

“A STUDY ON INVESTORS PERCEPTION AND PREFERENCE TOWARDS TAX SAVING FINANCIAL PRODUCTS”

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Abstract - “The hardest thing in the world is to understand income tax – Albert Einstein.” Tax-saving is an important part of financial planning. An intelligent tax-planning strategy can serve the dual objective of helping individuals meet their financial goals and save tax in the process. In this research paper analysing the perception of investors towards different options available to save tax and the most preferred financial product. Study outcome as PPF (Public Provident Fund) is adopted substantially followed by ELSS Mutual fund, Tax-Saving Fixed deposit, National Saving Certificate, Senior Citizen Savings Scheme

Keyword: Tax-saving Products, Investment, Perception, Preference, Vadodara, Investor, Financial products, Tax planning

I. INTRODUCTION

Investing is the act of committing money or capital to an endeavour (a business, project, real estate etc.) with the expectation of obtaining an additional income or profit. An investor is any person or any other entity (such as a firm or mutual fund) who commits capital with the expectation of receiving financial returns. Investors utilize investments in order to grow their money and/or provide an income during retirement with an annuity. Investors, particularly who are new & inexperienced, are often advised to adopt a particular investment strategy and diversify their portfolio. Diversification has the statistical effect of reducing overall risk. Every Indian is legally obliged to pay their fair share of taxes as per the law. But that doesn't mean they have to pay the entire amount. Under Section 80C of the Income Tax Act, can reduce the tax liability every year, as provided by the government. There are several options you can choose to save tax under Section 80C of the Income Tax Act, some are ELSS mutual fund, PPF, National Saving Certificate etc.

What is Tax?

Taxation which plays a very important role in the promotion of economy development of any country is a system through which government raises or collects revenue from the public. Governments use this revenue for the welfare of society in various forms, it is a compulsory payment or contribution levied by the government authority on individuals or companies to meet the expenditure required for welfare to the society.

THE TAX LAWS IN INDIA

Since ancient times the primary objective of taxation has been to collect revenue in order to finance state provision of essential public services. Most of taxes in India are levied by both the Central Government and State Government, while the local authorities like the Municipality collect all the minor taxes. The Central Board of Direct Taxes is authorized to make rules for carrying out the purposes of the Act. For the proper administration of the Income-tax Act, 1961, the CBDT frames rules from time to time. Income-tax is the most significant direct tax. Direct Taxes in India were governed by two major legislations, Income Tax Act, 1961 and Wealth Tax Act, 1957. However, the Wealth Tax Act was repealed in 2015.

LEVY OF INCOME TAX

Taxes in India are levied by both the Central and State Government. Some of the minor taxes are levied by the Local Municipality. Income-Tax Act, 1961: The levy of income-tax in India is governed by the Income-tax Act, 1961. This Act came into force on 1st April 1962. The Act contains 298 sections and XIV schedules. An import restriction in Article 265 of the Constitution states that "No tax shall be levied or collected except by the authority of law".

ASSESSEE

An Assessee is any individual who is liable to pay taxes to the government against any income earned or losses incurred by him for a particular assessment year. Each and every person who has been taxed for the income earned by him in the previous year is treated as an Assessee under the Income Tax Act, 1961. An Assessee may either be a normal Assessee, a Representative Assessee, a Deemed Assessee.

TAX PLANNING

Tax Planning in India is an application to reduce tax liability through the finest use of all accessible allowances, exclusions, deductions, exemptions, etc to trim down income and/or capital profits. Salaried individuals in India are not fully aware of the tax planning exercise which is why they rush at the end of the tax-planning season and make investments to reduce their tax liability. This has negative effect on tax payable by them and they eventually end up paying more taxes than they are required to.

TAX EVASION

It refers to a situation where a person tries to reduce his tax liability by deliberately suppressing the income or by inflating the expenditure showing the income lower than the actual income and resorting to various types of deliberate manipulations. An assessee guilty of tax evasion is punishable under the relevant law. Tax evasion may involve stating an untrue statement knowingly, submitting

misleading documents, suppression of facts, not maintaining proper accounts of income earned (if required under the law) omission of material facts in assessments.

TAX AVOIDANCE

Tax avoidance means taking undue advantage of the loopholes, lacunae or drafting mistakes for reducing tax liability and thus avoiding payment of tax which is lawfully payable. Generally, it is done by twisting or interpreting the provisions of law and avoiding payment of tax. Tax avoidance takes into account the loopholes of law. Though it has a legal sanction, it means following the provisions of law in letter but killing the spirit of the law.

TAX MANAGEMENT

Every assessee liable to pay tax needs to manage his/her taxes. Tax management relates to management of finances for payment of tax, assessing the advance tax liability to pay tax in time. Tax management has nothing to do with planning to save tax it is just related with operational aspect of payment of tax i.e., while managing his taxes a person ensures that he/she is making timely payment of taxes without running out of the money and he is complying with all the provisions of law.

1. About Major Company in the Industry

Major finance company in India

S. No.	Finance Company
1.	Bajaj Finance Limited
2.	Tata Capital Financial Services Ltd
3.	Aditya Birla Finance Ltd
4.	L & T Finance Limited
5.	Muthoot Finance Ltd
6.	Mahindra & Mahindra Financial Services Limited
7.	HDB Financial Services
8.	Power Finance Corporation Limited
9.	Shriram Transport Finance Company Limited
10.	Cholamandalam Investment and Finance Company

2. Product Profile (Major Financial Products)

S. No.	Financial Products
1.	Unit Linked Insurance Plan (ULIP)
2.	ELSS Mutual Funds Public Provident Fund (PPF)
3.	Sukanya Samridhi Yojana (SSY)
4.	National Savings Certificate
5.	Tax-savings fixed deposit
6.	Senior Citizen Savings Scheme
7.	School Tuition Fees
8.	National Pension Scheme (NPS)
9.	Health Insurance premium under section 80D
10.	Repayment of an education loan
11.	Rent paid and no HRA received
12.	Interest paid on home loan
13.	Donations made to charitable institutions
14.	Medical expenses towards disabled dependent
15.	Savings bank account interest

Literature review:

1. **Savita and Lokesh Gautam (2013)** in their study on the topic “**Income Tax Planning: A Study of Tax Saving Instruments**” found out that the most adopted and accepted tax saving instrument by the sample unit taken was Life Insurance policy which was further followed by Provident fund as the second alternative and Tax saving Fixed deposits as the third alternative. The least opted alternative was Infrastructure bonds. **Based on the age group, the people between the age group of 40-50 & 50-60 saved more part of their income and invested in these tax saving investments** but, on the basis of income groups, those who have more income have more savings and invested in these investment sources.

2. **Dr. A.N. Panikkar (2014)** in his study on the topic “**Equity Linked Saving Schemes as Tax Saving Investment for Salaried Class**” found out that **ELSS helped by providing a good scope for capital accumulation and other tax benefits under Sec 80(c)** of the Income Tax Act, 1961. It was considered as a better return earning option where the dividend was completely tax- free in the hands of the investors as the tax is deducted at source.

3. **Ms Pooja Vinod (2020)** in her study on the topic “**Invest In Tax-Saving Schemes : An Overview**” found out that in the current period always prefer tax saving schemes to invest. Maximum people are investing in Life Insurance and five-year deposit for the second option. The other people are **the lacking because of the awareness about different investment scheme**. Volume 5 Issue 6,2020 ISSN: 2455-1341 IJRE- Engineering Technology.

4. **Varsha Singhania (2021)** in her study on the topic “**A Study on Awareness of Investment in Tax Saving Product**” found out that people have some awareness about the tax saving u/s 80C only and its product but prefer to invest in **NPS (National Pension Scheme) and NSC (National Saving Certificate) but doesn't aware of other tax saving schemes u/s 80CCD to 80U**. Volume 9 Issue 6, 2020 ISSN: 2349-7300 DOI:10.37082/IJRMPS.2021. v09si05.018

5. **Pinal Bardot (2016)** in his study on the topic “**An Analysis of Investors Attitude towards Investment Instrument: Insurance as a Tax saving and for Investment**” found out that most of the respondent chose pension plan for investment, the investors chose 5-year fixed deposits as the **most popular tax saving scheme which was followed by Pension plan, PPF, Children's Education Plan, Mediclaim policy and finally National Savings Certificate**, which were known by only very few respondents. It was also found out that majority of the population which consisted of **middle class were more invested in these tax saving schemes as these schemes had various tax benefits and risk was minimum**.

Objective of the study:

1. To measure awareness of financial product available for tax saving among selected people.
2. To identify preferred Tax saving financial products among the selected.
3. To measure perception towards investing in tax saving financial securities.

Research Methodology:

The source through which data is collected is primary data collection as well as secondary data collection. In Primary data include questionnaire and collecting responses by creating Google form and the secondary sources includes the Literature reviews, magazines, journals, it is the data that is already collected in past and analyses which supports other researches and help to get the outcome easily,save time and resources. It includes responses of 135 people to know awareness and perception towards the topic and the options available.The questions include must be easy to understand by the respondents, unambiguous and no manipulative data were included. So here the Non-Probability Convenience sampling method is used where the respondent is aware of the research and its topic, there is no random selection.

Data Analysis and Interpretation:

Phase 1: Demographic Profile of the respondent

Demographic Data

		Frequency	Percent	Valid Percent	Cumulative Percent
Gender of Respondent	male	91	67.4	67.4	67.4
	female	44	32.6	32.6	100.0
Total		135	100.0	100.0	
Type of Family	Joint Family	57	42.2	42.2	42.2
	Nuclear Family	78	57.8	57.8	100.0
Occupation of Respondent	Student	57	42.2	42.2	42.2
	Employee	31	23.0	23.0	65.2
	Govt Employee	9	6.7	6.7	71.9
	Business	20	14.8	14.8	86.7
	Profession	18	13.3	13.3	100.0
Source of Investment Advice	Media	39	28.9	28.9	28.9
	Advisor	12	8.9	8.9	37.8
	Family	58	43.0	43.0	80.7
	Financial Planners	26	19.3	19.3	100.0
Earning member in Respondent Family	1	46	34.1	34.1	34.1
	2	37	27.4	27.4	61.5
	3	20	14.8	14.8	76.3
	4	8	5.9	5.9	82.2
	More than 4	24	17.8	17.8	100.0

Table 1: Demographic data

Demographic data

INTERPRETATION: Data in Table 1 reveals that among 135 response there are 91 males and 44 were women respondents. Type of family categorized in 2 sub-categories where 57 respondents belong to joint family out of 135 and rest 78 were of Nuclear family. Occupation categorized in 5 sub categories, which shows most of them were Students followed by Employee, Business, Profession, and Govt. Employee. This survey shows that people took advice from the family members i.e., 58 responses before make any investment decision and Media had 39 responses followed by Financial Planners. As single source of income is not enough in such time period so the survey also show that most of respondents having single earning member in their family.

Phase 2: The likert scale of Awareness and preference about following tax savings products.

Awareness (Descriptive Statistics)					
	N	Minimum	Maximum	Mean	Std. Deviation
Awareness among respondent for ELSS Mutual Fund	135	1	5	2.79	1.399
Awareness among respondent for Public Provident Fund (PPF)	135	1	5	3.51	1.257
Awareness among respondent for National Savings Certificate	135	1	5	3.10	1.101
Awareness among respondent Senior Citizen Savings Scheme	135	1	5	3.09	1.290
Awareness among respondent Tax-savings fixed deposit	135	1	5	3.09	1.432

Table 2: Awareness regarding the financial products

INTERPRETATION: Table 2 data reveals that most of the respondents had awareness regarding PPF(public provident fund) with 3.51 mean and followed by National Savings Certificate 3.10 mean, Tax-savings fixed deposit & Senior Citizen Savings Scheme 3.09 mean.

Preference (Descriptive Statistics)					
	N	Minimum	Maximum	Mean	Std. Deviation
Preference towards ELSS Mutual Fund	135	0	1	.47	.501
Preference towards National Savings Certificate	135	0	1	.18	.384
Preference towards Public Provident Fund (PPF)	135	0	1	.53	.501
Preference towards Senior Citizen Savings Scheme	135	0	1	.13	.333
Preference towards Tax-savings fixed deposit	135	0	1	.29	.455
Other Preferred tax-saving product	135	0	1	.05	.223

Table 3: Preferences from the financial products available in option

INTERPRETATION: Mostly respondents preferred towards Public Provident Fund (PPF).53 mean followed by ELSS Mutual Fund(.47), Tax-savings fixed deposit(.29), National Savings Certificate(.18), Senior Citizen Savings Scheme(.13), other(.05) include Stocks, NPS.

Hypothesis of the study:

- There is no significant difference between views of investors towards investment and financial products and investors occupation.
- There is no correlation between the views on Investor’s awareness and perception towards tax saving financial products.

Testing of hypothesis:

H01: There is no significant difference between views of investors towards investment and financial products and investors occupation.

ANOVA test (ONE WAY ANOVA)

ANOVA

Per

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.048	4	.012	.392	.814
Within Groups	3.978	130	.031		
Total	4.026	134			

Table 4: It include testing hypothesis on basis of occupation and perception

INTERPRETATION: We can observe that F value is 0.392 and P value is 0.814. As P value > 0.05, we accepted the null hypothesis. It means their is no significant difference between occupation and perception of investors towards investment in Financial products.

H02: There is no correlation between the views on Investor’s awareness and perception towards tax saving financial products.

Correlations

	perception	awareness
Pearson Correlation	1	.122
perception Sig. (2-tailed)		.159
N	135	135
Pearson Correlation	.122	1
awareness Sig. (2-tailed)	.159	
N	135	135

Table 5: This table shows correlation among perception and awareness

INTERPRETATION: About 2 tables, table "Per" and table "awa", we can observe the relationship between perception and awareness of investor's and P value which is > 0.05 so we accept the null hypothesis.

II. FINDINGS & CONCLUSIONS

THE FOLLOWING FINDINGS ARE BASED ON THE RESEARCH EXECUTED DURING THE COMPREHENSIVE PROJECT, “A STUDY ON INVESTORS PERCEPTION AND PREFERENCE TOWARDS TAX SAVING FINANCIAL PRODUCTS”.

1. Most of the investors prefer to invest in PPF (52.6%), on second preference is ELSS Mutual fund (46.7%), third place occupied by tax saving fixed deposit(28.9%) rest are National saving certificate(17.8%) and senior citizen saving schemes(12.6%). Some of the respondents prefer Stock market, NPS, Life Insurance to invest.
2. Awareness regarding tax saving financial product PPF(Public Provident Fund) is at highest followed by National Saving Certificate, tax saving fixed deposit.
3. 62.2% are the respondents who were aware about the Tax deduction available under Section 80(C) to 80(U) and rest 37.8% people among 135 were not aware.
4. While analyzing survey of 135 people, perception of the respondents say that they prefer to change the investing product ,if they get more interest from another option hence calculated mean is 3.40 with this option and they want better return from investment rather than saving tax (3.34 mean).
5. 50.4%(68 people) are not investing in any kind of products or securities other than only 49.6% (67people) are investing in different available options.

6. Limited income is the main reason finding out for not investing by the respondents and other reasons are lack of awareness and risk factor as 34.8% prefer low risk and only 6.7% were ready to take high risk.

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