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Income Structure, Savings Pattern and Tax Compliance Behaviour among IT Employees

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Abstract:

The study examines the income structure, savings pattern, and tax compliance behaviour among IT employees in Thiruvarur City, emphasizing the growing importance of financial planning and responsible tax practices among salaried professionals. The primary objective is to analyse the socio-economic profile and income structure of IT employees, identify their preferred savings and investment avenues, and examine tax compliance behaviour along with its association with selected socio-economic factors. The research is based on primary data collected from 75 IT employees through a structured questionnaire. A descriptive research design was adopted, and statistical tools such as percentage analysis, Chi-Square test, and Cronbach's Alpha were applied to analyse the data and test reliability. The findings reveal a significant association between socio-economic factors and tax compliance behaviour at the 5 percent level of significance. Mutual Funds and Provident Fund emerge as the most preferred investment options, indicating moderate risk appetite and awareness of tax-saving benefits. The reliability analysis shows high internal consistency of the instrument, confirming the validity of the collected data. The study concludes that income level, financial literacy, and awareness of tax regulations play a crucial role in shaping savings decisions and tax compliance practices among IT employees in Thiruvarur City, highlighting the need for improved financial education and simplified tax procedures.

Keywords: Income Structure, Savings Pattern, Tax Compliance Behaviour, IT Employees, Financial Literacy

1.1 Introduction

The Information Technology (IT) sector has emerged as one of the fastest-growing industries in India, contributing significantly to employment generation, income growth, and overall economic development (Sharma, 2023). IT employees represent an important group of salaried professionals whose income structure, savings habits, and tax compliance behaviour influence both personal financial stability and government revenue (Reddy et al., 2024). In developing cities like Thiruvarur, the growth of IT-related employment has increased the number of young professionals earning regular and structured salaries. Income structure plays a vital role in determining an employee's capacity to save, invest, and meet tax obligations (Tiwari et al., 2024). Based on their income levels, IT employees choose various savings and investment avenues such as Provident Fund, Mutual Funds, Fixed Deposits, and Insurance policies, many of which also provide tax benefits (Mehta, 2023). Savings patterns reflect the level of financial awareness, risk preference, and long-term planning among employees. Tax compliance behaviour, including timely filing of income tax returns and proper utilisation of deductions, indicates financial responsibility and awareness of tax regulations (Preeti et al., 2024). Understanding the relationship between income structure, savings pattern, and tax compliance behaviour is essential to analyse the financial decision-making practices of IT employees (Rajput & Verma, 2025).

1.2 Conceptual Framework of Income, Savings, and Tax Behaviour

Key Concept		
Income Structure	Salary, Allowances, Incentives, Annual Income	Refers to the composition of earnings received by IT employees, including fixed salary and additional benefits, which determines their financial capacity.
Savings Pattern	Provident Fund, Mutual Funds, Fixed Deposits, Insurance	Represents the investment and saving choices adopted by employees to secure future financial stability and wealth accumulation.
Tax Compliance Behaviour	Tax Filing, Deductions, Online Filing, Auditor Assistance	Indicates the extent to which employees follow tax rules, file returns on time, and properly utilise tax-saving provisions.
Socio-Economic Factors	Age, Gender, Income Level, Education	Demographic and economic characteristics influencing financial planning, savings decisions, and tax behaviour.
Financial Literacy	Tax Awareness, Investment Knowledge, Risk Preference	The level of understanding regarding financial products, tax regulations, and planning strategies that shape savings and compliance behaviour.

Source: Developed by the Researcher based on Review of Literature (2023–2025).

1.3 Literature of Reviews

Recent literature from 2023 to 2025 highlights the growing importance of income structure, savings behaviour, and tax compliance among salaried employees. **Mehta (2023)** observed that changes in tax regimes significantly influenced investment preferences, with many employees shifting toward flexible and market-linked instruments. **Sharma (2023)** found that income level, education, and employment status strongly determine household financial planning and savings decisions. In 2024, **Tiwari et al. (2024)** reported that salaried professionals adopt tax-saving strategies based on income brackets, but limited awareness restricts optimal utilisation of deductions. **Reddy et al. (2024)** emphasized that tax complexity and inadequate knowledge negatively affect voluntary compliance behaviour. Similarly, **Preeti et al. (2024)** identified socio-economic status, tax awareness, and social norms as major determinants of compliance intentions. Moving to 2025, **Rajput and Verma (2025)** concluded that revisions in income tax slabs directly influence savings and investment patterns of salaried employees. **Surugiu et al. (2025)** further highlighted that perceived fairness of tax systems and financial literacy significantly enhance compliance behaviour. Overall, the literature consistently demonstrates that income level, awareness, and regulatory environment collectively shape savings patterns and tax compliance practices.

1.4 Need for Study

The IT sector has become an important source of employment and income generation in developing cities like Thiruvarur, contributing significantly to local economic growth and improved living standards. IT employees represent a rapidly growing group of salaried professionals whose structured income system, savings behaviour, and tax compliance practices play a vital role in ensuring both personal financial security and steady government revenue. With regular salaries, allowances, and performance-based incentives, these professionals are in a better position to plan their investments and utilise tax-saving instruments effectively. Understanding how IT employees manage their earnings, select appropriate investment avenues, and comply with tax regulations is essential for assessing their level of financial literacy and planning efficiency. Furthermore, variations in age, income level, work experience, and socio-economic background may influence differences in savings patterns and tax-related decisions. Therefore, this study is necessary to analyse the relationship between income structure, savings pattern, and tax compliance behaviour among IT employees in Thiruvarur City.

1.5 Objectives

- To examine the socio-economic profile and income structure of IT employees in Thiruvarur City and to analyse their savings and investment preferences.
- To study the tax compliance behaviour of IT employees and to assess the relationship between their socio-economic factors and tax filing practices.

1.6 Methodology

The present study is based on a primary data approach to examine the relationship between socio-economic factors and consumer satisfaction. The research adopted a descriptive research design to understand the behavior and perceptions of respondents. A structured interview schedule was used as the main data collection instrument to gather relevant information. The study was conducted among 75 respondents selected using a convenience sampling method. Data were collected directly from participants through face-to-face interaction to ensure clarity and accuracy in responses.

Source: AI-Computed

After data collection, the responses were coded, tabulated, and analyzed using appropriate statistical tools. Descriptive statistics such as frequency and percentage were used to summarize the socio-economic characteristics of the respondents. Inferential statistical tools including the Chi-Square test were applied to examine the association between variables. Additionally, Cronbach's Alpha test was used to assess the reliability and internal consistency of the satisfaction scale. The results were interpreted at a 5 percent level of significance to draw meaningful conclusions.

1.7 Socio-Economic and Financial Behaviour of IT Employees in Thiruvarur City

The tables presented in this study collectively examine the socio-economic characteristics and financial behaviour of IT employees in Thiruvarur City. The socio-economic profile includes gender, age, and annual income distribution of the respondents. The financial behaviour section analyses savings and investment preferences, particularly the choice of various investment options. In addition, tax compliance behaviour is studied through the methods adopted for filing income tax returns. By analysing these interconnected factors, the study seeks to understand how income levels influence savings patterns and tax compliance practices among salaried IT professionals in the study area.

Table 1 Gender-wise Distribution of IT Employees in Thiruvarur City

Gender	Frequency	Percent
Male	45	60.0%
Female	30	40.0%
Total	75	100.0%

Source: Primary Data

The gender distribution shows that male employees constitute 45 (60.0%) of the total respondents, while female employees account for 30 (40.0%). This indicates that the IT workforce in Thiruvarur City is male-dominated, though female participation is also significant. The presence of 40 percent female employees reflects gradual gender inclusiveness in the IT sector. Overall, the distribution suggests moderate gender diversity among IT employees in the study area.

Table 2 Age Group-wise Distribution of IT Employees

Age Group	Frequency	Percent
Below 25 Years	18	24.0%
25–35 Years	34	45.3%
36–45 Years	15	20.0%
Above 45 Years	8	10.7%
Total	75	100.0%

Source: Primary Data

The majority of respondents belong to the 25–35 years age group, accounting for 34 (45.3%). Employees below 25 years represent 18 (24.0%), while 36–45 years constitute 15 (20.0%). Only 8 (10.7%) are above 45 years. This indicates that the IT sector in Thiruvarur City is largely dominated by young and early middle-aged professionals. The concentration in the 25–35 group reflects active earning and saving potential.

Table 3 Annual Income Level of IT Employees

Annual Income	Frequency	Percent
Below ₹3,00,000	12	16.0%
₹3,00,000 – ₹6,00,000	28	37.3%
₹6,00,000 – ₹10,00,000	22	29.3%
Above ₹10,00,000	13	17.4%
Total	75	100.0%

Source: Primary Data

Regarding income distribution, 28 (37.3%) employees earn between ₹3,00,000 and ₹6,00,000 annually, forming the largest group. About 22 (29.3%) earn ₹6,00,000–₹10,00,000, while 13 (17.4%) earn above ₹10,00,000. Only 12 (16.0%) fall below ₹3,00,000. This indicates that most IT employees fall within the middle-income category. The income structure suggests stable earning capacity, influencing savings pattern and tax compliance behaviour.

Table 4 Preferred Investment Options among IT Employees

Investment Type	Frequency	Percent
Provident Fund (PF)	20	26.7%
Mutual Funds / SIP	25	33.3%
Fixed Deposits	12	16.0%
Insurance (LIC)	10	13.3%
Stocks / Shares	8	10.7%
Total	75	100.0%

Source: Primary Data

Mutual Funds/SIP is the most preferred investment option with 25 (33.3%) respondents, followed by Provident Fund with 20 (26.7%). Fixed Deposits account for 12 (16.0%), Insurance (LIC) 10 (13.3%), and Stocks/Shares 8 (10.7%). This shows that employees prefer relatively secure and systematic investment avenues. The preference for mutual funds and PF reflects awareness of long-term wealth creation and tax-saving benefits.

Table 5 Tax Filing Method Adopted by IT Employees

Filing Method	Frequency	Percent
Self-Filing (Online)	32	42.7%
Through Auditor / Consultant	28	37.3%
Employer Assistance	15	20.0%
Total	75	100.0%

Source: Primary Data

The data reveals that 32 (42.7%) employees prefer self-filing through online platforms, while 28 (37.3%) depend on auditors or consultants. Around 15 (20.0%) use employer assistance for tax filing. This indicates a growing trend of digital tax compliance among IT professionals. However, a considerable proportion still relies on professional support, suggesting the need for better tax literacy and simplified compliance procedures.

Table 6 Hypothesis Testing and Reliability Analysis

Statistical Test	**Hypotheses**	**Test Value**	**df**	**p-value**	**Decision**	**Interpretation**
Chi-Square Test	**H_0:** No significant association between socio-economic factors and consumer satisfaction. **H_1:** Significant association exists between socio-economic factors and consumer satisfaction.	12.48	4	0.014	Reject H_0	Significant relationship found between variables.
Cronbach's Alpha	**H_0:** The scale is not reliable ($\alpha < 0.70$). **H_1:** The scale is reliable ($\alpha \geq 0.70$).	0.842	–	–	Accept H_1	High internal consistency; instrument is reliable.

Source: Primary Data (Computed Result)

1.8 Chi-Square Test and Reliability Analysis

The association between income-related socio-economic factors and tax compliance behaviour among IT employees in Thiruvarur City, the Chi-Square test was applied. The null hypothesis (H_0) stated that there is no significant association between socio-economic factors and tax compliance behaviour, while the alternative hypothesis (H_1) stated that a significant association exists. The calculated Chi-Square value is 12.48 with 4 degrees of freedom, and the corresponding p-value is 0.014, which is less than the 5 percent level of significance. Since the p-value is below 0.05, the null hypothesis is rejected. This result confirms that socio-economic characteristics significantly influence tax compliance behaviour among IT employees. Therefore, variations in income level, experience, and demographic background contribute to differences in compliance behaviour. Further, the reliability of the tax compliance and awareness scale was tested using Cronbach's Alpha. The null hypothesis assumed that the scale is not reliable ($\alpha < 0.70$), whereas the alternative hypothesis stated that the scale is reliable ($\alpha \geq 0.70$). The obtained Cronbach's Alpha value is 0.842, indicating high internal consistency among the scale items. As the value exceeds the acceptable threshold, the alternative hypothesis is accepted. Hence, the research instrument is statistically reliable and appropriate for further large-scale analysis.

1.9 Major Findings

The study indicates that IT employees in Thiruvarur City are predominantly young and belong to the middle-income group, which significantly influences their savings and tax behaviour. Mutual Funds and Provident Fund are the most preferred investment options, reflecting moderate risk appetite and awareness of tax-saving benefits. Fixed deposits and insurance policies are chosen for financial security and stability. Most respondents prefer online self-filing of income tax returns, demonstrating digital literacy and confidence in compliance procedures, while some depend on auditors due to regulatory complexity. Statistical analysis confirms a significant association between socio-economic factors and tax compliance behaviour.

1.10 Policy and Recommendations

Based on the findings, it is recommended that financial literacy programmes be organised for IT employees to improve awareness regarding investment planning and tax-saving instruments. Employers can conduct periodic workshops on income tax regulations, digital filing procedures, and long-term financial planning to enhance informed decision-making. Simplification of tax procedures and clearer communication of policy changes by government authorities would further encourage voluntary compliance. Financial institutions should design customised savings and investment products suited to middle-income IT professionals, promoting diversified and secure investment practices. Additionally, promoting digital tax platforms with user-friendly interfaces can reduce dependence on intermediaries and increase self-filing confidence. In coordinated efforts from employers, financial institutions, and policymakers can strengthen savings behaviour and improve tax compliance among IT employees in Thiruvarur City.

1.11 Limitations of the Study

- The study is confined to a sample size of 75 IT employees in Thiruvarur City.
- The findings are based solely on primary data collected through a structured questionnaire.
- The results cannot be generalised to other sectors, industries, or geographical regions.
- Time constraints during data collection may have limited in-depth analysis.
- Respondents' personal bias and subjective opinions may affect the accuracy of the information provided.

1.12 Conclusion

The present study examined the income structure, savings pattern, and tax compliance behaviour among IT employees in Thiruvarur City. The findings indicate that income level plays a significant role in shaping financial planning decisions, investment preferences, and tax compliance practices. Most IT employees belong to the young and middle-income category, which influences their capacity to save and invest in various financial instruments. Mutual Funds and Provident Fund emerged as the most preferred investment avenues, reflecting moderate risk appetite and awareness of tax-saving benefits. Conservative options such as Fixed Deposits and Insurance policies are also chosen for financial security and long-term stability. The statistical analysis confirmed a significant association between socio-economic factors and tax compliance behaviour, suggesting that age, income level, and financial awareness influence timely filing and proper utilisation of deductions. The reliability test further established strong internal consistency of the research instrument, ensuring the credibility of the findings. The study concludes that income structure and financial literacy are key determinants of savings decisions and tax compliance behaviour among IT employees. Improving awareness regarding tax regulations and investment planning can enhance responsible financial practices. The results provide useful insights for policymakers, employers, and financial institutions to design effective financial education programmes and simplified tax procedures to promote better savings habits and voluntary tax compliance.

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