and civil society—sequentially transform culturally-embedded insights into actionable policy mechanisms for inclusive digital taxation.

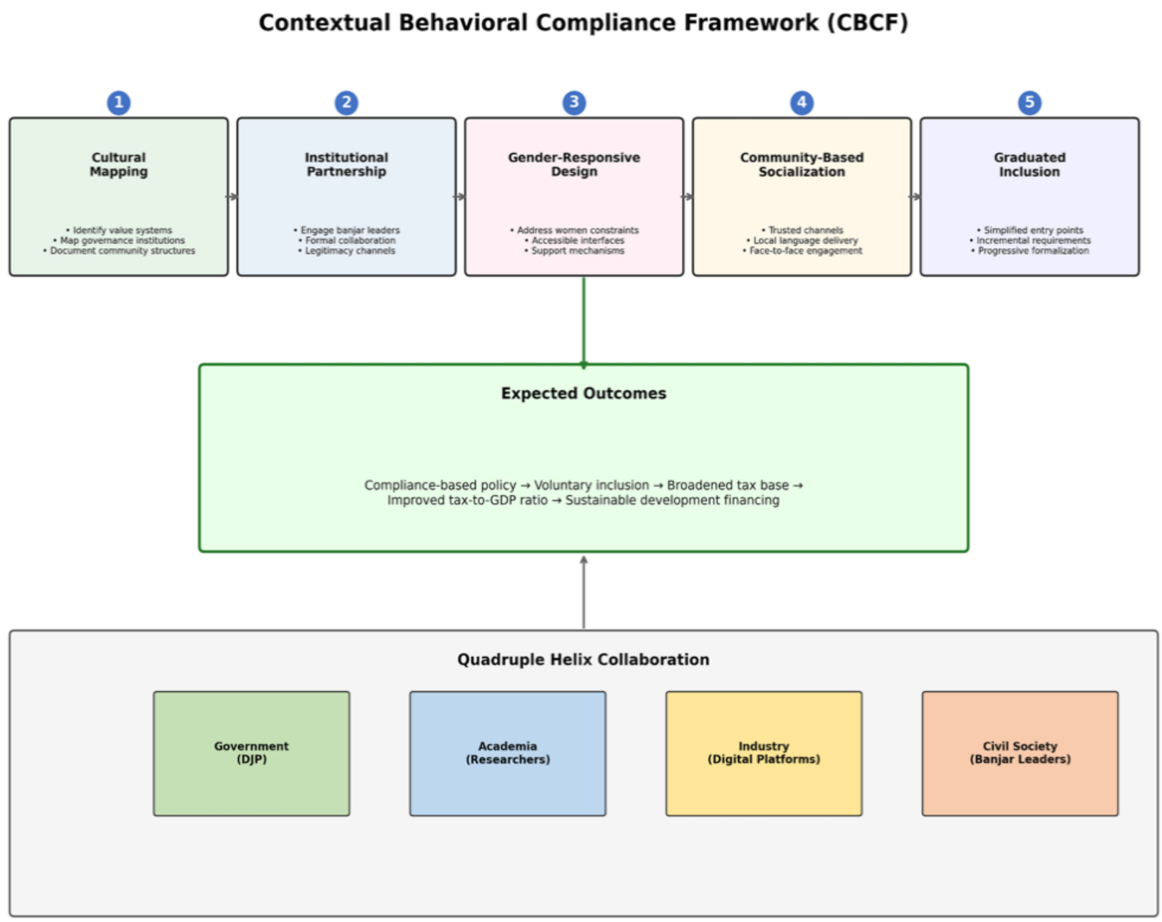

Figure 2. The Contextual Behavioral Compliance Framework (CBCF)

Addressing the research questions

The discussion now synthesizes findings to address each research question. Regarding RQ1 (perceptions and responses to digital tax policies), unstructured MSMEs perceive digital taxation as irrelevant to their circumstances—a perception rooted not in resistance but in the compliance distance that policy designs that overlook their existence create. Regarding RQ2 (cultural values and gender dynamics), *banjar* institutions and *awig-awig* regulations shape compliance behaviors more powerfully than formal law. In contrast, gender dynamics create differentiated access to digital engagement, disadvantaging women entrepreneurs.

Regarding RQ3 (barriers and opportunities for digital adaptation), barriers include awareness deficits, literacy constraints, and perceived irrelevance, while opportunities lie in existing digital commerce adoption and in leveraging trusted community institutions. Regarding RQ4 (Quadruple Helix collaboration), traditional governance institutions represent underutilized civil society actors whose inclusion in policy design could dramatically enhance effectiveness (Carayannis and Campbell, 2009). Regarding RQ5 (policy mechanisms for effective reach), the CBCF provides a structured approach to designing culturally-attuned, gender-responsive, and community-mediated policies that can reach populations currently outside the tax system.

The present study should be read as an exploratory case that generates conceptual propositions rather than definitive generalizations. Future research could examine whether the proposed framework holds in other institutional settings, whether customary institutions can realistically support tax inclusion, and how different stakeholder arrangements influence taxpayer engagement over time (Allingham and Sandmo, 1972; Kirchler et al., 2008; Slemrod, 2019). The Value-Based Tax Governance Compliance Model drawing on exploratory evidence from Bali's tourism-based MSMEs, this study proposes a contextual extension of existing tax compliance theories by incorporating community-based value systems and informal governance institutions as relevant analytical dimensions.

F. CONCLUSION

This study explored how unstructured MSMEs in Bali's tourism sector perceive and engage with digital taxation within a socio-cultural context shaped by customary institutions, gendered business practices, and limited interaction with formal tax administration. The findings suggest that low participation in the formal tax system is better understood as a condition of institutional distance rather than deliberate resistance to taxation. Participants generally demonstrated limited awareness of income tax obligations and reported minimal exposure to tax socialization, while community institutions such as banjar and awig-awig continued to play a central role in shaping everyday norms and collective responsibility. These findings indicate that technological innovation alone is unlikely to broaden tax inclusion without greater attention to the institutional and cultural contexts in which compliance behaviors develop.

Building on these findings, the study proposes the Value-Based Tax Governance Compliance Model and the Contextual Behavioral Compliance Framework (CBCF) as complementary conceptual contributions for understanding tax engagement among unstructured MSMEs. Rather than presenting these frameworks as validated implementation models, this study positions them as analytical propositions that integrate behavioral, institutional, and cultural perspectives to inform future research and policy development. In particular, the findings suggest that more inclusive tax strategies may benefit from closer collaboration among public institutions, academic experts, community organizations, and local stakeholders, while recognizing that the present study represents only a partial operationalization of the broader Quadruple Helix perspective. From a policy perspective, the findings suggest that expanding digital taxation should involve not only technological modernization but also sustained engagement with communities that remain weakly connected to formal fiscal institutions. Improving tax inclusion may therefore require context-sensitive communication, culturally responsive outreach, and stronger collaboration with trusted local institutions that already possess social legitimacy within the community. Such approaches have the potential to strengthen institutional trust and encourage gradual participation in the formal tax system while respecting local social and cultural realities.

This study should be interpreted within several limitations. The findings are derived from a qualitative case study conducted in selected tourism areas of Bali and are intended to provide analytical rather than statistical generalization. In addition, the proposed conceptual frameworks have not yet been implemented or empirically evaluated in practice. Future research should therefore examine the applicability of these propositions across different institutional, cultural, and regional contexts, explore broader stakeholder participation—including a more comprehensive representation of the Quadruple Helix—and evaluate whether culturally embedded approaches can effectively strengthen long-term tax inclusion among unstructured MSMEs. This study contributes to the growing literature on digital taxation in developing economies by demonstrating that tax inclusion is not solely an administrative or technological challenge but also an institutional and behavioral one. Recognizing the social and cultural dimensions of tax engagement may provide a stronger foundation for designing more inclusive fiscal policies that support sustainable development while strengthening the relationship between citizens and the state.

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