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INVESTOR PREFERENCES TOWARDS OPEN ENDED DIRECT – GROWTH EQUITY LINKED SAVINGS SCHEME (ELSS) OF MUTUAL FUNDS

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Abstract. This paper is to mainly understanding the association between preferences of investors towards open-ended tax saving schemes. The study included 200 open-ended tax saving investors Data to analyses the relationship between preferences variables. The study found that there is anassociation between preferences variables. Therefore, studied variables are in favor of open ended tax saving schemes of individual investors towards their satisfaction levels. This study considered only tax saving schemes and further this study can be extended to health mutual funds schemes etc.

1. Introduction

Mutual Fund schemes are trustworthy that collects money together from all the investors and invest according to their financial objective. The fund manager is the key person to invest in the diversified portfolio market like share markets, debts and other security markets etc. Profits generated from these investments will be paid to the unit holders according number of units owned by the investors. Institutional investors are also looking mutual fund investments, since it provides a reasonably cost-effective opportunity to invest in a diversified portfolio market.

For taxpayers with the aim of reducing their tax payment in different forms of income and capital gains, tax planning strategies are essential. Under Section 80C of the Income Tax Act 1961 helps for tax savings through investment on qualified investment instruments like Public Provident Fund (PPF), Unit Linked Insurance Plan (ULIP) and ELSS etc. Section 80C allows taxpayers, by investing in these qualifying assets, maximum up to Rs.1, 50,000 per year. Investor can invests in equity shares on different market capitalization to generate competitive returns.

2. Review of Literature

Susanta, K., &Binayak, K. (2020),they said that majority of the investors are preferred mutual funds, even though the first choice was bank deposit. The deposit of the bank as such is often not seen as an investment option now a day.

Vishal, A.et al. (2019),they said that majority of the respondents from rural areas. They are unaware about mutual fund is an investment option. Most of the rural area respondents are invested in risk free assets like government Securities, fixed deposits and term deposits, etc. High-risk people can generally invest in equity, gold and property markets.

Keywords and phrases: Equity Linked Savings Scheme, Investment, Mutual Funds and Preferences.

Joshi, M., & Gandhi, R. (2018), they said that investments in the diversified portfolio market is an essential factors for the risk valuation of the respective mutual fund schemes. Financial consultants, television and the Internet usage are the most influenced factors for investment decisions in mutual funds.

Bajracharya, R. B. et. al (2017), they concluded that the investment in the mutual fund are not safe because majority of the corpus are invested in equity related markets, they feel that bank deposits are safe and returns are also fixed.

Reddy, C. P. K., &Sudhakar, A. (2016),concluded that services from mutual funds agents are not satisfied, but services from fund manager are satisfied. Most of the investors are agreed that mutual funds are being less risky than share markets. Common people are also agreed that mutual funds are more appropriate for small/medium investors to generate progressivemarket returns.

3. Gap Identified

From the literature review identified that most of the researchers are studied about preferences of mutual funds. The preferences of ELSS mutual funds are not studied. To understand the preferences of individual ELSS mutual fund investors, this study considered.

4. Research Question

What are the most prefer influencing preferential factors to reach their financial objectives of individual investors?

5. Study Objective

To analyzethe various preferential factors of tax saving mutual funds of individual investors.

6. Hypothesis of the Study

There is a significant impact between individual investor's preferences towards their satisfaction levels.

7. Data Analysis

To analyze the data SPSS-25 version are considered for this study. In order to achieve their finance objectives, based on the EFA output the linear regression model is used to analyzemost preferred factors which influence their satisfaction levels. The Cronbach Alphais used for the assessment of the reliability of variables and the EFA is implemented to detect factors which have a strong impact between variables.

Cronbach's Alpha

Table: 1 *Reliability Statistics*	
Cronbach's Alpha	*No. of Items*
.725	*10*

Source: Calculated from author

Form the table -1 shows that the selected preferential factors are strong variables for further analysis with Cronbach Alpha of 0.725.

Exploratory Factor Analysis

Table: 2 *KMO and Bartlett's Test*		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		*.700*
Bartlett's Test of Sphericity	*Approx. Chi-Square*	*877.156*
	Df	*32*
	Sig.	*.000*

Source: Calculated from author

Table: 3 *Rotated Component Matrix[a]*			
	Component		
	1	*2*	*3*
Return	*.722*		
Liquidity	*.746*		
Safety& Security			*.786*
Tax Benefit	*.921*		
Professional Management		*.816*	
Capital Appreciation	*.619*		
Affordability			*.812*
It provides varieties of benefits		*.721*	
Transparency		*.856*	
Reduces investor risk by portfolio diversification	*.824*		
Varimax with Kaiser Normalization as Rotation Method *Principal Component Analysis as Extraction Method*			
a. 5 iterations of Rotation converged.			

Source: Calculated from author

From the table – 3, three independent variables are observed in favour of preferences, from the exploratory factor analysis. The EFA result is 0.5<KMO=0.700<1 in Table 2. Sig=0.000<0.05, meaning that all are related variables and the results of the KMO and Bartlett test are considered for further analysis.

Regression Analysis

Table: 4 Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-1.123	.281		-4.010	.000		
	Component 1	.416	.042	.418	9.975	.000	.876	1.141
	Component 2	.428	.051	.338	8.097	.000	.882	1.132
	Component 3	.413	.042	.415	10.071	.000	.911	1.095
a. Satisfaction level as dependent variable								

Source: Calculated from author

From the table -4 indicate that the VIF of three independent variables in the model is less than 10. So, multicolinearity does not exist in the model, and hence model has statistical meaning and also observed that component 2 is the most influencing factor than components 1 & 3 towards their investor's satisfaction levels.

Table 5 Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.834[a]	.696	.692	.298
a. (Constant), Component 3, Component 2, Component 1 as Predictors				
b. Satisfaction level as Dependent Variable:				

Source: Calculated from author

Table 5 shows the overall fit statistics and summary of the model. We have found that the adjusted R^2 of model is 0.692 with R^2=0.696, which is 69.6 per cent of the variance of the data with these three components.

Table 6 ANOVA[a]					
Model	Sum of Squares	Df	Mean Square	F	Sig.

1	*Regression*	*41.342*	*3*	*12.448*	*151.391*	*.000[b]*
	Residual	*87.529*	*195*	*.087*		
	Total	*67.874*	*198*			
a. Satisfaction level as Dependent Variable						
b. (Constant), Component 3, Component 2, Component 1 as Predictors						

Source: Calculated from author

From the table-6 shows F=151.391 and degrees of freedom is 3, then the study conclude that a linear connection exists between the variables in the model. P<0.000 is statistically significant.

8. Conclusion

This study made some interesting remarks worthy from these three factors. Education and awareness are the advantage of long-term investment in general and, in particular, tax savings benefits from ELSS, will improve ELSS penetration. The difference between an equity investment (say ELSS) product and an insurance product (such as a debt or savings instrument) should be understood by investors. AMCs and AMFI should bring training campaigns and initiatives, for more focused on the mutual funds. Financial consultants and distributors of mutual funds can increase awareness of their products by offering ELSS as a long-term wealth, and not just as a product for tax reduction. In addition, the use of ELSS should also encourage other members of the tax payers. In order to improve returns and gain confidence from investors, AMCs should cut the cost ratio. In order to encourage long-term investments, the government can increase 80C limits.

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