

## A STUDY OF AWARENESS AND PERCEPTION REGARDING TAX SAVING OPTIONS AMONG SALARIED EMPLOYEES

*R. Srinivasan*

*Research Scholar, Department of Business Administration,  
Tagore College of Arts & Science, Chennai, Tamil Nadu, India*

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### **ABSTRACT**

*Income, savings, and investments are related to each other. For the growth of any country, it is compulsory to convert the savings into investments. Only savings will not accelerate the growth of the country, so it is essential to motivate people for investment because, with inflation, the value of savings will decrease by passing of time, this study is an attempt to know how they are interrelated with each other and whether there is any difference in income, savings, and investment patterns on the basis of gender. The study also attempts to analyze to what extent change in income affects savings and investments.*

**KEYWORDS:** *Investment Patterns, Insurance Schemes*

### **INTRODUCTION**

An investment is an important activity with the purpose of getting maximum returns on it. Most of the people invest their funds irrespective of their race; caste; educational, economic, and family background. Investors invest whatever they save after all the expenditures (consumption) with a view in mind to earn handsome returns in the future as a reward for their invested money.

There are several investment options available for tax saving purpose, where a person can invest to save tax. The present study has considered the following eight investment options: PPF, NSC, tax saving FD, life insurance premium, tuition fees of children, principal repayment of home loan, Sukanya Samridhi account, NPS, and health insurance. Apparao and Babu (2015) found fixed deposits and insurance schemes as the two most preferred avenues for investments. According to the researchers, more studies on the perception of consumers about investments method to be conducted.

### **THE OBJECTIVE OF THE STUDY**

- To determine the criteria for the selection of investment options for salaried employees,
- Does there exist any difference in income, savings, and investment patterns on the basis of genders?
- To know the investment options that are most preferred for the purpose of tax saving for salaried employees.
- To ascertain the extent to which salaried employees are using medical insurance premium for saving tax.
- To have a general opinion on the Indian tax system of salaried employees.

## REVIEW OF LITERATURE

Kasilingam and Jayabal (2009) talked about the awareness of investors as well as how the investors compared the merits and demerits of numerous avenues of savings and investments. They also analyzed the reasons for the failure of many good schemes and good products and suggested suitable promotion schemes.

Patel and Patel (2012) focused their study on investment schemes opted by salaried employees of the private sector. As per their study, salaried people wanted to avail good returns and get maximum tax benefit out of their investments. Post office schemes and fixed deposits were not considered as opted tools due to their low-interest rate.

Vedantam and Sriram (2015) used statistical tools like analysis of variance (ANOVA) and chi-square to verify the result found that irrespective of their demographic aspects, respondents were aware of the difference between savings and investments. The authors suggested that to examine the exact implementation and awareness of these investment tools, similar studies need to be conducted to several places across India to improve the general public's financial inclusion process in the Indian money market.

Sathiyamoorthy and Krishnamurthy (2015) in their study on investment pattern and level of awareness among the salaried class investors in Tiruvannamalai district of Tamil Nadu found that people still felt bank deposits to be the safest way to keep money for an unpredictable future as they looked after the safety of their investments rather than going for high returns. The sole purpose behind this type of safe investment was for children's education and marriage as well as security after retirement.

Patil and Nandawar (2014) found that investors were aware of investment avenues available in India, but still, investors preferred to invest in bank deposits, real estate, and metals. The study revealed that 39% of the respondents believed that safety was an area of prime concern while doing investments and other second major category consisting of 25% of the respondents invested their money in tax saving scheme to avail tax benefits.

Thulasipriya (2016) examined the investment preferences among salaried investors. The analysis reveals that the salaried investors chose to have both long-term and short-term investments for their safe future. The salaried group, irrespective of age and annual income, besides their occupation and marital status, preferred investment options which gave them long-term benefits and highly secured cum profitable avenues.

Patel (2015) found that the majority of the investors came to know about various investment avenues through newspapers, education, TV, and invested 25% to 50% of their income in different avenues. Most of the investors were aware of bank deposits, but the awareness for PPF was found to be low.

### Research Methodology

The study is based on primary data collected through a questionnaire. The questionnaire was structured in two parts. The first part contained the basic questions related to the respondents such as age, gender, occupation, annual income, liable to pay tax or not; while, the second part was related to their investments and savings, that is, consideration before investment, preference of their investments.

The respondents were classified on the basis of their annual income. Four categories of income were prepared which comprised of: first, income up to Rs.2.5 lakhs; second, income up to Rs.2.5 lakhs to 5 lakhs; third, income up to Rs.5 lakhs to 10 lakhs; and fourth: income above 10 lakhs.

### **Data Analysis**

The study observed that approximately 26% of the people were not fully aware of all the tax planning instruments. The majority of the people (approx. 47%) were in the group of saving less than 20% and approximately 36% of the people were in the group of saving between of 20% to 35% of their annual income. The study also found that approximately 64% of the people were saving less than 20% of their annual income. It implies that there is a need to motivate people to do more savings and investments. Regarding the general opinion on the Indian tax system of salaried employees on the basis of responses received, we can conclude that the salaried class employees were not satisfied with the current tax system. Most of the employees considered it as a complicated system and they were of the opinion that the tax rate was too high and it should be reduced and the basic exemption limit should also be increased.

- **Tax Deduction Based on Health Insurance Premium Under Section 80 D:** we can get a deduction of Rs. 25,000 for medical insurance premium under section 80 D. the study found that approximately 33% of the respondents were still not using this deduction. The respondents were paying a health insurance premium and the average investment in the health insurance policy was only Rs. 8921. So, the deduction under this section was underutilized. We recommended to those who have not taken a health insurance policy to take the policy to take the policy to reduce tax as well as to avoid the uncertainty related to health and wellness.
- **Relationship Among Annual Income, Saving, and Investments:** To know the relation among income, savings, and investments, correlation test was used, which shows that income and savings are significantly positively correlated with each other at a significance level of 5%. It implies that with an increase in income, respondents increased their savings also. The study also finds a statically significant relation between savings percentage and investment percentage. It is significant at the 1 % significance level, which implies that with an increase in savings, investments also increase. However, the study finds no significant relationship between income and investments, through there is a positive relationship between these two, but that is a very low positive and not significant also.
- **Correlation on the Basis of Gender:** We analyzed the correlation on the basis of gender (male, female) to know whether there is any difference in the relation of income, savings, and investments on the basis of gender. It shows a statistically significant positive relationship between savings and investments, but no significant low positive relationship between income and savings. The study observes a negative correlation between income and investments for. This implies that the men were investing with the purpose of tax savings rather than only for investment purposes.
- **Consideration before Investment in a Particular Investment Option:** To know the basic motives for the investment by an individual, the study considered six factors, that is tax savings, returns, investment amount, period, risk, and type of investment.

- **Preferable Investment Options:** To know the preferable investment option for individual, the study considered eight factors, that is, investment in public provident fund (PPF), national saving certificates (NSCs), tax saving fixed deposits (FD), life insurance premium payment, children's tuition fee, principal repayment of home loan, Sukanyasamridhi Yojana, and NPS.

## CONCLUSIONS AND IMPLICATIONS

On the basis of the findings, we can conclude that salaried people considered safe investment options for investments. They preferred to invest in those avenues where the tax liability in EEE based. Salaried people preferred to invest in that option from where they could get the benefit of tax saving, having low risk, and good returns. Salaried class women were more inclined toward saving and investments as compared to men. The respondents felt that our taxation system is complicated, and they did not have proper awareness regarding and saving option; so they took the help of experts to file income tax returns the Government should try to simplify the tax system so that citizens can easily understand and file the returns by themselves. Initiatives should be taken to increase the awareness level of the tax saving options.

The study also observes that salaried people felt that they paid more tax as compared to other class of taxpayers. The same is supported by a news report ("Unevenness in taxes paid by salaried class, business people," 2018), which also shows that there is a need to reduce the tax burden on the salaried employees as tax paid by 1.89 crore salaried employees was Rs.1.44 lakh crores as compared to 1.88 crore individual business taxpayers, who paid Rs.48,000 crores as tax for the assessment year 2016-17.

We also found that the respondents were not investing in NPS, though there is an option to save extra tax by investing up to Rs.50,000. That is due to a lack of awareness of NPS. Employer' can play a crucial role in creating awareness among the employees about NPS and motivate them to invest in NPS to reduce their tax liability

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