

# International Research Journal of Management Science & Technology



**ISSN 2250 – 1959(Online)**  
**2348 – 9367 (Print)**

*An Internationally Indexed Peer Reviewed & Refereed Journal*

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## **An Empirical Study of Income Tax Literacy Level of Salaried Assesses of the Bilaspur District of Chhattisgarh**

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### **Abstract:**

Income tax is a direct tax that is levied and collected annually by the Central Government and dispersed to the States and central territories at a rate determined by the Ministry of Finance. Income from salaries, income from real estate, profit from enterprises or professions, capital gains, and income from other sources are the five categories into which the Income Tax Act of 1961 separates income received for tax purposes. There are low levels of Income Tax Literacy among common people as well as assesses, the government, Income Tax Department and related departments should run programs regarding income tax literacy so that it becomes easier for the government to implement income tax rules and regulations. In view of the continuous income growth in India and the continuous increase in the number of income tax return filers, there should be an immediate and effective training program to increase the level of Income Tax literacy in this regard. It cannot be denied that income tax is an important revenue for the government to develop the economy. Income tax knowledge and awareness are very important for the assesses as well as the common people, through this they can make their financial plans, avoid future uncertainties and can also make an important contribution in the development of the country.

**Key Word:** Tax Literacy, Salaried Assesses, Bilaspur, Tax Awareness, Income Tax

### **1. Introduction-**

The income of any government can generally be divided into two parts, tax revenue and non-tax revenue. The income received in the form of tax can again be divided into two parts, direct tax and indirect tax. Direct taxes are those taxes which are payable by the person on whom it is imposed. Income tax is a direct tax, which is imposed and collected by the Central Government every year at a fixed rate and is divided among the States, Union Territories and the Center based on the recommendation of the Finance Commission. Income tax is imposed on every person whose income in the previous year exceeds the limit prescribed by the Income Tax Act at the prescribed rate in the current financial year. In India, income tax is calculated at an increasing rate, that is, as the income level increases, the income tax rates also increase gradually and cess is also imposed on it. In this way, if the income exceeds a certain limit, a surcharge is also imposed on it, gradually increasing the rate. In the present situation, two structures of income tax are used in India, one is the previous structure and the other is the new structure, this new structure of Income Tax section 115BAC was introduced in the financial year 2020-21. The Central Board of Direct Taxes, a division of the

Ministry of Finance's Department of Revenue, is responsible for collecting income tax in India. The Income Tax Act of 1961 divides the income received for tax purposes into five categories: income from salaries, income from real estate, profit from businesses or professions, capital gains, and income from other sources. Section 80 of the Income Tax Act provides for specific deductions on gross total income, which is the total amount of money received from these five sources. Income tax is assessed at the specified rate throughout the assessment year on Total Income, which is the amount left over after deductions.

The monetary value of honorarium given by an employer to his employees in return for the work or services taken from them is called salary. Salary receiving employees can be divided into two parts, government employees and non-government employees. In this paper, awareness regarding Income Tax has been studied among Gender, Educational Level and Income Tax Literacy of government employees of the Bilaspur district. Although no definition has been given regarding income tax literacy in the Income Tax Act 1961, yet an effort has been made to collect, analyze and test some basic information regarding income tax from these employees.

This study aims to ascertain the income tax literacy of salaried government employees residing in Chhattisgarh's Bilaspur district. There are 3,94,309 of government employees in the Chhattisgarh state, which of these 24,523 employees working in the Bilaspur district in various departments as per authentic websites of the state directorate of treasury. Bilaspur is the second most popular city in Chhattisgarh state after Raipur. Bilaspur is one of the oldest district full-fledged revenue districts with effect from 1861 in Central Provinces and Barar state. The district headquarters is Bilaspur city, which is situated on the banks of the confluence of rivers Arpa. Bilaspur is well known as the 'Nyaydhani' (Judicial Capital) of Chhattisgarh because the High Court of Chhattisgarh is seated here. The district's total area is 3,475.61 square kilometres. The total population as per the 2011 census is 16,28,202 which is 6.37% of the total population of Chhattisgarh state and the literacy rate is 74.46%. We can determine the true amount of tax knowledge held by government salaried personnel by evaluating their income tax literacy. Additionally, we will be able to identify the variables that have a major impact on income tax literacy. The government can use the study's findings to determine which income tax assessment groups have the lowest tax literacy levels and then create policies to inform them about personal taxation-related topics.

## **2. Literature Review-**

Regulation compliance can be significantly impacted by a taxpayer's knowledge of tax laws. Low awareness might result in involuntary non-compliance and uncertainty regarding the obligations of tax regulations. A greater literacy rate results in the least amount of tax error, according to this study that assessed the tax literacy rate of Malaysian taxpayers. Over 60% of respondents from Malaysia are knowledgeable with taxes. Harjito, D. A. Noordin, B. A. A., Omar, A. R. A., M. R. C., Latiff (2005).

This study's primary goal is to gauge taxpayers' overall tax literacy in Sabah and Sarawak. Compared to Sabah, Sarawakian taxpayers were found to be more tax-literate. It was suggested that further work be done to raise taxpayer tax literacy. Additionally, it was discovered that employment is not much impacted by tax literacy. Employees in the public and private sectors were found to be equally

tax literate. According to this 2004 assessment, the proportion of individuals classified as "highly literate" was comparatively low. Madi, N., and Kamaluddin, A. (2005).

Tax management plays an important role in financial planning. A person should have knowledge of various aspects of taxes, which will help him understand how he can reduce his tax liability through various types of savings and investments. People who have not done formal courses on taxation face difficulties in assessing taxes. Through this paper, various aspects have been studied to determine the tax literacy of salaried individuals. Through the above study, it is revealed that the salaried respondents do not have any special knowledge regarding tax literacy. In this, gender, age, education, income, nature of employment etc. have a special impact on their tax knowledge, whereas geographical location has no impact on tax literacy level. (Bhushan, P., & Medury, Y. (2013).

Through this research paper, the researcher has studied the relationship between education and tax knowledge, as well as the role of religiosity. Through this research paper, it has been concluded that religious values are very important for tax liability. (Palil, M. R., Akir, M. R., & Ahmad, W. F. B. W. (2013).

In a regressive tax system, a taxpayer from a lower income group has a higher burden than a taxpayer from a higher income group. Although the regressive income tax system has been considered unfair by some policymakers and tax experts, this policy is still being used in the American tax system. Through this research paper, the researcher has tried to show that the regressive tax system is not fair for salaried people. For this, he has recommended two other alternative non-regressive taxation systems. (Nichols, D. R., & Wempe, W. F. (2010)

### **3. Research Methodology-**

In order to evaluate the income tax literacy of paid government workers in the Bilaspur district of Chhattisgarh, this study uses a descriptive and empirical research approach. The method measures the target population's level of understanding, awareness, and application of income tax principles using both quantitative data collecting and statistical analysis.

#### **A. Objectives of the Study:**

The following objectives of the presented research are:

To find out the level of income tax literacy among the government-salaried people of Bilaspur district. Also, to study what effect the level of education and gender has on the level of income tax literacy.

#### **B. Hypothesis:**

To simplify and test the research objectives, the following hypotheses have been formulated:

**H<sub>01</sub>:** There is no relationship between Gender and Income Tax Literacy of salaried assesses.

**H<sub>02</sub>:** There is no relationship between the Level of Education and Income Tax Literacy of salaried assesses.

#### **C. Sample Size-**

This is the smallest sample size required to estimate the true population proportion with the necessary confidence level and margin of error. Since non-response frequently results in biases in

your estimate, the higher the response rate, the better the estimate. According to the ekoshonline CG Govt. website, there are 24519 government workers in the Bilaspur district.

**According to Slovin’s Formula for sample size**

$$n = N / (1 + Ne^2)$$

n- Size of the sample

N- Size of the population

e- error of Margin

$$n = 24519 / (1 + 24519 \times (0.05)^2) \quad n = 393.58$$

An online survey was administered to 410 salaried individuals in the Bilaspur district of Chhattisgarh for the aim of the study. To randomly obtain a representative sample of the population, multistage sampling has been employed. The respondents were asked to indicate whether there was high, moderate, low, or no knowledge of personal income tax. Basic income tax principles, tax liability computation, TDS, filing income tax returns, deductions, etc. were all covered in the questions. with the objective to assess the respondents' knowledge of the principles and problems concerning personal taxation. The study's main goal is to determine how salaried assessors' income tax literacy, education level, and sex relate to each other. The Chi-Square evaluate was used to determine the hypothesis in this paper, and a 5% significant test level was chosen.

A representative survey will be conducted as required due to the vast population of Bilaspur city.

**D. Sample size Determination:**

Cochran's technique to large populations will be used to calculate a statistically adequate sample size with a 5% margin of error and a level of confidence equal to 95%.

$$n_0 = (Z^2 \cdot p \cdot (1 - p)) / e^2$$

Where:

Z = standard normal variate (1.96 at 95% confidence),.

p = predicted percentage of income tax literacy (assumed to be 0.5 for maximum variability),

e = threshold of variation (0.05)

**Sampling Technique:**

We'll using a stratified random sampling technique to guarantee representation throughout:

- Age groups
- Departments (e.g., Education, Health, Revenue, Police, etc.)
- Service levels (junior to senior employees)

Stratification ensures that sub-groups with potentially different levels of tax literacy are fairly represented.

## **E. Data Collection Instrument**

A structured questionnaire created especially for this study will be the main tool used to collect data.

### **Components of the Questionnaire:**

1. **Demographic information**  
(Education, gender, and age, department, years of service)
2. **Income Tax Knowledge Section**
  - Basic concepts (tax slabs, deductions, exemptions)
  - Filing procedures
  - Compliance requirements
3. **Attitude and Perception**
  - Confidence in tax understanding
  - Sources of tax information
4. **Practical Application**
  - Self-reported ability to compute taxable income
  - Experience in filing returns

The questionnaire will be validated through a **pilot test** on a small group of employees (e.g., 30 respondents) to check clarity, relevance, and reliability.

### **4. Data Collection Procedure**

- Permission will be obtained from relevant government offices to circulate questionnaires.
- The questionnaires will be administered **online (Google Forms)** and **offline (printed copies)** depending on accessibility.
- Respondents will be briefed on the purpose and assured of confidentiality.
- Data collection is expected to take 3–4 weeks.

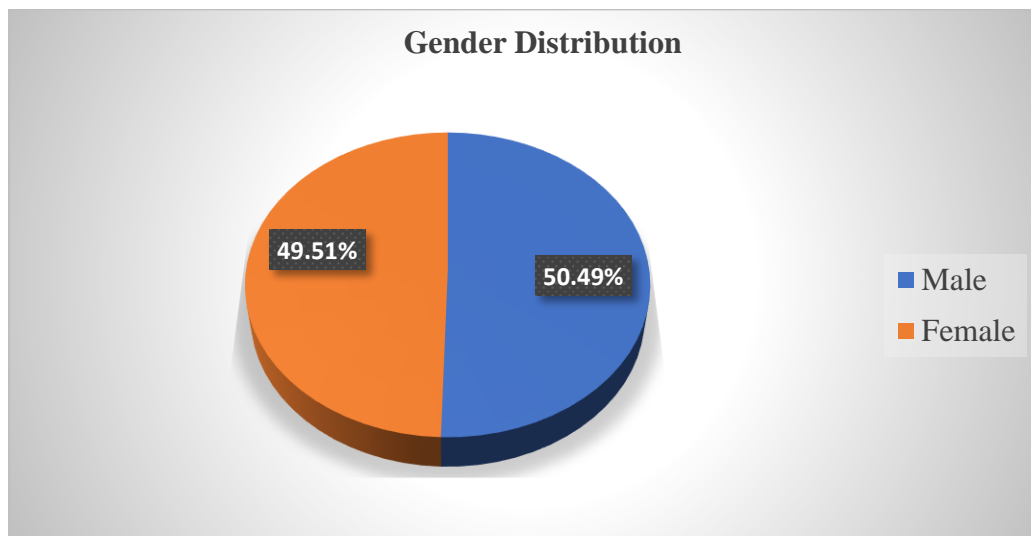
### **5. Data Analysis and Interpretation:**

To study conduct an online survey of government employees of Bilaspur district. For data collection, some basic information regarding the respondents like gender, level of education and information on income tax was surveyed. In this, only two genders have been studied, men and women, thus the level of education has been divided into three parts, educated respondents from less than graduation to more than graduation, similarly, the information related to income tax has again been divided into four parts. It is divided into high-level income tax literacy, moderate-level income tax literacy, low-level income tax literacy and nothing income tax related literacy at all. The detailed description in this regard is as follows:

**Gender-**

The above table number-1 provides information about the gender of the respondents, that includes 49.51% of female respondents and 50.49% of male respondents..

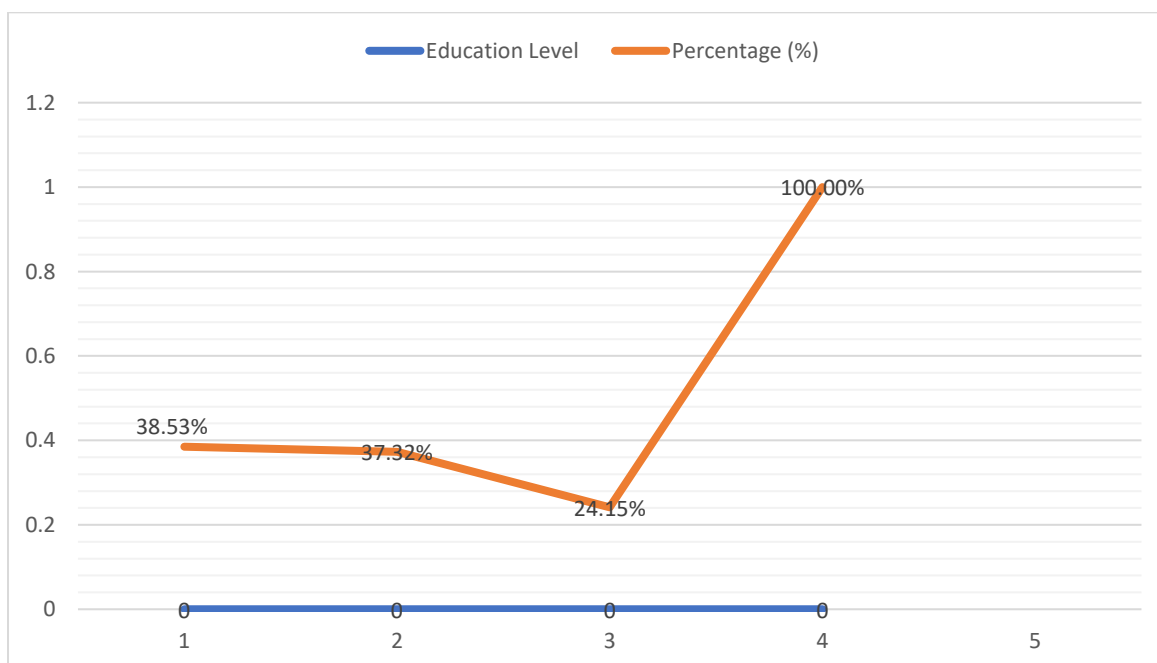
**Chart Number-5.1.Gender**



**Educational Level -**

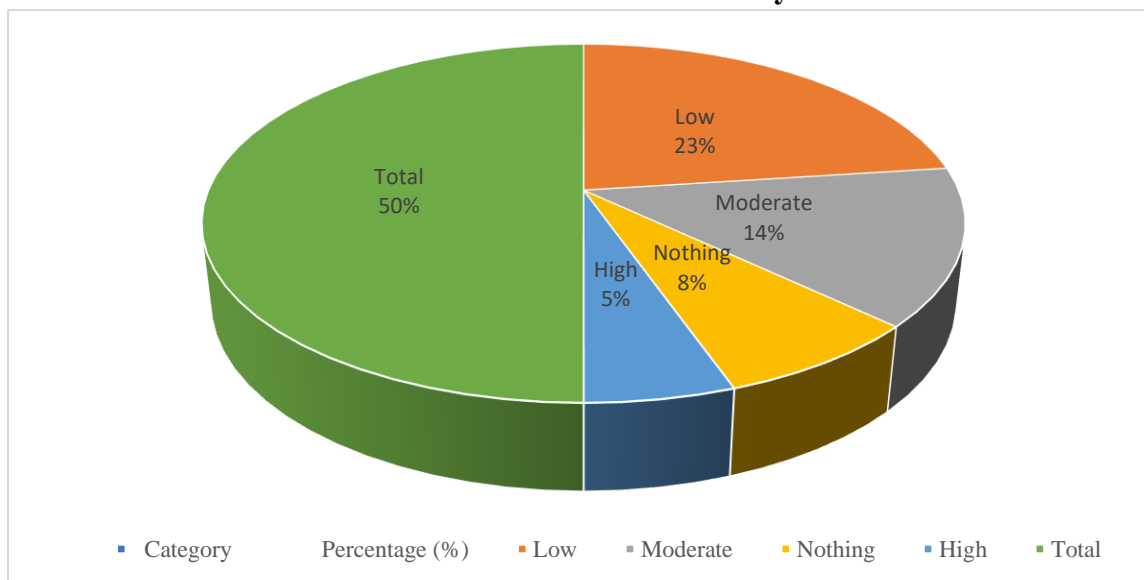
Information about the educational level has been mentioned in the above table no. 2. The level of education has been divided into three parts, below graduation, graduate and above graduation level. It includes educated respondents as per the above table, 37.32% of taxpayers below graduation, 38.54% graduate and 24.15% are educated above graduation level

**Chart Number- 5.2. Educational Level**



**Income Tax Literacy -**

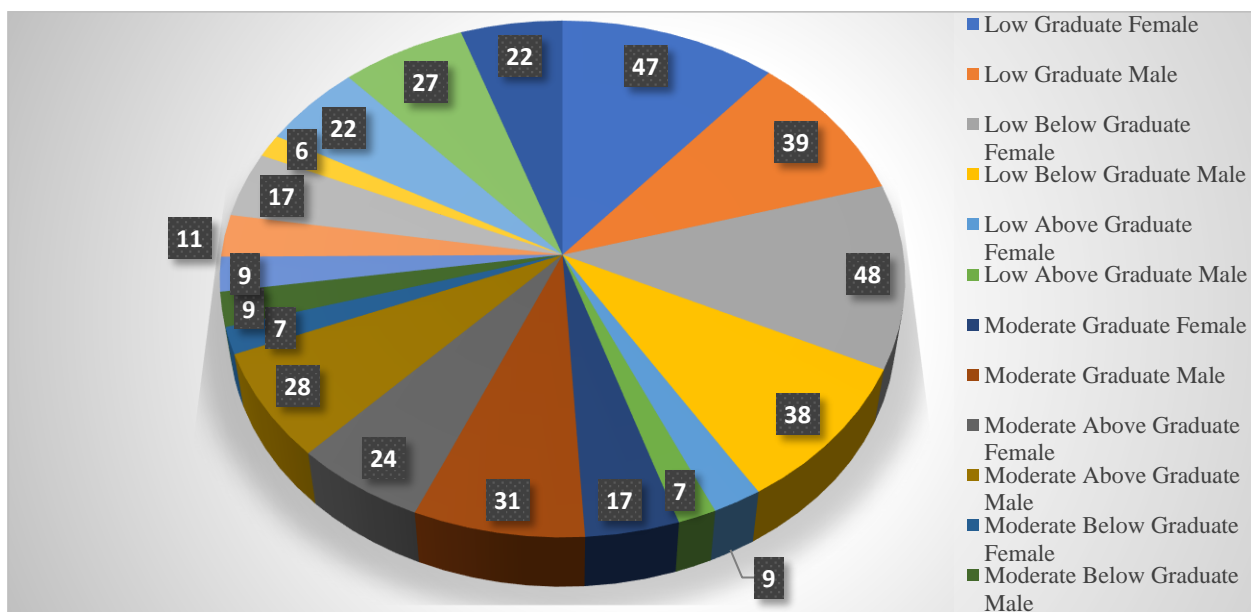
**Chart Number - 5.3. Income Tax Literacy**



Information regarding income tax literacy has been mentioned in the above table number 3. According to this, four different levels have been created to measure the level of Income Tax literacy, these include high-level, moderate-level, low-level literacy and illiterate respondents about income tax. The information gathered indicates that 10.73% of respondents have high-level literacy, or very good, knowledge of income tax, 28.29% have moderate knowledge, 45.85% have low knowledge, and 15.12 are illiterate.

**Correlation among Income Tax Literacy, Gender and Education Level-**

**Chart Number-5.4. Relation among Income Tax Literacy, Gender & Education Level**



In the above Chart number 4, the relationship between Income tax literacy, Gender and Education level has been mentioned. According to the above chart, income tax literacy is less among

females than men. It also comes to the fore that as the education level increases, income taxation literacy also increases and as the level of education decreases, the information regarding income tax literacy also decreases.

## 6. Finding:

Based on the above analysis, 10.73% of the respondents have a high level of income tax literacy, 28.29% have a moderate level of income tax literacy, 46% of the respondents have mild income tax literacy and 15.12% of the respondents do not have any knowledge about income tax. Only 1.3% of the respondents who are educated below graduation level have a high level of income tax literacy, 10.45% of the respondents who are educated below graduation level have a moderate level of income tax literacy, 56.21% of the respondents who are educated below graduation level have a low level of literacy. There is literacy and 32.03% of the respondents educated less than graduation level do not have any information regarding income tax. 10.12% of graduates have high level income tax literacy, 30.38% of graduates have moderate level income tax literacy, 54.43% of graduates have low level literacy and only 5.06% of graduates have no knowledge about income tax. 26.26% of respondents educated above graduation level have a high level of income tax literacy, 52.52% of respondents educated above graduation level have a moderate level of income tax literacy, 16.5% of respondents educated above graduation level have a low level of income tax literacy and 5.05% Percentage of respondents with higher education than graduation level do not have any knowledge regarding income tax. Among the respondents who have very good knowledge regarding Income Tax, 95.45 percent are educated up to graduate level or above, on the other hand, among the respondents who do not have any knowledge regarding Income Tax, 79.03 percent are educated below graduate level. It is clear from the above that with the increasing level of education, the level of income tax literacy also increases. Out of the total respondents, 14.49% of male respondents have high level income tax literacy, 32.85% of male respondents have moderate level income tax literacy, 40.57% of male respondents have low level income tax literacy and 12.07% of male respondents have no knowledge regarding income tax. Similarly, out of the total respondents, only 6.89 % of female respondents have a high level of income tax literacy, 23.64% of female respondents have moderate level of literacy, 51.23% of female respondents have a low level of literacy and 18.23% of female respondents do not have any information regarding income tax. 47.35% of male respondents have a high or medium level of income tax literacy, while only 30.54% of female respondents have a high and medium level of income tax literacy. This makes it clear that the level of income tax literacy among male respondents is comparatively higher than that of female respondents.

### 6.1. Test of hypothesis:

H01: There is no relationship among salaried assesses' income tax literacy and gender.

H11: Gender and salaried persons' income tax literacy is significantly relevant.

Calculated  $\chi^2 = 39.853$

D.F. = 3

Significance Level ( $\alpha$ ) = 0.05

Tabular  $\chi^2 = 7.815$

Calculated  $\chi^2 >$  Tabular  $\chi^2$  (or called as  $\chi^2_{critical}$ )

= 39.853 > 7.815

∴ We accept the alternative hypothesis and reject the null hypothesis. Gender and income tax literacy are significantly correlated.

H02: The level of education and income tax literacy of salaried employees have unrelated.

H12: Salaried assessors' level of education and income level literacy in taxation are correlated significantly..

Calculated  $\chi^2 = 281.025$

D.F. = 6

Significance Level ( $\alpha$ ) = 0.05

Tabular  $\chi^2 = 12.592$

Calculated  $\chi^2 >$  Tabular  $\chi^2$  (or called as  $\chi^2_{\text{critical}}$ )

= 281.025 > 12.592

∴ We accept the alternative hypothesis and reject the null hypothesis. The degree of education and income tax literacy of salaried employees are significantly correlated..

## **6.2. Reliability and Validity**

### **Validity of Content:**

The questionnaire will be reviewed by specialists in taxation and research methodology.

### **• Test of Reliability:**

The instrument's internal consistency will be examined using Cronbach's alpha ( $\alpha \geq 0.7$  is acceptable).

## **6.3. Ethical Considerations**

- It is entirely voluntary to participate.
- Answers will be kept private and anonymous..
- Data will be used strictly for academic research.
- No personal identifiers will be disclosed in the final report.

## **6.4. Limitations of the Study**

- Responses are self-reported and may include bias.
- Some respondents may have limited time to complete the survey.
- The study focuses only on government salaried employees in Bilaspur district and may not generalize to other populations.

## **7. Conclusion:**

Based on the data collected, it was found that only 39.02% of the respondents have a high or moderate level of income tax literacy, 15.12% of the respondents do not have any knowledge about income tax, while 45.85% of the respondents have a very low level of income tax literacy. There is literacy, which is not enough. Therefore, the government, Income Tax Department and related departments should run programs regarding income tax literacy, so that it becomes easier for the government to implement income tax rules and regulations. In view of the continuous income growth in India and the continuous increase in the number of income tax return filers, there should be an immediate and effective training program to increase the level of taxpayer literacy in this regard. To help the common people and reduce their tax liability, tax consultancy services should be started by income tax experts with the help of the department to get information about various investment vehicles, tax benefits, filing of ITR etc. and for this a nominal fee should be charged. Fees should be charged. It cannot be denied that income tax is an important revenue for

the government to develop the economy. Income tax knowledge and awareness are very important for the taxpayers as well as the common people, through this, they can make their financial plans, avoid future uncertainties and also make an important contribution to the development of the country.

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