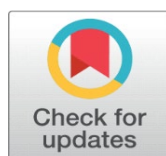# INVESTMENT PREFERENCES OF SALARIED EMPLOYEES-AN EVALUATION OF TAX PLANNING PERSPECTIVE

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ABSTRACT

Tax planning is not a colourable way to evade taxes; rather, it is an act that falls under the purview of the Act to accomplish specific social and economic goals. Tax planning is both a social obligation and a legal right. Certain social and economic goals are accomplished through tax planning. Tax planning necessitates a deep understanding of the nation's social, political, and economic circumstances as well as the pertinent Acts. Tax planning contributes to the nation's economic growth by supplying more money for investments in the channels of choice. Tax preparation ought to be completed prior to revenue accrual. In view of this present study is an attempt to study and evaluate the Tax saving investment plans of the salaried employees In Shivamogga District.

Keywords: Tax Planning, Investment, Salaried Employees

1. INTRODUCTION

Tax planning is not a colourable way to evade taxes; rather, it is an act that falls under the purview of the Act to accomplish specific social and economic goals. Tax planning is both a social obligation and a legal right. Certain social and economic goals are accomplished through tax planning. Tax planning necessitates a deep understanding of the nation's social, political, and economic circumstances as well as the pertinent Acts. Tax planning contributes to the nation's economic growth by supplying more money for investments in the channels of choice.

Tax preparation ought to be completed prior to revenue accrual.

Tax planning is the process of organizing your financial affairs so that, without violating any laws, you can fully benefit from all exemptions, deductions, rebates, and reliefs permitted by law in order to lower your tax bill. Tax planning should not be done with the intention of defrauding the government; even if an assessee's activities are all legally permissible, they may be designed to do so overall. Tax preparation ought to be completed prior to revenue accrual. Individuals and other individuals are required to pay taxes to the federal government, state governments, and local governments.

A tax is an obligatory fee levied by the government that has no expectation of a direct benefit. If a person is liable for paying taxes, they are personally obligated to do so. Without providing any benefits to the taxpayer, taxes are mandatory contributions levied by the government on its citizens to cover general expenses incurred for the common good. Reciprocal benefits cannot be deducted from taxes paid by a taxpayer. Taxpayers typically arrange their affairs to minimize their tax liability. The taxpayer makes every effort to maximize his earnings and draw as few people as possible. On the other hand, the tax collector attempts to thwart programs whose only goal is to reduce taxes.

1.2. CONCEPT OF TAX PLANNING

The practice of setting up financial affairs to maximize tax benefits and minimize tax liabilities is known as tax planning. To find possible tax savings opportunities, it entails analysing an individual's or an organization's income, expenses, assets, and other financial activities. Taxpayers can take advantage of various legal provisions and exemptions and make educated judgments about tax payments by being aware of the provisions of the tax laws. Finding tax-saving investments and expenses, creating a good financial plan, and maintaining complete legal compliance are all components of an efficient tax plan.

1.3. IMPORTANCE OF TAX PLANNING

Although taxes are an inevitable expense, your financial choices can have an impact on them, unlike fixed charges. You can lower your tax burden by strategically utilizing available deductions, exemptions, and refunds and navigating tax regulations with the help of tax planning. This results in more cash flow, which you can use to reach your financial objectives, such emergency fund building, retirement savings, or kid education investments. Achieving long-term financial objectives, boosting savings, and maintaining financial stability are all guaranteed by efficient tax planning. It is a proactive approach to wealth accumulation and financial security. It enables one to take charge of their finances and retain a larger portion of their earnings.

1.4. INVESTMENT PREFERENCES

Good returns and fixed income, capital gains and current income, future investment security, liquidity, and capital appreciation are the main drivers of investment. Depending on their level of risk tolerance, the investors make their investments.

2. REVIEW OF LITERATURE

N. Sravanthi (2021) in one of her studies on 'Awareness of Tax Saving Schemes among Salaried Employees' addressed how tax planning and investment patterns differ from person to person and are influenced by an individual's age, type of work, income sources, family history, and income amount. Every individual must choose their own investment strategy. Investment-related tax planning involves careful consideration, astute analysis, and the sixth sense of visualization.

R. Sivasankar (2022) in one of his studies on 'Tax Planning Measures Of Salaried Employees- An Analytical Study' discussed that The goal of taxes, is to take a portion of high-income people's earnings and use it to help the nation's impoverished and advance other social issues. However, this study demonstrates that, despite their partial awareness, salaried individuals do not fully understand the various tax programs. Following an investigation into the saving and investment habits of salaried assessees in Nagercoil's public and private sectors, it was found that their choices for financial and tangible asset investments varied according to their yearly income levels. The broader concept of tax planning was strongly linked to the salaried assessee's income and consumption habits. Tax preparation provides mental enjoyment in addition to lowering the tax burden.

Vanaja Lakshmi. N (2024), in one of his studies on 'A Study On Tax Planning Strategy Adopted By The Salaried Employees' discussed that Employees are open to learning about different tools that can lower their tax obligations. A key component of bending rather than breaking the tax code is the tax planning strategy. An effective tax planning technique lowers the employees' maximum liabilities.

Abdul Khurram(2024), in one of his studies on 'Financial Planning for Salaried Employee and Strategies for Tax Saving SMC Global' and addressed how, given the rapidly growing economy and rising standard of living in the nation, Indians must prepare their taxes well in order to maximize their profits. A person's age and taxable income in a given fiscal year

are determined by their planning time and tax-cutting strategies. In India, there are many methods to lower your tax liability. spending funds to prepare for a child marriage. Health insurance lowers or eliminates taxes and benefits you, your spouse, and your kids. In addition to other strategies, keeping track of meals and travel expenses may reduce taxes. Go-out leasing stipends can minimize income tax and lessen the tax burden on salaried people. An employee has put strategies and technology into place to lessen the tax burden on taxpayers. Choose the tax saver that best suits your needs, keeping in mind that different tax savers have different resource classes. Examine the returns, liquidity, and overall health of the tax-saving tool. The predicted return on an asset should never be the basis for a financial choice. One of your primary objectives after lowering your tax liability is to accomplish the remaining objectives. Therefore, to minimize challenges, it is essential to keep defined objectives and match tax tools with anticipated results.

3. RESEARCH METHODOLOGY
3.1. OBJECTIVES OF THE STUDY
1) To analyse the tax planning measures of salaried employee in Shivamogga District
2) To study factors influencing the investment preferences of the salaried employees

3.2 HYPOTHESIS TESTED
1) H_0: The influence of Nature of the Job on the Investment Preferences of the salaried employees is insignificant
   H_1: The influence of Nature of the Job on the Investment Preferences of the salaried employees is insignificant
2) H_0: The influence of Income on the Investment Preferences of the salaried employees is insignificant
   H_1: The influence of Income on the Investment Preferences of the salaried employees is insignificant
3) H_0: The influence of Savings on the Investment Preferences of the salaried employees is insignificant
   H_1: The influence of Savings on the Investment Preferences of the salaried employees is insignificant
4) H_0: The influence of Reasons for investment on the Investment Preferences of the salaried employees is insignificant
   H_1: The influence of Reasons for investment on the Investment Preferences of the salaried employees is insignificant

3.2. SCOPE OF THE STUDY
Scope of the present study is limited to the salaried employees of Government, Semi Government and Private. Required data for the study is collected from preferably coming under different slabs of Income Tax.

4. METHODOLOGY
To reach the objectives and hypothesis both primary and secondary data are used, primary data for the study is collected through the schedules and discussion with the respondent groups. The secondary data is collected through published sources like Books, Journals, and e-sources.

4.1. SAMPLE SIZE
Sample size for the study is restricted to 100 respondents that includes different age group, gender and profession, positions and income groups but the salaried employees in Shivamogga district.

4.2. STATISTICAL TOOLS USED FOR THE STUDY
For the descriptive analysis of the data simple percentages are used and for inferential statistics chi-square dependency test is used and proved with the help of SPSS and XL Software.

5. RESULTS AND DISCUSSION
5.1. SOCIO-ECONOMIC PROFILE OF THE STUDY
Socio Economic profile of the respondents includes Age, Gender, Marital Status, Nature of the Job, Service Completed, Annual Income, Annual Savings and Investment Avenues invested by the respondents are analysed and these factors are considered as important to decide their investment avenues. It is identified from the literature review that the

investment preferences of the individuals are depended on their Tax savings strategies, hence the hypothesis are tested based on the same.

Table 4.1 Age of the Respondents

Age	Frequency	Percentage
21-30	10	10
31-40	30	30
41-50	25	25
51-60	35	35
Total	100	100

Source: SPSS Output N=100

Table above denotes the age profile of the respondents in the study area, out of 100 respondents 10% are belongs to the age group of 21-30, 30% respondents belong to the age group of 31-40, 25% respondents belong to the age group of 41-50 and 35% respondents belongs to the age group of 51-60, hence it is proved that majority of the respondents belongs to the age group of 51-60 years followed by 31-40.

Table 4.2 Gender of the Respondents

Gender	Frequency	Percentage
Male	70	70
Female	30	30
Total	100	100

Source: SPSS Output N=100

Above table depicts the Gender of the respondents, out of 100 respondents, 70% respondents are Male and 30% respondents are Female. This shows that majority 70% are male respondents in the study area.

Table 4.3 Marital Status of the Respondents

Marital Status	Frequency	Percentage
Married	74	74
Unmarried	26	26
Total	100	100

Source: SPSS Output N=100

Table above denotes the marital status of respondents in the study area. out of 100 respondents, 74% are Married and 26% Unmarried. This shows that majority respondents are Married.

Table 4.4 Nature of the Job

Nature of the Job	Frequency	Percentage
Government	46	46
Semi Government	25	25
Private	29	29
Total	100	100

Source: SPSS Output N=100

Above table clearly denotes the nature of the Job, out of 100 respondents 46% respondents are Government Employees, 25% respondents are Semi-Government Employees, 29% respondents are Private Employees. From the same it is concluded that majority 46% respondents are government employees followed by 29% Private employees.

Table 4.5 Service in Completed Years

Service	Frequency	Percentage
1-10	10	10
11-20	30	30
21-30	40	40
Above 30 Years	20	20
Total	100	100

Source: SPSS Output N=100

The table above depicts the service of the respondents in years. out of 100 respondents majority 40% respondents are in 21-30 years of service, 10% are in 1-10 years, 30% are in 11-20 years, 40% are in 21-30 years, 20% are in above 30 years of service. This shows that majority 40 % respondents are belongs to the age group of 21-30 years followed by 30% that is 11-20 years of service.

Table 4.6 Annual Income

Income	Frequency	Percentage
Below 7.5 lakhs	24	24
7.5 to 10 Lakhs	33	33
10 lakhs to 15 lakhs	23	23
Above 15 lakhs	20	20
Total	100	100

Source: SPSS Output N=100

Table above denotes the Annual Income of the respondents in the study area, out of 100 respondents 24% have below 7.5 lakh annual income, 33% respondents have 7.5 to10 lakh annual income, 23% respondents have 10 lakhs to 15 lakh income, 20% respondents have income of above 15 lakhs. This shows that majority 33% respondents have annual income of 7.5 to 10 lakh.

Table 4.7 Annual Savings

Savings	Frequency	Percentage
Below 200000	26	26
200000 to 400000	23	23
400000 to 600000	30	30
Above 600000	21	21
Total	100	100

Source: SPSS Output N=100

Table above shows the Annual savings of the respondents in the study area, out of 100 respondents 26% saves below 200000, 23% respondents save 200000 to 400000, 30% saves 400000-600000 and 21% respondents saves above 600000. Finally concluded that majority 30% respondents save 400000 to 600000 followed by 26% that is below 200000. This proves that respondents save below 25% of their income.

Table 4.8 Reasons for Investment

Reasons for Investment	Frequency	Percentage
Tax Savings	87	87%
Future Benefits	79	79%
Children Education/Marriage	63	63%
Retirement Needs	84	84%
Other Emergency	59	59%
Total	100	100

Source: SPSS Output N=100

Table above shows the reasons for investment preferences of the respondents in the study area, out of 100 respondents 87% respondents opines that they invest for the purpose of save tax, where as 79% for future benefits, 63% for Children Education/Marriage, 84% for retirement needs, 59% for other emergency. Finally concluded that majority respondents opines that they invest for the purpose of Tax savings and retirement needs all other reasons are also above 60%.

Table 4.9 Investment Avenues Invested

Investment Avenues	Frequency	Percentage
Fixed Deposit	26	26
Bonds	38	38
PPF	27	27
Post Office Savings Schemes	65	65
Pension Fund	86	86
Stocks/Shares	29	29
Mutual Funds	28	28
Gold	89	89
Insurance	86	86
Real Estate	21	21
Agri Land	29	29
Others	12	12
Total	100	100

Source: SPSS Output N=100

Above table clearly shows the investment avenues of the respondents. Out of 100 respondents, 26% have investment in fixed deposits, 38% respondents invested in Bonds, 27% invested in PPF, 65% invested in Post office savings scheme, 86% invested in Pension funds, 29% respondents invested in Stocks/Shares, 28% respondents invested in Mutual funds, 89% respondents invested in Gold, 86% respondents invested in Insurance, 21% invested in real estate, 29% invested in Agri land, 12% invested in others. Finally concluded that majority 85 to 90 percent respondents have their investment in Pension Funds, Gold, and Insurance as they get double benefits like liquidity in case of Gold Insurance and pension is for long term benefits and Tax savings.

5.2. TESTING OF HYPOTHESIS
In addition to the descriptive analysis of the data, few Hypothesis are formulated as shown below.
Hypothesis-01
H_0: The influence of Nature of the Job on the Investment Preferences of the salaried employees is insignificant
H_1: The influence of Nature of the Job on the Investment Preferences of the salaried employees is insignificant

Table 4.10 Chi-Square Test for Nature of the Job and Investment Preferences

Nature of the Job and Investment	Chi-Square Calculated Value	Df	P Critical value	Status of Null Hypothesis
Fixed Deposit	56.8	22	0.000	Rejected
Bonds	102.3	22	0.000	Rejected
PPF	117.8	22	0.000	Rejected
Post Office Savings Schemes	88.6	22	0.000	Rejected
Pension Fund	98.7	22	0.000	Rejected
Stocks/Shares	97.6	22	0.000	Rejected
Mutual Funds	105.6	22	0.000	Rejected
Gold	205.6	22	0.000	Rejected
Insurance	217.6	22	0.000	Rejected
Real Estate	115.8	22	0.000	Rejected
Agri Land	165.8	22	0.000	Rejected
Others	179.2	22	0.000	Rejected

Source: SPSS Output N=100

In the above table chi-square test results are shown, that is used to show the relationship between Nature of the Job and Investment Preferences of the respondents in the study area. for here the $p<0.05$ @ 5% significance level, hence it is proved that the null hypothesis is rejected and alternative hypothesis is accepted. Hence it is proved that nature of the job is influencing the investment preferences of the respondents. It shows that the income, awareness and also tax planning requirements are based on the nature of the job that is why the nature of the job is influencing the investment preferences of the respondents in the study area.

Hypothesis-2
H_0: The influence of Income on the Investment Preferences of the salaried employees is insignificant
H_1: The influence of Income on the Investment Preferences of the salaried employees is insignificant

Table 4.11 Chi-Square Test for Income and Investment Preferences

Income and Investment	Chi-Square Calculated Value	Df	P Critical value	Status of Null Hypothesis
Fixed Deposit	56.8	33	0.000	Rejected
Bonds	102.3	33	0.000	Rejected
PPF	117.8	33	0.000	Rejected
Post Office Savings Schemes	88.6	33	0.000	Rejected
Pension Fund	98.7	33	0.000	Rejected
Stocks/Shares	97.6	33	0.000	Rejected
Mutual Funds	129.6	33	0.000	Rejected
Gold	326.5	33	0.000	Rejected
Insurance	312.5	33	0.000	Rejected

Real Estate	269.6	33	0.000	Rejected
Agri Land	248.5	33	0.000	Rejected
Others	122.4	33	0.000	Rejected

Source: SPSS Output N=100

In the above table chi-square test results are exhibited to check whether there is any influence of income on investment preference of the salaried employees in the study area, here for all the investment avenues the $p<0.05$ @ 5% significance level hence it is proved that the null hypothesis is rejected and alternative hypothesis is accepted. The income is influencing the investment preferences of the respondents. This is because based on income only they have to pay tax and to reduce the tax burden they prefer above investment avenues for investment as they are going to fulfil the needs too.

Hypothesis-3
H_0: The influence of Savings on the Investment Preferences of the salaried employees is insignificant
H_1: The influence of Savings on the Investment Preferences of the salaried employees is insignificant

Table 4.12 Chi-Square Test for Savings and Investment Preferences

Savings and Investment	Chi-Square Calculated Value	Df	P Critical value	Status of Null Hypothesis
Fixed Deposit	56.8	33	0.000	Rejected
Bonds	102.3	33	0.000	Rejected
PPF	117.8	33	0.000	Rejected
Post Office Savings Schemes	88.6	33	0.000	Rejected
Pension Fund	98.7	33	0.000	Rejected
Stocks/Shares	97.6	33	0.000	Rejected
Mutual Funds	126.5	33	0.000	Rejected
Gold	256.8	33	0.000	Rejected
Insurance	369.2	33	0.000	Rejected
Real Estate	326.5	33	0.000	Rejected
Agri Land	336.3	33	0.000	Rejected
Others	389.5	33	0.000	Rejected

Source: SPSS Output N=100

In the table above clearly explains the influence of savings and investment preferences of the salaried employees in the study area, the $p<0.05$@ 5% significance level. Hence it is proved that the null hypothesis is rejected and alternative hypothesis is accepted. This is because the investment preferences are largely influenced by the savings of the respondents.

Hypothesis-4
H_0: The influence of Reasons for investment on the Investment Preferences of the salaried employees is insignificant
H_1: The influence of Reasons for investment on the Investment Preferences of the salaried employees is insignificant

Table 4.13 Chi-Square Test for Reasons for investment and Investment Preferences

Reasons for investment and Investment	Chi-Square Calculated Value	Df	P Critical value	Status of Null Hypothesis
Fixed Deposit	115.6	33	0.000	Rejected
Bonds	129.5	33	0.000	Rejected
PPF	158.6	33	0.000	Rejected
Post Office Savings Schemes	186.5	33	0.000	Rejected
Pension Fund	149.6	33	0.000	Rejected
Stocks/Shares	125.6	33	0.000	Rejected
Mutual Funds	148.7	33	0.000	Rejected
Gold	176.8	33	0.000	Rejected
Insurance	256.8	33	0.000	Rejected
Real Estate	224.6	33	0.000	Rejected
Agri Land	123.6	33	0.000	Rejected
Others	156.3	33	0.000	Rejected

Source: SPSS Output N=100

Table above shows the influence of reasons for investment on investment preferences of respondents. Here the $p < 0.05$ @5% significance level, hence it is proved that the null hypothesis is accepted. It is concluded that there is influence of reasons for investment and preferences, since investment is based on different requirement of the respondents.

6. SUGGESTIONS AND CONCLUSION

Saving taxes is merely a wise component of the larger field of financial planning. A financial strategy is more complex than it first appears. A sound investing strategy that saves money is essential for a financial plan to succeed. From the study it can be concluded that various investment avenues are selected by the salaried employees who are in different type of the employment. Those investment avenues are selected based on the income, purpose, profession and savings. Tax planning is very important reason for which the salried employees have their investment.

CONFLICT OF INTERESTS

None.

ACKNOWLEDGMENTS

None.

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