



Customized Investment Strategy

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Abstract

Mostly people select mutual fund and real estate as their investment option, whether in turns of awareness or actual investment. That is we can say that there exists two kind of people, one who want high growth at very fast rate and others who want high growth for sure may be in longer span of time. Ulips and bonds are gaining popularity but need some more efforts to increase awareness. The paper tries to analyse the current investing patterns and concerns of the investors thereby identifying the potential customers for products and their expectations based on which final conclusion has been drawn.

Keywords: Banking Sector, Investments, Strategies

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1. INTRODUCTION

India has a well-developed banking system. Indian banks have played a significant role in the development of Indian economy by inculcating the habit of saving in Indians and by lending finance to Indian industry.

Global Banking and capital market services proliferated during the 1980s and 1990s, as a result of a great increase in demand from companies, governments and financial institutions but also because financial market conditions were buoyant and bullish. Growth of foreign markets results from both large increases in pool of savings, deregulation of foreign financial markets, which has enabled them to expand the activities.

The commercial banking structure in India consists of scheduled commercial banks and unscheduled banks. Scheduled commercial banks constitute those banks, which have been included in the second schedule of Reserve Bank of India(RBI) Act,1934. Indian banks can be broadly classified into nationalized banks/public sector banks, private and foreign banks. Foreign banks have brought latest technology and latest banking practices in India. They have made Indian banking system more competitive and efficient.

Economic functions of banks:

- Issue of money
- Netting and settlement of payments
- Credit intermediation
- Credit quality improvement
- Maturity transformation

2. INVESTMENTS

Investments form very important part of economy of any nation. With savings invested in various options available to the people, the money acts as a driver for growth of the country. Indian financial sector too presents multiple avenues to the investors. Investment goals vary from investor to investor. While some may prioritize security, others may want to save for emergency and retirement.

2.1 Investment needs of an investor:

- Security of original capital
- Wealth accumulation
- Comfort factor
- Tax efficiency
- Life cover
- Ease of withdrawal

2.2 Five Step of Investment plan:

- Need analysis and profiling
- Internalizing and evaluating available avenues
- Mapping and matching the profile
- Designing an optimum portfolio
- Continuous monitoring and portfolio management

2.3 Investment strategies in India:

- *Fixed deposits:* They cover fixed deposits of varied period offered by the commercial banks and other non-banking financial institutions. FDs are the preferred choice of risk-averse Indian investors who rate safety of capital and ease of investment above all parameters.
- *Government bonds:* The central and state governments raise money from market through a variety of small savings scheme like national savings certificates, kisan vikas patra, provident funds etc.
- *Money back insurance:* Insurance is mostly sold and bought as investment products and are used as investment avenues as it offers partial cash back at certain intervals.
- *Endowment in insurance:* These policies are term policies. Investors have to pay premiums for particular term and at maturity the accrued bonus is paid.
- *Bullion market:* Precious metals like gold and silver had been a safe heaven for Indian investors since ages. Besides jewellery, these metals are used for investment purposes. Investing in bullion market can play a role of a portfolio diversifier.
- *Stock Market:* Indian stock markets particularly BSE and NSE had been a preferred destination not only for Indian but also for foreign investors. People have earned fortunes from stock market but there are people who have lost everything due to incorrect timings or selection of fundamentally weak companies.
- *Real Estate:* Returns are almost guaranteed because property values are always on the rise due to growing world population.
- *Mutual Funds:* Mutual funds offer a better route to investing in equities for lay investors. A mutual fund acts like a professional fund manager.
- *Unit linked insurance plan:* ULIPs provide for life insurance where the policy value at any time varies according to the value of underlying assets at the time. The investment is denoted as units and is represented by the value that it has attained called as Net Asset value (NAV).

3. RESEARCH METHODOLOGY

In order to know the investment strategies adopted by people and also to find out the reasons behind such behavior, a study was conducted in Delhi NCR region.

4. OBJECTIVES OF THE STUDY

- To know the investor in the investment market
- To have a clear understanding of customers mindset.
- To know the level of awareness of present generation regarding new techniques provided by banks.
- To identify potential customers across population.

5. DATA COLLECTION METHODOLOGY

The target population was identified and data was collected through questionnaires from 50 respondents of Delhi NCR. The primary data was collected.

The analysis is done considering following parameters:

- Age
- Income

- Occupation

5.1 Age- wise analysis: Here, people are divided into sub-groups on basis of their age. Age - wise classification is done as per below classification:

- 25-35
- 26-30
- 31-35
- 36-40
- 41-45
- Above 50

Observation of Age-wise classification is done on the basis of the following parameters:

- a) Investment objectives
 - b) Choice of investment options
 - c) Agewise Risk
 - d) Expected withdrawals during the tenure
 - e) Age vs return on investment
- a) *Investment objectives:*** As the age increases, investments are made in order to fulfill one's responsibilities as it was seen that investors invested for their child's future and their retirement at a later stage. It was also observed that whatever may be the age tax saving has been one of the criteria for investments as long-term gain is also a major objective considered while making investments.
- b) *Choice of investment options:*** The trend is that people have regularly invested in real- estate and mutual funds. ULIP is not being a popular option. As age increases people have diversified their portfolios.
- c) *Agewise s Risk:*** As age increases:
1. High risk taking tendency first increases and then decreases.
 2. Medium risk- taking capacity first decreases, then increases and with further increase it again decreases.
 3. Low risk taking capacity decreases and then at age of 31- 35 it again starts increasing.
- d) *Expected withdrawals during the tenure:*** As the age increases, withdrawals increase at the age above 36-40 and than decreases between 41-50.
- e) *Agewise return on investment:*** As the age increases:
- 1) Expectations for above 40% increases from the age of 36-40.
 - 2) Expectations for 30%-40% is almost stable.
 - 3) Expectations for 20%-30% increases between the age of 36-40 and then decreases.
 - 4) Expectations for 10%-20% increases then decreases and with further increase in age it is nearly stable.
 - 5) Expectations for upto 10% is only by people of age 20-25 or 26-30.

5.2 Income- wise analysis: Here, people are divided into sub-groups on basis of their annual income. Income - wise classification is done as per below classification:

- Upto 1.5lacs
- 1.5 lacs to 3 lacs
- 3lacs to 5lacs

- Above 5lacs

Observation of income-wise classification has been done on the basis of following parameters:

- a) Investment objectives: As the income increases, Investment objective as long-term gains increases then decreases. Investment objective as children's future increases then further decreases, and for income group above 5 lacs, it is at zero level. There is hardly any person who invests for retirement purposes as is seen for <1.5 lacs or 1.5 lacs to 3 lacs income groups.
- b) Choice of investment options: Investment in real estate decreases as income decreases, while investment in FD, ulips, bonds and mutual funds increases with increase in income and further decreases.
- c) Income vs risk: Risk appetite differs in different people belonging to income groups upto 1.5lacs and 3 to 5 lacs. There are many factors that affect risk taking capacity of people like expenses, hobbies, perception, family size etc. People belonging to income group 1.5 to 3 are more cautious while taking any investment decisions, therefore, most of them are in NO and LOW risk category. Whereas people in above 5lacs are comfortable in investments involving high risk.
- d) Expected withdrawals: People belonging to these income groups would withdraw their money during the tenure because of factors like change in perception, expense, economic condition etc.
- e) Expected rate of return: As the income increases:
 1. Expectations for above 40% increases as income till 1.5 to 3 lacs, than slightly decrease, reaches maximum at above 5 lacs income.
 2. Expectations for 30%- 40% are maximum at 3 to 5 lacs.
 3. Expectations for 20% - 30% are maximum at 1.5 to 3lacs and 3 to 5 lacs.
 4. Expectations for 10%-20% are maximum for 1.5 to 3 lacs than it finally decreases.
 5. Expectations for upto 10% are very low.

5.3 Occupation- wise analysis: It is very important to understand which occupation category behaves in what manner when it comes to investment decision making and the various related decision as the company can also customize the offering according to their needs.

The further analysis was done on the basis of occupation which was broadly classified into 5 categories:

- Govt. employee
- Pvt. employee
- Businessman
- Others

Observation of occupation-wise classification is done basis on following parameters:

- a) Investment objectives: Private employees and other's category invest more in child's future while govt. employee and businessmen mostly invest in other plans.
- b) Choice of investment options: Private employees mostly invest in mutual funds. Govt. employees invest in real estate and secondly in FD, while businessmen invest in ULIPs, mutual funds, real estate being second option. Other's category invests in real estate and mutual funds, FDs and ULIPs being equally invested.

- c) Profession vs Risk: Private employees alike govt. employees and others have no risk taking capacity or low risk taking capacity while business people invested either in high or no risk majorly.
- d) Expected withdrawals: Almost people of each category are not interested in making withdrawals but as it is said "exceptions are always there", businessmen are the exception as they would withdraw their investments in order to re-invest in business or meet contingency.
- e) Expected rate of return: Majority of government and private expects a return of 20%-30%. Businessmen expects a return of 30%-40% as they have put themselves under high risk category. Others category expects low rate of return.

6. LIMITATIONS OF THE STUDY

- It was difficult to break the ice with common people initially. It was daunting task to convince them to fill personal details of questionnaire where they have to mention monthly income, minimum amount in their savings account.
- To convince people for a proper interviewing process was difficult.
- Compilation of data on competitor analysis was difficult due to non-availability of correct information.

7. RECOMMENDATIONS

- Investment objectives: The most sought after investment objective of people as a whole is for child's future. Thus, it becomes necessary to keep this prime investment objective in mind while designing the products. Also, while offering the products to the customer main emphasis should be on how the customer will achieve this objective through the products. Child gain and young care ULIPs are the best options.
- Expected withdrawals during the tenure: More than half of people do not expect withdrawals in between the investment period. This means that the customers are ready to block their money for a longer time period if they are assured good returns.
- Risk: It can be seen that not many people are interested in investing in high risk profiles. Customer is ready to take low and moderate risk and also seek good returns for it. This means that less risky and moderately risky products are expected by the customers.
- Products: Mostly people select mutual fund and real estate as their investment option, whether in turns of awareness or actual investment. That is we can say that there exists two kind of people, one who want high growth at very fast rate and others who want high growth for sure, may be in longer span of time. Ulips and bonds are gaining popularity but need some more efforts to increase awareness.

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