

An Analysis of Factors Affecting Government Tax Revenue in India

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ABSTRACT

The purpose of this paper is to study the role of tax education and tax knowledge towards tax revenue in India and the factors that affects government tax revenues in India. For this purpose, structured questionnaire has been framed and send to all the respondents. These respondents include Government Officials, Academicians and Members of Ministry of Finance. The questionnaire contained of open-ended and close-ended questions. For online data collection, the researcher emailed online questionnaire by Google Docs and requested respondents to access link and response were collected online in a spreadsheet as well as the personal survey was done by the researcher as per the convenience. The well-structured questionnaire comprising of bi-polar, and Likert's 5 point scale type questions. To test the hypotheses and check the reliability of questionnaire Cronbach's Alpha, Kruskal-Wallis Test, Simple percentage Analysis, One-way Analysis of Variance (ANOVA) have been applied and found as an outcome of Anova test that, there is no significant differences in the perception of stakeholders towards factor affecting government tax revenues in India aspects.

KEYWORDS: Government Tax Revenues, Direct Tax, Indirect Tax, Tax Education.

INTRODUCTION

Taxes are an essential source of government revenues and the most consistent resource of government funding. Tax aid has become a major tool to boost the economic growth of any economy. In fact, taxation policy itself is a fundamental constituent for economic policies, ensuring that countries are able to sustain and improve its global competitiveness. Total government revenues are derived from two sources, which can be classified as tax revenues and non-tax revenues. Government Tax Revenues are broadly classified into Direct Taxes and Indirect Taxes.

GOVERNMENT TAX REVENUES

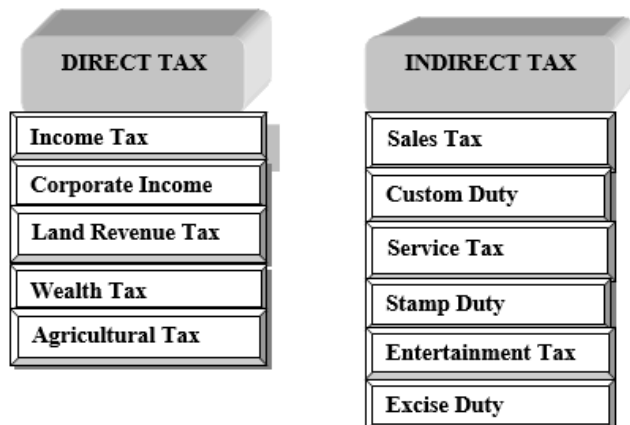


Figure 1.1: Types of Tax Revenues in India

Thus, taxes are the greatest source of revenues for any government for the running of its various government activities. These revenues in the terms of Government Expenditures play an important role to attain the major economic goals of growth & stability. Further, in this context, the present study explores the role of variables or factors that affect the tax revenues in India.

REVIEW OF LITERATURE

Priyanka Chawla (2019) examined the nexus between tax revenues of the government and expenditures in India by using co integration test methodology during 2000-01 to 2015-16. It tests two hypotheses relating to the revenue-expenditure nexus, i.e. tax-spend hypothesis, spend-tax hypothesis. The nexus is studied at centre & state (combined level). The study establishes co integrating relationship between government expenditure and tax revenue which suggests a long-run relationship between the variables. The results show that there is one-way causality running "spend and tax" both in short-run as well as in the long-run. This result justifies the operation of spend- tax hypothesis

Aregbeyen and Akpan (2011) analyzed the long run determinants of increase in government spending in Nigeria. The study utilized the annual time series data for a period of 51 years from 1960 to 2010. The study found that inflow of foreign aid had significant contribution in the expansion of

government current expenditures whereas debt servicing led to reduction in the components of government expenditures. The study also explained that the revenues were the major factor inducing long-term government growth. The study indicated that openness had a significant negative association with government spending and, on the contrary, the higher population in urban areas, higher was the government expenditures

Narayan and Narayan (2006) studied revenue – expenditure relationship in 10 countries, namely, Mauritius, El Salvador, Chilly etc. and was found the fiscal neutrality principal to be operative and in addition they reported that the spent and tax hypothesis was operative in Haiti only.

Moalusi (2004) Examine the casual relationship between and govt. Revenue using annual data covering the period 1976 to 2000. The methodology is utilized modern econometric techniques and explored both there bi-variate and multi-variate granger causality models. The two models however give very similar result, showing that there is a unidirectional casual link running to revenue to spending in the case of Botswana.

NEED OF THE STUDY

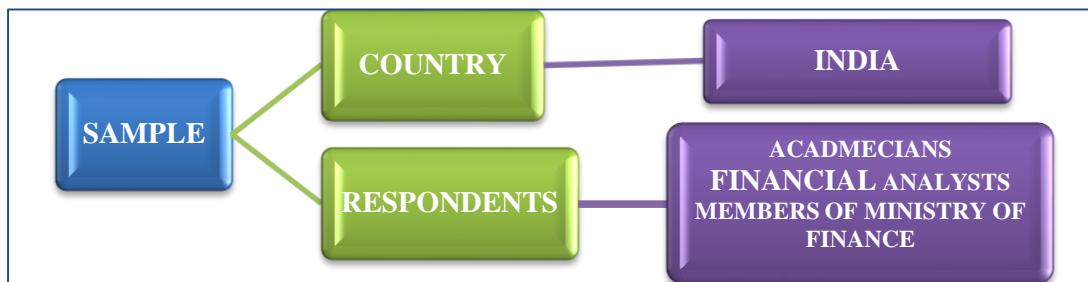
The study of government revenues has been acquiring a prominent and important place in various countries. The primary aim of the governments had been to raise funds so as to meet the financial requirements of the state for the preservation of law and order. It became necessary to identify new sources of income and to levy new taxes and to make an optimum allocation of the funds to enable the spending of the limited amounts on various items of expenditures. In this context, the present study explores the role of variables that affect the tax revenues in India through These gaps have enabled the need to carry out the study entitled with the following objective

OBJECTIVE

To examine the perception of respondents as regard to factors affecting Government Tax Revenues in India

RESEARCH METHODOLOGY

Sample Size: This study covers sample from 2 perspectives: Country and Respondents



220 questionnaires were administered to the suitable potential respondents chosen conveniently. Subsequently, 163 responses were received and only 151 of them were found suitable for analysis. For the study the population frame was Agra City.

Primary Data

Primary data is collected through the structured questionnaire with standardized format that all the respondents got the same question. These respondents all include Government Officials, Academicians and Members of Ministry of Finance. The questionnaire contained of open-ended and close-ended questions. For online data collection, the researcher emailed online questionnaire by Google Docs and requested respondents to access link and response were collected online in a spreadsheet as well as the personal survey was done by the researcher as per the convenience. The questionnaire covers the questions regarding to identify the impact of factors influencing Government Tax Revenues in India

Statistical Tools

Cronbach's Alpha, *Kruskal-Wallis Test*, *Simple percentage Analysis*, *One-way Analysis of Variance (ANOVA)* have been applied

ANALYSIS

Table No.1: Cronbach's Alpha Internal Consistency

$\alpha \geq 0.9$	Excellent
$0.9 > \alpha \geq 0.8$	Good
$0.8 > \alpha \geq 0.7$	Acceptable
$0.7 > \alpha \geq 0.6$	Questionable
$0.6 > \alpha \geq 0.5$	Poor
$0.5 > \alpha$	Unacceptable
Cronbach's Alpha N of Items	N of Items
0.819	40

The Cronbach’s alpha for data analysis is 0.819. Since the calculated value is more than 0.8, the data is considered as “Good” to be reliable and appropriate for further analysis.

DEMOGRAPHIC PROFILE ANALYSIS

Demographic study refers to study of both quantitative and qualitative aspects of selected sample. Quantitative aspects include composition, age, gender, and structure of the

population. Qualitative aspects are the research specific factors such as Qualification, experience etc.

Table No.2: Demographic Profile

VARIABLES	CHARACTERISTICS	RESPONDENTS					
		Academician		Financial Analysts		Ministry of Finance	
		No.	%	No.	%	No.	%
GENDER	MALE	47	67	44	83	26	93
	FEMALE	23	33	09	17	02	07
	TOTAL	70	100	53	100	28	100
AGE	21 to 30 Years	05	07	03	06	02	07
	31 to 40 Years	18	26	23	43	06	21
	41 to 50 Years	37	53	14	26	14	50
	51 to 60 Years	10	14	13	25	06	21
	TOTAL	70	100	53	100	28	100
EDUCATIONAL QUALIFICATION	GRADUATE	00	00	00	00	00	00
	POST GRADUATE	08	12	11	21	08	29
	DOCTORATE	52	74	00	00	00	00
	PROFESSIONAL QUALIFICATIONS	10	14	42	79	20	71
		70	100	53	100	28	100

GENDER BASED COMPOSITION

Gender is one of the important factors affecting government tax revenues in India. Out of 151 respondents, there are 117 (77%) male respondents and 34 (23%) female respondents. Further, if compare Academician, Financial Analysts & Ministry of Finance respondents, 47 male respondents are Academician, 44 male respondents are financial analysts, and 26 male respondents are comes under Ministry of Finance and 23 female respondents are Academician, 09 female respondents are financial analysts, and 02 female respondents are belongs to Ministry of Finance.

AGE BASED COMPOSITION

Age is also one of the important factors affecting government tax revenues in India. Four age groups were identified, namely, 21-30 years, 31-40, 41- 50 years & 51 to 60 for the study. Out of 151 respondents, there are 10 respondents below the age of 31 years. If we compare Academicians, financial analysts & Ministry of Finance respondents for age

based composition, there are 05 Academician, 03 financial analysts & 02 Ministry of Finance respondents from 21 to 30 years; 18 Academician, 23 financial analysts & 06 Ministry of Finance respondents from 31 to 40 years; 37 Academician, 14 financial analysts & 14 Ministry of Finance respondents from 41 to 50 years; 10 Academician, 13 financial analysts & 06 Ministry of Finance respondents from 51 to 60 years. There is no respondent more than 60 years of age.

EDUCATIONAL QUALIFICATION BASED COMPOSITION

Table no. 2 shows the educational qualification of respondents. Out of 151 respondents, there are 08 Academicians, 11 Financial Analysts & 08 members of Ministry of Finance are Post Graduate.; while 52 Academicians only, are Doctorate and 10 Academicians, 42 Financial Analysts & 20 members of Ministry of Finance are found having in Professional Qualification.

Q-1: According to you in which of the following Tax Revenues government attained the most?

Table No.3: Academicians, Financial Analysts & Members of Ministry of Finance Perception

Variables	Frequency	Percent	Valid	Cumulative
Direct Tax	68	45	45	45
Indirect Tax	83	55	55	100

Table No.3: shows that only 45 % of the respondents have agreed that the government of India collect revenues through Direct Taxes whereas, majority of the respondents 55% have agreed that government collect revenues through Indirect Taxes.

Q-2: According to you what are the major source of Direct Tax Collection?

Table No.4: Academicians, Financial Analysts Members of Ministry of Finance Perception

S.No.	Weights Factors	A.R (Weight Mean)	F.A (Weight Mean)	M.O.F (Weight Mean)	Academicians Ranking	Financial Analysts Ranking	Members of Ministry of Finance
F1	Income Tax	4.6	4.0	4.6	I	II	I
F2	Land Revenue	3.6	3.6	3.0	III	III	V
F3	Wealth Tax	2.8	2.8	3.9	V	V	IV
F4	Corporate Tax	4.0	4.1	4.4	II	I	III
F5	Agriculture Tax	3.4	3.5	4.5	IV	IV	II

A.R=Academicians Ranking, F.A= Financial Analysts, M.O.F=Members of Ministry of Finance

Table No.4: From the above analysis of the major sources of direct tax collection in India, has been found that A.R and M.O.F have given its first priority to Income Tax while F.A. has given its first priority to Corporate Tax.

Q-3: According to you what are the major sources of Indirect Tax Collection?

Table No.5: Academicians, Financial Analysts&Members of Ministry of Finance Perception

S.No.	Weights Factors	A.R (Weight Mean)	F.A (Weight Mean)	M.O.F (Weight Mean)	Academicians Ranking	Financial Analysts Ranking	Members of Ministry of Finance
F1	Sales tax	4.3	4.2	4.6	II	II	I
F2	Service Tax	4.6	4.0	4.5	I	III	II
F3	Custom Duty	4.0	4.4	4.2	III	I	IV
F4	Entertainment Tax	3.5	3.5	4.4	V	V	III
F5	Excise Duty	3.9	3.7	4.1	IV	IV	V

A.R=Academicians Ranking, F.A= Financial Analysts, M.O.F=Members of Ministry of Finance

Table No.5: From the above analysis of the major sources of indirect tax collection in India, has been found that A.R has given its first priority to Service Tax while F.A. has given its first priority to Custom Duty and M.O.F has given its first priority to Sales Tax.

HYPOTHESES TESTING

The researcher has made an hypotheses that there is no significant difference among all the Respondents in three groups on government tax revenues in India. For testing this, the null Hypothesis has been framed which is as follows:

Q-4: According to you which are the main cause of less revenue generation in India?

H₀₁: There is no significant influence of factors that causes less revenues generation in India

Table No.6: Hypothesis Testing

KRUSKAL-WALLIS TEST					
	FACTORS	CHI-SQUARE VALUE	SIG.	RANK	RESULT(H0)
F1	Economic Mismanagement By Government	121.00	0.000	3	Rejected
F2	Corruptions	135.02	0.000	1	Rejected
F3	Decline In Household Saving	55.250	0.005	5	Rejected
F4	Global Effect Of Indian Economy	97.250	0.003	4	Rejected
F5	Less Tax Collection	129..77	0.000	2	Rejected

Empirical Result: It can be interpreted that the null hypothesis stands rejected as the sig. value (p value) in respect of all the statements is less than .05 which means that

there is a significant impact of factors that causes less revenues generation in India.

Q-5: Do you think the following measures can be adopted by government to boost up revenue?

H₀₂: There is no significant factor that rises revenues generation in India

Table No.7: Hypothesis Testing

KRUSKAL-WALLIS TEST					
	FACTORS	CHI-SQUARE VALUE	SIG.	RANK	RESULT (H ₀)
F1	Raise Financer	96.020	0.000	4	Rejected
F2	Decline Oil Prices	110.02	0.020	2	Rejected
F3	Cutting Interest Rate	59.550	0.015	6	Rejected
F4	Reforming The Rules Of Social Programs	92.250	0.003	5	Rejected
F5	Create More Jobs	109.07	0.030	3	Rejected
F6	Boost The Manufacturing Sectors	111.50	0.020	1	Rejected
F7	Increases in Tax Rates	55.020	0.041	7	Rejected

Empirical Result: It can be interpreted that the null hypothesis stands rejected as the sig. value (p value) in respect of all the statements is less than .05 which means that

there is a significant factors that rises revenues generation in India.

H₀₃: There is no significant difference among stakeholders’ perception on government tax revenues in India

Table No: 8 ANOVA

ANOVA						
Source of Variation	Sum of Squares	Degree of Freedom	Mean Square	F	P-value	F criteria
Between Groups	0.100	4	0.03467	0.045	0.881	2.73541
Within Groups	45.200	40	1.0723			
Total	45.300	44				

Empirical Result: The above table no. 8 presents the overall comparison of stakeholders’ perception on government tax revenues and government expenditures in India. The calculated value of F is 0.0455. Value of F-criteria at (4, 40) degree of freedom and at 5% significance level is 2.73541. The F-value is less than F-criteria and P-value is 0.881 which is also more than the significant level 0.05. Hence, the null hypothesis has been accepted. It means that there is no significant difference among stakeholders’ perception on government tax revenues in India.

CONCLUSION

This paper deals with the general perception of stakeholders towards government tax revenues in India aspects. After analyzing the collected data of three groups of stakeholders/ respondents, then hypotheses have been framed and tested. For assessment of analysis of significance of the factors affecting tax revenues in India, there have a few test of significance viz. Analysis of variance (ANOVA) have been applied. As an outcome of Anova test, there were no significant differences in the perception of stakeholders towards government tax revenues in India aspects.

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