



An Analytical Study On Financial Planning And Awareness Of Tax Saving Investment Avenues Among Individuals In Jayanagar, Bengaluru

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Abstract

Financial planning plays a vital role in achieving financial stability and long-term wealth creation. One of the key components of financial planning is tax-saving investment, which allows individuals to optimize their income while contributing to future financial goals such as education, retirement and wealth creation. This study aims to assess the level of financial planning and awareness among individuals regarding various tax-saving investment products such as Public Provident Fund (PPF), National Savings Certificate (NSC), Equity Linked Savings Scheme (ELSS), life insurance, Pradhan Mantri Vaya-Vandana yojana (PMVVY), Sukanya Samruddhi yojana (SSY) and pension schemes under Section 80C of the Income Tax Act. The research paper seeks to identify the extent of awareness, the factors influencing investment decisions, and analyse the preference of tax saving investment options of the respondents. Primary Data will be collected through structured questionnaires and analyzed to understand the relationship between demographic variables and investment behavior. The findings of this study are expected to provide insights into the current state of financial literacy, highlight gaps in awareness, and suggest measures to promote informed decision-making in tax-efficient investments.

Keywords: Financial planning, Tax-saving investments, Financial awareness, Financial literacy

I. Introduction

A financial plan is a comprehensive strategy that contains the details of an individual's current and future position and their short- and long-term monetary goals. It includes the strategies that should be followed in achieving the goals. A financial plan acts as a road map that will help an individual to prepare for meeting the obligation and objectives. It also helps in tracking the progress throughout the year leading to financial wellbeing.

Financial plan covers multiple areas of managing finance including investing, taxes, savings, retirement, real estate, insurance, children's education, debt repayment, emergency fund, wealth accumulation and more. A sound financial plan ensures that resources are allocated wisely to meet both short term and long term objectives. One of the key benefits of financial planning is that it helps investors understand their risk tolerance, enables better diversification, promotes financial discipline etc.

Financial planning is the foundation for successful investing. It not only helps in building wealth systematically but also ensures financial security allowing individuals to meet their goals confidently and efficiently.

Financial literacy is characterized as familiarity and understanding of rewards and risks involving financial decisions. It is primarily concerned with personal finance that enables individuals to take effective action to increase general wellbeing and prevent financial distress It entails knowledge of financial concepts such as

savings account, compound interest, financial planning, time value money which helps to make proper decisions about certain personal finance areas such as tax planning, retirement, real estate, insurance etc. It is a weapon in the hands of individuals to improve their financial status by creating household budgets, saving plans, managing debt, planning for life cycle needs and deal with unexpected emergencies with out incurring unnecessary debts (Lusardi & Mitchell, 2014)

Review of Literature

Gajanan Nerkar, (2021) The objective of this study is to know the investor's awareness and also the factors that affect the selection of types of investment. In today's world investment awareness and products are continuously changing so, if investors are not aware about this, they are going to suffer huge loss. To collect primary data investors were selected by preparing questionnaire for studying the saving habits and investment pattern of salaried class people at Pune.

Khanal. S, Thapa, B.S and Nepal S.R (2022): "Determinants of personal financial planning". Personal financial planning is a tool that enables people to assess their present financial condition, develop plan and put those strategies into action in order to attain their financial objectives. The researcher seeks to examine the factors that influence financial planning among Nepalese business graduates. A comprehensive questionnaire was employed to conduct an email survey of 227 business graduates. The result showed that while financial knowledge has no substantial impact on personal financial planning, financial attitude and financial awareness.

Farooqi, U. G., Khan, F. A., Aleem, S. A., Arif, M. A., & Ambreen Ashfaq, M. O. A. (2022): "A study on financial planning and tax-saving strategies of salaried employees". The researcher has found that the income, savings, projected earnings as well as insurance, financial objective and future oriented goals should be considered for financial plan. The objective of the study was to discover more about how salaried people manage their finance and save money.

Tatar Sneha, Arvind 2023: "A Study on pattern of savings and investment of individual investors in North Maharashtra" the researcher has analysed various investment option available and found some options are very old like bank fixed deposit, life insurance policy, investment in precious metals like gold, silver. Also emerging new options like stock, EFT, mutual funds. The researcher has given suggestions to help improve decision making process of the individual investor. Proper time of investment will help individual investor to achieve financial freedom.

II. Statement of the problem

Financial planning is important in one's life because it affects the financial stability of the individual. Along with earning money it is important to save a portion of earning for the future because one can't predict the future events. There is a knowledge gap on studies relating to financial plans and awareness of investment in tax saving products. Some individuals are rigid in opting for new investment avenues and prefer for traditional investment such as fixed deposit and recurring deposit. The purpose of the study is to look at individual financial goals and knowledge of buying tax saving products. The study aims to understand how people reduce their tax burden and through various strategies, their individual knowledge about tax saving instrument available in the market. It is necessary to understand the factors that affect the individual decision to invest in tax saving products, their level of financial literacy and also difficulties faced by the individual while taking the decision on investment. Hence, the present study is undertaken to understand the individual's knowledge on financial planning, their financial literacy and also awareness about the tax saving investment products.

III. Objectives of the study

- To assess the level of awareness of tax saving investment avenues among the respondents.
- To identify the most preferred tax saving investment products.
- To provide suggestions for improving financial planning and awareness level of investors

IV. Hypothesis

H₀: The factors additional income, tax- benefits, return, safety, liquidity, regulatory intensity, future needs are not considered for tax saving instruments.

H₁: The factors additional income, tax-benefits, return, safety, liquidity, regulatory intensity, future needs are considered for tax saving instruments.

V. Scope of the study

The responses were collected by the tax-payer employees both private, public sector and self-employed and are residents of Jayanagar, Bengaluru. Jayanagar, a prominent residential and commercial area reflects a mix of middle- and upper-income groups making it suitable region for the study.

VI. Research Methodology

Descriptive research: The above research is to be done on descriptive research seeks to provide an accurate description of observation of the phenomena it is a fact-finding investigation with adequate interpretation. It helps to understand the state of knowledge, attitude and behaviour relating to financial planning and awareness of investment in tax saving products among specific population.

Sources of data: This study is based on both primary and secondary data.

Primary data: It is obtained through structured questionnaire and is collected from the tax paying individual from Jayanagar area and it is analysed based on the filled questionnaires.

Secondary data: The data is collected from academic journals, e-magazines and other e-resources.

Sample size: The data to be collected from tax paying individuals. The number of samples used in an experiment is known as the sample. The above research has collected the information from 100 respondents for the effective output in Jayanagar area for this research.

Sampling unit: An extrapolation of a population is done using a sampling unit, which is a sample of the population. The sample unit considered for this study are self-employed individuals, public or private sector tax paying individual.

Sample Technique: Convenient sampling technique is used for data collection.

Statistical tools: The data that is collected is analysed with the help of statistical tools such as advance excel and SPSS.

VIII. Hypothesis Testing

One sample T- test

A one-sample t-test is a statistical hypothesis test used to determine whether there is a significant difference between the mean of a single sample and a known or hypothesized population mean.

The test assesses whether the observed mean of the sample is significantly different from the hypothesized population mean, taking into account the variability within the sample. The t-test generates a t-statistic, which is a measure of how many standard deviations the sample mean is away from the hypothesized population mean, accounting for the sample size and the sample's standard deviation.

The t-test calculates a t-value based on the means and variances of the two groups, along with the sample sizes. This t-value is then compared to a critical value from the t-distribution, taking into account the degrees of freedom and a chosen level of significance (often denoted as α). If the calculated t-value is greater than the critical value, it suggests that the difference between the group means is statistically significant, and the null hypothesis is rejected. If the calculated t-value is smaller, the null hypothesis can't be rejected.

Table No:1

Table showing the factors considered to choose tax-saving instrument

Factors	Strongly agree	Agree	Neutral	Disagree	Strongly agree	Total
Additional income	36	40	19	5	-	100
Tax Benefits	32	37	26	5	-	100
Returns	35	37	24	4	-	100
Safety	36	40	19	3	2	100
Liquidity	25	35	27	9	4	100
Regulatory intensity	10	34	44	8	4	100
Future Needs	39	39	16	5	1	100

Source: Primary data

H₀: The influencing factors additional income, tax benefits, returns, safety, liquidity, regulatory intensity, future needs will not influence the decision to choose the tax-saving instrument.

H₁: The influencing factors additional income, tax benefits, returns, safety, liquidity, regulatory intensity, future needs will influence the decision to choose the tax-saving instrument.

Table No: 2
Table Showing the Descriptive Statistics of the factors

Factors	N	Mean	Std. Deviation	Std. Error Mean
Additional income	100	1.93	0.868	0.087
Tax benefits	100	2.04	0.887	0.089
Returns	100	1.97	0.870	0.087
Safety	100	1.95	0.925	0.093
Liquidity	100	2.32	1.072	0.107
Regulatory Intensity	100	2.62	0.919	0.092
Future needs	100	1.90	0.916	0.092

Source: Primary data

H₀: The influencing factors additional income, tax benefits, returns, safety, liquidity, regulatory intensity, future needs are not considered for tax saving increments.

H₁: The influencing factors additional income, tax benefits, returns, safety, liquidity, regulatory intensity, future needs are considered for tax saving instruments.

Interpretation

From the above table the mean value of additional income, tax benefits, returns, safety, liquidity, regulatory intensity, future needs are 1.93, 2.04, 1.97, 1.95, 2.32, 2.62, 1.90 respectively which identifies the factors considered for choosing tax saving instrument.

Table No. 3
Table Showing one sample T-Test

	Test Value = 3						
	T	Df	Significance		Mean Difference	95% Confidence Interval of the Difference	
			One-Sided p	Two-Sided p		Lower	Upper
Additional income	-12.334	99	<.001	<.001	-1.070	-1.24	-.90
Tax benefits	-10.826	99	<.001	<.001	-.960	-1.14	-.78
Returns	-11.841	99	<.001	<.001	-1.030	-1.20	-.86
Safety	-11.348	99	<.001	<.001	-1.050	-1.23	-.87
Liquidity	-6.344	99	<.001	<.001	-.680	-.89	-.47
Regulatory intensity	-4.136	99	<.001	<.001	-.380	-.56	-.20
Future needs	-12.014	99	<.001	<.001	-1.100	-1.28	-.92

Source: Primary data

Interpretation

From the above table p value of the factor's additional income, tax benefits, returns, safety, liquidity, regulatory intensity, future needs are less than 0.05. Hence, null hypothesis is rejected and the alternative hypothesis is accepted. Therefore, it is evident that the factors additional income, tax benefits, returns, safety, liquidity, regulatory intensity, future needs are considered for choosing tax saving instruments.

IX. Results and Discussion

- The higher participation of male (51%) indicates that they have comprehensive understanding and interest in investments.
- The respondents aged between 20-25 (43%) showed the higher inclination towards investing in tax saving products due to their advanced career stages and financial independence.
- The substantial portion of respondents are holding master degree (41%) indicating that investors are more likely to understand the benefits of tax-saving investment.
- The maximum number of respondents are from private sector (67%) demonstrating the growing interest and

awareness of investment options.

- The distribution of respondents across different income levels states that higher income earning (10%) individuals are more risk tolerant than the lower or average income earning individuals.
- Most of the respondent's primary goal is to invest in property (53%) because of the appreciating value and also it is immovable in nature.
- Most of the respondents don't have the financial plan that incorporates tax-saving strategies (69%) because they may find it challenging due to the lack of understanding.
- The study indicates that most of the respondents are unaware of Pradhan Mantri Vaya Vandana yojana (19%) and unit linked insurance plan (23%) because of the complex nature and limited promotional efforts.
- The study states that majority of the respondents are aware of public provident fund (34%) and fixed deposits (39%) because these schemes are relatively well known and offered by main stream financial institution.
- The study reveals that preference of the tax saving investments are based on financial goals, risk associated and the guaranteed returns and time period.
- The study indicates that family and friends (27%) are common source of financial advice due to the trust factor. People often rely on experiences and recommendations of those they know personally. The people also prefer doing self-research and analysis (31%) before investment.
- The study reveals that the most of the respondents agree that factors that influence their choices of tax saving instruments are additional income (40%), tax benefits (37%), returns safety (37%), safety (40%), liquidity (35%), regulatory intensity (34%) and future needs (39%).
- From the one sample t-test it is evident that the factors additional income, tax benefits, returns, safety, liquidity, regulatory intensity, future needs are considered for choosing tax- saving instruments.

X. Suggestions

- Individuals should start creating the personal budget that helps them to outline their monthly income, expenses and saving goal. This helps them to identify areas for potential investment.
- The goals of an individual should be clearly identified such as short term or long-term goals based on their needs.
- The investors should clearly plan and diversify their investment as it helps in mitigating the risk and also gain good return.
- Investors should be educated about the various tax-saving investment options available under different sections by distributing easy to understand guides on savings, insurance and tax saving products by financial institutions.
- Taking advice from the financial advisors or tax professionals will help the tax payers to navigate the complexities of the tax laws and identify suitable investment avenues.
- Tax laws and regulations change over time and being updated will help to stay informed about the changes in tax-saving provisions to take better decisions.
- Before investing, the risk tolerance should be considered as different tax-saving products will have varying level of risk, hence one must have an eagle eye on risk factor before investment.
- The investors should be encouraged to use digital platforms and certified advisors for investment guidance.
- Financial literacy should be increased by leveraging the use of social media and you tube channels.
- Financial literacy programmes should be organised by government in collaboration with banks and other financial institutions.
- Integrate financial education into school and college curricula to build foundational knowledge early.

XI. Conclusion

The study "An Analytical study on financial planning and awareness of tax saving investment avenues among individuals in Jayanagar, Bengaluru", highlights the growing importance of financial literacy in effective personal wealth management. The findings reveal that while a majority of individuals are aware of basic tax saving instruments such as public provident fund, life insurance and national savings certificate, a considerable knowledge gap persists regarding diversified and other market linked investment avenues. It is evident that a structured approach to financial education supported by digital tools, financial institutions and policy initiatives can enhance investor confidence and promote more informed tax saving practices. This can lead to more efficient utilization of available tax saving avenues contributing not only to individual financial security but also to broader goal of economic empowerment and sustainable financial growth.

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