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Ostapenko, N. and Williams, C.C. (2016) Determinants of entrepreneurs' views on the acceptability of tax evasion and the informal economy in Slovakia and Ukraine: an institutional asymmetry approach. *International Journal of Entrepreneurship and Small Business*, 28 (2-3). ISSN 1741-8054

<https://doi.org/10.1504/IJESB.2016.076639>

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**Determinants of entrepreneurs' views on the acceptability of tax evasion
and the informal economy in Slovakia and Ukraine: an institutional
asymmetry approach**

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Abstract

In recent years, it has been argued that citizens view tax evasion and the informal economy as socially acceptable when the codified laws and regulations (formal institutions) of a country are not aligned with the norms, values and beliefs of the population (informal institutions). Reporting a 2013 survey of 238 entrepreneurs' views on the acceptability of tax evasion and the informal economy in Slovakia and Ukraine, this paper confirms for the first time this institutional asymmetry thesis with regard to entrepreneurs, revealing that the gap between state morality and entrepreneurial morality has an impact on the acceptability of illegal behaviour. The paper concludes by discussing the theoretical and policy implications.

Keywords: illegitimate behaviour; shadow economy; tax evasion; institutional theory; entrepreneurship; Slovakia; Ukraine.

Introduction

Over the past few years, there has been a growing literature on entrepreneurs who operate in the informal economy (Aliyev, 2015; Boels, 2014; Dana, 1998, 2010, 2013; Khan and Quaddus, 2015; Rezaei et al., 2013a,b, 2014; Williams, 2014a,b, Williams and Gurtoo, 2013; Williams and Martinez-Perez, 2014a,b). The result has been a new explanation for the illegitimate behaviour of entrepreneurs. Grounded in institutional theory, participation of entrepreneurs in the informal economy and tax evasion has been asserted to result from the lack of alignment of formal institutions (i.e., the codified laws and regulations) with informal institutions, namely the norms, values and beliefs of entrepreneurs (De Castro et al., 2014; De Mel et al., 2012; Webb et al., 2009, 2013, 2014; Williams and Horodnic, 2015a,b; Williams and Shahid, 2015; Williams et al., 2015). The proposition has been that when the norms,

values and beliefs of entrepreneurs align with the codified laws and regulations, there will be little or no participation of entrepreneurs in the informal economy. As these formal and informal institutions become more unaligned however, the propensity to engage in illegitimate entrepreneurial behaviour increases. This is the institutional asymmetry thesis. Until now however, this has not been empirically evaluated. Therefore, the aim of this paper is to evaluate this institutional asymmetry thesis by exploring its validity in the context of Slovakia and Ukraine.

To do this, the first section of this paper provides a brief review of the illegitimate behaviour of entrepreneurs and the advent of the institutional asymmetry explanation. Revealing that there has been no evaluation of whether the gap between state morality and entrepreneurial morality has an impact on the acceptability of illegal behaviour, the second section starts to fill this gap by reporting a study of entrepreneurs' views on the social acceptability of the informal economy and tax evasion in Slovakia and Ukraine. The third section reports the findings. Revealing that the factors leading entrepreneurs to deem entrepreneurship in the informal economy as socially acceptable are their disagreement with the current codified laws and regulations, the fourth and final section discusses the theoretical and policy implications of these findings.

Illegitimate behaviour of entrepreneurs and institutional theory

Recently, research on tax evasion has switched attention away from the conventional rational economic actor model of tax compliance, which asserts that citizens evade tax when the pay-off is greater than the expected cost (Allingham and Sandmo, 1972). Instead, a social actor approach has been adopted which asserts that whether they comply or not depends on their "tax morale" and thus seeks to encourage voluntary compliance by creating a culture of compliance by changing social norms (Luttmer and Singhal, 2014). In this view therefore, tax

morale captures the non-pecuniary motivations for tax compliance as well as factors that fall outside the standard expected rational economic actor utility framework. As Alm (2012) has argued, it suggests that taxpayer compliance needs to be reconceptualised from the perspective of a “trust paradigm” rather than in terms of rational economic calculations.

Extending this, Luttmer and Singhal (2014) argue that five mechanisms influence tax morale. These are: intrinsic motivation (shame, pride, etc.); reciprocity, in which an additional utility term for paying taxes depends in some way on the individual’s relationship to the state; peer effects and social influences, in which the additional utility term for paying taxes depends on views or behaviours of other individuals; long-run cultural factors that may affect the willingness to pay taxes; and information imperfections and deviations from utility maximization. Indeed, Kornhauser (2007) views tax morale as being driven by on the one hand, intrinsic factors, such as individual traits that motivate a person to comply such as a personal sense of integrity or degree of altruism and on the other hand, by external conditions or societal norms such as procedural justice, trust in government, or the form of government.

Indeed, there is now a growing body of research on how extrinsic and intrinsic factors influence tax morale. Richardson (2006) examining cross-national differences in tax evasion considers an array of factors including institutional (e.g., rule of law, corporate tax rates), demographic (e.g., firm size, ownership, audit likelihood), and attitudinal (e.g., tax fairness, perceived burden). Torgler (2004) similarly stresses that compliance might be affected by factors such as government services, trust in the institutions, perceptions of others’ tax compliance, and social norms, as do Torgler and Schneider (2007) who in contrast to most of the emerging cross-cultural research on tax compliance, concentrate on the impact of cultural and institutional variation within countries. Lago-Penas and Lago-Penas (2010) similarly argue that tax morale is a function of socio-demographic characteristics, personal financial experiences and political attitudes on the one hand, and regional GDP and tax arrangements,

ethnic and linguistic factions on the other hand. Many other similar studies have been conducted on the determinants of citizens' tax morale (e.g., Daude et al., 2012; Frey and Torgler, 2007).

Although some of these studies control for self-employment and find that self-employment is negatively associated with tax morale (Daude et al., 2012; Kountouris and Remoundou, 2013; Konrad and Qari, 2012; Lago-Penas and Lago-Penas, 2010), no studies have so far directly analysed entrepreneurs and whether the gap between state morality and entrepreneurial morality has an impact on the acceptability of illegal behaviour. Nevertheless, several studies indirectly do so. On the one hand, Alm and McClellan (2012) use the Business Environment and Enterprise Performance Survey to examine tax morale by analysing how large an obstacle to doing business a firm perceives taxes to be, assuming that those with high tax morale would be less likely to view taxes as an obstacle. On the other hand, Bame-Aldred et al (2013) conduct a multilevel analysis of 3000 companies in 31 countries to examine the influence of cultural forces (individualism, achievement orientation, assertiveness, humane orientation) on tax evasion, simultaneously controlling for institutional, demographic, and attitudinal factors. Until now however, and despite the wealth of studies on citizens' tax morality, no known studies have directly sought to understand entrepreneurs' views on the acceptability of tax evasion and the informal economy.

This is even more surprising when it is recognised the emergence of a new explanation for the illegitimate behaviour of entrepreneurs is recognised. Grounded in institutional theory, the participation of entrepreneurs in the informal economy and tax evasion has been argued to result from the lack of alignment of formal institutions (the codified laws and regulations) with informal institutions, namely the norms, values and beliefs of entrepreneurs (De Castro et al., 2014; De Mel et al., 2012; Webb et al., 2009, 2013, 2014; Williams and Shahid, 2015). The proposition has been that when the norms, values and

beliefs of entrepreneurs align with the codified laws and regulations, there will be little or no participation of entrepreneurs in the informal economy and tax evasion. As these formal and informal institutions become more unaligned however, the propensity to engage in illegitimate entrepreneurial behaviour will increase.

Here, therefore, we conduct an exploratory study to investigate whether entrepreneurs' views on the acceptability of tax evasion and the informal economy. This will investigate for example whether deviation from the codified laws and regulations result from particular individual-level characteristics as some have argued in relation to citizens in 'bad apple' theories (Trevino, 1986; Trevino and Youngblood, 1990) or whether it is weak or deviant formal institutions ("bad barrels") that do so (Barone and Mocetti, 2009; Dallago, 2000; Hunt and Vitell, 1986; Javor and Jancsics, 2013; Luttmer and Singhal, 2014; Welter, 2002). Prior to doing this, however, it is important to note firstly, that the relevance of each factor is likely to vary in different contexts, and secondly, that individual factors will not always have the same impact in all contexts (Welter and Smallbone 2011; Williams and Windebank 1998). Numerous studies display how individual factors (e.g., tax rates) have different impacts in different contexts and how its influence varies according to its interplay with other factors (e.g. Welter and Smallbone 2011; Williams and Windebank 1998). The result is that only context-bound, rather than universal, understandings are possible. Here therefore, we turn to entrepreneurs' views on tax evasion and the informal economy in two specific contexts, namely the Slovakia and Ukraine.

Ukraine and Slovakia are here selected because they are two countries that are close both geographically and in terms of their historical development. Both are post-Soviet states that are making the transition from a command economy to a market economy with a similar cultural and institutional legacy of central planning (Alonso and Garcimartin, 2009). At the same time however, these countries are dissimilar in ways that have been deemed important

in terms of influencing tax morality. Firstly, Slovakia is a Catholic country and Ukraine Protestant, a facet of culture on which there is much debate regarding its influence on tax morale (Fukuyama, 1995; Lal, 1998; Novak, 1993; Weber, 1958). Secondly, the quality of formal institutions differs in some significant respects. Not only does Slovakia have a higher gross domestic product (GDP, ppp) per capita \$24.605 in 2013 compared with \$7.423 in Ukraine but according to the World Bank Doing Business surveys (World Bank 2014a), Slovakia is placed 49th in terms of the ease of doing business and Ukraine 112th. Furthermore, the Corruption Perceptions index places Slovakia 61st and Ukraine 144th (Transparency International, 2014), and the World Bank Incidence of Graft Index, which shows the percentage of businesses expected to give gifts or pay informal payments to public officials, gives Slovakia an index score of 3.6 but 21.7 in Ukraine. Overall, therefore, and by whichever measure is used, the quality of formal institutions is seen to be lower in Ukraine than Slovakia (World Bank, 2014b). As Jancsics et al. (2012) highlight however, this is not to assert that there is symmetry between the formal and informal institutions in Slovakia. There is still an asymmetry between the codified laws and regulations and actual behaviour but the degree of asymmetry is less than Ukraine. Here, therefore, we report a study of entrepreneurs' views on the acceptability of tax evasion and the informal economy in these two countries.

Methodology: data, variables and analysis

Until now, no known studies have directly analysed entrepreneurs' views on the acceptability of tax evasion and the informal economy and what factors lead some entrepreneurs to view tax evasion and the informal economy as socially acceptable. Here, therefore, we report a study conducted in 2013 in the countries of Ukraine and Slovakia. The survey consisted of

6000 randomly selected enterprises in both countries. Of the 6000 surveys distributed, 238 responses were received (a 5 per cent response rate). To measure the social acceptability of tax evasion and the informal economy, the dependent variables are: “It is acceptable for *business to operate in the informal economy*” and “*Tax evasion is in some cases acceptable*”.

To evaluate the institutional asymmetry thesis that the social acceptability of tax evasion and the informal economy results from the lack of alignment between the norms, values and beliefs of entrepreneurs (entrepreneurial morality) and the codified laws and regulations of a society’s formal institutions (state morality), we use a proxy indicator of entrepreneurs adherence to the formal rules of the game, namely their response to the question, “*If the law is imperfect, its violation is acceptable*”.

To start to capture the factors leading entrepreneurs to view it as socially acceptable to engage in tax evasion and the informal economy, the following 10-point likert-scale questions capture entrepreneurs’ attitudes towards formal institutions: “The government’s actions in the field of entrepreneurship are effective”; “Public goods in the state are allocated effectively”; “Business activities in my country are over-regulated”; and “I agree with the current legislation in the field of entrepreneurship”.

To examine whether cultural variables influence entrepreneurs’ views regarding the social acceptability of tax evasion and the informal economy, meanwhile, Tabellini (2010) measures culture as the “principal component” of four values: trust, beliefs in the importance of individual effort, generalized morality, and obedience (which he considers a negative value). Here therefore, we measure: trust using the survey question “I trust strangers”; respect using the survey question “I always respect other people”; feelings of control over their lives by the survey question “I have self-confidence”; obedience by the two questions,

“In any case business must act within the law” and “I am a responsible person”, and future perceptions by the question “I believe in a better future”.

In addition to attitudes towards formal institutions and cultural variables, personal-level characteristics are examined, previously found to be important determinants of an individual’s tax morale (Brehm and Rahn, 1997; Konrad and Qari, 2012, Lago-Penas and Lago-Penas, 2010). These include patriotism (Konrad and Qari, 2012), religion (Lago-Penas and Lago-Penas, 2010), age (Lago-Penas and Lago-Penas, 2010) and education (Mazar and Ariely, 2006; Torgler and Schneider, 2007). In addition, two firm-level characteristics are included, namely firm size and sector.

Evaluating the acceptability of informal work and tax evasion amongst entrepreneurs in Slovakia and Ukraine

Descriptive Results

Table 1 presents the characteristics of the 238 entrepreneurs responding to the survey regarding their views on the acceptability of informal work and tax evasion in Slovakia and Ukraine. This reveals that in both countries, the majority of firms (85.6 per cent in Slovakia and 77.5 per cent in Ukraine) small and micro-enterprises. Only a minority of firms are large (0.7 per cent in Slovakia and 3.4 per cent in Ukraine). In Slovakia, entrepreneurs were more likely to operate in the services sector (68.6 per cent in comparison with 47.2 in Ukrainian sample), whilst in Ukraine more were in the manufacturing sector (33.7 per cent in comparison with 20.9 per cent in Slovak sample). In Slovakia, moreover, the entrepreneurs surveyed are older than in Ukraine and more often visit churches. Slovak entrepreneurs, meanwhile, are less educated (those with only a basic education is 26.1 per cent compared to 7.9 per cent in Ukraine), but more Slovak entrepreneurs have a Ph.D.

INSERT TABLE 1 ABOUT HERE

Table 2, meanwhile, reports the descriptive results regarding their attitudes regarding the social acceptability of participating in tax evasion and the informal economy. It also reports the degree to which their morality aligns with the state on these issues as well as their attitudes towards the effectiveness of formal institutions and various national cultural attributes. Examining their agreement with the statement that “it is acceptable for businesses to operate in the informal economy” using a scale (where 1 = wholly disagree and 10= wholly agree), the finding is that the mean score of entrepreneurs in Ukraine was 6.94 but 4.52 in Slovakia, meaning that entrepreneurs view operating in the informal economy as more acceptable in Ukraine than in Slovakia. As such, participation in the informal economy is seen to be socially acceptable amongst entrepreneurs, particularly in Ukraine, where the median score of the entrepreneurs is 8 compared with 5 in the Slovak Republic. Indeed, this attitude towards operating in the informal economy is reflected in behaviour. As Schneider (2012) has identified, the size of the informal economy in Ukraine is the equivalent of 47 per cent of GDP whilst in Slovakia it is the equivalent of 17 per cent of GDP.

INSERT TABLE 2 ABOUT HERE

It is similarly the case that tax evasion is deemed socially acceptable by entrepreneurs in Ukraine (5.20) than in Slovakia (2.54), albeit to a lesser extent than participation in the informal economy. Examining whether there is a lack of alignment between state morality and the individual morality of entrepreneurs in both countries, we here analyse their adherence to the formal rules of the game as judged by the statement “If the law is imperfect,

its violation is acceptable". The finding is that the asymmetry between state morality and entrepreneurs' morality is again greater in Ukraine (5.45) than Slovakia (4.92). So too is it the case on the whole that entrepreneurs in Ukraine have less faith in formal institutions than in Slovakia whilst, conversely, there is perhaps a greater sense of cultural cohesion in Ukraine than in Slovakia. Here, therefore, we turn attention to whether the acceptability of illegal behaviour is associated with the size of the gap between state morality and entrepreneurial morality.

Analysis

Table 3 reports the results from the multiple regression analysis of the acceptability of operating in the informal economy. The influence of four groups of independent variables are analysed, namely the perception of government effectiveness (formal institutions); adherence to the formal rules of the game (which is a proxy of institutional asymmetry), national culture (indicating individual behavioural characteristics) and various control variables (e.g., age, education).

INSERT TABLE 3 ABOUT HERE

Examining what influences entrepreneurs' views on the acceptability of operating in the informal economy, the finding is that the most significant factor in both countries is their lack of adherence to the formal rules of the game (which is a proxy of institutional asymmetry). This, therefore, confirms the institutional asymmetry thesis. Interestingly, moreover, entrepreneurs' views on the acceptability of operating in the informal economy are not significantly associated with their views on the effectiveness of formal institutions in either country. However, it is significantly associated with their views of national culture.

The most influential factors in this regard in Slovakia are respect for others, perceptions of self-responsibility and self-confidence. While responsibility negatively affects the acceptability of operating in the informal economy at the significant level ($p < 0.01$), individual measures of respect for others and self-confidence positively affects the decision of going into the shadow economy at statistically significant levels. This could be explained in the sense that persons who are confident in themselves do not fear being caught because of unfair behaviour. Personal responsibility in turn negatively affects the acceptability of operating in the informal economy, in that responsible persons feel their responsibility to the state and budget and are less likely to view operating in the informal economy as an acceptable activity. The factor of “respect other people” is also significant at the 0.05 level and negatively affects decisions about the acceptability of operating in the informal economy, which could be explained by the fact that respecting others could mean that they do not engage in unfair selfish behaviour in the informal economy. In Ukraine meanwhile, there is also the factor of obedience (“In any case business must act within the law”) which has a negative impact on the acceptability of operating in the informal economy ($p < 0.05$). From the control variables, only the size of the enterprise operated by the entrepreneur has a negative impact on the acceptability of operating in the informal economy in Slovakia (i.e., owners of larger enterprises are less likely to view informality as acceptable and smaller enterprises more likely). This could be explained by the nature of enterprises and difficulties micro and small enterprises have operating in the formal economy.

Table 4, meanwhile, examines whether there are any significant associations between entrepreneur’s views on the acceptability of tax evasion and perceptions of formal institutions, national culture and asymmetry between them. As can be seen from Table 4, it is again institutional asymmetry measured by the proxy statement “If the law is imperfect, its violation is acceptable”, which is the most significant and positively associated. This

confirms that institutional asymmetry is also the most important factor in determining whether entrepreneurs' view tax evasion as acceptable. Examining other associations, in Slovakia, perceptions of entrepreneurs of the existing regulations (e.g., "Business activities in my country are over-regulated") is negative and significant in the regression analysis, which means that perceptions of the formal rules of the game plays a role in tax evasion behaviour. In Ukraine, the factor of obedience, measured by "In any case business must act within the law", is robust and significant in this additional regression, which means that obedience is the most important factor amongst cultural variables. Here also respect for others also has a negative impact on the acceptability of tax evasion amongst entrepreneurs. Between Ukrainian enterprises factor "I am proud of my country" is significant in this regression and negative, which supports the suggestion about responsibility in front of government, so when persons are proud of their country – they are less likely to behave illegally, because they want to contribute to budget and to "help" their country to develop. Age of the entrepreneur has a positive impact on tax evasion, which means that older entrepreneurs are more tend to behave illegally, which could be explained by the trajectory of previous development – habits from Soviet times in Ukraine.

INSERT TABLE 4 ABOUT HERE

Discussion and conclusions

The contribution of this paper to the existing literature is that it extends previous research on tax morale by reporting for the first time a study of entrepreneurs' views regarding the acceptability of the informal economy and tax evasion. Unlike previous studies on tax morale

that tend to use the same dataset (e.g., World and European Values Survey) and study the same variables, this paper is an exploratory analysis of fresh primary data using a wider range of variables than is normally the case, and for the first time focuses upon entrepreneurs' views regarding the acceptability of illegitimate behaviour.

In previous research, some of the main determinants of tax morale have been asserted to be attitudes towards formal institutions such as support for democracy and trust in government as well as perceptions of the efficiency of the public sector (Barone and Mocetti, 2009; Daude et al., 2012; Frey and Torgler, 2007; Lago-Penas and Lago-Penas, 2010; Torgler and Schneider, 2007). In this paper however, we have revealed that there is no significant association between attitudes towards formal institutions and entrepreneurs' views of the acceptability of operating in the informal economy and engaging in tax evasion. Rather, the results confirm the argument of those drawing inspiration from institutional theory and asserting that the acceptability of illegitimate behaviour is strongly correlated with the degree of institutional asymmetry. In addition however, we also find similar to other commentators that culture is a significant determinant of tax morale (Bame-Aldred et al., 2013; Kountouris and Remoundou, 2013), albeit largely the notion of obedience.

Turning to other control variables, previous research has found that age is positively associated with tax morale (Daude et al., 2012; Frey and Torgler, 2007; Kountouris and Remoundou, 2013; Lago-Penas and Lago-Penas, 2010). In this study however, it has been found that the age of entrepreneur can impact on the propensity for illegal behaviour, but it depends on the institutional structure of the economy. Similarly, previous research has found that education is negatively associated with tax morale (Daude et al., 2012; Frey and Torgler, 2007; Kountouris and Remoundou, 2013; Lago-Penas and Lago-Penas, 2010), although Barone and Mocetti (2009) find a positive association. Here, we find no association.

Previous studies also find that religion is positively associated with tax morale (Daude et al., 2012; Frey and Torgler, 2007; Lago-Penas and Lago-Penas, 2010). However, with regard to entrepreneurs, this study finds no association between religion and the acceptability of tax evasion and operating in the informal economy. Despite the finding by Konrad and Qari (2012) of a strong and robust correlation of an individuals' patriotism and tax compliance, no robust association was here found. Its effect depends on the existing institutional environment. We did find however, similar to Bame-Aldred et al (2013) that firm size is negatively associated with tax evasion ($\beta_2 = -0.28$, $p < 0.001$). However, this is not robust and pride could be an endogenous factor involved here.

In sum, this first exploratory analysis reveals that the social acceptability of illegitimate behaviour is strongly determined by the size of the gap between state morality and entrepreneurial morality both in Slovakia and Ukraine. These results are robust and significant. To reduce the prevalence of illegitimate behaviour of entrepreneurs, therefore, the resultant argument is that the values of entrepreneurs need to align with the formal institutions. This requires alterations not only in the informal institutions, using measures such as tax education, awareness raising campaigns and normative appeals, but also changes in formal institutions so as to improve trust in government by fostering greater procedural justice, procedural fairness and redistributive justice (see Williams and Horodnic, 2015a,b). If this paper therefore encourages further research on entrepreneurs' views of the acceptability of the informal economy and tax evasion, and the determinants of these views, then it will have achieved one of its intentions. If it also encourages governments to seek to change these attitudes, rather than simply seek to eradicate those operating in the informal economy, then it will have achieved its wider intention.

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Table 1. Characteristics of entrepreneurs surveyed in Ukraine and Slovakia

	Slovakia	Ukraine
Size of enterprise		
Big	0.7	3.4
Small	46.4	52.8
Micro	39.2	24.7
Medium	13.7	16.9
Age		
25-35 years	22.2	39.3
35-45 years	22.9	27.0
45-55 years	31.4	14.6
More than 55 years	19.0	6.7
Less than 25 years	4.6	11.2
Sector of an enterprise		
Another	10.5	18.0
Production sphere	20.9	33.7
Services	68.6	47.2
I often visit the church		
Visit sometimes	41.2	64.0
Never	34.0	19.1
Visit at least once a month	2.7	9.0
certainly visit once a week	22.2	6.7
My education		
Secondary education	65.4	80.9
Ph.D	8.5	5.6
Basic	26.1	7.9

Table 2. Entrepreneurs' attitudes in Slovakia and Ukraine (1= wholly disagree, 10=wholly agree)

Variable	Description	Mean	
		Ukraine	Slovak Republic
It is acceptable for business to operate in the informal economy	Scale 1 – 10	6.94	4.52
Tax evasion in some cases could be acceptable	Scale 1 – 10	5.20	2.54
Factor variables:			
Perceptions of formal institutions			
The government's actions in the field of entrepreneurship are effective	Scale 1 - 10	2.61	2.29
Public goods in the state are allocated effectively	Scale 1 - 10	2.24	2.27
Business activities in my country are over-regulated	Scale 1 - 10	6.53	5.77
I agree with the current legislation in the field of entrepreneurship	Scale 1 - 10	3.25	2.82
Adherence to formal rules of the game			
If the law is imperfect, its violation is acceptable	Scale 1 - 10	5.45	4.92
Culture			
I trust strangers	Scale 1 - 10	4.83	4.12
I always respect other people	Scale 1 - 10	7.76	8.10
Self-confidence	Scale 1 - 10	8.26	7.86
In any case business must act within the law	Scale 1 – 10	6.02	4.14
I am a responsible person	Scale 1 - 10	8.57	9.10
I believe in a better future	Scale 1 - 10	8.03	7.40
Controls			
I often visit the church	Dummy, 1 – never, 2 - visit sometimes, 3 - visit at least once a month, 4 - certainly visit once a week	2.03	2.13
I am proud of my country	Scale 1 - 10	5.82	7.19
Education of entrepreneur	Dummy, 1-no, 2 – basic, 3 - secondary education, 4 - PhD	3.85	3.82
Age of entrepreneur	Dummy, 1 – less than 25 years, 2 – 25-35, 3 – 35-45, 4 – 45-55, 5 – more than 55 years	2.65	3.39
Size of enterprise	1- micro, 2 – small, 3 – medium, 4 - big	3.04	3.24
Sector	1 - production sphere, 2 - services sector, 3 - other	1.84	1.90

Table 3. Multivariate regression of the acceptability of operating in the informal economy

	Slovakia	Ukraine
Constant	5.15** (2.59)	7.1** (3.0)
Perception of government effectiveness (existing norms and rules)		
The government's actions in the field of entrepreneurship are effective	-0.09 (0.14)	-0.25 (0.22)
Public goods in the state are allocated effectively	-0.08 (0.13)	-0.09 (0.16)
Business activities in my country are over-regulated	-0.01 (0.07)	0.05 (0.1)
I agree with the current legislation in the field of entrepreneurship	-0.11 (0.14)	-0.04 (0.17)
Adherence to formal rules of the game		
If the law is imperfect, its violation is acceptable	0.42*** (0.07)	0.42*** (0.1)
Culture		
I trust strangers	0.11 (0.09)	-0.02 (0.11)
I always respect other people	0.3*** (0.12)	-0.007 (0.13)
Self-confidence	0.24* (0.14)	0.04 (0.18)
In any case business must act within the law	0.07 (0.07)	-0.2** (0.1)
I am a responsible person	-0.58*** (0.19)	-0.007 (0.18)
I believe in a better future	-0.05 (0.09)	0.06 (0.12)
Controls		
I often visit the church	-0.06 (0.17)	0.46 (0.36)
I am proud of my country	-0.11 (0.09)	-0.14 (0.1)
Education of entrepreneur	0.45 (0.33)	0.19 (0.43)
Age of entrepreneur	-0.04 (0.17)	-0.26 (0.26)
Size of enterprise	-0.63** (0.27)	0.02 (0.39)
Sector	-0.06 (0.34)	-0.4 (0.4)
R ²	0.407	0.52
F	5.2	4.42

Standard errors are in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 4. Multivariate regression of the acceptability of tax evasion. Dependent variable: Tax evasion in some cases could be acceptable

	Slovakia	Ukraine
Constant	1.85 (2.28)	7.2** (3.12)
Perception of government effectiveness (existing norms and rules)		
The government's actions in the field of entrepreneurship are effective	0.2 (0.13)	-0.21 (0.23)
Public goods in the state are allocated effectively	-0.04 (0.16)	0.11 (0.17)
Business activities in my country are over-regulated	-0.12* (0.07)	-0.14 (0.1)
I agree with the current legislation in the field of entrepreneurship	-0.16 (0.12)	0.19 (0.17)
Adherence to formal rules of the game		
If the law is imperfect, its violation is acceptable	0.25*** (0.06)	0.44*** (0.1)
Culture		
I trust strangers	0.02 (0.08)	0.23** (0.11)
I always respect other people	0.007 (0.1)	-0.31** (0.13)
Self confidence	-0.05 (0.12)	-0.04 (0.18)
In any case business must act within the law	-0.02 (0.06)	-0.28** (0.1)
I am a responsible person	-0.1 (0.16)	-0.22 (0.18)
I believe in a better future	-0.09 (0.08)	0.16 (0.13)
Controls		
I often visit the church	0.02 (0.15)	0.28 (0.37)
I am proud of my country	0.07 (0.08)	-0.23** (0.1)
Education of entrepreneur	0.23 (0.29)	-0.07 (0.45)
Age of entrepreneur	-0.22 (0.15)	0.64** (0.27)
Size of enterprise	0.08 (0.23)	-0.56 (0.4)
Sector	-0.07 (0.3)	0.58 (0.42)
R ²	0.25	0.58
F	2.56	5.5

Standard errors are in parentheses

*** p<0.01, ** p<0.05, * p<0.1