

INVESTMENT PATTERN OF THE SALARIED TAX PAYERS: A STUDY

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Abstract

Financial requirement of an individual finds no boundaries. Every individual aims at maximizing the flow of income from whatever source possible. The most interesting activity undertaken by an individual to fulfil this objective is to undertake investing. It is a very interesting activity which attracts people from all walks of life irrespective of their occupation, economic status, education and family background. An individual has choice of various investment avenues where person's savings could be invested. The normal avenues of investments available are life insurance policies, real estate, tax saving schemes, mutual funds, securities, fixed deposits, equity shares etc. By keeping this, the present study deals with the investment pattern of salaried tax payers in Erode District of Tamil Nadu. The findings also indicated that 100 percent of the salaried tax payers were invested in LIC and provident Fund.

Keywords: Investment Pattern, Salaried tax payers.

INTRODUCTION

Investment means employment of funds on assets with the aim of earning of income or capital appreciation in future or is the allocation of money to assets that are expected to yield some gain over a period of time. This is known fact that investment is an essential for survival of human beings. At the same time, it depends upon various factors like risk, return, demand, safety money, liquidity, inflation, age, life expectancy, Government policy and the available avenue for investment. For the achievement of the investment goals appropriate decisions have to be taken.

There are two concept relating to investment, viz., economic concept and financial concept of the investment. The economic and financial concepts of investment are related to each other because, investment is a part of the savings of individuals which flow into the capital market either directly or through institutions. Thus, investment decisions and financial decisions interact with each other. Financial decisions are primarily concerned with the sources of money whereas investment decisions are traditionally concerned with uses or budgeting of money.

The concept of economic investment is net addition to the capital stock of the society. The capital stock of the society is the goods which are used in the production of other goods. The term investment implies the formation of new and productive capital in the form of new construction and produces durable instrument such as plant and machinery. Inventories and human capital are also included in this concept. Thus, an investment, in economic terms, means an increase in building, equipment and inventory.

Financial investment is an allocation of monetary resources to assets that are expected to yield some gain or return over a given period of time. It means an exchange of financial claims such as shares, bonds, real estate etc. Financial investment involves contrasts written on pieces of paper such as shares and debentures. People invest their funds in shares, debentures, fixed deposits, national saving certificates, life insurance policies, provident fund etc., in their view investment is a commitment of funds to derive future income in the form of interest, dividends, rent, premiums, pension benefits and the appreciation of the value of their principal capital. In primitive economies most investments are of the real variety whereas in a modern economy much investment is of the financial variety.

TYPES OF INVESTMENT AVENUES

Investment scenario as a banyan tree which growing day by day, by the way of introducing new investment avenues with unique features to attract investors into the world of investment. Investment avenues are the different ways that a person can invest his money. It also called investment alternatives or investment schemes. There are different methods are available to classify the investment avenues. Some of the methods are as follows.

Physical Investments

Physical investment is the investment in physical or capital goods such as plant and machinery, motor cars, ships, buildings etc. The major physical investments are Real Estate, Gold and Silver and Art.

Financial Investments

It means employment of funds in the form of assets with the object of earning additional income or appreciation in the value of investment in the future. Assets which are the subject matter of investment may be varying between safe and risk. It divided into two viz., Marketable Investments or Negotiable Securities and Non Marketable Investments or Non Negotiable Securities.

Marketable Investments (Negotiable Securities)

These financial securities that are easily marketable and converted into cash in short time. Such investments are also known as transferable investments. It includes two kinds of securities, such as Variable income securities, i.e., Equity shares and Fixed income securities i.e., Preference Shares, Debentures, Bonds, Gilt-Edged Securities, Money Market Securities and Saving Certificates.

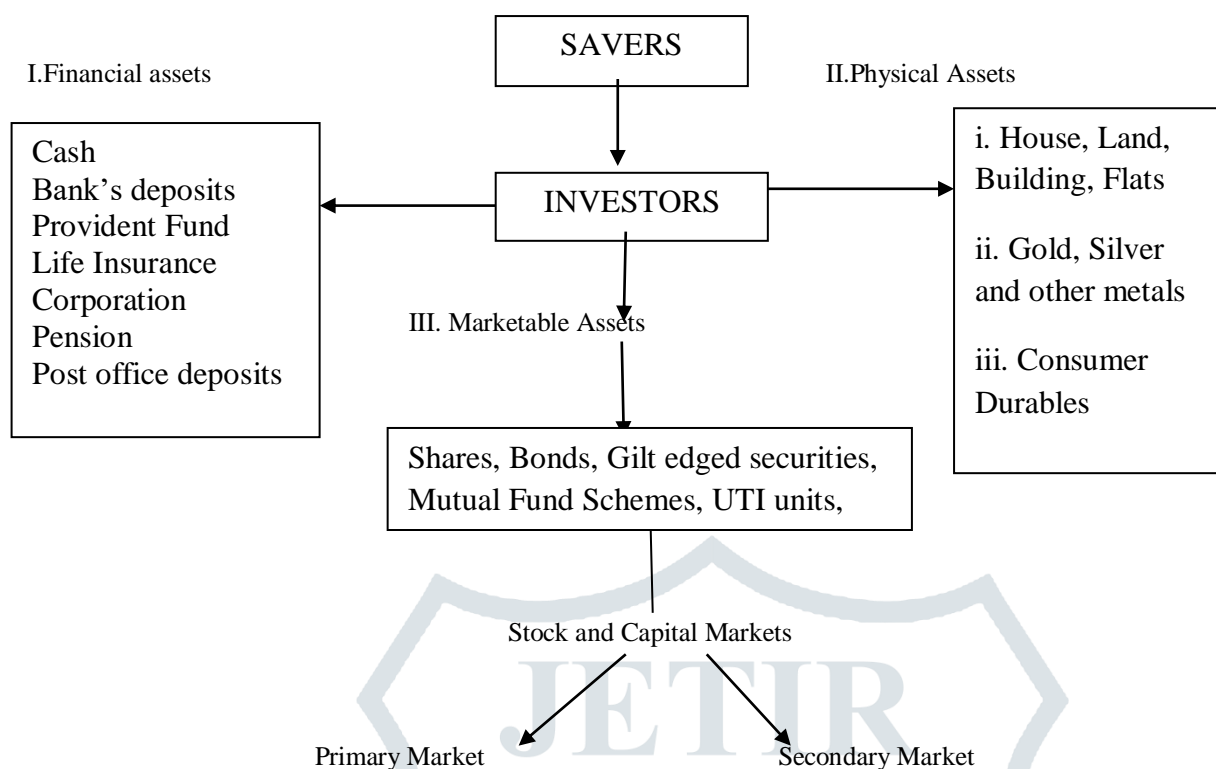
Non Marketable Investments (Non Negotiable Securities)

These are the financial securities which can't easily marketable and converted into cash in short time. It includes Deposits (Bank deposits and Post office deposits), Tax sheltered saving schemes, i.e., Employee Provident Fund (EPF), Public Provident Fund (PPF), National Saving Certificate (NSC), National Saving Scheme (NSS), Life Insurance and Mutual Funds.

Often the Government offers a number of saving and investment schemes that are tax exempt in order to promote the practice of saving in the country. By investing in such saving schemes, the individual can save a considerable amount of tax. The Government in return invests thus earned capital in various development projects of the country that help to build a better economy. This also helps for the growth of economy. So, income, investment and Income Tax are interrelated.

Investment activity involves the use of funds or savings for further creation of assets or acquisition of existing assets. The details of the investment avenues of the investors are briefly shown in the following figure.

INVESTMENT AVENUES



Against this background, this paper is a modest attempt to identify the investment pattern of salaried tax payers.

REVIEW OF LITERATURE

In any study, the review of previous studies are considered as important for getting a better understanding of the problem, the methodology followed and to identify the unexplored part of the field of study under consideration. In this regard, some of the relevant studies have been reviewed in the present study.

AsnakeWorkuWubie et al. (2015) made a study to analyse the influence of demographic factors on savings and investments decision of high school teachers in Ethiopia. This study was based on primary data. The required primary data have been collected from 88 sample high school teachers by using Simple Random sampling through a Structured Questionnaire. Such collected data have been analysed with the help of statistical tools like 't' test, OLS model and Linear Regression. On the basis of the findings, they concluded that age, occupation and social ceremony expense has a negative significant effect on saving and investment, whereas, gender and family size has a positive significant effect on savings and investments.

Sathiyamoorthy and Krishnamurthy (2015) made a study to examine the investment pattern and awareness level of salaried class investors about the investments. This study was based on primary data. The required primary data have been collected from 960 sample respondents by using Stratified Random sampling technique through Questionnaire. Such collected data have been analysed with the help of statistical tools like Percentage, Descriptive analysis, Independent samples 't'-test, one way ANOVA and Factor analysis. They found that most of the salaried investors prefer bank deposits, insurance policies and Government securities as the investment options. Further, it is found that there is lack of awareness about other investment avenues like shares, debentures and mutual fund.

Thulasipriya (2015) conducted a study to examine the investment preference of Government employees on various investment avenues and factors considered by them before investing. This study was based on primary data. The required primary data have been collected from 500 sample employees by using Convenient sampling technique through Questionnaire. Such collected data have been analysed with the help of statistical tools like Percentage, ANOVA, 't'-test and Freidman's Ranking Analysis. On the basis

of the findings, it is concluded that the age, annual Income, occupation and marital status of the salaried group investors influence the investment option which will provide the long term benefit and highly secured cum profitable avenues.

STATEMENT OF THE PROBLEM

Making investment by salaried assesses has become essential one. So, all the salaried employees are interested to save their excess income in proper investment avenues. Government is introducing various investment avenues to enhance the investment and saving habit of the individual especially salaried tax payers. Of course, every investment has its own strength and weakness. Income is differ from person to person likewise, investment pattern also differ from person to person. Selection of suitable investment avenue is purely depends on individual nature and based on some influencing factors. So, the selection of a suitable investment is the very big problem of salaried tax payers. By keeping in view the above realities, this paper focuses on the investment pattern of the salaried tax payers.

OBJECTIVES OF THE STUDY

The present study has been undertaken with the following specific objectives:

1. To examine investment pattern of the salaried tax payers.
2. To offer suggestions for effective investment decision of the salaried tax payers.

SAMPLING DESIGN AND METHODOLOGY

This is an empirical study based on survey method. The required primary data have been collected from the 512 sample salaried tax payers by using Multistage sampling technique. Such collected data have been analysed with the help of statistical tool percentage.

RESULTS AND DISCUSSION

Originally, 11 type of investments have been included in the Questionnaire to examine the investment pattern of the salaried tax payers.

INVESTMENT PATTERN OF THE SALARIED TAX PAYERS

For analysis purpose, investment channel of the sample salaried tax payers are classified into eleven viz., investment in immovable properties, bank deposits, post office deposits, life insurance corporation, provident fund, pension schemes, gold, silver and other precious metals, securities, National Savings Certificate (NSC), National Savings Scheme (NSS), Tax saving bonds. The Table 1 exhibits the distribution of the salaried tax payers on the basis of their investment pattern.

TABLE 1

INVESTMENT PATTERN OF THE SALARIED TAX PAYERS

Sl.No.	Investment Avenues	No. of Salaried Tax Payers	Percentage in Total
1	Immovable Properties	128	25
2	Bank Deposits	232	45
3	Post Office Deposits	304	59
4	Life Insurance Corporation	512	100
5	Provident Fund	512	100
6	Pension Schemes	42	8
7	Gold, Silver and Other Precious Metals	187	37
8	Securities	79	15
9	NSC	103	20
10	NSS	72	14
11	Tax Saving Bonds	64	13

Table 1 reveals that all the sample salaried tax payers are taking insurance policy in Life Insurance Corporation of India and invested in Provident Fund and 59% of the sample salaried tax payers are invested in Post Office Deposits.

SUGGESTIONS AND CONCLUSION

In the present study, it is found that 100% of the sample respondents are making investment in Life Insurance policy and provident fund. Tax benefit, risk covered and retirement benefit are the main reasons for investing in LIC and provident fund. Hence, it is suggested that Government of India should introduce various innovative and fascinating investment schemes for the benefit of the salaried tax payers which will reduce the tax liability of them and create awareness about the other tax planning investments.

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