

National culture and perceived ethics of tax evasion: case of Bali Province

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ABSTRACT

This study aims to investigate the relationship of national culture and taxpayer's ethical perception of tax evasion. National culture dimensions include power distance, uncertainty avoidance, individualism/collectivism, masculinity/femininity, long/short term orientation, and indulgence/restraint. This study employs survey method, using online questionnaires for taxpayers who have self employment in Bali Province. Three hundred and seventy seven taxpayers fill out online questionnaires. This model is processed using multiple linear regression analysis method. The results indicate that power distance, uncertainty avoidance, individualism/collectivism, and femininity/masculinity are associated with perceived ethics of tax evasion, but do not associated between short term/long term orientation and indulgence/restraint with perceived ethics of tax evasion. This study is expected to improve knowledge about tax evasion especially related to national culture. Practically, the results are expected to provide input for tax regulators to consider the role of national culture in identifying the causes of tax evasion.

ABSTRAK

Tujuan dari penelitian ini adalah untuk menganalisis hubungan budaya nasional dan persepsi etis wajib pajak tentang penggelapan pajak. Dimensi budaya nasional meliputi jarak kekuasaan, penghindaran ketidakpastian, individualistik/kolektivistik, maskulin/feminin, orientasi jangka panjang/pendek, dan kesenangan/pengendalian. Penelitian ini menggunakan metode survei, yaitu kuesioner online untuk wajib pajak yang memiliki pekerjaan bebas di Provinsi Bali. Tiga ratus tujuh puluh tujuh wajib pajak mengisi kuesioner online. Model penelitian ini diolah menggunakan metode analisis regresi linear berganda. Hasil penelitian menunjukkan bahwa jarak kekuasaan, penghindaran ketidakpastian, individualistik/kolektivistik, maskulin/feminin berkaitan dengan persepsi etis atas penggelapan pajak, namun orientasi jangka panjang/pendek, dan kesenangan/pengendalian tidak berkaitan dengan persepsi etis atas penggelapan pajak. Penelitian ini diharapkan dapat meningkatkan pengetahuan tentang penggelapan pajak terutama berkaitan dengan budaya nasional. Secara praktis, diharapkan bisa memberi masukan bagi regulator pajak untuk mempertimbangkan peran budaya nasional dalam mengidentifikasi penyebab penggelapan pajak.

1. INTRODUCTION

Tax evasion is a crucial issue for every country, especially the developing countries. Tax is one of the major sources of state revenue used to provide social services and infrastructure development (Bame-Aldred, Cullen, Martin, & Parboteeah, 2013). The low tax compliance resulted in reduced public

revenues (Picur & Riahi-Belkaoui, 2006).

Tax evasion is interesting to discuss globally, especially after Panama Paper case. This document presents a list of rich people who shy away from tax obligations. This reality reflects the occurrence of global crimes against the world of taxation in various countries. A surprising fact when Panama

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Exposed the data data that also involves individuals from Indonesia for financial transactions over the past forty years. This case proves that Indonesia is in an emergency mafia tax (CnnIndonesia. com, 2016). This document becomes important information for Indonesian authorities to combat tax crimes that have been rampant.

In academic world, tax evasion is an important issue that still needs to be studied more comprehensive. In addition to the limited empirical evidences on the determinants of tax evasion, there is the fact that the rate of tax evasion is difficult to estimate and observe. It is a daunting task for researchers to identify the determinants of such behavior given the lack of high-quality data (Khelif & Achek, 2015).

Some empirical research presents factors causing tax evasion. Jackson & Milliron (1986) determine 14 keys that are categorized as demographic, economic, and behavioral factors. Khelif & Achek (2015) categorize four elements: demographics, culture and behavior, legal and institutional, and economic. Riahi-Belkaoui (2004) reveals the factors of complexity, education, income, reasonableness, and tax morale that influence tax evasion. Other researchers add variables of economic size (Cummings, Martinez-Vazquez, McKee, & Torgler, 2009; Richardson, 2006), intrinsic motivation (Torgler, 2006), and taxpayer behavior (Buehn & Schneider, 2012).

Research on tax evasion across the country considers institutional factors (legislation, and tax rates), demography (firm size, ownership, and possible audit), and attitudes (tax fairness and burden perceptions) (Richardson, 2006). Aspects of cultural values (Bame-Aldred et al., 2013; Richardson, 2006) and the national culture Hofstede (1980) also became antecedents affecting tax evasion (Richardson, 2006; Tsakumis, Curatola, & Porcano, 2007). Culture becomes one of interesting topics to ask researchers as one external factor that affects one's behavior. Person's perspective, attitude, and behavior will be influenced by the culture (Sihombing & Pongtuluran, 2013).

Cultural contexts which shape a person's interpretation of events may assist in influencing his or her attitude toward tax evasion. Culture is reflected to varying degrees in general values and specific behavioral norms, are constantly expressed and reinterpreted during a person's everyday social contact, which can either increase or decrease tax evasion. The national culture may encourage or inhibit tax avoidance behavior, regardless of the

individual characteristics of the taxpayer or other institutional component (Bame-Aldred et al., 2013). However, there are limited research about national culture and tax evasion (Alm & Torgler, 2006; Andreoni, Erard, & Feinstein, 1998; Richardson, 2008; Richardson & Smith, 2007) in developing countries, especially Indonesia. This is an opportunity and a challenge for researchers to provide an advanced conceptual framework that explains relationship between these elements.

Tsakumis et al. (2007) study explores the four dimensions of Hofstede culture (uncertainty avoidance, individualism, masculinity, and power distance) in relation to level of tax evasion in 50 countries. They show that the higher power distance and uncertainty avoidance, and the lower individualism and masculinity related to higher of tax evasion across countries. Richardson (2008) extends Tsakumis et al. (2007) study also shows that individualism and uncertainty avoidance are consistently the most significant determinants of tax evasion across countries.

This research extends the research of Tsakumis et al. (2007) and Richardson (2008) employing six dimensions of Hofstede national culture: Power Distance, Uncertainty Avoidance, Individualism/Collectivism, Masculinity/Femininity, Long/Short Term Orientation, and Indulgence/Restraint to analyze empirically the relationship cultural dimensions and tax evasion in Indonesia, using taxpayer's ethical perception of tax evasion in Bali Province.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Tax Evasion

Tax evasion is an illegal practice to escape payment obligations. Taxpayers will try to conceal taxable or profit income by deliberately exaggerating deduction, exemption or credit (Alm & Martinez-Vazquez, 2003). Tax evasion is an intentional illegal behavior that causes a violation of the tax law directly to avoid tax payments (Gabor, 2012), or hide the true value of contracts or legal transactions to avoid or reduce fiscal liabilities (Tsakumis et al., 2007).

The literature study reveals three main views of tax evasion ethics. The first, confirms that tax evasion is unethical because tax payments are obligations to be paid to God or obligations to society. Second, view states that there is never or almost no obligation to pay taxes because the government always takes over the wealth of the people, and there is no obligation to give anything

to government that is corrupt. Third, view reveals that there are some ethical obligations to support the government in neighborhood we live in, but that obligation is not absolute (McGee, Ho, & Li, 2008).

Ethical perception is defined as the process by which a person selects, organizes, and interprets existing information and experience, then interprets the meaning contained in accordance with the applicable principles of truth and morals (Maryati & Tarmizi). The taxpayer's ethical perceptions are how they perceive tax evasion measures based on cultural values held individually or adapted to cultures that acculturate in the environment.

A number of studies on tax evasion in some countries give different results. The results of taxpayer perceptions of tax evasion in Russia (Vaguine, 1998), Bulgaria (Smatrakalev, 1998), and Greece (Ballas & Tsoukas, 1998) indicate that taxpayers do not feel the existence of ethical problems with tax evasion behavior. This is because government is corrupt so taxpayers feel they have no ethical obligation to pay taxes to the corrupt government. Similar results are expressed by Morales (1998) on taxpayer perceptions in Armenia and Mexico that find that a worker's obligation to his family is more important than his obligations to the state (McGee et al., 2008).

Another study conducted Ibadin & Eiya (2013) states that tax evasion is an ethical behavior according to employees in Nigeria. In contrast to this results, (Filho, 2014), and (Prebble & Prebble, 2012) indicate that taxpayers consider tax evasion unethical, unfair, immoral, and unlawful.

National Culture

In this case, Hofstede (2011) defines culture as the thoughts, feelings, and actions of human beings so that it is analogous to the software of the human psyche or as the 'software of the mind' or the mover of man. This study emphasizes the national culture that grows and develops in the society of a region, referring to the national cultural dimension of Hofstede (1980). This cultural dimension is considered to be the most comprehensive, i.e. the conceptual side to the measurement using research indicators so as to gain extraordinary recognition from researchers and practitioners (Drogendijk & Slangen, 2006; Kirkman, Lowe, & Gibson, 2006; Parboteeah, Bronson, & Cullen, 2005). Numerous accounting studies in auditing (Chan, Lin, & Mo, 2003) and management accounting (Harrison & McKinnon, 1999) show that Hofstede's dimensions appear to capture the essence of national culture in

a way that is useful in academic research. The dimensions provide explicit constructs that also can be used in considering the impact of culture on countries' tax evasion levels (Alm & Torgler, 2006; Richardson, 2008; Tsakumis et al., 2007).

The national culture proposed by Hofstede (1980) initially describes the five dimensions include power distance, uncertainty avoidance, individualism/collectivism, masculinity/femininity, and long/short orientation. In the 2000s, research by Bulgarian scholar Michael Minkov using data from the World Values Survey allowed a new calculation of the fifth (Minkov, 2009), and the addition of a sixth dimension which is indulgence/restrain (Hofstede & Minkov, 2010).

The first, power distance recognizes the existence of inequality in society, whether physically, mentally, or intellectually. High power distance characterized by centralized organizational structures, obedience to authority, formal rules, and hierarchy of decision making. Second, uncertainty avoidance is the condition when individuals feel threatened by unstructured, unclear, and unpredictable environments. Third, individualism/collectivism refers to individual or group identification. Individuals with high individualism tend to think of themselves as "I" and classify themselves according to their individual characteristics. Instead individuals with high collective culture focus on group needs, solidarity, and have good relationships with family, friends, and colleagues (Hofstede, 2011).

The fourth dimension is masculinity/femininity. Individuals in masculinity culture like material ownership, firmness, achievement, rewards, recognition of performance, and challenges in work. The femininity culture is characterized by equality, solidarity, social relations, agreement, and security in work and life (Hofstede, 2011). A high level of masculinity affects unethical behavior and tends to corrupt (Parboteeah et al., 2005; Sanyal, 2005). The fifth dimension of short/long-term orientation illustrates that people in long-term orientation prioritize the future, while short-term orientations emphasize the present and the past (Hofstede, 2011). The sixth dimension is indulgence/restrain. That simply refers to 'happiness values'. Indulgence for a society allows relatively free gratification of basic and natural human desires related to enjoying life and having fun. Restraint refers to a society that controls gratification of needs and regulates it by means of strict social norms (Ismail & Lu, 2014).

Research on the national tax and cultural rela-

tions was conducted by Tsakumis et al. (2007) exploring the relationship between national culture (uncertainty avoidance, individualism, masculinity, and power distance) and tax evasion. Richardson (2008) extends the empirical studies of Tsakumis et al. (2007) with some tax evasion factors such as law, politics and religious variables. In contrast to Tsakumis et al. (2007), Richardson (2008) study states that power distance and masculinity are insignificant with tax evasion.

Hypothesis Development

Power distance & perceived ethics of tax evasion

Power distance emphasizes the level of equality (or inequality) of an acceptable individual within an institution, organization, or country (Hofstede, 1980). The main concern is how communities deal with these inequalities. In a country with high power distance, Hofstede (2011) proposed a consensus that accompanied a certain level of concessions on the rules of civil morality. For example the recognition that the ruling individual has the privilege of increasing wealth. If the ruling individual experiences a scandal then it will be covered. The difference in wages in countries with high power distance is also quite large so there is an income gap between upper and lower classes (Hofstede, 2011). This high income difference is increasing due to the tax system which has the potential to increase tax evasion behavior.

Conversely, individuals with low power distance will see inequality as undesirable and believe that strength and wealth need not be synchronized. People with low power distance tend to be intolerant of political scandals so that the scandal can end a political career. Low power distance countries show lower income differentials.

Husted (1999) supports this argument by revealing that increased power distance in a country is associated with higher levels of corruption. The tax systems in such countries are likely to be inequitable and protect the wealthy so that the large income differentials in such countries are further increased by tax systems (Hofstede, 1980). In this environment, people tend to perceive tax systems as being unfair, and seek to evade income taxes (Richardson, 2008). Countries with high power distance more often tolerate tax evasion behavior than countries with low power distance. Conversely, in low power distance countries, equality and opportunity for all people is stressed. Tax systems are likely to be equitable, aim at redistributing wealth and ensure that any minor income differentials that exist are reduced further by tax systems

(Hofstede, 1980). Hence people tend to perceive tax systems as being fair, and comply with tax laws. Tsakumis et al. (2007) found that higher power distance is related to higher tax evasion levels. This discussion leads to following hypothesis:

H1: *Power distance is related to perceived ethics of tax evasion.*

Uncertainty avoidance & perceived ethics of tax evasion

Uncertainty avoidance focuses on the level of tolerance for uncertainty and ambiguity within a country (Richardson, 2008). Hofstede (2011) defines the avoidance of uncertainty as a condition in which community members feel threatened by uncertainty, unknown, shocking, and different situations. Individuals who are in high uncertainty avoidance culture tend to avoid uncertain and ambiguous situations, which can lead to higher anxiety. Uncertainty avoidance is not the same as risk aversion. This relates to the public's tolerance of ambiguity, ie the extent to which community members feel comfortable or uncomfortable in an unstructured situation (Hofstede, 2011). In an unstructured situation, society will set many strict written rules, disagreements over perverse opinions, and belief in absolute truth (Hofstede, 2011) aimed at reducing the amount of uncertainty and ambiguity. Therefore, the tax system in the country tends to be complex because there are many written tax rules to reduce uncertainty and ambiguity. In this situation, people tend to think of the tax system as complex, and avoid income taxes (Richardson, 2008). Conversely, countries that have low uncertainty avoidance rates, the tax system in the country tend to be simple because it does not have much need for written tax rules. People tend to recognize the tax system simply, and obey the tax laws.

Hofstede (2011) suggests that individuals in low uncertainty avoidance countries trust government institutions, while individuals in high uncertainty avoidance countries tend to feel alienated from the government system. This is because individuals feel that legal system is contrary to their purpose. A lack of trust in institutions encourages tax compliance as an effort to minimize the possibility that countries and politicians are misusing the funds. Relevant to this view, countries with high uncertainty avoidance have lower economic freedom, or higher taxes.

In contrast, individuals in communities with low uncertainty avoidance tend not to see that tax non-compliance is the right choice. Tax disobedience will increase anxiety for fear of being caught.

This increase in anxiety must be balanced with the belief that other individuals will do the same. Countries with high uncertainty avoidance (low) will be more (less) tolerant of corrupt activities (Husted, 1999; Vitell, Nwachukwu, & Barnes, 2013). Tsakumis et al. (2007) and Richardson (2008) found that higher uncertainty avoidance is related to tax evasion levels. This discussion leads to following hypothesis:

H2: *Uncertainty avoidance is related to perceived ethics of tax evasion.*

Individualism/collectivism & perceived ethics of tax evasion

The cultural dimension of individualism relates to one's self-concept of "I" or "We." The thing that distinguishes both is the level of community dependence. A society with a high perspective of individualism will perceive the individual as a unique, intact, or self-contained identity that is independent of group affiliation. On the individualist side, the bond between individuals is more lax because everyone cares only for their immediate family and family (Hofstede, 2011). Hofstede (1980) describes a low individualism culture as an associate of the organization and a calculative involvement with it.

In the culture of collectivism, everyone is integrated into powerful and cohesive groups (families) that continue to protect with unquestioned allegiance. The problem discussed by this dimension is very basic, concerning all the peoples of the world (Hofstede, 2011). Collectivist societies do not see the norm of law as a universal rule so as to assume that laws and rights must differ by group. While individualist societies argue that laws and rights should be the same for all people in a country. Therefore, countries with higher levels of individualism tend to have stronger economies (Hofstede 2011), and countries with stronger economic systems will have better regulatory systems (Tsakumis et al., 2007).

With regards to tax system, tax revenues in this highly individualized country will be higher. Individuals will not deduct the tax due to having a transparent tax law and means of payment (Braun, Putnam, & Bagchi, 2006). Individuals who are in high (low) individualism culture will usually be less (more) tolerant of tax evasion. The results of the research conducted by Tsakumis et al. (2007) Richardson (2008) found that lower individualism is related to higher tax evasion levels across countries. This discussion leads to following hypothesis:

H3: *Individualism/collectivism is related to perceived ethics of tax evasion.*

Femininity/masculinity & perceived ethics of tax evasion

Femininity and masculinity refers to gender roles. In high masculinity countries, people strive for achievement in terms of ego boosting, wealth, and recognition (Hofstede, 1980), or they focus on the pursuit of material success in an "unjust world" (Hofstede, 2011). Conversely, in low masculinity countries, people strive for achievement in terms of quality of contacts, life, and the environment (Hofstede, 1980), they focus on caring for others and normally view the world as a "just" place that should offer a minimum quality of life for everybody (Hofstede, 2011). It is mean that a high masculinity culture as having a "money and things orientation", and a low masculinity culture as having a "people orientation" (Hofstede, 2011).

The greater the culture of masculinity in society the higher the level of corruption (bribery and extortion) in the country. A similar relationship is also expected between tax evasion and masculine culture. The pressures experienced by countries with high masculine cultures contribute to larger tax evasion than countries with lower masculine cultures. Masculine culture has a higher desire to demonstrate performance, material success, and real achievement (Husted, 1999). Nevertheless, Tsakumis et al. (2007) found that masculinity is moderately significant and negatively related with tax evasion levels across countries. This discussion leads to following hypothesis:

H4: *Femininity/masculinity is related to perceived ethics of tax evasion.*

Short/long-term orientation & perceived ethics of tax evasion

Long term orientation refers to future-oriented values such as persistence and thrift where people in this society emphasize stable income (Ismail & Lu, 2014). This dimension was based on a study among students in 23 countries around the world, using a questionnaire designed by Chinese scholars (Hofstede, 2011). Values associated with long-term orientation are thrift and perseverance; values associated with short-term orientation are respect for tradition, fulfilling social obligations, and protecting one's "face." This dimension illustrates that people in long-term orientation prioritize the future, the values of frugality, determination, and transition. Instead the short-term orientation emphasizes on how to appreciate the present and the past. Long-term oriented individuals will think carefully before acting so as to avoid deviant behavior such as tax evasion, otherwise short-term

oriented individuals want quick profits that tend to deviate (Hofstede, 2011). This discussion leads to following hypothesis:

H5: Short/long-term orientation is related to perceived ethics of tax evasion.

Indulgence & perceived ethics of tax Evasion

The sixth dimension is a new dimension (Hofstede, 2011) originally discovered by Minkov (2009). Indulgence is a condition that allows people to fulfill basic and human desires relatively free such as desire to enjoy life and have fun. Meanwhile, restraint is a society condition that controls the satisfaction of needs and regulates it by using strict social norms (Hofstede, 2011). Indulgence refers to a society which allows relatively free gratification of some desires and feelings, especially those that have to do with leisure. People in indulgence society prefer happiness and tend to create a perception of freedom, health, and control over life. Its opposite pole, restraint culture refers to a society which controls the gratification of the above mentioned desires and feelings. They depress happiness and the perception that life events can be controlled and make people feel relatively unhealthy (Ismail & Lu, 2014). Indulgence tends to prevail in South and North America, in Western Europe and Sub-Sahara Africa. Restraint prevails in Eastern Europe, in Asia and Muslim world (Hofstede, 2011; Hofstede & Minkov, 2010). This discussion leads to hypothesis:

H6: Indulgence/restraint is related to perceived ethics of tax evasion.

3. RESEARCH METHOD

Research Model

In order to test hypotheses, this research develop a regression model expressing the six dimension national culture's impact upon perceived ethics of tax evasion. This model using multiple linear regression analysis method on cross sectional data of three hundred and seventy seven taxpayers. Model specification to test hypotheses H1, H2, H3, H4, H5, and H6 is as follows:

$$PETE = \beta_0 + \beta_1 PD + \beta_2 UNA + \beta_3 IND/COL + \beta_4 FEM/MAS + \beta_5 SHORT/LONG + \beta_6 INDUL/REST + \beta_7 Gen + \beta_8 Edu + \beta_9 Inc + \varepsilon$$

where:

PETE	= Perceived Ethics of Tax Evasion (Likert Scale)
β_0	= Intercept
β_{1-9}	= Regression coefficients
PD	= Power Distance (total score)

UNA	= Uncertainty Avoidance (total score)
IND/COL	= Individualism/Collectivism (total score)
FEM/MAS	= Femininity/Masculinity (total score)
SHORT/LONG	= Short/Long-Term Orientation (total score)
INDUL/REST	= Indulgence/Restrain (total score)
Gen	= Gender (dummy: 0 and 1)
Edu	= Education (rank: 1 to 5)
Inc	= Income (rank: 1 to 6)

Questionnaires was tested for validity and reliability before distributed to respondents. Validity testing is to test whether the data obtained can to measure and reveal the data of variables selected appropriately. High and low validity indicates the extent to which the data collected does not deviate from the description of variables in question. Reliability is a way to test the extent to which the results of a measurement can be trusted. Measuring instrument has a high reliability if the number of times execution of measurements of the same subject group obtained relatively similar results, as long as the aspect that is measured in subject have not changed.

Variables Operational Definition

Dependent variable is Perceived Ethics of Tax Evasion (PETE) as taxpayers perceptions on tax evasion issue. This variable have 15 questions (level agreeableness, 1 = strongly agree, 5 = strongly disagree) adopted from McGee et al. (2008). Independent variables are six dimensions of national culture and the questionnaire was adopted from Hofstede (2011). Each cultural dimension consists of 10 statements. The total score for each dimension is calculated using dichotomy approach, which is given a value of 1 or 0 on items of the statement selected by respondent. For example, respondent will get a value of 0 when selecting items that are entered on small power distance category and get a value of 1 on items that entered on large power distance, or vice versa. Similarly, the calculation of total scores on other cultural dimensions. The value of each item will be summed so as to obtain the total score for each respondent. The demographic dimensions of national culture in this study are shown in Table 3. This study also used three control variables being suspected of having links with the study. The control variables include gender, education, and income of taxpayer.

4. DATA ANALYSIS AND DISCUSSION

Sample of the Research

This study employed survey method, using questionnaires to test the research framework and hypotheses developed. The sample of this study was drawn from taxpayers who have self employment such as entrepreneur, lawyer, architect, doctor, notary public, accountant or auditor, tax consultant, pharmacist, and other (artist) in Bali. This occupation is used as a respondent because this occupation will calculate, pay, and self-report

the amount of tax that should be due. The list of taxpayer names is obtained by visiting each association to obtain the email address and telephone number of the associate member. The questionnaires were distributed by email and what app on period 1 June until 31 August 2017. Three hundred and seventy seven taxpayers fill out online questionnaires. Table 1 presents the respondents characteristics.

Table 1
Demographic Summary of Survey Respondents

Demographic Variables	Percent (%)
Occupation:	
Businessman	14.32%
Lawyer	14.32%
Architect	4.77%
Doctor	6.37%
Notary public	13.79%
Accountant/Auditor	16.45%
Tax Consultant	16.18%
Pharmacist	6.10%
Others	7.69%
Gender:	
Male	58.62%
Female	41.38%
Age:	
≤ 30 year	41.64%
31-40 year	43.50%
41-50 year	10.61%
>50 year	4.24%
Highest Level of Education:	
Senior High School	11.67%
Diploma (D1/D2/D3)	6.10%
Bachelor Degree	57.03%
Master Degree	24.4%
Doctor Degree	0.80%
Work Experience:	
<1 years	20.69%
1-5 year	44.83%
6-10 years	21.22%
11-15 year	3.98%
> 15 years	
Income:	
Less than Rp. 5.000.000	47.21%
More than Rp. 5.000.000 until Rp. 10.000.000	30.50%
More than Rp. 10.000.000 until Rp. 15.000.000	18.04%
More than Rp. 15.000.000 until Rp. 20.000.000	2.92%
More than Rp. 20.000.000 until Rp. 25.000.000	0.27%
More than Rp. 25.000.000	1.06%

Source: processed data

Based on Table 1, most of respondents have occupation as businessman (14.32%) and lawyer (14.32%). The respondents are almost equally distributed between males (58.62%) and females (41.38%). Age of respondents about ≤ 30 year (41.64%), 31-40 year (43.50%), 41-50 year (10.61%), and > 50 year (4.24%). Majority of them possess bachelor degree (57.03%), follows by master degree (24.4%), senior high school (11.67%), diploma (D1/D2/D3) (6.10%), and doctor degree (0.8%). Most of the respondents have work experience be-

tween 1 to 10 years (44.83%). Forty seven point twenty one per cent of them have income less than Rp. 5.000.000.

Survey Findings

Table 2 summarizes the responses for each of the 15 statements from tax payer perceived ethics of tax evasion. Based on these data, it is found that generally taxpayers do not believe that tax evasion is ethical (the mean scores of each individual item are all above 3.0), with overall mean of 3.38.

Table 2
Rangking of the Perceived Ethics of Tax Evasion

Number	Statement	Mean Score
1	Tax evasion is ethical even if it means that if I pay less, others will have to pay more.	3.59
2	Tax evasion is ethical even if a large portion of the money collected is spent on projects that do benefit me.	3.58
3	Tax evasion is ethical even if most of the money collected is spent wisely.	3.58
4	Tax evasion is ethical even if a large portion of the money collected is spent on worthy projects.	3.57
5	Tax evasion is ethical if everyone is doing it.	3.55
6	Tax evasion is ethical if a large portion of the money collected is spent on projects that do not benefit me.	3.54
7	Tax evasion is ethical even if tax rates are not too high because the government is not entitled to take as much as it is taking from me.	3.45
8	Tax evasion is ethical if tax rates are too high.	3.43
9	Tax evasion is ethical if the probability of getting caught is low.	3.37
10	Tax evasion is ethical if I cannot afford to pay.	3.34
11	Tax evasion is ethical if a large portion of the money collected is spent on projects that I morally disapprove of.	3.32
12	Tax evasion is ethical if some of the proceeds go to support a war that I consider to be unjust.	3.25
13	Tax evasion is ethical if a significant portion of the money collected winds up in the pockets of corrupt politicians or their families and friends.	3.19
14	Tax evasion is ethical if a large portion of the money collected is wasted.	3.10
15	Tax evasion is ethical if the tax system is unfair.	2.90
Mean		3.38

* (1 = strongly agree; 7 = strongly disagree)

Source: processed data

Table 3 summarizes taxpayers responses for six dimension of national culture include power distance, uncertainty avoidance,

individualism/collectivism, femininity/masculinity, short/long term orientation, and indulgence/restrain.

Table 3
National Culture Demographic

No	National Culture Dimension	Per cent
1	Power distance	
	Small power distance	23.87
	Large power distance	76.13
2	Uncertainty Avoidance	
	Weak uncertainty avoidance	40.77
	Strong uncertainty avoidance	59.23
3	Individualism/collectivism	
	Individualism	34.22
	Collectivism	65.78
4	Femininity/ masculinity	
	Femininity	53.82
	Masculinity	46.18
5	Short/long term orientation	
	Short term orientation	29.44
	Long term orientation	70.56
6	Indulgence/restrain	
	Indulgence	28.38
	Restrain	71.62

Source: processed data

Table 3 shows that most taxpayers consider a large power distance (76.13%), in accordance with Hofstede's results that power distance dimension in Indonesia has high value (Hofstede, 1983). Assessment results for strong uncertainty avoidance has moderate value (59.23%), not different from Hofstede (1983) result that dimension of uncertainty avoidance has a moderate value. Most taxpayers have collectivism properties (65.78%). Hofstede (1983) result showed that Indonesia has low individualism (high collectivism). The national cultural value for the femininity/masculinity dimension in this study has a value that is not much different from Hofstede (1983), has a moderate value for masculinity (46.18%). With regard to term orientation, most taxpayers have long term orientation (70.56%). In addition, the taxpayer considers that the conditions of society in Indonesia are regulated using strict social norms (71.62%).

Regression Linear Results

The result of normality test using Kolmogorov Smirnov shows Asymp value Significant of 0.063 which means the data used has been normal distribution. The multicollinearity test result shows tolerance value of ≥ 0.10 and Variance Inflation Factor (VIF) ≤ 10 so that there is no symptom of multicol-

linearity in this research. Heterocedasticity test using Glejser test showed significance value for all variables above 0.05 so it said no heterocedasticity.

The results of goodness of fit indices are as presented in Table 4. The test results show the value of Adjusted R² of 0.240, which means that for 24.0% the taxpayer's ethical perception of tax evasion influenced by cultural variables such as power distance, uncertainty avoidance, individualism/collectivism, long term/short term orientation, femininity/masculinity, indulgence/restraint, while the rest of 76.0% is explained by other variables not included in this research model. The F test result shows a significance value of 0.000, which means that the variables of occupation, sex, age, education, experience, and income influence simultaneously on the taxpayer's ethical perception of tax evasion.

Hypothesis Testing Results

Hypothesis testing aims to prove the influence of power distance, uncertainty avoidance, individualism/collectivism, long term/short term orientation, femininity/masculinity, indulgence/restraint on ethical perception of taxpayer for tax evasion using two-tailed t-test. The results of hypothesis testing can be seen in Table 4.

Table 4
Hypothesis Testing Results

Variable	B	t	Sig	Hypothesis	Conclusion
(Constant)	3.243	6.813	.000		
Power distance	-.273	-3.065	.002	H ₁	Accepted
Uncertainty avoidance	-.354	-3.690	.000	H ₂	Accepted
Individualism/collectivism	-.020	-.208	.036	H ₃	Accepted
Femininity/masculinity	.383	4.289	.000	H ₄	Accepted
Short term/long term orientation	-.034	-.369	.713	H ₅	Rejected
Indulgence/restraint	-.059	-.634	.527	H ₆	Rejected
Gender	.074	1.889	.060		
Education	-.091	-1.540	.024		
Income	.062	1.890	.040		
R	.508				
R Square	.258				
Adjusted R ²	.240				

Source: processed data

First, hypothesis 1 predicted that power distance is related to perceived ethics of tax evasion. The regression coefficient for power distance is negative and significant. Thus, we conclude that higher power distance is related to lower perceived ethics of tax evasion, supporting hypothesis 1. This study supports the research conducted by Tsakumis et al. (2007) result that higher power distance is related to higher tax evasion levels across countries. Communities with high power distance assumes that elite enjoy more discretionary power and challenged (Sanyal, 2005; Seleim & Bontis, 2009). Abuse of discretionary power and low accountability will be promote corruption, on of which is tax evasion. This is evident from the phenomenon of tax evasion by the wealthy person, the political elite, as well as the big companies. Weaver (2001) and (Park, 2003) research showed that people with high power distance tend to be more corrupt than low power distance.

Hypothesis 2 predicted that uncertainty avoidance is related to perceived ethics of tax evasion. This result suggest that uncertainty avoidance has negative effect on the perceived ethics of tax evasion, providing support for hypothesis 2. It is obvious that this study supports the research conducted by Tsakumis et al. (2007) who concluded that higher uncertainty avoidance isrelated to higher tax evasion levels across countries. This result support from Richardson (2008) study that high uncertainty avoidance associated with higher levels of tax evasion. In situations of high uncertainty, the public will have many strict written rules. The tax system in the

country is also usually complex and complex so individuals tend to avoid paying taxes (Richardson, 2008). Countries with high uncertainty avoidance will be more tolerant of corruption (Husted, 1999; Vitell et al., 2013).

Hypothesis 3 predicted that individualism/collectivismis related to perceived ethics of tax evasion. In this model, regresion result show that individualism/collectivism has negative effecton the perceived ethics of tax evasion. Hypothesis 3 is accepted. Majority of tax payers in this research has high collectivism (low individualism). Collectivism culture tends to focus on needs of the group, prioritizing solidarity, and has a good relationship with family, friends, and colleagues (Husted, 2000), emphasizes interpersonal relationships rather than formal structures (Weaver, 2001). The implication is that this condition increases the chances of favoritism, nepotism, and finally corruption including in tax evasion. This result support research conducted by Tsakumis et al. (2007) and Richardson (2008) who was found thatlower (higher) individualism is related to higher (lower) tax evasion.

Fourthly, femininity/masculinity has positive effect on the perceived ethics of tax evasion, thus hypothesis 4 is accepted.In contrast to previous studies that emphasize the culture of masculinity, taxpayers in this study is dominated by femininity culture. Femininity culture is marked by equality, solidarity, social relationships, agreements, as well as safety in work and life (Hofstede, 2011). These results indicate that the greater the femininity culture the higher perceived ethics of tax evasion. Meanwhile, researchers in previous research stated

that high masculinity influences on unethical behavior in business and tendency for corruption (Parboteeah et al., 2005; Sanyal, 2005). Therefore, high femininity (low masculinity) is related to higher perceived ethics of tax evasion in Indonesia. This result difference from research conducted by Tsakumis et al. (2007) was found moderately significant and negatively related with tax evasion levels. Richardson (2008) found that masculinity cultural dimensions are insignificant with tax evasion.

Fifthly, short/long-term orientation do not have effect on the perceived ethics of tax evasion, thus hypothesis 5 is rejected. People in long-term orientation tend to be more future oriented, accepting delayed gratification of material and social needs. Such cultures are characterized by strong persistence and thrift, whereas cultures that are short-term oriented value respect for tradition and social obligations more (Beugelsdijk, Maseland, & Van Hoorn, 2015). This dimension does not effect with perceived ethics of tax evasion because the taxpayer does not pay attention to long-term or short-term orientation. The taxpayer has not thought that the tax payment is a form of investment that citizens make to the state, both in short and long term. Tax revenue is not only used to finance government administration, state debt payments, but also for development expenditures and public services that can benefit in the future. Therefore, short/long-term orientation do not have effect on the perceived ethics of tax evasion.

Sixthly, indulgence/restrain and perceived ethics of tax evasion do not have associated, thus hypothesis 6 is rejected. On the one hand taxpayers have a desire to enjoy life and have fun, but on the one hand taxpayers also have limitations such as attachment to social norms, as well as the pressures and uncertainty of life high. The rigidity of the rules in society, accompanied by high control over life precisely causes taxpayers tend to ignore the existing provisions, one of which does not comply with existing tax rules. As a result, indulgence/restrain do not have effect on the perceived ethics of tax evasion.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This study investigated the influence of six Hofstede's cultural dimensions on perceived ethics of tax evasion. The results of model show that four of Hofstede's cultural are related to perceived ethics of tax evasion in the expected directions. Specifically, the results indicate that power distance, uncer-

tainty avoidance, individualism/collectivism, and femininity/masculinity are associated with perceived ethics of tax evasion, as hypothesized. This result is consistent with previous research from Tsakumis et al. (2007) who examining the relationship between Hofstede's framework and tax evasion. Nevertheless, we do not find associated between short term/long term orientation and indulgence/restrain with perceived ethics of tax evasion.

This study has both theoretical and practical implications. Theoretically, the results of this study are expected to enrich the scientific treasury of tax evasion behavior, especially related to national culture in the environment of the taxpayer. This research is also intended to add a little literature on tax evasion studies from a philosophical or ethical point of view. Practically, the results of this study are expected to provide input for tax regulators to consider the role of national culture in identifying the causes of tax evasion. Understanding of national culture is an input for policy makers to reform so it is expected to reduce the negative impact of the tax evasion phenomenon.

Some limitations of the current study also should be addressed. First, Hofstede's cultural dimensions have been widely used by social science researchers. Although this cultural dimension contributes to understand and measure culture, it measures culture by using the culture of the country or region, eg using aspects of Indonesian or Balinese local culture. Second, the current study focuses on national cultural dimensions on perceived ethics of tax evasion on Indonesian taxpayers, especially in Bali. This study's may be needed to ensure that the results are generalizable to other province. In addition, future research should examine the role of national culture in mitigating the efficacy of tax evasion penalties within and across province.

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Appendix

Table 1.1
Ten Differences between Small and Large Power Distance Societies

Small Power Distance	Large Power Distance
Use of power should be legitimate and is subject to criteria of good and evil	Power is a basic fact of society antedating good or evil: its legitimacy is irrelevant
Parents treat children as equals	Parents teach children obedience
Older people are neither respected nor feared	Older people are both respected and feared
Student-centered education	Teacher-centered education
Hierarchy means inequality of roles, established for convenience	Hierarchy means existential inequality
Subordinates expect to be consulted	Subordinates expect to be told what to do
Pluralist governments based on majority vote and changed peacefully	Autocratic governments based on co-optation and changed by revolution
Corruption rare; scandals end political careers	Corruption frequent; scandals are covered up
Income distribution in society rather even	Income distribution in society very uneven
Religions stressing equality of believers	Religions with a hierarchy of priests

Table 1.2
Ten Differences between Weak and Strong Uncertainty Avoidance Societies

Weak Uncertainty Avoidance	Strong Uncertainty Avoidance
The uncertainty inherent in life is accepted and each day is taken as it comes	The uncertainty inherent in life is felt as a continuous threat that must be fought
Ease, lower stress, self-control, low anxiety	Higher stress, emotionality, anxiety, neuroticism
Higher scores on subjective health and wellbeing	Lower scores on subjective health and well-being
Tolerance of deviant persons and ideas: what is different is curious	Intolerance of deviant persons and ideas: what is different is dangerous
Comfortable with ambiguity and chaos	Need for clarity and structure
Teachers may say 'I don't know'	Teachers supposed to have all the answers
Changing jobs no problem	Staying in jobs even if disliked
Dislike of rules - written or unwritten	Emotional need for rules - even if not obeyed
In politics, citizens feel and are seen as competent towards authorities	In politics, citizens feel and are seen as incompetent towards authorities
In religion, philosophy and science: relativism and empiricism	In religion, philosophy and science: belief in ultimate truths and grand theories

Table 1.3
Ten Differences between Individualist and Collectivist Societies

Individualist	Collectivism
Everyone is supposed to take care of him- or herself and his or her immediate family only	People are born into extended families or clans which protect them in exchange for loyalty
"I" – consciousness	"We" –consciousness
Right of privacy	Stress on belonging
Speaking one's mind is healthy	Harmony should always be maintained
Others classified as individuals	Others classified as in-group or out-group
Personal opinion expected: one person one vote	Opinions and votes predetermined by in-group
Transgression of norms leads to guilt feelings	Transgression of norms leads to shame feelings
Languages in which the word "I" is indispensable	Languages in which the word "I" is avoided
Purpose of education is learning how to learn	Purpose of education is learning how to do
Task prevails over relationship	Relationship prevails over task

Table 1.4
Ten Differences between Femininity and Masculinity

Femininity	Masculinity
Minimum emotional and social role differentiation between the genders	Maximum emotional and social role differentiation between the genders
Men and women should be modest and caring	Men should be and women may be assertive and ambitious
Balance between family and work	Work prevails over family
Sympathy for the weak	Admiration for the strong
Both fathers and mothers deal with facts and feelings	Fathers deal with facts, mothers with feelings
Both boys and girls may cry but neither should fight	Girls cry, boys don't; boys should fight back, girls shouldn't fight
Mothers decide on number of children	Fathers decide on family size
Many women in elected political positions	Few women in elected political positions
Religion focuses on fellow human beings	Religion focuses on God or gods
Matter-of-fact attitudes about sexuality; sex is a way of relating	Moralistic attitudes about sexuality; sex is a way of performing

Table 1.5
Ten Differences between Short and Long-Term-Oriented Societies

Short-Term Orientation	Long-Term Orientation
Most important events in life occurred in the past or take place now	Most important events in life will occur in the future
Personal steadiness and stability: a good person is always the same	A good person adapts to the circumstances
There are universal guidelines about what is good and evil	What is good and evil depends upon the circumstances
Traditions are sacrosanct	Traditions are adaptable to changed circumstances
Family life guided by imperatives	Family life guided by shared tasks
Supposed to be proud of one's country	Trying to learn from other countries
Service to others is an important goal	Thrift and perseverance are important goals
Social spending and consumption	Large savings rate, funds available for investment
Students attribute success and failure to luck	Students attribute success to effort and failure to lack of effort
Slow or no economic growth of poor countries	Fast economic growth of countries up till a level of prosperity

Table 1.6
Ten Differences Between Indulgent and Restrained Societies

Short-Term Orientation	Long-Term Orientation
Higher percentage of people declaring themselves very happy	Fewer very happy people
A perception of personal life control	A perception of helplessness: what happens to me is not my own doing
Freedom of speech seen as important	Freedom of speech is not a primary concern
Higher importance of leisure	Lower importance of leisure
More likely to remember positive emotions	Less likely to remember positive emotions
In countries with educated populations, higher birth rates	In countries with educated populations, lower birth rates
More people actively involved in sports	Fewer people actively involved in sports
In countries with enough food, higher percentages of obese people	In countries with enough food, fewer obese people
In wealthy countries, lenient sexual norms	In wealthy countries, stricter sexual norms
Maintaining order in the nation is not given a high priority	Higher number of police officers per 100,000 population