

A Study of Perceived Benefits of Tax Compliance Behaviour Among Individuals in Pune City

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Abstract- This study explores tax awareness, perceived benefits, and their influence on tax compliance behaviour among individuals in Pune. Based on primary data analysis, the study finds that respondents demonstrate a reasonable level of awareness and recognize key benefits of tax compliance. The results further indicate that perceived benefits significantly affect compliance behaviour, with higher willingness observed when benefits are clearly understood. The study concludes that tax compliance is largely influenced by perception-driven factors rather than obligation alone. Strengthening awareness and effectively communicating the benefits of compliance can enhance voluntary participation in the tax system.

I. INTRODUCTION

Taxation is crucial for the economic development of any country, acting as a main source of revenue for the government to support public services, infrastructure, and welfare programs. In India, how effective the taxation system is largely depends on how compliant individuals are with their taxes. Tax compliance behavior refers to taxpayers' willingness to follow tax laws, accurately report their income, and pay their taxes on time. While legal enforcement and penalties do play a role in compliance, how people perceive the benefits of paying taxes is just as important.

Recently, there has been an increasing focus on understanding the behavioral aspects of taxation, especially regarding how individuals view the benefits that come with tax compliance. These perceived benefits can include better public services, financial credibility, eligibility for loans, avoidance of legal issues, and contributing to national development. When people see clear advantages—both tangible and intangible—from their tax contributions, they are more likely to comply willingly.

Despite various reforms and awareness efforts from authorities like the Income Tax Department of India, achieving full tax compliance remains a challenge. Issues such as lack of awareness, complicated tax procedures, and distrust in how tax revenues are used can negatively affect compliance behavior. Thus, it's essential to understand how individuals perceive the benefits of tax compliance to tackle these challenges effectively.

This study focuses on individuals in Pune, an urban area with a diverse population that includes students, professionals, and business owners. The city provides a suitable context for examining differences in awareness, perceptions, and compliance behavior among various demographic groups. By analyzing how individuals perceive the benefits of tax compliance, this research aims to explore the connection between awareness and actual tax behavior. The expected findings will offer valuable insights for policymakers and tax authorities to create more effective awareness programs and strategies that encourage voluntary compliance. Improving how people view the value of taxation could significantly enhance the overall tax system and foster economic growth.

II. REVIEW OF LITERATURE

Several studies have explored tax compliance behavior within the Indian context, focusing on awareness, perceived benefits, enforcement, and behavioral factors.

Arun Sharma et al. (2023) examined the attitudinal factors affecting tax compliance and discovered that tax morale, social norms, and individual attitudes significantly impact compliance behavior. It highlighted that voluntary compliance relies not only on enforcement but also on psychological elements. Preeti et al. (2024) In their bibliometric analysis, this study identified key determinants such

as tax knowledge, fairness, and social norms. It stressed that understanding and perceptions of justice in the tax system are vital for enhancing compliance. Honey Cleetus (2024) reviewed literature on tax compliance from 1989 to 2023 and noted an increasing academic interest in behavioral and institutional factors affecting compliance. It underscored the significance of policy design in boosting compliance rates. Gajanan Haldankar & Santosh Patkar (2021), in their study on GST compliance pointed out that awareness, simplicity in tax systems, and taxpayer education are crucial for achieving higher levels of compliance in India. Silky Vigg Kushwah et al. (2021), analyzed the effects of tax knowledge, penalties, and e-filing on compliance. It concluded that greater tax knowledge and digitalization positively influence taxpayer behavior regarding compliance. S. Vishnuhadevi (2021) looked at compliance costs and found that a high burden negatively impacts taxpayer willingness to comply. It suggested simplifying procedures to enhance compliance behavior. M Govinda Rao (2023) in his research highlighted that a well-structured tax system with lower rates and a broader base can improve compliance rates. It emphasized the need for fairness and simplicity to encourage voluntary tax payments. Navita Nathani et al. (2021), in their study revealed that while tax penalties and enforcement mechanisms serve as deterrents, awareness and perceived benefits play a more sustainable role in ensuring long-term compliance. Manju Mittal et al. (2024) focused on distributive and procedural justice's role in shaping taxpayer behavior, indicating individuals tend to be more compliant when they perceive fairness in how taxes are collected and utilized. Vishal Kaushal et al. (2024) stressed the importance of tax awareness and social influence in enhancing compliance behavior, concluding that increasing financial literacy can significantly boost voluntary tax compliance.

III. RESEARCH GAP

Existing research on tax compliance in India has largely focused on factors such as tax awareness, enforcement mechanisms, penalties, and the complexity of the tax system, with several studies highlighting the roles of tax knowledge, fairness, and digitalization in influencing taxpayer behaviour.

However, limited attention has been given to the role of perceived benefits in shaping compliance behaviour. Most prior studies approach tax compliance from a deterrence perspective, where individuals comply primarily due to fear of penalties or legal obligations, while the influence of both tangible benefits (such as financial credibility, loan eligibility, and simplified documentation) and intangible benefits (such as contribution to public services and national development) remains underexplored. Furthermore, there is a lack of city-specific studies focusing on urban populations like Pune, where diverse demographic groups may exhibit varying levels of awareness and perception. Existing literature also tends to examine awareness and compliance as separate constructs, without adequately analysing how awareness and perceived benefits translate into actual compliance behaviour. Therefore, there is a need to investigate the level of awareness, types of perceived benefits, and their influence on tax compliance behaviour among individuals in Pune, forming the core research problem of this study.

IV. PROBLEM STATEMENT

Tax compliance plays a crucial role in ensuring stable revenue generation and supporting economic growth in a country like India. Despite continuous efforts by authorities such as the Income Tax Department to enhance awareness and simplify tax procedures, a noticeable gap persists between individuals' knowledge of tax obligations and their actual compliance behaviour. While awareness is an important factor, compliance is not driven solely by legal requirements or fear of penalties; it is also influenced by how individuals perceive the benefits of complying with tax regulations. These benefits include both tangible aspects, such as improved financial credibility and access to loans, and intangible aspects, such as better public services and contribution to national development. However, inadequate recognition or understanding of these benefits may result in inconsistent compliance behaviours, including delayed filings or incomplete reporting. In an urban context like Pune, where a diverse population exists, variations in awareness and perception are likely to further influence compliance patterns. Therefore, the key problem addressed in this

study is to examine how perceived benefits and awareness levels influence tax compliance behaviour among individuals.

RESEARCH OBJECTIVE

Objective 1: To examine the level of awareness and the different types of perceived benefits associated with tax compliance among individuals in Pune.

Objective 2: To analyse the influence of perceived benefits on tax compliance behaviour among individuals in Pune.

V. RESEARCH METHODOLOGY

Research Design: The study adopts a descriptive and analytical research design. It focuses on awareness and perceived benefits, and analyzes their influence on tax compliance behaviour. The study is cross-sectional and follows a quantitative approach.

Sources of Data

- **Primary Data:** The study is based on primary data. Data is collected through a structured questionnaire, Collected from individuals in Pune through a questionnaire.
- **Secondary Data:** Collected from research papers, journals, and reports of the Income Tax Department of India.

Target Population: Population for the study includes individual taxpayers and potential Taxpayers, Covers students, salaried individuals, and self-employed persons.

Sample Size: The study is based on 67 respondents from Pune.

Sampling Technique: Convenience sampling is used as the respondents are selected based on availability and willingness.

Research Questions and Hypotheses

RQ1: What is the level of awareness and what types of perceived benefits of tax compliance are identified by individuals in Pune?

H0₁ (Null Hypothesis): Individuals do not exhibit a high level of awareness and do not clearly perceive different types of benefits associated with tax compliance.

H1₁ (Alternative Hypothesis): Individuals exhibit a high level of awareness and clearly perceive different types of benefits associated with tax compliance.

RQ2: How do perceived benefits influence the tax compliance behaviour of individuals in Pune?

H0₂ (Null Hypothesis): Perceived benefits have no significant influence on tax compliance behaviour among individuals.

H1₂ (Alternative Hypothesis): Perceived benefits have a significant influence on tax compliance behaviour among individuals.

Tools and Techniques of Data Analysis

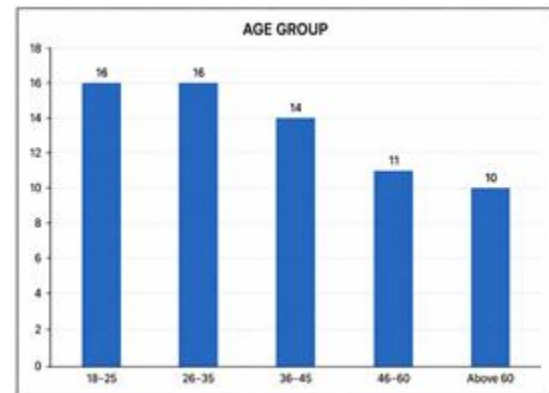
- Descriptive statistics (percentages and charts) are used.

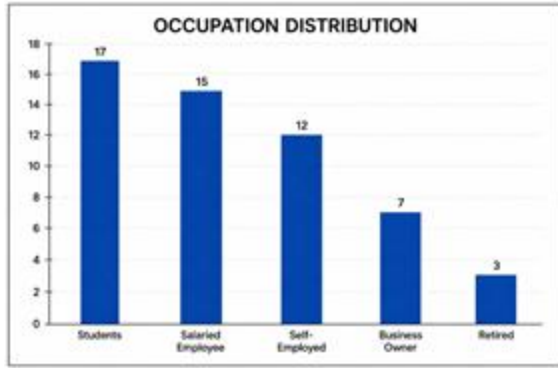
Limitations of the Study: The research is based on a limited sample size, using convenience sampling, which may cause bias. Further, it is Limited to Pune City and focused on limited variables.

VI. DATA ANALYSIS AND INTERPRETATION

The researchers have analyzed and interpret the data gathered from the structured questionnaire. They examined the responses to gain insights into people's awareness, perceived benefits, and how these factors affect tax compliance behavior among individuals in Pune.

DEMOGRAPHIC ANALYSIS





Interpretation:

The demographic profile of respondents provides a foundational understanding of the sample under study. The age distribution indicates that a majority of respondents fall within the young and working-age group, suggesting that the responses largely represent economically active individuals. This is significant as tax compliance is more relevant among earning individuals.

Further, the occupational distribution reflects a mix of students, salaried individuals, and self-employed respondents. This diversity ensures that the data captures varied perspectives regarding tax compliance, awareness, and perceived benefits. The presence of working professionals strengthens the reliability of responses related to actual compliance behaviour.

HYPOTHESIS TESTING:

Hypothesis 1

H₀₁: Individuals do not exhibit a high level of awareness and do not clearly perceive different types of benefits associated with tax compliance.

H₁₁: Individuals exhibit a high level of awareness and clearly perceive different types of benefits associated with tax compliance.

Section 1: Awareness of Tax Compliance

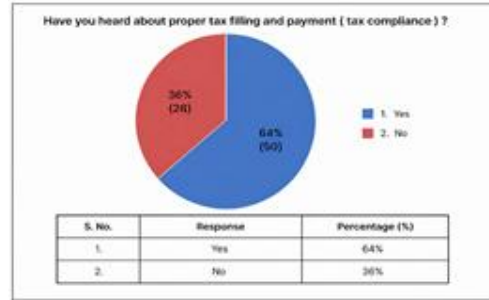


Figure 0.1

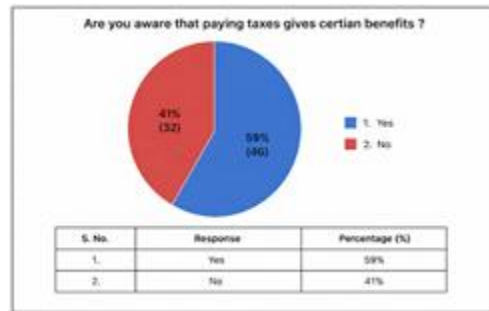


Figure 0.2

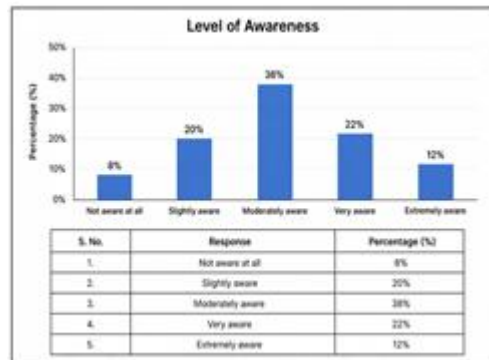


Figure 0.3

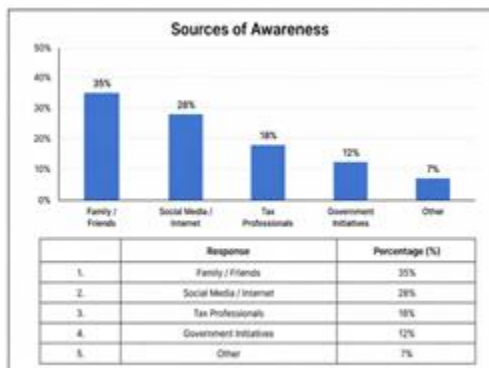


Figure 0.4

The analysis of awareness-related responses was conducted by first classifying and organizing the collected data into categories such as “Yes” and “No” for basic awareness questions. As illustrated in Figure 0.1, the number of respondents who are aware of tax compliance is higher than those who are not.

Further, the responses were grouped into levels such as low, moderate, and high. As shown in Figure 0.2, a majority of respondents fall within the moderate to high awareness category.

Additionally, the sources of awareness were analysed, and Figure 0.3 indicates that respondents rely on multiple channels such as digital media, peer groups, and formal sources.

Knowledge regarding the tax filing process is also evident from Figure 0.4, where a higher proportion of respondents demonstrate familiarity with filing procedures.

Thus, based on Figures 0.1 to 0.4, it is evident that respondents possess a considerable level of awareness regarding tax compliance.

The analysis of perceived benefits was conducted by categorizing responses into “Yes” and “No.” As seen in Figures 0.5 to 0.6, the majority of respondents selected “Yes” across all benefit-related questions.

These figures collectively show that respondents recognize both personal and societal benefits associated with tax compliance. The consistency in responses across all figures highlights a strong perception of benefits.

Thus, based on Figures 0.5 to 0.6, it can be concluded that respondents clearly perceive multiple benefits of tax compliance.

VII. DISCUSSION

The responses related to awareness and perceived benefits were examined by classifying them into categories and comparing their distribution across all relevant questions. A consistent pattern of higher awareness levels and strong agreement with multiple benefit-related statements was observed.

Since the observed responses demonstrate that individuals are both aware and able to identify different benefits of tax compliance, the assumption stated in the null hypothesis is contradicted.

The acceptance of the alternative hypothesis confirms that respondents possess significant awareness and clearly perceive multiple benefits, thereby directly achieving the objective of examining awareness and perceived benefits of tax compliance.

Section 2: Perceived Benefit

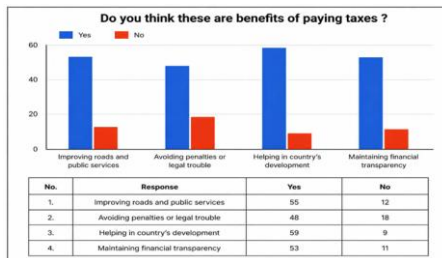


Figure 0.5

Interpretation

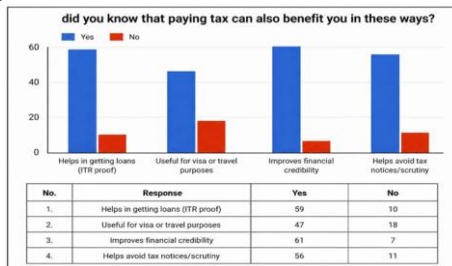


Figure 0.6

Hypothesis 2:

H₀₂: Perceived benefits have no significant influence on tax compliance behaviour among individuals.

H₁₂: Perceived benefits have a significant influence on tax compliance behaviour among individuals.

Section 1: Compliance Behaviour

Analysis and interpretation

Figure 0.7

The analysis of tax compliance behaviour was conducted by categorizing responses related to filing behaviour and consistency. As shown in Figure 0.7, a majority of respondents report filing their tax returns.

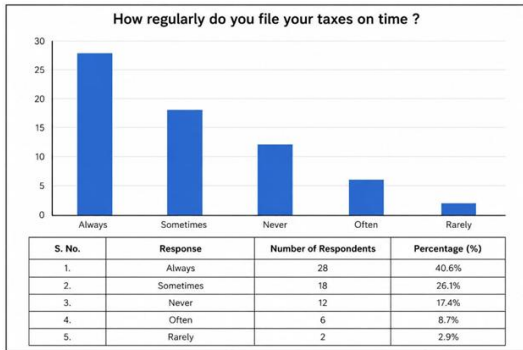


Figure 0.8

However, Figure 0.8 below indicates variation in regularity, with responses distributed across categories such as always, sometimes, and rarely.

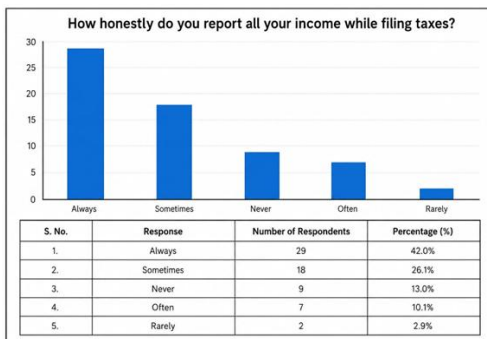


Figure 0.9

Similarly, Figure 0.9 reflects that while most respondents report honest behaviour, there is variation in the level of accuracy.

Thus, based on Figures 0.7 to 0.9, it is evident that tax compliance exists but varies in consistency among individuals.

Section 2 : Influence of Perceived benefits Analysis and interpretation

The analysis of the influence of perceived benefits on tax compliance behaviour was conducted through a detailed and systematic procedure. Initially, responses were coded and organized for structured analysis.

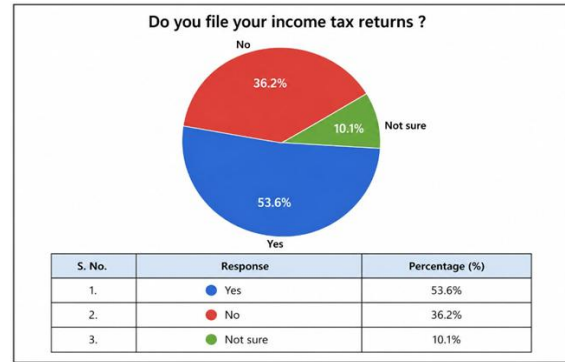


Figure 0.10

As shown in Figure 0.10 a majority of respondents expressed willingness to comply when benefits are clearly visible. In contrast, Figure 0.11 shows that a reduction in perceived benefits leads to decreased willingness.

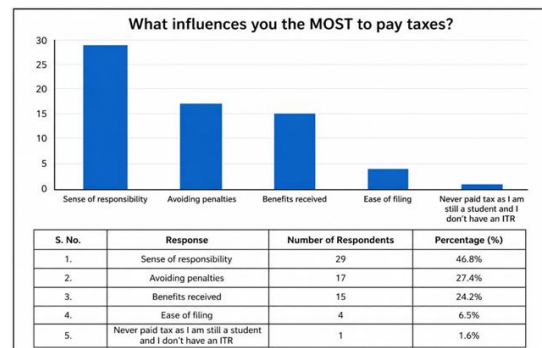


Figure 0.11

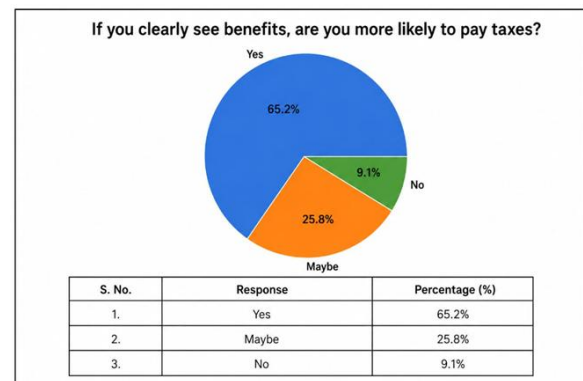


Figure 0.12

As seen above, Figure 0.12 highlights the comparative importance of different influencing factors, where perceived benefits play a significant role alongside responsibility and penalties.

Finally, Figure 0.13 summarizes the overall influence, indicating a clear relationship between perceived benefits and compliance behaviour.

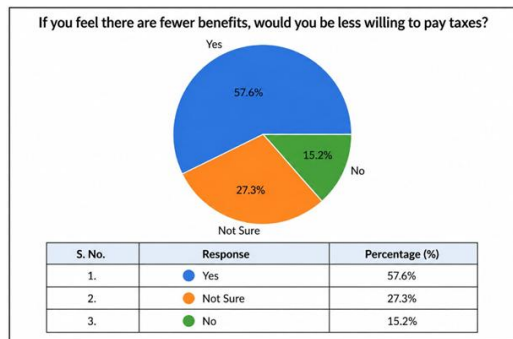


Figure 0.13

Thus, based on Figures 0.10 to 0.13, it is evident that perceived benefits significantly influence tax compliance behaviour.

Discussion:

The behavioural responses were analysed by comparing how willingness to comply changes under different conditions of perceived benefits. It was observed that willingness to comply increases when benefits are clearly perceived and decreases when perceived benefits are reduced. This consistent variation in behaviour based on perceived benefits indicates the presence of a relationship between the two variables, contradicting the assumption of no influence stated in the null hypothesis.

Hence, H₀ is rejected, H₁ is accepted.

The acceptance of the alternative hypothesis establishes that perceived benefits significantly influence tax compliance behaviour, thereby fulfilling the objective of analysing the influence of perceived benefits on compliance behaviour.

VIII. FINDING

- Most respondents show a moderate to high level of awareness about tax compliance and filing procedures.
- However, this awareness does not always lead to consistent behaviour, indicating a gap between knowledge and practice.

- Many individuals depend on informal and digital sources like peers and social media for tax-related information.
- Respondents clearly recognize benefits such as financial credibility, legal safety, and contribution to development.
- Willingness to comply increases when these benefits are clearly visible and understood.
- Uncertainty or lack of clarity about benefits reduces motivation to comply.
- Tax compliance behaviour is influenced by both perceived benefits and fear of penalties.
- A noticeable portion of respondents exhibit irregular or occasional compliance.
- This suggests that compliance is often situational rather than a fixed habit.
- The sample mainly consists of young and working individuals, which may explain moderate awareness but inconsistent behaviour.
- Psychological factors like perception and confidence play an important role in influencing compliance.
- Overall, consistent tax compliance depends more on perceived value and understanding than just awareness.

CONCLUSION

This study aimed to explore how aware individuals in Pune are of tax compliance and what benefits they believe come from it, as well as how these perceptions affect their tax compliance behavior.

The findings show that respondents have a moderate to high level of awareness about tax compliance. This understanding is backed by both theoretical knowledge and practical experience, like being familiar with the tax filing process. Moreover, respondents recognize various advantages of tax compliance, such as legal protection, financial credibility, access to financial services, and contributing to national development.

Additionally, the study finds a strong link between the perceived benefits of tax compliance and actual compliance behavior. It seems that when people see clear and tangible advantages, they are much more willing to comply. On the other hand, if the perceived

benefits decrease, compliance also tends to drop. This suggests that compliance isn't motivated solely by duty but is heavily influenced by how valuable individuals view the benefits.

In conclusion, the research highlights that both awareness and perceived benefits are vital in shaping tax compliance behavior, with perceived benefits serving as a major factor in driving this behavior.

Recommendations: The researchers propose the following recommendations:

- Increased effort towards increasing tax awareness through educational campaigns, workshops, and online platforms to help more individuals understand the importance of tax compliance.
- Government efforts to emphasize the personal and societal benefits of complying with taxes to foster a more positive outlook among individuals is required
- Making tax procedures and filing systems simpler can make it easier for first-time taxpayers and those with limited knowledge to comply.
- Greater transparency in how tax revenues are used can boost public trust and perception, which may encourage voluntary compliance.
- Financial institutions and authorities can raise awareness about the practical advantages of compliance, like better creditworthiness and easier access to loans.

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