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Impact Of The New Tax Regime On Financial Well-Being Of Healthcare Professionals

Prakash Kundnani[1*], Saheb Dubey[2]

[1*]Research Scholar, Department of Commerce, S.M.M. Town PG College, Ballia
[2]Professor, Department of Commerce, S.M.M. Town PG College, Ballia

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ABSTRACT
Background: The new tax regime which was first proposed in the union budget of 2020-21 and no changes were brought in the subsequent year. The study tries to explore how the newly introduced taxation system which promised to offer hassle free tax computations, but forfeiting the deductions and exemptions, has impacted the household especially the one which are the machinery of our Indian healthcare system.
Purpose: The study tries to find out how healthcare professionals see the new tax regime, how it effects their financial well-being, while assessing the differences between those who stayed in old tax regime (which provides various exemptions & deductions) and by those who opted for new tax regime (which provides few opportunities in the form of increased basic exemption limit, increased limit of rebate and reduction in surcharge rate).
Methods: The study was conducted by utilizing cross- sectional research method, which involved 400 healthcare professionals from diverse fields including doctors, nursing officers, nursing assistant, clerical staff and other employees. The stratified random sampling method was used to collect data with the help of structured questionnaires. Collected data were analysed using t-tests and regression models, to evaluate the relationships and differences among the variables. The results suggests that healthcare professionals are preferring new tax regime as it is hassle free from the several deductions and offers an easy approach towards financial decisions.
This study underscores the favorable impact of the new tax regime on the financial health of healthcare professionals. The insights gained from this study can inform future financial education initiatives and policy decisions aimed at supporting this essential sector.

Keywords: New Tax Regime, Financial Well-Being, Healthcare Professionals, Quantitative Study, Tax Policy

1 Introduction

The Indian taxation system which finds its root from the ancient times, was based upon the agriculture economy, where peasants used to forgo a part of their produce to the ruler in exchange of safety and security from the attackers as important part of governance (R. Shamasastry, n.d.). Later at the advent of East India Company the taxation was continued even after the British crown rule and Income Tax Act of 1860, which served as a foundation for modern income taxation in India (Burgess, 1993). The Independence of our country brought a proper and more refined progressive taxation system and the Income Tax Act 1961 came into existence (Srinivasan, 2006).

The old tax regime of has served healthcare professionals in saving and investing which provided them deductions under various sections such as 80 C with various investment options such as life insurance, pension plan, public provident fund,80 D and 80 DD offered solace for the medical treatment and preventive health checkups, for himself and also for the dependent family members as per the (*Income Tax Deductions List - Deductions on Section 80C, 80CCC, 80CCD and 80D - FY 2023-24 (AY 2024-25)*, n.d.)

These exemptions were instruments for healthcare professionals to curb the increasing high medical costs and were vital to financial planning, allowing tax relief on critical health-related expenditures which led to financial well-being. Since the advent of new tax regime all such deductions were dissolved to simplify the tax computation methods but it has eliminated specific healthcare tax benefits. The financial literacy of the health care professional is vital (Agarwal & Biswas, 2022) as financial literacy in the study found low, towards various variables.

2 Theoretical Framework

2.1 Financial Literacy and Financial Well-Being

The understanding towards the concepts of complexities of finance, encompassing designing personal monthly budget, investing for seeking financial goals over the time, and taxation is termed as financial literacy, which plays a pivotal role in households financial management. (Lusardi & Mitchelli, 2007) suggested that assesses bearing high financial literacy are more vigilant while making financial decisions. Financial well-being is directly impacted by financial literacy which is also suggested by (Ajzen, 1991) who propounded that financial literacy impacts financial behaviour of individual in their budgeting, saving and investment decisions.

2.2 Awareness of Tax Regulations and Financial Decision-Making

The dissemination efforts of Government regarding of Tax information results into Tax awareness in masses, which shapes household's concepts towards income tax laws, deductions, credits and advancement in tax regimes. It has been shown by (Bhushan, 2013) that awareness of tax regulations is vital in setting financial goal and tax management. As per the Information-Motivation-Behavioral Skills (IMB) model, those who are aware towards taxation framework take proactive steps in financial setup, which also helps them to select them the best tax regime as per there income and spending pattern. This is also in alignment with the famous Vroom's Expectancy Theory, which suggested that individuals make decisions based on expected outcomes; in this case, the expectation of financial savings.

2.3 New Tax Regime Adoption and Financial Stability

The newly introduced tax system in country is targeted to make the present tax structure user friendly, with an option to choose between predecessor and successor. This has provided an option to the income tax payer class to assess which tax filing system suits them best as per there investments and spending plan for the future. Taxpayers' decisions may be influenced by factors such as income levels, expected savings, and complexity of compliance (Kahneman & Tversky, 1979). The theory propounds that household's system of decision is greatly affected by their attitude towards risk assessment and risk management which can affect them financially.

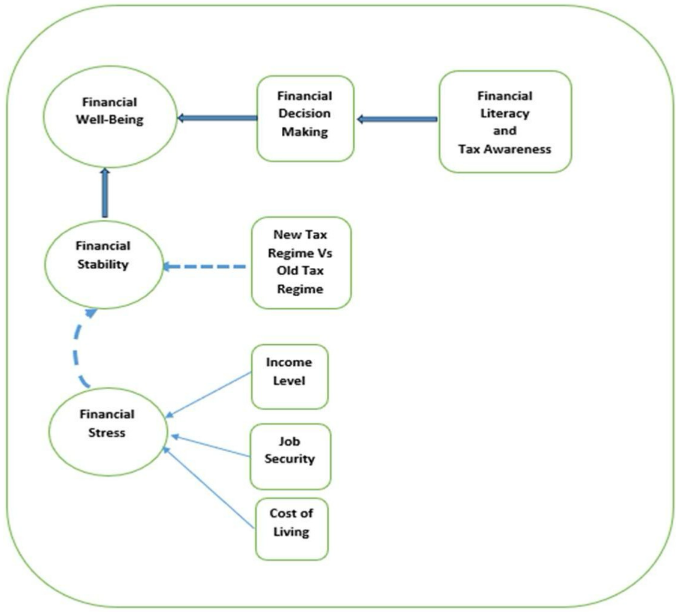
2.4 Factors Influencing Financial Well-Being

The Financial well-being of an individual is depended upon a plethora of variables such as several conditioning factors, including income security, job stability, cost of living, and availability to financial support. (Maslow, 1943) propounded that financial robustness which is a part of basic needs, must be satisfied before individuals can aim for other higher-level goals like self-actualization. These factors of job safety and earning high income encompasses an individual's concept of overall financial well-being and his attitude towards his financial future. This framework also receives support from the (Bandura, 1977) Social Learning Theory where it was reported that learned behaviour from peers, advisors, and media can impact financial decision-making of an individual.

2.5 Relationship Between Financial Stress, Tax Awareness, and Financial Satisfaction

The knot between stress and satisfaction towards financial soundness is dependent upon one's education and understanding towards finance and abilities to comprehend various tax classifications and deductions available to them. It is well known phenomena that low-level of financial information or inadequate knowledge of taxation. leads to high level of financial stress and further leads to lower financial satisfaction. The Self-Determination Theory propounded by (Ryan & Deci, 2000) suggests that freedom and ability are essential for satisfaction; in our case, financial freedom, fostered by financial literacy, helps to reduce financial stress and an boosts financial satisfaction.

Figure 1 The Conceptual Model



This conceptual model depicts how financial literacy and tax awareness affects individuals' financial well-being, in consideration of factors such as financial stability, financial stress and the impact of newly introduced tax regime.

3 Research Methodology

The study tries to adopt a quantitative approach by application of descriptive and correlational research to unearth the relationship between financial literacy, tax awareness, and financial well-being. This approach then became instrumental for implementing structured analysis to find out how these factors interact and influence financial well-being among the health care professionals.

3.1 Research Design

In the present study cross-sectional survey-based study was applied to quantify the impact of financial literacy and tax awareness on financial well-being among healthcare professionals in Prayagraj and Kanpur.

The present study is focused on the Financial literacy and tax awareness (Independent Variables) while Financial well-being plays the role of (Dependent Variable),other Demographic factors like age, gender, income level, and employment type served side kick as (control variables).

3.2 Data Collection Method

The data collection method adopted was primary, and data was collected by implementing structured questionnaire with comprised of close ended questions and Likert scale-based questions. The questionnaire was spread to target demographic profile, financial literacy, tax awareness, and indicators of financial well-being. The questionnaire was distributed in among both government and private healthcare professional at Prayagraj and Kanpur.

3.3 Sampling Method

The stratified random sampling, was used to collect data which ensures representation across various income levels, age groups, and employment types (e.g., government employees, private employees, as well as contractual employees). This helped in an equal distribution of respondents across socioeconomic and demographic groups, providing a comprehensive understanding of financial literacy and tax awareness in relation to financial well-being.

3.4 Sample Population and Sample Size

The study was conducted among 400 healthcare professionals comprised of nursing officers, nursing assistant, doctors, administrative staff and other employees working in the healthcare sector, in Prayagraj and Kanpur. In the present study individuals aged between 25-60 also above 60 years in case of retired but on contractual employees, who file taxes or have taxable income have participated.

3.5 Reliability of the Tool

The overall reliability of the self-designed questionnaire which was developed by the researchers was done using the Cronbach alpha (α) and it was found to be 0.982 ,the tool was self-administered among the healthcare professionals, the tool was focused on the variables such as information of the tax regime,
Financial-wellbeing indicators, factors influencing financial well-being, awareness and perceived benefits.

Table 1 Reliability of the tool

Reliability Statistics	
Cronbach's Alpha	N of Items
.982	24

3.6 Statistical Method and analysis

The hypothesis of the study was tested with the help of the correlation and t -test analysis for finding out the relationship and impact of the new tax regime over financial well-being of health care professionals. The questionnaire was divided into two sections, where section A was comprised of demographic variables like Hospital Location, Age, Gender, Employee's type, Post and technical qualification, experience and monthly disposable income. The section B was comprised of factors of tax regime, Financial-wellbeing indicators, factors influencing financial well-being, awareness and perceived benefits.

4 Results and Discussions

Table 2 Demographic Profile

Characteristics		N	%
Hospital Location	Prayagraj	178	44.5
	Kanpur	222	55.5
	Total	**400**	**100.0**
AGE	above 60 yrs	50	12.5
	45 - 60 years	61	15.3
	30 - 45 years	149	37.3
	Less than 30	140	35.0
	Total	**400**	**100.0**
GENDER	Male	178	44.5
	Female	222	55.5
	Total	**400**	**100.0**
Employee Type	Government	106	26.5
	Private	220	55.0
	Contractual	74	18.5
	Total	**400**	**100.0**
Post	Doctor	86	21.5
	Nursing Officer	254	63.5
	Nursing Assistant	37	9.3
	Administrative Staff	12	3.0
	Other	11	2.8
	Total	**400**	**100.0**
Technical Qualification	Trained	363	90.8
	Untrained	18	4.5
	Graduate	11	2.8
	12th	8	2.0
	Total	**400**	**100.0**
Experience	Less than 1 year	44	11.0
	1-5 years	200	50.0
	6-10 years	70	17.5
	11-20 years	45	11.3
	More than 20 years	41	10.3
	Total	**400**	**100.0**
Monthly Disposable Income	Less than Rs.30,000	74	18.5
	Rs.30,000 - Rs.50,000	205	51.2
	Rs.50,001 - Rs.1,00,000	45	11.3
	Rs.1,00,001 - Rs.1,50,000	39	9.8
	More than Rs.1,50,000	37	9.3
	Total	**400**	**100.0**

The above Table 2 shows that the data was collected from the health care professionals of two cities namely Prayagraj 178 (44.5%) and Kanpur 222 (55.5%). The age distribution saw highest response from the 30-45 years age bracket with 149 (37.3%) and lowest only 50 (12.5%) from above 60 years age group as people retire at the age of 60 majorly in healthcare sector. The male representation was from male 178(44.5%) and female 222 (55.5%), while the type of employee reported was from government 106 (26.5%), private sector majorly 220(55%) and contractual 74(18.5%).

Among the respondent if we consider post wise then Nursing officer was highest 254 (63.5%) and lowest from other and administrative comprising jointly only 23 (5.8%) and Doctor also participating 86 (21.5%). Further the results showed that generally Trained 363 (98.3%) staff are being hired in healthcare sector as it has direct effect

on the patient's life. Furthermore, the work experience was found rich with evenly distributed among 11-20 years 45(11.3%) and more than 20 years 41(10.3%) and highest among those working for 1-5 years 200(50%).
Lastly, but the most important, in monthly disposable income 205 (51.2%) respondents were from Rs.30,000 - Rs.50,000 which was average income group while higher brackets income group saw 39 (9.8%) and 37 (9.3%) from Rs.1,00,000-Rs.1,50,000 and more than Rs.1,50,000 respectively.

Hypothesis

H_1: There is a significant difference in financial well-being of healthcare professionals between those who adopt the new tax regime and those who do not.

An independent samples t-test was conducted to examine whether the adoption of the new tax regime significantly impacts the financial well-being of healthcare professionals compared to those using the old tax regime.
The analysis reveals that adoption of the new tax regime significantly impacts the financial well-being of healthcare professionals compared to those using the old tax regime, when the (mean difference between the two groups was 2.39 at 95% confidence level,**t** = 17.762, **df** = 398, **p < .001)** hence the hypothesis is accepted.

H_2: Healthcare professionals who adopt the new tax regime report higher disposable income than those who do not.

The Old Tax Regime group has a higher mean **monthly disposable income** (4.50) as compared to the New Tax Regime group (2.11). The mean difference of 2.39 indicates that those in the Old Tax Regime report significantly higher disposable income than as compared to the New Tax Regime. The t-test results shows that **observed t value is higher than table value** (observed t = 17.762, p < 0.001 ,at 95% confidence interval table value t=4.271)which confirms that there is a difference between the two groups. **Hence the hypothesis is accepted.**

H_3: Increased awareness of the new tax regime correlates positively with the perceived financial benefits among healthcare professionals.

The analysis reveals there is a strong positive correlation between awareness of the new tax regime and the perceived financial benefits. The correlation results (r= 0.966,p < 0.01) signifies that this it is **statistically significant thus the hypothesis is accepted**.

5 Discussion and research implications

5.1 Discussion

The researcher investigated the impact of new tax regime over the financial well-being of health care professionals at Prayagraj and Kanpur, because both the cities have a strong network of hospital established by both government and private sector. The study was focused upon to study the impact of new tax regime and old tax regime over health care professionals.
The results confirms that that adoption of the new tax regime significantly impacts the financial well-being of healthcare professionals this also finds support with the study conducted by (Bagul, 2021) and (Kamble & Shaikh, 2023) explored which tax regime is beneficial and reported that people who are already investing for availing tax rebates prefer old tax regime, while people whose income is below 7,50,000 will prefer new tax regime ,but it also suggests that while new tax regime has an impact over financial well-being but it doesn't have any effect over the disposable income of the employees.
The present study shows that awareness of tax regime increases the awareness and perceived benefits which helps individuals in making financial decisions this phenomena has also been studied by the (Fang, 2022) who tried to unearth the effect of new tax regime over financial decisions.

5.2 Implications

The study results have practical and theoretical affirmation. The findings of the study are in alignment with the conceptual framework which has relationship and association between financial well-being financial decision making and financial literacy.
It also lays down the foundation of studying in depth about Financial Stress resulting due to the factors such as income, job security and cost of living. he majority of respondents were Nursing officer and respondents serving in private hospitals, with again majorly form lower monthly disposable income group. Therefore they have opted for new tax regime also the major part of sample is of early age where one does not have that much financial obligations.
By utilizing our theoretical and conceptual frame work further studies can be conducted into different job and professions in the country to seek further insights how new tax regime is impacting in different sectors.

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