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An Overview of Investment Management Scenario in India

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Abstract: Investment is a commitment of funds made in the expectation of some positive rate of return. The objective of any investment is maximisation of the economic welfare of the investors in the long run .Investors, while investing their hard earned money consider safety as the essential objective of investment. In the present economic situation in India, it is very difficult to the individual to meet their day-to-day expenditure. The government policy and reforms does not satisfy the middle and lower income groups of people. It is essential to the public to earn additional income through various investments. This paper outlines investment management inthe present scenario.

Keywords: Investment, Savings, Risk, Return.

I. INTRODUCTION

Most of the investors throughout their life will be earning & spending money. Rarely Investors current money income exactly balances with their consumption desires. Sometimes, investors may have more money than they want to spend; at other time, they may want to purchase more than they can afford. These imbalanced will lead investors either to borrow or to save to maximise the long-run benefits from their income. In today's world everybody is running money and it is considered as a root of happiness. For secure life and for bright future people start investing. At the same time investors are confused to select their investment criteria. This study is focusing row to choose proper investment and earn profit.

II. CONCEPT OF INVESTMENT

1. Economic Investment
2. Business Investment
3. Financial Investment

1. Economic Investment:

Economic invesmenrt means an increase in building, equipment, Inventories etc. Which represent the capital stock of the society over the amount of equity after goods that existed a year ago at the same time.

2. Business Investment:

It refers to the money to be put off in a private business.

3. Financial Investment:

This refers to putting money into securities. Example shares (or) Debentures, real estate, mortgages etc.

CONCEPT OF RISK AND RETURN

Any rational investors, before investing his or her investable wealth in the stock analysis the risk associated with the particular stock. The actual return he realises from a stock may vary from his expected return and as expressed in the variability of returns.

RISK

The dictionary meaning of risk is the possibility of loss or injury; risk is the possibility of not getting the expected return.

TYPES OF RISK

Systematic Risk

The systematic risk is caused by factors external to the particular company and uncontrollable by the company.

Unsystematic Risk

In case of unsystematic risk the factors are specific, unique and related to the particular industry or company.

RETURN

The major objective of an investment is to earn and maximize the return. Return on investment may be because of income, capital appreciation or a positive hedge against inflation. Income is either interest on bonds, debentures or dividend on equity.

III. Investment and Speculation

Particulars	Investment	Speculation
Time Horizon	Long term	Short term
Risk	Limited	High risk
Return	Consistent & model	High profits
Planning	Planned	Unplanned
Use of funds	Own funds through savings	Own (or) borrowed funds
Decision	Scientific analysis, nature of risk	Tips, rumours, hunch, believes

Importance of Investment:

Every branch of knowledge has its own contribution that made a turning point in for historical lanes of human beings. In mechanic it is wheel, in science it is fire and economies it is money. Money is the king among all those fundamental discovering. Money is anything that is generally acceptable as a means of exchange and that at the same time act a store of value. In 1930s an intellectual giant JOHN MAYNARD KEYNAR has created a great revolution in economic history and become a landmark in modern economic thinking. According to him demand for money arises due to three motives. They are transaction motive precautionary motive and speculative motive.

- **Transaction motive**

It refers to the demand for money for the current transaction of people.

- **Precautionary motive**

It refers to the desire of the public to hold cash balances for meeting unforeseen or unpredictable configencies such as unemployment, sickness, accidents, etc.

- **Speculative motive**

It refers to the desire to hold one's resources in liquid form in order to take advantage in market movements regarding future changes in price and rate of interest.

Precautionary and speculative motive induce people to save money. When people save, banks will lend their amount to business men for investment. Thus there is a very close relationship between savings and investment. While we understand the importance of savings and investment in one's life it is very essential to understand inter connection between them.

Savings refers to part of income which is not consumed. Savings and investment are two crucial economic variables by which we can measure a person's physical quality of life and standard of living.

IV. Investment Objectives

Investment is made because it serves some objectives for investors. Depending on the life stage and risk appetite of the investor there are three main objectives of investment safety, growth and income. Apart from these objectives investors having their own objectives as follows: life style, financial security, return, value for money and peace of mind. Achieving the sum these objectives depend upon the management of investment in a proper way.

V. Classification of Investors

Individual investors:

Individual investors are large in number but their investable resources are comparatively smaller. They generally lack the skill to out extensive evaluation and analysis before investing. Moreover, they do not have the time and the resources to engage in such an analysis.

Institutional investors:

Institutional investors are the organisation with surplus funds who engage in investment activities. Mutual funds, investment companies, banking and non-banking companies, insurance corporations, etc,. are organisations with large amount of surplus funds to be invested in various profitable avenues

Factors affecting investment decisions:

- Amount of investment
- Objective of investment portfolio
- Selection of investment
- Timing of purchase
- Maturity period
- Form of business organisation
- Legal safeguards
- Favourable environment
- Economic and political factors

Investment portfolio:

The term investment portfolio refers to various assets of an investors which are to be considered as a unit. An investment portfolio is therefore not merely a collection of unrelated assets but a carefully blended work. It is necessary for investors to take all decisions as regards the wealth position in a portfolio context.

Investment alternatives:

Wide varieties of investment avenues are now available in India. An investor can himself select the best avenue after studying the merits and demerits of different avenues. Even financial advertisement, newspaper supplements of financial matters and investment journals at offer guidance to inventors in the selection of the suitable investment avenues.

- Shares
- Debenture & bonds
- Public deposits
- Bank deposits
- Public provident funds
- Money market instrument
- Mutual fund scheme
- Real estates
- Gold – silver
- Derivative instruments
- Commodity markets

Tax savings investment:

- Public provident fund
- Post office savings deposits
- National savings certificate
- Unit linked insurance plan (ULIP)
- Deposits in national housing bank
- Repayment of housings loans
- Fixed deposit
- Mutual fund
- LIC'S pension plan

FINANCIAL PLANNING

Financial planning is must for every household. It is a plan to save and spend future income. It should be carefully prepared. Financial planning is the process of meeting investors life goals through proper management of their finances .In today`s world it was found that people living beyond their means, having credit card, Debit card and making risky investments and doing things that are irresponsible and against the basic principles of Financial planning. Financial planning includes both long-term and short-term savings.

The Financial Planning process is as follows;

1. Determine current financial study
2. Develop your financial Plan
3. Identify the available opportunities
4. Making courses of action
5. Evaluate alternatives
6. Create and implement the financial action plan
7. Review and revise the financial plan

VI. Conclusion

In modern times people prefer to invest in human capital than non human assets.It is because they have convinced that manpower is the richest asset. Benjamn franklin says "An investment in knowledge always Pay best interest". Only an educated society can transform the world. Only a person with confidence, competence, responsibility and honesty can become a good business man or investors. Good investors create the back bone of the society.

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