

Tax Literacy a Tool for Sustainable Investment Decisions: A case study of Salaried Class Employees in Bilaspur District, Chhattisgarh.

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Abstract

Tax literacy encompasses the comprehension of tax laws, regulations, and their implications for personal financial planning and investment behavior. It involves understanding various tax-saving instruments, deductions, and exemptions available to optimize tax liabilities. The present study was conducted to examine the relationship between tax literacy on the sustainable investment decisions of salaried class employees of Bilaspur Chhattisgarh. A pre-tested self structured questionnaire was used to collect the data. The collected data was subjected to multiple regression analysis for determining the relationship between tax literacy on the investment decisions of salaried class employees. The results of socio-demographic characteristics of salaried class employees of Bilaspur Chhattisgarh reveal that this class of employees belongs to different age group, gender, qualification, marital class and income class. Results reveal that maximum number of salaried class employees of Chhattisgarh have good to excellent information about income tax. The findings show that most preferred investment goal by salaried class employees of Chhattisgarh was wealth accumulation, it was followed by child education, retirement planning, purchase of a house, and tax saving. The results of multiple regression analysis clearly confirm that the tax literacy has impact on the investment decision of salaried class employees. The results of the present study can have wide implications for policymakers and financial advisors in designing targeted financial literacy programs and investment products tailored to this demographic.

Keywords: Tax literacy, Income decisions, Salaried class employees, Bilaspur Chhattisgarh.

Introduction

Financial literacy, broadly defined as the understanding of various financial concepts, tools, and systems, is crucial for individuals to make informed decisions regarding their financial resources (Savaliya, 2024). This encompasses the ability to manage personal finances, comprehend investment opportunities, and navigate the complexities of financial markets (Pathmu & Shreevarsha, 2025). Financial literacy is an important aspect of financial inclusion across the globe, especially in India. 70% of the population in India lives in rural areas. to make this population accessible to different financial services and products its essential that they should be financially literate. A person having high level of financial literacy can understand financial planning and can make effective financial decisions to achieve their financial goals. In a rapidly evolving economic landscape, characterized by increasingly intricate financial products and volatile markets, the imperative for robust financial literacy is more pronounced than ever, particularly within emerging economies like India (Thind, 2023).

Across different aspects of financial literacy, tax and investment literacy is an utmost need of the people who come under income tax returns. Generally the people in India whose income is more than 2.50 lakh per annum comes under the banner of income tax returns. Mostly in this class of people in India belongs to business community, salaried class employees, professionals like doctors, engineers and consultant (Çoşkun & Dalziel, 2020). To deal with their income tax returns, it is

essential they should have adequate tax literacy. One of the important key factor which helps the people to save or avoid their income tax includes investments in different areas. For efficient investment decisions the people should have proper investment literacy. But, majority of the people in India do not have sufficient knowledge and awareness regarding investment of their money. to overcome this problem and to enhance the tax and investment literacy among the people of India there is need to monitor the different aspects of financial literacy among the people belonging to different sections of society.

Understanding the dynamics of tax literacy and investment behavior among salaried individuals is crucial for assessing economic growth, particularly in developing economies like India (Dahiya et al., 2016). India's ambition to achieve a ₹5 trillion economy underscores the necessity of robust domestic savings and investment, which are intrinsically linked to individual financial decisions (Introduction India's Aspiration to Become a ₹5 Trillion Economy Necessitates a Significant Increase in Domestic Savings and Investment1, n.d.). This paper thus investigates the profound impact of tax literacy on the investment choices made by salaried class employees of Bilaspur Chhattisgarh. The results of this study can be used by the government in policy making to promote investment and financial planning or financial management among the people of the state.

Objectives of the study

The present study was conducted through following objectives;

1. To examine the awareness regarding tax literacy among the salaried class employees.
2. To examine the awareness regarding investment decisions among the salaried class employees.
3. To determine the goals of investments by the salaried class employees.
4. To determine the relationship between tax literacy on the investment decisions of salaried class employees.

Hypothesis

H0 : "The tax literacy has no impact on the investment decision of salaried class employees"

Ha : "The tax literacy has impact on the investment decision of salaried class employees"

Research Methodology

The present study examines the impact of tax literacy on the investment decisions of salaried class employees in Bilaspur District, Chhattisgarh India. The present study is descriptive and analytical in character. A descriptive research design is used to describe the characteristics of a population or phenomenon being studied. The descriptive research design was employed for the collection of primary data from the salaried class employees of Chhattisgarh towards their tax literacy and investment literacy. The study was restricted to salaried class employees in Bilaspur District, Chhattisgarh. The present study employs a quantitative approach. Keeping in view the target populations a sample of 267 salaried class employees of Bilaspur Chhattisgarh belonging to diverse socio-demographic profile were selected for the present study. The sample size for the present study was calculated by the following formula;

$$n = N \times \frac{\frac{Z^2 \times p \times (1 - p)}{e^2}}{\left[N - 1 + \frac{Z^2 \times p \times (1 - p)}{e^2} \right]}$$

Where

n = Sample size

N = Population size,

Z = Critical value of the normal distribution at the required confidence level,

p = Sample proportion,

e = Margin of error

In this study the primary data was collected from by organizing face to face interview with the sampled salaried class employees of Chhattisgarh. The primary data was collected through a pre-tested self structured valid questionnaire (Research instrument). The collected data was fed up in the excel spreadsheet for further analysis. The data were tabulated and statistically analyzed by the analyses of variance (ANOVA) at ($p \leq 0.05$) level of significance. Multiple regression analysis was done to evaluate the parametric relationships between tax literacy and investment decisions of salaried class employees

Results

Table-1 shows the socio-demographic characteristics of the sampled salaried class employees of Bilaspur Chhattisgarh. The results indicated that the salaried class employees of Bilaspur Chhattisgarh belong to different age group. We observed that the maximum salaried class employees of Chhattisgarh belong to 36-45years (32.45%) age group and the lowest number of salaried class employees of Bilaspur Chhattisgarh belong to 18-25 years (07.69%) age group. This study reported that out of 267 salaried class employees of Bilaspur Chhattisgarh 191 (71.39%) were male and 76 (28.61%) were female. In this study the qualification of the salaried class employees of Bilaspur Chhattisgarh was recorded and it was noted the qualification of sampled respondents varied from high school qualifications to doctorate degrees. The study revealed that maximum (75.24%) salaried class employees of Chhattisgarh were married, 17.79% salaried class employees of Bilaspur Chhattisgarh were unmarried, 4.09% salaried class employees of Bilaspur Chhattisgarh were divorce's, and remaining 2.88% salaried class employees of Bilaspur Chhattisgarh were widows. The results illustrate that maximum (42.31%) salaried class employees of Bilaspur Chhattisgarh have monthly income between ₹ 25001 - ₹ 50000. 29.81% employees have monthly income between ₹ 50001 - ₹ 75000, 12.26% employees have monthly income between ₹ 75001 - ₹ 100000, 10.34% employees have monthly income between Less than ₹ 25000, and 5.29% employees have monthly income between Less than ₹ 25000. The overall results of socio-demographic characteristics of salaried class employees of Bilaspur Chhattisgarh reveal that this class of employees belongs to different age group, gender, qualification, marital class and income class. The diverse demographic characteristics of employees can have different opinion towards tax and investment literacy. Thus the need of present study is justified.

Table-1. Demographic characteristics of respondents (Salaried class employees) of Bilaspur, Chhattisgarh (N=267)

S.No	Demographic Information		Frequency	Percentage (%)	Mean±SD
01	Age	18-25 years	21	07.69%	2.85±1.197
		26-35 years	70	26.20%	
		36-45 years	87	32.45%	
		46-55 years	55	20.67%	
		Above 55 years	35	12.98%	
02	Gender	Male	191	71.39%	1.41±0.483
		Female	76	28.61%	

03	Qualification	High School	26	09.86%	3.41±1.154
		Diploma	42	15.63%	
		Graduate	105	39.42%	
		Post Graduate	75	28.13%	
		Doctorate	19	06.97%	
04	Marital Status	Single	47	17.79%	2.14±0.875
		Married	201	75.24%	
		Divorced	11	04.09%	
		Widowed	8	02.88%	
05	Monthly Income	Less than ₹ 25000	28	10.34%	2.81±1.159
		₹ 25001 - ₹ 50000	113	42.31%	
		₹ 50001 - ₹ 75000	80	29.81%	
		₹ 75001 - ₹ 100000	33	12.26%	
		Above ₹ 100000	14	05.29%	

*Source: Primary data

Table-2 shows the information of salaried class employees of Bilaspur Chhattisgarh regarding their knowledge about the tax concepts. The researcher collected the information of tax concepts in terms of income tax, tax deduction, tax credits, tax filling procedure, and tax saving investments. Results reveal that maximum number (3.70 ± 1.337 , score is near 4 means good information) of salaried class employees of Chhattisgarh have good to excellent information about income tax. The mean values for the knowledge of tax deduction among salaried class employees of Chhattisgarh was 3.63 ± 1.019 , this means that this class of employees have good knowledge of tax deduction. The knowledge of tax credits among salaried class employees of Chhattisgarh was also good (3.59 ± 1.216 , score is near 4 means good information). Information on the understanding of tax filling procedure by the salaried class employees of Chhattisgarh revealed that this class of employs has good knowledge of tax filling. Similarly we observed that the salaried class employees of Chhattisgarh have good knowledge of tax saving investments (3.50 ± 1.295 , score is near 4 means good information).

Table-2. Awareness towards tax concepts among the salaried class employee of Bilaspur Chhattisgarh (N=267)

S.No	Tax Concept	Very poor (1)	Poor (2)	Average (3)	Good (4)	Excellent (5)	Mean±SD
01	Income Tax	12	39	12	129	75	3.70 ± 1.337
02	Tax Deduction	15	48	10	126	67	3.63 ± 1.019
03	Tax Credits	17	46	11	144	48	3.59 ± 1.216
04	Tax Filling Procedure	21	37	13	116	81	3.68 ± 1.063
05	Tax Saving Investments	19	43	8	127	70	3.50 ± 1.295

*Source: Primary data

Table-3 illustrates the knowledge of investment concepts regarding different investment products among the salaried class employees of Bilaspur Chhattisgarh. In this study we have collected information regarding investment concepts in terms of fixed deposits, mutual funds, stocks, real estate, bonds, provident fund, life insurance, and retirement plan from salaried class employees of Chhattisgarh. Results reveal that maximum number (3.65 ± 1.261 score is near 4 means good information) of salaried class employees of Chhattisgarh have good to excellent information about fixed deposits. The mean values for the knowledge of mutual funds among salaried class employees of Chhattisgarh was 3.72 ± 1.339 , this means that this class of employees have good knowledge of mutual funds. The knowledge of stocks among salaried class

employees of Chhattisgarh was also good (3.50 ± 1.246 , score is near 4 means good information). Information on the understanding of real estate by the salaried class employees of Chhattisgarh revealed that this class of employs has good knowledge (3.56 ± 1.305 score is near 4 means good information) of real estate. The mean values for the knowledge of bonds among salaried class employees of Chhattisgarh was 3.62 ± 1.067 , this means that this class of employees have good knowledge of bonds. We observed that the salaried class employees of Chhattisgarh have good knowledge of provident fund (3.78 ± 1.291 , score is near 4 means good information). The mean values for the knowledge of life insurance among salaried class employees of Chhattisgarh was 3.75 ± 1.300 , this means that this class of employees have good knowledge of life insurance. Lastly the knowledge of retirement plans among salaried class employees of Chhattisgarh was also good (3.60 ± 1.219 , score is near 4 means good information). These results confirm that the salaried class employees of Chhattisgarh have good investment concepts.

Table-3. Awareness regarding investment concepts among the salaried class employee of Bilaspur Chhattisgarh (N=267)

S.No	Investment Concept	Very poor (1)	Poor (2)	Average (3)	Good (4)	Excellent (5)	Mean \pm SD
01	Fixed Deposits	11	44	17	125	71	3.65 ± 1.261
02	Mutual Funds	17	45	12	120	73	3.72 ± 1.339
03	Stocks	13	48	8	147	51	3.50 ± 1.246
04	Real Estate	15	39	11	138	64	3.56 ± 1.305
05	Bonds	22	54	9	126	56	3.62 ± 1.067
06	Provident Fund	12	35	7	138	75	3.78 ± 1.291
07	Life Insurance	10	38	13	134	73	3.75 ± 1.300
08	Retirement Plan	13	37	17	132	67	3.60 ± 1.219

*Source: Primary data

The preference towards different goals of investments by the sampled employees of Bilaspur Chhattisgarh was collected and results are presented in Table-4. The results reveal that most preferred investment goal by salaried class employees of Chhattisgarh was wealth accumulation which recorded a mean rank value of 0.833 (overall rank 1st). Child education as an investment goal secured a mean rank value of 0.839 (overall rank 2nd) as per the responses of salaried class employees of Bilaspur Chhattisgarh. The retirement planning as an investment goal was preferred as 3rd by the salaried class employees of Chhattisgarh with mean rank value of 0.845. Purchase of a house as an investment goal was ranked on fourth position (with mean rank value of 0.847) by the salaried class employees of Bilaspur, Chhattisgarh. Tax saving as an investment goal was ranked on fifth number by the response of salaried class employees of Bilaspur Chhattisgarh. The other investment goals were ranked on sixth position with a mean rank value of 0.884 by the sampled employees of Chhattisgarh. The overall results confirm that the salaried class employee's of Bilaspur Chhattisgarh chose different types of investment goals for their investments.

Table.4. Investment goals of salaried employee in Bilaspur, Chhattisgarh (N=267)

Investment Goals	No of Responses	%age	Rank Sum	Mean Rank	Rank
1. Wealth Accumulation	243	90.87	202	0.833*	I
2. Retirement Planning	219	81.97	185	0.845***	III
3. Tax Saving	196	73.32	169	0.866*****	V
4. Child's Education	183	68.51	153	0.839**	II
5. Buying House	151	56.49	128	0.847****	IV
6. Other	122	45.67	108	0.884*****	VI

*Source: Primary Data

Multiple regression analysis was subjected to determine the impact of tax literacy on the investment decision of salaried employee in Bilaspur, Chhattisgarh. The analysis presenting the results of a multiple linear regression were used to test the hypothesis that tax literacy has impact on the investment decision of individual investor. Table-5, the Model Summary, shows several key metrics. The correlation coefficient (R) is 0.6913, indicating a strong positive relationship between tax literacy and investment decision of individual investor. This means that as the effectiveness of the tax literacy increases among investors, so does the level of investment decision of individual investor improves. The coefficient of determination (R^2) is 0.6743, which suggests that approximately 67.43% of the variance in investment decisions of investors can be explained by the independent variables representing tax literacy of individual investor (Table-4.38). The Adjusted R^2 value of 0.6509 takes into account the number of predictors in the model and indicates that the model remains robust even after adjusting for the number of variables. Additionally, the standard error of estimate is 0.476, reflecting a low level of error in the model's predictions and suggesting high predictive accuracy.

Table-5. Model of Summary(MODEL-I)

MODEL-I	R	R^2	Adjusted R^2	St Error of Estimates
Tax Literacy(TL)	0.6913 ^a	0.6743	0.6509	0.476

^aPredictor = Tax Literacy (TL)

Constant = Investor Decision

Table-6, the ANOVA summary, assesses the overall significance of the regression model using the F-test. The calculated F-value is 19.92, and the associated p-value (Sig.) is 0.000, which is well below the conventional significance level of 0.05. This implies that the model-I is statistically significant and that the relationship between tax literacy and investment decisions of investors is not due to random chance. In other words, tax literacy as a whole has a meaningful and significant impact on investment decisions of investors.

Table-6. ANOVA Summary(MODEL-I)

MODEL-I		SS	df	MS	F	Sig
TL	Regression	585.24	4	146.31	19.92	0.000*
	Residual	1923.08	262	7.34		
	Total	2508.32	415			

Note: TL = Tax Literacy

* Statistically significant at $p \leq 0.05$

Table-7, the Coefficients table, provides insights into how each specific component of investment decision is affected by the tax literacy of individual investor. The investment decision variables include IS= Investor Strategy, IO= Investor Objective, R&R = Risk and Return, IA= Investor attitude, and IP = Investor Perception. All five components show positive unstandardized and standardized beta coefficients, and all have p-values less than 0.05, this indicates that each variable of investment decision is statistically impacted by the tax literacy of individual investor. In light of above results of multiple regression analysis the Null Hypothesis (H0) : “The tax literacy has no impact on the investment decision of salaried class employees” is rejected/invalid. The results of multiple regression analysis supports Alternate Hypothesis (Ha) : “The tax literacy has impact on the investment decision of salaried class employees” is accepted/validated.

Table-7. Coefficients (MODEL-I)

MODEL-I	Tax Literacy(TL)	Unstandardized Coefficients		Standardized Coefficients	t-value	Sig
		β	SE	Beta		
Constant	IS	6.3341	1.566	-	4.044764	0.000*
	IO	0.6602	0.107	0.6310	6.170093	0.000*
	R&R	0.6823	0.133	0.6519	5.130075	0.000*
	IA	0.6511	0.109	0.6297	5.973394	0.000*
	IP	0.7329	0.152	0.7046	4.821711	0.000*
		0.7304	0.097	0.7100	7.529897	0.000*

Note: TL = Tax Literacy , IS= Investor Strategy, IO= Investor Objective, R&R = Risk and Return, IA= Investor attitude, IP = Investor Perception.

Dependent Variable = Investment Decision

* Statistically significant at $p \leq 0.05$

Conclusion

The aim of the study was to examine the impact of tax literacy on the investment decisions among salaried class employees of Bilaspur, Chhattisgarh. The overall results of this study indicated that the investment decisions are significantly effected by the tax literacy of the salaried class employees of Bilaspur Chhattisgarh. The empirical findings derived from this research contribute significantly to the existing literature on financial literacy, specifically within the context of tax and investment decisions among salaried employees. This study highlights a notable correlation between an individual's understanding of tax regulations and their subsequent investment behaviors, suggesting that enhanced tax knowledge can lead to more strategic financial planning. This understanding is particularly critical in emerging economies such as India, where a substantial portion of the population demonstrates limited financial literacy, thereby necessitating targeted interventions. Such interventions, including educational programs and accessible advisory services, are vital for empowering individuals to make informed investment choices, optimize their tax liabilities, and ultimately contribute to broader economic development.

Conflict of Interest

The author declare no conflict of Interest

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