Chapter VIII

Summary of Findings and Suggestions
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SUMMARY OF FINDINGS AND SUGGESTIONS

In these final chapters, firstly, a summary of the work completed is described. The findings emerging from the analysis is presented next.

8.1 SUMMARY

The individual investors include salaried class, self employed and businessmen. Among the above, the salaried class has some distinctive features like fixed source of income and information support from the workplace, etc. The practice of savings and investments are the function of income. Hence, with assured monthly income, salaried class investors assume great importance in view of their capacity to save regularly and investing. Therefore, the present study is aimed to focus the investment patterns and tax planning of salaried class investors. Investors’ behaviour with regard to all types of investment avenues were considered and the present study was carried out in “The Nilgiris District” of Tamil Nadu, India.

This study used the primary data obtained from salaried class investors and the questionnaire was the main tool for collection the data. The questionnaire was pre-tested to ensure clarity and prompt response from the respondents. The sample size was 600. Though, 1000 questionnaires were issued, the researcher was above to collect only 600. Convenience sample was adopted to select the salaried class investors. Personal factors of salaried class investors were considered as independent variables to analyze the data. The data collected through this questionnaire was analyzed by using percentage analyses. Chi-square test, T-test, F-test that ANOVA and factor analysis.

The Profile and Awareness of the salaried class investors, Attitude and Satisfaction of salaried class investors, Factors motivating and Expected Rate of Return on investment of salaried class investors, Awareness and Attitude on Tax Planning of salaried class investors, Objectives of salaried class investors, information usage in the decision making process, investors Grievances and Preferences of salaried class investors when lump sum amount is received are examined in this study. The findings of the study are presented below:
8.2 FINDINGS

The findings emerging from the analysis of investment patterns and Tax Planning of investors is presented below:

8.2.1 PROFILE OF SALARIED CLASS INVESTORS

On examination of the profile of salaried class investors it is found that

- male investors dominate the investment scene as they constitute 75.5 percent of sample investors and rest is female investors.

- a majority of 44.7 percent of sample investors belong to the age group of 41-50 years and only 11.3 percent belong to the age group of 21-30.

- Around 87 percent of salaried class investors are married and rest is unmarried investors.

- 56.5 percent of sample investors are in their own residence and rest are in rental house.

- 35 percent of sample investors have +2 level education, 24.8 percent of sample investors are Post Graduate degree holders and 23.5 percent are degree holders and only 6.2 percent are others.

- 32.2 percent of sample investors are in teaching position, 28 percent are clerical cadre and remaining are in managerial, professional and others categories investors.

- 75.7 percent of sample investors were government and 24.3 percent were private sector.

- 55.3 percent of sample investors are in town areas and the rest 44.7 percent are in village areas.

- 65 percent of sample investors are head of the family and rest are member of the family.

- 56.3 percent of sample investors are one earning member in the family and remaining 43.7 percent are 2 and above earning member in the family.
- Nearly, 72 percent of sample investors have their spouse not employed and 28 percent of sample investors have their spouse employed.
- 52 percent of sample investors have 3-4 members in their family, 33 percent have 1-2 members and 11.3 percent have 5 and above members.
- 46.8 percent of sample investors have an monthly income between Rs.5000-10000, 26.8 percent have an monthly income Rs.10000-15000, 11.8 percent have an monthly income between Rs.0-5000 and only 5.9 percent have an monthly income of Rs.20,000 and above.
- 50.2 percent of sample investors have an monthly expenses between Rs.4000-8000, 34.5 percent have an monthly family expenses between Rs.0-4000 and only 3.6 percent have an monthly income of Rs.12000 and above.
- 46 percent of sample investors have an monthly investments between Rs.0-3000, 39 percent of sample investors have an monthly investments between Rs.3000-6000 and only 2.5 percent have an monthly investments of Rs. 9000 and above.

### 8.2.2 Awareness of Salaried Class Investors

Among the identified 13 investment avenues, all the investors know about the bank deposits. 80.7 percent are aware of provident fund and insurance products as a saving medium. 63 percent know about Postal Savings & Deposits as a saving medium. 42.2 percent know about the Gold and Jewellery as a saving medium. 37.8 percent are aware of chit funds. Only 2.5 percent know about units in UTI, 4.2 percent know about Mutual funds and 4.6 percent know about shares, debentures & bonds as a saving medium.

Three level of awareness of salaried class investors have been identified through awareness scale. They are : Low level (1-3), Medium level (4-6) and High level (>=7).

With regard to overall awareness level 21.7 percent have low level awareness, 60 percent have medium level awareness and 18.3 percent are with high level awareness.

There is no significant difference between marital status, Name of Residence, No. of dependents with Awareness of their investments and there is significant difference between Sex, Age, Educational Qualifications, Nature of Work, Types of Employment,
Place of Residence, Status in the family, No. of earning members, Spouse employment, Monthly Income, Monthly family expenses, Monthly investments with Awareness of their investments.

8.2.3 ATTITUDE OF SALARIED CLASS INVESTORS

To measure the attitude of the investors, Renis Likert’s summated a scaling technique prepared from 20 statements. In this study 5,4,3,2 and 1 scale values were used to measure investors’ attitude. The scores of the respondents range from 20-100. The average score is 60. The respondents were grouped into two on the basis of average score. In the first group, those who have scored above 60 and in the second group, those who have score below 60. Based on the above procedure out of 600 sample investors, 34.8 percent respondents were below the average score, while 65.2 per cent respondents were above the average score. Further, for the purpose of in depth analysis the respondents were grouped into four groups viz. Poor (20-45), Fair (46-60), Good (61-80) and Excellent (81-100). 14.7 percent of sample investors scored between 20-45, 20 percent of sample investors scored between 46-60, 52.2 percent of sample investors scored between 61-80 and 13.2 percent of sample investors scored between 81-100.

There is no significant relationship between Age, Place of residence, No. of dependents with Investors’ Attitude and there is significant relationship between Sex, Educational qualifications, Nature of work, Types of employment, Status in the family, No. of earning members, Spouse employment, Monthly income, Monthly family expenses, Monthly investments with Investors’ Attitude.

8.2.4 SATISFACTION OF THE SALARIED CLASS INVESTORS

An attempt is made to analyze the extent of investors’ satisfaction over their savings. As the satisfaction of investors has much relevance to the current research, enquiry was made as to whether the investors had been Very much satisfied, Satisfied or Not satisfied. It is ascertained that 13 percent of sample investors were Very much satisfied over their investments, 64.5 percent of sample investors were satisfied over their investments and 22.5 percent of sample investors were not satisfied over their investments.
There is no significant relationship between Type of Residence, Type of employment, Place of residence, Status in the family, No of dependents with Level of Satisfaction. There is significant relationship between Sex, Age, Educational qualifications, Nature of work, No. of earning members, Spouse Employment, Monthly Income, Monthly family expenses, Monthly investments with level of satisfaction.

8.2.5 FACTORS MOTIVATING IN INVESTMENTS

Investors' decision to invest in various investment avenues is influenced by several factors. An important factors that motivates an investor is the Save Income Tax (93.5%) and the other factors are as follows:

* Save Income Tax 93.5 %
* Safety of money 81.8 %
* Age 80.3 %
* Secure Retirement Life 78.5 %
* Children Marriage 73.7 %
* Best Returns 72.2 %
* Education Level 64.3 %

8.2.6 EXPECTED RATE OF RETURN ON INVESTMENTS

Interest rates changes after the relative attractiveness of financial assets like shares, bonds and other fined interest investment and any change in interest rates affects the general demand for goods and services in the economy. Lower interest rates generally tend to cause a shift of ingestible funds from bonds, bank and company deposits to equity shares and vice versa. Lower interest rates also reduce the cost of borrowing money for the purchase of shares, thus creating a bullish effect on the stock markets. For an investor, the most important question is his returns on an investment. The return on investment is a key factor which decides the mode in which an investor is supposed to invest his funds. In this situation, the expectation of investors with regard to rate of return are seldom fulfilled and mostly they receive less than the moderate level of return. In this context, it was considered very important to know the rate of return expected by investors. An attempt was made to understand the expectation, desire or ambition of investors.
48.7 percent of sample investors wanted to have 11-12 percent return on their investments, 18 percent of sample investors wanted to have 9-10 percent of sample investors, 14.2 percent of sample investors wanted to have 13-14 percent of sample investors, 8.4 percent of sample investors wanted to have 15 percent and above return on their investments and only 10.7 percent of sample investors wanted to have below 9 percent return on their investment.

8.2.7 AWARENESS ON TAX PLANNING

In this study, the awareness on Tax planning of salaried class investors are measured by through the construction of awareness scale. In order to quantify the awareness level, the researcher has identified 24 components on Tax planning of salaried class investors. Each component has been given one score in order to give equal importance to each avenue on tax planning. It is observed that all the sample investors know about House Rent Allowance, Hill and Winter Allowance, Professional or Employment Tax, Section 80c an investment upto Rs.1 lakh in approved schemes (PF, LIC, NSS, NSC, Housing loans, etc), 97 percent of sample investors know about 80CCC-pension plans and 80CCD pension schemes maximum of 10 of salary, 94 percent of sample investors know about deduction in let out house property, 96.8 percent deduction in Children Education and Hostel Expenditure Allowance. In order to know the different levels of awareness of respondents, awareness scores had been grouped into 3 categories namely, investors with low level (1-16), medium level (17-18) and high level 19 and more of awareness on Tax planning.

42.5 percent of investors had medium level awareness on tax planning, 28.5 percent investors had high awareness level on tax planning and 29 percent investors belonged to low awareness category.

There is no significant relationship between Sex, Marital status, Name of Residence, Educational qualifications, Nature of work, Types of employment, Status in the family, Spouse employment, No. of dependents, Monthly income, Monthly family expenses and Monthly investments with Awareness on Tax Planning and there is significant relationship between Age, Place of Residence, No. of earning members with Awareness on Tax Planning.
8.2.8 ATTITUDE OF INVESTORS ON TAX PLANNING

To measure the attitude of the investors on Tax Planning, Renis Likert's summated a scaling technique prepared from 12 statements. In this study 5.4.3.2 and 1 scale values were used to measure investors' attitude on Tax Planning. The scores of the respondents range from 12-60. The average score is 36. The respondents were grouped into two on the basis of average score. In the first group, those who have scored above 36 and in the second group, those who have score below 36. Based on the above procedure out of 600 sample investors, 67 percent respondents were below the average score, while 33 per cent respondents were above the average score. Further, for the purpose of in depth analysis the respondents were grouped into three groups viz. Low level (<= 33), Moderate level (34-36) , High (>=37). 21.8 percent of sample investors scored between 12-33, 45.2 percent of sample investors scored between 34-36, 33 percent of sample investors scored between 37-60.

There is no significant relationship between Sex, Age, Marital Status, Types of Residence, Educational qualifications, Nature of work, Types of employment, Place of Residence, Status in the family, No. of earning members, Spouse employment, No. of dependents, Monthly income, Monthly family expenses and Monthly investments with Attitude on Tax Planning.

8.2.9 OBJECTIVES OF INVESTMENT

Investors have to work out their operations within the frame work of certain objectives. Six objectives were included in the questionnaire and investors were asked to assign ranks according to their preferences. Based on the rank assigned, similarity of opinion among different groups of investors, Kendall’s concordance test was applied. Based on Kendall’s Mean Rank on objectives of investments, TAX BENEFITIS tops the list followed by SAFETY OF MONEY. BETTER RETURN stands third in the list. RETIRMENT LIFE stands fourth rank. EDUCATION OF CHILDREN stands fifth rank and CAPITAL FORMATION obtains the last rank.
8.2.10 SOURCES OF INFORMATION FOR INVESTMENT DECISION MAKING

Decision making in investment is essentially an information based activity. Timely and reliable information is a fundamental requirement for profitable and safe investment. The present study elicited responses from the salaried class investors about the sources of information for decision making in investment. Twelve statements were listed in the questionnaire and the respondents were asked to respond their option. 4, 3, 2 and 1 scale values were used to measure sources of information for decision making in investment. The scores of the respondents range from 12 to 48. The average is 30. The respondents were grouped into two on the basis of average score in the first group, those who have scored about 30 and in the second group, and those who have scored below 30. Further, for the purpose of depth analysis the respondents were grouped into 3 groups viz low level (≤30), moderate level (31-35) and high level (≥36).

45.7 percent of sample investors were scored below the average 30, 54.3 percent of sample investors were scored above the average 30. Also, 28.5 percent of investors have scored between 31-35 and 25.8 percent of sample investors about 36 and above.

There is no significant difference between Sex, Age, Marital status, Educational qualifications, Nature of work, Types of employment, Place of residence, Spouse employment, Monthly income, Monthly family expenses, Monthly investments with Sources of information for investment decision making.

8.3 SUGGESTIONS AND CONCLUSIONS

Since independence, the prime objective of Government policy in India is to promote a rapid and balanced industrial growth. As the development is a continuous process, it requires the utilization of resources more effectively to achieve the accepted means. Sustaining the development mainly depends on the availability of large volume of capital. Availability of adequate finance ensures systematic and uninterrupted development generally in the economy of the country and particularly in the field of business. Necessary finance can be made available if the financial intermediaries perform their work efficiently and effectively. Banks, Non-banking finance companies, Post office, Share markets are the major intermediaries. These organizations help the retail investors to save and invest their money for a specific purpose. Hence, these
financial institution have dual role to play, primarily they undertake the responsibility of savings of individual investors and secondarily help the nation to generate the necessary funds.

i) SAVING CULTURE: The Central and State Government should spread saving and investment habit by making foolproof safety mechanism. Only with prevalence of a healthy atmosphere, individual investors will be inclined to deploy their funds on a continuous basis in various types of financial instruments of government.

ii) AWARENESS PROGRAMME: Investors education is the need of the hour. Though number of institutions part with investor education, they are not sufficient. A mass and continuous awareness programme shall be conducted. Before investing, one has to equip himself with relevant information, which will have a long run impact on his investment practices. But in practice, investors with little time to discuss investment matters are not serious in the matter. Owing to the availability of little relevant information, general talks and rumors induce the investors to choose the investment instrument though it does not suit his interest. Hence, a systematic and long run investors awareness programme would be a boon to the investing community. Government organizations operating in the field of finance and voluntary organization like Rotary Club, Lions Club and Banking Companies may individually or jointly take part in educating the investors. The participation of these institutions in the line would be a great social cause and ultimately the country’s resources will be diverted in a right way.

iii) ARRESTING OF INFLATION: Unlike others, salaried class investors have a constraint-fixed income. Within the fixed income, many of the investors find it difficult to overcome the effect of inflation. The pay rise generally does not equate the increased cost of living. Though investors could effect savings. Such saving does not increase in proportion with pay rise. Due to the constant increase in prices, a serious damage is caused to the economic condition of middle and lower class salaried group. Hence, the Government must exercise some more control to arrest the inflation rate.

iv) TAX EXEMPTION ON INTEREST: Other category investors like businessmen and self-employed have nothing to worry about tax deducted at source. Hence, many of them deliberately resort to tax evasion by dishonest means like suppression of income.
falsifying records, maintaining improper records and statements, concealment of facts etc. Again, they tend to take advantage of the loopholes of tax laws. But salaried class does not resort to such type of illegal exercises. Therefore, they must be given concession in payment of Taxes. Moreover, the Central Government may give total tax exemption on interest on deposits in commercial bank or in specific nationalized bank. If this pioneering step is understood in right spirit and given a way for its functioning, the Government could certainly mobilize billions of rupees from salaried class alone.

v) AN EXCLUSIVE ORGANISATION: The prime objective of regulatory agencies- RBI, SEBI, Company Law Board, Police and Court, etc. is to protect the investors. In spite of their bulk expenditure on investor protection, they could not safeguard the interest of investors. A separate organization equipped with adequate power to monitor the investment and finance companies is to be established. Compulsory registration with RBI alone does not serve the purpose. Instead an exclusive organization may be promoted to re-establish the confidence lost by investors.

vi) HIGH RISK INVESTORS: Some investors assume high risk when they invest in high return instruments. No doubt high returns are offered as a reward for high risk. Hence, it is suggested not to extend the investor protection measure to high risk investors at the cost of others. Practically, ordinary (low risk) investors need no protection because they invest in safe instruments. But high risk investors are protected against possible loss and thus they invest in high risk investment avenues again and again. Hence, the cost of protecting the high risk investors may be recovered only from them and not to be met at the cost of others.

vii) BANK INTEREST RATE: It was reported recently that around 20-25 percent of our national revenue is paid off as interest for the external borrowings. Instead funds available within is to be tapped by providing attractive rate of interest. The main reason for poor contribution by internal sources is very low bank interest rates. Therefore, commercial banks have become efficient custodian of finance only for a shorter period. In other words, banking facilities are used mainly for keeping savings rather than for investing. Bank rates are often reduced and have become unattractive. The bank rates should be enhanced at least 11-12 percent to attract more investors. The difference
between the rate of interest offered by the bank and other prevailing market rate must be as minimum as possible.

viii) INVESTMENT IN REAL ESTATE: In recent days, the investment of salaried class in real estates has increased manifold. The reasons are many. On one side, Government failed to mobilize the savings due to very low interest rate and on the other side, several other investment avenues frequently disappointed investors. At the same time, the same leads to inflation. Hence, the government may stop this undue diversion of money in real estates by encouraging the salaried class in the following ways:

a) Government may raise the rate of interest by on all government securities and deposits of commercial banks to make it more attractive. Public feel that government securities provide safety but not profitability. There is a tendency to forgo safety to some extent to earn profits.

b) Government may extent tax concession to some other instruments also.

ix) ADDITIONAL TAX CONCESSION: Some investors reported that they had subscribed retirement benefit plans. They expect some additional tax concession from the Government. Since these schemes are mostly subscribed by private sector employees, the tax concession will be a boost for their saving habit.

8.4 A SUGGESTED MODEL FOR INVESTMENT DECISION – MAKING TO THE SALARIED CLASS

Eat a balanced diet with the right mix of essential nutrients and vitamins and we are well on the way to a healthy life. All eggs should not be kept in one basket. This advice works just as well for sustained financial health. It is all about asset allocation picking the right combination of financial instruments to best match our needs. These needs (i) whether we want regular income or capital growth.; (ii) whether we are risk averse or not and ; (iii) whether or not we are in for the long term, to name the parameters that most often determine whether we put our money.

No single combination of investments works for everyone. For instance, financial planners will typically increase the proportion of equities for people relatively comfortable with risk, ramp up debt for the risk averse, hike equities for long-term
investors and use gold as a hedge against other investments going away. Like a successful diet is all about carefully controlled intake, the success of a financial allocation has everything to do with discipline. The principles that guided our allocation should guide our subsequent investments.

It is recommended that entire savings available for investment should be divided at least into four to five portions so that the investment is spread over different areas. Investment strategies should also focus on safety and security of the investment. Hence, lucrative looking investments that carry high risks should be avoided. Investments offering medium returns but which ensure top most security and safety of invested funds should be preferred.

A disciplined investments programme is one of life’s enduring challenges. How delightfully you following your investments plan? Here are some handy tips to help you become a disciplined saver.

1. How much can you save?
   Track your expenses over an extended period, say one year, to arrive at the exact surplus you can sent apart for saving.

2. When your pay cheque arrives, deduct this pre-decided amount from it even before meeting expenses.

3. Open a recurring deposit in a bank or post office so that you are forced to make regular contributions or use two-in-one accounts that sweep any thing in excess of a specified amount into bank fixed deposits.

4. Avoid using savings to meet current expenses. It is better to cut expenses than use savings for discretionary expenses. If there is an emergency, try and use only a portion of your savings.

5. After repaying a loan fully, continue making the same payment to your savings account then invest the sum in your preferred instrument.

People in the age group of 25-35 years should save a minimum of 25-30 percent of the salary for long term investments and insurance, coverage should include a term
policy, medical insurance with maternity benefit, an insurance policy for children and a whole life cover for the couple. Those aged between 34-45 years should save a minimum of 30% and opt for term-life coverage, health insurance without maternity benefit but with a cashless transaction and no claim bonuses. Retirement planning and whole-life insurance for a couple are also recommended. Those in the age group of 45-55 years should save at least 30% or more of their income in a form where it is accessible without any charges. That’s because they could need the money for their children’s education, marriage or a home.

8.5 SUGGESTIONS FOR FURTHER RESEARCH

The current study has covered the aspects like investment climate in India of a salaried class of investors’, awareness, satisfaction, expected rate of return, factors motivating the investors, attitude of investors, awareness and attitude on tax planning of the investors, objectives of investors, information usage in the decision making process, investors grievances and preferences of salaried class investors when lump sum amount is received are examined from the point of view of salaried class to give an idea about its present state. Therefore, a study based on other sections of the community namely, business men, self employed, pensioners and senior citizens may be carried out.