REVIEW ARTICLE
Vol.4.Issue.4.2017
Oct-Dec.

www.ijbmas.in

ISSN:2349-4638

INTERNATIONAL JOURNAL OF BUSINESS, MANAGEMENT AND ALLIED SCIENCES (IJBMAS)

A Peer Reviewed International Research Journal

INVESTMENT PATTERNS AND PORTFOLIOS IN PRESENT BUSINESS SCENARIO

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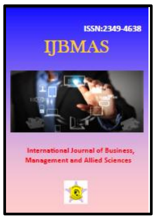

ABSTRACT

In the present global scenario the investors are from different places of the globe, and it has become easy for them to invest online with the growing trend of information technology. In this scenario the investor has to understand the various sources of investment and the correlation among them. This article helps us to understand the major avenues and the relation among them.

INTRODUCTION

Investment is defined as commitment of funds in expected future positive rate of return. Today the spectrum of investment is indeed wide. An investment is confronted with array of investment avenues like bank deposits, real estate, small savings, life insurance schemes, bullions, commercial deposits, corporate security- bonds, mutual funds, and equity and preference shares. Among all investment, investments in bank deposits are safest and most preferred by the household and in equity proportionately are most profitable. Indian economy is doing indeed well in recent years. The study has been undertaken to analyze the saving pattern and investment preferences of households. This study includes the preference of investor in choosing securities on performance based on their returns. The findings relates to the out-performing products and investors risk taking ability while investing in each different products. The money you earn is partly spent and the rest saved for meeting future expenses. There are various investment avenues such as bank deposits, real estate, small savings, life insurance schemes, bullions, commercial deposits, corporate security- bonds, mutual funds, equity and preference shares, etc. A portfolio is a combination of different investment assets mixed and matched for the purpose of achieving an investor's goal. The two key aspects of investment are preferences and pattern. The future benefits are uncertain. In investments like stock options risk is important while in investments like govt. bonds time is important attribute. According to RBI data, household sector accounted for 82.4% of gross domestic savings during 2001-02.They invested 38% of financial savings in deposits, 33% in insurance/provident funds, 11 % on small savings, and 8% in securities, including government securities and units of mutual funds during 2001- 02. Thus the fixed income bearing instruments are the most preferred assets of the household sector. Their share in total financial savings of the household sector witnessed an increasing trend in the recent past and is estimated at 82.4% in 2001- 02. In contrast, the share of financial savings of the household sector in securities (shares, debentures public sector bonds and units of UTI and other mutual funds and government securities) is estimated to have gone down from 22.9% in 1991-92 to 4.3% in 2000-01, which increased to 8% in 2001-02; Though there was a major shift in the saving pattern of the household sector from physical assets to financial assets and within financial assets, from bank deposits to securities, the trend got reversed in the recent past due to high real interest rates, prolonged subdued conditions in the secondary Market. The portfolio of household sector remains heavily weighted in favor of physical assets and fixed income bearing instruments.

OBJECTIVES OF THE STUDY

The basic objective of this research is to study the investment culture among the Indian Investors. For this purpose, the following has been examined:

•To study the saving pattern

•To analyze the Investment preferences

*To give suggestions for evolving better investor awareness and educational programs.

RESEARCH METHODOLOGY

Secondary Data- Companies websites, books and internet Customer database.

REVIEW OF LITERATURE

Investment is the sacrifice of certain present value for the uncertain future reward. It entails arriving at numerous decisions such as type, mix, amount, timing, grade etc of investment and disinvestments. Further such decisions making has not only to be continuous but rational too. Instead of keeping the savings idle you may like to use savings in order to get return on it in the future, which is known as 'investment'. There are various investment avenues such as Equity, Bonds, Insurance, and Bank Deposit etc. A Portfolio is a combination of different investment assets mixed and matched for the purpose of achieving an investor's goal. There are various factors which affects investors' portfolio such as annual income, government policy, natural calamities, economical changes etc. The essential quality of income is that, it involves 'waiting 'for a reward. It involves the commitment of resources which have been saved or put away from current consumption in the hope that some benefits will occur in future. The term 'investment' does not appear to be a simple as it has been defined. Investment has been categorized by financial experts and economists. It has also Financial and Economic Meaning often been confused with the term speculation. Of Investment is the allocation of monetary resources to assets that expected to yield some gain or positive return over a given period of time. These assets range from safety investment to risky investments. Investments in this form are also called 'Financial Investments'. To the economists, 'Investment' means the net additions to the economy's capital stock which consists of goods and services that are used in the production of other goods and services.

INSTRUMENTS OF INVESTMENT:

There are various financial instruments for investment by mutual fund organizations to reap returns in turn distribute the same in the form of dividend or interest to their unit holders i.e., investors.

1Equity shares

2 Convertible debentures

3Fixed Income securities:

3.a. Debt Instruments i.e., nonconvertible debentures Bonds of public sector., and

3.b. Government Securities of 'Gilt'

4.Money Market Instruments:

4.a. Certificate of Deposits

4.b. Treasury Bills

4.c. Bill discounting

4.d. Commercial paper

Investment Mix: It is known fact that the investment pattern of mutual fund scheme is governed by the type of scheme. A growth scheme would have a pre dominant accent on equities. For an income scheme, high degree of investment in debt instruments is required to generate a steady flow of return to investors. In case any offer document of a scheme, it stand to reason that the equity element would be still lower. Such situation takes place in the case of monthly income schemes

TABLE 1: RANKING OF INVESTMENT AVENUES BASED ON LEVEL OF AWARENESS

Sr.No.	Investment Avenues	Rank
1	Bank deposits	1
2	Real Estate	2
3	Small Saving	3
4	Life insurance scheme	4
5	Bullions	5
6	Commercial Deposits	6
7	Corporate securities	7
8	Mutual funds	8
9	Equity	9
10	Preference Shares	10

MUTUAL FUND INVESTMENT PATTERN DURING 1993-2009: A detailed breakup of security wise investment pattern of all mutual funds during post liberalization period is exhibited in table Which indicates that unexpected growth in bank deposits in case of private sector as well as public sector by mutual fund investment companies during the last 16years. Average annual growth rate is very high for the CD/CPs and bank fixed deposits i.e 1280 per cent and 6720 per cent of average annual growth rate. The data also shows that mutual funds are relying more on fixed returns than that of equity shares and debentures. Investment in 'Equity shares 'component is decreased from 49 per cent in 1993-94 to 34 per cent by the year 2008-09.In case of investment relating to 'debentures' also declined from 26.51 per cent in 1993-94, to 17.40 per cent by the year 2008-09. Similarly investment in government treasury bills also declined marginally

TABLE 2: INVESTMENT PATTERN OF MUTUAL FUNDS - SECUIRTY WISE

(Rs. Crores)

INSTRUMENT	1993-94	2008-09	Change	Percentage
Equity Shares	26,566.93 (49.44)	1,96,893.49 (33.72)	170326.56	641
Debentures/Bonds Including Privately placed	14,426.67 (26.51)	1,01,598.19 (17.40)	87171.52	604
Government securities (including Treasury Bills)	8051.91 (14.98)	52,692.96 (11.65)	44641.05	554
Bank FDs	-	19234.11	19234.11	Na
Public sector Bank Certificates of Deposits	131.12 (0.24)	141122.77 (24)	140991.65	10752
CDs/ CPs	107.42 (0.20)	22132.89 (3.79)	22001.77	20482
Others	4583.26 (8.53)	50,123.98 (8.6)	45540.72	993
Total	53,750.51 (100)	583798.39 (100)	530047.88	986

Note: Figures in parentheses are percentage to totals.

ANALYSIS OF INVESTMENTS DURING 2004-09:

I) **Investments in 2004-05**:During this year the total number of mutual fund schemes available for investment is450. The Income and Equity funds together account for almost76% of the total number of schemes, but they account for only 25% of the total investment. The remaining six schemes account for 25% of the total number of schemes but they account for a little over 75% of the investment. The most striking aspect is that the Liquid/Money MarketFundsschemesareonly39ofthe total number of schemes but they account for Rs. 638594 crores. The market value of assets under management isRs. 839710 crores.

II) **Investments in 2008-09**:During this year the total number of mutual fund schemes available for investment is 832. The Income and Equity funds together account for almost75% of the total number of schemes, but they account for only 25% of the total investment. The remaining six schemes account for 25% of the total number of schemes127but they account for a little over 75% of the investment. The most striking aspect is that the Liquid/Money Market Funds account for only 7% of the total number of schemes but they account for almost 75% of the total investment. The mutual fund industry in India presents an interesting scenario of 48 million investors, a large variety of product offerings and coexistence of private, public and foreign AMC

CORRELATION BETWEEN INVESTOR PORTFOLIO'S:

Correlation coefficients between pairs of investor groups' portfolios have been computed to ascertain whether the investment patterns as on 31st March 2009 have any correlation and the results are presented in the following table with the correlations between Corporates, HNIs, FIIs, HNIs and Banks/FIs, FIIs, Banks/FIs, HNIs, FIIs, Retail investors' and HNIs & Retail Investors.

TABLE 3. CORRELATION OF INVESTOR GROUPS PORTFOLIOS (MARCH, 2009)

	Corporates	Bank/FI	FIIs	HNI	Retail
Corporates	1	0.499	0.9724	0.8636	- 0.0438
Bank/FI	-	1	0.5375	0.1069	0.0592
FIIs	-	-	1	0.887	0.1628
HNI	-	-	-	1	0.3158
Retail	-	-	-	-	1

CONCLUSION

From the above content it can be understood that the relation between various institutions can be found and it helps in investing in different areas and also helps in building portfolio of investment. This helps to maintain balance between risk and return

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