INVESTORS PERCEPTION TOWARDS 80C TAX SAVINGS INVESTMENT AVENUES

***Reshma R, **Kavya M Chandran, ***Dr. Vinod G**

Abstract

Tax policies always influence economic development and individual financial behaviour. Taxation practice in India starts from ancient civilizations, scriptures like Manusmriti and Arthashastra laid down early methods of taxation. India's tax system has undergone numerous transformations, especially in modern era with introduction of various tax regimes. This study aimed to analyse investor perceptions on 80C tax-saving instruments. Primary data have been collected through a well-structured questionnaire from 78 purposively selected taxpayers in Kerala and secondary data from academic journals, financial reports, and websites. For analysing collected data descriptive statistical tools have been used, for testing hypothesis t test was applied. The study tells that most taxpayers prefer new tax regime over old tax regime. This preference is due to its lower tax rates and simplicity. Many taxpayers invest in financial instruments eligible for Section 80C deductions to accumulate wealth and maximize tax savings primarily for old age security. But new tax regime offering lower tax rates, eliminates most deductions, including those under Section 80C. Old tax regime deductions remain popular among taxpayers who prioritize tax-saving investments and deductions.

Keywords:- Tax, Section 80C, Investors Perception, New Tax Regime, Old Tax Regime.

The word "Tax" was first used in the English language during the fourteenth century, derived from the Latin word "Taxare", which means "to assess" or "to estimate". Before that, the English language was using the related word "task", derived from Old French. "Task" and "Tax" were both commonly used the first requiring labour and the second

**Reshma R, Research Scholar, Department of Commerce, Government College for Women, Thiruvananthapuram. E-mail: reshmadas21394@gmail.com*

***Kavya M Chandran, Research Scholar, Department of Commerce, Government College for Women, Thiruvananthapuram. E-mail: kavyamchandran123@gmail.com*

****Dr. Vinod G, Associate Professor and Research Guide, Government College for Women, Thiruvananthapuram.E-mail: vinodjagathi@gmail.com*

money. "Tax" then developed its meaning to imply something tiresome or challenging (Intuit profile 2018).

Tax is the money you pay to the government for the use of state services. It is a source of revenue for the government, which is used to provide you with better infrastructure and other facilities (Gorton, D. 2024). Tax saving schemes is a vital tool that policymakers use to direct investment for the growth of economy. A sound tax structure always helps the cause; it not only channelizes investment but also helps in developing a habit of investment among tax payers (Sarvaiya, J. A., & et al 2019).Tax is a type of money that every citizen of the country is required by law to pay honestly. Many economists are of the view that the tax is a compulsory payment to the government by the tax payers without any expectation. A tax-payer is not entitled to compel the government, while paying tax, to give something to her/him in return for the amount she/he has paid (Gomathi, K. 2017).

So mainly based on Section 80C deduction is available, 80C plays a critical role in the financial planning of individuals, allowing taxpayers to reduce their taxable income through specific investments (Surana, E. 2024). However, the introduction of the new tax regime alongside the existing old regime has presented taxpayers with a choice continue with the old regime, which permits various deductions including those under Section 80C, or opt for the new regime, which offers lower tax rates but eliminates most deductions. This duality in tax options has led to varying perceptions and strategies among investors, particularly regarding their approach to 80C tax-saving instruments. But taxation can be considered a convenient method of raising revenue, which in turn is linked to the welfare of the people directly or indirectly (Gomathi, K. 2017).

Research Problem

Investing is crucial for individuals as it helps for increase wealth, secure comfortable retirement and protect against inflation. By growing assets through returns, investing supports long-term financial goals and manages risks by diversifying investments. Overall, it is key to achieving financial stability and planning for the future. Investing in financial instruments eligible for Section 80C deductions not only helps individuals grow their wealth but also reduces their taxable income, thereby maximizing tax savings. The introduction of the new tax regime alongside the existing old tax regime has provided taxpayers with distinct choices for managing their tax liabilities. The old tax regime allows for deductions under Section 80C of the Income Tax Act, which includes various investment options that reduce taxable income. Conversely, the new tax regime eliminates most deductions, including those under Section 80C.So, this study is based on investors' perception regarding tax savings in 80C.

Review of the Literature

Financial awareness and the motivation for returns were key factors shaping their investment behaviours (Pallathadka, H., & et al. 2022). Tax saving schemes is a vital tool that policymakers use to direct investment for the growth of economy. Male respondents dominate the tax market (Sarvaiya, J. A., &et al 2019). It found that high returns and tax savings are the top priorities influencing their investment choices (Ramesh, M., & et al 2022). In the case of different 80c tax saving instruments most of the people are unaware about the section 80c tax saving schemes. Awareness level is needed to be increased as people are still having doubts for their investment instruments (Mehta, H. D., &et al 2020).

Life insurance, PPF and fixed deposit are the most preferred investment options and NPS and SSY are the least preferred options for tax saving (Rudra Pratap Singh 2022). A tax prayer pays high tax because his pay structure is not tax friendly. He should plan to get more tax-free allowances, invests in the National Pension Scheme (NPS) and reduce his tax liability (Swain, P. C. 2017). Public Provident Fund, Premium Payment towards Life Insurance, Bank Fixed Deposit, Repayment on Principal amount of Home Loan, Equity Linked Saving Schemes were given more preference. There is a significant difference in relationship between all influencing factors and Demographic variables (Mehta, H. D., & et al 2020).

Section 80C of the Income Tax Act 1961 states that tax benefits can be availed on premiums paid for the term life insurance policies. Deductions of up to 1.5 Lakh are offered under this section of ITA. Section 80C of the Income Tax Act offers different tax-saving instruments that not only help individuals reduce their taxable income but also encourage savings and investments in diverse financial avenues. As the word proposes, 'exempt income' is the income that is not chargeable to tax. The provision of the IT Act 1961 deals exemption on several incomes, and these are called as exempt incomes.

Here's an overview of some key instruments under Section 80C:

Provident Fund (GPF/RPF):

As per the 2021 Budget, GPF interest above ₹ 5 lakh in a financial year is taxable. To manage this, Rule 9 of the Income Tax Rules, 1962, mandates two GPF accounts. Contributions above ₹ 5 lakh are deposited in the second account, making the interest on the first account tax-free. This rule was implemented in FY 2021-2022 to avoid complications in tax calculations. A Recognised Provident Fund (RPF) is governed by the Provident Fund Act, 1952, which applies to establishments with 20 or more employees. To receive RPF status, the trust or scheme must be approved by the Commissioner of Income Tax. The fund is then invested as per the rules prescribed under the Act.

Public Provident Fund (PPF):

Public Provident Fund (PPF) scheme is a long-term investment option that offers an attractive rate of interest and returns on the amount invested. It is a government-backed long-term savings scheme with a maturity period of 15 years. Contributions are eligible for deductions up to ₹ 1.5 lakh per financial year, and the interest earned is tax-free.

Group Insurance Scheme (GIS):

Premiums paid for group insurance policies offered by employers can be deducted under Section 80C. These schemes provide life coverage to a group of individuals, usually employees.

Life Insurance Policy (LIP):

Premiums paid on life insurance policies for self, spouse, or children qualify for deductions. The deduction is subject to limits, ensuring the premiums do not exceed the sum assured.

State Life Insurance (SLI):

Premiums paid for state-sponsored life insurance policies are deductible. These policies typically provide financial security and savings benefits.

Equity Linked Saving Scheme (ELSS):

Investing in ELSS mutual funds comes with the dual benefit of tax deductions and wealth accumulation over time. ELSS mutual funds have a lock-in period of just three years, the shortest among all tax-saving investments and have the potential to offer the highest returns among 80C options.

Postal Life Insurance (PLI):

Premiums for Postal Life Insurance policies are eligible for deductions under Section 80C. PLI offers life coverage and is available through the India Post network.

Senior Citizen Saving Scheme (SCSS):

Designed specifically for senior citizens (aged 60 years and above), this scheme offers a fixed interest rate and tax deductions on investments. It has a maturity period of five years.

Sukanya Samriddhi Scheme (SSS):

A savings scheme aimed at promoting the education and marriage of girl children. Contributions are eligible for deductions, and the scheme offers attractive interest rates along with tax-free maturity.

National Pension Scheme (NPS):

Contributions to the Tier I account of the NPS provide tax benefits while aiding retirement savings. This government-sponsored scheme allows individuals to invest in a mix of equity, corporate bonds, and government securities.

Bank Fixed Deposits Eligible for 80C:

Fixed deposits with a minimum tenure of five years offered by banks qualify for deductions under Section 80C. While the principal is deductible, the interest earned is taxable.

Home Loan Principal Component (HBA):

The principal repayment of home loans qualifies for deduction under Section 80C. This encourages home ownership by allowing taxpayers to reduce their taxable income.

Unit Linked Insurance Plans (ULIPs):

Premiums for ULIPs, which combine life insurance and investment, are eligible for deductions. The maturity proceeds can be tax-free, provided the policy meets certain conditions.

National Savings Certificate (NSC):

Investments in NSCs, a fixed-income savings instrument available at post offices, qualify for deductions. The interest earned is taxable, but the investment itself is deductible.

Relevance of the Study

This study is crucial as it offers valuable insights into how taxpayers perceive and utilize Section 80C tax-saving instruments within the evolving tax regimes in India. Understanding these perceptions is essential for several reasons. Firstly, it helps taxpayers make informed decisions by clarifying the benefits and limitations of Section 80C investments under both tax regimes. The old tax regime allows for deductions under Section 80C, providing opportunities for tax savings through investments, whereas the new tax regime, eliminates most deductions, including those under Section 80C. This study guides taxpayers in optimizing their tax savings while achieving their financial goals by understanding tax regimes.

Overall, this study bridges the gap between tax policy and taxpayer behaviour, providing insights that enhance financial decision-making, policy formulation, and economic outcomes in the context of both the old and new tax regimes.

Objectives of the Study

1. To examine the factors influencing in the selection of 80C investment instruments.
2. To analyse investor behaviour and attitudes toward 80C tax-saving instruments.

Data Analysis and Discussion

Primary and secondary sources of data have been used in this study. Primary data have been collected from the investors who were making investments in 80 C tax saving instruments through a structured questionnaire. The secondary data have been collected from journals, reports, websites, and newspapers. Sample size consisted of 78 purposively selected taxpayers from the state of Kerala.

Table 1 shows that **Tax Benefit** is the most influential factor in selecting 80C investment instruments, with a strong influence (AM = 1.78, SD =1.13), it may be because of its significant reductions in taxable income. Returns (AM = 2.32, SD = 1.02) and safety (AM=2.2821, SD=.91) hold moderate importance, as these factors ensure secure and stable financial growth. Capital appreciation and liquidity show mixed influence, with many respondents remaining neutral, while risk (AM= 2.60, SD=1.06) has the least impact among the factors, reflecting the preference for safe, predictable investment options under 80C schemes. Overall, tax benefits dominate, followed by returns and safety as key influences in 80C investment choices.

As per Table 2, gender difference in the selection of 80c tax saving instruments for tax benefits is found to be significant at 5 per cent, $p < .05$ ($p = 0.008$), here the influence of 80C is more to male (AM=1.46) than female (AM=2.14) can be attributed to men placing more importance on tax-saving strategies, possibly due to a greater emphasis on long-term financial security and managing household finances. Hence, H_0 on the gender difference on Tax benefit of 80c instruments is rejected at 5 per cent level. When we are looking at the gender perception on other factors it is found to be not significant as$p > .05$ in all the cases.

Table 1

Descriptive Statistics of Factors Influencing the Selection of 80C Investment Instruments

	Strongly Influence 1	Influence 2	Neutral 3	Not Influence 4	Not at all Influence 5	Mean	SD
Tax benefit	45 (57.69)	17 (21.79)	7 (8.97)	6 (7.69)	3 (3.85)	1.7821	1.13558
Return	10 (12.82)	29 (37.18)	27 (34.62)	6 (7.69)	6 (7.69)	2.3205	1.02556
Capital Appreciation	16 (20.51)	35 (44.87)	15 (19.23)	10 (12.82)	2 (2.56)	2.5000	1.22474
Liquidity	18 (23.08)	26 (33.33)	28 (35.90)	6 (7.69)	0 (0)	2.5769	0.94689
Safety	20 (25.64)	21 (26.92)	21 (26.92)	10 (12.82)	6 (7.69)	2.2821	0.91022
Risk	10 (12.82)	26 (33.33)	31 (39.74)	9 (11.54)	2 (2.56)	2.6026	1.06099
Valid N (listwise)	78					2.3440	1.05033

Source: Primary data. Figures in bracket shows percentage

Table 2

Gender-Based Comparison of Factors Influencing 80C Investment Instrument Selection

	Gender	N	Mean	SD	t	df	p
Tax benefit	Female	37	2.1351	1.31576	2.714	76	.008*
	Male	41	1.4634	.83957			
Risk	Female	37	2.7297	1.17020	1.006	76.318	
	Male	41	2.4878	.95189			
Return	Female	37	2.1892	1.26574	-1.075	76	.286
	Male	41	2.4390	.74326			
Safety	Female	37	2.3514	.78938	.636	76 .526	
	Male	41	2.2195	1.01272			
Capital Appreciation	Female	37	2.5135	1.36670	.092	76	.927
	Male	41	2.4878	1.09822			
Liquidity	Female	37	2.5946	.89627	.156	76	.877
	Male	41	2.5610	1.00122			

Source: Primary data

So, it is concluded that regarding other factors behind the selection of 80c instruments, H0 is failed to reject.

Table 3 illustrates investor behaviour and attitudes towards 80C tax-saving instruments, showing that the possibility of reducing tax liability is highly influential (AM = 1.82, SD=.67), highlighting its strong appeal in tax-saving strategies. Due to 80C investment they get income tax benefit have next priority (AM=1.83, SD=1.03). Investment planning with tax benefits also holds substantial importance (AM=1.8718, SD=.84) reflecting how

Table 3

Descriptive Statistics of Investor Behaviour and Attitudes Towards 80C Tax-Saving Instruments

	SA 1	A 2	N 3	DA 4	SDA 5	Mean	SD
Future income tax liability	26 33.33	26 33.33	19 24.36	4 5.13	3 3.85	2.1282	1.06123
Possibilities to reduce my tax	22 (28.21)	52 (66.67)	0 (0)	4 (5.13)	0 (0)	1.8205	.67888
Plan my investments, considering the tax benefits	30 (38.46)	31 (39.76)	14 (17.95)	3 (3.85)	0 (0)	1.8718	.84298
80C investment options mainly for Income tax benefit	21 (26.92)	35 (44.87)	22 (28.21)	0 (0)	0 (0)	2.0128	.74718
Legal / statutory reasons	10 (12.82)	28 (35.90)	23 (29.49)	4 (5.13)	13 (16.67)	2.7692	1.24758
Because of 80C investment I get income tax benefit	37 (47.44)	26 (33.33)	9 (11.54)	3 (3.85)	3 (3.85)	1.8333	1.03719
Valid N (listwise)	78					2.0726	0.9358

Source: Primary data. Figures in bracket shows percentage

investors actively plan around tax-saving opportunities. The influence of future tax liabilities (AM=2.1282, SD=1.06) as investors values tax-efficient planning. Income tax benefits tied to 80C investments particularly resonate with nearly half of respondents strongly agreeing, confirming the appeal of tax incentives. Legal/statutory reasons exhibit a moderate influence (AM= 2.7692, SD=1.24) indicating that regulatory requirements are less of a motivator compared to direct tax benefits. Overall, the findings emphasize tax reduction, 80C-specific income tax benefits and planning with tax benefits as primary motivators in 80C investment behaviours, while statutory considerations hold less weight.

Table 4 shows no significant differences in tax payer's attitudes toward 80C tax-saving instruments between single and married respondents, as all p> 0.05. Both unmarried and married investors place similar importance on factors like future income tax liability and opportunities to reduce taxes. Slight mean differences appear in factor, such as the influence of legal reasons unmarried (AM = 3.30) married (AM = 2.69) but the p = 0.151, so none are statistically significant. Therefore, the null hypothesis (H0) is failed to reject, suggesting consistent attitudes across marital status groups.

The ranking results for 80C tax-saving instruments show a strong preference for regular returns as the top choice followed by old age security as the second most

Table 4

Comparison of Investor Attitudes Toward 80C Tax-Saving Instruments by Marital Status

	Marital Status	N	Mean	SD	t	df	p
Future income tax liability	Single	10	2.5000	1.77951	1.190	76	.238
	Married	68	2.0735	.91938			
Possibilities to reduce my tax	Single	10	2.0000	.00000	.894	76	.374
	Married	68	1.7941	.72398			
Plan my investments, considering the tax benefits	Single	10	2.1000	.31623	.916	76	.363
	Married	68	1.8382	.89126			
80C investment options mainly for Income tax benefit	Single	10	1.8000	.63246	-.964	76	.338
	Married	68	2.0441	.76165			
Legal / statutory reasons	Single	10	3.3000	1.25167	1.465	76	.151
	Married	68	2.6912	1.23696			
Because of 80C investment I get income tax benefit	Single	10	1.9000	.73786	.216	76	.829
	Married	68	1.8235	1.07816			

Source: Primary data

important factor. Future asset creation ranks moderately in third place, while children's education is a lesser priority, and children's marriage is the lowest, with most respondents ranking it last. This highlights an emphasis on immediate income and retirement planning over other investment goals.

The analysis tells that while single investors show a greater emphasis on tax reduction and legal compliance, married investors view 80C investments as a means for income tax benefits without strong divergence in priorities. These findings suggest that although marital status can shape certain investment motivations, tax benefits under 80C are widely valued across both groups.

Findings

The study shows that most investors prioritize saving on taxes when choosing 80C investment options, as these investments help reduce taxable income and build financial security. Although tax savings are the top priority, investors also value safety and reasonable returns, which come next in importance. The study reveals some differences between men and women where men tend to prioritize tax savings and security, and place slightly more emphasis on potential returns, reflecting a focus on growth. Marital status also affects preferences, with unmarried investors placing more importance on future tax savings and legal compliance than married investors, possibly due to a desire for secure financial futures. Additionally, there were more male participants in the study, which may indicate a generally higher interest or engagement among men in tax-saving investments. When choosing investment options under Section 80C, personal experience or knowledge is often considered the most valuable source of

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information. Among the various investment avenues, Public Provident Fund (PPF) and State Life Insurance (SLI) tend to attract significant attention due to their strong association with 80C tax benefits. Investors prioritize these options because of the perceived stability and security they offer, especially when it comes to maximizing tax savings.

Suggestions

- Conduct workshops at companies, banks, and workplaces.
- Develop and promote online tax calculators and investment comparison tools that help taxpayers choose between the old and new tax regimes effectively.
- Financial education should be included in school and college curriculum to build early awareness about income tax, savings, and financial planning.

Conclusion

The study concludes that most taxpayers prefer the new tax regime over the old tax regime. This preference is due to its lower tax rates and simplicity. Many taxpayers value the ability to invest in financial instruments eligible for Section 80C deductions, as it not only helps in wealth accumulation but also maximizes their tax savings, mostly to old age securities. But, the new tax regime, offering lower tax rates, eliminates most deductions, including those under Section 80C. Consequently, the old tax regime deductions remain popular among taxpayers who prioritize tax-saving investments and deductions. Personal experience or knowledge is the most highly valued source of information when selecting 80C investment avenues. PPF and state life insurance have a high level of concern for 80C tax benefits among the different investment options. By offering proper financial education, better access to advisors and increased awareness of lesser-known options, more investors can optimize their tax-saving strategies and make smarter financial choices that set with their personal goals.

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