Thakur Educational Trust's (Regd.)
THAKUR COLLEGE OF SCIENCE & COMMERCE
AUTONOMOUS COLLEGE, PERMANENTLY AFFILIATED TO UNIVERSITY OF MUMBAI
NAAC Accredited Grade 'A' (3rd Cycle) & ISO 9001: 2015 (Certified)
Best College Award by University of Mumbai for the Year 2018-2019

PROJECT REPORT ON:

TO STUDY THE PERCEPTION OF BANKING CUSTOMERS TOWARDS VARIOUS INVESTMENT AVENUES.

SUBMITTED BY:

MANSUKH AHIR

T. Y.BANKING AND INSURANCE (SEMESTER VI)

SUBMITTED TO:

PROJECT GUIDE:

PROF. ELLA GAGLANI

Academic Year: 2021-2022

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DECLARATION

I **MANSUKH AHIR** from THAKUR COLLEGE OF SCIENCE AND COMMERCE, Student of T.Y.B.Com [BANKING
AND INSURANCE (SEM VI)], hereby submit my project report on TO STUDY THE PERCEPTION OF BANKING CUSTOMERS TOWARDS VARIOUS INVESTMENT AVENUES**.**

I also declare that this project which is partial fulfillment of the requirement for the degree of T.Y.B.Com (BANKING AND INSURANCE) offered by UNIVERSITY OF MUMBAI is the result of my own efforts with the help of experts.

MANSUKH AHIR

Date:

Place:

Thakur Educational Trust's (Regd.)

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CERTIFICATE

This is to certify that the project entitled is successfully done by **MANSUKH AHIR** during the Third year, sixth semester of B.Com (Banking & Insurance) under **UNIVERSITY OF MUMBAI** through **THAKUR COLLEGE OF SCIENCE & COMMERCE**, Kandivali (E), and Mumbai- 400101.

Coordinator Project Guide Principal

Date:-

Place:-

Internal Examiner External Examiner

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ACKNOWLEDGEMENT

It gives me immense pleasure in presenting the project on **TO STUDY THE PERCEPTION OF BANKING CUSTOMERS TOWARDS VARIOUS INVESTMENT AVENUES.**

Firstly, I take the opportunity in thanking our respected principal **Dr. C.T. CHAKRABORTY** then I would like to thank the almighty and my parents without whose continuous blessings, I would not have been able to complete this project.

I would like to thank my project guide **Prof. ELLA GAGLANI** and our coordinator **Prof. Nirav R. Goda** for his great, valuable opinions, advice and supporting me, giving me encouragement and for providing me with the material and knowledge to make this project a success. I convey my deep appreciation to him for sparing his valuable time and efforts, so as to make me capable of presenting this project.

I am thankful to our college for all the possible assistance and support, specially our library by making available the required books and internet room which have proved useful to me in successful completing my project. I hope that I have succeeded in presenting this project to the best of my abilities.

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EXECUTIVE SUMMARY

This study deals with the perception of the banking customers towards various investment avenues. The main aim of this research is to understand the awareness level of respondents towards various investment avenues and to also see their behavior towards various investment avenues. Many of us do not even try to opt for any other investment avenues because most of the time we do not have interest to know various avenues available in the market and the other reason could be lack of proper knowledge which act as a barrier for investing.

This research focuses on various investment options available to us like Equities, Debentures, Banks, Insurance, PPF, Real Estates, Gold, Government Securities and Post Office etc. This avenues help me to understand about the general notion of investment around Mumbai Region. Along with the study of various investment avenues, this research also highlights the behavioral factors that affect the decision making of respondents. The factors considered are Gender, Occupation, Annual Income, Educational Qualification and Martial Status etc.

Furthermore it’s important to have an investment strategy, which is created to guide an investor to choose the most appropriate investment portfolio that will help them to achieve their financial goals within a particular period of time. By increasing personal wealth, investing can contribute to higher, overall economic growth and prosperity. The process of investing helps the investors where they can invest in financial markets also. Specific types of investments provide other benefits for the investor, corporate as well as the society. The mantra of the investment is "Prevention is better than Cure" which is expected with more income but less risk.

Key words: Investment Strategy, Investment Portfolio, Risk and Return.

CHAPTER 1

INTRODUCTION

INTRODUCTION

Meaning of bank:-

Banking in India is mainly governed by the Banking Regulation Act, 1949 and the Reserve Bank of India Act, 1934. The Reserve Bank of India and the Government of India exercise control over banks from the opening of banks to their winding up by virtue of the powers conferred under these statutes.

All the regulatory provisions are not uniformly applicable to all banks. The applicability of the provisions of these Acts to a bank depends on its constitution; that is, whether it is a statutory corporation, a banking company or a co-operative society. In this unit, we look at the definition of banking, the constitution of different types of banks and applicability of regulatory laws, the general framework of the regulatory laws and the role of regulators namely, the Reserve Bank of India and the government.

Definition of Banking:-

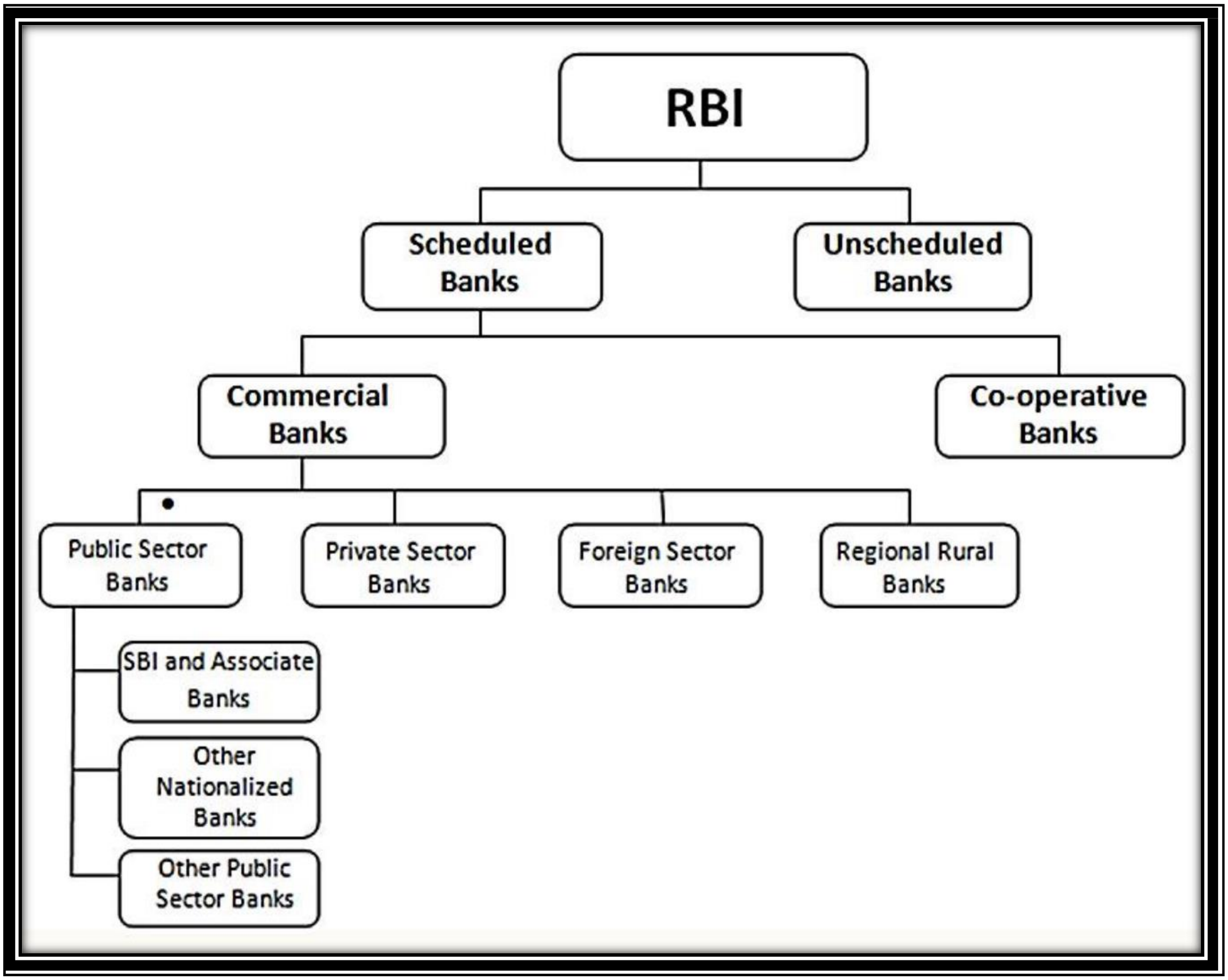
"Banking is defined in Section 5(b) of the Banking Regulation Act as the acceptance of deposits of money from the public for the purpose of lending or investment. Such deposits may be repayable on demand or otherwise and withdrawable by cheque, draft, and order or otherwise."

OVERVIEW OF INDIAN BANKING

OVERVIEW OF INDIAN BANKING

Indian banking is the lifeline of the nation and its people. Banking has helped in developing the vital sectors of the economy and usher in a new dawn of progress on the Indian horizon. But to do so, it has had to control miles and miles of difficult terrain, suffer the indignities of foreign rule and the pangs of partition. Today, Indian banks can confidently compete with modern banks of the world. Before the 20th century, usury or lending money at a high rate of interest, was widely prevalent in rural India. Entry of Joint-stock banks and development of Cooperative movement have taken over a good deal of business from the hands of the Indian money lender, who although still exist have lost his menacing teeth. In the Indian Banking System, Cooperative banks exist side by side with commercial banks and play a supplementary role in providing need-based finance, especially for agricultural and agriculture-based operations including farming, cattle, milk, hatchery, personal finance etc. along with some small industries and self-employment driven activities. Generally, co-operative banks are governed by the respective co-operative acts of state governments. But, since banks began to be regulated by the RBI after 1 set March 1966, these banks are also regulated by the RBI after an amendment to the Banking Regulation Act 1949. The Reserve Bank is responsible for licensing of banks and branches, and it also regulates credit limits to state co-operative banks on behalf of primary co-operative banks for financing SSI units. Banking in India originated in the first decade of the 18th century with The General Bank of India coming into existence in 1786. This was followed by the Bank of Hindustan. Both these banks are now defunct. After this, the Indian government established three presidency banks in India. The first of three was the Bank of Bengal, which obtains a charter in 1809, the other two presidency bank, viz., the Bank of Bombay and the Bank of Madras were established in 1840 and 1843, respectively. The three presidency banks were subsequently amalgamated into the Imperial Bank of India (IBI) under the Imperial Bank of India Act, 1920 – which is now known as the State Bank of India. A couple of decades later, foreign banks like Credit Lyonnais started their Calcutta operations in the 1850s. At that point of time, Calcutta was the most active trading port, mainly due to the trade of the British Empire, and due to which banking activity took roots there and prospered. The first fully Indian owned bank was the Allahabad Bank, which was established in 1865. By the 1900s, the market expanded with the establishment of banks such as Punjab National Bank, in 1895 in Lahore and Bank of India, in 1906, in Mumbai – both of which were founded under private ownership. The Reserve Bank of India formally took on the responsibility of regulating the Indian banking sector from 1935. After India's independence in 1947, the Reserve Bank was nationalized and given broader powers. As the banking institutions expand and become increasingly complex under the impact of deregulation, innovation, and technological up gradation, it is crucial to maintaining the balance between efficiency and stability. During the last 30 years since nationalization, tremendous changes have taken place in the financial markets as well as in the banking industry due to financial sector reforms. Prudential norms, in line with international standards, have been put in place for promoting and enhancing the efficiency of banks. The Government, therefore, set up the Narasimham Committee to look into the problems and recommend measures accordingly.

STRUCTURE OF BANKING



1. **Reserve Bank of India (RBI):-**

   The country had no central bank prior to the establishment of the RBI. The RBI is the supreme monetary and banking authority in the country and controls the banking system in India. It is called the Reserve Bank' as it keeps the reserves of all commercial banks.

2. **Scheduled & Non –scheduled Banks:-**

   Scheduled banks - A is a bank that is listed under the second schedule of the RBI Act, 1934.The banks have to fulfill certain conditions such as having a paid-up capital and reserves of at least 0.5 million and satisfying the Reserve Bank that its affairs are not being conducted in a manner prejudicial to the interests of its depositors.

   Non- scheduled banks are those which are not included in the second schedule of the RBI Act, 1934. At present, there are only three such banks in the country.

3. **Commercial Banks:-**

   Commercial banks may be defined as, any banking organization that deals with the deposits and loans of business organizations. Commercial banks issue bank cheques, drafts, accept money on term deposits & act as moneylenders etc. The primary aim of the bank is to make profit.

- **Types of Scheduled Commercial Banks:-**

1. **Public Sector Banks:-**

   These are banks where the majority stake is held by the Government of India. Examples of public sector banks are SBI, Bank of India and Canara Bank etc.

2. **Private Sector Banks:-**

   These are banks majority of the share capital of the bank is held by private individuals. These banks are registered as companies with limited liability. Examples of private sector banks are ICICI Bank, Axis Bank and HDFC etc.

3. **Foreign Banks:-**

   These banks are registered and have their headquarters in a foreign country but operate their branches in our country. Examples of foreign banks in India are HSBC, Citibank and Standard Chartered Bank etc.

4. **Regional Rural Banks:-**

Regional Rural Banks were established under the provisions of an Ordinance promulgated on the 26th September 1975 and the RRB Act, 1976 with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. RRBs are jointly owned by GOI, the concerned State Government and Sponsor Banks (27 scheduled commercial banks and one State Cooperative Bank); the issued capital of an RRB is shared by the owners in the proportion of 50%, 15%, and 35% respectively.

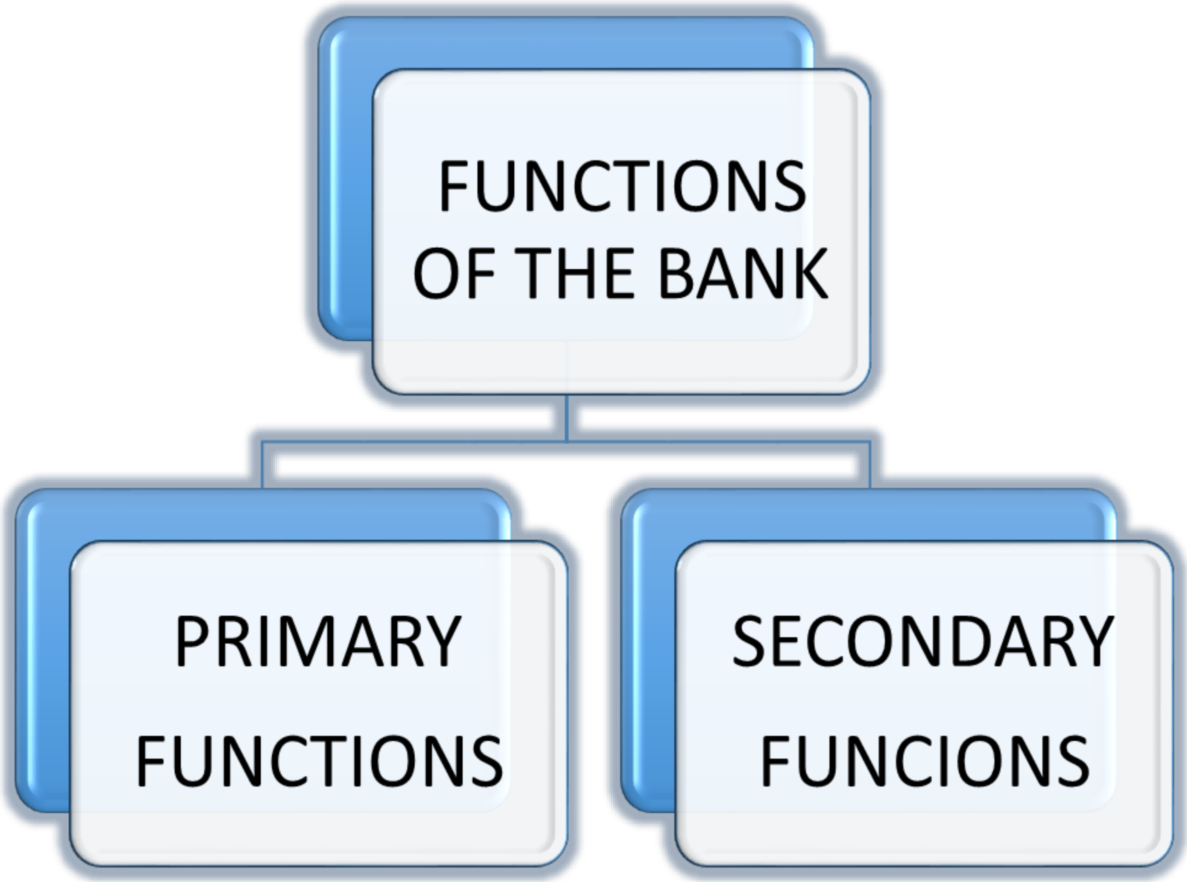
E.g. Prathama Bank is the first Regional Rural Bank in India located in the city Moradabad in Uttar Pradesh.

5. **Cooperative Banks:-**

A co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest. Co-operative banks function on the basis of “no-profit-no-loss”.

E.g. Anyonya Co-operative Bank Limited (ACBL) is the first co-operative bank in India located in the city of Vadodara in Gujarat.

FUNCTIONS OF THE BANK



FUNCTIONS OF BANK

✓ **The Primary Functions of a Bank:-**

1. **Accepting Deposits:-**

Deposits are the amount of money saved by the customer and then is handed over to the bank. For safe keeping .The deposits are of a few types namely: **Saving Deposit, Fixed Deposit, Current Deposit, and the Recurrent Deposit.** The various deposit schemes are based on the type of deposit and the frequency of depositing. For example, in a **fixed deposit** a definite sum is handed over to the bank for a few years. The interest is only compounded if the deposit term is complete. Providing these services of deposit is one of the primary functions of a bank.

A. Saving/ Fixed/ Current Deposit:-

- ✓ **Saving Deposit** - Here the amount is deposited into bank and the rate of interest are low. Withdrawals are also allowed but only in a limited number. The account is suitable for people who want to save on salaries and similar sources of income.
- ✓ **Fixed Deposit** – F.D is a fixed sum that one gives to the bank for a certain agreed time. The withdrawals are not allowed in before the completion of the time of the fixed deposit and the rate of interest on F.D's are more as compared with the other rates.
- ✓ **Current Account or Deposit**- There is no interest paid by the bank and the customer can withdraw or deposit any number of times. Current account is opened by businessmen, traders, industrialist etc.

2. **Grant of loans and advances:-**

The second important function of a commercial bank is to grant loans and advances. Such loans and advances are given to members of the public and to the business community at a higher rate of interest than allowed by banks on various deposit accounts.

- **Loans** -A loan is granted for a specific time period. Generally, commercial banks provide short-term loans. But term loans, i.e. loans for more than a year may also be granted. The borrower may be given the entire amount in the lump sum or in installments. Loans are generally granted against the security of certain assets. A loan is normally repaid in installments. However, it may also be repaid in a lump sum.
- **Advances** - An advance is a credit facility provided by the bank to its customers. It differs from loan in the sense that loans may be granted for a longer period but advances are normally granted for a short period of time. Further the purpose of granting advances is to meet the day-to-day requirements of the business. The rate of interest charged on advances varies from bank to bank. Interest is charged only on the amount withdrawn and not on the sanctioned amount.

a. **Cash Credit: -** Cash credit is an arrangement whereby the bank allows the borrower to draw amount up to a specified limit. The amount is credited to the account of the customer. The customer can withdraw this amount as and when he requires. Interest is charged on the amount actually withdrawn. Cash Credit is granted as per terms and conditions agreed with the customers.

b. **Overdraft: -**Overdraft is also a credit facility granted by the bank. A customer who has a current account with the bank is allowed to withdraw more than the amount of credit balance in his account.

c. **Discounting of Bills:-** Banks provide short-term finance by discounting bills that is making payment of the amount before the due date of the bills after deducting a certain rate of discount. The party gets the funds without waiting for the date of maturity of the bills. In case any bill is dishonored on the due date, the bank can recover the amount from the customer.

✓ Secondary functions:

In addition to the primary functions of accepting deposits and lending money, banks perform a number of other functions, which are called secondary functions. These are as follows:-

a. Issuing letters of credit, traveller's cheque, etc.
b. Undertaking safe custody of valuables, important document, and securities by providing safe deposit vaults or lockers.
c. Providing customers with facilities of foreign exchange dealings.
d. Transferring money from one account to another; and from one branch to another branch of the bank through cheque, pay order, demand draft.
e. Standing guarantee on behalf of its customers for making payment for the purchase of goods, machinery and vehicles etc.

CHAPTER 2

REVIEW OF LITERATURE

REVIEW OF LITERATURE

1. **(Ms.M.Kothai Nayaki & Mrs.P.Prema, a Study on Indian Individual Investors' Behavior.)** have studied that Indian investor today have to endure a sluggish economy, the steep market declines prompted by deteriorating revenues, alarming reports of scandals ranging from illegal corporate accounting practices like that of Satyam to insider trading to make investment decisions. Stock market's performance is not simply the result of intelligible characteristics but also due to the emotions that are still baffling to the analysts.
2. **(V. Shanmugasundaram and V. Balakrishnan, 2011, Investment decision-making – A Behavioural Approach).**Investments are made with an avowed objective of maximizing wealth. Investors need to make rational decisions for maximizing their returns based on the information available by taking judgments free from emotions. Empirical evidence suggests that demographic factors influence the investors' investment decisions. This research article also investigates how investor interprets and acts on various capital market information to make informed investment decisions.
3. **Avinash Kumar Singh (2006)** The study entitled "Investment Pattern of People" has been undertaken with the objective, to analyse the investment pattern of people in Bangalore city and Bhubaneswar analysis of the study was undertaken with the help of survey conducted .After analysis and interpretation of data it is concluded that in Bangalore investors are more aware about various investment avenues & the risk associated with that. But those who are invested in mutual funds are watch stock market weekly or fortnightly. In Bangalore, investors are more aware about various investment avenues and the risk associated with that.

4. **Sudalaimuthu and senthil kumar (2008)** Mutual fund is the one of investment avenues the researcher research in this area about investors perception towards mutual fund investments has been analyzed effectively taking into account the investors reference towards the mutual fund sector, scheme type, purchase of mutual fund units, level of risks undertaken by investors, source of information about the market value of the units, investors opinion on factors influenced to invest in mutual funds, the investors satisfaction level towards various motivating factors etc. The study has made an attempt to understand the financial behavior of mutual fund investors in connection with the scheme preference and selection.
5. **Sunil Gupta (2008)** the investment pattern among different groups in Shimla had revealed a clear as well as a complex picture. The complex picture means that the people are not aware about the different investment avenues and they did not respond positively, probably it was difficult for them to understand the different avenues. The study showed that the more investors in the city prefer to deposit their surplus in banks, post offices, fixed deposits, saving accounts and different UTI schemes, etc. The attitude of the investors towards the securities in general was bleak, though service and professional class is going in for investment in shares, debentures and in different mutual fund schemes.

6. **Manish Mittal and Vyas (2008)** studied that Investors have certain cognitive and emotional weaknesses which come in the way of their investment decisions. They have Behavioral biases that lead to systematic errors in the way they process information for investment decision. Empirical evidence also suggests that factors such as age, income, education and marital status affect an individual's investment decision.

7. **M. Halek si J. Eisenhauer (2001)** came to relatively same conclusions after conducting similar study. They discovered that factors like age, sex, race, religion (Catholicism, Protestantism and Judaism were analyzed), unemployment and economic crises directly affect investor's risk aversion. Other factors like education, the number of children or the social statute (married or unmarried) are less relevant to pure risk.
8. **Rajeshware TR and Rama Moorthy VE (2002)** studied the financial behavior and factors influencing fund/scheme selection of retail investors by conducting factor Analysis using Principal Component Analysis, to identify the investor's underlying Fund/scheme selection criteria, so as to group them into specific market segment for designing of the appropriate marketing strategy.
9. **Rob Euwals, Angelika Eymann and Axel Börsch-Supan (2004)** analyzed attitudes of household members towards saving for old age and household saving and portfolio choice behavior, using a panel of households with a husband and a wife drawn from the Dutch CentER Savings Survey 1994–1997.
10. **Aashish Jain (2017)** studied on the topic "A Study on Investment Preference". The author came to the conclusion that from the sample size (50), 76% of the respondents were aware about investment avenues while others unaware. From the chi-square test, the researcher found that there is no relationship between gender & investment avenues and there is significant relationship between income & investment avenues.
11. **Prasad (2009)** examined the perception of the investors and their awareness on various investment alternatives available. A sample of 100 investors has been taken from the twin cities of Hyderabad and Secunderabad. The result of findings showed 75% Net traders were using online stock trading requiring

strong technology base whereas Traditional traders felt online trading not an acute process of stock trading and they didn't participate in net trading due to risk of a system failure.

12. **Karthikeyan (2001)** has conducted research on Small Investors Perception on Post office Saving Schemes and found that there was significant difference among the four age groups, in the level of awareness for kisan vikas patra (KVP), National Savings Scheme (NSS), and deposit Scheme for Retired Employees (DSRE), and the Overall Score Confirmed that the level of awareness among investors in the old age group was higher than in those of young age group.
13. **V. Alagu Pandian, G. Thangadurai (2013);** "A Study of Investors Preference towards Various Investments Avenues in Dehradun District". This paper attempts to understand awareness level of the investors about various investment avenues. This study also provides suitable suggestions to promote the investment. The researcher has concluded that most of the investors prefer bank deposits followed by gold investment in Dehradun District.

CHAPTER 3

AIMS AND OBJECTIVE, PURPOSE OF THE STUDY

✓ Aims and Objective:-

1. To study the factor that influences the behavior of respondent.
2. To study alternatives of investment which are available in the market.
3. To identify the popular perception of respondents have towards various investment avenues.

✓ Purpose of the study:-

The basic purpose of the study is to have an insight into different investment avenues available for an investment. To study the factor that influence the investment behavior of the respondents. There could be various factors that can play an influencer role such as Age, Gender, Income, Employment, education and marital status etc. To understand the preferred investment avenues among the respondents. To understand the awareness level of the people on various investment opportunities, factors considered for investment. In today's competitive environment a lot of investment avenues are being provided by various Public and private financial organizations, people are totally confused to decide where to make an investment. The study would also influence the people to choose the best investment avenues and also would help them to analyse the various factors which are required to be considered for making a sound investment.

CHAPTER 4

INVESTMENT

INTRODUCTION

INTRODUCTION TO INVESTMENT:-

Meaning:-

Investment refers to the concept of deferred consumption, which involves purchasing an asset, giving a loan or keeping funds in a bank account with the aim of generating future returns. Various investment options are available, offering differing risk-reward trade-offs. An understanding of the core concepts and a thorough analysis of the options can help an investor create a portfolio that maximizes returns while minimizing risk exposure.

Definition of investment:-

"An investment is a commitment of funds made in the expectation of some positive return. If the investment is properly undertaken, the returns will be commensurate with the risk the investor assumes"– (Donald Fischer and Ronald Jordon).

Investor:-

An investor is who makes an investment into one or more categories of assets-equity, debt securities, real estate, currency, commodity, derivatives such as put and call options etc. with the objective of making a profit.

Investment Objective:-

The main investment objectives are increasing the rate and reducing the risk. Other objectives like safety, liquidity and hedge against inflation can be considered as subsidiary objectives. Investors always expect a good rate of return from their investments.

FEATURES OF INVESTMENT

1. Return:-

All investments are characterized by the expectation of a return. In fact, investments are made with the primary objective of deriving return. The expectation of a return may be from income (yield) as well as through capital appreciation. Capital appreciation is the difference between the sale price and the purchase price. The expectation of return from an investment depends upon the nature of investment, maturity period, market demand and so on.

2. Risk:-

Risk is inherent in any investment. Risk may relate to loss of capital, delay in repayment of capital, nonpayment of return or variability of returns. The risk of an investment is determined by the investments, maturity period, repayment capacity, nature of return commitment and so on. Risk and expected return of an investment are related. Theoretically, the higher the risk, higher is the expected returned. The higher return is a compensation expected by investors for their willingness to bear the higher risk.

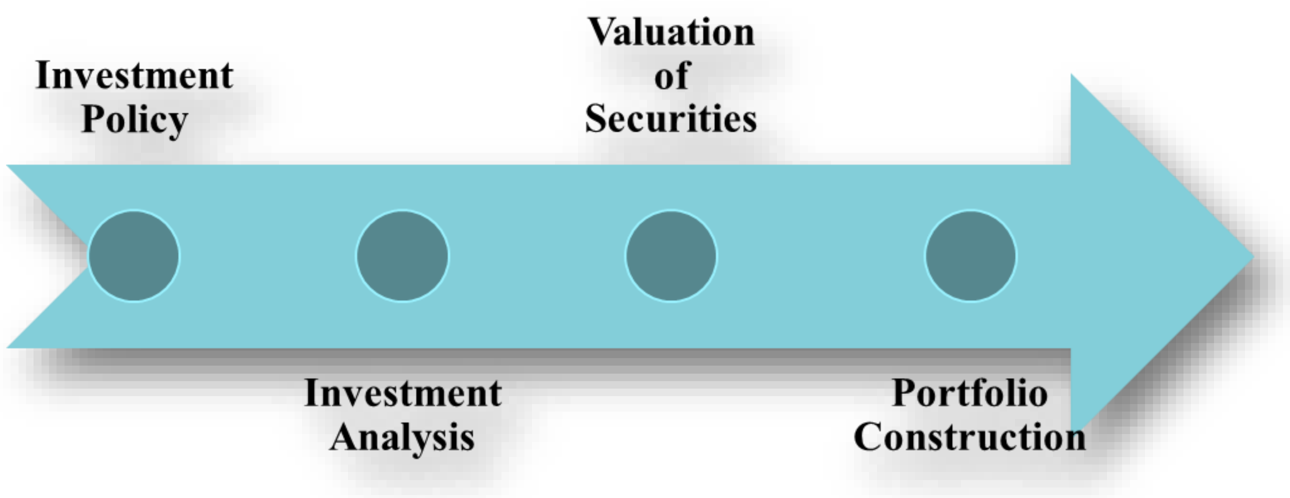
3. Safety:-

The safety of investment is identified with the certainty of return of capital without loss of time or money. Safety is another feature that an investor desires from investments. Every investor expects to get back the initial capital on maturity without loss and without delay.

4. Liquidity:-

An investment that is easily saleable without loss of money or time is said to be liquid. A well-developed secondary market for security increase the liquidity of the investment. An investor tends to prefer maximization of expected return, minimization of risk, safety of funds and liquidity of investment.

THE INVESTMENT PROCESS- STAGES OF INVESTMENT



THE INVESTMENT PROCESS- STAGES OF INVESTMENT

✓ Investment Process: Step # 1. Investment Policy:-

The first stage determines and involves personal financial affairs and objectives before making investments. It may also be called preparation of the investment policy stage.

The investor has to see that he should be able to create an emergency fund, an element of liquidity and quick convertibility of securities into cash. This stage may, therefore; be considered appropriate for identifying investment assets and considering the various features of investments.

✓ Investment Process: Step # 2. Investment Analysis:-

When an individual has arranged a logical order of the types of investments that he requires on his portfolio, the next step is to analyse the securities available for investment. He must make a comparative analysis of the type of industry, kind of security and fixed vs. variable securities. The primary concerns at this stage would be to form beliefs regarding future behaviour or prices and stocks, the expected returns and associated risk.

✓ Investment Process: Step # 3. Valuation of Securities:-

The third step is perhaps the most important consideration of the valuation of investments. Investment value, in general, is taken to be the present worth to the owners of future benefits from investments. The investor has to bear in mind the value of these investments.

An appropriate set of weights have to be applied with the use of forecasted benefits to estimate the value of the investment assets.

Comparison of the value with the current market price of the asset allows a determination of the relative attractiveness of the asset. Each asset must be valued on its individual merit. Finally, the portfolio should be constructed.

✓ Investment Process: Step # 4. Portfolio Construction:-

Under features of an investment programme, portfolio construction requires a knowledge of the different aspects of securities. These are briefly recapitulated here, consisting of safety and growth of principal, liquidity of assets after taking into account the stage involving investment timing, selection of investment and allocation of savings to different investments and feedback of portfolio.

TYPES OF INVESTOR

1. Type A investor- Conservative:-

Investment objective:

i. This type of investor seeks to protect your capital and somewhat concerned when this does not occur.
ii. They have a very basic understanding of the investment markets and their operations.
iii. The term risk means ‘danger’.
iv. When they make financial decision, they focus on possible losses.
v. They seek moderate returns and do not wish to take more than a low level of risk,

2. Type B Investor – Moderately Conservative:-

Investment objective:

i. This type of investors is prepared to establish a diversified portfolio to partially protect you from inflation a tax.
ii. They have a general understanding of the investment markets, but would like to have a broader understanding in order to explore the possibilities.
iii. The term risk means ‘uncertainty’.
iv. When they make financial decision, they are more focused on the possible losses, but also keep in the mind the possible gains.
v. They generally low risk taker and are somewhere comfortable with the concept of risk.

3. Type C Investor- Balanced:-

Investment objective:

i. This type of investors wish to adopt a diversified portfolio to somewhat protect them from inflation and tax.

ii. They have a reasonable understanding of the investment markets and their operation.

iii. The term risk means ‘possibilities’.

iv. When they make financial decision, they are more focused on the possible gains, but also keep in mind the possible losses.

v. They are a moderate risk taker and can accept some moderate levels of investment risk.

4. Type D Investor- Moderate Growth:-

Investment objective:

i. This type of investors wants to invest in a broad spread of quality investments, but predominantly in growth assets to achieve higher growth.

ii. They understand that investment markets can and will fluctuate and that different market sectors offer different levels of risks, income and growth.

iii. Their investment time horizon is for the long-term, 7 years or more.

iv. The term risk means ‘opportunity’.

v. When they the financial decision, they usually focus on the possible gains.

5. Type E Investor – Growth:-

Investment objective:

i. This type of investors is interested in capital growth and accumulating wealth more quickly relative to your investment timeframe.
ii. They understand the cyclical nature of investments and accept that there will be very high level of volatility in the value of your investment.
iii. Their investment time horizon is for the long-term, 7 years or more.
iv. The term risk means ‘thrill’.
v. When they make a financial decision, they always focus on the possible gains.

6. Type F Investor-Shares:-

Investment objective:

i. These types of investors are interested in capital growth and accumulating wealth more quickly relative to your investment time frame.
ii. They understand the cyclic nature of investments and accept that there will be a very high level of volatility in the value of your investments.
iii. Their investment time horizon is for the long-term, 7 years or more.
iv. The term risk means ‘trill’.
v. When they make financial decision, they always focus on the possible gains.

FINANCIAL SYSTEM IN INDIA

Introduction:-

Financial system plays a vital role in the economic growth of a country. It intermediates between the flow of funds belonging to those who save a part of their income and those who invest in productive assets. It mobilizes and usefully allocates scare resources of a country. It is a complex, well-integrated set of subsystems of financial institutions, markets, instruments, and services which facilitates the transfer and allocation of funds, efficiently and effectively. The coexistence of these two sectors is commonly referred to as financial dualism. The formal financial sector is characterized by the presence of an organized, institutional and regulated system which caters to the financial needs of the modern spheres of economy. The informal financial sector has emerged as a result of the intrinsic dualism of economic and social structures in developing countries, and financial repression which inhibits the certain deprived sections of society from accessing funds. One of the important functions of a financial system is to link the savers and investors and, thereby, help in mobilizing and allocating the saving efficiently and effectively. One of the most important functions of a financial system is to achieve an optimum allocation of risk-bearing. Derivatives are a risk-shifting device, they shift risk from those who have it but may not want it to those who are willing to take it. The Indian financial system can broadly be classified into the formal/organized and informal/unorganized system. The formal financial system comes under the purview of the Ministry of Finance (MOF), Reserve Bank of India (RBI), Security and Exchange Board of India (SEBI), and other regulatory bodies.

FINANCIAL SYSTEM IN INDIA

1. Financial Institutions:-

A financial institution (FI) is a company engaged in the business of dealing with financial and monetary transactions, such as deposits, loans, investments and currency exchange. Financial institutions encompass a broad range of business operations within the financial services sector, including banks, trust companies, insurance companies, brokerage firms and investment dealers. Virtually everyone living in a developed economy has an ongoing or at least periodic need for the services of financial institutions.

2. Financial Markets:-

The financial market is a broad term describing any marketplace where trading of securities including equities bonds, currencies and derivatives occur. Some financial markets are small with little activity, while some financial markets like the New York Stock Exchange (NYSE) trade trillions of dollars of securities daily.

3. Financial Services:-

Financial services are the economic services provided by the finance industry, which encompasses a broad range of businesses that manage money, including credit unions, banks, credit-card companies, insurance companies, accountancy companies, consumer-finance companies, stock brokerages, investment funds, individual managers and some government-sponsored enterprises.

INVESTMENT COMPANIES IN INDIA

- **List of Top 10 Investment Companies in India:-**

India has got many famous investment companies located all over the country. The basic details of some of the most renowned among them are as follows:-

1. **Alliance Bernstein Investment Research and Management (India) Private Limited:-**

   With their mission to use their research for gaining the best knowledge among all the global investment management companies, this foreign investment company provides a range of investment services across the different classes of assets.

2. **Bajaj Allianz General Insurance Company Limited:-**

   This company is a joint venture of the Allianz S. E. and the Bajaj Finserv Limited, which has recently been de-merged from the Bajaj Auto Limited. With a vision to be the best insurer for the creation of the shareholder value, this company in India has got a number of investment products and services.

3. Barclays Capital:-

This investment company, being a part of the Barclays Bank Plc., is mainly aimed at meeting the requirements of the corporates as well as the S. M. E. (Small and Medium Enterprise) in the Indian Republic. Apart from that, they even serve those Indian companies who wish to have a global growth.

4. Capital Group:-

This American group of companies first established their branch office in the metropolitan city of Mumbai in the year 2008. Committed towards providing financial services, they are among the pioneers of investment management.

5. F.I. L. Fund Management Private Limited:-

F.F.M. P. L. started its first operation in this country in the year 2004. Through their qualified investment team, this company offers the investors of this nation an array of unique kinds of investment options, which includes equity funds, hybrid funds etc.

6. Infrastructure Development Finance Company Limited:-

Commonly known as I. D. F. C., this company of India is mainly famous for providing high quality infrastructural services. However, their investment sector includes business of project finance, investment banking, securities, private equity, mutual funds and many more

7. Larsen & Toubro Mutual Fund:-

This investment Company in the Republic of India, popularly called L & T, is a part of the renowned company named Larsen & Toubro Limited. With their range of different kinds of mutual funds, it is one of the most respected and biggest private sector investment companies in India.

8. Peerless General Finance & Investment:-

With excellent connectivity across the nation and strong technological backbone, this finance and investment company provides a comprehensive guide to your financial investments. Their range of product helps their customers in gaining benefits in terms of wealth management.

9. Tata Investment Corporation:-

Famously called T. I. C., this non-banking financial organization was earlier known as the Investment Corporation of India. Mainly involved in long term investments, the name of this investment company of the renowned Tata Group even features in the Mumbai Stock Exchange's (M. S. E.) list. Following are the contact details of the Mumbai based investment company.

10. Toss Financial Services Private Limited:-

This investment organization was promoted in India by a group of qualified finance professionals as per the regulation of the Government of India's Ministry of Finance. Dealing with the varied kinds of investment services like stock brokerage, investment advisorys, portfolio management, mutual fund and many other foreign investment services, this company is an accredited member of the National Stock Exchange (N. S. E.) of India Limited.

FINANCIAL INSTRUMENTS

Different avenues and alternatives of investment include share market, debentures or bonds, money market instruments, mutual funds, life insurance, real estate, precious objects, derivatives, non-marketable securities. All are differentiated based on their different features in terms of risk, return, term etc.

1. EQUITY SHARES:-

Equity investments represent ownership in a running company. By ownership, we mean share in the profits and assets of the company but generally, there are no fixed returns. It is considered as a risky investment but at the same time, depending upon situation, it is liquid investments due to the presence of stock markets. There are equity shares for which there is a regular trading, for those investments liquidity is more otherwise for stocks have less movement, liquidity is not highly attractive. Equity shares of companies can be classified as follows:

- **Blue chip scrip:** - A blue-chip stock is the stock of a large, well-established and financially sound company that has operated for many years. A blue-chip stock typically has a market capitalization in the billions, is generally the market leader or among the top three companies in its sector, and is more often than not a household name. Some examples of blue-chip stocks are IBM Corp., Coca-Cola Co. and Boeing Co.
- **Growth scrip:-** In finance, a growth stock is a stock of a company that generates substantial and sustainable positive cash flow and whose revenues and earnings are expected to increase at a faster rate than the average company within the same industry.

2. DEBENTURES OR BONDS:-

Debentures or bonds are long-term investment options with a fixed stream of cash flows depending on the quoted rate of interest. They are considered relatively less risky. An amount of risk involved in debentures or bonds is dependent upon who the issuer is.

For example, if the issue is made by a government, the risk is assumed to be zero. However, investment in long term debentures or bonds, there are risk in terms of interest rate risk and price risk. Suppose, a person requires an amount to fund his child’s education after 5 years. He is investing in a debenture having maturity period of 8 years, with coupon payment annually. In that case there is a risk of reinvesting coupon at a lower interest rate from end of year 1 to end of year 5 and there is a price risk for increase in rate of interest at the end of fifth year, in which price of security falls.

- **Government securities:-**

  A government security is a bond issued by a government authority with a promise of repayment upon maturity. Government securities such as savings bonds, treasury bills and notes also promise periodic coupon or interest payments. These securities are considered low-risk, since they are backed by the taxing power of the government.

- **Tax Savings bonds:-**

  At one time, the Indian government issued special bonds that allowed its citizens to be either partially or fully released from paying taxes. Unfortunately, sales of these bonds ended in early 2018.

- **Public Sector Undertaking bonds:-**

  If you're looking for a medium- to long-term investment in the Indian bond market, a Public Sector Undertaking bond can be a good choice. PSUs are issued and backed by the government of India, but they're usually sold on a private basis.

- **Corporate Bonds:-**

  These are more traditional bond instruments, which are offered by private corporations in India for terms that can last up to 15 years. Unlike the government bonds mentioned earlier, anyone can purchase a corporate bond. However, there is a higher risk of default and that can depend upon the corporation backing the bond, market conditions, the company's industry and its investment rating.

- **Financial Institutions and Banks:-**

  Bonds issued by financial institutions and banks in India are a vibrant financial instrument and make up most of the bond market in that country. The reasons are simple. Bonds issued by financial institutions and banks are regulated well and come with good bond ratings. Large-scale investors are some of the most important investors in this category.

3. MONEY MARKET INSTRUMENTS:-

Money market instruments are just like the debentures but the time period is very less. It is generally less than 1 year. Corporate entities can utilize their idle working capital by investing in money market instruments. Some of the money market instruments are.

❖ Types of Money Market Instruments:-

- **Treasury Bills (T-Bills):-**

  Issued by the Central Government, Treasury Bills are known to be one of the safest money market instruments available. However, treasury bills carry zero risk. I.e. are zero risk instruments. Therefore, the returns one gets on them are not attractive. Treasury bills come with different maturity periods like 3-month, 6-month and 1 year and are circulated by primary and secondary markets. Treasury bills are issued by the Central government at a lesser price than their face value. The interest earned by the buyer will be the difference of the maturity value of the instrument and the buying price of the bill, which is decided with the help of bidding done via auctions. Currently, there are 3 types of treasury bills issued by the Government of India via auctions, which are 91-day, 182-day and 364-day treasury bills.

- **Certificate of Deposits (CDs):-**

  A Certificate of Deposit or CD, functions as a deposit receipt for money which is deposited with a financial organization or bank. However, a Certificate of Deposit is different from a Fixed Deposit Receipt in two aspects. The first aspect of difference is that a CD is only issued for a larger sum of money. Secondly, a Certificate of Deposit is freely negotiable. First announced in 1989 by RBI, Certificate of Deposits have become a preferred investment choice for organizations in terms of short-term surplus investment as they carry low risk while providing interest rates which are higher than those provided by Treasury bills and term deposits. Certificate of Deposits are also relatively liquid, which is an added advantage, especially for issuing banks. Like treasury bills, CDs are also issued at a discounted price and their tenor ranges between a span of 7 days up to

1 year. However, banks issue Certificates of Deposits for durations ranging from 3 months, 6 months and 12 months. They can be issued to individuals (except minors), trusts, companies, corporations, associations, funds, non-resident Indians, etc.

- **Commercial Papers (CPs):-**

  Commercial Papers are can be compared to an unsecured short-term promissory note which is issued by highly rated companies with the purpose of raising capital to meet requirements directly from the market. CPs usually feature a fixed maturity period which can range anywhere from 1 day up to 270 days. Highly popular in countries like Japan, UK, USA, Australia and many others, Commercial Papers promise higher returns as compared to treasury bills and are automatically not as secure in comparison. Commercial papers are actively traded in secondary market.

- **Repurchase Agreements (Repo):-**

  Repurchase Agreements, also known as Reverse Repo or simply as Repo, loans of a short duration which are agreed upon by buyers and sellers for the purpose of selling and repurchasing. These transactions can only be carried out between RBI approved parties Repo / Reverse Repo transactions can be done only between the parties approved by RBI. Transactions are only permitted between securities approved by the RBI like treasury bills, central or state government securities, corporate bonds and PSU bonds.

- **Banker's Acceptance (BA):-**

  Banker's Acceptance or BA is basically a document promising future payment which is guaranteed by a commercial bank. Similar to a treasury bill, Banker’s Acceptance is often used in money market funds and specifies the details of the repayment like the amount to be repaid, date of repayment and the details of the individual to which the repayment is due.

4. MUTUAL FUNDS:-

Mutual funds are an easy and tension free way of investment and it automatically diversifies the investments. A mutual fund is an investment only in debt or only in equity or mix of debts and equity and ratio depending on the scheme. They provide with benefits such as professional approach, benefits of scale and convenience. Further investing in mutual fund will have advantage of getting professional management services, at a lower cost, which otherwise was not possible at all. In case of open ended mutual fund scheme, mutual fund is giving an assurance to investor that mutual fund will give support of secondary market. There is an absolute transparency about investment performance to investors. On real time basis, investors are informed about performance of investment. In mutual funds also, we can select among the following types of portfolios:

- **Money market funds:-**

  These funds invest in short-term fixed income securities such as government bonds, treasury bills, bankers' acceptances, commercial paper and certificates of deposit. They are generally a safer investment, but with a lower potential return then other types of mutual funds. Canadian money market funds try to keep their net asset value (NAV) stable at $10 per security.

- **Fixed income funds:-**

  These funds buy investments that pay a fixed rate of return like government bonds, investment-grade corporate bonds and high-yield corporate bonds. They aim to have money coming into the fund on a regular basis, mostly through interest that the fund earns.

- **Equity funds:-**

  These funds invest in stocks. These funds aim to grow faster than money market or fixed income funds, so there is usually a higher risk that you could lose money. You can choose from different types of equity funds including those that specialize in growth stocks (which don't usually pay dividends), income funds (which hold stocks that pay large dividends), value stocks, large-cap stocks, mid-cap stocks, small-cap stocks, or combinations of these.

- **Balanced funds:-**

  These funds invest in a mix of equities and fixed income securities. They try to balance the aim of achieving higher returns against the risk of losing money. Most of these funds follow a formula to split money among the different types of investments. They tend to have more risk than fixed income funds, but less risk than pure equity funds. Aggressive funds hold more equities and fewer bonds, while conservative funds hold fewer equities relative to bonds.

- **Index funds:-**

  These funds aim to track the performance of a specific index such as the S&P/TSX Composite Index. The value of the mutual fund will go up or down as the index goes up or down. Index funds typically have lower costs than actively managed mutual funds because the portfolio manager doesn't have to do as much research or make as many investment decisions.

- **Specialty funds:-**

  These funds focus on specialized mandates such as real estate, commodities or socially responsible investing. For example, a socially responsible fund may invest in companies that support environmental stewardship, Human rights and diversity, and may avoid companies involved in alcohol, tobacco, gambling, weapons and the military.

- **Fund-of-funds:-**

These funds invest in other funds. Similar to balanced funds, they try to make asset allocation and diversification easier for the investor. The MER for fund-of-funds tend to be higher than stand-alone mutual funds.

Before you invest, understand the fund's investment goals and make sure you are comfortable with the level of risk. Even if two funds are of the same type, their risk and return characteristics may not be identical. Learn more about how mutual funds work. You may also want to speak with a financial advisor to help you decide which types of funds best meet your needs.

5. LIFE INSURANCE AND GENERAL INSURANCE:-

They are one of the important parts of good investment portfolios. Life insurance is an investment for the security of life. The main objective of other investment avenues is to earn a return but the primary objective of life insurance is to secure our families against unfortunate event of our death. It is popular in individuals. Other kinds of general insurances are useful for corporates. There are different types of insurances which are as follows:

❖ **Types of life insurance:-**

- **Term life insurance:-**

Term insurance is the simplest form of life insurance available in the market. A pure protection plan, a term insurance offers a large coverage at an affordable premium.

It pays your nominee the sum assured in case of your demise within the policy term. The insurance proceeds received help your family to meet daily expenses and pay off debts. Note that pure term plans have no maturity benefits. It means, in case you survive the policy term, you don’t get these benefits. However, of late insurers have come up with the return of premium term insurance plans which return all the premiums paid in case you survive the policy term. But these plans are slightly more expensive than pure term plans.

- **Endowment plans:-**

  Weaving insurance and investment in a single product, endowment plans offer life cover as well as build a corpus for essential life goals. A certain portion of the premium goes towards the sum assured, while the other portion is invested in low-risk avenues. In case of your demise during the policy term, your nominee gets the sum assured. In case you survive the policy term, you get the sum assured as maturity amount along with the accumulated bonuses. Thus, endowment plans fulfil the dual needs of insurance and investment.

- **Money back policies:-**

  Money back policies are similar to endowment plans, except that they pay a certain amount at pre-defined intervals during the policy term. For instance, a money-back policy for a term of 15 years, may pay a certain amount at the end of 5th and 10th year of the policy term. On policy maturity, it pays the maturity benefits along with the accumulated bonuses.

- **Unit linked insurance plans (ULIPs):-**

  Combining insurance and investment in a single product, ULIPs offer life protection as well as the opportunity for capital appreciation by investing in various funds of varying degrees of risk. Just like endowment policies, in ULIPs a certain portion of the premium goes in providing life cover, while the other portion is invested in markets to earn returns.

  Every ULIP has underlying funds belonging to different asset classes such as equities, debt and hybrid where it invests to generate returns. ULIPs offer partial withdrawal facility after the end of the lock-in period (5 years) and also offer switching facility whereby you can switch from one fund to another. This facility comes in handy when you are nearing your goal, wherein you can switch from an aggressive fund to a debt fund.

- **Whole life insurance:-**

  As the name suggests, a whole life insurance offers you coverage for your entire life. The policy term for whole life insurance plans extend up to 100 years and as long as the premiums are paid, the benefits of the policy are kept intact.

Types of general insurance:-

- **Health insurance:-**

  An essential risk mitigating tool, health insurance prevents out-of-pocket expenses while dealing with a medical emergency. A general health insurance plan is an indemnity plan that pays for hospitalisation expenses up to the sum insured. While you can avail a standalone health policy, family floater plans provide coverage to all the members of your family.

On the other hand, critical illness plans are fixed-benefit plans which provide a lump sum upon diagnosis of a critical ailment, taking care of pre- and post-hospitalisation costs. These plans help take care of astronomical costs associated with the treatment of critical ailments.

- **Motor insurance:-**

  Motor insurance covers your vehicles against accidents, damage, theft, vandalism, and so on. This form of insurance comes in two forms – comprehensive and third-party. A comprehensive motor insurance policy provides a 360-degree cushion to your vehicle against damages caused due to flood, fire, riot, etc. Along with this, it also offers you the rider, a personal accident coverage along with third-party liability.

  On the other hand, a third-party motor insurance takes care of the damages suffered by a third-party in case of an accident caused by your vehicle. It won't cover any damages to your vehicle. As per the Motor Vehicles Act, 1988, it's mandatory for every vehicle plying on the road to have a third-party insurance.

- **Home insurance:-**

  As the name suggests, a home insurance policy protects your home and its belongings from the damages suffered due to man-made or natural disasters. Some home insurance policies also provide coverage for temporary living expenses in case you are living on rent, due to your home undergoing renovation.

- **Travel insurance:-**

  In case you are travelling abroad, a travel insurance policy protects you against losses suffered due to loss of baggage, delays in flight and trip cancellation. In some cases, if you are hospitalised while travelling, a travel insurance may also offer cashless hospitalisation.

6. REAL ESTATE:-

Every investor has some part of their portfolio invested in real assets. Almost every individual and corporate investor invest in residential and office buildings respectively. Apart from these, others include:

- Agricultural Land
- Semi-Urban Land
- Commercial Property

7. PRECIOUS OBJECTS:-

Precious objects include gold, silver and other precious stones like the diamond. Some artistic people invest in art objects like paintings, ancient coins etc.

8. DERIVATIVES:-

Derivatives means indirect investments in the assets. The derivatives market is growing at a tremendous speed. The important benefit of investing in derivatives is that it leverages the investment, manages the risk and helps in doing speculation. Derivatives include:

- **Forwards and futures:-**

  They are financial contracts that obligate the contracts' buyers to purchase an asset at a pre-agreed price on a specified future date. Both forwards and futures are essentially the same in their nature. However, forwards are more flexible contracts because the parties can customize the underlying commodity as well as the quantity of the commodity and the date of the transaction. On the other hand, futures are standardized contracts that are traded on the exchanges.

- **Options:-**

  They provide the buyer of the contracts the right but not the obligation to purchase or sell the underlying asset at a predetermined price. Based on the option type, the buyer can exercise the option on the maturity date (European options) or on any date before the maturity (American options).

- **Swaps:-**

  Derivative contracts that allow the exchange of cash flows between two parties. The swaps usually involve the exchange of a fixed cash flow for a floating cash flow. The most popular types of swaps are interest rate swaps, commodity swaps, and currency swaps.

9. NON-MARKETABLE SECURITIES:-

Non-marketable securities are those securities which cannot be liquidated in the financial markets. Such securities include:

- **Bank Deposits:-**

  Bank deposits consist of money placed into banking institutions for safekeeping. These deposits are made to deposit accounts such as savings accounts, current accounts and money market accounts. The account holder has the right to withdraw deposited funds, as set forth in the terms and conditions governing the account agreement.

- **Post Office Deposits:-**

  A post office offers various deposit schemes to investors. These are also known as small savings schemes. Some of these schemes also offer tax-saving benefits under section 80C of the Income-tax Act. The interest rate offered on these schemes are reviewed and fixed every quarter by the government.

- **Company Deposits:-**

  Company Fixed Deposit is the amount deposited by investors for a fixed period of time with a company which offers a fixed rate of return. These deposits are accepted by manufacturing companies, financial institutions and non-banking finance companies, and are governed by Companies Act 58A.

- **Provident Fund Deposit:-**

  A provident fund is a compulsory, government-managed retirement savings scheme used in Singapore, India, Mexico, and other developing countries. In some ways, these funds resemble a hybrid of the 401(k) plans and Social Security used in the United States. They also share some traits with employer-provided pension funds.

RISK IN INVESTMENTS

Introduction:-

~Risk is uncertainty, and in uncertainty lies opportunity~
Lorayne Fiorillo

Considering the post 2008 market scenario, if there's one thing almost every investor knows, it's that there's no such thing as a free lunch. If you want gains from the markets, you're going to have to stomach volatility - and looking at the way things have been going since 2008, this is ongoing volatility. But, in the wild ride we've all been on in the past 3 years, there have been some fantastic opportunities to grow your wealth. And people who have conditioned themselves to stay strong (read: unemotional) in their investing habits, have made a lot of money, despite the risks. This is the kind of investing behavior that will help you achieve your life goals through both equity and debt investments.

Today, with interest rates at their peak, debt i.e. fixed income investments are also a great place to be investing, depending on your goal time horizon and risk appetite. With equity markets experiencing volatility, valuations can be attractive too. Hence both equity and debt are strong potential investment avenues currently.

With both asset classes available for sound investment, its best to educate yourself about the risks and rewards before you go ahead and invest.

To start with, let's go over the basics and see what the different types of risks are. Then we'll talk a little bit about the risk-reward trade-off, and summarize with the one investing rule that will never fail to help you make money and achieve your goals.

❖ The 2 broad types of risk are Systematic and Unsystematic:-

1. **Systematic risk** is risk within the entire system. This is the kind of risk that applies to an entire market, or market segment. All investments are affected by this risk, for example risk of a government collapse, risk of war or inflation, or risk such as that of the 2008 credit crisis. It is virtually impossible to protect your portfolio against this risk. It cannot be completely diversified away. It is also known as un-diversifiable risk or market risk.

2. **Unsystematic risk** is also known as residual risk, specific risk or diversifiable risk. It is unique to a company or a particular industry. For example strikes, lawsuits and such events that are specific to a company, and can to an extent be diversified away by other investments in your portfolio are unsystematic risk.

❖ **Within these two types, there are certain specific types of risk, which every investor must know, they are follows:-**

1. Credit Risk (also known as Default Risk):-

Credit risk is just the risk that the person you have given credit to, i.e. the company or individual, will be unable to pay you interest, or pay back your principal, on its debt obligations. If you are investing in Infrastructure Bonds or Company Fixed Deposits right now, you should be aware of the credit / default risk involved. Government bonds have the lowest credit risk (but it is not zero - think of Portugal, Ireland or Spain right now), while low rated corporate deposits (junk bonds) have high credit risk. Before investing in a bond or a corporate deposit, be sure to check how highly it is rated by a well-known rating agency such as CRISIL, ICRA or CARE. Remember, even a bank FD has some credit risk, as only a maximum of Rs. 1 lakh is guaranteed by the Government.

2. Country Risk:-

When a country cannot keep to its debt obligations and it defaults, all of its stocks, mutual funds, bonds and other financial investment instruments are affected, as are the countries it has financial relations with. If a country has a severe fiscal deficit, it is considered more likely to be risky than a country with a low fiscal deficit, ceteris paribus. Emerging economies are considered to be more risky than developed nations.

3. Political Risk:-

This is also higher in emerging economies. It is the risk that a country's government will suddenly change its policies. For example, today with the continuing raging debate on FDI in retail, India's policies will not be looking very attractive to foreign investors, and stock prices are negatively affected.

4. Reinvestment Risk:-

This is the risk that you lock into a high yielding fixed deposit or corporate deposit at the highest available rate (currently above 9.50%), and when your interest payments come in, there is no equivalent high interest rate investment avenue available for you to reinvest these interest proceeds (for example if your interest is paid out after 1 year and the prevailing interest rate is 8% at that time.

Currently as we are at an interest rate peak, it would be advisable to lock in for a longer tenure (provided your financial goal time horizon permits) to avoid facing reinvestment risk.

5. Interest Rate Risk:-

A golden rule in debt investing is this: Interest Rates go up, prices of bonds go down. And vice versa. So for example in our situation today, we appear to be at an interest rate peak. This means that since interest rates are going to go down from here, prices of bonds are going to go up. So if you were to invest in debt funds now, you would be buying at a low, and can sit back and watch as your investments start to give gains as interest rates fall.

6. Foreign Exchange Risk:-

Forex risk applies to any financial instruments that are denoted in a currency other than your own. For example, if a UK firm has invested in India, and the Indian investment does well in rupee terms, the UK firm might still lose money because the Rupee has depreciated against the Pound, so when the firm decides to pull out its investment on maturity, it gets fewer pounds on redemption. With the recent very sharp fall in the rupee, the forex risk of our country as an investment destination has greatly increased.

7. Inflationary Risk:-

Inflationary risk or simply, inflation risk, is when the real return on your investment is reduced due to inflation eroding the purchasing power of your funds by the time they mature.

For example, if you were to invest in a fixed deposit today and you were to earn a 10% interest on it in 1 years' time, then if inflation has been 8% in that year, your real rate of return comes down to 2%, keeping purchasing power in mind.

8. Market Risk:-

This is the risk that the value of your investment will fall due to market risk factors, which include equity risk (risk of stock market prices or volatility changing), interest rate risk (risk of interest rate fluctuations), currency risk (risk of currency fluctuations) and commodity risk (risk of fluctuations in commodity prices).

GOVERNING BODIES OF INDIA

❖ RESEVE BANK OF INDIA (RBI)

The Reserve Bank of India (RBI) is the central bank of India, which was established on April 1, 1935, under the Reserve Bank of India Act. The Reserve Bank of India uses monetary policy to create financial stability in India and it is charged with regulating the country's currency and credit systems. Located in Mumbai, the RBI serves the financial market in many ways. The bank sets the overnight interbank lending rate. The Mumbai Interbank Offer Rate, or MIBOR, serves as a benchmark for interest rate-related financial instruments in India. The RBI was originally set up as a private entity but was nationalized in 1949. The reserve bank is governed by a central board of directors appointed by the national government. The government has always appointed the RBI's directors, and this has been the case since the bank became fully owned by the government of India as outlined by the Reserve Bank of India Act. Directors are appointed for a period of four years.

The RBI's Supervision of the Indian Financial Sector:-

The main purpose of the RBI is to conduct consolidated supervision of the financial sector in India, which is made up of commercial banks, financial institutions and nonbanking finance firms. Initiatives adopted by the RBI include restructuring bank inspections, introducing off-site surveillance of banks and financial institutions and strengthening the role of auditors.

The current focus of the RBI is to continue its increased supervision of financial institutions while dealing with legal issues related to bank fraud and consolidated accounting. The RBI is also attempting to create a supervisory rating model for its banks and to cut interest rate.

❖ SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

The Securities and Exchange Board of India was established as a non-statutory regulatory body in the year 1988, but it was not given statutory powers until January 30, 1992, when the Securities and Exchange Board of India Act was passed by the Parliament of India. Its headquarters is at the business district at the Bandra Kurla Complex in Mumbai, but it also possesses Northern, Eastern and Southern and Western regional branch offices in the cities of New Delhi, Kolkata, Chennai and Ahmedabad respectively. It also has small local branch offices in Bangalore, Jaipur, Guwahati, Bhubaneswar, Patna, Kochi and Chandigarh.

The Securities and Exchange Board of India (SEBI) supplanted the Controller of Capital Issues, which hitherto had regulated the securities market in India, as per the Capital Issues (Control) Act of 1947, one of the first acts passed by the Parliament of India following its independence from the British Empire. It is run by its own members, which consist of the Chairman, who is elected by the Parliament of India, two officers from the Union Finance Ministry, one member from the Reserve Bank of India and five members who are elected by the Parliament with the Chairman.

Objectives of SEBI:-The overall objectives of SEBI are to protect the interest of investors and to promote the development of stock exchange and to regulate the activities of stock market. The objectives of SEBI are:

1. To regulate the activities of stock exchange.

2. To protect the rights of investors and ensuring safety to their investment.

3. To prevent fraudulent and malpractices by having balance between self-regulation of business and its statutory regulations.

Functions of SEBI:-

The SEBI performs functions to meet its objectives. To meet three objectives SEBI has three important functions.

1. Protective Functions:-

These functions are performed by SEBI to protect the interest of investor and provide safety of investment.

As protective functions SEBI performs following functions:

(i) It Checks Price Rigging-Price rigging refers to manipulating the prices of securities with the main objective of inflating or depressing the market price of securities. SEBI prohibits such practice because this can defraud and cheat the investors.

(iii) SEBI prohibits fraudulent and Unfair Trade Practices-SEBI does not allow the companies to make misleading statements which are likely to induce the sale or purchase of securities by any other person.

(iv) SEBI undertakes steps to educate investors so that they are able to evaluate the securities of various companies and select the most profitable securities.

2. Developmental Functions:-

These functions are performed by the SEBI to promote and develop activities in stock exchange and increase the business in stock exchange. Under developmental categories following functions are performed by SEBI:

(i) SEBI promotes training of intermediaries of the securities market.

(ii) SEBI tries to promote activities of stock exchange by adopting flexible and adoptable approach in following way:

(a) SEBI has permitted internet trading through registered stock brokers.

3. Regulatory Functions:-

These functions are performed by SEBI to regulate the business in stock exchange. To regulate the activities of stock exchange following functions are performed:

(i) SEBI has framed rules and regulations and a code of conduct to regulate the intermediaries such as merchant bankers, brokers, underwriters etc.

(ii) These intermediaries have been brought under the regulatory purview and private placement has been made more restrictive.

❖ INSURANCE REGULATORY DEVELOPMENT AUTHORITY (IRDA)

IRDA - Insurance Regulatory Development and Authority is the statutory, independent and apex body that governs and supervise the Insurance Industry in India. It was constituted by Parliament of India Act called Insurance Regulatory and Development Authority of India (IRDA of India) after the formal declaration of Insurance Laws (Amendment) Ordinance 2014, by the President of India Pranab Mukherjee on December 26, 2014.

Establishment:-

- IRDA Act was passed upon the recommendations of Malhotra Committee report (7 Jan, 1994), headed by Mr. R.N. Malhotra (Retired Governor, RBI)
- Main Recommendations - Entrance of Private Sector Companies and Foreign promoters & an independent regulatory authority for Insurance Sector in India
- In April, 2000, it was set up as statutory body, with its headquarters at New Delhi.
- The headquarters of the agency were shifted to Hyderabad, Telangana in 2001.

Objectives of IRDA:-

- To promote the interest and rights of policy holders.
- To promote and ensure the growth of Insurance Industry.
- To ensure speedy settlement of genuine claims and to prevent frauds and malpractices.
- To bring transparency and orderly conduct of in financial markets dealing with insurance.

Functions and Duties of IRDA:-

- Section 14 of IRDA Act, 1999 lays down the duties and functions of IRDA:
- It issues the registration certificates to insurance companies and regulates them.
- It protects the interest of policy holders.
- It provides license to insurance intermediaries such as agents and brokers after specifying the required qualifications and set norms/code of conduct for them.
- It promotes and regulates the professional organizations related with insurance business to promote efficiency in insurance sector.
- It regulates and supervise the premium rates and terms of insurance covers.

❖ ASSOCIATION OF MUTUAL FUND IN INDIA (AMFI):-

The Association of Mutual Funds in India (AMFI) is dedicated to developing the Indian Mutual Fund Industry on professional, healthy and ethical lines and to enhance and maintain standards in all areas with a view to protecting and promoting the interests of mutual funds and their unit holders.

AMFI, the association of SEBI registered mutual funds in India of all the registered Asset Management Companies, was incorporated on August 22, 1995, as anon-profit organization. As of now, all the 44 Asset M management Companies that are registered with SEBI, are its members.

- To define and maintain high professional and ethical standards in all areas of operation of mutual fund industry.
- To recommend and promote best business practices and code of conduct to be followed by members and others engaged in the activities of mutual fund and asset management including agencies connected or involved in the field of capital markets and financial services.
- To interact with the Securities and Exchange Board of India (SEBI) and to represent to SEBI on all matters concerning the mutual fund industry.
- To represent to the Government, Reserve Bank of India and other bodies on all matters relating to the Mutual Fund Industry.
- To undertake nationwide investor awareness programmer so as to promote proper understanding of the concept and working of mutual funds.
- To disseminate information on Mutual Fund Industry and to undertake studies and research directly and/or in association with other bodies.
- To protect the interest of investors/unit holders.

SWOT ANALYSIS OF INVESTMENT

Expectations of growth should be tempered by the ongoing challenges the new prime minister faces as leader of the planet's largest - and perhaps messiest - democracy.

CHAPTER 5

RESEARCH METHODOLOGY

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RESEARCH METHODOLOGY:-

Research is a careful investigation or inquiry especially through search for new facts in branch of knowledge: market research specifies the information. Required to address these issues: designs the method for collecting information: manage and implements the data collection process analyses the results and communicates the finding and their implications. Research problem is the one which requires a researcher to find out the best solution for the given problem that is to find out the course of action, the action the objectives can be obtained optimally in the context of a given environment.

RESEARCH DESIGN:-

A framework or blueprint for conducting the research project. It specifies the details of the procedures necessary for obtaining the information needed to structure and/or solve research problems. A good research design lays the foundation for conducting the project. A good research design will ensure that the research project is conducted effectively and efficiently. Typically, a research design involves the following components, or tasks:

- Define the information needed.
- Design the research.
- Specify the measurement and scaling procedures.
- Construct and present a questionnaire or an appropriate form for data collection.
- Specify the sampling process and sampling size.
- Develop a plan of data analysis.

Data Collection:-

- The objectives of the project are such that both primary and secondary data is required to achieve them. So both primary and secondary data was used for the project.
- The mode of collecting primary data is questionnaire mode and sources of secondary data are various magazines, books, newspapers, & websites etc.

Primary Data:-

The primary data was collected to study the perception banking customers towards various investment avenues. The primary data was collected by means of preparing questionnaires with the help of Google forms and analysis was done on the basis of response received from the customers. The 10 questionnaire have been designed in such a manner that the customer's behavior towards investment can be analysed and customers can give response easily.

Secondary Data:-

The purpose of collecting secondary data was to achieve the objective of studying the perception of banking customers towards various investment avenues and to also understand their pattern of allocation of funds into various avenues available.

Sample Size:-

100 customers were selected.

Sampling unit:-

Mumbai Region.

Sampling Techniques:-

Convenient sampling

Analysis and interpretation:-

After the collection, it was compiled classified and tabulated manually and with the help of laptop. Then the task of drawing interferences was accomplished with the help of percentage and graphic method.

CHAPTER 6

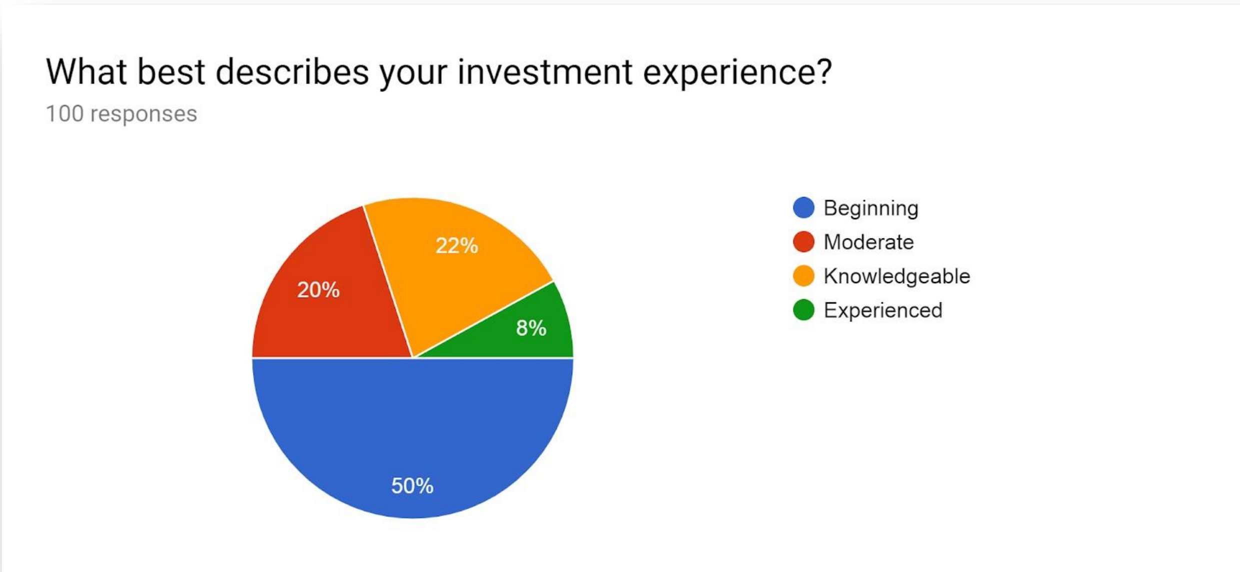
DATA ANALYSIS AND INTERPRETATION OF DATA

❖ DATA ANALYSIS AND INTERPRETATION OF DATA

Q1. What best describes your investment experience?

A) Beginning B) Moderate

C) Knowledgeable D) Experienced

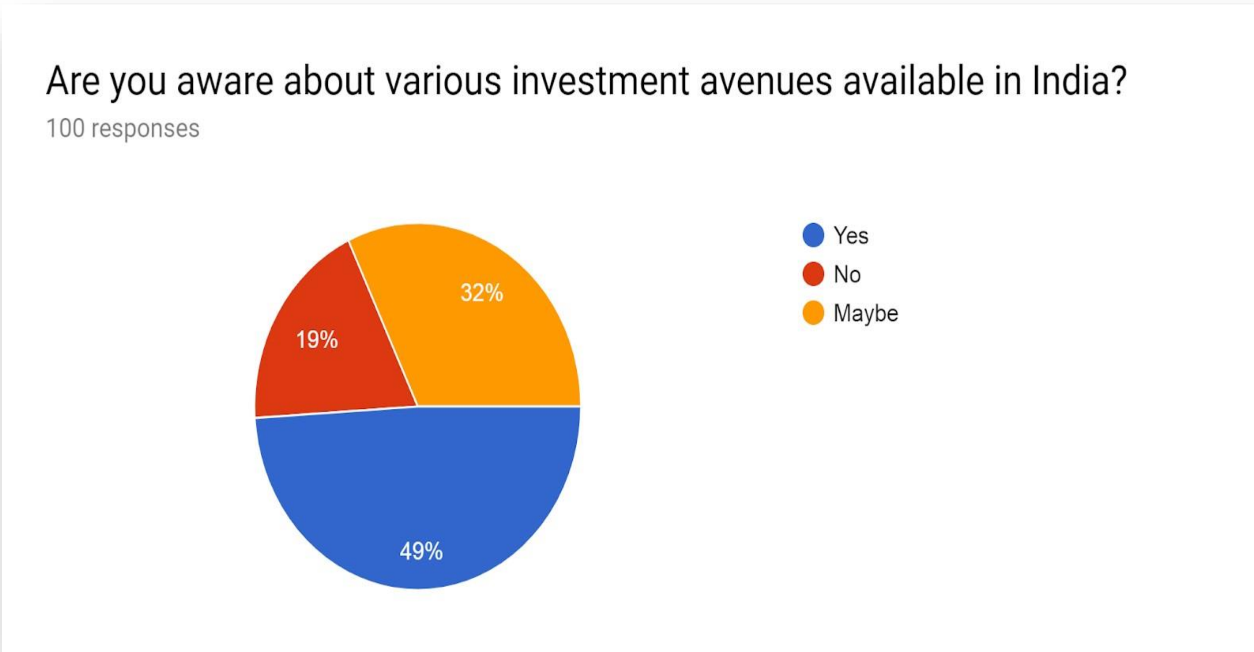


INTERPRETATION:-

From the above graph it is clear that around 50% (max.)of the respondents have just began to invest into various investment avenues;20% are have moderate investment experience;22% have knowledgeable experience and the rest 8% (min.)are only the one who are experienced in investing.

Q2. Are you aware about various investment avenues available in India?

A) Yes B) No C) May Be



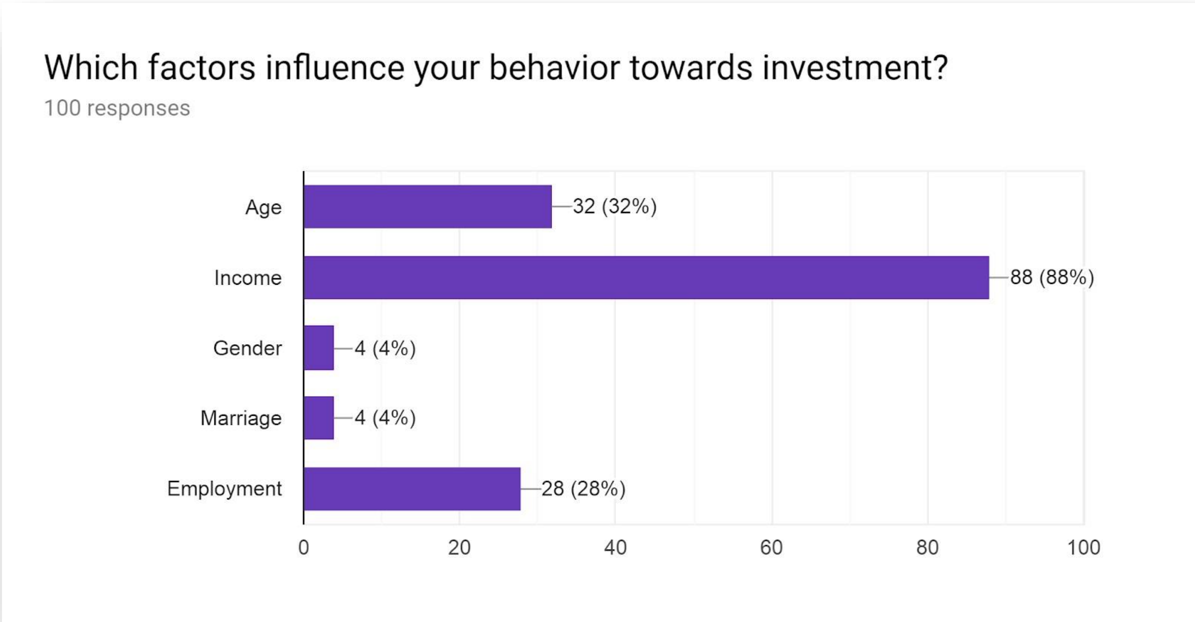
INTERPRETATION:-

From the above graph it is clear that 49%(max.) Of respondents are aware about various investment avenues available in India; 19%(min.) Are unaware and rest 32% of respondents are not sure about proper knowledge in regards to investment avenues.

Q3. Which factors influence your behavior towards investment?

A) Age B) Income

C) Gender D) Marriage E) Employment

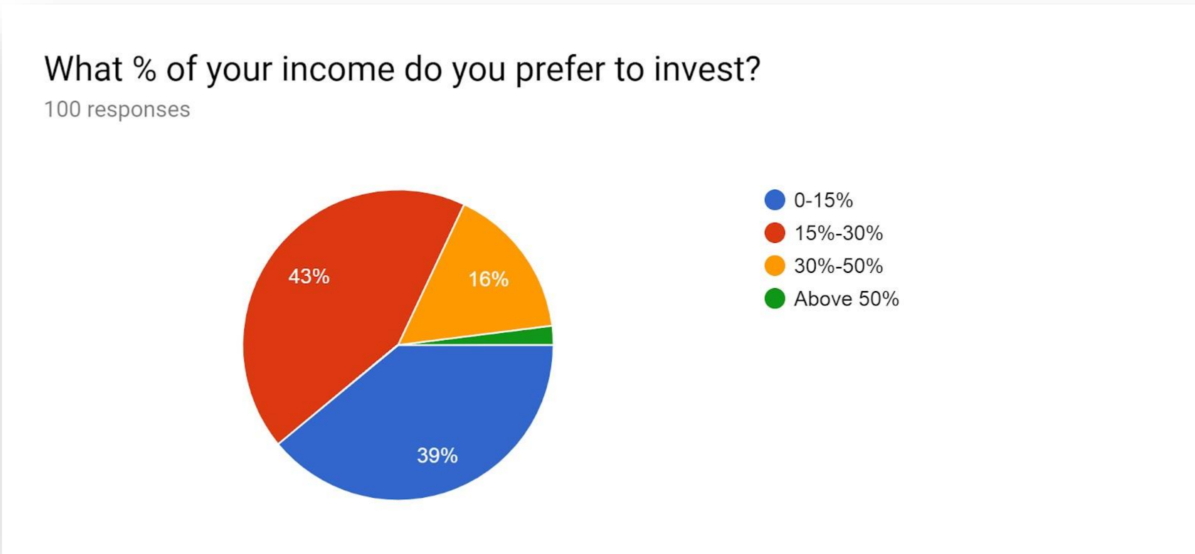


INTERPRETATION:-

From the above graph it is clear that 32% respondent's behavior is influenced by Age; 88%(max.)Respondents influential factor is Income; 4%(min.) For both Gender and Marriage; 28% respondents believe Employment to be one of the factor for investment.

Q4. What % of your income do you prefer to invest?

A) 0-15% B) 15%-30% C) 30%-50%



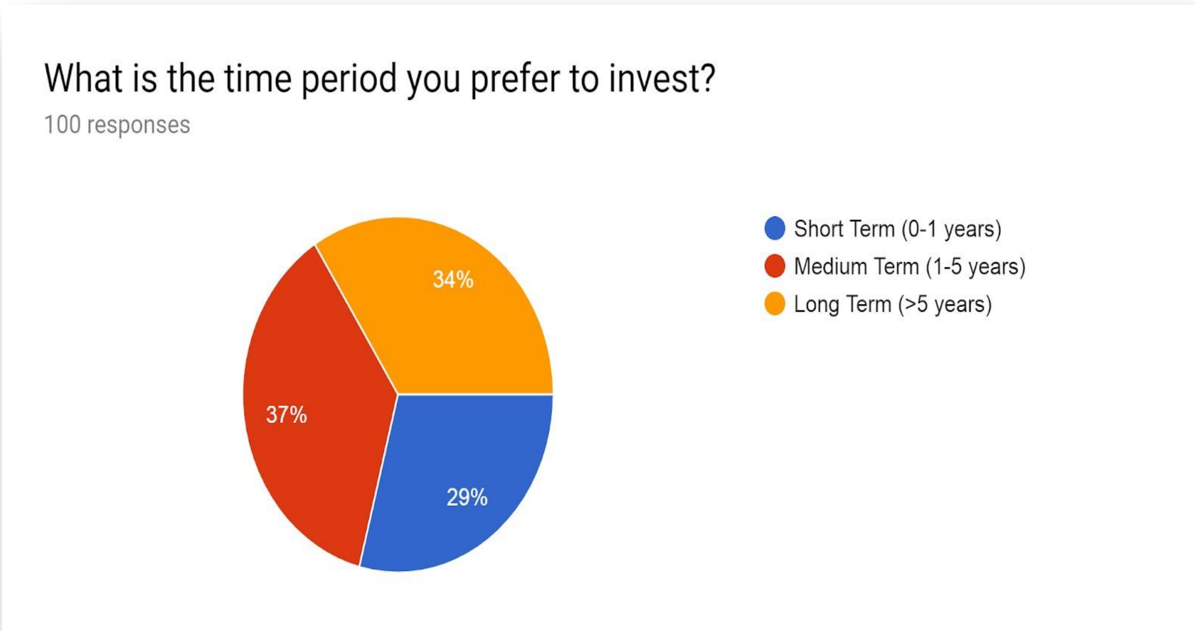
INTERPRETATION:-

From the above graph it is clear that 39% respondents prefer to invest 0-15% of their income into various investments; 43%(max.) Respondents prefer to investment between 15%-30% of their income; 16% between 30%-50% and rest 2% prefer above 50%

Q5. What is the time period you prefer to invest?

A) Short Term (0-1yr) B) Medium Term (1yr-5yrs)

C) Long Term (>5yrs)



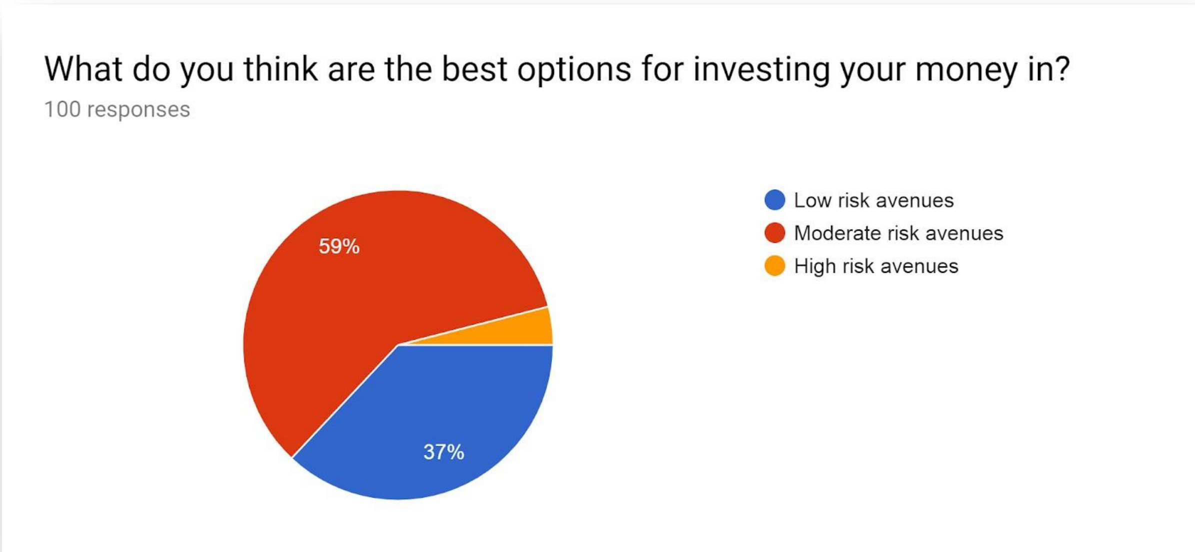
INTERPRETATION:-

From the above graph it is clear that 29%(min.)Respondents prefer to invest within short term duration; 37%(max.) Prefer medium term duration; 34%go with long term duration.

Q6. What do you think are the best options for investing your money in?

A) Low Risk Avenues B) Moderate Risk Avenues

C) High Risk Avenues



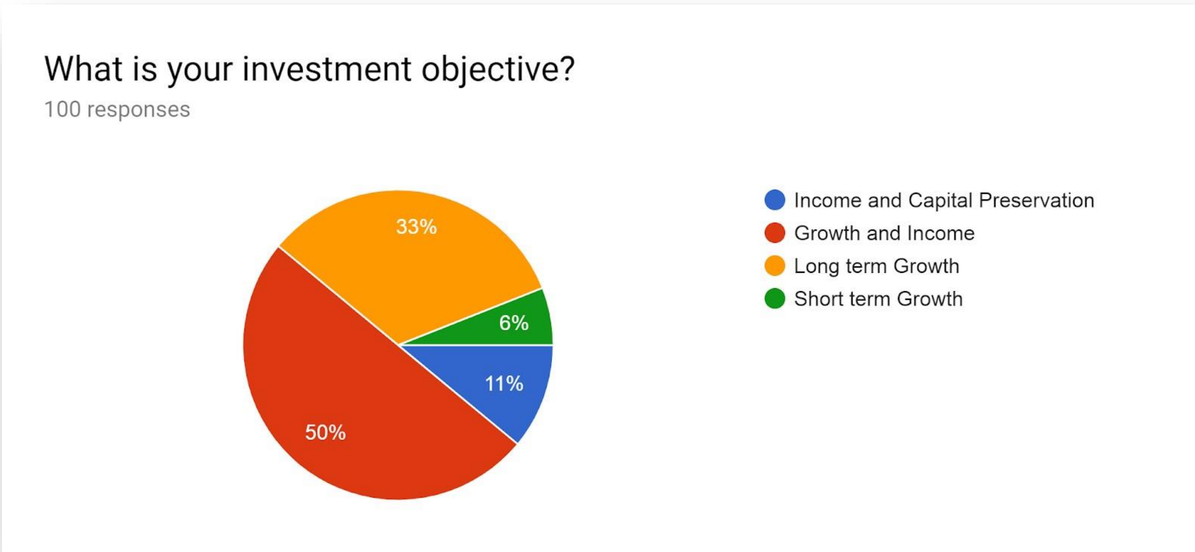
INTERPRETATION:-

From the above graph it is clear that 37% respondents believe to invest their money in low risk avenues; 59%(max.)Respondents think for moderate risk avenues; 4% prefer to invest their money in high risk avenues.

Q7. What is your investment objective?

A) Income and Capital Preservation B) Growth and Income

C) Long term Growth D) Short term Growth



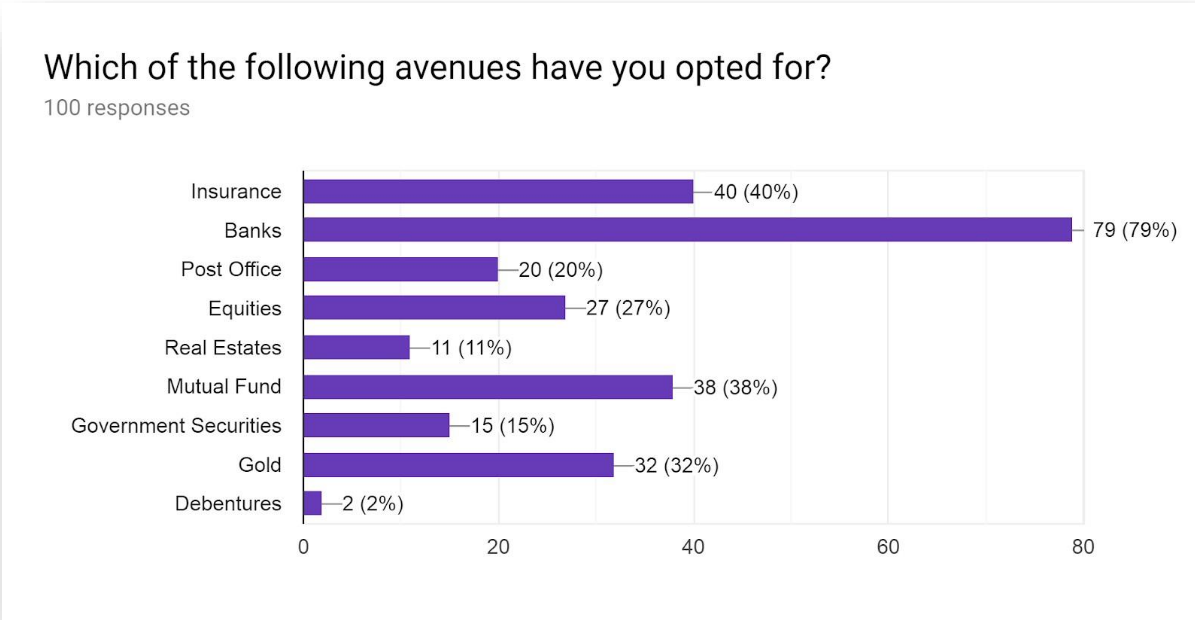
INTERPRETATION:-

From the above graph it is clear that 11% respondents investment objective is to earn income and capital preservation from their investment; 50%(max.) Want to earn growth and income; 33% want long term growth form their investment; 6%(min.) Believe in short term growth form investment.

Q8. Which of the following avenues have you opted for?

A) Insurance B) Banks C) Post office D) Equities E) Real Estates

F) Mutual Fund G) Government Securities H) Gold I) Others



INTERPRETATION:-

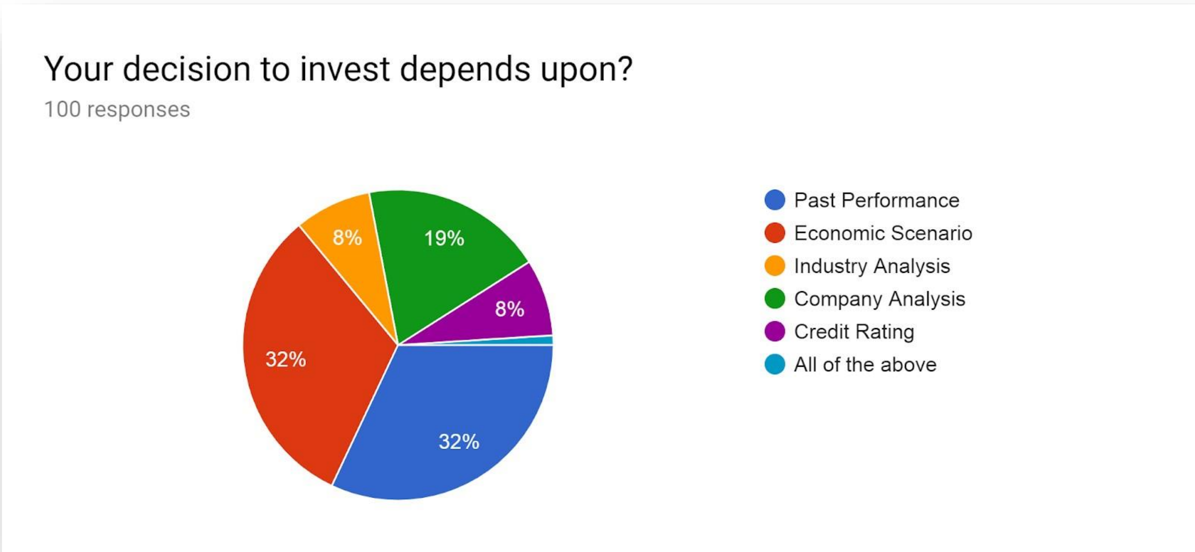
From the above graph it is clear that 40% respondents have investments in Insurance; 79% (max) of the respondents have most of their part of income invested in Banks; 20% of the respondents have opted for post office savings; 27% of the respondents have shown a good amount of increase in equities; 11% of the respondents have Real Estates as part of their investments;38% of the respondents have their investments in Mutual Fund; 15% of the respondents are the risk averse investors so there investments are in government securities 32% of respondents have investors in gold and rest 2%(min) have opted for debentures as an investment option.

Q9. Your decision to invest depends upon?

A) Past Performance B) Economic Scenario

C) Industry Analysis D) Company Analysis

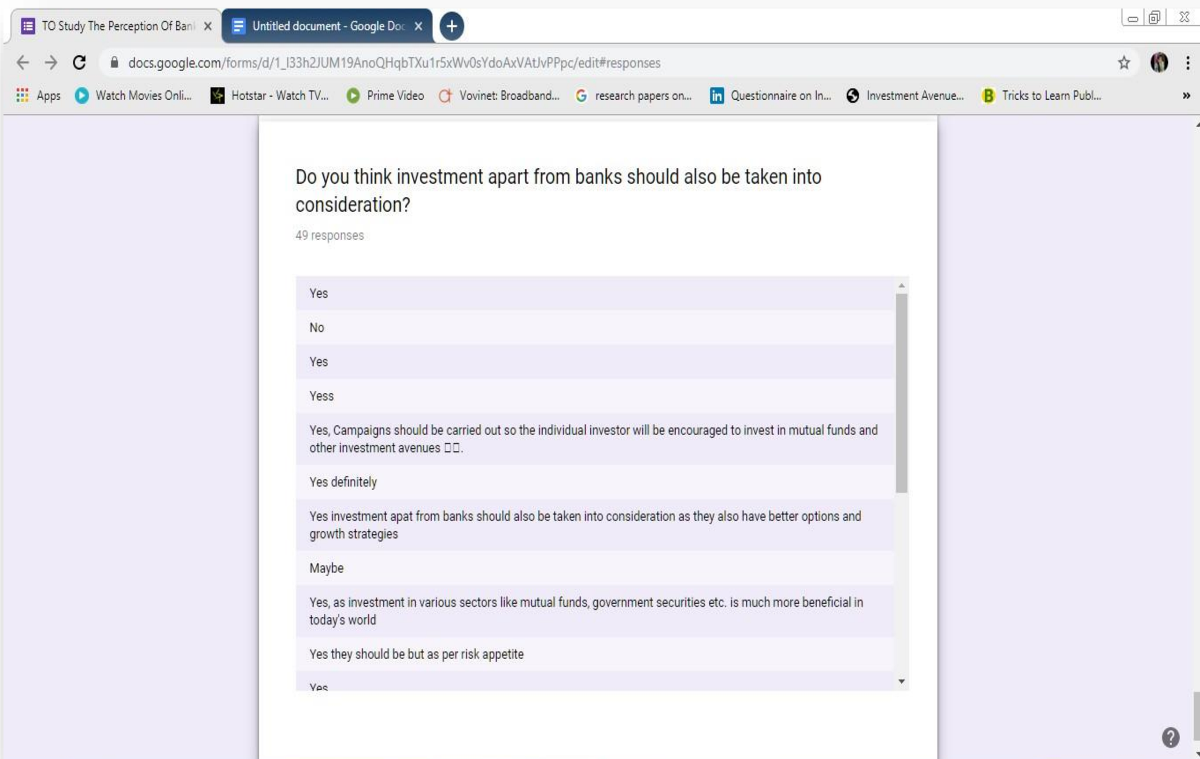
E) Credit Rating F) All of the above

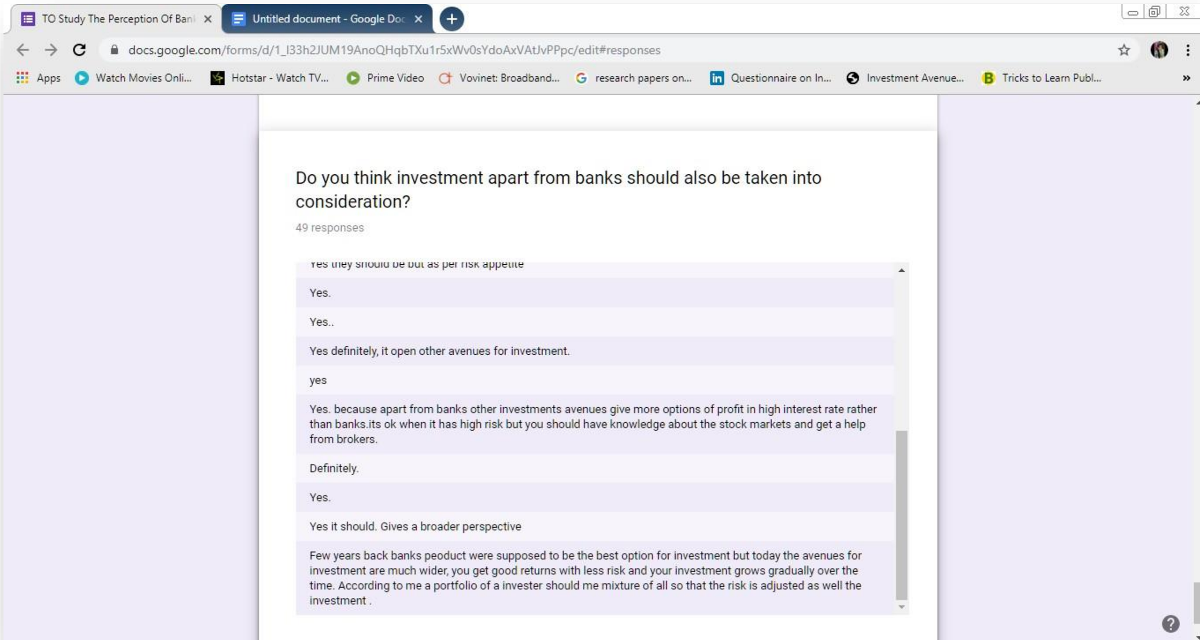


INTERPRETATION:-

From the above graph it is clear that 32%(max.) Of the respondents there investment decision is based on the Past Performance and Economic Scenario; 8% of the respondents look for the credit rating and prefer Industry analysis of that particular investment before taking any decision; 19% of the respondent's research upon Company Analysis; 1%(min.) Of the respondents prefer to research on the above all the parameters of decision making.

Q10. Do you think investment apart from banks should also be taken into consideration?





INTERPRETATION:-

Many of the respondents agree to the fact that investments apart from banks should also be taken into consideration and many of them also have stated the importance of various investment avenues in today’s era.

CHAPTER 7

SUGGESTIONS AND RECOMMENDATIONS

SUGGESTIONS/
RECOMMENDATIONS

SUGGESTIONS AND RECOMMENDATIONS

- ✓ Investors should make the investment with proper planning keeping in mind their investment objectives.
- ✓ Investors should also consults the brokers or agents to seek information and advice but their decision should not merely be based on agents advice rather the decision should be based on their careful investigation.
- ✓ The investors should select a particular investment option on basis of their need and risk tolerance.
- ✓ The investors should also go through the various investment avenues before opting for any of them.
- ✓ The investors should diversify their investment portfolio in order to reduce the risk.
- ✓ The investors should continuously monitor their investments.
- ✓ The companies should provide all relevant information to the investors.

CHAPTER 8

CONCLUSION

CONCLUSION

The study on The Perception of Banking Customers towards Various Investment Avenues has be undertaken with the objective, to analyse the investment choice of people in Mumbai Region. Analysis of the study was undertaken with the help of survey conducted. After analysis and interpretation of the data, I conclude that in Mumbai Region respondents are medium aware about the various investment avenues and awareness in regards to stock markets, Equity, Bond and Debentures is very less. The study is conducted by taking a limited mo. Of samples i.e. 100. And this study reflects the perceptions of those respondents who are only residing in Mumbai region. The perception of investors vary because of different factors which is also highlight in this research the factors like Income, Age, Gender, Occupation, Educational Qualification etc. All the age groups have given importance to investment in Banks, Insurance, Post Office Savings and Mutual fund investment.

One of the most important factor which stands to be most important for all the respondents is the income. Income of an individual plays a very important role to decide upon selecting the best investment option. One should always spread their investment across various investment avenues so that the money so invested is earned back in real terms. At the same time awareness in regards to investment should be given prime importance by the various investment companies. Until they make an eye catching advertisements in print and media the common people will not able to know about them and will only focus on one particular mode of investment. There is the need to also indulge into other kinds to offer more exposure to the hard earned money earned by each one of us.

Just like going on trip in your car, it is important that investors have a plan and a destination in mind before investing their money. Your goals whether planning for retirement or buying a home dictate your time horizon, which dictates your tolerance for risk. Additionally, you want to make sure that you diversify your investments so that some do well when the rest of your portfolio might not. Planning and framing the right strategy at right time helps the investor to let the investments grow and prosper.

CHAPTER 9

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- www.tradebrains.in
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CHAPTER 10

ANNEXURE- QUESTIONNAIRE

General Information

Name:-

____

Gender:-_________ Age Group:-____________ Educational Qualification:-
___________Occupation:-____________________

Annual Income:-__________________

Q1. What best describes your investment experience?

A) Beginning B) Moderate

C) Knowledgeable D) Experienced

Q2. Are you aware about various investment avenues available in India?

A) Yes B) No C) May Be

Q3. Which factors influence your behavior towards investment?

A) Age B) Income

C) Gender D) Marriage E) Employment

Q4. What % of your income do you prefer to invest?

A) 0-15% B) 15%-30% C) 30%-50%

Q5. What is the time period you prefer to invest?

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Q7. What is your investment objective?

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C) Long term Growth   D) Short term Growth

Q8. Which of the following avenues have you opted for?

A) Insurance   B) Banks   C) Post office   D) Equities

E) Real Estates   F) Mutual Fund   G) Government Securities

H) Gold   I) Others

Q9. Your decision to invest depends upon?

A) Past Performance   B) Economic Scenario

C) Industry Analysis   D) Company Analysis

E) Credit Rating   F) Others

Q10. Do you think investment apart from banks should also be taken into consideration?


Thank you!