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Changing Investment scenario in 21st Century with special referenceto Small investorsin India

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Abstract: -

Investment refers to the parting the benefit today in anticipation of getting more benefit in the future period. Investment decision is very important decision not only for big organizations but also for small investor. Investment is considered as one of the most important aspect of the financial palnning.Common man invests his hard earn money in different ways in anticipation of its appreciation. For taking such decision it requires adequate knowledge in respect of risk involved in the decision and earning from such investment. Common investor always consider three important factors before investing viz. liquidity, profitability and safety of the investment. This paper tries to focus various objectives behind the investment decision of a small investor as well as how the investment pattern of small investors is changing from traditional ways of investing to tapping the newer investment opportunities in search of getting maximum returns as well as what are the threats to the common investor in the market.

Keywords: -Small investor, motives behind investment, investment pattern, traditional and recent trends in investments,

Introduction: -

Savings and investment are two important sides of a same coin. Saving must be converted into profitable investment so as to achieve the not only personal goal of an investor

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but also in form of economic development of the nation. The nice quote by **Warren Buffet** highlights the importance of saving as **"Do not save what is left after spending, but spend what is left after saving."**

Whenever important decision like investing is taking following important points should be preferably considered:-

- Properly defining the goals of investment in which one has to take into consideration what are his needs in future? How much he can save? How much he can invest from his savings?
- Goal oriented investment should be targeted like for purchasing house or foreign trips may requires long term investment planning however buying a luxury car may requires short term or medium term planning.
- Ensuring fulfillment of Tax saving objective before taking such decision as various investment plans like LIC policies, ELSS schemes, PPF etc. are designed to attract the small investors to achieve the investment goals along with tax benefits.
- Family oriented Investments should be preferably targeted like investments are made by considering the children's education, financial arrangement for their marriages, Protection of family members in case of uncertain event like death, disability of earing member of the family etc.
- Most importantly safety, liquidity and profitability of the investment cannot be ignored as these three factors are just the key factors in every investment decision.

Significance of the study:-

This study tries to put emphasis on how the investment pattern of the small investor is diverting from traditional investment areas to newer sources of investment in 21st century. This study also tries to discuss the different objectives or motives behind the switch over from traditional way of investing to newer area of investment. The study is also significant as it will tries to assess the role of government in financial market to mobilize idle saving of the common investor into more profitable investment.

Research Methodology:-

This study is mainly based on the discussion with the colleagues, discussions with the financial advisors, study of published data in form of various research articles, research papers, websites, newspapers, bulletins etc.

Objective of the study:-

- To study the various motives behind the investment decision of a common investor.
- To study the traditional investment pattern of common investors in India.
- To study the recent investment pattern of common investors in India.
- To study the role of Government inboosting the investment of small investorsin India.

Findings:-

- **Investment &Importance of the investment:-**

  Investment refers to creation of such type of assets which will help the investor in generation of income in future in different ways as well as gets appreciates in value in the future period which will help the investor to meets his various requirements.
- **Meaning of Small Investor & Institutional Investors:-**

  Small or Common investors refers to retail investor who invests their own money for meeting their own requirements or for themselves.On the other hand institutional investor refers to the big investing companies or institutions who manages other funds and invests on behalf of others.
- **Objectives/Motives of small investor behind the investment decision:-**
  - **To cover the future contingencies**:- One may need to secure himself against the unforeseen contingent event like medical emergency, job loss etc.as the human life is always full of ups and downs.
  - **To safeguard the hard earn money:-** Investment help the small investor in safeguarding him against the unwanted expenditure.
  - **Age over inflation:-** Investment always gives upper hand to the investor over inflationary effect if proper investment decision is made by investor, thereby reduces the negative effect of inflation.
  - **Ensure money growth:-** Investment channelize the savings into growth as it allows the money to grow inform of regular income like dividend, interest or in form of long term capital appreciation in the value of the investment. e.g. value of investment in land and properties grows due to efflux of time.
  - **Saving tax:-** Yet another objective behind the investment made by the small investor is save the tax. Investment in various tax benefit scheme like NSC, LIC, PPF, ELSS etc. allows the small investor to reduce his tax liability to considerable extent.

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- **To achieve the bigger dream:-** One may invest regularly out of his/her earning to fulfill his/her future dreams like buying a car, Building a big house, Foreign trip etc. Regular investment helps the investor to fulfill his dreams.
- **To Secure life after retirement:-** Retired life without sufficient money backup may become worse and one may find it difficult to sustain or survive. To avoid this and to enjoy financial freedom even after retirement smart investors always built retirement corpus.

➢ Traditional Sources of investment:-

In the 20^{th} century as there limited sources of investment avenues were available to the small investors. Investment avenues are the different sources or ways where one can invest his savings in profitable mannerwith an intension of growing it in future which includes,

- **Bank deposits:-**This is the oldest and safest financial instrument used to invest the money by a small investor. These deposits can be recurring or fixed in nature.In fixed deposits lump sum amount was invested at once however in recurring deposits schemes small amount is deposited in installment. The rate of interest may differ depending upon the term and tenure of deposit. The very important factor here was the safety of funds invested as the bank gives depositor guarantee under deposit insurance scheme.The rate of return on deposites ranges from 6.5% to 10% .
- **Insurance policies:-** This was the another important and well known investment option available that time with the small investor because it not only gives the guarantee of money back but also provides life cover and family protection to the policy holder. Another important point here was the tax benefit offered by the government of India on such investment in insurance policies**.** The rate of return on deposits ranges around 5% Approx..
- **Gold:-** This is very much traditional way of investing source used by the common and household investor in India, because even today Indian are very much attracted towards this precious metal. The investment in physical gold was intentional as it always gives nice returns and it can be used as a collateral security in case of borrowing of loan to fulfill the unexpected needs.
- **Real estate: -** Real estate investment is also attractive as the prices of land and properties are sky touching day by day. It has been a hot investment sources for common investors as well as institutional investor. This option also gives surprising

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returns in long run and even it can be used as a collateral security in case of borrowing of loan to fulfill the unexpected needs of a common investor.

- **Post office saving and deposits schemes:-** As like commercial banks investment Post office saving and deposits schemes were also attractive investment source for the common investor because that time post office saving or deposits schemes were considered more reliable and safer than any other scheme of deposits as post offices are directly controlled by central government. Rate of return matches more or less similar to the bank deposits. In addition to that the investment in National Savings certificates(NSC), KisanVikas Patra(KVP),PPF schemes also gives tax benefits.

➢ Recent investment trends:-

Apart from the above mentioned avenues additional sources were also available to the small investor in anticipation of more benefit, more safety and enjoying more tax benefits which includes-

- **Shares and Stocks:-** Now a days the trend in the stock market investment is increasing among the young generation investors as it gives the attractive returns in form of dividend ,interest and appreciation in the value of stocks in the future. Though this is attractive source but little bit risky as well because inadequate knowledge on part of investor may leads to heavy loss in such type of investment.
- **Mutual Funds:-** This is yet another important and most popular investment options nowadays used by the small investor in search of attractive return on their investment. Investment in mutual fund do not requires detailed knowledge in respects of stock market as these funds are managed by the professional managers. These mutual funds may be equity funds, debts fund or balance fund, growth fund etc.In India various famous mutual funds includes SBI Mutual Funds, Aditya Birla Mutual Funds, Axis Mutual Funds etc. These funds gives attractive returns ranging from 10% to 20% or even more than that. These funds are simple, diversified and carries tax advantages as well.
- **Real Estate:-** Real estate investment is great investment by considering the fast growing urbanization in the country. The most profitable way to invest in the real estate is identification of the proper location, infrastructure development nearby area and after conducting proper research about the property. The real estate investment in Tier 1 and Tier 2 cities are turning most profitable due to expansion

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of real estate market in these cities. It not only gives income in form of capital appreciation I the asset but gives diversified benefits like tax benefit, rental income etc. The real estate investment in the cities like Mumbai, Pune, Thane, Bangalore, Noida etc. turning to be best cities to investment in real estate.

- **RBI Gold Bonds:-**Now this is the recent trend developing in the younger generation regarding investment in Sovereign Gold Bonds. These bonds are issued by RBI on behalf of Central Government of India. These bonds are having better advantage over physical gold because that there is no threat of losing the investment due to theft as well due to additional interest income @2.5% on such investment. There is another advantage associated with the bond is that there is no capital gain tax levied on the maturity amount. These bond are available with the minimum investment of Rs.1000/-

Role of Government of Indiain boosting the investment of small investors:-

Government of any countries plays very important role in taking various boosting up the pace of economic development of the country. As far as Indian government is concern so far it has played a very positive and vital role in developing the investment environment in the country. Protection of interest of the small investors is a prime responsibility of Government of India and the government is acting accordingly by passing the varies laws as well as framing the policies in such a way which will help the investors to invest their hard earn money in most safest and protected environment.

- **The SEBI Act 1992** is a step towards investor's protection and creating the safe environment for the investors in stock market. This act also curbs various malpractices over stock exchanges and regulate the working over there.
- **RBI is a Apex bank of India**and regulatory body in Indian financial system which controls, regulates and supervise the activities of Commercial banks, Financials institutions and NBFCs in financial market thereby ensures financial stability and confidence of small investor in banking system.
- **The Companies Act 2013** provides for protection of investors who invests their money by way of public deposits in the company which may be secured or unsecured. The companies Act provides for creation of charge on the asset of the company within

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30 days from such acceptance of deposits which are secured one. In addition to that companies are made mandatory to keep proper records of such deposits along with the details of depositor Such types of the deposits can be accepted maximum for the period of 36 months earlier it were acceptedfor one year period.

- Through **Financial Budget** every year Government of India has offered various tax incentives to the common investors so as to reduce tax burden which includes:- **Investment in PPF**upto Rs. 1,50,000 will get the benefit under section 80C of the IT Act 1961,Just like that **Sukanya Samrudhhi Yojana** also gives the same benefits,However return on the investment is slightly more than 7.1%.Government also offered tax benefits on investment in Special Mutual Fund Called as **ELSS that is Equity Linked Saving scheme** which also offered the same benefit under Section 80C for an investment upto Rs.1,50,000. Under the insurance policies **Term Insurance, ULIP, traditional insurance policies** also offered the benefit of income tax under 80C. Through budget Government also offered tax benefit to the **Home loan Borrower**up to Rs.2,00,000 in interest on loan paid by him under sect.24 of the IT Act. Investment in **NPS**upto Rs.1,50,000 also gives such tax benefits under Sec.80CCD

Conclusion:-

Investment is a key decision in everyone's life because if any mistake in taking proper decision might lead to heavy losses for the investor or even loss of principle amount which is invested. hence it is advisable to the investor to get the proper knowledge above the various investment avenues make proper assessment of the various investment proposals, in addition to that it is also advisable to the common investor that in absence of appropriate knowledge of the market as well as the different product available they may take expert advice from the financial consultant before taking any decision so that it might reduce the risk involved and ensure maximum return on the investment. Although the traditional avenues like FD, Post office savings, Physical Gold or its ornaments, Land and properties etc. are limited in number there are more alternative options are available for the common investors like shares, mutual funds, RBI gold bonds commodities etc. in 21st century so that he can blend the both these avenues to ensure safety of the investment as well as to ensure more return on the investment..

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