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Investors' Perception Regarding Tax Saving Schemes: A Study of Major Cities of Punjab

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***Abstract*—Tax saving schemes are great means for investment. The perception of investors is a vital aspect in investment research as investment in various tax saving schemes constitutes an important source of investment in India. Tax saving schemes are one of the important instruments of investment because these schemes provide dual benefit to the investors in the form of tax exemption as well as a lucrative rate of return on investment. The present paper primarily aims to study the perception and preference of investors regarding investment in various tax saving schemes. In order to achieve the specific objectives, the present study is based on primary data which have been collected from 200 respondents selected from the four major cities of Punjab namely, Amritsar, Jalandhar, Ludhiana and Chandigarh using sample survey method. A simple Tabular-cum-Percentage Analysis technique has been used for the purpose of analysis. The perceptual analysis of the respondents reveals that provident fund schemes and life insurance schemes have been emerged as the popular schemes among respondents as most of the respondents have good level of awareness particularly for these two schemes. Further, tax exemption has been emerged as the most influential factor affecting their decision to invest in various tax saving schemes. It is revealed that the majority of respondents feel that increase in the level of awareness among people is the best way to address concerns about investment in tax saving schemes. Moreover, tax saving schemes should be updated from time to time taking into consideration the changes in the market conditions, policies of the government, present needs of the investors etc. so as to make them more attractive for the investors.**

***Index Terms*—Scheme, Tax, Saving, Respondent.**

I. INTRODUCTION

'Investment planning' is the process of matching an individual's financial goals or objectives with his financial resources. Investment planning is the core component of financial planning. 'Financial planning' is a process in which an individual sets long-term financial goals through investments, tax planning, asset allocation, risk management, retirement planning and estate planning. The money that an individual earns is partly spent and the rest is saved for meeting future expenses. Instead of keeping the savings idle, a person may like to use savings in order to get return on it in the future. This is called investment. In other words, investment is "the act of committing money or capital to an endeavor with the expectation of obtaining an additional income or profit." There are many different ways that an individual can go about making an investment. This includes putting money into stock, bonds, mutual funds, or real estate (among many other things), or starting his/her own business. Investment is a conscious decision to set money aside for a long period in an avenue that suits an individual's risk profile. The options for investing savings are continually increasing, yet every single investment vehicle can be easily categorized according to three fundamental characteristics- safety, income and growth, which also correspond to types of investors' objectives. While it is possible for an investor to have more than of these objectives, the success of one must come at the expense of others.

The perception of investors is a vital aspect in investment research as investment in various tax saving schemes constitutes an important source of investment in India. Tax saving schemes are one of the important instruments of investment because these schemes provide dual benefit to the investors. Such schemes provide tax exemption to investors on one hand and also generate a lucrative rate of return on the other. There are a lot of investment choices among tax saving schemes and one must select the most appropriate one. The person dealing with the tax planning needs to know all the various investment choices and how these can be chosen for the purpose of attaining the overall objective. The Government wants to encourage savings because they are in dire need of money for various developmental activities, for strengthening military establishments and for carrying out administrative reforms. To attain the economic development for the comfortable life of people and for financial organizations, saving is very important and an essential one.

A. Tax Saving Schemes in India

Tax saving schemes are very wide in scope. Planning of taxes is an integral part of an individual's financial planning. Section 80 of the Income Tax Act allows the tax payer to claim deductions from the taxable income by investing in certain investments. The following are the important tax saving schemes available in India for investment to claim deduction u/s 80:

- Eligible Term Deposits
- Public Provident Fund
- Employee Provident Fund
- National Pension Scheme
- National Saving Certificates (NSS)
- Insurance Plans
- Post Office Saving Schemes
- Senior citizen Saving Scheme
- Kisan Vikas Patra
- Equity Linked Saving Schemes (ELSS) or Tax Saving Mutual Funds
- Sukanya Samriddhi Yojana etc.
- Hence, if the investors invest in any or all of the aforementioned instruments; then they would qualify for deduction under Section 80C of Income Tax Act, 1961 subject to the maximum of Rs. 1,50,000/-p.a.

B. Objectives of the Study

- The specific objectives of present study are:
- To assess the level of awareness among investors regarding various tax saving schemes in India.
- To study the preference of investors regarding investment in various tax saving schemes.
- To identify the various factors influencing investment decision of investors regarding investment in tax saving schemes.
- To examine the satisfaction level of investors with regard to their current portfolio of investment in tax saving schemes.

C. Database and Methodology

The present study is based on primary data which have been collected by questionnaire method. The data for the present study have been collected from various investors by the use of sample survey method. The universe for the sample survey comprises of investors residing in four major cities of Punjab namely; Amritsar, Jalandhar, Ludhiana and Chandigarh. Due to constraints of time, the sample size is restricted to 200 investors selecting 50 respondents each from Amritsar, Jalandhar, Ludhiana and Chandigarh respectively. For the purpose of analysis, the Percentage-cum-Tabular Analysis technique has been used in the study.

II. PERCEPTUAL ANALYSIS

In order to study the level of awareness among respondents regarding various tax saving schemes in India, the respondents have been interviewed to know their perception and preferences for various tax saving schemes.

A. Level of Awareness about various Tax Saving Schemes

The respondents have been asked to rate their level of awareness about various tax saving schemes, the results of which are presented in Table 1. The table clearly reveals that 48 per cent of the respondents have good level of awareness about provident fund schemes followed by 46 per cent and 41.5 per cent of the respondents who also have good level of awareness about life insurance schemes and post office schemes respectively. However, 45.5 per cent of the respondents have average level of awareness about post office schemes followed by 42 per cent of the respondents who also have average level of awareness about life insurance schemes. Moreover, 37.5 per cent of the respondents are not aware about Sukanya Samriddhi Yojana followed by 34 per cent and 20 per cent of the respondents who are unaware about equity linked saving schemes (ELSS) and eligible term deposits with banks respectively. It is found that the provident fund schemes are most popular among respondents as majority of respondents are very much aware about these schemes. The main reason for more awareness about provident fund schemes may be that most of the respondents in the present study belong to service class where deduction of provident fund from employees' salary is mandatory for the employer, and generally the investment to provident fund schemes are covered under 'EEE' (exempt-exempt-exempt) category of taxation. By combining the 'good' and 'average' level of awareness, the majority of respondents (88 per cent) are aware about life insurance schemes which may be due to the reason that these schemes not only provide tax saving benefit but also provide financial risk coverage to the respondents in case of death of the policyholder. The analysis also reveals that in case of Sukanya Samriddhi Yojana, most of the respondents (37.5 per cent) are not aware about this scheme which may be due to the reason that this is the latest tax saving scheme among all the schemes covered under study. This has been introduced by the Prime Minister Narendra Modi on January 22, 2015 and this scheme is meant only for the parents of girl children. As such, Sukanya Samriddhi Yojana is not so popular among respondents.

Table 1-Level of Awareness about various Tax Saving Schemes

Level of Awareness	Post office schemes	Life Insurance Schemes	Provident Fund Schemes	Pension Schemes	Eligible Term Deposits with Banks	Equity Linked Saving Schemes (ELSS)	Sukanya Samriddhi Yojana
Nil	26 (13)	24 (12)	25 (12.5)	37 (18.5)	40 (20)	68 (34)	75 (37.5)
Average	91 (45.5)	84 (42)	79 (39.5)	82 (41)	82 (41)	70 (35)	65 (32.5)
Good	83 (41.5)	92 (46)	96 (48)	81 (40.5)	78 (39)	62 (31)	60 (30)
Total	200 (100)	200 (100)	200 (100)	200 (100)	200 (100)	200 (100)	200 (100)

Note: Figures in parenthesis are percentages.

B. Preferred Source of Information about various Tax Saving Schemes

The respondents have been asked about their preferred source of information regarding various tax saving schemes and the responses for the same are depicted in Table 2. It is observed that a big chunk of respondents (30 per cent) prefers 'television, radio and internet' as the primary source of information about various tax saving schemes followed by 23.5 per cent each of the respondents who prefer 'newspapers, magazines and journals' and 'professional consultant' as the primary source of information about various tax saving schemes. Only 23 per cent of the respondents prefer 'friends and relatives' as the primary source of obtaining information about various tax saving schemes. None of the respondents in the study prefers any other source of information in addition to the aforesaid sources of obtaining information regarding various tax saving schemes. The analysis clearly shows that 'television, radio and internet' has been emerged as the primary source of information about various tax saving schemes among respondents which is mainly due to the rapid growth of electronic media especially internet in the recent times in India. Internet has become the best source to get knowledge about any aspect. According to a web report available on the website of Internet World Stats, India has the second highest number of internet users with around 500 million users as of December 2017 showing a growth of 9142 per cent over a period of 17 years during 2000-2017. This report further states that the majority of internet users are found in urban areas. In the present study also, the most of the respondents are residing in urban areas, thus, they prefer electronic media as compared to other sources of obtaining information about various tax saving schemes.

Table 2-Preferred Source of Information about various Tax Saving Schemes

Sources of Information	Frequency	Percentage
T.V., Radio & Internet	60	30
Newspapers, Magazines &Journals	47	23.5
Professional Consultant	47	23.5
Friends & Relatives	46	23
Other	0	0
Total	200	100

C. Size of Annual Investment in Tax Saving Schemes

In order to determine the size of annual investment in various tax saving schemes, the respondents have been asked about the amount to be invested annually in tax saving schemes and responses for the same are exhibited in Table 3. It is revealed that majority of the respondents (33 per cent) have invested below Rs.25,000 annually in various tax saving schemes followed by 22.5 per cent and 22 per cent of them have invested annually ranging between Rs. 25,000-50,000 and Rs. 50,001 to 1,00,000 respectively in tax saving schemes. Only 14 per cent of the respondents have invested annually ranging from Rs. 1,00,001 to 1,50,000. The least number of respondents (8.5 per cent) have invested more than Rs. 1,50,000 in various tax saving schemes which is due to the reason that Rs. 1,50,000 is the maximum amount of investment on which the benefit of tax deduction u/s 80C of Income Tax Act is available. The study indicates that most of the respondents have not availed the maximum benefit of tax deduction u/s 80C because they are investing annually below Rs. 25,000.

Table 3-Size of Annual Investment in Tax Saving Schemes

Annual Investment (in Rs.)	Frequency	Percentage
Below 25000	66	33
25000 to 50000	45	22.5
50001 to 100000	44	22
100001 to 150000	28	14
Above 150000	17	8.5
Total	200	100

D. Duration of Investment in various Tax Savings Schemes

The respondents have been asked about the duration for making investment in various tax saving schemes, the results of which are presented in Table 4. The majority of the respondents (35.5 per cent) invest in those tax saving schemes having duration of less than 5 years; whereas 30.5 per cent of the respondents are investing in the schemes having duration between 5 to 10 years. Only15 per cent of the respondents invest in tax saving schemes for a period of 10 to 15 years and 19 per cent of the respondents are investing in these schemes for a period of above 15 years. This analysis shows that most of the respondents are interested to invest in various tax saving schemes having duration of medium to long-term period. It seems that majority of respondents may be of the belief that long-term investments yield higher returns considering the compounding factor which can be used to secure their future.

Table 4-Duration of Investment in various Tax Savings Schemes

Duration	Frequency	Percentage
Less than 5 years	71	35.5
5 to 10 years	61	30.5
10 to 15 years	30	15
Above 15 years	38	19
Total	200	100

E Frequency to Invest in various Tax Saving Schemes

The respondents have been asked to specify how frequently they invest in various tax saving schemes and the results are shown in Table 5. It is found that maximum number of the respondents (45 per cent) have invested in tax saving schemes on yearly basis; while 21.5 per cent of the respondents have invested on half-yearly basis and 15 per cent on quarterly basis. The least number of respondents (5.5 per cent) have invested on monthly basis; whereas 13 per cent of the respondents are making a single lump-sum payment for investment in tax saving schemes. The analysis reveals that most of the respondents have opted for yearly payment for investment in various tax saving schemes according to their convenience.

Table 5-Frequency to Invest in various Tax Saving Schemes

Duration	Frequency	Percentage
Monthly	11	5.5
Quarterly	30	15.0
Half yearly	43	21.5
Yearly	90	45.0
Single lump-sum payment	26	13.0
Total	200	100

F. Preferences about Investment in Tax Saving Schemes offered by Different Agencies

The respondents have been asked about their preferences for making investment in various tax saving schemes offered by different agencies like government or private agencies and the responses for the same are depicted in Table 6. It is obvious from the table that majority of the respondents (85 per cent) prefer to invest in tax saving schemes offered by government agencies and only 15 per cent of the respondents have preferred the schemes offered by private agencies. These results clearly show the strong belief of the respondents on the schemes offered by government agencies as these schemes are generally considered safe and risk-free as compared to the schemes offered by private agencies.

Table 6-Preferences about Investment in Tax Saving Schemes offered by Different Agencies

Different Agencies	Frequency	Percentage
Government Agencies	170	85
Private Agencies	30	15
Total	200	100

g. Ranking of various Tax Saving Schemes based on Preferences of Respondents

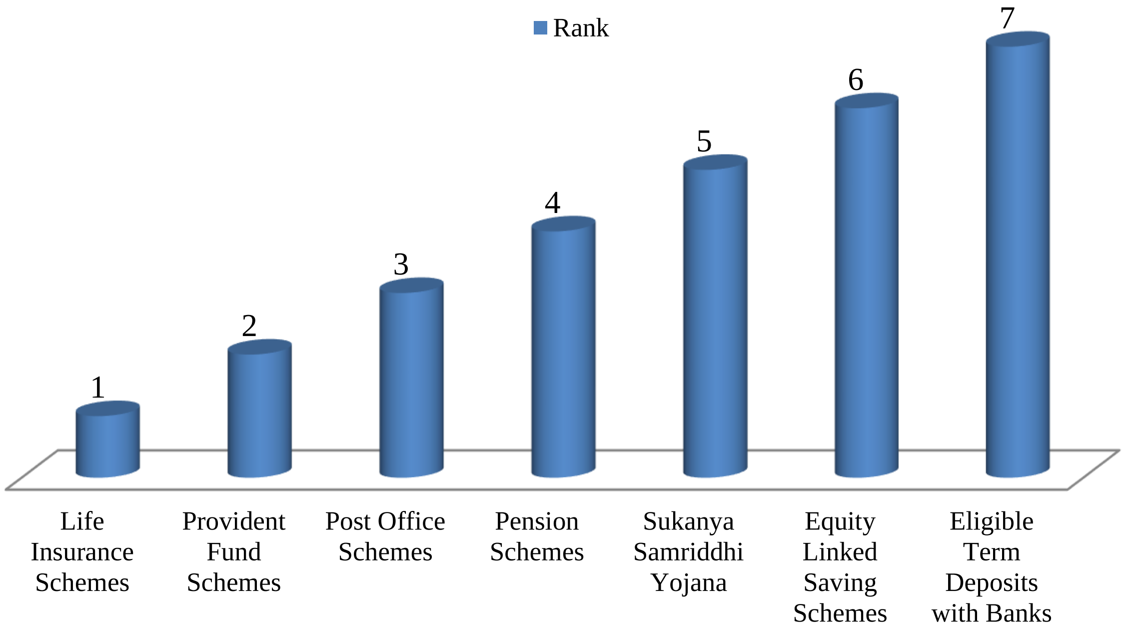
The respondents have been asked to rate their preferences about investment in various tax saving schemes and the results are shown in Table 7; while Figure 1 depicts the ranking of various tax saving schemes on the basis of the preferences of respondents. The table reveals that 65 respondents (32.5 per cent) rank life insurance schemes as their first preference; 55 respondents (27.5 per cent) rank provident fund schemes as their second preference; while 36 respondents (18 per cent) rank post office schemes as their third preference and 57 respondents (14.5 per cent) rank pension schemes as their fourth preference. However, 43 respondents (21.5 per cent) rank Sukanya Samriddhi Yojana as their fifth preference and 44 respondents (22 per cent) rank equity linked saving schemes as their sixth preference. Further, 18 respondents (9 per cent) have given the least preference to eligible term deposits with banks which may be due to the reason that rate of interest on such deposits ranges between 6 to 7 per cent which is relatively lower than the rate of return on other schemes covered under study. The life insurance schemes have been ranked first by the respondents as these schemes generally provide dual benefit of tax saving as well as financial risk coverage in case of death of the policyholder. This analysis shows that these preferences of respondents also match their level of awareness which has already been assessed in Table 1.

Table 7-Preferences about Investment in various Tax Saving Schemes

Tax Saving Schemes	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Rank 6	Rank 7	Total
Post Office Schemes	35 (17.5)	46 (23)	36 (18)	28 (14)	23 (11.5)	19 (9.5)	13 (6.5)	200 (100)
Life Insurance Schemes	65 (32.5)	44 (22)	29 (14.5)	12 (6)	28 (14)	9 (4.5)	13 (6.5)	200 (100)
Provident Fund Schemes	43 (21.5)	55 (27.5)	33 (16.5)	29 (14.5)	11 (5.5)	21 (10.5)	8 (4)	200 (100)
Pension Schemes	23 (11.5)	13 (6.5)	23 (11.5)	57 (28.5)	37 (18.5)	23 (11.5)	25 (12.5)	200 (100)
Eligible Term Deposits	11 (5.5)	14 (7)	35 (17.5)	41 (20.5)	40 (20)	41 (20.5)	18 (9)	200 (100)
Equity Linked Saving Schemes	11 (5.5)	14 (7)	30 (15)	45 (22.5)	39 (19.5)	44 (22)	17 (8.5)	200 (100)
Sukanya Samriddhi Yojana	11 (5.5)	21 (10.5)	27 (13.5)	18 (9.0)	43 (21.5)	49 (24.5)	31 (15.5)	200 (100)

Note: Figures in parenthesis are percentages.

Figure 1
Ranking of Tax Saving Schemes



H. Factors Influencing Investment Decision

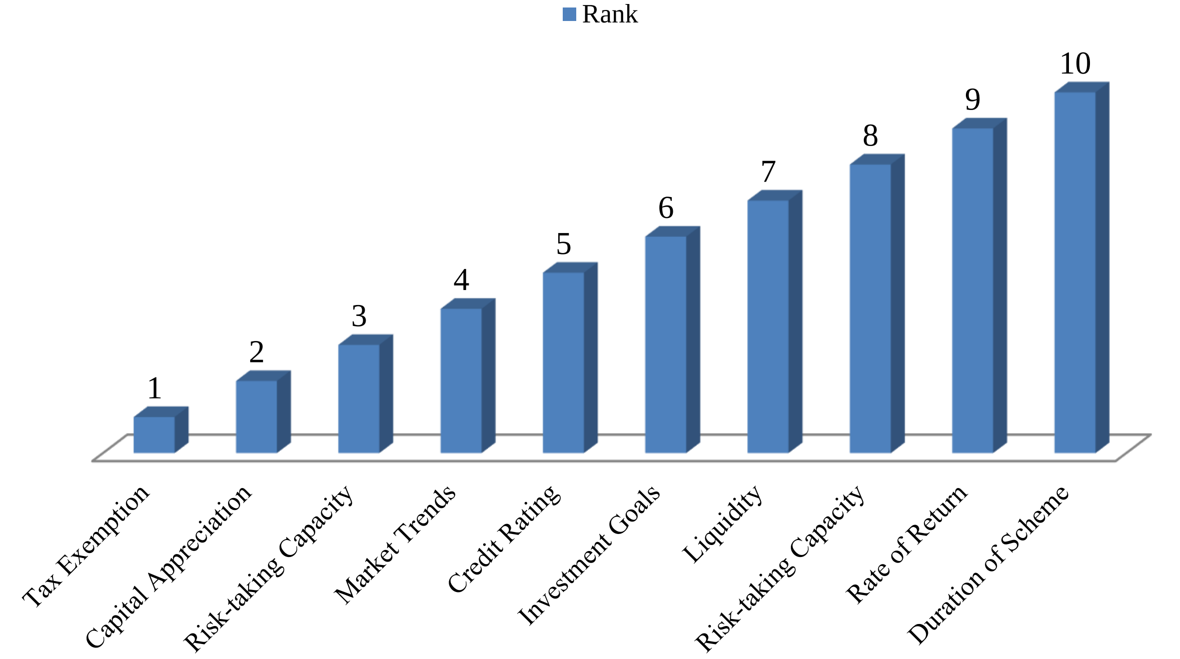
The respondents have been asked to rank the factors influencing their investment decision and the results are presented in Table 8. The ranking of factors influencing investment decision of the respondents has been exhibited in Figure 2. The table shows that 44 respondents (22 per cent) feel that tax exemption factor affects their investment decision the most, whereas 34 respondents (17 per cent) have rated the capital appreciation as second influential factor. However, 39 respondents (19 per cent) have identified risk taking capacity as third and 28 respondents (14 per cent) have identified market trends as fourth important factor affecting their investment decision. Further, 35 respondents (17.5 per cent) have identified credit rating as fifth important factor; 31 respondents (15.5 per cent) have rated investment goals as sixth important factor, and 35 respondents (17.5 per cent) have identified liquidity as seventh important factor affecting their investment decision. Moreover, 25 respondents (12.5 per cent) have rated risk as eighth important factor;28 respondents (14 per cent) have identified rate of return as ninth important factor; while 25 respondents (12.5 per cent) have identified duration of schemes as tenth important factor. The analysis clearly depicts that the respondents prefer to invest in those schemes where tax exemption is available because tax exemption is the most influential factor affecting their investment decision. This analysis also supports the earlier observation that most of the respondents prefer to invest in medium to long-term tax saving schemes where they can get the benefit of capital appreciation over the period of time.

Table 8-Factors Influencing Investment Decision

Factors	Rank										Total
	1	2	3	4	5	6	7	8	9	10	
Capital Appreciation	6 (3)	34 (17)	18 (9)	24 (12)	22 (11)	13 (6.5)	17 (8.5)	19 (9.5)	23 (11.5)	24 (12)	200 (100)
Credit Rating	14 (7)	11 (5.5)	13 (6.5)	18 (9)	35 (17.5)	19 (9.5)	20 (10)	30 (15)	21 (10.5)	19 (9.5)	200 (100)
Investment Goals	17 (8.5)	20 (10)	23 (11.5)	20 (10)	17 (8.5)	31 (15.5)	23 (11.5)	21 (10.5)	12 (6)	16 (8)	200 (100)
Liquidity	14 (7)	14 (7)	16 (8)	22 (11)	24 (12)	30 (15)	35 (17.5)	15 (7.5)	18 (9)	12 (6)	200 (100)
Market Trends	14 (7)	9 (4.5)	17 (8.5)	28 (14)	19 (9.5)	23 (11.5)	21 (10.5)	26 (13)	23 (11.5)	20 (10)	200 (100)
Rate of Return	32 (16)	27 (13.5)	19 (9.5)	12 (6)	17 (8.5)	22 (11)	21 (10.5)	10 (5)	28 (14)	12 (16)	200 (100)
Risk	22 (11)	29 (14.5)	16 (8)	20 (10)	12 (6)	18 (9)	18 (9)	25 (12.5)	16 (8)	24 (12)	200 (100)
Risk-taking Capacity	11 (5.5)	16 (8)	39 (19)	17 (8.5)	25 (12.5)	11 (5.5)	19 (9.5)	27 (13.5)	17 (8.5)	18 (9)	200 (100)
Scheme Duration	25 (12.5)	24 (12)	18 (9)	24 (12)	16 (8)	14 (7)	17 (8.5)	12 (6)	25 (12.5)	25 (12.5)	200 (100)
Tax Exemption	44 (22)	22 (11)	22 (11)	17 (8.5)	14 (7)	18 (9)	8 (4)	12 (6)	15 (7.5)	28 (14)	200 (100)

Note: Figures in parenthesis are percentages.

Figure 2
Ranking of Factors Influencing Investment Decision



I. Satisfaction Level of Respondents with their Current Portfolio

The respondents have been asked to rate their level of satisfaction with the current portfolio of investments in various tax saving schemes. The results of the same are presented in Table 9 which shows that the majority of respondents (49 per cent) are satisfied while 18.5 per cent are strongly satisfied with their current portfolio of investments. Further, 26 per cent of the respondents cannot frame their opinion about their level of satisfaction with the current portfolio. However, 5 per cent of the respondents are dissatisfied whereas only 1.5 per cent of the respondents are strongly dissatisfied with their current portfolio of investments. It is quite obvious from this analysis that most of the respondents are satisfied with their current portfolio of investments because they have made investment on the basis of their best knowledge about various tax saving schemes.

Table 9-Satisfaction Level of Respondents with their Current Portfolio

Level of Satisfaction	Frequency	Percentage
Strongly Satisfied	37	18.5
Satisfied	98	49
Neutral	52	26
Dissatisfied	10	5
Strongly Dissatisfied	3	1.5
Total	200	100

J. Ways to Address Concerns about Investment in Tax Saving Schemes

The respondents have been asked about the best way to address their concerns regarding investment in tax saving schemes. The results of the same are depicted in Table 10. The most of the respondents (42 per cent) feel that increase in the awareness level among people about tax saving schemes can address the concerns about investment in these taxes saving schemes followed by 30.5 per cent of the respondents who suggest that the framing of new updated schemes can make tax saving schemes more attractive. Moreover, 14.5 per cent of the respondents suggest increase in returns of the schemes and 12.5 per cent suggest increase in tax exemption limit u/s 80C as the ways to address their concerns about investment in tax saving schemes. Only 1 respondent (0.05 per cent) suggests the combination of all different ways covered under study as the best way to address concerns regarding investment in tax saving schemes.

Table 10-Ways to Address Concerns about Investment in Tax Saving Schemes

Ways to Address Concerns	Frequency	Percentage
Increase in Awareness	84	42
New Updated Schemes	61	30.5
Increase in Tax Exemption	25	12.5
Increase in Return	29	14.5
All of the above	1	0.05
Total	200	100

III. CONCLUSION

Tax saving schemes are great means for investment. Some people consider it as an important avenue of investment while others consider it as an option for saving tax. All these schemes promote generally long-term investment. Each person has different objectives for investment in these schemes. Those who consider it as an initiative for investment start investing from the first quarter of the financial year and as a result they do their tax planning very well. Some other who consider it as initiative for only tax saving start investing money from last quarter of financial year after analyzing their overall income. However, most of them do not properly utilize the benefits accruing from these schemes. They do not have proper awareness of these schemes. Saving tax and good returns become a dream for them. There are a lot of tax saving schemes available and one must select the most appropriate one.

The perceptual analysis of the respondents reveals that provident fund schemes and life insurance schemes have been emerged as the popular schemes among respondents as most of the respondents have good level of awareness particularly for these two schemes. However, Sukanya Samriddhi Yojana is not so popular among respondents as most of the respondents are not aware about this scheme. The analysis of ranking of various tax saving schemes based on preferences of the respondents depicts that life insurance schemes have attained the 1st rank followed by provident fund schemes with 2nd rank; while eligible term deposits with banks have attained the last rank. Among factors affecting investment decision of the respondents, tax exemption has been emerged as the most influential factor affecting their decision to invest in various tax saving schemes; whereas duration of schemes has been identified as the least important factor affecting their investment decision. It is revealed that the majority of respondents feel that increase in the level of awareness among people is the best way to address concerns about investment in these schemes.

The present study suggests that Government and financial institutions should promote tax saving schemes to the public because people are not much aware about these tax saving schemes. Some steps government should take to promote these schemes such as the organization of seminars, educational camps, workshops etc. especially in the rural areas. Moreover, tax saving schemes should be updated from time to time taking into consideration the changes in the market conditions, policies of the government, present needs of the investors etc. so as to make them more attractive for the investors.

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