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A study on investment options available in the modern era

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ABSTRACT

In today's scenario the people are more concern about their future than present. Everyone wants financial independence and financial security. For this purpose, it is necessary for them to take investment decisions. Awareness and knowledge of different investment avenues is extremely important to make the right investment decision. Investment is the best way to attain financial security. The aim of Investment is to maximize the earning potential of the investors. This study provides an overview of investment options available in the modern era and a brief description of the investment avenues related to short, medium and long tenure. The objective of the study is to explain the investment avenues and its related benefits. The study will be conducted in descriptive style by using the secondary data. An attempt is made to study the different investment avenues available in Indian market for investment. Investment can be made in both financial and non financial products.

Keywords— Investment, Income, Investment options in India, Tax benefits

1. INTRODUCTION

Investment refers to a commitment of funds to one or more assets that will be held over some future time period. The two important elements of investments are current sacrifice and future benefits. There are many 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 important because it help in financial interdependence, growth of income, fulfilling personal goals and reduce future risks.

As the blood is necessary for the survival same the saving and investment is necessary for the fulfilling the future needs and risks. Future is always have uncertain and unpredictable events which must be covered with the proper saving and investment. In India there is vast scope of saving and investment because of presence of a large numbers of industrialists, businessman, government and private organizations and circulation of money is also very high. Investors are sensitive about their safety of their investment made. They need reliability of their investment. The government and other agencies come up with innovative schemes to mobilize the savings of the people which can be fruitfully used in the development of the economy. It is necessary for the investors to have adequate awareness and knowledge about the various investment avenues so as to take rational decisions regarding the investment of their savings.

Investment refers to commitment of funds for future periods against a return which is adequate to induce to part with money. Generally it refers to pay off by putting the money in productive avenues. All the investment decisions arise from tradeoff between current and future consumption. Investment is the process of utilization of resources in order to increase income and production output in the future.

Investment attracts all the people irrespective of their occupation, education, age, sex etc. additional income or growth in valve can be achieved by investment. While selecting a investment option care has to be taken that investment should not result in increase in taxable income. All investment always involves some kind of risk. The risk degree also varies according to the investment mode, instrument and duration. Investment is beneficial for individual, economy as well as for the society.

2. MAIN REASONS FOR INVESTMENT

- Security of family:** Security and safety of the family is essential objective of the investment. Investment fulfills the main objectives of the family file provision for children education and marriage.
- High Returns:** Investors always invest their saving to earn regular and high returns. The return on investments is the reward to the investors. To earn capital appreciation investment can be made in both financial and non-financial assets.
- Tax benefits:** while selecting an investment option, care has to be taken that investment should not result in increase in taxable income. Most of the investors make investments for getting the tax benefit in the form of exemptions under the

Income Tax Act, 1961. Tax benefits is important consideration for an investor as proper tax will help to improve the efficiency of investor's investments

- (d) **Liquidity:** Investors generally prefer those investments which offer higher liquidity. It is considered as one of the important factor which is to be considered before making an investment. Liquidity means an ability of an investment to be converted into cash as and when required.
- (e) **Retirement plans:** Investors, while investing their hard earned money consider those investment plans which help them after retirement to meets their future needs like provision for old age and sickness, provision for house construction and provision for dependents.

2.1 Difference on the basis of following features of investor and speculator

- (a) **Planning period:** An investor always kept his holding for the longer period whereas the speculator prefers to invest for a very short period.
- (b) **Owned funds:** Investors always used his own fund whereas a speculator generally resorts to borrowing.
- (c) **Expectation of return:** An investor seeks moderate rate of return with limited risk whereas a speculator always looks for a high rate of return.
- (d) **Risk:** An investor is willing to take moderate risk whereas speculator willing to assume high risk.

2.2 Factors affecting investments

- (a) Safety of money
- (b) Children marriage and education
- (c) Security of life after retirement
- (d) Tax saving
- (e) Regular and best returns
- (f) Educational level

3. REVIEW OF LITERATURE

C.Sathiyamoorthy, (2015) examined that investment is undertaken with an expectation of return. While taking the investment decisions various factors must be considered like age, education level, income of the investors etc.

Rajeshwari Jain, (2014) 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) 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.

P.Bhanu Sireesha and Sree Laxmi, (2013) studied that investors were more interested in the safety of their investment than other benefits arising from the investments. Most of the investors prefer those investment options which had medium risk factor.

P. K. Bandgar and Mahesh Arun Mahajan, (2012) explained in their study the management of portfolio which investors in Mumbai city followed to invest their saving for their secure life and for bright future. Their study will help the investors to choose the proper investment avenue and to create profitable investment portfolio.

Dhiraj Jain & Parul Jain, (2012) analyzed that demographic factors plays an important role & have a great impact on the investment decisions of the investors. Income level, age, marital status, education level, occupation etc affects the decision & market knowledge of the investors in Rajasthan. It is concluded from study that most of the teachers are saving for their children education, marriage and their family future needs.

A.Lalitha and M.Surekha, (2008) concluded in their study that investors are more stay with the traditional investment avenues than latest options like LIC and bank/ post office deposits. Investors believe that traditional options are more secure and free from risks as compared to the modern investment options. They also observed in their study that the retail investors don't have proper investment awareness and knowledge.

4. OBJECTIVES OF THE STUDY

- To identify the various investment options available for investment in India.
- To find out the main reasons for Investment.

5. RESEARCH METHODOLOGY

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

6. INVESTMENT OPTIONS AVAILABLE IN INDIA

There are large numbers of investment avenues are available in the market of India.

- (a) **Post office saving schemes:** All the post office schemes is purely safe and no risk investment option. Recurring deposits, kisan vikas patra, senior citizen saving schemes are some of the best post office saving schemes.
- (b) **Insurance policies:** Insurance policies include life insurance with investment portion, pension scheme, and tax savings scheme. It provides moderate risk and return.
- (c) **Public provident fund and provident fund:** One can open its PPF account with any nationalized bank .PPF fixed tenure is 15 years and one can withdraw half of the amount after seven years. The interest income is not taxable and there is tax benefit under section 80C of the Income Tax Act.
- (d) **Bank deposits:** It is one of the most largely safe and secures type 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.
- (e) **Share capital:** Investment in share is highly risky investment but earn high rate of return. Knowledge of share market is essential requirement on the part of investors.
- (f) **Bonds and debentures:** Bond and debentures are the types of debt instruments which are issued by the companies. Investment in bonds/debentures provides regular interval return.
- (g) **Real estate:** As the investment in real estate 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. Risk and return on the real estate depends on factor associated with markets. It is subjected to capital gain tax also.
- (h) **Mutual funds:** Mutual funds are subject to market risk. 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.
- (i) **Pension funds:** This is one of the latest and important option of investment in India. Under this scheme the investor can invest in both equity and debt. Investor has a choice about the percentage which he has to invest in debt and equity. Till the age of 35 years exposure to equity and debt is 50%. The contribution is decided according to the age of the investor.
- (j) **Gold/Silver and precious articles:** Investment in metals gold/silver and precious article like painting, sculptures, coins, stamps etc are the common form of investment. It provides social status and liquidity. Investment in precious article and metals are less risky and for the long term. It provides liquidity at any time as they can be converting into cash on demand.

There are some investment options and schemes which provide the tax befits to the investors. Such types of schemes must be promoted by the Government to encourage the investors to invest in these schemes which provides maximum tax benefits to them. In some schemes, the entire investment is made tax free also.

There are many risk associated with investment types. Risk may be low, medium and high risk. The investment avenues according the risk associated are classified:

Table 1: Investment avenues according to risk

Low Risk Investment avenues	Medium Risk Investment avenues	High Risk Investment avenues
(a) Public Provident funds	(a) Mutual Funds	(a) Real estate
(b) Fixed bank deposit	(b) Gold/Silver & Precious articles	(b) Chit funds
(c) Post office saving schemes	(c) Bonds & Debentures	(c) Share market
(d) Life insurances		

Table 2: Investment benefits to different sectors

Benefits of investment to individual	Benefits of Investment to corporate sector	Benefits of Investment to the Government
(a) More income	(a) Permanent capital	(a) Leads capital formation
(b) Tax benefits	(b) Credit worthiness	(b) More employment
(c) Safety and security	(c) No fixed burden	(c) More revenue for development of the economy as a whole
(d) Liquidity		

7. FINDINGS OF THE STUDY

- (a) There are various investment avenues are available in India.
- (b) To attract the investors various new attractive schemes must be launched.
- (c) Investment in share market should be popularized.
- (d) Saving should be pooled and invested in the most productive investments.
- (e) Many investment schemes are available in the market which must be reached to the investors which motivate them for saving and investment.
- (f) Investors himself identify and select the best options according to their needs after studying merits and demerits of different options.
- (g) Different educational programmes can be organized to increase the awareness level about the investment avenues.

8. CONCLUSION

Finally, the study concludes that investment is a need of all the classes of the society. It is clearly found out that if you want to secure your future whatever the future needs you had, all these needs can be fulfill by best investment made. Saving and investment cannot be neglected in present days as it provides surety about strong financial stability in future. To cope up with the increasing needs of all the sections of the society saving and investment are the best options to secure and fulfill all the present and future needs.

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