# "comparative study of different financial instrument in indian market" use by ret...

Business

“ Comparative study of different financial instrument in Indian market” Submitted to: Prof. Jitendra Sharma Prof. Daisy Kurien Submitted By: Radhika Khant Date of Submission: May 18, 2012 Xcellon Institute- School of Business Project report on “ HR Policy in HDFC Bank” Submitted to: Prof. Jitendra Sharma Prof. Daisy Kurien Submitted By: Radhika Khant A report submitted In a partial fulfillment for the award Of the Post Graduate Programme in General Business Management (2011’13) Ahmedabad 17 April 2012 Table of Content Acknowledgement…………………………………………………………………….

4 Executive Summary……………………………………………………………………5 1.

Introduction……………………………………………………………………6 2. 1 Financial Industry: History…………………………………………….. 6 2.

2 Financial Industry in India……………………………………………. 7 2. 3 Financial Services in India: Brief Overview…………………………7 2.

4 Financial Services in India: Recent Development…………………… 9 2. 5 Financial Services: Government Initiatives…………………………. 10 2.

6 Financial Services: Demand and Supply……………………………… 10 2. 7 List of top finance companies in India………………………………. 10 2. 8 Road Ahead…………………………………………………………….

. 13 2. Types of Instruments……………………………………………………. 14 3. Debt instruments…………………………………………………….

14 3. 10 Debenture…………………………………………………………………… 15 3. 11 Bonds…………………………………………………………………16 3. 12 Mutual fund…………………………………………………………………

. 18 3. 13 Equity………………………………………………………………………21 3. 14 Insurance……………………………………………………………………

23 3. 15 Gold……………………………………………………………………………… 26 3. 16 Real estate……………………………………………………………………

27 3. 17 Forex…………………………………………………………………………… 30 3. 18 Fixed Deposit………………………………………………………… 31 3.

Research Methodology…………………………………………………… 33 3. 1Scpoe of Research…………………………………………………………

. 33 3. 2Management Question………………………………………………… 3 3.

3Objectives of study…………………………………………………34 3. 4Research Design…………………………………………………………… 35 3. 5Sources of Data…………………………………………………………………

35 3. 6Sampling Design Process…………………………………………… 36 3. 7Data Analysis Technique…………………………………………………

.. 36 3. 8Limitation of the Study……………………………………………… 36 4.

Analysis of data……………………………………………………………… 37 5. Finding/ Interpretation…………………………………………………………… 63 6. Conclusion………………………………………………………………………69 7.

Reference……………………………………………………………………… 70 8. Annexure………………………………………………………………………

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Radhika Khant Executive Summary The whole topic covers the perception regarding investor while investing in any financial instrument. What are the factors investor consider while investing. What are the criteria are very important for the investor.

The whole study tells about the different financial instrument and the preference of people towards those instruments. Chapter 1 gives the idea regarding the financial industry of India. It also throws the light about the current trends of financial industry and who are the major player in the financial service providers.

It gives the idea regarding the recent change occurred in this sector. At last, it shows the future of that sector. Chapter 2 includes the comparative study of different financial instruments like equity, debenture, fixed deposit, bonds, forex, real estate, insurance, gold, mutual fund.

It covers the advantages and disadvantages of each instrument. Chapter 3 basically deals with the research methodology used for preparing the report.

It includes the sampling technique procedure, sample size, management question, research objective, data analysis technique and limitation of the study. Chapter 4 includes the analysis of all the primary research. With the help of different statistical techniques like multiple correlation, Anova, Chi-square. Chapter 5 includes the finding or interpretation of the analysis. 1. Introduction Finance industry in the world as consider to be the most important.

Financial services are the economic services provided by financial industry, which encompasses a board range of organizations that manage money, including credit unions, banks, credit card companies, insurance companies, consumer finance companies, stock brokerages, investment fund and some government sponsored enterprise. The term ‘ financial services’ became more relevant in the US partly as a result of the Gramm-Leach-Billey Act of the late 1990s, which enabled different types of companies operating in the US financial services industry at that time of merge. 1. 1 Financial Industry: History

The major events that have shaped the modern finance industry are: * The Great Depression (1929): The Great Depression originated in the US with the Wall Street crash in October 1929. The effects of the depression spread across the world, especially in the heavy industries. Capital requirements regulation, financial industry oversights and the insurance of deposit accounts sprang out of this tumultuous period.

* Black Monday (1987): On October 19, the stock markets across the world witnessed a huge crash. This was the largest one day decline in the stock market history. The crash started in Hong Kong, spreading to Europe and the US.

Analysts blamed computer trading systems for magnifying the losses. * Asian Financial Crisis (1990s): The Asian Financial Crisis was triggered by the collapse of Thai baht as the government of Thailand decided to float the national currency. The nation had a huge foreign debt at that point, driving it to the verge of bankruptcy.

The crisis rippled across the whole of Southeast Asia and has led to many emerging market countries to reduce debts and build up foreign currency reserves. * Stock Market Downturn (2002): Stock exchanges around the world witnessed a significant decline in March 2002.

It was attributed to the bursting of the ‘ Dot-com Bubble’, which saw major Internet companies going bankrupt. * Sub-prime Crisis (2007): Credit markets faced major crunch due to large scale default on loans. It led to the Financial Crisis of 2008 – 2009 and resulted in the bankruptcy, fire-sale acquisition and government bailouts of finance industry giants such as Lehman Brothers, Bear Stearns, AIG, Fannie Mae, Freddie Mac, Merrill Lynch, Wachovia, Northern Rock, Lloyds TSB, HBOS, RBS and the entire banking system of Iceland.

The world economy can expect reduced growth rates and tighter regulations as a result of this crisis. . 2 Introduction of financial industry in India The financial industry, or financial services industry, includes a wide range of companies and institutions involved with money, including businesses providing money management, lending, investing and insuring and securities issuance and trading services. The following institutions are a part of financial industry. * Banks * Credit card issuers * Insurance company * Investment banker * Securities traders * Financial planner * Security exchange 1. 3 Financial Services in India- Brief Overview

Financial services industry is the mainstay of any economy as it mirrors the financial health of the country.

Indian financial markets are highly regulated with different authorities keeping an eye on every avenue of financial sub-segments viz. Stock markets, mutual funds, insurance and banking. Stock markets are regulated by Securities and Exchange Board of India (SEBI) while Insurance Regulatory and Development Authority (IRDA) keep an eye on the insurance industry. Similarly, Reserve Bank of India (RBI) keeps a check on the Indian banking sector and Association of Mutual Funds in India (AMFI) takes care of the mutual fund segment.

India boasts of a Rs 23, 000 crore (US$ 4.

44 billion) – financial services distribution and advice market. Recent developments, Government measures, key facts and figures pertaining to the same are discussed hereafter. Insurance Sector Even when the turbulent times are prevalent in the global financial markets, Indian consumers have not lost faith in their financial systems. This fact is majorly driving Indian insurance market. According to the data released by Life Insurance Council,

total premium collected (including both new and renewal premiums) during April-September 2011 stood at Rs 1, 22, 661 crore (US$ 23.

9 billion). In the same period, the renewal premium collection increased by 17 per cent to Rs 73, 575 crore (US$ 14. 21 billion), as against Rs 62, 818 crore (US$ 12. 13 billion) in the corresponding period in 2010. Till September 30, 2011, promoters of life insurance companies had injected over Rs 32, 720 crore (US$ 6. 32 billion) as capital.

Also, there was an investment of more than Rs 200, 000 crore (US$ 38. 62 billion) in infrastructure development in the sector. The council further predicts an upsurge in new premium collections during October 2011-March 2012.

Ratings agency Moody’s believe that strong deposit base of Indian lenders and Government’s persistent support to public sector and private banks would act as positive factors for the 64 trillion (US$ 1. 23 trillion) Indian banking industry amidst the negative global scenario.

* According to the RBI’s ‘ Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks’, March 2011, Nationalized Banks, as a group, accounted for 53. 0 per cent of the aggregate deposits, while State Bank of India (SBI) and its associates accounted for 21. 6 per cent.

The share of new private sector banks, Old private sector banks, foreign banks and Regional Rural banks in aggregate deposits was 13. 4 per cent, 4.

6 per cent, 4. 4 per cent and 3 per cent respectively. With respect to gross bank credit also, nationalized banks hold the highest share of 52. 8 per cent

in the total bank credit, with SBI and its associates at 22. 1 per cent and New Private sector banks at 13. 2 per cent.

Foreign banks, Old private sector banks and Regional Rural banks held relatively lower shares in the total bank credit with 4. 9 per cent, 4. per cent and 2. 4 per cent respectively. * Another statement from RBI has revealed that bank advances grew 17.

08 per cent annually as on December 16, 2011 while bank deposits rose 18. 03 per cent. Mutual Funds Industry in India Recent data released by AMFI stated that the cumulative average Asset Under Management (AUM) of all fund houses aggregated to about Rs 6, 87, 640 crore (US$ 132. 77 billion) in the last quarter of 2011. Data compiled at the end of 2011 indicated that HDFC Mutual Fund maintained its top position with an average AUM of Rs 88, 737.

07 crore (US$ 17. 3 billion) while fund houses namely Reliance, ICICI Pru, Birla Sun life and UTI followed. By the end of 2011, there were a total of 44 fund houses in the country as against 42 in the first quarter of the year. Private Equity (PE), Mergers ; Acquisitions (M; A) in India Global consultancy firm Ernst ; Young (E; Y) has stated that the value of M; A deals involving Indian companies aggregated to US$ 34. 4 billion in 2011 involving 806 transactions. There were 177 outbound deals with an aggregate disclosed value of US$ 8.

8 billion in 2011; forming 25. per cent of the total M; A pie. Adani Enterprises' acquisition of Abbot Point Coal Terminal in Australia (US$ 2 billion) and the

GVK Group’s purchase of Australia-based Hancock Coal’s Queensland coal assets (US$ 1. 3 billion) were among the biggest outbound deals recorded in 2011. According to data released by auditing and consultancy firm KPMG, India Inc witnessed a 31 per cent increment in PE investment to US$ 7.

89 billion during the first three quarters of 2011. PE firms like Blackstone India and Kohlberg Kravis Roberts ; Co (KKR ; Co) are betting high on Indian markets.

The Blackstone India chief was reported to have said that he intends to close 5-6 deals a year in India whose financial valuations would revolve around roughly US$ 100 million to US$ 120 million each. Foreign Institutional Investors (FIIs) in India Overseas entities are among the important drivers for Indian stock markets. FII flows account for about 45 per cent of the market free-float, according to Jyotivardhan Jaipuria, Managing Director and Head of Research, DSP Merrill Lynch (India). According to the data released by SEBI, FIIs purchased stocks worth Rs 600, 000 crore (US$ 116 billion) during 2011.

FIIs were also seen attracted to the debt market in 2011 wherein they infused Rs 42, 067 crore (US$ 8. 12 billion). This intense interest in debt markets helped India get a net FII inflow of Rs 39, 353 crore (US$ 7. 6 billion) (taking both- debt and stocks- into account) for the year. The number of FIIs registered with SEBI stood at 1, 749 as of October 2011, while the number of FII sub-accounts was 6, 058 during the month. Furthermore, FIIs injected Rs 41, 253 crore (US$ 8 billion) in Government securities (G-secs) and Rs 68, 289 crore (US$ 13.

18 billion) in corporate bonds, as on October 31, 2011. 1. Financial Services in India: Recent Developments * India Infrastructure Finance Company Ltd (IIFCL) and IDBI Bank have inked a five-year memorandum of understanding (MoU) to launch infrastructure debt fund (IDF) schemes. The IDF, for which IDBI Bank and IIFCL would play strategic investors, is expected to get launched by the end of February 2012. * With an intension to strengthen its hold in southern India, the Uco Bank is planning to add 11 more branches in Andhra Pradesh to its 66-branch-strong network in the state. The bank has made exemplary progress in recent past with 2, 004 branches in the country and four abroad.

IRDA has recently launched a mobile application that enables comparison between various insurance products and premium rates. The application, compatible with Android, iPhone, Nokiaand Blackberry platforms, has been developed to empower consumers/prospects to make informed decisions by comparing features of insurance products through mobiles. * US-based financial services company Ameriprise Financial Inc has commenced its operations in India. It is the only international firm in India that would provide pure financial planning and wealth management services to the Indian consumers. 1.

5 Financial Services: Government Initiatives

The Government's top priority seems to be the enhancement of investor base for the Indian markets. That is why the Ministry of Finance started 2012 with a happy announcement by allowing foreign nationals, trusts and pension funds to invest directly in the country's listed companies from mid-

January 2012. The Government of India has also decided to infuse Rs 6, 000 crore (US$ 1. 16 billion) in public sector banks during the remaining 2011-12 to ensure that the entities meet regulatory requirements. In 2010-11, the Government had provided Rs 20, 157 crore (US$ 4 billion) as its capital support to public sector banks.

In order to prepare public sector banks for neck-to-neck competition ahead and improve their performance in future, the finance ministry has set new benchmarks for them to achieve. The new benchmarks, that would calculate their functional and financial capability to qualify for capital infusion, entail three performance indicators – savings and current deposit ratio, employee-branch ratio and profit per employee. 1. 6 Financial Industry: Demand and Supply Drivers Demand for financial products is driven by risk-reward assessments, which consider: * Potential Yield * Risk rating * Liquidity Availability of information * Access to alternatives The major supply drivers are: * Money supply * Interest rates * Inflation * Economic conditions Government regulations 1. 7 List of Top Finance Companies of India SBI Capital Markets Limited: It is one among the oldest organizations in the capital markets sector of India.

It was established in the year 1986 as an ancillary of SBI. It ranks second in Asia's Project Advisory services. The company is a trailblazer in privatization and securitization. The company's subsidiaries are SBICAPs Ventures Ltd. , SBICAP Trustee Co. Ltd.

Bajaj Capital Limited:

The company offers best investment advisory and financial planning. It provides institutional investors, NRIs, corporate houses, individual investors, and high network clients with investment advisory and financial planning services. It is also the largest provider of finance products offered by public and private organizations, several government bodies, investment products like bonds, mutual funds, general insurance etc. IDBI Bank: The Managing Director and Chairman of the bank is Shri R. M.

Malla. It offers the services like personal banking, corporate banking, MSME finance, NRI services and much more.

Browse the site to know more. UTI Mutual Fund: The company offers best investment advisory and financial planning. It is recognised as India’s most trusted financial advisor.

DSP Meriyll Lynch Limited: It is the key player of equity and debt securities in India. It renders financial advises to many corporations and institutions. It also offers a wide array of wealth management and investor services along with customized advices related to financial matters. This company is the pioneer to form research facility to research in financial products and services, improvements and innovations. The company also has its hand in the

Government securities and holds an eminent position in the market of equity and debt in India. | | Birla Global Finance Limited: It is a subsidiary of Aditya Birla Nuvo Ltd.

Their motto is to be the first choice of the customers as a major provider of financial services through technology and value creation. The primary activities of the company are Corporate Finance and Capital Market. Aditya Birla Nuvo has also formed alliance with Sun Life Financial of Canada which has given rise to the following financial services companies like Birla Sun Life Insurance Co Ltd. , Birla Sun Life Distribution Co. and many others.

Housing Development Finance Corporation: This company offers the best financial solutions and guidance for home loans, property related services, loans for NRIs etc.

in India. The one stop destination for comprehensive information on personal finance is HDFC. The company has a wide network in India and abroad. HDFC overseas offices are in Singapore, Kuwait, Qatar, Saudi Arabia and many others. PNB Housing Finance Limited: This is completely owned by PNB and offers premium solutions to relieve the borrowers. This subsidiary of the PNB has recorded a growth a 73% and is a leading finance company of India.

The Home Loan Life Insurance Plan of this company in association with TATA AIG offers the lowest premium in compare to others. The chart for loans of 5 lacs and tenure of 15 years is just premium. It renders other services like Deposit schemes, Loan schemes and many others. ICICI Group: ICICI offers a wide spectrum of financial products and services in India. The company provides solutions for all needs like Instant Banking, Online Trading, Insta Insure, ICICI Bank imobile etc.

The company keeps up the financial profile healthy and diversifies earnings across geographies and businesses.

The company's philosophy is to deliver high class financial services for all the cross sections of the society. Their products are Mutual Fund, Private Equity Practice, Securities, and Life Insurance etc. LIC Finance Limited: It is the leading player in the finance sector of India being the biggest Housing Finance Company of India. The function of the company is to provide finance to individuals for repair or construction or renovation of the old or new apartment or house. It also offers finance on the existing property for personal or business matters.

The company has 14 back offices, 6 regional offices and 126 units of marketing in India.

L ; T Finance Limited: This company was established in the year 1994 by the Larsen and Turbo group and now it is a significant name in the financial sector. The company offers schemes like funds for automobiles, funds for Agricultural Instruments, secured loans, funds for automobiles and many others. It offers loans for a long tenure and the loans are given in exchange of valuable items. India Infoline Limited: The IIFL (India Infoline) group, consisting the holding company, India Infoline Ltd (NSE: INDIAINFO, BSE: 532636) and its subsidiaries, is one of the leading players in the Indian financial services space.

It has a lot of information related to financial world. Check out the site for more information. 1. 8 Road Ahead A report by The Boston Consulting Group (BCG) India, in association with an industrial body and Indian Banks Associations (IBA) predicts that Indian banking sector would become the world's third largest in asset size by 2025. The report also analyses that mobile banking would become the second largest channel of banking after ATMs.

Given the positive eco-system of the industry, regulatory and Government initiatives, mobile banking is anticipated to enhance from 0. per cent of transactions in a 45 per cent financial inclusion base in 2010 to 34 per cent of the transactions with 80 per cent rural inclusion base by 2020, as per the report. An industrial body predicts that the non-life insurance sector is poised to become a Rs 90, 000 crore (US$ 17. 37 billion) industry (from the current level of Rs 47, 000 crore (US$ 9. 07 billion) by 2015; growing by over 18 per cent.

Demand-driven economy, increasing consumer base in motoring and healthcare, growth of services and small and medium enterprises (SMEs) are certain factors that are attributed behind the strong forecast 2. Types of Instruments

Overview There are many ways to invest your money. Of course, to decide which investment vehicles are suitable for you, you need to know their characteristics and why they may be suitable for a particular investing objective. • Debt Market • Public Provident Fund • Fixed Deposits • Bonds • Mutual Funds • Banks Deposits • Equity Market • Initial Public Offer (IPO) • Insurance • Forex • Cash • Gold • Real Estate 2. 1 DEBT INSTRUMENTS Debt instruments protect your capital, therefore the importance of a solid debt portfolio.

This not only gives stability, but also offers you optimal returns, liquidity and tax benefits.

Debt products, besides safeguarding your capital, can be used to meet short, medium and long-term financial needs. * SHORT TERM INVESTMENT They are good for short term goals, you can look at liquid funds, floating rate funds and short-term bank deposits as options for this category of investments. Liquid funds have retuned around 5% post-tax returns as compared to 5. 6% post-tax that your one-year 8% bank fixed deposit gives you.

So, if you have funds for investment for over a period of one year, it is better to go in for bank deposits. However, liquid funds are better, if your time horizon is less than one-year, say around six months.

This is because the bank deposit rates decrease proportionately with lower periods, while liquid funds will yield the same annualized returns for any period of time. Short-term floating rate funds can be considered at par to liquid funds for short term investments. * Fixed Maturity Plan (FMP): If you know exactly for how much time you need to invest your surplus, a smarter option is to invest in FMPs.

They are shorter-tenured debt schemes that buy and hold securities till maturity, thereby eliminating the interest rate risk. Try and opt for FMPs that offer a double indexation benefit.

Fund houses usually launch double-indexation FMP's during the end of the financial year so that they cover two financial year closings. * Medium ; Long-Term Options: These options typically offer low or virtually no liquidity. They are, however, largely useful as income accumulation tools because of the assured interest rates they offer. These instruments(small savings schemes) should find place in your long-term debt portfolio.

Table 1 Schemes| Type| Interest rate| Term| Min max investment| Premature withdrawal| Tax benefit| Public provident fund| Recurring | 8%pa| 15 years| Min.

Rs 500 Max. Rs 70000| yes| U/S 80c| National saving certificate| Growth| 8% compounded half yearly| 6 years| Min. Rs. 100Max.

No upper limit | No | U/S 80c| Kisan vikas patra| Growth| Amount doubles in 8years ; 7months| 8 years ; 7 months| Min. Rs. 100Max. No upper limit| Yes | Nil | Post Office Time ; Recurring Deposit| Fixed deposit| 6. 25-7. 50%| 1-5 years| Min.

Rs. 200Max. No upper limit| Yes | Nil| Post Office Monthly Income Scheme| Regular income| 8% payable monthly| 6 years| Min: Rs. 1, 000Max: Rs. 3Lac(Single)Rs.

Lac(Jointly)| Yes| Nil| Senior Citizens Savings Scheme| Regular income| 9% payable quarterly| 5 years| Min. Rs 1000 Max. Rs 15 lack| Yes| Nil | 2. 3 BONDS Overview Bonds refer to debt instruments bearing interest on maturity. In simple terms, organizations may borrow funds by issuing debt securities named bonds, having a fixed maturity period (more than one year) and pay a specified rate of interest (coupon rate) on the principal amount to the holders.

Bonds have a maturity period of more than one year which differentiates it from other debt securities like commercial papers, treasury bills and other money market instruments.

It is a fixed income instrument issued for a period of more than one year with the purpose of raising capital. The central or state government, corporations and similar institutions sell bonds . A bond is generally a promise to repay the principal along with a fixed rate of interest on a specified date, called the Maturity Date. The main attraction of bonds is their relative safety.

If you are buying bonds from a stable government, your investment is virtually guaranteed, or risk-free. The safety and stability, however, come at a cost.

Because there is little risk, there is little potential return. As a result, the rate of return on bonds is generally lower than other securities. Terminology Used in Bond Market| Meaning in General Terms| Bonds| Loans (in the form of a security)| Issuer of Bonds| Borrower| Bond Holder| Lender| Principal Amount| Amount at which issuer pays interest and which is repaid on the maturity date| Issue Price| Price at which bonds are offered to investors| Maturity Date| Length of time (More than one year)|

Coupon| Rate of interest paid by the issuer on the par/face value of the bond| Coupon Date| The date on which interest is paid to investors td-txt| * Tax Saving Bonds These are those bonds that have a special provision that allows the investor to save on tax. Examples of such bonds are: a) Infrastructure Bonds b) Capital Gains Bonds I.

Rural Electrification Corporation (REC) Bonds. II. National Highway Authority of India (NHAI)c III. National Bank for Agriculture ; Rural Development c) RBI Tax Relief Bonds Table 2 Scheme| Who can invest? Investment| Interest| Maturity| Premature withdrawal| Tax benefit| | | Min| Max| | | | | Infrastructural bonds| Individuals or on behalf of minors, trusts| 5000| No limit| 8% compounded semi annually| 6 years| After 4 years | Yes| Capital gain bonds| Individuals or on behalf of minors, trusts| | | | | | | REC| All | 1 lack| No limit| 5. 15% pa| 5 years| After 3 years| Yes| NHAI| All| 10000| No limit| 6. 5% pa| 7 years| After 3 years| Yes| NABARD| All| 1 lack| No limit| 5% pa| 5 years| After 3 years| Yes| RBI tax relief bonds| Individuals or on behalf of minors, trusts| 1000| No limit| 6.

%(tax free)| 5 years| After 3 years| Interest exempt from IT| | | 1000| No limit| 8% (taxable)| 6 years| No| Interest is not exempt from IT| 2. 4 MUTUAL FUNDS Overview A mutual fund is a body corporate registered with SEBI that pools money from the Individuals/corporate investors and invests the same in a variety of different financial Instruments or securities such as Equity Shares, Government Securities, Bonds, Debentures, etc. The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them.

Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. Mutual fund units are issued and redeemed by the Asset Management Company (AMC) based on the fund's net asset value (NAV), which is determined at the end of each trading session.

Mutual funds are considered to be the best investments as on one hand it provides good Returns and on the other hand it gives us safety in comparison to other investments avenues.

The advantages of investing in a Mutual Fund are: * Diversification: The best mutual funds design their portfolios so individual investments will react differently to the same economic conditions. For example, economic conditions like a rise in interest rates may cause certain securities in a diversified portfolio to decrease in value. Other securities in the portfolio will respond to the same economic conditions by increasing in value. When a portfolio is balanced in this way, the value of the overall portfolio should gradually increase over time, even if some securities lose value.

Professional Management: Most mutual funds pay topflight professionals to manage their investments. These managers decide what securities the fund will buy and sell. * Regulatory oversight: Mutual funds are subject to many government regulations that protect investors from fraud. * Liquidity: It’s easy to get your money out of a mutual fund. Write a check, make a call, and you’ve got the cash.

* Convenience: You can usually buy mutual fund shares by mail, phone, or over the Internet. * Low cost: Mutual fund expenses are often no more than 1. 5 percent of your investment.

Expenses for Index Funds are less than that, because index funds are not actively managed. Instead, they automatically buy stock in companies that are listed on a specific index * Transparency * Flexibility * Choice of schemes * Tax benefits * Well regulated The disadvantages of investing in a Mutual Fund are: * No Guarantees: No investment is risk free.

If the entire stock market declines in value, the value of mutual fund shares will go down as well, no matter how balanced the portfolio. Investors encounter fewer risks when they invest in mutual funds than when they buy and sell stocks on their own.

However, anyone who invests through a mutual fund runs the risk of losing money. * Fees and commissions: All funds charge administrative fees to cover their day-to-day expenses. Some funds also charge sales commissions or " loads" to compensate brokers, financial consultants, or financial planners.

Even if you don't use a broker or other financial adviser, you will pay a sales commission if you buy shares in a Load Fund. * Taxes: During a typical year, most actively managed mutual funds sell anywhere from 20 to 70 percent of the securities in their portfolios.

If your fund makes a profit on its sales, you will pay taxes on the income you receive, even if you reinvest the money you made. * Management risk: When you invest in a mutual fund, you depend on the fund's manager to make the right decisions regarding the fund's portfolio. If the manager does not perform as well as you had hoped, you might not make as much money on your investment as you expected.

Of course, if you invest in Index Funds, you forego management risk, because these funds do not employ managers. 2. 5 EQUITY Overview Equities are often regarded as the best performing asset class vis-a-vis its peers over longer timeframes.

However equity-oriented investments are also capable of exposing investors to the highest degree of volatility and risk. There are a number of factors, which affect the performance of equities ad studying and understanding all of them on an ongoing basis, can be challenging for most.

The rate of dividend on equity shares is not fixed and depends upon the profits available and the intention of the board. In case of winding up of the company, equity capital can be paid back only after every other claim including the claim of preference shareholders has been settled.

The most outstanding feature of equity capital is that its holders control the affairs of the company and have an unlimited interest in the company's profits and assets. They enjoy voting right on all matters relating to the business of the company. They may earn dividend at a higher rate. Stock markets have always been a draw for investors for their ability to generate wealth over the long-term.

Fear, greed and a short-term investment approach act as hurdles that frustrate the investor from achieving his/her investment goals. You need to keep in mind the risk associated with the stocks.

You also need to diversify your equity portfolio i. e. , include more stocks and sectors. This helps you diversify your investment risk, so even if something were to go wrong with a stock/industry in your portfolio, other stocks/industries should help you shore up your portfolio.

Two important resources that are critical to investing directly in stock markets are quality stock research and a reliable and inexpensive stock broker. The first one – research on stocks is the most critical input that investors need to identify before they begin investing in tock markets. This is because even while you may have the risk appetite for equities, you still need credible, stock market related research that can help you make the right investment decision. The good thing about the Indian market, riding on the back of an economy that has grown by over 7% in the last two years, is that you can't miss being part of growth if you invest in the stock markets carefully. The bad part is the CHOICE! Of the listed 4, 758 stocks on BSE and the NSE, how do you even get close to taking a call?

Here comes the need of a financial advisor who can make your investment decisions and monitors your funds. Clearly, as Indians earn more, save more and accumulate more, financial advisors will play a crucial role in helping individuals create, protect and manage wealth.

Advantages to Investors: I. More Income: Equity shareholders are the residual claimant of the profits after meeting all the fixed commitments. The company may add to the profits by trading on equity. Thus equity capital may get dividend at high in boom period. II.

Right to Participate in the Control and Management:

Equity shareholders have voting rights and elect competent persons as directors to control and manage the affairs of the company. III. Capital profits: The market value of equity shares fluctuates directly with the profits of the company and their real value based on the net worth of the assets of the company. an appreciation in the net worth of the company's assets will increase the market value of equity shares. It brings capital appreciation in their investments. IV.

An Attraction of Persons having Limited Income: Equity shares are mostly of lower denomination and persons of limited recourses can purchase these shares.

V. Other Advantages: It appeals most to the speculators. Their prices in security market are more fluctuating. Disadvantages to investors: I.

Uncertain and Irregular Income: The dividend on equity shares is subject to availability of profits and intention of the Board of Directors and hence the income is quite irregular and uncertain. They may get no dividend even three are sufficient profits. II. Capital loss During Depression Period: During recession or depression periods, the profits of the company come down and consequently the rate of dividend also comes down.

Due to low rate of dividend and certain other factors the market value of equity shares goes down resulting in a capital loss to the investors. III.

Loss on Liquidation: In case, the company goes into liquidation, equity shareholders are the worst suffers. They are paid in the last only if any surplus is available after every other claim including the claim of preference shareholders is settled. It is evident from the advantages and disadvantages of equity share capital discussed above that the issue of equity share capital is a must for a company, yet it should not solely depend on it.

In order to make its capital structure flexible, it should raise funds from other sources also. 2. 6 INSURANCE Overview Life insurance has traditionally been looked upon pre-dominantly as an avenue that offers tax benefits while also doubling up as a saving instrument.

The purpose of life insurance is to indemnify the nominees in case of an eventuality to the insured. In other words, life insurance is intended to secure the financial future of the nominees in the absence of the person insured. The purpose of buying a life insurance is to protect your dependants from any financial difficulties in your absence.

It helps individuals in providing them with the twin benefits of insuring themselves while at the same time acting as a compulsory savings instrument to take care of their future needs. Life insurance can aid your family on a rainy day, at a time when help from every quarter is welcome and of course, since some plans also double up as a savings instrument, they assist you in planning for such future needs like children's marriage, purchase of various household items, gold purchases or as seed capital for starting a business.

Traditionally, buying life insurance has always formed an integral part of an individual's annual tax planning exercise.

While it is important for individuals to have life cover, it is equally important that they buy insurance keeping both their long-term financial goals and their tax planning in mind. This note explains the role of life insurance in an individual's tax planning exercise while also evaluating the various options available at one's disposal. Life is full of dangers, but with insurance, you can at least ensure that you and your dependents don't suffer.

It's easier to walk the tightrope if you know there is a safety net. You should try and take cover for all insurable risks. If you are aware of the major risks and buy the right products, you can cover quite a few bases.

The major insurable risks are as follows: •Life •Health •Income •Professional Hazards •Assets •Outliving Wealth •Debt Repayment Advantages of Life Insurance Risk Cover Life today is full of uncertainties; in this scenario Life Insurance ensures that your loved ones continue to enjoy a good quality of life against any unforeseen event. Planning for life stage needs

Life Insurance not only provides for financial support in the event of untimely death but also acts as a long term investment. You can meet your goals, be it your children's education, their marriage, building your dream home or planning a relaxed retired life, according to your life stage and risk appetite. Traditional life insurance policies i. e. traditional endowment plans, offer in-built guarantees and defined maturity benefits through variety of product options such as Money Back, Guaranteed Cash Values, Guaranteed Maturity Values.

Protection against rising health expenses

Life Insurers through riders or stand alone health insurance plans offer the benefits of protection against critical diseases and hospitalization expenses. This benefit has assumed critical importance given the increasing incidence of lifestyle diseases and escalating medical costs. Builds the habit of thrift Life Insurance is a long-term contract where as policyholder, you have to pay a fixed amount at a defined periodicity. This builds the habit of long-term savings. Regular savings over a long period ensures that a decent corpus is built to meet financial needs at various life stages.

Safe and profitable long-term investment Life Insurance is a highly regulated sector. IRDA, the regulatory body, through various rules and regulations ensures that the safety of the policyholder’s money is the primary responsibility of all stakeholders. Life Insurance being a long-term savings instrument, also ensures that the life insurers focus on returns over a long-term and do not take risky investment decisions for short term gains. Assured income through annuities Life Insurance is one of the best instruments for retirement planning.

The money saved during the earning life span is utilized to provide a steady source of income during the retired phase of life.

Protection plus savings over a long term Since traditional policies are viewed both by the distributors as well as the customers as a long term commitment; these policies help the policyholders meet the dual need of protection and long term wealth creation efficiently. Growth through dividends Traditional policies offer an opportunity to participate in the economic growth without taking the investment risk. The investment income is distributed among the policyholders through annual announcement of dividends/bonus.

Facility of loans without affecting the policy benefits Policyholders have the option of taking loan against the policy. This helps you meet your unplanned life stage needs without adversely affecting the benefits of the policy they have bought.

Tax Benefits Insurance plans provide attractive tax-benefits for both at the time of entry and exit under most of the plans. Mortgage Redemption Insurance acts as an effective tool to cover mortgages and loans taken by the policyholders so that, in case of any unforeseen event, the burden of repayment does not fall on the bereaved family.

Disadvantages of Insurance as an Investment Option Inconsistent premiums: Most policies contain mandatory premiums that increase in due course. For an insured on a budget, who desires to buy coverage adequate to profit his relations upon his decease, this policy can be quite costly. The unstable inflation guarantees a steep climb.

Deduction of funds: While policies include conditions in which shares from cash accounts can be used to disburse premiums, such a request practically always results in deducting funds from the cash value / investment account. Insufficient funds:

There is a lack of assurance that ample finance will be accessible to cover unpaid premiums when the policyholder holds inadequate funds. Expiration of term insurance: This kind of insurance in not permanent; it is either for a fixed number of years or until a certain age. On completion of the term or when the insured reaches a certain age the policy expires compelling them to qualify for another insurance program, which may require higher premium depending on the age and other factors. Language of premium: It is usually difficult to resolve precisely how costly commissions truly are.

The cost is commonly concealed within the fine print of the terms and conditions, and it is normally explained in language that is complex for someone who is unfamiliar to insurance policies.

2. 7 GOLD Overview In India, gold has traditionally played a multi-faceted role. Apart from being used for a dornment purpose, it has also served as an asset of the last resort and a hedge against inflation and currency depreciation. India has more than 13, 000 tones of hoarded gold, which translates to around Rs. 6, 50, 000 cores.

Gold is an asset class that’s associated with safety.

However, the ups and down that the yellow metal has seen over the last few months, has made it look similar to other market investment assets. This is due to an unprecedented demand for gold as an investment avenue since the last couple of years. Gold has attracted a high level of attention in last couple of years, with an image shift from anon-volatile asset to a hot investment avenue. The future outlook for the metal looks positive given its proven linear relationship with the crude oil and non-linear with the US dollar.

The much-awaited gold exchange-traded funds would provide a very good vehicle to the investors and a sensible alternative to the current forms available for investment. Advantages The value of gold tends to be stable from year to year and is considered not affected by inflation / zero inflation effect, and very rarely gold prices fell, and gold can also be used for collection and as jewelry. Investment in Gold is also good as a way of diversifying the property and remedy could be a good alternative, especially in unstable conditions, gold can be as a tool to hedge.

Gold prices also tend to be stable due to the gold commodity in the world cannot grow. One other advantage is the price of gold is pegged in U. S.

dollars, so when an increase in the value of U. S. dollar. You can get two immediate benefits of the increase in dollars and also increase the price of gold itself. But can the same condition, when the gold price was falling. But for the long term gold prices tend to stabilize and rise.

Disadvantages Lack of investment in gold is the factor of storage / storage and treatment / handling. Storing gold in large quantities relatively risky and expensive.

Also, if storage is not good, though wrapped in protective cover, allowing the oxidation and discoloration. Especially in the form of gold coins, if you fall, dented, or chipped, it’s hard for re-treatment and could reduce the price. In gold investments, you tend to be more careful and pay attention in terms of maintenance and storage. Another One drawback is its relatively stable returns and less exciting than stocks or property.

Also, it is not advisable to invest in gold only in the short term (1 year or less). So, based on the strengths and weaknesses are, in my opinion tend to be more precise gold to hedge / hedging of the investment. . 8 REAL ESTATE Overview Real estate is a great investment option, as it gives you capital appreciation and rental income. It’s an investment option since it fights inflation.

The fundamentals for investing in property markets remain strong in India – relatively low interest rates, strong capital flows, high employment growth, abundant liquidity, attractive demographics (young population and migration from West), increase in affordability, and a large supply of stock to keep up with demand and focus on quality. The price you pay for a property should reflect the future rent/income at which you let it.

As in the stock market, the prices in real estate are also driven by sentiments. All that is required to reverse a price movement is a change in sentiment. Start saving for a home the moment you begin your career. Early acquisition helps you to repay your home loan well within your working life.

Also, the EMI as a percentage of your salary decreases as your pay increases making the outflows more affordable. If you lock into the interest rate for the loan, the interest outflow will be less than the compounding effect of inflation. You should be very clear about why you want to invest in real estate.

It is a very good tool for wealth creation but like all other assets, has its share of risks. Careful planning, however, can minimize the risks. Property has proved a relatively secure investment over the past quarter decade in, with returns above 8 per cent in some metropolitan markets, but what should you consider before directing your savings to an investment property? Advantages of investment properties In general, property is considered a fairly low-risk investment, and can be less volatile than shares (although, this is not always the case).

Some of the advantages of investing in property include: * Tax benefits A number of deductions can be claimed on your tax return, such as interest paid on the loan, repairs and maintenance, rates and taxes, insurance, agent’s fees, travel to and from the property to facilitate repairs, and buildings depreciation. * Negative gearing Tax deductions can also be claimed as a result of negative gearing, where the costs of keeping the investment property exceed the income gained from it. * Long-term investment Many people like the idea of an investment that can fund them in their retirement.

Rental housing is one sector that rarely decreases in price, making it a good potential option for long-term investments. * Positive asset base There are many benefits from having an investment property when deciding to take out another loan or invest in something else.

Showing your potential lender that you have the ability to maintain a loan without defaulting will be highly regarded. The property can also be useful as security when taking out another home, car or personal loan. * Safety aspect Low-risk investments are always popular with untrained “ mum and dad” investors.

Property fits these criteria with returns in some country areas reaching 10% per year. Housing in metropolitan areas is constantly in demand with the high purchase price being offset by substantial rental income and a yearly return of between 4% and 8%.

* High leverage possibilities Investment properties can be purchased at 80% LVR (loan to valuation ratio), or up to 90% LVR with mortgage insurance. The

LVR is calculated by taking the amount of the loan and dividing it by the value of the property, as determined by the lender.

This high leverage capacity results in a higher return for the investor at a lower risk due to having less personal finances ties up in the property (80% of the purchase price was provided by the mortgagee). By choosing a property intelligently, investors can make this form of investment work for them. However, as with all investments there are some disadvantages to be aware of. Disadvantages of investment properties Some potential problems to consider: * Liquidity It’s true; you can sell the property if things go bad.

However this can take many months unless you’re willing to accept a price less than the property is worth.

Unlike the stock market, you will have to wait for any financial rewards. * Vacancies There will be times when mortgage payments will need to be covered out of your own pocket due to your property being untenanted. This could just be a result of a gap between tenants or because of maintenance issues. * Bad tenants It’s every investment property owner’s worst nightmare: problem tenants. They can significantly damage your property, refuse to pay rent and refuse to leave.

Disputes can sometimes take months to resolve. * Rising interest rates

If your investment loan has a variable interest rate, there is always the risk of economic conditions causing interest rates to rise. If not properly budgeted for, rising interest rates could cause an investor financial stress where concerns of liquidity and quickly selling the property become a reality.

When interested rates are on the up, liquidity in property markets starts to dry up. * Property oversupply In recent years, inner-city builders have created a glut of high-rise apartment blocks, resulting in fierce competition and many units being increasingly difficult to rent out. * Ongoing costs

In addition to the standard costs associated with a property, ongoing maintenance costs, especially with an older building, can be substantial. * Putting all your eggs in one basket If you have all your money tied up in property, overexposure to one particular type of investment can be a dangerous thing. If the property market crashes you can stand to lose significantly. * Capital Gains Tax Imposed by the Federal Government on the appreciation of investments and payable on disposal. * Other costs Negative gearing may offer tax deductions each financial year, however ongoing payments to cover the shortfall need to be budgeted for every month.

Also, costs involved in purchasing and disposing of the property can be substantial. 2. 9 FOREX Overview If you read about investing, you've seen the word Forex trading. But because Forex doesn't get much publicity in the major publications and websites, many investors don't know that Forex is just short for " foreign exchange". So trading the Forex market is simply trading foreign currencies. As recently as ten years ago, currency trading had high barriers to entry, so only large bank in gland institutional firms had access to the tools and systems required to play in the Forex trading game.

Recently, however, technology has developed to the point that any individual investor can hop right in and trade with one of the many online platforms. When buying and selling in the Forex currency trading system market, you'll see that there are four " currency pairs" that dominate the percentage of trades. Those four are the Euro vs U. S. Dollar, US Dollar vs Japanese Yen, US Dollar vs Swiss Franc, and US Dollar vs British Pound. The goal when investing in currency is to be holding a currency that appreciates in value in relation to the other currencies.

To use an overly simplistic example, if you bought 50 British Pounds for 100 US Dollars, held the Pounds for 1 week, and in that period the value of Pounds increased in relation to US Dollars, you could then convert those Pounds back into dollars for, say, $120. Unlike the domestic stock markets, the Forex currency trading is open for trades 24 hours a day. Much like the phrase " it's always noon somewhere," it's always business hours at some region of the globe. Since every country trades on the FX market, and its open all day, the daily volume is roughly $1. trillion, which dwarfs that of the NYSE. Another comparison to make in order to truly realize the magnitude of the Forex market is with the currency futures market (which has around 1% of the daily volume). 2. 10 FIXED DEPOSITS The same as a term or time deposit. Money may be placed with a bank, merchant bank, building society or credit union for a fixed term at a fixed rate of interest which remains unchanged during the period of the deposit. Depositors may have to accept an interest penalty if they break the deposit, i e, ask to take the money out before the agreed period has expired.

Few points which FD investors must consider at the time of investment: I. Safety: FDs have conventionally been the premier choice for investors with a low risk appetite; assured returns is the key factor which attracts investors towards deposits. Stick to FDs of the highest credit rating i. e. those with a " AAA" rating even if their rates seem modest vis-a-vis those offered by company deposits. II. Tenure: Short tenured fixed deposits continue to be your best bet. With interest rates on the ascent, a further hike in rates offered by fixed deposits cannot be ruled out.

Locking your investments in longer tenured instruments may lead to an opportunity loss. III. Liquidity: Find out how FD fares on the pre-mature encashment front i. e. how easily can your investment be liquidated. Also enquire about the penalty clauses, e. g. do you suffer a loss of interest and/or principal amount. Compare how various FDs rank on this parameter and pick the best deal; thereby try to minimize the impact of illiquidity which is typically associated with FDs. IV. Additional benefit: Fixed deposits from reputed entities offer additional benefits, e. g. hey can be used as collateral against which loans can be raised. Select a fixed deposit scheme which scores favorably on such parameters. Any investment portfolio should comprise the right mix of safe, moderate and risky investments. While mutual funds and stocks are the favorite contenders for moderate and risky investments, fixed deposits, government bonds etc. are considered safe investments. Fixed deposits have been particularly popular among a large section of investors in India as a safe investment option for a long period. 3. RESEARCH METHODOLOGY 4. 1 Scope of Research

The present financial market is flooded with a lot investment instruments, viz. , Shares, Bonds, Mutual funds, Insurance plans, Fixed Deposits, other money and capital market instruments and also various options of investment in Real Estate and Commodity Market etc. Sometimes people refer to these options as “ investment vehicles,” which is just another way of saying “ a way to invest. ” Each of these vehicles has its own positives and negatives and ultimate decision of investment is influenced by the individual investor's perception regarding the risk and return of concerned investment opportunity available in the market.

Further, the investment decisions is full of complexity because of volatility of market conditions, Inflation rate fluctuations, impact of Global environment, Cash reserve ratio, and Repo rates. Therefore, it is imperative to analyze these factors while taking an investment decision. Keeping above in mind, the study has been done to see the perception of investors which provides understanding to readers about the various factors which should be keep in mind at the time of investment.

The study is useful to company in providing the understanding about the investors' perception to devise the suitable product/marketing strategies, which would helps it in making their policies or strategies in order to attract them. Further. Financial planner get advent to make portfolio according to response given by respondents, which belong to different occupations, having different income level, different age level or which instrument is mostly like by the investors for investment. The study would further helpful for readers in understanding about the various investment opportunities available in the market. . 2 Management Question Now a day there is immense competition available in the market for getting customers, and finance service providers are not except from this competition. The present financial environment provides ample opportunities of investment to the investors. The decision to invest in right instrument is too complex which can meet their expectations perfectly. In the present scenario, customers are aware about the most of the financial instruments available in the market, and also know the advantage and pitfall of every investment options.

Different types of customer consider various parameters while investing. So it becomes crucial for the company to know the preference of every customer. Some customer invests for the tax saving, where as other invests to gain capital appraisal benefit. So management of a company should consider the perception of customer regarding available investment option. The process of Customization becomes the difficult in convincing the customers. So this study helps the management to understand the awareness, preference, perception and adaptability towards different financial instruments. . 3 Objective of study Primary Objective: * To know the perception as well as preference of customers towards different financial instruments. Secondary Objective: * To know the advantage and disadvantage of different financial instruments * To know the various factors affecting investment options * To know the purpose of investment The money you earn is partly spent and the rest is saved for meeting future expenses. Instead of keeping the savings idle you may like to use savings in order to get return on it in the future. This is called Investment.

Investment is ‘ the act of committing money or capital to an endeavor with the expectation of obtaining an additional income or profit. ‘ There are ample Financial Instruments available in the market for investment; each instrument has its own features. To invest money in financial instruments is not so easy. It needs depth study where to invest so that their investment could be safe along with the growth of money. In present scenario everyone wants to invest his money but having their own different objectives. It may be growth of capital, tax minimization, retirement planning, to balance out inflation rate, safety etc.

The investors always mess with these objectives which creates confusion of where to invest, which tendency they have to prefer at the time of investment, which factors which influence their investment decisions, how to plan their investment portfolio and to whom to prefer for taking that all decisions. So that study is based on investor's perception regarding their investment. It includes what they think at the time of investment, what are the various factors they keep in mind at investment or affects their decisions regarding investment.

The investment decision is very typical to take, as it needs proper planning. So the concept of financial planning has to be taken in this study. 4. 4 Research Design Descriptive Research: * Involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data. * Uses description as a tool to organize data into patterns that emerge during analysis. * Often uses visual aids such as graphs and charts to aid the reader Descript