

Impact Of Economic Issues On Tax Compliance Of Income Tax Assessors In Haryana; A Behavioral Analysis

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Abstract

The Income tax is a direct tax imposed on the gross total income of an individuals. In India, income tax is implemented under income tax act, 1961. The aim of implementing income tax was to enhance tax revenue generation for the development activities and equalisation in the society. Consequently, academics, academicians, and policymakers have been paying attention to the assessment of taxpayers' compliance with economic issues and income tax system. The objective of our study was to evaluate the level compliance with economic issues among income tax assessors in Haryana, as well as to analyze the impact of economic issues factors simplified tax rates, penalties & punishments, social security net, equitable taxation, fairness and transparency on tax compliance. We have specifically targeted the population from all division of Haryana state, 13 districts. We collected responses from 410 sample units using a semi-structured questionnaire and purposive sampling. We employed descriptive statistics, EFA, CFA and ordinary logistic regression model as our chosen analysis approaches. The findings indicate that simplified tax structure, penalties & punishments shows the impact on tax compliance behaviour of income tax assessors. The policy implication of the study is that the government should make simplify the tax structure and reduce the penalties and punishments of income tax in order to enhance their compliance with income tax regulations.

KEYWORDS: Income Tax, Economic Issues, Simplified Tax Structure, Income Tax Assessors.

INTRODUCTION

Taxation is viewed as a necessary responsibility that every citizen must shoulder in order to support their government, as the government has specific functions to fulfill for the welfare of its constituents. In developing countries, the issue of tax non-compliance poses a significant challenge to income tax administration and negatively impacts tax revenue performance. Previous statistical evidence has consistently shown that income taxes have made a relatively low contribution to the government's total revenue, despite the various tax reforms implemented by successive governments to increase tax revenue over the years (Alabede, Zainol & Kamil, 2011).

Tax compliance is the act of meeting one's civil duty to pay taxes and submit tax returns, which involves providing the required documents and explanations to the tax authority in a timely manner (Oyedele, 2009). Addressing the issue of voluntary tax compliance and maintaining or increasing current compliance rates is a matter of great importance for fiscal policy makers in both developed and developing countries. Regardless of the type of economy, the main purpose of taxation remains consistent: to generate revenue for public goods, services, and government funding (Martina, Silvia, Eric & Alfred, 2008).

In economics most of the investigations are analysed solely from the rational perspective, deprived from any emotion or feeling. In particular, the fiscal side of the economy has grown more inter-disciplinary after developing partnership with the psychological, political, judicial or medical.

Behavioural economics attempts to understand the effect of individual psychological processes, including emotions, norms, and habits on individual decision-making in a variety of economic contexts. Behavioural economics uses insights from psychology to explain why people make apparently irrational decisions such as why people eat too much, take too little exercise, or do not save enough for retirement. In this study we try to investigate the impact of economic issues on tax compliance of the income tax assesses in Haryana.

The tax payer is the element within the fiscal system on which the fiscal policy and its changes are reflected. When a tax payer

considers tax levies with in a fiscal policy, two types of behaviour can emerge: Compliance and Non-compliance.

According to Franzoni, [2000] – Tax payer has to meet four conditions simultaneously to be called entirely compliant:

1. True reporting of the tax base.
2. Correct computation of the liability.
3. Timely file of the return.
4. Timely payment of the amount dues.

By the same token, Non-compliance also features two instances – Tax avoidance and Tax evasion.

Economic considerations are named as such because they are the primary influential factors in tax evasion, as discovered in a significant study conducted by Allingham and Sandmo (1972) in the United States. The economic aspects or determinants are directly linked to the expenses and advantages of operating a business. It signifies that taxpayers intentionally avoid paying their taxes when they believe that they will not be detected by the tax authorities. If individuals accurately disclose their actual earnings, they may reach a favorable, negative, or ambiguous outcome.

TRENDS OF TAX COMPLIANCE IN INDIA

Table 1.1 showing the tax compliance trend in India from 2014-15 to 2019-20.

Table 1.1: Trends of Tax compliance in India

Years	All tax Payers	Total PAN allotment	Ratio (total pan/All Taxpayers)	Difference (Total PAN allotment/All tax Payers)
2014-15	5,70,36,588	27,69,85,451	0.21	21,99,48,863
2015-16	6,13,88,342	31,47,31,509	0.195	25,33,43,167
2016-17	6,92,25,199	35,54,11,216	0.194	28,61,86,017
2017-18	7,42,49,558	39,90,73,174	0.186	32,48,23,616
2018-19	8,45,21,487	44,57,17,383	0.189	36,11,95,896
2019-20	8,98,27,420	49,53,43,843	0.181	40,55,16,423

Source: C.B.D.T. Reports

LITERATURE REVIEW

Summary Review of literature Economic Issues and tax compliance

Author	Year	Origin	Data	Tools and Technique	Conclusion
Alm et. Al.	1995	Spain	Experimental data	Descriptive analysis(Average compliance rate)	Find Positive Correlation between tax rate and tax noncompliance
Singh and Sharma.	2007	India	Primary	Factor Analysis Method	Find that taxpayers are dissatisfied with the current level of social and economic benefit that has been attained so far, and they are utilizing the tax rate as a tactic to make adjustment
Muhali p,S.	2010	Malaysia	Secondary	Nonlinear autoregressive distributed lag (NARDL) model	Find that a low penalty rate is strongly correlate

					d with tax evasion
Kleven et. al.	2010	Denmark	Secondary	Allingham-Sandmo (AS) Model	Find that Self-reported Income increased as a result of a pervious audit.
Asnawi ,M.	2013	Malaysia	Primary Data	PLS	Revealed that tax compliance is strongly correlated with both the frequency of audits and the anticipated probability of being audit.
Engida, T. G., and Baisa, G. A	2014	Ethiopia	Primary	Ordered logistic regression model	Find a significant positive relationship between the probability of being audited and compliance to tax regulations.
Ameyaw, B., et al.	2015	Ghana	Primary	Regression Analysis	findings indicate that high

					tax rates are positively correlated with a significant increase in income tax evasion
Kwaramba, M. and Mudzingiri	2016	Zimbabwe And South America	Cross Sectional data	discriminant analysis and descriptive statistics	There is a Direct correlation between tax rate and tax evasion in both before and after crisis time. But during the crisis time, there is no association between tax rate and tax compliance
Hove K. and Hove F.	2016	Zimbabwe	Cross Sectional data	discriminant analysis and descriptive statistics	Finding indicated that a greater number of small and medium-sized enterpris

					es engaged in tax evasion compared to large firms. The tax rate was the primary factor influencing tax avoidance.
Carfora, A. et. al.	2018	Jordan	Secondary	Spatial Econometric Model	Result show that a higher penalty rate increase tax compliance. The probability of being audited and facing extra enforcement measures enhance taxpayer's compliance with tax regulation decrease the discrepancy.

Taing and Chang	2020	Cambodia	Primary	EFA Ordered Logistic Regression Analysis	findings validate that tax morale, tax fairness, and tax complexity exert a statistically significant impact on citizens' intention to comply with taxes. However, factors such as the power of authority, trust in government, tax information, and tax awareness do not exhibit a statistically significant relationship with tax compliance intention.
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Baeli	2021	Indonesia	Primary	Moderating Regression Analysis	Findings indicate that awareness of tax payment will be enhanced under specific circumstances, such as the provision of user-friendly tax services, the establishment of penalties for delays (in the form of administrative sanctions), a strong inclination to contribute to the nation (motivated by nationalism), and the financial situation of taxpayers.
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Lutfi et.al.	2023	Jordan	Primary	S-PLS SEM	Complexity of the tax system, the severity of penalties and fines, the fairness of tax system, government spending and quality of tax services have direct connection with tax compliance.
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RESEARCH OBJECTIVES & HYPOTHESES

Our study aims at examining the impact of economic issues on tax compliance of income tax assesses under income tax system. In the light of previous literature there are various studies which shows that economics issues have many factors which impact the tax compliance behaviour of an assessee. For identifying and validation of these factors, various statistical tools and technique are utilized. The formed null hypothesis is shown below;

$H_0(1)=$ There is no significant impact of simplified tax structure on assessee's compliance with the income tax system.

$H_0(2)=$ There is no significant impact of penalties & punishment on assessee's compliance with the income tax system.

- $H_0(3)=$ There is no significant impact of social security net on assessee's compliance with the income tax system.
- $H_0(4)=$ There is no significant impact of equitable taxation on assessee's compliance with the income tax system.
- $H_0(5)=$ There is no significant impact of fairness on assessee's compliance with the income tax system.
- $H_0(6)=$ There is no significant impact of transparency on assessee's compliance with the income tax system.

METHODOLOGY

Data Collection and Sample

This study has followed cross-sectional survey design and its addressed population includes income tax assesses of Haryana. The cross-sectional survey was administered between short periods of May to July 2023 because variables economics issues and income tax assesses compliance would not change much due to short period data collection. To achieve the decided research objective for assessment of impact of economics issues on income tax assesses tax compliance behaviour, the primary data was collected from Haryana by using the semi-structured questionnaire method and purposive sampling. At the time of data collection, it was ensured that the respondent should be from Haryana, and income tax assesses according to Indian income tax act, 1961.

The sample size for the survey of individual income tax assessee's was proposed to be six hundred respondents spread across the all division of Haryana. A total of six hundred questionnaires were distributed for the survey purposes considering the possibility of "no responses". The sample was distributed in consonance with information obtained from two different yet reliable statistics: the official census of India, 2011 and State Gross Domestic Product (SGDP). The study aimed to authenticate the distribution of the sample over the state based on these two criteria. Although data regarding SGDP for participating district is not accessible, there is a lack of information regarding the differentiation of districts in terms of their contribution to the division's income. Therefore, it

restricted our ability to separate sampling units (districts) based on their proportional contribution to the SGDP. Therefore, we were left with little choice but to rely solely on the dispersion of population as the sole criterion for selecting districts within the divisions.

The study thus focused on distributing questionnaires among selected districts based solely on one feature, namely population data. Due to the unavailability of a publicly accessible list of taxpayers, an alternative approach was proposed to engage with the taxpaying community. Under the provisions of the Right to Information Act, 2005 information were asked from the authorities regarding disclosure of data on the total number of individuals registered as income tax assesseees who filed tax returns under the category of "income from business/profession." Nevertheless, the responsible authority refused to grant access to the requested material. Therefore, data on the distribution of population across the districts in the state was acquired from the official census numbers.

A total of two crore fifty-three lakh fifty-one thousand four hundred and sixty-two persons (2,53,51,462) are registered under the national census, 2011 in Haryana. All six divisions show 100 per cent population of the state. Out of such registered number of individual citizens, approximately (23 per cent) of the population is spread across the division of Rohtak followed by Hisar (20 per cent), Faridabad (15 per cent) Ambala (15 per cent) Karnal (14 per cent) and Gurugram (13 per cent). In accordance with the said principle, a total of 138 survey questionnaires were distributed across the state of Rohtak followed by 120 questionnaires for Hisar Faridabad (91 questionnaires), Ambala (89 questionnaires), Karnal (84 questionnaires) and for Gurugram (78 questionnaires). Further, within these division, the selection of corresponding districts as sampling units was done with the same (uniform) principle of proportional representation (as adopted for selection of quantum of questionnaires for participating districts). A descending list of districts (population wise) separately for each division was made from the official census figures. The districts (in descending order) with largest share of population covering in total at least 40 per cent of the division's population were selected as the sampling units. A total of 13 districts spread across the sampled divisions' covering 25 per cent of states' population has been selected for distribution of the questionnaires. Furthermore, the number of

questionnaires to be filled from each districts was also spread through the application of proportional representation principle again. In accordance with this principle, the spread of questionnaires across divisions and districts within the states. Finally, the total of 410 responses were collected. The sample size 410 responses for analysis purpose has considered as large enough, as in this study, EFA and CFA statistical techniques were used to analyze the total of 31 observed items.

QUESTIONNAIRE DEVELOPMENT

The inductive and deductive approaches were merged for item generation. To accomplish this, we conducted unstructured interviews with tax officials, tax professional service providers (such as chartered accountants and tax return preparers), and individual assesses. The unstructured interviews and examination of current empirical literature resulted in the creation of a pool of 31 itemized assertions. For evaluating the content validity ensures that the created items accurately measure what they are intended to assess. Content validity has been established by two approaches: first, by generating items after conducting a comprehensive analysis of relevant literature, and second, by subjecting items to rigorous scrutiny and evaluation through conversations and cross-examination by two academic experts in the field. The experts evaluated the 27 items by assessing the degree to which they clearly and distinctly represent the content domain. four items were eliminated and certain others were reworded and reframed to achieve uniformity in the domain being studied, based on the collected inputs. The items were measured using a Likert-type scale. Likert scales are widely utilized in survey research through questionnaires (Hinkin et al., 1997). The updated sets of items were evaluated in a preliminary survey with fifty participants from the divisions of Hisar, Gurgaon, Karnal, and Ambala. four items were removed from the pilot testing questionnaire due to their non-uniform, overlapping, and conflicting nature in the response loading. Therefore, a grand total of 23 items were utilized for the conclusive survey of assesses.

MEASUREMENT MODEL

In this study, we used the ordinary logistic regression model to examine the impact associated with economic issues regarding income tax legislations on taxpayers' compliance under income tax system. The dependent variable is income tax assesses compliance behaviour of which was measured by using 5point

Likert scale from strongly disagree to strongly agree. Ordinal regression is a statistical method used to forecast the behavior of dependent variables at the ordinal level, based on a collection of independent variables (Ordinal regression, n.d.). The poll participants were queried about their compliance level regarding the current income tax system. The issue is evaluated using a five-point scale that ranges from "strongly noncompliance" to "strongly compliance," resulting in an ordinal outcome. Therefore, the typical ordinal equation can be expressed as:

$$\ln(\theta_i) = \alpha_i - \beta X$$

whereby the variable i spans from 1 to $n-1$, with n representing the total number of categories. The negative sign in the equation indicates a greater probability of obtaining lower values for the elements. Continuous predictors exhibit a positive correlation with larger scores, meaning that as the variable values grow, the likelihood of having larger scores also increases.

The reliability and validity of adapted scales of economic issues and income tax assesses compliance were explored and confirmed through exploratory factor analysis (EFA) and confirmatory factor analysis (CFA)/measurement model technique. Reliability means when a particular scale provides consistent results in each experiment, while validity confirms the accuracy of results obtained from a particular scale. Apart from reliability and validity of scales, the model fitness of measurement model was also checked before using the designed scales for analysis.

For the EFA, Software SPSS version 26.0 was used which applied factor loading, cumulative values and eigen value for determine the factors. The current study employed the eigen value (Kaiser) criteria to determine which factors should be retained. A minimum loading value of 0.5 for a variable has been established as the criteria for selecting the factor loadings to be preserved. The construct of economics issues was subjected to factor analysis using twenty-three items. The exploratory factor analysis yielded a solution with six factors, which accounted for 72.67% of the explained variation. Upon further examination, it was discovered that three items had low communality and factor loading. Afterwards, these three items were removed and a modified factor solution with twenty items and six factors was found, explaining 67.53% of the explained variance

For the CFA, software AMOS version 26.0 and Prof. Gaskin's statistical tool package were used for reliability and the validity of the measurement model. For confirming the reliability and validity economic issues scales/constructs/latent variables; the standardized factor loadings of each item, convergent validity and discriminant validity were tested. First, standardized factor loading of each item of a particular construct should be higher than 0.5 otherwise that particular item should be completely eliminate from the study which has value less than 0.5 (Hair et al., 2010). The construct's convergent validity is confirmed; when construct's composite reliability (CR) exceeds 0.7, average variance explained (AVE) exceeds 0.5 and CR also exceeds AVE (Fornell & Larcker, 1981; Hair et al., 2010). The Cronbach's α is also one of the indicator used in checking the reliability or internal consistency of scale/construct (Churchill, 1979). The higher value of Cronbach's α than 0.7 approves the reliability of scale (Cronbach, 1951). Moreover, the discriminant validity of construct is confirmed; when value of AVE of construct is greater than values of both maximum shared variance (MSV) and average shared variance (ASV) (Fornell & Larcker, 1981). In other words, for confirming discriminant validity of construct, square root of AVE value should be greater than the correlational values of particular construct with other constructs (Fornell & Larcker, 1981). Aside the reliability and validity of constructs, the fitness of measurement model during CFA was tested through multiple goodness and badness indices. In fitness indices, CMIN (χ^2)/DF, p (significant value), GFI (goodness of fit index), CFI (comparative fit index), NFI (Normed fit index), IFI (incremental fit index), TLI (Tucker-Lewis index), RMR (root mean square residual) RMSEA (root mean square error of approximation) etc. are included. The indicators of GFI, CFI, NFI, IFI, TLI are the goodness indicators, whereas, RMR and RMSEA are the badness indicators. For fitness of measurement model, the above explained indicators should be appropriate. First, if value of CMIN (χ^2)/DF is less than or equal to 3 then it is excellent, however if it is less than 5 then it is also acceptable (Hair et al., 2010; Pattnaik, 2019). Second, the goodness indicators should be greater than 0.90 but if these are greater than 0.80 then it is also acceptable (Bollen, 1990; Hu & Bentler, 1999; Tsai & Ghoshal, 1998). Third, the badness indicators should be less than 0.10 (Hair et al., 2010; Hu & Bentler, 1999).

RESULTS

Table 1 Respondents Demographic Summary			
Characteristic	Category	Frequency	Valid percent
Age Group	18-29 Years	37	9
	30-60 Years	235	57
	61-80 Years	100	24
	> 80 Years	39	10
	Total	410	100
Gender	Male	302	74
	Female	108	26
	Total	410	100
Education	Up to Matric	Nil	Nil
	Under Graduate	83	20
	Graduate	157	38
	Post Graduate	135	33
	Doctoral degree and above	36	9
	Total	410	100
Income Level	Up to Rs. 2,50,000	11	3
	₹2,50,001 - ₹5,00,000	103	25
	₹5,00,001 - ₹10,00,000	225	54
	Above ₹10,00,000	71	18
	Total	410	100

Source: Field Survey

Table 1 show that out of 410 respondents, 37 respondents were 18-29 age group, 235 respondents were 30-60 age group, 100 respondents from 61-80 years and 39 respondents were above 80 years age. Additionally, out of 410 respondents 302 were male and 108 were female. Furthermore, there is no candidate whose education was up to matric, 83 respondents were under graduate, 157 respondents were graduate, 135 respondents were post graduate and 36 respondents were doctorate or above level education. Lastly, in case of Income level, 11 respondents were income upto ₹ 2,50,000, 103 respondents were ₹2,50,001 - ₹5,00,000, 225 respondents were ₹5,00,001 - ₹10,00,000 and 71 respondents were whose income level were above ₹10,00,000.

EXPLORATORY FACTOR ANALYSIS

Exploratory factor solution with twenty items and six factors was found, explaining 67.53% of the explained variance. This can be seen in table 2

Table 2 Exploratory factor solution

	State items							TT ²
		1	2	3	4	5	6	
Economic factor	S1	.873	.000	-.003	.048	-.076	.181	.7331
	S2	-.005	.084	.177	.854	-.034	.047	.768
	S3	.867	-.057	.031	.017	.075	.093	.765
	S4	-.015	.017	-.074	.807	-.078	-.094	.664
	S5	.785	.005	.003	-.046	.019	.165	.636
	S6	-.074	-.074	-.057	-.034	.867	.076	.744
	S7	.079	.076	.774	.144	-.077	-.074	.677
	S8	.075	.849	.047	.055	.018	.067	.775
	S9	.778	.000	.000	.006	.046	.078	.607
	S10	.774	-.053	-.008	.000	.007	.847	.798
	S11	.059	-.004	.058	-.053	.773	-.087	.673
	S12	-.081	.577	.007	.118	-.058	-.065	.360
	S13	.007	-.058	.708	.184	-.068	-.077	.531
	S14	.018	-.011	-.169	-.077	.781	.103	.653
	S15	-.033	.008	.857	.015	-.058	.075	.739
	S16	.035	.136	.075	.797	-.047	.077	.653
	S17	.777	.079	.018	.017	.077	.863	.798
	S18	-.017	.007	.805	-.036	-.019	-.017	.647
	S19	.074	.834	-.077	.011	.011	-.079	.696
	S20	.013	.863	-.044	.044	-.008	.007	.747
		2.789	2.536	2.521	2.099	1.997	1.588	
		13.991	26.630	39.339	49.675	59.637	67.513	

Source: SPSS 26.0 output

CONFIRMATORY FACTOR ANALYSIS

Sr. No	Factor Label	Constituent variables	Factor Loadings		MEAN
			EFA	CFA	
Economic Issues					
1	Simplified Tax Structure	○ The income tax system makes sure that people have the least amount of money and time to file their taxes. ○ It's easy to understand the income tax rules. ○ Simplifying filing procedures increases tax compliance. ○ Changing tax laws often makes them more difficult to understand.	.866 .823 .784 .775	.829 .815 .726 .664	2.985
		○ People who don't pay their taxes should not be able to get loans, credit cards, or train or plane tickets. Tax cheaters should also get	.865	.877	3.040

Sr. No	Factor Label	Constituent variables	Factor Loadings		MEAN
			EFA	CFA	
2	Penalties & Punishment	less money back and be closely inspected			
		○ If tax authorities use too much deterrent, assesses will be less likely to pay their fair share.	.845	.756	
		○ High tax evasion happens because of weak fines and few prosecutions.	.838	.764	
		○ There is a need to establish accountability of officers in case of refund delays or incorrect interpretation of tax regulations.	.573	.402	
3	Social Security Net	○ A lot of people would start paying their income taxes honestly if the government made sure that everyone got social security payments for things like health care, education, and old age.	.854	.843	3.000
		○ The amount of income tax someone pays should be directly related to how much social help they get.	.805	.746	
		○ Deductions should only be given for long-term needs, like retirement or social security.	.776	.643	
		○ Tax Deduction at Source (TDS) should be extended to areas that aren't taxed yet to successfully stop people from not paying their taxes.	.707	.576	
4	Equitable Taxation	○ A flat rate system should be used for all income levels instead of the current system where Equitable Taxations go up as income goes up.	.853	.870	2.963
		○ All exclusions should be eliminated and the baseline exemption level linked to inflation to determine income tax liability.	.806	.656	
		○ There shouldn't be different tax rules for different groups, like HUF.			

Sr. No	Factor Label	Constituent variables	Factor Loadings		MEAN
			EFA	CFA	
			.792	.683	
5	Fairness	○ The amount of tax you currently pay as a proportion of your income is justified. ○ People who farm a lot of land should have to pay taxes. ○ Tax agents are polite and respectful to assesses.	.865 .784 .775	.846 .673 .594	2.946
6	Transparency	○ Voluntary Disclosure Income Schemes (VDIS) help people pay their taxes. ○ Professional tax services effect honesty in payment	.868 .847	.735 .824	3.043

Source: SPSS 26.0 Output; AMOS 26.0 Output

A measurement model was executed to assess the dimension of economic issues. Once again, the model was determined to be statistically significant (chi-square probability = 0.000), and all the fitness techniques were deemed suitable. However, statement S12 had a low factor loading of 0.4, indicating that it only accounted for 16% of the variation. The proportion of explained variance (16 per cent) was significantly lower than the minimum acceptable level of 25 per cent, and even below the 20 per cent threshold. Therefore, the statement was removed from the measurement model and the rebuilt model demonstrated an enhanced fit.

Table 3 displays the comparison statistics relationship to the fitness of the measurement model.

Table 3: Fitness Indices for Scale Constructs

	Economic Issues Construct	Minimum required value
Chi-square (CMIN/DF)	2.244	<3
GFI	.926	>0.90
CFI	.937	>0.90
NFI	.884	>0.90
IFI	.938	>0.90

TLI	.915	>0.90
RMSEA	.057	<0.10
RMR	.055	<0.10

Source: AMOS 26.0 Output

The multiple goodness and badness indices shown in Table 3 have also confirmed the fitness of the measurement model. In fit indices; CMIN/DF (2.244) was below than 3, goodness indices of GFI (0.926), , NFI (0.884), IFI (0.938), TLI (0.915) and CFI (0.937) were higher than the recommended threshold level of 0.90 and badness indice of RMSEA (0.055) was below than the recommended threshold level of 0.10.

RELIABILITY AND VALIDITY

Reliability refers to the extent to which a group of indicators for an underlying concept are internally consistent in their measurements (Hair et al., 2010). The study assessed the reliability of the measures by employing Cronbach Alpha's, composite reliability (CR), and the measure of Average Variance extracted (AVE). The reliability has been calculated using Prof. Gaskin's statistical tool package.

Table 4: Psychometric properties of Tax Compliance Behavior Scale (RELIABILITY, VALIDITY & DESCRIPTIVE RESULTS)

Economic factors	CR	AVE	Alpha	F1	F2	F3	F4	F5	F6
F1: Fairness	0.751	0.507	.732	0.718					
F12: Simplified tax Structure	0.848	0.584	.841	0.024	0.768				
F3: Penalties & Punishment	0.801	0.522	.798	-0.038	-0.006	0.728			
F4: Social Security Net	0.790	0.506	.794	-0.148	0.019	-0.018	0.715		
F5: Equitable Taxation	0.783	0.545	.777	-0.103	0.014	0.174	0.214	0.745	
F6: Transparency	0.756	0.613	.750	0.043	0.526	-0.013	0.022	0.033	0.782

Source: Gaskin (2022)

Discriminant validity measures the extent to which two constructs display dissimilarity. It guarantees that two constructs do not have any multi-collinearity among the explanatory factors that make them up. Discriminant validity is achieved by ensuring that the square root of the average variance extracted (AVE) is greater than the phi coefficient

between the related constructs. The diagonal numbers in table 4, which represent the factors defining the square root of AVE, are compared to all the other values in the same column and the values in the bottom half of the diagonal.

In an ordinal regression equation, the dependent variable is represented by an ordinal measure that is ranked within the data. The independent variables are included in the equation either as "factors" (categorical variables) or as co-variables (continuous variables). Ordinal analysis facilitates causal analysis and forecasting by establishing a causal relationship between independent variables and a dependent variable, and quantifying the impact of continuous variables. Ordinal logistic regression is distinct from linear regression because it focuses on maintaining continuity in the data.

Table 5: Ordinal Model Statistics

Model Fitting Information				
Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Intercept Only	690.511			
Final	485.114	205.390	18	.000
Goodness of Fit				
Pearson	-	1302.631	1588	1.000
Deviance	-	485.114	1588	1.000
Pseudo R-Square				
Nagelkarke	.485	-	-	-
Test of Parallel Lines				
Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Null Hypothesis	485.114	41.475	52	.825
General	443.112			

After finding satisfactory overall measurement model fitness and reliability and validity of latent variables/constructs, we have used ordinary logistic regression technique to examine the proposed relationship between economics issues and tax compliance of income tax assesses. The application of ordinal regression requires the fulfillment of a fundamental assumption known as "Proportional Odds", which is assessed using the "test of parallel lines". Table 5 confirms that the assumption of proportional odds, as determined by tests of

parallel lines, is valid for the survey statistics. The chi-square statistic value for the final model indicates that the ordinal model explains the variation much better than the model with simply the intercept variable. The statistical analysis indicates that the model's Pearson and deviance statistics are not significant at a 5% significance level. In addition, Nagelkarke's R-Square, which is another approach used to measure the goodness of fit for the ordinal model, indicates that the ordinal model with specified co-variables accounts for 48.5% of the variation in the dependent variable.

Table 6: Parameter Estimates: Assesses Compliance with

		Estimate	Std. Error	Wald	Sig.
Co-variables	Transparency	.123	.213	.337	.565
	Fairness	-.066	.214	.084	.772
	Equitable Taxation	.164	.155	1.073	.301
	Social Security Net	-.027	.133	.047	.833
	Penalties & Punishment	-.783	.266	8.514	.005
	Simplified tax structure	-.622	.324	3.624	.043

Income tax system

Source: SPSS 26,0 OUTPUT

As in table 6 showed null hypothesis $H_0(1)$, $H_0(2)$ are rejected and null Hypothesis $H_0(3)$, $H_0(4)$, $H_0(5)$, $H_0(6)$ are accepted. The statistical analysis revealed that Simplified tax structure and Penalties & Punishment (economic issues) significantly influence taxpayers' compliance with the income tax system. The results confirm that the conceptual framework maintains the dimensionality of the tax compliance behaviour module as intended and supported by the statistical data.

CONCLUSION

This study aims to examine the impact of Economic issues on the tax compliance behavior on income tax assesses and we found the economic issues six factors simplified tax structure, penalties and punishment, social security net, equitable taxation, transparency, and fairness by using the EFA and CFA on the basis of review of literature. Survey method was used for data collection and there are 410 respondents who participate in this study. Then we used ordinary logistic

regression method to find out the impact of these six factors of economic issues on the tax compliance behavior of income tax assesses with income tax system. And findings show that simplified tax structure and penalties & punishment are significantly affect the compliance behaviour of income tax assesses. Simplified tax structure has a positive correlation with the tax compliance behavior. It implies that if there is a highly simplified tax structure then there is a highly tax compliance behavior of income tax assesses. While penalties and punishment are negatively correlated with the tax compliance behavior of income tax assesses. As the rate of penalties and punishment increases there is negative impact on the tax compliance behavior of income tax assesses. However, previous research indicates that taxpayers' compliance behavior is not only affected by penalties and the frequency of tax audits, but also by their level of tax knowledge, their attitudes towards and perceptions of the tax system in terms of fairness, and the perceived ineffectiveness of the tax authority's enforcement strategies (Kirchler, 2007; Torgler, 2007; Richardson, 2006).

The findings of this study have important implications for the government. They provide specific insights that can help policy makers better understand the key economic issues that are significantly linked to tax compliance. This understanding can enable them to implement appropriate strategies to minimize potentially harmful factors and improve tax revenue collections for the government.

Additionally, it is advisable to carry out this type of research on a nationwide scale in order to acquire a more comprehensive understanding of the factors that influence compliance throughout the country.

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