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"A STUDY ON LONG TERM INVESTMENT AVENUES FOR AN INDIVIDUAL"

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Abstract

This study explores the various Investment instruments and Investment avenues prevailing in the market and risk associated with them. Main objective of the study is to check the awareness of Equity investment. Research aims to create awareness about long term equity Investment, debt investment and diversification of risk. The objective of checking the awareness is fulfilled by collecting Primary Data through Questionnaires and Personal Interview of sample size 50.The sample size includes Retired person , Age 20-30, Age 31-40, sole proprietors, Housewives, etc. It is expected that the result of Primary Data will be showing lack of awareness among the common people. Only educated people have limited awareness and rest of the people are not aware of Long term Equity Investment. Awareness can be created by providing them information about equity market. This Study further explains the individual how an Individual can plan his investment around the year by studying the economic sectors. This study shows details of all the sectors viz… Agricultural sector, Industrial Sector and Service Sector, further it shows how an Individual can use current for investment in Equities of the various companies. The aim of the research is to increase the number of investors in the market as it is beneficial for the country, businesses as well as individual investor.

Keyword

Investment, strategies, Economy, awareness, Equity.

1. Introduction

The terms investment and saving are usually misunderstood by the people. Saving is just keeping aside of Money, Investment means using the money with aim to of making it grow in a specific period of time. Investment was introduced around 1700 BCE in Mesopotamia, which is now Iraq. Benjamin Graham is known as the father of investment, he is famous for his book The Intelligent Investor. Investment is defined in different ways. Investment is simply explained as concept of making our money to work for us. Money saved and kept home are Idol where as invested money works and earn interest or Returns. Saving at home reduces money. Various strategies are explained about investment, but continuous threats and frauds have made it difficult for the common people to differentiate between right and wrong information.

Equity is when any person agrees to invest in the company according to the surplus amount available with them. Debt means a person agrees to give debt or loan to any company (listed) where they get fixed rate of interest for a certain period of time. Debt can be for long term or short term but when talking about equity it is profitable for long term as on the market performance along with the fundamentals of the company.

2. Objectives of the Study

1. To study awareness of investment.
2. To study the risk associated with investment.
3. To understand various investment strategies prevailing in the market.
4. To check the most favorable method of investment available in the market
5. To study economic cycle and its influence over investment strategies of an individual.

3. Literature Review

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4. Investment Options

4.1 Public provident fund –

PPF short form of Public provident fund was established in the year 1968. It offers monthl as well as lumpsum investment options with minimum of 500 and naximum of Rs 1.5 lakh in each financial year, It offers dual benefit of wealth creation as well as tax saving.

4.2 National saving certificate –

This is a initiative undertaken by Government of India. NSC offers guaranteed return and amount can be saved at Post office, but the returns provided is not sufficient to beat the inflation. However this saving scheme is promoted only for Individuals, Private and public limited companies, Hindu Undivided family (HUF), Trust, Non Residents in India (NRI's) cannot invest in NSC.

4.3 Post office monthly Saving Scheme –

Post office offers various schemes but monthly saving scheme is one of the best option. It offers fixed returns just like National saving certificate and Public provident fund. This are safe mode of investment associated with Indian Government

Government Bonds –

Bonds are issued by the Government of India with a motive to raise funds from the public. In simple terms to issue loans to the Government and we receives fixed interest in the form of returns for a certain period of time

4.4 National pension scheme –

Citizen of India between 18 – 70 years of age can open account at NPS. This is a scheme for future planning of retirement where one can receive Pension even if he is not a government employee. Here investment is made voluntarily for a bright future.

4.5 Sovereign gold bonds

Sovereign Bonds are issued by Reserve Bank of India on the behalf of Indian government, where safety is assured by government for quality of gold. Here subscriptions are opened for purchase of gold where we get gold bonds directly from government

4.6 Mutual funds

Mutual funds in simple terms can be explained as investment option where Asset Management Company launch various equity and debt schemes as per the need arising currently. Fund is collected and invested as per the theme of the scheme. Each AMC have minimum of 20 schemes and maximum of more than 60 schemes. Monthly as well as Lump sum method of investment is available.

4.7 Unit link insurance plan

When insurance plan are linked with the market and offers returns associated with growth of Market, These plans are Unit Linked Insurance Plans (ULIP)

4.8 Gold exchange trade fund

This is purchase of gold in units and not physical gold. Prices of gold are linked and similar to domestic physical gold price. It can also be observed in the schemes of Mutual funds

VREIT's –

REIT is abbreviated as Real Estate Investment Trust - a company which manages portfolios. Motive behind establishment of REIT was to make investment in real estate affordable for every individual. One may not have enough money to buy a house or and, REIT divides the amount and work just like mutual funds or shares but it provides shares only of Real estate.

4.9 Bank fixed deposits

Most common investment options for Indian is Fixed Deposits (FD) at banks which is based on tenure and gives fixed interest with safety of money. Bank scams may put FD amounts in danger.

4.10 Real estate

Investment in real estate is simply buying of lands and buildings.

4.11 Initial public offer

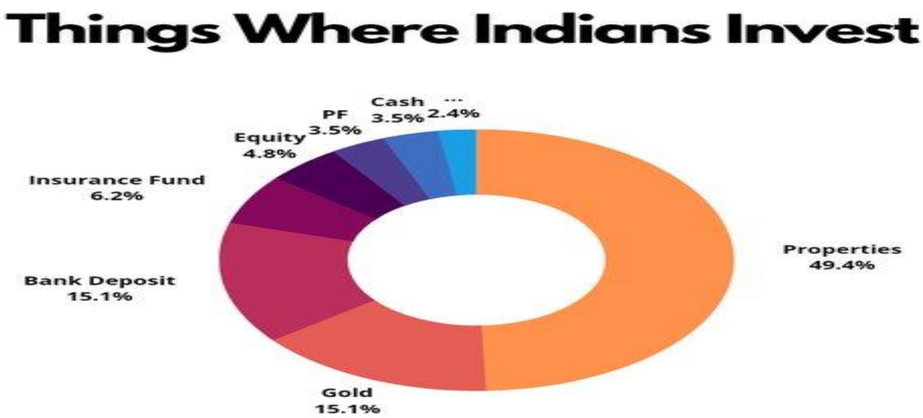
When any company wish to raise funds and share its ownership publicly by issuing of shares for the first time, It is termed as Initial Public Offer abbreviated as IPO.

4.12 RBI bonds

Bonds issued By Reserve Bank of India for a fixed period of time and fixed rate of interest.

4. 13 Direct equity

When an individual buys shares or stocks directly from the company through any apps or brokers and not through mutual funds is termed as Direct equity investment.



From Above instrument very few people are aware of all the options and their features. The term share market or capital market is considered as a fearful instrument of investment. Investing in share market is misunderstood as intraday trading, features, etc. Investment in direct equities is one of the best options for long term investment.

Direct equity investment means taking the ownership by purchasing their market share in the Stock Exchange. Awareness about long term equity can increase the number of investors from our country me will have limited dependency on foreign investors. Foreign investment sometimes can have dreadful effect on Indian market which can make drastic change in an economy. So it is always a better option to raise maximum money from Indian Markets.

5. History of stock Market

First time this concept was started in 1400 at Antwerp, currently Belgium where merchants buy goods in hope that price will increase in future

In 1611 Modern stock trading was established and the first company to trade was Dutch East India Company

In later 1700 a small group of merchants meet daily to buy and sell stocks which gave rise to New York stock exchange.

In 1790 Philadelphia stock exchange was formed

1896 – Dow Jones industrial average was created

1923 – Early version of S & P 500. It started with 90 stocks in 1926.

1929 – US market crashed after a period of Decade

1941 – Merger of Standard & Poor's

1971 – Trading begins at NASDAQ (National Association of Securities Dealers Automated Quotation)

Indian share market : Native share and stock broker's association was the first share trading association in the year 1875 and today it is Bombay Stock Exchange where shares were traded physically and later in 1992 National stock exchange emerged with digitalization.

6. Where Were stocks First Created?

The idea of trading goods dates back to the earliest civilizations. Early businesses would combine their funds to take ships across the sea to other countries. These transactions were either implemented by trading groups or individuals for thousands of years.

Throughout the middle Ages, merchants assembled in the middle of a town to exchange and trade goods from countries worldwide. Since these merchants were from different countries, it was necessary to establish a money exchange, so trading transactions were fair.

Antwerp or Belgium today, became the center for international trade by the end of the 1400s. It's thought that some merchants would buy goods at a specific price anticipating the price would rise so they could make a profit.

For people who needed to borrow funds, wealthy merchants would lend money at high rates. These merchants would then sell the bonds backed by these loans and pay interest to the other people who purchased them.

7. Investment Master Plan

Investment strategies are meant to be those strategies which can help investors to choose their portfolio with respect to expected return risk, available surplus amount, time period, age, goals, etc. Investment strategies can help to create diversified portfolio along with saving of tax and wealth creation. For an individual it is little bit difficult to outperform the market. It is always advisable to have financial advisor along with the knowledge as it can be the best option to achieve the goals within Limited period of time. Below are 7 effective investment strategies:

Passive and active Strategies:

Active strategy is the term used for intraday trading, whereas passive strategy means buying of stock and holding it for long term and selling it once the price of the stock increases. Active market beers high risk and passive market have limited risk

Growth investing (short term and long term):

Investor invest in the company by studying its fundamental analysis and decide the time period for holding the stock as 1 - 2 years or long term

Income investing

Strategy of investors to invest in the undervalued stock by observing its intrinsic value comes under value investing.

Value Investing

The mean motive of investors investing in the stock get regular income say on monthly basis, quarterly basis or yearly basis in the form of dividend or interest

Dividend growth investing

Investors using this strategy believes in compounding growth the companies which are less volatile are consistent in paying the dividend this strategy investors the benefit for long term to create the wealth

Contrarian investing

Contrarian strategy is opposite of normal strategy here investors in West in the market session on when market is calm and is at a downfall. Letter spin the market goes up after the situation money gives huge profit to the investors.

Indexing

This is also known as passive investment because it is simply investment in the index of National Stock Exchange and Sensex of Bombay Stock Exchange.

8. Key takeaways for an investor

Set goals

Planning please the most important part in every field there for investor should have planned before investing the money like time where need of money may arise, risk bearing capacity, etc.

Research and trend analysis

Investor should not copy this strategy of other individual while making his own portfolio instead he should make portfolio as per his own goals and objectives

Best advisor / consultancy

Guidance is always a must part which everyone required in his life so one should have a proper financial advisor who can correct the decision of investors in tough Times

Portfolio Optimization

The word optimization means making effective use- Portfolio optimization means selection of the most effective portfolio which is best suitable and gives better results. This can be achieved with help of financial advisor, one cannot believe blindly so it is necessary to have some information and further effective guidance can be a best tool for portfolio optimization.

Risk tolerance

Before any investment plan investor must assume the risk involved and capacity of risk one can bear. Improper planning can have a negative effect. Many investors find the investment option as fault not the planning

Diversify risk

Risk diversification is the best option one can have for investment if that in which taking and also expect some fixed returns then we can simply diversify our investment risk gets diversified.

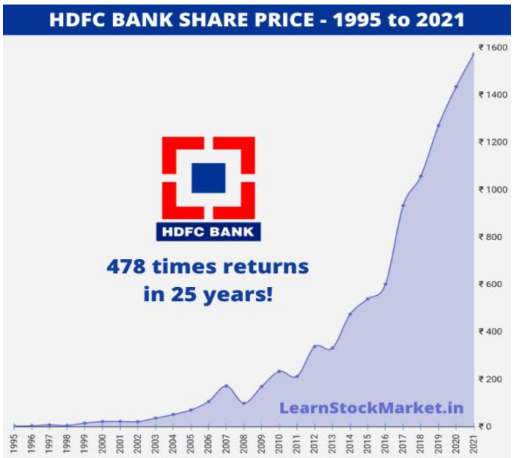
9. Long Term Equity and Debt Instruments

Using above strategies one can easily invest in long term equity instruments as well in Debt Instruments, Before investing in equity shares of any company, Investor have to check fundamental analysis as well as balance sheet and corporate governance. Knowledge about companies helps to find financial situation of the company based on which we can ascertain the future plans and decide whether it is right stock to invest or not.

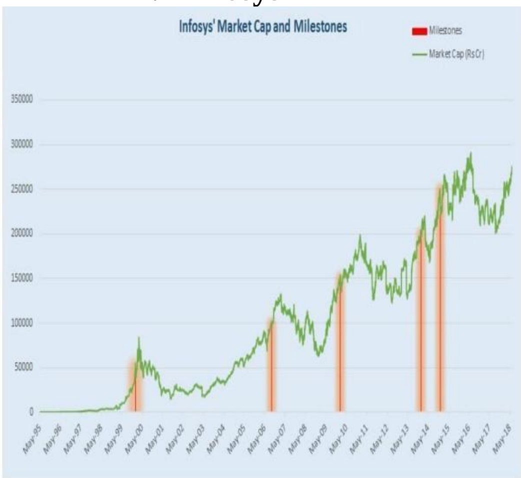
Debt investments are simply checked and analyzed by rating agencies. Bonds which receives AAA ratings from rating agencies are more secured and bonds with less ratings are quite risky. With ratings of the bonds investment is debt is quite easy but sometimes various frauds also misled financial statements of the companies.

Some of the company, banks and Index which has outperformed are:

1. HDFC Bank Ltd

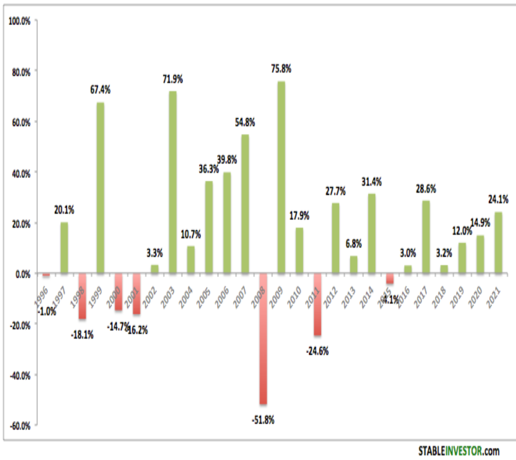


2. Infosys



3.MRF Tyres

4.BSE Sensex

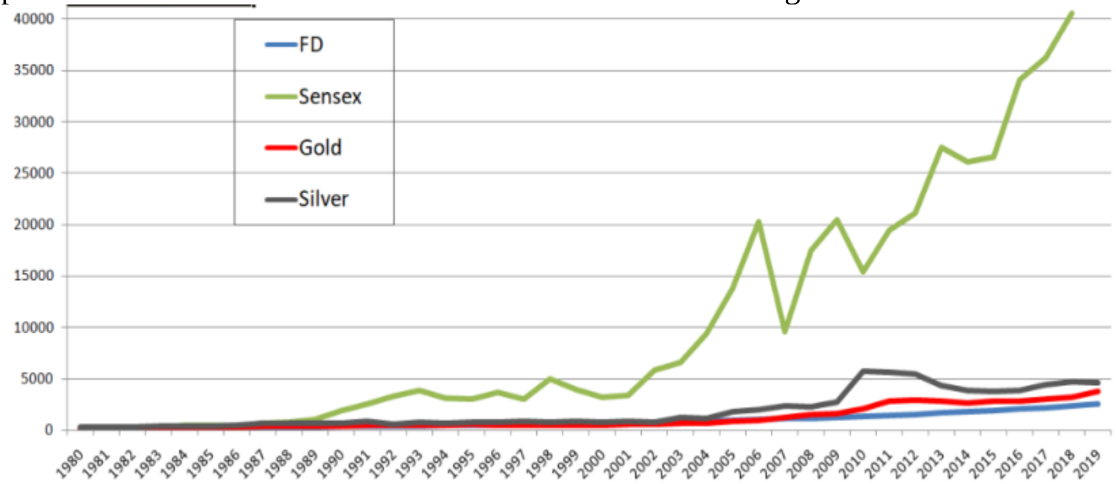


5. Maruti

10. Need for the Study

There are certain countries were banks do not provide any returns on the saving amount instead they charges you some amount for keeping the money, so our money decreases day by day if it is kept in the Bank saving account. On the other side if we observe the interest rate it is at decline stage market is increasing alternatives as per the needs of the customer increase returns one have to move forward and take a step towards learning of new concepts continuous decline in one investment creates the need of alternatives

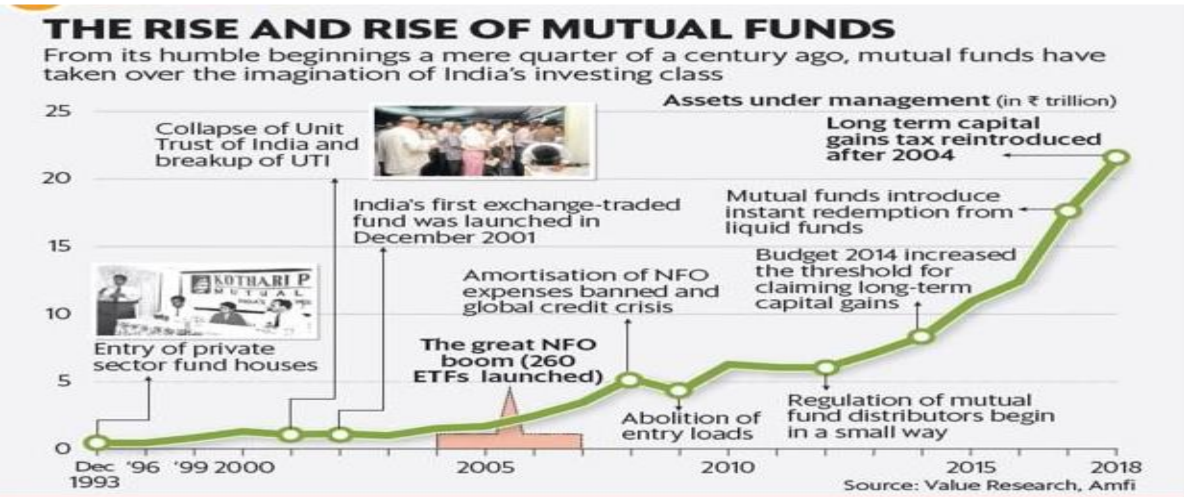
Countries which have negative interest rates on saving account are – Eurozone, Switzerland, Denmark, Sweden, and Japan. Central banks of these countries encourages people to spend more and not to increase their savings.



Above Graph shows the comparison of four investment options – Fixed deposit, Sensex, Gold and silver. Graph shows the rates of fixed deposit is increasing little bit but actually FD rates have started declining nowadays. Gold and silver are growing at a stable speed but Sensex shows a rapid hike. If fixed deposit declines with this speed it will not provide returns sufficient to beat the Inflation. The main purpose of investment is to fight with the Inflation if this motive or goal is not achieved one have to choose another options for wealth creation.

11. Most Favorable Method

Abundant options being available in the market Investment is more in bank fixed deposits and now it is increasing towards Mutual Fund, still there is lack of knowledge so incorrect decisions can have negative effect on portfolio and Returns. As per SEBI (Securities and exchange board of India) survey 95% of Indian park the savings in fixed deposit, reason behind us it offers fixed returns and do not fluctuate along with the market another point to be taken into view is Indians find it difficult to understand the concept of mutual funds equity index investment one should have complete information then and there they can park their money and can generate trust.



Nowadays Mutual fund has become one of the Investment options which is at increasing day by day. Mutual fund can be termed as solution to every investment problem. There are 44 Asset management company providing Mutual funds today. Among them some have actually very good schemes. Mutual funds provide all types of schemes which includes equity, Debt, Hybrid, Index, Exchange traded fund, Fund of Funds, Etc. Mutual fund is also a part of long term Equity and debts.

Above graph of Mutual fund shows the journey of Mutual fund since the day when mutual fund was introduced for the first time in India. The graph is moving up from left to right which shows increasing trends of Mutual fund. It have been increased along with the awareness, once people are made aware they start investing in Mutual funds.

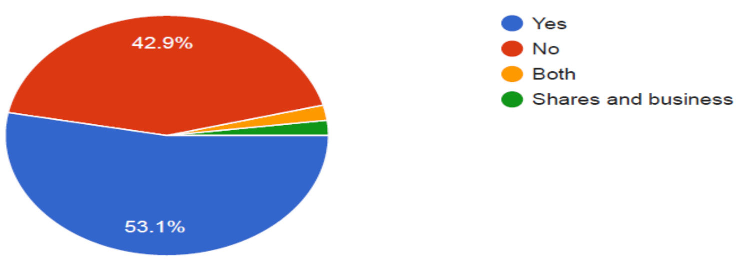
12. Research Methodology

The basic Objective of this Research is to explore the unknown facts or phenomena that are not previously defined. Primary Sources as well as Secondary sources of information was used to collect Data. Google forms were made and circulated among all age group of people for collection of Primary Data. Discussion with few people to know their views in detail, as Google forms are restricted to Multiple Choice Questions. Primary method of data collection entailed to check awareness among the people and to get Random percentage of people investing in equities. Secondary data is required to prove the facts about long term equity investment which is taken from websites of NSE and BSE, companies, etc. Secondary data is also taken from Articles, websites, journals and Research papers.

13. Sample size and data Analysis

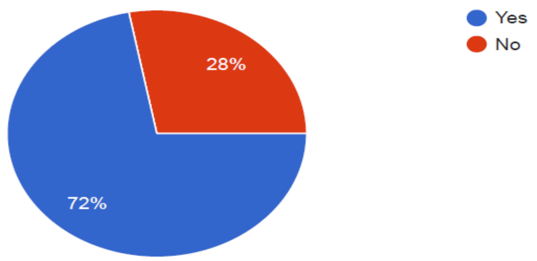
As the research requires views and information about investment of common people, Data is collected of 100 people from all age group.

Chart: 1



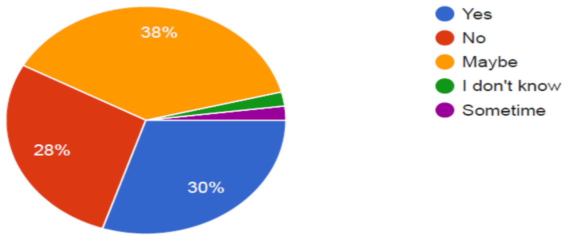
From above pie chart it is seen that 53% of people invests in equities whereas 43 % are not investing in equities.

Chart: 2



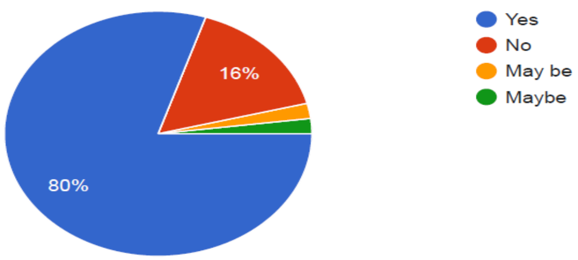
This pie chart shows the percentage of people who have heard about the equity, so it is observed that number of people investing in equities is less whereas number of people who have heard about equities is more.

Chart: 3



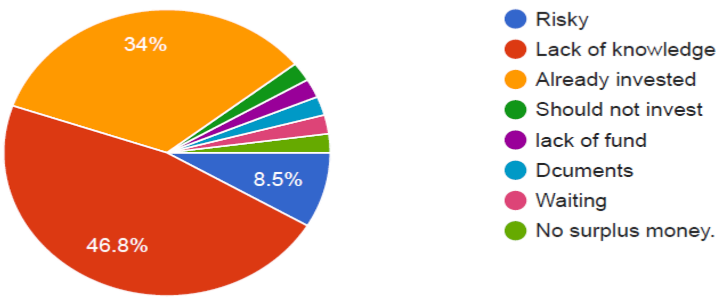
This concludes the risk factor which people believe in equity and debt 38 percent says it may be risky, 28 percent categorize it as risky investment, and 28 percent says it does not bears any risk.

Chart: 4



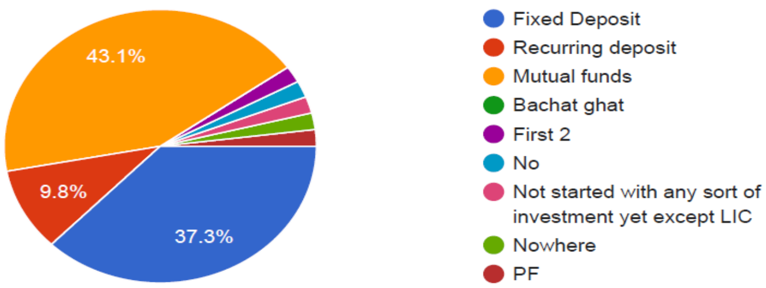
Above pie chart displays the percentage of people who wish to get information about Investment. 80 percent of them are interested to explore the knowledge.

Chart: 5



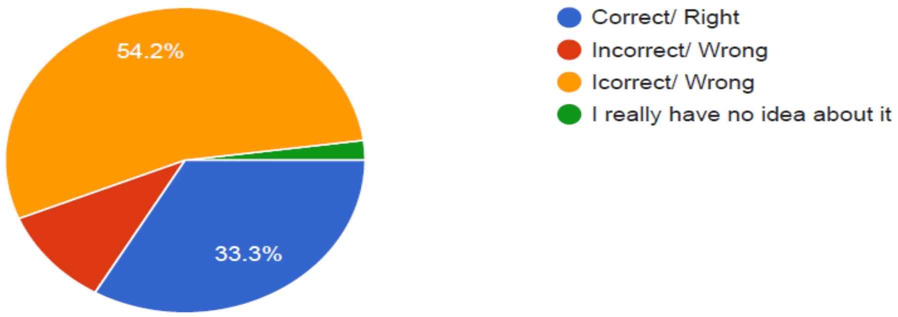
This observation shows the reason behind not investing in equity and debt, around 49 percent believes that they have lack of knowledge so they cannot invest in unknown securities, and if awareness is created among these public at least half of the people might get converted to start their investment.

Chart: 6



Above chart observes the most favorable investment options which are preferred by everyone. This paper focus on Diversification of Assets so that one can take multiple benefits from the Investment options available in the market.

Chart: 7



Observation from above chart shows that only 33 percent of people from the sample size are aware of how inflation reduces their money if it is kept at home and not in any saving account or invested in any of the instrument. Others are known about the facts but not able to interpret the facts.

14. Conclusions

Even though multiple options of investment are accessible, still working class cannot opt to diverse their investment. This paper grabs attention of investors towards long term equity and debt investment. It justifies few facts which proves equity as less risky, if it is planned wisely with proper knowledge and chosen accordingly.

The reason behind not choosing equities and debt as investment option by maximum people is lack of awareness. It is observed that incomplete and incorrect knowledge act as a barrier. One more important thing which should not be neglected is frauds taking place nowadays abstain people to believe in any new investment option.

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