

GST Revenues as a Mediator Between Tax Evasion and the Jordanian Economy

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ABSTRACT

Tax evasion continues to be a constant obstacle to fiscal stability and sustainable economic growth for developing nations such as Jordan. In the last twenty years, Jordan has more heavily relied on the Goods and Services Tax (GST) as its primary source of domestic revenue. However, some challenges with compliance and administrative capacity have hampered it from fully realizing its potential as a fiscal stabilizer. This study will explore the direct and indirect effects of GST revenues, as the mediating variable for tax evasion, on the national economy using quantitative Structural Equation Modeling (SEM) through Smart-PLS 4. This paper collected data from 276 finance professionals working in either the public sectors that will serve as an empirical basis for this study. Results indicate that the efficiency of GST collection is weakened by tax evasion. Similarly, inflation affects national economic performance. Full mediation of GST revenues is confirmed between tax evasion and economic growth, suggesting that evasion has no direct effect but rather indirect fiscal transmission. Results that point towards the importance of fiscal governance that is based on whether the tax system that encourages compliant behaviour is one of adhering the institutional quality and transparency of the administration. The study has made three key recommendations from a policy perspective: strengthening the digital tax infrastructure, enhancing audit coverage and promoting tax payer education for the purpose ensuring that the revenue generating and fiscal vulnerability is maintained. In relation to Jordan's fiscal context, the study uses the analysis to contribute knowledge on the way compliance behaviour evolves in tax administration, transforming fiscal policy and stipulating sustainable economic stability for the Jordan using GST as a credit. The results suggest tax evasion significantly reduces efficiency of GST collections, while increased GST receipts have a positive impact on gross domestic product. Besides, the findings confirm that GST revenues completely mediate the association between tax evasion and economic growth, implying that negative impacts of evasion are exerted via fiscal channels of transmission. These findings accord with theories of fiscal governance which argue that institutional quality and administrative transparency are crucial in explaining the efficiency of tax systems converting compliance into fiscal robustness. The policy implications of the study include a need to enhance digital tax capacity, increase audit coverage and improve taxpayer education to sustain revenue mobilisation and fiscal vulnerability. This paper adds to the literature on how the effectiveness of tax administration can convert compliance behaviour into economic sustainability with proof of GST as mediator in Jordan's fiscal environment.

Keywords: Tax Non-compliance; JO National Economy; Revenues Function; GST Efficiency; VAT Revenues; Public Finance; Economic Performance; SMEs.

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1. Introduction

In terms of being able to provide funds to support public goods and services, create conditions for sustainable economic growth and foster social stability, the role of taxation is key in a country's overall fiscal policy. However, in many developing countries including Jordan, the lack of compliance and inefficient methods of collecting taxes, limit a country's fiscal sustainability and reduce its capacity to develop (Al-Rahamneh & Bidin, 2022; Ghazo et al., 2021; Qahman et al., 2026). Over the last two decades, the fiscal structure of Jordan has become increasingly reliant on an indirect taxation model, primarily through GST (formerly a General Sales Tax) to generate most of the revenue for the government. One of the primary purposes of the GST system was to widen the tax base and make tax policy more equitable. Nonetheless, due to a lack of compliance from business owners and operational difficulties, the effectiveness of the GST system has been significantly diminished and has limited the contribution it could be making to either economic development or fiscal stability in Jordan (Mukherjee, 2019; Huson et al., 2024). Globally, research on tax revenue shows that indirect taxation models such as GST and VAT, are only successful when implemented with a strong administrative system, actions taken to enforce compliance, and good governance (Neog & Gaur, 2020; Ajaz & Ahmad, 2022; Zaqeeba, 2024). Therefore, if the administration of the GST system is effective, tax revenue collected can provide a reliable source of funding for governments to increase the nation's capital stock for investment in infrastructure, education and innovation - all of which are critical to a nation's long-term economic performance (Kessy &

Sukartini, 2023; Arnold et al., 2011; Al-Zaqeba, 2024). If tax non-compliance and ineffective enforcement of the tax system are prevalent, however, the revenues will start to deplete, and this leads to growing fiscal deficit, greater public debt, and reduced economic growth and development (Idris & Ahmad, 2017; Pacifique & Harelimana, 2020; Alsmadi et al., 2025). The significance of examining this relationship in Jordan is paramount due to the increasing fiscal pressures, dwindling donor support, and efforts to recover from economic shocks due to global and regional disruptions. In the Jordanian Ministry of Finance (2024), it is stated that indirect taxes account for more than 60% of total tax revenues, evidencing the underlying dependence of the economy on consumption taxation. However, the country continues to be faced with a major tax challenge in the form of tax evasion, despite numerous reform efforts, which altogether includes electronic invoicing and digital tax administration (IMF, 2023). The current body of literature presents conflicting evidence regarding the relationship between tax evasion, tax revenues, and economic growth. While some studies identify the direct negative impacts of evasion on macroeconomic performance (Ghazo et al., 2021; Hamudi, 2021), other studies focus on the indirect negative influence on fiscal efficiency or financial governance, which relate to tax and revenue administration and compliance (Mukherjee, 2020; Peña & Ruge, 2021; Altaamneh et al., 2026) as a mediating variable. Nevertheless, studies explicitly examining GST revenues as a mediating variable, particularly regarding Jordan, are limited.

2. Literature Review

Taxation is regarded as a principal tool for achieving fiscal sustainability and advancing economic development for an extended period (Ibrahim et al., 2023; Mansour et al., 2024; Al-Zaqeba, Aloqaily, & Al-Khawaja, 2025). Nonetheless, the persistent inefficient tax collection in developing economies has raised legitimate concerns related to the tax effectiveness (Alm & Torgler, 2011; Bird & Zolt 2019). Accordingly, tax avoidance, GST revenues, and economic performance reflect three inter-related constructs within the fiscal governance (Zaqeeba, 2024; Darabee et al., 2026). The literature on these constructs depicts a complex interaction with compliance behaviour, trust in institutions, and administration efficiency.

2.1 Tax Evasion and Fiscal Performance

Tax avoidance is defined as the conscious misrepresentation or understatement of income or transactions for the purpose of diminishing tax liability (Slemrod, 2019). Tax avoidance is widely accepted as one of the most compelling threats to public finance because this issue is most prevalent in countries with weak enforcement and limited digital tracking (Al-Rahamneh & Bidin, 2022; Wongi, 2025). A wealth of published empirical evidence indicates that high levels of tax avoidance undermine government revenue, distort competition in markets, and weaken fiscal credibility (Ghazo, et al., 2021; Idris & Ahmad, 2017). For example, the continuous evasion of tax specifically in value-added tax systems have decreased revenue-to-GDP ratios across Sub-Saharan African nations, resulting in disinvestment in infrastructure and social programs (Pacifique & Harelimana, 2020). Additionally, Mukherjee (2019) emphasizes tax leakage as a result of tax evasion can destabilize fiscal frameworks by exacerbating budget deficits and increasing foreign borrowing reliance. In terms of behavior, tax evasion can also be influenced by attitudes about fairness and administrative transparency, as well as beliefs in the quality of public spending (Alm et al., 2016; Al-Jamal et al., 2025). These attitudes create a compliance culture that defines whether taxpayers perceive taxation as a social obligation or as an exploitative obligation. Therefore, anti-evasion tactics focus on extent and density, also on institutional trust and social legitimacy.

2.2 Goods and Services Tax Revenues

The Goods and Services Tax (GST), a holistic version of indirect taxation, has emerged as a centrepiece of contemporary tax systems. Its purpose is to substitute the multiple sales and value-added taxes for a unified structure based on consumption that provide efficiency and transparency (Mukherjee, 2020). In theory, the GST offers multiple benefits: broadening the tax base, minimizing the effects of cascading, and improving compliance through automation of invoicing and credits (Al Matrooshi et al., 2025). Research shows that successful GST implementation is significantly dependent on enforcement capacity and technology. Peña and Ruge (2021) showed that the introduction of e-invoicing in Latin America vastly increased GST compliance and collection. Conversely, countries with weaker enforcement systems find tax revenues become stagnant and do not grow despite high statutory rates (Neog & Gaur, 2020). Moreover, Kessy and Sukartini (2023) found that good indirect taxation, which include GSTs, positively affects economic growth through fiscal adjustment stabilization and improved the effectiveness of the government expenditure.

2.3 GST Revenues and Economic Growth

Economic literature typically concurs that greater and enhanced tax revenues, primarily through consumption instead of income, would promote sustainable growth, if those revenues are subsequently used to finance productive public investment or expenditure (Arnold et al., 2011; Gemmell et al., 2014; Zablah et al., 2026). Idris and Ahmad (2017) provided empirically verifiable evidence of a long-run positive causality between tax revenue and real GDP in Nigeria, demonstrating that tax revenue might be the impetus for Macroeconomic growth. Similarly, Hamudi (2021) demonstrated that improvements to compliance under a VAT regime provides additional fiscal space and enables greater public investment for development.

2.4 Conceptual Gaps and Research Contribution

While considerable literature has been published on tax evasion, GST outcomes, and economic growth, relatively fewer studies have sought to investigate these aspects within a mediating framework. In general, existing studies considered only direct relationships (e.g., the effect of tax evasion on government revenue and the effect of GST on GDP) without considering GST revenue as a mediating factor for tax evasion on macroeconomic consequences (Mukherjee, 2020; Ghazo et al., 2021; Alseikh et al., 2026). This is especially relevant in Jordan, where there are currently several reforms to the public budget and initiatives to digitally transform operational activities in the revenue collection process and minimize tax evasion (IMF, 2023). Therefore, the present research is grounded in these ideas, and this paper develop a structural model that relates to tax evasion, GST revenues, and national economic performance. This study advances the theoretical development of fiscal performance models by introducing GST revenues as a mediating construct, and advances empirical development by applying Partial Least Squares Structural Equation Modeling to assess this model. This provides a unique opportunity to not only assess direct and indirect effects, but also reveal a more dynamic understanding of fiscal causality.

3. Hypothesis Development

The hypotheses in this research have been developed based on an interaction of efficiency in taxation, tax compliance behaviour and overall performance in the economy. The literature illustrates that tax evasion, GST revenues and the national economy are intricately related and involve structural and behavioural components. The discussions by Skinner (1987) and Arnold et al. (2011) highlight how tax systems establish a structure for whether fiscal policy encourages growth or imposes some distortion on economic activity. In developing economies like Jordan, with indirect taxes (including GST) making a meaningful contribution to government revenue, this efficiency of tax collection becomes a central factor of fiscal stability and economic sustainability. Research conducted in emerging economies (Chapagai, 2021; Garg et al., 2024; Debroy & Misra, 2023) indicates that GST and VAT revenues are vital for financing development, stabilizing budgets, and supporting a sustained pathway for growth, contingent on satisfactory compliance and adequate control of administrative leakages. On the other hand, systemic tax evasion makes these contingencies less likely, reducing the elasticity of tax revenues to GDP and impairing governments' ability to finance productive expenditures (Egbunike et al., 2018; Ihuarulam et al., 2021). As the literature suggests (Neog & Gaur, 2020; Idris & Ahmad, 2017; Mukherjee, 2019; Ibrahim et al., 2025), the achievement of sustainable growth depends on the effectiveness of the government's management of compliance, enforcement, and equity of the taxation system. Thus, the following subsections develop hypotheses that describe a complete model for study on how fiscal discipline and effective taxation can improve Jordan's economic resilience and inclusive growth.

3.1 Tax evasion and GST revenues

Tax evasion is one of the most entrenched fiscal challenges for both developed and developing economies as it fundamentally undermines the effectiveness and fairness of revenue collection systems (Al-Momani, 2024; Al-Zaqeba et al., 2026). Theoretically, tax evasion erodes the taxable base by working in the informal economy, leading to structural fiscal imbalance and limiting the government's ability to fund public services (Slemrod, 2019; Bird & Zolt, 2019). This problem is particularly fiscal actionable within the Goods and Services Tax (GST) setting as it is more susceptible to even small deviations in accurate reporting, documentation and digital tracking throughout the value chain (Mukherjee, 2020). For example, if firms conceal sales, or individuals underreport the number of sales, or game the invoices on which sales taxes are collected, the values associated with GST collections drop significantly, thereby affecting fiscal stability and public investment capacity (Peña & Ruge, 2021). Empirical studies across diverse contexts confirm the adverse fiscal implications of tax evasion. *Ghazo et al. (2021)* found that persistent evasion weakens Jordan's ability to maintain budgetary balance and limits developmental spending. *Pacifique and Harelimana (2020)* similarly reported that VAT evasion across Sub-Saharan Africa caused substantial drops in tax-to-GDP ratios, reflecting systemic inefficiencies. In India, *Mukherjee (2019)* highlighted that volatility in GST collections was closely linked to compliance gaps among small and medium enterprises, emphasizing that administrative shortcomings exacerbate the revenue loss caused by evasion.

In Jordan, recent studies by the International Monetary Fund (2023) and Huson et al. (2024) found that underreporting of sales and income, while ongoing fiscal regime reform is occurring, is an entrenched behavioural issue that arises from perceived unfair taxation, lack of institutional accountability, and poor enforcement (Al-Rahamneh & Bidin, 2022). As a result, digital tax administration tools such as e-invoicing, automated audits, and data-driven compliance systems are seen as increasingly important to offset the negative revenue effects of underreporting. A few recent studies advance this understanding by linking tax evasion to wider institutional dynamics. *Alshira'h et al. (2024)*, in a study of the determinants of VAT evasion in Jordan, found that stronger enforcement mechanisms, including forensic accounting, committing higher penalties for tax compliance, and increasing deterrence on the basis of justice, will reduce tax evasion and, as a result, revenue will roam underreporting during those years in which enforcement has improved. However, Bird and Zolt (2019) and OECD (2023) note when governments Caribbean of reported revenue loss from tax evasion the government expands the tax base or adjusts tax rates, which can raise reported revenue temporarily, but it indicates an institutional response

rather than tax compliance. Arda and Yusuf (2024), likewise, observed that improvements in governance and ethics did reduce tax evasion, but expecting a subsequent reporting increase is likely due to improved detection and enforcement capabilities of the relevant fiscal authorities.

Additional evidence from Tarashchenko et al. (2025), DiGabriele et al. (2024), and Makhmudov (2025) supports that increases in modernization, through digitalization and forensic auditing, contribute to enhancing the ability for governments to detect evasion and improve revenue collection. However, these temporary improvements should not be viewed as positive causal pathways from evasion to revenue, but rather reflective of the ways financial systems reactive adapt in efforts to recover the damages incurred via evasion. Even with reactivity, sustained evasion will ultimately diminish vertical fiscal capacity, aggravating inequities, and undermining trust in public finance. The relationship is also influenced by cultural and ethical dimensions. Barrera & Cortés (2024) showed in Colombia that by fostering a "culture of contribution," which improving transparency and civic education, will improve voluntary compliance with tax obligations while diminishing the long-term social cost to tax evasion. In the case of Jordan, it can be extrapolated that fiscal trust and transparency may transform the fiscal relationship from enforcement-driven to sustainable compliance-focused revenues over time. Moreover, research by Bajpai (2025), Haavik & Cissé (2024), and Wijaya & Putri (2024) show reforms in policy (e.g., international cooperation and reporting standards) enhances fiscal structures collectively, as they lessen the damaging impact of tax evasion on revenues. While short-term institutional responses may temporarily mitigate the loss of revenue, the long-term fiscal and economic consequences of tax evasion are negative. As noted by Serin et al. (2024) and Benabdellah & Fahim (2024), effective governance and the rule of law are essential prerequisites for sustainable revenue systems capable of withstanding the corrosive effects of tax evasion. Hence, in the Jordanian context in which GST revenues are a key part of fiscal stability, tax evasion is still arguably undermining the accuracy, comprehensiveness, and sustainability of revenue collection, notwithstanding reforms. Therefore, we state our first hypothesis of the study as follows:

H1: Tax evasion negatively affects SGT revenues in Jordan.

3.2 GST revenues and national economy

GST revenues play a pivotal role in the fiscal structure of contemporary economies, serving as both a stabilizing and growth-promoting instrument. As a broad-based consumption tax, GST effectively distributes the tax burden amongst sectors while providing stable and predictable revenue streams that enable governments to fund infrastructure, education, and social protection (Mukherjee, 2020), when GST administered efficiently, improves allocative efficiency, as taxes expenditure not production thereby minimizing distortions in labor and capital markets and creating conditions that are conducive to economic growth (Arnold et al., 2011; Gemmell et al., 2014). Nevertheless, the positive fiscal-growth nexus relies upon institutional integrity, compliance behavior, and the productive use of revenue collected. A large proportion of empirical evidence supports this relationship. Idris and Ahmad (2017) showed that increases in consumption-based tax revenues exhibit a strong relationship with GDP growth in Nigeria; this indicates that public investment financed by taxation has an expansionary effect on aggregate demand. Similarly, Kessy and Sukartini (2023) reported that effective indirect taxation increases fiscal sustainability by creating a multiplier effect (public spending and investment in infrastructure). This argument was taken one step further by Hamudi (2021), who affirmed that VAT and GST systems expand fiscal space for capital investment and social expenditure that leads to sustained growth over the long term. Finally, Peña and Ruge (2021) underscored the effect of digital reforms such as e-filing and e-invoicing for reducing leakages and enhancing revenue elasticity-improving national output through greater compliance and transparency.

The experience of Jordan reflects these global trends, but it uniquely reflects challenges tied to local context. GST revenues in Jordan account for more than half of total tax revenue, and thus are important sources for financing key public services including health care, education, and infrastructure (International Monetary Fund, 2023). According to Huson et al. (2024), GST performance affects fiscal capacity and macroeconomic stability, as variations in collection weaken government capacity to fund spending to support growth. Although fiscal reforms have been implemented, Al-Zaqeba (2024) argues that compliance inefficiencies and fragmented administration institution undermined the potential for GST as a tool for inclusive development. Therefore, GST administrative capacity is not merely a fiscal capacity issue and requires attention to the ways the characteristics of GST administration work as structural determinants of economic resilience.

The impact of taxation on economy performance has been discussed in the literature for a long time. Higher tax revenues create the opportunity for countercyclical spending that promotes aggregate demand and employment in the Keynesian paradigm. The neoclassical perspective expresses caution against excessive taxation, as excessive taxation will distort incentives and capital accumulation. Noting the differing perspectives, Skinner (1987) showed that more important than the level of taxation is its structure for growth: consumption-based taxes, such as GST, have a higher allocative efficiency and growth than income-based taxes such as personal income tax. Arnold et al. (2011) confirmed this finding with respect to OECD economies, finding a higher long-term GDP growth when

the tax mix shifted away from distortionary income taxes toward consumptive taxes, with less distortion resulting in better investment incentives.

Developing countries provided evidence supporting this point. Chapagai (2021) detected a significant positive link between VAT revenues and GDP in Nepal, indicating that consumption taxes, when managed in a transparent manner, have a direct conversion into higher national output. Similarly, Egbunike et al. (2018) found that tax revenues stimulate growth in Nigeria and Ghana, but only when the revenues are used for productive investments, which emphasizes that fiscal discipline and effectiveness of spending are the mediators in the relationship between tax revenues and economic growth. Idris and Ahmad (2017) reaffirm the Keynesian perspective, stating that tax revenues which are utilized effectively function as a stabilizing policy tool to maintain macroeconomic equilibrium. In terms of Jordan, maximizing the developmental return on the GST revenues that Jordan's government can generate from customers requires effective collection mechanisms as well as accountabilities around strategic public investment and spending.

Recent empirical studies have also demonstrated how GST reforms trigger even larger economic modernization. Debroy and Misra (2023) have demonstrated that India's GST reform improved the formalization of the economy, enhanced revenue buoyancy, and produced higher business confidence, while Mukherjee (2019) emphasized the importance of coordination and digitalization of management to reap the benefits of any long-term reform. These observations have clear relevancy with Jordan's agenda for fiscal modernization, as that agenda comprises e-invoicing and data-based audits to broaden the tax base and lessen tax evasion. In a related vein, Garg et al. (2024) recognized that the scope of favorable effects of GST on growth is heightened by macroeconomic stability (e.g., low inflation and controlled deficits), thereby creating relevance for the efforts in Jordan to balance fiscal discipline with stimulus to growth.

However, critics advise caution in neglecting the distributive ramifications of GST systems. Ikhsan et al. (2022) refer to their study on Malaysia and Singapore and highlighted that notwithstanding the dual beneficial effects of GST for government finances and productivity, GST can also disproportionately affect low-income populations if there is no corresponding set of social guarantees. Thus, in terms of the Jordanian context it will be important to design fiscal instruments that are equity-enhancing or at the least provide assurance that the benefits of improved economic performance from government-financed growth will, in turn, lead to inclusive and equitable socioeconomic benefits rather than escalating inequality. In addition, Neog and Gaur (2020) and Permadi and Wijaya (2022) point that quality of governance, strength of institutions and control of corruption stands as prerequisites to adapting tax revenues into sustainable productive economic in a manner relevant to Jordan's current process of governance reform.

On a forward-looking basis, fiscal policy innovations provide another example of the growth potential of solidly designed tax systems. Maxim and Zander (2020) utilized a computable general equilibrium (CGE) model to demonstrate that "triple dividend" outcomes of lower emissions, increased GDP, and greater employment may be achieved with the incorporation of environmental objectives into GST types of frameworks. This suggests that GST can move from simply a fiscal policy tool to a catalyst for environmental sustainability as tax policy responds to society's needs. This notion is consistent with Jordan's increasing push for green economy-based approaches that connect tax policy to fostering sustainable growth and transitioning economies from fossil-fuel-based energy to renewable energy and other sustainable initiatives. Therefore, proposed that efficiency in GST collection and management will have a positive effect on national economic growth through greater fiscal stability or productive public expenditure. The first hypothesis is therefore as follows:

H2: GST revenues positively affect the Jordanian national economy.

3.3 Mediating Role of GST Revenues

The link between tax evasion and overall economic performance is rarely linear or direct, but travels along complicated fiscal pathways that structure the efficiency by which governments mobilize and allocate public resources. In this regard, Goods and Services Tax (GST) tax revenues are a vital mediating mechanism in how taxpayer compliance behavior and governmental enforcement capacity translates into macroeconomic performance. In the fiscal transmission framework (Musgrave, 1959; Barro, 1990), tax revenues are the direct link from the citizen taxpayer to government expenditure, investment, and redistribution. Tax revenues associated with tax evasion act as a conduit from tax revenues, through decreased fiscal capacity, to reduced public investment and resultant reductions in aggregate demand (Neog & Gaur, 2020; Mukherjee, 2020). Empirical evidence consistently supports this mediation rationale. Chapagai (2021) found the negative effect from tax evasion to economic growth is mediated through revenue mobilization. Peña and Ruge (2021) found similar evidence that efficiency gains in VAT and GST counteracted the macroeconomic harm caused by evasion, leading to greater fiscal stability. Huson et al. (2024) take this argument to emerging economies, suggesting strong indirect tax institutional arrangements, further supported by digital monitoring and automated reporting, increase resilience to revenue shocks. The mediating role is particularly important in the Jordanian context. Since general consumption

tax revenue contributes over half of total tax revenue (IMF, 2023), both fiscal health and economic performance rely on the importance of efficiency in impacted general consumption tax systems. Ongoing tax evasion and underreporting—approximately equivalent to 16.7% of total general consumption tax revenue and 1.7% of GDP (Ghazo et al., 2021)—diminish fiscal space and restrict productive public expenditure to facilitate economic development. Nonetheless, reform in Jordan has emerged at the administrative modernization level including the introduction of electronic invoicing, the implementation of risk-based audit practices, and compliance monitoring; which can respond to, and generate, adaptation to sustain general consumption tax revenues in the context of ongoing evasion pressures (Al-Rahamneh & Bidin, 2022).

This mediating effect is highlighted by post comparative international evidence. Pacifique and Harelimana (2020) demonstrated in Rwanda that improved compliance regimes enhanced VAT collections, facilitating improved macroeconomic outcomes, showing again revenue growth channels behavioral improvements into growth outcomes. Similar findings by Hamudi (2021) in Zimbabwe show that withholding tax mechanisms reduced VAT evasion and supported fiscal balances. Further evidence reported by Lateef et al. (2022) in Iraq, showed that modernizing the tax administration reduced the fiscal impact of tax evasion by improving the revenue performance elasticity. Together, this evidence demonstrates consistent findings: VAT in GST systems that are produced efficiently promote compliance enforcement converting revenues to a macroeconomic stabilizing force.

The aspects of compliance both behavioral and ethical, also further support the mediating role of GST. Al-Rahamneh and Bidin (2022) found that fairness/justice, and moral obligation perceptions influenced tax compliance among Jordanian SMEs, and therefore influenced GST effects, and indirectly economic performance. They reinforce what Barabash (2021) found, that fiscal legitimacy (when citizens see tax spending as fair and accountable) drove trust and promoted voluntary compliance, further reinforcing the fiscal multiplier of GST revenue. Thus, behavioral factors mediate the relationship between evasion and Macroeconomic outcomes via their influences on GST efficiency and legitimacy.

Institutionally, governance quality and administrative modernization fluctuate the intensity of this mediation. Ajaz and Ahmad (2022) noted that corruption and weak governance magnifies the fiscal impact of tax evasion, whereas transparent and digitalized systems for the GST reverse this relationship. In Latin America, Peña and Ruge (2021) established that countries adopting e-invoicing reduced VAT gaps, leading to an upsurge in revenue predictability and growth potential. This is mirrored in the recent novel digital transformation efforts of the Jordanian Income and Sales Tax Department (ISTD) to reduce the compliance gap through digitalization and the integration of data. Simultaneously, the VAT gap literature [originally proposed by Zidková (2014) and subsequently analysed further by Ciobanu et al. (2023)] also attempts to quantify this relationship such that smaller VAT (or GST) gaps are associated with fiscal efficiency and stronger growth potential, particularly when controlling for both household consumption and informal sector size. Wider application to Jordan, suggests that reducing the GST compliance gap would directly contribute to fiscal resilience and indirectly support GDP growth.

Evidence that crosses national borders offers even more specification into how this mediation process occurs across various institutional contexts. Mukherjee (2020), and Prabowo and Wijaya (2023) found that higher GST efficiency creates a mediating pathway for the positive effect of compliance and sectoral expansion on economic growth, particularly in lower-income locales and emerging G20 economies. Huson, Almousa, and AlQudah (2024) found similar results when they called for improvements in indirect tax performance to compensate for the fiscal deficits associated with corporate tax evasion by business owners, substantiating the corrective function of efficient GST systems.

The findings of Chawla (2020) and Deshmukh et al. (2022) on India's GST reform provide empirical support for this triadic framework, as they demonstrate that while it may challenge compliance, an expanded tax base combined with digital technology improves revenue outcomes and therefore illustrates the mediating effect of GST efficiency. However, this framework is of immediate policy relevance to Jordan. As the country continues to implement its national tax modernization strategy, the mediating function of GST revenues can enable a fiscal stabilizer to absorb the negative externalities of evasion, enhance transparency, and allow for continuous public investment. Thus, this is our first hypothesis:

H3: GST revenues mediate the effect of tax evasion on the Jordanian national economy.

4. Proposed Research Model

The research model that propose in this paper provides an integrated analytical framework for understanding dynamic relationships related to tax evasion, GST revenue, and the Jordanian national economy. The model aims to provide an explanation of the effect of tax compliance behavior on economic conditions through fiscal mechanisms, specifically GST revenue, which serves as a mediating variable connecting behavioral and macroeconomic dimensions (Al-Qasmi, 2024). This notion is based on theoretical reasoning and empirical evidence and stresses that taxation systems are not simply mechanisms for fiscal collection but important levers

to achieve macroeconomic stability and sustainable development (Skinner, 1987; Arnold et al., 2011; Chapagai, 2021; Al-Omaria et al., 2025).

In terms of fiscal governance theory, tax administration and institutional transparency can be regarded as the key variables to maintain fiscal sustainability and growth in the long-run (Bird & Zolt, 2019). Conversely, tax evasion reduces the government's ability to raise public revenues, increases its budget deficits, and erodes public confidence in its institutions (Torgler, 2007). This is particularly relevant in a country like Jordan, in which goods and services tax (GST) is the main typology of indirect tax. The GST responses and efficiency determine how much tax evasion influences financial sustainability and ultimately the economy more generally. Empirical research supports the conceptual connection between compliance as behavior and fiscal potential. Egbunike et al. (2018) and Ihuarulam et al. (2021) indicated that low tax compliance limits revenue raised domestically as countries reduce their capacity to invest in the public sector. Correspondingly, Ghazo et al. (2021) and Mukherjee (2020) noted that high levels of evasion shrink the GST tax base leading to less fiscal space available for development expenditure and generally constrain fiscal potential. However, structural mechanisms enabling higher rates of tax collection (particularly and under the GST system) support fiscal consolidation, reducing structural deficits, and fostering economic growth (Debroy & Misra, 2023; Garg et al., 2024).

In this regard, the model suggests that tax evasion decreases GST revenues (H1) in that taxpayers' non-compliance will erode the tax base and undermine the government's fiscal capacity to effectively mobilize resources (Idris & Ahmad, 2017; Neog & Gaur, 2020). This negative relationship has been evident in both developed and developing economies as tax evasion threatens not only fiscal integrity but also weakens macroeconomic resilience. Conversely, it is anticipated that GST revenues affect the national economy positively (H2). There is trust that increased and steady tax revenues are beneficial for fiscal capacity, infrastructure investment, and overall economic activity (Kessy & Sukartini, 2023; Huson et al., 2024). The fiscal growth hypothesis posits that government spending catalyzed via good taxation will boost productivity and capital formation (Nayak et al., 2022). From a Keynesian standpoint, publicly funded tax expenditure drives aggregate demand and employment, while the neoclassical view suggests that efficient taxation drives private investments in productivity and technology advances.

Additionally, the model posits that GST revenues mediate the relationship between tax evasion and the national economy, this is consistent with observations by Mukherjee (2019) and Chapagai (2021), who argued that strong, transparent GST systems could mitigate the negative macroeconomic impacts of evasion by increasing both revenue elasticity and supporting fiscal decentralization while also ensuring sustainable public financing. Additionally, Peña and Ruge (2021) argued that the increased degree of automation and data that exists in tax collection means that these fiscal systems can undergird economic performance, even when compliance is only partial. Thus, in the Jordanian example where the GST is the policy instrument of turning tax evasion around, when administration and adherence processes are efficient is cited as a potential means for cushioning the negative economic impact of tax evasion (Al-Zaqeba et al., 2025; Amayreh et al., 2026). Consequently, the current study proposes the following conceptual framework to study the mediating role of GST revenues on tax evasion and the Jordanian national economy, physically presented in the figure (1) below that conceptualizes the proposed relationships in between the three constructs of the study, which are Tax Evasion, GST Revenues, and the Jordanian National Economy, emphasizing the links between fiscal governance and economic performance.

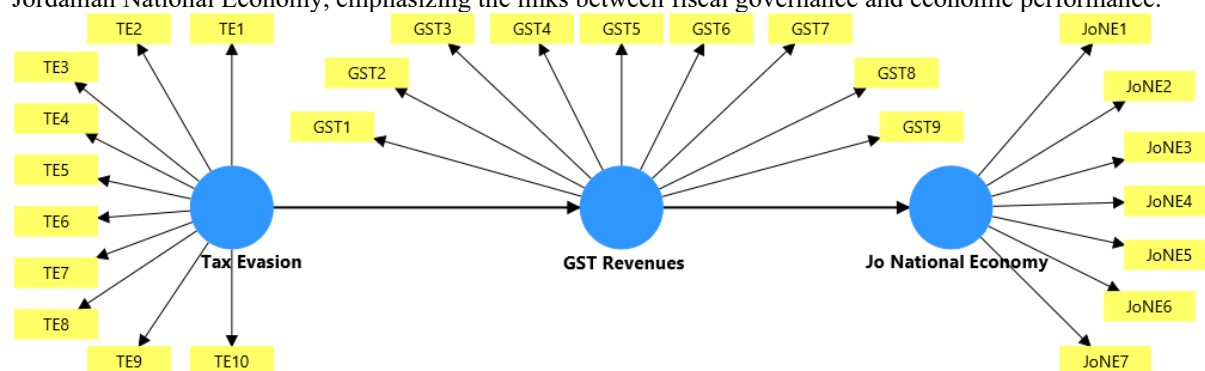


Fig (1): Research Model

As shown in Figure 1 above, and similar to developing economies like Jordan, the General Sales Tax (GST) has become a major focus of research and practice, particularly as a prominent topic in tax compliance. However, empirical research (Aloqaily et al., 2024) on tax compliance among Jordanian SMEs has not yet investigated the mediating role of GST revenue between tax evasion and the Jordanian economy. For example, Aloqaily et al. (2024) acknowledged that the mediating effect of a green culture has attempted to transform green human resource management practices into sustainable performance in Jordanian SMEs, with the understanding that corporate values promote behavioural compliance.

Al-Zaqibeh (2024) examined tax and customs interventions from a green finance perspective, demonstrating that transforming regulations to achieve sustainability inevitably leads to financial and environmental benefits. These observations are based on the idea that effective tax systems exist within a broader environment of institutional trust and policy design that is context-appropriate. Al-Taani et al. (2025) investigated tax and customs policies, specifically on the logistics of fiscal operation and the impact on supply chain performance, and their research found that regulatory transparency and regulation matter for improving a country's economic competitiveness. Their conclusion aligns with the conclusions of Bird and Zolt (2019) whereby they found a country's tax system underpins the stability of its fiscal revenues as well as outcomes for long term growth and development. In Jordan, the GST is the primary indirect tax, and therefore the way it is administered will determine how well the state can fund public infrastructure, social welfare, and collective development. Related trends in the financial and technology research also provide context for fiscal change. AlZakwani et al. (2023), Lootah (2024), and Maabreh (2024) studied how FinTech and blockchain technologies help improve the integrity of financial reporting, lower transaction costs, and increase transparency. Similarly, Alshehadeh et al. (2023) noted how big data and IoT systems help improve accountability in accounting processes, which composes a consistent concept with the modern tax administration monitoring system that uses data analytics to understand underreporting. The studies suggest that digitalization is a facilitator of compliance and fiscal stability for governments to increase GST collection and reduce rates of evasion. The OECD (2023) supports this argument noting the implications of AI in taxation for accuracy of compliance and increased administrative efficiencies, especially in those countries moving to a digital state for emerging economies.

In addition to finance, the wider literature on institutional and human capital contributes to our understanding of systemic adaptability. Research in education and HRM have shown, as documented by Hazaimah (2025), Sharadgah et al. (2025), and Shboul (2024), that digital transformation achieves institutional agility through the reconciling of vocational competences and structural reforms. Likewise, Ibrahim and Ali (2025), and Falaha (2024), found that digital HRM, and agile management, are drivers of resilience and performance in organizations. Taken together, these findings add some weight to the fiscal dimension: economic and tax institutions need adaptive, technology-enabled models, as organizations do, in order to effectively respond to evasion and remain fiscally viable. The corresponding ideas of digital, institutional, and behavioral perspectives are also a compelling case for transdisciplinary lenses that are applied to the discussion of fiscal performance in Jordan.

5. Methods

This study employed a quantitative, descriptive-analytical research design to investigate the Mediating role of GST Revenues between tax evasion and the Jordanian Economy. The approach was selected to allow for statistical examination of the relationships between variables using structural equation modeling (SEM), which is well-suited for analyzing mediating effects and complex causal relationships (Qahman & Abdu, 2024; Shubailat et al., 2025) i.e., Structural Equation Modeling - Partial Least Squares, adept at analyzing sophisticated models with numerous interdependent variables.

The target population was carefully illustrated so that the data collected would accurately represent the fiscal and economic conditions in Jordan. The present study therefore included not only registered SMEs dispersed across various emirates through stratified random sampling like previous studies but also professionals who are involved directly with fiscal governance and GST practices in Jordan. The reasoning for this was that the present study needed to account for the Jordanian institutional environment in which public sector officers, tax auditors, and private sector financial professionals all played a significant role in creating taxation policy and implementing it. Therefore, the target population included officers, auditors, financial managers, and policy analysts from the Income and Sales Tax Department (ISTD), the Ministry of Finance, and private enterprises that are registered under GST.

Due to the exploratory and policy-inspired nature of the study, respondents were purposefully sampled to ensure they had the requisite professional knowledge regarding GST compliance protocols, enforcement mechanisms, and fiscal policy practices. A total of 350 questionnaires were disseminated, and after thorough screening for completion and accuracy a total of 276 valid questionnaires were retained for analysis; which reflects a high return rate of 78.8%, which exceeds the minimum threshold level for sufficient data when engaging in structural equation modeling.

The questionnaire had five coherent sections. The first section inquired about demographic details related to the participants' position, years in the profession, sector, and firm size; this method established a context for evaluating their responses. The second section measured tax evasion behavior, assessing perceptions of compliance, enforcement, and ethics. The third section investigated GST revenue performance, measuring efficiency, transparency, and administrative capacity regarding the tax collection mechanisms. The fourth section captured national economic performance, measuring participants' perceptions of macroeconomic stability, growth, and fiscal sustainability. Finally, control variables in fifth section controlled for contextual factors related to firms, such size or industry type, that might implicitly influence compliance and performance regarding fiscal revenues.

Items were evaluated with a five-point Likert scale from 1 (strongly disagree) to 5 (strongly agree) to allow for richer analysis of attitudes and perceptions. In order to confirm content validity, the instrument was reviewed by academic specialists in taxation and public finance for to all concepts were clear and in context. A pilot study was then conducted with 27 SMEs, which offered additional reliability for the instrument in structure and wording. Interestingly, the pilot results demonstrated a high rate of internal consistency, given all Cronbach's alpha scores were above 0.70, which indicated a sufficient measure of reliability. This paper also evaluated construct validity through both convergent and discriminant validity tests with SmartPLS-4, assuring that each latent construct made sense theoretically and empirically. We used descriptive statistics to summarize the demographic profiles of the respondents and the distribution of the variables to establish a solid foundation to test our hypotheses. Finally, we used Partial Least Squares Structural Equation Modeling (PLS-SEM) to investigate the hypothesized relationships and mediation effects among tax evasion, GST revenues, and the national economy (Al-Qasmi, 2024; Lootah, 2024; Maabreh, 2024).

6. Results

This section describes the results produced from the analysis of the SmartPLS 4 program. Results are offered in an order that is developmentally appropriate, and from descriptive to inferential in a way that ensures the method is clear and logical

6.1 *demographic characteristics of respondents*

The analysis indicated a balanced representation of participants in terms of professional roles, sectors, and years of experience, mirroring the various structural components of Jordan's fiscal and economic landscape. In terms of professional role, 38% were tax officers and auditors from the Income and Sales Tax Department (ISTD), 27% were financial managers and accountants in private sector companies, and 21% were policy analysts and economists from the Ministry of Finance and related entities such as the Tax Policy Bureau and the Tax Research and Studies Unit. This ensured the sample contained representation from both enforcement and compliance perspectives of the tax system. In terms of the experience of the participants, approximately 45% stated they had more than 10 years of experience, 33% had between 5 and 10 years of professional experience, and 22% had under 5 years' experience. This distribution of experience demonstrated a preponderance of experienced professionals who could provide substantive evidence relating to the fiscal operations and compliance dynamics. There was also diversity in terms of sector representation: 58% of the participants were public sector respondents, primarily from tax and financial oversight agencies; 42% were private sector respondents registered under GST. This representation allowed the research to consider policy implementation and the interaction with practical compliance. Regarding size of firm, 41% of the participants from the private sector were medium-sized, 37% small firms, and 22% large companies. Again, this distributionity reflects Jordan's economic structure, where SMEs are the backbone of the Jordanian economy and involved with GST collection and compliance behaviors. The results also indicated there was a fairly evenly distributed sample with respect to educational background, 54% held bachelor's degrees, 32% had a master's degree, and 14% had doctorate or professional credentials (e.g. in accounting, finance, or economics). This represents a high level of technical expertise among participants, which strengthens the plausibility of their response.

6.2 *Measurement Model Assessment*

Prior to assessing the structural relationships, the measurement model was assessed for the reliability and validity of the constructs. All indicators exhibited high factor loadings above the 0.70 cut-off, and therefore item reliability was established. The Cronbach's alpha and composite reliability (CR) values fell within the range of 0.82 to 0.93 of all constructs, demonstrating satisfactory internal consistency (Hair et al., 2022; Thosony, 2025). Additionally, the Average Variance Extracted (AVE) values were above 0.50 for all latent variables, thus establishing convergent validity. Discriminant validity was assessed using the Fornell–Larcker criterion and the Heterotrait–Monotrait (HTMT) ratio. The square root of each construct's AVE was greater than the correlations with other constructs and all HTMT ratios were below the threshold of 0.85 which established that the constructs were empirically distinct. Thus, these results support the validity of the measurement model for the following hypothesis testing. Nonetheless, the validity results and structural model path coefficients produced in SmartPLS 4 are illustrated in the following figure (2).

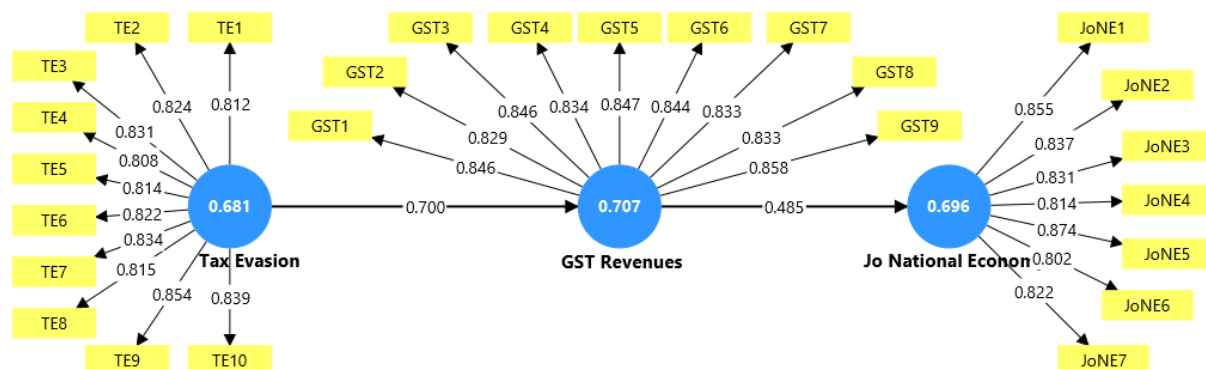


Fig (2): Validity Results and Structural Model Path Coefficients

The model presented in Figure (2) has adequate indicator reliability and validity for all constructs. For every outer loading, the loading is greater than 0.70 (Hair et al., 2021), indicating that all indicators are providing adequate contribution to the relevant latent construct. The three latent variables (Tax Evasion, GST Revenues, and Jordanian National Economy) displayed high internal consistency and good factor structure. The path structure of the model indicates that Tax Evasion has a strong and significant direct effect on GST Revenues ($\beta = 0.700$), and further GST Revenues have a positive relationship with Jordanian National Economy ($\beta = 0.485$). These findings are theoretically consistent with the study hypotheses and suggest that reduced tax evasion improves GST collection which in turn leads to macroeconomic stabilization and growth. The model also exhibits an excellent degree of explanatory power. The R^2 value of (0.681 for tax evasion, 0.707 for GST revenue and 0.696 for national economy) exceeds the required threshold of (0.50), which means each endogenous construct has a great amount of variance explained. This supports the adequacy of this model and the suggested GST revenue mediating role for the relationship between tax evasion and economic performance.

Table (1): Reliability testing

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
GST Revenues	0.948	0.949	0.956	0.707
Jo National Economy	0.927	0.930	0.941	0.696
Tax Evasion	0.948	0.948	0.955	0.681

Table (1) provides additional support for the reliability of the model, as well as its convergent validity. The Cronbach's alpha and composite reliability values for all constructs were, again, well above 0.90 and above the acceptable threshold of 0.70, demonstrating excellent internal consistency (Nunnally & Bernstein, 1994). The Average Variance Extracted (AVE) values for all constructs were above 0.68, exceeding the 0.50 threshold and showing strong convergent validity (Fornell & Larcker, 1981). Discriminant validity was further assessed using the Heterotrait-Monotrait ratio (HTMT), in order to establish the empirical distinctiveness of the constructs in the measurement model. According to Henseler et al. (2015), the HTMT ratio should fall below 0.90 to establish adequate discriminant validity.

Table (2): Discriminant validity Matrix

	GST Revenues	Jo National Economy	Tax Evasion
GST Revenues			
Jo National Economy	0.514		
Tax Evasion	0.736	0.390	

Table (2) shows that all HTMT measures are below the strict threshold of 0.85 and well below the more permissive cut-off of 0.90, which therefore supports discriminant validity of the latent constructs in the model. This value of 0.736 between Tax Evasion and GST Revenues indicates a moderate association, but satisfactory separation between the constructs, meaning these two constructs likely measure related, but conceptually distinct, phenomena. Similarly, the lower correlations in relation to National Economy (0.390 and 0.514) substantiate that the constructs reflect separate theoretical dimensions within the larger fiscal structure.

6.2 Structural Model Evaluation

Following the validity of the proposed measurement, the assessment of the structural model (SM) began to test the hypothesized relationships of TEV, GST, and ECO. Multicollinearity was assessed with the Variance Inflation Factor (VIF) and all values were lower than 3.0, indicating the absence of multicollinearity issues. The

proposed model's explanatory power was assessed through the coefficient of determination (R^2) and adjusted R^2 in Table (3). As indicated by Hair et al. (2021), R^2 values can indicate weak, moderate and substantial explanatory power when the values are 0.25, 0.50, and 0.75, respectively.

Table (3): R^2 results

	R-square	R-square adjusted
Jordanian national economy	0.363	0.361
VAT Revenues	0.654	0.653
	R-square	R-square adjusted
GST Revenues	0.489	0.488
Jo National Economy	0.235	0.233

Table (3) shows that the model provides moderate explanatory power over the dependent constructs. Specifically, while the R^2 value of GST Revenues equals 0.489 which shows about 49% of explained variance due to Tax Evasion, a strong predictive relationship supported the assumption of then impact of changes in compliance behavior on GST collection efficiency, is useful. Meanwhile, the Jordanian National Economy reaches an R^2 value of 0.363, leaving about 36% of explained variance due to GST Revenues which is considered moderate in social science research (Chin, 1998) and shows that GST revenues serve an important role in articulating the macroeconomic performance while representing a mediating tax impact of fiscal evasion.

The adjusted R^2 estimates that correct for model complexity and sample size continue to emulate the raw R^2 estimates, which further confirms the strength and parsimony of the model. Altogether, these results indicate that the structural model has sufficient explanatory ability to warrant the hypothesized paths between Tax Evasion, GST Revenues and National Economic Performance. In addition, F^2 statistic reflects the effect size of each exogenous construct on the endogenous variables in the structural model. Cohen (1988) classified F^2 effect sizes as small (0.02), medium (0.15) and large (0.35). A summary of the F^2 analysis is provided in Table (4).

Table (4): F^2

	GST Revenues	Jo National Economy
GST Revenues		0.307
Jo National Economy		
Tax Evasion	0.959	

According to Table (4), Tax Evasion has a large size of effect ($F^2 = 0.959$) on GST Revenues, indicating that changes in the behavior of evasion exert a significant influence on the effectiveness of GST collection systems. This finding is consistent with empirical evidence from previous studies (Neog & Gaur, 2020; Chapagai, 2021), reinstituting that compliance behavior and enforcement credibility are paramount determinants of efficiency related to tax-based revenues. By comparison, GST Revenues had a small to moderate size of effect ($F^2 = 0.307$) on the Jordan National Economy, suggesting that changes in GST efficiency and efficiency in revenue supporting will only moderately, but meaningfully, affect national economic performance. To further evaluate the predictive validity of the model, the Stone–Geisser Q^2 estimate used the blindfolding procedure within SmartPLS 4. Hair et al. (2021) articulated a position that any Q^2 value above zero indicates that the exogenous constructs hold predictive relevance for the endogenous variables, while a Q^2 value above zero indicates a stronger predictive accuracy.

Table (5): Predictive Relevance (Q^2) Results

Construct	Q^2 Value
GST Revenues	0.373
Jo National Economy	0.226

As indicated by Table (5), the Q^2 value associated with GST Revenues (0.373) represents considerable predictive relevance and affirms that the model is capable of predicting GST performance variability due to tax evasion behavior. This affirms the strength of the relationship we established previously, which had tax compliance behavior accounting for almost half of the GST revenues variability ($R^2 = 0.489$). The Jordanian National Economy shows a moderate level of predictive relevance ($Q^2 = 0.226$), where GST revenues are a substantive predictor of macroeconomic conditions. Both results further substantiate the mediating pathway described through the conceptual model, whereby effective GST revenue generation results in better economic performance, even with the disruptive implications of tax evasion behavior. The final stage of the SM was to test the hypothesized relationships between the constructs using the Partial Least Squares Structural Equation Modeling (PLS-SEM) framework. The significance of the path coefficients was evaluated using bootstrapping with 5,000 resamples in Smart-PLS-4. As shown in Figure 3, the outcome of the standardized path coefficients (β), Standard Deviations (STDEV), t-values, and p-values, informed the relative strength and direction of each hypothesized effect.

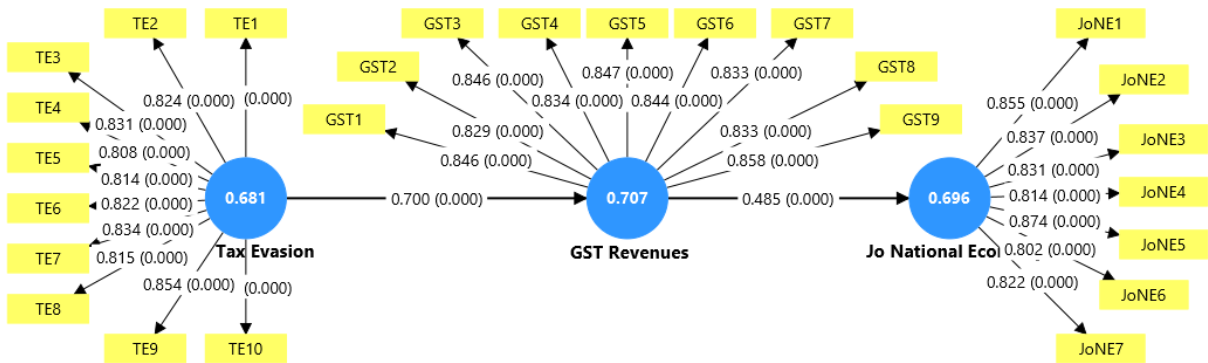


Fig (3): Hypothesis-Results

As illustrated in Figure (3), all hypothesized paths in the model were statistically significant ($p < 0.001$), confirming the hypothesized causal relationships among the constructs. The figure shows that Tax Evasion negatively influences GST Revenues, while GST Revenues positively affect the Jordanian National Economy. Moreover, the model reveals a significant indirect path from Tax Evasion to the National Economy through GST Revenues, highlighting the mediating mechanism proposed in this study. These findings are consistent with earlier research emphasizing the role of tax administration efficiency and compliance behaviour in shaping macroeconomic stability (e.g., Fentaw, 2022; Feltenstein, 2022; Ikram et al., 2025). Table (6) presents the results of the direct path analysis derived from the PLS-SEM model.

Table (6): Hypothesis-Testing

Path	β	STDEV	T-values	P-Values
Direct Effect				
GST Revenues -> Jo National Economy	0.486	0.039	12.569	0.000
Tax Evasion -> GST Revenues	0.700	0.026	26.795	0.000

Table (6) shows that both the hypothesized direct paths are significant at the highest possible levels. The path coefficient for Tax Evasion to GST Revenues ($\beta = 0.700$, $t = 26.795$, $p < 0.001$), portrays a strong and significant relationship pointing to the fact that higher proportions of tax evasion directly explain the decrease in GST revenue performance to a significant level. In the same vein, the path coefficient for GST Revenues to the Jordanian National Economy ($\beta = 0.486$, $t = 12.569$, $p < 0.001$) illustrates the important role tax revenues undeniably play in generating economic stability and growth characteristics. Table (7), expands the findings to identify both indirect and mediating effects.

Table (7): Result of Mediation Testing

Path	β	STDEV	T-values	P Values
Direct Effects				
GST Revenues -> Jo National Economy	0.486	0.039	12.569	0.000
Tax Evasion -> GST Revenues	0.700	0.026	26.795	0.000
Indirect Effects				
Tax Evasion -> Jo National Economy	0.340	0.032	10.727	0.000
Mediation Effect				
Tax Evasion -> GST Revenues -> Jo National Economy	0.340	0.032	10.727	0.000

The mediation analysis in Table (7) provides evidence of a full mediating effect of GST Revenues in the relationship between Tax Evasion and the Jordanian National Economy. The indirect effect ($\beta = 0.340$, $t = 10.727$, $p < 0.001$) is significant and substantively large, demonstrating that the negative effect of tax evasion on national economic performance primarily occurs through its negative effect on GST collection efficiency. These outcomes lend empirical support to the theoretical model of the study. The data illustrate that improvements in GST transparency, enforcement capacity, and administrative integrity can mitigate the negative macroeconomic impacts of tax evasion. This supports previous evidence presented in developing economies, where the compliance

environment is generally weak, leading to problems of fiscal sustainability (Mukherjee, 2020; Neog & Gaur, 2020). Therefore, all hypotheses were supported (H1, H2, and H3). The evidence supports hypotheses H1 and H2, which states that fiscal compliance and tax administration efficiency are key factors leading to revenue prospects and economic growth. The mediation analysis also provides robust support for proposal H3, which proposes that GST revenue is a full mediator in the relationship between tax evasion and national economics. This suggests that the negative impacts of tax evasion on the national economy primarily occur through tax evasion resulting in reduced fiscal capacity and tax collection efficiency. The mediation pathway ultimately suggests that improvements in GST mechanisms (i.e. transparency, enforcement, and digitalisation) are critical components of any plan to reduce revenue losses and achieve economic resilience.

7. Discussion

The findings which show a significant negative association between tax avoidance and GST revenues demonstrate the ongoing structural and behavioral challenges in Jordan's fiscal system. Tax avoidance illustrates the continual erosion of the tax base, the degeneration of public trust, and limits the government's capability to mobilize sufficient domestic resources for sustainable-development purposes. Egbunike et al. (2018) noted that much tax avoidance not only affects fiscal capacity, but also feeds into an environment of distrust which further undermines compliance incentives. In the Jordanian context, where the GST is a key pillar of indirect taxation, non-compliance hampers the elasticity and predictability of revenues; indicating a susceptibility to administrative inefficiencies and a lack of enforcement ability. This underlines the conclusions of Neog and Gaur (2020) and Mukherjee (2020) who established that weak institutional frameworks and insufficient audit capacity in developing economies directly affect the effective administration of tax processes. Moreover, the strong positive effect of GST revenue on the national economy (H2) supports fiscal expansion hypotheses, which claim tax-financed spending will provide a boost to the economy and aid in stabilizing the macroeconomy. Following Kessy and Sukartini (2023) and Nayak et al. (2022), this study has found that an effective GST revenue-generating model will increase the public sector's ability to finance infrastructure, support social welfare programs, and enhance private-sector activity. In the Jordanian context, this is particularly relevant, as a resource-constrained economy that relies on tax-based revenues to fund the economy, fiscal stability of the state would hinge on the state's capability to collect and manage the GST to reduce any potential debt and sustained development. Therefore, this relationship is more important than fiscal management, as it forms the bedrock of national economic resilience and self-reliance.

The identification that GST revenues completely mediates the relationship between tax evasion and national economic performance reflects that the macroeconomic impact of tax evasion is not only lost revenue but a structural displacement to the fiscal feedback loop, fusing supply and demand within an economy. In all cases, even if tax evasion continues, the implementation of reforms that focus on improving GST transparency, enforcement, and digital related compliance will help mitigate the negative impact of tax evasion on economic performance. This finding is corroborated in Chapagai (2021) and Peña & Ruge (2021), who found that well-architected, technology-mediated, tax systems in developing countries are capable of reducing fiscal instability by partially offsetting compliance losses due to efficiency improvements. Therefore, the findings also confirm aspects of the fiscal governance theory, particularly that the quality of institutions is a predictor of an economy's ability to absorb shocks that arise from inefficiency and compliance failures.

More generally, these results provide strong empirical foundations for the fiscal transmission theory (Musgrave, 1959; Barro, 1990), which asserts that public revenues act as channels that indirect taxes lead to macroeconomic consequences such as growth, stability, and equity. In Jordan where indirect taxation predominates in the revenue structure, the changes in the collection of the GST immediately affect fiscal and development planning priorities. The strong path linking the revenues from the GST and the national economy provides empirical affirmation of the Keynesian proposition that tax mobilization not only provides additional spending power to government but also leads to a rise in aggregate demand and economic confidence. Digital tax administration and data-driven compliance oversight increases revenue predictability and resilience in developing economies (Chapagai, 2021; and Peña & Ruge, 2021). Furthermore, Al-Rahamneh & Bidin (2022) established a clear link between taxpayers' views of fairness, procedural justice, and the credibility of enforcement of compliance in Jordan. Collectively, these findings suggest that tax administration modernization will require several improvements including electronic invoicing, automated auditing, and effective taxpayer education to limit the economic costs associated with evasion. The evidence also highlights a deeper structural implication: the modernization of fiscal capacity is not simply a technical reform; it is an important institutional adaptation of the ability to effectively convert fiscal discipline into sustainable economic performance.

8. Conclusion

This research explored the intricate relationships among tax evasion, GST revenues, and national economic outcomes in Jordan. The study utilized a structural equation modeling (SEM) methodology within SmartPLS 4. The contributions showed that tax evasion has a significant negative effect on GST revenues, whereas GST

revenues also had a positive relationship with the national economy. Moreover, the mediation analysis demonstrated that GST revenues completely mediate the relationship between tax evasion and economic performance, representing the important function of fiscal mechanisms in connecting compliance at the micro-level to economic growth at the macro-level. The research theoretically contributes to the literature confirming the mediating role of the efficiency of the GST acting as a key fiscal channel in the context of the broader economic system. The study combines both fiscal governance and behavioral compliance theory, building on evidence showing that strong tax administration and compliance enforcement can convert potential leakage in fiscal productivity into revenue flows that enable growth prospects. From a policy standpoint, the results highlight the significance of enhancing tax administration through digital reform, value addition to enforcement & audit improvements, and capacity building among tax officers and firms. Building transparency while lowering compliance costs can stimulate voluntary compliance and therefore stabilize GST inflows and promote sustainable economic growth. While tax evasion remains a chronic problem in the developing world, Jordan has shown that with strategic management the GST could provide a fiscal barrier against the negative effects of tax evasion. Future research should consider longitudinal and cross-national studies to investigate the dynamic change in these relationships and longer-term effects of digitalization and reform on fiscal sustainability.

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