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Investment Options

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Abstract –

Investment is an type of activity that is engaged in by the people who have to do savings i.e. investments are made from their savings, or in other words it is the people invest their savings. A variety of different investment options are available that are bank, Gold, Real estate, post services, mutual funds & so on much more. Investors are always investing their money with the different types of purpose and objectives such as profit, security, appreciation, Income stability. Researcher has here in this paper studied the different types and avenues of investments as well as the factors that are required while selecting the investment with the sample size of 60 salaried employees by conducting the survey through questionnaire in Pune city of, India. Actually, here the present study identifies about the preferred investment avenues among individual investors using their own self-assessment test. The researcher has analyzed and found that that salaried employees consider the safety as well as good return on investment that is invested on regular basis. Respondents are much more aware about the different investment avenues available in India except female investors.

Key Words: Investment, saving, bank, investments, economy, Return, Income etc.

1. INTRODUCTION

The developing countries in world , like India face as seen the enormous task of finding sufficient capital to utilize in their development efforts. Most of countries find it difficult at at stage to get out of the vicious circle of poverty that is prevailing of low income, low saving, low investment, low employment etc and the list goes on. With high capital output ratio, that is observed India needs very high rates of investments that would take and make leap forward in her efforts continues of attaining high levels of growth.

The major features that is seen in an investment are safety of principal amount, liquidity, income and its stability, appreciation and lastly easy transferability. A different variety of investment avenues in abundance and types are available such as shares, bank, companies, gold and silver, real estate, life insurance, postal savings. All the investors invest who wish to invest , invest their surplus money in the above mentioned avenues that are available based on their risk taking attitude and capacity bearing.

2. Key Differences between Savings and Investment

The differences between savings and investment are explained in the following points:

1. Savings means to set keep aside a part of your earned income for future use. Investment is often defined as the act of putting funds into the productive uses, i.e. investing in such investment vehicles which can reap money over a period of time.

2. People often save money, to fulfill their unexpected and sudden expenses or urgent money requirements. Conversely, investments are made or done to generate returns over the period so that it can help in capital formation of an individual.

3. With an investment, there is follows always a risk of losing money. Unlike savings, there are comparatively fewer chances of the losing the hard-earned money.

4. Investment provides higher returns than savings, as there is aassured and nominal rate of interest on savings. However, the investments in turn can earn money more than the invested amount, if invested wisely.

You can have easily have access to your savings, anytime because they are highly liquid and flexible, but in the case of investment you cannot have easy access to money as compared , because the process of selling the investments and making liquid takes some time.

Saving is the act of putting away money for a future expense or need. When you choose to save money, you want to have the cash available relatively quickly, perhaps to use immediately. However, saving can be used for long-term goals as well, especially when you want to be sure you have the money at the right time in the future.

Savers typically deposit money in a low-risk bank account. Those looking to maximize their earnings should opt for the highest annual percentage yield (APY) savings account they can find (as long as they can meet the minimum balance requirements).

Investing is similar to saving in that you're putting away money for the future, except you're looking to achieve a higher return in exchange for taking on more risk. Typical investments include stocks, bonds, mutual funds and exchange-traded funds (ETFs). You'll use an investment broker or brokerage account to buy and sell them.

If you're looking to invest money, you should plan to keep your funds in the investment for at least five years. Investments can be very volatile over short periods of time, and you can lose money on them. So, it's important that you only invest money that you won't need immediately, especially within a year or two.

3. Investment Option Available:

There are a large number of investment instruments available today. The people has to choose proper avenue among those available, depending upon their specific need, risk preference, and return that are expected. Different Investment avenues can be broadly categories under the following heads.

1. Equity
2. Debt
3. Mutual Funds
4. Corporate
5. Debentures
6. Company Fixed Deposits
7. Fixed Deposits
8. Post office Savings
9. Public Provident Fund
10. Real Estate
11. Life Insurance
12. Gold/Silver/Others

The following investment avenues are popular and used extensively in India:

1) Investment in shares, debentures and bonds of different types issued by companies, corporations and public sector organizations.

2) Postal Savings Schemes.

3) PF, PPF and other Tax sheltered savings schemes such as national saving scheme, national saving certificates and tax saving schemes of LIC, ICICI, Infrastructure bonds and so on.

4) Investment in investment intermediaries such as mutual funds.

5) Deposits in companies, fixed deposit, recurring deposits.

6) Life insurance investment i.e. investment in different life policies such as whole life policy, endowment policy, annuity plans and so on.

7) Investment in gold, silver, precious metals and antiques.

8) Investment in real estates.

9) Investment in gilt-edged securities and securities of government and semi-government organizations. (e.g. Bonds, treasury bills, etc.)

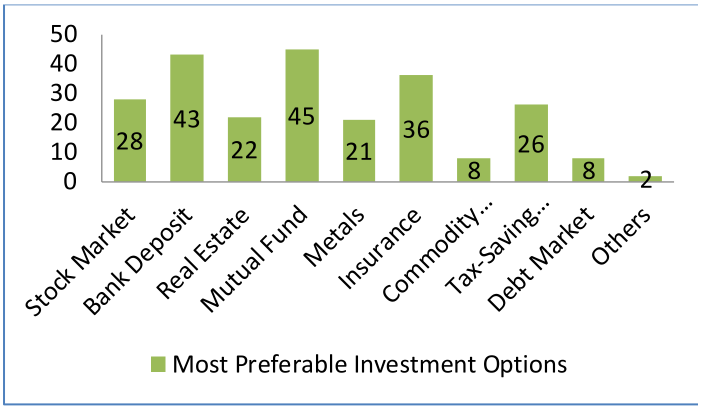
Observed Frequency:

Gender	Awareness	Unawareness	Total	Percentage
Male	29	8	37	78.37%
Female	15	8	23	65.22%
Total	**44**	**16**	**60**	**73.33%**

The act of investing has the goal of generating income and increasing value over time. An investment can refer to any mechanism used for generating future income. This includes the purchase of bonds, stocks, or real estate property, among other examples. Additionally, purchasing a property that can be used to produce goods can be considered an investment.

In general, any action that is taken in the hopes of raising future revenue can also be considered an investment. For example, when choosing to pursue additional education, the goal is often to increase knowledge and improve skills (in the hopes of ultimately producing more income).

Most Preferable Investment Options



Sr. No	Investment Options	No. of Respondents	Percentage
1.	Stock Market	28	11.72%
2.	Bank Deposit	43	17.99%
3.	Real Estate	22	9.21%
4.	Mutual Funds	45	18.83%
5.	Metal (Gold/Silver/Others)	21	8.79%
6.	Insurance	36	15.06%
7.	Commodity	08	3.35%
8.	Tax-Saving Schemes	26	10.88%
9.	Debt Market	08	3.35%
10.	Others	02	0.84%
	Total	**239**	**100%**

Because investing is oriented toward the potential for future growth or income, there is always a certain level of risk associated with an investment. An investment may not generate any income, or may actually lose value over time. For example, it's also a possibility that you will invest in a company that ends up going bankrupt or a project that fails to materialize. This is the primary way that saving can be differentiated from investing: saving is accumulating money for future use and entails no risk, whereas investment is the act of leveraging money for a potential future gain and it entails some risk.

4. Introduction to Portfolio Management

"Portfolio means combined holding of many kinds of financial securities i.e. shares, debentures, government bonds, units and other financial assets."* The term investment portfolio refers to the various assets of an investor which are to be considered as a unit. It is not merely a collection of unrelated assets but a carefully blended asset combination within a unified framework. It is necessary for investors to take all decisions as regards their wealth position in a context of portfolio. Making a portfolio means putting ones eggs in different baskets with varying element of risk and return. The object of portfolio is to reduce risk by diversification and maximise gains.

Thus, portfolio is a combination of various instruments of investment. It is also a combination of securities with different risk-return characteristics. A portfolio is built up out of the wealth or income of the investor over a period of time with a view to manage the risk-return preferences. The analysis of risk-return characteristics of individual securities in the portfolio is made from time to time and changed that may take place in combination with other securities are adjusted accordingly. The object of portfolio is to reduce risk by diversification and maximize gains.

Portfolio management is an art and science of making decisions about investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk against performance.

The key to effective portfolio management is the long-term mix of assets. Generally, that means stocks, bonds, and "cash" such as certificates of deposit. There are others, often referred to as alternative investments, such as real estate, commodities, and derivatives.

Asset allocation is based on the understanding that different types of assets do not move in concert, and some are more volatile than others. A mix of assets provides balance and protects against risk.

Investors with a more aggressive profile weight their portfolios toward more volatile investments such as growth stocks. Investors with a conservative profile weight their portfolios toward stabler investments such as bonds and blue-chip stocks.

Diversification

The only certainty in investing is that it is impossible to consistently predict winners and losers. The prudent approach is to create a basket of investments that provides broad exposure within an asset class.

Diversification is spreading risk and reward within an asset class. Because it is difficult to know which subset of an asset class or sector is likely to outperform another, diversification seeks to capture the returns of all of the sectors over time while reducing volatility at any given time.

Real diversification is made across various classes of securities, sectors of the economy, and geographical regions.

Rebalancing

Rebalancing is used to return a portfolio to its original target allocation at regular intervals, usually annually. This is done to reinstate the original asset mix when the movements of the markets force it out of kilter.

For example, a portfolio that starts out with a 70% equity and 30% fixed-income allocation could, after an extended market rally, shift to an 80/20 allocation. The investor has made a good profit, but the portfolio now has more risk than the investor can tolerate.

Rebalancing generally involves selling high-priced securities and putting that money to work in lower-priced and out-of-favor securities.

The annual exercise of rebalancing allows the investor to capture gains and expand the opportunity for growth in high potential sectors while keeping the portfolio aligned with the original risk/return profile.

Active Portfolio Management

Investors who implement an active management approach use fund managers or brokers to buy and sell stocks in an attempt to outperform a specific index, such as the Standard & Poor's 500 Index or the Russell 1000 Index.

An actively managed investment fund has an individual portfolio manager, co-managers, or a team of managers actively making investment decisions for the fund. The success of an actively managed fund depends on a combination of in-depth research, market forecasting, and the expertise of the portfolio manager or management team.

Portfolio managers engaged in active investing pay close attention to market trends, shifts in the economy, changes to the political landscape, and news that affects companies. This data is used to time the purchase or sale of investments in an effort to take advantage of irregularities. Active managers claim that these processes will boost the potential for returns higher than those achieved by simply mimicking the holdings on a particular index.

Trying to beat the market inevitably involves additional market risk. Indexing eliminates this particular risk, as there is no possibility of human error in terms of stock selection. Index funds are also traded less frequently, which means that they incur lower expense ratios and are more tax-efficient than actively managed funds.

Passive Portfolio Management

Passive portfolio management, also referred to as index fund management, aims to duplicate the return of a particular market index or benchmark. Managers buy the same stocks that are listed on the index, using the same weighting that they represent in the index.

A passive strategy portfolio can be structured as an exchange-traded fund (ETF), a mutual fund, or a unit investment trust. Index funds are branded as passively managed because each has a portfolio manager whose job is to replicate the index rather than select the assets purchased or sold.

The management fees assessed on passive portfolios or funds are typically far lower than active management strategies.

5. Portfolio Management Process

Portfolio management is on-going process involving the following basic tasks:

i. Identification of the investor's objectives, constraints and preferences.

ii. Strategies are to be developed and implemented in tune with investment policy formulated.

iii. Review and monitoring of the performance of the portfolio.

iv. Finally the evaluation of the portfolio and make some adjustments for the future.

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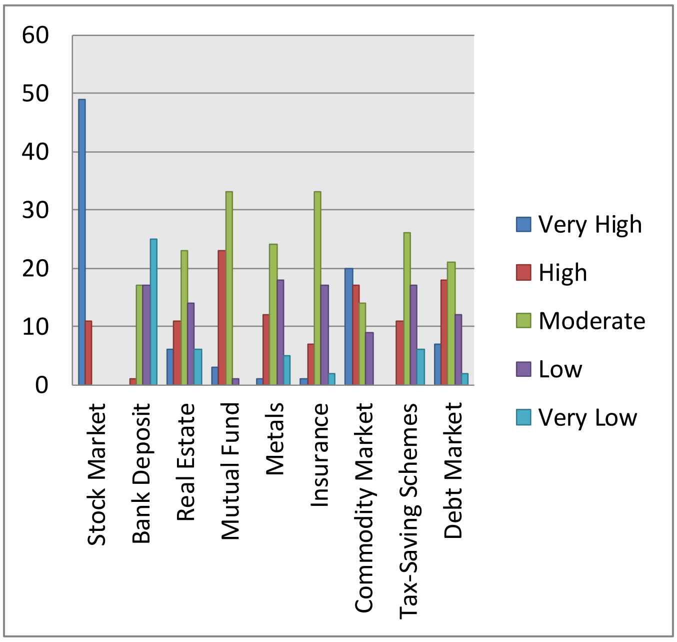
Level of Risk Involved in the Investment Schemes



In today's world everybody is running for money and it is considered as a root of happiness. For secure life and for bright future people start investing. Every time investors are confused with investment avenues and their risk return profile. So, even if we focus on past, present or future, investment is such a topic that needs constant upgradation as economy changes. The research study will be help full for the investors to choose proper investment avenue and to create profitable investment portfolio.

5.1 Defining the Problem:

Many people consider investing to be a scary activity. They are confused by the Excess wealth and rise of investment alternatives, nervous by the fluctuations in financial prices, overwhelmed by the presence of strong and great institutional investors, confounded by unusual instruments and complicated investment strategies, confused by the particulars of the tax system, and frustrated by the financial scams that periodically rock the market. Common problems faced by the individual investors while thinking of investment are, Lack of awareness and knowledge, Blind faith, Lack of Financial Inclusion, Traditional thinking, Emotional attachment to money, Fear of loss and many more.

Investor's education is a task which is performed by the financial service providers and regulatory bodies. But all the people are not aware of how and when these guidelines are being communicated. There are various TV shows, investments web sites, wealth management firms, news papers, magazines, journals are available, which provide guidelines on investment of hard earn money. Still many people are not putting their funds in proper investment avenues.

Investment is not considered as a need but it is considered as a tool for tax planning. In order to provide detailed knowledge to all investors regarding; Investment avenues, the role of investment portfolio managers in creating profitable investment portfolio, Benefits of investment portfolio, and Strategies to create profitable portfolio with proper Tax planning; the problem of the study is defined as "Management of Portfolio – A Research Study of Investors In Mumbai"

5.2 Awareness:

'Investment Awareness' is not an altogether new concept. In fact, it is very much discussed topic. Life of a human being is full of uncertainties. Hence, it becomes very much essential or is rather a necessity to save money for the future. Now, just saving money & keeping it idle is not sensible. Because, the value of money will get decreased. Hence the money saved should be invested; so that its value will get increased. Out of this need, various investment avenues have come into force. The risk bearing capacity of each & every individual is different; depending upon their age, income, perceptions & beliefs.

Today's women are definitely financially independent. They are heading the important senior posts in various sectors. They are doctors, engineers, IPS officers, artists, professors. The list is unending. Hence, in the society, women are getting great respect. They have got financial soundness. But only earning high income is not enough. It is just half the battle won. The remaining & very much important thing is investment. If the amount earned is invested in the right manner, one can increase one's wealth. As it is one of the objectives of financial management, wealth maximization is really very important.

As far as the Indian scenario is concerned, working women here have started doing investments slowly. The percentage of working women who take their own financial decisions for making investments is low. Many a times, they rely on their husbands or parents to make investment decisions. There is still a class of working women who just don't bother much about making investments out of their income. This is because their husbands are financially very strong & these female working professionals join somewhere with the sole intension of killing the time or they don't want to sit at home idle. The reason for not making investments on their own might be male dominance in some cases.

No doubt, there is a class of working women who are handling their own portfolios & getting good returns on their investments too. But the percentage of such class of women is a bit low. Such class includes mainly single mothers, divorcees, widows, unmarried women etc. This needs to be changed. That means more & more working women should be financially aware & they should take their own financial.

5.3 Limitations:

1. It is assumed that all the information provided by the respondents is true & factual.

2. Time was the main constraint. As far as the depth of the research paper is concerned, it would be unfair to assume that the sufficient amount of data has been collected within such a limited time frame.

3. The data collection has been done from a limited geographical area. Hence the findings & conclusion have got their own limitations.

4. The information given by the respondents might be biased because some of them might not be interested to give correct information

CONCLUSIONS

After the analysis & interpretation of data by the researcher it is concluded that Investors are very well aware about investment avenues that are available in Pune , India but still investors are preferring to invest in their money in bank deposit, real estate.The data analysis of research reveals that the safety is concerned as important factor while doing investment,so remaining avenues are less found less considerable while doing investment by investors.

Especially in a city like Pune where Real estate is always on the high or up, this is not at all bad investment option. But there is no fixed return and the risk and amount of investment is high.

It is absolutely essential and needed to save what you earn, to have a plan for your own future, and to resist the spending funds that you do not already have.

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