BUILDING TAX MORALE FOR SUSTAINABLE MICROENTERPRISE GROWTH: THE ROLE OF AWARENESS, FAIRNESS, AND TRUST

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ABSTRACT
Achieving the United Nations Sustainable Development Goals (SDGs) depends not only on policy reforms but also on the fiscal behavior of citizens and entrepreneurs, making taxation a key driver of sustainable governance and inclusive development. Anchored in the Tax Morale Theory and Fiscal Exchange Theory, this study examines how tax awareness, perceived fairness, and trust in government relate to the tax morale of microbusiness owners in Marawi City, Philippines. Descriptive statistics indicated a high level of tax awareness but neutral perceptions of fairness, moderate trust in government, and tax morale. Correlation analysis showed that all three independent variables have a significant relationship with tax morale, with trust in government demonstrating the strongest relationship. Multiple regression analysis further revealed that trust in government was the only significant predictor of tax morale. These findings highlight that awareness and fairness contribute to tax morale primarily when accompanied by institutional trust. Strengthening transparency, equitable enforcement, and participatory fiscal management is therefore essential to foster voluntary compliance and promote the sustainability of microenterprises in post-conflict Marawi City. The study underscores institutional trust as a cornerstone of responsible taxation behavior, which is essential for sustaining microentrepreneurship and advancing inclusive and resilient local governance.

Keywords: *Tax Morale, Perceived Fairness, Trust in Government, Sustainable Entrepreneurship*

1. INTRODUCTION

In the pursuit of sustainable and inclusive economic growth, taxation serves as a cornerstone of responsible governance and equitable business development. As Southeast Asia advances toward the United Nations Sustainable Development Goals (SDGs), particularly SDG 8 on decent work and economic growth and SDG 16 on peace, justice, and strong institutions, the fiscal participation of small enterprises becomes essential. Taxation does not merely finance government programs. It also strengthens the social contract between citizens and the state by funding essential public goods such as education, healthcare, and infrastructure (Cobham, 2022; Tengs, 2020). When tax systems are transparent and equitable, they can serve as mechanisms that support sustainable development and long-term societal well-being (Rahman, 2023).

Within this governance framework, tax compliance is not driven solely by enforcement but also by moral and psychological factors. Among these, tax morale, which is the intrinsic motivation to pay taxes voluntarily, plays a central role (Alm & Torgler, 2006). It arises from taxpayers' perceptions of fairness and trust in government, which reflects their belief that paying taxes is both just and socially meaningful. This study is anchored in the Tax Morale Theory and the Fiscal Exchange (Social Contract) Theory. Together, these theories posit that voluntary tax compliance arises when taxpayers trust public institutions and perceive taxation as fair, transparent, and reciprocally beneficial (Organisation for Economic Co-operation and Development [OECD], 2019; Feld & Frey, 2007; Kogler et al., 2013). These frameworks

position tax morale as a behavioral dimension of sustainable governance, where ethical motivation and institutional credibility reinforce fiscal integrity and collective welfare.

Empirical research across Southeast Asia supports this behavioral view. Awareness, perceived fairness, and institutional trust have been shown to influence voluntary compliance significantly (Nguyen, 2022). Research in tax compliance and procedural justice suggests that when taxpayers perceive tax revenues as being managed responsibly and transparently, their willingness to comply tends to increase, reflecting greater civic responsibility and institutional legitimacy (Sjöberg et al., 2019; Kirchler et al., 2008). Nastiti et al. (2025) propose that business sustainability practices, which includes social responsibility, may positively influence MSMEs' tax compliance intentions, indicating that ethical commitment could play a complementary role in supporting fiscal responsibility. However, while these frameworks have been validated in several Asian economies, their relevance to post-conflict and highly informal settings remains underexplored.

In the Philippines, many studies on taxation have emphasized procedural and enforcement dimensions, such as awareness campaigns, penalties, and inspections among registered MSMEs (Paco & Quezon, 2022; Granfon et al., 2023). These works provide valuable insights into compliance behavior. However, research explicitly examining the moral and institutional dimensions of taxation, particularly perceived fairness and trust in government, remains comparatively limited, especially in post-conflict or highly informal settings. Understanding these behavioral drivers is particularly important in informal or post-conflict contexts, where fiscal compliance is often shaped more by perceptions of institutional trust and legitimacy than by legal enforcement.

This study is particularly timely amid the Philippines' fragile economic climate. In October 2025, the Bangko Sentral ng Pilipinas (BSP) lowered its policy rate to 4.75 percent, reflecting slower growth prospects and cautious market sentiment (BSP, 2025). At the same time, heightened public discourse on corruption scandals has contributed to uncertainty in fiscal perceptions and investor confidence, adding pressure to an already fragile governance environment (BusinessWorld Online, 2025). With nearly 90% of government revenue derived from taxation (Bureau of the Treasury, 2024), even modest declines in taxpayer confidence or persistent informality among microenterprises threaten fiscal capacity and inclusive recovery. Strengthening trust, fairness, and transparency in the tax system is therefore essential to sustaining governance credibility and entrepreneurship resilience.

In the Philippines, MSMEs represent approximately 99.5 percent of all registered establishments, which employs about 62 percent of the workforce and contributes 36 percent to the country's gross value added (Department of Trade and Industry [DTI]–Philippine Statistics Authority [PSA], 2023; World Bank, 2022). Despite their importance, many operate informally, limiting their participation in the tax system. For these entrepreneurs, sustainability extends beyond profit to long-term integration into the formal economy. Fair and transparent taxation enhances legitimacy and voluntary compliance by fostering trust in the government (Castañeda, 2025). When taxpayers perceive that revenues are used effectively and equitably, they are more willing to comply, enabling the state to provide essential public goods such as education, healthcare, infrastructure, and social protection (OECD, 2019). Simplifying tax procedures can encourage informal enterprises to transition toward formality, particularly when accompanied by incentives and reduced compliance costs (International Labour Organization, 2021).

This study focuses on Marawi City, a post-conflict urban economy in Mindanao where informal and microenterprises remain central to livelihood recovery after the 2017 siege (UNDP, 2023; UN-Habitat, 2022). The city presents a unique case for examining the behavioral and institutional aspects of taxation in an environment marked by economic fragility, rebuilding efforts, and evolving public trust.

Addressing this gap, the present study examines how tax awareness, perceived fairness, and trust in government influence tax morale among microbusiness owners in Marawi City. This study examines the factors influencing tax morale among microbusiness owners in Marawi City. It specifically aims to determine the participants' levels of tax awareness, perceived fairness, trust in government, and tax morale; to identify any significant relationships between tax morale and each independent variable; and to determine which of the independent variables influences tax morale. The independent variables are defined as follows: tax awareness refers to the understanding of tax obligations and compliance procedures (Kirchler, 2008; OECD, 2019); perceived fairness reflects the sense that taxation is equitable in both collection and use (Feld & Frey, 2007); and trust in government pertains to confidence in institutional integrity and transparency (Torgler, 2004; Kogler et al., 2013). The dependent variable is tax morale.
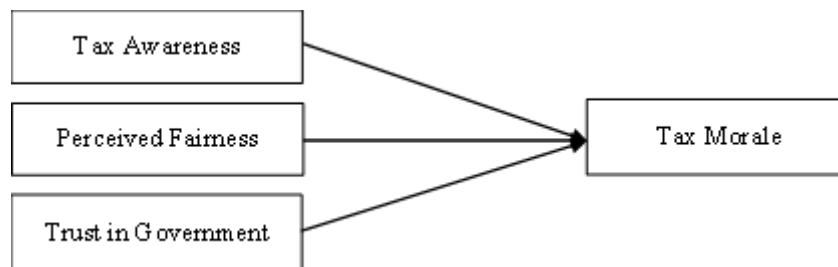

Figure 1. The study's conceptual framework

By situating tax morale within the broader discourse of sustainability, the study emphasizes how trust-based fiscal behavior can strengthen responsible and resilient microenterprise development in post-conflict settings. By filling this gap, it contributes to the growing literature on microenterprise sustainability and tax morale in the Philippines, addressing the interconnected needs of post-conflict recovery, fiscal trust, and inclusive entrepreneurship. Overall, it highlights the role of tax morale in fostering responsible and sustainable local governance that supports long-term economic stability and community resilience.

2. RESEARCH METHOD

This study employed a descriptive-correlational research design to establish statistical relationships among variables and identify the factors influencing the respondents' tax morale. The study was conducted in Marawi City, Lanao del Sur, where microenterprises form a significant component of the local economy. According to the Department of Trade and Industry (DTI) and the Philippine Statistics Authority (DTI-PSA, 2023), microenterprises account for approximately 88.5% of all micro, small, and medium enterprises (MSMEs) in the Philippines. These are defined as firms with total assets of ₱3,000,000 or less and employing one to nine workers.

The respondents were microbusiness owners operating in Marawi City. Given a desired confidence level of 95%, a precision level of 0.5, and a margin of error of 0.05, the Cochran formula was used to determine the appropriate sample size. However, due to practical constraints, the final computed sample size was reduced to 278 respondents. After data

screening, only 127 valid responses were retained for analysis, as several questionnaires were incomplete or ineligible. The lower participation rate can be attributed to multiple contextual factors. Many microbusiness owners in Marawi City were hesitant to participate due to their unregistered or informal business status, concerns about disclosing monthly income, and fear of tax-related scrutiny. Despite these challenges, the sample remains representative of the city's active microenterprise sector and provides valuable insights into the behavioral dynamics of tax morale.

Convenience sampling was employed due to practical accessibility considerations, allowing the researcher to reach microbusiness owners operating both within and outside formal registration channels. By including both registered and unregistered business owners, the study was able to capture attitudes and behaviors toward taxation among entrepreneurs inside and outside the formal tax system.

The study uses a researcher-made questionnaire patterned from other studies with a similar purpose. The questionnaire underwent expert validation for clarity and contextual relevance, followed by pilot testing to ensure internal consistency. It consisted of items on enterprise profile, tax awareness, perceived fairness, trust in government, and tax morale, rated on a five-point Likert scale.

Quantitative data were analyzed using SPSS, applying descriptive statistics to summarize perceptions, Pearson correlation to test associations, and multiple regression to identify predictors of tax morale.

3. RESULTS AND DISCUSSIONS

Descriptive statistics

The descriptive statistics revealed the overall levels of the study variables among the 127 respondents. The table 1 below show the mean and standard deviations for each variable and their corresponding description.

Table 1. Summary of Descriptive Statistics of Independent and Dependent Variables

Variables	M	SD	Description
Tax Awareness	3.97	0.579	Agree
Perceived Fairness	2.73	0.502	Neutral
Trust in Government	2.67	0.601	Neutral
Tax Morale	3.19	0.398	Neutral

Legend: 1.00 – 1.80 = Strongly Disagree / 1.81 – 2.60 = Disagree / 2.61 – 3.40 = Neutral / 3.41 – 4.20 = Agree / 4.21 – 5.00 = Strongly Agree

As shown in the Table 1, the mean score for Tax Awareness was 3.97 which indicates a comparatively high level of awareness. Similar results was also observed in the study of Umali (2024) and Balating, et al. (2025) who found that tax literacy of the microbusinesses is high. Interestingly, despite the inclusion of unregistered microbusiness owners in the sample, the overall awareness level remained high. This implies that even those operating informally possess a considerable understanding of tax processes, possibly due to community exposure, informal knowledge sharing, or prior business experience. Such findings highlight that lack of registration may reflect less from ignorance of tax rules and more from economic constraints, perceived administrative burdens, or mistrust in formal institutions, rather than low awareness.

The respondents remained netural for Perceived Fairness with a mean score was 2.73. This finding implies that respondents tend to perceive the current tax system as somewhat unfair in terms of burden distribution, incentives, or government responsiveness. Similar results were found in the study of Bobek et al. (2025). This sentiment mirrors findings from other Southeast Asian and Philippine contexts, where perceptions of inequitable tax enforcement and weak redistributive justice reduce perceived fairness (Pacaldo & Ferrer, 2020).–The neutral rating may reflect uncertainty rather than outright distrust—implying that while taxpayers recognize the legitimacy of the tax system, they remain cautious about whether its benefits are equitably realized. In a post-conflict context such as Marawi City, this ambivalence toward fairness may also reflect uneven access to government support and differing levels of institutional recovery across sectors.

Likewise, Trust in Government obtained a mean of 2.67. This suggests that the respondents' confidence in the integrity and performance of government institutions related to taxation remains limited. This is similar with the study of Mas'ud, Manaf, and Sa'ad (2019) reported that across 158 countries, the mean trust in authorities was moderate.

The relatively low mean score for trust in government and the neutral rating for perceived fairness may reflect continuing institutional rebuilding in a post-conflict environment. Prior research on similar contexts indicates that challenges such as weak rule of law and limited administrative capacity can reduce public confidence and discourage formal economic participation. Bray (2009) noted that post-conflict states often face difficulties in restoring administrative legitimacy and accountability, while Williams and Vorley (2017) emphasized that when governance systems are perceived as inconsistent, entrepreneurs may rely more on informal practices. In the Philippines, Dela Rama (2011) observed that governance-related challenges can affect public trust and slow inclusive growth. These patterns suggest that the cautious perceptions of fairness and limited institutional trust observed among Marawi micro-entrepreneurs are consistent with broader governance issues common to developing and post-conflict economies.

Meanwhile, the mean score for Tax Morale, the dependent variable, was 3.19 which is interpreted as neutral. This indicates that, on average, respondents display neither strong motivation nor reluctance toward fulfilling their tax obligations. The pattern is consistent with earlier research showing moderate tax morale levels among Filipino taxpayers and small business owners (Pacaldo & Ferrer, 2020), and in contrast with the study of Sijabat and Harjanto (2024) as tax morale was found out to be high. The relatively low variability in responses further implies a shared sentiment among participants, suggesting that attitudes toward tax compliance in Marawi are collectively shaped by prevailing social and governance conditions. The finding may also point to socioeconomic pragmatism among microbusiness owners, many of whom operate on limited margins. Their moral stance toward taxation may be moderated by immediate livelihood priorities rather than by opposition to taxation itself. Such practical mindset are common among informal entrepreneurs balancing compliance costs with survival needs (Alm & Torgler, 2006; Williams & Horodnic, 2017).

In summary, the results show that while tax awareness among Marawi microbusiness owners is relatively high, both perceived fairness and trust in government fall below the neutral level, and tax morale remains moderate. These descriptive outcomes align with prior studies in the Philippines and across Asia suggesting that informational and structural awareness exists, but psychological and institutional dimensions—particularly fairness and trust—remain underdeveloped (Hayat et al., 2022; Nguyen et al., 2025; Pacaldo & Ferrer, 2020). These

findings establish the empirical baseline for examining how these variables relate to and influence one another, which will be discussed in the succeeding correlation and regression analyses.

Correlation analysis

Table 2 presents the Pearson correlation coefficients showing the relationship between tax morale and the independent variables: tax awareness, perceived fairness, and trust in government.

Table 2. Relationship between Tax Morale and: Awareness, Perceived Fairness, and Trust in Government

Variables	Pearson Correlation Coefficient (r)	Sig. (2-tailed)	Interpretation
Tax Awareness	0.182*	0.040	Significant
Perceived Fairness	0.341**	0.000	Significant
Trust in Government	0.620**	0.000	Significant

Significance level = $p < 0.05$; ** $p < 0.01$

As shown in Table 2, all three independent variables were found to have positive and statistically significant relationships with tax morale at varying levels of strength. Thus, the null hypothesis is rejected.

The strongest correlation emerged between Trust in Government and Tax Morale, with a high positive relationship ($r = 0.620$, $p = 0.000$). This indicates that taxpayers with higher levels of trust in government institutions tend to exhibit significantly stronger tax morale. This result is consistent with both local and international findings. In the Philippines, Pacaldo and Ferrer (2020) confirmed that institutional trust is a significant determinant of tax morale among firms, surpassing the influence of enforcement and demographic factors. Likewise, Bakar and Hassan (2023) in Malaysia and Torgler (2004) across Asian countries established that trust in public institutions is one of the most robust predictors of tax morale and voluntary compliance. Similar evidence from European contexts (Kogler et al., 2013; Lago-Peñas & Lago-Peñas, 2010) confirms that higher institutional trust correlates with stronger tax morale and reduced evasion behavior, further validating this pattern globally.

The correlation between Tax Awareness and Tax Morale was found to be positive and weak ($r = 0.182$, $p = 0.040$), indicating that as taxpayers' awareness of tax obligations increases, their tax morale tends to improve slightly. Although the relationship is not strong, it remains significant at the 0.05 level. Similarly, Rashid (2020) found a negative and significant correlation between tax knowledge and tax evasion, indicating that greater understanding of tax responsibilities is linked to lower non-compliance. This supports the idea that informed taxpayers are more likely to comply voluntarily. In the Philippine context, however, Umali (2024) observed that while microbusiness owners in Cabuyao City demonstrated adequate tax literacy, it did not have significant relationship towards tax compliance, suggesting that awareness alone may not guarantee moral or compliant behavior without institutional trust and perceived fairness.

The correlation between Perceived Fairness and Tax Morale was moderate and statistically significant ($r = 0.341$, $p = 0.000$), suggesting that respondents who perceive the tax system as fair are more likely to develop stronger moral attitudes toward paying taxes. Rashid (2020) found a negative and significant correlation between perceived fairness and tax evasion, suggesting that when taxpayers view the tax system as fair and equitable, their tendency to

evade taxes declines. This implies that improving perceptions of fairness can enhance voluntary tax compliance. Collectively, these studies underscore fairness as a vital psychological driver that reinforces moral duty in taxation, consistent with the principles of Fiscal Exchange Theory, which posits that citizens' willingness to contribute taxes depends on their perception of reciprocity and justice in government actions.

Overall, the correlation results reveal that trust in government exhibits the strongest association with tax morale, followed by perceived fairness and awareness. Statistically, this indicates that while knowledge and perceptions of fairness contribute positively, trust serves as the key relational factor sustaining taxpayers' moral commitment to compliance. These findings align with the "slippery slope framework" (Kogler et al., 2013), which argues that voluntary compliance thrives when taxpayers perceive authorities as trustworthy rather than purely coercive. Therefore, in the context of Marawi City, the data suggest that strengthening institutional trust and ensuring fairness in tax administration could significantly enhance taxpayers' moral obligation and willingness to comply.

Regression analysis

Table 3 below shows the standard multiple regression analysis results. The study posed a null hypothesis: No variable influences the tax morale.

Table 3. Multiple Regression Analysis of the Variables that Best Predict Tax Morale

Independent Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.794	.236	—	7.593	.000
Tax Awareness	.067	.049	.097	1.372	.173
Perceived Fairness	.040	.063	.050	.625	.533
Trust in Government	.385	.053	.582	7.263	.000

*a Dependent Variable: Tax Morale, R = .629, R² = .396, Adjusted R² = .381, Std. Error = .31290, F(3, 123) = 26.841, Sig. = .000. *Significance level = p < 0.05, **p < 0.01*

As shown in Table 3, the overall model was statistically significant, $F_{(3,123)} = 26.841$, $p < .001$, indicating that the combination of the three independent variables significantly predicts variations in tax morale among the respondents. The multiple correlation coefficient (R) was .629, suggesting a moderately strong relationship between the predictors and the dependent variable. The coefficient of determination ($R^2 = .396$) shows that approximately 39.6% of the variance in tax morale can be explained by the combined effects of tax awareness, perceived fairness, and trust in government. The adjusted R^2 value of .381 confirms that the model maintains a good fit even after accounting for sample size. Thus, the null hypothesis stating that none of the variables influences tax morale is rejected.

Among the three predictors, Trust in Government emerged as the only variable with a statistically significant effect on tax morale ($\beta = 0.582$, $t = 7.263$, $p < .001$). This result indicates that higher levels of trust in government institutions are associated with substantially stronger tax morale among microbusiness owners in Marawi City. The finding is consistent with earlier Philippine evidence by Pacaldo and Ferrer (2020), who found institutional trust to be the most powerful determinant of tax morale, surpassing enforcement and demographic factors. Similar results were reported in Southeast Asian countries which demonstrate that while citizens may understand their obligations, their trust in how collected taxes are managed strongly influences their willingness to comply (Bakar & Hassan, 2023; Khozen, 2023) and across Asian countries

(Torgler, 2004), where confidence in government integrity and performance was a key psychological foundation of taxpayers' willingness to comply voluntarily. The strong predictive role of trust reinforces the "slippery slope framework" (Kogler et al., 2013), which posits that voluntary tax compliance is achieved when taxpayers view authorities as trustworthy and legitimate rather than coercive. Beyond its statistical significance, this relationship carries important developmental implications. The strong predictive influence of trust in government on tax morale suggests that fiscal compliance in Marawi City is rooted less in knowledge or perceived fairness and more in institutional credibility. In a post-conflict economy, such as Marawi City, trust appears to reflect a broader civic commitment that connects fiscal participation with the collective well-being of the community.

In contrast, Tax Awareness ($\beta = 0.097$, $t = 1.372$, $p = .173$) did not have statistically significant effects on tax morale in the multivariate model. This implies that while both variables were positively correlated with tax morale, their predictive influence diminishes when trust in government is controlled. This pattern mirrors the results of Umali (2024) where tax literacy alone did not significantly affect compliance. However, this findings diverges from the results of Rashid (2020) and Tishar and Hasanuzzaman (2019), who reported that higher levels of tax knowledge were associated with reduced tendencies toward non-compliance. The insignificant effect of tax awareness on tax morale may reflect contextual differences between Marawi City and the more stable urban settings examined in other studies. In post-conflict environments, mere awareness of tax obligations may not be sufficient to foster moral compliance, as taxpayers' behavior is shaped more by institutional recovery and perceptions of trustworthiness.

Perceived Fairness ($\beta = 0.050$, $t = 0.625$, $p = .533$) did not also have statistically significant effects on tax morale in the multivariate model. This findings is in contrast with the study of Supriyati, Hapsari, and Nahumury (2024) who found that perceived fairness exerted a significant positive effect on tax morale among Indonesian SME taxpayers. The divergence may be attributed to contextual and institutional differences. In post-conflict Marawi, perceptions of fairness may play a lesser role in shaping tax morale, as taxpayers often ground their moral commitment in trust and practical concerns for livelihood rather than in ideas of distributive justice. Moreover, consistent with the Slippery Slope Framework, fairness may operate indirectly, meaning it strengthens tax morale only when it enhances confidence in government integrity (Kogler et al., 2013).

The model explains approximately 40% of the variance in tax morale, indicating that trust in government account for a meaningful share of taxpayers' moral disposition toward compliance. The remaining variation could be associated with other socio-psychological and contextual influences such as perceived government performance, enforcement mechanisms, and social norms, as emphasized in earlier studies on tax morale determinants (Lago-Peñas & Lago-Peñas, 2010; Torgler, 2004).

In sum, the regression analysis reveals that among the three independent variables, Trust in Government is the most dominant predictor of Tax Morale. The results empirically reinforce the argument that enhancing citizens' confidence in government transparency, fairness, and accountability can meaningfully elevate voluntary tax compliance and moral commitment to taxation in local contexts such as Marawi City.

4. CONCLUSIONS AND SUGGESTIONS

This study investigated the relationships among tax awareness, perceived fairness, trust in government, and tax morale among 127 microbusiness owners in Marawi City. Descriptive findings revealed that respondents exhibited a high level of tax awareness, yet maintained only neutral perceptions of fairness, moderate levels of trust in government, and moderate tax morale. These findings portray a setting in which taxpayers understand their obligations but remain cautious about the equity and integrity of the tax system.

The correlation analysis indicated that all independent variables were positively and significantly related to tax morale, with trust in government showing the strongest relationship ($r = .620$, $p < .001$), followed by perceived fairness ($r = .341$, $p < .001$) and tax awareness ($r = .182$, $p < .05$). This pattern suggests that while awareness and fairness perceptions contribute positively to moral commitment, confidence in government institutions is the dominant relational factor shaping taxpayers' moral disposition toward compliance.

Further, the regression analysis confirmed that trust in government is the only statistically significant predictor of tax morale ($\beta = .582$, $p < .001$), explaining approximately 40% of the variance ($R^2 = .396$) in the model. Tax awareness and perceived fairness, although correlated with tax morale, did not exert significant predictive effects when analyzed alongside trust. This underscores the centrality of institutional credibility and governance integrity in shaping taxpayers' willingness to comply voluntarily. The results reinforce the Slippery Slope Framework (Kogler et al., 2013) and findings from Pacaldo and Ferrer (2020) in the Philippines, Bakar and Hassan (2023) in Malaysia, and Torgler (2004) across Asia, all of which highlight trust as the psychological anchor of tax morale and voluntary compliance.

From a practical standpoint, the results emphasize that strengthening public trust by transparency, equitable enforcement, and visible reinvestment of tax revenues may be more effective in improving compliance than informational campaigns alone. Programs that enhance citizens' perceptions of fairness, efficiency, and integrity in local taxation can build a more sustainable culture of voluntary tax compliance.

The inclusion of both registered and unregistered microbusiness owners allowed this study to capture a holistic view of the city's entrepreneurial landscape, reflecting both formal and informal sectors that coexist and sustain the local economy. This inclusive approach reveals that even among unregistered enterprises, which are often operating at the margins of formal regulation, there exists a shared sense of moral reasoning and community accountability. Such findings highlight the potential of Marawi's microentrepreneurs to serve as partners in governance rather than subjects of enforcement, provided that institutions actively cultivate trust and fairness.

Beyond compliance, these results speak to a deeper narrative of resilience and sustainability. In a post-conflict setting such as Marawi City, where livelihood recovery is tied to stability and confidence in government, nurturing tax morale becomes an act of social rebuilding. Strengthening public trust through transparent governance, equitable treatment, and inclusive participation is not merely a fiscal goal but a developmental necessity. By fostering tax morale, trust in government becomes a catalyst for sustainable microenterprise development, where fiscal integrity and responsible governance reinforce business continuity and community recovery.

Based on the study's findings, the following recommendations are proposed to strengthen tax morale and promote the long-term sustainability of microenterprises in Marawi City. These recommendations translate the insights of this study into actionable strategies for local government units, national agencies, and partner institutions. The Marawi City Government, as the primary local government unit (LGU) responsible for local fiscal administration, should lead these initiatives in collaboration with the Bureau of Internal Revenue (BIR), Mindanao State University (MSU), and relevant Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) ministries.

Institutionalize Fiscal Transparency and Accountability.
Trust is built when taxpayers see where their contributions go. The LGU and BIR should consistently communicate how taxes are used to improve essential services, rebuild markets, and support small enterprises. Regular public updates through community assemblies, social media, and radio programs can make governance visible and inclusive, reinforcing trust as the foundation of voluntary compliance.

Link Compliance with Sustainable Livelihood Support.
Since many microbusinesses operate for survival, taxation should be tied to visible livelihood benefits. The LGU can integrate compliance incentives, such as training, access to microfinance, or business recovery grants, into entrepreneurship and sustainability programs. When entrepreneurs see compliance as a pathway to business stability and growth, trust becomes the bridge between fiscal contribution and local economic resilience.

Encourage Inclusive and Gradual Formalization.
For unregistered microenterprises, strict enforcement may weaken trust. Instead, a soft formalization approach such as using simplified registration, mobile tax booths, or first-time tax amnesty can gradually integrate informal entrepreneurs into the formal system. This inclusive approach transforms compliance from obligation into cooperation, reflecting sustainable governance rooted in fairness and empathy.

Promote Fair and Consistent Implementation of Tax Policies.
Perceptions of justice strengthen institutional credibility. The BIR and LGU revenue offices should ensure that tax rules are applied consistently and transparently, with accessible grievance mechanisms and clear explanations of enforcement decisions. Visible fairness in administration nurtures confidence and reinforces trust, the cornerstone of tax morale.

Embed Trust and Sustainability Indicators in Local Development Planning.
The local government unit, in partnership with MSU and BARMM ministries, can develop a Taxpayer Trust and Sustainability Index to monitor citizens' confidence, fairness perceptions, and satisfaction with fiscal governance. This evidence-based tool allows continuous assessment of how transparency, fairness, and inclusion shape both tax morale and long-term microenterprise resilience.

In conclusion, the study affirms that trust is the moral and institutional backbone of tax morale, while awareness and perceived fairness gain meaning only when rooted in credible governance. For a recovering city like Marawi, where microbusinesses embody both survival and hope, strengthening trust through transparent, participatory, and values-based fiscal management can transform taxation into a partnership for sustainable entrepreneurship and inclusive growth.

Further research on tax morale and sustainable fiscal governance is strongly encouraged among students, faculty, and researchers. A follow-up study may broaden the scope to include multiple sectors such as citizens, employees, business owners, implementers, auditors, and LGU officials in Marawi City, BARMM, or Mindanao. Such a multisectoral approach would enhance the generalizability of the findings. Future studies may also use qualitative or mixed-method approaches, including interviews and focus group discussions, to gain more comprehensive insights into the socio-cultural and institutional factors that shape tax morale and compliance sustainability.

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