

LANDSCAPE OF INVESTMENT AVENUES IN INDIA

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Abstract

Purpose of the study: In today's global scenario each and everything changes very rapidly that result in increase in chance of uncertainty in the economy. Therefore, every citizen wants to secure their future by using various investment avenues. This paper is focus on different investment avenues available and examines factors affecting, merits & demerits so that investors can formulate efficient portfolio of their savings.

Methodology: Present study is descriptive based on secondary data. Data has been collected from the book, published records/ periodicals /publications. In addition to this the data collected from various newspapers, magazines, books, websites, and journals etc.

Main Findings: It is clearly found out that in today's era there are so many investment avenues available before investors although every alternate has its own risk and return features. By proper analysis of investment on the basis of parameters like time period, amount, interest rates, inflation, government policy etc. risk can be reduced and return can be increased.

Novelty of the study: The study will provide comprehensive knowledge to the reader about the various investment avenues available in the market regarding their investment decision.

Key Words: Income, Investment, Risk, Return, Liquidity, Portfolio

1. Introduction

Investing is management of savings (money) as it ensures both present and future financial security. Generally, anything that generates a return is an "investment". Investment refers to a commitment of money or other resources in expectation of obtaining future benefits. In other words, investment involves employment of funds with the aim of achieving additional income or growth in values. Investment involves employment of funds with the aim of achieving additional income or growth in values. There are various ways through people can save money one is controlling the extra expenses. Everyone wants to increase their personnel freedom, sense of security and ability to afford the things they want in life. Investment is significant because it help in financial interdependence,

growth of income, fulfilling personal goals and future security. Investment attracts all the people irrespective of their occupation, education, age, sex etc. additional income or growth in value can be achieved by investment. While selecting an investment option many essential factors like risk, return, liquidity, tax benefits etc has to be taken. All investment involves some sort of risk. The degree of risk also varies according the investment mode, instrument and time period. Investment is beneficial for individual, economy as well as for the society.

2. Review of Literature

Saini et., al. (2011)¹ analyzed investor's behavior, investors' opinion and perception relating to various issues like type of mutual fund scheme, its objective, role of financial advisors / brokers, sources of information, deficiencies in the provision of services, investors' opinion relating to factors that attract them to invest in mutual and challenges before the Indian mutual fund industry etc. The study found that investors seek for liquidity, simplicity in offer documents, online trading, regular updates through SMS and stringent follow up of provisions laid by AMFI

Kousalya P R and Gurusamy P (2012)² observed in their study on „Women Investors“ Perception towards Investments“ that there is no significant relationship between age of the women investors and level of awareness on investment. They have also concluded that the educational level of women investors does not influence the level of awareness.

Binod Kumar Singh (2012)³ in his study observed that most of respondents are still confused about the mutual funds and have not formed any attitude towards the mutual fund for investment purpose. It has been observed that most of the respondents having lack of awareness about the various function of mutual funds. Moreover, as far as the demographic factors are concerned, gender, income and level of education have significantly influence the investors' attitude towards mutual funds. On the other hand the other two demographic factors like age and occupation have not been found influencing the attitude of investors' towards mutual funds.

Meenakshi Chaturvedi, Shruti Khare (2012)⁴ proclaimed that the age of investor cannot be taken to influence their level of awareness and it is very clear from the results that the gender of the investor has no effect or influence on his or level of awareness about any investment channel.

Singh (2012)⁵ conducted an empirical study of Indian investors and observed that most of the respondents do not have much awareness about the various function of mutual funds and they are bit confused regarding investment in mutual funds. The study found that some demographic factors like gender, income and level of education have their significant impact over the attitude towards mutual funds. On the contrary age and occupation have not been found influencing the investor's attitude. The study noticed that return potential

and liquidity have been perceived to be most lucrative benefits of investment in mutual funds and the same are followed by flexibility, transparency and affordability.

Jothi Baskara Mohan, Ramji P.R. (2013)⁶ conducted a study on „Women Investors Recital at Rajapalayam City - A Study“. The results of the study shows 92 per cent of respondents are aware of Investment and remaining 8 per cent are unaware of Investment avenues.

Rajeshwari Jain, (2014)⁷ conducted the survey in the city of Ahmadabad to know the income & investment pattern awareness amongst the working women. The sample size was 250 respondents and finding reveal that high returns, tax benefits, retirement plans, security for family, children education& marriage are the most important objectives of the women behind the investing their saving in different investment avenues.

Varsha Virani, (2014)⁸ analyzed the various avenues of investment & concluded during the study that teachers have been saving for the future in spite of them having a low level of income. They save and make investment in most profit options in which low risk is involved. Most of the respondents prefer to invest in bank deposits as it involves low risk and provide regular return. High rate of return & tax benefit has influence the investment decision of the respondents.

3. Objectives of the Study

1. To study the various investment avenues available in India
2. To examine the various factors affecting investment decisions
3. To give suggestions for efficient portfolio construction

4. Research Methodology

The study is based on secondary data. Data has been collected from the published records/ periodicals /publications, newspapers, magazines, books, websites, and journals etc. Therefore, study is descriptive.

5. Investment

Investment involves employment of funds with the aim of achieving additional income or growth in values. Investment involves employment of funds with the aim of achieving additional income or growth in values. There are various ways through people can save money one is controlling the extra expenses. In economic terms, investment means the net addition made to the capital stock of the country. In financial terms, investment is defined as allocating savings to assets with a view to earn a fair return.

6. Objectives of Investment

- Increase Income (Interest & dividend)

- Security of future (Retirement benefits)
- Fight Inflation
- Maintain Liquidity
- Reduce Tax Liability (benefits of deductions)
- Achieve Financial Goals (marriage, children education, house)

7. Factors Affecting Investment

Now- a- days investment is not an easy task because if your investment decision prove wrong savings may easily be wasted. Therefore, while investment even a single rupee following major factors should kept in mind:

7.1 Return

Return is the money made or lost on an investment over some period of time. It may be positive or negative. Return is first and foremost element that comes in the mind of investor. Generally, investors go for invest in those securities or commodities that will give him/her moderate return. It is received in the form of interest and dividend.

7.2 Risk

Risk is inherent in any investment. Risk is defined as existence of volatility in future return on investment. Risk and return of an investment are interrelated the higher the risk, the higher is the return. Risk may be variability in return, nonpayment of interest, loss of capital etc.

7.3 Safety

Every investor expects to get back his capital or money invested on maturity without loss and without delay. Safety is another factor that affects the investment decision. Safety implies the certainty of return of capital without loss of money or time.

7.4 Liquidity

Liquidity is the important factor related to investment. In investment liquidity means an investment which is simply saleable or marketable without loss of money without loss of time. Investors generally prefer those investments which offer higher liquidity.

7.5 Tax Benefits

While investment every investor should kept in mind the tax benefits arise out of investment. Under section 80 C to 80 CC of Income tax Act, 1961 various tax benefits given regarding investment.

7.6 Attitude of Investor

This is another important factor that affects the investment decision. Some investors are risk averse on the other hand some investors have affinity to risk. Risk bearing capacity of an investor is a function of his income. A person with higher income is assumed to have a higher risk bearing capacity.

7.7 Time Period

According to the liquidity, risk and return the investors may invest in long term period option, medium term period option or short term period option of securities.

8. Investment Avenues in India

In India as per time passes there is drastic change in the pattern of investment due to increase in economic empowerment and financial literacy. As a result there are so many new investment avenues emerge in India other than traditional avenues. Investment landscape as a banyan tree which growing day by day, by the way of introducing new investment avenues with unique features to attract investors in to the world of investment. Following table give a detail description about various investment alternatives available in India.

Table 8.1: Investment Avenues in India

Investment Avenues	Features	Benefits
Bank deposits	It is one of the most common types of investment option. Rate of interest is depends on the period of deposit. Current account, saving account, recurring account, fixed deposit account are the main types of bank deposits.	Low Risk , regular return, safe option
Post Office Savings Scheme	There are many post office savings scheme like Recurring deposits, kisan vikas patra, and senior citizen saving schemes.	No risk investment option, fixed return

Public Provident Fund (PPF)	It is a savings-cum-tax-saving option in India. It also serves as a retirement benefits tool for many of those do not have any structured pension plan covering them.	Interest Income is Fixed and not taxable under Income Tax Act
Insurance Policies	One of the biggest investments planning option for security is the Life Insurance policy like money back plan, term plan, unit linked insurance plan, pension plan etc.	Moderate return, Low risk Tax savings
Equity Share	These shares carry more risk than debenture and preference share. There is no assured dividend.	Higher return(dividend), Ownership
Preference Share	These shareholders have two preferences regarding payment of dividend and repayment of capital.	Fixed rate of dividend
Debentures	These are debt instruments. There are Registered debenture, unsecured debenture, convertible debenture, redeemable debenture etc.	Rate of interest is fixed, purely secured
Real Estate	It means investment in agriculture land, commercial land etc. It provides benefits in the near future over a period of time. It is one of the long term investments option and include huge amount of money.	High return
Mutual Funds	It is scheme that pools the money from a number of investors and invests money in a different numbers of financial securities. Equity, debt, and balances fund, Index fund, fixed income funds etc. are the types of mutual funds.	It is subjected to market risk, better return
Gold & Silver, Precious articles	For ages, gold and silver have been considered as a form of investment. This is a form of investment amongst the rural and semi-urban population.	Most liquid, low risk, better return
Treasury Bills	It is an instrument of short term borrowing by the government of India, RBI issued T-Bill on behalf	Fixed return, fully secured



	of government. Generally its maturity period is 91 days.	
Derivatives	Derivatives are financial contracts whose value is dependent on an underlying asset or group of assets. The commonly used assets are stocks, bonds, currencies, commodities and market indices. The value of the underlying assets keeps changing according to market conditions. The basic principle behind entering into derivative contracts is to earn profits by speculating on the value of the underlying asset in future. There are mainly four derivatives option, future, forward and swaps.	High return, reduces risk

9. Findings

- There are many investment avenues available in India for every type of investors.
- Each investment option has different characters regarding risk (high, moderate and low), return (high, moderate, and low), time period (long term, medium term, short term), tax benefits etc.
- There are many factors (risk, liquidity, time period, attitude of investors) that affect the investment decision of the investors.
- Investors himself identify and select the best options according to their proper examination of all the essentials factors affecting investment.

10. Suggestions

- Investors should make the investment with proper analysis keeping in mind various factors affecting investment objectives.
- The investors should select a particular investment option on basis of their need and risk bearing capacity.
- As stated earlier there are many investment options therefore, investors should diversify their investment portfolio in order to reduce the risk.
- In order to aware the investor’s different financial literacy programmes can be organized.

11. Conclusions

Savings is more than just having a savings account or buying gold. There are so many higher yielding, low risk investment options available in India. The study concludes that investment is a need of all the classes of the society so that they assure financial

stability and economic empowerment in the future. The investment decision is not an easy task now days but by proper analysis an efficient portfolio can be constructed.

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