INVESTMENT AVENUES IN THE CURRENT MARKET SCENARIO

Dr. Bharat M. Pithadia
Associate Professor, Dept. of Commerce
Nagindas Khandwala College (Autonomous), Mumbai

Abstract
Investing, of course, is not a game, but a serious subject that can have a major impact on their future well- being. Virtually every one invests. It may in Gold, Shares, Land, Bonds, Government Securities, Fixed Deposits with Banks, etc. Each of these investments has some common characteristics such as the potential risk and return. Investors must determine how much risk they are willing to bear since a higher return is always associated with accepting higher risk. A primary aim of this study is to make investing less difficult by explaining different terms, by elucidating the possible (major) alternatives of investments available to the investors.

Keywords: *Investment, Investor, Investment Avenues*

Introduction
Many investors find investments to be fascinating because they can actively participate in the decision making process and can see results of their choice of investments. Of course, not all investments will be profitable because you will not always make correct investment decision. Over a period of years, however, investors should earn a positive return on their investments.

Investment
The word 'Investment' connotes different meaning to different people. To a layman, it means purchase of shares, bonds or other financial instruments. To an economist it implies purchase of fixed assets. To a business man as well, it refers to buying fixed assets for the business.

The term "investment" can be used to refer to any mechanism used for the purpose of generating future income. Any action in the hope of raising future revenue can also be an investment. Pursuing additional education can be considered an investment, as the goal is to increase knowledge and improve skills in the hope of producing more income.

The term investment implies employment of current funds to earn commensurate return in future. It implies sacrifice current consumption for expected income in future because the amount which is not spent today on current consumption is saved and invested.

Investment means scarifying or committing some money today in anticipation of a financial return later. The investor indulges in a bit of speculation as to how much returns he is likely to realize. There is an element of speculation involved in all investment decisions. However it doesn't mean that all investments are speculative by nature.

Definition of Investment
We can define investment as the process of, 'Sacrificing something now for the prospect of gaining something later.' It implies a three dimension to an investment-time, today's sacrifice and prospective gain.

"Investment is current commitment of money for a period of time in order to derive future payments that will compensate the investor for (1) the time the funds are committed ,(2) expected rate of inflation , and (3) the uncertainty of future payments. The "investor" can be an individual , government, a pension fund, or a corporation. Similarly this definition includes all types of investments including investments by corporation in plant and equipment and investments by individuals in stocks, bonds, commodities, or real estate.

Investment Avenues

The investor has to choose Proper Avenue depending upon his specific need, risk preference, and returns expected. The Different investment avenues are:

Safe/Low Risk Avenues: Saving Account, Bank Fixed Deposits, PPF, Government Securities, etc.

Moderate Risk Avenues: Mutual Funds, Debentures, Bonds.

High Risk Avenues: Equity Shares, Commodity Market, FOREX Market

Traditional Avenues: Real Estate, Gold/Silver, Chit Funds.

Review of Literature

An All India Survey titled (1998) **"Household Investors"** Problems, Needs and Attitudes conducted by **The Society of Capital Market Research and Development** revealed the fact that majority of the retail investors lost confidence in various agencies like SEBI, credit rating agencies etc, A cross section analysis showed that 79 per cent of investors had low confidence or no confidence in company management, 55 per cent in SEBI, 64 per cent in auditors and 78 per cent in share brokers. The study noticed a significant shift of investors from equity shares to high quality of domestic financial instruments. However, bonds were still far behind shares in terms of market penetration. An important note was that a majority of retail investors were not influenced by credit rating and also expressed their confidence in these agencies.

V.K. Somasundaram(1999) in his research work titled **"A Study on the Savings and Investment Pattern of Salaried Class in Coimbatore District"** made an attempt to analyze the savings and investment pattern of salaried class investors. An in-depth analysis is done to identify the level of awareness, attitude, factors which influence the investors to save and invest, average savings of investors, pattern of savings, conversion of savings into investments, investment preference etc. Questions like why people save and what make them not to invest are also analyzed and interpreted. In this study, the researcher has identified the problems faced by the savers and investors along with their expectations. The pending problems could be solved by taking necessary steps in the right direction. Hence appropriate recommendations have been made to make the investment climate more congenial and attractive to the investing community.

Arul Stephan and Dr.V.Darling Selvi (2009) in their article entitled **"Investment Avenues for Senior Citizens"** stated that it is necessary on the part of the elders to find a definite source of income for themselves. The senior citizens have various alternative avenues of investments for their savings in accordance to their preference. A definite idea about investment will provide senior citizens a steady income which helps them in the phase of rising cost in future. Hence, it is the need of the hour for the elders to think and act wisely in their investment decision. As all the investments are not equally good, awareness of various schemes and the privileges of the aged will help them to select the best suitable investment avenue.

Kabra, G., Mishra, P.K. and Dash M.K. (2010), studied the factors effecting investment behavior and concluded that investors age and gender are the main factors which decide the risk taking capacity of investors.

Dr. D. P. Warne (2012), studied Investment Behavior of individual Investors in the stock Market to understand the attitude and perception of Investors, concluded that market movements affect the investment pattern of investors in the stock market.

Ashis Garg And Kiran Jindal (2014), Studied the Herding Behavior in the emerging stock market, attempt to attend the Presence of herding behavior in the stock market concluded that there is an existence of herding behavior during the crises**.**

Objective of Study

1. To understand the concept of investments.
2. To suggestions best avenues for making investments.

Research Methodology

The present study is based on the book review and secondary data published by various agencies and organizations. It is basically Desk Research.

Five best investment avenues in the current scenario

Markets from 2014-2015 have been rife with fluctuations. The run up to the elections and its aftermath were great for the stock market. There was new optimism about the economy, industry, and business. Oil prices went down and inflation subsided.A year later, there are prospects of less than normal monsoon, a world economy be laboring its way to marginal growth, and industrial production showing sluggish to incrementally better performance month by month. Markets too have reacted similar and have gone down by around 6% from their record high hit in March. In such a situation, investors tend to get confused about how and where to invest. In this article, we will look at 6 avenues of investment that can still give you good returns. **Here they go:**

1. Equity Mutual Funds (Especially Comprising blue chip Companies)

Though the market has gone down, there is not much downside in blue chip companies and mutual funds comprising of these companies. The government is clear about manufacturing and is providing faster clearances for factories to be set up, production to start, and energy to be given to the industry.

“This may take a few months to operationalize, but the trend is clear. The projects that were in limbo for the last couple of years have started getting approved. This will create significant momentum and wealth for large firms and their investors. Blue chip equity funds are offered by HDFC Mutual Fund, Birla Sun Life, Reliance and many more,” says Adhil Shetty, founder & CEO of Bank Bazar.com.

2. Balanced fund (funds made up of equity and debt)

Many investors are not comfortable with pure equity funds because of high risk associated with the fund. Hence, they look for an avenue that is less risky and also takes advantage of market movements partially. Balanced fund is a good choice for such investors.

“Balanced funds invest a part in equity and a part in debt. The equity part moves up and down as per the market and the companies they represent, while the debt part is relatively consistent in returns. The overall return to risk is good compare to other schemes of mutual funds.

3. EPF and PPF

EPF and PPF are risk-free investments offering returns of about 9%. There are many advantages of investing in EPF and PPF. They are risk free because they are backed by the Government of India. Moreover, the interest earned is also tax free. You can also save taxes on PPF and EPF investment, subjected to the limit of Rs 1.5 lakh under 80C.

Generally, EPF is done by your employer, and you and your employer both pay equal amount Towards your EPF account. Apart from the post office, PPF account can now be opened in any bank. Walk down to the nearest branch of BoI, Bank of Baroda, ICICI Bank or any other bank to open your PPF account. The maximum amount that can be invested in PPF in a year is Rs 1,50,000. This can be done in a maximum of 12 deposits in a year, and not necessarily each month.

According to financial experts, conservative investors can still bank on EPF for creating their retirement corpus, but for investors with low or moderate risk profile and limited or no other retirement benefits, PPF currently appears to be the best option as returns are to a large extent guaranteed and the withdrawals after the mandatory holding period are tax-free.

4. Bonds offered by the Government and Corporate

Bonds are another avenue that is risk free. The bonds offered by the government are risk free because the government usually doesn't default on the payment. If everything fails, they can always print new notes and pay the bond holder (at the cost of inflation though).

As far as corporate bonds are concerned, bonds offered by large firms with sound business models are preferable. There is a small risk in corporate bonds in case the company goes bankrupt.

"The best way to identify a good bond offering is to look at the rating. All the bonds offerings have to go through a mandatory rating by a rating agency. The rating agency decides the rating based on the company's ability to honour its obligations to bondholders, i.e. whether it can pay the interest and principal on time. A high rating is an indication that the risk is low," says Shetty.

5. Real Estate

For the last couple of years, the real estate sector has disappointed investors. The market is not showing any discernible trend in this sector. Additionally, the real estate sector is mired in many controversies, corruption, and injurious practices. However, the main contributing reason for the prevailing widespread scepticism was low economic growth and even lower expectation of future growth.

However, with the new government focused on economic growth, the real estate sector will bounce with the first hint of an uptick in growth. Moreover, projects such as smart cities will provide ample opportunities to investors in the real estate sector. But investors should be careful of a few companies which are embroiled in controversies and legal battles with the government and consumers.

Table 1. A brief overview of returns offered by the above-mentioned entities:

SR	Investment Avenues	Expected Annualized Returns in the Long Run
1	Equity Mutual Fund	14% to 21%
2	Balanced Fund (Equity & Debt)	9% to 14%
3	EPF & PPF	8 % to 8.7%
4	Government & Corporate Bonds	7 % to 9.5%
5	Real Estate	Various Factors to be Considered
6	Foreign/ Overseas Mutual Fund	7% to 14%

Important points to consider

While investing is important, assessing your investment periodically is vital for your wealth. Even if you don't check stock prices or mutual fund NAVs every week or every month, it is vital to take a comprehensive look at all your investments every 6 months or a year. During such assessments, it is important to avoid impulsive decisions to sell or buy. The purpose of assessing your investment is to find new avenues of investment and discard an existing one if things have gone bad.

"You also need to know a few key parameters of any asset that you want to invest in. For example, if you are considering a particular mutual fund, look for annualized returns for the last 5 – 10 years instead of just the previous year's returns. Look for the expense ratio, which is the percentage of investment charged to you. Look for sectors and companies where the mutual funds are investing. Finally, don't wait for the right time. The most important thing in investing is to start it, no matter how small your investment is. Begin with a small amount and grow the investment, thereby gaining in experience about the markets.

References

[1]PreetiSingh,"InvestmentManagement"HimalayaPublishingHouse,NewDelhi,2006.

[2]RustagiR.P,"InvestmentManagement"InvestmentAnalysisandPortfolioManagement",SultanChandandSons, NewDelhi,2007.

[3]VashishtA.K,"InvestmentManagementandStockMarket",DeepandDeepPublishingHouse,NewDelhi, 2005.

[4] BhallaV.K,"InvestmentManagement",S.ChandandcompanyLtd,NewDelhi,2004.

[5]PrasannaChandra"ManagingInvestments",Tata-McGrawHillpublishingcompanyLimited,NewDelhi,1998

[6] GuptaS.P, "StatisticalMethods",SultanChandandSons,NewDelhi,2006.

[7] R.S.N.Pillai,Bhagavathy,"Statistics"S.ChandandcompanyLtd,NewDelhi,2008.

[8] C.R.Kothari,"ResearchMethodology",NewAgeInternationalLimited,NewDelhi,2005.

[9]//eomictimes.indiatimes.com/articleshow/47970333.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst