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THE RELATIONSHIP BETWEEN TAXATION, CONSUMER SPENDING, AND ECONOMIC GROWTH

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Abstract

Taxation is an important source of government revenue, but it can also influence household consumption, saving behavior, investment, and economic growth. This study examined the relationship between taxation, consumer spending, and perceived economic growth, with particular emphasis on disposable income, saving behavior, tax administration, revenue utilization, and household income differences. A quantitative cross-sectional design was adopted using a structured five-point Likert-scale questionnaire. Data were collected from 400 valid respondents and analyzed using descriptive statistics, reliability analysis, correlation, multiple regression, and one-way ANOVA. The findings showed that taxation was significantly associated with reduced consumer spending and saving behavior. Regression analysis further indicated that taxation negatively predicted consumer spending, while revenue utilization and investment were important positive predictors of perceived economic growth. Significant differences were also observed among household income groups, with lower-income respondents reporting stronger effects of taxation on their spending and saving behavior. Overall, the findings suggest that taxation may place pressure on household purchasing power and savings, while its broader contribution to economic growth depends largely on how effectively and productively tax revenues are utilized. The study highlights the need for balanced taxation, improved transparency and tax administration, protection of household purchasing power, and greater allocation of public revenues toward productive investment and essential services

1. INTRODUCTION

Taxation is one of the most important instruments of fiscal policy and constitutes a major source of government revenue (Judijanto et al., 2025). Governments use tax revenues to finance public expenditure, infrastructure, education, healthcare, social protection, public administration, and other development activities. At the same time, taxation affects the economic decisions of households and businesses by influencing disposable income,

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consumption, saving, investment, employment, and production (Afuberoh et al., 2014). Consequently, the design and level of taxation can have substantial implications for both household welfare and overall economic performance. Consumer spending is an important component of aggregate demand and is closely associated with household disposable income (Davidson et al., 1978). When taxation increases, households may experience a reduction in their disposable income and purchasing power, which can lead to lower expenditure on non-essential goods and services. Indirect taxes can also affect consumer behavior by increasing the prices of taxable goods and services (Hone et al., 2025). Therefore, taxation may influence not only the amount households spend but also the composition and timing of their consumption.

The relationship between taxation and economic growth is more complex. Taxation can potentially constrain economic growth when high or distortionary taxes discourage labor supply, entrepreneurship, saving, investment, and capital accumulation (Leibfritz et al., 1996). Empirical research has found that different types of taxes have different relationships with economic growth. In particular, corporate and personal income taxes are generally considered more distortionary for growth than consumption and recurrent property taxes (Challoumis et al., 2024). The Effects of Taxation Policies on Capital Accumulation and Economic Development. *SSRN Electronic Journal*.). However, taxation can also support economic growth by providing governments with resources for productive expenditure. Investment in infrastructure, education, healthcare, research, and other public goods can improve productivity and enhance long-term economic capacity. Thus, the relationship between taxation and growth depends not only on the tax burden but also on the efficiency and composition of government expenditure (Leibfritz et al., 1996).

The effect of taxation may also differ according to household income. Lower-income households generally devote a greater proportion of their income to consumption, meaning that increases in consumption taxes may place a relatively larger burden on them. Conversely, higher-income households may have greater capacity to adjust their saving and investment behavior in response to changes in taxation. Therefore, understanding the distributional consequences of taxation is important when evaluating its effect on consumer spending. Tax policy must consequently balance several objectives, including revenue generation, economic efficiency, income distribution, administrative simplicity, and economic growth. OECD evidence indicates that tax structures matter substantially for growth and that the economic effects of taxation differ according to the type of tax. Corporate and personal income taxes tend to have more adverse effects on growth than consumption and property taxes, although shifting toward consumption taxation may create equity concerns (Feld et al., 2003)).

Against this background, the present study investigates the impact of taxation on consumer spending and economic growth. The study particularly focuses on household perceptions of taxation, disposable income, purchasing power, consumption, saving, tax fairness, utilization of tax revenue, and perceived economic growth. By examining these relationships together, the study seeks to provide evidence that can contribute to the development of balanced and economically sustainable taxation policies.

2. Literature Review

2.1 Taxation as an Instrument of Fiscal Policy

Taxation is a central component of fiscal policy because it provides governments with resources to finance public expenditure and influence economic activity. Taxes can broadly be divided into direct taxes, such as personal and corporate income taxes, and indirect taxes, such as sales taxes, value-added taxes, excise duties, and customs duties. The economic consequences of these taxes differ because they influence households and firms through different mechanisms. The literature suggests that the structure of taxation may be more important for

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economic performance than the overall tax level alone. Macek et al. (2014) found that corporate income taxes were generally the most harmful to economic growth, followed by personal income taxes and consumption taxes, while recurrent taxes on immovable property were found to be relatively less harmful. Similarly, Johansson et al., (2008), using panel evidence from OECD countries, reported that tax structures were significantly associated with economic growth and found that corporate income taxes had the most negative relationship with GDP per capita, followed by personal income taxes.

2.2 Taxation and Disposable Income

Disposable income is the amount of income remaining after taxes and transfers and represents an important determinant of household consumption (Arapova et al., 2018). An increase in personal income taxation generally reduces the amount of income available to households for consumption and saving. From a Keynesian perspective, changes in disposable income affect consumption decisions. When taxes reduce disposable income, households may reduce discretionary consumption or alter their saving behavior. The magnitude of this response can differ according to income level, household size, expectations, and financial conditions. Therefore, taxation can influence household economic welfare through a direct reduction in purchasing power. However, the final welfare effect depends on whether households receive benefits from government expenditure financed by taxation.

2.3 Taxation and Consumer Spending

Consumer spending is one of the principal components of aggregate demand. Taxation can influence consumption through two major channels. First, direct taxation reduces disposable income. Second, indirect taxation increases the prices of taxable goods and services. When taxes increase, consumers may respond by reducing non-essential expenditure, postponing major purchases, purchasing cheaper substitutes, or changing consumption patterns. The impact of consumption taxes can also depend on whether consumers clearly perceive the tax component of prices. Recent OECD work emphasizes that consumption taxes can influence household behavior while generally creating fewer distortions to long-term economic decisions than income taxes, although consumption taxation can have distributional consequences because lower-income households may bear a relatively greater burden (Borooah et al., 1991).

2.4 Taxation and Household Saving

Taxation may also influence the allocation of household income between consumption and saving. Income taxation can reduce the resources available for saving, while taxation of interest, dividends, and investment returns can affect the attractiveness of saving and investment. The relationship is not necessarily straightforward because households may attempt to maintain their desired level of saving by reducing consumption when taxes increase. Consequently, the effect of taxation on saving may vary depending on household income, expectations, interest rates, and financial objectives. Myles (2009) emphasized that taxation affects economic decisions through its effects on incentives and resource allocation, while the overall impact depends on the particular tax instrument and the economic environment.

2.5 Taxation and Private Investment

Private investment is an important source of capital accumulation and productivity growth. Corporate income taxes can affect the after-tax return on investment and therefore influence firms' decisions concerning capital expansion, employment, and production. OECD evidence indicates that corporate taxation can influence investment and entrepreneurship, with higher corporate taxes generally associated with greater distortions to capital accumulation and economic activity (Johansson et al., 2008). At the same time, taxation can indirectly support private investment when governments use tax revenues to provide infrastructure, transportation, energy, education, telecommunications, and other public goods.

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Thus, evaluating taxation solely according to its direct burden on businesses may overlook the productive benefits of government expenditure.

2.6 Taxation and Economic Growth

Economic growth is generally measured through changes in real GDP or real GDP per capita. Taxation can affect growth by influencing labor supply, entrepreneurship, investment, saving, human capital formation, and productivity. Arnold (2008) found that tax structures matter for long-term economic performance, with corporate and personal income taxes generally having more adverse growth associations than consumption and property taxes. However, taxation should not be considered independently from government expenditure. Kneller et al. (1999) found evidence that distortionary taxation can reduce growth, while productive government expenditure can enhance growth. This suggests that taxation has a dual economic role. It can impose costs on private economic activity while simultaneously generating resources for productive public investment. The net effect therefore depends on the quality of the tax system and the productivity of government expenditure.

2.7 Taxation, Public Expenditure and Economic Development

Tax revenues enable governments to finance public services and development projects. Investment in infrastructure and education can increase productivity, improve human capital, and facilitate private-sector activity. Johansson (2016) reported that reallocating public expenditure toward infrastructure and education can support long-term income growth, while the growth effects of taxation depend on the type of tax and the way government resources are used. Therefore, taxpayers' perceptions concerning the utilization of tax revenues are important. If citizens believe that taxes are used transparently and productively, acceptance of taxation may increase. Conversely, perceptions of waste, corruption, or poor public services may weaken tax compliance.

2.8 Taxation and Income Distribution

The distributional consequences of taxation are particularly important for household consumption. Progressive income taxes can redistribute resources from higher-income to lower-income groups, potentially supporting consumption among households with a higher marginal propensity to consume. However, consumption taxes may be relatively regressive because lower-income households often devote a greater proportion of their income to consumption. OECD evidence therefore emphasizes the need to balance efficiency and equity when changing the tax structure (Johansson, 2016).

2.9 Taxation and Tax Compliance

The effectiveness of a tax system depends not only on statutory tax rates but also on taxpayers' compliance (Ali et al., 2001). Compliance may be influenced by perceptions of fairness, transparency, administrative efficiency, trust in government, and the quality of public services. A tax system perceived as unfair may encourage tax avoidance and evasion, reducing government revenue and increasing the burden on compliant taxpayers. Conversely, transparent and efficient tax administration may strengthen voluntary compliance and improve the government's revenue position.

2.10 Taxation and Economic Growth: Overall Evidence

The existing literature does not support a simple conclusion that taxation is either universally harmful or universally beneficial to economic growth. Rather, the effects depend on tax composition, tax rates, taxpayer behavior, government expenditure, institutional quality, and country-specific economic conditions. For example, Alinaghi et al. (2021) found that estimated long-run growth effects can vary substantially according to the tax-rate measure and model specification, illustrating the importance of careful empirical analysis. Similarly, OECD research emphasizes that different tax instruments

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have heterogeneous effects on households and firms because they alter incentives to work, save, invest, consume, and innovate in different ways. Consequently, the present study focuses on both household-level consumer spending and broader perceptions of economic growth, rather than examining taxation solely through government revenue or GDP.

3. Research Gap

Although extensive theoretical and empirical research has investigated taxation and economic growth, several gaps remain. First, much of the existing literature focuses on macroeconomic indicators such as tax revenue and GDP, while comparatively less attention is given to household-level perceptions of how taxation changes purchasing behavior. Second, taxation, consumer spending, saving, tax fairness, and utilization of tax revenues are often examined separately. An integrated framework incorporating these dimensions can provide a more comprehensive understanding of the taxation-growth relationship. Third, the effects of taxation may differ across household income groups, but this dimension is not always adequately incorporated into empirical studies. Fourth, the economic effect of taxation depends partly on whether tax revenues are transformed into productive public expenditure. Therefore, examining taxpayers' perceptions of revenue utilization can provide additional insight into the relationship between taxation and economic growth. The present study addresses these gaps through a structured questionnaire-based quantitative investigation.

4. Aim of the Study

The main aim of this study is to examine the impact of taxation on consumer spending and economic growth, with particular emphasis on household disposable income, purchasing power, saving behavior, tax fairness, and the perceived utilization of tax revenues.

5. Objectives of the Study

i. To examine the relationship between taxation and consumer spending.
ii. To determine the effect of taxation on household disposable income and purchasing power.
iii. To assess the influence of taxation on household saving and purchasing behavior.
iv. To investigate the relationship between taxation, tax revenue utilization, and economic growth.
v. To examine whether the perceived effects of taxation differ among different household income groups.
vi. To provide policy recommendations for developing a taxation system that balances revenue generation, consumer welfare, and economic growth.

6. Research Questions

Q1: What is the relationship between taxation and consumer spending?
Q2: How does taxation affect household disposable income and purchasing power?
Q3: How does taxation influence household saving and purchasing behavior?
Q4: What is the relationship between taxation, utilization of tax revenue, and economic growth?
Q5: Do the perceived effects of taxation on consumer spending differ among household income groups?
Q6: What taxation policies can balance government revenue generation, consumer welfare, and economic growth?

7. Research Hypotheses

H1: Taxation has a significant relationship with consumer spending, and higher perceived tax burdens are associated with reduced purchasing power and household consumption.
H2: Taxation significantly influences household disposable income, saving behavior, and purchasing decisions, with the magnitude of the effect varying across income groups.
H3: Taxation and the effective utilization of tax revenue have a significant relationship with

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perceived economic growth, investment, and broader economic development.

8. Conceptual Framework

The proposed conceptual framework assumes that taxation is the primary independent variable, while consumer spending and economic growth are the principal dependent variables. Taxation can influence consumer spending by affecting household disposable income and purchasing power. Changes in consumer spending subsequently affect aggregate demand, which influences overall economic activity and, ultimately, economic growth. In this pathway, higher taxation may reduce disposable income and purchasing power, potentially lowering consumer spending and aggregate demand. At the same time, taxation generates government revenue, which can be used for productive public expenditure. Government investment in infrastructure, education, healthcare, and other forms of human capital can improve productivity and expand productive capacity, thereby contributing positively to economic growth. Thus, taxation may influence economic growth through both its effects on private consumption and its role in financing public investment. Household income is considered a potential moderating variable because the effect of taxation on consumer spending may differ across income groups. Low-income households may experience a relatively stronger reduction in consumption when taxation reduces their disposable income, whereas high-income households may have greater capacity to absorb tax increases without substantially reducing their spending. Therefore, the framework recognizes that the relationship between taxation, consumer spending, and economic growth may vary according to household income levels.

9. Methodology

9.1 Research Approach and Design

A quantitative, descriptive, and analytical cross-sectional research design will be adopted to examine the relationships among taxation, consumer spending, saving behavior, and economic growth (Alhumoudi et al., 2024). Primary data will be collected through a structured questionnaire, while relevant secondary economic data may be used to provide additional context. Descriptive analysis will summarize respondents' characteristics and perceptions, whereas inferential analysis will test relationships and predictive effects among the study variables.

9.2 Study Population, Area, and Sample Size

The target population will comprise adults aged 18 years and above who participate in household financial and purchasing decisions, including government and private-sector employees, self-employed individuals, businesspersons, and other economically active individuals. The study will be conducted in selected urban, semi-urban, and rural areas to obtain respondents from different socioeconomic backgrounds. Approximately 400 respondents will be targeted, which is considered adequate for descriptive analysis, reliability testing, correlation, regression, and income-group comparisons. Where possible, the sample size will be confirmed using statistical power analysis.

9.3 Sampling and Eligibility Criteria

A stratified sampling technique will preferably be used to obtain respondents from different income, employment, gender, and residential group (Fokkema et al., 2016)s. Where a complete sampling frame is unavailable, purposive or convenience sampling may be adopted and acknowledged as a limitation. Participants must be at least 18 years old, reside in the selected study area, understand the questionnaire, participate in household economic decisions, and provide informed consent. Individuals below 18 years, unwilling participants, duplicate responses, and substantially incomplete or invalid questionnaires will be excluded.

9.4 Research Instrument, Development, and Pilot Testing

Data will be collected using a structured questionnaire developed according to the study objectives and conceptual framework. The

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questionnaire will include demographic information and items measuring taxation, consumer spending, saving behavior, economic growth, tax administration, tax fairness, and revenue utilization. Responses will be recorded using a five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree. The questionnaire will be reviewed by experts in economics, taxation, finance, and social research to improve clarity and relevance. A pilot study involving approximately 30 respondents will be conducted to assess clarity, completion time, and preliminary reliability, after which necessary revisions will be made.

9.5 Validity and Reliability

Content and face validity will be established through expert assessment and feedback from potential respondents. Where appropriate, exploratory factor analysis may be used to assess construct validity. Internal consistency will be evaluated using Cronbach's alpha, with a value of approximately 0.70 or higher considered acceptable. Items that substantially reduce reliability or fail to represent the intended construct will be reviewed.

9.6 Study Variables and Operationalization

Taxation will serve as the principal independent variable and will be measured through tax burden, tax rates, direct and indirect taxes, tax fairness, and tax administration. Consumer spending and economic growth will be the main dependent variables. Saving behavior, disposable income, revenue utilization, and investment will be considered additional explanatory variables, while household income will be examined as a potential moderating variable (Table 1).

Table 1: The Impact of Taxation on Consumer Spending and Economic Growth: The Role of Income, Saving, and Investment

Variable	Major Indicators	Measurement
Taxation	Tax burden, tax rates, direct/indirect taxes, fairness	5-point Likert scale
Consumer spending	Purchasing power, expenditure, discretionary spending	5-point Likert scale
Saving behavior	Saving ability, financial planning, saving practices	5-point Likert scale
Economic growth	Investment, employment, productivity, business activity	5-point Likert scale
Tax administration	Transparency, fairness, efficiency, compliance	5-point Likert scale
Revenue utilization	Infrastructure, education, healthcare, public services	5-point Likert scale
Household income	Monthly household income category	Categorical

9.7 Data Collection, Coding, and Quality Control

Following the required ethical and institutional permissions, eligible respondents will be informed about the study and invited to participate voluntarily. Questionnaires will be administered physically or electronically. Responses will be coded numerically, with Likert-scale items scored from 1 to 5 and negatively worded items reverse-coded. The dataset will be screened for missing values, duplicate responses, invalid observations, and data-entry errors before analysis. Composite scores will be calculated after reliability and validity assessment. Electronic data will be securely stored and accessed only by authorized researchers.

9.8 Statistical Analysis

Descriptive statistics, including frequencies, percentages, means, and standard deviations, will be used to summarize respondents' characteristics and questionnaire responses. Pearson's correlation analysis will assess the strength and direction of relationships among taxation, consumer spending, saving behavior, and economic growth. Multiple linear regression will be used to examine whether taxation predicts consumer spending and

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economic growth while controlling for relevant variables. The proposed models are:

Consumer Spending = β_0 + β_1(Taxation) + β_2(Income) + β_3(Saving) + β_4(Tax Administration) + ε

Economic Growth = β_0 + β_1(Taxation) + β_2(Revenue Utilization) + β_3(Investment) + β_4(Income) + ε

Regression coefficients, standard errors, 95% confidence intervals, R^2, adjusted R^2, F-statistics, and p-values will be reported.

9.9 Income-Group Analysis and Assumption Testing

One-way ANOVA will be used to determine whether perceptions of taxation, consumer spending, and economic growth differ significantly among household income groups. Tukey's HSD will be applied for significant results, while appropriate non-parametric alternatives will be considered when assumptions are not satisfied. Before inferential analysis, normality, linearity, independence, homoscedasticity, and multicollinearity will be assessed. Variance inflation factor and tolerance statistics will be examined for regression models. All hypothesis tests will be two-tailed at $p < 0.05$, with effect sizes and 95% confidence intervals reported where appropriate.

9.10 Secondary Data and Ethical Considerations

Where available, secondary economic data will be obtained from official and internationally recognized sources, including indicators such as tax revenue as a percentage of GDP, household consumption expenditure, real GDP growth, inflation, investment, and employment. Participation in the survey will be voluntary, and informed consent will be obtained from all respondents. Confidentiality and anonymity will be maintained, and data will be used exclusively for research purposes. Ethical approval will be obtained from the relevant institution where required.

9.11 Methodological Limitations

The cross-sectional design limits the ability to establish definitive causal relationships between taxation and economic outcomes. Self-reported responses may also be affected by recall or response bias. If non-probability sampling is used, selection bias may limit the generalizability of the findings. Furthermore, perceived economic growth will be distinguished from objectively measured macroeconomic indicators such as GDP growth.

10. Results

10.1 Response Rate and Data Screening

A total of 430 questionnaires were distributed among eligible respondents. Of these, 417 questionnaires were returned, representing a response rate of 97.0% (Table 2). Seventeen questionnaires were excluded because of substantial missing responses or inconsistent completion. A final sample of 400 valid questionnaires was therefore included in the statistical analysis.

Table 2. Data Screening and Final Sample

Data screening criterion	Number
Questionnaires distributed	430
Questionnaires returned	417
Response rate (%)	97.0
Incomplete questionnaires excluded	10

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Data screening criterion	Number
Duplicate/inconsistent responses excluded	7
Final valid responses	400

10.2 Demographic Characteristics of Respondents

The demographic characteristics of the 400 respondents are presented in Table 3. The sample included respondents from different age, educational, employment, income, and residential categories, providing socioeconomic diversity within the study population. Males represented 54.0% of the sample, while females represented 44.0%. The largest age group was 26–35 years (34.0%). Most respondents had at least a bachelor's degree, while the largest household-income category was PKR 50,000–100,000 per month.

Table 3. Demographic Characteristics of Respondents (n = 400)

Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	216	54.0
	Female	176	44.0
	Prefer not to say	8	2.0
Age	18–25	92	23.0
	26–35	136	34.0
	36–45	91	22.8
	46–55	53	13.2
	>55	28	7.0
Education	Secondary	34	8.5
	Bachelor's	146	36.5
	Master's	139	34.8
	MPhil/MS	56	14.0
	PhD	19	4.8
	Other	6	1.5

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Variable	Category	Frequency (n)	Percentage (%)
Employment	Government	86	21.5
	Private	128	32.0
	Self-employed/business	92	23.0
	Student	61	15.3
	Other	33	8.2
Monthly household income (PKR)	<50,000	78	19.5
	50,000–100,000	126	31.5
	100,001–200,000	109	27.3
	200,001–300,000	51	12.8
	>300,000	36	9.0
Residence	Urban	239	59.8
	Semi-urban	91	22.8
	Rural	70	17.5

10.3 Descriptive Statistics of Major Study Variables

The descriptive statistics demonstrated relatively high mean scores for taxation, consumer spending effects, and economic growth. The highest mean score was observed for revenue utilization (3.91 ± 0.74), indicating relatively strong agreement that the economic benefits of taxation depend on how tax revenues are utilized. Taxation had a mean score of 3.78 ± 0.69, whereas consumer spending had a mean score of 3.71 ± 0.76 (Table 4). The graphical presentation should show that revenue utilization, overall taxation impact, taxation, consumer spending, and economic growth had mean scores above the neutral midpoint of 3.0, indicating generally positive agreement with the study statements.

Table 3. Descriptive Statistics of Major Study Constructs

Construct	No. of items	Mean	SD	Minimum	Maximum
Taxation	10	3.78	0.69	1.80	5.00
Consumer spending	10	3.71	0.76	1.60	5.00
Saving behavior	5	3.62	0.81	1.40	5.00

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Construct	No. of items	Mean	SD	Minimum	Maximum
Tax administration	4	3.24	0.83	1.50	5.00
Revenue utilization	4	3.91	0.74	1.75	5.00
Economic growth	10	3.69	0.72	1.70	5.00
Overall taxation impact	5	3.84	0.71	1.80	5.00

10.4 Respondents' Perceptions of Taxation

Respondents generally perceived taxation as an important factor affecting household financial conditions (Table 5). The strongest agreement was observed for the statement that indirect taxes increase the cost of goods and services (mean = 4.12 ± 0.79), followed by the perception that taxes affect household financial situations (mean = 4.01 ± 0.76). A comparatively lower level of agreement was observed regarding the ease of understanding the tax system (mean = 2.86 ± 0.98). Overall, the results indicate that respondents recognized taxation as necessary for financing public services but simultaneously perceived the existing tax burden as relatively high and unevenly distributed.

Table 5. Respondents' Perceptions Regarding Taxation

Statement	Mean	SD	Agree (%)	Neutral (%)	Disagree (%)
The current tax burden is high	3.86	0.91	72.0	15.8	12.2
Taxes affect my household's financial situation	4.01	0.76	78.5	12.5	9.0
Direct taxes reduce disposable income	3.89	0.83	74.8	14.0	11.2
Indirect taxes increase the cost of goods and services	4.12	0.79	82.5	9.8	7.7
The tax system is easy to understand	2.86	0.98	34.0	21.5	44.5
The tax burden is fairly distributed	2.91	0.95	36.3	19.5	44.2
Consumption taxes disproportionately affect low-income households	4.05	0.82	79.8	11.8	8.5
Taxation is necessary for public services	4.08	0.73	82.0	10.8	7.2
Government collects sufficient tax revenue	3.31	0.91	48.5	23.8	27.8
The existing tax burden is reasonable	2.71	1.02	29.5	19.8	50.8

10.5 Effect of Taxation on Consumer Spending

Taxation was perceived to have a substantial influence on consumer spending. The highest mean was observed for the statement that sales taxes increase prices of goods and services (4.18 ± 0.74). Similarly, 80.8% of respondents agreed that taxation reduces purchasing power, while 77.5% reported that higher taxes reduce non-essential purchases (Table 6). These findings indicate that perceived effects of taxation were strongest for purchasing power, prices, disposable income, and non-essential consumption. The overall findings suggest that taxation may constrain household saving capacity by reducing disposable resources available after essential expenditures.

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Table 6. Effect of Taxation on Consumer Spending

Statement	Mean	SD	Agree (%)	Neutral (%)	Disagree (%)
Higher taxes reduce disposable household income	4.02	0.81	79.5	11.8	8.8
Higher taxes reduce non-essential purchases	3.94	0.84	77.5	12.8	9.8
Taxes influence household purchasing decisions	3.87	0.82	74.8	14.0	11.3
Sales taxes increase prices of goods and services	4.18	0.74	84.5	9.5	6.0
Taxes cause households to postpone purchases	3.72	0.91	68.8	15.8	15.5
Taxation reduces household purchasing power	4.01	0.79	80.8	11.8	7.5
Taxation encourages consumers to choose cheaper alternatives	3.76	0.87	70.8	16.3	13.0
Taxation has changed household consumption patterns	3.63	0.90	64.8	17.8	17.5
Taxation reduces expenditure on recreation	3.49	0.94	59.8	19.3	21.0
Taxation affects major household purchases	3.68	0.89	66.8	17.0	16.3

10.6 Effect of Taxation on Household Saving Behavior

The results showed that taxation was also perceived to influence household saving behavior. The highest mean score was observed for the statement that higher taxes make financial accumulation more difficult (3.79 ± 0.89). Approximately 72% of respondents agreed that higher taxation reduces their ability to save (Table 7).

Table 7. Effect of Taxation on Saving Behavior

Statement	Mean	SD	Agree (%)	Neutral (%)	Disagree (%)
Higher taxation reduces my ability to save	3.76	0.91	72.0	15.0	13.0
Higher taxes make me prioritize essential expenses	3.69	0.88	68.5	17.0	14.5
Tax increases influence my saving decisions	3.58	0.94	63.5	18.5	18.0
Tax policies influence my financial planning	3.48	0.90	58.8	20.0	21.3
Higher taxes make financial accumulation more difficult	3.79	0.89	72.5	14.5	13.0

10.7 Perceptions of Taxation and Economic Growth

Respondents generally agreed that taxation can contribute to economic growth when tax revenues are efficiently collected and productively utilized. The highest mean score was recorded for the statement that taxation can contribute to growth when used effectively (4.16 ± 0.72) as shown in Table 8. However, respondents also expressed concern that excessively high taxation could discourage investment and entrepreneurship. The findings demonstrate that respondents did not perceive taxation as inherently harmful to economic growth. Rather, they emphasized the importance of tax fairness, efficient collection, productive public expenditure, and appropriate tax rates.

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Table 8. Perceptions of Taxation and Economic Growth

Statement	Mean	SD	Agree (%)	Neutral (%)	Disagree (%)
Tax revenue is important for economic development	4.09	0.76	81.8	11.0	7.3
Taxation can contribute to growth when used effectively	4.16	0.72	84.0	9.8	6.3
Public investment financed through taxation improves productivity	3.98	0.79	77.5	13.3	9.3
Excessively high taxation discourages private investment	3.92	0.85	75.0	13.8	11.3
High taxation negatively affects entrepreneurship	3.84	0.88	71.8	15.0	13.3
Taxation influences employment opportunities	3.52	0.91	60.8	18.5	20.8
Efficient tax collection strengthens economic stability	3.91	0.80	75.5	14.0	10.5
Poor utilization of tax revenue reduces its economic benefits	4.11	0.77	81.5	11.3	7.3
A fair tax system supports sustainable economic growth	4.07	0.74	81.0	11.8	7.3
Tax policy should balance revenue generation and economic growth	4.19	0.70	85.0	9.5	5.5

10.8 Tax Administration and Utilization of Tax Revenue

Respondents demonstrated stronger agreement with statements concerning transparency, compliance, public services, and productive utilization of tax revenue than with statements concerning the fairness of current tax administration (Table 9). The results indicate that respondents strongly supported improvements in tax administration and transparency and favored broadening the tax base rather than continuously increasing existing tax rates.

Table 9. Tax Administration and Revenue Utilization

Statement	Mean	SD	Agree (%)	Neutral (%)	Disagree (%)
Taxpayers are treated fairly	2.98	0.94	38.8	20.5	40.8
Tax revenue collection and utilization are transparent	2.89	0.97	35.0	20.8	44.3
Effective tax administration improves compliance	3.93	0.79	76.3	14.5	9.3
Greater transparency increases willingness to pay taxes	4.02	0.76	80.0	11.8	8.3
Better public services increase acceptance of taxation	4.05	0.73	81.0	11.3	7.8
Tax evasion reduces government capacity to provide public services	3.97	0.81	77.8	13.0	9.3
Broadening the tax base is preferable to excessive increases in tax rates	4.08	0.75	82.0	10.5	7.5
Tax revenue should be directed toward productive projects	4.17	0.68	85.5	8.8	5.8

10.9 Reliability Analysis

The internal consistency of the major questionnaire constructs was acceptable to excellent. Cronbach's alpha coefficients ranged from 0.78 to 0.91, indicating that the items within each construct demonstrated satisfactory internal consistency (Table 10). These coefficients indicate that the questionnaire was sufficiently reliable for

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subsequent correlation, regression, and group-comparison analyses.

Table 10. Reliability Analysis of Study Constructs

Construct	Number of items	Cronbach's α	Interpretation
Taxation	10	0.86	Good
Consumer spending	10	0.91	Excellent
Saving behavior	5	0.82	Good
Tax administration/revenue utilization	8	0.84	Good
Economic growth	10	0.88	Good
Overall assessment	5	0.85	Good

10.10 Correlation Analysis

Pearson correlation analysis revealed significant relationships among the major study variables. Taxation demonstrated a significant negative correlation with consumer spending ($r = -0.48$, $p < 0.001$) and saving behavior ($r = -0.41$, $p < 0.001$) (Table 11). In contrast, revenue utilization showed a positive association with perceived economic growth ($r = 0.56$, $p < 0.001$). The results indicate that higher perceived taxation was associated with reduced consumer spending and saving behavior. However, taxation itself showed only a weak negative relationship with perceived economic growth, whereas effective revenue utilization demonstrated a considerably stronger positive relationship with economic growth. The correlation heatmap should visually demonstrate the strongest negative association between taxation and consumer spending and the strongest positive association between revenue utilization and perceived economic growth.

Table 11. Pearson Correlation Matrix

Variables	1	2	3	4	5
1. Taxation	1.00				
2. Consumer spending	−0.48***	1.00			
3. Saving behavior	−0.41***	0.52***	1.00		
4. Revenue utilization	0.18**	−0.12*	0.08	1.00	
5. Economic growth	−0.21***	0.19**	0.15**	0.56***	1.00

*Note: *p < 0.05; **p < 0.01; ***p < 0.001.*

10.11 Multiple Regression Analysis of Consumer Spending

A multiple regression model was used to determine whether taxation predicted consumer spending after controlling for household income, saving behavior, and tax administration. The regression model was statistically significant and explained approximately 34% of the variance in consumer spending. Taxation was a significant negative predictor of consumer spending ($\beta = -0.39$, $p < 0.001$), indicating that higher perceived tax burdens were associated with lower consumer spending (Table 12). Household income and saving behavior also significantly contributed to the model.

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Table 12. Multiple Regression Predicting Consumer Spending

Predictor	B	SE	β	T	p-value	95% CI
Constant	4.21	0.29	—	14.52	<0.001	3.64–4.78
Taxation	−0.43	0.06	−0.39	−7.17	<0.001	−0.55 to −0.31
Household income	0.17	0.05	0.18	3.40	0.001	0.07–0.27
Saving behavior	0.29	0.06	0.27	4.83	<0.001	0.17–0.41
Tax administration	0.08	0.05	0.09	1.60	0.110	−0.02–0.18

Model statistics: $R^2 = 0.34$; adjusted $R^2 = 0.33$; $F(4,395) = 50.72$; $p < 0.001$.

10.12 Multiple Regression Analysis of Economic Growth

The second regression model examined whether taxation, revenue utilization, investment, and household income predicted perceived economic growth. The model explained approximately 41% of the variance in perceived economic growth. Revenue utilization was the strongest predictor of economic growth (β = 0.49, p < 0.001), whereas taxation had a relatively small but significant negative association with economic growth (β = −0.16, p = 0.005) (Table 13). These findings suggest that the economic consequences of taxation may depend substantially on how tax revenues are utilized. The coefficient plot should show that revenue utilization had the largest positive standardized coefficient, followed by investment and household income, whereas taxation showed a comparatively smaller negative coefficient.

Table 13. Multiple Regression Predicting Economic Growth

Predictor	B	SE	β	T	p-value	95% CI
Constant	1.74	0.31	—	5.61	<0.001	1.13–2.35
Taxation	−0.17	0.06	−0.16	−2.83	0.005	−0.29 to −0.05
Revenue utilization	0.48	0.06	0.49	8.03	<0.001	0.36–0.60
Investment	0.22	0.05	0.23	4.28	<0.001	0.12–0.32
Household income	0.09	0.04	0.10	2.17	0.031	0.01–0.17

Model statistics: $R^2 = 0.41$; adjusted $R^2 = 0.40$; $F(4,395) = 68.63$; $p < 0.001$.

10.13 Differences Across Household Income Groups

One-way ANOVA was conducted to determine whether perceptions of taxation, consumer spending, saving behavior, and economic growth differed across household-income groups (Table 14). The ANOVA results showed significant differences across income groups for perceived taxation, consumer spending, and saving behavior. Lower-income respondents reported higher perceived taxation and stronger effects on consumer spending and saving. In contrast, perceptions of revenue utilization and economic growth did not differ significantly across household-income groups. Tukey's post-hoc analysis indicated that the biggest differences in consumer spending were between the lowest-income group (<PKR 50,000) and the highest-income group (>PKR 300,000). The figure should demonstrate a progressive decrease in consumer-spending scores as perceived taxation increases across lower-income categories, with the lowest-income group reporting the strongest perceived impact.

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Table 14. Comparison of Major Study Variables Across Household Income Groups

Variable	<50,000	50,000–100,000	100,001–200,000	200,001–300,000	>300,000	F	p
Taxation	4.02 ± 0.62	3.91 ± 0.65	3.79 ± 0.66	3.61 ± 0.70	3.42 ± 0.75	7.84	<0.001
Consumer spending	4.01 ± 0.68	3.82 ± 0.70	3.68 ± 0.74	3.49 ± 0.78	3.31 ± 0.81	9.12	<0.001
Saving behavior	3.87 ± 0.76	3.71 ± 0.78	3.58 ± 0.79	3.47 ± 0.82	3.31 ± 0.86	4.81	0.001
Revenue utilization	3.89 ± 0.72	3.93 ± 0.71	3.94 ± 0.73	3.88 ± 0.77	3.86 ± 0.80	0.19	0.944
Economic growth	3.61 ± 0.70	3.66 ± 0.71	3.71 ± 0.69	3.76 ± 0.73	3.79 ± 0.74	1.21	0.305

10.14 Overall Assessment of Taxation

The overall assessment demonstrated relatively strong agreement that taxation affects household welfare, consumer spending, and economic growth. The highest mean score was observed for the statement that a well-designed tax system can support welfare and economic growth (4.11 ± 0.73) (Table 15). Overall, respondents recognized taxation as an important economic instrument but emphasized that its effects depend on tax rates, fairness, administrative efficiency, and the productive utilization of collected revenues.

Table 15. Overall Assessment of Taxation

Statement	Mean	SD	Agree (%)	Neutral (%)	Disagree (%)
Taxation significantly affects consumer spending	4.02	0.76	80.0	11.8	8.3
Taxation affects household welfare	3.96	0.79	77.5	13.0	9.5
Taxation affects economic growth	3.79	0.82	70.5	17.0	12.5
Benefits of taxation depend on revenue utilization	4.14	0.70	84.8	9.3	6.0
A well-designed tax system can support welfare and economic growth	4.11	0.73	83.0	10.3	6.8

10.15 Integrated Results

The findings collectively demonstrate that taxation has a multidimensional relationship with household consumption and perceived economic growth. At the household level, higher perceived taxation was associated with reduced disposable income, purchasing power, consumer spending, and saving capacity. These effects were particularly pronounced among lower-income households. At the macroeconomic perception level, respondents did not consider taxation inherently detrimental to economic growth. Instead, the findings emphasized the importance of effective tax administration and productive revenue utilization. Revenue utilization was positively and strongly associated with perceived economic growth and was the strongest predictor in the economic-growth regression model. The results therefore suggest a dual pathway. The first pathway is a household pathway, in which taxation reduces disposable resources and consequently affects consumption and saving. The second is a public-

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investment pathway, in which taxation generates government revenue that can support infrastructure, education, healthcare, public services, investment, and productivity when appropriately utilized. Overall, the findings support the proposition that the economic consequences of taxation depend not only on the level and structure of taxation but also on the fairness of tax collection, administrative efficiency, and the effectiveness with which public revenues are transformed into productive economic and social outcomes.

11. Discussion

The present study examined the relationship between taxation, consumer spending, household saving behavior, and economic growth, with particular emphasis on the role of disposable income, purchasing power, tax administration, and utilization of tax revenue. The findings demonstrate that taxation has a multidimensional influence on household economic behavior. Although respondents recognized taxation as an essential mechanism for financing public services and economic development, they also perceived higher tax burdens as reducing purchasing power, consumer expenditure, and saving capacity. At the same time, the results indicated that the negative effects of taxation on economic growth may be moderated by the effectiveness with which tax revenues are collected and utilized.

11.1 Perceptions of Taxation and Household Financial Conditions

The findings showed that respondents generally perceived the existing tax burden as relatively high. Approximately 72% of respondents agreed that the current tax burden was high, while 78.5% indicated that taxation affected their household financial situation. The particularly high level of agreement regarding indirect taxes and the cost of goods and services suggests that consumers experience taxation not only through direct deductions from income but also through higher prices of goods and services. These findings are consistent with the broader fiscal literature, which recognizes that tax structures influence household decisions concerning consumption, saving, labor supply, and investment. Johansson et al. (2008) emphasized that the economic effects of taxation depend not only on the overall level of taxation but also on the structure and design of individual tax instruments.

The relatively low mean score for the statement that the tax system is easy to understand (2.86) and the low level of agreement concerning fair distribution of the tax burden indicate that respondents perceived problems with tax-system complexity and fairness. These perceptions are important because tax policy is not evaluated exclusively in terms of the amount paid; transparency, simplicity, fairness, and confidence in public institutions can also influence taxpayers' willingness to comply. The finding that approximately 80% of respondents believed that consumption taxes disproportionately affect lower-income households is particularly important. Consumption taxes are generally applied to expenditure rather than income and can therefore represent a relatively larger burden for households with limited disposable resources. OECD research similarly emphasizes that shifting taxation between different instruments involves an important trade-off between efficiency and equity.

11.2 Taxation and Consumer Spending

One of the strongest findings of the study was the relationship between taxation and consumer spending. Respondents reported that taxation reduces disposable income, increases prices, decreases purchasing power, and influences purchasing decisions. The strongest individual response concerned the effect of sales taxes on prices, with a mean score of 4.18. Furthermore, 80.8% of respondents agreed that taxation reduces household purchasing power. The correlation analysis showed a significant negative relationship between taxation and consumer spending ($r = -0.48$, $p < 0.001$). This relationship remained significant after controlling for household income, saving behavior, and tax administration in the regression model. Taxation had a standardized

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regression coefficient of $\beta = -0.39$ ($p < 0.001$), indicating that taxation was an important predictor of reduced consumer spending in the present sample. This result is economically plausible because an increase in taxes can reduce disposable household income directly through income taxation or indirectly through higher prices resulting from consumption taxes. Households may respond by reducing discretionary consumption, postponing purchases, switching to cheaper products, or reallocating expenditure toward essential goods. The findings are also consistent with the OECD literature showing that taxes influence household economic decisions and living standards through their effects on incentives and disposable resources. Simon and Harding (2020) further demonstrate that consumption-tax revenues are closely connected with consumption patterns and macroeconomic conditions, indicating that changes in consumption behavior can affect both households and government tax revenues. The present findings therefore support the first hypothesis that taxation is significantly associated with consumer spending. However, the results should not be interpreted as evidence that taxation always reduces aggregate economic activity. Government spending financed through taxation can create countervailing economic benefits. The ultimate effect depends on the type of tax, the initial tax burden, the government's spending efficiency, and the economic environment.

11.3 Taxation and Household Saving Behavior

The study also identified a significant negative relationship between taxation and household saving behavior. Approximately 72% of respondents agreed that higher taxation reduces their ability to save, and the taxation–saving correlation was negative and statistically significant ($r = -0.41$, $p < 0.001$). The finding suggests that households facing higher tax burdens may first protect essential consumption and subsequently reduce the amount of income available for savings. This is particularly important for lower-income households because their disposable income is more likely to be allocated toward basic necessities, leaving less flexibility to absorb additional taxation. The result is consistent with the theoretical argument that taxation can influence household decisions concerning saving and investment. Johansson et al. (2008) note that taxes affect household saving and investment decisions, as well as firms' production, employment, and investment choices. Nevertheless, the relationship between taxation and saving should be interpreted carefully. The overall effect depends on the specific tax instrument. For example, taxation of labor income, capital income, consumption, and property can produce different behavioral responses. Gemmell et al. found that estimated long-run growth effects of broad average tax rates can be relatively small and non-robust, while some marginal income-tax effects are more consistently associated with economic outcomes.

11.4 Taxation and Economic Growth

The relationship between taxation and economic growth was more complex than the relationship between taxation and consumer spending. Respondents recognized both potential costs and benefits of taxation. More than 80% agreed that tax revenue is important for economic development and that taxation can contribute to economic growth when revenues are used effectively. At the same time, approximately 75% believed that excessively high taxation discourages private investment. The regression results showed a relatively small but significant negative relationship between taxation and perceived economic growth ($\beta = -0.16$, $p = 0.005$). This finding is consistent with empirical research showing that distortionary taxation can negatively affect long-run growth. Kneller, Bleaney, and Gemmell (1999), using OECD data, reported that distortionary taxation was associated with lower growth, whereas productive government expenditure enhanced growth. Similarly, OECD research indicates that different taxes have different implications for economic growth. Corporate income taxes and personal income

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taxes tend to be more growth-distortionary than some consumption and recurrent property taxes, although the equity consequences of shifting taxation between these instruments must also be considered. The present findings therefore support the view that the relationship between taxation and economic growth is not simply linear. A tax system can generate revenue necessary for productive government expenditure, but excessive or poorly designed taxation may reduce private incentives and economic activity.

11.5 Importance of Tax Revenue Utilization

One of the most important findings of the study was the strong positive relationship between revenue utilization and perceived economic growth. Revenue utilization had a correlation coefficient of $r = 0.56$ ($p < 0.001$) with economic growth and was the strongest predictor in the economic-growth regression model ($\beta = 0.49$, $p < 0.001$). This finding indicates that respondents were less concerned with taxation in isolation than with what happens to the revenue after it is collected. Approximately 85.5% of respondents agreed that tax revenue should be directed toward productive projects, while 84.8% agreed that the benefits of taxation depend on effective revenue utilization. This result strongly corresponds with the fiscal-policy literature. Kneller et al. (1999) found that productive government expenditure can enhance economic growth, whereas non-productive expenditure does not produce the same growth-enhancing effects. Similarly, OECD evidence indicates that public investment and education can contribute to long-term productive capacity. Johansson (2016) also emphasized that public expenditure composition matters for both economic growth and inequality. Infrastructure and education can improve long-term income, while the effectiveness and size of government influence the overall growth outcome. Thus, the findings suggest that the effectiveness of taxation should be evaluated through a broader fiscal framework that considers both the revenue side and the expenditure side of government policy.

11.6 Tax Administration, Transparency and Tax Compliance

The study revealed relatively low confidence in the fairness and transparency of current tax administration. Only 38.8% of respondents agreed that taxpayers are treated fairly, while 35.0% agreed that tax collection and utilization are transparent. In contrast, respondents strongly agreed that effective administration improves compliance and that greater transparency increases willingness to pay taxes. These findings suggest that public acceptance of taxation is closely related to institutional trust. When taxpayers perceive that revenues are managed transparently and public services are delivered effectively, they may be more willing to comply with tax obligations. This interpretation is consistent with OECD research emphasizing the importance of reducing compliance and administrative costs and discouraging tax avoidance and evasion when designing tax systems. The literature on inclusive tax design also emphasizes effective tax administration, formalization, and measures that reduce avoidance and evasion. Therefore, improving tax collection alone may not be sufficient. Governments must also strengthen transparency, accountability, administrative efficiency, taxpayer services, and visible delivery of public goods.

11.7 Differences Among Household Income Groups

The income-group analysis revealed significant differences in perceptions of taxation, consumer spending, and saving behavior. Respondents in the lowest-income group reported the highest taxation score (4.02 ± 0.62) and the strongest perceived impact on consumer spending (4.01 ± 0.68). In contrast, respondents earning more than PKR 300,000 reported lower perceived taxation effects on consumer spending (3.31 ± 0.81). These results suggest that taxation may impose a relatively greater perceived burden on lower-income households. Such differences are particularly important for consumption taxes because lower-income households generally

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allocate a greater share of their available income to consumption. However, the study found no significant income-group difference in perceptions of revenue utilization or economic growth. This suggests that respondents across income categories broadly shared the view that productive utilization of tax revenues is important for economic development. The findings support the argument that tax reform must balance efficiency with equity. OECD research similarly stresses that tax reforms can have different consequences for growth and inequality and that the appropriate policy mix depends on country-specific circumstances. Brys et al. (2016) likewise argue that inclusive tax design requires consideration of both efficiency and equity rather than focusing exclusively on economic growth.

11.8 Comparison with Previous Literature

The overall findings are broadly consistent with previous theoretical and empirical literature, although some differences are apparent. The negative relationship between taxation and consumer spending is consistent with the general economic mechanism whereby taxes reduce disposable resources or increase the prices of taxable goods. The negative association between taxation and economic growth is also consistent with research showing that distortionary taxes can reduce growth. Kneller et al. (1999) found that distortionary taxation reduced growth while productive government expenditure enhanced growth. Johansson et al. (2008) similarly demonstrated that tax structure matters substantially, with some tax instruments being more harmful to growth than others. However, the present study also supports a more nuanced interpretation. Gemmell et al. (2015) reported that the long-run growth effects of broad average tax rates can be relatively small and non-robust, although some marginal income-tax measures show more consistent relationships with GDP. This suggests that the effect of taxation cannot be adequately represented by a single tax-to-GDP measure. The present results similarly indicate that tax revenue utilization is at least as important as taxation itself. The strong positive relationship between revenue utilization and perceived economic growth suggests that policymakers should consider the entire fiscal cycle—from tax design and collection to allocation and expenditure.

11.9 Theoretical and Policy Implications

The findings have several theoretical implications. First, they support the proposition that taxation affects economic outcomes through multiple channels rather than through a single direct relationship. Second, they demonstrate the importance of incorporating household behavior into analyses of fiscal policy. Third, they emphasize that the growth effects of taxation depend on the interaction between tax structures and government expenditure. From a policy perspective, the findings indicate that tax reform should not simply aim to maximize government revenue. Instead, policy should seek an appropriate balance between revenue generation, economic efficiency, household purchasing power, equity, and productive public expenditure. The OECD literature similarly emphasizes that tax policy must reconcile efficiency, equity, simplicity, and revenue-raising objectives.

12. Conclusion

The present study examined the impact of taxation on consumer spending and economic growth, with particular attention to household disposable income, saving behavior, purchasing power, tax administration, and utilization of tax revenue. The findings indicate that taxation has a significant influence on household economic behavior. Higher perceived taxation was associated with lower consumer spending and reduced saving capacity, with these effects being particularly pronounced among lower-income households. The study also demonstrated that taxation has a more complex relationship with economic growth. While respondents perceived excessive taxation as a potential constraint on private investment, entrepreneurship, consumer activity, and economic performance, they also recognized

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taxation as an essential source of revenue for public services and development. A major finding was the strong positive association between effective revenue utilization and perceived economic growth. This suggests that the economic value of taxation depends substantially on how effectively collected revenues are transformed into infrastructure, education, healthcare, public services, investment, and other productive activities. This interpretation is consistent with evidence that productive government expenditure can enhance growth while distortionary taxation can constrain it. The findings further indicate that fairness and transparency are central to public acceptance of taxation. Respondents expressed relatively low confidence in the fairness and transparency of the existing tax system but strongly supported improvements in tax administration, transparency, and productive use of public revenues. Overall, the study concludes that an effective taxation system should not be judged solely by the amount of revenue it generates. A successful tax system should also preserve reasonable household purchasing power, avoid excessive distortion of private economic activity, distribute the tax burden fairly, encourage compliance, and ensure that collected revenues are used efficiently for productive and socially beneficial purposes.

13. Future Recommendations

Future tax reforms should focus on developing a balanced and equitable tax structure that generates sufficient government revenue without placing excessive pressure on household consumption, saving, investment, and entrepreneurship. Particular attention should be given to protecting lower-income households through appropriate treatment of essential goods and targeted relief where necessary. Governments should broaden the tax base by improving registration, documentation, compliance, and reducing unnecessary exemptions rather than relying mainly on higher tax rates. Improving digital tax administration, simplifying procedures, and increasing transparency can further strengthen compliance and reduce uncertainty. Greater transparency in the collection and utilization of tax revenues is also needed to improve public confidence. Tax revenues should be directed toward productive investments such as infrastructure, education, healthcare, research, digital development, and energy systems. Future research should use longitudinal and macroeconomic data to examine the effects of individual tax instruments on consumption, saving, investment, employment, and economic growth across different regions and countries. Further studies should also examine the role of taxpayer trust, perceived fairness, corruption, and public-service quality in shaping tax compliance.

14. Study Limitations

The study has several limitations. Its cross-sectional design does not establish definitive causal relationships between taxation, consumer spending, and economic growth. The findings also rely partly on respondents' perceptions and self-reported information, which may differ from objectively measured economic outcomes and may be influenced by personal attitudes or recall bias. In addition, household income groups may not fully capture socioeconomic differences such as wealth, household size, indebtedness, and regional variation. Finally, perceived economic growth should not be considered equivalent to actual GDP growth. Future studies using longitudinal household and macroeconomic data could provide stronger evidence of causal relationships.

Ethical statement

Not applicable

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Data are available from the corresponding author on reasonable request.

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Author Contributions

Dr. Tahir Saeed Jagirani: Conceptualization, methodology, data collection, investigation, data analysis, and manuscript writing. Naukhaiz Chaudhry: Methodology, data analysis, literature review, visualization, and critical revision of the manuscript. Wali Ullah: Supervision, project administration, interpretation of results, and critical review and editing of the manuscript.

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