



## An Analysis of Investment Avenues

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### ABSTRACT

India is considered as one of the promising economies, which have witnessed significant development in the stock markets. Indian stock market is largely integrated with the world markets. The market has normally given fair return to its investors for last many years. One of the most important aspects in any of the avenues is the relationship between risk and return. There are few theories propounded in predicting the return and risk. The objective of the paper is to know the saving level among different investors and their investment habits and also intends to know the risk and return involved in individual investment avenue with the help of statistical tools like mean, SD, hypothesis etc. The author has also given few suggestions to improve the market condition and to attract more investment towards stock market.

**KEYWORDS** : Investment, stock exchange, risk, expected return, mutual fund.

### 1. Introduction

Indian stock market is one of the oldest markets in Asia. The history of Indian stock market goes back to nearly 200 years ago. The earliest records of security dealings in India are meager and obscure. Corporate stocks and shares of Bank and Cotton presses took place in Bombay during 1830. Presently the number of stock exchanges in India including regional exchange reached to the figure of 24. An important early event and first in Asia in the development of the stock market in India was the formation of the Native Share and Stock Brokers' Association at Bombay in 1875 which is presently known as Bombay Stock Exchange.

The primary role of the financial system in any of the countries is to marshal resources for investment in various assets. The number of investment options enables individuals to make reasonable and adequate decisions about the risks and return of investing their funds. Risk is a concept that denotes a potential negative impact to an asset or some characteristic of value that may arise from some present process or future event. It is chance of losing money. The Equity market in India is extremely volatile. Stock market risk is the tendency of stock prices to decrease due to the change in value of the market risk factors.

The Indian stock market has many stock brokers to name few of them are Anand Rathi, Kotak Securities, India bulls, Share khan Share Brokers, Karvy securities, JRG Securities, Motilal Oswal, ICICI Direct, HDFC Investments, Religare etc.

### 2. Different investment avenues

**a. Equity investment** - A share of stock is the smallest unit of ownership in a company. If you own a share of a company's stock, you considered as the part owner of the company. Money that is invested in a firm by its owner or holder of common stock (ordinary share) but which is not returned in the normal course of the business. Investors recover it only when they sell their shareholdings to other investors, or when the assets of the firm are liquidated and proceeds distributed among them after satisfying the firm's obligations. Also called equity contribution.

**b. Mutual Fund** - It is a fund, managed by an investment company with the financial objective of generating high Rate of Returns. These asset management or investment management companies collect money from the investors and invests those money in different Stocks, Bonds and other financial securities in a diversified manner

**c. Fixed deposit** - A fixed deposit in Bank and FIs is meant for those investors who want to deposit a lump sum of money for a fixed

period; say for a minimum period of 15 days to five years and above, thereby earning a higher rate of interest in return. Investor gets a lump sum (principal + interest) at the maturity of the deposit.

**d. Post offices** - There are various investment schemes available in post offices, like KisanVikasPatra, MIS (Monthly Income Scheme), National Savings Certificates, Provident Fund and various others. All these schemes are completely risk-free, and you do not need to have large sum of money to start investing in these post office schemes.

**e. Real estate** - Property Investments in India have normally been a gold mine for most investors. The growth and development of cities across the country have added fuel to the rise in prices across the country. According to a survey conducted by ASSOCHAM, 65% of working individuals prefer real estate as a mode of long term investment.

**f. Insurance** - Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for payment. An insurer, or insurance carrier, is a company selling the insurance; the insured, or policyholder, is the person or entity buying the insurance policy. The amount to be charged for a certain amount of insurance coverage is called the premium. Risk management, the practice of appraising and controlling risk, has evolved as a discrete field of study and practice. insurance may be Marine Insurance, Fire Insurance, Life Insurance or Miscellaneous Insurance.

**g. Debenture** - A type of debt instrument that is not secured by physical asset or collateral. Debentures are backed only by the general creditworthiness and reputation of the issuer. Both corporations and governments frequently issue this type of bond in order to secure capital. Like other types of bonds, debentures are documented in an indenture.

### 3. Research Methodology

The present study is based on both primary and secondary data. Secondary data are collected from, BSE, NSE, Fact Sheets, company website, annual reports etc. the primary data is collected by contacting the citizens of Hubli and Dharwad.

The present study is aimed at finding out the randomness in successive share / unit price changes. The information is taken on post office savings schemes, mutual fund, insurance, stock market, gold etc. The sample includes employees, business persons, agriculturist and other streams. A sample of 100 respondents is selected from the above mentioned categories from Hubli Dharwad studied in the year 2016 calendar year. Respondents are selected from various places of both the cities. Few data is derived from the

annual report publication of mutual funds, insurance, banks etc. the analysis is based on information collected from respondents. The data is analyzed based few statistical tools like mean, mode etc. based on data availability.

**Hypothesis**

Based on the objectives following are the hypotheses formulated to test in this research study.

**Ho:** = There is no Significant relation between volume of investment in stock market Securities and other securities

**H1:=** There is Significant relation between volume of investment in stock market Securities and other securities

**Table 1.1 Investment Avenue**

	Preference of Investment Avenue						
	I	II	III	IV	V	VI	VII
Bank Deposits	12	7	5	6	<b>22</b>	17	31
Real Estate	16	15	13	<b>23</b>	12	11	10
Post Office	6	9	9	11	14	13	<b>38</b>
Stock Market	<b>27</b>	<b>22</b>	17	14	7	6	7
Gold	17	18	12	9	10	<b>28</b>	6
Mutual Fund	11	18	<b>26</b>	16	18	7	4
Insurance	11	11	18	21	17	18	4
Total	100	100	100	100	100	100	100

**Interpretation:**

As per the information collected, 27% of the respondents prefer to invest in stock market which is much higher as compared to other investment modes. Gold and Real Estate are also preferred as best among the available investment avenues. It is also observed that, though the post office is the safest mode of investments but only 6% have given first preference and 38% have chosen last preference. 22% of the respondents have given second choice to stock market. Stock market is regarded as risky investment, but it carries good amount of returns for the smart investors. It is also seen that, stock market has given around 20% returns on an average from the last 20 years.

**Table 1.2 Risk Involvement in different investment Avenues**

		Gold	Mutual fund	Real Estate	Fixed Deposit	Equity	Insurance	Postal Savings
		Valid	Very high	26.0	28.0	00	26.0	32.0
	High	24.0	34.0	18.0	28.0	52.0	30	06
	Neither or nor	10.0	24.0	48.0	24.0	10.0	22	18
	Less	40.0	14.0	34.0	22.0	06.0	10	67
	Total	100.0	100.0	100	100.0	100.0	100	100

Table No. 1. 2 states that, risk involvement in insurance, equity and mutual fund is higher side as compared to other investment modes. 34% of the respondents said investment in real estate is less risky as there will be always appreciation in value in such case. Similarly 40% & 22% of respondents said less risk in gold and fixed deposit respectively.

**Table 1.3 Satisfaction level with different investment avenue**

	Postal office	Insurance	Mutual fund	Gold	Real estate	Fixed deposit	Equity
Highly satisfied	16%	17%	14%	30%	34%	24%	16%
Satisfied	18%	12%	28%	24%	24%	31%	41%
Neither or nor	28%	36%	19%	12%	18%	9%	8%
Dissatisfied	26%	28%	29%	14%	16%	24%	26%
Highly dissatisfied	12%	7%	10%	20%	8%	12%	9%
Total	100%	100%	100%	100%	100%	100%	100%

Among the total respondents, more number of investors is happy with investment in Gold and Real estate. 54% of Gold investors and 58% of Real estate investors are satisfied with return they are getting. It is also observed from the above table that, 38% of investors in post office are not satisfied with return they are getting and 39% of investors in mutual fund are dissatisfied with it.

**4. Testing Of Hypothesis**

In all samples calculated value (t Stat) is less than the tabulated value (t critical two tail). Hence accept the null hypothesis. Thus, there is no significant relation between volume of investment in stock market securities and non stock market securities

**5. Findings**

The study observed certain points based on the survey conducted. Among the total respondents, 40% are salaried people followed by 24% businessmen. 48% of respondents are investing around 10% to 20% of their annual income, where as only 2% respondents invest above 40% of their total income. It is also seen that, investors are risk averse and not willing to take risk. More numbers of people are investing in real estate and gold because of continuous appreciation in value.

**6. Suggestions**

Stock broking offices are required to go for awareness program with respect to investment in stock market and other major avenue. Because 42% of the respondents are investing less than 10% of their income where as 70% will invest less than 30% in stock market. As respondents prefer to invest in short term investment plans with less risk, companies are suggest to design a high return schemes based on their needs to gain more income.

**7. Conclusion and Implications**

The above study aimed to test and examine the viability of risk and return in different investment options. Indian economy is growing at a constant growth of 7% - 8%.

The individual investor still prefers to invest in financial products which give risk free returns. The recent happenings with respect to investment in market based financial products have given less / negative returns impacted more on the investors to play safe. The investment houses are suggested to design products which can cater to the investors who are low risk tolerant.

**ANNEXURE - 1**

**Data collection 1). Dependents in the family**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2 & Above	70	70	70	70
	4 & Above	18	18	18	88
	Below 2	12	12	12	100
	Total	100	100	100	

**2. Possession of Fixed Assets**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Plots	12	12	12	12
	Houses	16	16	16	28
	Comm. Offices	40	40	40	68
	Movable Assets	14	14	14	82
	Agriculture Land	18	18	18	100
	Total	100	100	100	

**3). Source of your income**

	Frequency	Percent	Valid Percent	Cumulative Percent
Salary	47	47	47	47
Business	28	28	28	75
Agriculture	18	18	18	93
Others	7	7	7	100
Total	100	100	100	

**4. % of Investment**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 10%	42	42	42	42
	10% to 20%	48	48	48	90
	21% to 40%	8	8	8	98
	41% & Above	2	2	2	100
	Total	100	100	100	

**5) Investment Objective**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Education of children	22	22.0	22.0	22.0
	Children's marriage	10	10.0	10.0	32.0
	Wealth creation	54	54.0	54.0	86.0
	Purchase of real assets and for future needs	14	14.0	14.0	100.0
	Total	100	100.0	100.0	

**6) Factors to consider while choosing investment avenues**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Risk	21	21.0	21.0	21.0
	Liquidity	18	18.0	18.0	39.0
	Returns on investment	56	56.0	56.0	95.0
	Others	5	5.0	5.0	100.0
	Total	100	100.0	100.0	

**7) Expected time horizon for the investment**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Up to 1 year	41	41.0	41.0	41.0
	Between 2 to 3 years	27	27.0	27.0	68.0
	Between 3 to 5 years	22	22.0	22.0	90.0
	More than 5 years	10	10.0	10.0	100.0
	Total	100	100.0	100.0	

**8) Cost of transaction of investment**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0.20 to 0.50	30	30.0	30.0	30.0
	0.50 to 1.00	38	38.0	38.0	68.0
	1.00 to 1.50	20	20.0	20.0	88.0
	1.50 to 3.00	12	12.0	12.0	100.0
	Total	100	100.0	100.0	

**ANNEXURE - 2  
Questionnaire**

Name : \_\_\_\_\_  
 Occupation : \_\_\_\_\_  
 Phone/mobile No. : \_\_\_\_\_  
 Age (tick appropriate one)

Below 25,  25 – 40Years  40 – 60 years  
 Above 60 years  
 Gender: Male  Male

Address (Optional) : \_\_\_\_\_

1. No. of dependents in your family \_\_\_\_\_

- a. Above 2
- b. Above 4
- c. Below 2

2. Are you having fixed assets? \_\_\_\_\_

- a. Plots
- b. Houses
- c. Commercial offices
- d. Movable assets
- e. Agriculture land

3. What is the main source of your income?

- a. Salary
- b. Business
- c. Agri.
- d. Other

4. What is your annual income?

- a. Rs.100000 - 300000
- b. Rs.300001 - 500000
- c. Rs.500001 - 1000000
- d. Rs.1000000 & above

5. In your annual income how much percentage you invest?

- a. 5%-10%
- b. 10%-20%
- c. 20%-40%
- d. above 40%

6. What is the objective behind your investment?

- a. Education of children's
- b. Children's marriage
- c. Purchase of real estate
- d. Wealth creation

7. The factor which you consider while choosing investment avenue?

- a. Risk
- b. Liquidity
- c. Returns on investment
- d. Others \_\_\_\_\_

8. What is the expected time horizon for your investment?

- a. Up to 1 year  c. between 3 & 5 years   
 b. Between 2 & 3  d. more than 5 years

9. What is cost of transaction of your investment in percentage-----

- a. 0.20  c. 1.00  
 b. 0.50  d. 1.50

10. In which security you have presently invested?

- a. Bank deposit  e. Real estate   
 b. Post office  f. Stock market   
 c. Gold  g. Insurance   
 d. Debenture  h. Mutual Fund

11. As per your experience and opinion kindly rate following based on given parameters on the scale of 1 to 5. (1 for highest & 5 for lowest)

Investment avenues	Risk	Return	Liquidity
Postal			
Insurance			
Mutual fund			
Gold			
Real estate			
Fixed deposit			
Equity			
Debenture			
Derivatives			

12. Your satisfaction with your investment avenues ( give rating with 1 to 5, 1 is highest and 5 is lowest).

Investment avenues	Rating
Postal	
Insurance	
Mutual fund	
Gold	
Real estate	
Fixed deposit	
Equity	
Debenture	
Derivatives	

13. Are you aware of Anand Rathi Stock & Share Broker Ltd in Hubli?

- Yes  No

If yes are you aware of following services provided by AnandRathi Stock & Share Broker ltd.

- Share trading -----
- Mutual fund -----
- Derivatives -----
- IPO's -----
- Commodities trading -----
- Currency trading -----
- Portfolio Management Service -----
- Structure Product -----
- Life & Health Insurance -----
- Financial planning for individual & corporate -----

14. Would you like to invest through AnandRathi Stock & Share Broker Ltd.

- Yes  No

15. How do you rate the services of AnandRathi in terms of brokerage services 5 best and 0 worst.

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