

A STUDY ON THE AWARENESS OF TAX SAVING INVESTMENT OPTIONS WITH SPECIAL REFERENCE TO COIMBATORE DISTRICT

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Abstract

When it comes to tax, the benefits of payment can hardly be seen. Despite this, tax plays the important role of maintaining economy at a higher employment level, thereby raising the saving capacity of the people with an increase in income per head. Speaking of saving capacity, there are many ways to save, but inflation demands we save in a way we get optimal return. This means without investing in an investment to match the money value of the future, savings will undoubtedly fall prey to inflation. Savings and investment have to go hand in hand, in an unbreakable loop to augment economic growth. One such investment method is tax saving investment options, which has been discussed in this paper. There are several tax saving investment options, that help decrease tax liability in a legal way while also giving a stable return. Some examples are National savings certificate, Public provident fund, Life insurance, Five year fixed deposits among many more. This paper aims to study the behavior of individuals towards tax saving investment options by way of collection of primary data through surveys and quantitative statistical tools. This research is descriptive in nature and the statistical tool used in this research is Pearson's correlation, which was interpreted based on the standard alpha value 5% which has helped conclude the manner of relation between educational qualification and awareness, and marital status and investment behavior in tax saving investment options.

Key words: Tax, Inflation, Pearson's correlation, National savings certificate.

INTRODUCTION

The word tax which is derived from the Latin word *taxo* is a compulsory financial levy imposed upon a tax payer who may be an individual or a legal entity by a governmental organization in order to fund various public expenditures. More often than not there is pain in paying tax. This can be contributed to our Indian tax system which has no *quid pro quo*; that is, we do not receive any direct benefits from paying tax. Very commonly, the idea of not receiving something of equal return in exchange for something foregone does not bore well with a human's psyche, which is the reason for such reluctance. Seek more money and part not for nothing, runs in the human brain regularly. Without merit in investment, investments shall not be made. The same holds for the payments of tax. For this reason, the Income Tax Act has made available several deductions, reliefs and rebates. Investment is an important activity which is performed with the aim of securing a return. Investment in tax saving options secures the reduction of tax saving liability legally. Under the Income Tax Act 1961, expenditures in NSC, PPF, tax saving FD, etc can help an individual claim up to Rs 150,00 as deduction under section 80C. This study is aimed at recognizing those investment options which bring about the reduction of tax liability and which of those investment options are a general choice among salaried individuals and their perception of these options.

Objectives

1. To study the awareness and perception of salaried individuals, with regard to tax saving options.
2. To ascertain if there is any behavioral changes with respect to investment among married and unmarried people.

ACKNOWLEDGEMENTS AND REFERENCES

Patel and Patel (2012) performed a research on salaried individuals behaviour in the private sector with respect to investment options. The study's focus was on the difference in each individuals' perception of the ideal investment and how much they are likely to invest in it.

Ahammad and Lakshmanna (2017) in their study discovered that people considered safety and liquidity as most important factors in their investment. Their study was focused on the different investment options available and the factors which played importance in deciding tools of investment with respect to salaried employees.

Amit Kumar and Priya Rathi (2018) focused their study on the awareness and salaried individuals perception of tax saving options. They also aimed to know the difference in investment patterns with respect to changes in factors such as income, savings and investment.

RESEARCH METHODOLOGY

This research is descriptive in nature, as it describes the level of awareness salaried people have on tax saving investment options in Coimbatore city, through quantitative methods that involve the collection of Primary and Secondary Data. Any association between Gender, Age, and Qualification of respondents and their awareness of tax saving investment options are described here using correlation.

Area of the Study - Coimbatore city

Data Source

Primary Data -

Primary data is data that is collected from first-hand sources, using methods like surveys, interviews, or experiments. In this research, a survey of hundred people was conducted with the help of constructive questionnaire.

Sampling Technique -

The sampling technique used here is Judgement sampling because the study focuses on the awareness of salaried individuals.

Statistical Tools-

The statistical tool used in this study is Pearson’s correlation.

Correlation Hypothesis -

H₀ - Null Hypothesis = There is no significant relationship.

H₁ -Alternative Hypothesis = There is a significant relationship.

RESULTS AND DISCUSSION

Table 1. Correlation between Educational Qualification and Awareness in Tax saving investment options -

		Educational Qualification	Awareness
Educational Qualification	Pearson Correlation	1	.181
	Sig. (2-tailed)		.071
	N	100	100
Awareness	Pearson Correlation	.181	1
	Sig. (2-tailed)	.071	
	N	100	100

Interpretation -

The Pearson’s $r(98) = 0.181$ shows a positive relationship between the variables. This to say when educational qualification is higher, so is the awareness of tax saving options. However, as shown in the above table $p = 0.071$ which is greater than 0.05, demonstrating that there is no statistical significance between the two variables. This means Null hypothesis has been accepted.

Table 2. Correlations between marital status and amount invested in tax saving investment options annually.

		Marital_Status	Amount Invested in Tax saving investment options annually
Marital_Status	Pearson Correlation	1	-.138
	Sig. (2-tailed)		.172
	N	100	100
Amount Invested in Tax saving investment options annually	Pearson Correlation	-.138	1
	Sig. (2-tailed)	.172	
	N	100	100

Interpretation

The Pearson’s $r(98) = -0.138$ shows a negative relationship between the variables. This is to say that a difference in marital status does not affect tax amount invested annually. However, as shown in the above table $p = 0.172$ which is greater than 0.05. demonstrating that there is no statistical significance between the two variables. This means null hypothesis has been accepted.

CONCLUSION AND RECOMMENDATIONS

On the basis of the findings it can be understood that educational qualification plays only a small role in the respondents awareness of tax saving investment options. This shows that a majority get their knowledge of tax saving investment options from other sources. Also, the status of being married and unmarried does not affect the investment behavior of the individuals in tax saving investment options. Aside from this, the study concluded that some of the major concerns of tax saving options were lack of awareness, and low interest.