

Factors Influencing the Satisfaction of the Salaried Income Tax Payers with Reference to Theni District: An Analysis

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Abstract

This research paper an attempt has been made to examine the sample salaried tax payers' satisfaction about the Income Tax System by using Factor Analysis. The main objective of the paper is to analysis the factors influence the satisfaction of the salaried tax payers about the income tax system in Theni District. This study is an empirical research. Data were collected from hundred fiftysalaried tax payers respondents were selected by using convenient random sampling technique. The researcher used convenient sampling method to collect data from the sample respondents. First hand data were collected from the salaried tax payers by the researcher himself with the help of an interview schedule. Secondary data are collected from journal, maganize, newspaper, and relevant books and web site. Percentage analysis and rotated matrix were used to analyse the data. This paper reveals that out of twenty variables their six factors were extracted namely "Tax Planning", "Tax Liability", "Income Tax Laws", "Exemptions", "E-Tax", and "Filing Return". All the attributes are formed under each factor had high as sociations. High value of Kaiser-Meyer-Olik in measure of sampling adequacy (0.6921) indicates the correlation between the pairs at variables explained by other variables and thus factor analysis was considered to be appropriate in this model. Cronbach's Alphais more than 0.65 in all factors.

Keywords: Salaried Tax Payers, Income Tax System, Rotated Matrix.

Introduction

It is matter of general belief that taxes on income and wealth are of recent origin but thereis enough evidence to show that taxes on income in some form or the other were levied even inprimitive and ancient communities. The origin of the word "Tax" is from "Taxation" which means an estimate. These were levied either on the sale and purchase of merchandise or livestock and were collected in a haphazard manner from time to time. Nearly 2000 years ago, there wentout a decree from cease Augustus that all the world should be taxed. In Greece, Germany and Roman Empires, taxes were also levied sometime on the basis of turnover and sometimes onoccupations. For many centuries, revenue from taxes went to the monarch. In northern England,taxes were levied on land and on moveable property such as the saladin title in 1188. Leater on,these were supplemented by introduction of poll taxes, and indirect taxes known as "AncientCustoms" which were duties on wool, leather and hides. These levies and taxes in various forms and on various commodities and professions were imposed to meet the needs of the Governments to meet their military and civil expenditure and not only to ensure safety to the subjects but also to meet the common needs of the citizens like maintenance

of roads, administration of justice and such other functions of the State.

In India, the system of direct taxation as it is known today, has been in force in one form or another even from ancient times. There are references both in Manu Smirti and Arthas astratoa variety of tax measures. Manu, the ancient sage and law giver stated that the king could levy taxes, according to sastras. The wise sage advised that taxes should be related to the income and expenditure of the subject. He, however, cautioned the king against excessive taxation and stated that both extremes should be avoided namely either complete absence of taxes or exorbitant taxation. According to him, the king should arrange the collection of taxes in such a manner thatthe subjects did not feel the pinch of paying taxes. In our present day economy structure income tax plays vital roles as a source of Revenues and a measure of removal economic disparity. Ourtaxation structure provides for two types of taxes- Direct and Indirect; Income tax, Wealth Tax and Gift Tax.

Review of Literature

Niman Ulla Sharieff1 (2010) made a study to analyse the investment pattern of the investors who reside in economically developed and developing area. This study

was based on both primary and secondary data. The required primary data have been collected from 50 sample respondents based on Non-probability convenient sampling technique through Questionnaire. Such collected data have been analysed with the help of statistical tools like Percentage and Factor analysis. It is found that income level of the investor is an important factor in portfolio of the investors.

Ketan Prajapati and Kishor Barad² (2013) conducted a study to analyse the factors influencing investors' decision in life insurance. This study was based on both primary and secondary data. The required primary data have been collected from 200 sample respondents by using Simple Random sampling through a Structured Questionnaire. Such collected data have been analysed with the help of statistical tools like Percentage, Weighted Average and Chi-square test. They found that age and agents are important factors influencing the investors' decision in life insurance.

Umamaheswari and Ashok Kumar³ (2014) conducted a study to examine the salaried investors' awareness, attitude, expectation and satisfaction over their investments. This study was based on primary data. The required primary data have been collected from 1000 sample respondents by using Random sampling technique through Questionnaire. The collected data have been analysed with the help of statistical tools like Percentage, Mean, Standard Deviation, Chi-square test and „t“-test. They found that the significant percentage of the salaried investors of Coimbatore know to make good investment decision. Further, it is found that one-third of salaried class investors of Coimbatore do not opt for the right financial plan due to lack of investment awareness.

Objective of the Study

The objective of this paper is to analyse the factors influencing the satisfaction of the salaried tax payers about the income tax system in Theni District.

Statement of the Problem

Tax is the imposition of financial charges upon an individual or a company by the government or their respective state or similar other functional equivalents in a state. In India, taxes are levied by the Central Government, state Governments and by local authorities such as the municipality. A tax is not a voluntary payment or donation,

but an enforced contribution, exacted pursuant to legislative authority.

Income tax is a direct tax, which is imposed upon the income of a person. It is computed on accrued or received net taxable incomes by a person during a previous year according to prescribed rates of income tax in current assessment year. It is an important source of income of central Government. It is levied and collected by the Central Government, computed on net taxable income of previous year and computed on the basis of rates of income tax applicable in current assessment year. Certain amount of income is exempted from income tax according to Income tax Act. Income is grouped in various slabs which is charged on progressive rates on increasing slabs of income. Various activities relating to income tax viz proceedings of tax, assessment, recovery of tax etc. administrative activities are performed by income tax department.

The salaried tax payers are not having much knowledge, awareness and satisfaction about the Income Tax System in India. It is a mandatory thing to update them self as an individual taxpayer with the latest tax laws. Computation of taxable income and tax liability is a cumbersome process. In the Income Tax System, salaried tax payers are finding a lot of problems in the aspect of the rate of tax, the procedure for computation of taxable income and tax payable, provisions relating to deductions, the procedure in the filing of Income Tax Return and the like. Income Tax payers felt that the Income Tax System in India is very difficult to understand. In spite of the income tax system, salaried tax payers are not satisfied with some of the income tax system. Many factors have influenced the income tax system to the salaried tax payer. So, the researcher interested to find out what are the factors influencing the satisfaction of the salaried tax payers about the income tax system in Theni District.

Methodology

The present study is largely based on the primary data. Required primary data have been collected in the course of interview with the railway salaried tax payer through survey method with a pre-tested, well-structured and non-disguised Interview Schedule. This study is an empirical based on survey method. The present study is confined to Theni District. 150 samples were taken to analyse the data. Convenient sampling method was used

to collect the data from the sample respondents. The study was conducted during the period from April 2019 to January 2020.

Limitations of the Study

The present study has focused on the satisfaction of the salaried tax payers about the income tax system and the study was conducted in Theni District only.

Analysis and Interpretation

Table 1 Demographic Consideration of the Respondents

Age	No. of Respondents	%
Below 30	18	12.00
30-40	65	43.33
40-50	39	26.00
Above 50	28	18.67
Total	150	100
Gender	No. of Respondents	%
Male	97	64.67
Female	53	35.33
Total	150	100
Level of Education	No. of Respondents	%
Graduate	53	35.33
Post Graduate	61	40.67
Professional	36	24.00
Total	150	100
Occupation	No. of Respondents	%
Private Employee	113	75.33
Government employee	37	24.67
Total	150	100
Marital Status	No. of Respondents	%
Married	132	88.00
Unmarried	18	12.00
Total	150	100
Mode of filing return		
Self	24	16.00
Auditors	126	84.00
Total	150	100

Source: Primary Data

It is evident from Table 1 that a maximum of 43.33 per cent of the respondents are in the age group of 30-40 years, followed by 26.00 per cent of the respondents who are of 40-50 years, respondents with 12.00 per cent are of below 30 years, respondents with 18.67 per cent are above 50 years. The 64.67 per cent of the respondents are male and remain 35.33 per cent constituted female consumers. The out of 150 respondents, a maximum of 40.67 per cent of the respondents are Post Graduates, 35.33 percent of the respondents are Graduates. The respondents with only Professional level constitute 24.00 percent of the total. The maximum of 75.33 per cent of the respondents are Private employee, followed by 24.67 per cent of the respondents are Government employee. The out of 150 respondents, a maximum of 88.00 percent of the respondents are Married, 12.00 per cent of the respondents are Unmarried. Total respondents 84.00 percent of the respondents are in the Auditors, 16.00 percent of the respondents are in the Self.

Tool and Analysis

Mathematically, factor analysis is somewhat similar to multiple regression analysis. Each variable is expressed as a linear combination of underlying factors. The amount of variables have included in the analysis referred to communality. The Co-variations among the variables is described in terms of a small number of common factors plus a unique factor for each variable. These factors are not over observed. If the variables are standardised, the factor model may be represented as:

$$X_i = A_{ij}F_j + A_{i2}F_2 + A_{i3}F_3 + \dots + A_{im}F_m + V_iU_i$$

Where

X_i = i th standardized variable

A_{ij} = standardized multiple regression coefficient of variable i on common Factor

F = Common factor

V_i = Standardized regression coefficient of variable i on unique

U_i = The unique factor for variable i

m = Number of common factor,

The unique factors are uncorrelated with each other and with the common factor. The common factor themselves can be expressed as linear combination of the observed variables.

$$F_1 = W_{11}X_1 + W_{12}X_2 + W_{13}X_3 + \dots + W_{1k}X_k$$

Where

F1 = Estimate of ith factor

W1 = Weight or factor score coefficient

K = Number of variables

It is possible to select weights factor score coefficient, so that the first factor explain the largest portion of the total variance. Then a second set of weight can be selected, so that the second factor accounts for most of the residual variance, subject to be uncorrelated with the first factor. This some principle could be applied for selecting

additional weight for the additional factors. Thus, the factors can be estimated so that their factor score, unlike the value of the original variables, are not correlated. Further more, the first factor accounts the highest variance in the data the second factor is the second highest and soon.

Results and Discussion

There are twenty variable extracted in to six factors. The rotated component matrix is given in table 2

Table 2 Rotated Factor Martrix for Influence the Satisfaction of the Salaried Tax Payers about the Income Tax System

S.No	Variables	Factor1	Factor2	Factor3	Factor4	Factor5	Factor6
1	DeductionsU/S80	0.829	-0.081	-0.095	-0.040	-0.327	-0.327
2	TaxManagement	0.822	0.163	0.066	0.230	0.162	0.162
3	IncomeTaxlawsinIndia	-0.306	0.837	-0.277	0.023	-0.151	-0.151
4	Penalties	0.063	0.738	-0.073	0.145	0.268	0.268
5	Offenseandprosecutions	0.420	0.690	0.081	0.039	0.350	-0.327
6	Refund	-0.138	0.506	0.398	0.026	0.269	0.057
7	Income TaxslabRate	0.268	0.019	0.830	0.274	0.215	0.246
8	Computationoftaxliability	0.155	0.215	0.709	-0.292	-0.165	0.058
9	Residencestatus	-0.327	-0.165	0.654	0.060	0.060	0.195
10	Taxpayerservicesavailableinwebsite	-0.142	-0.226	0.162	0.841	-0.055	-0.306
11	EFilingofreturn	0.086	0.222	-0.151	0.722	0.216	0.063
12	Epaymentoftax	0.063	-0.017	0.268	0.709	0.028	0.420
13	Dateoffiling	0.216	0.080	0.155	0.605	-0.134	-0.138
14	Assessmentprocedure	0.080	0.246	-0.327	-0.327	0.844	-0.142
15	AvailabilityofForm16	-0.112	0.058	0.162	0.162	0.767	0.046
16.	CompulsoryPAN	-0.113	0.195	-0.151	-0.151	0.655	-0.048
17	ExemptedIncomes	0.350	0.222	0.268	0.268		0.849
18	Taxdeducted atsource	0.168	0.246	-0.070	0.032	-0.123	0.765
19	Surchargeandcess	-0.021	-0.460	0.006	0.237	0.175	0.694
20	RebateandreliefatTax	0.149	0.343	0.204	-0.030	-0.356	0.692

Source: Computed Data

The above table 2 exhibits the rotated factor loading for the twenty statements (Attributes) of salaried tax payer. It is clear from the table that all twenty statements have been extracted into factors. The Rotated Factor Matrix, for the satisfaction of the salaried tax payers about the income tax system FACTOR 1, The variables responsible for 'Tax Planning' are presented in TABLE 3.

Table 3 Tax Planning

Variables	Factor Loading	Communality	Crobach's Alpha
Deductions U/S80	0.829	0.726	0.721
Tax Management	0.822	0.756	

Source: Computed Data

Table 3 show the attribute such as "Deductions U/S 80", "Tax Management", constituted factor – 1, with higher factor loadings. The above said reasons for Income Tax system with higher factor loading on factor – 1, are characterized as "Tax planning". It is to be concluded that Tax planning is an important factor which has an impact on the satisfaction of the salaries tax payers about the income tax system. The included two variables explain these factors to the extent of 72.00 percent.

FACTOR 2, The variables responsible for 'Income Tax Laws' are presented in TABLE 4.

Table 4 Income Tax Laws

Variables	Factor Loading	Communality	Crobach's Alpha
Income Tax laws in India	0.837	0.797	0.721
Penalties	0.738	0.695	
Offense and prosecutions	0.690	0.813	
Refund	0.506	0.598	

Source: Computed Data

Table 4 indicates that among the factors the salaries tax payers Income Tax Laws about the income tax system in the study variables like "Income Tax laws in India", "Penalties", "Offense and prosecutions", and "Refund" constituted factor – III, with higher factor loadings. The above selecting factors with higher factor loading on factor-III are characterized under "Income Tax Laws". The included four variables explain these factors to the extent of 72.10 percent. FACTOR 3, The variables responsible for 'Tax Liability' are presented in TABLE 5.

Table 5 Tax Liability

Variables	Factor Loading	Communality	Crobach's Alpha
Income Taxes Lab Rate	0.830	0.725	0.702
Computation of tax liability	0.709	0.719	
Residence status	0.654	0.723	

Source: Computed Data

Table 5 indicates that among the factors the salaries tax payers about the income tax system in the study variables like "Income Tax slab Rate", "Computation of tax liability", and "Residence status" constituted factor– II, with higher factor loadings. The above selecting factors with higher factor loading on factor-II are characterized under "Tax Liability". The included three variables explain these factors to the extent of 70.20 percent. FACTOR 6, The variables responsible for 'Exemptions' are presented in TABLE 6.

Table 6 Exemptions

Variables	Factor Loading	Communality	Crobach's Alpha
Tax payer services available In website	0.841	0.826	0.655
E Filing of return	0.722	0.743	
Epayment of tax	0.709	0.806	
Date of filing	0.605	0.858	

Source: Computed Data

The attribute such as "Tax payer services available in website", "E Filing of return", "Epayment of tax", and "Date of filing" constituted factor – VI, with higher factor loadings. The above said reasons for Income Tax system with higher factor loading on factor– V1, are characterized as "Exemptions". It is to be concluded that Exemptions is an important factor which has an impact on the satisfaction of the salaries tax payers about the income tax system. The included four variables explain these factors to the extent of 65.5 percent. FACTOR 4, The variables responsible for 'E-Tax' are presented in TABLE 7.

Table 7 E-Tax

Variables	Factor Loading	Communality	Crobach's Alpha
Assessment Procedure	0.844	0.825	0.655
Availability of Form 16	0.767	0.723	
Compulsory PAN	0.655	0.706	

Source: Computed Data

Table 5 indicates that among the factors the salaries tax payers about the income tax system in the study variables like "Assessment procedure", "Availability of Form 16", and "Compulsory PAN" constituted factor – IV, with higher factor loadings. The above selecting factors with higher factor loading on factor-IV are characterized under "E-Tax". The included three variables explain these factors to the extent of 65.5 percent. FACTOR 5, The variables responsible for 'Filing Return' are presented in TABLE 8.

Table 8 Filing Return

Variables	Factor Loading	Communality	Crobach's Alpha
Exempted Incomes	0.849	0.713	0.713
Tax deducted at source	0.765	0.722	
Sur charge and cess	0.694	0.814	
Rebate and relief at Tax	0.692	0.822	

Source: Computed Data

Table 8 indicates that among the factors the salaries tax payers Filing Return about the income tax system in the study variables like "Exempted Incomes", "Tax deducted at source", "Surcharge and cess", and "Rebate and relief at Tax" constituted factor – V, with higher factor loadings. The above selecting factors with higher factor loading on factor-V are characterized under "Filing Return". The included four variables explain these factors to the extent of 71.30 percent.

Factor Influence the Satisfaction of the Salaried Tax Payers about the Income Tax System

Factor analysis of twenty relating to the satisfaction of the salaried tax payers identified six Income Tax System factor and the results are presented in Table 9

Table 9 Factor influence the Satisfaction of the Salaried Tax Payers about Income Tax System

Factors	Eigen Value	Percentage of variance	Cumulative percentage of variance
Tax Planning	3.653	17.26	17.26
Income Tax Laws	3.077	14.38	31.64
Tax Liability	2.678	12.39	44.03
Exemptions	2.311	10.55	54.58
E-Tax	1.875	8.37	62.95
Filing Return	1.227	5.31	68.26

Source: Computed Data

*Kaiser-Meyer-Olkin measure of sampling adequacy = 0.6921

*Bartlett's Test of Sphericity: Chi - Square $\chi^2 = 4141.586$
Degree of Freedom $df = 190$

Signification = 0.000

It is observed from Table 9 that the six factors such as Tax planning, Tax Liability, Income Tax Laws, Exemptions, E-Tax, and Filing Return. This factor account about 68.26 percent of variance in the data. Eigen Value for the factor "Tax planning" is 3.653. Which indicate that the factor contains very high information than the other factors.

The first factor, "Tax Planning" provides the maximum insights of salaried tax payers in the study area. It is a very important factor, because the respondents prefer to the Tax liability and Minimum Fare of maintenance expenses. To improve this situation, Tax planning made to reduce the tax burden without infringement of the legislature. The salaried tax payers find his taxes have been too high in comparison with last year and he intends to reduce it.

The second important factor called "Income Tax Laws" account for 15.38 percent variance. The Eigen value of this factor is 3.077. It explained that salaried tax payer choose to It is biased as the honest tax payers are not fools, but they can also make arrangements for postponing unnecessary tax. If we talk about the latter, it is completely unjustified because it is fraudulent activity, because it involves the acts which are for bidden by the law and hence it is punishable.

The third and the fourth Factors, "Tax Liability" and "Exemptions" account 12.39 percent and 10.55 percent variance with the Eigen value of 2.678 and 2.311 respectively. It shows that salaried tax payer to avail certain exemptions, deductions, rebates and reliefs, so as to minimize his tax liability.

The fifth and sixth factors "E-Tax" and "Filing Return" account for 8.37 percent and 5.31 per cent variance with the Eigen values of 1.875 and 1.227 respectively. These factors also shows that salaried tax payers are encouraged to filing return through Electronic state of mind. High value of Kaiser-Mayer-Olkin (KMO) test of sampling adequacy (0.692) indicate the correlation between the pairs of variables explained by other variables and thus factor analysis is considered to be appropriated in this model.

Conclusion

Taxation is a key tool of economic policy. Income Tax collection contributes a lot towards enrichment of economy of India. The present study has been undertaken to examine the salaried tax payers' satisfaction on Income Tax System. For this study, the required data have been collected and the same have been analysed with various statistical tools. Twenty variables their six factors were extracted namely "Tax Planning", "Tax Liability", "Income Tax Laws", "Exemptions", "E-Tax", and "Filing Return". Twenty attributes with help of factors analysis technique. Each factor had more than other variable. Each variable was expressed as a line combination of the underlying factors. The amount of variance a variable share with all other variable included in the analysis was referred to as communality. All the attributed that are formed under each factor had high associations. On the basis of the findings of the present study and on the basis of the suggestions offered by the sample salaried tax payers, some viable suggestions have been offered for the betterment of both

salaried tax payers and Income Tax Department of Government of India.

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