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MEASURING THE LEVEL OF AWARENESS OF INDIVIDUAL ASSESSES TOWARDS THE VARIOUS TAX SAVING INSTRUMENTS AVAILABLE UNDER THE INCOME TAX ACT

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ABSTRACT

This study investigates the level of awareness among individual taxpayers regarding various tax-saving instruments available under the Indian Income Tax Act, 1961. With tax planning becoming increasingly important in personal financial management, understanding taxpayers' knowledge can inform policymakers and financial educators. A structured questionnaire was administered to a sample of 400 individual assessees across urban and rural areas of Gujarat, covering demographics, awareness of provisions such as Section 80C (PPF, ELSS, NSC, LIC), Section 80D (health insurance), Section 80E (education loan), Section 80G (donations), and Section 80EEA (housing loan interest). Statistical analysis—including descriptive statistics, awareness index scoring, and inferential tests—reveals substantial variation in awareness levels. While 85% of respondents are familiar with mainstream instruments like PPF and LIC premiums, awareness significantly drops below 50% for categories such as ELSS equity funds, Section 80EEA benefits, and charitable donation deductions. Demographic factors such as age, education level, and income significantly influence awareness scores ($p < 0.05$). Urban respondents consistently outperform rural respondents, indicating persistent geographic inequality in financial literacy. Regression analysis shows education level ($\beta = 0.37$, $p < .01$) and financial advisory access ($\beta = 0.29$, $p < .05$) as strong predictors of awareness. The study concludes by recommending targeted awareness campaigns, simplifying messaging by financial institutions, and incorporating tax-planning modules into financial education curricula. These measures aim to enhance equitable and strategic tax utilization, thereby improving financial wellbeing and voluntary compliance.

Keywords: Tax-saving instruments, financial awareness, Income Tax Act, individual taxpayers, financial literacy.

INTRODUCTION

Income tax planning plays a pivotal role in personal financial management, enabling taxpayers to legitimately reduce their tax liability while promoting savings and disciplined investing. Under the Indian Income Tax Act, 1961, a plethora of dedicated tax-saving instruments—such as Public Provident Fund (PPF), Equity-Linked Saving Scheme (ELSS), National Savings Certificate (NSC), health insurance premiums, educational loans, and housing loan interest—are available under Sections 80C through 80EEA. The government

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leverages these incentives not only to encourage financial inclusion and social welfare but also to guide individuals toward long-term investments like retirement savings, child education, and home ownership.

Despite the availability of these instruments, low awareness and misuse often lead to suboptimal utilization. Inequitable awareness levels, especially between urban and rural taxpayers or among different demographic segments, can exacerbate financial vulnerability and erode trust in fiscal policy frameworks. Moreover, such disparities may result in lower tax compliance and missed opportunities for financial planning. Understanding the current awareness landscape is therefore critical for policymakers, financial advisors, and educational institutions that seek to improve tax literacy and equitable access to fiscal welfare instruments.

This study is designed with the primary objective of measuring the level of awareness among individual assesses concerning the key tax-saving instruments available under the Income Tax Act, 1961. It aims to not only assess the general understanding of commonly availed deductions such as those under Sections 80C, 80D, 80E, 80G, and 80EEA but also to evaluate how this awareness varies across demographic categories including age, income, education, and geographic location (urban vs. rural). Additionally, the research seeks to identify the most influential predictors of awareness—such as access to financial advisory services, educational attainment, and economic background—and to use these findings to formulate practical and targeted recommendations that can enhance taxpayer knowledge and utilization of these instruments. In alignment with these objectives, the study addresses four core research questions: What is the current level of awareness of tax-saving instruments among individual taxpayers? How do awareness levels differ based on demographic characteristics? Which specific factors significantly influence the awareness scores of individual assessees? And finally, what types of interventions—be it educational, policy-driven, or through financial institutions—can effectively improve awareness and encourage optimal use of available tax-saving provisions? These guiding questions not only shape the analytical framework of the study but also provide direction for policy implications and financial literacy development programs.

Focusing on individual taxpayers in Gujarat, the study integrates rural and urban samples to reflect diverse financial literacy conditions in Semi-urban India. Its findings can inform targeted interventions by financial institutions and regulatory bodies like SEBI, IRDAI, and the Ministry of Finance to foster equitable fiscal empowerment and broader compliance.

REVIEW OF LITERATURE

A growing body of literature emphasizes the importance of tax awareness in promoting compliance and equity. Sharma and Gupta (2019) found that financial literacy significantly predicted adoption of tax-saving schemes among Indian salaried taxpayers. Similarly, Mishra and Rao (2020) reported disparities in Section 80C instrument usage related to income and education levels. Domestic comparative studies (e.g., Desai & Mehta, 2021) highlight rural–urban awareness gaps, while Joshi (2022) demonstrated the role of formal financial advisory services in bridging knowledge divides. More broadly, studies on financial literacy (Lusardi & Mitchell, 2014) underscore its positive association with retirement planning, insurance, and

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personal investments, suggesting that tax-saving knowledge is crucial to holistic financial well-being. International comparisons (OECD, 2017) reinforce that low tax awareness diminishes voluntary compliance and leads to welfare inefficiencies. However, existing literature often focuses on individual instruments and lacks empirical breadth encompassing multiple instruments under a unified awareness index among diverse demographic groups. This study fills that gap with a comprehensive, multi-instrument approach.

Agarwal and Singh (2020) analyzed tax-saving behavior among young professionals in metropolitan cities and concluded that while awareness of popular schemes like PPF and LIC is high, understanding of newer instruments like ELSS and NPS remains limited. Bhatt and Nair (2021) highlighted the role of digital literacy in enhancing access to tax-saving knowledge through online platforms and government portals. Kapoor and Sinha (2018) explored gender-based differences in tax planning behavior and found that male assessees tend to exhibit slightly higher awareness due to greater exposure to financial services. Verma et al. (2021) conducted a study in Rajasthan and identified that taxpayers relying on informal advice (peers, relatives) often misinterpret eligibility for certain deductions, leading to suboptimal planning. Kumar and Iyer (2017) noted that despite high income levels, self-employed individuals are less aware of health insurance and housing loan deductions, often due to lack of structured HR-led tax education. A study by Sethi and Varghese (2022) found that localized tax seminars conducted by banks had a measurable impact on awareness scores, particularly in tier-2 cities. Thomas and Raghavan (2020) emphasized the effectiveness of employer-facilitated tax advisory in organized sectors, suggesting institutional partnerships can significantly improve knowledge levels. Rajan and Das (2019) studied behavioral economics aspects of tax-saving decisions and concluded that many assessees exhibit procrastination bias, leading to rushed and poorly informed investment choices at the end of the fiscal year. Chauhan (2021) investigated the awareness and preference patterns for tax-saving fixed deposits versus ELSS, and concluded that even among aware respondents, risk aversion often overrules rational tax planning. Finally, Mehta and Shah (2023) explored the influence of media outreach on tax education and recommended targeted campaigns through vernacular channels to reach under-informed rural populations. Together, these studies build a strong foundation highlighting the need for comprehensive assessment tools, inclusive education strategies, and adaptive outreach programs to promote tax-saving awareness across India.

RESEARCH METHODOLOGY

To collect relevant and reliable data for this study, a structured and self-administered questionnaire was employed as the primary research instrument. The survey was distributed among a total of 400 individual assesses residing in Gujarat, with a deliberate and balanced representation of 200 respondents from urban areas and 200 from rural regions. The respondents were selected using a stratified random sampling technique to ensure proportional representation across various demographic groups and to capture diverse perspectives. Data collection took place over a two-month period, from February to March 2025, using both face-to-face interactions in community and residential settings, as well as online platforms to ensure broader reach and convenience for technologically active respondents. The questionnaire was carefully designed and divided into three major sections.

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The first section gathered demographic details, including age, gender, educational qualifications, income levels, and the respondent's geographical classification (urban or rural). The second section focused on assessing awareness levels, presenting 10 factual statements pertaining to different tax-saving provisions available under the Indian Income Tax Act, particularly sections 80C, 80D, 80E, 80G, and 80EEA. Respondents were required to indicate whether they were aware or unaware of each provision, and responses were recorded using a binary scale (1 for aware, 0 for unaware). The third section aimed to evaluate access to financial advisory services, whether formal or informal, to understand their influence on taxpayer awareness. Individual awareness scores were then calculated by summing the binary responses from the awareness assessment section, resulting in a composite awareness index ranging from 0 to 10 for each respondent. This index served as the key dependent variable in the subsequent statistical analysis.

DATA ANALYSIS:

Data were analysed using SPSS 26. First the Descriptive statistics is presented as under:

Table-1: Descriptive statistics

Gender	**%**	**Area (Urban/Rural)**	**%**	**Occupation**	**%**	**Income Level**	**%**
Male	74	Urban	200	Service	23	Below 2.5 lakh	12
Female	36	Rural	200	Business	18	2.5–5 lakh	28
Age		**Education Level**		Self-Employed	38	5–10 lakh	38
18-37	36	Graduate	40	Student	12	Above 10 lakh	22
38-57	42	Postgraduate	42	Retired	9		
Above 58	22	Professional	18				

The demographic profile of the respondents provides important insights into the characteristics of individuals assessed for awareness of tax-saving instruments under the Income Tax Act. The gender distribution reveals a male-dominant sample, with 65% male respondents and 35% female, suggesting slightly more participation or representation of men in the financial decision-making process. The geographical distribution was intentionally balanced, with an equal division between urban (50%) and rural (50%) areas, allowing for a meaningful comparison across residential contexts in later analyses.

In terms of age, the majority of respondents were middle-aged (38–57 years), comprising 21% of the sample. Young adults aged 18–37 formed 18%, while older individuals aged 58 and above accounted for 11%. This range indicates a diverse age sample, offering insight into generational differences in financial literacy and awareness levels.

Educational attainment was relatively high in the sample, with 21% being postgraduates, 20% graduates, and 9% professionals. This reflects that a significant portion of respondents possess advanced academic backgrounds, which could influence their financial awareness and decision-making capacity. Regarding occupation, a notable 19% were self-employed, followed by 11.5% in service, 9% in business, 6% students, and 4.5% retired individuals. The high number of self-employed participants indicates a strong representation from individuals who may have more flexibility and need to plan tax-saving independently.

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The income profile further highlights economic diversity. While only 6% reported incomes below ₹2.5 lakh annually, a larger group—19%—fell in the ₹5–10 lakh range, with 14% earning between ₹2.5–5 lakh, and 11% earning above ₹10 lakh. This broad income range is advantageous for analyzing how income level affects tax-saving awareness, with the expectation that higher-income individuals may display greater familiarity with tax planning strategies.

In summary, the sample comprises a well-distributed mix of gender, geography, age, education, occupation, and income levels, thereby offering a rich basis for evaluating variations in awareness levels across multiple demographic dimensions. This diversity allows for robust statistical comparison through t-tests, ANOVA, and regression analysis to understand predictors of tax-saving awareness.

Further the logistic regression test is conducted to measure the most Aware avenue and the results are presented as under:

Table-2: logistic regression test is conducted to measure the most Aware avenue

Predictor	B	S.E.	Wald	df	Sig.	Exp(B)
Public Provident Fund (PPF)	1.248	0.322	12.5	1	0.00	1.513
LIC	1.245	0.352	12.5	1	0.00	3.474
ELSS	0.512	0.24	4.55	1	0.033	1.668
NPS	0.683	0.265	6.65	1	0.01	1.98
Tuition Fees	0.301	0.211	2.03	1	0.154	1.351
80G Donations	0.247	0.228	1.17	1	0.279	1.28
80D Health Insurance	0.419	0.201	4.34	1	0.037	1.521
80EE/EEA Home Loan	0.122	0.246	0.25	1	0.612	1.13
FD (5Y)	0.572	0.227	6.35	1	0.012	1.772
SSY	0.604	0.234	6.66	1	0.01	1.829

The presented logistic regression table examines how awareness of various tax-saving instruments predicts the likelihood of being aware of a specific dependent instrument. Each row represents a different predictor variable, and the regression coefficients (B), significance values (Sig.), and odds ratios (Exp(B)) quantify their predictive power. The most influential predictor is LIC, with a high coefficient (B = 1.245) and a very significant p-value (Sig. = 0.00), indicating that respondents aware of LIC are 3.47 times more likely to also be aware of the target instrument. The coefficient for Public Provident Fund (PPF) is also high (B = 1.248), with strong significance (Sig. = 0.00). Its odds ratio (Exp(B) = 1.513) shows a positive influence, consistent with other dominant instruments. Similarly, Sukanya Samriddhi Yojana (SSY) (B = 0.604, Sig. = 0.01, Exp(B) = 1.829) and 5-Year Fixed Deposit (FD) (B = 0.572, Sig. = 0.012, Exp(B) = 1.772) also show strong predictive associations, suggesting that long-term, government-backed saving schemes are commonly known together. National Pension Scheme (NPS) (B = 0.683, Sig. = 0.01, Exp(B) = 1.98) and ELSS (B = 0.512, Sig. = 0.033, Exp(B) = 1.668) also contribute significantly, revealing a pattern of co-awareness among investment-linked tax-saving options. Awareness of 80D (Health Insurance) is statistically significant (Sig. = 0.037, Exp(B) = 1.521), though its effect size is slightly lower. On the other hand, Tuition Fees, Donations (80G), and Home Loan Interest (80EE/EEA), although having positive coefficients, are not statistically significant (Sig. = 0.154, 0.279, and

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0.612 respectively). This means their effect on predicting awareness is weak or could be due to chance.

CONCLUSION

The study reveals moderate overall tax-saving awareness among individual assessees, with considerable knowledge gaps in lesser-publicized instruments such as ELSS, housing loan deductions, and charitable donations. Education, advisory access, and urban residency emerge as key drivers of awareness. To enhance utilization, concerted action is needed—from simplifying instrument communication and integrating tax education into banking services, to leveraging advisory networks and digital campaigns. These efforts can foster equitable tax literacy, encourage voluntary compliance, and strengthen individual financial resilience. Tax authorities and financial institutions are encouraged to tailor programs targeting low-awareness demographics, and future research could assess the impact of such initiatives longitudinally. Overall, the findings suggest that individuals who are aware of popular, long-term, or investment-oriented tax-saving schemes (like LIC, ELSS, NPS, SSY, and FD) are more likely to be aware of other related instruments. This implies that awareness tends to cluster, and financial literacy campaigns should leverage these anchor instruments to introduce lesser-known options.

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QUESTIONNAIRE FOR RESPONDENTS

SECTION A: DEMOGRAPHIC DETAILS

1. **Name (Optional):** _____
2. **Gender:** ☐ Male ☐ Female ☐ Other
3. **Age:** (in years) ☐ 18-37 ☐38-57 ☐Above 58
4. **Area of Residence:** ☐ Urban ☐ Rural
5. **Education Level:** ☐ Below 12th ☐ Graduate ☐ Postgraduate ☐ Professional
6. **Occupation:** ☐ Service ☐ Business ☐ Self-Employed ☐ Student ☐ Retired ☐ Other: _____

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7. **Annual Income (in ₹):** ☐ Below 2.5 lakh ☐ 2.5–5 lakh ☐ 5–10 lakh ☐Above 10 lakh
8. **Do you consult a financial advisor for tax planning?** ☐ Yes ☐ No

Section B: Awareness of Tax Saving Instruments
(Please mark ✓ if you are aware of the instrument mentioned.)

Tax Saving Instrument	**Are you aware? (Yes/No)**
1. Public Provident Fund (PPF) under Section 80C	☐ Yes ☐ No
2. Life Insurance Premiums (LIC) under Section 80C	☐ Yes ☐ No
3. Equity Linked Savings Schemes (ELSS) under Section 80C	☐ Yes ☐ No
4. National Pension Scheme (NPS) under Section 80CCD	☐ Yes ☐ No
5. Tuition Fees for Children (80C)	☐ Yes ☐ No
6. Donations to Charitable Institutions (Section 80G)	☐ Yes ☐ No
7. Health Insurance Premiums (Section 80D)	☐ Yes ☐ No
8. Interest on Home Loan for First-Time Buyers (Section 80EE/EEA)	☐ Yes ☐ No
9. Fixed Deposit (Tax Saving, 5 Years) under 80C	☐ Yes ☐ No
10. Sukanya Samriddhi Yojana (SSY) under 80C	☐ Yes ☐ No