

IMPACT OF SOCIAL NORMS ON TAX COMPLIANCE INTENTION: EVIDENCE FROM SRI LANKA

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ABSTRACT

Social norms, which serve as personal benchmarks, help individuals identify behaviors accepted or rejected by their society and play a critical role in shaping tax compliance by influencing individuals' perceptions of their duties. When tax compliance is viewed as a societal expectation, individuals are more likely to comply due to peer pressure. In developing countries such as Sri Lanka, limited knowledge of tax laws, widespread malpractices, distrust in authorities, and dissatisfaction with tax revenue utilization have made tax compliance increasingly reliant on informal networks, that is, prevailing social norms. The main objective of this study is to explore how social norms affect tax compliance intentions, which has not yet been considered in the country. This study adopts a positivist research philosophy, emphasizing a quantitative approach to investigate the influence of social norms on tax compliance intention. To meet the sample size sufficiency for statistical analysis, data were collected from a random sample of 246 sole proprietors in the Western province using an online structured questionnaire. The dependent variable, tax compliance intention, was measured using a five-item scale ranging from one (completely disagree) to five (completely agree). The latent constructs for independent variables representing the four dimensions of social norms (injunctive, descriptive, subjective, and personal) and tax compliance intention were derived using the Principal Component Method and were utilized for the measurement and subsequent structural equation models. The path coefficients of the estimated models showed that personal norms significantly influence tax compliance intentions, with subjective and descriptive norms having a stronger impact than injunctive norms. These results highlight the critical role of social norms in determining an individual's tax compliance behavior. Policymakers should integrate social norms into tax compliance strategies by using public campaigns, transparency, and community-driven initiatives to foster trust and collective responsibility. Furthermore, the strengthening and expansion of tax education are widely recommended to produce responsible taxpayers. While contributing to the growing body of literature on the impact of societal norms on shaping tax compliance intentions, this study critically comments that traditional models of tax compliance that focus solely on legal and economic factors are insufficient without considering the influence of social norms.

Keywords: Social norms, compliance intention, tax compliance, voluntary compliance