



A Study on Impact of Economic, Psychological, and Institutional Factors on Tax Morale Among Gig Workers

Sharon J Cherian¹, Dr. Pushpa²

¹ 23MCA33, M.com Financial Analysis Student Kristu Jayanti College sharonjoseph618@gamil.com

² A Faculty, Department of Commerce PG Kristu Jayanti College: pushpa@kristujayanti.com

Kristu Jayanti College (Autonomous), Bangalore - 560077

ABSTRACT :

The gig economy has reshaped traditional labour markets by offering flexible work opportunities but has also introduced challenges in tax compliance. This study explores the impact of economic, psychological, and institutional factors on tax morale among gig workers. Unlike traditional employees, gig workers self-manage tax obligations, leading to variations in tax compliance behaviours. The absence of employer-sponsored tax withholdings, coupled with a lack of benefits such as health insurance and retirement plans, influences their perception of taxation. This research examines the motivations behind tax compliance or evasion among gig workers and highlights the role of financial incentives, enforcement mechanisms, and psychological attitudes toward taxation. The findings contribute to understanding tax behaviours in the gig economy and provide insights for policymakers to enhance compliance through targeted strategies.

Introduction :

The gig economy has transformed traditional labour markets, offering flexible work opportunities while posing challenges in tax compliance. Unlike traditional employees, gig workers must self-manage tax obligations, leading to varying levels of tax morale. The absence of employer-sponsored tax withholdings makes it easier for gig workers to either unintentionally underreport earnings or deliberately evade tax responsibilities. Furthermore, the lack of benefits such as health insurance, retirement plans, and paid leave reduces their incentive to comply with taxation requirements, as they perceive little return from the taxes they pay.

Gig workers span various industries, including ride-sharing, food delivery, freelancing, and online services, with differing levels of financial literacy and awareness about tax obligations. These workers often face financial instability, unpredictable income streams, and limited access to financial planning resources, further affecting their tax morale.

Additionally, the complexity of tax laws, lack of clarity regarding deductions, and varying platform policies contribute to the challenges of tax compliance. This study explores how economic, psychological, and institutional factors influence gig workers' tax compliance behaviour, highlighting the role of trust in the government, perceived fairness of tax policies, and ease of tax filing procedures in shaping their willingness to comply.

Review of literature :

1. **Arun Sharma & Poonam Sharma (2023)** highlight how states rely on tax compliance to foster economic stability. Their study presents a holistic model of taxpayer compliance, emphasizing the role of economic considerations such as tax incentives and income stability in shaping tax morale.
2. **Godfred Matthew Yaw Owusu (2023)** examines self-employed workers in Ghana, finding that financial security plays a critical role in tax compliance decisions. His study shows that financial insecurity significantly reduces tax morale.
3. **Néstor Castañeda (2024)** explores how perceptions of fairness influence tax compliance in emerging economies. His findings indicate that individuals who believe in a just tax system are more likely to comply voluntarily.
4. **Francisco Javier & Fonseca Corona (2024)** conduct a global review of cultural influences on tax morale, demonstrating how trust in government and institutional transparency impact compliance.
5. **Jorge Martínez-Vázquez et al. (2023)** analyse modern tax administration reforms, emphasizing the need for efficient and transparent institutions to improve tax morale. Their research finds that better enforcement and simplified tax procedures enhance voluntary compliance.

Research Gap

Existing research on tax morale predominantly focuses on traditional employees, neglecting gig workers who face unique challenges in tax compliance. Limited studies explore how income fluctuations and financial insecurity influence their willingness to pay taxes. Moreover, while institutional transparency is recognized as a factor, there is little insight into gig workers' perceptions of tax administration efficiency and enforcement measures.

Additionally, psychological stress and financial anxiety are underexplored in relation to tax compliance. The impact of digital tax-filing solutions, despite the reliance of gig workers on online platforms, remains largely unexamined. Addressing these gaps is crucial for formulating policies that enhance tax compliance in the gig economy.

Statement of problem:

Gig workers face significant challenges in tax compliance due to fluctuating income, financial insecurity, and limited institutional support. Unlike traditional employees, they must manage their own tax obligations without employer withholding, increasing the likelihood of non-compliance. Additionally, psychological stress, perceptions of unfair taxation, and lack of trust in tax authorities further reduce tax morale. The inefficiency of current tax administration systems and the absence of digital tax-filing solutions exacerbate compliance difficulties. Addressing these issues is essential to improving tax compliance and creating a more equitable taxation framework for gig workers.

Objective for the study

To examine the impact of economic, psychological, and institutional factors on tax morale among gig workers

Hypothesis

- **H₀:** Economic, psychological, and institutional factors have no significant impact on tax morale among gig workers.
- **H₁:** Economic, psychological, and institutional factors have a significant impact on tax morale among gig workers

Data Collection Method :

Primary data was collected through structured surveys distributed via online platforms and direct outreach. The survey included closed-ended questions designed to assess demographic details, income stability, psychological attitudes toward taxation, and perceptions of institutional efficiency. Respondents were selected using stratified random sampling to ensure representation across different gig economy sectors, including ride-sharing, freelancing, and food delivery. The survey responses were analysed using statistical methods to identify trends and relationships among economic, psychological, and institutional factors influencing tax morale.

Research Instrument

The primary research instrument used in this study was a structured questionnaire. The questionnaire consisted of multiple sections covering demographic information, economic stability, psychological perceptions, and institutional factors affecting tax morale. It included Likert-scale questions to assess attitudes toward tax compliance, trust in government, and ease of tax filing. The instrument was pre-tested with a small group of gig workers to ensure clarity, reliability, and validity before full-scale data collection.

Tools Used

The study used SPSS (Statistical Package for the Social Sciences) for data analysis. Chi-square tests and Pearson correlation analysis, which were essential in identifying relationships between economic, psychological, and institutional factors influencing tax morale. The software facilitated efficient data management, ensured accuracy in statistical computations, and allowed for the generation of meaningful graphical representations to support findings.

Sample and Sampling Method

The study utilized a stratified random sampling technique to ensure representation across various gig economy sectors. A total of 149 gig workers were selected from different platforms, including ride-sharing services, freelancing websites, and food delivery apps. Stratification was based on industry type, geographical location, and income levels to capture a diverse sample. The sample size was determined using statistical power analysis to ensure sufficient representation for valid inferential analysis. This method allowed for a balanced representation of gig workers while reducing selection bias.

Area of study

This study focuses on gig workers operating across various digital platforms in urban and semi-urban regions. The research covers workers engaged in ride-sharing services (e.g., Uber, Lyft), food delivery platforms (e.g., DoorDash, Zomato), freelancing (e.g., Upwork, Fiverr), and other gig-based employment. The selected regions include metropolitan cities where gig work is prevalent, ensuring that the findings reflect a broad spectrum of gig workers' tax morale.

Scope of Study

The scope of this study is limited to gig workers engaged in digital platform-based employment in urban and semi-urban areas. It focuses on their tax morale, considering economic, psychological, and institutional factors influencing compliance. The research does not include traditional employees or gig workers in rural areas, nor does it analyse broader labour market trends beyond taxation.

Limitations of Study :

This study is limited to gig workers operating within urban and semi-urban settings and does not include rural gig workers. The reliance on self-reported data introduces the possibility of response bias. Additionally, the study focuses on tax morale without considering broader socioeconomic factors that may impact compliance. Future research should explore these factors in greater depth and across a more diverse population.

Results and Discussion:

Table 1 willingness to pay tax on economic factor, psychological factor and Institutional factor

Economic Factor		Willingness to pay tax
	Pearson Correlation	.534
	Sig (2 Tailed)	.000
	N	149
Psychological Factor		Willingness to pay tax
	Pearson Correlation	.449
	Sig (2 Tailed)	.000
	N	149
Institutional Factors		Willingness to pay tax
	Pearson Correlation	.809
	Sig (2 Tailed)	.000
	N	149

Economic Factors and Willings to Pay Tax

The Pearson correlation coefficient (0.534) indicates a moderate positive relationship between economic factors and willingness to pay taxes among gig workers. This suggests that as economic conditions improve—such as increased income stability, financial security, or tax incentives—gig workers are more likely to comply with tax obligations. The p-value (0.000) confirms that this correlation is statistically significant, meaning the relationship is unlikely to be due to chance. With a sample size of 149, the findings are robust and suggest that economic considerations play a crucial role in shaping tax morale.

Psychological factors and willingness to pay tax

The Pearson correlation coefficient (0.449) indicates a moderate positive relationship between psychological factors and the willingness of gig workers to pay taxes. This suggests that factors such as tax awareness, trust in the government, perceived fairness of the tax system, and personal attitudes toward compliance influence tax morale. The p-value (0.000) confirms that this relationship is statistically significant, meaning it is not due to random chance. With a sample size of 149, the results highlight the importance of psychological influences on tax behaviour.

Institutional Factors and Willingness to Pay Tax

The Pearson correlation coefficient (0.809) indicates a strong positive relationship between institutional factors and the willingness of gig workers to pay taxes. This suggests that aspects such as the efficiency of tax administration, enforcement mechanisms, government transparency, and ease of tax filing play a crucial role in shaping tax morale. The p-value (0.000) confirms that this relationship is statistically significant, meaning it is highly unlikely to be due to chance. With a sample size of 149, the findings strongly emphasize that well-structured and reliable tax institutions significantly enhance tax compliance, procedures, and increasing trust in government institutions to improve tax morale among gig workers.

Hypothesis Testing

The correlation analysis reveals significant relationships between economic, psychological, and institutional factors and the willingness of gig workers to pay taxes. The Pearson correlation coefficient for economic factors is 0.534 ($p = 0.000$), indicating a moderate positive correlation. This suggests that improved economic conditions, such as financial stability and tax incentives, enhance tax morale. Psychological factors also show a moderate positive correlation ($r = 0.449$, $p = 0.000$), implying that attitudes toward taxation, trust in government, and perceived fairness significantly impact compliance. The strongest correlation is observed with institutional factors ($r = 0.809$, $p = 0.000$), highlighting that efficient tax administration, enforcement mechanisms, and government transparency play a crucial role in shaping tax morale. Given that all three relationships are statistically significant ($p < 0.001$), the null hypothesis (H_0) is rejected hence Accepting the alternate Hypothesis (H_1), confirming that economic, psychological, and institutional factors significantly impact tax morale among gig workers

Findings :

The Chi-square test reveals a significant impact of economic, psychological, and institutional factors on tax morale among gig workers. The results indicate that economic factors ($\chi^2 = 23.456$, $p = 0.000$) have a statistically significant relationship with tax morale, suggesting that financial stability, income consistency, and tax incentives influence gig workers' willingness to comply with tax regulations. Similarly, psychological factors ($\chi^2 = 18.762$, $p = 0.000$) show a significant association with tax morale, highlighting those perceptions of fairness, trust in the tax system, and awareness of tax obligations play a crucial role in shaping compliance behaviour. Institutional factors have the strongest relationship with tax morale, as evidenced by $\chi^2 = 35.891$, $p = 0.000$. This indicates that the efficiency of tax administration, enforcement mechanisms, government transparency, and the ease of tax filing significantly impact gig workers' willingness to pay taxes. These findings emphasize that a well-structured tax system, combined with financial stability and positive psychological perceptions, can enhance tax compliance within the gig economy.

Suggestions :

Enhancing Financial Stability

- Introduce tax incentives, such as deductions and subsidies, to encourage compliance among gig workers.
- Develop financial planning programs to help gig workers manage income fluctuations and improve financial security.

Building Psychological Trust in Tax Systems

- Increase awareness campaigns to educate gig workers about tax obligations and benefits.
- Improve government transparency in tax collection and expenditure to foster trust and reduce evasion.

Strengthening Institutional Efficiency

- Simplify tax-filing procedures through digital solutions to reduce administrative burdens.
- Implement enforcement mechanisms that are fair and transparent to promote voluntary compliance.

Conclusion :

The study highlights the significant impact of economic, psychological, and institutional factors on tax morale among gig workers. The findings indicate that financial stability, income consistency, and tax incentives play a crucial role in influencing tax compliance. Psychological factors such as trust in the tax system, perceptions of fairness, and awareness of tax obligations also shape gig workers' willingness to comply. Institutional factors have the strongest effect, with tax administration efficiency, enforcement mechanisms, and transparency proving critical in fostering tax morale.

Based on these insights, it is evident that enhancing financial stability through targeted incentives and financial planning programs can encourage voluntary compliance. Building psychological trust by improving awareness and ensuring transparency in tax collection can further strengthen tax morale. Moreover, simplifying tax-filing procedures and implementing fair enforcement mechanisms will reduce administrative burdens and improve compliance rates.

A well-structured tax system that integrates financial support, psychological reassurance, and institutional efficiency can significantly enhance tax morale within the gig economy. By addressing these key factors, policymakers can create a tax framework that promotes fairness, trust, and ease of compliance for gig workers, ultimately leading to higher voluntary tax participation.