INVESTMENT IN TAX-SAVING SCHEMES:

AN OVERVIEW

MS Pooja Vinod, 2nd year M.com student, Kristu Jayanti College (Autonomous), Bengaluru.

Email: poojavinod443@gmail.com

ABSTRACT

Investment is a very important and vital part in everyone's life. Just earning money is not enough. We work hard for the money we earn. But that may not be adequate for you to lead a comfortable lifestyle or fulfill your dreams and goals. To lead a comfortable and well settled life, we need to make our money work hard for us as well. It is why we invest. Money lying idle in your bank account is an opportunity lost. You should invest that money smartly to get good returns out of it. The relevance of the investment activity of enterprises is increasing nowadays, in connection with the transition to market conditions of management and the struggle for limited resources. Based on this fact, the importance of the investment management and a deeper understanding of the management mechanisms of company's investment activities is growing.

Here, the term invests means to allocate money in the expectation of earning some benefit in the early future. The benefit from such an investment is called return. The return may consist of a gain or loss realized from the sale of a property or an investment or income received from investments such as dividends, interest, rental income etc., or a combination of both capital gain and income. The return may also include gains or losses due to changes in foreign currency exchange rates. Investors generally expect returns from these investments based on the risk they face. If the investor wants to get optimal return, he must face an optimal amount of risk. While investing, many of the investors face different type of problems which vary from one person to another. Through this study we focus on analyzing the various investment options of the investors, the reasons on why they invest and the various problems they face during investment.

INTRODUCTION

INTRODUCTION OF THE STUDY

Investing is the act of committing money or capital to an endeavor (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. In finance, a return is the benefit from investment. The return may consist of a profit from the sale of property or an investment, or investment income including dividends, interests, rental income etc., or a combination of the two. Investors generally expect higher returns from riskier investments. When we make a low risk investment, the return is also generally low.

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.

Investments can be stocks, bonds, mutual funds, interest-bearing accounts, land, derivatives, real estate, artwork, old comic books, jewelry and anything an investor believes will produce income (usually in the form of interest or rents) or become worth more. If you don't invest, you are missing out on opportunities to increase your financial worth. You have the potential to lose your money in investments, but if you invest wisely, the potential to gain money is higher than if you never invest.

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 like paying salaries of soldiers and police, construction of dams and roads, to operate schools and hospitals, to provide food to the poor and also medical services, and for other purposes. Without taxes any government could not be exist. With the help of taxation, the higher class society's wealth can be redistributed by imposing taxes on them in order to maintain equality in a society. Tax in simple words, is the part of our income which the Government collects from us and provides several facilities like, water and drainage system, school facility, medical facilities, construction of roads and dams and so on. 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 authority to collect taxes is provided in the Constitution of India which allocates the power to levy tax between the Central and State. An important restriction by the Article 265 of the Constitution of India states that tax cannot be levied or collected except by the authority of law. Therefore,in order to collect or levy tax, it should be backed up or supported by a law passed either by the Parliament or State Legislature. 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.

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. They undergo changes every year with additions and deletions brought about by the Annual Finance Act passed by Parliament. In execution of the power given by the Income-tax Act, 1961 rules have been framed to facilitate proper administration of the Income-tax Act, 1961.

Income-Tax Rules: The administration of direct taxes is supervised after by the Central Board of Direct Taxes (CBDT). The CBDT 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. These rules are collectively called Income-tax Rules, 1962. It is important to keep in mind that along with the Income tax Act, 1961, these rules should also be studied.

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. The authority to levy a tax is derived from the Constitution of India which allocates the power to levy various taxes between the Central and State government and an important restriction in Article 265 of the Constitution states that "No tax shall be levied or collected except by the authority of law".

ASSESSEE

An Assesses 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 who is liable to pay taxes for the income earned by him for a particular financial year, a Representative Assessee who is liable to pay taxes for income or losses incurred not only by him, but also for income or losses incurred by a third party, a Deemed Assessee who is put in a position to pay taxes for some other person by the legal authorities or an Assessee in Default who has failed to fulfill his legal duty of paying tax to the government.

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 triesto 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. An assessee, who dishonestly claims the benefit under the statute by making false statements, would be guilty of tax evasion.

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

IMPORTANCE OF THE STUDY

It is important to plan one's finances properly. Plans should never be made on an emergency basis or for a temporary goal or towards an improperly planned objective. Proper tax planning, one not only reduces the tax liability but also end up saving towards the various goals one has set at different life stages. However, choosing the right tax-saving scheme rests primarily on four factors: how to avail tax benefits, the kind of tax-saving instrument, the tenure, and the taxability status. Equally important is to choose a tax-saving instrument which can be linked to a specific goal.

How to avail tax benefits: One may consider Section 80C which allows annual tax benefits of up to Rs 1.5 lakh in one or more eligible investments and specified expenses. The eligible investments include Life Insurance, Equity-Linked Savings Schemes (ELSS) mutual funds, Public Provident Fund (PPF), National Savings Certificate (NSC), etc., while expenses and outflows can include principal repayment of home loan etc.

Tenure: All the above tax-saving instruments by nature are medium to long term products - from a three-year lock-in that comes with ELSS to a 15-year lock-in of PPF.

Taxability of interest: Another important factor to consider is the post-tax return of the tax-saving investment. For instance, most fixed and assured returns products such as NSC provide you with Section 80C benefits but the returns, currently 8.1 per cent (five-year) annually, are taxable. Of all the tax-saving tools, only Public Provident Fund, EPF, Equity Linked Savings Scheme and insurance plans enjoys the EEE status, i.e., the growth is tax-exempt during the three stages of investing, growth and withdrawal.

Making the right choice: First, identify a goal, medium or long term. An equity-backed tax-saving instrument would suit long term goals as equities need time to perform. As wealth keeps accumulating over the long term, try a tax-free investment. And, before considering a taxable investment, see the tax rate that applies to you and consider the post-tax return. A low post-tax return after adjusting for inflation will not help you in achieving your goals in the long run.

This study attempts to know the preference and analyse the significance of factors that influence the investor's decision toward making investments in these tax saving products. It also attempts to find out the significance of factors of population such as age, gender, occupation, savings and family size over the elements of investment decision like characteristics of investment, the period of investment, frequency of investment and analytical ability.

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. **Vikas Kumar Sonia (2013)** in his study on the topic **"A Study on Performance of Tax Saving Schemes in Mutual Fund"** found out the schemes selected for the study were highly correlated with the market index. The five schemes which were selected had a positive Sharpe ratio of which, ICICI

prudential tax plan had the highest Sharpe ratio. Through this, it was analyzed that adequate returns could be earned by facing a minimum level of risk.

4. **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. These people would invest in Mediclaim policy and children's education only when specific conditions arise.
5. **Surbhi Srivastava (2017)** in her study on the topic **"Equity Linked Saving Schemes (ELSS) Vis-à-vis Fixed Income Schemes under the Income Tax Act 1961"** found out that ELSS funds were a good option for long term investors where they can create wealth in the long-term perspective whereas in the short-term perspective, helps in tax aversion. It offers high rate of returns compared to other traditional avenues for investment. It was also observed that a combination of investment in ELSS with SIP would give the investor to average the market fluctuations and those investors who have no or little knowledge can invest in ELSS as they can maximize their return and avail tax benefits.

PROBLEM STATEMENT

Investments are important because in today's world, just earning money is not enough. We work hard for the money we earn. But that may not be adequate for us to lead a comfortable lifestyle or fulfill your dreams and goals. To lead a comfortable life, we need to make our money work hard for us as well. This is why we invest. Money lying idle in your bank account is an opportunity lost. We should invest that money smartly to get good returns out of it. But most of the investment schemes contain tax burden which reduces returns from these investments. At this situation investing in tax saving schemes offered by government and private organizations helps to minimize the tax burden. By investing in these schemes, you will become eligible to avail tax deductions and exemptions under various Sections of the ITA. In India, the quantum of income tax can be reduced to an extent by investing smartly in tax saving schemes. There are multiple opportunities to reduce an individual's tax burden by using the available schemes appropriately. There are various sections of the Income Tax Act, 1961 which deal with tax deductions and exemptions such as Section 80C, 80D, 80CCF and others. Many government and private sector organizations provide a wide range of tax saving options for Indian residents. Income tax savings schemes are offered as per the relevant sections of the Income Tax Act, 1961. Today most of the people especially employees invest in these types of tax saving schemes. As the environment around is dynamic and people' needs are not static, the companies in order to satisfy the people's needs have to introduce new sources of investments. Many investors face various problems which vary from one investment source to another. This research was conducted to learn the investor's preferences among the various tax saving products and their satisfaction from these products.

SCOPE OF THE STUDY

This study is to understand the investor's taste towards various tax saving schemes. The purpose of this study is to study the preference of investors among the various tax saving schemes by taking five selected schemes which are National Pension Scheme, Equity Linked Saving Scheme, five-year fixed deposit, Life Insurance, Public Provident Fund which minimizes the tax burden.

OBJECTIVES OF THE STUDY

An objective describes the desired results of a project, which often includes a tangible item. An objective is specific and measurable, and must meet time, budget, and quality constraints.

1. To know the preference of the respondents from among the various investment avenues.
2. To find out the most suitable tax saving instruments used to save tax.
3. To know the factor that influencing investment behavior of the peoples.
4. To find the problems faced by the investors.
5. To provide suggestion to the people based on this study.

RESEARCH METHODOLOGY

Research methodology includes the various methods and techniques for conducting research. The project was targeted on individual investors who invested in various schemes. The questionnaire was distributed through investors and friends The data is being collected from primary and secondary source.

Primary Data: Primary data consists of data collected from respondents through a questionnaire consisting of 28 questions. The respondents were interviewed and were asked to fill the questionnaire. The first part of the questionnaire deals with question regarding the personal details of the respondents in terms of their age, gender, education, profession, income etc. The second part consists of evaluation of the various attributes by the respondents on tax saving investments. The data were being collected from some randomly selected investors.

Secondary Data: Secondary data is research data that has previously been gathered and can be accessed by researchers. This type of source is used to increase the sampling size of research studies and is also chosen for the efficiency and speed that comes with using an already existing resource. Here, secondary data was collected from various journals, books etc.

1 RESEARCH DESIGN

A research design is the set of methods and procedures used in collecting and analysing measures of the variables specified in the research problem research. A research design is a framework that has been created to find answers to research question. It constitutes the blueprint for collection, interpretation and analysis of data. There are mainly three types of research design:

i. **Exploratory Research:** Exploratory research is defined as a research used to investigate a problem which is not clearly defined and to have a better understanding of the problem, but it will not provide conclusive results. For such a research, a researcher starts with a general idea and uses this research as a medium to identify issues that can be the focus for future research. For example: Consider a scenario where a juice bar owner feels that increasing the variety of juices will enable increase in customers, however he is not sure and needs more information. The owner intends to carry out an exploratory research to find out and hence decides to do an exploratory research to find out if expanding their juices selection will enable him to get more customers of if there is a better idea.

ii. **Descriptive research** is used to describe characteristics of a population or phenomenon being studied. It does not answer questions about how/when/why the characteristics occurred. Rather it addresses the "what" question (what are the characteristics of the population or situation being studied?).

Here, the descriptive and exploratory method was used for investigation. Descriptive research design is mainly used to gather information about the present condition. We used it to obtain the profile of the respondents, their preferences and problems faced by these investors towards investment in these schemes.

SAMPLING PLAN

Sampling is the process of choosing a representative sample from a target population and collecting data from that sample in order to understand something about the population as a whole. Sample is a representative part or a single item from a larger whole or group especially when presented for inspection or shown as evidence of quality.

With the help of a properly designed sample plan, it helps in decision making regarding the following area:

1) Sample size 2) Sampling Procedure

1) Sample size: When a survey is to be taken, it is not possible to taken a survey of the entire population. So, a small part of the entire population to be taken is decided and survey is conducted from that part of the population called the sample. The sample size taken here was 98.

2) Sampling procedure: It is the procedure by which a sample is taken from the given entire population. The larger the number of units observed for data collection, the more representative is the sample of its population. Here the type of sampling used convenient sampling.

DATA COLLECTION METHOD

When faced with a research problem, you need to collect, analyze and interpret data to answer your research questions. Data Collection is an important aspect of any type of research study.

The data was collected from various respondents through the method of sample survey. A **survey** is a data collection method where you select a sample of respondents from a large population in order to gather information about that population. The process of identifying individuals from the population whom you will interview is known as **sampling**. To gather data through a survey, you construct a questionnaire to prompt information from selected respondents.

When creating a questionnaire, several key considerations should be kept in mind. First, it must be made sure that the questions and choices are unambiguous. Second, it must be made sure that the questionnaire is completed within a reasonable amount of time. Finally, it must be made sure there are no typographical errors.

TOOLS FOR DATA ANALYSIS AND PRESENTATION

The data was analyzed with the help of simple percentage method.

1) Percentage

Percentage method is a method of data analysis where the two or more series of data is compared with each other. Since percentage reduces the observation to a common base i.e. total of all the observations, it allows meaningful comparison.

Percentage analysis formula:

Percentage= (Number of respondents/Total population) *100

Further, the analyzed data was presented with the help of tool like tables and pie charts. In tables, the data collected is represented in rows and columns which are made clearer by drawing lines to divide them. Then these data are represented in a circular diagram which is divided into different segments according to the data collected. This type of representation is called pie diagram.

LIMITATIONS OF THE STUDY

The limitations of this study are as follows:

1. As the study was conducted within a short span of time, a proper conclusion cannot be made on this topic.
2. The sample taken, being a representative of the entire population was too small to get an accurate result.
3. The perception and responses of the respondents may be biased.
4. The responses to the questions were not given by all the respondents. Hence the findings generated can be generalized.

ANALYSIS AND INTERPRETATION

TABLE 5.1: DISTRIBUTION OF RESPONDENTS BASED ON AGE

Answer choices	Responses	%
15-35	58	59.184
35-55	35	35.714
55-65	5	5.102
above 65	0	0
Total	98	100

SOURCE: PRIMARY DATA

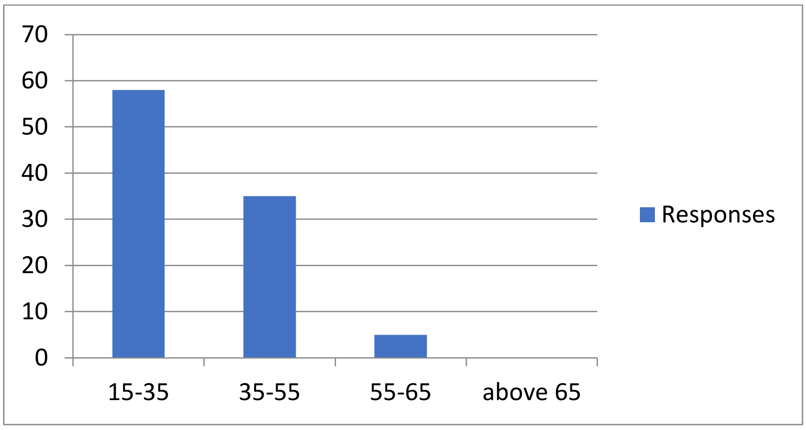


FIGURE 1: BASED ON TABLE 5.1

INTERPRETATION:

This table ss the age categories of people who took part in the questionnaires. The percentage in the table shows the allocation of questionnaires to various groups was in no way influenced by bias. It is true reflection of the researcher's impartiality in the distribution of questionnaires. 59% of the respondents belonged to the age group of 15-35 which was followed by 35% in the age group of 35-55 and least in the age group of 55-65 which was 5%.

TABLE 5.2: DISTRIBUTION OF RESPONDENTS BASED ON SEX

Answer choices	Responses	%
Male	42	42.857
Female	56	57.143
Total	98	100

SOURCE: PRIMARY DATA

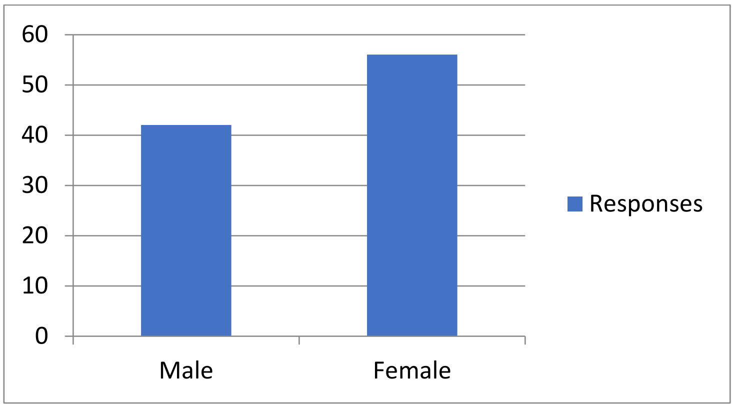


FIGURE 2: BASED ON TABLE 5.2

INTERPRETATION:

This question was used in order to target our main audience but we also wanted to have a wider knowledge about what other types of audience may think. Here the female ratio is more than male ratio.

TABLE 5.3: DISTRIBUTION OF RESPONDENTS BASED ON MARITAL STATUS

SOURCE: PRIMARY DATA

Answer choices	Responses	%
Married	48	48.98
Single	50	51.02
Total	98	100

FIGURE 3: BASED ON TABLE 5.3

INTERPRETATION

In the given figure X-axis represents the marital status of respondents while Y-axis represents the number of respondents. The percentage of single respondents is more than the married respondents.

TABLE 5.4: DISTRIBUTION OF RESPONDENTS BASED ON EDUCATIONAL BACKGROUND

Answer choices	Responses	%
School level	6	6.122
Graduate	44	44.898
Post graduate	28	28.572
Professional	20	20.408
Total	98	100

SOURCE: PRIMARY DATA

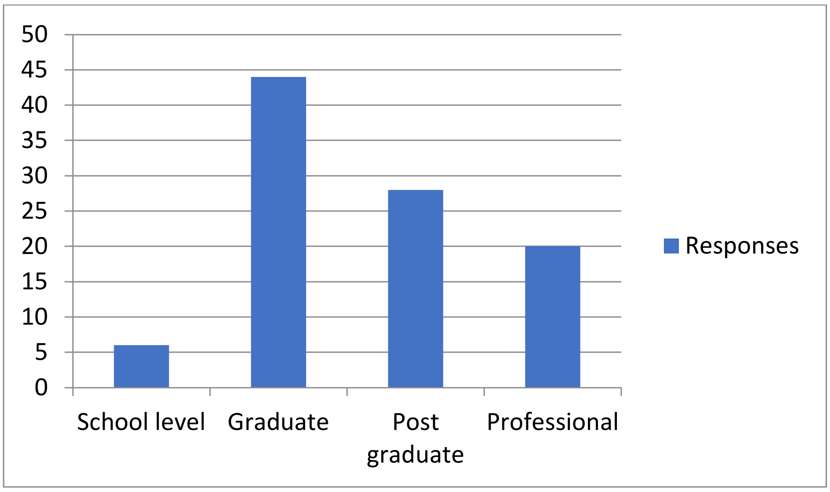


FIGURE 4: BASED ON TABLE 5.4

INTERPRETATION:

In the given figue the X-axis represents the educational background of the respondents while Y-axis shows the number of respondents. It is found that graduates have a greater number of responses than any other.

TABLE 5.5: DISTRIBUTION OF RESPONDENTS BASED ON OCCUPATION/PROFESSION

Answer choices	Responses	%
Student	40	40.816
Business	3	3.062
Profession	40	40.816

Others	15	15.306
Total	98	100

SOURCE: PRIMARY DATA

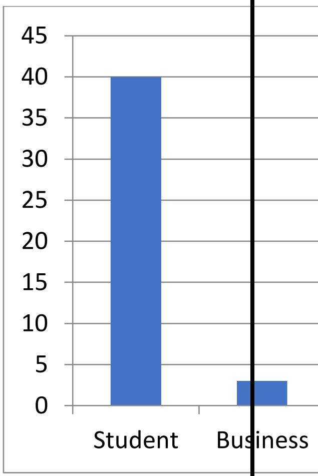


FIGURE 5: BASED ON TABLE 5.5

INTERPRETATION

In this figure the X-axis represents the profession/occupation of the respondents while Y-axis represents the number of respondents. The number of respondents who are professionals and those who are students are in equal proportion. The business respondents are only 3% of the total respondents.

Answer choices	Responses	%
2	6	6.12
3	18	18.37
4	53	54.08
More than 4	21	21.43
Total	98	100

DISTRIBUTION OF RESPONDENTS BASED ON NUMBER OF MEMBERS IN THE FAMILY

SOURCE: PRIMARY DAT

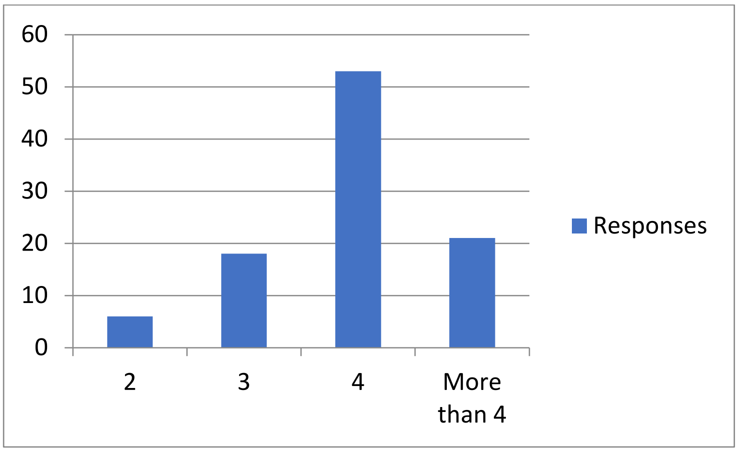


FIGURE 6: BASED ON TABLE 5.6

INTERPRETATION:

In this figure the X-axis represents the number of members in each respondent's family while Y-axis represents the number of respondents. The most frequent response is of the respondents having 4 members in their family.

TABLE 5.7: DISTRIBUTION OF RESPONDENTS BASED ON NUMBER OF MEMBERS EARNING IN THE FAMILY

Answer choices	Responses	%
1	35	35.71
2	46	46.94
3	16	16.33
More than 3	1	1.02
Total	98	100

SOURCE PRIMARY DATA

FIGURE 7: BASED ON TABLE 5.7

INTERPRETATION:

In this figure the X-axis represents the number of earning members in the family of respondents while Y-axis represents the number of respondents. Most respondents have a maximum of 2 members earning in their family. While the percentage of more than three members earning in the family are at its least.**TABLE 5.8: DISTRIBUTION OF RESPONDENTS BASED ONMONTHLY SALARY**

SOURCE: PRIMARY DATA

Answer choices	Responses	%
Below 30,000	22	22.45
30,000-40,000	21	21.43
40,000-50,000	14	14.29
Above 50,000	41	41.83
Total	98	100

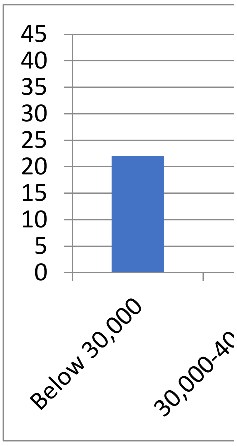


FIGURE 8: BASED ON TABLE 5.8

INTERPRETATION:

In this figure the X-axis represents the monthly income of the respondents while Y-axis represents the number of respondents. It is observed that most of the respondents have a monthly income of more than 50,000, while the respondents having a monthly income of 40,000 – 50,000 are only 14.29%.

Answer choices	Responses
Five year fixed deposits scheme	37
National pension scheme	23
Public provident fund	31
Equity linked savings scheme	14
Life insurance scheme	66
Mutual Funds	34

DISTRIBUTION OF RESPONDENTS BASED ON THE SELECTED INVESTMENT OPTION

Postal Savings	22
Real estate	15
Gold	30
Others	5

SOURCE: PRIMARY DATA

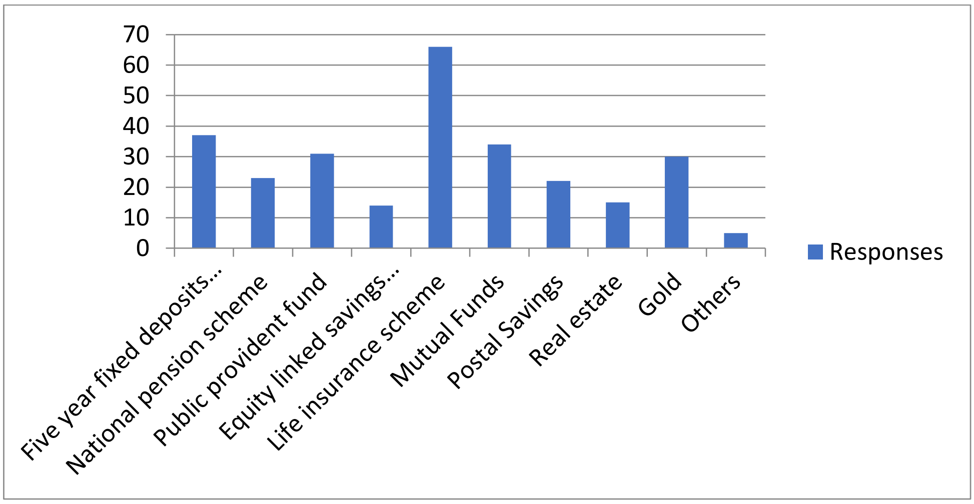


FIGURE 9: BASED ON TABLE 5.9

INTERPRETATION:

In this figure the X-axis represents the investment options of the respondents while Y-axis represents the total number of respondents. Most of the respondents i.e. 66 respondents selected an option of life insurance scheme, 37 respondents selected the five year fixed deposit plans, 34 respondents selected mutual funds, 31 selected public provident fund, 30 selected gold, 23 respondents selected national pension scheme, 22 selected postal savings, 15 respondents selected real estate, 14 respondents selected equity linked savings scheme while 5 respondents selected others.

DISTRIBUTION OF RESPONDENTS BASED ON CONTINUITY WITH THE SAME SCHEME

Answer choices	Responses	%
Strongly Agree	14	14.29
Agree	50	51.02
Somewhat Agree	21	21.43
Disagree	7	7.14
Strongly Disagree	6	6.12
Total	98	100

SOURCE: PRIMARY DATA

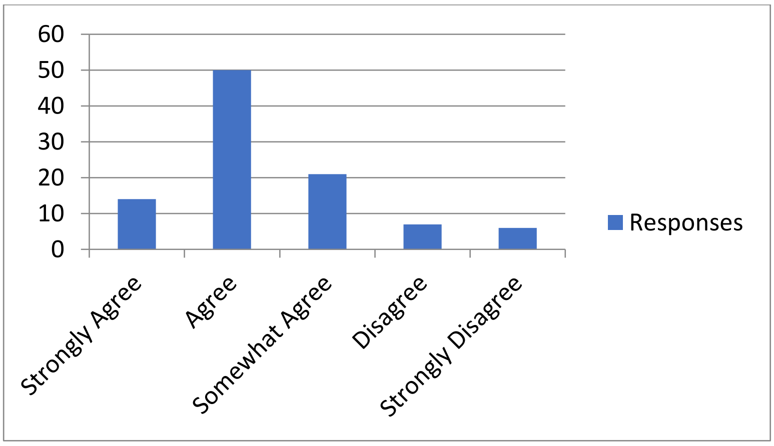


FIGURE 10: BASED ON TABLE 5.10

INTERPRETATION:

In this figure the X-axis represents the preferred interest of respondents who wishes to continue the scheme while Y-axis represents the total number of respondents.51.02% of respondents agree to continue the schemes, 21.43% of respondents somewhat agree, 14.29% of respondents strongly agree, 7.14% of respondents disagree and 6.12% of respondents strongly disagree to continue the schemes.

DISTRIBUTION OF RESPONDENTS BASED ON THE NEXT INVESTMENT OPTION

Answer choices	Responses	%
Five year fixed deposits scheme	1	
National pension scheme	2	
Public provident fund	3	
Equity linked savings scheme	4	
Life insurance scheme	5	
Mutual Funds	6	
Postal Savings	7	
Real estate	8	
Gold	9	
Total	98	100

SOURCE: PRIMARY DATA

DISTRIBUTION OF RESPONDENTS BASED ON THE PERIOD OF INVESTMENT

SOURCE: PRIMARY DATA

Answer choices	Responses	%
1 year	6	6.122
2 year	11	11.224
3 year	25	25.51
4 year	5	5.102
5 year	49	50
Other	2	2.041
Total	98	100

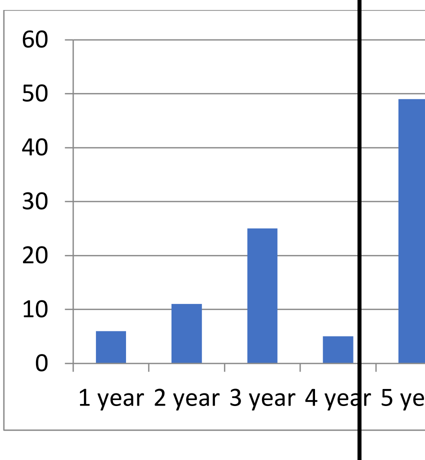


FIGURE 12: BASED ON TABLE 5.12

INTERPRETATION:

In this figure the X-axis represents the investment period of the respondents while Y-axis represents the total number of respondents. 50% of respondents plan to invest for a period of 5 years, 25.51% of respondents opt for a period of 3 years, 11.22% of respondents opt for a period of 2 years, 6.12% of respondents opt for a period of 1year, and 5.10% of respondents opt for a period of 4 years while 2.04% of respondents opted for others

DISTRIBUTION OF RESPONDENTS BASED ON THE OBJECTIVE OF INVESTMENT

SOURCE: PRIMARY DATA

Answer choices	Responses	%
Children's Education	27	27.55
Retirement plan	29	29.6
Home Purchase	11	11.22
Children's marriage	14	14.29
Health care plans	17	17.34
Total	98	100

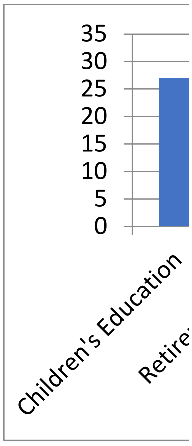


FIGURE 13: BASED ON TABLE 5.13

INTERPRETATION:

In this figure the X-axis represents the objective for investment while Y-axis represents total the number of respondents. About 29.6% of respondent's objective of investment is retirement plans, 27.55% of respondent's objective is children's education, 17.34% of respondent's objective is health care plans, 14.29% of respondent's objective is children's marriage, and 11.22% of respondent's objective is home purchase.

DISTRIBUTION OF RESPONDENTS BASED ON SOURCE OF AWARENESS

Answer choices	Responses
Advertisement	49
Bank	19
Post officer	7
Financial advisor	32

Others	5

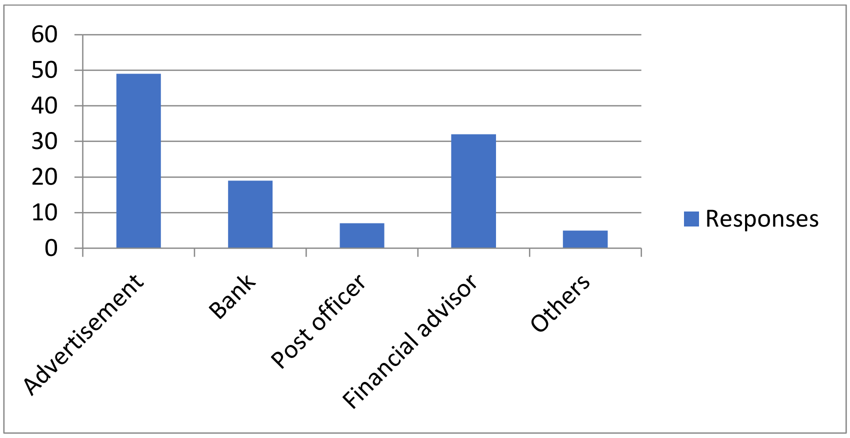


FIGURE 14: BASED ON TABLE 5.14

INTERPRETATION:

In this figure the X-axis represents the respondent's source of awareness about the investment schemes while Y-axis represents the total number of respondents. 49 respondents came to know about the investment schemes through advertisements, 32 respondents got awareness from financial advisors, 19 respondents came to know about it from banks, 7 respondents got awareness about investment schemes from post officer while 5 respondents came to know about investment schemes from other sources.

TABLE 5.15: DISTRIBUTION OF RESPONDENTS BASED ON EXPERIENCE IN THE MARKET

Answer choices	Responses	%
Less than 3 years	55	56.12
3-5 years	18	18.37
5 years and above	25	25.51
Total	98	100

SOURCE: PRIMARY DATA

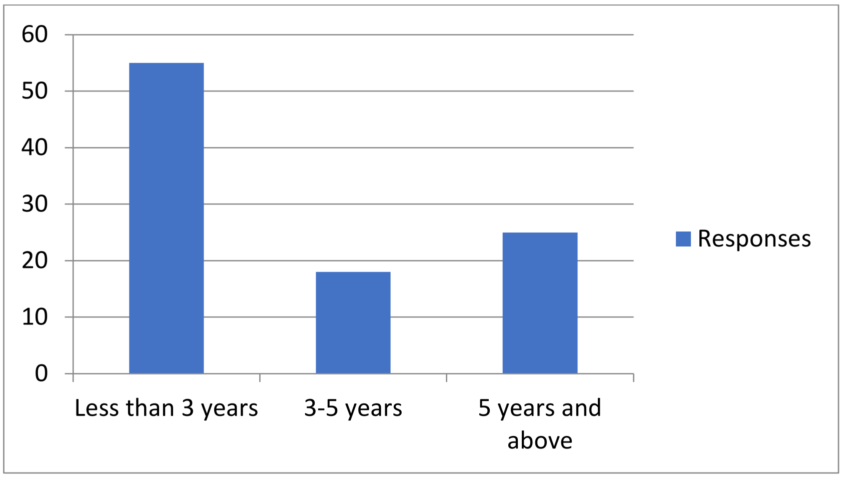


FIGURE 15: BASED ON TABLE 5.15

INTERPRETATION:

In this figure the X-axis represents the period of experience of respondents in the market while Y-axis represents the total number of respondents. 56.12% of respondents have less than 3 years of experience, 25.51% of respondents have an experience of about 5 years and more, 18.37% of respondents have 3-5 years of experience in the market.

TABLE 5.16: DISTRIBUTION OF RESPONDENTS BASED ON THE AMOUNT INVESTED

Answer choices	Responses	%
Below 10,000	25	25.51
10,000-20,000	23	23.46
20,000-30,000	11	11.22
Above 30,000	39	39.79
Total	98	100

SOURCE: PRIMARY DATA

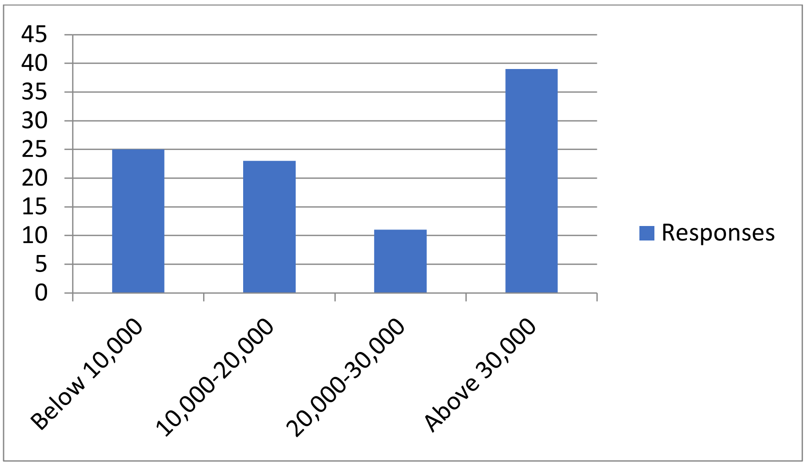


FIGURE 16: BASED ON TABLE 5.16

INTERPRETATION:

In this figure the X-axis represents amount invest by the respondents in various investment schemes while Y-axis represents the number of total respondents. About 39.79% of respondents invested above 30,000. 25.51% of respondents invested below 10,000, 23.46% of respondents invested from 10,000-20,000, 11.22% of respondents invested from 20,000-30,000.

DISTRIBUTION OF RESPONDENTS BASED ON THE DERIVED RATE OF RETURN

Answer choices	Responses	%
Less than 12%	46	46.939
12%-24%	48	48.98
24%-36%	4	4.082
36% and above	0	0
Total	98	100

SOURCE: PRIMARY DATA

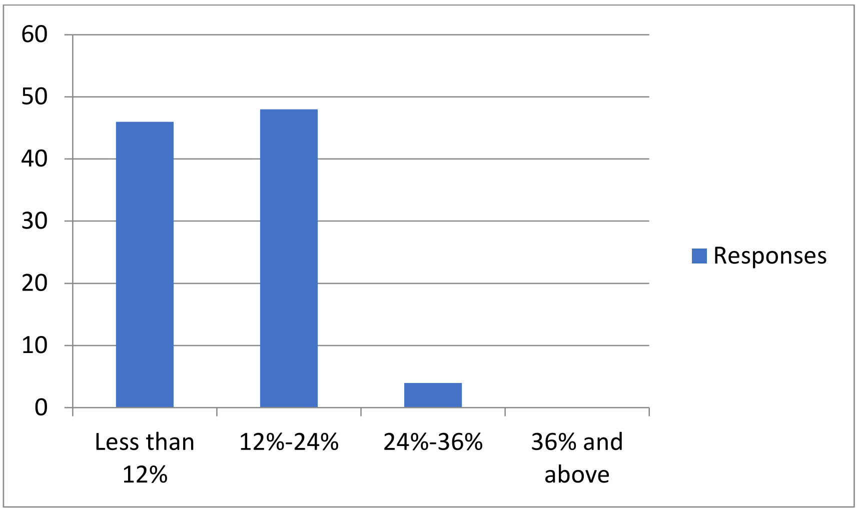


FIGURE 17: BASED ON TABLE 5.17

INTERPRETATION:

In this figure the X-axis represents the derived rate of return from investment while Y-axis represents the total number of respondents. For 48.98% of respondents their derived rate of return is 12%-24%, for 46.29% of respondents it is less than 12% and for 4.08% of respondents it is 24%-36%.

DISTRIBUTION OF RESPONDENTS BASED ON THE PERIOD OF LONG-TERM INVESTMENT

Answer choices	Responses	%
1-2 years	8	8.16
3-4 years	33	33.67
5-6 years	36	36.74
7-8 years	6	6.12
More than 8 years	15	15.31
Total	98	100

SOURCE: PRIMARY DATA

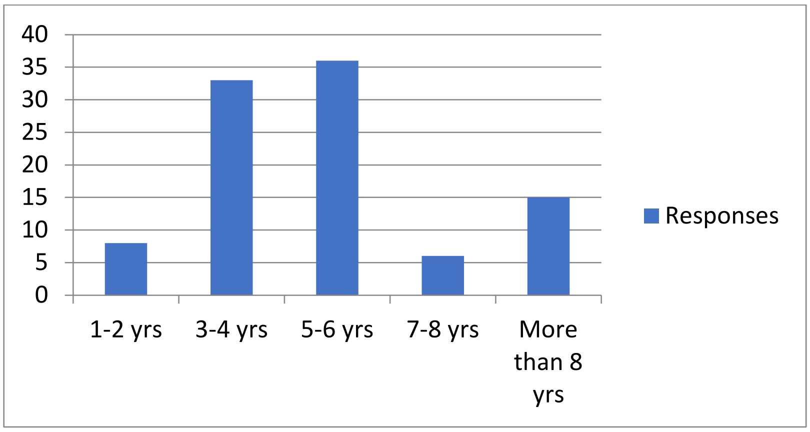


FIGURE 18: BASED ON TABLE 5.18

INTERPRETATION:

In this figure the X-axis represents the long term investment period while Y-axis represents the total number of respondents. 36.12% of respondents plan to hold the investment for 5-6 years, 33.67% of respondents plan to hold for 3-4 years, 15.31% of respondents plan to hold for more than 8 years, 8.16% of respondents plan to hold for 1-2 years and 6.12% of respondents plan to hold for 7-8 years.

DISTRIBUTION OF RESPONDENTS BASED ON THE EFFECT OF MARKET MOVEMENTS

Answer choices	Responses	%
Yes	67	68.37
No	31	31.63
Total	98	100

SOURCE: PRIMARY DATA

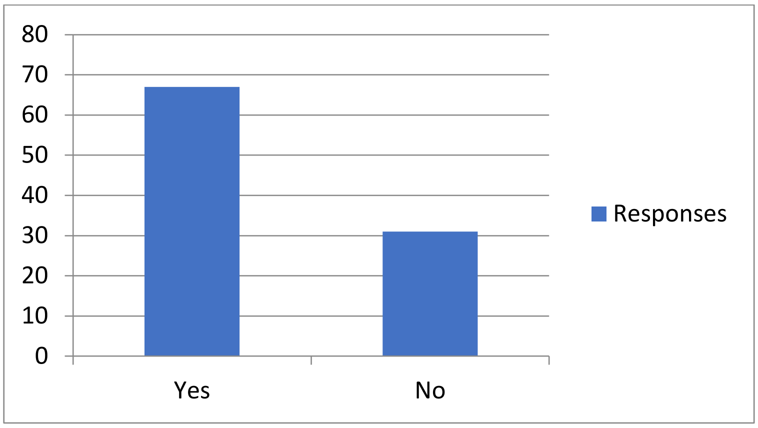


FIGURE 19: BASED ON TABLE 5.19

INTERPRETATION:

In this figure the X-axis represents the effect of market movements on investments patterns of the respondents while Y-axis represents the total number of respondents. 68.37% of respondents say yes while 31.63% of respondents say no.

DISTRIBUTION OF RESPONDENTS BASED ON THE REASONS FOR INVESTMENT

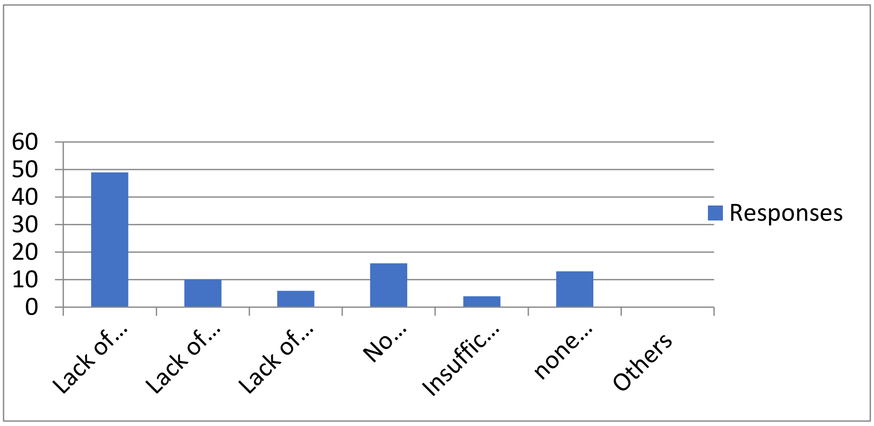
Answer choices	Responses
Diversification of risk	1
High return	2
Future growth	3
Low cost	4
Liquidity	5
Transparency	6
Flexibility	7
Safety	8
Tax exemption	9
Prompt service	10
Convenient	11

SOURCE: PRIMARY DATA

DISTRIBUTION OF RESPONDENTS BASED ON THE PROBLEMS FACED

Answer choices	Responses	%
Lack of awareness about different investment schemes	49	50
Lack of information in advertisements	10	10.2
Lack of initiative by the industry	6	6.12
No clear idea about public issue	16	16.33
Insufficient agent and brokers	4	4.08
None of these	13	13.27
Others	0	0
Total	98	100

SOURCE: PRIMARY DATA



INTERPRETATION:

In this figure the X-axis represents the problems of the respondents while investing in the investment schemes whereas Y-axis represents the total number of respondents. 50% of respondents face the problem of lack of awareness about different investment schemes, 16.33% of respondents have the problem of having no clear idea about public issues, 13.27 % of respondents face none of the mentioned problems, 10.2% of respondents face the problem of lack of information in advertisements, 6.12% of respondents face the problem of lack of initiative by the industry and 4.08% of respondents face the problem of insufficient agent and brokers

DISTRIBUTION OF RESPONDENTS BASED ON PREFERENCE OF INVESTMENTS WITH LITTLE OR NO FLUCTUATION

Answer choices	Responses	%
Strongly Agree	5	5.1
Agree	31	31.63
Somewhat agree	31	31.63
Disagree	23	23.48
Strongly Disagree	8	8.16
Total	98	100

SOURCE: PRIMARY DATA

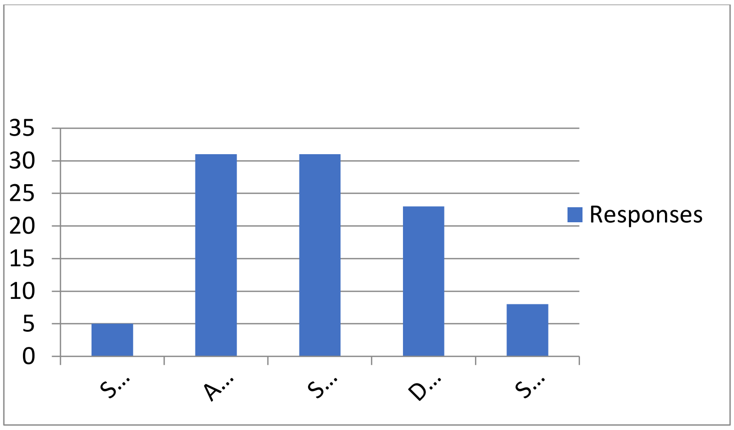


FIGURE 22: BASED ON TABLE 5.22

INTERPRETATION:

In this figure the X-axis represents the preferences of the respondents while Y-axis represents the total number of respondents. 31.63% of respondents agree, 31.63% of respondents somewhat agree, 23.48% of respondents disagree and 5.1% of respondents strongly disagree to prefer investments with little or no fluctuation in value and are willing to accept the lower returns associated with these investments.

DISTRIBUTION OF RESPONDENTS BASED ON INVESTMENT IN SAFER ASSETS WHEN RISK ARISES

Answer choices	Responses	%
Strongly Agree	3	3.06
Agree	37	37.76
Somewhat agree	33	33.67
Disagree	22	22.45
Strongly Disagree	3	3.06
Total	98	100

SOURCE: PRIMARY DATA

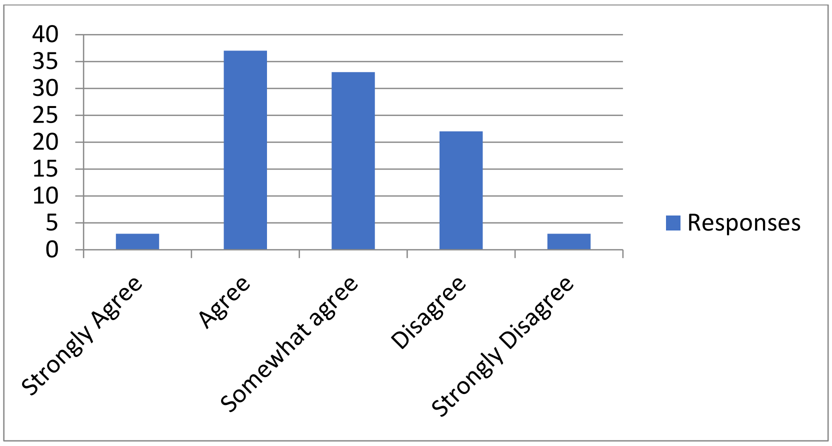


FIGURE 23: BASED ON TABLE 5.23

INTERPRETATION:

In this figure the X-axis represents the respondent's willingness to sell riskier securities and invest in safer securities when risk arises while Y-axis represents the total number of respondents. 37.67% of respondents agree, 33.67% of respondents somewhat agree, 22.45% of respondents disagree, 3.06% of respondents strongly disagree and the other 3.06% of respondents strongly agree.**:**

DISTRIBUTION OF RESPONDENTS BASED ON STABILITY OF THEIR INVESTMENT

Answer choices	Responses	%
Very unstable	2	2.04
unstable	14	14.26
Somewhat stable	44	44.9
Stable	37	37.77
Very stable	1	1.03
Total	98	100

SOURCE: PRIMARY DATA

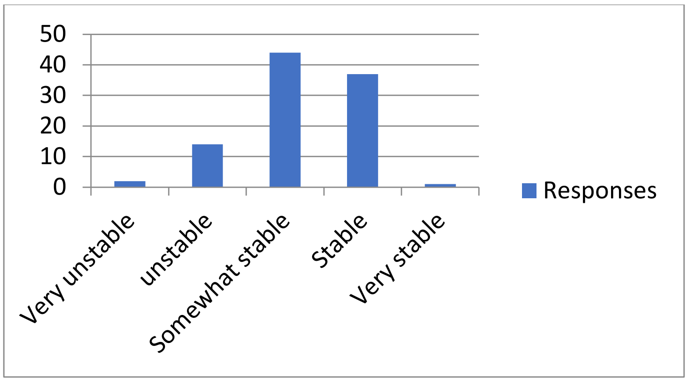


FIGURE 24: BASED ON TABLE 5.24

INTERPRETATION:

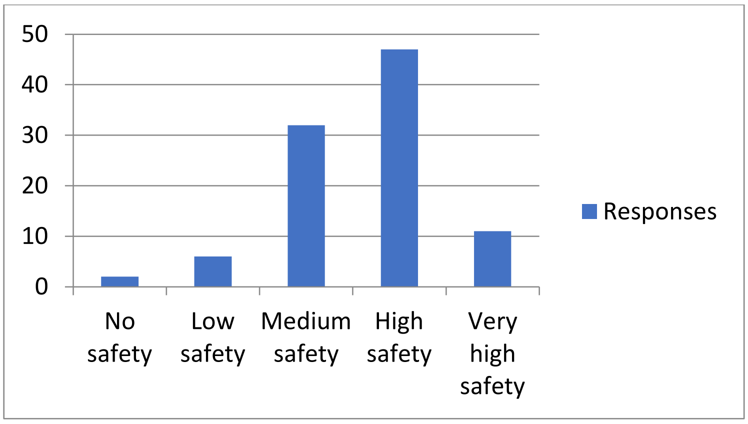
In this figure the X-axis represents the stability of the respondent's future and current incomes while Y-axis represents the total number of respondents. 44.9% of respondents have somewhat stable incomes, 37.77% of respondents have stable income, 14.26% of respondents have unstable income, 2.04% of respondents have very unstable income and 1.03% of respondents have very stable income.

Answer choices	Responses	%
No safety	2	2.04
Low safety	6	6.12

Medium safety	32	32.65
High safety	47	47.97
Very high safety	11	11.22
Total	98	100

DISTRIBUTION OF RESPONDENTS BASED ON THE SAFETY PREFERRED

SOURCE: PRIMARY DATA



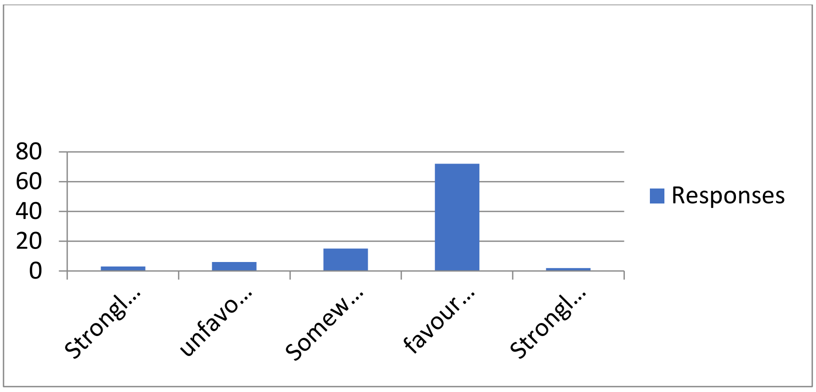
BASED ON TABLE

INTERPRETATION:

In this figure the X-axis represents the preferred safety by the respondents while investing whereas Y-axis represents the total number of respondents. 47.97% of respondents prefer high safety, 32.65% of respondents prefer medium safety, 11.22% of respondents prefer very high safety, 6.12% of respondents prefer low safety and a least of 2.04% of respondents prefer no safety at all.

TABLE 5.26: DISTRIBUTION OF RESPONDENTS BASED ON THE ATTITUDE OF THE INVESTORS

Answer choices	Responses	%
Strongly unfavrable	3	3.06
unfavorable	6	6.12
Somewhat favourable	15	15.31
favourable	72	73.47
Strongly favourable	2	2.04
Total	98	100



SOURCE: PRIMARY DATA

INTERPRETATION:

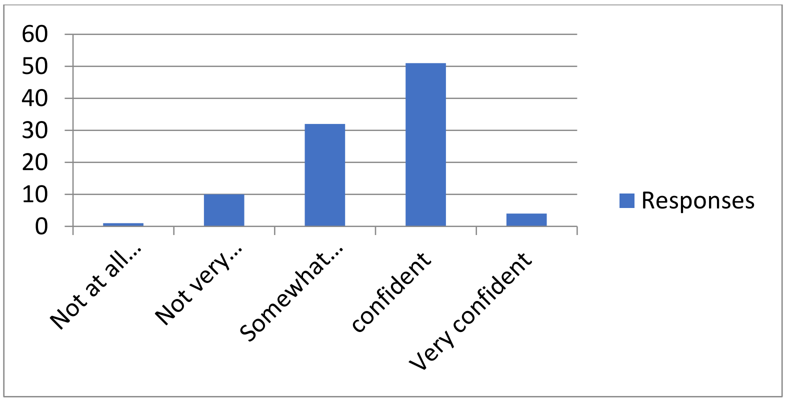
In this figure the X-axis represents the attitude of the respondents towards the financial instruments while Y-axis represents the total number of respondents. 73.47% of respondent's attitude is favourable, 15.31% of respondent's attitude is somewhat favourable, 6.12% of respondent's attitude is unfavourable, 3.06% of respondent's attitude unfavourable, and 2.04% of respondent's attitude is strongly favourable.

Answer choices	Responses	%
Not at all confident	1	1.02
Not very confident	10	10.2

DISTRIBUTION OF RESPONDENTS BASED ON CONFIDENCE OF THE INVESTORS

Somewhat confident	32	32.66
Confident	51	52.04
Very confident	4	4.08
Total	98	100

SOURCE: PRIMARY DATA



BASED ON TABLE

INTERPRETATION:

In this figure the X-axis represents the respondent's confidence upon the financial instruments in which they have invested while Y-axis represents the total number of respondents. 52.04% of respondents are confident, 32.66% of respondents are somewhat confident, 10.02% of respondents are not very confident, 4.08% of respondents are very confident while 1.02% of respondents are not at all confident.

FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

- It helped in reviewing their investment plans
- Female investors were the majority investors compared to the male investors.
- The major investors were from the age group of 15-35.
- The students and professionals are the major investors in these tax saving schemes.
- The people who earn monthly salary above 50000 are the major investors.
- Most of the people have chosen life insurance scheme for investment.
- The majority investors agree to continue their current investment schemes.
- 50% percentage of the people preferred to invest in for five years.
- Majority of the investor's investment objective is retirement plan.
- Most of the investors came to know about the different schemes is through advertisement.
- Lack of awareness about different investment scheme is the major problem faced by the investors.
- Majority of the people were confident in their investment scheme.
- The respondents who wish for a desired rate of return of less than 12% and 12-24% are comparatively equal and close to half of the total respondents.

SUGGESTIONS

- For those who invested in one investment option, they felt that it was better to split their investments and invest their amount in different financial instruments.
- The investor has to make sure that while investing in fixed deposits the tenure or period for which he invests is right. If your bank is offering a 9% interest on a one-year deposit, and 9.5% for a 5-year term, don't be tempted to go for the longer term thinking of tax exemption benefits, if there is a possibility that you may need the money earlier.
- Instead of simply making a wrong decision by investing in the wrong place at the wrong time, it is advisable to the investors that they take help from financial planner.
- From the observations of the responses of different respondents, it has been suggested that investors are not properly planning their investments properly and doing it at the last moment and many a time

it was found that they are doing wrong investments. So instead of last moment rush, investors must plan for their investments from the starting of the financial year.

- Although 52% of the people were confident in the investment they made, steps could be taken to boost the confidence and morale of the remaining 48% of the investors. This can be done through appropriate communication and by educating investors to invest in appropriate investment areas according to their reasons for investment and their priorities. Timely and right information should be provided to them by different communication modes so that they come to know about the latest trends in the market.
- It has been revealed that investors have invested in PPF. So it is suggested that these investors continue with their PPF even after maturity by extending it till their retirement period to get maximum from the PPF as it offers compounding interest and the whole amount received is exempted from tax.

CONCLUSION

The study was on the topic “Investment in Tax saving scheme: An overview”. There were 98 responses from different type of investors from different age, sex, profession, etc. Today, financial market become more experienced and complicated, so the investors require more care before investing in any scheme. Most of them in the current period always prefer tax saving schemes to invest. The private employees are the major people who invest in this scheme for the objective of retirement plan.

In the respondents the major investors are from the age limit of 15-35, most of them are graduate, both single and married people are doing investment. The majority people are doing investment in life insurance scheme and the second comes five years fixed deposit. Majority investors are investing for the objective of retirement plans and some for children’s education, children’s marriage, etc.

It is founded from the study that most of the people are not properly planning their investment they are doing it in the last moment and many time it comes wrong. The other problem faced by the investors is lack of awareness about the different investment scheme. Some people are not ready to take risk they are ready to accept the low return from their investment scheme and another set of people are not stable in their response may or may not take high risk in their investment scheme.

In this study it is observed that people prefer the investment schemes which provide high safety even if the return from the investment is low. They are currently satisfied with their investment schemes and they are confident to continue with their investment.

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QUESTIONNAIRES

Dear Sir/Madam,

As part our M.COM course we are doing a project work on the preferences of and issues faced by the investors. We request you to spend some time for reading this questionnaire and marking your valid responses against each question. Please answer all the questions and help us to get the necessary information. We express our sincere thanks for spending your valuable time for filling the questionnaire.

Thanking You

1. NAME:
2. Age:
   - ☐ 15-35
   - ☐ 35-55
   - ☐ 55-65
   - ☐ Above 65
3. Sex:
   - ☐ Male
   - ☐ Female
4. Marital status:
   - ☐ Married
   - ☐ Single
5. Educational Background:
   - ☐ School level

- ☐ Graduate
- ☐ Post graduate
- ☐ Professional

6. Occupation/Profession:

- ☐ Student
- ☐ Business
- ☐ Profession
- ☐ Others

7. Number of members in the family:

- ☐ 2
- ☐ 3
- ☐ 4
- ☐ More than 4

8. Number of members earn in the family:

- ☐ 1
- ☐ 2
- ☐ 3
- ☐ More than 3

9. Monthly salary earned:

- ☐ Below 30000
- ☐ 30000-40000
- ☐ 40000-50000
- ☐ Above 50000

10. Select the various investments among these options in which you have invested?

- ☐ Five years fixed deposits scheme
- ☐ National pension scheme

☐ Public Provident Fund

☐ Equity linked saving scheme

☐ Life Insurance scheme

☐ Mutual Funds

☐ Postal Savings

☐ Real estate

☐ Gold

☐ Any other, please specify: ____________________________

11. Do you wish to continue with investing in your present investment schemes?

☐ strongly disagree

☐ disagree

☐ somewhat agree

☐ agree

☐ strongly agree

12. If you don’t wish to continue with the present one which option will u consider for your next investment decision? (Please give rank 1, 2, 3…)

☐ Five years fixed deposits scheme

☐ National pension scheme

☐ Public Provident Fund

☐ Equity linked saving scheme

☐ Life Insurance scheme

☐ Mutual Funds

☐ Postal Savings

☐ Real estate

☐ Gold

☐ Any other, please specify :______________________

13. How long do you plan to invest in the investment scheme?

- ☐ 1 year
- ☐ 2 year
- ☐ 3 year
- ☐ 4 year
- ☐ 5 year
- ☐ If more than 5 year, please specify:___________-

14. What is the objective of investing in this scheme?

- ☐ Children's education
- ☐ Retirement plan
- ☐ Home purchase
- ☐ Children's Marriage
- ☐ Health care plans
- ☐ If others, Please specify:____________________

15. How did you come to know about this scheme?

- ☐ Advertisement
- ☐ Bank
- ☐ Post office
- ☐ Financial advisors

16. Experience in the market

- ☐ Less than 3years
- ☐ 3-5 years
- ☐ 5 years and above

17. Amount invested:

- ☐ Below 10000
- ☐ 10000-20000

- ☐ 20000-30000
- ☐ Above 30000

18. State the derived rate of return

- ☐ Less than 12%
- ☐ 12-24%
- ☐ 24-36%
- ☐ 36% and above

19. When making a long-term investment, I plan to hold the investment for:

- ☐ 1-2 yrs.
- ☐ 3-4 yrs.
- ☐ 5-6 yrs
- ☐ 7-8 yrs
- ☐ more than 8 yrs

20. Do market movements affect your investment pattern?

- ☐ Yes
- ☐ No

21. What are the various reasons for investing in the preferred scheme? (Please give rank 1, 2, 3…)

- ☐ Diversification of risk
- ☐ High Return
- ☐ Future growth
- ☐ Low cost
- ☐ Liquidity
- ☐ Transparency
- ☐ Flexibility
- ☐ Safety
- ☐ Tax exemption
- ☐ Prompt services

☐ Convenient

☐ If others, please specify:______________________

22. Do you face any problems while investing in these investment schemes?

☐ Lack of awareness about different investment schemes.

☐ Lack of information in advertisements

☐ Lack of initiatives by the industry

☐ No clear idea about public issue

☐ Insufficient agent and brokers

☐ Others

23. Generally, I prefer investments with little or no fluctuation in value and I am willing to accept the lower returns associated with these investments.

☐ strongly disagree

☐ disagree

☐ somewhat agree

☐ agree

☐ strongly agree

24. When market goes down, I tend to sell some of my riskier securities and put the money in safer assets.

☐ strongly disagree

☐ disagree

☐ somewhat agree

☐ agree

☐ strongly agree

25. My current and future income sources (such as salary, social security and pension plans) are:

☐ very unstable

☐ unstable

- ☐ somewhat stable
- ☐ stable
- ☐ very stable

26. How much safety you need while investing in the investment scheme you invest?

- ☐ No Safety
- ☐ Low safety
- ☐ Medium safety
- ☐ High safety
- ☐ Very high safety

27. What is your current attitude towards financial instruments in which you have invested?

- ☐ strongly un favorable
- ☐ un favorable
- ☐ somewhat favorable
- ☐ favorable
- ☐ strongly favorable

28. What is your level of confidence upon the financial instruments in which you have invested?

- ☐ not at all confident
- ☐ not very confident
- ☐ somewhat confident
- ☐ confident
- ☐ very confident