

ABSTRACT

This study is motivated by the low utilization of tax incentives among Micro, Small, and Medium Enterprises (MSMEs) in Indonesia during the COVID-19 pandemic, despite the government's provision of various fiscal facilities as instruments for national economic recovery. This condition indicates a gap between tax incentives as a normative state policy construct and the subjective realities of MSME actors as policy recipients. MSMEs occupy a strategic position within the national economic structure, both in terms of their contribution to Gross Domestic Product and employment generation. The low level of MSME participation in utilizing tax incentives cannot be adequately explained solely through rational-economic or technical-administrative approaches. Therefore, this study aims to (1) uncover the essence of MSMEs' subjective experiences in responding to government-borne tax incentives, (2) analyze the meanings of tax incentives as constructed by MSMEs along with the social, psychological, and political factors shaping such meanings, and (3) explain the dialectic between incentive policy as a normative construct and MSMEs' subjective realities in their decisions to utilize tax incentives during the crisis period.

This research adopts an interpretive paradigm and employs Husserlian Transcendental Phenomenology as the primary lens to reveal the essential meaning (eidos) formed within MSME actors' consciousness. It is integrated with Karl Marx's Conflict Theory to analyze economic power relations and symbolic exploitation operating through policy language and procedural arrangements, as well as Eugene Ehrlich's Living Law theory to explore informal social norms within the context of tax policy. Data were collected through in-depth interviews with MSME actors and were inductively analyzed using categorization techniques and concept development based on grounded analysis (Strauss & Corbin), in order to construct relationships among categories of MSME experiences. Research validity was ensured through credibility, dependability, and transferability criteria, enabling the findings to be not merely descriptive but also conceptually and theoretically robust.

The findings indicate that the low utilization of tax incentives among MSMEs is a manifestation of structural and symbolic dysfunction in policy communication. Tax incentives are not interpreted as an expression of state presence and support; instead, they are perceived as ambiguous, distant, and laden with administrative risks and potential sanctions. Phenomenological findings reveal a symbolic absence of the state within MSMEs' social pathways, reflected in one-way communication, procedural complexity, information asymmetry, and feelings of fear and distrust toward tax authorities. From a conflict theory perspective, this condition represents a failure of meaning exchange between the state as the holder of policy authority and MSMEs as a subordinate group, thereby generating defensive responses in the form of disengagement and the non-utilization of tax incentives. This dialectic encourages MSMEs to prioritize self-reliance rather than depend on incentive schemes. This study concludes that the effectiveness of tax incentive policy cannot be achieved solely through fiscal design and economic calculation, but requires a reconstruction of policy communication and a human-centered approach capable of bridging meaning, experience, and the lived realities of MSME actors. The study recommends reforming policy communication to become more participatory and human-centered, as well as utilizing responsive digital channels to build shared meaning between the state and MSMEs.

Keywords: tax incentives, MSMEs, power relations, dialectic, conflict theory, living law