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Unveiling the Dynamics of Tax Compliance: The Implementation and Challenges of the Directorate General of Tax

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ABSTRACT
Contemporary tax compliance research has increasingly shifted from deterrence-based models toward behavioral frameworks that emphasize psychological, social, and institutional determinants of voluntary compliance. Despite advances in digital tax administration, compliance rates in many developing contexts remain volatile, suggesting that technological modernization alone is insufficient to transform taxpayer behavior. Drawing on the Theory of Planned Behavior (TPB), this study examines how attitudes, subjective norms, and perceived behavioral control interact to shape taxpayers' compliance intentions and behaviors within the policy implementation context of the Directorate General of Taxes (DGT) in Kediri, Indonesia. Employing a qualitative case study design, data were collected through in-depth interviews with tax officials, individual and corporate taxpayers, and MSME association representatives, complemented by observations and document analysis. The findings reveal that positive compliance intentions emerge from perceived fiscal transparency, reputational pressures within business networks, and improved access to administrative support; however, a persistent intention–behavior gap remains when digital literacy constraints and financial stress undermine perceived behavioral control. The study demonstrates that trust-based compliance requires an integrated intervention framework that simultaneously strengthens institutional legitimacy, social norms, and operational capacity. Theoretically, this research extends TPB by contextualizing its constructs within institutional transformation from sanction-based to trust-based governance. Practically, it provides evidence-based policy recommendations for enhancing long-term voluntary compliance in decentralized tax administrations.

1. Introduction

Taxes are one of the main instruments in supporting national development and fiscal sustainability. Tax compliance is a crucial element in ensuring the effectiveness of the taxation system because it is directly related to the state's ability to collect revenue optimally (Mebratu, 2024; Trifan et al., 2023). In Indonesia, the Directorate General of Taxes (DGT) faces complex challenges in improving taxpayer compliance, both for individuals and entities. Psychological, social, and institutional factors are important determinants that influence tax compliance intentions and behavior (Melatnebar et al., 2025). Therefore, understanding the dynamics of tax compliance needs to be done through a behavioral approach, not just an administrative one.

In Kediri, the implementation of DGT policies shows an interesting dynamic between formal regulations and taxpayer behavior in the field. Although the DGT has modernized its systems and digitized its tax services, compliance rates remain volatile (Zhou et al., 2025). This indicates the existence of non-technical factors that influence the effectiveness of tax policies. Differences in perceptions of taxes, social pressure from the business community, and self-control in financial management are important variables that require in-depth analysis. A qualitative approach is relevant to explore these social and psychological dynamics in a more contextual manner manner.

Theoretical Framework

The Theory of Planned Behavior (TPB) proposed by Ajzen (2020) offers a relevant conceptual framework for understanding tax compliance behavior. This theory emphasizes that a person's behavior is determined by intentions formed from three main factors: attitudes toward behavior, subjective norms, and perceived behavioral control (Sussman & Gifford, 2019). In the context of taxation, these three components explain how individuals assess their tax obligations, respond to social pressure, and assess their ability to fulfill these obligations (Rachman & Putri, 2025). Thus, TPB provides a strong theoretical basis for examining the psychological factors underlying taxpayer decisions (Ramadhani et al., 2025). This approach is able to explain variations in taxpayer behavior in various social and cultural contexts.

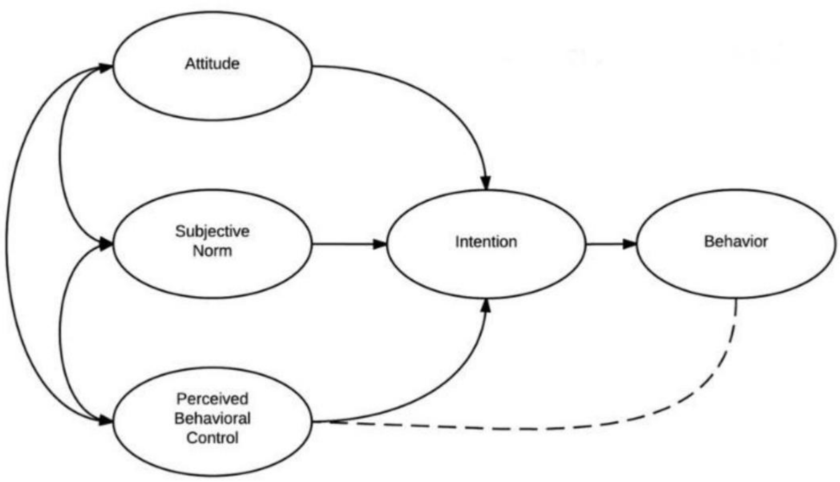

Figure 1. The theory of planned behavior (Ajzen, 2020)

Attitude toward behavior reflects an individual's assessment of the consequences of paying taxes, whether positive or negative (Ajzen, 2020). Taxpayers who view taxes as a contribution to development tend to have a positive attitude and a strong intention to comply). Conversely, if taxes are considered a burden without direct benefits, resistance to compliance arises. In the context of Kediri, this perception is often influenced by personal experiences with the DGT's services and the transparency of tax use. This emphasizes the importance of building a positive attitude through education and credible public services.

The second factor in TPB is subjective norm, which is an individual's perception of social pressure to do or not do something (Maleknia et al., 2025). In a business environment, the decision to pay taxes is often influenced by the views of peers, business associations, or the local economic community (Wibowo, 2025). If social norms encourage tax compliance as honorable behavior, individuals will be encouraged to act similarly. Conversely, if tax avoidance practices are considered acceptable, then these norms actually weaken compliance (Batrancea et al., 2019). Therefore, the formation of positive norms in the social environment of taxpayers is crucial to the effectiveness of taxation policies.

The third factor is perceived behavioral control, which describes the extent to which individuals feel they have the ability and resources to perform certain actions (Ajzen, 2020; Ru et al., 2018). In the context of taxation, this relates to taxpayers' ability to understand the rules, access the administrative system, and manage their tax burden. When taxpayers feel capable of fulfilling their obligations without obstacles, their intention to comply becomes stronger. However, perceptions of administrative complexity or limited information can reduce this sense of control. Therefore, simplifying the system and providing assistance to taxpayers are strategic steps to strengthen perceived behavioral control.

Intention is the bridge between psychological factors and the actual behavior of taxpayers. The more positive the attitudes, norms, and perceived behavioral control, the more likely a person is to have the intention to pay taxes (Ajzen, 2020). However, in practice, intention does not always translate into actual behavior, especially when there are structural or situational constraints. In Kediri, several taxpayers claimed to have the intention to comply, but were hindered by a lack of understanding of the e-filing system or financial pressures. This phenomenon confirms the need for policy interventions that strengthen the conversion of intention into real action.

Previous Studies

Previous studies found that a combination of internal and external factors plays an important role in shaping tax compliance behavior (Bătrâncea et al., 2012). Internal factors include moral motivation, perceptions of tax fairness, and trust in the government (Halla, 2012; Permana & Sanjaya, 2025). Meanwhile, external factors include incentive policies, sanctions, and the quality of fiscal services (Pereira & Silva, 2020; Setyadi & Armaini, 2025). In Kediri, synergy between the DGT and the local business community is crucial to creating a climate of compliance based on awareness, not fear. Therefore, qualitative exploration of taxpayers' experiences and perceptions is very important.

The TPB model allows researchers to comprehensively identify the dynamic relationships between these factors (Chernozub, 2022; Jiang et al., 2019). A positive attitude toward taxes often arises from direct experience with a fair and transparent system (Castañeda, 2024). Meanwhile, subjective norms are reinforced through communication and collaboration between taxpayers and tax authorities. Perceived behavioral control also increases when taxpayers receive adequate technical support and tax literacy (Stadnick et al., 2024). The main challenge in applying this theory is ensuring that psychological factors are truly reflected in practical policies. In many cases, fiscal policies are still top-down in nature without considering the social dynamics of taxpayers (van Kleef, 2024). Thus, the implementation of TPB in the context of the Kediri DGT helps to reveal the psychological dimensions behind tax compliance.

In an institutional context, the Kediri Tax Office faces challenges in changing the taxpayer compliance paradigm from sanction-based compliance to trust-based compliance. This transformation requires a humanistic and communicative approach that emphasizes transparency and public accountability. Technology-based services such as e-invoicing and e-filing have simplified the administrative process, but have not completely changed compliance behavior. The imbalance between technology and user readiness has led to resistance among small and medium taxpayers (Saruji et al., 2023). This condition reinforces the importance of a behaviora TPB also enables the development of evaluative indicators for the effectiveness of DGT policies. To address this issue, current study aims to explore how do attitudes, subjective norms, and perceived behavioral control interact to affect taxpayers' compliance intentions and behaviors in the context of policy implementation by the Directorate General of Taxes in Kediri. The qualitative approach allows for a contextual understanding of the phenomenon of Tax compliance in Kediri. Additionally, this study investiges the complex relationship between psychological, social, and public policy factors. The results contribute to enrich the behavior-based taxation literature in Indonesia that considers psychological and social factors.

2. Methods

2.1 Research Design

This study uses a qualitative approach with a case study design to explore in depth the dynamics of tax policy implementation and the challenges that affect taxpayer compliance in the Kediri region. This approach was chosen because the phenomenon of tax compliance is complex, multidimensional, and cannot be explained solely through numbers or quantitative variables (Yin, 2018). Case studies allow researchers to understand social and administrative processes contextually, through direct interaction between taxpayers, tax officials, and other stakeholders (Creswell & Poth, 2018). By adopting an interpretive paradigm, this study seeks to understand the meaning behind tax compliance behavior, rather than simply measuring the level of compliance itself. The focus of the research is directed at the experiences, perceptions, and interpretations of local actors regarding the implementation of tax policies by the Directorate General of Taxes (DGT) in Kediri, thereby providing an in-depth understanding of the successes and obstacles encountered in the local context.

The research data was collected through three main techniques, namely in-depth interviews, participatory observation, and documentation studies. Interviews were conducted with 17 key informants consisting of the following:

Table 1. Research Informants

Category of Informant	Institution/Group	Number of Informants	Selection Criteria
Tax Office Employees	Directorate General of Tax (KPP Pratama Kediri)	4	Minimum 5 years of experience in tax administration
			Direct involvement in taxpayer services, supervision, or compliance enforcement
			Knowledge of local tax compliance dynamics
Individual Taxpayers	Registered Taxpayers in Kediri City	8	Individual taxpayers with regular income reporting.
			Have experience using e-filing or manual tax reporting.
			Representing various income brackets.
Corporate Taxpayers	Private Companies (Small to Medium Enterprises)	3	Registered legal entities operating in Kediri.
			Have at least 3 years of consistent tax filing.
			Engaged with KPP Pratama
			Kediri for compliance obligations.
SME Association Representatives	Association of Small and Medium Enterprises (HIPMI, UMKM Forum Kediri)	2	Actively engaged in coordinating SME members.
			Familiar with members' tax compliance patterns.
			Involved in advocacy or capacity-building related to taxation.

Informants were selected using purposive sampling, based on their involvement and experience in the tax administration process in the Kediri region (Miles, Huberman & Saldaña, 2014). Observations were conducted to understand the actual service situation, interactions between officials and taxpayers, and the implementation of tax system digitalization in the field. In addition, documentation in the form of DGT annual reports, regional tax policies, and World Bank and OECD publication data were used as secondary sources to strengthen the interpretation of field data (OECD, 2019; World Bank, 2020). The collected data were then organized into thematic narratives to facilitate analysis and meaning extraction. The interview instruments used in this study are as follows:

Table 2. Instruments for Data Collection

TPB Construct	Informants	Interview Questions
Attitude	Tax Office Employees	How do you perceive taxpayers' general attitude toward paying taxes in Kediri?
	Individual/Corporate Taxpayers	How do you personally feel about paying taxes as part of your social and economic responsibility?
	SME Association Representatives	How do SME members generally view paying taxes in relation to their business growth and sustainability?
Subjective Norm	Tax Office Employee	How do community or social norms in Kediri influence taxpayers' willingness to comply with tax regulations?
	Individual/Corporate Taxpayers	How do people around you (family, colleagues, or business partners) affect your decision to fulfill your tax obligations?
	SME Association Representatives	How does your association or peer network encourage members to comply with tax regulations?
Perceived Behavioral Control	Tax Office Employee	What do you think are the main obstacles that prevent taxpayers from fully complying with their tax duties?
	Individual/Corporate Taxpayers	What factors make it easy or difficult for you to manage and complete your tax obligations?
	SME Association Representatives	How accessible and supportive do you think current tax services are for small business owners?
Intention	Tax Office Employee	What strategies or initiatives does your office plan to strengthen taxpayers' commitment to compliance in the future?
	Individual/Corporate Taxpayers	How likely are you to maintain consistent tax compliance in the future, and why?
	SME Association Representatives	What future steps will your association take to enhance members' tax awareness and compliance culture?

Data analysis was conducted using a thematic analysis approach, following the stages of data reduction, data presentation, and conclusion drawing (Miles, Huberman & Saldaña, 2014). In the first stage, all interview transcripts and observation notes were read repeatedly to identify patterns and main categories related to tax compliance factors, perceptions of policy, and implementation challenges in the field. The second stage involved open, axial, and selective coding to find relevant conceptual themes, such as fiscal justice, trust in institutions, service efficiency, and tax morality (Braun & Clarke, 2019). To ensure the validity of the findings, source and method triangulation was carried out, involving verification of interview results with documentary data and field observations. Internal validity was strengthened through a member checking process with several key informants, while reliability was enhanced through an audit trail of the entire data collection and analysis process (Lincoln & Guba, 1985). With this approach, the study is expected to provide a comprehensive picture of the dynamics of tax policy implementation and compliance challenges at the regional level in a deep and contextual manner.

3. Results

Attitude toward Behavior

Interviews with employees of the Kediri Tax Office show that they believe most taxpayers in the Kediri region have a positive attitude toward their tax obligations, especially after various socialization and technical guidance programs were carried out on a regular basis. Employees said that taxpayers are beginning to understand that taxes are not only a legal obligation, but also a form of contribution to regional development. However, they also observed that there are still a small number of small business owners who view taxes as an additional burden that reduces their profits. Field observations reinforce this finding that taxpayers who frequently interact directly with tax officials show a more open and participatory attitude in reporting activities. Internal documentation shows an increase in the number of taxpayers who have actively participated in tax outreach activities over the past two years.

Meanwhile, interviews with individual and corporate taxpayers show that most have a positive attitude toward taxes because they consider them part of their social and economic responsibility. They believe that paying taxes provides a sense of security and legality in running a business. However, some also stated that they have not directly felt the benefits of taxes, especially in the form of improved public facilities around their business locations. Several corporate taxpayers mentioned that the tax incentives provided by the government were quite helpful in strengthening their positive attitude towards compliance. In general, the interviews showed that the higher the level of understanding and administrative experience of taxpayers, the more positive their attitude towards tax payment.

From the perspective of MSME association representatives, the interview results show that their members tend to view tax compliance as a symbol of professionalism and business credibility. Many small business owners are beginning to realize that tax compliance is an important prerequisite for obtaining access to capital or business cooperation with third parties. However, some association members still consider the taxation process too complicated and unfriendly to micro businesses. Observations of outreach activities show that positive attitudes grow more quickly among business owners who have received intensive assistance from tax officials. In general, the findings on this construct show that attitudes toward tax compliance in Kediri are moving in a positive direction, although they are still influenced by perceptions of the benefits and complexity of the system.

Subjective Norm

From interviews with employees of the Kediri Tax Office, it was revealed that social and cultural factors in Kediri society have a major influence on tax compliance behavior. Employees assessed that collective awareness in the business environment is the main driver for individuals to comply, as compliance is seen as part of professional ethics. They also observed positive social pressure from the local business community that encourages timely tax reporting. Observations showed that face-to-face interactions between officials and business actors in community forums increased social responsibility towards tax obligations. Documentation showed that the annual Tax Gathering program, which involved various associations, succeeded in fostering social solidarity in tax compliance. Among individual and corporate taxpayers, social norms from the surrounding environment were an important factor in their decision to fulfill their tax obligations.

Many respondents admitted to being influenced by the views of business partners, family, and work colleagues who view tax compliance as a measure of professional integrity. In interviews, some mentioned that they felt ashamed if they were late or did not pay taxes when their business partners were compliant. However, a small number of others mentioned that there was no significant social pressure from their environment, so compliance was more due to legal obligations than social norms. Observations at service counters showed that those with strong community ties tended to be more disciplined in visiting the Tax Office or using online services for reporting. Interviews with representatives of MSME associations reinforced that the role of the business community is very influential in building compliance norms. Associations often serve as a place to share experiences and provide moral encouragement to pay taxes on time.

In some cases, associations even take the initiative to conduct internal training on tax obligations for their members. Documentation shows an increase in member participation in guidance activities facilitated jointly with the DGT. In general, subjective norms in Kediri are strongly formed among medium-sized business actors and members of formal associations, but are still weak among micro-business actors who do not yet have extensive social networks.

Perceived Behavioral Control

The interviews with employees at the Kediri Tax Office, it was found that the main obstacles to tax compliance stem from two issues: low digital literacy and limited understanding of new regulations. Employees mentioned that even though the administrative system is already digital, many taxpayers still need direct assistance to understand the online reporting features. During observations in the service room, it was found that some taxpayers came only to ensure that the data uploaded through e-filing was correct. Documentation shows that the Tax Office has launched an assisted reporting program to help taxpayers who have technical difficulties. The perception of behavioral control has also increased in line with more intensive training and assistance.

Meanwhile, individual and corporate taxpayers revealed that the main factors affecting the ease or difficulty of fulfilling their tax obligations were time availability and financial stability. Those with busy business schedules often delayed reporting for administrative reasons. On the other hand, taxpayers with limited financial capabilities tended to feel they did not have full control over their tax obligations, especially when business conditions declined. Observations show that this group of taxpayers often requests rescheduling of payments or consultations regarding incentives. Trust in the online system also influences perceptions of behavioral control; some still feel more comfortable conducting transactions in person at the tax office.

From interviews with MSME associations, it was found that most members feel that the current tax system is not yet fully inclusive for small businesses. Some mentioned that although online services facilitate access, technical language and administrative understanding remain major obstacles. However, the association also noted significant improvements in service quality, particularly with the opening of digital communication channels through WhatsApp Business and online helpdesks. Documentation shows an increase in online interactions between officials and MSME actors, which has helped reduce technical barriers. In general, perceptions of behavioral control in Kediri show an increase in confidence in managing taxes, although continued support is still needed.

Intention

Interviews with employees of the Kediri Tax Office indicate that this institution continues to strengthen taxpayer commitment through personal and digital outreach strategies. Programs such as Pajak Bertutur (Tax Talks) and Tax Goes to Community are considered effective in increasing taxpayers' willingness to comply with regulations. Employees added that digital systems such as e-registration and e-billing also help to increase convenience and consistency in taxpayer compliance. From observations of service activities, it appears that taxpayers who frequently attend outreach programs are more likely to have a strong intention to report and pay on time. Internal documentation also notes an increase in the number of taxpayers who voluntarily register without formal warnings. Among individual and corporate taxpayers, most stated that they are committed to remaining tax compliant in the future.

Their main reasons are the desire to maintain their business reputation and avoid legal sanctions. However, some also emphasize the need to simplify the reporting process so that this intention can be realized consistently. Observations show that high intentions are often not directly proportional to actual behavior, especially when taxpayers face technical or time constraints. Strong intentions require support in the form of an efficient system and intensive communication from the DGT.

From MSME associations, the interview results show that their institutions have begun to develop annual programs to increase tax awareness among their members. They plan to integrate tax training into every business development activity. Some associations are even exploring direct cooperation with the Kediri Tax Office to form a tax awareness community. Documentation shows that this collaborative initiative is underway and has been joined by dozens of local businesses. The collective intention to build a culture of tax compliance among MSME players appears to be growing stronger, signaling a positive change in the fiscal behavior of the people of Kediri.

4. Discussion

Attitude toward Behavior

The attitudes of taxpayers in Kediri appear to be shaped by a complex interaction among fiscal knowledge, administrative service experiences, and perceptions of tangible public benefits. Interviews and observations indicate that when taxpayers receive clear information regarding the allocation of tax revenues for local development, while simultaneously experiencing efficient and responsive services, their cognitive and affective evaluations of tax obligations shift from perceiving “taxes as a burden” to recognizing “taxes as a social contribution,” thereby strengthening their intention to comply (Ajzen, 2020; Thornton et al., 2019). However, this attitudinal change is neither automatic nor uniform across segments (Mohammed & Tangl, 2024). MSME actors facing liquidity constraints continue to assess tax obligations through the lens of business continuity. Without burden-mitigation mechanisms (e.g., installment plans or flexible payment schemes), educational campaigns and evidence of public benefits alone are unlikely to produce a sustained shift in their instrumental evaluations (Wibowo, 2025). Therefore, strategies aimed at shaping attitudes must adopt a segment-specific approach that integrates transparent evidence of tax utilization with economic measures that alleviate the trade-off between liquidity and compliance, thereby ensuring that changes in cognitive and affective evaluations can be sustained over the medium term.

From a theoretical and policy perspective, these findings suggest that the attitude dimension of TPB should be further decomposed into sub-dimensions (cognitive—perceived benefits; affective—moral evaluations; instrumental—economic consequences) (Joshi et al., 2021; Wang et al., 2020), as interventions that focus solely on knowledge without addressing economic factors and service experiences are likely to generate only temporary attitudinal changes. Field practice also demonstrates that evidence of local budget utilization—for instance, documentation of projects financed through local revenues—produces a dual effect: it enhances institutional legitimacy and reshapes taxpayers' economic evaluations of the "benefits" of taxation (Canales et al., 2024), thereby allowing positive attitudes to serve as a foundation for more stable intentions (Krivorotko & Sokol, 2021). Accordingly, educational programs should be integrated with transparent communication regarding public outputs to ensure that their impact on attitudes is stronger and more enduring.

Subjective Norm

Subjective norms in Kediri primarily operate through reputation mechanisms and social reinforcement within local business networks. Interviews with MSME associations and observations of community forums indicate that when associations, business partners, or community leaders exert positive social pressure—for example, through public recognition of compliant businesses—individuals tend to adjust their behavior in order to preserve their reputation and maintain access to professional networks (van Kleef, 2024; Zhang et al., 2022). The effectiveness of these norms appears to be stronger among organized groups, particularly formal association members (Maleknia et al., 2025), than among informal business clusters. Accordingly, policies that leverage social networks should extend the reach of formal organizations to informal communities through participatory mechanisms and trusted local agents (Bhusal, 2019; Hawkins et al., 2016), thereby ensuring that pro-compliance norms become more widely disseminated and inclusive.

Furthermore, field analysis suggests that subjective norms are effective only when accompanied by institutional legitimacy (Çapar, 2025). Norms that are imposed without clear evidence of fair tax utilization or without trust in the authorities are unlikely to change practices (Batrancea et al., 2019; Gangl et al., 2020), as citizens may perceive such norms as mere rhetoric. Therefore, normative strategies are most effective when integrated with fiscal transparency and credible social rewards—an approach that increases the reputational costs of noncompliance while providing an empirical foundation for emerging norms—thereby enabling norms and legitimacy to reinforce one another in shaping compliance intentions and behaviors.

Perceived Behavioral Control

Perceived behavioral control (PBC) in Kediri can be conceptualized as comprising two primary domains: technical capabilities (tax and digital literacy) and financial or operational capacity. The digitization of tax services enhances efficiency for taxpayers who are technically prepared (Saruji et al., 2023; Vozár & Bán, 2024); however, it simultaneously marginalizes those who lack access, adequate skills, or trust in online systems—a phenomenon consistent with research on the digital divide in modern tax administration (Latupeirissa et al., 2024; Roy & Khan, 2021). Field observations and interviews indicate that assisted reporting programs and hybrid (offline–online) services effectively enhance PBC among vulnerable groups. Nevertheless, the limited coverage of these initiatives constrains their overall impact.

Functionally, PBC is further shaped by economic conditions. During periods of financial stress (e.g., post-pandemic recovery or economic downturns), the ability to pay constitutes a substantive constraint that impedes the translation of intention into action (Mennekes & Schramm-Klein, 2025), even when technical capabilities are sufficient (Galvão & Owyang, 2018; Selenko et al., 2025). These findings suggest that efforts to strengthen PBC must adopt a comprehensive approach by addressing digital literacy gaps (Fırtın et al., 2025), while simultaneously providing liquidity-support mechanisms (e.g., installment plans, grace periods, or temporary administrative assistance), thereby facilitating the transition from intention to sustained and actual compliance behavior.

Intention

The intention to comply is generally strong among informants, driven by moral motivation, reputational concerns, and legal awareness. However, a significant intention–behavior gap emerges when such intentions are not supported by adequate perceived behavioral control (PBC) and reinforcing social norms (Ru et al., 2018). Observations indicate that digital reminders and educational campaigns may increase short-term intentions; nevertheless, without technical assistance and payment flexibility, these intentions frequently fail to translate into actual behavior (Ajzen, 2020). In other words, intentions must be actively facilitated. Nudging interventions and persuasive communication strategies are most effective when complemented by operational improvements and contextual support (Costa et al., 2025; Houdek, 2024), thereby preventing practical barriers from obstructing behavioral realization.

Policies derived from this analysis should therefore adopt an integrated intervention framework that simultaneously enhances attitudes (through evidence-based communication), strengthens norms (through peer champions and public recognition), improves PBC (through assisted reporting and payment flexibility), and sustains intention (through reminders and systematic follow-up). Empirical findings from intervention studies demonstrate that such multidimensional strategies are more effective in narrowing the intention–behavior gap than isolated measures. Accordingly, coordinated program implementation among KPP, MSME associations, and local governments is recommended to maximize long-term voluntary compliance outcomes.

5. Conclusion

This study demonstrates that tax compliance in Kediri cannot be sufficiently explained by enforcement-centered models alone. Instead, compliance behavior arises from the interaction among attitudes, subjective norms, and perceived behavioral control, as articulated in the Theory of Planned Behavior (TPB). Positive attitudes toward taxation are strengthened when taxpayers perceive fiscal transparency and experience responsive public services. Subjective norms operate through reputational mechanisms within business networks, particularly among organized MSME associations, where compliance signals professionalism and legitimacy. Perceived behavioral control is critical in translating intention into action, especially amid digital transformation and financial constraints. A persistent intention–behavior gap emerges when modernization efforts are not supported by adequate digital literacy and payment flexibility. This study provides empirical insights from Kediri, highlighting how psychological and institutional mechanisms shape compliance intentions and behaviors. The findings offer guidance for the Directorate General of Taxes (DGT) in developing adaptive, behaviorally informed communication and support strategies, while reinforcing institutional legitimacy. Theoretically, the study extends TPB within a localized fiscal governance context. Practically, it informs regional socialization, training, and incentive policies. However, as a single-case qualitative study, its generalizability is limited. Future research should employ mixed-method or longitudinal designs to further examine the intention–behavior gap across diverse institutional settings.

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