



# Different Investment Avenues in India and Customers Perception on Investment Avenues

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## Abstract:

*There are a variety of ways to invest your money, such as financial securities like equity shares, mutual funds, and non-securitized financial securities. Indians can invest their capital into five major avenues - Equity, Debt, Real Estate, Commodities and Miscellaneous. For long term savings in the Indian context, insurance is sometimes used though it should not be considered as an investment avenue. Corporate and individual investors have different needs. Before investing, the investor has to analyze alternatives of investments in terms of their risk, return, term, convenience, liquidity, etc. This paper explains the different investment avenues in India and customer perception towards them.*

**Keywords:** *Investment Avenues, Mutual Funds, Real Estate, Commodities*

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## INTRODUCTION

Investing is the act of purchasing something with the intention of profiting from it or from its sale. While preparing your money, you should consider investment alternatives. The topic discusses investment avenue types, investment avenues features, and investment avenues importance.<sup>1</sup>

What's shocking is that there isn't any investment strategy that assures a high rate of return while minimizing the risk of losing money. Due to the inverse relationship between risk and reward, when the stakes are high, the reward is also high. It is critical, however, to invest your additional funds in a long-term, well-diversified portfolio to maximize their return. This is where you begin assembling an investor's bio.<sup>2</sup>

Savings may not be adequate to guarantee continued financial security in a dynamic world. Idle money in lockers or even bank accounts may not serve the purpose of beating inflation. Capital appreciation is one way investment helps beat inflation. Compounding also helps in wealth creation. Further, investing is helpful in achieving future goals like buying a house, traveling abroad, or planning your retirement.<sup>3</sup>

In order to maximize returns on their investments without having to worry about losing principal, most investors want to invest in a way that gets them sky-high returns as quickly as possible. Due to this reason, many people are always searching for investment plans that will double their money in a few months or years with minimal risk. Investments should be made in a way that allows investors to get sky-high returns as fast as possible without losing their principal. Many people are always looking for top investment plans that can double their money within a few months or years with no or little risk, and this is why they are always on the lookout for these plans.<sup>4</sup>

## INVESTMENT AVENUES

A person can make two types of investments: financial and non-financial. Stocks and mutual funds, which are market-linked, fall under the first category. There are many options and avenues of investment types available in the second category, which is

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<sup>1</sup> "Franklintempletonindia.com. Retrieved , from <https://www.franklintempletonindia.com/investor-education/new-to-investing/article/importance-avenues-of-investing-money/importance-avenues-of-investing-money>"

<sup>2</sup> "Franklintempletonindia.com. Retrieved, from <https://www.franklintempletonindia.com/investor-education/new-to-investing/article/importance-avenues-of-investing-money/importance-avenues-of-investing-money>"

<sup>3</sup> "Avenues of investment - types, importance, features. (2022, April 22). FinancePlusInsurance. <https://financeplusinsurance.com/investment-avenues/>"

<sup>4</sup> "Avenues of investment - types, importance, features. (2022, April 22). FinancePlusInsurance. <https://financeplusinsurance.com/investment-avenues/>"



more prevalent in India. There are tangible investments in gold and real estate that are considered as dangerous. There are a variety of investment options available to foreign investors in India, including:<sup>5</sup>

- **Non-Marketable Securities:** Investing in these securities is not possible on the open market because they cannot be purchased. Among the products that provide this type of protection are savings accounts with banks and life insurance. Depositing funds at a bank, post office, business, surety company, or any other institution is possible.<sup>6</sup>
- **Deposits with fixed rates:** A government-guaranteed fixed-income investment in a bank is one of the safest and most conventional investment options in India. Checking accounts and savings accounts have distinct purposes in India. A fixed interest rate will apply to the principal of your loan for a specified period of time if you borrow money from them. In spite of earning less interest than bank certificates of deposit, savings accounts outperform money in savings accounts. Consequently, earned interest is added to taxable income and taxed accordingly.
- **Public Provident Fund:** Government-backed PPFs are long-term savings plans with a lock-in period of 15 years. While PPF investments are tax-deductible and therefore safe, most people do not think they are the best option for their financial situation. The public generally expects the government to adjust the interest rate on PPFs at least once every three months. Investors may also be able to withdraw funds and obtain loans from their PPF account.<sup>7</sup>
- **Recurring Deposits:** Recurring deposits (RDs) and fixed-rate bonds (FDs) are investment vehicles that allow individuals to set aside a particular amount of money each month. Sometimes, your bank may allow you to set up an automatic monthly deposit. RDs carry no risk and guarantee a profit, just like FDs do.
- **Bonds or Debentures:** A long-term investment can be made with bonds or debentures that pay a fixed amount each month based on interest rates. In contrast to other alternatives, debentures and bonds are considered to be less dangerous. Their risk levels are determined by the issuer. Bonds issued by the federal and state governments fall under this category.
- **Provident Fund for Employees:** Only salaried employees and their dependents are eligible for the EPF retirement savings plan. Employees receive a savings account, into which they deposit a portion of their monthly wages. In accordance with Section 80C of the 1961 Income Tax Act, withdrawals from EPFs are tax-free upon maturity. The money is then matched dollar for dollar by their employers.
- **Scheme for National Pensions:** In India, the NPS provides pensions to the elderly. When you reach retirement age, your nest egg will be a reliable source of income because it has grown over time. An investor may withdraw funds from his or her savings fund once they reach the age of 65.
- **Real Estate Investing:** Real estate is one of the most common ways to earn money in the United States. A residence purchased for personal use should never be viewed as an investment. In addition, individuals are investing in office space, warehouses, and student housing, as well as data centers, shared workspaces, and other commercial properties. The location of a home is the most critical factor when determining its value and rental income. The person who invests in real estate can earn money two ways: by watching their money appreciate in value and by renting out the property. On the other hand, real estate is extremely inefficient and difficult to sell.<sup>8</sup>
- **Gold Investment:** It is still possible to purchase gold coins and biscuits, but an exchange-traded fund (ETF) may be a better investment. Gold is the most popular investment in India, despite concerns about its safety and the cost of making jewelry from it. ETFs make it easier and more affordable than ever to buy and sell gold paper. In spite of the fact that jewelry is a highly liquid asset class, amateur investors who are unfamiliar with it or who purchase it from unethical jewelers may find it difficult to resist.
- **Invest in life insurance:** In spite of the fact that life insurance protects you from calamity, this does not mean you should buy it. It is widely believed that insurance is a prudent investment in the future for Indians, but not everyone agrees. A life

<sup>5</sup> “Direct, I. (2022, March 4). Chapter 5: Different investments avenues – real estate and gold. ICICI Direct. <https://www.icicidirect.com/ilearn/stocks/courses/chapter-5-different-investments-avenues-real-estate-and-gold>”

<sup>6</sup> “Direct, I. (2022, March 4). Chapter 5: Different investments avenues – real estate and gold. ICICI Direct. <https://www.icicidirect.com/ilearn/stocks/courses/chapter-5-different-investments-avenues-real-estate-and-gold>”

<sup>7</sup> “Ponaka, S. (2021, October 29). Types of investment. Scripbox. <https://scripbox.com/mf/types-of-investment/>”

<sup>8</sup> “Ponaka, S. (2021, October 29). Types of investment. Scripbox. <https://scripbox.com/mf/types-of-investment/>”



insurance policy is a means of protecting one's future. In contrast to other financial products, life insurance has the primary objective of safeguarding our families from accidents.

- **Instruments of the money market:** It is common for money market products, such as debentures, to mature within a short period of time. When firms have surplus cash, they might invest it in money market assets such as bonds. Finance is the entire process of generating revenue. Treasury Bills, Commercial Paper, Certificates of Deposit, and other money market assets are available.
- **Investing in mutual funds:** Investing in equities can be done through a mutual fund, which is professionally managed, where a large number of investors can pool their money. Investing in mutual funds allows them to choose from a variety of different financial products. Funds can invest in a variety of different assets, such as stocks, bonds, and even gold, depending on their clients' preferences. Some funds are both active and passive.
- **Stock market investing:** Despite the fact that equity is gaining popularity, not everyone agrees. It is a risky investment, where you cannot predict whether you will make a profit. Equity investments are not only based on stock selection; prudent investors also consider the timing of their entry and exit. Equities offer a significant amount of alpha compared to other types of investments when it comes to long-term asset performance. The best way to limit your losses as an investor in stocks is to use a strict stop loss technique. To invest in direct equities, you must first open an account with a depository receipt service (depository receipt service). Consult a specialist before investing in any stocks.<sup>9</sup>
- **Options on derivatives:** By using derivatives, you can invest in an asset in a new way. The derivatives industry has grown at a rapid pace. The advantages of investing in derivatives include improving return on investment, reducing risk, and making speculative activities easier. In addition to forwards, futures, options, swaps, and other derivatives, there are many other financial instruments.

#### CUSTOMER PERCEPTION

For your detailed research on the topic, you need to understand the importance of investment avenues. As a group, some people prefer to save rather than invest their money. However, in a rapidly changing environment, this may not be adequate to protect your money. Your investment's value might increase, which may assist you in dealing with inflation. A bank account or safe deposit box may not always be the most secure way of storing your money.

Investing can also help you achieve long-term goals, such as purchasing a home, traveling, or saving for a rainy day fund after retirement, through compound interest. An investment is saving of current money and other resources for the future benefit. Depending on one's risk appetite, retail investors have a variety of investment options available to them, including bank deposits, government and private bonds, shares and stocks, exchange traded funds (ETF), mutual funds, insurance, commodities, currencies, etc. While investing in the stock market, it is important to consider risk.

The behavior of investors consists of selecting, purchasing, and consuming goods and services in order to satisfy their desires. The investor behavior involves different processes. Initially, the investor searches for securities he would like to consume, and then chooses only those securities that are more useful to him. The investor selects the security, then estimates the available money, analyzes the prevailing prices of security, and finally decides which security to purchase.

#### CONCLUSION

It is possible to build wealth by investing your money. As a result of the power of compounding and the risk-return tradeoff, investing provides a greater growth potential than inflation. Smart investments may allow you to outpace inflation and increase in value. Investing involves earning money, and the instruments listed above do so in a manner commensurate with their risk levels. It is an asset or item acquired with the intention of generating income or appreciation. Appreciation is the increase in value of an asset over time. When an individual purchases a good as an investment, he or she does not intend to consume the good, but rather to use it in the future to create wealth. Investing can help you plan for retirement and achieve your financial goals. Investing can help you stay ahead of inflation and earn multiple streams of income. A prudent investor will consider his or her risk tolerance, time horizon, and tax treatment before making a selection of investment options. In order to make the best decision, you need to know about investment types, investment features, and investment importance.

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<sup>9</sup> "Ponaka, S. (2021, October 29). Types of investment. Scripbox. <https://scripbox.com/mf/types-of-investment/>"