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The Influence of Brand Image, Service Quality, and Individual Characteristics on Loyalty with Taxpayer Satisfaction as an Intervening Variable at Tax Service Offices in Palembang City

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Abstract---This study investigates the influence of brand image, service quality, and individual characteristics on loyalty, with taxpayer satisfaction as an intervening variable at Tax Service Offices in Palembang City. Data were collected by distributing questionnaires to 100 taxpayers registered at three Tax Service Offices in Palembang City. The analytical technique employed was multiple linear regression with path analysis. The results indicate that individual characteristics significantly impact satisfaction and loyalty. However, variables such as brand image and service quality do not significantly influence satisfaction and loyalty. Additionally, taxpayer satisfaction does not significantly influence loyalty itself. Furthermore, brand image, service quality, and individual characteristics do not significantly influence loyalty when taxpayer satisfaction is considered an intervening variable. This research will reference future studies using variables in similar research contexts.

Keywords---brand image, individual characteristics, loyalty, satisfaction, service quality.

Introduction

Taxation is one of Indonesia's primary revenue sources, significantly contributing to the national income. Finance Minister Sri Mulyani highlighted that taxes constitute the main contributor to state revenue, contributing 65.1 percent of the total income in 2020 (CNNIndonesia.com, 2021). This underscores the crucial role of taxes in funding the country's development.

This statement is supported by the trend in tax revenue in Indonesia, which consistently shows significant growth from year to year. The following Figure 1 illustrates the tax revenue graph in Indonesia from 2018 to 2022, based on data from the Regional Office of the Directorate General of Taxes (DJP) for South Sumatra and the Bangka Belitung Islands.

This graph reflects the upward trajectory of tax revenue, emphasizing its pivotal role in supporting national financial needs. As taxes play a vital role in government funding, examining factors influencing taxpayer satisfaction

and loyalty is essential to ensure a sustainable and robust taxation system (Bodet, 2008; Liu et al., 2011; Kumar et al., 2013). This research explores the impact of brand image, service quality, and individual characteristics on taxpayer loyalty, with taxpayer satisfaction as a potential mediator. Understanding these dynamics can contribute to enhancing tax services and establishing a positive relationship between taxpayers and tax authorities (Aghekyan-Simonian et al., 2012; Mohammed & Rashid, 2018).

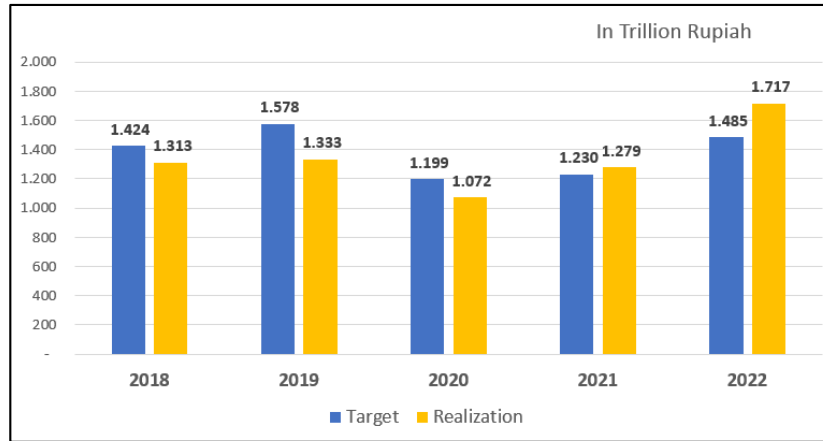


Figure 1. Tax Revenue Graph in Indonesia (2018 to 2022)

Source: Regional Office of DJP South Sumatra and Bangka Belitung (2023)

Taxpayer loyalty is demonstrated through tax compliance, including timely and voluntary tax payments and accurate tax reporting according to the prevailing tax regulations in Indonesia (Kemenkeu.go.id, 2023). The success of tax agencies in increasing tax payments, reflecting taxpayer loyalty, appears incongruent with public trust in the tax authorities. Taxpayers tend to lack confidence that tax funds are utilized optimally for development and public welfare (Indikator.co.id, 2022).

Public assessments of bureaucratic entities tend to be negative, with a significant portion expressing the belief that government institutions are not free from corruption (Antikorupsi.org, 2023). Similarly, tax authorities face a decline in public trust resulting from a negative brand image due to corruption cases involving tax officials.

A recent and widely discussed case involves the assault by a child of a high-ranking tax official, leading to negative public perceptions of the entire tax agency. The arrogant behavior and luxurious lifestyle of this tax official's child have negatively impacted the overall brand image of the tax agency, lowering public trust. This phenomenon has even led to the social media hashtag #stopbayarpajak, urging people not to pay taxes as a form of public dissatisfaction with the tax agency (Liputan6.com, 2023). This is concerning as it might affect taxpayer loyalty in the future, where tax payments represent a form of tax compliance.

In addition, previous research has identified a gap in the inconsistent conclusions of various studies regarding factors influencing customer loyalty through customer satisfaction. This is evident in diverse findings, with differences in the impact of brand image, service quality, and individual characteristics on customer loyalty through customer satisfaction (Chi & Gursoy, 2009; Ferdani et al., 2020).

Previous studies by Indriany et al. (2022), Haryanto et al. (2022), Kurniati et al. (2022), Dam & Dam (2021), Ansah (2020), Santri et al. (2021), Achmad et al. (2021), Candra & Putra (2021), Shabbir (2020), Mehta & Tariq (2020), Thanabordeekij & Syers (2020), Hsieh et al. (2018), and Alsurmi & Alagas (2018), state that brand image has a positive and significant impact on customer loyalty. Conversely, studies by Simanjuntak & Djumarno (2023), Martati et al. (2021), Hussain (2021); Juwaini et al. (2022) and Arif & Syahputri (2021) suggest that brand image has a positive but not significant influence on customer loyalty. In contrast, Alves et al. (2022), Zeithaml et al. (2018) and Wan Jasni et al. (2020), found that brand image has a negative and insignificant impact on customer loyalty.

Similar inconsistencies exist in studies on service quality and individual characteristics. Therefore, this research addresses this gap by investigating the influence of brand image, service quality, and individual characteristics on taxpayer loyalty, with taxpayer satisfaction as an intervening variable, at Tax Service Offices in Palembang City.

Research Method

This research employs a quantitative approach with a descriptive method (Sugiyono, 2018). The population comprises all individual taxpayers registered and active in three Tax Service Offices in Palembang City, totaling 205,688 taxpayers. The sampling technique utilized is probability sampling, ensuring equal chances for each population member to be selected as a sample enhancing representativeness (Sugiyono, 2018). The sample size for this study is 100 taxpayers.

Primary data is collected through a questionnaire about brand image, service quality, and individual characteristics influencing loyalty, with taxpayer satisfaction as the intervening variable (González et al., 2007; Eboli & Mazzulla, 2007; Ladhari, 2010). The questionnaire is distributed to taxpayers at the Tax Service Offices in Palembang City.

Data collection involves providing questionnaires to randomly selected respondents from the population. The questionnaire uses a Likert scale to measure respondents' perceptions of the studied variables. The Likert scale ranges from 1 to 5, where 1 indicates a low level of agreement, and 5 indicates a high level of complete agreement.

Data analysis employs multiple linear regression analyses to examine the research variables' relationships. Additionally, path analysis is used to determine the extent to which taxpayer satisfaction, as an intervening variable, mediates the influence of brand image, service quality, and individual characteristics on taxpayer loyalty (Ivansic et al., 2022).

This approach aims to provide a deeper understanding of the factors influencing taxpayer loyalty, considering satisfaction as an intervening variable, at the Tax Service Offices in Palembang City.

Results and Discussion

Table 1
Coefficients

Model	Coefficients				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Structural Equation I					
(Constant)	0,116	3,521		0,033	0,974
Brand Image	0,323	0,248	0,301	1,299	0,197
Service Quality	0,169	0,155	0,254	1,095	0,276
Individual Characteristics	0,242	0,060	0,321	4,039	0,000
Dependent Variable: Taxpayer Satisfaction					
Structural Equation II					
(Constant)	0,338	1,553		0,218	0,828
Brand Image	0,058	0,111	0,125	0,527	0,599
Service Quality	0,117	0,069	0,404	1,707	0,091
Individual Characteristics	0,097	0,029	0,294	3,370	0,001
Taxpayer Satisfaction	0,017	0,045	0,040	0,382	0,703
Dependent Variable: Loyalty					

Source: processed from questionnaire, 2023

Table 2
ANNOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Structural Equation I					
Regression	819,359	3	273,120	20,987	0,000
Residual	1249,290	96	13,013		
Total	2068,649	99			
Structural Equation II					
Regression	150,518	4	37,630	14,859	0,000
Residual	240,575	95	2,532		
Total	391,094	99			

Source: processed from questionnaire, 2023

Table 3
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Structural Equation I	0,629	0,396	0,377	3,60741
Structural Equation II	0,620	0,385	0,359	1,59134

Source: processed from questionnaire, 2023

Based on Table 1, the results of multiple regression analysis can be expressed through two equations as follows:

$$Z = 0,116 + 0,323X_1 + 0,169X_2 + 0,242X_3 \text{ dan } Y = 0,338 + 0,058X_1 + 0,117X_2 + 0,097X_3 + 0,017Z$$

According to the F-test results in Table 2, the significance value is $0.000 < 0.05$, indicating that the linear regression model is suitable for explaining the influence of independent variables on the dependent variable. Examining the t-test results in Table 1:

- 1) The brand image variable (X1) in Equation I has a coefficient value of 0.323 with a significance value of $0.197 > 0.05$. This indicates that the brand image variable does not significantly influence taxpayer satisfaction. Thus, the first hypothesis (H1: Brand image significantly influences taxpayer satisfaction) is rejected.
- 2) The brand image variable (X1) in Equation II has a coefficient value of 0.058 with a significance value of $0.599 > 0.05$. This suggests that the brand image variable does not significantly influence loyalty. Consequently, the second hypothesis (H2: Brand image significantly influences loyalty) is rejected.
- 3) The service quality variable (X2) in Equation I has a coefficient value of 0.169 with a significance value of $0.276 > 0.05$. This indicates that the service quality variable does not significantly influence taxpayer satisfaction. Therefore, the third hypothesis (H3: Service quality significantly influences taxpayer satisfaction) is rejected.
- 4) The service quality variable (X2) in Equation II has a coefficient value of 0.117 with a significance value of $0.091 > 0.05$. This shows that the service quality variable does not significantly influence loyalty. Consequently, the fourth hypothesis (H4: Service quality significantly influences loyalty) is rejected.
- 5) The individual characteristics variable (X3) in Equation I has a coefficient value of 0.242 with a significance value of $0.000 < 0.05$. This indicates that the individual characteristics variable significantly influences taxpayer satisfaction. Therefore, the fifth hypothesis (H5: Individual characteristics significantly influence taxpayer satisfaction) is accepted.
- 6) The individual characteristics variable (X3) in Equation II has a coefficient value of 0.097 with a significance value of $0.001 < 0.05$. This suggests that the individual characteristics variable significantly influences loyalty. Consequently, the sixth hypothesis (H5: Individual characteristics significantly influence loyalty) is accepted.

- 7) The taxpayer satisfaction variable (Z) in Equation II has a coefficient value of 0.017 with a significance value of $0.703 > 0.05$. This indicates that the taxpayer satisfaction variable does not significantly influence loyalty. Hence, the seventh hypothesis (H5: Taxpayer satisfaction significantly influences loyalty) is rejected.

Based on the coefficient of determination (R²) results in Table 3:

- 1) The R Square value in Equation I is 0.396, categorized as moderate. This means that brand image, service quality, and individual characteristics together influence taxpayer satisfaction by 39.6%. The remaining 60.4% is influenced by other factors not examined in this study.
- 2) The R Square value in Equation II is 0.385, categorized as moderate. This suggests that brand image, service quality, individual characteristics, and taxpayer satisfaction together influence loyalty by 38.5%. The remaining 61.5% is influenced by other factors not examined in this study.

Based on the path analysis in Table 1, the indirect influence analysis is as follows:

- 1) $X1 \rightarrow Z \rightarrow Y = 0.301 \times 0.040 = 0.01204$, $X1 \rightarrow Y = 0.125$. The indirect influence value is $0.01204 <$ the direct influence value of 0.125. This means that brand image through taxpayer satisfaction indirectly does not significantly influence loyalty.
- 2) $X2 \rightarrow Z \rightarrow Y = 0.254 \times 0.040 = 0.01016$, $X2 \rightarrow Y = 0.404$. The indirect influence value is $0.01016 <$ the direct influence value of 0.404. This means that service quality through taxpayer satisfaction indirectly does not significantly influence loyalty.
- 3) $X3 \rightarrow Z \rightarrow Y = 0.321 \times 0.040 = 0.01284$, $X3 \rightarrow Y = 0.294$. The indirect influence value is $0.01284 <$ the direct influence value of 0.294. This means that indirectly, individual characteristics through taxpayer satisfaction do not significantly influence loyalty.

Conclusion

Based on the research and analysis conducted, the following conclusions can be drawn:

- 1) Brand image has little impact on the satisfaction of individual taxpayers at the Tax Service Office in Palembang.
- 2) The brand image has little impact on loyalty at the Tax Service Office in Palembang.
- 3) Service quality has little impact on the satisfaction of individual taxpayers at the Tax Service Office in Palembang.
- 4) Service quality has little impact on loyalty at the Tax Service Office in Palembang.
- 5) Individual characteristics positively and significantly impact the satisfaction of individual taxpayers at the Tax Service Office in Palembang.
- 6) Individual characteristics positively and significantly impact loyalty at the Tax Service Office in Palembang.
- 7) Satisfaction of individual taxpayers has little impact on loyalty at the Tax Service Office in Palembang.

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