



### ANALYSIS OF INVESTMENT PREFERENCES AMONG SALARIED PROFESSIONALS IN THANE DISTRICT POST IMPLEMENTATION OF THE NEW TAX REGIME

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#### Abstract:

*This research paper delves into the impact of a New Tax Regime on investment strategies, aiming to analyze the dynamic shifts in investor behavior and portfolio management. With tax policies playing a pivotal role in shaping financial decisions, the study explores the adjustments made by investors in response to changes in tax regulations. The research employs a comprehensive approach, combining quantitative analysis of financial data and qualitative insights from investor interviews to provide a holistic understanding of the subject matter.*

**Keywords:** *Investment Preferences, New Tax Regime (NTR), Financial Decisions*

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#### Introduction:

The implementation of a New Tax Regime has significantly impacted the financial planning and investment decisions of salaried professionals in Thane District. This study seeks to understand the dynamic nature of investment strategies in this post-tax reform era, focusing on the unique challenges and opportunities faced by the salaried group in the region. The revised tax slabs under the new income tax regime range from 5% to 30%, offering lower rates but eliminating key exemptions and deductions such as the standard deduction, HRA, and tax-saving investments under Section 80C and 80D. While low-income employees (earning below INR 5 lakhs) benefit from reduced tax rates and simplified compliance, middle-income earners (INR 5–15 lakhs) may find the old regime more advantageous if they utilize substantial deductions. High-income earners (above INR 15 lakhs), who previously maximized exemptions like

NPS, EPF, and life insurance, might face a higher tax burden under the new system despite lower rates. The choice between regimes depends on individual financial strategies, investment patterns, and deductions, aiding in optimal decision-making. Thus, the research article aims to understand whether the new tax regime will bring change in the investment preferences or will not have any impact on the salaried professionals.

#### Review of Literature :

The introduction of the New Tax Regime (NTR) has sparked significant debate regarding its impact on financial preferences, particularly among salaried professionals. Ojha and Agarwala (2023) highlight that the NTR simplifies tax compliance by removing exemptions and deductions, thereby altering traditional tax-saving behaviours. Their study suggests that age, income levels, and investment patterns play a crucial role in determining tax regime preference, with



younger individuals leaning towards the new system due to its simplicity. Despite these insights, there is limited research on how the NTR influences broader financial planning strategies, including retirement planning, insurance uptake, and risk preferences. This study aims to address this gap by analysing how changes in tax structure reshape investment behavior and financial decision-making among salaried professionals.

In the article "Three 80C Investments That Still Make Sense Under New Tax Regime," published in Business Standard, the author discusses how, despite the elimination of Section 80C deductions in the new tax regime, certain investments remain beneficial. But there remains a gap in understanding how the absence of tax incentives influences long-term investment behavior across different income groups.

A research article titled as A Study of Comparison of New and Old Tax Regime by Prof. Shankar Prasad, determines which tax regime is more advantageous and thus illustrates that taxpayers should carefully evaluate their financial situation, considering their income sources, investments, and available deductions. This decision may vary each year based on changes in income, investments, and other financial factors. Using online tax calculators or seeking advice from a tax professional can assist in making an informed decision.

### Research Gap and Objectives:

A review of previous studies reveals that despite various studies on tax policies and financial planning, limited research has explored the specific impact of the new tax regime on the disposable income of salaried professionals, particularly in Thane District. Additionally, there is a gap in understanding the awareness and comprehension of the revised tax

structure among taxpayers and how it influences their financial decision-making. This study also aims to bridge these gaps by providing insights into how salaried individuals adapt their financial strategies in light of the recent tax changes. Following objectives have been

1. To analyze the impact of the new tax regime on the disposable income of salaried professionals in Thane District.
2. To assess the awareness and understanding of the revised tax structure among the target demographic.
3. To identify the investment preferences and risk appetite of salaried individuals in the wake of tax changes.

### Research Methodology:

The research methodology outlines the approach taken to gather and analyze data. It includes analysis of responses on the sample population collected using questionnaire from Salaried Professionals in Thane District. Descriptive analysis of the variables has been presented in the tabular form using the statistical tools on Excel. Furthermore, secondary data was collected from various sources to complement the primary findings and provide a comprehensive understanding of the subject.

### Hypothesis:

- (H1): The implementation of the new tax regime has a significant impact on the investment preferences of salaried professionals in Thane District.
- (H2): There is a significant change in the risk appetite of salaried professionals in Thane District after the implementation of the new tax regime.



### Data Analysis and Interpretation

#### I. Descriptive Statistics

Table 1.1

| Descriptive Statistics | V1    | V2    | V3    | V4    | V5   | V6    | V7    | V8    | V9    | V10   | V11  | V12  | V13   |
|------------------------|-------|-------|-------|-------|------|-------|-------|-------|-------|-------|------|------|-------|
| Mean                   | 1.84  | 1.73  | 3.76  | 2.27  | 2.78 | 2.46  | 2.27  | 1.92  | 2.86  | 2.89  | 2.24 | 1.81 | 2.11  |
| Standard Error         | 0.07  | 0.07  | 0.15  | 0.14  | 0.15 | 0.15  | 0.20  | 0.16  | 0.14  | 0.21  | 0.20 | 0.22 | 0.10  |
| Median                 | 2     | 2     | 4     | 2     | 3    | 2     | 2     | 2     | 3     | 3     | 2    | 1    | 2     |
| Mode                   | 2     | 2     | 4     | 2     | 2    | 2     | 2     | 1     | 3     | 4     | 1    | 1    | 2     |
| Standard Deviation     | 0.44  | 0.45  | 0.89  | 0.84  | 0.89 | 0.90  | 1.24  | 0.95  | 0.86  | 1.29  | 1.21 | 1.35 | 0.61  |
| Sample Variance        | 0.20  | 0.20  | 0.80  | 0.70  | 0.79 | 0.81  | 1.54  | 0.91  | 0.73  | 1.65  | 1.47 | 1.82 | 0.38  |
| Kurtosis               | 1.29  | -0.89 | 1.86  | -0.25 | 1.14 | -0.50 | -0.04 | -1.39 | -1.06 | -1.09 | 0.14 | 0.64 | -0.21 |
| Skewness               | -0.83 | -1.08 | -1.21 | 0.34  | 1.21 | 0.85  | 0.93  | 0.37  | -0.01 | -0.20 | 0.89 | 1.44 | -0.06 |
| Range                  | 2     | 1     | 4     | 3     | 3    | 3     | 4     | 3     | 3     | 4     | 4    | 4    | 2     |
| Minimum                | 1     | 1     | 1     | 1     | 2    | 1     | 1     | 1     | 1     | 1     | 1    | 1    | 1     |
| Maximum                | 3     | 2     | 5     | 4     | 5    | 4     | 5     | 4     | 4     | 5     | 5    | 5    | 3     |
| Sum                    | 68    | 64    | 139   | 84    | 103  | 91    | 84    | 71    | 106   | 107   | 83   | 67   | 78    |
| Count                  | 37    | 37    | 37    | 37    | 37   | 37    | 37    | 37    | 37    | 37    | 37   | 37   | 37    |

(Source: Primary Data)

With the help of above statistical analysis, Financial Literacy (V1) and Debt Obligations (V2) show relatively low levels with some negative skewness, suggesting that most individuals have moderate financial literacy and lower debt levels. Awareness of Tax Regime (V3) is moderately high, though many respondents show varied levels of awareness. Understanding of New Tax Regime (V4) and Perception of the Tax Regime's Benefits (V5) are moderately positive but show some variance in individual responses.

Seeking Professional Advice (V6) is positively skewed, meaning more individuals seek advice on tax planning than those who do not. Risk Tolerance (V9) and Investment Preferences (V7) show high variability, indicating a broad spectrum of risk behaviours and investment preferences. Planning for Changes in Investment Portfolio (V13) is also moderately positive but not showing major shift.

Most individuals are somewhat aware of tax regime changes, though a substantial portion could benefit from enhanced understanding and advice. The influence of the tax regime on investment choices is felt to some degree, but there's a more significant focus on short-term goals than long-term financial planning.



## II. Testing of Hypothesis

**(H1): The implementation of the new tax regime has a significant impact on the investment preferences of salaried professionals in Thane District.**

**Table 1.1**

| SUMMARY             |          |     |          |          |          |          |
|---------------------|----------|-----|----------|----------|----------|----------|
| Groups              | Count    | Sum | Average  | Variance |          |          |
| Column 1            | 37       | 84  | 2.27027  | 1.536036 |          |          |
| Column 2            | 37       | 71  | 1.918919 | 0.90991  |          |          |
| ANOVA               |          |     |          |          |          |          |
| Source of Variation | SS       | df  | MS       | F        | P-value  | F crit   |
| Between Groups      | 2.283784 | 1   | 2.283784 | 1.867403 | 0.176025 | 3.973897 |
| Within Groups       | 88.05405 | 72  | 1.222973 |          |          |          |
| Total               | 90.33784 | 73  |          |          |          |          |

*(Source: Primary Data)*

Based on the ANOVA results, we conclude that the new tax regime does not have a statistically significant impact on the investment preferences of salaried professionals in Thane District. The p-value (0.176) is greater than the significance level of 0.05, and the F-statistic is smaller than the critical value, suggesting that any differences observed between the two groups are likely due to chance rather than a real effect of the tax regime.

**(H2) : There is a difference between the Preferred Type of Investment and Risk Tolerance groups with respect to the dependent variable**

**Table 1.2**

| U   | z     | asymptotic p | exact p | r    |
|-----|-------|--------------|---------|------|
| 439 | -2.76 | .006         | .008    | 0.32 |

*(Source: Primary Data)*

There is a significant difference in the preferred investment between groups with different levels of risk tolerance. A Mann-Whitney U test was conducted to compare scores between Preferred Type of Investment and Risk Tolerance. For the given data a Mann-Whitney U-Test showed that the difference between Preferred Type of Investment and Risk Tolerance with respect to the dependent variable was statistically significant,  $U = 439$ ,  $n_1 = 37$ ,  $n_2 = 37$   $p = .008$ . Thus, the null hypothesis is rejected. Individuals with higher risk tolerance likely prefer riskier investments, while those with lower risk tolerance lean toward safer investments.

### Discussion and Conclusion :

The shift to the new tax regime has not led to a significant change in the investment preferences of salaried professionals. Despite the removal of tax-saving deductions in the new regime, most respondents maintained a balanced approach,

incorporating both tax-saving and growth-oriented investments. The significant difference in preferred investment types between groups with varying risk tolerance levels suggests that personal risk appetite is a key determinant in investment decisions. This insight underscores the need for tailored investment



strategies that consider an individual's comfort with risk, helping them make informed financial choices. Overall, the results provide valuable information for understanding how personal attributes influence financial decision-making and investment behavior.

### Recommendations:

Several strategies can be implemented to help salaried professionals in Thane District to optimize the benefits aimed by the Government of India's new tax regime. These include enhancing financial literacy through educational programs, offering personalized financial planning services, and promoting tax-efficient investments like mutual funds and retirement plans. Strengthening communication channels to disseminate information, addressing changes in risk appetite with diverse investment products, and encouraging the use of financial advisory services are also crucial. Additionally, advocating for supportive government policies, developing digital tools for financial planning, fostering community engagement, and establishing continuous monitoring to adapt strategies to market trends will help ensure that salaried professionals make informed and effective investment decisions.

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