Silent Citizens: Political Corruption and Tax Disclosure

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Abstract

We investigate how political corruption affects citizens' willingness to disclose tax evasion. We conducted a survey experiment with 1,200 respondents in Bangalore, India, combining corruption vignettes and list experiments. Respondents were randomly presented with hypothetical candidates whose attributes varied along three dimensions: (a) alleged honesty versus corruption; (b) prioritization of infrastructure versus other public spending; and (c) political party affiliation. Contrary to conventional expectations, exposure to corruption cues reduced respondents' likelihood of disclosing tax evasion, both for themselves and for their community. We further find that the type of public spending does not affect tax evasion reporting, and that respondents with moderate preferences over different tax structures are less supportive of financing public spending through direct taxation. Corruption cues neither increase the willingness to justify evasion nor affect tax morale. Overall, our results suggest that respondents distance themselves from admitting illegal behaviour when corruption is made salient.

JEL Classification: D72, D73, H26, H30

Keywords: Corruption; Tax evasion; Political behaviour; List experiment; India

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1 Introduction

Tax collection is a cornerstone for the state's ability to generate revenue, provide public goods to their citizens, and improve state capacity (Besley & Persson, 2014). However, developing countries often suffer from low tax compliance due to the presence of large informal sectors (La Porta & Shleifer, 2014), lower levels of monitoring (Khan et al., 2016), and cultural norms (Cappelen et al., 2013). Addressing these challenges becomes even more difficult when government institutions are weak, allowing corruption to prosper, and further diminishing tax compliance.

This study aims to causally identify the link between political corruption and citizens' preferences for specific tax instruments and their tax compliance attitudes. Do citizens' tax compliance attitudes change when government officials are accused of corruption? Does corruption affect citizens' preferences between direct and indirect taxation? Can tax compliance increase when public goods are offered in exchange? Does the type of public good matter?

To answer these questions, we conducted a survey experiment with 1,200 respondents in the Indian city of Bangalore, combining corruption vignettes and list experiments. Respondents received a randomly assigned vignette with varying candidate attributes along 3 dimensions: (a) whether the candidate was alleged to be corrupt; (b) whether the candidate promises to increase public spending through the provision of an infrastructure or non-infrastructure related program; and (c) the candidates' political party.

India provides an ideal setting for our field experiment. Corruption is widespread and politicians are often involved in bribery cases, scams, and the embezzlement of public funds (Asher & Novosad, 2023). In addition, the country suffers from extremely low levels of tax compliance. Despite government efforts to address this issue by widening the tax base (Chaudhuri et al., 2006), tax revenue was only 17% of GDP in 2020 (UNU-WIDER, 2023). Furthermore, a report released by Indian tax authorities in 2018 revealed that only 11.6% of registered taxpayers were tax compliant (Central Board of Direct Taxes, 2018).

One major difficulty in evaluating tax compliance through survey-based research arises as respondents may be reluctant to answer truthfully about tax evasion. Previous research has shown that individuals have an incentive to conceal or misrepresent their tax behavior in surveys (Ali et al., 2014; Korndörfer et al., 2014). This issue is compounded by social desirability bias whereby respondents tend to provide answers that present themselves in a favorable light. Such biases can be particularly challenging when research questions involve topics that are socially sensitive, such as politics, corruption, and taxation.

To address this concern, we embed a list experiment within our survey. List experiments are a technique often used to minimize social desirability bias when respondents are exposed to

sensitive questions. Several studies in the past have used list experiments to study sensitive issues such as vote buying (Çarkoğlu & Aytaç, 2015), gender equality (Dhar et al., 2022), and xenophobic views (Bursztyn et al., 2020). However, the use of list experiments so far in evaluating tax evasion is limited. To our knowledge Iraman et al. (2022) is the only study that uses a list experiment to identify tax evasion.

Beyond examining how exposure to corruption affects tax compliance and preferences, this paper documents baseline attitudes and beliefs regarding taxation. The survey shows that respondents generally hold strong pro-tax attitudes and view paying taxes as a socially responsible duty, yet they express low trust in government and limited confidence in the integrity of public officials. While self-reported compliance is near universal, respondents perceive lower compliance in their communities and consider tax evasion justifiable in certain circumstances, particularly when others evade or the government is corrupt. Limited trust in government appears to dampen willingness to comply, participate politically, or support policies, a pattern consistent across demographic groups.

We find that exposure to corruption treatment does not affect direct disclosure of tax evasion. However, using list experiments, we find that corruption reduces willingness to disclose tax evasion. We further show that corruption increases respondents' preferences for indirect taxation. Further looking into the mechanisms, corruption exposure makes respondents more cautious of revealing illegal activities themselves and their community. Moreover, although treatment reduces government trust, respondents in our survey show a high distaste for tax evasion. These results seem to suggest that when corruption cues are made salient, respondents in our survey seem to distance themselves further from disclosing illegal activity.

This paper makes several contributions to the existing literature. To our knowledge, this is the first study that combines a survey-based methodology with an experimental design to evaluate how political corruption influences citizens' tax preferences and compliance attitudes. Since corruption and tax evasion are illegal activities, there is a high level of measurement discrepancies in actual and reported data (Olken, 2007). This problem is even more acute in developing countries that often face widespread corruption, making procuring reliable data on citizens' attitudes particularly challenging. Using an experimental approach allows us to precisely measure the impact of corruption exposure on citizens' tax preferences and compliance.

Second, the results of this paper contribute to a small but growing body of literature that examines the effect of corruption on tax evasion. Although there is some empirical evidence showing how corruption can undermine tax compliance, most of these studies are based on survey data or lab experiments (see, Besley & Persson, 2014; Jahnke & Weisser, 2019; Banerjee et al., 2022). Our study provides the first empirical evidence on how exposure to corruption can alter individual tax preferences and compliance attitudes.

Third, the results in this article bridge the gap between two strands of literature: one shows that corruption can often lead to higher tax evasion (Besley & Persson, 2014; Banerjee et al., 2022); the other shows that corruption is often higher in infrastructure goods due to the potential rent-seeking opportunities offered (Olken, 2007). We contribute to this strand of literature by testing whether the type of public spending proposed moderates the effect of exposure to governmental corruption on tax compliance attitudes.

The remainder of the article is structured as follows: Section 2 presents the theoretical discussion. Section 3.1 presents the experimental design. Sections 3.2 and 3.3 discuss the sampling procedure and estimation strategy. Sections 4 and 5 presents the data and results. Lastly, Section 6 discusses policy implications and concludes.

2 Theoretical discussion

Corruption undermines tax compliance by eroding trust in government institutions, weakening the perceived legitimacy of the tax system. According to fiscal exchange theory, citizens are more likely to pay taxes when they believe that their contributions are reciprocated with public goods and services. In environments where corruption is widespread, tax revenues are often misused, reducing the' willingness of citizens to comply (Khan et al., 2016). Similarly, corruption erodes institutional trust, which has been shown to increase tax evasion rates (Jahnke & Weisser, 2019).

This problem can become even more prominent in contexts with weak institutions, where corruption, inadequate monitoring, and social norms tolerating tax evasion reinforce non-compliant behaviour (Olken, 2007; Khan et al., 2016). Thus, corruption can increase the willingness of citizens to evade taxes due to low government trust, lack of accountability, or existing social norms.

H1: Government corruption reduces tax compliance among citizens.

Building on H1, we hypothesize that in corrupt environments, politicians may be more likely to engage in rent-seeking. Several scholars show that politicians in developing countries are often complicit in embezzling funds from public works or directing projects to their preferred contractors, who in return use their profits to fund election campaigns or provide political rents (Asher & Novosad, 2023). Because it is difficult for citizens to detect missing funds in material expenditures, infrastructure projects are particularly susceptible to embezzlement (Olken, 2007). Consequently, when government corruption is perceived to be high, citizens may view infrastructure-related projects as more prone to rent-seeking, which could further reduce tax compliance.

H1a: In the presence of government corruption, the decline in tax compliance is more pro-

nounced for funding infrastructure-related public goods compared to non-infrastructure-related public goods.

Does the presence of government corruption influence citizens' tax preferences? Direct taxes designed to be redistributive rely heavily on self-reported income and self-monitoring that can create significant opportunities for tax evasion. In contrast, indirect taxes, while less prone to evasion and supported by a broader tax base, are regressive and often distort consumption patterns. Thus, when corruption is widespread, the advantages of direct taxes in offering evasion opportunities may outweigh their redistributive appeal to many individuals.

This dynamic suggests that corruption could increase citizens' preference for direct over indirect taxes, particularly among higher-income groups, who bear a greater tax burden due to the progressive structure of the tax, and thus benefit more from evasion. We hypothesize that individuals will view direct taxes as more favourable under corrupt governance because they provide greater scope for avoiding tax liabilities. We further expect that this preference would be stronger as income increases, since wealthier can leverage the progressivity of direct taxation to minimize their contributions while maintaining compliance.

H2: Corruption increases the preference for an increase in direct taxes relative to indirect taxes.

3 Empirical Strategy

3.1 Experimental design

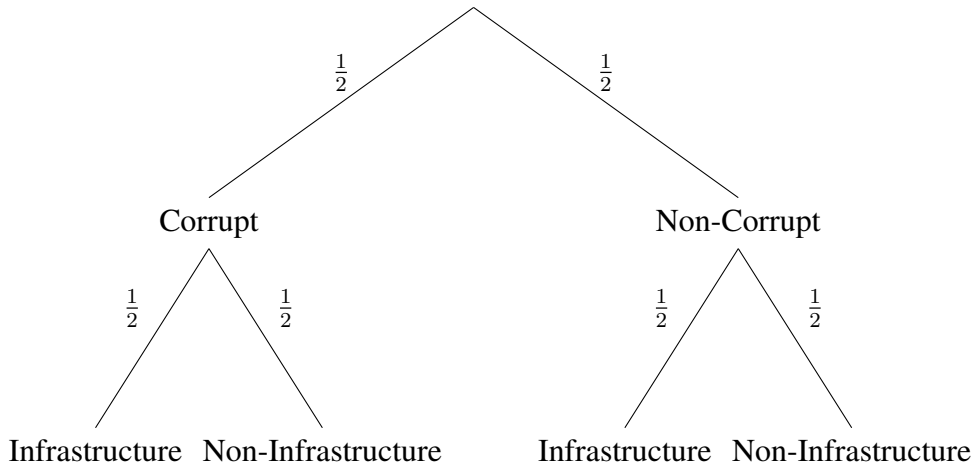
We test the effect of corruption on citizens' tax morale and preferences using a pre-registered experimental design. The survey design is as follows: After collecting basic demographic information, the enumerators present the respondents with the vignette that is stated to be an article recently published in a leading local news outlet. Respondents are asked to read it and, to ensure that they understand the material, the interviewer provides a brief summary. Each vignette introduces a hypothetical candidate running in the upcoming national elections. Using hypothetical candidates allows us to randomly vary the candidate characteristics, which would be challenging and ethically problematic with real candidates. Since respondents are likely to be familiar with the candidates running from their own constituency, the candidate is presented as a likely contender running from a different constituency. Figure 1 shows the basic vignette display, with randomly varied factors marked in italics, and Figure 2 provides a graphical representation of the experimental design, including treatment arms.[1]

[1] To accommodate respondents' language preferences, vignettes were displayed in English, Kannada, or Hindi.

Figure 1: Vignette display

Notes: Random factors marked in italics. Party alignment [*party*] is worded as "Bhartiya Janata Party (BJP)", "Indian National Congress (INC)", or "an independent candidate". Alleged corruption ([*corruption*]) is worded either as "been accused of accepting a bribe of 20 lakh Rupees from a local contractor" or "no corruption charges against him". Public spending [*public provision*] is worded either as "hire new teachers, doctors, and nurses" or "build new schools and hospitals".

Figure 2: Experimental Design



Notes: 2X2 factorial design and associated probabilities used for the experimental design.

The vignettes are randomised in three ways. First, the factor of primary interest is the alleged

corruption charges against the candidate. Every candidate running for Indian national or state elections is required to provide an affidavit declaring any criminal charges against him. We use this information to indicate whether the candidate has been accused of corruption or not in their affidavit. By randomly assigning respondents to either the corruption or non-corruption treatment, we can test the causal effect of corruption exposure on attitudes toward tax compliance (H1) and preferences (H2).

The second factor of theoretical interest is whether the effect of corruption on tax compliance attitudes and preferences depends on the type of public spending proposed (H1a). To test this hypothesis, we randomly modify the vignette to have two different scenarios. The first scenario states that if the candidate wins, they promise to increase public spending by building infrastructure-related projects (such as schools or hospitals). The other scenario states that the candidate promises to provide non-infrastructure public spending (such as hiring additional teachers or healthcare staff).

The third random factor that we include is the party to which the candidate belongs. The vignette indicates either that the candidate is running from one of two main national parties (BJP - Bhartiya Janata Party, INC - Indian National Congress) or as an Independent. We make no restrictions on how these factors appear, allowing for several different combinations and adding depth and realism to the experiment.

Building on existing research showing that complex vignettes allow for richer profiles and more realistic experiments (Hainmueller et al., 2014; Chauchard, 2016), our vignette incorporates additional candidate characteristics that do not have direct implications for our research design but add realism and complexity. These included a virtually generated picture of the candidate, the candidate's name, and some basic background information such as age, education level, and family status. These characteristics remain constant in all the vignettes.

Once the vignette is presented, the enumerator asks the respondents a few questions about whether they think that the candidate would make a good representative, how likely they would vote for them, and how likely they would keep their promises.

The enumerator then introduces the list experiment by presenting the respondent with a list of statements and asking how many are true. In particular, respondents are exposed to two versions of each list (A and B). Both versions contain J non-sensitive statements. In the experimental design, one version is modified to create the sensitive list, which includes the same non-sensitive J statements plus one additional sensitive statement (see Table 1). This design allows respondents to respond without explicitly revealing whether they engage in sensitive behavior, thus reducing social desirability bias.

In our list experiment, respondents are exposed to three similarly worded statements, with one list including an additional statement designed to capture attitudes toward the sensitive

Table 1: List Experiment

List A	List B
I believe that the government is responsible for improving public goods provision.	I believe that the government should play a major role in providing public services.
I believe that the government should do more for reducing corruption in politics.	I believe that the government must take stronger action against political corruption.
I have donated previously to a political campaign.	I have previously financially supported a political party.
Treatment Statement: I have previously provided incomplete or misleading information on my tax returns.	

topic. We randomly alter the version that appears first. Table 1 shows the lists presented to respondents. We estimate the effect of corruption on tax evasion by comparing the mean responses between the two lists.

The survey also includes a series of direct questions on tax compliance, tax preferences, and perceptions of corruption and government trust.

3.2 Sampling Strategy

Our field experiment is conducted in Bangalore, India, with a sample of 1,200 respondents aged 18 years and older. Bangalore (officially Bengaluru) is the capital of the Indian state of Karnataka. With a population of around 8.5 million, it is the third most populous state in India. It is also one of the fastest growing metropolitan cities in India with an estimated GDP of about $359.9 billion, with 39.5% of the GDP contribution coming from the service sector and 36% from manufacturing. In terms of demographics, about 79% of the residents belong to the Hindu community and 13% are Muslims. The state has one of the highest literacy rates in the country of around 88.48% and about 75% of the population resides in urban areas.

Our survey is conducted in the urban part of Bangalore, where we collect data on respondents' backgrounds, political preferences, tax attitudes, and perception of government trust. To conduct the respondent survey, we collect data from three main publicly available sources: Property tax data at the ward level from the Bangalore Municipal Corporation (BBMP) for the period 2018-19, [2] the Chief Electorate Office (CEO) Bangalore, and the 2011 Census Data at the Ward level.

Our randomization takes place at the ward level. In total, Bangalore has 198 wards to choose from. First, we collect data on property prices at the ward level from the BBMP dataset. We use

[2]See `https://data.opencity.in/dataset/bbmp-property-tax-collections`.

average property rates as a proxy for the income levels of residents. To ensure that our sample is representative, we exclude wards in the extreme tails of the income distribution (top / bottom 10% deciles). Next, we categorize the remaining wards into five distinct income groups: lower, upper-lower, middle, upper-middle, and upper income categories. This reduces our sample to 160 wards with 24 in each income category.

Next, we merge this data set with Census 2011 data to obtain information on key demographics such as population, gender composition, age composition, caste composition, and literacy rates. On average, each ward contains approximately 40,000 respondents. We drop wards that are in the top/bottom 10% deciles of the average population, reducing our sample to 128 wards.

From the remaining wards, we select 2 wards within each income group, providing a sample of 10 wards. We interviewed 120 respondents within each ward, resulting in 240 surveys per income category. To select wards, we randomly select their order within each income category and conduct surveys accordingly. If a ward in the randomized order cannot be included due to logistical constraints, we pre-select 2 extra wards and move on to the next ward in the sequence. Within each ward, the control or treatment vignette is randomly presented to the respondents (50% each). Additionally, within the treatment groups the vignette is further randomized to show the 2 different types of public goods the politician offers.

In the last step, we merge our sampled data set with the Bangalore Chief Electoral Office (CEO) assembly constituency polling station dataset. The data includes information such as the assembly constituency name, ward name, polling area coverage, and polling station addresses. We use polling stations as the starting point for data collection. The survey team is instructed to start the survey from the polling station, knocking on every fifth household on the randomly selected left or right side of the street. In cases where a ward has multiple polling stations, we randomly select one station as the primary polling station and move on to the next station if the survey cannot be conducted in the primary station due to some logistical reasons.

3.3 Estimation strategy

To estimate the causal effect of being exposed to corrupt politicians on the variable of interest, we estimate the following baseline specification:

$$Y_i = \alpha + \beta C_i + \delta X_i + \lambda_w + \epsilon_{i,w} \tag{1}$$

where, Y_i measures the response of the individual i to question Y. The term C_i is an indicator variable that takes a value of one if the respondent i presented a vignette describing the candidate as corrupt and zero if the candidate was described as honest. The model includes a set of demographic controls, X_i, which include household income, gender, type of employment, and

political alignment. Since our treatment is randomized at the ward level, we include ward-level fixed effects, λ_w. Robust standard errors are clustered at the ward level and are represented by $\epsilon_{i,w}$. Our main coefficient of interest, β, captures the average treatment effect (i.e. the effect of being exposed to a corrupt candidate).

The second random factor assigned within the vignettes allows us to test whether different types of public spending affect tax preferences and attitudes. To assess whether the impact of public spending varies depending on exposure to corruption, we include an interaction term between the corruption treatment indicator and the public spending indicator. The model we estimate is specified as follows:

$$Y_{i,w} = \alpha + \beta_1 C_i + \beta_2 INF_i + \beta_3 C_i * INF_i + +\delta X_i + \lambda_w + \epsilon_{i,w} \tag{2}$$

where, INF_i is an indicator variable equal to one if the respondent was informed that public spending would take the form of an infrastructure investment and zero otherwise. The main coefficient of interest, β_3, captures the average marginal treatment effect of exposure to infrastructure-related public goods delivered by corrupt politicians.

4 Data

We conducted our survey in April 2025, partnering with QUEST, a local survey firm in India that assisted in the hiring and training of enumerators. The survey team consisted of 10 surveyors, 2 supervisors, and a field manager. A few days leading up to a survey, we conducted a small pilot in a non-sampled ward to test the responses of the survey. After making the relevant changes, the survey was translated and coded using a standard Open Data Kit (ODK) platform. The survey team contacted 1,730 respondents, and approximately 30% of the respondents refused to participate in the survey, providing a final sample size of 1,212 respondents.

Tables 2 and 3 describe our sample by presenting summary statistics that describe demographic characteristics, voting behaviour, reported employment status, and sources of household income. The vast majority of our respondents are households (82%), belonging to the Hindu community (84%) and men (65%). The median age is 41 years, with 30% belonging to the Upper Caste, 38% OBC, and 32% SC/ST. More than 45% of our respondents have a college degree or higher, 29% of them are self-employed, and 43% work in the service sector. Approximately 50% of the respondents reported having a monthly income above the taxable limit (Figure A1). However, only 30% claimed to have filed tax returns in the previous financial year (Figure A2). Looking at the voting patterns, most of the respondents cast their votes in both national and state elections, and a large proportion voted for the two main national parties, the

BJP and INC.

Tables 2 and 3 further show that there are no statistically significant differences in observable characteristics between the treated group (those exposed to vignettes depicting government corruption) and the control group (those exposed to vignettes featuring honest candidates). This balance in covariates is a necessary condition for identifying the causal effect of our treatment. It ensures that any observed differences in outcomes can be attributed to the experimental manipulation, rather than to pre-existing differences between the groups.

Table 2: Summary statistics: Demographic characteristics

	Total Sample (N=1,212)		Treated (N=605)		Control (N=607)			
Variable	Mean	sd	Mean	sd	Mean	sd	t-test	p-val
Household	0.819	0.386	0.830	0.376	0.807	0.395	1.039	0.299
Age	41.477	11.555	41.437	11.666	41.517	11.453	-0.122	0.903
Women	0.358	0.480	0.366	0.482	0.350	0.477	0.556	0.578
Married	0.787	0.410	0.786	0.411	0.788	0.409	-0.110	0.912
Have Children	0.887	0.317	0.872	0.334	0.902	0.298	-1.504	0.133
Number Children	2.043	0.983	2.040	0.926	2.047	1.037	-0.100	0.920
Total Household members	4.276	1.293	4.259	1.303	4.294	1.284	-0.479	0.632
Employed Household members	1.529	0.686	1.542	0.683	1.516	0.689	0.657	0.511
Respondent main household earner	0.694	0.461	0.691	0.462	0.698	0.460	-0.230	0.818
Religion								
Hindu	0.843	0.364	0.860	0.347	0.826	0.379	1.605	0.109
Muslim	0.138	0.345	0.117	0.322	0.159	0.366	-2.109	0.035
Christian	0.019	0.136	0.023	0.150	0.015	0.121	1.044	0.297
Caste								
General/Upper Caste	0.304	0.460	0.304	0.460	0.304	0.461	-0.016	0.987
Other Backward Caste (OBC)	0.380	0.486	0.356	0.479	0.403	0.491	-1.646	0.100
Schedule Caste (SC)	0.247	0.432	0.258	0.438	0.236	0.425	0.887	0.375
Schedule Tribe (ST)	0.069	0.253	0.081	0.273	0.057	0.231	1.673	0.094
Education								
No formal	0.092	0.289	0.076	0.265	0.107	0.310	-1.903	0.057
Primary	0.077	0.266	0.073	0.260	0.081	0.273	-0.548	0.584
Secondary	0.133	0.340	0.144	0.351	0.122	0.328	1.089	0.277
Higher Secondary	0.235	0.424	0.254	0.436	0.215	0.411	1.612	0.107
Undergraduate/Professional	0.396	0.489	0.384	0.487	0.408	0.492	-0.845	0.398
Postgraduate and above	0.068	0.251	0.069	0.254	0.066	0.249	0.221	0.825
Voting Pattens								
Voted in State Elections	0.990	0.099	0.985	0.121	0.995	0.070	-1.741	0.082
INC	0.375	0.484	0.369	0.483	0.381	0.486	-0.380	0.704
BJP	0.509	0.500	0.512	0.500	0.506	0.500	0.159	0.874
Independent/Other	0.116	0.320	0.119	0.324	0.112	0.316	0.326	0.744
Voted in National Elections	0.990	0.100	0.983	0.128	0.997	0.058	-2.301	0.022
INC	0.391	0.488	0.381	0.486	0.401	0.491	-0.640	0.522
BJP	0.527	0.500	0.528	0.500	0.526	0.500	0.058	0.953
Independent/Other	0.082	0.275	0.091	0.289	0.073	0.260	1.031	0.303

Notes: Summary statistics for the main demographic characteristics, distinguishing between the full sample (Panel a), individuals exposed to corruption treatment (Panel b) and individuals assigned to the control group (Panel c). t-test and p-value check for differences between treated and control groups.

Table 3: Summary statistics: Labor and income sources

	Total Sample (N=1,212)		Treated (N=605)		Control (N=607)			
Variable	Mean	sd	Mean	sd	Mean	sd	t-test	p-val
Respondent Labor Situation								
Self-employed	0.292	0.455	0.285	0.452	0.299	0.458	-0.556	0.578
Family business	0.038	0.192	0.033	0.180	0.044	0.205	-0.936	0.349
Paid employment	0.431	0.495	0.444	0.497	0.418	0.494	0.899	0.369
Housework	0.065	0.247	0.058	0.234	0.072	0.259	-0.982	0.326
Studying	0.019	0.137	0.022	0.146	0.017	0.129	0.607	0.544
Unemployed	0.007	0.082	0.010	0.099	0.003	0.058	1.405	0.160
Disabled	0.001	0.029	0.002	0.041	0.000	0.000	0.995	0.320
Retired	0.020	0.140	0.023	0.151	0.017	0.129	0.800	0.424
Other	0.126	0.332	0.123	0.329	0.129	0.336	-0.327	0.744
Main earner Labor situation								
Self-employed	0.216	0.412	0.214	0.411	0.219	0.414	-0.109	0.913
Family business	0.076	0.265	0.086	0.280	0.066	0.248	0.725	0.469
Paid employment	0.665	0.473	0.663	0.474	0.667	0.473	-0.072	0.942
Housework	0.005	0.073	0.000	0.000	0.011	0.104	-1.434	0.153
Studying	0.008	0.090	0.011	0.103	0.005	0.074	0.560	0.576
Unemployed	0.008	0.090	0.016	0.126	0.000	0.000	1.723	0.086
Disabled	0.003	0.052	0.000	0.000	0.005	0.074	-1.011	0.313
Retired	0.019	0.136	0.011	0.103	0.027	0.163	-1.173	0.242
Household Main Income Source								
Salaries	0.588	0.492	0.576	0.495	0.600	0.490	-0.819	0.413
Self-employment	0.341	0.474	0.346	0.476	0.336	0.473	0.365	0.715
Agricultural Activities	0.025	0.156	0.023	0.151	0.027	0.161	-0.369	0.712
Retirement & Pensions	0.010	0.099	0.012	0.107	0.008	0.091	0.580	0.562
Investments & Savings	0.023	0.151	0.023	0.151	0.023	0.151	0.000	1.000

Notes: Summary statistics for the variables describing respondents labor and income status, distinguishing between the full sample (Panel a), individuals exposed to corruption treatment (Panel b) and individuals assigned to the control group (Panel c). t-test and p-value check for differences between treated and control groups.

4.1 Baseline Attitudes

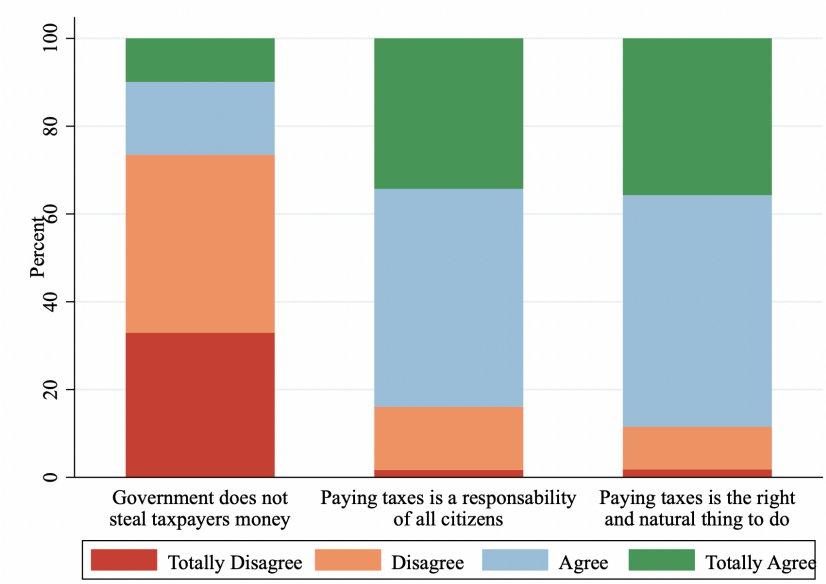
This section provides an overview of baseline attitudes towards taxation and evasion, preferences for direct versus indirect taxation, and government trust and corruption perception.

4.1.1 Taxation Attitudes and Perceptions

The survey included a series of questions designed to capture respondents' views on taxation. As shown in Figure 3, respondents generally express strong support for paying taxes. Specifically, 88.5% of the respondents agree or strongly agree that "paying taxes is the right and natural thing to do", and 84% consider that paying taxes is a responsibility that should be ac-

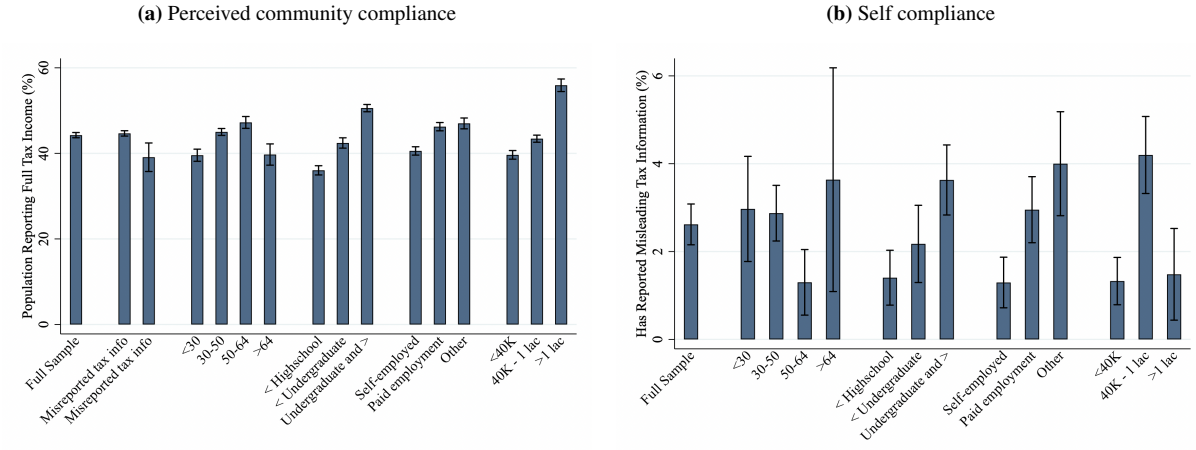
cepted by all citizens. Support for paying taxes tends to increase with age and income, with 60% of respondents in households earning more than 100,000 Rupees fully agreeing with this view. In contrast, respondents exhibit low trust in government's tax collection. Only 26.6% of the respondents agree or strongly agree with the statement that the government does not steal taxpayer money. This pattern remains consistent between different demographic groups.

Figure 3: Views on tax responsibility



Notes: Percent of non-missing responses to each category of questions on tax responsibility: (i) *"Paying taxes is the right and natural thing to do"*; (ii) *"Paying taxes is a responsibility should be accepted by all citizens"*; (iii) *"the government does not steal taxpayers money"*. Missing responses range from 40 (3.3% of our sample) whether the government steals taxpayers money, to 20 (1.7% of our sample) when asking whether paying taxes is the right thing to do.

Figure 4: Mean responses on perceived and self-reported tax compliance.

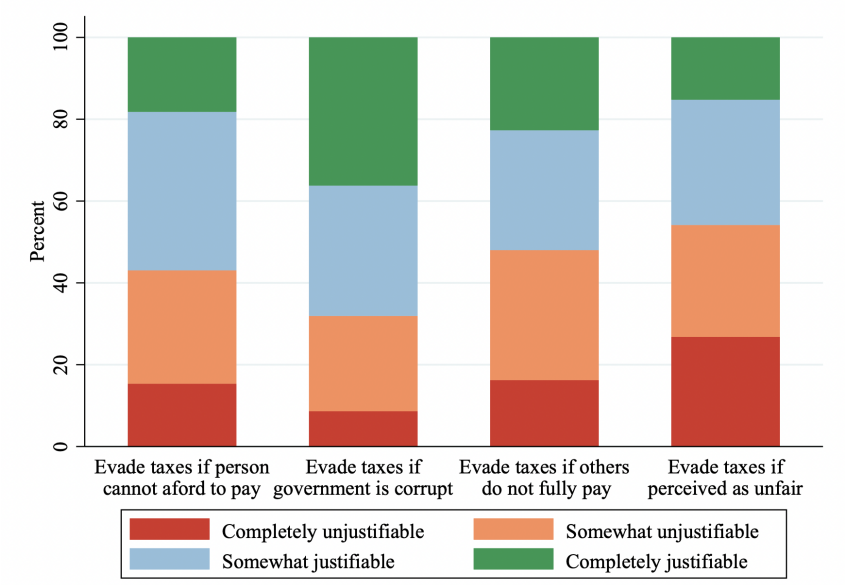


Notes: Average response to (a) *What percentage of people in your community do you believe report all their income on their tax returns?* and (b) *I have previously provided incomplete or misleading information on my tax returns*. Higher values indicate stronger perceptions of compliance in the community and greater self-acknowledged non-compliance, respectively.

Although attitudes toward tax responsibility are strong, respondents perceive tax compliance in their communities to be relatively low. This community perception contrasts sharply with a very

high level of self-reported compliance. As shown in Figure 4, panel (a), respondents believe that only 44% of their peers fully report income on tax returns. This perception is higher among highly educated, employed and, tax-paying individuals. In contrast, self-reported compliance is nearly universal: only 2.6% admit to misreporting information on their tax returns, with this share increasing to 4% among those earning between 40,000 and 100,000 Rupees. The gap between perceived community compliance and self-reported behaviour suggests a strong desirability bias in revealing tax evasion.

Figure 5: Tax evasion justification



Notes: Percent of non-missing responses to each category of questions on tax evasion justification: *How justifiable is for someone to evade taxes if* (i) Taxes are perceived as unfair; (ii) Government is corrupt; (iii) Person cannot afford to pay; (iv) Others don't pay their taxes fully. Percentage of missing responses range from 6.5% for justification when others don't pay their taxes fully, to 2.9% for justification when taxes are perceived as unfair.

We next assess whether respondents consider it justifiable to evade taxes under certain circumstances. As shown in Figure 5, more than half of the respondents agree that tax evasion is justifiable when others do not pay fully or when one cannot afford to pay. Similarly, 68% of the respondents agree that tax evasion is justifiable if the government is corrupt. By contrast, perceptions of tax fairness limit this justification, only 15% view evasion as completely acceptable, while 30.6% see it as somewhat acceptable when taxes are considered unfair.

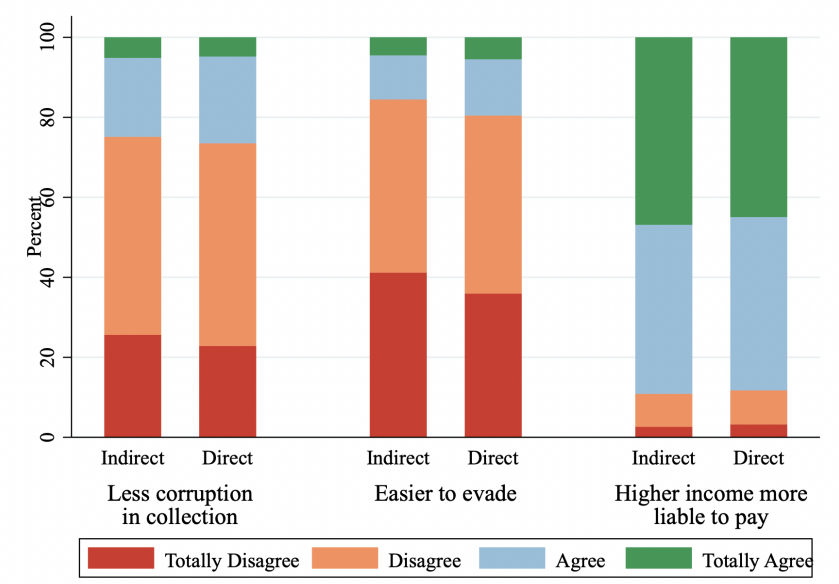
Overall, the survey shows that respondents have strong pro-tax attitudes and consider paying taxes a responsibility that should be socially accepted. However, they exhibit low trust in the government's tax collection. Self-reported compliance is nearly universal, but respondents perceive tax compliance in their communities to be much lower and consider tax evasion justifiable in certain scenarios, suggesting a strong social desirability bias in reporting evasion. While tax evasion is seen as more acceptable when others do not pay or the government is corrupt, this justification is considerably lower when is framed in terms of the fairness of the tax.

4.1.2 Direct and Indirect Taxation

To study preferences between tax instruments, we ask respondents about their perceptions of direct and indirect taxation. The survey included questions about whether these taxes are easier to evade, whether corruption in collection is low, and whether higher income individuals should bear greater liability. Figure 6 summarizes the aggregate responses. On average, respondents do not perceive widespread evasion between different tax instruments: 80% (84%) disagree or strongly disagree that direct (indirect) taxes are easy to evade. However, most of the respondents agree that higher income individuals should pay more income tax than GST: 88.2% agree (43.3%) or strongly agree (44.9%) that higher income individuals should be more liable to pay.

Looking at corruption in tax collection, most respondents disagree that taxes are easy to evade, with 80% (84%) of respondents disagreeing or strongly disagreeing that direct (indirect) taxes are easy to evade. This indicates that respondents primarily perceive corruption at the administrative or governmental level, rather than as individual tax evasion. Perceptions of direct and indirect taxation are broadly similar, suggesting that the specific features of each tax instrument have limited salience. Instead, responses appear to reflect more general views about the tax system as a whole.

Figure 6: Perceptions over direct and indirect taxation



Notes: Percent of non-missing responses to each category of questions on evasion and corruption perception: (i) *"Income (GST) tax is easier to evade"*; (ii) *"There is less corruption in income (GST) tax collection"*; (iii) *"Income (GST) tax. Higher income people should be more liable to pay."*. Missing responses range from 4.2% of our sample when asking for corruption in GST collection to 5.5% of our sample for answers on high income individuals being more liable to pay income tax.

Although the results do not reveal strong preferences across different tax instruments, we find some variation across demographic groups. As shown in Figure A5, younger respondents tend to report stronger perceptions of corruption, greater support for higher-income individuals bearing a larger tax burden, and stronger beliefs that taxes are difficult to evade. Corruption

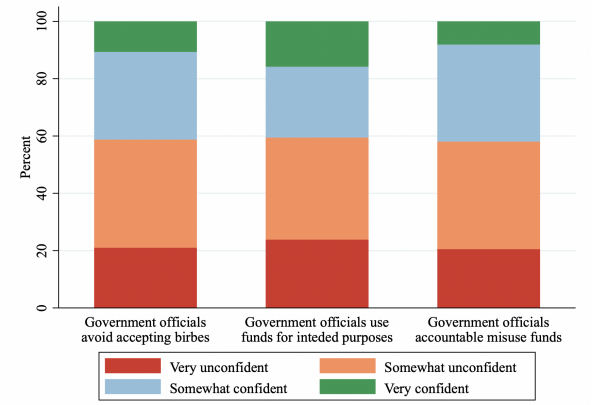
perceptions are strongest among younger and less educated respondents, whereas views on evasion show the opposite pattern: respondents with higher levels of education and income are more likely to believe that taxes are difficult to evade.

4.1.3 Government Corruption and Trust

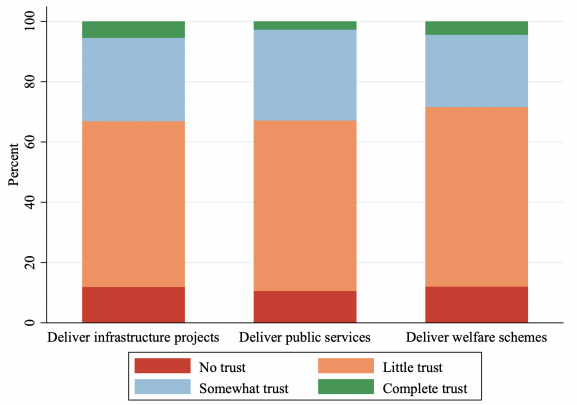
Next, we examine individual perceptions of government integrity, trust in public institutions, and the behavioral consequences of corruption. Figure 7 summarizes three sets of outcomes: perceived integrity of government officials (panel a), trust in government's ability to deliver public goods and services (panel b), and the reported effects of corruption on individual behaviour (panel c).

Figure 7: Corruption Perception and Government Trust

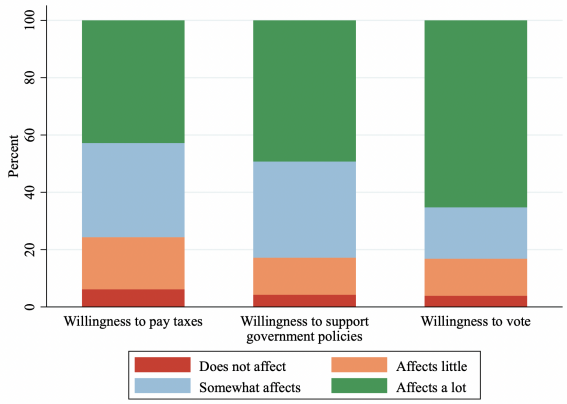
(a) Perceived integrity of government officials



(b) Trust in government performance



(c) Impact of government corruption on individual behaviour



Notes: Percent of non-missing responses to each category of questions on corruption perception and government trust. Panel (a) corresponds to answers to *"How confident are you that government officials..."* (i) Avoid accepting bribes; (ii) Are held accountable for misuse of public funds; (iii) Use funds for the intended purposes. Panel (b) corresponds to answers to *"Trust the government to deliver"* (i) Infrastructure projects (roads, hospitals), (ii) Public services (hiring teachers, nurses), and (iii) Welfare schemes (MGNREGA, PDS, pensions). Panel (c) corresponds to answers to *"How much does corruption affect your willingness..."* (i) To pay taxes; (ii) To support government policies; (iii) To vote in elections. Missing responses range 0.5% of our sample when asking for the effect of corruption on willingness to vote, to 3.3% of our sample when asking about trust on the government to deliver welfare schemes.

Panel (a) summarizes perceptions of government integrity and shows that respondents have relatively low confidence in public officials. Only 10.6% of respondents report being very

confident that officials avoid accepting bribes, and 16% express being very confident that public funds are used for the intended purposes. More than half of the respondents believe that government officials are not held accountable for the misuse of funds.

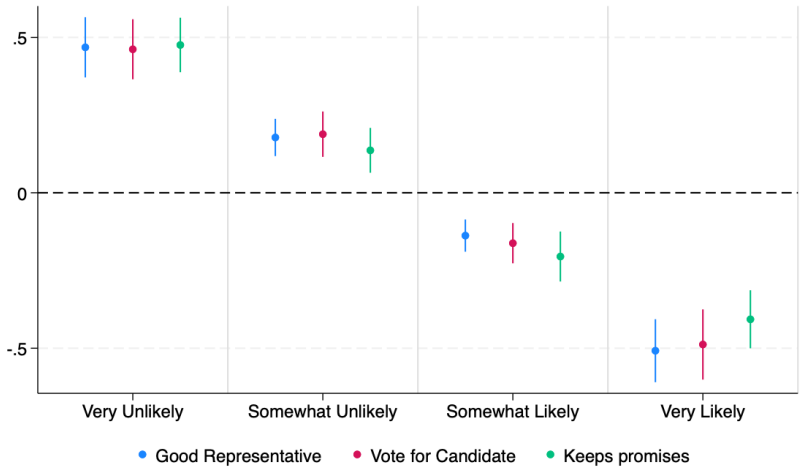
This low level of trust extends to perceptions of the government's ability to deliver public goods. Between 67% (infrastructure projects) and 71.6% (welfare schemes) of the respondents report little or no trust in the government's capacity to provide such goods. This lack of trust also appears to influence citizens' willingness to support government activity. As shown in panel (c) corruption affects the willingness of respondents to support government policies (75.6%), to vote (83.2%), and to pay taxes (42.8%). Figures A6 to A8 in the Appendix show that these patterns remain broadly consistent across different demographic groups.

5 Results

5.1 Treatment Effectiveness

Before presenting the main results, we first assess the effectiveness of our treatment. Immediately after presenting the vignette, respondents were asked a series of questions about their perceptions of the candidate featured in the vignette. The responses to these questions allow us to verify whether the treatment influenced the beliefs of the respondents about the candidate's integrity and competence, validating our experimental manipulation.

Figure 8: Average Marginal Effect of Corruption Treatment on Candidate Perception



Notes: Estimated average marginal effects and 95% confidence intervals corresponding to the estimation of Equation (1) using an Ordered Logit model. Results correspond to the specification reported in Column (4) of Table A1 which includes Ward fixed effects and controls for demographic characteristics and party alignment.

To accommodate the ordinal nature of our survey questions, we estimate Equation 1 using an Ordered Logit model. This model is applied to a series of questions asking respondents about

their perceptions of the candidate presented in the vignette and their likelihood of voting for them.

The results reported in Figure 8 indicate that exposure to corruption treatment substantially reduces the' candidate evaluations of the respondents. More precisely, the probability that respondents consider the candidate very likely to be a good representative decreases by 51 percentage points, the probability of voting for the candidate by 49 percentage points, and the probability of believing that the candidate is very likely to keep promises by about 41 percentage points. In general, these results indicate that the treatment was effective in shaping perceptions and that respondents exhibit a strong aversion to political corruption.

5.2 Main Results

Does exposure to political corruption reduce tax compliance among citizens? Although our experimental design does not allow us to observe actual post-treatment compliance, we designed the survey to capture several dimensions of tax behavior. To test this hypothesis, we begin by examining whether exposure to corruption treatment affects self-reported compliance on both the extensive and intensive margins. We first examine whether treatment influenced the likelihood of reporting that a tax return was filed in the previous year. Upon filing, we then test whether corruption exposure affected the amount of income reported.

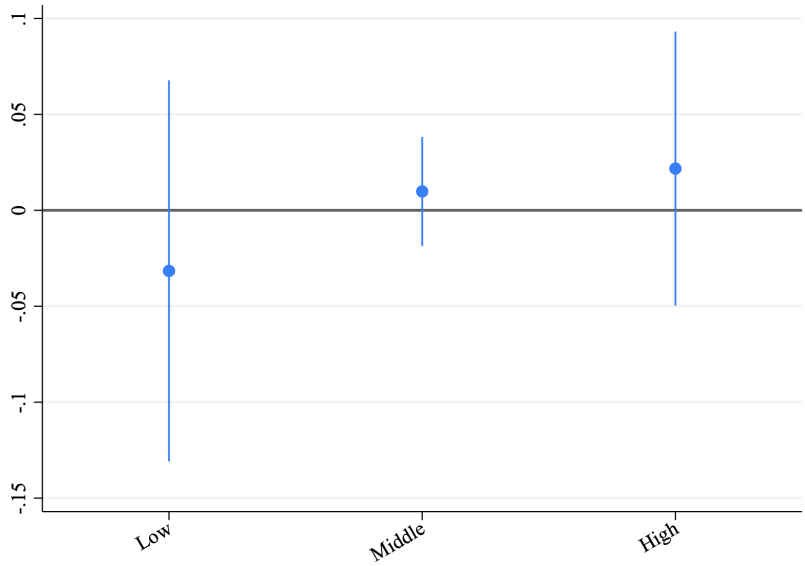
Table 4: Effect of corruption on self-reported tax filing

	(1)	(2)	(3)	(4)
Corruption	0.026	0.028	0.015	-0.002
	(0.026)	(0.026)	(0.022)	(0.021)
N	1,161	1,161	1,035	851
Ward FE	No	Yes	Yes	Yes
Demographic Controls	No	No	Yes	Yes
Party alignment	No	No	No	Yes

Notes: Results from estimating Equation 1 using an OLS model. The dependent variable is a binary indicator for responses to the question "*Did you file your income tax returns in the last year?*". Standard errors are clustered at the ward level. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

The expected effects of exposure to corruption on self-reported compliance are ambiguous. On the one hand, these questions refer to past behavior, which cannot be altered by treatment exposure, making a null effect likely. However, exposure to corruption can affect self-reported compliance through a change in social stigma associated with tax evasion behavior. Table 4 and Figure 9 present the estimated effects of corruption treatment on the probability that the respondents filed their tax return and the level of reported taxable income, respectively. In both cases, we find no statistically significant differences between the treatment and control groups.

Figure 9: Average Marginal Effect of Corruption Exposure on Reported Taxable Income



Notes: Estimated average marginal effects and 95% confidence intervals corresponding to estimating Equation (1) on reported taxable income using an Ordered Logit model. *"Low"* indicates taxable income below 20,000 Rupees. *"Middle"* represents taxable income between 20,000 and 50,000 Rupees. *"High"* represents taxable income above 50,0000 Rupees. Results correspond to the specification which includes demographic controls, an indicator variable that equals to 1 if the respondent voted for the same national party as displayed in the vignette, and ward fixed effects. Standard errors are clustered at the ward level.

To obtain a more direct measure of tax evasion, respondents were directly asked whether they had previously misreported information on their tax returns. As noted earlier, questions on tax evasion are likely to be subject to strong social desirability biases. However, directly eliciting this information provides insight into individuals' reporting behavior and attitudes. Table 5 presents the estimated effects of exposure to corruption on reported tax evasion. We find no evidence of an effect on evasion reporting derived from treatment exposure. Despite widespread tax evasion in India, only 2.6% of our respondents reported previous misreporting, suggesting that social and psychological forces affect the answers to this question.

Table 5: Effect of corruption on tax evasion reporting: Direct questioning

	(1)	(2)	(3)	(4)
Corruption	0.012	0.013	0.016	0.021
	(0.009)	(0.010)	(0.012)	(0.015)
N	1,184	1,184	1,042	850
Ward FE	No	Yes	Yes	Yes
Demographic Controls	No	No	Yes	Yes
Party alignment	No	No	No	Yes

Notes: Results from estimating Equation 1 using and OLS model. The dependent variable is a binary indicator for responses to the question "*I have previously provided incomplete or misleading information on my tax returns.*". Standard errors are clustered at the ward level. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

As mentioned earlier, since tax evasion is a highly sensitive issue, any direct questions on tax reporting might suffer from social desirability concerns. To obtain a more precise measure of

whether our treatment had an effect on tax evasion reporting, Table 6 provides the estimates of the list experiment. In particular, the outcomes measure the differences between List A and List B. Looking at the results, we can observe a negative effect of political corruption on willingness to report tax evasion: respondents who were exposed to political corruption are 6 percentage points less likely to disclose that they misreported on their tax returns compared to the control group. In terms of magnitude, these estimates are substantial and imply a decrease of 20% relative to the mean value of the control group.

Table 6: Effect of corruption on tax evasion reporting: List experiment

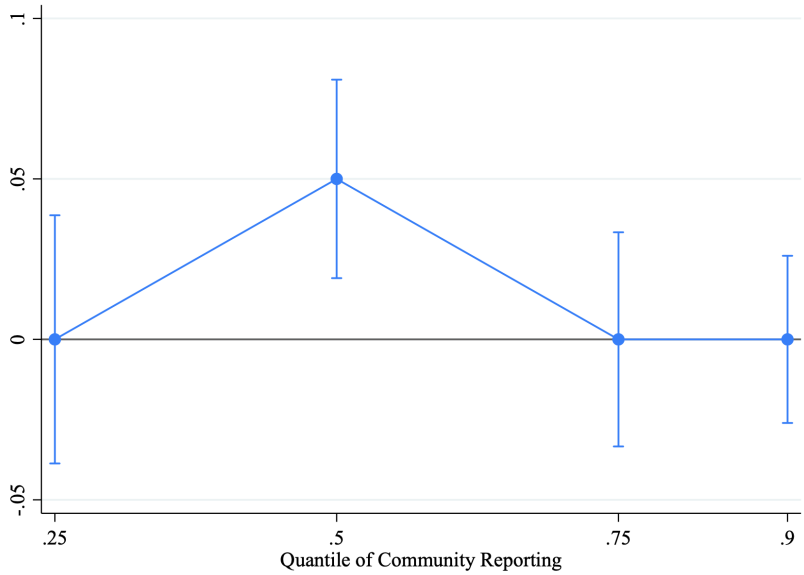
	(1)	(2)	(3)	(4)
Corruption	-0.060**	-0.060**	-0.067*	-0.067*
	(0.025)	(0.025)	(0.030)	(0.030)
N	1,166	1,166	1,019	1,019
Ward FE	No	Yes	Yes	Yes
Demographic Controls	No	No	Yes	Yes
Party alignment	No	No	No	Yes

Notes: Results from estimating Equation 1 using an OLS model. The dependent variable corresponds to the outcome from the list experiment, defined as the difference from reporting in the list including the sensitive statement (List A) and the list without the sensitive statement (List B). Standard errors are clustered at the ward level. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Next, we examine whether exposure to corruption influences perceptions of tax compliance at the community level. Even if respondents are reluctant to disclose their own misreporting, exposure to corruption may affect their beliefs about the behavior of others in their community. To capture this, respondents were asked on the percentage of people in their community they think report all their income in their tax returns.[3]

[3]Specifically, the question was worded as follows: "*What percentage of people in your community do you think report all their income on their tax returns?*"

Figure 10: Effect of corruption exposure on reporting community-level tax compliance



Notes: Results from estimating Equation (1) using a Quantile regression. The outcome variable corresponds to answers to the question "*What percentage of people in your community do you think report all their income on their tax returns?*". Results presented at the 25th, 50th, 75th, and 90th percentiles of the distribution. Robust standard errors.

Figure 10 presents the results of the estimation of the effect of corruption on community reporting using a quantile regression. The results indicate that the effect of the treatment is concentrated at the median of the distribution. At the 50th percentile, exposure to the corruption vignette increased perceived compliance by about 5 percentage points. In contrast, we find no statistically significant effect at the extreme tails of the distribution. These results suggest that respondents with very low or very high prior beliefs about community compliance were largely unaffected, while those with moderate expectations revised their beliefs upward when exposed to corruption. This pattern is consistent with the results from the list experiment that exposure to corruption increases the likelihood that respondents in our survey claim to be more tax compliant.

5.2.1 Public Spending

We assess whether the type of public spending influences respondents' willingness to disclose tax evasion attitudes. To test this hypothesis, the vignette experiment randomly varied whether politicians promised to allocate public funds toward infrastructure or non-infrastructure goods. Table 7 presents the results of the list experiment for this treatment. The estimates reveal no evidence that respondents are more likely to disclose tax evasion when the politician promises to fund infrastructure projects.

Table 7: Effect of public spending treatment on tax evasion: List experiment

	(1)	(2)	(3)	(4)
Corruption	-0.085*	-0.085*	-0.080	-0.082
	(0.042)	(0.044)	(0.050)	(0.061)
Infrastructure	-0.035	-0.039	-0.031	-0.008
	(0.038)	(0.040)	(0.039)	(0.049)
Corruption X Infrastructure	0.068	0.072	0.057	0.022
	(0.059)	(0.062)	(0.062)	(0.079)
Observations	1,069	1,069	934	755
R-squared	0.004	0.101	0.112	0.100
Ward FE	No	Yes	Yes	Yes
Demographic Controls	No	No	Yes	Yes
Party alignment	No	No	No	Yes

Notes: Results from estimating Equation (1) using on OLS model. The dependent variable corresponds to the outcome form the list experiment, defined as the difference from reporting in the list including the sensitive statement (List A) and the list without the sensitive statement (List B). Standard errors are clustered at the ward level. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

5.2.2 Preferences for Direct and Indirect Taxation

Does corruption exposure affect respondent preferences between direct and indirect taxes? To test this, respondents were presented with a scenario in which the government needs to increase revenue to improve the provision of public goods and services. Respondents are told that, to achive this, the government must raise additional revenue through direct and indirect taxes.[4] Respondents were then asked: *"If the total amount of revenue to be raised is 100, how much of it would you prefer to be raised by an increase in direct taxes rather than indirect taxes?"*.

Direct taxes, featured in our survey as the personal income tax, are designed to be progressive and highly salient due to the act of filling out a tax return. In contrast, indirect taxes, represented in our survey by the Goods and Service Tax (GST), although more present in daily activity, tend to be less salient and easier to evade in contexts with substantial informality. The progressive design and higher salience of direct taxation suggest an expected negative effect of corruption exposure on preferences for this tax type. At the same time, participation in informal markets can facilitate tax evasion regardless of the specific instrument, potentially attenuating the effect of corruption and resulting in an ambiguous overall impact on preferences between direct and indirect taxes.

[4]We define direct tax as personal income tax and indirect tax as Tax on Goods and Services (GST). Before asking the preferences of the respondent we provided a brief description about each tax instrument.

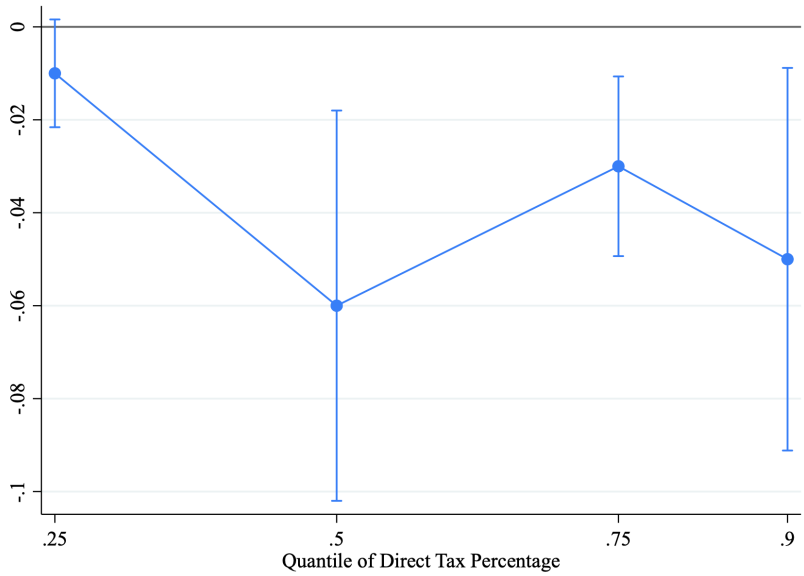
Table 8: Effect of corruption exposure on preferences for direct taxation

	(1)	(2)	(3)	(4)
Corruption	-0.014*	-0.017*	-0.013*	-0.011
	(0.007)	(0.008)	(0.006)	(0.007)
Constant	0.215***	0.242***	0.193***	0.208***
	(0.034)	(0.004)	(0.054)	(0.057)
Observations	1,212	1,212	1,058	865
R-squared	0.002	0.360	0.441	0.460
Ward FE	No	Yes	Yes	Yes
Demographic Controls	No	No	Yes	Yes
Party alignment	No	No	No	Yes

Notes: Results from estimating Equation (1) using on OLS model. The dependent variable corresponds to answers to the question *"If the total amount of revenue to be raised is 100, how much of it would you prefer to be raised by an increase in direct taxes (e.g. personal income tax) rather than indirect taxes?"*. Standard errors are clustered at the ward level. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table 8 presents the effects of exposure to corruption on the preferences for direct taxation measured on the scale 0 to 100. In column (1), we observe that in the absence of corruption, respondents prefer 21.5% of the tax revenue to be raised by direct tax and the remainder by indirect tax. Exposure to government corruption reduces this share by 1.4 percentage points, which implies a drop of 6.5% relative to the mean value of the control group. Thus, on average, we find a modest but negative effect of corruption on preferences for direct taxation.

Figure 11: Distribution between Direct and Indirect Tax



Notes: Results from estimating Equation (1) using quantile regression. The outcome variable corresponds to answers to the question *"If the total amount of revenue to be raised is 100, how much of it would you prefer to be raised by an increase in direct taxes (e.g. personal income tax) rather than indirect taxes?"*. Results are presented at the 25th, 50th, 75th, and 90th percentiles of the distribution. Standard errors are clustered at the ward level.

We next examine whether the effect of corruption exposure varies across the distribution of baseline preferences for direct taxation. Figure 11 presents the results of quantile regressions in the 25th, 50th, 75th, and 90th percentiles of the distribution.[5] The results indicate that exposure to corruption decreases the support for direct taxation throughout the distribution. At the 25th and 75th percentiles, exposure to corruption reduced the preferred share of direct taxation by 1 and 3 percentage points. The effect is even stronger at the median, where preferences for direct taxation fall from 20 to 14%. These results suggest that exposure to corruption discourages support for direct taxation, particularly among respondents with moderate or higher baseline preferences.

Although we find a negative effect of corruption exposure on preferences for direct taxation, this shift in preferences is not accompanied by significant changes in perceptions of the tax instruments themselves. Appendix A.4.1 reports the estimates of corruption exposure on perceptions of direct and indirect taxation. Consistent with the descriptive evidence in Section 4.1, these results show that respondents do not differentiate strongly between tax instruments: exposure to corruption does not significantly alter views on evasion, fairness, or corruption in collection. The only marginal effect that we observe is a slight increase in the probability of completely disagreeing that taxes are easy to evade. This pattern mirrors the descriptive finding that respondents perceive corruption to be concentrated at the governmental or administrative level rather than in the mechanics of tax instruments and that views of direct and indirect taxation are shaped by broader attitudes toward the tax system rather than their specific features.

5.3 Mechanisms

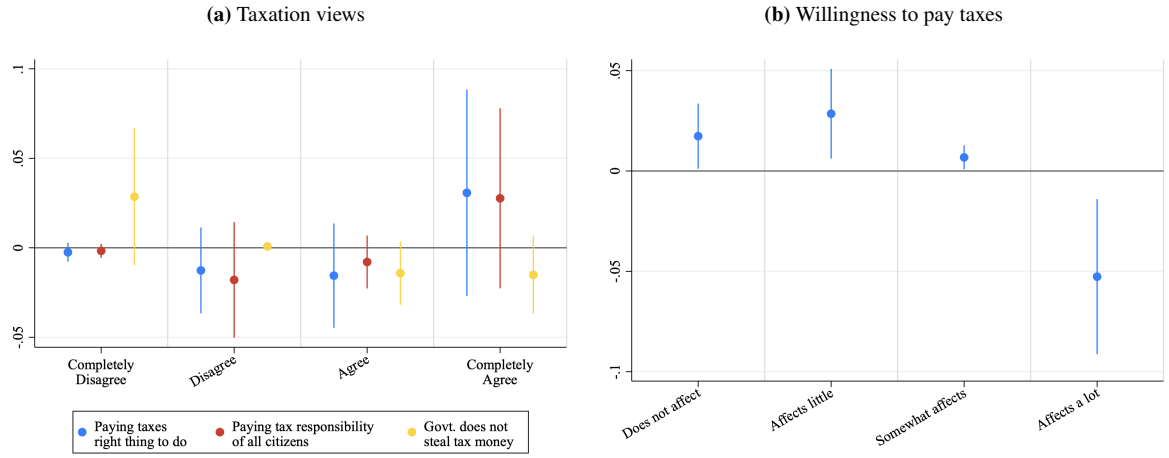
Why does exposure to corruption decrease tax evasion reporting? A plausible mechanism is that corruption primes individuals to view the state as untrustworthy, which in turn makes them more cautious and less willing to disclose socially undesirable or illegal behaviour. Although list experiments are specifically designed to mitigate social desirability bias, our findings suggest that corruption exposure may increase respondents' sensitivity, making them less likely to truthfully report having engaged in tax evasion.

To further unpack this behaviour, we study whether exposure to corruption alters respondents' general tax attitudes.

These results are consistent with the descriptive patterns in Section 4.1, where respondents expressed strong normative support for paying taxes, but low levels of trust in the integrity of the government. Exposure to corruption appears not to erode these entrenched views: individuals continue to endorse the moral duty to pay taxes, even when exposed to government corruption.

[5] See Figure A9 for descriptives of the distribution of responses among treated and control individuals.

Figure 12: Average marginal effect of corruption exposure on tax views and attitudes

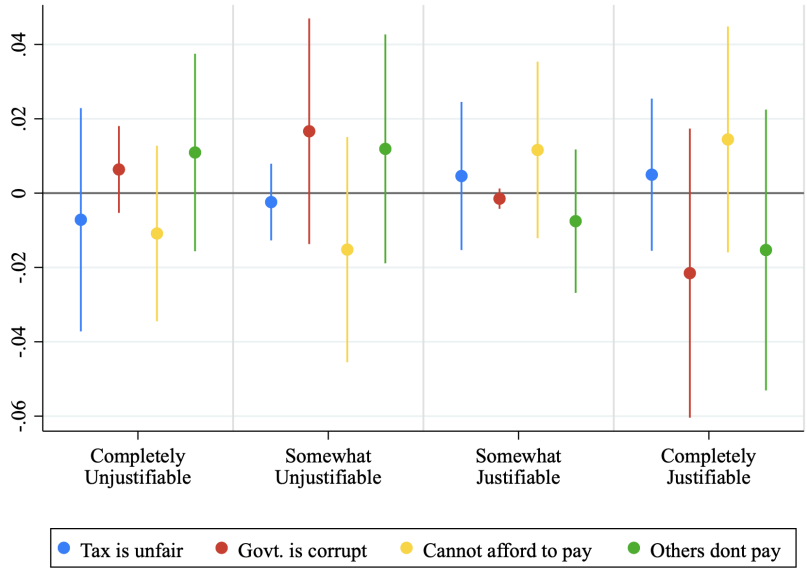


Notes: Marginal effects and 95% confidence intervals corresponding to estimating Equation (1) using an Ordered Logit model. Estimates corresponding to the model reported in Column 4 of Table A2 (Panel a) and Column 4 of Table A3 (Panel b). The model includes demographic controls, a dummy variable indicated whether the respondent that equals to 1 if the respondent voted for the same national party as displayed in the vignette, and ward fixed effects. Standard errors are clustered at the ward level.

However, when examining behavioural intentions, we find a more nuanced pattern. Figure 12b presents the average marginal effects of corruption exposure on willingness to pay taxes. Respondents exposed to corruption were less likely to disclose that corruption affects their willingness to pay. This pattern aligns with the strong social desirability biases documented in Section 4.1, where self-reported compliance is nearly universal despite low perceived community compliance. Taken together, these results suggest that, while corruption does not change underlying attitudes toward taxes, it may increase caution or reluctance to disclose own tax misconduct.

Did the corruption exposure change perception about tax evasion? To test this theory, we asked respondents in which of these scenarios it is justifiable to evade taxes: a) when taxes are perceived as unfair, b) the government is corrupt, c) the person cannot afford to pay, and d) others do not pay their taxes fully. Estimates for this exercise are presented in Figure 13. Again, these results are in line with our previous findings: exposure to corruption treatment do not seem to affect tolerance for tax evasion, even under conditions where such behaviour might be seen as justifiable.

Figure 13: Effect of Corruption on Attitudes towards Tax Evasion

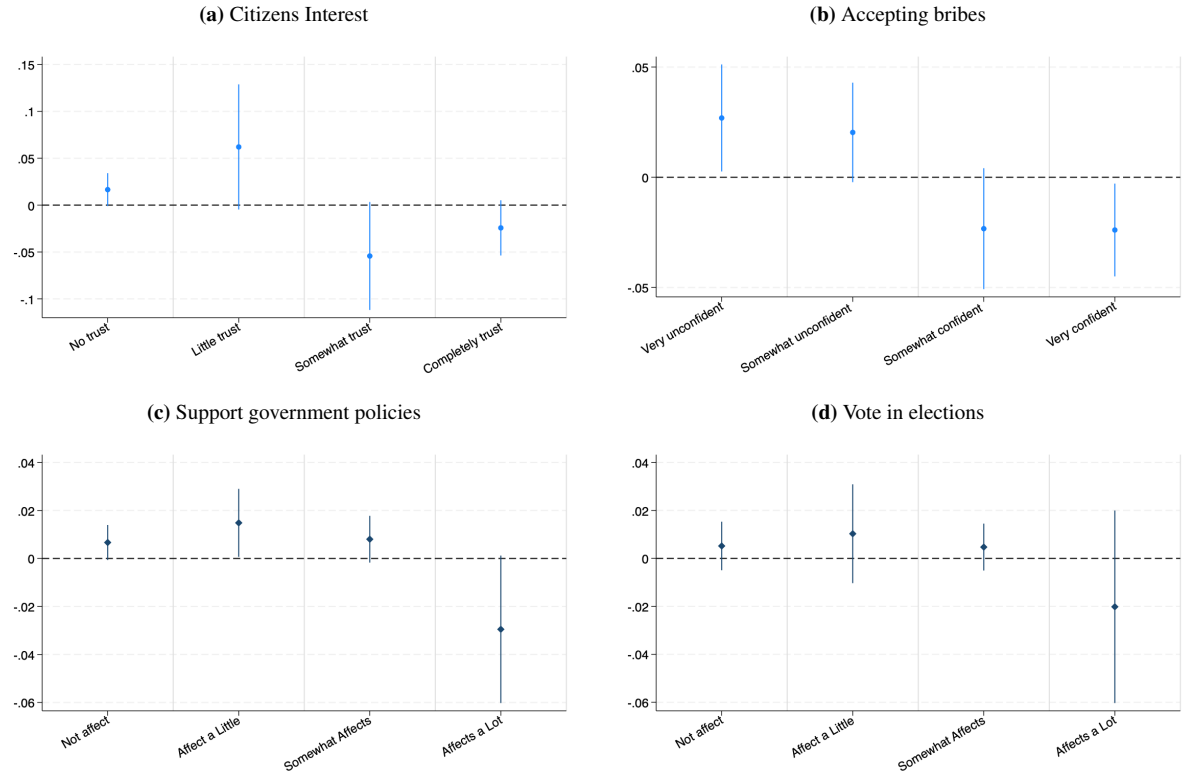


Notes: Marginal effects and 95% confidence intervals corresponding to estimating Equation (1) using an Ordered Logit model. Estimates corresponding to the model reported in Column 4 of Table A4. The model includes demographic controls, a dummy variable indicated whether the respondent that equals to 1 if the respondent voted for the same national party as displayed in the vignette, and ward fixed effects. Standard errors are clustered at the ward level.

We further examine how the treatment affected government trust as a potential mechanism that could perhaps explain why respondents became more reluctant to disclose tax evasion. Figure 14 reports the estimates for several measures of government trust and perceptions of integrity. In panel (a), we ask: 'How much do you trust the government to act in the best interests of its citizens?' Exposure to corruption significantly reduces trust, shifting respondents toward low-trust categories. In panel (b), we ask: 'How confident are you that government officials do not accept bribes?' Treatment again reduces confidence, and respondents are more likely to state that they are not confident that officials avoid bribes. These results indicate that corruption signals erode institutional trust and perceptions of bureaucratic integrity.

In contrast, panels (c) and (d) examine whether corruption affects respondents' willingness to support government policies or to vote in elections. While corruption exposure appears to have a significant effect in the support for government policies, the effect on voting in elections is more limited.

Figure 14: Effect of Corruption on Government Trust



Notes: Results estimating Equation (1) using an Ordered Logit model. The model include demographic controls, a dummy variable indicated whether the respondent that equals to 1 if the respondent voted for the same national party as displayed in the vignette, and ward fixed effects. Standard errors are clustered at the ward level.

In summary, our baseline findings suggest that corruption exposure reduces respondents' willingness to disclose tax evasion. While the estimates for evasion reporting do not reveal a statistically significant effect, we find a substantial negative impact on respondents' willingness to pay taxes. Our results further indicate that respondents seem to be less forthcoming in revealing that evading taxes is justified even when it might be more morally acceptable. A plausible mechanism seems to be the reduction in government trust that prevents our respondents from honestly reporting illegal behavior.

5.4 Heterogenous Effects

In this section, we extend the analysis to explore treatment heterogeneity between demographic groups. Although aggregate results capture the average effect of treatment, they may conceal important differences between populations. We decompose the impact of corruption exposure by age, education, income, and labor market status.

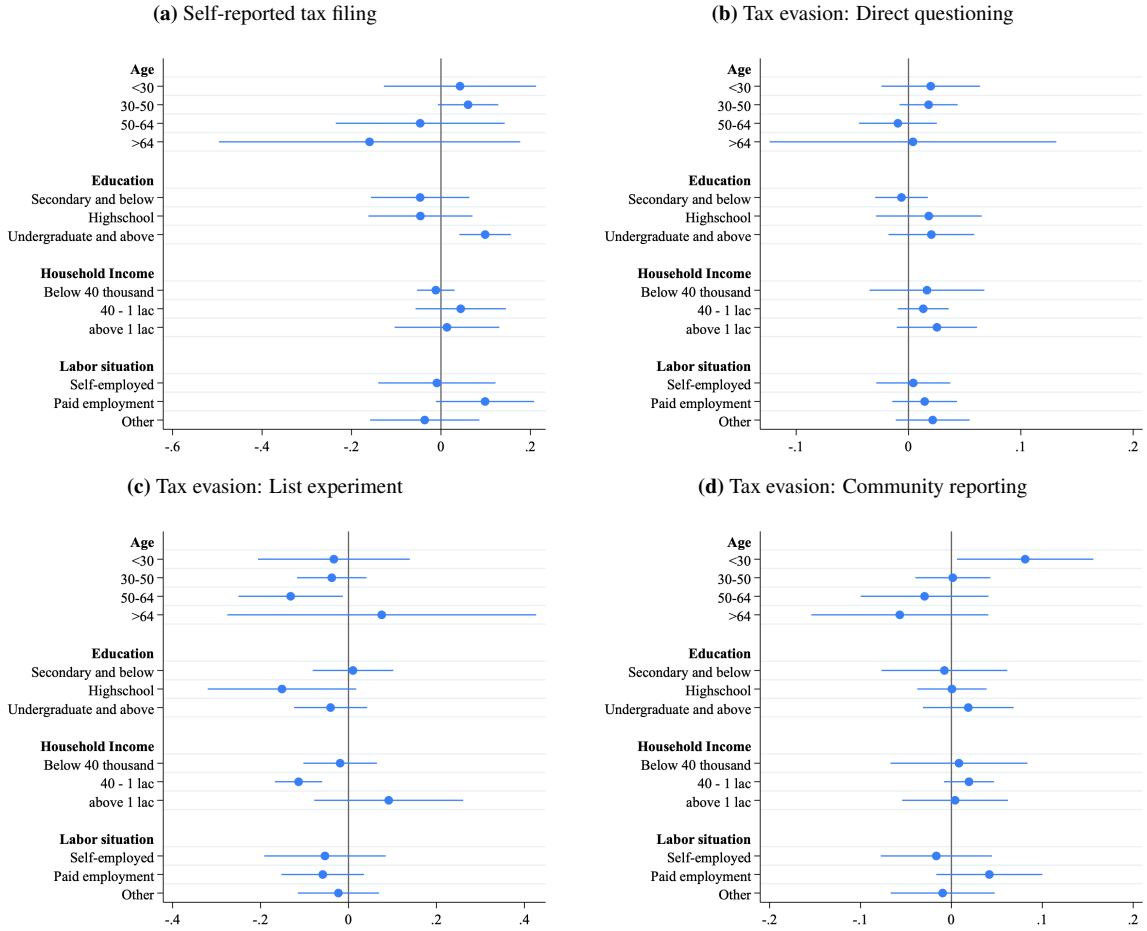
Figure 15 reports the heterogeneous effects of corruption exposure on attitudes toward tax evasion across demographic groups. The results indicate that the impact of corruption exposure varies systematically with age. Among younger individuals, exposure to corruption increases

the likelihood of reporting tax filing, whereas the effect diminishes with age and becomes negative—though statistically insignificant—among older respondents. A similar age gradient is observed for community reporting (see Figure 16a). Younger individuals exposed to corruption report higher perceived levels of community tax compliance, but this effect declines with age and eventually turns negative. One possible interpretation is that younger respondents are more likely to differentiate their own behavior from that of a corrupt government, leading to a compensatory increase in self-reported compliance.

Although our data do not allow us to disentangle why younger respondents are more willing to disclose tax evasion, we find some suggestive evidence when looking at community reporting. The results reported in Figure 16 indicate that, on average, younger respondents perceived a higher community reporting when exposed to corruption compared to older respondents.

Next, we examine whether there are differences in the tax reporting by income groups. The most interesting pattern we observe is that of middle income earners. When exposed to corruption, they are less likely to report tax evasion and report higher community compliance on average (Figure 16). In contrast, we see the opposite trend for high income earners, who are more likely to disclose tax evasion.

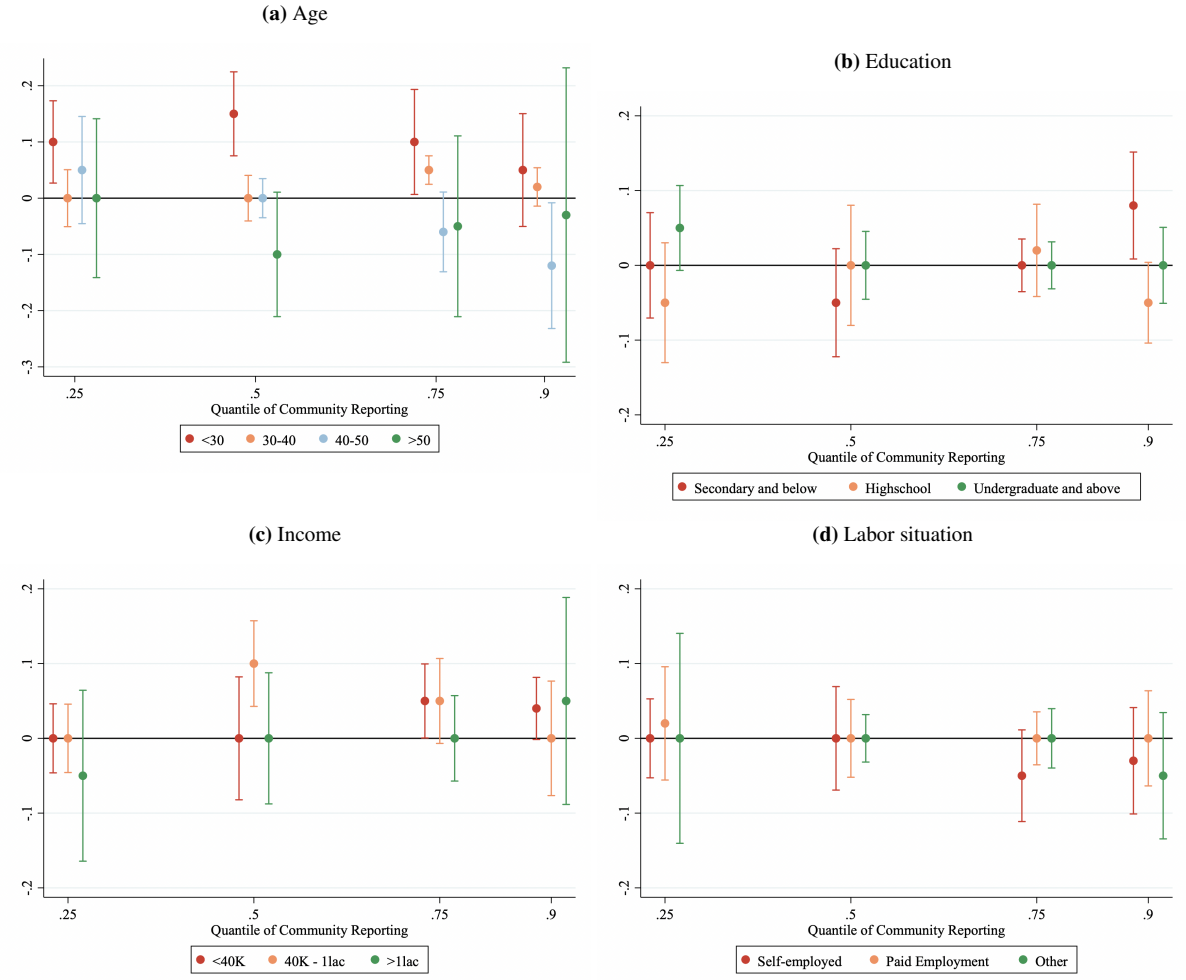
Figure 15: Effect of corruption on tax evasion reporting: Heterogeneous effects based on demographic characteristics



Notes: Marginal effects of corruption exposure and 95% confidence intervals corresponding to the estimation of Equation 1 interacted with demographic characteristics. Results correspond to answer to the question *"Did you file your income tax return in the last year?"* (Panel a), *"I have previously provided incomplete or misleading information on my tax returns"* (Panel b), the list experiment (Panel c), *"What percentage of people in your community do you think report all their income on their tax returns?"* (Panel d). Standard errors clustered at the Ward-Level.

We also detect heterogeneity by education and labor market status. More educated respondents reacted more strongly to corruption exposure, particularly in self-reported compliance, consistent with greater awareness of misconduct and stronger normative commitments to taxation. Similarly, respondents in formal paid employment —whose obligations are harder to avoid— projected their own behavior onto peers, reporting higher levels of community compliance under corruption cues.

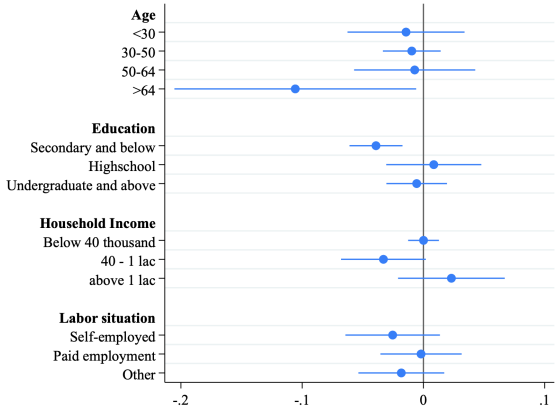
Figure 16: Effect of corruption exposure on reporting community-level tax compliance: Heterogeneous effects based on demographic characteristics



Notes: Results from estimating Equation (1) using a Quantile regression where treatment is interacted with demographic characteristics. The outcome variable corresponds to answers to the question *"What percentage of people in your community do you think report all their income on their tax returns?"*. Results presented at the 25th, 50th and 75th percentiles of the distribution. Robust standard errors.

Finally, we find no significant heterogeneity in the effects of corruption exposure on tax preferences in most demographic groups (Figure 17). However, older individuals, those with lower levels of education, and middle income earners exhibit a decrease in preferences for direct taxation when exposed to the corruption treatment. This reflects lower institutional trust and stronger sensitivity to perceived government inefficiency among specific demographic groups.

Figure 17: Effect of corruption exposure on preferences for direct taxation: Heterogeneous effects based on demographic characteristics



Notes: Marginal effect of corruption exposure and 95% confidence intervals corresponding to the estimation of Equation 1 interacted with demographic characteristics. Results correspond to answer to the question *"If the total amount of revenue to be raised is 100, how much of it would you prefer to be raised by an increase in direct taxes rather than indirect taxes?*. Standard errors clustered at the Ward-Level.

6 Conclusion

This paper estimates the effects of exposure to political corruption on tax compliance and attitudes. The results of randomly exposing individuals to corrupt candidates through a vignette experiment indicate that exposure to corrupt politicians reduces the willingness of respondents to disclose tax evasion. The results further suggest that corruption increases support for indirect taxation. However, respondents did not show differential tax preferences depending on the type of public spending promised by the politician. Although the effects are somewhat stronger among middle-income, highly educated, and younger people, overall patterns remain consistent across demographic groups.

Our main finding that corruption exposure reduces individuals' willingness to disclose their own tax compliance suggests that diminished institutional trust leads respondents to be more cautious in revealing potentially illegal behavior, both for themselves and for their broader community. It seems that the respondents in our survey seem to morally distance themselves from illicit behaviour when corruption is made salient. Interestingly, the average respondent when exposed to corruption seems to claim higher tax compliance within their community. This pattern remains consistent even when corruption cues reduce government trust, but does not alter views on tax evasion even when it might be morally justifiable.

These findings highlight important implications for tax policy. Without credible measures to reduce corruption, citizens are unlikely to report honestly and may disengage from compliance. Thus, efforts to broaden the tax base require tackling corruption directly, restoring trust in government, and closing the opportunities for evasion that make this behavior attractive and justifiable.

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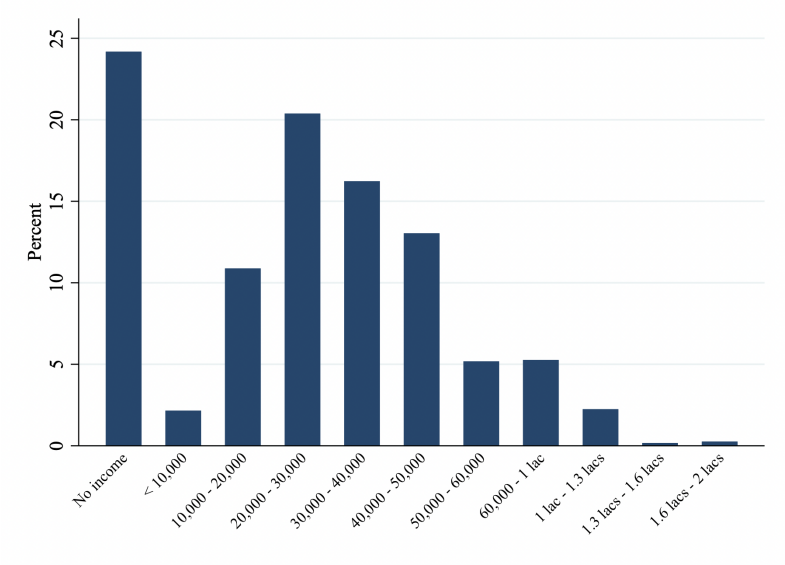
A Appendix

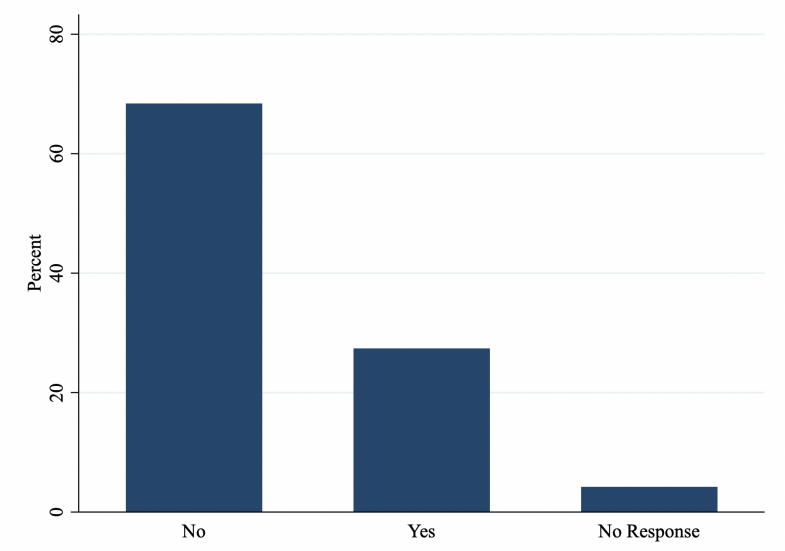
A.1 Descriptive Statistics

Figure A1: Respondent monthly income



Notes: Distribution of answers to the question "*What is your monthly individual income in Rupees?*".

Figure A2: Filled taxes

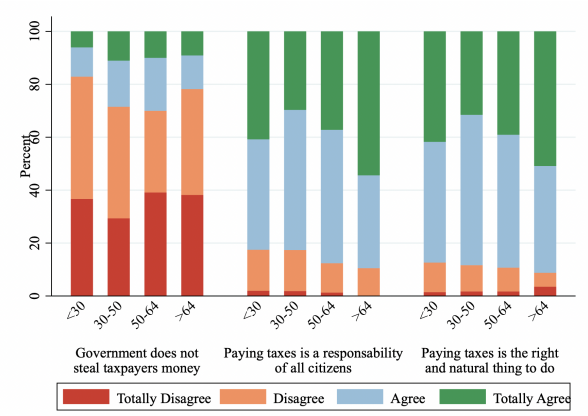


Notes: Distribution of answers to the question "*Did you file your income tax returns in the last year?*".

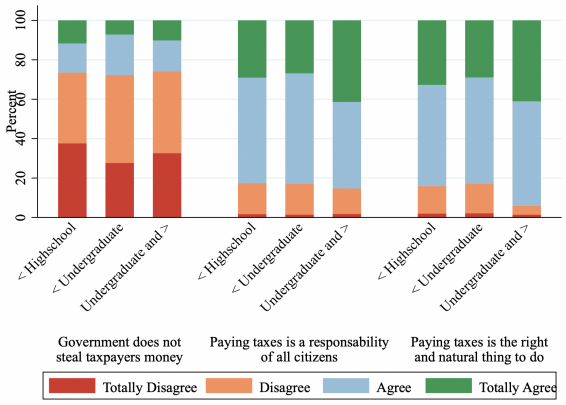
A.2 Baseline Attitudes

Figure A3: Views on tax responsibility over demographic characteristics

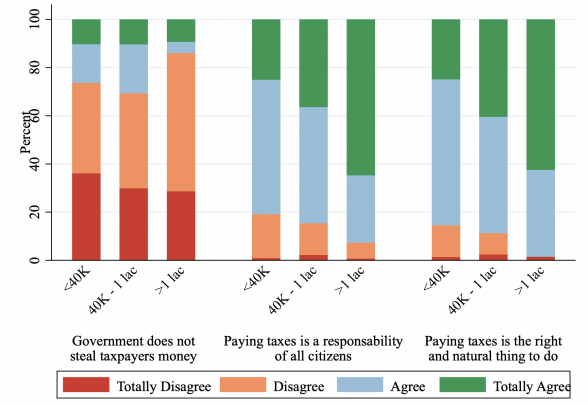
(a) Age



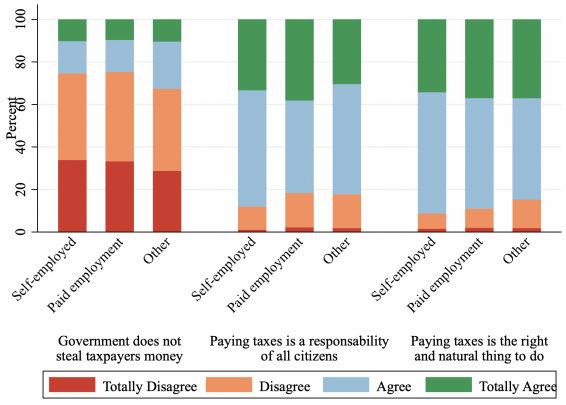
(b) Education



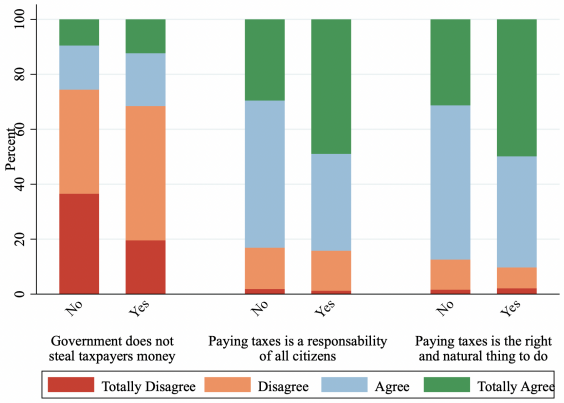
(c) Income



(d) Labour Situation



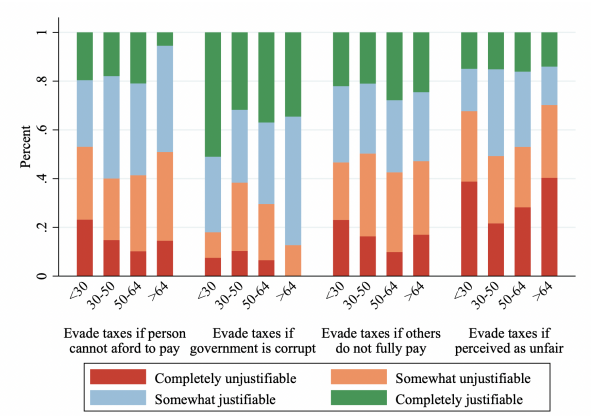
(e) Taxpayer



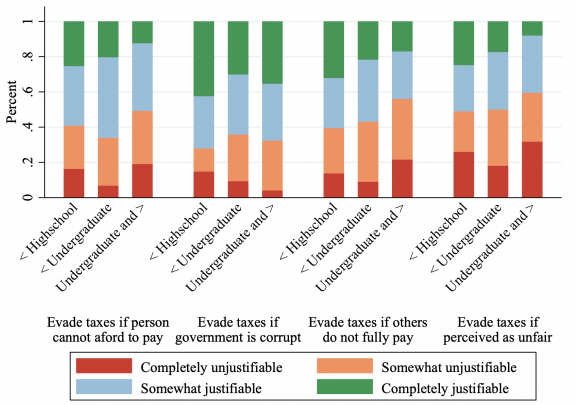
Notes: Percent of non-missing responses to each category of questions on tax responsibility: (i) *"Paying taxes is the right and natural thing to do"*; (ii) *"Paying taxes is a responsibility should be accepted by all citizens"*; (iii) *"the government does not steal taxpayers money"*. Missing responses range from 40 (3.3% of our sample) whether the government steals taxpayers money, to 20 (1.7% of our sample) when asking whether paying taxes is the right thing to do.

Figure A4: Tax evasion justification over demographic characteristics

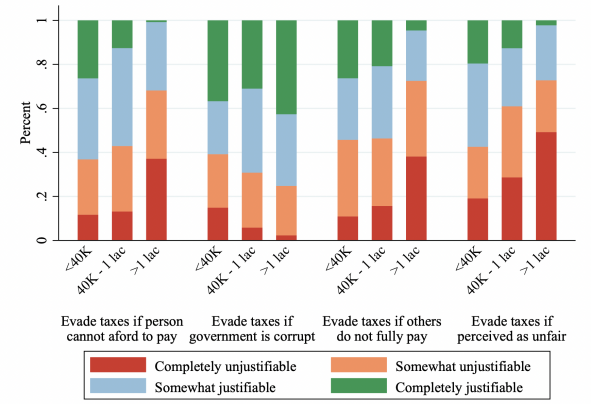
(a) Age



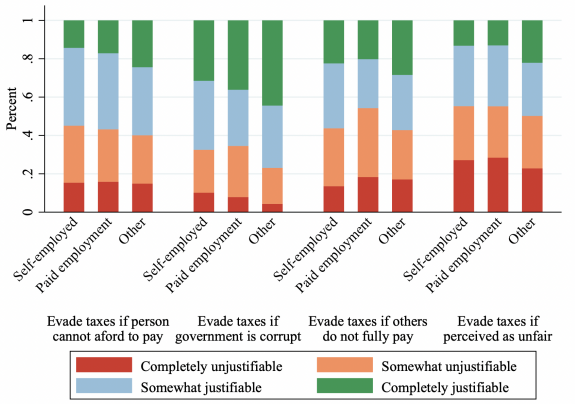
(b) Education



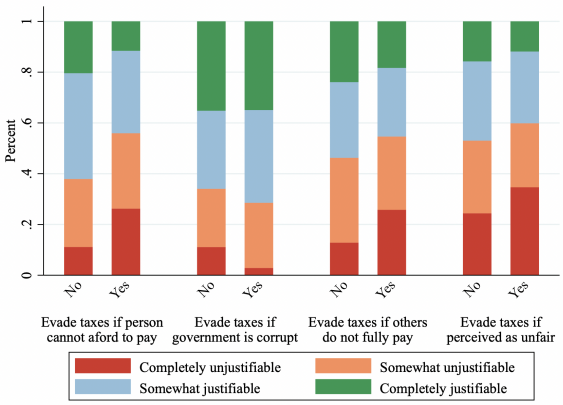
(c) Income



(d) Labour Situation

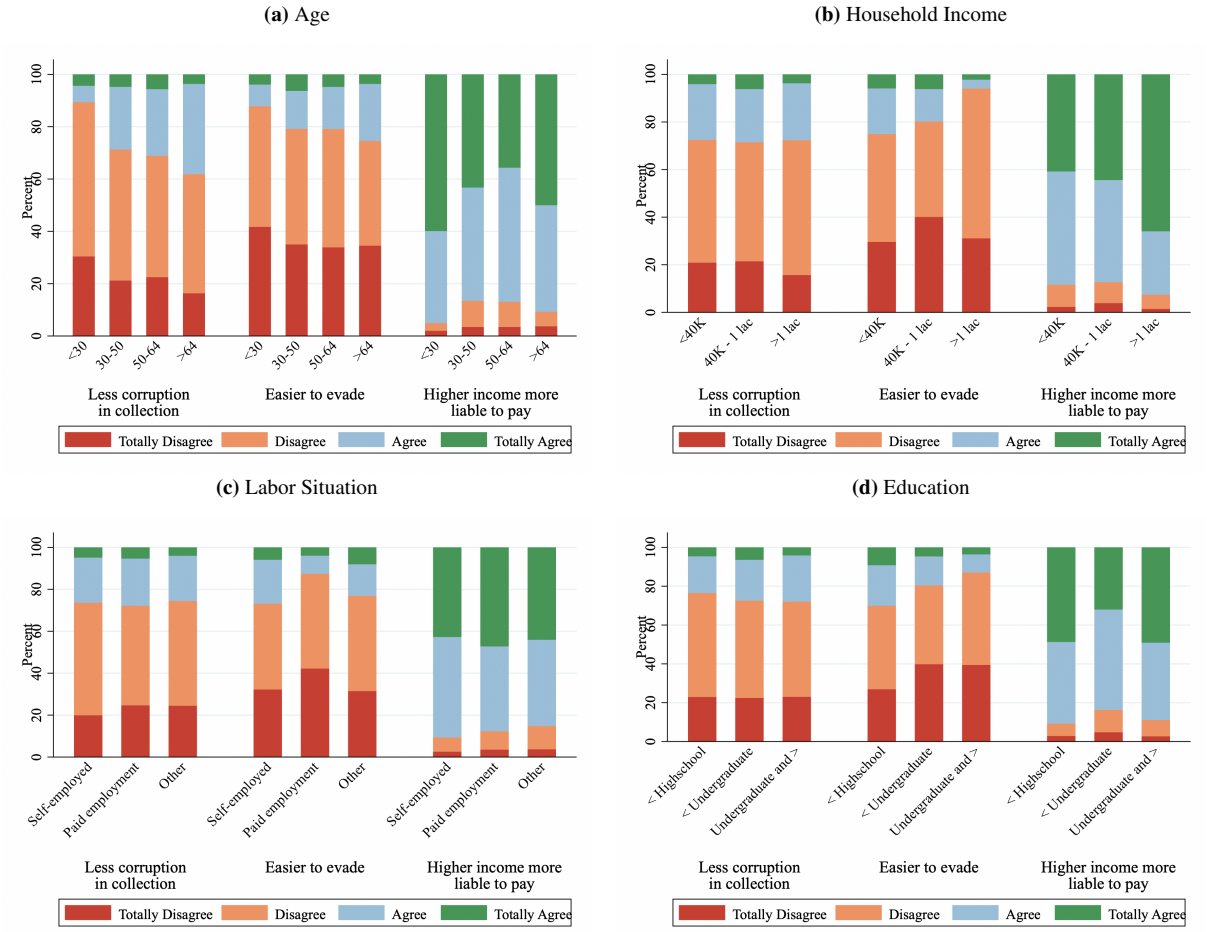


(e) Taxpayer



Notes: Percent of non-missing responses to each category of questions on tax evasion justification: *How justifiable is for someone to evade taxes if* (i) Taxes are perceived as unfair; (ii) Government is corrupt; (iii) Person cannot afford to pay; (iv) Others don't pay their taxes fully. Percentage of missing responses range from 6.5% for justification when others don't pay their taxes fully, to 2.9% for justification when taxes are perceived as unfair.

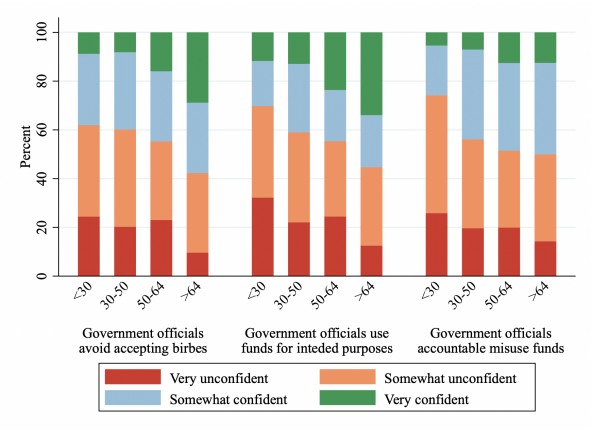
Figure A5: Perception over income taxation along demographic characteristics



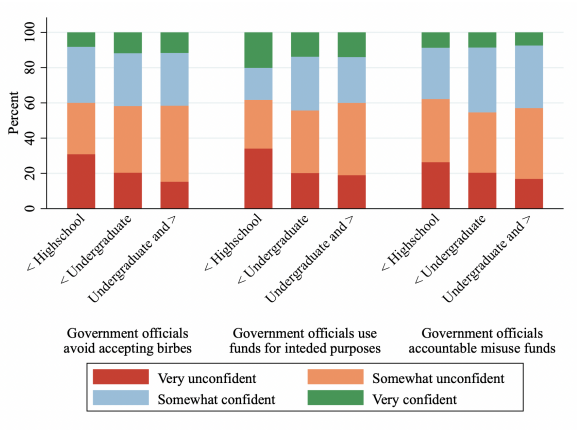
Notes: Percent of non-missing responses to each category of questions on evasion and corruption perception: (i) *"Income (GST) tax is easier to evade"*; (ii) *"There is less corruption in income (GST) tax collection"*; (iii) *"Income (GST) tax. Higher income people should be more liable to pay."*.

Figure A6: Perceived integrity of government officials across demographic characteristics

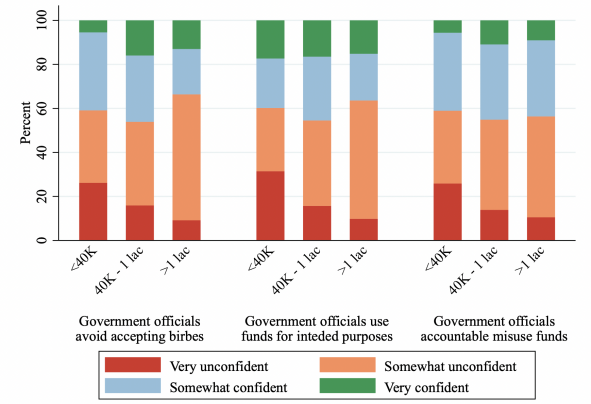
(a) Age



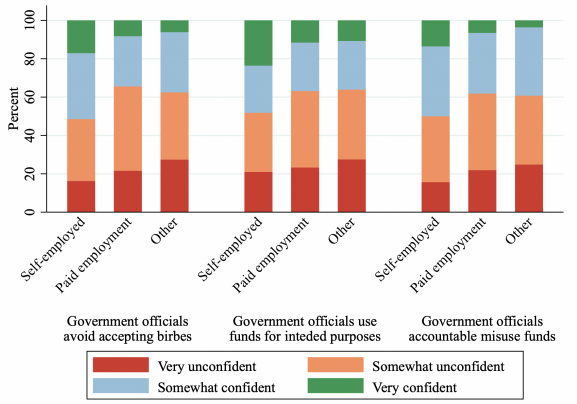
(b) Education



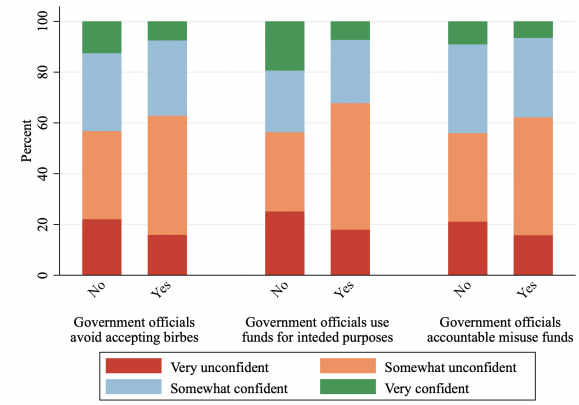
(c) Income



(d) Labour Situation



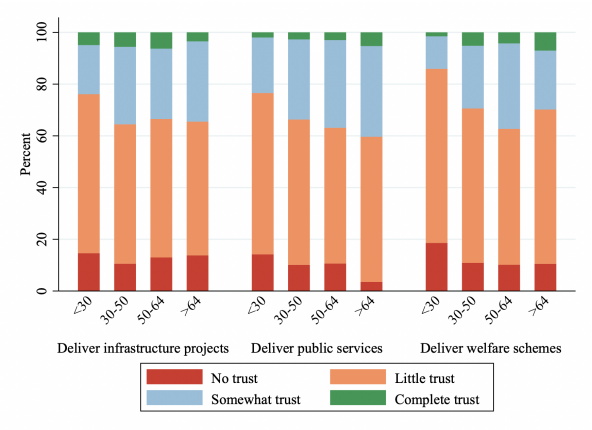
(e) Taxpayer



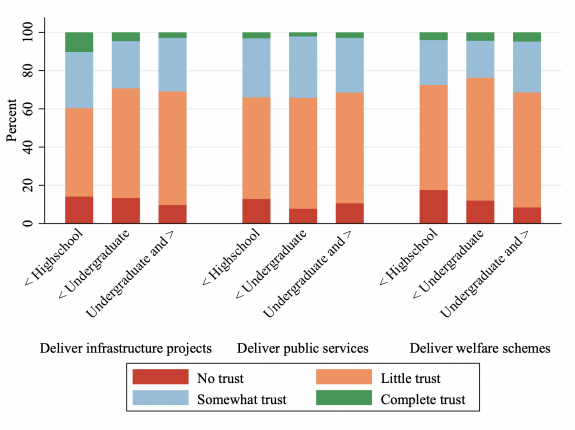
Notes: Percent of non-missing responses to each category of questions on perceived government integrity. Answers to *"How confident are you that government officials..."* (i) Avoid accepting bribes; (ii) Are held accountable for misuse of public funds; (iii) Use funds for the intended purposes. Missing responses range 1.8% of our sample when asking about government officials being held accountable for misuse of public funds, to 3.14% of our sample when askig about government officials accepting bribes.

Figure A7: Trust in government performance across demographic characteristics

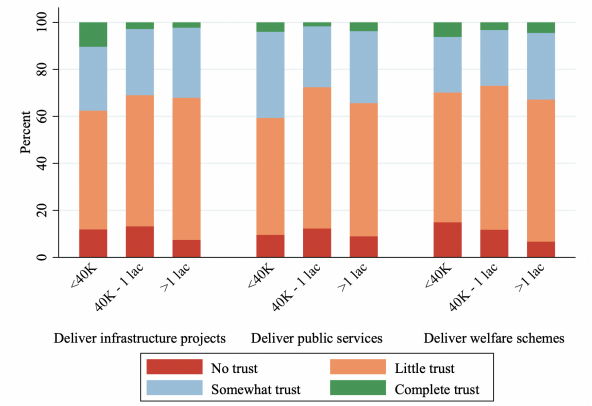
(a) Age



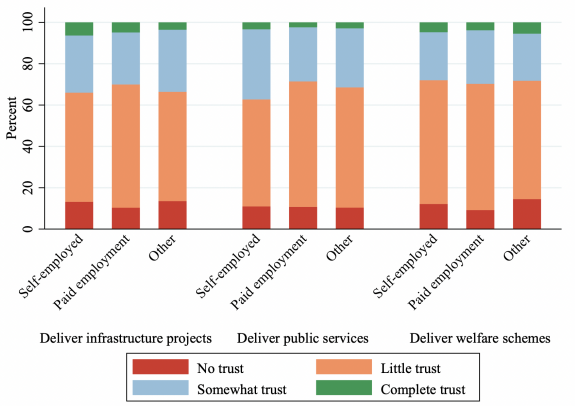
(b) Education



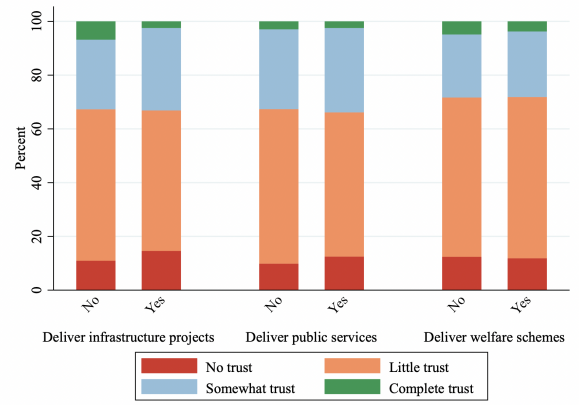
(c) Income



(d) Labour Situation

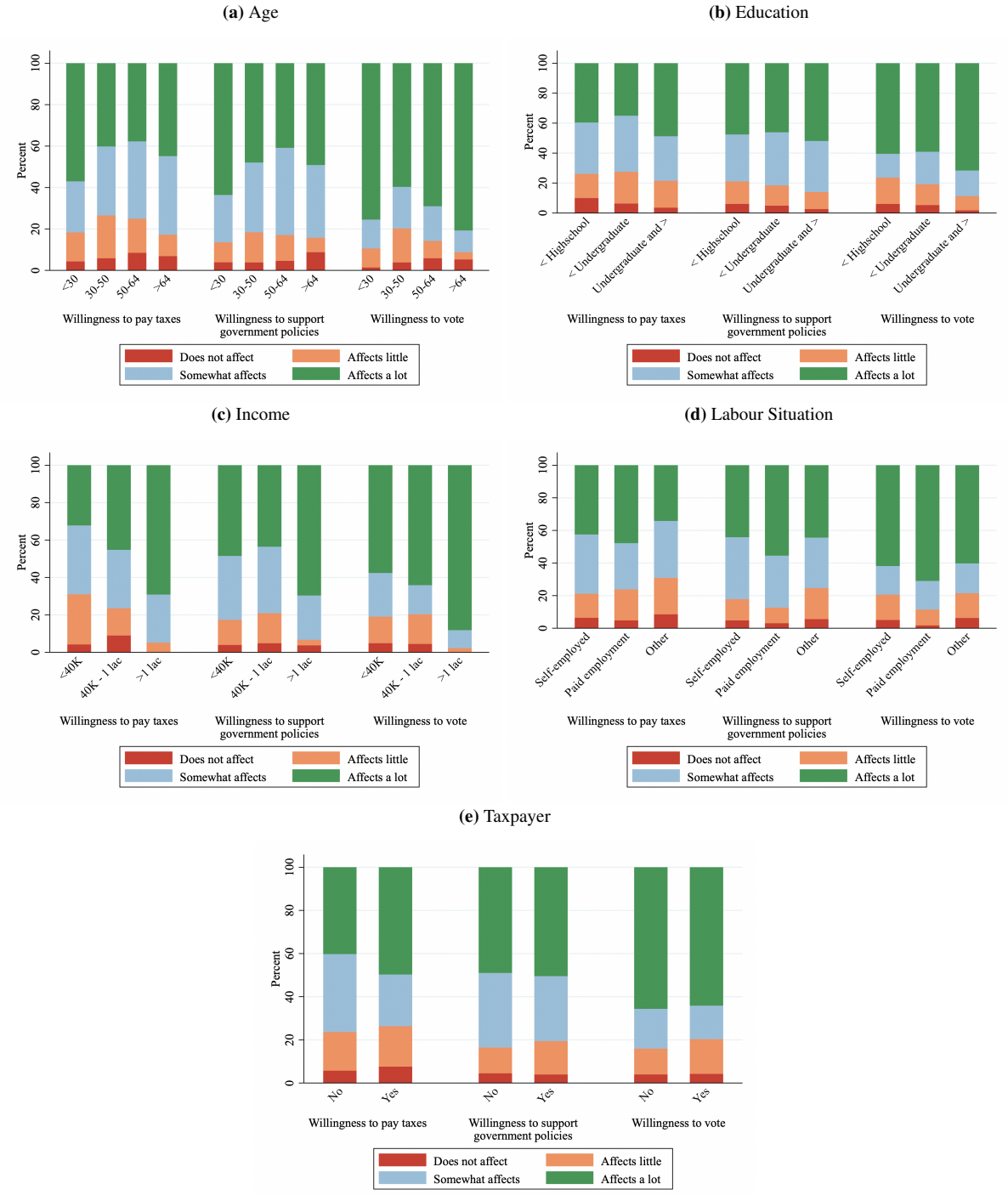


(e) Taxpayer



Notes: Percent of non-missing responses to each category of questions on trust in government performance. Answers to *"Trust the government to deliver"* (i) Infrastructure projects (roads, hospitals), (ii) Public services (hiring teachers, nurses), and (iii) Welfare schemes (mgnrega, pds, pensions). Missing responses range from 0.7% of our sample when asking about trust in government delivering infrastructure projects, to 3.3% of our sample when askig about trust in government delivering welfare schemes.

Figure A8: Impact of government corruption on individual behavior across demographic characteristics



Notes: Percent of non-missing responses to each category of questions on impacts of government corruption on individual behavior. Answers to *"How much does corruption affect your willingness..."* (i) To pay taxes; (ii) To support government policies; (iii) To vote in elections. Missing responses range from 0.5% of our sample when asking about the impact on willingness to vote, to 0.7% of our sample when asking about the impact on willingness to pay taxes.

A.3 Treatment Effectiveness

Table A1: Corruption treatment relevance on candidate perception

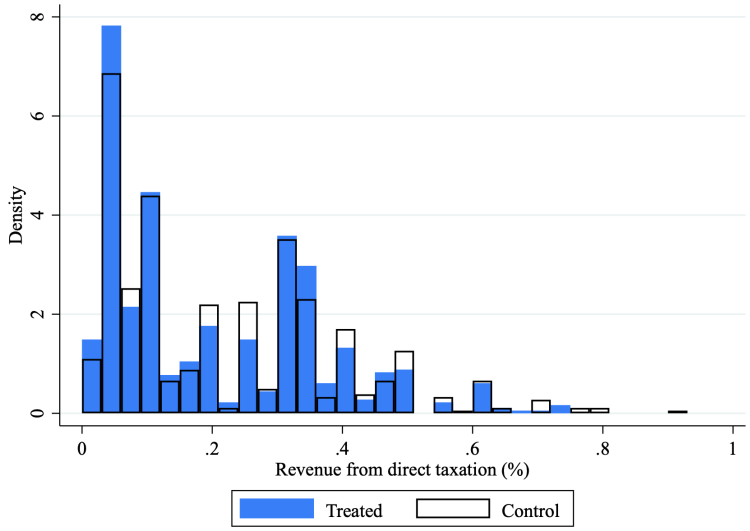
	(1)	(2)	(3)	(4)
(a) Candidate good representative				
Corruption	-3.425***	-3.534***	-3.603***	-3.565***
	(0.331)	(0.353)	(0.358)	(0.366)
N	1,191	1,191	1,041	852
(b) Vote for candidate				
Corruption	-3.484***	-3.502***	-3.529***	-3.405***
	(0.332)	(0.337)	(0.323)	(0.337)
N	1,199	1,199	1,049	860
(c) Likelihood to keep promises				
Corruption	-3.092***	-3.200***	-3.201***	-3.155***
	(0.297)	(0.304)	(0.295)	(0.331)
N	1,188	1,188	1,039	850
Ward FE	No	Yes	Yes	Yes
Demographic Controls	No	No	Yes	Yes
Party alignment	No	No	No	Yes

Notes: Results from estimating Equation 1 using an Ordered Logit model. Panel (a) represents answers to the question *"How likely do you think the candidate will be a good representative"*. Panel (b) represents answers to the question *"How likely are you to vote for the candidate"*. Panel (c) represents answers to the question *"How likely do you think the candidate is to keep their promises"*. In all three cases respondents could choose among: (1) *"Very unlikely"*, (2) *"Somewhat unlikely"*, (3) *"Somewhat likely"*, (4) *"Very likely"*. Standard errors are clustered at the ward level. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

A.4 Additional Material

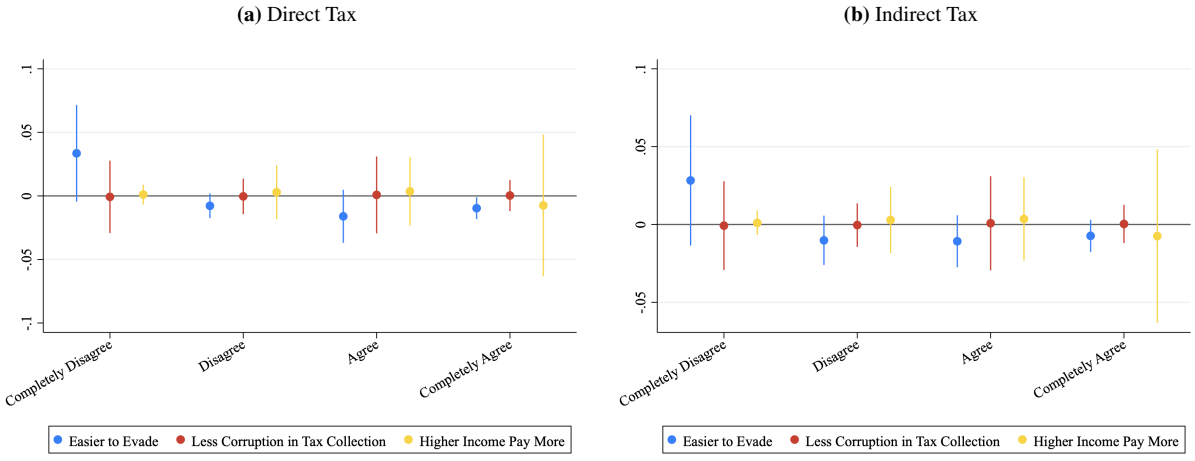
A.4.1 Preferences toward direct and indirect taxation

Figure A9: Distribution of preferences for direct taxation



Notes: Distribution of answers to *"If the total amount of revenue to be raised is 100, how much of it would you prefer to be raised by an increase in direct taxes (e.g. personal income tax) rather than indirect taxes?* Treated corresponds to individuals assigned to a vignette with corruption treatment. Control corresponds to responses of individuals assigned to a vignette without corruption treatment.

Figure A10: Effect of corruption exposure on tax views



Notes: Average marginal effects and 95% confidence intervals corresponding to estimating Equation (1) on responses to views toward tax instruments. Panel (a) corresponds to questions on direct taxation. Panel (b) corresponds to questions on indirect taxation. Results correspond to the specification which includes demographic controls, an indicator variable that equals 1 if the respondent voted for the same national party as displayed in the vignette, and ward fixed effects. Standard errors are clustered at the ward level.

A.4.2 Mechanisms

Table A2: Effect of corruption exposure on tax views

	(1)	(2)	(3)	(4)
(a) Paying taxes right thing to do				
Corruption	0.172*	0.203*	0.186*	0.157
	(0.104)	(0.119)	(0.108)	(0.150)
N	1,191	1,191	1,044	854
(b) Paying taxes responsibility of all citizens				
Corruption	0.104	0.144	0.144	0.150
	(0.107)	(0.128)	(0.094)	(0.141)
N	1,188	1,188	1,039	853
(c) Government does not steal taxpayers money				
Corruption	-0.085	-0.138	-0.171	-0.174
	(0.076)	(0.094)	(0.110)	(0.118)
N	1,172	1,172	1,024	841
Ward FE	No	Yes	Yes	Yes
Demographic Controls	No	No	Yes	Yes
Party alignment	No	No	No	Yes

Notes: Results from estimating Equation (1) using an ologit model. Dependent variables correspond to answers to the question *"Paying taxes is the right and natural thing to do"* (Panel a); *"Paying taxes is a responsibility that should be accepted by all citizens"* (Panel b); *"The government does not steal taxpayers money"* (Panel c). Standard errors are clustered at the ward level.

Table A3: Effect of corruption exposure on willingness to pay taxes

	(1)	(2)	(3)	(4)
Corruption	-0.112*	-0.089	-0.134**	-0.262***
	(0.067)	(0.070)	(0.056)	(0.095)
N	1,203	1,203	1,052	859
Ward FE	No	Yes	Yes	Yes
Demographic controls	No	No	Yes	Yes
Party alignment	No	No	No	Yes

Notes: Results from estimating Equation 1 using an ologit model. The dependent variable corresponds to answers to the question *"How much does corruption affect your willingness to pay taxes"*. Standard errors are clustered at the ward level.

Table A4: Effect of corruption exposure on tax evasion justification

	(1)	(2)	(3)	(4)
(a) Evade if taxes perceived as unfair				
Corruption	-0.119*	-0.156*	-0.097	0.046
	(0.072)	(0.083)	(0.061)	(0.098)
N	1,176	1,176	1,034	849
(b) Evade if government is corrupt				
Corruption	-0.197*	-0.222*	-0.141	-0.132
	(0.111)	(0.127)	(0.119)	(0.122)
N	1,171	1,171	1,024	845
(c) Evade if cannot afford to pay				
Corruption	-0.116	-0.116	-0.016	0.119
	(0.093)	(0.095)	(0.119)	(0.125)
N	1,133	1,133	995	823
(d) Evade if others don't pay				
Corruption	-0.278**	-0.287**	-0.213**	-0.100
	(0.122)	(0.124)	(0.104)	(0.129)
N	1,133	1,133	994	823
Ward FE	No	Yes	Yes	Yes
Demographic controls	No	No	Yes	Yes
Party alignment	No	No	No	Yes

Notes: Results from estimating Equation (1) using an ologit model. Dependent variables correspond to answers to the questions *"Evade taxes is justifiable if taxes are perceived as unfair"* (Panel a); *"Evade taxes is justifiable in the government is corrupt"* (Panel b); *"Evade taxes is justifiable if cannot afford to pay"* (Panel c); *"Evade taxes is justifiable if others don't pay their taxes fully"*. Standard errors are clustered at the ward level.