



ELSS AND RGESS-IS IT A NEW ATTEMPT TO CHANGE ECONOMIC BAROMETER

Madhu Arora*

Abstract: *The recent economic barometer looks for the put on the market participation in the stock market's fall to a trickle. Investors, having burned their hands in the last 2 years, have remained wary of investing their hard earned money in stocks. Add to this a general perception that stock market is akin to having a bet due to the lack of transparency and regulatory control; it will prove boom or bane, time will tell .stock markets are hence not even considered as a valid investment avenue by many. It's become a no-win situation where due to the lack of market depth retail investors stay away from the stock markets while unless retail participation increases the markets won't get developed. In such a situation, the Government has taken an initiative to increase retail participation by launching the RGESS i.e. equity linked saving scheme named as Rajiv Gandhi Equity Saving Scheme. Present study is based o the pros and cons of this new scheme and found that the effort to increase retail participation in equity markets is a long-term positive.*

Introduction

To encourage flow of savings in financial instruments and improve the depth of domestic capital market, it is proposed to introduce a new scheme called Rajiv Gandhi Equity Savings Scheme.

The good thing is that this is an equity oriented fund. This will help the investors earn better money over the long term and also benefit the society. However this benefit is available only for those who earn less than R10 lakh. The maximum amount that will get tax benefits will be up to an investment of R50,000 and the fund will have a lock-in period of three years. Tax-free infrastructure bonds will continue this year too. Though the financial returns on these bonds are limited, one can still have the satisfaction of having contributed to the growth of the nation's infrastructure by saving in these bonds. IPO guidelines to be tweaked

To ensure more number of participation from smaller towns in initial public offers (IPOs), the FM announced that changes have been made in the initial public offer guidelines. The exact guidelines have not been mentioned yet. However, this will help capital markets in long-run and even the share brokers who can now look at rural India in a big way.

Main features of the scheme:

- *The scheme would allow for income tax deduction of 50% to new retail investors*
- *Individuals can invest up to Rs 50,000 directly in equities*
- *Annual income of the assessee should be below 10 lakh.*
- *The scheme will have a lock-in period of 3 years.*

Significance of the study:

This study will be beneficial to income tax students, academicians, business leaders, economists, politicians, equity researchers.

*Sr. Assistant Professor, Fairfield Institute of Management and Technology, Delhi

ANALYSIS:

There are somewhat few individuals who make these investments in a planned manner. However, generally, salary-earners discover sometime in February or March how much additional investment they must do over and above their statutory EPF deductions. There are almost three crore taxpayers with income below Rs 10 lakh If these investors put in Rs 50,000 a year, almost Rs 1.5 lakh crore can flow into the market every year but are they ready my research is for this topic.

Q.1 ELSS Schemes of MFs for more 50000

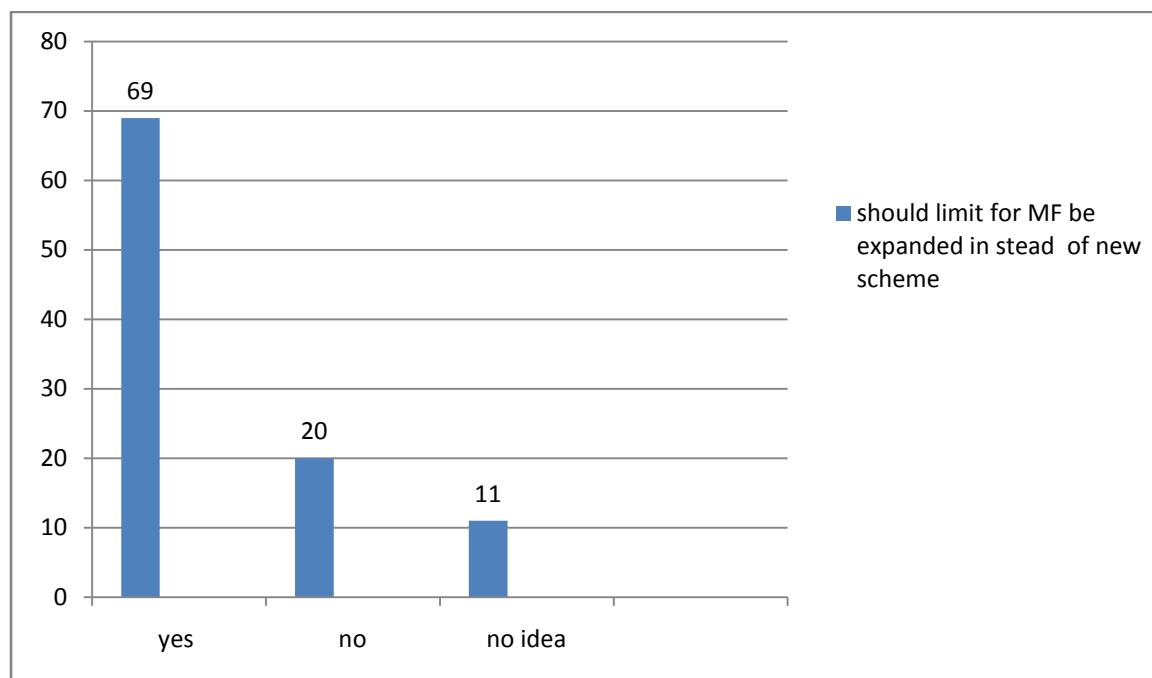


Figure 1

20% of the respondents are not agree with this statement but 69% opine that there should be limit for MF be expanded instead of new scheme.

Q.2 in your opinion will this scheme raise overall retail investor participation.

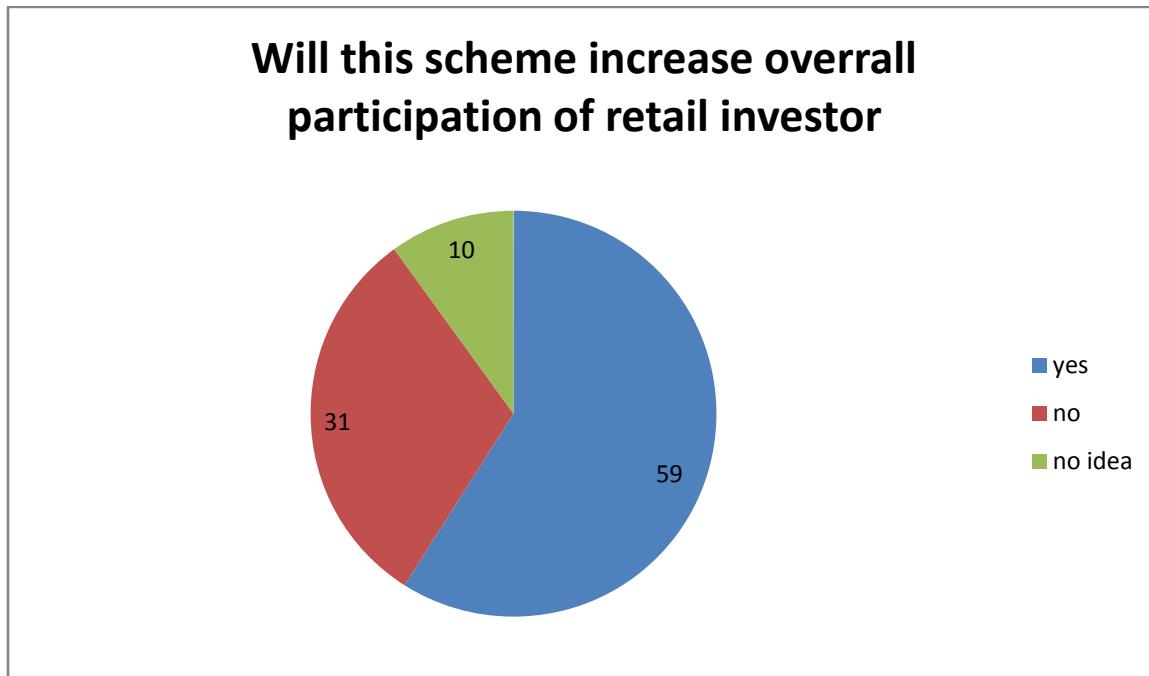


Figure 2

59% of the respondents believe that It will compel people to save in equities

Q. 3 in your opinion is stock market only for speculator not for common man

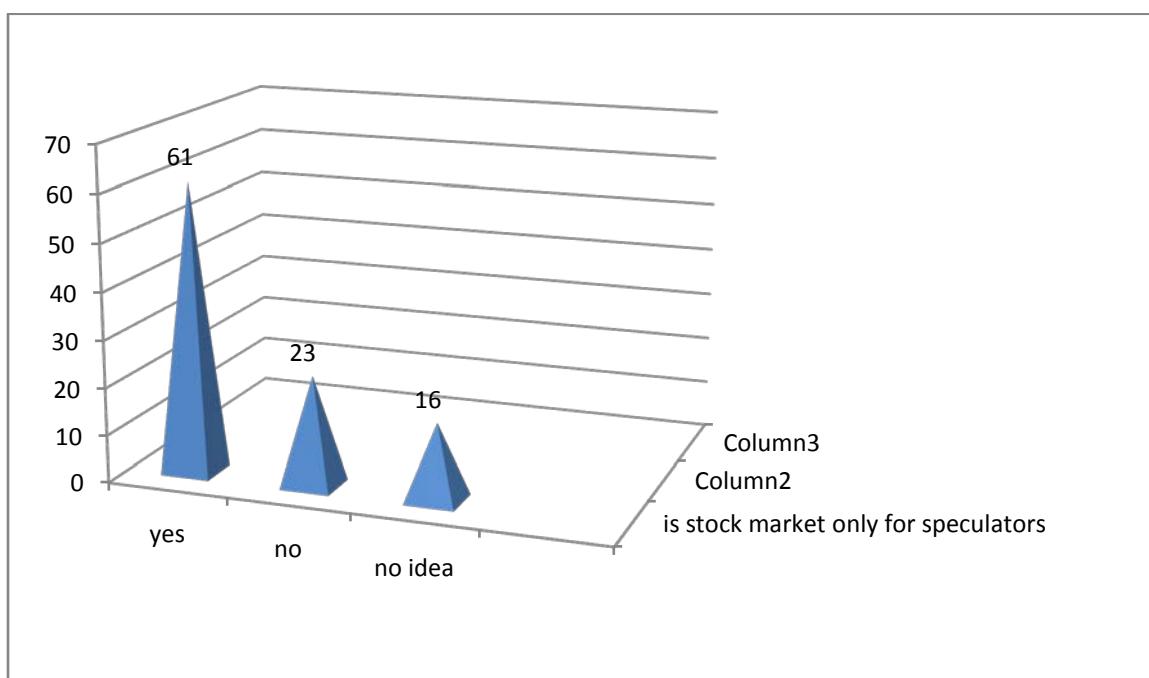


Figure 3

61% of respondents are agree to the opinion that stock market is only for speculators while 23% are not in this favour but remaining have no idea.

Q. 4 Would you prefer to invest in shares in spite of parking in banks for a tax carrot.

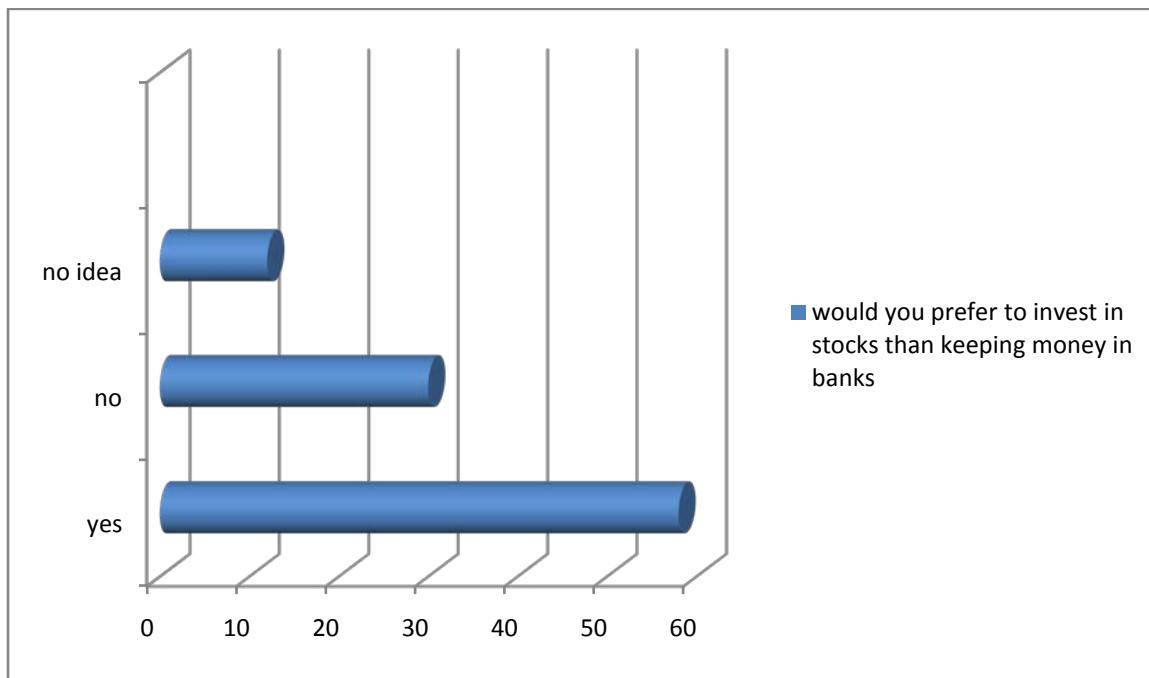


Figure 4

Individuals parking money in banks, PPFs and mutual funds are being lured into the stock market with a tax carrot And if the investors are new and inexperienced, then it's just about the worst idea there is. Q.4 do you know about electronic voting facility about IPO

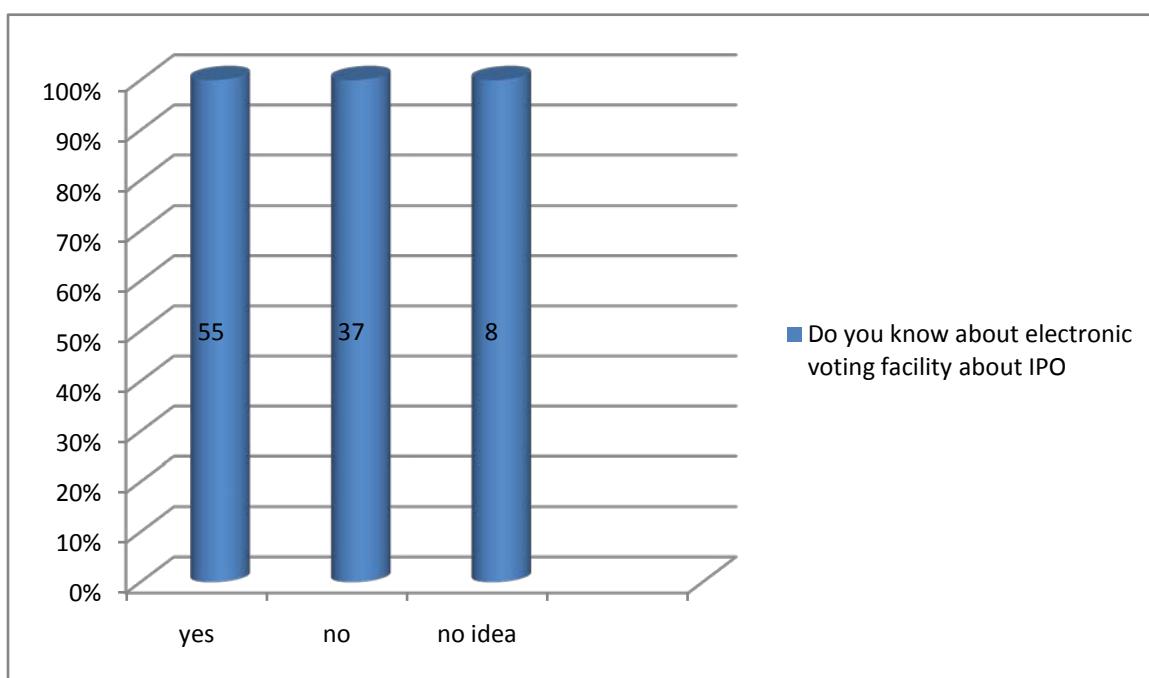


Figure 5

for top-listed companies, simplifying the IPO process to reach out to retail investors in smaller towns

Would you like to take the benefit of both ELSS and RGEES.

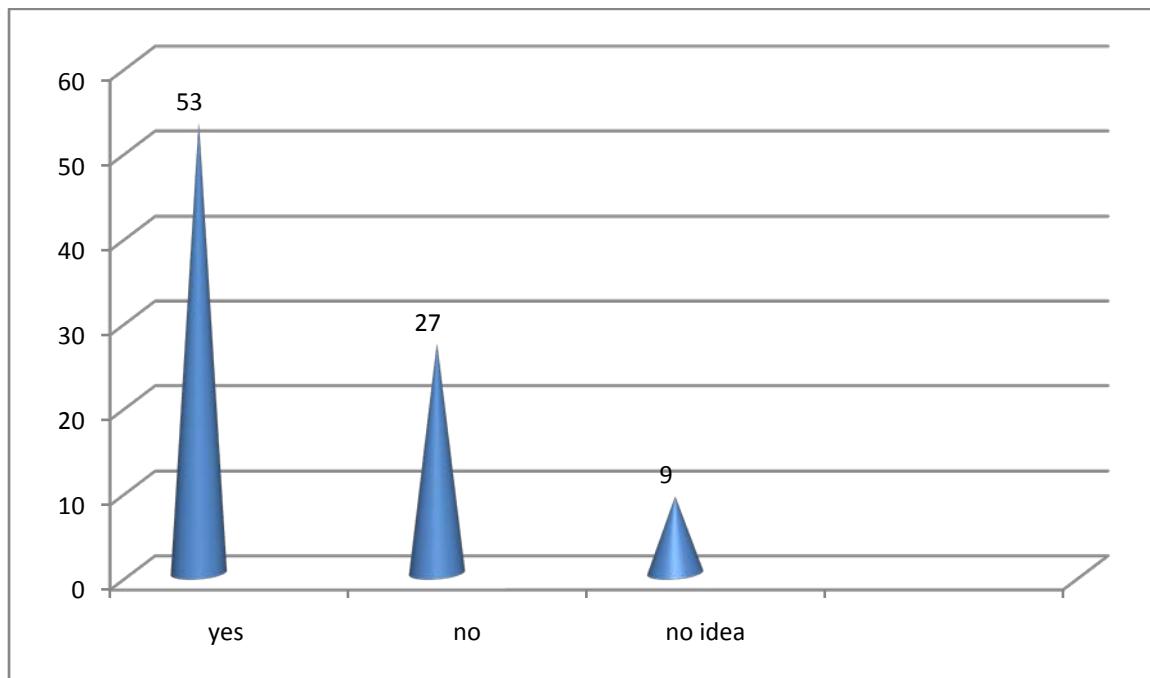


Figure 6

53% of the respondents want to take benefits of both the schemes.

CONCLUSION:

Is it possible that part of the motivation for launching the scheme now is to create a set of ready investors for PSU divestments! Maybe it is, but as long as the scheme is not specifically targeted at that it doesn't really matter. The finance minister has stated that the goal of this scheme is to 'encourage flow of savings in financial instruments and improve the depth of domestic capital market'. That goal is served just as well - and with a higher degree of safety and convenience for the investor if equity mutual funds are part of the menu. The scheme is intended to promote equity culture, lower volatility and over time improve corporate governance. It's also the first time that the government will offer a tax benefit for direct stock investment. There are about 1.5 crore PAN card holders with income between Rs 2 lakh and Rs 10 lakh who do not have a Demat account. ". It may revive the retail investor interest."Such investors can claim a deduction of Rs 50,000 and bring down their tax by about Rs 7,500. It may not be significant, however, have to be spelt out on how the government will monitor the lock-in period and whether investment in penny stocks would qualify for tax benefits. "Implementation is possible if the investment is done through organized routes like mutual funds. For FY13 though, both ELSS and RGEES will be at your



placement provided the capital market regulator, the Securities and Exchange Board of India (SEBI), releases guidelines and allows these schemes to launch. Both RGESS and ELSS will be available. The effort to increase retail participation in equity markets is a long-term positive

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