

Tax Literacy And Investment Preference Among Young Working People With Reference To Coimbatore City

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ABSTRACT

The study explores the impact of tax literacy on investment preferences among young working individuals in Coimbatore city. Tax literacy encompasses an understanding of tax-related concepts, regulations, and their effects on personal finances. The research investigates the relationship between tax literacy and investment choices, with a specific focus on tax-saving avenues. A mixed-method approach was used, incorporating both primary and secondary data, with respondents surveyed using structured questionnaires. Key findings show a significant relationship between age, gender, and factors influencing tax-saving behavior. The study concludes that individuals with higher tax literacy make more informed investment decisions, optimizing their after-tax returns. The results highlight the need for increased tax literacy education to enhance financial well-being and guide individuals in making more strategic investment choices.

Keywords: Tax Literacy, Investment Preferences, Tax-Saving Avenues and Financial Decision-Making

I) INTRODUCTION

Tax literacy refers to an individual's understanding of tax-related concepts, laws, and regulations. It involves knowing how taxes work, including what types of taxes exist, how they are calculated, and how they affect personal or business finances. Tax literacy also encompasses knowledge of tax forms, deductions, credits, and exemptions, as well as an awareness of tax planning strategies and compliance requirements.

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Tax literacy is a crucial phase of financial knowledge that enables individuals to pilot the difficulties of taxation. It involves understanding numerous tax-related concepts, laws, and protocols, as well as the impact of taxes on personal and business finances. A strong foundation in tax literacy helps individuals realize different types of taxes, how they are calculated, and the impact of tax planning. It also includes awareness of tax forms, deductions, credits, exemptions, and compliance requirements, empowering people to make informed financial decisions.

STATEMENT OF THE PROBLEM

Tax literacy can significantly influence investment preference. Understanding tax implications helps investors make informed decisions to minimize tax liabilities and maximize returns.

OBJECTIVE OF THE STUDY

- To analyse the factors which influence the respondents towards tax savings.
- To know the preference of Young working people among various Tax Saving Investment Avenues

II) REVIEW OF THE LITEARTURE:

1. **Rajan and Devi (2017)** "Investment Pattern of Working Women in Coimbatore City. International Journal of Management Studies". in his studies he concluded that Young women in Coimbatore and found a preference for traditional investment options such as fixed deposits and gold.
2. **Tyagi, Tiwari, & Garg (2018)** A Study on Investment Preference towards Different Investment Avenues, in the study they found that Capital appreciation plays important factor influencing an investment
3. **Shanti & Murty, A.V.N (2019)** The impact of Financial Literacy on Women in several districts of Andhra Pradesh In the study they concluded that Employed women are more likely to be financially literate than women who are self-employed.
4. **Pradeepa and Manoharan, T.G (2020)** Financial Literacy and Investment Pattern of Working Women In Ernakulam District. In the study they concluded that, Women prefer to participate in conventional forms of investing trather han in the stock market
5. **Baby J. (2021)** An Investigation on the Direct Tax Literacy of Indian Citizens in the Present Scenario. Their finding is that education as a tool to make a tax literate society.

III) RESEARCH METHODOLOGY

A mixed-methods approach, combining quantitative and qualitative research techniques, will be employed to ensure a comprehensive understanding of the subject Matter.

Both primary and secondary data are utilized throughout the research. In the process of Primary Data, the Data was collected with a distribution of Structured Questionnaires, personnel interviews via e-mail, and personal Interviews. For the goal of gathering secondary data, articles in publications as well as Online and Internet support had been considered. A convenience sampling technique is used to ensure representation across different income levels, educational backgrounds, and occupational sectors

STATISTICAL TOOLS USED

- Percentage analysis
- Chi-square test

IV) DATA ANALYSIS & DISCUSSION

Table – 1 Demographic Profile of the respondents

Classification	No of respondents	Percentage
Gender		
Male	24	48
Female	26	52
Age (years)		
21 – 25	10	20
26 – 30	16	32
31-35	24	48
Educational qualification		
Upto school level	9	18
Under Graduate	20	40
Post Graduate	13	26
Diploma	8	16
Occupation		
Government Employee	17	34
Private Employee	33	66
Marital Status		
Married	31	62
Unmarried	19	38
Total	50	50

The above table represents the demographic profile of the respondents. Out of 50 respondents, 52% were Female, 48% of the respondents belongs to the age group between 31 – 35, and 40% of the respondents were under graduates. Out of total respondents, 66% of the respondents were private employees. It is clear that Majority of the respondents were married.

Chi Square Analysis

Table No: 2 Comparison between age and factors influencing tax saving

H0: There is no significant relationship between age and factors influencing tax saving

O	E	O-E	(O-E) ²	(O-E) ² /E
2	2	0	0	0
4	3.2	0.8	0.64	0.2
4	4.8	-0.8	0.64	0.133333
3	2.8	0.2	0.04	0.014286
3	4.4	-1.4	1.96	0.445455
8	6.7	1.3	1.69	0.252239
4	2.8	1.2	1.44	0.514286
4	4.4	-0.4	0.16	0.036364
6	6.7	-0.7	0.49	0.073134
1	2.4	-1.4	1.96	0.816667
5	3.8	1.2	1.44	0.378947
6	5.7	0.3	0.09	0.015789

			TOTAL	2.91
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$$V=(r-1) c-1)$$

$$(4-1) (3-1) = 6$$

$$\text{Table value} = 12.592$$

$$\text{Calculated value} = 2.91$$

The above table shows that the table value is higher than the calculated value, hence the null hypothesis is rejected. So there is a significant relationship between age and the factors influencing tax saving.

Table No: 3 Comparison between gender and preference of tax saving scheme

H0: There is no significant relationship between Gender and Preference of tax saving Scheme

O	E	O-E	(O-E) ²	(O-E) ² / E
6	6.4	-0.4	0.16	0.025
7	6.7	0.3	0.09	0.013433
7	8.16	-1.16	1.3456	0.164902
10	8.8	1.2	1.44	0.163636
8	7.2	0.8	0.64	0.088889
7	7.8	-0.8	0.64	0.082051
3	2.4	0.6	0.36	0.15
2	2.6	-0.6	0.36	0.138462
				0.826373

$$V=(r-1) c-1)$$

$$(4-1) (2-1) = 3$$

$$\text{Table value} = 7.815$$

$$\text{Calculated value} = 0.826373$$

The above table shows that the table value is higher than the calculated value, hence the null hypothesis is rejected. So there is a significant relationship between Gender and preference of tax saving schemes.

FINDINGS

- The study found that individuals with higher tax literacy tend to make more informed investment decisions. They are more likely to choose tax-efficient investment options, resulting in better optimization of their after-tax returns. Conversely, individuals with lower tax literacy are less aware of tax benefits, leading to suboptimal investment performance.
- The analysis revealed a significant relationship between the age of respondents and the factors influencing their tax-saving behavior. Younger individuals in the study were more inclined to explore tax-saving investment avenues, particularly those offering long-term financial benefits.
- The study identified a significant relationship between gender and preference for tax-saving schemes. While both male and female respondents showed interest in tax-saving options, preferences for specific schemes varied, suggesting that investment strategies may need to be tailored based on gender-specific financial goals and preferences.
- A majority (66%) of respondents were private sector employees, indicating that this group is particularly active in exploring tax-saving investment options. This demographic highlights the need for focused tax education programs in corporate settings to enhance financial literacy and decision-making.

SUGGESTIONS

Financial literacy programs, particularly those focused on tax literacy, should be integrated into educational curricula and workplace training. Workshops, seminars, and online resources can empower individuals to make more informed investment decisions and optimize their tax-saving strategies.

Investment professionals should offer customized advice that takes into account individual factors such as age, gender, and income level. Providing tailored tax-saving strategies can help clients maximize their financial outcomes and better understand the tax implications of their investments.

Online platforms and mobile applications can be developed to provide easy access to tax-related information and tools. These can help young individuals simulate tax-saving scenarios and make better investment choices based on their financial goals.

Government agencies and financial institutions should collaborate to promote tax literacy through outreach programs. Initiatives such as tax-saving awareness campaigns and simplified tax guides can help demystify complex tax regulations and encourage more effective financial planning among young working professionals.

V) CONCLUSION

The study reveals that, Tax literacy strongly influences investment preferences among young salaried People in Coimbatore. Individuals with higher tax literacy tend to make more informed investment decisions, preferring tax-efficient investment options and optimizing their after-tax returns. Conversely, those with lower tax literacy may miss out on potential tax benefits, leading to reduced investment performance.

By promoting tax literacy through education and outreach programs, individuals can be empowered to make better investment choices, ultimately leading to improved financial well-being and economic growth. Furthermore, investment professionals can develop more effective strategies to communicate tax implications to their clients, enhancing the overall investment experience.

Ultimately, this research underscores the importance of integrating tax literacy into financial decision-making, enabling individuals to navigate the complex intersection of taxes and investments with confidence.

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