

A Study On Awareness Of Tax Saving Instrument Among Salaried Employees

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Abstract—Tax planning plays a significant role in the financial management of salaried employees, as it helps in reducing tax liability while encouraging savings and investments. This study examines the awareness, preference, and usage of various tax saving instruments among salaried employees. Common instruments such as Provident Fund (PF), Public Provident Fund (PPF), Life Insurance Policies, Equity Linked Saving Schemes (ELSS), National

Pension System (NPS), and tax-saving Fixed Deposits under Section 80C of the Income Tax Act are analysed. The study highlights that most salaried employees prefer low-risk and secure investment options, with Provident Fund and Life Insurance being the most popular choices. However, awareness about market-linked instruments like ELSS and NPS remains comparatively lower. The findings suggest that income level, age, risk appetite, and financial literacy significantly influence the choice of tax saving instruments. The study concludes that improving financial awareness can help salaried employees make better tax-saving and investment decisions, leading to long-term financial stability.

Index Terms—Tax Planning, Tax Saving Instruments, Public Provident Fund (PPF), Equity Linked Saving Schemes (ELSS), National Pension System (NPS), Financial Literacy, Salaried Employees, Income Tax Act, Section 80C.

I. INTRODUCTION

Taxation is one of the most important sources of revenue for the government and plays a vital role in the economic development of a country. Taxes collected from individuals and organizations are used

to provide essential public services such as education, healthcare, infrastructure, national defense, and social welfare schemes. In India, the income tax system is governed by the Income Tax Act, 1961, which specifies the rules and regulations related to taxation of income earned by individuals and entities.

For salaried employees, income tax is a major financial responsibility. Income tax is generally deducted directly from salary through the system of Tax Deducted at Source (TDS). Since salaried employees have a fixed and regular source of income, they have limited scope to avoid tax liability. Therefore, proper tax planning becomes essential to manage income efficiently and reduce the tax burden in a legal manner.

Tax planning refers to the process of analyzing one's financial situation and making investments in such a way that tax liability is minimized while complying with the provisions of the law. To encourage savings and investments among individuals, the Government of India has introduced various tax-saving instruments under the Income Tax Act, 1961, particularly under Section 80C. These instruments provide tax deductions and also help in promoting long-term financial discipline.

Some of the commonly used tax-saving instruments available to salaried employees include Employee Provident Fund (EPF), Public Provident Fund (PPF), Life Insurance policies, Equity Linked Savings Schemes (ELSS), National Pension System (NPS), National Savings Certificates (NSC), and tax-saving Fixed Deposits. Each of these instruments has

different features such as lock-in period, rate of return, risk level, and liquidity. This allows employees to choose investment options based on their income level, risk appetite, and future financial goals.

Tax-saving instruments serve a dual purpose. On one hand, they help individuals reduce their taxable income and save tax legally. On the other hand, they encourage long-term savings, investment planning, and financial security. Instruments like Provident Fund and Pension Schemes are useful for retirement planning, while Life Insurance provides protection against financial risks. Market-linked instruments such as ELSS offer opportunities for higher returns and wealth creation over the long term.

Despite the availability of various tax-saving options, it is often observed that salaried employees have limited awareness about many of these instruments. Most employees prefer traditional and low-risk options like Provident Fund and Life Insurance, while awareness about modern and market-linked instruments such as ELSS and NPS remains relatively low. Many salaried employees invest in tax-saving instruments only at the end of the financial year, mainly to reduce tax liability, rather than following a well-planned investment strategy throughout the year. Lack of financial literacy, inadequate professional guidance, and dependence on informal sources of information are some of the major reasons for low awareness among salaried employees. Many individuals rely on advice from colleagues, friends, or family members instead of consulting financial experts. This often results in improper investment decisions and under-utilization of tax benefits available under the law.

In recent years, the government has taken several initiatives to promote financial literacy and tax awareness among citizens through digital platforms, online tax filing systems, and awareness campaigns. However, a significant gap still exists between the availability of tax-saving instruments and the level of awareness among salaried employees. Studying this gap is important to understand the behavior and preferences of employees towards tax planning.

Therefore, the present study focuses on analyzing the level of awareness of tax-saving instruments among salaried employees. It also aims to examine their investment preferences and the factors influencing their tax-saving decisions. The findings of this study will help in identifying the challenges faced by

salaried employees in effective tax planning and will provide useful insights for improving financial awareness and long-term financial stability.

II. OBJECTIVES

The primary objective of this study is to analyze the level of awareness of various tax-saving instruments among salaried employees. The study aims to understand the perception and attitude of employees toward different tax-saving investment options available under the Income Tax Act. It also seeks to identify the most commonly used tax-saving instruments for reducing tax liability. In addition, the study attempts to evaluate the effectiveness of these instruments in tax planning and to examine the factors such as income, age, risk appetite, and financial literacy that influence the tax-saving and investment decisions of salaried employees.

III. LITARATURE REVIW/ RELATED WORK

Several researchers have studied tax awareness, tax planning behavior, and tax compliance among individuals in India, highlighting the importance of financial literacy and effective use of tax-saving instruments. Existing literature provides useful insights into how awareness, technology, government policies, and professional guidance influence taxpayers' decisions, especially among salaried employees.

Reddy and Mukherjee (2022) conducted a study on the impact of AI-powered tax advisory services on tax compliance and financial planning behavior. The study revealed that the use of technology has significantly improved access to accurate tax information and increased awareness among taxpayers. AI-based advisory systems help individuals understand tax laws, identify deductions, and choose suitable tax-saving instruments. The researchers concluded that technological support plays a crucial role in improving tax compliance and informed financial decision-making.

Gupta and Nair (2019) examined the relationship between tax evasion, tax compliance, and economic growth. Their study emphasized that higher tax compliance leads to stable government revenue, which

is essential for economic development and public welfare. The researchers highlighted that lack of awareness and complexity of tax laws often lead to non-compliance. They suggested that improving tax awareness and simplifying tax procedures can encourage voluntary compliance among taxpayers.

Bose and Chakraborty (2020) analyzed the perception of Indian taxpayers towards voluntary tax compliance. Their study found that taxpayer behavior is influenced by various factors such as income level, education, trust in government, and awareness of tax benefits. The research concluded that individuals with higher financial knowledge are more likely to comply voluntarily with tax laws and use tax-saving instruments effectively. The study also highlighted the importance of awareness programs to improve taxpayer attitudes toward taxation.

Roy and Banerjee (2019) studied the impact of demonetization on tax compliance and digital tax filing behavior in India. Their research indicated a significant increase in the number of taxpayers using digital platforms for filing income tax returns after demonetization. The study suggested that policy measures and technological advancements can positively influence tax awareness and compliance. Increased transparency and digitalization helped individuals become more aware of their tax responsibilities and available tax-saving options.

Nanda and Kulkarni (2022) focused on the role of chartered accountants in enhancing tax awareness among taxpayers. Their study highlighted that professional guidance plays an important role in helping individuals understand complex tax laws and make proper tax-planning decisions. The researchers found that taxpayers who seek advice from qualified professionals are more likely to utilize tax-saving instruments efficiently and comply with tax regulations.

Desai (2018) studied tax planning strategies and compliance behavior among individuals in India. The research revealed that most taxpayers prefer traditional and low-risk tax-saving instruments such as Provident Fund and Life Insurance, while awareness of market-linked instruments remains low. The study

concluded that lack of financial literacy and fear of risk are major barriers to effective tax planning.

Overall, the reviewed literature indicates that awareness of tax-saving instruments among individuals, particularly salaried employees, is influenced by financial literacy, access to information, government initiatives, and professional guidance. While several studies highlight improvements in tax awareness due to technology and policy changes, a significant gap still exists in the understanding and usage of modern tax-saving instruments. This highlights the need for further research to study the awareness and preferences of salaried employees regarding tax-saving instruments and to suggest measures for improving effective tax planning.

IV. RESEARCH METHODOLOGY

Research methodology refers to the systematic process adopted to conduct a research study in a structured and scientific manner. In the present study, a descriptive research design has been used to examine the level of awareness and usage of tax-saving instruments among salaried employees. This research design is appropriate as it helps in describing the characteristics, opinions, and behavior of respondents related to tax planning and investment decisions.

The study follows a deductive research approach, where existing concepts, theories, and previous studies related to tax-saving instruments and tax planning are reviewed first and then tested through the data collected from respondents. Both primary and secondary data sources are used to achieve the objectives of the study.

Primary data has been collected through a structured questionnaire designed to gather information regarding awareness, preference, and usage of various tax-saving instruments by salaried employees. The questionnaire includes simple and close-ended questions to ensure accuracy and ease of response. Secondary data has been collected from books, academic journals, research papers, government publications, and official websites related to taxation and financial planning.

The sampling technique adopted for the study is random sampling, which ensures that each respondent has an equal chance of being selected. This helps in reducing bias and improving the reliability of the results. The sample size of the study consists of 81

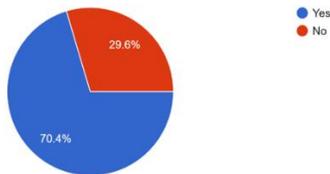
salaried employees from different income groups and organizations, providing a fair representation of the population.

For the purpose of data analysis, simple statistical tools such as percentage analysis, tables, charts, and graphs have been used. Microsoft Excel has been utilized to organize, analyze, and interpret the collected data. The analysis helps in understanding the awareness level, investment preferences, and challenges faced by salaried employees in using tax-saving instruments. The results obtained from the study are used to draw meaningful conclusions and provide suggestions for improving tax awareness and financial planning among salaried employees.

V. DATA ANALYSIS

Q.1)

Do u know that Salaried Employees can save tax by investing in certain schemes?
81 responses

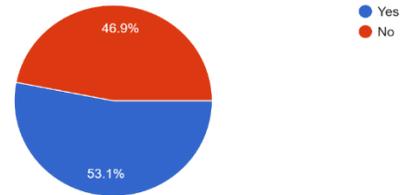


Interpretation:

The survey reveals that 70.4% of salaried employees are aware that they can save tax by investing in specific government-approved schemes, while 29.6% are not aware of such opportunities. This shows that a majority of employees possess basic knowledge about tax saving instruments such as life insurance, provident fund, or mutual funds under Section 80C. However, the remaining portion of respondents still lacks awareness of the various schemes and their benefits. This gap highlights the need for better financial education and guidance among salaried individuals to help them make informed investment decisions and effectively reduce their tax burden.

Q. 2)

Do you know about Section 80C of Income Tax Act,1961 ?
81 responses

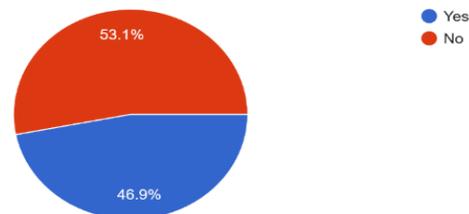


Interpretation:

The pie chart above illustrates the responses of 81 participants to the question, “Do you know about Section 80C of the Income Tax Act, 1961?” Among the respondents, 53.1% answered ‘Yes’, while 46.9% responded ‘No’. This data shows that a slightly higher proportion of salaried employees are aware of Section 80C, which is one of the most important provisions under the Indian Income Tax Act for tax saving. Section 80C allows individuals to claim deductions of up to ₹1.5 lakh from their taxable income through investments in various financial instruments such as Public Provident Fund (PPF), Employee Provident Fund (EPF), National Savings Certificate (NSC), Equity Linked Savings Scheme (ELSS), Life Insurance Premiums, and Fixed Deposits. However, the chart also indicates that nearly half of the respondents (46.9%) are not aware of this section, which reflects a significant gap in financial awareness and tax planning knowledge among salaried employees. This lack of awareness may lead to missed opportunities for tax savings and long-term wealth creation.

Q. 3) Do you pay tax?

81 responses



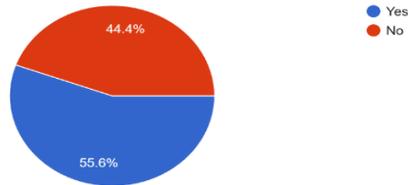
Interpretation:

According to the survey, 46.9% of respondents stated that they pay income tax, while a slightly higher percentage of 53.1% reported that they do not pay tax. This indicates that more than half of the participants either fall below the taxable income threshold or are

not yet part of the tax-paying group. The result also suggests that a significant portion of individuals may need more awareness regarding tax responsibilities and procedures.

Q. 4)

Have you ever tried to save tax through investments?
81 responses



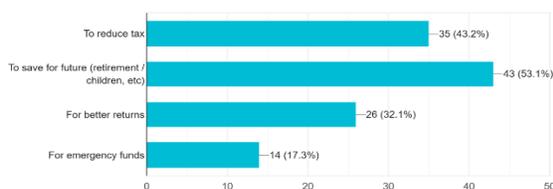
Interpretation:

The above pie chart represents the responses of 81 participants to the question, “Have you ever tried to save tax through investments?” Out of the total respondents, 55.6% answered ‘Yes’, while 44.4% answered ‘No’.

This indicates that a majority of salaried employees are aware of the concept of tax saving through investments and have taken steps to utilize such instruments. These employees may have invested in schemes like Public Provident Fund (PPF), Employee Provident Fund (EPF), National Pension Scheme (NPS), Life Insurance Policies, Equity Linked Savings Schemes (ELSS), or Fixed Deposits under Section 80C of the Income Tax Act. Their participation reflects a moderate level of financial literacy and awareness regarding tax-saving opportunities available in the market. However, the remaining 44.4% of respondents have not made any tax-saving investments, which shows a significant portion of employees still lack proper awareness or interest in tax planning. This could be due to limited financial knowledge, insufficient income for investments, or lack of proper financial guidance.

Q. 5)

What is the main reason you invest in tax saving instruments?
81 responses



Interpretation:

The above chart represents the responses of 81 participants to the question, “What is the main reason you invest in tax saving instruments?” The responses reveal the various motivations behind investment decisions among salaried employees.

According to the chart, the majority of respondents (53.1%) stated that they invest in tax saving instruments primarily to save for their future needs, such as retirement, children’s education, or other long-term goals. This finding shows that a large proportion of salaried employees not only aim to save tax but also understand the importance of building financial security for the future. It reflects a growing awareness among employees about the role of investments in ensuring financial stability and independence.

The next major reason, cited by 43.2% of respondents, is to reduce tax liability. This suggests that a significant number of employees use investment as a means of tax planning to minimize the amount of tax payable under the Income Tax Act. It also highlights that tax benefits serve as an important motivation for individuals to invest, often encouraging them to explore government-approved schemes like PPF, EPF, LIC, and NPS

VI. FINDING

This study focuses on the awareness of tax-saving instruments among salaried employees. Tax saving instruments are government-approved financial tools that help individuals reduce their taxable income while encouraging savings and long-term financial planning. The research highlights that although many salaried employees are aware of basic tax-saving options like Life Insurance and Provident Fund, awareness about modern instruments such as ELSS, NPS, and PPF is comparatively low. The study also finds that most employees invest mainly for tax benefits at the end of the financial year rather than for long-term wealth creation. Lack of awareness, proper guidance, and financial literacy are the major challenges faced by employees in effective tax planning. The study suggests that improved financial education, employer support, and government initiatives can enhance awareness and promote better use of tax saving instruments for financial security and economic growth.

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VII. SUGGESTION

The study suggests that there is a strong need to improve awareness about tax-saving instruments among salaried employees. Employers should conduct regular tax-planning sessions and workshops to educate employees about various tax-saving options such as PPF, ELSS, NPS, and health insurance. The government should also take initiatives to promote financial literacy through digital platforms, seminars, and awareness campaigns. Employees should be encouraged to start tax planning at the beginning of the financial year instead of making last-minute investments. Seeking guidance from professional financial advisors rather than depending only on friends or relatives can help in making better investment decisions. Proper awareness and planning will not only reduce tax liability but also support long-term financial security and wealth creation.

VIII. CONCLUSION

The study concludes that although salaried employees are aware of tax-saving instruments, their knowledge is mostly limited to traditional schemes such as Life Insurance and Provident Fund. Awareness about modern and diversified tax-saving options like ELSS, NPS, and PPF is comparatively low. Many employees make investments only at the end of the financial year with the main intention of saving tax, rather than

focusing on long-term financial goals. Lack of proper financial awareness, guidance, and planning leads to missed opportunities for effective tax saving and wealth creation. Therefore, improving financial literacy, encouraging early and informed investment decisions, and providing professional guidance can help salaried employees achieve better tax planning, financial stability, and long-term economic security.

IX. FUNDING INFORMATION

The present study was carried out without any external financial support. No specific grant was received from funding agencies in the public, commercial, or not-for-profit sectors. The research was self-funded by the authors. All expenses related to data collection and analysis were managed independently by the researchers.

X. AUTHOR CONTRIBUTIONS STATEMENT

All authors contributed significantly to the conception and design of the study. Data collection and survey administration were carried out by the student authors, while data analysis and interpretation were performed collaboratively. The preparation of the manuscript was jointly undertaken by all authors. The final version of the paper was reviewed and approved by all authors.

Author Name	Contribution
Saroj Dayashankar Jha	Conceptualization of the study, guidance, supervision, and final review of the manuscript
Janhvi Harishchand Chaurasia	Questionnaire design, data collection, data analysis, and drafting of the manuscript
Devika Suryakumar Prajapati	Literature review, data interpretation, and content organization.
Palak Dilip Vishwakarma	Data collection, statistical analysis, and preparation of charts and tables
Anjali Dharmendra Sah	Compilation of findings, suggestions, and conclusion
Faisal Khan	Editing, formatting, and reference management

XI. CONFLICT OF INTEREST STATEMENT

The authors declare that there is no conflict of interest in the conduct and publication of this research study. The study was undertaken purely for academic purposes and without any financial or commercial influence. No funding or sponsorship was received from any financial institutions, insurance companies, or tax advisory firms. The data collected and analyzed in this research were obtained ethically and objectively. The authors have no personal or professional relationships that could have influenced the outcomes of the study. All interpretations and conclusions are based solely on the research findings. The authors take full responsibility for the accuracy and integrity of the work.

XII. INFORMED CONSENT

Informed consent was obtained from all participants before collecting data for the study. The purpose of the research was clearly explained to the respondents. Participation was completely voluntary, and respondents could withdraw at any time. Confidentiality and anonymity of the participants were assured. The information collected was used only for academic and research purposes. Ethical research guidelines were followed throughout the study.

XIII. ETHICAL APPROVAL

The research study was conducted in accordance with ethical research standards. Prior approval for the study was obtained from the concerned academic authority of the institution. The research ensured voluntary participation, confidentiality, and anonymity of respondents. No personal or sensitive information was collected during the study. The data were used solely for academic and research purposes. All ethical guidelines applicable to social science research were strictly followed.

XIV. DATA AVAILABILITY

The data supporting the findings of this study were collected through a structured questionnaire administered to salaried employees. The datasets generated and analyzed during the study are available

from the corresponding author upon reasonable request. The data are not publicly available to protect the privacy and confidentiality of the respondents. Only aggregated data have been used for analysis and reporting. The data were used exclusively for academic and research purposes.

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