



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

A Study On Investors' Attitudes Towards Equity Linked Saving Scheme (Elss) Tax Saver Fund

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ABSTRACT

This study explores the investors attitudes towards tax saver funds, with a particular focus on Equity-Linked Savings Schemes (ELSS). The study aims to identify and describe the demographic, financial literacy, behavioral bias and investor satisfaction towards ELSS tax saver. Structured questionnaires were used to gather primary data from a diverse group of investor and secondary data is collected from journals, research scholars and websites of SEBI. The type of research design used in this study is exploratory research design. This study chosen sample size of 160 has been determined using pilot study, hence convenience sampling techniques is used in the survey. Tools used in this study Kruskal Wallis, Mann Whitney and Spearman's rank correlation. The study ends with strategic recommendation fund houses and policymakers to improve investors' awareness in tax saving funds.

Keywords: Financial literacy, behavioral bias and satisfaction.

1. INTRODUCTION

Equity linked savings schemes are mutual funds that primarily focus on investing in stocks and equity related instruments. These funds are a popular choice for tax saving purposes under the old tax regime as they allow individuals to claim deductions of up to Rs. 1,50,000 under Section 80C of the Income Tax Act, which helps in reducing taxable income. A key characteristic of ELSS is its compulsory lock-in period of three years, which means investors cannot withdraw their funds before the time frame. This long term commitment has made ELSS an attractive option for people who want to save taxes while also aiming for potential growth in their investments. After the three-year period, the returns earned from ELSS investments are considered Long-Term Capital Gains (LTCG) and are taxed at 12.5%, provided the gains exceed Rs. 1.25 lakh in a financial year.

Features of ELSS tax saver fund

Tax saving: ELSS funds offer tax benefits under Section 80C, allowing investors to deduct their investment amount from their taxable income.

Lock-in Period: ELSS funds have a mandatory 3-year lock-in period, meaning investors cannot withdraw their money before this period is over.

Investment Options: ELSS funds can be invested in through Systematic Investment Plans (SIPs) or lump-sum investments.

2. OBJECTIVES OF THE STUDY

1. To analyze the impact of demographic factor on investment preference.
2. To assess investors' awareness and understanding of ELSS tax saver funds.
3. To investigate how behavioral bias influence an investors' decision making.
4. To examine whether the investors are satisfied with their ELSS tax saver funds.

3. SCOPE OF THE STUDY

The study examines the investment trends and may analyse past patterns to understand changes over time. Identifies common difficulties investors encounters, such as lack of awareness, complexity in fund selection, or misconceptions about returns and risks. Findings will help policymakers, financial advisors and fund managers design better tax-saving products and improve investor awareness and satisfaction.

4. REVIEW OF LITERATURE

Badrinath G, Dr. Surulivel S.T 2024

This study mainly focuses on investor attitude and preference for Tax-Saving Mutual Funds.

The study's goal is to better understand the elements that influence investors' preference in this area as well as to provide better insights about Tax-Saving investments. In this study, the purposive sampling is used to collect 353 respondents and the following analysis was made, Reliability analysis, percentage analysis, Chi-Square, ANOVA, Correlation and Regression analysis. Investor attitude and preference can be examined by the demographic factors, tolerance level of risk, investment duration, returns, lock in period and tax benefits with means of blending qualitative and quantitative analysis. This research contributes to greater understanding of the investor's preference and attitude.

Dinkar, E. A., & Amar, E. V. 2024

Tax planning is a crucial aspect of financial planning, enabling individuals to minimize their tax liability by legally utilizing tax exemptions, deductions, rebates, and allowances. This study aims to identify the most suitable tax-saving instruments and examine the amount saved using these instruments. Tax planning is not evasion of tax but an act of caution and vision for taxpayers to reduce their tax liability. It ensures that tax benefits are properly discharged and avoids penal provisions. The study focuses on fixed salaried individuals in Kolhapur City, who have different investment patterns due to safety, income security, and retirement benefits compared to professionals and business people.

5. RESEARCH METHODOLOGY

The type of research design used in this study is exploratory research design. This study chosen sample size of 160 has been determined using pilot study, hence convenience sampling techniques is used in the survey. With the help of normality test it is found that data are not normally distributed, hence non-parametric tools are applied.

6. DATA ANALYSIS AND INTERPRETATION

6.1 Percentage analysis

Table 1: Demographic profile of investors

Categories	Sub categories	No. of respondents	Percentage (%)
Age	20-30	36	22.5
	31-40	57	35.6
	41-50	57	35.6
	51 and above	10	6.3
Gender	Male	133	83.1
	Female	27	16.9
Educational Qualification	Higher secondary	2	1.3
	Under Graduate	23	14.4
	Post Graduate	127	79.4
	Professional course	8	5
Total	All categories	160	100

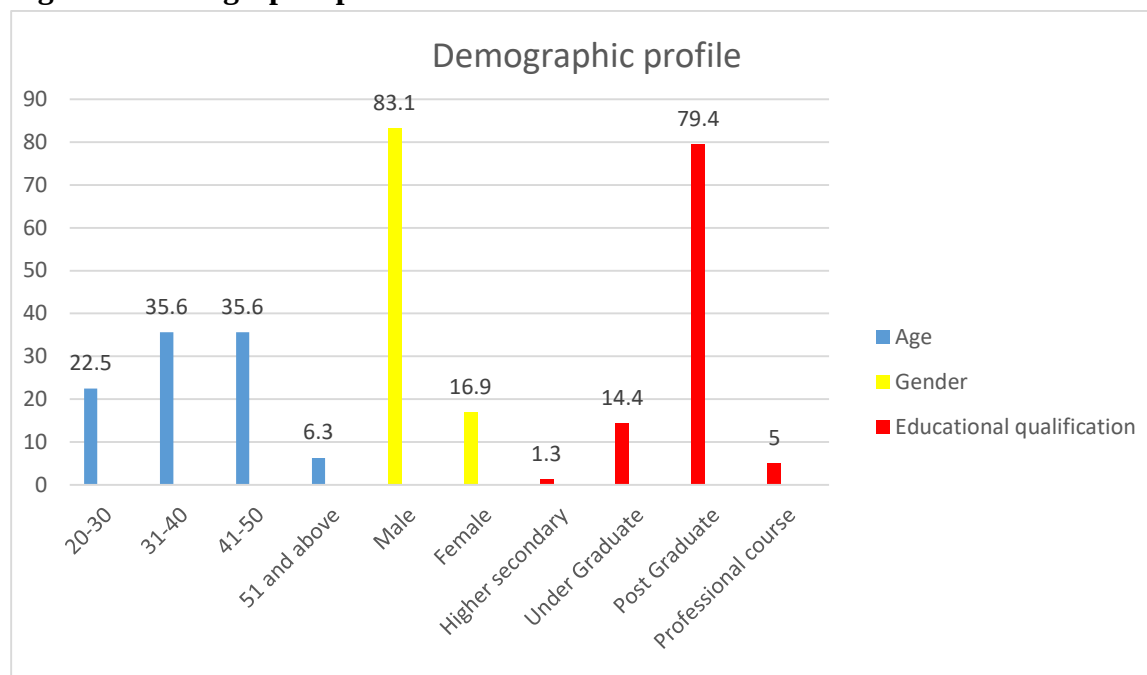
6.1.1 FINDINGS

From the age category it is found that 22.5% of respondents are comes under the age of 2030,35.6% of respondents are comes under the age of 31-40, 35.6% of respondents are comes under the age of 41-50 and 6.3% of the respondents comes under the age of 51 and above.

From the gender category it is found that 83.1% of the respondents are male and 16.9% of respondents are female and from the educational qualification it is found that the 1.3% of respondents has completed higher secondary, 14.4% of respondents has completed under graduate, 79.4% of respondents completed post graduate and 5% of respondents completed professional course.

6.1.2 INFERENCE

- The majority of the respondents are at the age of 31-40 and 41-50 (35.6%)
- The majority of the respondents are male (83.1%)
- The majority of the respondents completed post graduate (79.4%)

Figure 1: Demographic profile of investors

Source: Author generate

6.2. KRUSKAL WALLIS TEST

Null hypothesis: There is no relationship between investors' annual investment amount and other independent variables (Financial literacy, Behavioural bias, Satisfaction)

Alternative hypothesis: There is a relationship between investors' annual investment amount and other independent variables (Financial literacy, Behavioural bias, Satisfaction)

Table 2: Showing Kruskal Wallis Test

	Financial awareness	Behavioral biases	Satisfaction
Chi-Square	1.737	2.641	3.296
df	3	3	3
Asymp. Sig.	.629	.450	.348

a. Kruskal Wallis Test

b. Grouping Variable: Annual investment amount in ELSS tax saver fund

Source: Author generated

6.2.1 INTERPRETATION

Since the p-values are greater than 0.05, we fail to reject the null hypothesis. There is no significant difference in financial literacy, behavioural bias and satisfaction among different annual investment amount in ELSS tax saver funds.

6.3 MANN WHITNEY TEST

Null hypothesis: There is no significant difference between the gender and satisfaction of the investors.

Alternative hypothesis: There is a significant difference between the gender and satisfaction of the investors.

Table 3: Mann Whitney test

	Satisfaction
Mann-Whitney U	1520.500
Wilcoxon W	10431.500
Z	-1.261
Asymp. Sig. (2-tailed)	.207

Source: Author generated

6.3.1 INTERPRETATION

Since the p-value (0.207) is greater than 0.05, we fail to reject the null hypothesis. There is no relationship between the gender and satisfaction level of investors.

6.4 SPEARMAN RANK CORRELATION

Null hypothesis: The variables are not statistically significant.

Alternative hypothesis: The variables are statistically significant.

Table 4: Spearman's Rank correlation Correlations

	Annual investment amount in ELSS tax saver fund	Financial literacy
Spearman's rho	1.000	.023
Annual investment amount in ELSS tax saver fund		.386
Financial literacy	.023	1.000
Correlation Coefficient		
Sig. (1-tailed)		
N	160	160

Source: Author generated

6.4.1 INTERPRETATION

Since the p-value (0.386) is greater than 0.05, the correlation is not statistically significant. The correlation coefficient (0.023) is less than the p-value, thus it has relationship between financial literacy and annual investment amount invested in ELSS tax saver fund.

7. SUMMARY OF FINDINGS

1. The majority of the respondents are at the age of 31-40 and 41-50 (35.6%)
2. The majority of the respondents are male (83.1%)
3. The majority of the respondents completed post graduate (79.4%)
4. There is no significant difference in financial literacy, behavioural bias and satisfaction among different annual investment amount in ELSS tax saver funds.
5. There is no relationship between the gender and satisfaction level of investors.
6. There is a relationship between financial literacy and annual investment amount invested in ELSS tax saver fund.

8. SUGGESTIONS

- It is suggested to provide an option to choose between different lock-in-period (Eg. 3 to 5 years) might attract more investors based on their financial goals.
- Awareness of Equity Linked saving Scheme (ELSS) is still lacking in this market, companies should give focus on "Investor Education". For this purpose, arrange the conference and seminar can be the best way towards educating the investors.
- Integrating ELSS investment platforms with voice assistants like Alexa, Siri, or Google Assistant a simply the investment process for non-tech-savvy users through voice-enabled commands such as "Invest Rs. 5,000 in ELSS"

9. CONCLUSION

The attitude of investors towards ELSS tax saver funds is shaped by a complex interplay of demographic factors, financial literacy, behavioral biases and overall satisfaction of the investors. Financial literacy is very vital in shaping the image of investor and influence positive investor perception. Behavioral biases can distort rational decision-making, leading to some investors not using ELSS effectively. Overcoming these challenges requires targeted education, product innovation and user-centric services to enhance participation in ELSS tax saver fund.

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