

Awareness and Perception Regarding Tax Saving Instruments among Teachers of Higher Education

Amit Kumar Arora, Pradeep Kumar Garg

Abstract: *The study attempted to know the awareness and perception regarding various tax saving instruments available to save the tax to the teachers of higher education. The study conducted to determine the tax-saving investment options which are preferred to save tax and what the factors are considered before making investment decisions. Descriptive statistics used to analyze the data collected through the 347 respondents of the Ghaziabad region. The study found most of the teachers of higher education are availing deduction of fees of their wards under section 80 C. investment in PPF and Life insurance premium are also found most used instruments for availing deduction of 80 C. The teachers of higher education are well aware of the various deductions, reliefs, and rebates available as per the Indian income tax act. They prefer those options of investment which are having low risk, high returns, and full tax benefits. It is also found people are not investing in NPS though there is an option to save extra tax by investing up to Rs. 50,000. That is due to the lack of awareness of NPS. The medical deduction is also underutilized. So, the study recommends to invest in NPS and increase the amount of expenditure on health insurance to reduce the tax liability of the teachers of higher education.*

Key Words: *Tax, Insurance, Deductions, Rebates, Investment, higher Education*

I. INTRODUCTION:

As per Indian income tax act, 1961 an assessee can claim various deductions, reliefs, and rebates from their income for computation of tax liability. These deductions, reliefs, and rebates are the tools available in the hands of taxpayers to reduce their tax liability. These are allowed legally to take benefits of the above deductions. Currently, as per the income tax act, an individual can claim deduction up to Rs. 1,50,000 under section 80C on certain investments and expenditures such as PPF, NSC, Tax saving FD, Life insurance premium, Tuition Fees of children, principal repayment of Home Loan, Sukanya Samridhi Account, NPS, etc. Further, under section 80D, an assessee can claim up to Rs. 25,000 for health insurance premiums. The present study is an attempt to know the awareness level of higher education teachers regarding the various tax-saving instruments and their preference for tax saving instruments.

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A person invests whatever he saves after all the expenditures (consumption) with a view in mind to earn handsome returns in the future as a reward for their invested money. Every person is having their preference to invest. Tax saving, return on investment, capital investment and safety for future are the factors found most important for the investment (**Apparao & Babu 2015**) researchers also mentioned that still more studies on the perception of consumers about investment methods need to be studied. So, the present study is an attempt to know the factors which are considered as the most important factors before investing in a particular investment option. Further, the study also attempted to know the preference of teachers of higher education for their tax-saving investment instruments.

II. LITERATURE REVIEW:

(Patel & Patel, 2012) focused their study on investment schemes opted by salaried employees of the private sector. As per study salaried person wants to avail the good return and maximum tax benefit out of their investments. In which Post office schemes and Fixed Deposits are not considered as opted tools due to their low-interest rates.

(Ansari & Moid, 2013) studied the investment behavior of an individual investor regarding the dissemination of left out income in different investment schemes. The study reveals that one most prominent factor which guides them while investing was a risk factor associated with that tool. The major purpose of the investment was for growth and additional income whereas income and age also play an important role while investment irrespective of gender.

(Patil & Nandawa, 2014) the study found that Investors are aware of investment avenues available in India but still investors are preferred to invest in bank deposits, real estate, metals. The study reveals that 39 percent believe safety is an area of prime concern while doing investment and other second major categories consisting of 25 percentages of the respondents are investing their money in tax saving scheme to avail tax benefits.

(Sood & Kaur, 2015) studied the saving and investment pattern of salaried class people and found LIC and bank deposits as the most preferred investment options while high returns, tax benefits, and safety are found as the most significant factors before investing. The researchers recommend increasing the saving and investment habits among the salaried class people.

(Sathiyamoorthy & Krishnamurth, 2015) In their study on investment patterns and level of awareness among the salaried class investors in the Tiruvannamalai district of Tamil Nadu found people still feel Bank deposits are the safest way to keep the money for unpredictable future. As they look after the safety of their investment rather than high returns. The sole purpose of this type of safe investment is for children's education, marriage, and security after retirement.

(Pathy, 2016) studied the awareness among people about various investment avenues available to the people of Cuttack city and what factors they should consider before investing. An individual considered factors like type of return, tax benefits, risk related aspects before taking an investment decision.

(Barot, 2016) studied on "Investors Attitude towards Investment Instrument: Insurance as a Tax saving and for Investment" author found that government and financial institutions educate people about tax planning in general and tax-saving scheme. As well as suggested that more awareness can be generated regarding the insurance sector and can enhance the growth of country and person.

(Thulasipriya, 2016) examined the evidence that investors influence investment behavior of the salaried investors and it analyzed that the investment preference among salaried investors. The analysis exposed that the periods of investment between the salaried investors choose to have both long-term and short-term investments for their safe future. To conclude that salaried group nevertheless of age and annual income, besides their occupation and marital status they used to prefer the investment option, which will give the long-term benefit and highly secured cum profitable avenues.

(Sundari & Vidhyapriya, 2016) studied tax prevalence for individuals is to invest in some avenues where relaxation is been given by the government for various tax schemes. Whereas tax instruments selected depends on the income of the investors like for individuals paying higher taxes or the people belonging to lower tax bracket. The study also reveals that individuals are not always aware of all the technical details about the scheme which they chose for investment.

(Ahammad & Lakshmana, 2017) studied the different options of investments available as well as the factors that play an important role while selecting the investment tool with the salaried employees. The study concludes that people are fully aware of the available options but still the investment in metals, bank deposits, chits, and real estate are the most opted options. The study also found safety and liquidity as the most considerable factor while investing. Employees want a more secure and steady flow of funds on the investment made in the past.

(Mehta & Sharma, 2017) researchers found that people are more interested in investing their money rather than keeping it ideal. The bank fixed deposits provident funds, life insurance policies, post office saving schemes were more favorites among all due to safety and as well as a tax benefit instrument too.

(Arora & Rathi, 2018) studied the salaried employees' awareness and perception regarding various tax saving options. The study used correlation analysis and found a

significant difference between the saving and investment patterns of men and women. Further, risk, return, and saving of tax was found to be the most important factors for investment decisions. The study also concluded that the medical deduction is underutilized and the tax rate should be reduced for salaried class.

III. RESEARCH METHODOLOGY

Data Collection Procedure- The study is based on the Primary data collected through questionnaires. The reliability of the questionnaire was measured through a test-retest method of reliability. The score of test-retest was found to be .889, any score above .7 is considered as good.

Sample- Data is collected through mails and direct interviews. The study targeted 400 teachers working in the Ghaziabad region based on a convenience sampling technique. Out of 400 targeted people we received 372 responses (response rate 93%) of which 25 were not complete so in the study, we have considered only 347 responses. The survey was conducted from June to August 2019. The adequacy of sample size was measured by using the ungrouped one stage random likelihood sampling method (Collins 1986) i.e. $n = (t^2 \times pq) / E^2$. In which the probability of awareness of various tax saving instruments is assumed to be 70%. So, the sample size value should be: $n = 1.96^2 \times (0.7 \times 0.3) / 0.05^2 = 323$, whereas study has taken 347.

Method- Descriptive statistics is used to present the data which includes frequency and percentage.

IV. RESULT AND DISCUSSION

The study found approx 15% of people are not fully aware of the instruments of planning instruments. The majority of the were in the group of saving between 20% to 35% of their annual income. The respondent was 56% female teachers and 44% male teachers. Regarding the general opinion on the Indian tax system of teachers based on responses received we can conclude that they are not satisfied with the current tax system. Most of the teachers consider it a complicated system and they are in the opinion that the tax rate is too high and it should be reduced.

Indian income tax act allows a deduction of Rs. 25,000 for the assessee for medical insurance premium under section 80D. The study found the majority of the teachers are availing this deduction but the deduction is underutilized as the average investment in the health insurance policy is only Rs. 14630 approx. We are recommending to those who have not taken health insurance policy, to take the policy to reduce the tax as well as to avoid the uncertainty related to health and wellness.

Factors Consideration before Investment:

As we are aware that people do investment with certain motives in their minds. There can be several motives for the investment out of which the study considered the six factors only as of the motives for the investment by an individual which comprises: Tax saving, return, investment amount, period, risk and type of investment. The study found (as shown in Table-4) the most motivating factor for investment is to save tax (as the F value is 301, 87%).

This Indicates that people prefer those investment options which can provide the tax savings to them. The second most important factor is return associated with the investment (as the F value is 287, 83%), which implies that people prefer those investment options which provide higher returns. The third important factor for investment is determined to risk associated with the investment (as the F value is 275, 79%). This implies that people are interested to invest with a minimum risk option. The above finding is parallel to the studies conducted by Patel, (2012), Apparao, (2015), Pathy, (2016) and Arora (2018).

Table-1: Descriptive Statistics: Consideration before Investment

Response Options:	F	%
Tax Saving availability	301	87
Return on investment	287	83
Amount of Investment required	150	43
Period (Lock in time)	175	50
The risk associated with the investment	275	79
Investment Type	125	36

Source: Author Compilation through Primary Data

Preferable Investment Tax Saving Instruments:

Indian income tax provides the deduction of Rs. 1,50,000 under section 80 C. There are several investment options to get the deduction, out of which the study has been considered the following eight options i.e. public provident fund (PPF), National Saving Certificates (NSCs), tax-saving fixed deposits (FD), life insurance premium payment, children’s tuition fee, principal repayment of home loan, sukanya samridhhi yojana and NPS. The study found (as shown in Table-5) people the maximum number of respondents are using the fees paid of their ward for getting the benefit under section 80 C. PPF is found to be the second most preferred investment option (as the F-value is 298, 86%). It shows that most of the teachers are using PPF as a tax-saving instrument. The reason behind opting PPF was found in its EEE (Exemption at the time of depositing the amount, Interest exemption from tax and maturity exemption from tax) and comparatively high rate of interest available in other safe investment options. The life insurance premium is the third preferable tax saving instrument (as the F-value is 269, 78%). NPS is found to be the least preferable tax saving instrument. The result of the study is similar to the study conducted by (Mehta, 2017, Sood, 2015 & Arora, 2018).

Table-5- Descriptive Statistics of Preferable Investment Tax

Saving Instruments

Response Options:	F	%
Public Provident Fund	298	86
National Saving Certificates	123	36
Tax Saving Fixed Deposits	221	64
Life Insurance Premium	269	78
Tuition Fee	302	87
Principal Loan	158	46
Sukanya Samridhhi Account	189	55
National Pension System	89	26

Source: Author Compilation through Primary Data

V. CONCLUSION:

The study attempted to know the awareness and perception regarding various tax saving instruments available to save the tax to the teachers of higher education. The study concludes that the teachers of higher education are well aware of the various deductions, reliefs, and rebates available as per the Indian income tax act. They prefer those options of investment which are having low risk, high returns, and full tax benefits. The study found that respondents are in the opinion that the taxation system is difficult and they are taking the help of the experts to file their income tax return. The government should try to simplify the tax system so that anyone can easily understand and file the return by themselves. The study found teachers of higher education levels are in the opinion that the tax rate is too high. This is also supported by the study of Adhia, H. (2018), which also shows that there is a need to reduce the tax burden on the salaried employees as tax paid by salaried employees was much more as compared to the individual business tax payers for the assessment year 2016-17. It is also found people are not investing in NPS though there is an option to save extra tax by investing up to Rs. 50,000. That is due to the lack of awareness of NPS. The medical deduction is also underutilized. So, the study recommends to invest in NPS and increase the amount of expenditure on health insurance to reduce the tax liability of the teachers of higher education.

VI. LIMITATIONS AND SCOPE FOR FURTHER RESEARCH:

The results are confined to sample drawn only thus; the outcome of the present study may not be applicable in general. The interpretations are based on information received so the study may be affected due to the respondent's biases.

The study has taken only tax saving investment option other investment options which can't be used for tax saving are not considered such as Read Estate, Metal (gold or silver), share market, etc. The study considered only teachers of higher education, other peoples like self-employed, businessmen, retired people, etc. are not included.

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