



## Investment Scenario of Selected Industries in India

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### ABSTRACT

*This paper attempts to examine the spatial pattern of urban population on the basis of the analysis of data from Primary Census Abstract of Himachal Pradesh, 2011. The unit of analysis is district. The results of this study are presented in the form of tables and maps. The result shows that Shimla was highly urbanized district in the state. Further, each valley has a large number of scattered towns. Most of these urban centres continued to perform predominantly rural functions besides providing market and other facilities.*

**KEYWORDS :** Investment, Industries, Investors, CAGR, GSDP,

### Introduction

India is set to become the world's fastest-growing major economy by 2016 ahead of China, the International Monetary Fund (IMF) said in its recent latest forecast. India is expected to grow at 6.3 per cent in 2015, and 6.5 per cent in 2016 by when it is likely to cross China's projected growth rate, the IMF said in the latest update of its World Economic Outlook.

India's macro-economic prospects have strengthened and the country is best positioned among emerging market economies, gaining global investor's attention, says a report by ICICI Bank. The improvement in India's economic fundamentals has accelerated in FY2015 with the combined impact of a strong Government mandate, RBI's inflation focus supported by benign global commodity prices.

Emerging strong even during the scariest phase of global financial meltdown, India has become one of the favorite investment destinations for the foreign investors across the globe. The investment scenario in India is getting better and better with each passing day due to high confidence level of the investors. Today, India is considered the 4th biggest economy in the world. Its impressive GDP rate, especially in the field of purchasing power, has catapulted it to second position among all the developing nations.

The process of reforms as part of liberalization has resulted in greater investment in Indian market. In today's economy of less income growth and highly increasing cost of living, one has to know how to use his/her savings to generate higher returns. Availability of too many options and no clear idea about these choices is creating a hostile situation for the

An investor has several investment alternatives (such as stocks, bonds, precious metals, etc.) to choose from, depending on his risk profile and expectation of returns. Different investment substitutes represent a different risk-reward trade off. Low risk investments are those that offer assured, but lower returns, while high risk investments provide the potential to earn greater returns. Hence, an investor can choose the most suitable investment on the basis of his/her risk tolerance.

### Research Objectives:

- 1) To know growth of selected industries in given time in India.
- 2) To know the outstanding investment of Gujarat.

**Data Collection:** Secondary data

**Selected industries:** Real estate, Banking, Financial sector, Insurance.

### Scenario of Selected Industries:

#### 1. Real estate:

The Indian real estate sector is one of the most globally recognised sectors. In the country, it is the second largest employer after agriculture and is slated to grow at 30 per cent over the next decade. It comprises four sub sectors - housing, retail, hospitality, and commercial. The growth of this sector is well complemented by the growth of the

corporate environment and the demand for office space as well as urban and semi-urban accommodations.

According to a study by ICRA, the construction industry ranks third among the 14 major sectors in terms of direct, indirect and induced effects in all sectors of the economy.

It is also expected that this sector will incur more non-resident Indian (NRI) investments in the near future, as a survey by an industry body has revealed a 35 per cent surge in the number of enquiries with property dealers. Bengaluru is expected to be the most favoured property investment destination for NRIs, followed by Ahmedabad, Pune, Chennai, Goa, Delhi and Dehradun.

#### 1.1 Market size of real estate in India

The market size of real estate in India is expected to increase at a CAGR of 11.2 per cent during FY2008 - 2020.



#### 1.2 Demand analysis of top 8 cities ('000 units): Demand to grow at a CAGR of 2 per cent over the period 2013-17 across top 8



#### 1.3 FDI in construction development sector as a per cent of India's total FDI:

Total FDI in the construction development sector during April 2000-April 2014 stood at around US\$ 23.38 billion.

### FDI IN CONSTRUCTION DEVELOPMENT V/S TOTAL



#### 1.4 Real estate demand in education sector

The top seven cities are likely to account for 70 per cent of total demand for real estate in the education sector.

### REAL ESTATE DEMAND IN EDUCATION



#### 2. Banking Sector

According to the Reserve Bank of India (RBI), the banking sector in India is sound, adequately capitalized and well-regulated. Indian financial and economic conditions are much better than in many other countries of the world. Credit, market and liquidity risk studies show that Indian banks are generally resilient and have withstood the global downturn well.

With a sense of optimism slowly creeping in, the banking industry expects that 2015 will bring better growth prospects. This optimism stems from factors such as the Government working hard to revitalize the industrial growth in the country and the RBI initiating a number of measures that would go a long way in helping the banks to re-structure. The recent announcements of RBI, it is felt, are a clear pointer to the future of the restructured domestic banking industry.

#### 2.1 Total assets of Indian banking sector

Total banking sector assets have increased at a CAGR of 11.5 per cent to reach US\$ 1.7 trillion during FY10-13.

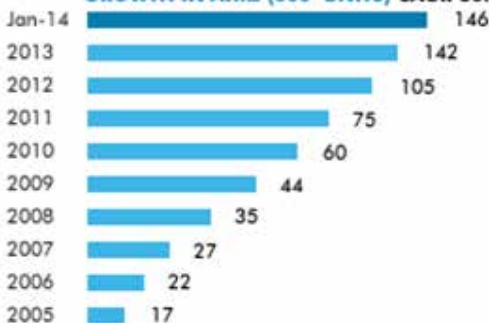
### BANKING SECTOR ASSETS



#### 2.2 Growth of ATMs in India

ATMs in India have increased to 1,45,858 in January 2014.

### GROWTH IN ATMs (000' UNITS) CAGR 30.6%



#### 3. Financial sectors:

India has a diversified financial sector, which is undergoing rapid expansion. The sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The financial sector in India is predominantly a banking sector with commercial banks accounting for more than 60 per cent of the total assets held by the financial system.

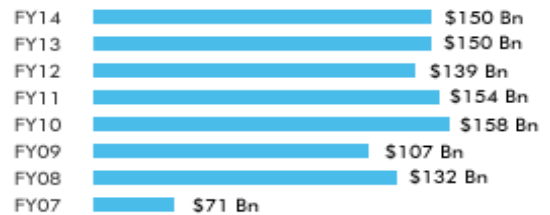
India's services sector has always served the country's economy well, accounting for about 57 per cent of the gross domestic product (GDP). In this regard, the financial services sector has been an important contributor.

The Government of India has introduced reforms to liberalize, regulate and enhance this industry. At present, India is undoubtedly one of the world's most vibrant capital markets. Challenges remain, but the future of the sector looks good. The advent of technology has also aided the growth of the industry. About 75 per cent of the insurance policies sold by 2020 would, in one way or another, be influenced by digital channels during the pre-purchase, purchase or renewal stages, as per a report by Boston Consulting Group (BCG) and Google India.

#### 3.1 Mutual fund AUMs

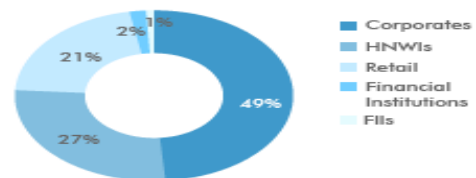
Total AUM of the mutual fund industry clocked a CAGR of 15.9 per cent over FY07-14 to touch US\$ 150 billion.

### MUTUAL FUND AUMs CAGR 15.9%



#### 3.2 Investor breakup

Corporate investors account for around 49 per cent of total AUM in India.



#### 4. Insurance:

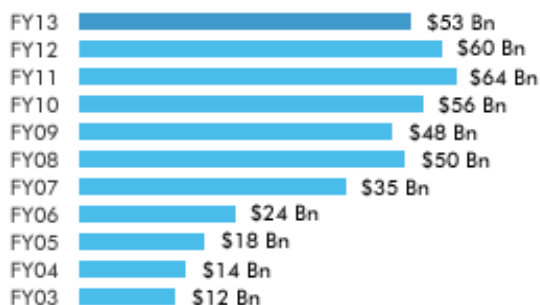
The insurance industry of India consists of 52 insurance companies of which 24 are in life insurance business and 28 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers. In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India. Other stakeholders in Indian Insurance market include agents (individual and corporate), brokers, surveyors and third party administrators servicing health insurance claims.

Out of 28 non-life insurance companies, five private sector insurers are registered to underwrite policies exclusively in health, personal accident and travel insurance segments. They are Star Health and Allied Insurance Company Ltd, Apollo Munich Health Insurance Company Ltd, Max Bupa Health Insurance Company Ltd, Religare Health Insurance Company Ltd and Cigna TTK Health Insurance Company Ltd. There are two more specialised insurers belonging to public sector, namely, Export Credit Guarantee Corporation of India for Credit Insurance and Agriculture Insurance Company Ltd for crop insurance.

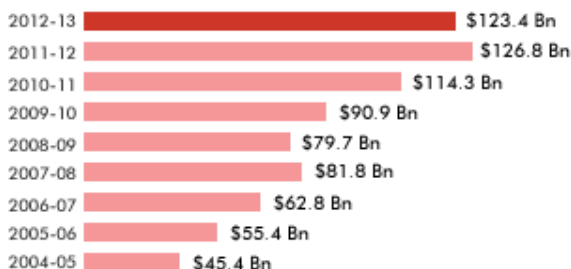
#### 4.1 Growth in life insurance premiums

Over FY03-FY13, life insurance premiums in India expanded at a CAGR of 16.5 per cent.

**LIFE INSURANCE PREMIUMS CAGR 16.5%**

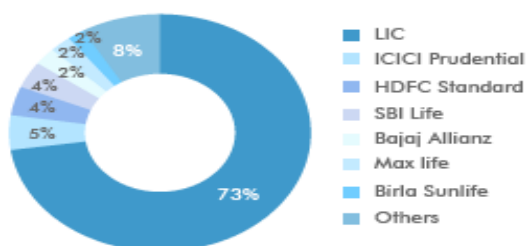


**GSDP OF GUJARAT CAGR 16.1%**



**4.2 Market share of major companies in terms of total life insurance premium collected**

LIC is the market leader, with 72.7 per cent share in FY13, followed by ICICI Prudential, with 4.7 per cent share.



expected to be the most favoured property investment destination for NRIs, followed by Ahmedabad, Pune, Chennai, Goa, Delhi and Dehradun.

**5. Major industries of Gujarat**

Gujarat is located on the western coast of India and has the longest coastline of 1,600 km in the country. The state shares its borders with Rajasthan, Madhya Pradesh, Maharashtra and the Union Territories of Daman & Diu and Dadra & Nagar Haveli. The Arabian Sea borders the state both to the west and the south-west.

Gujarat is very strong in the petroleum sector and is considered the petro capital of India. The state attracted cumulative FDI worth US\$ 9.6 billion from April 2000-May 2014 and is the second highest recipient of FDI in India after Maharashtra. At current prices, Gujarat's gross state domestic product (GSDP) was about US\$ 123.4 billion over 2012-13.

Gujarat is the largest exporter of cotton (60.0 per cent) in the country. Overall the state contributes around 25 per cent to India's total export of goods. The state has excellent infrastructure as compared to the other states. There are 42 ports, 13 domestic airports and one international airport. There are 83 product clusters, 257 industrial estates, 32 notified special economic zones (SEZs) and upcoming infrastructure on the Delhi-Mumbai Industrial Corridor (DMIC).

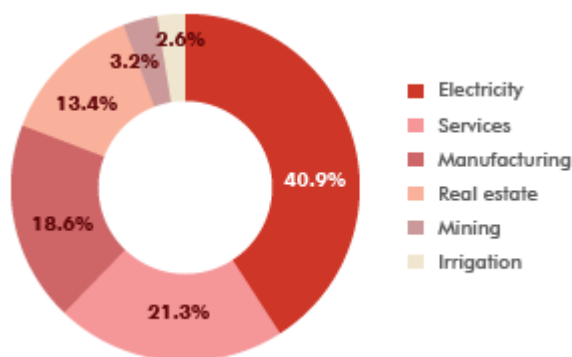
Gujarat is the only state in India where the state government has framed policies in almost all key sectors such as industry, power, ports, roads, agriculture and minerals. Gujarat's Industrial Policy, 2009, offers attractive incentives and concessions for prospective investors.

**5.1 GSDP of Gujarat**

At current prices, Gujarat's gross state domestic product (GSDP) was about US\$ 123.4 billion over 2012-13.

**5.2 Breakup of outstanding investments in Gujarat**

During 2013-14, outstanding investments in the state were around US\$ 225.6 billion.



**Findings:**

- The market size of real estate in India is expected to increase at a CAGR of 11.2 per cent during FY2008 - 2020.
- Demand to grow at a CAGR of 2 per cent over the period 2013-17 across top 8 cities in India of real estate.
- In banking, ATMs in India have increased to 1,45,858 in January 2014.
- Total banking sector assets have increased at a CAGR of 11.5 per cent to reach US\$ 1.7 trillion during FY10-13.
- Over FY03-FY13, life insurance premiums in India expanded at a CAGR of 16.5 per cent.
- LIC is the market leader, with 72.7 per cent share in FY13, followed by ICICI Prudential, with 4.7 per cent share.
- The market size of real estate in India is expected to increase at a CAGR of 11.2 per cent during FY2008 - 2020.
- Total AUM of the mutual fund industry clocked a CAGR of 15.9 per cent over FY07-14 to touch US\$ 150 billion.
- Gujarat's gross state domestic product (GSDP) was about US\$ 123.4 billion over 2012-13

**Conclusion:**

Indian economic reforms, annual growth rate, curbing inflation rate etc are conducive for the domestic and foreign investment in the recent years. So investors should understand about investing in India is that India is an investment goldmine for long term growth. In order to get maximum return on hard earn money, investors have to do proper analysis of each industries. In these study insurance industries is growing well concluded on basis of CAGR.

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