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A Study On Tax-Saving Investment Pattern and Investor Attitude And Preference towards a Selected Mutual Funds

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Abstract: This study mainly focuses on investor attitude and preference for Tax-Saving Mutual Funds. The study's goal is to better understand the elements that influence investors' preference in this area as well as to provide better insights about Tax-Saving investments. In this study, the purposive sampling is used to collect 353 respondents and the following analysis was made, Reliability analysis, percentage analysis, Chi-Square, ANOVA, Correlation and Regression analysis. Investor attitude and preference can be examined by the demographic factors, tolerance level of risk, investment duration, returns, lock in period and tax benefits with means of blending qualitative and quantitative analysis. This research contributes to greater understanding of the investor's preference and attitude.

Keywords: ELSS Mutual Funds, Tax-Saving investments, Investment Horizon

I. Introduction:

Individuals can save money on taxes by investing in Equity Linked Savings Schemes. The section 80C of the Income Tax Act, 1961, permits a relaxation restricted to Rs. 1,50,000. Tax-Saving mutual fund scheme that deploys most of the funds in equity exposures which generate attractive returns. ELSS is subject to lock-in-period and tax benefits. As ELSS investments is purely invested in equity exposures, the risk elements compared to other Tax-Saving investments is very high & therefore it is meant for investors with a high-risk tolerance.

Tax-Saving investments is an excellent method to diversify the burden of taxes and enrich their wealth. Though, lot of tax-saving investments are available in the market, picking the appropriate investment is the challenging one.

II. Literature Review:

A literature review is kind of academic writing that shows that authors understanding and familiarity with the academic literature on a subject when it is presented in the right contest.

Reddy, K. V. R., & Ram, A. S. (2022) investigate Individual investors' demographics were considered as independent variables, while their level of pleasure was considered the dependent variable. During the Covid-19 crisis, public sector tax-saving mutual fund schemes outperformed the benchmark (S&P 100 BSE), according to the study. This demonstrates that mutual funds are accessible to modest investors. **Puranik, M. A., & Dave, A. (2021)** examines the primary goal is to build a basic and advanced approach in an

unembellished manner to assist an investor in selecting the best investment multiple risk-reward ratios such as Sharpe ratio, Treynor ratio, Sortino ratio, Information ratio, Upside, and downside capture ratio. Based on the above characteristics and the cumulative score, it is decided that diversified equity funds are unsuitable for investing in the ELSS category. **Ramya Shree A (2017)** examines the investment preferences and patterns among paid individuals. This study aims to identify investment preferences. Convenient sampling technique was used to select sample. This research aims to assess investors' awareness of investment options, as well as their attitudes and preferences towards them. **Rakesh, M. S. V., Prakashchandra, M., Bunglows, O. M., & Udhna, S. (2018)** evaluate that there are numerous investment options available, including post office schemes, Mutual funds, bank deposits, PPF, shares, debentures, bonds, real estate and so on. It's important for investors to make wise decisions when saving and investing. **Panigrahi, C. M. A., Mistry, M., Shukla, R., & Gupta, A. (2020)** evaluate the performance of the top five ELSS plans of various mutual funds in India by using various metrics such as Beta, Sharpe ratio, Jensen ratio, and so on. It also recommends relevant ELSS schemes for investors to help them meet their investing objectives.

Manda, V. K., Polisetty, A., & Beatrice, B. B. (2018) investigates the study on the preferences of investors in Equity Linked Savings Schemes (ELSS) mutual funds found that they invest for tax savings and long-term wealth. **Pratap, S., & Gautam, K. (2020)** investigate how investors are looking for the best ELSS that offers both tax-savings and high returns with low risk. This study compares top five performing mutual fund providers in India and to determine the best scheme based on asset management by assessing various statistical methods like standard deviation, Beta. **Thomas, P. (2018)** analysed that male investors are more likely to invest in ELSS funds due to their risk-taking nature, while female investors are more risk adverse. Younger investors are more aware of the benefits of ELSS than older investors. There is also a significant relationship between gender, age, and ELSS investment. **Kumar, J., Prasad, S., & Anand, P. (2021)** analysis certain mutual fund strategies saw better returns than the market, while others saw worse outcomes. Utilizing Eugene Fama, Treynor, Jensen, and Sharpe performance metrics, it is possible to assess the relative performance of tax-saving mutual funds. Evidently, the mutual fund industry has seen more success from the private sector than the public sector. **Somaiya, J. (2022)** investigate the daily NAV was obtained from various websites, and the yearly return was calculated using the NAV. The NAV data ranged from 2017-18 to 2021-22. The effects of the Corona pandemic may be observed in all investment results. During 2018-19 and 2019-20, each fund generated a very low or negative return.

III. Scope of the Study:

The Study's goal is to determine investor attitude and preference in Equity Linked Savings Scheme and the factors that influence their selection of specific ELSS funds, such as past performance, fees, and risk parameters. Finally, the purpose, is to assist investors in making Tax-Saving investments to maximize their after-tax profits. Tax planning have become essential for any taxpayer. Mutual Fund issued ELSS provide investors with a taxable income up to Rs. 1,50,000 per year. A typical equity scheme invests at least 65% of its assets in stocks and equity related financial instruments. ELSS funds, on the other side, typically allocate assets in the 80% range to stocks, making them a more aggressive option.

IV. Objectives of the Study:

This study strives to explore and evaluate the investors attitude and preference towards tax saving selected MF scheme (ELSS) with respect to tax saving investments which is Employee Provident Funds (EPF), Public Provident Funds (PPF) and Tax Saver deposits with Banks. The research activity under consideration is an earnest effort to evaluate some appealing aims such as:

- To understand the demographic profile of the investors.
- To find out the type of tax saving investment plan preferred by the Investors.
- To ascertain the factors that induce investment in tax saver mutual fund scheme.
- To identify the awareness of risk evaluation among the investors.
- To analyse the preference of the investors towards Equity Linked Saving Scheme (ELSS) funds managed by the Mutual Funds.

V. Research Methodology:

This research employs a quantitative research design, using a structured questionnaire with a five-point Likert scale disseminated through physical surveys in data collection from a diverse sample of investors invested in Tax-Saving Mutual funds. The research focuses on investor attitude and preference towards a Tax-Saving Mutual Funds by employing non-probability sampling-purposive sampling approach.

5.1 Sampling Technique and Tools

This surveys' target, a sample of 353 Tax-Saving investors are determined. This research uses non-probability sampling, which includes investors are readily available and ready to participate in the survey. The research tools are employed to calculate frequencies, averages, and other statistical calculations. A structured questionnaire is used to gather information from investors. The test is conducted out using SPSS 16 tool, where the variables to be tested are entered and the results are obtained. The following tests are performed using SPSS 16: Reliability analysis, percentage analysis, correlation analysis, chi-square analysis, ANOVA and regression analysis.

VI. Findings:

Table 1

Reliability Statistics

Cronbach's Alpha	N of Items
0.851	35

SOURCE: Primary Data. Processed by SPSS 16

Lee Cronbach developed Cronbach's alpha (or coefficient alpha), a dependability metric, in 1951. Here the Cronbach's Alpha is 0.851, which comes under the excellent internal consistency of the data. So, the data are very much reliable, and Questionnaires are valid, as well as the data also valid.

6.1 Frequency Analysis:

Table 2 Frequencies distribution of Demographics Variables

Gender	Frequency	Percent	Age	Frequency	Percent
Male	249	70.5	21-30 Years	75	21.2
Female	104	29.5	31-40 Years	105	29.7
Total	353	100	41-50 Years	102	28.9
			Above 50 Years	71	20.1
			Total	353	100
Occupation	**Frequency**	**Percent**	**Annual Income**	**Frequency**	**Percent**

Employed	231	65.4	Below 1,00,000	4	1.1
Business	100	28.3	1,00,001-3,00,000	21	5.9
Others	22	6.2	3,00,001-5,00,000	66	18.7
Total	353	100	5,00,001 and above	262	74.2
			Total	353	100
Source: Primary Data. Processed by SPSS 16					

From the above Table 2, denotes that, male respondents are more than the females and major respondents are between in the age group 31-40 years and respondents are employed and major respondents are from above 5,00,001 and above income group.

6.2 Correlation Analysis:

H0: There is no significant relationship between Investing in ELSS is best Tax-Saving Investments with Long Term Wealth Creation, ELSS MF is highly riskier than other Tax-Saving instruments, less likely to invest if SD is high, ELSS has higher liquidity and Consider liquidity is an important factor.

Table 3

Variable	Significance	Pearson's Correlation	Decision	Nature of Correlation
Long Term Wealth Creation	0	0.489	H0 Rejected	Positive
ELSS MF is highly riskier than other Tax-Saving instruments	0	0.197	H0 Rejected	Positive
Less likely to invest if SD is high	0.145	0.078	H0 Accepted	Positive
ELSS has higher liquidity	0	0.322	H0 Rejected	Positive
Consider liquidity is an important factor	0	0.322	H0 Rejected	Positive
Source: Primary Data. Processed by SPSS 16				

From the above Table 3, shows that, for Long Term Wealth Creation, ELSS MF is highly riskier than other Tax-Saving instruments, ELSS has higher liquidity and Consider liquidity is an important factor, the significance value is less than 0.05. Null hypothesis is rejected and there is significant relationship between Investing in ELSS is best Tax-Saving Investments with Long Term Wealth Creation, ELSS MF is highly

riskier than other Tax-Saving instruments, ELSS has higher liquidity and Consider liquidity is most prominent factor and for less likely to invest if SD is high, the significance value is greater than 0.05. Therefore, null hypothesis is accepted & there is no significant relationship between Investing in ELSS is best Tax-Saving Investments with less likely to invest if SD is high.

6.3 Chi-Square Analysis:

H0: There is no association between demographic factors and less likely to invest if SD is high.

Table 4

Chi - Square Analysis for demographic factors and ELSS MFs is highly riskier than other Tax-Saving instruments

S. No	Variables	Value	Asymp. Sig. (2-sided)	Decision
1	Gender	18.109	0.001	Rejected
2	Age	33.246	0.001	Rejected
3	Occupation	23.571	0.003	Rejected

Source: Primary Data. Processed by SPSS 16

From the above Table 4 denotes that, for gender, age, and occupation with respect to less likely to invest if SD is high, the significance values are 0.000, 0.001, 0.003. Null hypothesis is rejected ($p<0.05$). Therefore, there is an association between demographic (gender, age, occupation) factors of respondents with less likely to invest if SD is high.

6.4 ANOVA:

H0: There is no significance difference between less likely to invest in ELSS if SD is high and Independent Variables.

Table 5

ANOVA between Groups within Groups

Variables	F	Sig.
Long Term Wealth Creation	10.777	0
ELSS MFs is highly riskier than other Tax-saving instruments	34.667	0
ELSS has higher liquidity	12.43	0
Consider Liquidity is an important factor	15.001	0

Source: Primary Data. Processed by SPSS 16

From the above Table 5 denotes that, for less likely to invest in ELSS if SD is high with long Term Wealth Creation, ELSS MFs is highly riskier than other Tax-saving instruments, ELSS has higher liquidity and consider liquidity is an important factor, the significance values are 0.000, 0.000, 0.000, 0.000 which is less

than 0.05. Null hypothesis is rejected and there is a significance difference between less likely to invest in ELSS if SD is high with long term wealth creation, ELSS MFs is highly riskier than other Tax-saving instruments, ELSS has higher liquidity and consider liquidity is an important factor.

6.5 Regression Analysis:

H0: There is no significant relationship between Investing in ELSS is best Tax-saving investments with Investment Horizon, Risk Tolerance, Liquidity, ELSS investments will satisfy Long Term Financial Objectives, ELSS MFs is highly riskier than other Tax-saving instruments.

Table 6

Coefficients

Unstandardized Coefficients

Model	Particulars	B	Std. Error	t	Sig.
1	(Constant)	1.906	0.209	9.115	0
	Investment Horizon	0.45	0.063	7.196	0
	Risk Tolerance	-0.113	0.045	-2.51	0.013
	Liquidity	0.13	0.06	2.188	0.029
	ELSS investments will satisfy Long Term Financial Objectives	0.106	0.049	2.179	0.03
	ELSS MFs is highly riskier than other Tax-saving instruments	-0.018	0.033	-0.542	0.588

a. Dependent Variable: Investing in ELSS is best Tax-saving investments

Source: Primary Data. Processed by SPSS 16

R	R Square
.561	0.315

From the Table 6, by comparing independent variables with dependent variable, the resultant shows that the significance value is less than 0.05, therefore null hypothesis is rejected and for variable ELSS MF is highly riskier than other Tax-Saving instruments, the significance value is greater than 0.05, therefore the null hypothesis is accepted by comparing with Investing in ELSS is best Tax-saving investments. The R square value shows 0.315, implies that approximately 31.5% of variance in dependent variable is explained by independent variable.

VII. Conclusion:

The study found that the respondents are male with ages 31-40 also employed who married and earn more than ₹ 500001 for one year. Respondents have the investment experience of five years and above. To reduces tax-burden the investors prefer tax saving MF with investment of long term. They prefer ideal to monitor their fund performance monthly. In investment decision investor believe that ELSS average return with duration of investment financial goals as long term. Investors believes that the ELSS investments are highly risk than other tax saving investments and its returns is not up to the bank fixed deposits. Most respondents feel that the ELSS appropriate tax saving investment with liquidity and value liquidity highly. The lock in period regarded as advantageous and encourages long period investments due to its low lock period requirement. The respondents are satisfied with their ELSS investment performance.

The statistical studies show substantial correlations and associations between the numerous elements that influence investor attitudes and preferences. Correlations are discovered between investing in ELSS for long period wealth building with concentration on risk perception along with liquidity and seeing liquidity as a significant aspect. Chi-square tests reveal a link between demographic factor and investing factors such as long-term wealth generation along with risk perception SD and liquidity concerns. ANOVA tests reveal substantial variations across groups in terms of these parameters. Regression study shows that liquidity, long-term financial aspirations, standard deviation, and risk perception all influence the preference for Equity Linked Savings Scheme as the optimal tax-saving investments.

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