

EXPLORING INDIVIDUAL TAXPAYERS' SATISFACTION LEVEL FOR E-FILING SYSTEM IN INDIAN CONTEXT

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ABSTRACT

This research paper is an attempt to examine the satisfaction level of taxpayers about e-filing in India. Out of 500 survey respondents, 367 were considered eligible for analysis. Ranking technique, ANOVA-test and t-test have been used to analyze the satisfaction level of taxpayers while using electronic facility to file individual income tax returns. The analysis reveal that significant differences exist in the satisfaction level of the taxpayers regarding security aspects related to e-file procedure as well as for the guidance provided to the taxpayers by the Income Tax Department. The write up concludes that majority of the individual tax payers feel satisfied after availing this facility. Age-wise, education-wise and occupation-wise, a significant difference has been observed for the satisfaction on various aspects of e-filing system. It is suggested that sufficient steps need to be taken by the Income Tax Department to provide operational knowledge of e-filing to the tax payers. During this period of taxation reforms in India, awareness through a heavy media campaigning can be a useful measure to make e-filing service more effective in future.

KEYWORDS: E-filing of Income Tax, E-returns, IRS, ITD, ITR.

Introduction

E-filing is a norm rather than an exception in many developed countries due to the fact that it is cheapest way of providing tax-filing service. Every service provider tries to provide quality of services and products to their ultimate users in order to satisfy them. In India, e-filing of income tax returns has increased so substantially over the past five years that the income tax department believes paper filing of returns would soon become a negligible proportion of the total. E-filing income tax return is becoming a 'need to have' than 'nice to have' service and online income-tax return filing is replacing traditional ways to create a new phase in transformation. Income tax return filing is no longer confined to the departments of income tax where one has to go in person, to stand in queue or request for getting information and deposit tax. In e-filing system, any enquiry or transaction is processed online. After the induction of technology in Indian Income Tax Department (ITD), the taxpayers' perception of quality of services from the tax department has changed. Nowadays many of the eligible assessee opt to go for e-filing their returns as it becomes more feasible and also less time consuming to them. The official data of ITD also reveals that one out of every three tax returns is now filed electronically in India. The e-filing statistics available on the official website reveal that 43343737 ITRs were e-filed during Financial Year 2015-16 as compared to 34173994 e-returns submitted for the Financial Year 2014-15. This practice is growing

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among the taxpayers and it has become quite popular among the taxpayers. No doubt, a few challenges and threats do exist with this changing system of filing returns. Through modernisation programme of ITD in India, the majority of income taxpayers migrated onto an electronic platform thereby reducing the risk associated with cash collections at branch offices. Many income-taxpayers are using an alternative payment channels instead of payments at branch offices available in the country. Moreover, it has become mandatory for higher income slabs. Hence, it becomes important to obtain answer to the question that whether the taxpayers are satisfied with e-filing services?

Literature Review

Ilias et al. (2015) examined the differences among experienced and non-experienced taxpayers in handling and learning e-filing system. As per findings of the study, educational background of taxpayers has a significant role to play in encouraging the attitude of taxpayers to use e-filing.

Lu, Huang and Lo (2010) observed in the belts of Taiwan that attitude is the key factor affecting taxpayers' intention of on-line tax filing. Also on-line tax filing intention has a significant positive effect on tax filing behaviour of taxpayers who have filed tax on-line. This study used online questionnaires to obtain taxpayers samples and subjects were asked to express the degree to which they agreed with the statements on seven-point Likert rating scale.

Carlos and Macedo (2008) aimed to analyze the antecedents and consequences of online satisfaction within the context of e-government, which increasingly play an important role in modern public administrative management. Specifically, the taxation services offered through the web-based electronic declaration system are more convincing. The results of this empirical study on a sample of 351 certified accountants had validated four out of five hypotheses. It was found that convenience is an important antecedent of both satisfaction and online service quality. Additionally, findings suggest that both the degree of satisfaction and online service quality impacts on the intention of using the taxation website.

A comparative study by **Chang Lee et al. (2008)** focused on the web-based tax filing systems of Turkey and South Korea. This comparison was based on user satisfaction which had parameters such as ease of work, adequacy of the amount of information, display speed, convenience to life, job productivity, and help service. The study gave a result that users in these two countries felt differently for these factors. Although Turkey has a complex tax system and Turkish users did not find the tax filing system difficult to use and that may be attributable to the fact that they are accounting professionals who frequently use the system.

Edwards (2008) in a write up described his view point by exploring the history of e-filing and e-payments systems in the Caribbean Region. After experimenting in the three cities as a pilot project for the year 1986, e-filing period proved successful. Afterwards, US-IRS gradually expanded the program to other cities. The details show that the United States' e-filing rates for individuals have increased since its introduction. Based on the success and positive responses from the IRS program, several countries including the Australia, Canada, France, Spain and many Latin American countries have introduced e-filing and e-payment services.

IRS Publication (2007) in U.S helped taxpayers by opting self-preparers assistance programme. By visiting IRS Taxpayer Assistance Centres (TAC) or VITA (Volunteer in Technical Assistance) locations, taxpayers could e-file without any charges or utilized computers that were available to them at work or a public library.

Teicher, Hughes and Dow (2002) in the research paper examined the concept of quality and its application to the public sector. The author discussed e-government which has been described as the latest manifestation of attempts to improve quality in government. The results of the survey and other published research materials suggested that the impact of e-government on service delivery is modest and not well distributed. While there has been widespread adoption of e-government measures, these have generally been lacking in sophistication and have been disproportionately beneficial to city dwellers without addressing problems of equity and access.

Davis (1989) applied the well known Technology Acceptance Model (TAM) and Theory of Planned Behaviour (TPB).

The review of literature indicates that the growth of return filing through electronic mechanism in countries like India, Malaysia, China, Australia and OECD (Organisation for Economic Co-operation and Development) countries has attracted the attention of researchers in India and abroad. However, no

systematic and comprehensive analysis has been conducted for the 21st century reform period to test factors affecting the satisfaction level about e-filing of income tax returns filers, which the present study takes into account. This gap in the research is particularly noticeable because in liberalized economy, the tech-savvy people are enthusiast to adopt e-filing procedure. Hence, the present study is intended to fill the gap in the important area of e-filing of income tax.

Need of the Study

In the year 2011-12, it was observed that ninety nine percent of tax returns were filed manually though the evolution period of e-filing in India was 2006-07. No doubt, the Income Tax Department is encouraging online filing of tax returns in order to digitize all tax payers' related information (Press Trust of India, News Source) but the department still requires extra ordinary efforts to enter the data from hard copies into the system. Considering the potential of e-filing which brings benefit both the government and the taxpayers, it becomes important to have majority of the tax-payers e-file. This requires an understanding of the tax payers' satisfaction towards the service. Realizing the present situation, an extensive study has been conducted here on the satisfaction of taxpayers about the services provided by ITD under e-filing system in the country.

Also, to encourage tax compliance amongst all Indians, the Indian Revenue Service (IRS) has to obtain knowledge of tax payers' experiences towards taxation. Taxpayers' attitudes are influenced by their perceptions of happenings around them and the way they interpret them. Revenue raised through collection of taxes assists the government in imparting the quality of goods and services provided to the public. Taxpayer is the ultimate user of e-filing services provided by the department. An e-filing payment channel is a way where the taxpayer has to register as an e-filing client to enable electronic payments via this channel. Another option of payment at bank channel is also used where the taxpayer can make either an internet banking transfer or an over-the-counter deposit. So, the question of satisfaction arises when needs and wants of a user are fulfilled and the present study is an attempt to obtain answer to this research problem.

Objectives of the Study

To analyze the relationship of various demographic variables with the level of satisfaction among the individual tax payers towards e-filing of income tax returns.

Methodology

The present study is based on primary data. The primary data required for this study has been collected through a structured interview schedule from Amritsar, Jalandhar, Ludhiana city and Union Territory of Chandigarh. Further, the study mainly throws light on the relationship between socio-economic factors and level of satisfaction of taxpayers while e-filing their income tax returns. The relevant secondary data have been collected from books, journals, newspapers, magazines and web portals. The study has been conducted on the basis of multi stage stratified random sampling method. For developing sample design out of 500 questionnaires distributed (125 in each city), a response from 367 respondents has been found eligible.

After proper formation of the survey instrument, a pilot study was conducted where researcher randomly selected 73 taxpayers. Based on this pilot study, the preliminary analysis established the internal consistency of the items within questionnaire and gave the confirmation of validity and reliability of final survey instrument. The survey instrument is a 5 point Likert scale questionnaire survey divided into two sections. Collected data were analysed with the help of various statistical measures such as Percentage, Likert Scale, Weighted Average Ranking Technique, ANOVA-test and t-test. The results of the ANOVA show whether or not the means of various groups are significantly different from one another as indicated by F statistic. The present study was covered during the period of eight months from January 2015 to August 2015. Following hypothesis has been constructed:

Hypothesis

H₀₁: Satisfaction level about electronic filing of income tax return has no significant relationship with demographic feature of the respondents (i.e. age, education, occupation, income and gender).

Analysis Framework to Assess Satisfaction Level of the Individual Tax Payers for E-filing Procedure:

A scale was constructed to analyze the satisfaction level of taxpayers about the e-filing procedure. By consulting relevant literature, a set of 12 statements was formulated as shown in Table 2. To check the satisfaction level among the respondents, '5' was assigned for "Highly Satisfactory", '4' for having 'Satisfactory', '3' for 'Neutral', '2' for 'Dissatisfactory' and '1' for 'Highly Dissatisfactory'.

Table 1: Descriptive Statistics (Age-wise, Education-wise, Occupation-wise and Income-wise)

Category	Age (In Years)					Education					Total	
	Upto 20	20-35	35-50	50-65	Above 65	Matric / H.Sc.	Graduate	Post Graduate	Ph.D./ Prof.	Others		
Frequency	27	129	140	61	10	43	136	114	65	9	367	
Percent	7.4	35.1	38.1	16.6	2.7	11.7	37.1	31.1	17.7	2.5	100	
	Occupation					Income (In Rupees)					Total	
Category	Business	Salaried	Prof.	Others	-	Upto 25000	25000-50000	50000-75000	75000-100000	Above 100000		
Frequency	148	149	45	25	-	60	94	65	72	76	367	
Percent	40.3	40.6	12.3	6.8	-	16.3	25.7	17.7	19.6	20.7	100	
	Experience of Return filing (In Years)					Source of Awareness about E-filing of Income-Tax Return					Total	
Category	Upto 10	11-20	21-30	Above 30	-	News-paper	Friend	Auditors	Electro nic Media	Adv.-ment		Others
Frequency	189	130	31	17	-	95	70	90	68	22	22	367
Percent	51.5	35.4	8.4	4.6	-	25.9	19.1	24.5	18.5	6.0	6.0	100

Source: Primary data

The descriptive statistics reveal that out of 367 respondents, 271 males and 96 females have filed through e-filing procedure and this represents 73.84 per cent and 26.16 per cent of the total respondents respectively. To summarize, the analysis in Table 1 for the survey report shows that majority of respondents (51.5%) have upto 10 years experience in return filing which indicates a rise in the number of new taxpayers. This factor has an important bearing on the attitudes of taxpayers. As per the literature reviewed, after the recommendations given by Kelkar Task Force for the rationalization of income tax administration in India, the number of taxpayers is increasing (Kelkar, 2007).

- **Analysis for Satisfaction Level of Individual Tax Payers:** Assessment for the satisfaction level of individual tax payers about various aspects of e-filing of income tax returns has been presented in Table 2. It has been observed that 152 respondents are highly satisfied with the e-filing acknowledgment and it is ranked first while on the other hand, only 17 are dissatisfied and 1 of the respondents is highly dissatisfied with the acknowledgement generated. The statement 'Availability of e-filing guidance' has been ranked last. 112 respondents have been found dissatisfied with the services provided by the department for e-filing guidance to the taxpayers. Only 19 respondents were satisfied with the available e-filing guidance provided by the department. Lu, Huang and Lo (2010), proved in their study that on-line tax filing intention has a significant positive effect on on-line tax filing behaviour.

Using TPB and TAM model, their study has observed that attitude is the key factor affecting taxpayers' intention of on-line tax filing and proposed an on-line tax filing acceptance model of taxpayers. Table 2 reveals that out of 367 respondents for the statement S-2 'Easy to e-file' feature is highly satisfactory among 119 taxpayers and satisfactory for 187 taxpayers. Most of the individuals (152) are highly satisfied with the S-7 statement on 'Acknowledgement Device' generated by e-filing system. The less satisfaction has been shown for S-8 'Availability of e-filing guidance' and S-10 'Satisfaction level after dealing with Indian Revenue Service (IRS) and Income Tax Department'. Hence, a confidence needs to be built up by the tax department amongst the taxpayers by improving their services and by developing a better safety feature in their modules.

- **Opinion about Satisfaction Level of the Individual Taxpayers:** It is further inferred from Table 3 that majority of the individual taxpayers are satisfied with the various aspects of e-filing. The mean score is on the higher side in most of the statements. In case of S8- 'Availability of guidance from ITD', majority of taxpayers in all the demographic profiles are less satisfied. Also, for S10- 'Satisfaction level after dealing with Indian Revenue Service (IRS) and Income Tax Department' and for statement S-8 (age-wise, education-wise, occupation-wise and income-wise), the mean score has been found on the lower side. This indicates a lower level of satisfaction with the department for the services and guidance they provide to the taxpayers.

Table 2: Ranking of Statements to Check Satisfaction Level of Individual Taxpayers Regarding E-filing Aspects

State ment Code	Features	Highly Satisfactory	Satisfactory	Neutral	Dis-satisfactory	Highly Dissatisfactory	Total	Mean Score	Rank
S1.	E-filing procedure in India is	99	176	67	8	17	367	3.90	6
S2.	'Easy to e-file' feature is	119	187	52	8	1	367	4.13	2
S3.	'Safety' feature of e-filing the income tax return is	46	133	124	49	15	367	3.40	10
S4.	'Accuracy' feature of e-filing is	62	159	113	18	15	367	3.64	8
S5.	'Time limit' given for e-filing is	98	202	54	12	1	367	4.05	4
S6.	'E-payment procedure' while paying income tax	125	166	49	26	1	367	4.06	3
S7.	'Acknowledgement Device' generated by e-filing system	152	152	45	17	1	367	4.19	1
S8.	Availability of e-filing guidance	19	102	77	112	57	367	2.77	12
S9.	Services of e-payment banks while depositing tax are	95	178	73	20	1	367	3.94	5
S10.	Satisfaction level after dealing with Indian Revenue Service (IRS) and Income Tax Department is	15	157	144	36	15	367	3.33	11
S11.	Experience with overall facilities provided by e filing is	48	193	115	10	1	367	3.75	7
S12.	Satisfaction level with Directorate General of Income Tax (DGIT) for online e-payment is	38	149	123	38	19	367	3.41	9

Source: Primary Data

Table 3: Descriptive Statistics (Age-wise, Education-wise, Occupation-wise and Income-wise)

Category	Age (In Years)					Education					Total
	Upto 20	20-35	35-50	50-65	Above 65	Matric / H.Sc.	Graduate	Post Graduate	Ph.D./ Prof.	Others	
Frequency	27	129	140	61	10	43	136	114	65	9	367
Mean	3.83	3.676	3.825	3.548	3.333	3.436	3.649	3.793	3.895	3.704	3.714
Category	Occupation					Income (In Rupees)					Total
	Business	Salaried	Prof.	Others	-	Upto 25000	25000-50000	50000-75000	75000-100000	Above 100000	
Frequency	148	149	45	25	-	60	94	65	72	76	367
Mean	3.571	3.81	3.846	3.743	-	3.667	3.658	3.717	3.772	3.762	3.714

Source: Primary Data

Table 4: ANOVA Results for the Satisfaction Level of Taxpayers

Demographics	F-Value(Within Groups)	Df	Significant at 5 percent Level
Age	.001	4,362	Significant
Education	.000	4,362	Significant
Occupation	.001	3,363	Significant
Income	.597	4,362	Insignificant

Source: Author's Calculations

Further, by applying ANOVA-test the F-static has been given in Table 4.

In nutshell, the calculated value is less than 0.05 at 5% level of significance regarding the relationship between the demographics (age, education and occupation) and opinion about satisfaction level while e-filing of income tax return except in case of income. Hence, the hypothesis (H01) is rejected

for these three demographics. So, there is significant relationship between demographics (age, education and occupation) and level of satisfaction while e-filing of income tax return. Out of these 367 respondents, 271 males had an average test score of 3.73, while the 96 females had an average score of 3.66 when the satisfaction level was analysed gender-wise.

**Table 5: Gender-wise Results for the Satisfaction Level of Taxpayers
(Results of Independent Samples Test)**

Assumption	Levene's Test for Equality of Variances		t-test for Equality of Means			
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
Equal variances assumed	1.193	.275	1.096	365	.274	.07188
Equal variances not assumed			1.123	174.789	.263	.07188

Source: Primary Data

T statistics = 1.096, df = 365, Sig. = .274, Insignificant at 0.05 level.

In order to test the hypothesis, that there is no significant variation between the responses of males and females, t-test has been applied. Levene's test provides an F and a Sig. (p), which in the above table is not statistically significant because it is .27, much greater than .05. Thus, the variances are not statistically different. Here, Levene's test is not statistically significant, the assumption is not violated, and, in this case, the top line (Equal Variances Assumed) to interpret and report the t-test has been used. The mean difference in satisfaction between males and females in the sample respondents was .07. The appropriate *t* to use is 1.096 with 365 degrees of freedom (271+96-2=365) and *p*=.274. Thus, the forgoing analysis reveals that though gender-wise there is a statistically insignificant difference between satisfaction of male and female respondents; the null hypothesis of no difference in the satisfaction of male and female taxpayers is accepted.

Findings, Conclusions and Suggestions

The analysis show that majority of Indians are comfortable with e-filing. In fact the acceptance of e-filing has given rise to an increased comfort with website tax preparation and it seems that Indians opted to the e-filing system more swiftly than expected. To substantiate this point, a report by government of India has shown that taxpayers say that they are very comfortable with e-filing system. Fifty-four per cent of Indians taxpayers (65 million) say that they are comfortable with filing their tax returns electronically, which is more than twice the number that actually e-filed their tax returns in the year 2011-12 (30 million). Lu, Huang and Lo (2010), proved in their study that on-line tax filing intention has a significant positive effect on on-line tax filing behaviour. Not surprisingly, younger Indians in particular are more likely to e-file their tax returns and receive refunds electronically than citizens aged 65 or older who are significantly less comfortable with e-filing system. Due to the improved efficiency of banks and introduction of Direct Transfers many taxpayers have already been receiving direct deposit of their Social Security payments electronically.

The overall results of the study indicate that tax payers are optimistic about new technology. By paying explicit attention to intended tax users' technology readiness may assist the tax authority in formulating strategy of green initiative to accelerate the acceptance of e-filing system more easily among the people in the country. To maximize effectiveness of e-filing system, the agency-staff needs to play effective role especially those in charge of tech-support to respond to the public complaints about the e-filing system timely. Such a step can increase the level of tax compliance amongst the taxpayers.

Due to increased satisfaction among taxpayers, e-filing has shown some progressive outcome and it is surely going to make its full time place in the Indian Tax System. During FY 2007-08 and 2013-14, the Income Tax Department received 21,69,367 and 2,96,81,794 returns respectively. Recently, by the end of FY 2014-15 i.e. on 31-03-2015 the continuous rising trend has shown a prominent rise as the figure has reached at 3,41,73,994 (Press Trust of India, 2015). E-filing is the new effective method of filing income tax return through online and pay tax through e-payment. Not only it saves our precious time, energy and cost but makes us tension-free. Hence, it is suggested that media channel sources like television and newspapers should be used to convince people for using e-filing and e-payment facilities. Although with the revolutionary changes in the Indian tax system, the individual tax payers are becoming

aware of the e-filing and e-payment procedures, yet need is felt there by the income tax department to arrange demo-fares and provide information to computer illiterates at the return-filing counters for making the e-filing popular and easier to understand. The income tax officers (ITOs) should disclose full information regarding service charges and penalties issues to the tax payers to win their confidence.

The present study was based on primary data collected from the sample respondents. Possibility of sampling error is inevitable and it is also difficult to know whether willing respondents are truly representative. Also this paper mainly focuses on assessing satisfaction level of tax payers about e-filing of income tax returns but in future the awareness and satisfaction can be analysed for mobile application usage while filing tax returns. This study reveals that the existing users are aware of e-filing facilities but it is required to create more awareness in the minds of tax payers regarding e-filing of income tax. Hence, need is felt to take sufficient steps by the income tax department to provide more secured operational system of e-filing for the tax payers in the challenging technological environment. Use of green services such as e-payments, request payment refunds by direct deposit and acknowledgments of receipts electronically through website can be advantageous for sustainable development of any nation.

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