Chapter: 7:

Suggestions and Recommendations

7.1: Qualities Of Successful Investors

7.2: Suggestions And Recommendations
Managing investments is a complex and at times a frustrating experience. The investment activity is like a game where there are both winners as well as losers. The investors can be winners, provided they follow the rules of investing. It is necessary that investors should develop a proficiency and expertise in the rules and regulations of investing. An emotional or sentimental investor, who gets carried away with temptation or the fear of the share market, is likely to take wrong and unwise decisions. Investors are required to know and to control their emotions, feelings, and sensitivities. Thus individual investors should evaluate themselves with regard to their pluses and minuses and this self-evaluation helps him to avoid losses or disaster and to improve his finances in the future. It will be very useful for the investors to possess or to develop the various qualities in order to succeed in their investments. These qualities for successful investing, which have been described by JAMES GIPSON, in his book titled, “Winning the Investment Game”, published in the year 1986.

7.1.1 : Contrary Thinking :

The investor has the choice of deciding between the fashionable and comfortable in which they will lose money or the uncomfortable and contrary, in which they will make money. Investor sometimes decides to invest because of others who are doing it. It might be that others are making money. Their thinking is based on the assumption is
that profitable trend of the immediate past will continue into the future as well. However, in practice, the profitable trend may persist longer, but will never continue indefinitely. If the trends change all of sudden, investors, will suffer a lot.

Practicing a contrary thinking requires that an individual investor should not be over-confident or too little confidence. A reasonable amount of confidence is necessary for the middle class investors. Individual investors also suffer from the wrong belief that the opinion of others is far superior. This lack of confidence impels investors to substitute to other people’s opinions for their own, which gives unhappy results at the end. There is a need for investors to be a little wary to be prepared to question the accuracy of assumptions and beliefs, to recheck the data and analyses to recognize mistakes to succeed in the investments.

7.1.2: Patience:

Maximum patience among the investors is an important quality required for successful investing. Patience enables investors to have a long-term view of their investment programmes and apply intelligence and diligence in their efforts. The quality of patience helps the individuals to rise above their own temperaments. The investor has to choose rational courses of action that are most beneficial and goal-oriented. The middle class investor should not consider the temporary fluctuations.
7.1. 3 : Diligence :

An investor should possess superior knowledge than others. Superior knowledge can be acquired through diligence. The investor has to work hard to secure it and to maintain its usefulness. Superior knowledge provides advantage to an investor when compared with other investors. The knowledge should be applied while making the investment decisions. He has to obtain the knowledge from the different sources. Individuals should make a fair estimate of their level of intelligence and work towards it accordingly.

7.1. 4 : Clearly Defined Objectives :

Investors should have clear defined objectives and follow them in all investment decisions. The successful investors should possess this quality. The investors should decide the objectives like earning income, capital appreciation and to avail tax shelter investment schemes. The investors should avoid the mistakes committed by over conservativeness and over aggressiveness. Objectives should depend more on how much an investor can afford to lose, or the degree of risk he can undertake rather than how much money will be obtained through the investment.
7.1. 5: Cool Head And Reasonable Greed:

A successful investor is one who has a cool head. This becomes essential, as a person is likely to be influenced by his emotions such as greed and fear. Therefore, in order to succeed, an investor should understand his own feelings and then should try to win them over.

7.1. 6: Beside these qualities, the successful investor should also keep in mind the following suggestions:

- Do not develop emotional attachment with any particular shares and securities.
- Do not hold securities for a long period, but sell it, at the right time to get high returns.
- Develop one's individual opinion and have confidence about the predictions. No harm knowing other opinions for comparisons.
- Have only reasonable greed. It is good to be ambitious but only to a certain extent.
- Neither follow the elite blindly, nor disregard the trivial in making investment decisions. Decisions should be taken on the basis of true and reliable variables.
- Investors should make independent decisions and should not be guided by mere friendship and closeness.
- Find out the real reasons behind fluctuations in share prices.
7.1. 7: Bernard Baruch is considered an extremely successful US investor. He advised that the investors should adopt the intelligent investment management. According to him, the following should be observed while investing:

- Professionals should do speculation.
- Be cautious of free inside information of all types.
- Examine the company as thoroughly as possible.
- Impossible to buy at the bottom and sell at the top.
- Take your loss as quickly as possible if an error is made in purchasing wrong investment.
- Invest only in areas you know best.
- Periodically examine all investments to observe the expectations.
- Examine income tax positions to take advantageous of profits and losses.
- Keep some cash in reserve for safety.

7.1. 8: To make the best expert in the investments planning the following suggestions are made by Chandrakant Sampat, (a successful Indian investor) while investing:

- See the migrationary path.
- Focus on cash flows.
- Purchase when market is plagued by panic.
Nemish shah, the largest Indian investor established a record and his approach is based the following while investing.

- Do thorough research.
- Interact with management.
- Time judiciously.

7.1. 9: To make the best expert in investment planning the investor has to follow the seven suggestions made below:

1. Investment planning is an attitude. Given the right kind of attitude towards money, the investor can acquire the skills. The right attitude is to be neither a pinchpenny nor a profligate. It lies in achieving a delicate balance between becoming a niggard and a spendthrift.

2. The investors should be clear about his objectives. How much money does he need? At what rate does he want his money grow? Can he afford to take any risks? All these question reveals security needs. Investment planning is achieving a balance among these three objectives.

3. Invest the money in such a way that you can withdraw it whenever necessary.

4. Make it always a principle not to aim to get very high returns- always aim at fair returns.

5. If you aim at peaceful retirement, don’t make risky investments, because of higher rates of interest or dividends.
6. Remember, you are an investor you should not become a speculator.

7. You should plan your investments in such a way that they offer you considerable protection against the inflation devil.

7.2: Suggestions And Recommendations:

On the basis of the primary data collected for the study and the secondary data available, at the end some suggestions and recommendations are made. However these suggestions and recommendations depend upon the monetary policy of the government, the policy of the RBI. The suggestions also depend on the rules and regulations of the SEBI. Due to the changes made in the above-mentioned policies, it will affect the suggestions and recommendations. The choice of investment[s] by an investor should only be made taking into account his needs and objectives. The different investment plans for different investors are determined in terms of risks and returns as they relate to investors individually.

7.2.1: Information is of great importance in the investment decision-making. The investors can be successful provided they purchase securities after analyzing the performance of the organization. The investor should consider the environment prevailing in the country. The information provides the base on which the

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performance, the strengths and weaknesses of the organization can be reasonably judged. It also helps to predict its growth and future prospects. As an investor, try to obtain information about the organizations from the different sources like annual report, interim report, stockbrokers, merchant bankers, investment consultants, business newspapers, journals, and tips from colleagues and friends. The investors should read the future plans of the organizations, their strategies, its expansion and diversification programmes, in relation to the industry group to which it belongs. The investors should make the investment decisions on the basis of the half-yearly un-audited report with precaution. Sometimes it might contain estimates that may not be found in the annual report. Hence it is suggested that before making investment decisions, gather the information and other related data about the organization.

7.2.2: The collected information should be properly analyzed and understood before investing. It is suggested that the investor should note as to what type of information is more useful and also what additional information is needed to arrive at the right decision in this regard. The investor should make the financial analysis of the organizations. The financial analysis focuses the determination of investment policy. It is a substantial amount of general economic analysis. Financial analysis requires that the investor should adjust to the published data to accomplish desirable goals. The investors should
calculate the ratios, trends, and averages of the financial data and use the information for the purpose of the analysis. The ratio analysis is an important technique in evaluating the financial condition of the organization. The Liquidity ratios, Profitability ratios, Capital Gearing ratio, Activity ratios, Investment ratios, and Growth and Stability ratios are useful in assessing the ability of the organization to fulfill the obligations and commitments towards the investors.

7.2.3: The investors should make the economic analysis of the available information. The economic analysis can be done through economic indicators such as the business cycle, the level of agricultural and industrial production, the price level, money supply, interest rate movements, and the stock market behaviour. The fundamental analysis focuses on the study of financial statements and other accounting information to determine a security’s intrinsic value. Based on such analysis, the investors should decide as to when a security should be purchased and traded.

7.2.4: It is advisable for investors to select those industries and companies that are in the ‘rapid expansion phase’. The investors should be careful about the companies that are in the final stage of development, i.e. the stage of stabilization or decline. In this stage profits decline and reach a low level and there is a greater risk of failure, except when there is early development.
7.2.5: The investors should do **technical analysis** to tackle with the timing of investment decisions. The technical analysis helps the investor in deciding the timing of security purchases and sales. The technical analysis refers to the analysis, which uses internal information of the stock markets. Such information includes security prices, sales volume, and trading activities of market participants. The wise investors should pay attention in developing the chart patterns of markets and individual securities.

7.2.6: **Suggestions in Selecting Shares:** The investors should possess a vision to predict continuously and accurately corporate securities which can prove good investments for the future. The following suggestions and recommendations should be considered while selecting shares:

1. **[7.2.6.1]** Choose a large size company.
2. **[7.2.6.2]** Choose a listed company and shares of such company should be regularly traded in the stock market.
3. **[7.2.6.3]** Popular shares should be purchased.
4. **[7.2.6.4]** Invest in shares of different companies belonging to different industries.
5. **[7.2.6.5]** Invest in shares of diversified company.
6. **[7.2.6.6]** Invest in shares of company with long records of promising profits and showing the sound financial condition.
[7.2.6.7] Invest in shares of existing company and new company.

[7.2.6.8] Invest in shares on the base of fundamental analysis and technical analysis.

[7.2.6.9] Do not invest in shares of company that is suffering from serious problem.

[7.2.6.10] Do not rely on the market gossip.

[7.2.6.11] Do not love a share too much and hold it.

[7.2.6.12] Select a good and reliable broker.


[7.2.6.14] Tax implications on investment in shares should be considered.

[7.2.6.17] Observe that the company is paying dividend regularly.

Final words of recommendation in selecting shares are:
Common man should extract the key ratios from the latest financial statements and do not yield to the temptation of speculation. The secret in stock market is that the most of the speculators end up due to the financial difficulties and the emotional attitude. What is said of the card game, applies to stock market also:

'True luck consists not in holding the best of the cards at the table, Luckiest is he who knows when to rise and go home'.
7.2.7: Suggestions and recommendations for Company deposits:

The company deposits have become popular with the investors because of the higher interest rate and other incentives offered by them. The following suggestions should be kept in mind by the investors while investing in the company deposits:

[7.2.7.1] Never invest in new companies.
[7.2.7.2] Never invest in private limited companies.
[7.2.7.3] Never invest in companies showing accumulated losses and companies not having a sound liquidity positions.
[7.2.7.4] Never invest in companies that offer much more interest than the reasonable interest offered by similar companies.
[7.2.7.5] Never invest in a company that does not pay regular dividend.
[7.2.7.6] Never invest for more than three years in a company.
[7.2.7.7] Never renew your deposit automatically.
[7.2.7.8] Check, CRISIL or ICRA or CARE rating.
[7.2.7.9] Never put all money in any one company.
[7.2.7.10] Check tax implications.
[7.2.7.11] Invest in local company.

It is recommended that be careful while investing in company deposits because they are unsecured.
7.2.8: Suggestions and recommendations while investing in Debentures and Bonds:

India's debenture market is only second to the Korean markets in East Asia. It is suggested that due precautions should be taken while investing in debentures. Stay with the safety and also observe the debenture rating. Debentures on NSE should add transparency. The investments in financial bonds are safe and give handsome returns, but the investors have to be alert and monitor the interest rate movement in India. They should also understand the yields from these bonds. It is suggested to note the pre-tax returns and post-tax returns while investing in the debentures and bond types of investment avenues.

7.2.9: Suggestions and recommendations while investing in Life Insurance Policies:

'If we insure the planet Earth, who will pay the premium?'

The United Nations? Government? Or you?

Insurance of your investments in the companies is very much the same. Improbable and impractical, for the simple reason those good companies would not part with their margin to pay the premium, and insuring the deposits made in the poorly managed companies will not ensure the safety of your money. To make your investment less risky, you have better options than insurance. Make an extensive study of the company's past and it's future prospect. Seek the guidance of a seasoned financial consultant. Check if the returns outweigh the risks.
And finally make your own decision. You can’t insure, but you can ensure, your money’s safety.

The people have mixed feeling about their investment in the life insurance policies. They think that it is not worthwhile from the returns point of view. But they would certainly like to ensure that their families are not left unprotected, if any thing untoward were happen to themselves. It is strongly recommended to insure oneself in the early stages of ones career. The Life insurance policy is long-term investments say for the period of 10-20 years. During this period, many factors like tax rates, interest rates, nature of incomes, alternative investments etc. may change. This will affect on the breakeven point of a life insurance policy. Therefore, it is suggested that every policyholder has to build up an up-to-date cost-benefit analysis of his policy to decide, whether he should continue or not. The following suggestions are made in respect of making the investments in the life insurance policies.

[7.2.9.1] Have reasonable insurance cover, neither over-insurance nor under-insurance.

[7.2.9.2] Do not go for paid-up policies.

[7.2.9.3] Do not allow the policies to lapse due to non-payment of premium.

[7.2.9.4] Do not allow agents to influence insurance decisions.

[7.2.9.5] Do not switch from one policy to another.
[7.2.9.6] Do not buy narrow policies.

[7.2.9.7] Do take LIC loans for productive uses.

[7.2.9.8] Buy adequate personal accident insurance.

[7.2.9.9] Keep your spouse well informed.

[7.2.9.10] Take tax benefits.

[7.2.9.11] Professional training programmes should be organized.

[7.2.9.12] E- LIC service should be promoted and de-mat facilities should be provided.

To sum up, it is recommended that the insurance should made compulsory to all Indian citizens. Similarly Medi-claim policy should be encouraged and innovative insurance products should be launched.

7. 2. 10 : Suggestions and recommendations for Mutual Funds :

The mutual fund industry had ups and downs in the last few years. The small investors should select mutual fund keeping in mind their requirements and investments goals. The following are some of the guidelines to be considered while in investing in mutual funds.

[7.2.10.1] Do not invest in one mutual fund, but in different schemes of mutual funds.

[7.2.10.2] Select a fund that permits to switch from equity to bonds and vice versa.

[7.2.10.3] Be careful about highly aggressive funds.

[7.2.10.5] Do not go in a big way of sector funds.

[7.2.10.6] Need to exercise caution while investing in private sector mutual funds.

However one change that can be observed is the perception of investors from short-term investments changed to the long-term investments. The competition between the large numbers and innovative schemes has ensured better service to the investors. Going by recent trend, mutual funds do look like attractive investment for small investors.

7.2.11: Suggestions and recommendations for Bank Deposits: [Nationalized and Co-operative banks.]

In terms of convenience and ease of operations, all banks are still quite satisfactory, especially for the aged and retired. Banks offer not only returns, but also peace of mind. Generally speaking, a bank deposit is a relatively trouble-free investment. Now a day new methods of conducting banking transactions have emerged such as telebanking, internet banking etc. At international level these methods have become a part and parcel of the services offered by the banks. This trend is catching up in India too. Hopefully, in a few years all our banks would also become equally sound as banks in foreign countries. The following suggestions and recommendations should be considered while investing in the bank deposits.
[7.2.11.1] Deposits should be in joint names.

[7.2.11.2] Study the rules and the rates of interest for different periods.

[7.2.11.3] Keep small deposits.

[7.2.11.4] Check the deposit receipt.

[7.2.11.5] Give written instructions about interest and maturity amount.

[7.2.11.6] Renew matured deposit for a period longer than the period elapsed since maturity, and get the benefit for the entire period.

[7.2.11.7] Check the annual report and find out that bank makes regular payment of premium on deposit insurance scheme.

[7.2.11.8] Check the percentage of unproductive loans to total loans.

[7.2.11.9] Check the percentage of capital, reserves and assets.

[7.2.11.10] Check the investments made by the banks.

[7.2.11.11] Check that the bank makes the profits regularly for at least 2-3 years.

[7.2.11.12] See that the bank falls in ‘A’ category of audit.
7.2.12: Suggestions and recommendations while investing in Small Savings Schemes:

The small savings schemes presently in operation have significant relevance, especially for the middle class salaried people and other fixed income investors, like retired people. The small savings schemes are performing very well and much popular among the middle class of investors. It is argued against these schemes that the internal interest burden is very high. Unless effective steps are taken to reduce it in the near future, India is likely to face serious problems.

There is no zero risk investment in the world. The small savings schemes are no exception to this rule. They are exposed to inflation risk. When you are investing in government-sponsored investments, it is a borrowing for the government. The government has to pay the interest and also the principal amount to the deposit holders. According to economists, such debt raised by the government is burdensome to the treasury. It is found in economic history that taking new debts redeemed the old debts; more paper currency is printed i.e. by increased inflation and repaying in cheaper currency. Let us hope that the government does not debase the currency through inflation. However the following points should be taken into considerations while investing in small savings schemes:

[7.2.12.1] Interest rate should not fall further.

[7.2.12.2] Cost of implementation on these schemes should be reduced.
[7.2.12.3] Investment limit u/s ‘88’ of the I.T. Act, should be increased to Rs. 100000.

[7.2.12.4] Innovative products should be introduced.

[7.2.12.5] New schemes should be introduced for women and senior citizens.

[7.2.12.6] Website should be launched.

[7.2.12.7] Professional training should be given to staff and agents.

[7.2.12.8] Paper work should be reduced.

[7.2.12.9] Withdrawal facility should be made easy and simple.

[7.2.12.10] Make a compulsion to open PPF account.

[7.2.12.11] Customer service, and tax implication package, to be introduced.

[7.2.12.12] Monthly income certificates of investors in various post offices savings schemes should be directly credited to their bank accounts, i.e. through E.C.S.

[7.2.12.13] Investors in small savings schemes should be allowed demat savings certificates i.e. to allow investors to get their certificate dematerialized.

[7.2.12.14] Duration of PPF account should be 8 to 10 years.
7.2.13: Suggestions and recommendations while investing in Real estate:

The wisest investment advice given by the experts to the investors is that 'buy real estate because they are not making any more of that stuff'. It is suggested that buying a own office and fitting it with air conditioners, fans, etc. can be a good investment, because of depreciation available on office space and fittings. The main reason while investing in real estate is that price had reached an unsustainable level. The recommendations made while investing are:

[7.2.13.1] Be careful about land ceiling laws, tenancy laws.
[7.2.13.2] Don't buy at early age.
[7.2.13.3] Plan for own house or apartment.
[7.2.13.4] Insure the house and its belongings.
[7.2.13.5] Buy or build a house with borrowed money.
[7.2.13.6] Buy agricultural land to avail wealth tax exemption.
[7.2.13.7] Risk, of armed robbery and violence for farmhouses.
[7.2.13.8] Be careful about land-grab and illegal encroachments.

Let us assure that it is essential to have own house in the long run. Having an own house one could satisfy the emotional satisfaction. You do not have to build a palace, but build something that is useful and livable. Hence the priority should be given to make real estate investments.
7.2.14: Suggestions and recommendations while investing in gold and silver:

Gold and silver have been very popular in India. Since there is no income as such from holding gold, there is no liability for income tax. But bullion and jewellery are subject to capital gains tax, and wealth tax, without any exemptions whatsoever. You can buy and safely invest in gold. But take care to keep it in bank lockers. Several new options may emerge for investors to invest in gold bars, gold coins, gold funds, and gold mining companies. Some bullion experts are of the opinion that silver investment is better than gold investment because silver is much scarcer than gold. However remember that, gold and silver are simply commodities and are worth only what the market is willing to pay for them. However to invest in gold or silver is the personal matter of an individual. But if you calculate and compare with the interest rates, you will find the different story:

Investment in Gold: Return Perceptive:

Calculations being made on the assumption that the gold rate was Rs. 5750 per ten grams in the month June 2003.
Table: 7.2.14: Investment in gold:

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7.2.15: Sixteen Basic Rules On Investor Education:

[7.2.15.1] **SAFETY** of money depends upon the financial soundness of the company that you invest and not on government regulations.

[7.2.15.2] **SAFETY** of money depends upon the future risks of the industry in which such money is deployed.

[7.2.15.3] **SAFETY** of money depends upon the integrity and business efficiency of the persons managing such money.

[7.2.15.4] ‘**Good service**’ of investment does not necessarily mean ‘**ultimate safety**’ of money.

[7.2.15.5] ‘**Service efficiency level**’ of a company normally depends upon its financial needs and not on financial soundness.

[7.2.15.6] **Risk average** investors should not be greedy. Good service should not be mistaken for ‘**safety**’.
[7.2.15.7] Companies manage risks identified by promoters with the money given by the investors.

[7.2.15.8] High rate of return for the investor means reduced income or even loss for borrower.

[7.2.15.9] Deposits with companies are only regulated but not protected by Government regulations or RBI Certification or by the credit ration agencies.

[7.2.15.10] RBI Certification or Credit Rating is merely opinions of reliable organizations. They do not guarantee the safety of your money.

[7.2.15.11] Investments in public sector undertakings are not guaranteed by the Government. Safety of such investments also depends upon their fundamental strength.

[7.2.15.12] LIQUIDITY is different from SAFETY. LISTING does not really mean LIQUIDITY or SAFETY.

[7.2.15.13] Investment in Equity includes anticipation of inherent RISK also.

[7.2.15.14] Profits can be manufactured. Balance sheets can be tailor made. Look at the fundamentals. Profit after tax on Net worth {without accounting tricks} is the real measure of knowing current profitability.
[7.2.15.15] Real return of an investment depends upon

[a] Tax concessions and rebates.

[b] Market risks and

[c] Investment period.

[7.2.15.16] Investors cannot be protected by any regulation or control. They can be educated.

7. 2. 16 : Suggestion On Strategy For Operation Of The PPF Account:

7.2.16.1: Don’t wait till you come under income tax bracket. Open the account, as early as possible in the first year of your service.

7.2.16.2: You should open an account of your spouse. You should open the PPF account of your child or children by the time he finishes his high school education. This will enable him to take advantage of withdrawal facility by the time he completes his education.

7.2.16.3: If you open accounts, you need not extend your own account of initial maturity after 15th financial year, but continue to subscribe in the account of your spouse, child etc, and take rebate in your income tax.

7.2.16.4: If you desire to contribute totally more than Rs70000 in PPF accounts, contribute in the account of your spouse or your child.
7.2.16.5: Subscribe as much as possible in PPF particularly from 2\textsuperscript{nd} year, because this will increase your amount of withdrawal from 6\textsuperscript{th} year.

7.2.16.6: Withdraw only when it is necessary and avoid withdrawal every year.

7. 2. 17 : Nothing is the only thing that is risk free :

Life is full of risks. From traveling in an airplane to the simple act of walking to the corner shop, there are inherent risks hidden everywhere. Same is the case with the money you invest in companies. Higher the returns, higher will be the risk. So don’t be avaricious. Check for an investment option with minimum risk and ensure the safety of your money. It is advisable to invest only after an extensive study of the company’s past performance and its future prospect. It is suggested to take the guidance of a professional financial consultant. Check if the returns outweigh the risks. Finally make your own decision. You are responsible only for the decision and money. And thinking about it, is there anything in life that’s risk free? Absolutely nothing!!
The majority of small investors are retired people, widows, spinsters, handicapped and so on, from the salaried class. Since these categories of people do not have any other source of income except regular income from their fixed deposits and they have very little possibility of increasing their income.

1. All the benefits extended to senior citizens, including income tax limits, should be extended to retired persons, i.e. after the age of 58 or 60.

2. A person after retirement should be allowed to invest all the retirement benefits in the existing PPF account. The PPF account for these individuals should be converted into monthly income, with tax-free benefit up to a certain level.

3. For senior citizens, the TDS limit has to be raised for the investments made in the private companies as well as banks.

7. 2. 19 : Investors, Steer Clear of Landmines:

The investor must see his investment objective in addition to the risk tolerance. How much money are you ready to invest and what is the return you are expecting, are the prime questions to be answered. The investor must respect the Risk v/s Return profile. To earn a higher return, the investor has to assume a higher risk. The investor should understand the legal nature of the investment. Fixed deposits are
unsecured instruments; specific assets on the other hand could secure a debenture investment avenue. Always remember an old statement but a relevant one, while investing is ‘Don’t put all your eggs in the same basket’. There is no reason to do that when there exists so many investment avenues offering varying returns and features.

A good investor should make the evaluation of the business in which investment is made. A clean image of the company should attract the investor, rather than extra yields. Hence it is required for the investor not to invest in companies that violate norms, laws and regulations.

Do not be swayed away by big names. A well-known group does not necessarily ensure a safe and good company. A good rating does not always promise adequate safety. A credit rating agency rate on the basis of data from sources that it considers to be reliable and does not guarantee accuracy. Understand the end-use deployment of funds mobilized. The investor is required to understand at what cost the deposits are being mobilized and what is the return to the company. Manufacturing companies do not offer extra safety. One should also understand that manufacturing companies are not regulated so stringently, hence risk remains high. Shake out is inevitable. Two good fallouts are expected from the scam: One, the RBI will supervise the players more actively. Two, the industry will consolidate and professionally manage players who will grow in a big way.
7. 2. 20 : Suggestions and conclusion for Housing Finance Companies:

To facilitate housing finance to the needy people, the following measures are needed:

- Personal contact with the beneficiaries.
- Provide low-cost housing material.
- Provide housing finance at lower rate of interest.
- Provide minimum infrastructure facility for decent living.
- Provide disaster relief to the people living in disaster prone areas.
- Check all sorts of corruption and malpractices.
- Control of population growth.
- Creation of employment opportunities.

7. 2. 21 : Need for investor education on credit rating:

It is imperative that the credit agencies launch investor awareness programs to help investors to understand the concept and usefulness of the credit rating. The investor education programmes should be conducted in various cities and towns, brochures aimed at educating the investors, should be made freely available and the print and broadcasting media should be used to educate the investors.

This education should be a continuous process. Periodic meeting with the investors at regular intervals would produce better
impact. If the rating of the company is downgraded or upgraded the reasons thereof should be widely publicized for the benefit of the investors. These steps would inspire the confidence of the investors in the rating agencies. The investor should understand limitations in the rating system so that they intelligently use it in their investment decision. Further the rating agency should also simplify the methodology and the usage of symbols. And finally they should be held accountable for the lapses, if any.

7.2.22: A message in public interest for NBF depositors:

Please check before you invest your money and verify track record of an NBFC.

<table>
<thead>
<tr>
<th>SOME CHECK POINTS</th>
<th>SOME FACTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>The NBFC should have stated in its advertisement that it has complied with RBI regulations.</td>
<td>NBFCs are not allowed to offer more than 12% interest</td>
</tr>
<tr>
<td>The NBFC should be a profit making company.</td>
<td>No official agency guarantee the repayment of deposits or interest</td>
</tr>
<tr>
<td>An NBFC not having minimum credit rating as mentioned below is not eligible to accept fresh public deposits.</td>
<td>NBFC deposits are unsecured, NBFC are not allowed to offer gifts / incentive. NBFC are not allowed to offer more than 2% brokerage. All depositors must be issued proper receipts for deposits.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rating Agency</th>
<th>Leasing / Hire purchase Companies</th>
<th>Loan / Investment Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRISIL</td>
<td>‘A’-</td>
<td>‘A’</td>
</tr>
<tr>
<td>ICRA</td>
<td>‘A’-</td>
<td>‘A’</td>
</tr>
<tr>
<td>CARE</td>
<td>‘BBB’</td>
<td>‘A’</td>
</tr>
<tr>
<td>DCR India</td>
<td>‘BBB’-</td>
<td>‘A’</td>
</tr>
</tbody>
</table>
There are Ten Commandments of investing, which would serve as basic guidelines for all investors. They are as follows:

1. Avail of tax shelters.
2. Accord top priority to a residential house.
3. Integrate life insurance in your plan.
4. Tiptop through the world of precious objects.
5. Choose a risk posture consistent with your stage in investor life cycle.
6. Adopt a suitable formula plan.
7. Select fixed income instruments.
8. Focus on fundamentals, but keep an eye on technicals.
10. Periodically review and revise the portfolio.

**7. 2. 24 : Guidelines for aggressive equity investors :**

1. Focus on investments you understand and play your own game.
2. Scout for special situations in the secondary market.
3. Pay heed to growth shares.
4. Monitor the environment with keenness.
5. Beware of the games operators play.
6. Invest selectively in new shares.
7. Anticipate earnings ahead of the market.
8. Leverage your portfolio when you are bullish.
9. Take swift corrective action.

7. 2. 25: Guidelines for conservative equity investors:

1. Avoid certain kinds of shares.
2. Apply stiff screening criteria.
3. Participate in the schemes of mutual funds.
4. Look for relatively safe opportunities in the primary market.
5. Join a suitable portfolio management scheme.
6. Consult an investment advisor.

7. 2. 26: Fear of interest decline and Future:

Due to Globalization and changing pattern of Government in the interest rates, many of the investors are feeling insecure and worried about the future. The salaried class and the retired people are in deep financial crises. Many investors feel that the government will reduce the interest rates further. And it will affect the savings and investment schemes. It is said that the entire financial structure will change. But I personally strongly feel that in-spite of interest reduction; the Indian investors will invest in the different savings schemes. The typical tendency of Indian middle class is savings oriented. They will save for future even if the government changes its policy. To meet future money needs, money for children’s education, their marriages and for
their old age the middle class will definitely save. Because of the mind set of Indian people, always save for precautionary motives, the middle class investors will save in future also even with the interest rate of 3% p.a.

7.2.27: Creating Portfolio:

The investor should create the investment portfolio while investing.

The low risk portfolio: For this segment of investors, safety comes first. As a result, investment for this class of investors is generally biased heavily towards banks and financial institutions, fixed deposits of companies. Investors can also invest in Bonds and debentures.

The medium risk portfolio: Investors can invest in this segment by taking some risks. Liquidity is considered for this class of investors.

The higher risk portfolio: Investors can invest in this segment by taking higher risk. Investments in lower rated companies are made.

Table: 7.2.27:

<table>
<thead>
<tr>
<th>Risk</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-risk</td>
<td>Company fixed deposits, Secured debentures, Units, Blue chip shares.</td>
</tr>
<tr>
<td>High-risk</td>
<td>Shares, Mutual funds, Portfolio schemes, Unsecured debentures.</td>
</tr>
</tbody>
</table>
It is recommended that the investor should invest 40% of his investment in low risk investments, 30% in medium risk investments and the remaining 30% in the high-risk investments. The investors should follow the following rules to build a strong portfolio:

- Stocking away a healthy sum every month is the surest way to make financial accounts grow.
- Before deciding what to buy, consider first when to sell.
- Observe the performance of entire portfolio.
- For long term investors the big threats are inflation, investment costs and taxes.
- Buying risky asset can lower portfolios risk level.
- The way to get poor is to bet everything on one stock.
- Purchase Inflation Indexed Treasury bonds or Savings bonds.
- The biggest gain from home ownership is rent or if you live in your own home, the imputed rent.
- For sake of your sanity, and your heirs, keep your portfolio simple.
- Short-term bond funds will give you much of the yield than long-term bond funds.

7. 2. 28 : Investment Planning :

Personal investment planning is must for a good investor and a middle class family. The short-term planning covers aspects like income generation, committed expenses, disposable income, securing
the financial future of the family, making a will and catering for unforeseen events, which lead to heavy expenditure. The long-term planning covers acquiring basic knowledge of investments, acquisitions of assets such as a house, creating second source of money inflow, network to succeed in life and enhancing self-competence for generating greater income.

7.2.29: Common Investment Recommendations:

There are certain investments, which every investor ought to make, though their relative priority changes with age. The investments are:

Table: 7.2.29:

<table>
<thead>
<tr>
<th>Investment</th>
<th>Young 25-35</th>
<th>Middle 35-45</th>
<th>Aged 45-60</th>
<th>Senior 45-60</th>
<th>Retired 60+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Insurance</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
<td>Nil</td>
<td></td>
</tr>
<tr>
<td>Medical Insurance</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>House / Flat</td>
<td>Low</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Tax-oriented savings schemes</td>
<td>Low</td>
<td>High</td>
<td>High</td>
<td>Low</td>
<td></td>
</tr>
</tbody>
</table>

Also, savings bank accounts have to be maintained by all of us for meeting ongoing liquidity needs. Gold and silver may be purchased only to satisfy some essential family needs like marriage, festivals, and other special occasions. The industrial sector should adopt the policy of savings in three different ways:
1. Saving policy for government and public sector employees.
2. Saving policy for private sector employees.
3. Saving policy for retired and senior citizens.

The average middle class has a high propensity to save moderate to high proportion of its income. These savings need to be channeled into productive purposes providing profitable and safe investment opportunities. A stable investment environment in the country would go a long way in maintaining the confidence of the investors and if that could be ensured, the average middle class has a great potential as far as the savings and capital formation is concerned.

The level of literacy, educational attainments, occupational distribution and income profile of the respondents determine their ability to save and the amount of savings. This could be so because higher level of education ensures job prospects leading to higher income. As education, among other things, enables a person to make rational choices, there is a very strong possibility that as the level of income and education would rise; their propensity to save higher proportion of their income would also rise.

Forbidden Investments:

So far as the following categories of investments are recommended totally forbidden for all categories of investors:

- Chit funds, Nidhis, Mutual Benefit Societies.
- Plantation schemes and Phoney real estate schemes.
- Deposits with partnership firms, private limited companies who do not enjoy good credit rating.
- New issues of shares by first generation unknown entrepreneurs.
- Volatile scrip's, which fluctuate dangerously.
- Peerless-type savings schemes.
- Speculative stocks and private placements of equity shares by unknown companies.

A Word of Caution:

The topic taken for the purpose of the research study is a formal study. The study depended on the general saving habit, awareness of savings schemes and to know the progress of investment and savings in Pune District. Whatever suggestions and recommendations are made pertains to the middle class investors. Hence do not take these investment recommendations too literally. They are meant for general guidance only and depend upon the tax rebates allowed by the government from time to time. It is suggested to take professional guidance particularly with regard to tax planning and portfolio management. Be careful, particularly after 40 years and avoid major risks and mistakes. Try to invest in a diversified portfolio of investments, which balances the risk and return on one hand, and the liquidity and profitability on the other. Do not despair in times of
financial difficulties. Investment means not only investing in physical and financial assets but also investment of your time with family members. This investment will give you the best returns in the world. You may read many books and acquire theoretical expertise in investment and tax planning. But you will never become successful investor if you do not apply your own judgment, which is the most valuable and tax-free asset you have. Hence if the appropriate authorities consider these suggestions, the researcher is quite optimistic that the middle classes will positively benefit by the various savings schemes.

Further study: This topic can be used in future for the further study. The Govt. and other investment institutions may follow the suggestions and recommendations made in this study, while implementing the new investment proposals. The topic can be used to study the savings schemes of middle classes of other districts, states and nations. Further each investment avenue can be considered as a topic for a comparative and analytical case study. The study can be extended due to the Govt. policy and the amendments made in the budget. The researcher is quite optimistic that the middle class investor will follow the suggestions, while investing and to avail the tax rebates in future.