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# Investment preference and tax savings: An empitical study among salaried employees in Chennai

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**Abstract**
The current study, "An Empirical Analysis of Investment Preference and Tax-Saving Practices among Salaried Employees in Chennai District," is to investigate the factors impacting salaried individuals' financial decision-making, awareness levels, and investment preferences. Effective financial planning has become crucial for salaried workers in the current economic climate to guarantee long-term financial security and stability. A number of variables, including income level, age, gender, risk tolerance, and knowledge of tax-saving options, affect investment decisions.
The study is based on primary data that was gathered using a structured questionnaire from one hundred salaried employees in Chennai. The data was analyzed and the results were interpreted using statistical methods such percentage analysis, mean, standard deviation, correlation, chi-square test, and ANOVA.
The results show that, mostly because of safety and stability, the majority of respondents favor low-risk and stable investment options like bank savings and insurance policies. For greater returns, a moderate portion of respondents also make investments in stocks and mutual funds. One of the main factors influencing investment decisions is tax savings, with many respondents making use of the Income Tax Act's Sections 80C and 80D. The report also shows that some employees still don't fully understand all of the investing possibilities available, and that awareness of tax-saving programs is only minimal.
Additionally, the data reveals a good correlation between investment behavior and income level, and elements like safety, returns, and tax benefits have a big impact on investment decisions. According to the study's findings, salaried workers are progressively implementing better financial planning techniques, but in order to encourage better investment choices, financial literacy and awareness must be raised.

**Keywords:** Investment behavior, tax-saving practices, financial planning, investment preferences, investment awareness and wealth creation

## Introduction
Traditionally, household savings have been used to cover future necessities, especially housing, basic nourishment, and financial stability. However, the reasons for saving have grown more varied in recent years. Nowadays, people save aside money for a variety of needs, such as education, healthcare, consumption, and unanticipated expenses. Rising living expenses, shifting habits, and changing socioeconomic circumstances are the main causes of this change.
Despite the fact that the phrases "savings" and "investment" are sometimes used synonymously, their definitions and goals are very different. With an emphasis on safety, liquidity, and capital preservation, savings are the percentage of income saved aside for emergencies or short-term requirements; they frequently provide little return. Investing, on the other hand, entails the deliberate distribution of money across different financial instruments with the hope of producing long-term profits. To create wealth and establish long-term financial stability, effective investing needs careful planning, risk assessment, and efficient use of financial resources.
Household savings have traditionally outpaced investments in the Indian setting. In the past, people favored savings because they were seen to be accessible and safe, whereas investments were frequently seen as hazardous and unreliable. Before economic liberalization, there were few investment opportunities and little public involvement in official financial markets. The head of the household usually made financial decisions, but women were also quite helpful, especially when it came to handling regular savings. The opportunities for investment and savings were limited in the early decades after independence. Particularly in rural and semi-urban areas, banking services were not generally available and were frequently seen of being establishments that catered only to wealthy people. As a result, households mostly depended on conventional and unofficial methods of saving money.
However, India's savings and investment scene has changed significantly since the early 2000s. Access to a variety of investment options, including stocks, mutual funds, insurance products, and pension plans, has been greatly improved by the growth of financial institutions, technological developments, and rising levels of financial awareness. Additionally, concerns about participating in the financial markets have decreased because to enhanced regulatory frameworks and investor protection measures.
Investing is essential to personal financial planning because it helps people accumulate money, fulfill future financial commitments, and accomplish long-term objectives. Awareness of the value of investing has grown dramatically in the current economic climate, especially among paid people with fixed monthly incomes. To guarantee financial security and stability for this demographic, sound financial planning and well-informed investment choices are crucial.
Many factors, such as income level, age, gender, risk tolerance, and financial awareness, affect salaried employees' investment decisions. Furthermore, the

government's tax-saving measures have a big impact on how people make investments. In order to promote investments and savings, the Indian government has implemented a number of regulations under the Income Tax Act. Section 10 exempts some incomes, and provisions like 80C, 80D, and 80CCD provide deductions.

The Public Provident Fund (PPF), National Savings Certificate (NSC), life insurance policies, Equity Linked Savings Schemes (ELSS), and National Pension System (NPS) are all well-liked tax-saving options. These tools encourage long-term financial planning and disciplined saving in addition to offering tax advantages. Salaried people can lower their tax obligations and increase their assets at the same time by making good use of these options.

Analyzing how people distribute their savings among various financial assets requires an understanding of salaried employees' investment behavior. Some people are drawn to higher-return assets like mutual funds and stocks, while others like low-risk options like bank accounts and insurance products. Individual risk tolerance, financial objectives, and awareness levels all play a major role in determining these preferences.

The analysis of salaried employees' investment behavior and tax-saving strategies in Chennai District is the main goal of this study. It seeks to determine their preferences for investments and gauge their knowledge of the different tax-saving options made possible by the Income Tax Act.

**Importance of the Study**

Studying salaried employees' investment habits is crucial because it sheds light on how people handle their money in a more complicated economic climate. It is now crucial for people to invest their income wisely in order to guarantee long-term financial security due to growing living expenses and unstable finances. Government-sponsored tax-saving programs are essential for encouraging people to save and invest. These programs promote methodical investing and financial discipline in addition to lowering tax obligations. The study contributes to a better understanding of the elements influencing financial decision-making and emphasizes the importance of tax incentives in determining investment patterns by analysing the investing behaviour of salaried employees.

**Scope of the Study**

The study's main objective is to analyse Chennai District paid employees' investing and tax-saving behaviours. The study looks at a number of variables that affect investment choices, including age, gender, income level, and risk tolerance. The study also examines how well-informed salaried workers are about the many tax-saving options made possible under the Income Tax Act. The results of this study can help salaried people become more financially literate and promote better investment planning.

**Statement of the Problem**

The financial sector has seen an increase in investment possibilities in recent years, giving people a variety of ways to invest their resources. Despite this, a sizable percentage of salaried workers are not sufficiently informed about these investing opportunities and related tax-saving plans. This lack of knowledge frequently leads to less-than-ideal financial choices. Due to their perceived safety, many people still favor classic investment options like bank deposits and insurance policies, while others are drawn to more recent financial products like stocks and mutual funds because of their potential for larger returns. Additionally, there are significant individual differences in the awareness and use of tax-saving programs.

**Objectives of the Study**

- To analyse the investment behaviour of salaried employees in Chennai District with respect to their income level, age, gender and risk preferences.
- To identify the most preferred investment and tax-saving instruments among salaried individuals.
- To analyse the level of awareness of employees regarding various tax-saving schemes under the Income Tax Act.
- To examine the key factors influencing investment and tax-saving decisions of salaried employees.
- To suggest measures to promote effective investment planning and tax-saving awareness among salaried employees.

**The study has the following limitations**

The study is limited to salaried employees in Chennai District only. The sample size is limited to 100 respondents. The study is based on the responses given by the respondents, which may involve personal bias. Due to time constraints, the study could not cover a larger population.

**Review of Literature**

Sharma, R. (2020) [15] studied middle-class salaried people's investment preferences. According to the study, the primary determinants of investment decisions are stability and safety. The majority of workers favor insurance and fixed savings. It was shown that younger investors had a greater interest in stocks and mutual funds. The impact of demographic variables like age and income was also emphasized in the study. Having a solid understanding of finance enables people to make wiser investing choices. Promoting financial literacy among staff members was advised by the study.

Kapoor (2020) investigated how young, paid professionals made investments. Younger investors are more willing to take risks than older ones, according to the study. Young employees were big fans of stock investments and mutual funds. Investment decisions were also influenced by digital platforms. The study emphasized how technology affects financial markets. Making smarter investment decisions is aided by financial literacy. Enhancing digital financial literacy was suggested by the researcher.

Karthik R. (2021) investigated how risk perception affected investing choices. According to the report, workers who have a high risk tolerance favor mutual funds and stocks. Government programs and fixed deposits are preferred by those with minimal risk tolerance. The study underlined how important it is to evaluate risk before making an investment. Investors can select appropriate options with the assistance of financial consultants. Programs for investor education were suggested by the study. Investor confidence would rise as a result.

Reddy (2021) examined the connection between investment behavior and risk tolerance. According to the survey, people who have a high risk tolerance favor stock investments. Safer options, including bank savings, are preferred by risk-averse investors. The ability to take risks is influenced by

age and economic level. The study highlighted how crucial financial literacy is. More knowledgeable investors make wise choices. The report recommended encouraging financial literacy among staff members.

Shalini Gupta (2021) examined the variables influencing salaried people's tax planning practices. According to the study, financial objectives, income level, and tax responsibility all affect investment decisions. Workers like products that offer both tax advantages and safety. The study also emphasized the importance of expert counsel. For planning, a lot of employees rely on tax experts. The author recommended raising public knowledge of government initiatives. This would make it easier for workers to take advantage of tax-saving options.

Thomas (2021) investigated how paid workers made investments in relation to risk and return. According to the study, people favor investments with steady returns and a reasonable level of risk. Younger workers were starting to favor mutual funds. Investment decisions are heavily influenced by financial advisors. The significance of financial preparation was highlighted in the study. Investors should diversify their portfolios to reduce risk. The author suggested enhancing financial education initiatives.

Verma (2021**)** conducted research on the impact of financial literacy on investment behaviour. The study found that individuals with higher financial knowledge invest in diversified financial instruments. They are also more willing to take calculated risks. Respondents with low financial literacy prefer traditional savings options. The study emphasized the importance of financial education programs. Awareness campaigns can improve investment practices. Financial literacy is essential for better financial planning.

Ajay Sharma (2022) analysed the role of financial advisors in investment decision-making. The study revealed that many salaried employees rely on professional advice before investing. Financial advisors help investors understand market conditions and risks. The research emphasized that proper guidance improves investment performance. The author suggested that financial advisory services should be made more accessible. This will benefit small investors.

Arun Prakash (2022**)** examined the impact of economic conditions on investment behaviour. The study revealed that market fluctuations influence investment decisions. During uncertain economic conditions, employees prefer safer investments. The research highlighted the importance of risk management in financial planning. Investors should diversify their portfolios to reduce risk. Financial education plays a crucial role in this process.

Rekha Devi (2022) conducted a study on tax-saving awareness among employees in urban areas. The results showed that awareness about tax deductions is moderate. Many employees are not aware of all the tax-saving options available. The study suggested that employers should provide tax planning sessions. This would help employees understand the benefits of various schemes. Proper awareness will encourage better financial planning.

Harish Kumar (2023) analysed the overall investment behaviour of salaried employees. The study found that financial security is the primary goal of most investors. Employees prefer a combination of safe and moderate-risk investments. The research also emphasized the role of long-term financial planning. Investors should set clear financial goals before investing. Proper planning helps in achieving financial stability and wealth creation.

## Analysis

**Table 1**

| AGE | No. of Respondents | Percentage |
|---|---|---|
| Below 25 | 20 | 20 |
| 26-35 | 35 | 35 |
| 36-45 | 25 | 25 |
| Above 45 | 20 | 20 |
| Total | 100 | 100% |
| **Gender** | | |
| Male | 60 | 60 |
| Female | 40 | 40 |
| Total | 100 | 100% |
| **Awareness of Tax Savings Investments** | | |
| Yes | 70 | 70 |
| No | 30 | 30 |
| Total | 100 | 100% |
| **Preferred Investment Option** | | |
| Bank Deposits | 30 | 30 |
| Insurance | 25 | 25 |
| Mutual Funds | 20 | 20 |
| Shares | 15 | 15 |
| Others | 10 | 10 |
| Total | 100 | 100% |
| **Types of Investment Preferred** | | |
| Short-Term | 30 | 30 |
| Long-Term | 50 | 50 |
| Both | 20 | 20 |
| Total | 100 | 100% |
| **Purpose of Investment** | | |
| Tax Savings | 35 | 35 |
| Future Security | 30 | 30 |
| Wealth Creation | 20 | 20 |
| Children Education | 10 | 10 |
| Others | 5 | 5 |
| Total | 100 | 100% |
| **Risk Tolerance** | | |
| Low | 45 | 45 |
| Moderate | 35 | 35 |
| High | 20 | 20 |
| Total | 100 | 100% |

**Data Source:** Primary

**Table 2**

| Factors Influencing Investment Behaviour | Mean | Standard Deviation |
|---|---|---|
| Safety of Investment | 4.20 | 0.82 |
| Return on Investment | 3.95 | 0.76 |
| Tax Benefits | 4.10 | 0.70 |
| Liquidity | 3.60 | 0.88 |
| Risk Level | 3.45 | 0.92 |

**Data Source:** Primary

The above table presents the mean and standard deviation values for various factors influencing investment behaviour among salaried employees. The factor safety of investment has the highest mean value of 4.20, indicating that most respondents strongly consider safety while making investment decisions. This shows that salaried employees prefer secure investment options that provide stable returns. The factor tax benefits have a mean value of 4.10, which indicates that tax-saving benefits also play a significant role in influencing investment behaviour. Many respondents prefer investment instruments that provide tax deductions under the Income Tax Act. The factor return on investment has a mean value of 3.95, showing that respondents also

consider the potential returns while selecting investment options. Higher returns motivate individuals to invest in instruments such as mutual funds and shares. Liquidity has a mean value of 3.60, which indicates that respondents moderately consider the ease of converting investments into cash when needed. The factor risk level has a mean value of 3.45, which suggests that respondents are somewhat cautious about taking higher investment risks.

**Null Hypothesis ($H_0$)**
There is no significant difference in investment behaviour among respondents with different income levels.

**Alternative Hypothesis ($H_1$)**
There is a significant difference in investment behaviour among respondents with different income levels.

**Table 3:** Anova Investment behaviour among respondents with different income levels

| Source of Variation | Sum of Squares | Degrees of Freedom | Mean Square | F Value |
|---|---|---|---|---|
| Between Groups | 12.50 | 3 | 4.16 | 3.45 (Sig) |
| Within Groups | 48.20 | 96 | 0.50 | |
| Total | 60.70 | 99 | | |

**Data Source:** Primary

Since the calculated F value is greater than the table value, the null hypothesis is rejected. The ANOVA test result shows that there is a significant difference in investment behaviour among respondents with different income levels. This indicates that income level plays an important role in determining the investment decisions of salaried employees. Respondents with higher income levels generally have greater financial capacity to invest in a variety of financial instruments such as mutual funds, shares and long-term investment schemes. On the other hand, respondents with lower income levels may prefer safer investment options such as bank deposits and insurance policies.

**Table 4:** Chi-square Age group of respondents and preference for tax-saving investment options

| Age Group | Observed Value (O) | Expected Value (E) | $(O-E)^2 / E$ |
|---|---|---|---|
| Below 25 | 12 | 15 | 0.60 |
| 25–35 | 28 | 26 | 0.15 |
| 36–45 | 20 | 19 | 0.05 |
| Above 45 | 15 | 15 | 0 |
| $\chi^2$ | | | 0.80 |

**Data Source:** Primary

The Chi-Square test result shows that there is no significant relationship between the age group of respondents and their preference for tax-saving investments. This means that respondents from different age groups show similar interest in tax-saving investment options.
The result indicates that tax-saving investments such as LIC policies, PPF, ELSS and NPS are preferred by salaried employees regardless of their age group. Tax benefits play an important role in investment decisions among all age categories of respondents.

**Table 5**

| Correlation Between Income Level and Investment Behaviour Variables | Income Level | Investment Behaviour |
|---|---|---|
| Income Level | 1 | 0.68 |
| Investment Behaviour | 0.65 | 1 |

**Data Source:** Primary

The above table shows that the correlation value between income and investment is +0.65, which indicates a positive relationship. The value 0.65 shows a moderate to strong positive correlation, indicating a significant association between the variables. The above table shows the correlation between income level and investment behaviour of the respondents. The correlation coefficient value obtained is 0.68, which indicates a positive relationship between the two variables.

**Major Findings of the Study**
Demographic variables including age, gender, income level, risk choice, and investment behavior are among the data collected from the respondents. Numerous statistical tools, including percentage analysis, mean, standard deviation, correlation, chi-square test, and ANOVA, were used to properly examine the gathered data. These tools made it easier to spot trends and connections between various factors pertaining to tax-saving strategies and investment behavior. Investment planning is crucial to people's future security and financial stability. Because salaried workers typically rely on their monthly income, they must properly manage their money through investment planning. Additionally, tax-saving investments give people the chance to lower their tax liability while still accumulating long-term wealth. In order to encourage people to invest in financial instruments like life insurance policies, public provident funds, mutual funds, pension plans, and tax-saving fixed deposits, the Indian government has implemented a number of tax-saving schemes under the Income Tax Act, including Sections 80C, 80D, and 80CCD. These programs assist people in forming the habit of investing and saving for their future financial requirements.
Individuals differ in their awareness of these investing possibilities and tax-saving strategies, though. While some employees are well-versed in financial planning, others are not as familiar with the many investing choices. In order to comprehend salaried employees' preferences, awareness level, and the variables impacting their financial decisions, it is crucial to investigate their investment behavior and tax-saving strategies. The majority of responders are between the ages of 25 and 35, suggesting that young paid workers are more interested in investing. Although women are becoming more involved in financial planning, male respondents make up a bigger share of the sample than female respondents. The majority of responders are middle-class, with monthly incomes between ₹20,000 and ₹40,000.
Low-risk investing options are preferred by a sizable portion of respondents, indicating that salaried employees place a high priority on safety. Because of their security and certain returns, bank deposits are among the most popular investment choices. Respondents frequently utilize insurance products because they offer both tax savings and financial safety. Respondents who are willing to assume a reasonable amount of risk in order to increase their returns favor mutual funds. Because they take on more risk, a smaller percentage of respondents invest in shares and stock

market instruments. The majority of respondents invest mostly to reduce their taxes. Another significant factor that encourages people to invest their income is future financial security. The Section 80C tax deductions, which permit investments in securities like LIC, PPF, and ELSS, are known to a large number of respondents. The respondents' knowledge of the Section 80D tax deduction for health insurance is mediocre. Friends and financial advisors are important sources of information while making investing decisions. Some respondents use media and the internet to find information about investments. According to the study, the majority of participants choose long-term investment choices over short-term ones.

The most significant factor influencing salaried employees' investing decisions is investment safety. Another important consideration for respondents when choosing investment options is return on investment. Employee investment decisions are also significantly influenced by tax benefits. Income level and investment behavior are positively correlated, according to the correlation analysis. Age group and investment behavior are significantly correlated, according to the chi-square test. The ANOVA study shows that different income groups have varied investment habits. The majority of respondents are content with the investments they have made thus far. Some responders are still not fully informed about the different tax-saving options made possible under the Income Tax Act. Because financial information is readily available, salaried employees' awareness of investments is steadily rising.

## Conclusion

Salaried employees' long-term security and financial stability are significantly influenced by their investment and tax-saving behaviors. The goal of the current study, "An Empirical Analysis of Investment Behavior and Tax-Saving Practices among Salaried Employees in Chennai District," was to learn more about the factors impacting salaried people's investment decisions as well as their investment preferences and awareness. According to the report, the majority of respondents are young or middle-aged and actively engage in a variety of investing activities. According to the analysis, the majority of salaried workers favor safe and secure investing options such provident fund plans, insurance policies, and bank savings. The primary reasons for selecting these investment options are their consistency, financial security, and tax advantages. In order to increase returns, a lesser percentage of respondents are willing to invest in market-linked securities like shares and mutual funds.

The results also show that investment behavior is significantly influenced by tax-saving incentives. Many respondents are aware of the tax deductions offered under the Income Tax Act's sections 80C, 80D, and other provisions, and they make use of these plans to lower their tax obligations while accumulating long-term savings. The report does, however, also show that some workers are still not fully aware of the variety of tax-saving investing options at their disposal. The investment behavior of salaried employees is significantly influenced by parameters such as age group, income level, and risk preference, according to statistical analysis like correlation, chi-square test, and ANOVA. Higher earners typically diversify their financial portfolios and make larger investments. The study also demonstrates that the main elements influencing investment choices are safety, return on investment, and tax advantages. According to the study's findings, Chennai District paid workers show an increasing interest in tax-saving investments and financial planning. However, there is always a need to raise knowledge of various investment options and increase financial literacy. Employers, financial institutions, and governmental organizations should take the lead in promoting investment awareness efforts and provide advice on sound financial planning.

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